STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

VOL 23 / ISSUE 47 / 02 DECEMBER 2021 / £4.49

SHARES

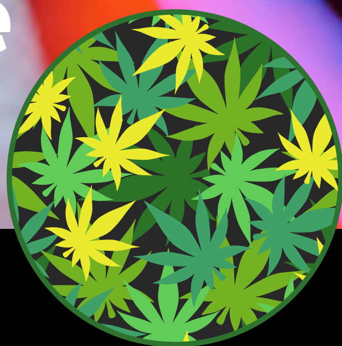
WE MAKE INVESTING EASIER

SHAKEN BY OMICRON:

What the market wobble means for investors

CANNABIS INVESTING

Why CBD products could hit the big time



Contents

CFA UK Publication of the Year CFA UK Journalism Awards 2019

News Provider of the Year (Highly Commended) CFA UK Journalism Awards 2020

Don't panic in the face of Omicron sell-off

Selling at the right time is notoriously difficult and can see you lock in losses

The FTSE 100 had its worst day of 2021 on 26 November as news of the Omicron variant spooked investors.

The sell-off in UK markets was matched around the globe as investors reacted to the imposition of travel restrictions and the potential for future lockdowns to contain the spread of what could be a more infectious form of Covid-19.

We look at all the details of what is happening on the markets and what might happen next in extended special coverage in our news section this week.

It is important not to panic when there is an increase in market volatility. In essence, we were probably due a bit of a correction. The markets' recovery from their pandemic lows has been impressive if patchy so the latest move lower should be seen in that context.

It just so happened that a fresh development in the Covid-19 pandemic rather than a geopolitical event or a rapid increase in interest rates has been the catalyst for selling.

We still don't know how serious Omicron is, and if this is a speed bump for the markets or something more serious, but either way acting in haste is only likely to lead to regret.

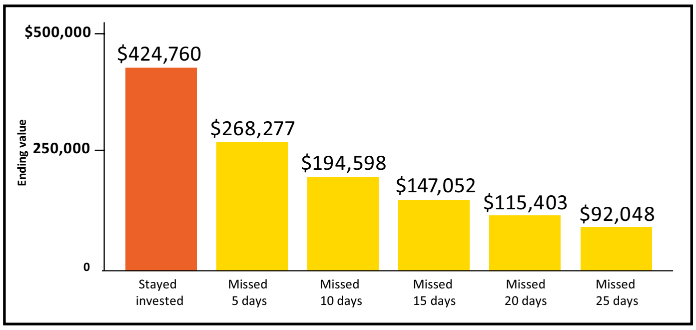
Assuming you have no plans to tap into your investment pot for cash in the short term, then staying invested is almost always the right option.

At the margins, you might consider selling some more speculative investments in your portfolio, should you have any.

This would both reduce your exposure to risk but also provide you with some cash to take advantage of opportunities to buy high quality stocks at a lower price should there be extended weakness in the markets.

If you are invested mainly in funds, it's very likely their managers will be reacting in just the same way.

Impact pf missing top-performing days ($100,000 invested in between 2001-2020)



Sources: BlackRock; Bloomberg. Stocks are represented by the S&P 500 Index.

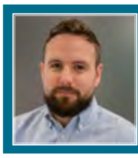
If instead you start selling out of everything and crystallising any losses, there is a risk you do so at the bottom of the market and miss out on any recovery.

It is a well-worn market adage for a reason that *time in* the markets beats *timing the markets*.

We often highlight this study, which is continually being updated, but the details are sufficiently compelling that they bear repeating.

Asset manager BlackRock found that if you had invested a hypothetical $100,000 in the S&P 500 index of US stocks between 1 January 2001 and 31 December 2020 you would be sitting on $424,760 if you stayed invested but by missing just the best five days that number dropped to $268,277.

At the time of writing there were a lot of companies which had fallen by high single digit or low double digits last Friday, but which had only recovered by a small amount on the following Monday. If you have a long-term view of the markets, now might be a good time to pick up a pre-Christmas bargain.



By **Tom Sieber** Deputy Editor

What Omicron means for the markets

Looking at the immediate and potential longer-term impact of a more infectious strain of Covid

The emergence of Omicron, a new Covid variant, has negatively impacted investor sentiment thanks to the possibility of further lockdowns and the associated economic disruption. There are several issues that have the potential to impact stock markets – beyond the simple impact of renewed restrictions.

As we write a warning from Moderna CEO Stéphane Bancel on the effectiveness of existing vaccines against the new variant has helped puncture an initial rebound in the markets.

Omicron has reduced the likelihood of a rise in UK interest rates in December, while simultaneously increasing the possibility that inflationary pressures stay stronger for longer. Finally, a lower interest rate environment may be beneficial for growth stocks and inhibit any potential rotation out of higher rated sectors into more value-orientated stocks.

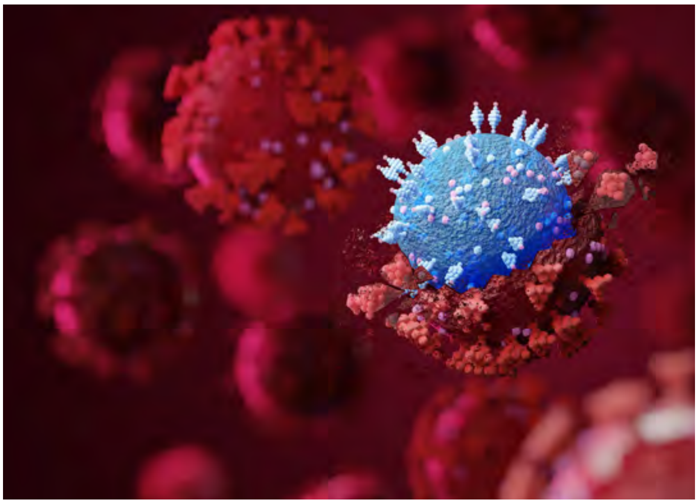
The other thing to note is the level of uncertainty, with the full impact of Omicron only becoming clear in the coming weeks, in the interim we can expect lots of market volatility.

POTENTIAL CONSUMER SPENDING HIT

Recent figures from the ONS (Office for National Statistics), revealed that the real cost of living rose by 4.2% in October, the highest rate in almost 10 years. As a result markets had been anticipating that interest rates would rise at the next monetary policy meeting on 16 December.

However with the emergence of several cases of the new Omicron variant both in England and Scotland, there are growing fears that new lockdown measures may be necessary to prevent the spread of what is considered to be a more contagious Covid variant.

Consumer activity accounts for approximately 70% of economic activity in the UK so any new measures imposed to prevent the transmission of



the new Covid variant would have a large negative impact upon economic growth. This was a key take-away from the series of prior lockdowns.

Given the markets are now pricing in a two in three chance UK base rate will remain on hold in December. A February rate rise is now expected - priced in with an 80% probability. This represents a pretty dramatic turnaround for interest rate markets, which were previously factoring in a rate rise in early November.

INFLATION: STRONGER FOR LONGER

Former German central bank president Karl Otto Pohl compared inflation to toothpaste; once out of the tube, it is difficult to put back. This is particularly the case in the absence of interest rate rises.

A higher level of inflation has some political expediency. Governments on both sides of the Atlantic have incurred abnormally levels of debt due to the furlough schemes introduced during Covid.

Inflation erodes the real value of debt, and therefore whilst politicians will publicly espouse the virtues of a low level of inflation, behind closed doors they will acknowledge that inflation does have a silver lining in reducing high levels of debt without imposing any unpopular policy measures like austerity.

The Bank of England expects inflation to rise further to around 5% in the spring of 2022 before falling back toward its 2% target by late 2023, as the impact of higher oil and gas prices fades and demand for goods moderates.

There are several indications that this view may be over optimistic. The recovery from the pandemic has been accompanied by a surge in both wages and prices.

American hourly pay rose by 4.6% in the year to September, while consumer price inflation of 5.5% has more than eradicated those gains. Excessive wage growth could be the next factor to drive up prices, especially if workers demand higher pay in the expectation of a future rise in the cost of living.

GROWTH STOCKS: BENEFIT FROM LOWER RATES

Growth stocks may benefit from a lower interest rate environment. The market has been concerned that growth stocks trading on lofty earnings multiples may be vulnerable to a correction in the wake of rising interest rates.

This is particularly the case where companies are in the early stages of their development. This often involves companies in the technology sector where they are experiencing rapid rates of growth but are loss making.

Such companies are often valued based on their future cash flows using a discounted cash flow method.

Put simply this assesses the value of their future cash flows compared to the cost of capital – based on borrowing rates and the returns demanded by investors in their shares.

UK sectors that took biggest tumble

	Friday, 26 November	Tuesday, 30 November 11am
Consumer Services	8.2%	1.8%
Travel	8.1%	2.3%
Banks	7.1%	0.8%
Oil	6.4%	2.3%
Automotive	5.3%	1.7%
Household Goods	4.4%	2.3%
Mining	3.9%	0.6%
Industrials	3.4%	1.4%
Construction	3.1%	1.7%
Industrial Transport	2.9%	1.2%

Source: NBTrader • Created with Datawrapper

If interest rates rise, so does the associated WACC (weighted average cost of capital), and this can significantly reduce the value of future cash flows and the overall value of the company. If interest rates stay subdued for a longer than anticipated period, these growth-orientated companies will look more attractive from a valuation perspective.

WHAT HAPPENED ON 'RED FRIDAY'

Global shares were decimated on 26 November as panic selling swept the market on Black Friday, dubbed Red Friday in some quarters as investors faced a sea of red on their screens. Any hopes that the 29 November's calm and modest bounce might stick were scuppered by 30 November, with markets once again falling sharply.

The UK benchmark FTSE 100 finished Black Friday, 266 points lower, or 3.6% down, at 7,044.03, its biggest one-day decline since the original Covid crash.

Mid caps offered little protection for investors with the FTSE 250 losing nearly 750 points, or 3.2% as it closed at 22,573.89. Anything travel or leisure related bore the brunt of the selling although commodity, energy and bank stocks also sold off.

European markets fell significantly, following the steep sell-off across Asia, with the Euro Stoxx 50 closing 4.7% down at 4,090.44. The ugly mood

Biggest FTSE 350 fallers during first Covid crash

Finablr	30.8%
SSP	27.2%
SIG	26.8%
EasyJet	26.8%
Playtech	26.5%
TUI	26.3%
International Consolidated Airlines	25.1%
William Hill	23.2%

Data: 21 Feb 2020 to 3 Mar 2020

Source: NBTrader • Created with Datawrapper

extended to Wall Street following the US market's close for the Thanksgiving holiday on 25 November, with the Dow Jones losing 2.5%, while the S&P 500 dropped 2.3% and the tech-fuelled Nasdaq Composite fell 2.2%.

Bitcoin has also taken a bath, plunging to six-week low $53,700 while oil slumped nearly 11%, with Brent crude losing almost $9 a barrel to $73.30.

Investors have always known that new variants could well be a problem, but while reports over the past 12 months of possible candidates that might be a concern have come and gone, Omicron is being treated very differently.

TRAVEL SECTOR SLAMMED

The new rules have seen the UK temporarily ban inbound flights from South Africa, Namibia, Zimbabwe, Botswana, Lesotho and Eswatini but while travel bans and newly mandated mask wearing in shops and public transport may be well-supported by the public in the short-term.

Brits find themselves almost back at square one, with questions again being asked about Christmas in populations that are for the most part double-jabbed, and well on the way to being triple jabbed.

This may help to explain the outsized reaction we saw in the likes of airline shares which got absolutely hammered on Red Friday and will certainly continue to be subject to the ebb and flow of worry, as concerns grow as to what the next two weeks will mean for this beleaguered sector.

Concerns about going down the lockdown route may also explain why governments are going in hard early on, because they fear the consequences of trying to impose another Christmas lockdown. Investors may return to past lockdown winners like Zoom, Peloton and Netflix, whose shares have firmed in recent days, although we will have to see if this trend sticks. [MGar/SF]

Biotech shares given big boost by new variant

Vaccine makers have responded quickly to the latest mutation of the virus

News of the fresh Omicron variant of Covid put a rocket under biotechnology shares which have pioneered novel mRNA vaccines.

Biotechnology firms Moderna and BioNTech surged 21% and 14% respectively when the news broke last Friday (26 Nov) while the share price movements in **AstraZeneca (AZN)**, Pfizer and Johnson & Johnson were far more muted as the table shows.

The reason Moderna and BioNTech outperformed is because the technology underpinning their vaccines allows them to be tweaked faster and easier than the traditional vaccines produced by AstraZeneca, Pfizer and Johnson & Johnson.

The Moderna and BioNTech vaccines are based on mRNA technology which delivers genetic codes to the body in tiny bubbles of fat. The body then manufactures the protein that the immune system recognises to fight the virus.

This effectively cuts out the time-consuming job of manufacturing vaccines in laboratories, in contrast to the mRNA technology where defective bits of the code can be replaced.

BioNTech and Pfizer reckon they could ship initial batches within 100 days if their vaccine needed tweaking.

Another factor driving the out-performance of Moderna and BioNTech was their significant prior underperformance with the market values of both firms halving over the last six months, creating plenty of 'catch-up' potential.

Also, both company's vaccines are used in the UK for booster jabs and at the weekend the government urged people to get their booster jabs sooner to provide extra protection.

The companies have reacted fast to the new threat with Moderna saying it was already testing a higher dose booster jab while it is also 'rapidly' exploring if the booster is effective against Omicron.

Biotech sector - how they performed on 26 Nov

Company	Change (%)
Novacyt	28.2%
Moderna	20.5%
BioNTech	14.2%
CureVac	13.5%
Synairgen	6.4%
Pfizer	6.1%
Johnson & Johnson	-0.6%
AstraZeneca	-1.1%

Source: [illegible]

The company is also developing two 'multi-valent' booster candidates designed to anticipate mutations such as Omicron and future possible variants, a kind of catch-all booster vaccine.

Meanwhile BioNTech said they have created a pseudo-virus to investigate if their vaccine will be less effective against Omicron and Johnson & Johnson is already testing its vaccine against the new variant.

In addition to vaccine makers, companies that had fallen out of favour partly due of the emergence of vaccines also performed well with diagnostics company **Novacyt (NYCT:AIM)** gaining 23%.

Companies developing Covid-19 treatments were also seen in a more positive light and respiratory drug development company [bold] **Synairgen (SNG:AIM)** gained 6%. It's inhaled drug SNG001, currently in late stage trials has been shown to be effective against new variants.

Meanwhile, molecular diagnostics firm **Genedrive (GDR:AIM)** surged 80% on Monday (29 Nov) after it submitted a new rapid Covid-19 test for EU approval. The point of care test can identify the new variant and provide positive results in 7.5 minutes. [MGam]

Latest Future upgrades put it on the cusp of FTSE 100

Media group's shares have gone up 23-fold in the last five years

Shares in media group **Future (FUTR)** surged by 15.9% to £36.98 following the announcement of its full year results (30 Nov).

This advance means the shares have doubled since the start of 2021 and are up more than 23-fold in the last five years. A £4.5 billion market valuation suggests Future could soon be big enough to gain entry to the FTSE 100, assuming it maintains its positive momentum.

The latest numbers were ahead of expectations, and have prompted a series of earnings upgrades. Perhaps more significantly, forward-looking guidance from management is encouraging. Growth is expected to accelerate during the second half of 2022, with the prospect of a further improvement in the margin.

This improvement in the outlook follows a doubling of full-year profit and continuing improvement in profitability. For the 12 months ended 30 September 2021, pre-tax profit jumped 107% to £107.8 million year-on-year as revenue increased 79% to £606.8 million. A final and (full year) dividend of 2.8p has been declared which was ahead of a consensus estimate of 2.5p.

Future made two key acquisitions in February 2021, Monzo, an Australian price comparison website that focuses on selling financial products like loans and bank accounts.

The Monzo deal was shortly followed by the takeover of GoCo Group, the parent company of insurance firm Go Compare. The deal brings discount platform MyVoucherCodes and energy savings services Look After My Bills and Weflip under its portfolio. This forms part of its strategy to enhance its e-commerce and financial services capabilities. [MGar]

Klarna boost for Chrysalis

Controversial Swedish buy now, pay later outfit is growing fast

CHRYSALIS INVESTMENTS' (CHRY) net asset value (NAV) per share grew by 7.7% to 251.96p in the third quarter to 30 September 2021, taking year-to-date NAV growth to an impressive 39.4%.

The private equity trust, which supports tech disruptors with later stage and pre-IPO funding, many of which are in the 'fintech' space, said the quarter was relatively quiet in terms of funding rounds, yet the portfolio saw significant revenue growth.

Key contributors during the quarter were fast-growing digital bank Starling, the recently listed foreign exchange and payments group **Wise (WISE)** and Swedish buy now, pay later firm Klarna which accounts for 27.6% of the portfolio.

The latter is growing fast in the US, where according to Statista, buy now, pay later penetration is only 2%, compared to 5% in the UK, 10% in Australia and 23% in Sweden.

Klarna recently inked a strategic partnership with payments processing platform Stripe, which will allow retailers using Stripe to activate Klarna in their checkouts within minutes, although its business model is not without controversy.

Buy now, pay later firms allow people to postpone shopping bills for a short while, or split payments into more manageable chunks over time, interest free, and experts believe the payment method is set to have its biggest Christmas yet, although critics argue stricter rules are needed because users can easily end up in debt. [JC]

Interesting way to back disruptive firms improving the world

Artemis Positive Future Fund has a different way of approaching impact investing

The sustainable, impact, ethical and broader ESG investing space has become a bit busy and investors increasingly want to move away from the crowd. Rather than be in the obvious names, it often pays to look elsewhere for opportunities and *Shares* has spotted a very interesting fund that might be the solution.

Artemis Positive Future Fund (BMVH597) invests in companies helping to make the world a better place, and it does so in a slightly different way to other funds of its ilk.

There is a lot of investor interest in these types of 'positive change' funds, but they often invest in the same group of companies such as Vestas Wind Systems and **Unilever (ULVR)**, meaning this has become a crowded trade and harder to achieve outperformance versus the peer group.

The key difference with Artemis Positive Future Fund is that more than 65% of its portfolio is in medium and smaller-sized companies which are lesser known, and not the classic names in broader ESG/positive change funds.

Admittedly, there is some crossover with other funds of its type such as a position in large

ARTEMIS POSITIVE FUTURE FUND I ACC

BUY

(BMVH597) 103.13p

Market cap: £40 million

cap electric vehicle group Tesla, but these are the exceptions rather than the norm.

LESS THAN A YEAR OLD

Artemis Positive Future Fund only launched on 6 April this year and one should never judge the performance of a fund on a short-basis – for reference, it's up just over 3% in that period.

Bringing greater comfort in the fund's potential is the track record of its managers. The four individuals running the Artemis fund all worked together at Kames which now goes under the name of its parent company, Aegon Asset Management.

Three of them co-managed the **Aegon Global Sustainable Equity Fund (BYZJ377)** and generated a 16.9% annualised return while managing that strategy. That fund was the fourth best performer out of 224 funds in the IA Global Equity sector during their tenure. The fourth member of the Artemis team is Ryan Smith who was previously head of ESG research at Aegon.

Their track record gives credibility to the new Artemis fund and they are now in an environment where they have more freedom to make decisions, with suggestions that Aegon had a more stifled atmosphere with a lot of bureaucracy. Rather than simply put money into the established Aegon fund, it is worth following the managers to their new fund given they were the ones helping to achieve those strong returns.

SEEKING DISRUPTORS

The Artemis fund invests in companies that it believes will deliver transformational change, focusing on disruptive, innovative companies making a different to the world. Co-manager Neil Goddin says disruption as a concept has been around for a long time. It was there in 1920s when roads were built; now it involves disrupting the fossil fuels sector to change the energy mix and delivering cheaper and more efficient healthcare, to name but two examples.

The fund's portfolio has between 35 and 45 stocks and investee companies tend to have the following characteristics versus the broader market: higher revenue growth, higher margins, lower capex to sales, lower net debt to capital, lower carbon emissions to sales, higher free cash flow margins and higher valuations (price to earnings, price to book, price to sales). It has a 0.9% ongoing charge.

PORTFOLIO HOLDINGS

While many of the companies in its portfolio are not household names, their impact on society is very powerful once you look at what they do as a business.

The biggest holding is Everbridge which has software to alert people on mass in the event of an emergency. 'It was developed following the 9/11 tragedy,' says Goddin. 'One of the founders worked in an area where the planes hit and thought if there was better communication, more lives could have been saved.'

Everbridge works with companies and governments

to deliver emergency communications, such as keeping people away from a chemical leak or during gun attacks in schools to help keep pupils safe. Companies used Everbridge's systems to locate staff as the Covid-19 pandemic took its grip, and the technology has also saved lives warning people about extreme weather events such as cyclones.

The Artemis fund has a position in Kornit Digital, an Israeli digital printing company which is helping to change the face of fast fashion. This industry traditionally uses a lot of water, energy and has significant wastage. Kornit enables clothing manufacturers to run shorter print cycles and produce items closer to where the products are sold, ultimately allowing them to control inventory far better.

Other investments include MIPS which has done something very clever with bike helmets. The biggest risk to a cyclist in an accident is brain damage. MIPS puts a piece of plastic in a helmet that reduces rotational motion transferred to the brain in the event of an impact.

The company licences its technology to helmet manufacturers and increasingly bike riders are happy to pay for this extra safety protection. Growth is coming from both traditional bikes and electric ones, as well as skiing, snowboarding, horse riding and construction.

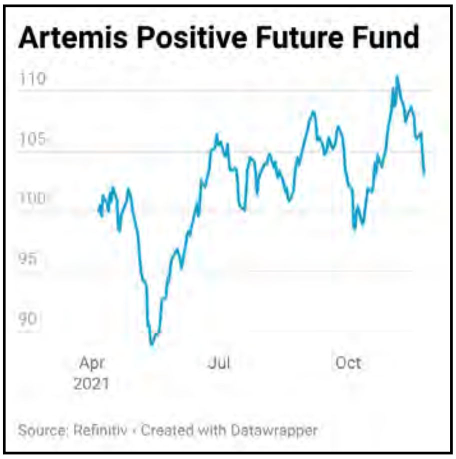
The fund also invests in hearing aid specialist Amplifon and a company called Insulet which has an innovative way of administering insulin.

NEED FOR PATIENCE

Investing in the Artemis fund will require patience and its focus on smaller companies means it could be more volatile than a large cap global ESG fund.

'The world is well supplied with funds investing in mega-cap businesses that are wedded to the status quo,' says Artemis.

'Moving beyond this means being unorthodox: it means having the courage to fail, the courage to hold, the courage to wait – and the courage to be different. Only in this way can we – and our clients – hasten (and seek to profit from) the transition to a positive future.' [DC]



Buy Speedy Hire for a great combination of growth and value

The firm is seeing sales expansion, is becoming more profitable and could return cash

Equipment rental firm **Speedy Hire (SDY)** offers that rare combination of growth *and* value. Sales and earnings are growing at close to 30%, and the firm has just raised its full year outlook, while the shares are trading on just 15 times this year's earnings and less than 13 times next year.

The pace of the firm's recovery from the pandemic has been remarkable, with earnings before interest, taxes, depreciation and amorisation for the six months to September almost back to the level of 2019.

The firm is winning new contracts and extending existing ones with construction groups like **Costain (COST)**, housebuilder **Redrow (RDW)** and privately-owned infrastructure services company MGroup.

It is also improving its asset utilisation rate, that is the amount of time kit is out on hire, thanks to the use of artificial intelligence, mining its huge database of rental information for trends so that it always has the right equipment available in the right place at the right time.

A big driver of this year's performance has been the 'partnered services' business, where Speedy uses its industry links to source and re-hire big industrial kit out to customers, from 1,000-tonne cranes to portakabins. As well as boosting sales, the services business raises the group's margin as there is no ownership cost for the equipment.

Also, as well as pushing into the small and medium segment of the trade market, the firm has recently developed a retail business in partnership with B&Q, owned by **Kingfisher (KGF)**, aimed at the home DIY-er. Trials have been so successful that the service is being rolled out from 16 stores to a further 23 in the second half of the financial year.

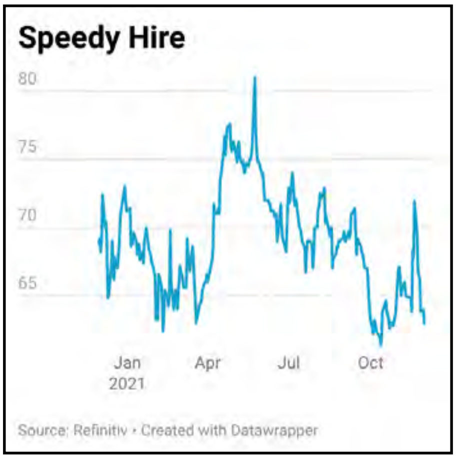
Again, the retail business has higher margins than the trade business which all goes towards generating improved cash flow and earnings.

Although we don't think of Speedy as an income stock, there's a strong suggestion from management that total returns could rise considerably over the next few years.

While the firm still needs to invest in new equipment, and in particular carbon-friendly products as it works to bring down its customers' emissions, it has a healthy cash balance and leverage is just 0.7 times.

It returned to the dividend trail this year and the board has said during 2022 it will 'consider returns to shareholders of any capital in excess of the group's needs consistent with its capital allocation policy'.

The main risk investors need to weigh is a resurgence of Covid amid the emergence of the new Omicrom variant, though the impact on the construction sector is unlikely to be as acute as in the early stages of the pandemic.



ESSENTRA
(ESNT) 305p

Loss to date: 1.6%
Original entry point:
Buy at 310p, 11 November 2021

OUR POSITIVE CALL on support services business **Essentra (ESNT)** is down a touch on our recent entry point, but that needs to be viewed in the context of this week's broader market wobble.

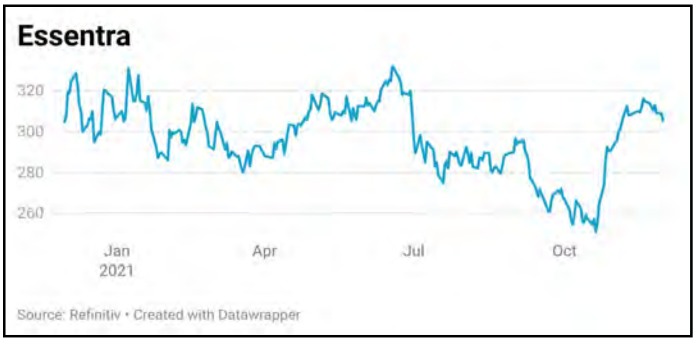
It has fallen less than the wider market since we said to buy in early November, with the FTSE All-Share dropping 4.3% against a 1.6% dip for Essentra over the same time period.

More relevant from our perspective is the welcome, though not unexpected, announcement that the company is actively considering an exit from its packaging arm, hot on the heels of a mooted disposal of the filters division.

This would leave the focus entirely on its higher margin components unit – a key reason we highlighted the group's appeal. The accompanying revelation that chief financial officer Lily Liu is planning to leave next year also hints at an accelerated timetable for the move.

Commenting on the news Davy analyst David Greenall said: 'We see this as a positive and suggests a swifter conclusion to the group becoming a solely components business.

'CFO Lily Liu has announced that she will leave Essentra... again, we see this a further indication that the non-components operations will likely be divested, or a long way down the track to sale, by that date.'



SHARES SAYS: ↗
Still a buy. [TS]

KITWAVE
(KITW:AIM) 146p

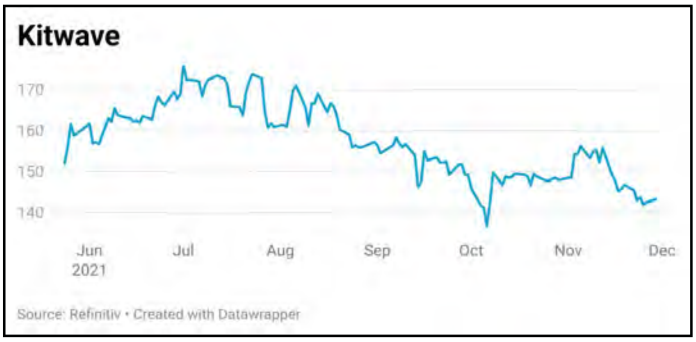
Loss to date: 2.3%
Original entry point:
Buy at 149.5p, 21 October 2021

OUR 'BUY' CALL on deal-hungry food and drink wholesaler **Kitwave (KITW:AIM)** is 2.3% in loss, yet we remain upbeat about the company's organic and acquisitive growth prospects in a fragmented market.

Kitwave's positive trading update for the year to October 2021 got missed as markets tumbled on 'Red Friday' (26 Nov). That's a shame, since the delivered wholesale business said annual pre-tax profit will be 'significantly ahead' of cautiously-pitched expectations following forecast-beating second half sales in the wake of the easing of Covid restrictions.

While many rivals have been impacted by the HGV driver shortage, Kitwave's own in-house established fleet of delivery vehicles and drivers has enabled its operations to continue as normal. Strong relationships with suppliers has ensured supply chain issues have been 'kept to a minimum', with Kitwave making substitute products available and maintaining high customer service levels.

Steered by CEO Paul Young, Kitwave doesn't foresee cost inflation adversely affecting profitability either. 'This is not a new phenomenon and one with which the group has dealt with successfully on many occasions in its 35-year history', assured the cash-generative company.



SHARES SAYS: ↗
Kitwave is emerging from the pandemic as a stronger business. Keep buying. [JC]

DX

(DX.:AIM) 24.9p

Loss to date: 17%

Original entry point:

Buy at 30p, 18 November 2021

LIKE THE REST of the market, we were completely blindsided by the announcement from **DX (DX.:AIM)** on the day of its annual general meeting last week that it couldn't publish its annual report due to 'a corporate governance inquiry' raised by its audit and risk committee.

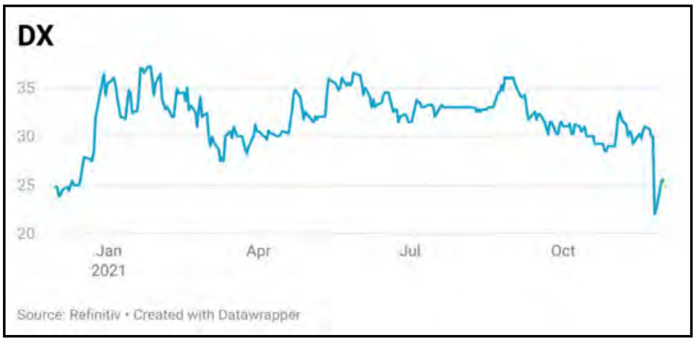
Investors headed for the hills and didn't look back, selling the stock down as much as 40% at one point on more than 25 million shares, the biggest volume for over six months.

The firm said the inquiry related to an internal investigation begun during the financial year to the start of July, and until it was concluded the accounts couldn't be signed off.

In all likelihood, that means the annual report won't be ready before the start of January, at which point under AIM rules the shares will be suspended.

While we have no special insight into what has happened, we are at least comforted by the fact the firm's operations appear to be unaffected and the outlook remains unchanged.

Meanwhile activist fund Gatemore, which owns 20.5% of the company, is asking for a seat on the board while both chairman Ronald Series and CEO Lloyd Dunn have been buying shares in a show of faith in the business.



SHARES SAYS:

While we sympathise with the sellers, we would hold on for clarification. [IC]

Refined value, resilient performance

The team behind Momentum Multi-Asset Value Trust have stuck to their guns as contrarian value investors in recent years, and the resurgence of value this year has seen this pay off...

Momentum Multi-Asset Value Trust (MAVT) is a multi-asset trust which aims to deliver inflation plus returns over a typical investment cycle. MAVT pursues a unique take on value investing which it terms 'refined value' – looking beyond equities by encompassing a far wider range of assets. This results in a widely diversified and highly differentiated portfolio including equities, fixed interest and alternatives, as well as third party funds.

Economist JM Keynes famously quipped that "markets can remain irrational for longer than you can remain solvent", and there have been points in the last ten years for value investors when these words may have felt particularly poignant.

Value investors focus on identifying companies which they believe are undervalued by the broader market and trading at prices which do not reflect their true worth.

Growth investing largely ignores the price of a share today and focuses instead on the future price which the investor believes the share is capable of achieving, based upon the growth potential of the company.

For the last decade the latter style has outperformed the former as growth stocks were buoyed by a wave of technological innovation. A collapse in 10-year Treasury yields in early 2020 only compounded that process, as the drop in bond yields made prospective tech earnings even more attractive.

However another more recent famous investor; billionaire Peter Thiel – an early Facebook investor and co-founder of PayPal – said: "The most contrarian thing of all is not to oppose the crowd but to think for yourself."

For the team at MAVT this contrarian instinct has been a guiding principle of their approach throughout these difficult times for value investors, and in the last year – as the decade long growth bull market has stuttered and value has at last begun to find its feet – the approach is paying off.

Value stocks rallied sharply on news of the vaccine breakthrough in Q4 last year, and continued to perform strongly in the first half of this year as investors bet on a post-COVID recovery. The trust has delivered solid returns this year which help put its five-year NAV total return at 47.7%, close to the peer group average for the AIC Flexible Investment sector's 54.4% over the same period.

Portfolio manager Gary Moglione said the team's contrarian approach was crucial during the pandemic: "Our philosophy is to focus on valuations, and we were finding some of the best bargains we've ever seen in our careers – even compared to what we saw during the 2008 crash. We were buyers of UK equities, buyers of investment trusts, and that has helped us during the recovery since and we continue to benefit from those new holdings."

MAVT has topped up its holdings in several investment trusts during this period. The team prefers specialist vehicles which use the advantages inherent to the closed-end structure and these highly specialised trusts – including HOME Real Estate Investment Trust and Digital 9 Infrastructure – reflect that.

MAVT itself has also used the structural advantages of the investment trust structure to good effect during the period.

Gary says: "During one of the harshest income shocks the market has seen in the last century a lot of companies cut their dividends, but we were able to use our reserves to ensure our dividend wasn't cut. Those reserves remain significant, which puts us in good stead to ensure that the dividend remains ahead of inflation even if underlying revenues don't keep up."

Gary and the team are cooler on the prospects for the UK than they were at the start of the year, though they still see selective opportunities here. Instead, they are looking for ideas in emerging markets, Asia-Pacific and Japan.

In addition to the diversification benefits, Gary says MAVT's exposure to other investment trusts could also be a key driver of future returns. "We have a slight bias toward specialist assets. There are a lot of trusts still on significant discounts, so you've got the potential for these to close as well as the NAV growth which comes with a recovery, so we're happy to get involved there and in the meantime you are seeing yields of 6-8% so you are being paid to wait."

The strength of MAVT's recent performance has had a positive impact on long-term returns. The trust has delivered NAV total returns of 22.5% over the twelve months to date, and 47.7% over five years – putting it in line with the average for the AIC Flexible Investment sector, which has delivered 54.4% over the same period.

Click **here** to read our detailed fund research on Momentum Multi-Asset Value Trust...

CANNABIS INVESTING

Why CBD products could hit the big time

By **Ian Conway** Companies Editor

Like all new investment themes, medicinal cannabis – which uses cannabidiol or CBD rather than the psychoactive THC component of the cannabis sativa plant – has had its highs and lows in the early stages of its development.

Over the past five years, shares in CBD companies have been through two distinct waves of interest. Today, with consumers showing a more educated approach to CBD and high street retailers stocking dozens of products on their shelves, we believe the medicinal cannabis sector is due a new upsurge in interest.

The big catalyst for the sector is likely to be new US legislation, which would not only legitimise cannabis-related businesses but give the green light to huge multinational consumer goods firms to get into the market.

POTTED HISTORY

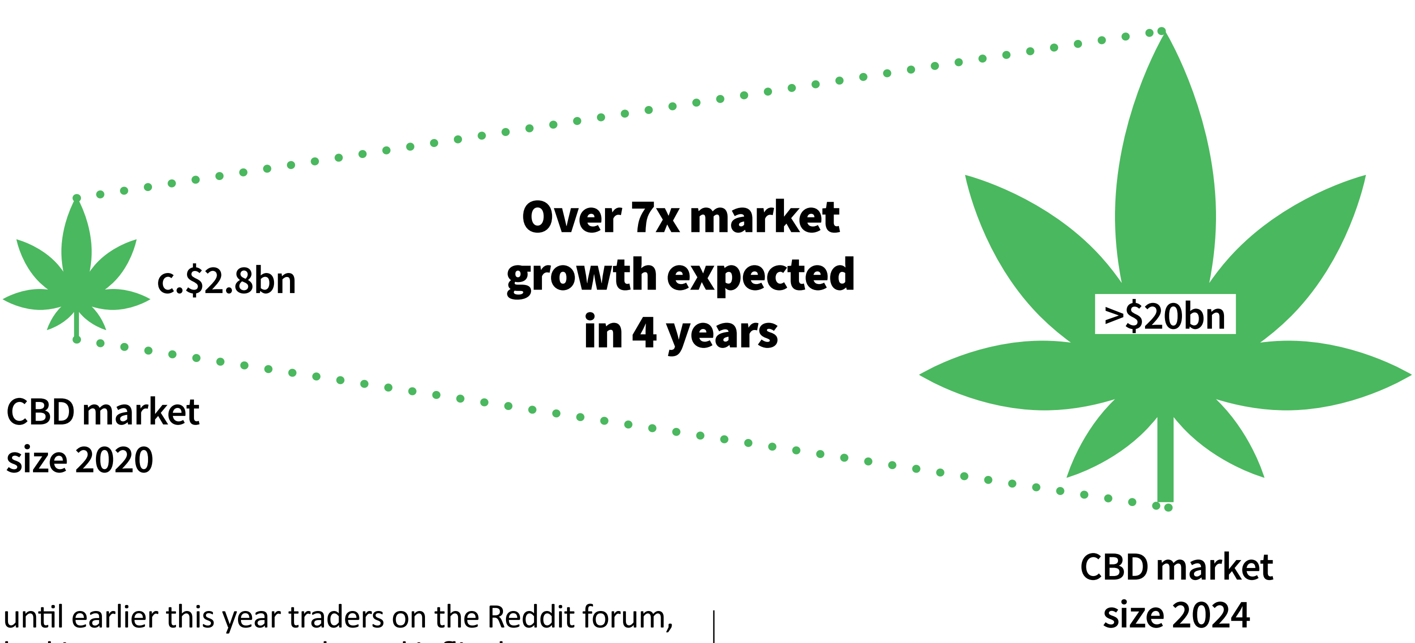
The first CBD stocks, such as Canopy Growth, were listed in Canada and were initially seen as something of a curiosity. However, when Canada legalized the sale of cannabis and regulated its use in 2018 there was a mad dash to own them, sending prices soaring. Canopy Growth, which had traded below C$10 for the best part of four years, was suddenly valued at more than C$70 per share.

The euphoria lasted about six months, after which investors lost interest and drifted away,

CAUTION

CBD remains an immature market with considerable uncertainties over its trajectory and its association with an illegal drug brings its own complications. Investors should ensure they are fully informed on the risks before they get involved.

Global CBD market expected to exceed $20bn by 2024



Source: World, High Life, Grand View Research, Hanway Partners, Forbes, March 2021

until earlier this year traders on the Reddit forum, looking to ramp up stocks and inflict losses on hedge funds, spurred a second wave of buying.

Once again, Canopy Growth was in focus, its shares surging from below C$20 to an intraday high above C$70, while in the UK shares of **Chill Brands (CHLL)** jumped from around 60p to more than 100p and shares of **MGC Pharmaceuticals (MXC)** leapt from just above 2p to almost 8p in the excitement.

Fortuitously, just as the enthusiasm reached fever pitch two new UK CBD firms came to market, **Cellular Goods (CBX)** and **Kanabo (KNB)**, both enjoying strong support on their debuts.

With nothing more than day-traders to support them, however, CBD stocks fell on hard times and most were trading at their year lows until a few weeks ago.

CHANGING PERCEPTIONS

While shifting social attitudes are driving consumer interest in CBD products, the Government's position is confusing to many. Despite being decriminalized in many other countries, cannabis itself is still a Class B drug in the UK, meaning it is illegal to grow, possess, distribute or sell it without a license. Penalties can be up to 14 years in prison and an unlimited fine.

Therefore, for some investors, even licensed CBD companies are in the 'sin bin' alongside arms makers, online betting firms and the adult entertainment industry.

Moreover, CBD products can't be marketed as healthcare products according to rules laid down by the MHRA (Medicine and Healthcare products Regulatory Agency). Instead, they have to be pitched as food supplements.

Even so, there are believed to be between six and seven million users of cannabinoid products in the UK, and the potential market could be as big as £1 billion within a few years.

'There's been a massive increase in interest', said Purity Hemp chief executive Michael Walker in a recent interview. 'This will be like toothpaste. It will be like an aspirin in your cupboard'.

GROWING DEMAND

If investors are unsure about the merits of CBD, consumers are already sold on it as a remedy to help with their sleep, mood, pain and inflammation. Also, its anti-oxidant properties have potential benefits for skincare, which is an enormous market.

World High Life (LIFE:AQSE), which owns the Love Hemp brand, and start-up Cannaray, which is planning a UK or US listing in the near future, have both recently launched high-profile TV advertising campaigns fronted by well-known personalities.

Supermarket chain Asda has just signed a deal with wellness group **Yooma (YOOM:AQSE)** to stock 17 of its subsidiary Vitality CBD's products in over 300 of its stores alongside other CBD ranges.

Health food and sports nutrition retailer Holland & Barrett stocks no fewer than 118 CBD products, from oils and capsules to skincare products and food and drink.

Among its hottest products are its own-brand CBD lip balm, muscle balm and serum, Cheerful Buddha CBD coffee, CBD-infused Vita Coco sparkling lemon cardamom drink and Almighty Foods raw CBD chocolate.

Even seemingly-staid Boots has a range of 71 CBD products, from calming oils and balms to mouth sprays and gummies. As the firm says, however, while there are many claims about the effects of CBD on health and wellbeing, 'the scientific evidence remains a little sketchy'.

A MEDICAL FIRST

Neil Mahapatra, chairman of **Oxford Cannabinoid Technologies (OCTP)**, which joined the UK market in May this year, aims to challenge that view.

Mahapatra believes the global market for cannabinoid products to treat pain is in the region of £42 billion per year, and OCT, which counts FTSE 100 stalwart **Imperial Brands (IMB)** among its major shareholders, aims to test four CBD-based drugs to treat neuropathic pain with the hope of taking two through clinical trials and on to commercialisation.

Most CBD products on the market can't be approved as a licensed medicine because they don't have clinical data, whereas by putting its drug candidates through trials for specific pain indications OCT hopes to gain regulatory approval, meaning doctors can prescribe them and insurance companies can reimburse them.

U.S. THE GAME-CHANGER

While Canada, which for both the industry and governments worldwide was the 'test case' for deregulation, has been a huge success in terms of the adoption of CBD and medicinal cannabis, the great prize is south of the border.

In September, the House of Representatives passed the SAFE (Secure And Fair Enforcement) Banking Act which means the proceeds from the sale of products by legitimate cannabis-related businesses are no longer considered unlawful, and banks can no longer be penalized for providing banking services to legitimate cannabis-related businesses.

This is a huge step towards legitimising the CBD industry, and assuming it passes through the Senate, is signed off by the president and becomes law, it could open up the gigantic US market.

A bi-partisan group of 24 governors, including one from Senate majority leader Chuck Schumer's home state of New York, is calling on the Senate to pass the SAFE Act by the end of this year as Republicans who have typically been anti- anything to do with cannabis have realized they can raise more money from taxes on its legitimate sale than they can on alcohol sales.

In Virginia, traditionally one of the most conservative US states, Republican lawmakers are even talking about legalising the sale of cannabis for recreational use when the party takes control of the House and the governor's office next year.

As well as the SAFE act there is the MORE (Marijuana Opportunity Reinvestment and Expungement) Act, which is currently before the house. This act de-criminialises marijuana by taking it off the list of controlled substances, and recommends an excise tax on cannabis-related products made in the US or imported

More controversially, it eliminates penalties for anyone who manufactures, possesses or distributes marijuana, and it establishes a process to have past convictions expunged and sentences reviewed.

However, many in the industry believe if the MORE Act becomes law it will open the floodgates for global consumer goods companies, who have so far held back from selling their own CBD products due to the potential for reputational risk and negative feedback from investors, to plunge headlong into the market.

THE UK-LISTED CBD RANKS LOOK SET TO BE SWELLED IN THE NEAR-TERM WITH THE PLANNED LISTING OF MEDICINAL CANNABIS PLAY **EQUINOX** ON AIM

HOW TO PLAY THE CBD THEME

Clearly there is plenty of uncertainty and risk in this market and investing in these stocks will not be for everyone.

For UK investors interested in playing the theme the simplest way is through one of two exchange-traded funds.

The **Medical Cannabis and Wellness ETF (CBDX)** provides 'targeted exposure to a new and growing industry of companies engaged in the production and associated services and products in the medical cannabis industry'.

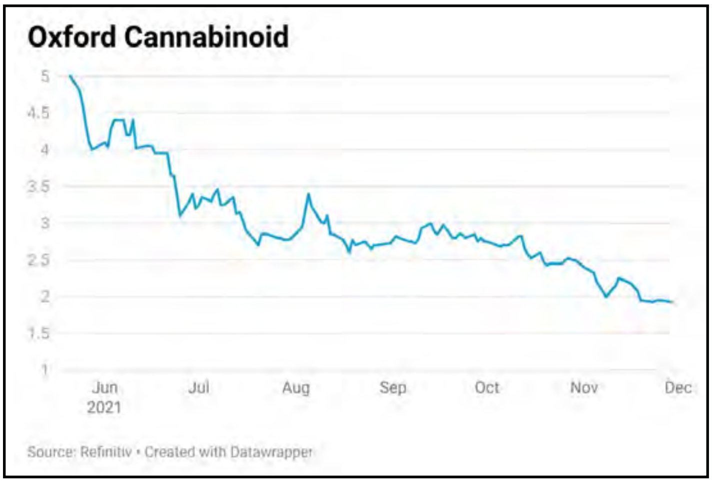
It has $38 million of assets, is priced in dollars, has a broad spread of holdings with 41 investments and a 0.8% ongoing charge ratio.

The **Rize Medical Cannabis & Life Science ETF (FLWG)** is a similar size with $41 million of assets but is priced in sterling, has 29 holdings and a 0.65% ongoing charge ratio.

In terms of individual stocks, there is no shortage of options but given the 'sameness' of many of the CBD products on the market so far we believe investors should choose a CBD company which is itself differentiated.

OXFORD CANNABINOID TECHNOLOGIES (OCTP)

Price: 1.9p – Market cap: £18.5 million

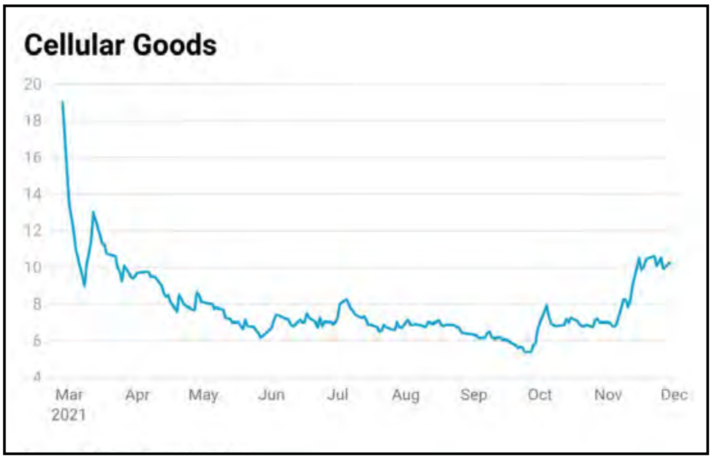


OCT has clearly set itself apart from the crowd by focusing on developing regulated drugs for the treatment of pain. The company pitches itself as 'the new GW' after GW Pharmaceuticals, the pioneering producer of therapeutic cannabinoid products which was acquired by US firm Jazz Pharmaceuticals earlier this year for a staggering $7.6 billion.

However, GW Pharma had invested over £1.3 billion in research and development and put more than 60 candidate drugs through Phase 2 and Phase 3 trials against OCT's target of two drugs, so it has a long way to go to live up to the claim and there is execution risk.

CELLULAR GOODS (CBX)

Price: 10.3p – Market cap: £52 million



Another firm which is clearly differentiated is Cellular Goods, which rather than extracting cannabinoids from actual plants makes them in a laboratory.

Using biosynthesis, it produces large quantities of high-purity cannabinoids identical to those from plants without pesticides, pathogens, heavy metals and other compounds which can be present in farmed cannabis.

The process only uses a tiny fraction of the water needed to produce cannabis plants on a commercial scale, making its product more sustainable. It is also a much quicker process, typically taking 10 days instead of the 90 days it takes to grow cannabis plants.

The firm expects to launch its first range of premium skincare and supplement products in early December, supported by digital advertising and content marketing.

Disclaimer: The author (Ian Conway) owns shares in Cellular Goods

Generous yields from top Asian income funds

Trust are typically offering more than open-ended vehicles

A silver lining of the weak performance of Asian stocks in 2021 is it has pushed up dividend yields.

This is reflected in the yields available from UK-domiciled Asian income funds, some of which are running at 6%-plus.

The top performing fund on a three-year view is **Schroder Asian Income Z Acc (B5BJ7M1)**, though it offers a more modest yield of 3.2%.

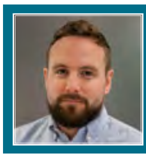
The excellent long-term track record is marked by strong protection against downside in choppy markets as well as less volatility.

Managed since its inception in 2006 by Richard Sennitt, he has more than 20 years experience investing in Asian stocks.

There are some particularly generous dividend yields available for Asian income investment trusts, which also have the ability to smooth out income by building up a cash buffer.

The highest yielder is the weakest performer **Henderson Far East Income (HFEL)** where a 7.9% yield is accompanied by a return which is less than a tenth of that of top-performing **JPMorgan Asia Growth & Income (JAGI)**.

The latter still offers a decent yield in excess of 4%.



By **Tom Sieber**
Deputy Editor

Asian open-ended funds yielding 3% or more

Fund	1 year	3 years	5 years	10 years	Yield
Schroder Asian Income Z Acc	10.9%	35.1%	53.0%	186.7%	3.2%
Jupiter Asian Income L Acc	14.5%	39.8%	51.1%	n/a	3.6%
BNY Mellon Asian Income B Acc	9.7%	28.3%	42.0%	121.5%	3.2%
Fidelity Asian Dividend W Inc	8.5%	18.8%	33.4%	n/a	3.5%
Schroder Asian Income Maximiser Z Acc	6.5%	20.2%	32.4%	125.8%	6.7%
Schroder Institutional Pacific S	7.8%	23.3%	32.1%	n/a	6.3%
L&G Asian Income Trust I Acc	9.6%	15.2%	25.8%	128.8%	3.8%
MI Somerset Asia Income I Inc	5.2%	19.8%	16.7%	n/a	3.4%
Janus Henderson Asian Dividend Income Unit Trust E Acc	6.0%	n/a	n/a	n/a	7.2%
Benchmark: MSCI Asia ex-Japan	**2.4%**	**38.6%**	**62.6%**	**164.1%**	

Table: Shares magazine. Total return in GB
Table: Shares magazine • Source: FE Fundinfo, 24 November 2021 • Created with Datawrapper

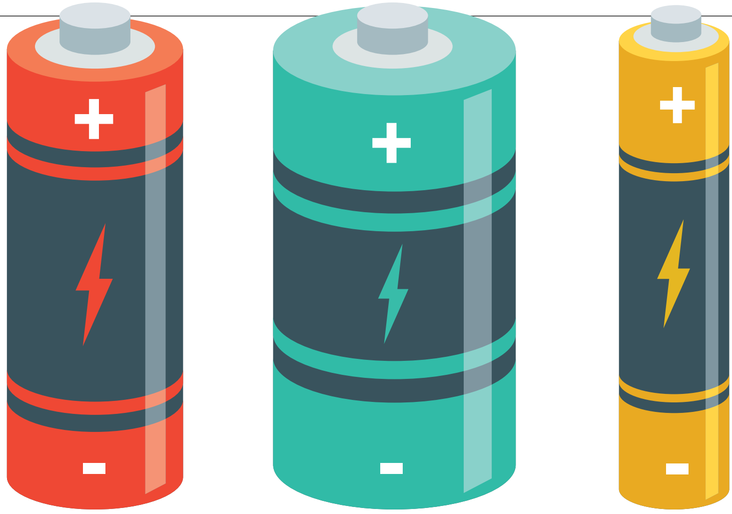
Asian Income investment trusts

Investment trust	1 year	3 years	5 years	10 years	Yield
JPMorgan Asia Growth & Income	−3.0%	40.7%	70.8%	155.9%	4.2%
Aberdeen Asian Income	10.5%	20.6%	19.5%	44.4%	4.0%
Schroder Oriental Income	10.1%	16.5%	18.5%	90.1%	3.9%
Henderson Far East Income	−6.5%	−11.6%	−11.2%	13.6%	7.9%

Table: Shares magazine. Total return in GB
Table: Shares magazine • Source: FE Fundinfo, 24 November 2021 • Created with Datawrapper

Where next for Johnson Matthey after battery failure?

The beleaguered chemicals firm is in a strategic quagmire and could be vulnerable to a private equity bid



Shares in chemicals company **Johnson Matthey (JMAT)**, have fallen by 24% over the last month. The company pre-empted its first half results announcement indicating that that full year earnings would be towards the lower end of expectations, and that it intended to dispose of its battery materials business.

This marked a major strategic failure given investment of over £400 million, and the recent emphasis placed on the division as a growth driver. Investors who were hoping for more positive news at the first half results presentation were disappointed.

Shares drifted lower despite the company announcing a £200 million share buyback and a 10% increase in the dividend. Investors are becoming increasingly concerned about management's inability to articulate a compelling strategic vision for the company's future.

The core catalyst business faces long-term structural decline, the healthcare business is under review (pending current discussions regarding a disposal), and the new focus on fuel cells is unlikely to yield meaningful returns in the near term if it all.

Given the strategic quagmire the company is now facing, private equity may be tempted to make a bid for the company. The rationale for such a move is simple. Milk the anticipated £4 billion of cash flows that the catalyst business will generate over the next decade, and dispose of the residual assets.

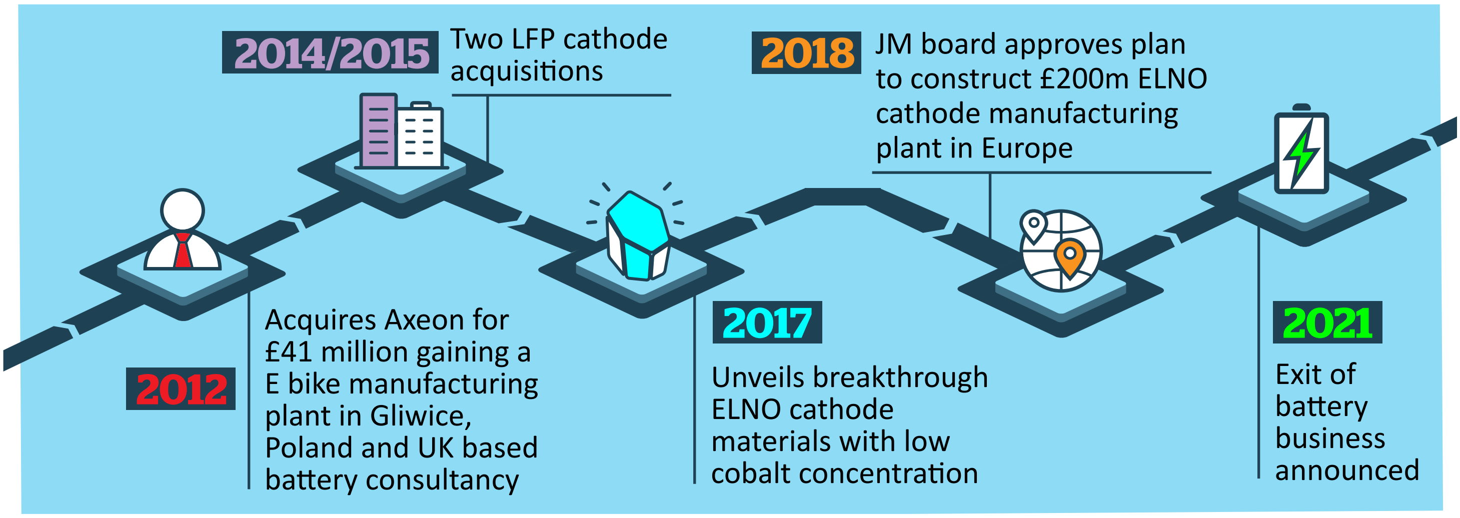
MANAGEMENT CREDIBILITY UNDERMINED BY CATHODE CATASTROPHE

Management credibility has been seriously undermined by the decision to exit its battery materials business. Johnson Matthey was late entering the lithium battery business in 2012. This was a decade later than rivals Umicore and Nichia. Johnson Matthey has developed its presence in the segment with a series of acquisitions, starting in 2012 with Axeon, a battery system consultancy based in Scotland and e-bike assembler in Poland.

This was followed in 2014 and 2015 with two further acquisitions for approximately $100 million which provided it with a manufacturing presence in China and Canada for LFP cathode materials (lithium iron phosphate is a popular, cost-effective cathode material that delivers excellent safety and a long life span).

At the capital markets day in September 2017 Johnson Matthey took the investor community by surprise with a presentation claiming that it had made a breakthrough in developing a unique high energy cathode material for electric

Johnson Matthey's battery business - a timeline



Source: Liberum

vehicle applications with best in class properties.

Johnson Matthey maintained that their new material named eLNO (enhance Lithium Nickel Oxide) offered 20-25% improved energy density than its peer group, whilst requiring lower levels of scarce cobalt.

At this time the board approved a £200 million investment in a commercial plant. However in November 2020 the company told the markets that this figure would be £550 million due to a desire to build in greater customer flexibility. The company had been on target to start building a new factory in Finland to build as many as 300,000 automotive batteries a year.

Management cited increasing competition and capital intensity as reasons for exiting the business. According to data company Bencmark Minerals, eight Asian companies control 58% of global battery supply. These include China's Contemporary Amperex Technology and BYD, South Korea's LG Chem and Samsung, and Japan's Panasonic.

Johhson Matthey's battery business has 430 permanent employees, who are predominantly based in the UK. The stated intention is to find a buyer for the business. However Liberum chemicals analyst Adam Collins remains sceptical of this being a likely outcome 'since it has been unable to find a joint venture partner, we are doubtful it can secure much from a sale'. Hopes have subsquently been raised by reports India's Tata Chemicals might make a bid of up to $700 million.

STRATEGIC PIVOT TO HYDROGEN/FUEL CELLS.

There is a strategic rationale in Johnson Matthey's pivot to hydrogen, given its platinum group metal (PGM) expertise. Platinum, palladium and other metals that are used in catalytic converters are also critical for clean technology, such as the electrolysers that split water into hydrogen.

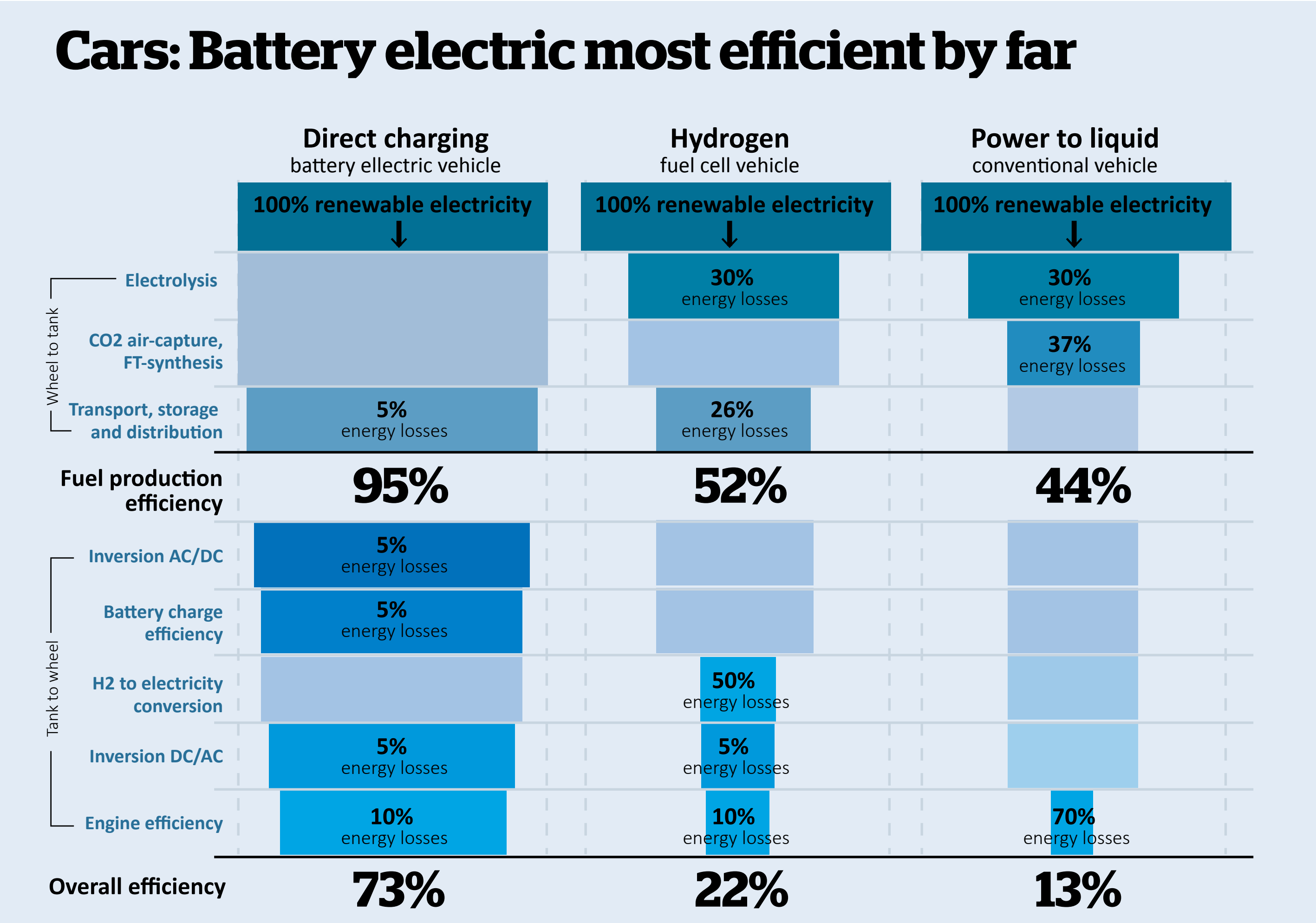
Johnson Matthey is a leader in the production of catalysts for use in PEM fuel cells. (PEM fuel cells, are a type of fuel cell being developed mainly for transport applications).

They are a leading candidate to replace the aging alkaline fuel cell technology. Johnson Matthey's manufacturing facility in Swindon opened in 2002 and was the world's first dedicated production facility for membrane electrode assemblies (the combination of platinum electrodes and proton membrane which is critical to fuel cell performance).

Johnson Matthey forecasts that its fuel cells will have sales of £200 million a year by 2025. To meet this target it is planning a £50 million hydrogen fuel cell gigafactory that would build components for a new generation of vehicles.

The Hertfordshire plant will produce proton exchange membranes, essential components in hydrogen fuel cells. These cells provide power to motors via an electro-chemical process that burns the hydrogen and releases it as electricity. The key advantages of this technology include good power

Hydrogen efficacy (or lack of)...



Source: WTT (LBST, IEA, World bank), TTW, T&E calculations

density, reliability and an ability to start up quickly.

FLAWS IN THE HYDROGEN STORY

A huge amount of energy is wasted with hydrogen because the process (undertaken by the fuel cell), of generating electricity by reconstituting the hydrogen and oxygen to produce water, is extremely inefficient and half the energy is lost in the process. This means three times as much electricity is required to propel a fuel cell vehicle the same distance as a battery electric vehicle.

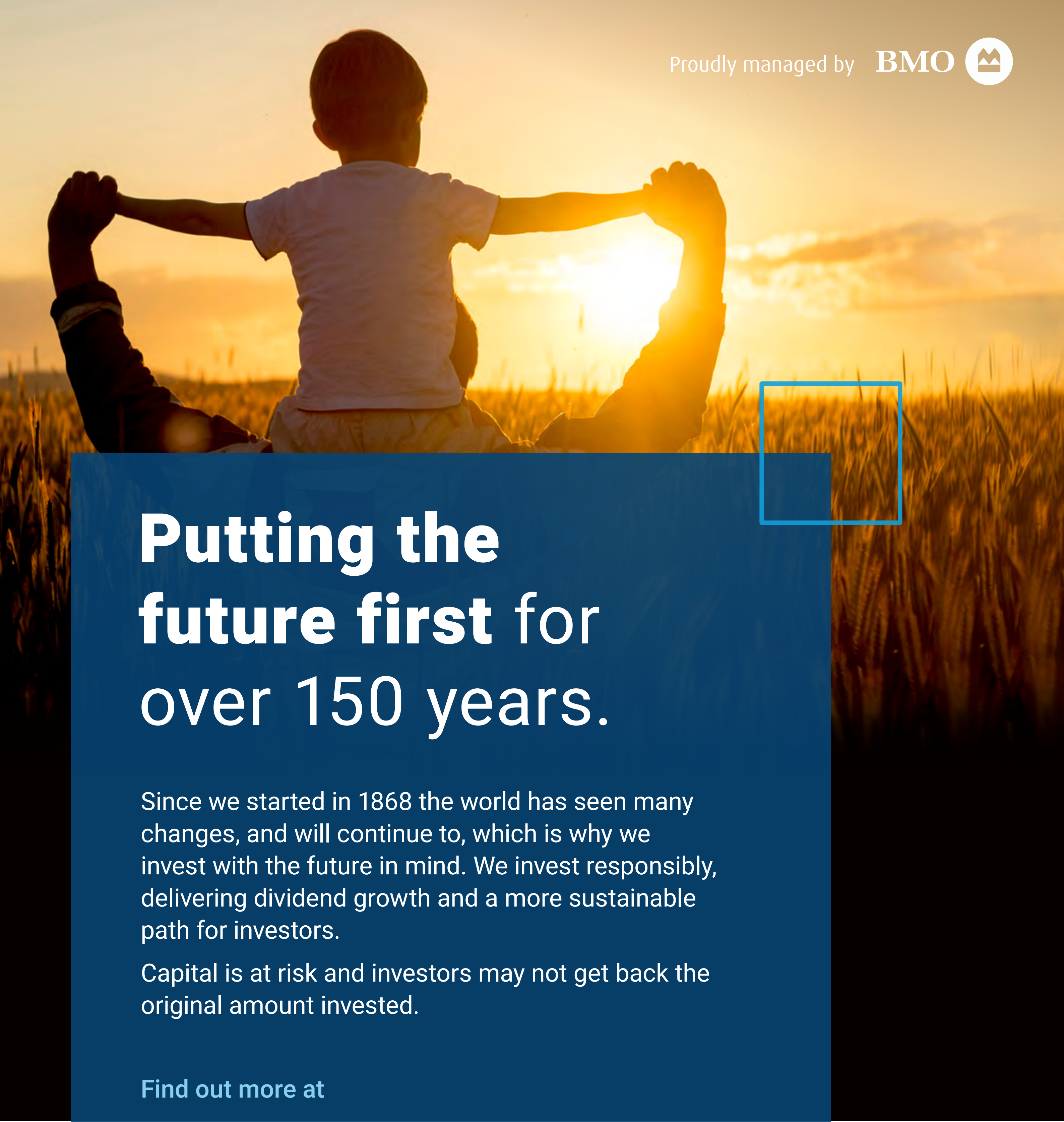
This view has been echoed by Volkswagen's Scania truck brand that has discontinued its hydrogen development. It has claimed that it is too expensive and inefficient. Previously, Scania had been a principal advocate of hydrogen-powered trucks.

There are several reasons why private equity firms may be considering Johnson Matthey as a potential target. First, until his replacement Liam Condon arrives next February, the current chief executive Robert MacLeod is a dead man walking.

Second, there is no guarantee that the new focus on hydrogen will deliver the anticipated results. Hydrogen is very much an experimental and unproven technology. Even in an optimistic scenario, Liberum chemicals analyst Adam Collins explains 'the fuel cells business is unlikely to grow significantly until hydrogen trucks rollouts later this decade'.

Third, the market may become impatient given the long-term investment required before witnessing any return from the investment in fuel cell technology.

By **Mark Gardner**
Senior Reporter


Proudly managed by BMO

All change: what to look for when a company recruits a new CEO

Shares explains what happens when a new CEO comes in and highlights some recent key changes at the top

One of the key ingredients in the success or failure of a company is the quality of its management.

When change at the top of a struggling company occurs, it can act as a catalyst for an underperforming business and trigger a share price boost, while the wrong CEO appointment has the potential to ruin a hitherto successful business and undo all the painstaking work of his or her predecessor.

There are many nuances to consider when it comes to weighing up the impact of a CEO transition, and as in so many investment scenarios, timing can be key.

In some instances, CEOs who've done a terrific turnaround job may be looking to get out while the going is good, while reputations are riding high, though there are a good many companies whose bosses have paid the price for under-performance or ill-judged strategic or other decisions.

WHAT HAPPENS WHEN A NEW CEO COMES IN?

When a new CEO comes into a struggling business, he or she might decide to embark on a radical strategy to turn things

around. Alexandra Jackson, manager of the **Rathbone UK Opportunities Fund (B7FQM50)**, says a new broom will often sweep in to 'kitchen sink the numbers', which is the market vernacular for getting all the bad news about the business out of the way in one fell swoop.

Jackson says new CEOs will sometimes issue 'a backwards-looking profit warning' or report a big accounting impairment, which resets market expectations and basically clears the decks for better news going forwards.

Needless to say, the new boss will take credit for the upswing in fortunes and the share price should rise as performance turns round and the company beats rebased forecasts. Existing shareholders in such situations should beware, since they might have to suffer share price-damaging downgrades as new management massages analysts' estimates.

Jackson says new CEOs may also 'ask to reset their LTIPs (long-term incentive plans), as they won't want to be beholden to the former CEO's targets'.

Seasoned investor Julian Cane, manager of **BMO Capital & Income Investment Trust (BCI)**, says 'it is often in the interests of the new CEO to rubbish the old team' and 'get the share price down', with option strike price targets in mind.

When it comes to embattled businesses, new CEOs will typically announce a turnaround strategy, often communicated to analysts in-depth at a CMD (capital market day). This can have the effect of boosting the share price if investors consider the plan has a good chance of success.

Taking over at an already-thriving company can be a poisoned chalice for a new CEO, particularly if they are succeeding a rock star of a leader. In such instance, you might see modifications to a tried-and-tested strategy, so that the new CEO can put his or her stamp on things, although often it will be business as usual. As the saying goes, 'if it ain't broke, don't fix it'.

Incoming CEOs at flourishing firms sometimes rave about how fantastic the business and team they have inherited are, before going on to tighten up the business in terms of cost, or drive it a bit harder, perhaps by being bolder when it comes to acquisitions for instance.

Professional fund managers will often watch the body language between the new broom and the incumbent CFO; the latter might have been an internal candidate for the top job and if they are disappointed at missing out on promotion, they could follow the previous CEO out the door, creating unwanted boardroom uncertainty.

PICKING UP THE BATON

Some big names have been stepping down among the blue chips of the FTSE 100 of late, leaving big shoes to fill. A smooth succession is in train at **Anglo American (AAL)**, where respected mining industry supremo Mark Cutifani will step down as CEO next year, having successfully led the £39 billion cap mining behemoth since 2013.

He leaves a strong legacy for his successor, internal candidate Duncan Wanblad, who chairman Stuart Chambers insists was 'the standout and natural successor' to Cutifani, bringing '30 years of international mining experience and deep understanding of Anglo American, its culture and its context'.

Share prices can rise when a CEO resigns, if the market didn't like the incumbent, as it suggests optimism towards the company finding someone better to do the job. Equally, share prices can fall when a CEO resigns if they are an integral part of the company's success.

In the case of **Barclays (BARC)**, its share price decline was limited on the news (1 Nov) Jes Staley had stepped down as CEO with immediate effect in order to defend his reputation and contest how the FCA and PRA have chosen to characterise his relationship with the disgraced Jeffrey Epstein in their investigation.

The price damage was likely limited because Staley had already dropped hints that he might step aside sooner rather than later and Barclays clearly had a succession plan in place, given how seamlessly internal candidate C.S. Venkatakrishnan or 'Venkat', has taken the reins as chief executive, pending regulatory approval.

Staley's achievements included fending off Edward Bramson's call for the investment bank to be spun-off, as well as honing the bank's strategy and cost base, although the shares fell by 9% during his near-six-year spell as CEO. Shareholders will be looking to Venkat to improve upon that record.

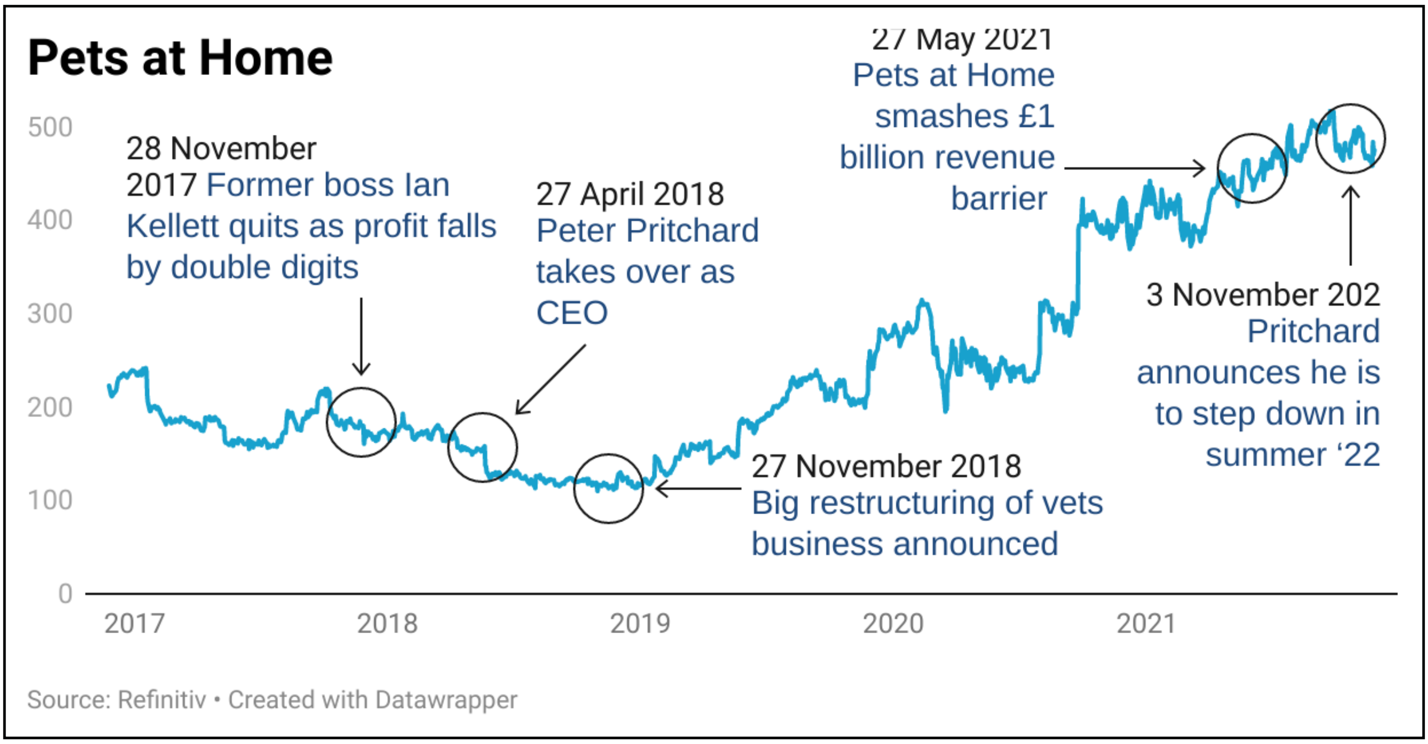
Shore Capital's Gary Greenwood said: 'The news of Mr Staley's sudden departure is very disappointing to us as we believe he has done an excellent job in improving the performance of the group in recent years, both in terms of strengthening its capital position and increasing profitability.'

Greenwood added: 'In Venkat, Barclays has an experienced and well-respected replacement, and the fact that he had already been

identified for the role means that there should be little disruption caused by this transition. Indeed, Barclays has clearly been planning for such an occasion for some time.'

Elsewhere in the FTSE 100, **Burberry's (BRBY)** departing CEO Marco Gobbetti is handing over the business in better shape than he found it as he prepares to give way to Jonathan Akeroyd next spring.

The luxury goods group's shares fell sharply in June on the surprise news Gobbetti would leave the company at the end of 2021, as he had led the transformation of the brand and the business. As an alumni of Versace, Akeroyd looks tailor-made for Burberry, but investors face greater uncertainty nevertheless, as the new boss might choose to unstitch parts of his predecessor's hitherto successful strategy.



PRITCHARD LEAVES PETS AT HOME

Pets at Home's (PETS) shares fell (3 Nov) on disappointment that CEO Peter Pritchard will step down in May next year, after having successfully completed the turnaround of the pet accessories-to-veterinary business. The search for his successor has commenced and there will be no shortage of internal and external candidates, as Pritchard leaves the business in rude health.

Under Pritchard's tenure, which began in March 2018, the financial and operating performance of the business has improved and the shares have increased nearly three-fold. And as Liberum Capital commented: 'There may be disappointment on the news of the CEO's departure, however he leaves the group better positioned than ever, following a very impressive turnaround. We expect Pets to be able to attract a new, high quality CEO.'

At £29.16, shares in **Keywords Studios (KWS:AIM)** are around 20% higher than the £24.34 level at which they closed on 15 June. This was the day the video gaming industry technical services provider announced that long-serving leader Andrew Day was taking early retirement following a temporary leave of absence for health reasons.

Day's decision to retire was a seismic moment, given the scale of success that Keywords had under his leadership, yet fears for the future of the business have subsequently been assuaged by the appointment of a high calibre successor, Bertrand Bodson.

Sega is a client of Keywords Studio

A digital transformation expert prised from Novartis, whose CV also includes a stint at Argos, Bodson takes the reins at Keywords next month. With the odd refinement, *Shares* expects Bodson will stick with Keywords' successful growth strategy, which involves consolidating a global, yet fragmented industry through bolt-on acquisitions.

RUDDERLESS VESSELS

Investors should keep the following companies on watchlists, as they are all on the lookout for fresh leadership and a well-received CEO appointment could provide an upside catalyst. They include online fashion retailer **ASOS (ASC:AIM)**, whose share price performed poorly for chunks of the six-year tenure of Nick Beighton, who recently paid the price for the latest guidance downgrade.

Whoever he or she is, Beighton's successor will need to ensure ASOS turns product designs around quicker to stand out from the fast fashion crowd and accelerate the growth of Topshop in North America, as well as execute against ASOS' ambitious new ESG (environmental, social and governance) goals.

And in the small cap ranks, shares in floorcoverings distributor **Headlam (HEAD)** have weakened from 493p to 460p since CEO Steve Wilson unexpectedly stepped down following an extensive executive career with the business. Finance director Chris Payne is filling in as interim CEO as the quest for a permanent CEO continues.

Investors are nervous as Wilson has been integral to the long-run success of Headlam, having overseen the acquisition and growth strategy that has led it to being a clear market-leader. As CEO for the past five years, he also instigated and oversaw its business change strategy, ensuring Headlam is now well-positioned to grow its sales and expand its operating margins.

Also on the lookout for a new leader is agriculture-to-engineering combine **Carr's (CARR)**. Hugh Pelham, who only joined the £133 million cap at the beginning of 2021, caught the market off guard by stepping down as CEO last month 'to pursue other interests'.

James Crux, Funds & Investment Trusts Editor replies:

METHANE CUT PLEDGE IS BIG BOOST FOR TRANSITION TO NET ZERO

Jon Wallace, Fund Manager, Environmental Solutions, discusses innovation in detecting methane and the importance of a pact to reduce emissions of this harmful gas.

One of the important agreements to come out of COP 26 was a pledge to sharply reduce methane emissions. More than 100 countries joined a U.S.- and EU-led effort to cut output of this damaging greenhouse gas by 30% by 2030, which would be a significant step in stemming climate change.

The Global Methane Pledge covers countries representing nearly half of global methane emissions and 70% of the global economy. Some major producers including Russia, India and Iran didn't sign, however.

The focus on methane highlights the challenges and opportunities of an often-overlooked climate change issue. Carbon emissions are more widespread, but methane, in the main stemming from oil and gas, coal, and agriculture, is a more potent greenhouse gas (absorbing much more heat from the sun) and has contributed to about a quarter of the rise in global temperatures since the Industrial Revolution.

Reducing methane emissions is crucial to reach the Paris Agreement target of limiting global warming to a maximum 1.5 degrees above pre-industrial levels. As methane's warming effect is shorter-lived than carbon dioxide, tackling its emissions would have an immediate effect. The Pledge is not a silver bullet, but it marks a step-up in addressing this key challenge.

Plumes of Methane

Technology has quite literally put the issue of methane emissions on the map. Until recently, engineering estimates were the only basis for most benchmarks on methane levels. Satellite technologies now enable real-world monitoring, and with concerning results. Last autumn, European Space Agency satellites detected huge plumes of methane leaking from the Yamal pipeline that carries natural gas from Siberia to Europe, Reuters reported.

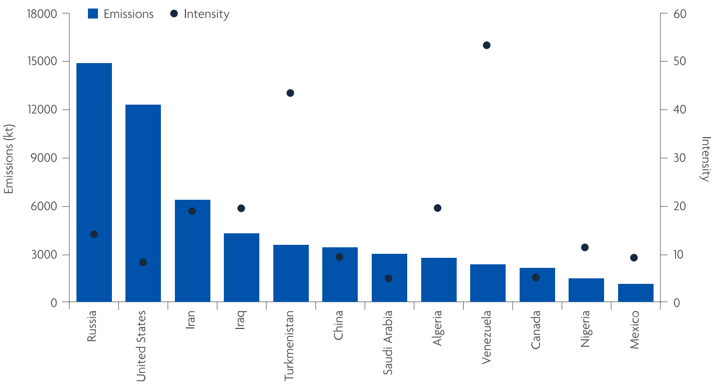
Researchers are finding leaky oil and gas industry infrastructure is responsible for more of the methane in the atmosphere than previously thought. An International Energy Agency paper published in September says that energy producers' downstream operations, which includes distribution, refining and storage, generates 20% of all methane emissions. It cited researchers using an optical gas camera who detected methane leaks at 100 sites in Europe.

In the US, this number is estimated to be 30%, leading to the US government unveiling a plan to cut methane emissions with a focus on oil and gas producers. These regulations would take effect as early as 2023 and aim to reduce methane from oil and gas operations by 74% from 2005 levels by 2035, according to the Environmental Protection Agency.

THIS IS AN ADVERTORIAL

JUPITER
ASSET MANAGEMENT

TOTAL METHANE EMISSIONS AND METHANE INTENSITY OF PRODUCTION IN SELECTED OIL AND GAS PRODUCERS, 2020*



Halting these emissions requires exacting measures, such as monitoring lengthy pipeline infrastructure and repairing equipment that is often difficult and expensive to access. At a time when the energy transition is in sharp focus, we see this series of developments as making an important contribution to highlighting an often-overlooked advantage of a pivot towards clean energy sources.

Innovation beyond energy systems

In the same way that technology has helped to pinpoint the challenges, we see technology and innovation as key to addressing them. For us as investors, the scale of change required to reverse global warming is creating significant opportunities to support environmental solutions companies, which provide products and services critical to achieving sustainability targets. It is becoming ever more evident that these solutions will spread widely and to as-yet unpenetrated sectors of the global economy.

The Global Methane Pledge has highlighted the importance of tackling all sources of methane, including from agriculture. Over many years, we have monitored innovations looking to address climate challenges in this notoriously hard to tackle sector. In a paper prepared for the WWF in 2009, for example, we highlighted that enteric, or intestinal, methane emissions from beef and dairy herds could be reduced by up to 15% by a novel feed additive that was then still in lab-stage development and included this in an emissions reduction pathway for the sector for 2020 and beyond.

We have been encouraged by the commercialisation of innovations aimed squarely at reducing the environmental impacts of dairy and red meat, while recognising they are only one part of a solutions mix that also includes changing diets. This feed additive has received regulatory approval for use in Brazil – one of the five biggest global methane polluters and a signatory of the Pledge – and has an efficacy of 30% for dairy cattle, a step up from our original estimates.

It was developed by Dutch nutrition group DSM – which announced during COP 26 that it would dramatically expand production of the additive at its facility in Scotland. In our view, this marks a further example of how environmental solutions can both embolden and benefit from regulation over time, providing a fertile landscape for long-term stock picking.

Using your pension in retirement

The options available to you when you leave the world of work behind

This article looks at the different ways you can access the money in your defined contribution pension. Examples of defined contribution pensions include SIPPs and personal pensions.

The minimum age that most people can access their pension is currently 55. This will increase to 57 in 2028 and could be subject to change in the future.

People in ill health or with a protected pension age can access their pensions earlier.

WHAT ARE MY OPTIONS?

You don't have to choose a single option from the below – your circumstances might mean that a mix might work best for you.

If you have more than one pension pot, you might want to choose a different option for each pot or you might consider combining your pots before making a decision for some or all of the funds.

The main options for defined contribution pensions such as SIPPs and personal pensions are:

- Tax free cash and annuity
- Tax free cash and drawdown
- Pension lump sums

TAX FREE CASH

Most people can take 25% of their pension pot as tax free cash. This is officially known as a pension commencement lump sum (PCLS).

If you choose to take a PCLS, the two income options for the balance are: an annuity, or flexi-access drawdown.

ANNUITY – A GUARANTEED INCOME FOR LIFE

An annuity is purchased from an insurance company using all or part of your pension after tax free cash. In exchange, they will pay you a guaranteed income for life.

Further options can be included - such as provision for loved ones following your death and inflation protection to ensure your income keeps its purchasing power - but these will lower the initial income amount. These options, together with the income amount and frequency are decided at outset and cannot normally be changed.

If you are considering an annuity it is vital that you shop around for the best deal. Your health can impact the amount of income you could get in exchange for your pension fund. For example, someone who is a smoker or has a health condition could find they are offered a significantly higher annuity rate and therefore a higher annual pension amount, than an individual in good health.

HOW DRAWDOWN WORKS

An alternative option for the balance is to leave it invested in your pension to provide an income. This income can be taken on a regular basis or as and when you need it.

Flexibility and control are the main advantages of drawdown – you can vary the income you take in line with your circumstances. The funds that stay invested could even grow in value over time.

Your loved ones will also be able to benefit from any funds left following your death.

However, the income will not be guaranteed. As you will be subject to investment risk, your fund could be depleted rapidly if you are taking withdrawals in times of a market downturn or increasing withdrawals to keep pace with rising inflation.

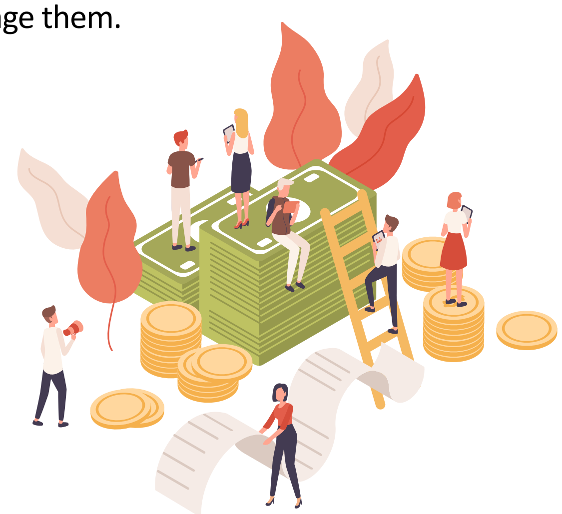
You will need a plan in place to regularly review your incomes levels, investment choices and the likely level of tax you will pay to ensure that your fund will last you through your retirement.

PENSION LUMP SUMS – AD HOC OR REGULAR LUMP SUMS

A newer option (introduced in 2015) is a pension lump sum – officially known in the pension rules as an UFPLS (uncrystallised funds pension lump sum).

Instead of taking tax free cash and choosing an option for the balance, you can draw an ad hoc or series of lump sums which are 25% tax free and 75% taxable.

The advantages and the risks are very similarly to drawdown – this option gives you flexibility and control, but any funds you choose not to withdraw will remain invested with a need to review and manage them.



LIFETIME ALLOWANCE

The lifetime allowance is currently £1,073,100 and is set to remain frozen until 2025/26.

There is a test against the lifetime allowance each time you take a lump sum, purchase an annuity, or enter drawdown. Any funds you have not accessed will be tested at age 75 or upon your death before age 75.

If you exceed your lifetime allowance, then there will be a tax charge on the excess amount. You may have a higher allowance if you have claimed protection.

WHAT ABOUT INCOME TAX?

After taking up to 25% tax free, the rest of your pension income, annuity income or lump sum will be subject to income tax.

Your pension provider will use the PAYE system to deduct tax using a tax code provided by HMRC. You could therefore move into a higher income tax band depending on your other income for the tax year.

If HMRC has not supplied a tax code when you take your first taxable payment, your pension provider will have to deduct income tax using either the tax code on your P45 or an emergency tax code. If you take out a large amount from your pot this could mean that you overpay tax and will have to claim it back.

CAN I CONTINUE PAYING MONEY INTO A PENSION?

Yes, but taking any income from a pension as flexi-access drawdown or taking a UFPLS will trigger the MPAA (money purchase annual allowance). This means the amount you can pay into your pension without being liable to a tax charge will be more restricted.

The MPAA is set at £4,000 for the current tax year (2021/22). It includes all pension contributions made by you personally to a SIPP or any other personal pensions but also any contributions made on your behalf by your employer.

Once you have triggered the MPAA, you will be unable to carry forward any unused allowances from previous years for use in your SIPP and other money purchase (defined contribution) plans. Contributions above the limit will be subject to a tax charge.

The MPAA does not apply to contributions to defined benefit pension schemes and is not usually triggered when you receive income from an annuity.

HOW MUCH INCOME SHOULD I TAKE?

In all cases, you should work out the likely income you will need at the start and throughout different stages of your retirement. The income you receive (after your 25% tax free cash) will be subject to income tax.

You should also find out when your state pension is due to start and obtain a forecast of the amount you are likely to receive. This will help with your initial planning and any reviews of your income and investment strategy throughout retirement.

An annuity will pay you an income for life and cannot normally be varied. It might increase with inflation or continue after death, depending on options at the time of purchase.

Drawdown income or pension lump sums can be varied to suit your income needs over time. However, if you continually take out money at a higher rate than the growth in your underlying investments, your pension fund might not last you through your retirement.

WHERE SHOULD I INVEST?

Funds that remain within your pension wrapper will need an investment strategy.

If you choose to manage the investments yourself then you should consider the level of income you plan to take in the short term as well as your current age and any other assets you plan to use to support you in retirement. Someone turning age 65 today could be expected to live for another 18 to 21 years based on figures from the Office for National Statistics.

Investment risk and volatility mean that the value of your investments could fluctuate over time and money lost in retirement can be especially difficult to get back.

Some people choose a cash reserve at outset of around one to two years of planned income withdrawals. The remaining balance is then invested in assets designed to produce an income. This income tops up the cash reserve over time, reducing the need to nibble away at the capital and allowing you to keep calm when the value of the investments inevitably move up and down.

If you leave a large proportion in cash to avoid investment risk, then this money will be vulnerable to inflation over the long term. It is also unlikely to last you throughout your retirement. Some providers will offer investment pathways. Pathways were introduced by the FCA to provide an investment option matched to four broad retirement strategies.

Investment pathways do not consider your personal circumstances and are not a substitute for personal advice.

SMALL PENSION FUNDS

If your pension pot is worth £10,000 or less, then you might be able to withdraw the whole pot as a single lump sum. This called a small pot lump sum and will be 25% tax-free with the balance subject to income tax.

A small pot lump sum will not trigger the MPAA, nor will it be counted against your pension lifetime allowance.

WHERE CAN I GET FURTHER HELP?

An FCA-authorised financial adviser will be able to advise you on the best options given your circumstances and objectives both at and through retirement. They will charge a fee for their services.

The government offers free guidance via the Pension Wise service. This will give information on the options available but will not recommend a course of action or be able to tell you which option might be best for you.

By **Charlene Young**,
AJ Bell Senior Technical Consultant

Am I too late to save for retirement and should I use a Lifetime ISA or pension?

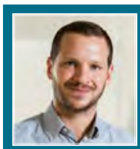
Our resident expert looks at the best option for building up a pot to live on after you retire

I'm 35-years-old and, for various reasons, have only just got round to thinking about saving for retirement. I'm self-employed and my earnings tend to be between £30,000 and £45,000 per year. I've seen adverts for Lifetime ISAs and SIPPs and I'm considering setting up a regular savings plan.

Two questions:

1. *Have I left it too late to save for retirement?*
2. *If not, then which of a Lifetime ISA and a pension would likely be most appropriate for me?*

Anonymous



Tom Selby, AJ Bell Head of Retirement Policy says:

While it's true that saving early and often is the easiest way to build up a decent-sized retirement pot, at 35 years old you still have time on your side.

Take for example someone who saves £3,000 a year in a pension – equivalent to a £250 monthly contribution.

Over 30 years assuming 4% annual investment growth after charges their fund could be worth £175,000.

This may not be enough to enjoy a comfortable retirement (remember if you're healthy that money may need to stretch for 25 years or more), but it is a sizeable sum which is clearly significantly better than having nothing set aside at all.

LIFETIME ISAS AND SIPPS EXPLAINED

Both Lifetime ISAs and SIPPS benefit from tax-free investment growth. The main differences are in how much of an upfront boost you get for locking your money away, what you can save each year and the tax you pay when you come to make withdrawals.

You can save up to £4,000 a year into a Lifetime ISA, with each £1 you subscribe up to this point topped up by a 25p Government bonus. You can then access your fund entirely tax-free in three circumstances:

1. Reaching your 60th birthday
2. Buying a first home worth £450,000 or less
3. If you become terminally ill

However, if you need to access your money for any other reason a 25% Government-imposed early withdrawal penalty will apply, meaning you might get back less than you put in.

You can take out a Lifetime ISA from age 18 up to the day before your 40th birthday. And once open you can carry on paying into a Lifetime ISA up to the day before your 50th birthday.

Those who save for retirement in a SIPP, on the other hand, can get tax relief on their personal contributions up to 100% of their earnings.

They and their employer can tax-efficiently contribute up to a maximum of £40,000 a year in total (including tax relief), unless they are a very high earner or have already accessed their pension for income in which case their limit will be lower.

Basic-rate taxpayers will automatically benefit from what is effectively a 25% upfront boost via tax relief – the same amount as with a Lifetime ISA. Personal pension contributions paid net of taxed income get the basic rate tax at 20% paid back into the pension.

If you have £20 tax deducted from £100 of income and pay the £80 into a SIPP then HMRC will pay the £20 in too. Higher and additional-rate taxpayers can claim extra tax relief from HMRC through their annual tax return or if they are a higher rate taxpayer by phoning HMRC. They will carry on getting tax relief on pension contributions up to their 75th birthday.

Money saved in a pension cannot be accessed until age 55, with Government plans in place to increase this to 57 in 2028.

DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

Send an email to **asktom@sharesmagazine.co.uk** with the words ‘Retirement question’ in the subject line. We’ll do our best to respond in a future edition of *Shares*.

Please note, we only provide information and we do not provide financial advice. If you’re unsure please consult a suitably qualified financial adviser. We cannot comment on individual investment portfolios.

How to avoid a Christmas debt hangover

Spending goes up in the festive season but if you are going to lean on borrowings what are the better options

'Tis the season to spend lots of money, as the famous song (doesn't) go, and many people may have already started their Christmas spending already. Whether it's presents to go under the tree, buying food to host on the big day or kitting the house out in decorations, the festive season is often pretty pricey.

Figures from the Bank of England show that in December we spend around a third more than a usual month, with the average person spending £740 more. But with the advent of Black Friday and Cyber Monday we're also all spending more in November too.

This means that sadly many people end up in debt by January, whether that's a higher credit card bill that they can't pay off straight away or having to take out a personal.

It goes without saying that people should try to avoid excessive spending just for one day, and it's important that spending in December doesn't leave a debt hanging over you for the other 11 months of the year.

But for anyone who needs to take on debt, for this or any other reason, it's crucial to get the cheapest deal possible. And a few minutes hunting around for the best rate could save you hundreds of pounds in the long run.

WHAT HAVE RATES DONE?

The Bank of England's Base Rate has been low for a long time, but recently there has been talk of interest rates rising – and some of the rates being offered on debt have already increased as a result.

Figures from Moneyfacts show that the average credit card rate has crept up over the year, starting at 24.8% in January and rising to 26.4% by October. Rachel Springall, finance expert at Moneyfacts, says: 'The cost of making a purchase using a credit card outside of an introductory 0% offer reached a record high due to a combination of changes during 2021: a selection of low-rate credit cards worsened, some higher-than-average rate cards were launched, and other lower-than-average rate cards were withdrawn.'

However, there's still hope for those who want cheap borrowing, as the number of credit cards with 0% purchase deals has stayed the same over the year, slightly increasing from 57 in January to 59 in October, and the average length of these introductory offers has got longer.

The longest deal on offer at the moment is from Tesco Bank, which has 0% interest on purchases for 23 months with its Clubcard Credit Card – but there are a number of others available at 22 and 21 months.

It's a similar story for those wanting to shift their debt from a credit card with interest to a 0% deal, as the number of 0% balance transfer deals has increased slightly across the year and the length of the average balance transfer has increased. When picking a balance transfer deal you have to balance the length of the interest-free period with the transfer fee.

For example, Sainsbury's Bank has a 0% balance transfer deal with no transfer fee and the 0% period lasts for 21 months. Meanwhile the Santander Everyday credit card has a longer 31-month interest-free period but charges a 2.75% transfer fee.

For anyone thinking of leaving the issue of dealing with debt until the new year, Springall warns that this trend of more 0% offers for longer might not continue into 2022.

PERSONAL LOANS

Anyone with existing debt, on credit cards or overdrafts, might want to consolidate it into a personal loan in order to have their debt in one place and just make one payment each month.

Personal loans have bucked the trend of rising interest rates over the year, and rates have stayed pretty much the same – and even fallen for those looking for a £5,000 personal loan.

The larger the loan, the less you'll pay, but rates of just over 4% for a £10,000 loan or almost 7% for a £5,000 loan are much cheaper than many other forms of borrowing, if you've exhausted interest-free options.

'This time of year consumers may well want to consolidate debts leading into the new year or want some cash to make home improvements with any time off they many have coming up. If borrowers are considering

a small loan, such as £3,000, they may be better off considering an interest-free credit card instead,' says Springall.

OVERDRAFTS

The average cost of overdrafts shot up after the Government introduced changes to the market, when it tried to simplify the cost of an overdraft. It wanted to get banks to ditch the complicated array of fees and charges on overdrafts and said they instead had to use a simple percentage APR rate.

However, most banks settled on 39.9%, rather than competition in the market sparking lower rates. Where the average overdraft interest rate was around 19% in November 2019, before the price changes, it's now 34%, according to the Bank of England.

However, there are still 0% overdraft deals available, so if you have an overdraft and are paying high interest on it, you should consider switching.

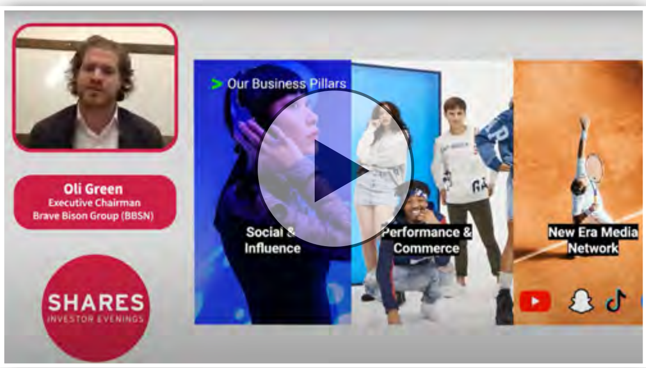
For example, Nationwide's FlexDirect Account currently has a 0% overdraft up to £2,750 on it for a year, so you need to be sure you could pay off the debt in that time or switch to another deal. For those with smaller overdraft debt, the First Direct 1st Account has an interest-free overdraft up to £250.

'Whatever type of borrowing consumers choose it is always a wise move to review their credit report before they apply and be mindful that they may not get the offer or rate advertised, as the representative APR is only given to at least 51% of successful applicants,' warns Springall.

'Any consumer struggling with debts should seek out advice and contact their lender at the first instance. If they can do so, a sensible plan would be to start a savings pot for any future goals so not to fall into the habit of borrowing too often to cover unexpected expenditures.'

By **Laura Suter**
AJ Bell Head of Personal Finance

WATCH RECENT PRESENTATION WEBINARS

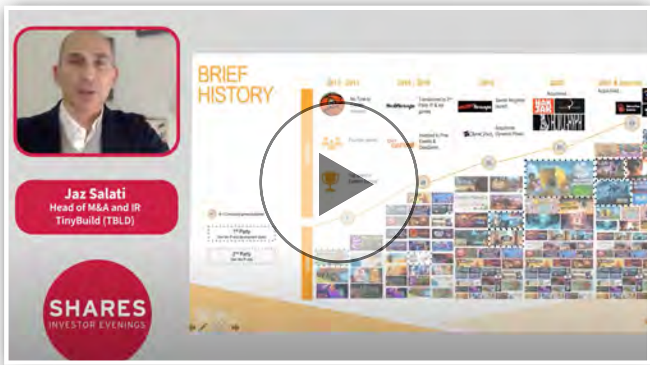


Brave Bison Group (BBSN)
Oli Green, Executive Chairman and
Theo Green, Chief Growth Officer

Brave Bison Group is the UK's challenger media and marketing company. The business combines a new-era media network, consisting of over 750 social media channels and websites, with digital-only marketing capabilities such as influencer, performance and ecommerce.

Cambridge Cognition Holdings (COG)
Matthew Stork, CEO

Cambridge Cognition Holdings is a technology company developing digital health products to better understand, detect and treat conditions affecting brain health. The company's software products assess cognitive health in patients worldwide to improve clinical trial outcomes, identify and stratify patients early and improve global efficiency in pharmaceutical and healthcare industries.



TinyBuild (TBLD)
Jaz Salati, Head of M&A and IR

TinyBuild Inc is a video games publisher and developer with global operations. Its strategic focus is in creating long-lasting IP by partnering with video games developers, establishing a stable platform on which to build multi-game and multimedia franchises.

Visit the Shares website for the latest company presentations, market commentary, fund manager interviews and explore our extensive video archive.

CLICK TO PLAY EACH VIDEO

SHARES SPOTLIGHT

www.sharesmagazine.co.uk/videos

RUSS MOULD
AJ Bell Investment Director

Insightful commentary on market issues

What president Biden could do to dampen oil prices (but probably won't)

Releasing stocks from the US petroleum reserve has so far proved counter productive

It is a case of so far, so bad for US president Joe Biden's plan to force the oil price lower by releasing 50 million barrels of oil from America's SPR (Strategic Petroleum Reserve). Fifty million barrels a day may sound a lot. But in global terms it is half a day's demand and America's entire SPR would meet worldwide oil demand for less than a week.

The Biden plan's failure to make a dent in oil prices seems less surprising in this context. By contrast, the OPEC+ cartel can move oil markets, as its 2020 production cut and then gradual subsequent increases in supply can testify. OPEC and Russia are still producing less than they were before the pandemic, even as the global economy and energy demand recover, and today's (2 Dec) OPEC+ meeting will be the next test of the cartel's influence.

COP26 made quite clear the political and public will to move away from hydrocarbon as our prime source of fuel. You can therefore hardly blame Saudi Arabia, Russia and other leading producers for looking to monetise their oil assets while they can still do so.

In addition, alternative, renewable sources are not yet ready to take up all of the slack from oil and gas. Demand for energy could therefore outstrip supply, with the result that hydrocarbon prices could remain firm, or even keep rising – at least unless Covid-19 rears its head again and depresses economic activity and oil demand in the process.

That leaves investors with a quandary about what to do with oil stocks – and whether they

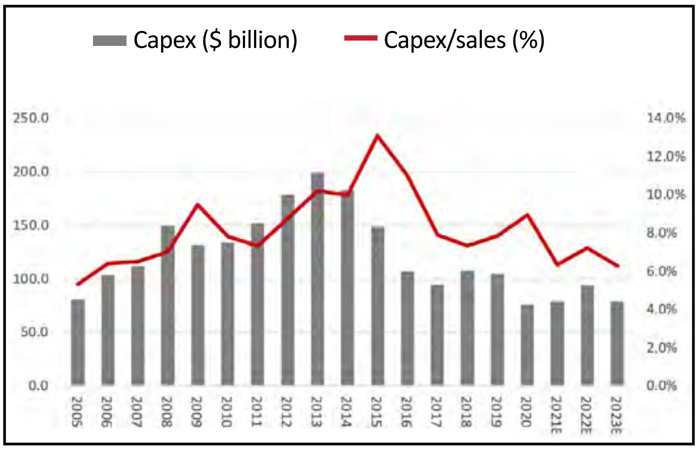
should put profit over principle should oil and gas prices stay stronger for longer – and what to think about the global economy. High energy prices are a tax on consumers and a source of margin pressure for many corporations. If oil and gas rocket, there remains the chance that the indebted global economy could wobble under the strain, virus or no virus, just as it did when oil reached $147 a barrel in 2007.

DEEP WATER

Unlikely as it may seem, oil and gas companies are listening to the political and public call for a shift to a greener, less carbon-intensive world. The combined capital investment budgets of the seven Western oil majors – **BP (BP.)**, Chevron, ConocoPhilips, ENI, ExxonMobil, **Royal Dutch Shell (RDSB)** and TotalEnergies – looks set to drop to a its lowest mark since 2005, as a percentage of sales. In many cases, those budgets include renewable projects, too, so spending on oil production and exploration is by implication lower still.

RUSS MOULD
AJ Bell Investment Director

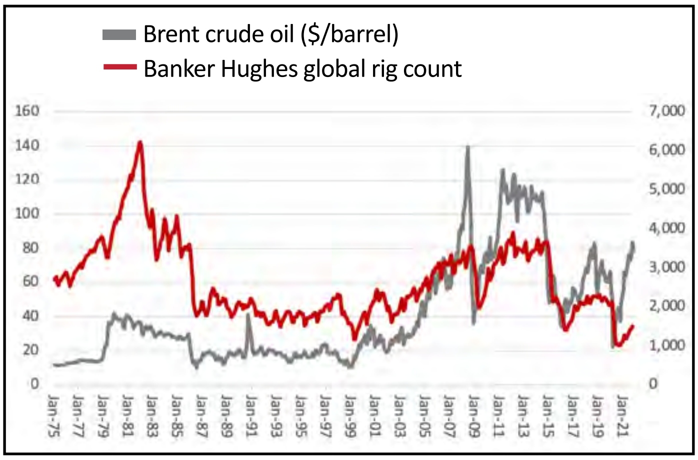
Global oil majors continue to shy away from new investment in oil and gas fields



Source: Company accounts for BP, Chevron, ConocoPhillips, ENI, ExxonMobil, Shell and TotalEnergies, Marketscreener, consensus analysts' forecasts

This can also be seen in the global rig count data provided by Baker Hughes. On the previous occasions when oil traded above $80 a barrel, over 3,000 rigs were active. The current figure is barely half that.

Global oil rig activity is subdued relative to prior periods of $80-plus oil



Source: Baker Hughes, Refinitiv data

In the absence of a serious Covid-inspired setback, that again points to a possible supply/demand squeeze, especially as banks, insurers and many pension funds and many managers continue to publicly declare their unwillingness to finance new oil and gas exploration projects.

ACTION POINTS

This is not to say president Biden has no options at all, as he seeks to manage the energy transition in the world's largest economy and keep hard-pressed consumers on board as he and the Democratic Party prepare for the mid-term elections in 2022.

The president could encourage oil and gas exploration with tax breaks or at least grant permission to pipelines that his administration has previously blocked, such as the $8 billion Keystone XL project. This does not seem likely, given his and his party's commitment to the Paris Agreement and COP26.

President Biden could look to thaw relations with Venezuela and Iran, both of whom are currently locked out of global markets by US sanctions. Granted, it is hard to get a handle on potential Venezuelan output given the chaos that prevails there, but Caracas has produced two to three million barrels a day in the past. It is thought that Iran could double output fairly quickly from two to four million barrels a day if given the chance. Hey presto – an extra four to five million barrels a day in total. But geopolitics may rule out this option, as those sanctions are in place for a reason and the president will not want to look dovish on foreign policy ahead of those mid-term polls either.

If the president wants to curry favour, as he may well, who is to say he does not offer consumers some sort of subsidy or hand-out, so they can meet their fuel and heating bills? In a world where money printing and negative interest rates are accepted as normal, and austerity is political poison, anything is possible. But it might not be wise to expect oil consumption, or prices, to fall if such a vote-buying scheme is cooked up.

KEY ANNOUNCEMENTS OVER THE NEXT WEEK

Full-year results:
7 Dec: CareTech, Hyve, Ixico, Paragon Banking, Renew Holdings. **8 Dec:** Hardide, Numis, SSP. **9 Dec:** Finsbury Growth & Income, On The Beach, Victorian Plumbing. **10 Dec:** Nexus Infrastructure.

Half-year results:
3 Dec: Industrial REIT, Mind Gym. **6 Dec:** Fusion Antibodies. **7 Dec:** Babcock International, Iomart, Kinovo, Mercia Asset Management, SDI, Solid State, Supreme, Vianet, WH Ireland. **8 Dec:** Berkeley, Ince, Quiz. **9 Dec:** Clipper Logistics, DS Smith, DWF, Lendinvest, Moonpig, Watches of Switzerland. **10 Dec:** SDCL Energy Efficiency Income Trust.

Trading updates:
8 Dec: McColl's Retail. **9 Dec:** Balfour Beatty, Rolls-Royce.

WHO WE ARE

EDITOR: Daniel Coatsworth @Dan_Coatsworth

DEPUTY EDITOR: Tom Sieber @SharesMagTom

NEWS EDITOR: Steven Frazer @SharesMagSteve

FUNDS AND INVESTMENT TRUSTS EDITOR: James Crux @SharesMagJames

COMPANIES EDITOR Ian Conway @SharesMagIan

EDUCATION EDITOR Martin Gamble @Chilligg

SENIOR REPORTER: Mark Gardner

CONTRIBUTORS Danni Hewson, Laith Khalaf, Russ Mould, Tom Selby, Laura Suter

ADVERTISING
Senior Sales Executive
Nick Frankland
020 7378 4592
nick.frankland@sharesmagazine.co.uk

PRODUCTION
Head of Design: Darren Rapley
Designer: Rebecca Bodi

CONTACT US:
support@sharesmagazine.co.uk

All chart data sourced by Refinitiv unless otherwise stated

Shares magazine is published weekly every Thursday (50 times per year) by AJ Bell Media Limited, 49 Southwark Bridge Road, London, SE1 9HH. Company Registration No: 3733852.

INTRODUCTION

Thank you to everyone who voted in the 2021 Shares Awards. We are now pleased to reveal the winners of the event in this special report.

The awards were voted by readers of Shares and by the public, making the event truly representative of the people who invest and trade the markets.

The awards cover a broad range of products and services including investment and trading platforms, ISAs and SIPPs, wealth management and investment products, as well as categories for listed companies.

Daniel Coatsworth,
Editor

THE WINNERS

Best Trading Platform
FxPro

Best Forex Trading Platform
FXCM

Best Professional Trading Platform
ETX Capital

Best CFD Provider
Axi

Best Spread Betting Provider
City Index

Fundraising/Transaction of the Year
Auction Technology Group

Best Company for Shareholder Communication
Open Orphan

AIM Company of the Year
Impax Asset Management

Best ESG Investment of the Year
Good Energy

IPO of the Year
Auction Technology Group

AQSE Company of the Year
Samarkand Group

Growth Company of the Year
Alpha FX

Main Market Company of the Year
Kainos

Chief Executive Officer of the Year
Brian Duffy – Watches of Switzerland

THE WINNERS

Best SIPP Provider
Halifax Share Dealing

Best Execution-Only Broker
Fidelity

Best Stocks & Shares ISA Provider
Barclays

Best Wealth Manager
St. James's Place Wealth Management

Best App
Fidelity

Best Customer Service
Bestinvest

Best ETF Provider
Invesco

Best Fund for Growth
Fundsmith Equity Fund

Best Investment Trust for Growth
Polar Capital Technology Trust

Best Fund for Income
Schroder Asian Income Fund

Best Investment Trust for Income
The Merchants Trust

Best Fund Group
Liontrust Asset Management

Best Investment Trust Group
abrdn

BEST FUND FOR GROWTH

FUNDSMITH EQUITY

FUNDSMITH EQUITY has become one of the UK's most popular funds thanks to an impressive performance track record. Since launch on 1 November 2010, the fund has generated a 534% total return to 29 October 2021 versus 275% from the MSCI World which is a widely used benchmark for global equities.

Fund manager Terry Smith is one of the most respective fund managers currently active in the market, with a bias toward quality companies. He likes to invest at a good price and hold them for a long time.

Smith does not chase market fads, he isn't trading in and out of stocks racking up large dealing fees, and he prefers to quietly get on with the job rather than chasing publicity.

The performance figures speak for themselves, and many investors across the country view Fundsmith as a core holding for their ISAs and SIPPs.

BEST INVESTMENT TRUST FOR INCOME

THE MERCHANTS TRUST

INVESTMENT TRUSTS ARE popular with people in retirement because of their ability to smooth dividend payments. By being able to keep up to 15% of their revenue in reserves, they effectively have a way to sustain dividends payments even when there is a dip in the income from their portfolio.

The Merchants Trust has a higher yield than the UK market, as measured by the FTSE 100, which makes it particularly appealing to those looking to generate an income from their investments.

Manager Simon Gergel looks for attractively valued companies with strong fundamentals that are expected to pay a dividend yield above or in line with the market average. He assesses a company's fundamentals, valuation and catalysts for change.

Investors pay a fund manager to beat the market and that's precisely what The Merchants Trust has achieved.

BEST FUND GROUP

LIONTRUST ASSET MANAGEMENT

£2.1 BILLION INFLOWS for the six months to 30 September 2021 illustrate just how well **Liontrust Asset Management** is doing.

The asset management business was streets ahead of many fund companies in running sustainable investment strategies. An established position in this part of the market is now paying dividends thanks to a broader range of investors being more considerate with how they deploy their money in the markets.

Investors are flocking to its range of sustainable investment products. All 10 of its funds under the Liontrust 'Sustainable Future' umbrella are top quartile performers on a five-year basis, as of the end of September.

This year's winner at the *Shares Awards* for Best Fund Group is Liontrust.

SHARES AWARDS 2021

BEST ETF PROVIDER

INVESCO

Exchange-traded funds are becoming increasingly popular with investors as they look for simple ways to get market exposure at a low cost.

The ETF industry has done a great job at continuing to reduce charges on core products such as those tracking the US or UK stock markets. At the same time, we've also seen the rise in more specialised ETFs that offer exposure to certain themes or investment characteristics such as ESG-friendly stocks.

Invesco has been among the ETF providers pioneering this product development, with a broad range of ESG products as well as offering ways to play the commodities market, a variety of fixed income products and even the blockchain theme.

This year's winner at the *Shares Awards* for Best ETF Provider is Invesco.


Forefront of ETFs