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# SHARES

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**BOOHOO:**

Why investors in online fashion play are shedding tears



A photograph of two hikers in a lush forest. In the foreground, a man in a green t-shirt and a backpack looks off to the side. In the background, another hiker in a blue shirt is visible near a waterfall. A blue rectangular box highlights a small portion of the background on the right side.

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# An antidote to New Year investing resolutions

Don't put too much pressure on yourself at the start of 2022

**T**raditionally the New Year is a time to set resolutions – whether it's digging your running kit from the back of the drawer, learning how to play guitar for the first time in your 40s or quitting alcohol and sugar.

The problem is these resolutions are typically consigned to the bin by the end of January as life takes over and our willpower wanes.

It's often a period when we look at our money situation too and for investors a time to weigh up where we are and what we want to achieve in the year ahead.

Perhaps we need to learn to give ourselves a bit of break. After all, the cold and dark days of January and February are hardly the time to set ourselves over-ambitious goals.

There's value from setting aside a wet and wintry afternoon to go through your finances but otherwise it's possibly better to turn things on their head and work out some things we *aren't* going to do when investing in 2022.

While clearly the main reason for putting money into the markets is to protect and grow our wealth, that doesn't mean it can't be fun, interesting and exciting too. It certainly shouldn't be something which negatively affects your mental health and putting too much pressure on yourself isn't going to help your mindset, experience of investing or make you any more successful.

Here are some suggested anti-resolutions to get you started:

**Don't beat yourself up for any mistakes.** Everyone gets it wrong from time to time with investing.

There was a useful reminder that even the professionals make missteps in our recent article [looking at fund managers' disappointing 2021 picks](#).

**Don't get hung up on the fear of missing out.** For those with no exposure to the cryptocurrency the

performance of bitcoin might have left you feeling jealous last year, particularly if you had friends celebrating some eye-watering gains at times.

Remind yourself that investing is a long-term exercise, you won't pick every short-term winner and you would have had to be very agile to generate outsized gains from bitcoin. Over the last 12 months it is only up 8%, compared with more than 10% for the plain old FTSE 100.

**Don't convince yourself it's too late to get started.** Maybe you've neglected your investments recently or never really taken the plunge at all. Depending on your age, you might think it's just too late to get started. It's not.

Anything you do now could help you enjoy a more prosperous future. Forgot about what you might have done in the past and focus on what you can do now. Whatever your position *Shares* will be on hand with help, support and ideas in 2022.

## BOOK COMPETITION RESULTS

We had a great response to our Christmas book competition. Thanks to everyone who entered and congratulations to our winners, drawn at random. Barbara Heffernan wins the copy of *Free Capital*, Ankit Singh will receive *The Smart Money Method* and James Humphrys is the recipient of *The End of the Everything Bubble*.



By Tom Sieber Deputy Editor

# Fed minutes unsettle bond and equity markets

The change in Fed language suggests it is trying to make up for lost time

**US** bond markets have had a torrid start to 2022 with 10-year treasury yields moving up to 1.8%, from 1.5% at the end of the December, the highest since April 2021.

The dramatic move in rates has had violent repercussions in the stock market with a clear investor preference for economically sensitive shares, or so-called value, at the expense of growth.

The technology heavy Nasdaq 100 index has lost almost 6% so far in 2021 while the US banks are up over 10%. Collateral damage from the tech sell-off saw Kathy Wood's ARK Innovation exchange traded fund lose around 15% of its value so far in 2021.

Technology shares are more sensitive to higher long-term interest rates which reduce the theoretical value of their earnings while bank's margins get a lift from higher rates.

Investors should get a good steer on the outlook for bank earnings this Friday (14 Jan) when JP Morgan kicks off the quarterly earnings season.

The catalyst behind the rates turmoil appears to be the latest minutes from the federal reserve 15 December policy committee meeting (5 Jan).

The minutes left the door open for earlier interest rate rises and a faster pace of increases later this year than previously thought.

Arguably, the December non-farm payrolls data on Friday 7 January added fuel to the fire despite the headline jobs gain falling shy of expectations.

The accompanying data showed a tight labour market with unemployment falling to 3.9% against 4.1% expected and wages growing at 0.6%, higher than expected.

On 10 January investment bank Goldman Sachs said it expected four rate hikes in 2022, putting it at the hawkish end of the interest rate spectrum.

Another big test of the central bank's resolve to slow the pace of the economy and tackle rising inflation will be Wednesday's consumer price inflation data which at the time of writing is expected to hit an annualised rate of 7%.

## FOMC Meetings 2022\* (Federal Open Market Committee)

25/26 January

15/16 March

3/4 May

14/15 June

26/27 July

\*Minutes from meetings are released three weeks after FOMC meetings

Source: Board of Governors of the Federal Reserve System • Created with Datarwrapper



The Fed has so far projected a measured approach to monetary policy and is still adding liquidity to markets through its monthly asset purchases which are expected to end in March.

But the December minutes have added uncertainty to the timeline by opening the door to earlier rates hikes and faster balance sheet reduction (known as quantitative tightening).

That uncertainty and the prospect of the Fed squeezing all its policy actions, tapering, rate hikes and balance sheet reduction, into a shorter than expected timeframe has spooked both equity and bond markets and makes 2022 look more challenging.

Meanwhile rate rises are set to continue in the UK and investment bank ING reckons there is a 50-50 chance of another hike in February. [MGam]



# The impact of Kazakhstan unrest on shares and commodities

The stocks affected by escalating violence in the central Asian state and what might happen next



**T**he dust may be settling for now on the recent unrest in Kazakhstan, but the ructions are still being felt in the markets.

Prices of oil and uranium, of which Kazakhstan is a major producer, moved higher amid the disruption. The country is a key centre for bitcoin mining and concerns over the violence helped contribute to volatility in the cryptocurrency, which recently hit a four-month low.

Several UK-listed firms have direct exposure to Kazakhstan and there now seem to be three main ongoing risks for investors to weigh. First that the apparent calming of tensions proves short-lived and there is a return to violence. Second that there is wider regional contagion which sees Kazakhstan's neighbours drawn in. Finally, that the Kazakh authorities' response to the crisis includes tighter fiscal terms for foreign miners and oil companies as it looks to address the concerns of its citizenry.

The clashes in the central Asian state were sparked at the beginning of 2022 by mounting fuel prices. President Kassym-Jomart Tokayev called in troops from Moscow to quell the uprising through the CSTO alliance of Russia, Armenia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan.

Kazakh copper producer **Central Asia Metals (CAML:AIM)** on 11 January said it had been unaffected by the disruptions in the country, yet its share price is still down 10.6% year-to-date.

Another Kazakh-based miner – **East Star Resources (EST)** – made what felt like an inauspicious stock market debut on in London. Shares in what was previously a special purpose acquisition company or SPAC were readmitted to the market on 10 January following the acquisition of Discovery Ventures Kazakhstan which owns a package of four licences with gold

Kazakhstan has **12%** of the world's uranium resources and accounted for **43%** of 2019 global output

Source: World Nuclear Association



and copper potential.

At one point East Star was down as much as 14% since readmission but has since recovered some ground.

Much larger counterpart **Polymetal (POLY)**, a specialist in precious metals with assets in Kazakhstan, also saw its shares come under pressure.

Oil major **Royal Dutch Shell (RDSB)** has Kazakh exposure through its interests in the offshore Karachaganak and Kashagan fields, though its shares are up 2.6% year-to-date though as any issues here have been overshadowed by stronger oil prices.

Kazakhstan-focused oil and gas plays **Nostrum Oil & Gas (NOG)** and **Caspian Sunrise (CASP:AIM)** have fallen 20% and 14.5% since the start of 2022.

Shares in uranium-focused investments **Geiger Counter (GCL)** and **Yellow Cake (YCA:AIM)** are up 6.5% and 1% respectively year-to-date. [TS]

# Holidays surge sparks rampant rally for travel sector stocks

Airlines, package holiday firm, cruises are all seeing huge demand

**A**fter nearly two years of heavy losses, the travel sector is showing serious signs of bouncing back, despite the ongoing drag of the Omicron variant. Increased vaccination rates, pent-up demand and accumulated savings are helping to spur demand for global tourism nations roll back border restrictions.

Organisations from across the travel industry welcomed the UK Government's decision to ditch pre-departure tests for arrivals into England from 9 January, with Brits returning home also now able to use cheap lateral flow Covid tests rather than booking expensive PCR tests.

'The removal of pre-departure tests and replacing day two PCRs with more affordable antigen testing will significantly boost the UK tourism sector and help both it and the whole UK economy recover much faster than expected,' said Julia Simpson, World Travel & Tourism Council chief executive.

This has spurred demand for airline and holidays stocks, the UK travel sector up more than 3% in the early days of 2022. Yet the travel rally really set in before Christmas. During the past month, shares

in BA-owner **International Consolidated Airlines (IAG)** have jumped 19%.

Budget flyers **EasyJet (EZJ)** and **Wizz Air (WIZZ)** have posted similar gains, while **Jet2 (JET2:AIM)**, which provides package holidays and flights to tourists and is one of *Shares* top picks for 2022, is up 23%.

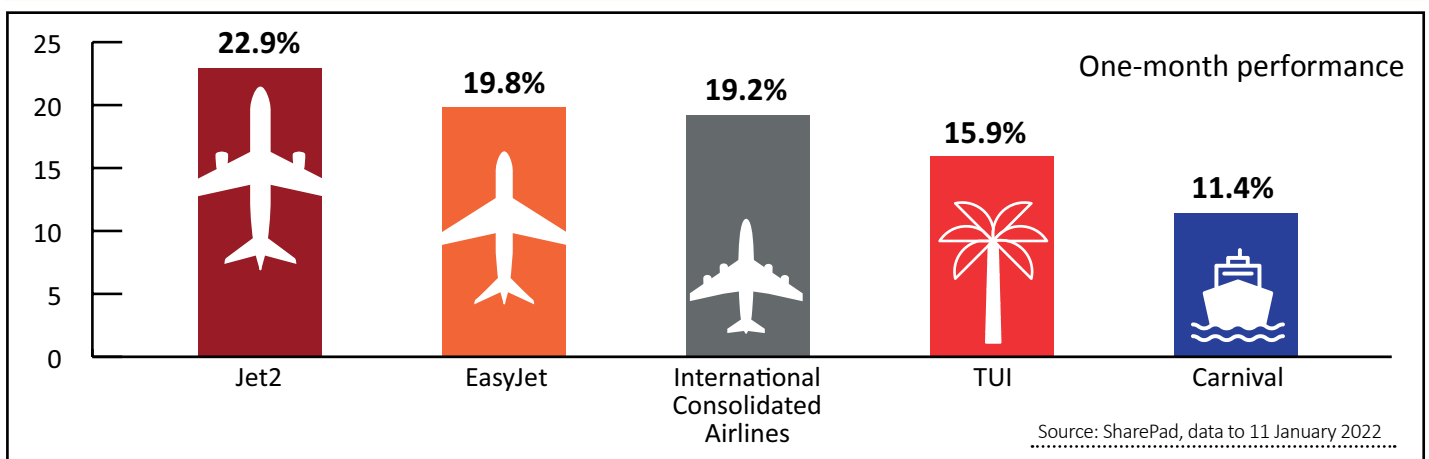
**TUI (TUI)**, **Carnival (CCL)** and **Saga (SAGA)** are all up by double digits too, yet this may be merely the prelude to even greater share price gains across the sector this year.

'An industry-wide recovery in short-haul leisure travel is expected this summer, reaching pre-Covid levels,' said analysts at Numis. 'Many holidaymakers would not have been overseas in three years implying material pent-up demand.'

Last week EasyJet said it saw bookings for some destinations surge 400%, with overall flight demand up 200%, with demand for classic holiday hotspots like the Canary Islands, Alicante and Malaga up sharply.

Numis calculates that the broader sector has underperformed the FTSE All-Share index by 8% since the first quarter of 2020. [SF]

## Travel stocks fly higher





# Housebuilders hit by surprise escalation in cladding costs

Monday's tumble wiped more than £1.5 billion off share valuations



**S**hareholders in the big six major UK housebuilders received a rude awakening on Monday after the sector lost more than £1.5 billion in value after the government unexpectedly said it could force them to fix cladding issues on high-rise buildings at an estimated cost of up to £4 billion.

The hardest-hit stocks were **Persimmon (PSN)** and **Barratt Developments (BDEV)**, down 5.3% and 4.9% respectively for a combined loss of almost £850 million, although the damage extended across the sector with smaller developers such as **Redrow (RDW)** and **Vistry (VTY)** also losing around £100 million each in market value.

Cladding on tower blocks has been a major political issue since the Grenfell disaster in June 2017. The cost of making blocks safe is meant to be met by the freeholder who owns the building, but in many cases has been passed to the leaseholders who own the individual flats.

The Government previously pledged more than £5 billion to fund the removal of unsafe cladding from the highest-risk building, those over 18 metres high, to be paid for in part by a levy on developers.

To that end, it introduced a 4% tax on the profits of large residential property developers from April 2022, which analysts estimate could take up to a decade to raise £2 billion.

However, the Department for Levelling Up, Housing and Communications this week upped the ante considerably, giving companies a deadline of early March to agree a fully funded plan of action, including remediating unsafe cladding on buildings between 11 metres and 18 metres, with an estimated cost of a further £4 billion.

Secretary of state Michael Gove warned the Government would take 'all steps necessary to

make this happen, including restricting access to government funding and future procurements, the use of planning powers and the pursuit of companies through the courts'.

The levy is supposed to be voluntary, but if the companies refuse to comply the Government 'will if necessary impose a solution in law' according to the statement.

The housebuilders are hardly able to push back against the Government by claiming poverty given they have been shelling out bumper dividends to shareholders for the last couple of years.

They have also been strong beneficiaries of state-backed initiatives like the Help to Buy scheme which have helped boost demand.

The new levy could constrain these special dividends, which have been a key reason for many investors to hold the shares until now.

Building materials supplier **Kingspan (KGP)**, which wasn't cited in the statement but which supplied some of the insulation used on the Grenfell tower, saw its shares slide 5% to €96.30 on Monday, wiping over €900 million off its market value. [IC]



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# Play the rotation into value stocks with Temple Bar

Tech names are out of fashion as investors seek lower rated shares offering 'jam today'

**J**anuary has seen a rotation in the market, with investors moving out of technology-related stocks and into more value style investments where the story is all about slow to medium growth today, not super levels of growth in the future.

The UK market has quite a few stocks that fall under the value category – namely immediate profit and cash flow, or 'jam today', trading on undemanding ratings versus the 'jam tomorrow' of many more speculative tech stocks.

The fact investors are looking at the value space again bodes well for **Temple Bar Investment Trust (TMPL)** as it specialises in investing in value-style stocks.

## ROTATION REASONS

Tech stocks have fallen out of favour with investors due to expectations for rising interest rates. A lot of tech companies trade on high valuations with the hope of large profit growth in the future rather than now, and these types of stocks are very sensitive to rising rates.

The market works out what a future stream of cash flow or earnings is worth today and bond yield and interest rate expectations play a key role in this calculation.

Higher interest rates reduce the present value of the expected cash flow, so investors



**TEMPLE BAR  
INVESTMENT  
TRUST**

(TMPL) £11.87

**BUY**

Market cap:  
**£782 million**

don't want to pay as much for tech-related stocks. That's why you have seen movements such as a 15% fall in Tesla and a 13% decline in investment trust **Allianz Technology (ATT)** so far this year.

## NEW MANAGER

Temple Bar Investment Trust saw a change in manager just over a year ago, coinciding with another rally in value stocks. Its shares hitched a ride with this rally until June 2021 when the market started to switch back to favouring higher growth-orientated stocks, leaving the trust's share price to lose momentum.

However, Temple Bar's shares perked up in late 2021 when expectations increased for interest rate hikes, together with a resurgence in Covid cases. Investors started to seek

safety in seemingly more boring companies and that trend has accelerated in 2022.

Not only is Temple Bar's style back in favour, but investors are able to access its portfolio for less than the market value of the underlying holdings. That's because its shares continue to trade at a discount to net asset value, the latest being 7.9% versus a 12-month average of 6.8% according to Winterflood.

One possible explanation behind the lingering discount to NAV is that value as a style has been out of favour for much of the past decade and so the market might think the current rotation won't last long. That's a risk for prospective investors to consider.

## INVESTMENT PROCESS

Temple Bar is managed by RWC and the goal is to provide a



greater total return (share price gains and dividends) than the FTSE All-Share index.

RWC considers a company's growth prospects and sustainable levels for profit margins and then calculates an intrinsic value for the business. It looks to invest when the shares trade below this intrinsic value.

A lot of companies are cheap for a reason and RWC is keen to avoid so-called 'value traps' where the businesses could stay cheap for a long time because of structural issues.

Instead, it looks for companies on cheap ratings which have a strong enough balance sheet to survive any short-term problems.

'The value opportunity arises because investors have an irrational dislike of a business, or misunderstand it, or are too focused on short-term problems, for example,' explains QuotedData, an investment trust research specialist.

QuotedData says that just as some investors become over-exuberant about some stocks, they become overly pessimistic about others, which creates value opportunities. The challenge is sifting through the pack and seeing which ones

can bounce back.

The investment trust's portfolio has large positions in energy, materials and financials – all sectors which tend to do well when the value investment style comes into fashion.

## PORTFOLIO HOLDINGS

Oil and gas companies **Royal Dutch Shell (RDSB)**, **BP (BP)** and Paris-listed **TotalEnergies** are among the biggest holdings in the Temple Bar portfolio. These companies generate lots of cash, which is used to reduce debt, fund dividends and share buybacks, and help finance expansion into renewable energy.

Life insurance provider **Aviva (AV.)** is a top 10 holding for Temple Bar. James Pearse, an analyst at investment bank Jefferies, believes that following the recent disposals of Aviva's non-core overseas businesses, it has enough surplus capital to return £5 billion to investors this year. One might expect this money to be split between special dividends and share buybacks.

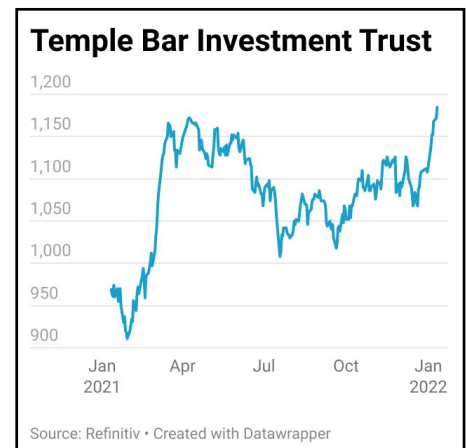
Temple Bar also has a stake in media group **WPP (WPP)** which last year benefited

from a recovery in advertising spend. Trading on 13.5 times forecast earnings for 2022, WPP's valuation is 'extremely modest for a well-managed, market-leading, global player experiencing robust trading and offering the prospect of strong medium-term growth and cash generation,' says broker Shore Capital.

'We also note that, based on consensus forecasts, it is trading on an EV/EBITDA discount to its international peers despite offering the prospect of superior earnings growth. Our fair value estimate is currently £16.24 suggesting substantial upside potential (from the current £11.69 trading price).'

Other holdings in the Temple Bar portfolio include **Vodafone (VOD)**, **Marks & Spencer (MKS)** and **Royal Mail (RMG)**.

The trust targeted a minimum of 39p in dividends for the 2021 financial year, with three quarterly payments of 9.75p having already been paid. While we expect dividend growth from the trust in the future, for now investors should use guidance for 2021's payment as an indication of how much income the stock could provide in 2022, namely a yield in the region of 3.3%. [DC]





# Legal services leader DWF is set for share price upside

The business has come a long way since it listed in 2019

**L**egal services group **DWF (DWF)**, the only Main Market legal firm, is 'massively undervalued' according to its chief executive Nigel Knowles.

In our view this is not just a case of a boss talking up his own business, there's real merit to this view and investors should take advantage.

By slimming down operations during the pandemic and creating three separate but highly complementary units, the firm has seen a 'compelling step change in profitability' as witnessed by the 40% jump in pre-tax earnings for the first half of the current financial year.

The group now operates through three divisions of Legal Advisory, Connected Services and Mindcrest.

The Legal Advisory business handles everything from conveyancing and property services to advising on mergers and acquisitions, debt and equity financing, dispute resolution, insurance and tax matters.

The surge in M&A and corporate fund raising since the start of the pandemic has meant boom times for law firms while the insurance business has bounced back due to Covid-related policy claims and even the property business has

performed better than expected.

The unit's gross margin in the first half was 52.5% thanks in part to a significant reduction in payment days, and all areas of Legal Advisory are reporting strong pipelines for the rest of the year.

Connected Services includes areas like forensic accounting and auditing, claims management, regulatory consulting, compliance and training. Gross margins were 44% in the first half as the firm took on new businesses and more work, incurring start-up costs, but as these contracts mature so the returns will increase.

Mindcrest provides outsourced compliance, legal analytics and litigation services, and gets some of its work from legal services. Gross margins were 46.5% in the first half, but the chief executive believes the actual underlying margin is more like 60%.

One of the keys to DWF's success in the last year has been the cross-selling of services, with the number of clients paying more than one division for advice and paying for it more than one country, and the percentage of fees generated from these clients both growing steadily.

The firm is growing geographically but selectively and has recently set up an



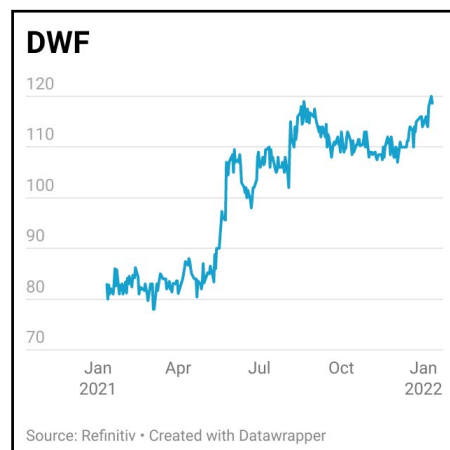
**DWF**  **BUY**  
(DWF) 114p

Net assets: **£372 million**

office in Saudi Arabia to tap into the huge Middle Eastern legal market.

Finally, the firm's ESG strategy, which includes climate and diversity targets, is designed to fit the bigger clients it expects to take on and gives it a 'competitive advantage' according to Knowles.

What is clear is that on just 11 times current year earnings for double-digit compound earnings growth out to 2024 according to analysts' forecasts, there is scope for major upside in the shares. [IC]



## ODYSSEAN INVESTMENT TRUST (OIT) 168p

**Gain to date: 72.3%**

**Original entry point:**

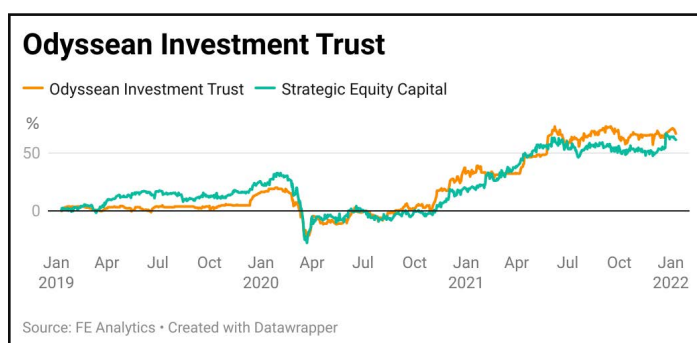
**Buy at 97.5p, 10 September 2020**

SHARES IN **Odyssean Investment Trust (OIT)** are up 72.3% since we recommended the UK smaller companies trust in September 2020. We see merit in the board's proposal (23 Dec) to merge with rival **Strategic Equity Capital (SEC)**, a deal that would reunite the latter trust with former manager Stuart Widdowson.

Odyssean is managed by Ed Wielechowski and Widdowson, who previously forged his reputation as a star small cap stock picker by driving the turnaround of Strategic Equity, another running *Great Ideas* selection trading at 314.5p, 4.3% above the 301.5p at which we recommended the shares in August.

Merger talks remain at an early stage, but 32.9% of Strategic Equity's shareholders back the deal and Odyssean argues convincingly that a combination would create a leading trust differentiated from the wider UK small cap sector with strong liquidity, discount control mechanisms and crucially, 'a premium rating and greater scale', with the ability to reduce ongoing charges for shareholders.

Both trusts are highly concentrated UK small cap funds that apply private equity-style techniques to public markets. Should the merger proceed, the enlarged trust will be managed under Odyssean's successful strategy, underpinned by a string of premium-priced takeovers.



**SHARES SAYS: ↗**

**Keep buying Odyssean. [JC]**

## CORDIANT DIGITAL INFRASTRUCTURE (CORD) 108p

**Gain to date: 2.9%**

**Original entry point:**

**Buy at 105p, 13 May 2021**

INVESTOR AND DIGITAL specialist in mid-market data centres, mobile communications, broadcast towers, and fibre optic networks, **Cordiant Digital Infrastructure (CORD)** delivered a total shareholder return of 9.5% in the first half to 30 September 2021.

The trust finished the period with a net asset value of 102p per ordinary share, which means the shares trade at a premium of around 6%.

The company is targeting a 4p dividend per share for the financial year to 31 March 2023, three years ahead of the schedule communicated at the time of the initial public offering in February.

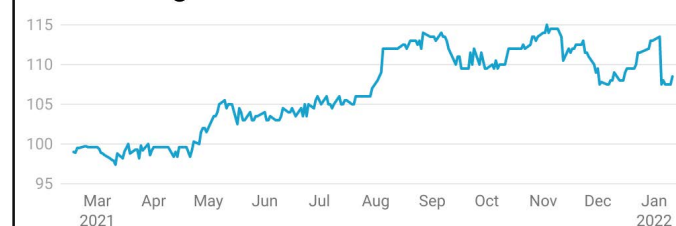
The trust has now fully deployed its cash following recent purchases of Emitel and DataGryd, a multi-asset Polish platform and a concentrated hub of internet connectivity in New York, respectively.

This means that the C-shares that were created via a £185 million placing in June 2021 will convert into ordinary shares on 20 January.

The company is planning to conduct a £200 million placing at a 6.6% discount to the share price to satisfy a follow-up funding requirement in the portfolio.



### Cordiant Digital



**SHARES SAYS: ↗**

**The experienced management team is delivering on promises made at the time of the listing. [MGam]**



## FRP ADVISORY GROUP

(FRP:AIM) 132.3p

**Gain to date: 8.4%**

**Original entry point:**

**Buy at 122p, 16 September 2021**

Since recommending specialist advisor **FRP Advisory Group (FRP:AIM)** in mid-September 2021 the shares have risen by a little more than 8%. We continue to believe that the shares offer good value and maintain our positive stance.

Results (16 Dec) covering the six months to 31 October 2020, saw the group deliver another period of impressive growth with revenue increasing by 14% and underlying adjusted earnings before tax depreciation and amortisation ahead by 7%. Significantly this was despite 2020 being a subdued period for the insolvency market.

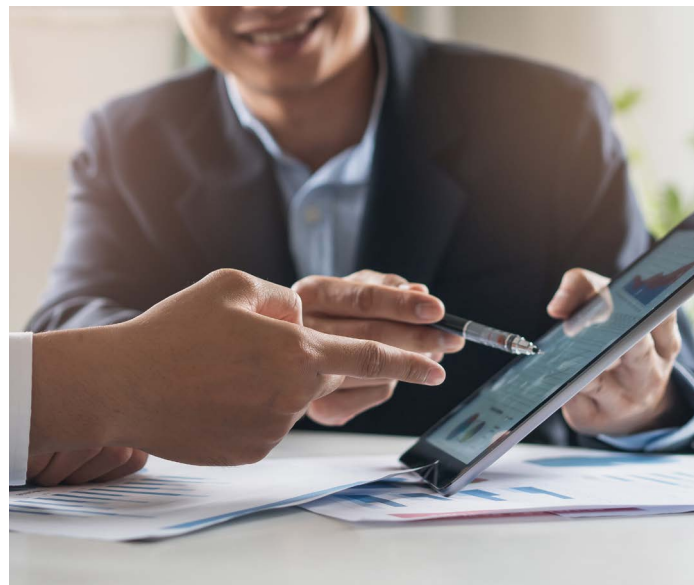
Several factors have contributed to the placid nature of the insolvency business. These include the furlough scheme, state-backed initiatives including the bounce back loan schemes, and a slower (when open at all) court system.

However with government stimulus now unwinding and UK businesses increasingly facing a challenging macroeconomic environment FRP is well positioned to benefit from a surge in activity. Altradius, a trade credit insurer has predicted insolvencies will be 33% higher in 2022 than in 2019.

The star performer within FRP has been the corporate finance division. The business is starting to reap the benefits of the Spectrum and JDC acquisitions both secured at attractive multiples. Critically these have added increased scale and scope to FRP's corporate finance offering.

At the beginning of March 2021 FRP acquired Spectrum Corporate Finance for £9.4 million, extended its geographical footprint into London and the South with the addition of 27 new employees.

The Spectrum deal was followed in September 2020 with the £5.3 million acquisition of JDC Group, the leading specialist corporate finance and forensic services firm. The deal provides FRP with an immediate presence in the East of



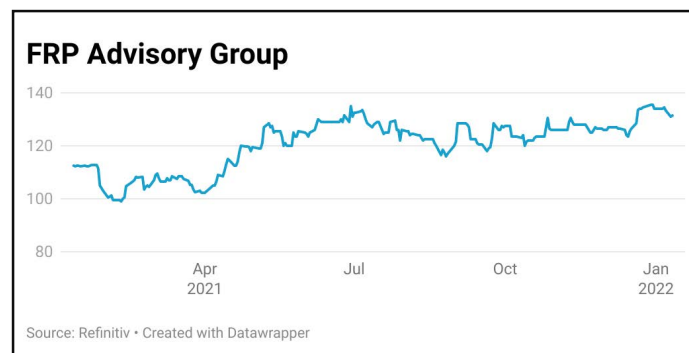
England and bolsters FRP's corporate finance and forensic services offering.

A vibrant deals market coupled with pent up demand to deploy capital has created an ideal market for FRP's corporate finance team.

Total take private deals, based on value are at the highest value for the last 20 years, which bodes well for the recently acquired JDC and Spectrum teams. This chimes with official guidance that corporate finance have a 'strong' pipeline for the second half of the year.

Broker Liberum suggest that corporate finance will contribute 15-20% of group revenue in 2022, validating the view that FRP is more than a play on a downturn in the economy.

The most recent estimates from house broker Cenkos have FRP trading on a prospective price to earnings ratio of 18.3 times. Given the potential growth prospects in both the insolvency and corporate finance divisions they argue 'the shares fail to reflect the upside potential'.



**SHARES SAYS: ↗**  
**Still a buy. [MGar]**

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# FIT and WEALTHY

## Six funds to whip portfolios into shape



By the Shares team

**I**nvesting requires discipline and patience. Regularly putting money into investments can pay off in the long term, and it's this habit which can help to build up wealth over time.

A lot of people have the willingness to put money into stocks, funds or bonds every month – they simply don't know where to start in terms of picking the right products.

To give you a helping hand and put your investment journey onto the right path for the years ahead, *Shares* has pulled together various fund and investment trust ideas to suit different types of people.

Investors in their 20s, 30s, 40s and 50s probably want to grow the value of their investments as a priority, so the emphasis will be on capital gains rather than dividends.

Those in their early sixties may want to dial down risk, though they may also wish to stay invested in the markets to ensure their pension pot lasts for as long as they do. Those in retirement will also be looking for decent income solutions.

Read on to discover funds and investment trusts which Shares believes are suitable for each of these groups and risk appetites. Each person's circumstances and risk appetites will be different, so these ideas may not suit everyone in each of the age categories. However, they should provide a good starting point for research.

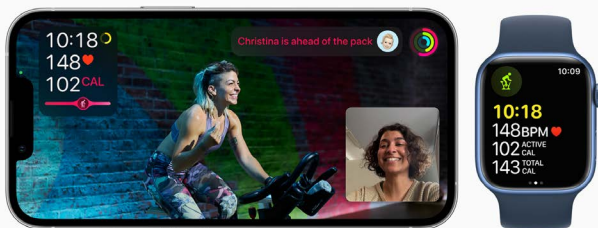
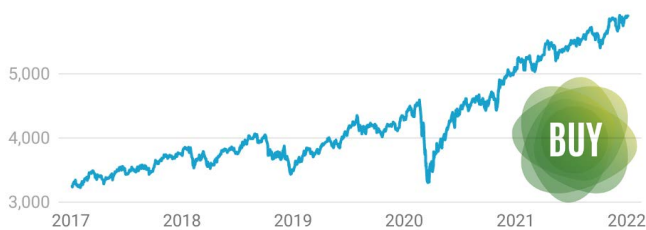
20S/30S/40S/50S

LOOKING FOR GROWTH,  
MEDIUM RISK APPETITE

FIDELITY GLOBAL

SPECIAL SITUATIONS (B8HT715)

### Fidelity Global Special Situations W Acc in GB



Most people when they think about saving or investing will be planning to build a pot for the future rather than drawing income or capital today.

The average person in their 20s or 30s has decades of work and salary earnings ahead of them so they have years over which to gradually accumulate meaningful savings. Even someone in their 40s or 50s will still be looking to grow their savings, so time is very much your friend.

The **Fidelity Global Special Situations Fund (B8HT715)** fund has several advantages for these people. It can take positions in less mature businesses where profits might be scarce, but the potential for faster growth is higher, implying bigger returns for investors in the future.

Take Amazon, for example, the fund's third largest holding. It took six years from listing on the US stock market to make a profit, and lots of impatient investors would have given up and sold out before that happened. That would have been a huge mistake: \$1,000 invested in

Amazon shares 20 years ago would today be worth \$298,018.

Fidelity Global Special Situations also targets companies that might have struggled for one reason or another but where, the fund believes, there is substantial scope to repair and improve performance. Japan's Sony, also one of the fund's top 10 stakes, is a great example, having rallied four-fold over the past five years.

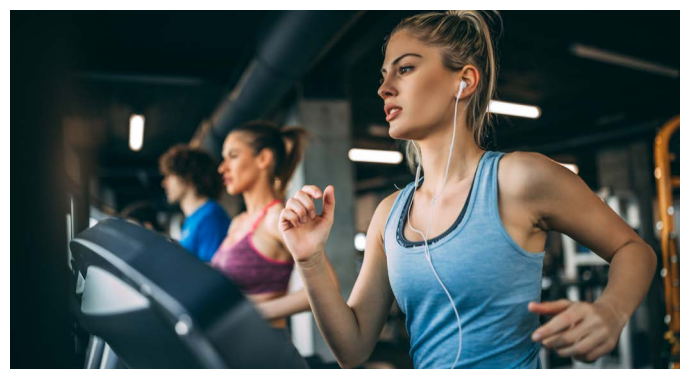
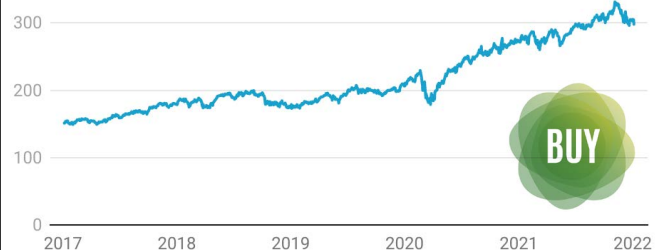
At least 70% of the fund will be invested in stocks with ideas drawn from around the world, with about 55% in US markets currently, including names like Microsoft, Apple and United Health.

Performance speaks for itself. Over the past 10 years it has generated a 336.5% total return versus 247.2% from its benchmark, the MSCI All-Countries World index, according to FE Fundinfo. To put that another way, £1,000 invested in Fidelity Global Special Situations 10 years ago would today be worth £4,365 versus about £3,435 from an ETF that tracks the benchmark index. [SF]

LIONTRUST GLOBAL

INNOVATION (B8DLY47)

### Liontrust Global Innovation C Acc GBP in GB



Anyone with time on their side and who can let wealth accumulate before needing to draw an income from their investments should think about putting money into a fund which looks for



the clever companies of tomorrow.

**Liontrust Global Innovation (B8DLY47)** has returned 52% since James Dowey and Storm Uru took over as managers on 1 July 2019, significantly ahead of the 38% from the MSCI All-Country World index, which is a popular benchmark for global stocks.

Dowey believes it is possible to make mid-teens returns each year from a portfolio of the most innovative companies. 'If you can compound a portfolio of stocks at 15% a year, the portfolio becomes a 10-bagger in 16 years. History suggests it takes the broader market 25 years to do that,' he adds. A 10-bagger is a term to describe an investment that increases in value by 10 times from its initial purchase price.

There are no guarantees that investors will achieve this return, and it is important to note that more speculative tech firms – some of which fall under the 'innovation' banner – are currently out of favour due to expectations for rising interest rates.

A lot of tech-themed companies trade on high valuations with the hope of large profit growth in the future rather than now, and these types of stocks are very sensitive to rising rates. With these types of companies, the market works out what a future stream of cash flow or earnings is worth today. Higher interest rates reduce the present value of the expected cash flow, so investors want to pay less for them. Investors taking a long-term view should be aware of this situation but mustn't be put off completely by this headwind.

Dowey stresses that the Liontrust portfolio is not confined to the technology space as he and Uru look for innovators across all industry sectors. They don't look at early-stage business and only invest when a company is worth more than \$1 billion.

They look for businesses creating value, either by offering something that is cheaper or better than what's currently available. These companies must have barriers to stop competitors copying them, management must have vision and good execution, and there must be evidence they are generating high returns from the money they spend.

Portfolio holdings include low-cost, no-frills gym operator Planet Fitness, flow measurement specialist Badger Meter, Sea which Dowey calls the South East Asia version of Amazon,

and artificial intelligence-powered insurance group Lemonade. The ongoing charge on the fund is 0.88%. [DC]

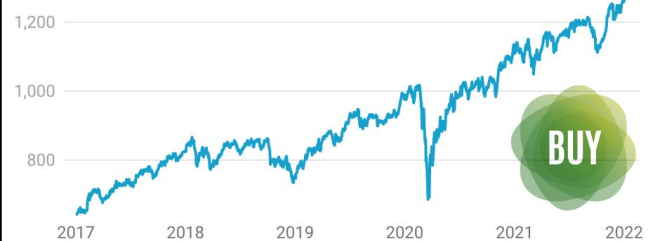
## EARLY 60S

WANTS TO STAY INVESTED  
IN RETIREMENT BUT  
DIAL DOWN RISK

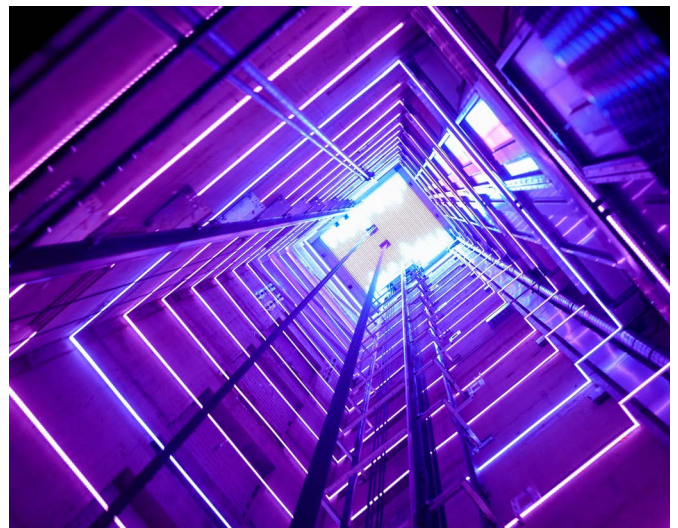
### BANKERS INVESTMENT

TRUST (BNKR) 124.4P

#### Bankers Investment Trust



Source: Refinitiv • Created with Datawrapper



**Bankers (BNKR)** has two key ambitions which would make it a solid pick for someone approaching retirement (or in the early days of it) but still looking to capture some growth from the stock market.

It looks to achieve long-term capital gains better than those of the FTSE World index as well as annual dividend growth which is ahead of inflation.

The good news is it has largely achieved both these ambitions over the last 10 years with a total return (capital gains and dividends) of 313% against 231% for the FTSE World through that period. The company has increased its dividend for 54 consecutive years.

This consistency is underpinned by globally diversified investment remit and healthy revenue reserves which help to smooth out the impact of fluctuations in dividend payments from its holdings in individual years. It yields 1.75% which is a much better return that you'd find on cash savings.

The experienced Alex Crooke has been at the helm for nearly 20 years, taking charge in June 2003. He operates with no limits in terms of country or sector exposure and leans on specialists within the trust's asset manager Janus Henderson, namely teams in the UK, North America, Europe, Japan and China.

The emphasis is on stock picking, identifying investments which are attractively valued with diversification intended to reduce the volatility of returns.

In total the trust has 175 holdings in the portfolio. Included in the top 10 are household names like Microsoft, Estee Lauder and Home Depot alongside less well-known firms such as financial software outfit Intuit and elevator manufacturer Otis Worldwide.

US-listed stocks account for more than 35% of the portfolio, but this is much less than a weighting of more than 64% in the FTSE World index.

Reflecting the impressive track record, the shares trade at a very modest premium to net asset value. The ongoing charge is a reasonable 0.5%, at the lower end of the peer group in the AIC Global sector. [TS]

## RIT CAPITAL (RCP) £27.25



An investment product which looks to preserve capital but still deliver growth is a decent choice for someone who wants to remain invested in retirement but also wants to start dialling down their risk exposure. **RIT Capital (RCP)** is the top performing UK investment trust with this remit.

The trust was founded by Lord Rothschild and manages a significant chunk of his family's wealth. Combined the Rothschilds own more than 30% of the shares.

It is run by J. Rothschild Capital Management and Lord Rothschild also chaired the trust before stepping down in 2019. Being steered by an in-house team ensures a consistency of approach and commitment to the fund's long-term and defensive approach to investing. The trust does make use of some exceptional third-party managers too and benefits from access to a network of some of the world's top investors.

Its aim is to be diversified across different geographies and asset classes, including quoted and unquoted investments, to deliver strong returns with less volatility.

Since listing in 1988 RIT says it has participated in 73% of the upside in the market but only 38% of any market declines, and this has added up to an annualised total return of more than 11%.

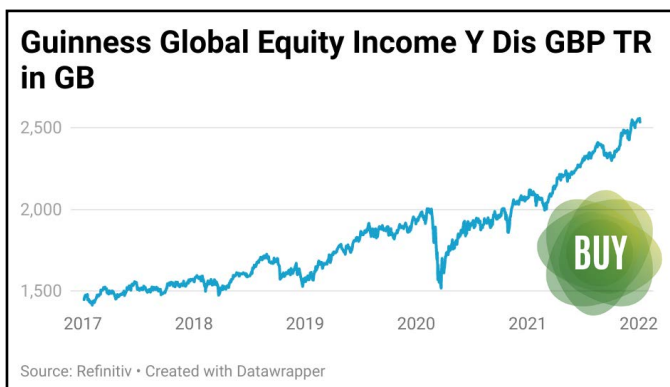
Quoted shares represent a third of the portfolio; based on the latest reported data, top holdings included the likes of Alphabet, Walt Disney, Coca-Cola and T-Mobile.

The main downside is a relatively onerous ongoing charges figure of 1.55% according to the Association of Investment Companies, higher than its capital preservation trust peers, though this can be justified, at least in part, by its significantly better long-term performance. The shares trade at a small premium to net asset value. [TS]



# 60+ IN RETIREMENT AND WANTS INCOME

## GUINNESS GLOBAL EQUITY INCOME (BVYPP13)



**Guinness Global Equity Income (BVYPP13)** might appeal to investors aged 65 years and over who have retired and want a growing income stream combined with some capital growth.

Managed by Ian Mortimer and Matthew Page, the fund is a one way to guard against the twin threats of equity market uncertainty and rising inflation given its focus on global equities with sustainable income growth.

Guinness Global Equity Income invests in companies that are well placed to be able to pay a sustainable dividend into the future, with a focus on profitable companies with strong balance sheets that have generated persistently high returns on capital over the last decade.

Starting with quality, not yield, their process identifies blue chip companies as well as some smaller companies that are outside of the traditional dividend paying regions and sectors.

The result is a concentrated, equally weighted

portfolio of around 35 quality, attractively valued stocks offering a 2.4% yield with good potential for dividend growth. It has a 0.84% ongoing charge.

Since its 2010 launch, the fund's focus on high quality and persistently profitable businesses, and a healthy balance between defensives and cyclicals, has generally meant performance has fared better during market downturns, while keeping up with rising markets.

Over the longer term, the fund has outperformed the IA Global Equity Income sector average over one, three, five and 10 years and since launch. For example, over 10 years it has generated a 235% total return versus 167% from the sector.



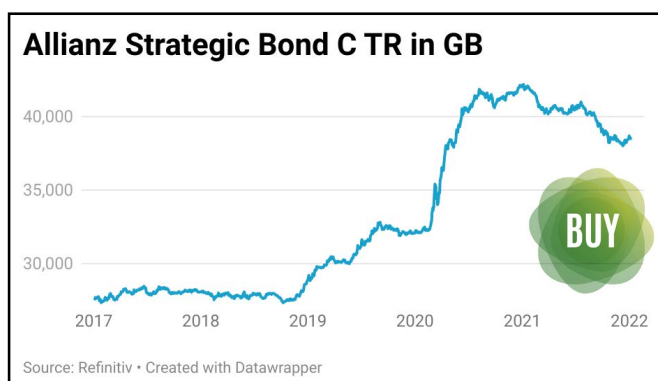
Top 10 holdings as of the end of November 2021 included technology group Microsoft, cigarettes seller **British American Tobacco (BATS)** and Marmite-to-Magnum ice cream maker **Unilever (ULVR)**, as well as US-listed payroll services group Paychex and drug company AbbVie.

The fund also offers exposure to Taiwan Semiconductor Manufacturing, the globe's biggest microchip maker; Medtronic, the world's largest pure-play medical device manufacturer; as well as European industrial electrical equipment group ABB.

Investors considering this fund in retirement should note that equities are considered risky, and that performance could be volatile. Someone wanting a lower-risk option should instead look at a bond fund or even consider an annuity which pays a guaranteed income either for a fixed period or for life. [JC]

## ALLIANZ STRATEGIC

### BOND FUND (B06T9362)



Investors who principally want income should consider the **Allianz Strategic Bond Fund (B06T9362)** which has a strong track record and is designed to provide safety during heightened stock market volatility. The fund has a trailing 12-month yield of 1.8% and income is paid twice yearly.

The £2.9 billion fund is lead managed by long tenured manager Mike Riddell and has an unconstrained mandate which allows it to invest across the whole fixed interest spectrum. This means the composition of the portfolio can differ significantly from its benchmark, the Bloomberg global aggregate bond market,

hedged back to sterling.

The mandate gives Riddell the freedom to position the portfolio across parts of the global bond markets that he and his team find the most attractive, from corporate bonds, government bonds, emerging market bonds, inflation-linked bonds and currencies.

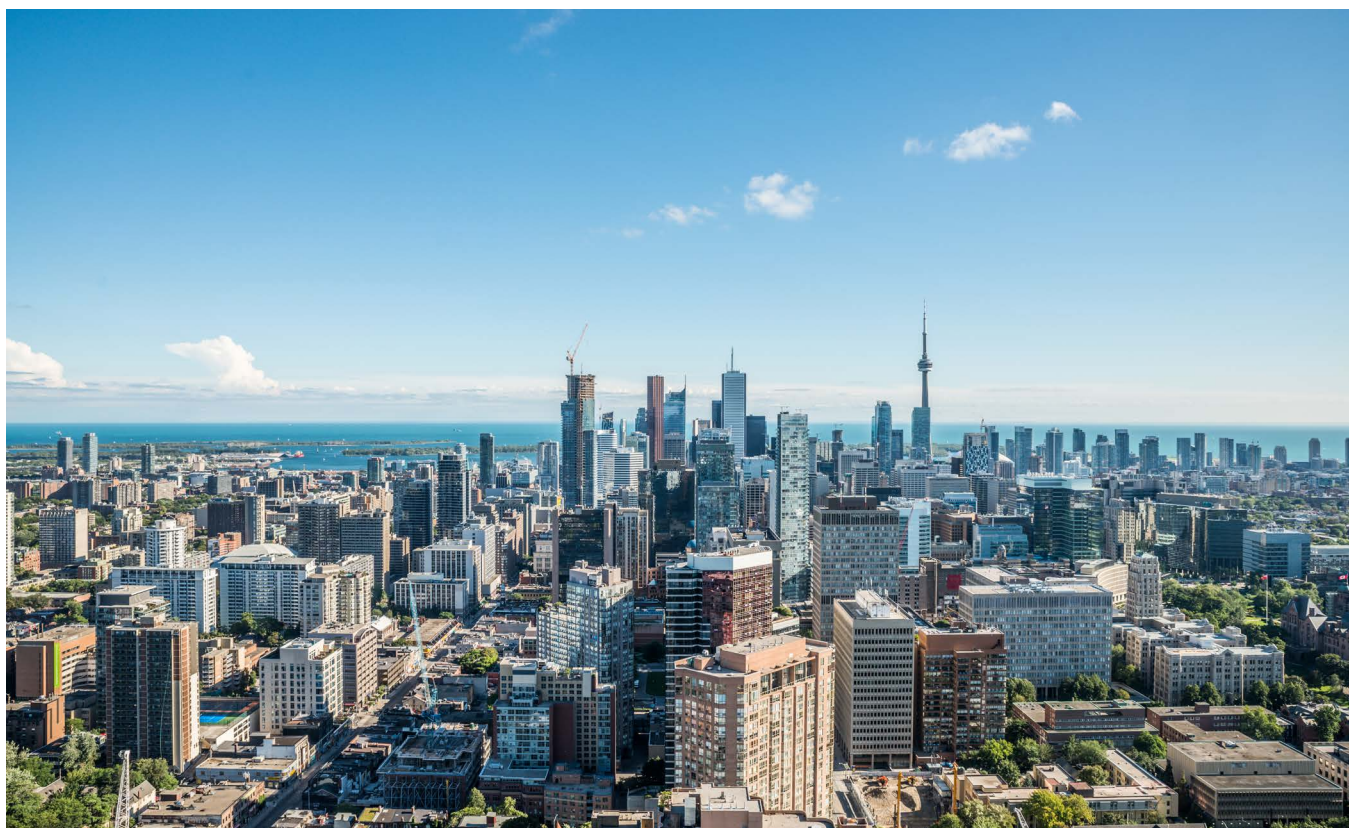
Allianz is the largest bond investor in Europe and one of the largest in the world, with deep resources and expertise.

The fund targets a low correlation to equities so that it behaves in a manner which protects investors when stock markets are volatile or weak, providing valuable diversification benefits. Correlation is a measure of the connectedness between things.

Over the last three years the fund has delivered a three-year annualised return of 10.3% a year, comfortably beating the 3.3% a year returned by the benchmark.

However, since the middle of July 2021 the fund has underperformed its benchmark which is principally down to Riddell's negative view on UK inflation-linked bonds which has hurt returns.

Riddell believes the factors driving UK inflation-linked bond prices higher are technical in nature and he expects them to reverse during the second quarter of 2022. The fund has an annual ongoing charge of 0.63% a year. [MGam]



# There are big obstacles to a Boohoo recovery

The digital fast fashion retailer is cheap for a reason amid slowing growth, supply chain pain and Chinese competition

**I**nvestors in online fast fashion retailer **Boohoo (BOO:AIM)** could be forgiven for being pretty depressed when examining the share price chart.

The stock is languishing some 75% below the 420p peak reached in June 2020 as the pandemic drove young fashionistas online.

Boohoo has been hit by the continuing fall-out from a hugely damaging modern slavery scandal and more recently (16 Dec), a punishing profit warning.

Based on downgraded estimates from Liberum Capital, Boohoo now trades on only 14 times forecast earnings for the year to February 2024, a massive discount to a June 2020 peak of 63 times. Despite this big discount we don't think Boohoo is a buy.



## WHY BOOHOO WARNED

Boohoo's pre-Christmas alert had been partly expected by the market, as it followed supply chain-induced profit

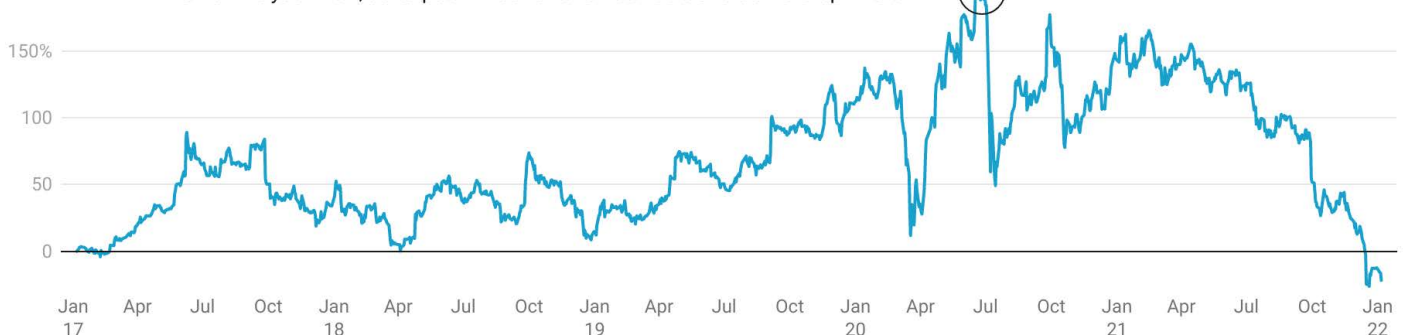
warnings from e-commerce companies including key rival **ASOS (ASC:AIM)** as well as the likes of **AO World (AO.)** and **Gear4music (G4M:AIM)** and the shares had weakened further in the run-up to the announcement.

Boohoo reported disappointing third quarter growth and warned profits for the year to February 2021 will be much lower than previously expected, blaming a spike in product returns rates and rising freight costs for a massive downgrade to annual sales growth and margin guidance.

On top of pandemic-linked costs, profitability has also been impacted by investments in acquired brands and the Debenhams platform; to recap, the Boohoo, PrettyLittleThing and Nasty Gal brands owner

## Boohoo

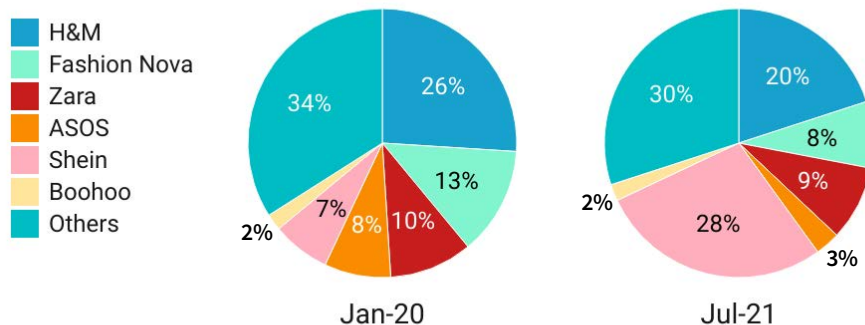
On a five-year view, at its peak in June 2020 Boohoo's shares were up 193% →



Source: Refinitiv • Created with Datawrapper



## Share of US fast fashion market



Source: earnestresearch.com, Liberum Capital note • Created with Datawrapper

snapped up the Debenhams, Dorothy Perkins, Wallis and Burton brands at the beginning of 2021 and has relaunched Debenhams as a digital department store for fashion, beauty and homeware.

A comment that the Omicron variant could 'pose further demand uncertainty and elevated returns rates particularly in January and February' also rattled investors.

The upshot is Boohoo now expects to deliver sales growth of 12% to 14% this year, sharply below previous guidance of 20% to 25%.

The annual adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) margin is expected to be 6% to 7%, south of earlier guidance of 9% to 9.5% and implying adjusted EBITDA of between £117 million to £139 million for the year.

Shoppers returning more and more products is a particular issue for online-only retailers such as Boohoo and ASOS.

Whereas handling product returns through a brick and mortar shop is relatively simple,

digital retailers work to thin profit margins that are supported by high turnover of stock, low costs and seamless logistics, meaning returns are a much bigger nuisance for them.

### RISKS REMAIN

Jefferies cut its full year 2023 EBITDA forecast by 46% to £135 million and slashed its price target from 430p to just 165p on the warning: 'While the extent and timing of reversion back to historical levels remains to be seen, we see clear logic

in defining these factors as transitory rather than structural', remarked the broker.

Liberum Capital is excited by the progress at Debenhams, which 'offers a good opportunity for Boohoo to develop its beauty business and platform operations'. And while growth over the next 12 months is 'likely to be muted and profitability will remain low', Liberum expects a recovery after that and 'a return to double digit profitability in the medium term'.

Nevertheless, the broker slashed earnings estimates for full years 2022, 2023 and 2024 on the grounds higher supply chain costs and Boohoo's weakened delivery proposition will persist for the next 12-18 months.

Not only does Liberum envisage an 'industry-wide permanent rebasing of supply chain costs at a higher level after the pandemic', it also believes Boohoo will need to invest in marketing and cut prices to recover lost ground in the US and Rest of Europe regions, with

## Forecasts for Boohoo - February year end

Year	Sales (£m)	PBT (£m)	EPS (p)	PE
2021 (A)	1745	149.9	8.7	12.6
2022 (F)	1967	86.1	5.0	21.9
2023 (F)	2194	105.3	6.2	17.6
2024 (F)	2655	136.2	7.8	14.0

Source: Forecasts from Liberum, PE calculated on latest 109.4p share price • Created with Datawrapper

its international deliveries being impacted by the pandemic.

Liberum estimates Boohoo's EBITDA margin will remain below the 10% target 'until full year 2027', and flags that the increased rate of returns, with the product mix shifting back towards going-out wear including dresses, 'brings in an added element of concern around product quality'.

Boohoo's weakened proposition in the US and European markets also means the retailer is likely to lose share to local players whose delivery proposition is maintained, such as Zara, Zalando, ASOS and About You in Europe and H&M, Zara, Forever21, fashionnova and Shein in the US.

### RISE OF SHEIN

Worryingly for Boohoo, at a time when consumers are searching for bargains, Chinese ultra-fast

fashion retailer Shein has taken over the US market during the pandemic and is emerging as a significant player here in the UK too.

Although Liberum stresses Shein's ascent across the pond 'may not be the worst thing for Boohoo in the long run'. The thesis is that Shein's meteoric rise has accelerated the development of the US online fast fashion market and Boohoo can continue to ride that wave.

The work put in by Boohoo over the last 18 months to ensure strong compliance and transparency in its supply chain puts Boohoo 'well-ahead of Shein, where there remains very little transparency on the practices and conditions of workers supplying the group'.

However, besides Shein, several other Chinese operators have entered the western fast fashion market, including Alibaba

with Allylikes.com, though Liberum believes Boohoo's 'relatively stronger brand equity in the UK, as well as the greater penetration of online fast fashion before the rise of Shein, should insulate Boohoo in the UK more than in the US'.

Boohoo's acquisition of more mid-market brands like Coast, Karen Millen and more recently, Debenhams, 'makes its growth in the UK more defensible against Shein', says Liberum.

### STEER CLEAR FOR NOW

The success of Shein and Primark in the US demonstrates consumer appetite for keenly-priced fast fashion remains and once supply logjams clear, Boohoo's proposition leaves it well-positioned for growth in this vast market.

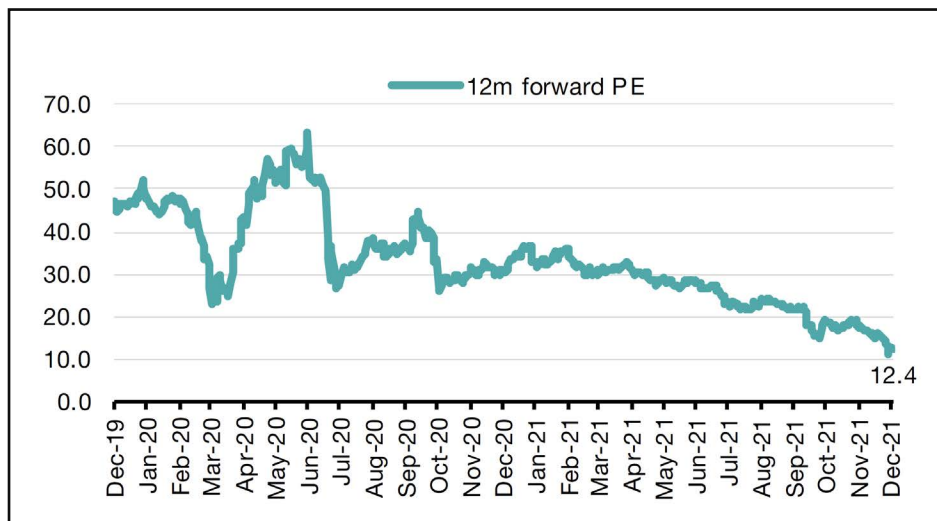
Still popular with fast fashion savvy, digitally-minded millennials, Jefferies notes that Boohoo's transition from a predominantly mono-brand, mostly UK business to a multi-brand, global fashion retailer has been 'smoothly executed'.

The acquisitions of Karen Millen, Coast, Warehouse and Oasis, combined with the Arcadia brands Dorothy Perkins, Wallis and Burton, have opened up 'new demographics, with supply chain enhancements underpinning long-term growth prospects', argues the investment bank.

Boohoo has made progress in auditing its UK supply chain following 2020's modern slavery shocker and outlined a sustainability strategy – it is adding more sustainable ranges across its brands – while in the wake of earnings



## Boohoo forward PE multiple



Source: Refinitiv Datastream

downgrades, the shares trade at a massive discount to their historical average.

That said, the shares also looked cheap last year too,

before overly-optimistic earnings forecasts were forced down and hammered a stock with a nosebleed rating that left no room for disappointment.

*Shares* suspects stock market sentiment towards interest rate sensitive growth stocks including online retailers will remain poor near term and there are myriad risks to consumer spending to consider too, all of which make us reticent to recommend Boohoo as a recovery trade.

Plus there is the risk that the whole concept of disposable fashion, while still popular for now, becomes more and more at odds with people's increasing awareness and engagement around environmental issues, something which looks particularly likely for Boohoo's largely younger target audience.



By **James Crux**  
Funds and Investment  
Trusts Editor

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# New listing ADF brings touch of Hollywood glamour to the market



Company provides production equipment to film and TV giants

**T**he first new company to list on the junior market this year is also one of the most colourful. **Facilities by ADF (ADF:AIM)**, which raised £18.4 million last week valuing the firm at £38 million, services the multi-billion pound UK film and television industry.

Established in the early 1990s, the company is the number one provider of premium production facilities like make-up, costume and artiste accommodation trailers with a 35% share of the high-end television market thanks to its fleet of over 500 vehicles.

It has worked with all the leading production companies including the BBC, **ITV (ITV)**, Netflix, Sky, Disney, HBO and Apple, and was involved in major TV series including *The Crown*, *Gangs of London* and *Peaky Blinders*.

The firm's average revenue per production has more than doubled in the last three years to £607,000 as programmes and films have become longer and more complex.

According to the BFI (British Film Institute), spending on film-making and high-end TV in the UK hit £6 billion last year, more than double the amount in 2020 which admittedly was impacted by Covid restrictions.



For ADF, 2020 revenue was £8 million against nearer £16 million in 2019, but 2021 saw a dramatic rebound with the firm garnering £11.5 million of revenues in the first half alone, putting it on track to top £20 million for the full year.

The recovery in EBITDA (earnings before interest, taxes, depreciation and amortisation) was even more impressive thanks to a combination of higher prices and higher fleet utilisation, with the increased revenues generated translating straight into earnings.

Due to the material increase in the consumption of film and TV through streaming services, all the major US streaming companies have set up permanent bases in the UK taking out studio leases of 10 years or more.

This has driven the uptake of ADF's services with the firm's production fleet already almost fully booked for this year and

customers having to book up to seven months in advance.

Proceeds from the listing are therefore being used to buy more equipment to satisfy the ever-increasing demand. 'Producers need our vehicles on set, on time, all the time', says chairman John Richards.

Ultimately, the group has ambitions to grow its annual revenue to £100 million, 'but that isn't going to happen organically' admits Richards. While it already has a large chunk of the UK market, there is scope to take further share with small local bolt-on acquisitions.

There is also the potential to expand into complementary services like transporting lighting and sound equipment and props, making ADF a 'one-stop shop' for its film and TV clients.



By Ian Conway  
Companies Editor

# The top performing European funds and trusts

How the best managers take advantage of opportunities on the Continent

**T**he performance of the top Europe (ex-UK) funds is proof that the European equity market offers a multitude of opportunities for active investors to acquire overlooked and undervalued growth companies.

The **BlackRock Greater Europe Investment Trust (BRGE)** is a £676 million fund with two co-managers. Stefan Gries covers developed European markets (90% of the portfolio); and Sam

Vecht covers emerging European markets (10% of the portfolio).

Gries' investment approach is to be 'an investor in businesses not a trader in shares'. Shares are chosen on the basis of bottom up fundamental analysis. On a sector basis, the fund has consistent heavy exposures to technology, consumer discretionary, industrials and healthcare companies.

ASML which makes equipment to support chip manufacturers, is

the largest position in the fund. Gries likes its high market share, pricing power and strong order book visibility.

BlackRock Greater Europe's net asset value total returns rank first out of eight funds in the AIC Europe sector over the last one, three, five and 10 years, and have also outpaced the broader European stock market over these periods.

## DIVERSIFIED APPROACH

The £542 million **Ballie Gifford European Growth Trust (BGEU)** aims to achieve long-term capital growth from a diversified portfolio of European equities.

The fund is co-managed by Stephen Paice and Moritz Sitte who invest in high quality, growth orientated companies with a strong competitive position. These businesses have a tendency to be managed by owner-operators.

A key point of differentiation is the fund's ability to invest in private companies, although its current 4.5% weighting to non-public investments is relatively modest.

The portfolio is relatively concentrated with between 30 and 60 listed and private companies. Paice and Sitte are big advocates of asset light digital platforms that benefit from network effects (a process whereby increased numbers of people or participants improve

## Best performing Europe investment trusts, ranked by 5-year performance

Investment Trust	1 year	3 years	5 years	10 years
BlackRock Greater Europe Investment Trust	35.9%	126.2%	166.2%	393.4%
Baillie Gifford European Growth Trust	4.2%	96.7%	108.9%	292.3%
Fidelity European Trust	22.4%	72.0%	108.0%	332.3%
Henderson Euro Trust	8.2%	62.5%	80.3%	309.9%
JPMorgan European Investment Trust	27.4%	59.8%	69.9%	259.3%
Henderson European Focus Trust	16.5%	63.6%	66.1%	316.9%
European Opportunities Trust	17.1%	19.7%	56.2%	290.0%
JPMorgan European Investment Trust	26.1%	25.7%	45.5%	205.4%

Table: Shares magazine • Source: FE Fundinfo, 22 Dec 2021 • Created with Datawrapper

## Best performing Europe ex-UK funds, ranked by 5-year performance

Fund	1 year	3 years	5 years	10 years
Premier Miton European Opportunities B Acc	16.0%	112.0%	163.3%	n/a
Comgest Growth Europe ex UK SU Acc	22.6%	87.1%	121.9%	n/a
Baillie Gifford European B Acc	5.3%	102.2%	121.8%	365.3%
Allianz Continental European C	21.4%	95.5%	114.3%	317.8%
Aberdeen Standard SICAV I Europe (ex-UK) Sustainable & Responsible Investment X Acc	14.8%	67.0%	91.3%	208.6%
MFS Meridian Continental European Equity WH1	27.9%	68.1%	85.1%	199.8%
Royal London European Growth Trust Inc	19.8%	55.4%	83.3%	225.7%
Fidelity European W Acc	18.4%	56.8%	82.7%	240.1%
<b>Benchmark index: MSCI Europe ex UK</b>	<b>15.7%</b>	<b>48.2%</b>	<b>57.2%</b>	<b>187.8%</b>

Table: Shares magazine • Source: FE Fundinfo, 22 Dec 2021 • Created with Datawrapper

the value of a good or service).

Adyen, a Dutch company which is disrupting the traditional payments industry is a good example of this, and represents the second largest holding in the fund.

Adyen makes it possible for companies such as Uber, Spotify and Netflix to accept payment from consumers around the world, using a variety of different payment methods. This enables

companies to scale quickly, which previously was not possible.

In marked contrast to its competitors, Adyen has built its technology from scratch which confers a powerful competitive advantage.

### MID CAP FOCUS

The **Premier Miton European Opportunities Fund (BZ2K2M8)** is a £2.39 billion fund investing in European companies with a mid-

cap bias. Fund managers Carlos Moreno and Thomas Brown look for companies with high and accelerating sales growth.

This can be from new products, market share gains, new markets or pricing power. They demand a high rate of return on capital, and evidence that this will be sustained over the long term.

Moreno and Brown believe that stock markets are poor at understanding long term change. As a result, they adopt a bottom up stock picking approach over the long term, being five years or more.

‘This means traipsing around Europe on EasyJet flights looking for businesses you think are going to be a lot bigger in the future’.

Swiss industrial manufacturer Interroll is a significant holding in the fund. It supplies products including rollers, conveyors and pallet flow solutions for courier and postal services.

Clients include Coca-Cola and Amazon. Moreno believes ‘Interroll is a brilliant play on the movement of small packages’.

### HIGH QUALITY GROWTH

The objective of **Comgest Growth ex-UK (BQ1YBM1)** is to create a portfolio consisting of high-quality growth companies. The fund is aimed at investors with a long-term investment horizon.

Comgest fund manager Alistair Wittet explains ‘we like sectors with defensive growth characteristics and healthcare is an excellent example of this’.



By Mark Gardner  
Senior Reporter



# Three ways to beat the professionals

DIY investors have several advantages over fund managers

**D**o it yourself investors are taking on the professionals in record numbers and many are beating fund manager professionals. The number of people investing their own money has boomed during the pandemic thanks to low-cost platforms giving people easy and cheap access to the stock market.

In 2021, DIY investor numbers hit seven million for the first time, according to research firm Boring Money, taking control of their own retirement savings and long-term investments through SIPP and ISAs.

It is easy to believe that the armies of analysts, reams for financial data and access to senior executives at companies will always favour professional investors. Yet retail investors have several edges of their own, and taking advantage of them can lead to superior investment returns.

## 1. LETTING THE WINNERS RUN

Risk management is important, whether you're investing your own money or managing a large portfolio. But individuals can go about managing risk differently. Funds follow strict portfolio management guidelines, such as not allowing a single stock to exceed a fixed percentage of the total portfolio. This means fund managers need to regularly



trim their most successful investments.

For example, **Scottish Mortgage (SMT)**, one of the UK's most successful long-range investors, sold down its stake in Tesla despite the share price continuing to rally through 2021. Yes, judicious profit taking can be sensible, but DIY investors can decide for themselves when, or even if, they want to do that.

### Tesla

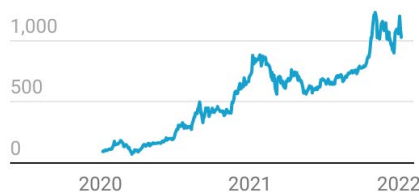


Chart: Shares magazine • Source: Refinitiv • Created with Datawrapper

## 2. THINKING TRULY LONG-TERM

Actively managed funds are typically benchmarked against an index or fund peers, with manager bonuses often tied to annual performance goals. This can lead to making decisions based on meeting shorter-term targets rather than value creation over the long haul.

Retail investors are not hindered by benchmark chasing and can concentrate solely on generating great real returns over multiple years. True, some funds encourage real longer-term thinking, asking that their performance be judged over, say, five years but they cannot always rely that patience will be shown during less successful periods.

### 3. LARGE GAINS FROM SMALL STAKES

Funds can trade companies with large market caps without issue but they are often forced to miss out on smaller, less liquid stocks because they cannot meaningfully invest. For the average DIY investors, this will seldom be a problem so they have a far bigger pool of potential stocks to buy.

There are specialist small company funds, but even these can become victims of their own success, becoming so large that managing decent-sized smaller company stakes can become too big a drain on resources.

These are simple factors that favour the DIY investor, and many already use them to their advantage. In 2020, soon after the pandemic first took hold, investment bank Goldman Sachs ran a study that compared stocks favoured by retail investors versus popular fund manager selections – and the DIY crowd came out on top.

Covering the period between 23 March 2020 and mid-June 2020, retail investor picks produced an average 61% return versus the professionals' 45% increase. The S&P 500 rose 36% in the same period, the FTSE 100 gained 14.5%.

There are examples of ordinary



investors going against the market mood recently too. For example, over the past month retail investors using the AJ Bell investment platform have been snapping up shares in oil giants **BP (BP.)** and **Royal Dutch Shell (RDSB)**, airlines **International Consolidated Airlines (IAG)** and **EasyJet (EZJ)**, **Cineworld (CINE)**, **Lloyds Bank (LLOY)** and **Imperial Brands (IMB)**, companies all exposed one way or another to economic recovery, loosening restrictions on travel, rising interest rates and rotation into unloved stocks.

It's early days but so far so good for most of these calls. For example, Imperial Brands has risen nearly 3.5% over the past month and investors have scooped up a stock that offers an implied dividend yield in excess of 8%, BP is more than 7% higher, Lloyds is up 14%.

EasyJet has surged by more

than a quarter in less than a month with travel restrictions significantly loosened for Brits.

#### Easyjet

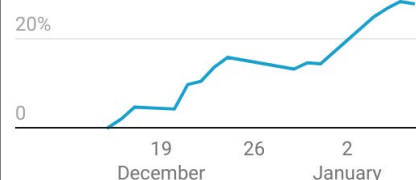


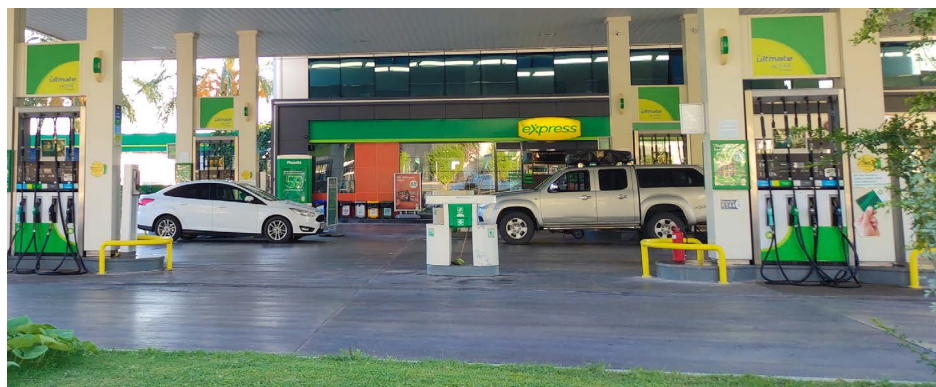
Chart: Shares magazine • Source: Refinitiv • Created with Datawrapper

And, again, Tesla has been a long-term favourite of DIY investors both in the US and in the UK, a company that has been called overvalued by many fund managers for years yet whose stock continues to defy gravity, rallying 720% in 2020 and another 50% last year.

**DISCLAIMER: Financial services company AJ Bell referenced in this article owns Shares magazine. The author (Steven Frazer) and editor (Tom Sieber) of this article own shares in AJ Bell. Steven Frazer also owns shares in Scottish Mortgage mentioned in this article.**



By Steven Frazer  
News Editor



# Greggs is not a buy at this price despite overtaking McDonald's



The food-on-the-go firm faces some big challenges as a new boss prepares to take over

**G**reggs' (GRG) products might be good value, but its shares are not at the current price of £31.71. While this is a great business, investors need to wait for a cheap entry point before considering the shares.

The company has bounced back from the pandemic and enjoyed a very good 2021. Research by Lumina Intelligence suggests Greggs even overtook McDonald's to become the market leader in UK food-to-go in the 12 weeks to 28 November with a 10.7% share.

Sadly, it seems as if all the good news is fully baked into its share price, and then some. The shares now trade on 28.8 times forecast earnings for the January 2023 financial year, having nearly trebled from their September 2020 lows below £12 in the wake of the pandemic. In Shares' opinion, Greggs should



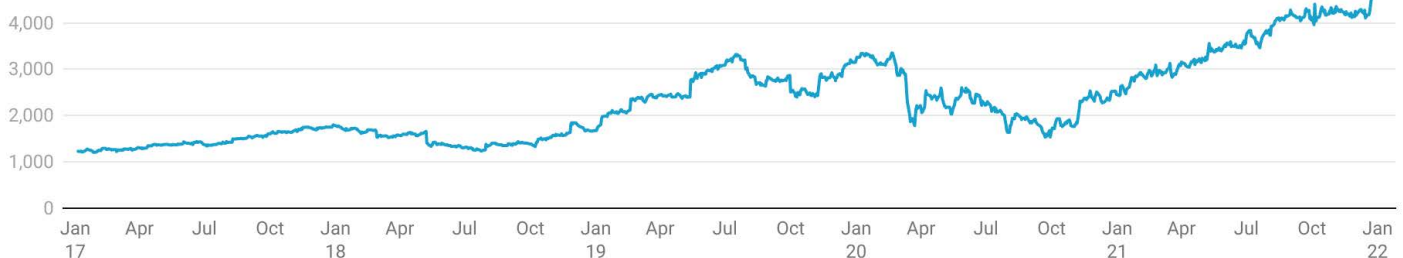
trade below a price to earnings ratio of 25-times.

Its shares fell 6% on 6 January despite saying its full-year results would be slightly ahead of previous forecasts. The slump reflected an extremely demanding valuation for what remains, for all its attributes, a single-digit margin business in

a competitive and economically sensitive sector. Also not helping sentiment was some caution on recent trading amid the emergence of Omicron.

Ambitious five-year targets, set by outgoing CEO Roger Whiteside and his management team in October 2021, will have to be delivered by his

## Greggs



Source: FE FUNDINFO • Created with Datawrapper



## Whiteside's a winner: why Currie has big shoes to fill

### GREGGS

Share price total return  
under Roger Whiteside\*

647%

\*From 4 February 2013 to  
6 January 2022

### GREGGS

Increase in total sales  
under Roger Whiteside\*\*

67.3%

\*\* Increase in total sales  
from January 2013  
financial year to  
January  
2022

replacement, Roisin Currie. An internal appointment, she will assume the reins in May 2022 with Whiteside having completed a highly successful nine-year stretch.

Typically, an incoming chief executive will look to reset expectations to set a lower bar which they can clear and thereby

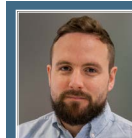
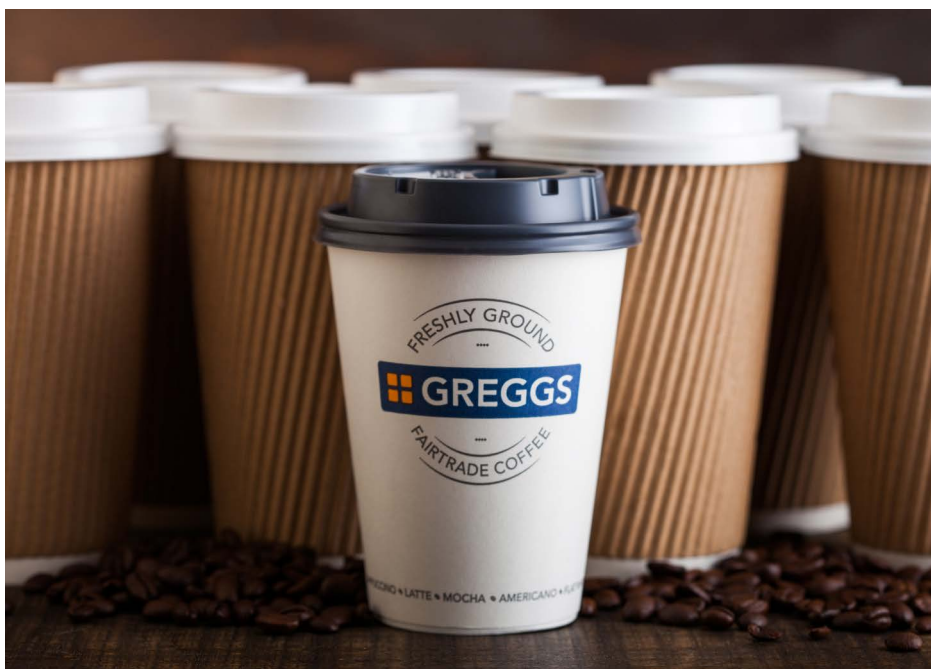
win over the market.

Instead, Currie must execute on the existing plan to double turnover to around £2.4 billion by 2026 by expanding to 3,000 sites, from the current 2,181. She must also oversee the development of new opportunities including deliveries and evening walk-in

sales as well as the development of a loyalty-based app. These initiatives will require significant investment.

Greggs could find achieving its goals challenging for several reasons. In the near term the company could be affected by supply chain and staffing issues while in the medium to longer term a rising cost of living for customers and a potentially permanent shift towards hybrid working could stymie its ambitions.

If people aren't in the office as much, then footfall for Greggs' town and city centre outlets will be lower. Mitigating this to a certain extent is Greggs' strong footprint in more suburban and residential areas where it could benefit from so-called 'food to go home' sales.



By **Tom Sieber**  
Deputy Editor

# Latest deal at newly focused DCC set to boost growth and margins

Diversified distributor has increased its footprint in the US and the technology space

Once upon a time, Irish-headquartered distribution firm **DCC (DCC)** was a market darling. It traded on an elevated rating for years as it gobbled up competitors, until one day investors began to question the returns they were getting for the price they were paying.

Now, the firm is much more focused both in terms of its business areas and its capital allocation policy, with a real emphasis on generating a return on capital employed well above its cost of capital.

We think its latest deal, which broadens its presence in the US technology supply market, not only ticks that box but provides a good opportunity for us to reappraise the group.



## GLORY DAYS

Investors may recall the hype about a decade ago over DCC and its so-called 'roll-up strategy', which drove the shares from below £15 to above £75 almost in a straight line from mid-2012 to mid-2017.

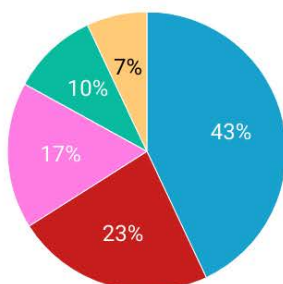
The group embarked on an aggressive programme of

acquisitions to boost revenue growth, much to the market's delight, but underlying progress was never that impressive as the markets where the firm was expanding simply didn't grow that fast.

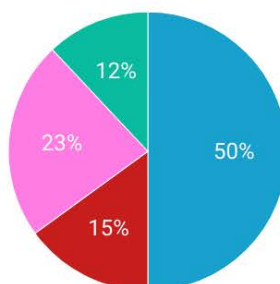
Operating profit margins barely budged from low single digits, and eventually the shares

## THREE KEY SECTORS

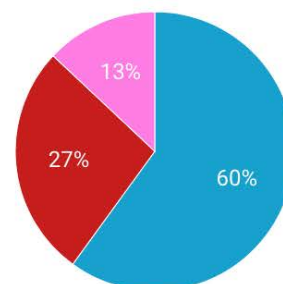
- LPG, Oil and Retail
- Technology
- Health Care
- Environmental
- Food



2010: Sales £1bn



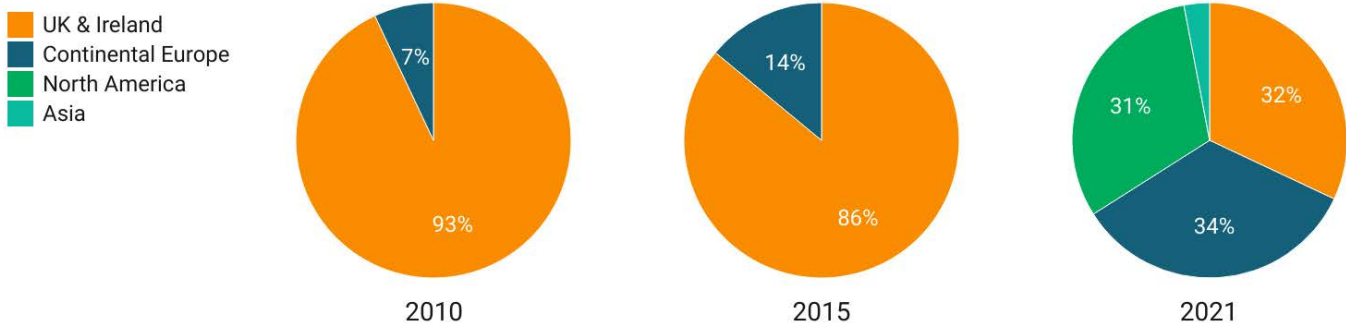
2015: Sales £1.2bn



2021: Sales £3.7bn

Source: DCC, Shares magazine • Created with Datawrapper

## GROWING US FOCUS



Source: DCC, Shares magazine • Created with Datawrapper

stalled due to their demanding valuation of over 30 times earnings. Today, at £60.96, the stock trades on a price to earnings ratio of around 17 times for the year ending in March, while margins are higher.

### THREE IS THE MAGIC NUMBER

A decade ago, the firm turned over in the region of £1 billion a year across six different market segments. Wholesale and retail distribution of fuel oil, heating oil and LPG (liquid petroleum gas) accounted for just under half of all revenue, with the other half made up of distributing healthcare, technology, food and environmental products.

Last year, turnover hit £3.7 billion with LPG and oil accounting for 60% of sales, healthcare 13% and technology 27% of sales.

At the same time, the sales split has gone from 93% UK and Ireland and 7% Europe to 32% UK and Ireland, 34% Europe and 31% North America, with 3% coming from Asia.

### ENERGY STILL CORE

DCC's main business is the distribution of LPG and oil

across the globe. It supplies LPG to industrial and commercial businesses as well as residential customers in Europe, North America and Asia.

The transition to cleaner, lower carbon energy sources and the introduction of bioLPG means demand is growing steadily, and the business generates a high return on assets.

Since entering the US gas market in 2018, the firm has spent \$445 million on acquisitions to make it one of the leading players. In Ireland, its Flogas subsidiary is a top 10 supplier of LPG and has expanded into renewable electricity supply.

The second leg of the energy business is marketing and retailing oil for transportation, commercial and heating use across Europe. This business is slower growing but generates strong cash flows and high returns on capital.

The firm operates HGV re-fueling sites across the UK, helping to keep the logistics industry moving, and recently built a first-of-its-kind onsite fuel facility at the Hinkley Point nuclear power plant to supply construction firms during

the build process.

### ADDING VALUE IN HEALTHCARE

The healthcare division, DCC Vital, sells a range of medical and pharmaceutical products to healthcare providers ranging from acute care to GPs in the UK and Ireland as well as Germany, Austria and Switzerland.

Alongside this, the Health & Beauty business is sub-contracted by major international brands to help develop, formulate, manufacture and package their products.

While it isn't as high-profile as the fuel business, DCC Vital is the number one supplier to GPs and the broader primary and acute care sector in the UK and Ireland, while Health & Beauty is the number one contract manufacturer in its sector in the UK.

The group uses the high returns on capital from its healthcare division to fund value-enhancing acquisitions and grow its market share, while benefitting from major tailwinds like demographics, increasing regulation, outsourcing by big brands and changing consumer tastes.



## EXPANDING IN TECHNOLOGY

DCC Technology, which operates under the Exertis banner, supplies products from over 2,500 manufacturers to over 50,000 customers in retail and ecommerce as well as resellers and integrators.

It carries out product sourcing, website and category management, including localization and customization of products to different markets, and logistics, as well as stock hub and returns management.

Three years ago, DCC set itself the goal of increasing its presence in the US market while building a leading specialist international distribution business in technology and 'lifestyle' products.

To that end, \$1 billion or 30% of the firm's capital employed by region has been invested in North America since 2018. Further to this, in mid-December the group acquired Almo Corporation for an enterprise value (equity plus debt) of \$610 million.

North America is the world's largest B2B (business-to-business) and consumer technology market, and Almo is the largest player in the distribution of consumer appliance and lifestyle products.

The Almo deal takes DCC's technology revenues to 27% of the group total and its North American revenues to 31% of the total, but the opportunities are still vast. The US technology and lifestyle market is worth \$34 billion, and the firm sees scope for growth both in B2B and the consumer channel.

The acquisition will

## DCC FORECASTS

	2022	2023	2024
Sales	£16.5bn	£17.6bn	£17.7bn
EBITDA	£750m	£832m	£856m
Pre-tax profit	£429m	£508m	£520m
Earnings per share	344p	412p	428p
Dividends per share	173p	184p	196p

Source: S&P Market Intelligence, Shares magazine • Created with Datawrapper

immediately increase the group's earnings by 10% in the first full year of ownership and based on organic growth and synergies the group expects to achieve a return on capital from Almo of 15% within three years.

Analysts at Davy Research believe Almo is 'a real competitive differentiator with its presence in Pro AV, consumer appliances and electronics and its sizeable e-commerce business. It also has strong margins and there are obvious synergies with Stampede and Jam, which were acquired in 2018.

## UPSIDE FOR SHAREHOLDERS

The firm has a clear capital allocation policy in place now, which together with strong underlying cash flow and the introduction of new products and technologies is not only generating funds to reinvest in further growth opportunities but is funding a progressive dividend.

Even during the pandemic, the firm raised its dividend from 138p in the year to March 2019 to 145p in the year to March 2020 and impressively 160p in the year to last March, making for 27 years of unbroken growth.

Gearing is low in absolute terms and by historical standards at 0.4 times EBITDA (earnings before interest, tax, depreciation and amortization), and management believes it can deploy £6 billion on acquisitions without increasing its leverage.

With mid-single-digit underlying growth from its existing businesses and a similar contribution from the value-added deployment of capital the firm maintains it can continue growing earnings by double digits over the long term.

As we've said already, the shares aren't expensive on an absolute or historic basis, and we applaud the more stringent capital allocation policy, but much depends on management's ability to execute its growth strategy from here and we would be content to watch the firm's progress over the course of the year before making a definitive call. This is definitely a story worth keeping tabs on for investors though.



By Ian Conway  
Companies Editor



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# What are the paying-in rules for an untouched SIPP?

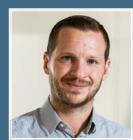
A reader approaching 70 is eager to understand the best options for managing retirement savings

*I have two SIPPs and one defined benefit pension. This year I have withdrawn the 25% tax-free lump sum from one of my SIPPs and later this tax year, when I reach 70, I will have to draw on my defined benefit pension.*

*What is my maximum contribution to the SIPP which has not yet been accessed? Is it £4,000 or £40,000?*

*With my defined benefit pension, does it make financial sense to take the 25% lump sum or leave it all in the pension scheme to give a higher annual pension? I do not need the cash and would invest any that I drew down. My marginal tax rate this year is 45% but it will drop to 40% next year.*

**Nicholas**



**Tom Selby, AJ Bell**  
Head of Retirement  
Policy says:

The maximum you can pay into your pension(s) each year will depend on your personal circumstances and apply across all your registered pension schemes. In 2021/22 the maximum annual allowance anyone can enjoy, including employer contributions, personal contributions and tax relief, is £40,000.

Personal pension contributions that benefit from tax relief are limited to 100% of your earnings. The £4,000 money purchase annual allowance or MPAA only kicks in if you take flexible income withdrawals from a defined contribution pension like a SIPP. This includes taking an income via drawdown or ad-hoc lump sums, also sometimes referred to as UFPLS.

If you only take your 25% tax-free cash or take an income from an annuity or a defined benefit pension this will *not* trigger the MPAA.

If you are a very high earner, it's possible the annual allowance 'taper' will affect how much you can save in a pension each year. You can read more about how the taper works [here](#). Tax-free cash from defined benefit schemes works slightly differently to defined contribution schemes such as SIPPs. In a SIPP you are usually entitled to 25% of the value of your fund (up to the lifetime allowance, which is currently £1,073,100) and you choose an income route for the remainder of the pot.

In a defined benefit scheme, the maximum is still usually 25% of the value of your total

benefits but it can be provided in two ways, either as a separate lump sum or by giving up or 'commuting' some of your guaranteed income.

In terms of tax-free cash that reduces your guaranteed income, whether taking it is the best course of action will depend on a variety of factors including how much defined benefit income you must give up in return, your other income sources, marginal tax rate and life expectancy.

If you are unsure, speak to a regulated financial adviser, who can make recommendations based around your circumstances.

## DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

Send an email to [asktom@sharesmagazine.co.uk](mailto: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.



# Key personal finance dates for your 2022 diary

Get clued up on what's in store for the year ahead

**T**his year is bringing a whole host of changes to personal finances, from the introduction of a new tax to certain paper notes being phased out. Here's a run-through of what's happening in 2022 and the key finance dates for your diary.



Train fares increased by 3.8% at the start of the year, which means commuters will be paying more for their season tickets. The increase is determined by the RPI measure of inflation from July last year, but passengers will be relieved a more current figure isn't used, as RPI inflation is now above 7%.

The move represents the largest increase in a decade, and will do little to encourage employees back to the office. January also brings a small tweak to inheritance tax rules, which means that people who died and were domiciled in the UK and who aren't liable to pay inheritance tax will no longer have to submit full accounts and reams of paperwork.



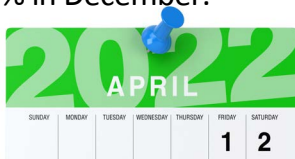
The main event in February is the announcement of what the



energy price cap will rise to. The change won't come in until April, but many households will be keen to hear how much their bills will rise by.

One estimate from analysts at Cornwall Insight has it rising by 50%, meaning the average household usage will rise to more than £1,900 a year.

Also in February is the next decision from the Bank of England on interest rates, with all eyes on whether they increase rates again, after raising them to 0.25% in December.



April brings the tax year end, which usually comes with a host

of tax rate changes. This year most allowances have been frozen, so people won't get the benefit of an increased income tax band, personal allowance, Isa allowance or pensions lifetime allowance, among others.

The biggest change is the introduction of a new health and social care levy, which effectively means a 1.5 percentage point increase in National Insurance.

It means that the National Insurance rate will increase from 12% to 13.25% on earnings between the 'primary' income threshold (currently £9,568 per year) and the 'upper' income threshold (currently £50,270 per year), and from 2% to 3.25% on earnings above £50,270. The costs will also increase

for employers.

This extra tax will also be due on dividends, with the rate increasing by 1.5 percentage points for every income tax level, so it will stand at 8.75% for basic-rate payers, 33.75% for higher-rate payers and 39.35% for additional rate payers.

This tax is only due on income-paying investments that aren't in an ISA or pension, so it means some may decide to shovel some of their investments into their ISA before the tax year end, to avoid some of the impact.

April will also bring pay rises for many, as the state pension will rise by 3.1%, taking the 'old' basic state pension from £137.60 per week to £141.85 per week and the 'new' flat-rate state pension from £179.60 per week to £185.15 per week. The National



Living Wage will also increase – the rates vary depending on the age of the worker, but for those aged 23 and over it will rise from £8.91 to £9.50.



This will be the last month you can use the old style £20 and £50 notes, as from 30 September they will be withdrawn – so time to raid your piggy banks and look down the back of the sofa.



The final month of the year will bring the end of the mortgage guarantee scheme, which the government introduced for 95% mortgages to help encourage lenders to give money to riskier borrowers. The Government may decide to extend the scheme though.



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

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# The least and most popular stocks heading into 2022

Identifying the firms which analysts love and those they hate can be a useful exercise

**E**very year this column tracks the ratings put on stocks across the FTSE 100 and FTSE 350 by the investment banks which provide research on the UK equity market.

And what catches the eye this year is that the analyst community is the most bullish it has ever been since our first survey back in 2015, based on stock-specific, public recommendations.

As we enter 2022, 57% of all stock ratings are buys and just 9% are sells for constituents of the FTSE 100, the highest and lowest scores over the past eight years. For the FTSE 350 index 59% of all recommendations are positive ratings and just 8% negative ones.

Without endorsing these views, it is worth asking if investors should consider this is a signal to buy more London-traded stocks or actually a warning to cut exposure to UK equities. Momentum players may feel inclined to go with the positive flow. Contrarians may take the opposite view as they bear in mind legendary investor John Templeton's maxim that 'bull markets are founded on pessimism, grow on scepticism, mature on optimism and die on euphoria'.

A way to research which path may be the best to follow is to assess the efficacy of individual recommendations.

## TRACK AND TRACE

This column has back-tested the performance on the most and least popular stocks at the start of a year, as measured by the percentages of 'buy' and 'sell' ratings attributed to them by analysts.

The bad news is the analysts' top picks failed to beat the FTSE 100 index in 2015, 2016, 2017, 2018, 2020 and now 2021, despite all of their diligence.

This is not to poke fun at the analysts. It just shows how hard picking individual stocks can be, even if it is your full-time job (and this column should know, having been an equity analyst at a leading investment bank from 1993 to 2005).

To further the case for the defence, the degree of underperformance was relatively modest and eight of the 10 most popular names, based on 'buy' ratings, provided positive total returns. Better still in 2021, the least popular names in the FTSE 100 did badly. Knowing which names to avoid can be every bit as valuable as knowing which names to buy, if not more so.

## Analysts are more bullish than ever on FTSE 100 and FTSE 250 stocks as we enter 2022

	FTSE 100			FTSE 350		
	Buys	Holds	Sells	Buys	Holds	Sells
Average 2015-2021	49%	38%	14%	49%	38%	13%
<b>2022</b>	<b>57%</b>	<b>33%</b>	<b>9%</b>	<b>59%</b>	<b>32%</b>	<b>8%</b>

Data as of 5 January 2022

Source: Refinitiv data, analysts' consensus • Created with Datawrapper



# RUSS MOULD

AJ Bell Investment Director



Insightful commentary on market issues

Analysts can also take satisfaction from how their labours worked out across the FTSE 350. When it came to the broader index, their 10 most popular names massively outperformed and the least popular 10 stocks massively underperformed. Six of the least-favoured names produced negative

**Brokers' top FTSE 100 picks lagged the index in 2021 but the least popular names underperformed to a greater degree**

## Most popular FTSE 100 stocks by Buys

	Buy %	2021 total return
3i	100%	29.0%
Barratt Developments	89%	16.4%
Avast	86%	15.7%
Vodafone	86%	-1.2%
British American Tobacco	84%	9.2%
Entain	83%	48.5%
Imperial Brands	83%	15.2%
Persimmon	83%	11.6%
Polymetal	83%	-17.1%
Intermediate Capital Group	82%	30.5%
<b>Total</b>		<b>15.8%</b>
<b>FTSE 100 total return</b>		<b>18.4%</b>

Source: Refinitiv data, analysts' consensus • Created with Datawrapper

## Least popular FTSE 100 stocks by Sells

	Sell %	2021 total return
Admiral Group	50%	20.3%
Ocado	41%	-26.6%
Pearson	40%	-7.6%
Sage	40%	50.8%
HSBC	39%	9.2%
InterContinental Hotels	38%	1.9%
Rolls Royce	37%	10.5%
Antofagasta	33%	-4.2%
Hargreaves Lansdown	33%	-7.3%
Intertek	30%	1.6%
<b>Total</b>		<b>4.9%</b>

Source: Refinitiv data, analysts' consensus • Created with Datawrapper

total returns even as the FTSE 350 generated a comfortable mid-teens percentage advance, so the research there was spot on.

**Brokers' top FTSE 350 picks beat the index and the least popular names underperformed it in 2021**

## Most popular FTSE 350 stocks by Buys

	Buy %	2021 total return
Serco	100%	14.5%
3i	100%	29.0%
Helios Towers	100%	12.4%
888 Holdings	100%	8.6%
Gamesys	100%	62.3%
Vivo Energy	100%	61.0%
Balfour Beatty	100%	-1.4%
Diversified Energy	100%	2.4%
Future	100%	120.6%
Kainos	100%	59.3%
<b>Total</b>		<b>36.9%</b>
<b>FTSE 350 total return</b>		<b>18.2%</b>

Source: Refinitiv data, analysts' consensus • Created with Datawrapper

## Least popular FTSE 350 stocks by Sells

	Sell %	2021 total return
TUI	82%	-5.3%
Admiral Group	50%	20.3%
Aggreko	50%	38.9%
Domino's Pizza	50%	50.0%
Renishaw	50%	-16.0%
Aston Martin Lagonda	44%	-32.7%
TalkTalk Telecom	44%	-1.1%
Ocado	41%	-26.6%
Pearson	40%	-7.6%
Sage	40%	50.8%
<b>Total</b>		<b>7.1%</b>

Source: Refinitiv data, analysts' consensus • Created with Datawrapper

## THE WAY AHEAD

The ultimate conclusion still probably has to be that broker research needs to be treated with a degree



of caution (assuming that investors can get their hands on it in the first place).

Anyone prepared to pick their own stocks rather than pay a fund manager or tracker fund to do it for them simply must do their own research on individual companies before they even think about buying or selling any of its shares.

At best, broker research may be a useful filter, at worst a contrarian indicator, especially given

## The 10 most and least popular FTSE 100 stocks with analysts at the start of 2022

### FTSE 100 by Buys

	Buy %
CRH	100%
Vodafone	92%
British American Tobacco	90%
Entain	89%
Taylor Wimpey	89%
National Grid	88%
Flutter Entertainment	87%
AstraZeneca	87%
DCC	87%
Barratt Developments	85%

Data as of 5 January 2022

Source: Refinitiv data, analysts' consensus • Created with Datawrapper

### FTSE 100 by Sells

	Sell %
abrdn	57%
Rightmove	47%
Sage	32%
Hargreaves Lansdown	25%
Ocado	24%
Antofagasta	24%
Dechra Pharmaceuticals	22%
Rolls Royce	22%
Admiral Group	21%
Severn Trent	21%

Data as of 5 January 2022

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Warren Buffett's observation that 'you cannot buy what is popular and do well'.

With that maxim in mind, investors might like to know which stocks are most liked – and disliked – by analysts at the start of 2022. The two tables below list the names which investors may wish to analyse in greater depth, or simply avoid altogether, depending upon their view of the value of the research provided.

## The 10 most and least popular FTSE 350 stocks with analysts at the start of 2022

### FTSE 350 by Buys

	Buy %
OSB Group	100%
Serco	100%
Future	100%
TBC Bank	100%
CRH	100%
Chemring	100%
National Express	100%
888 Holdings	100%
Diversified Energy	100%
IG	100%

Data as of 5 January 2022

Source: Refinitiv data, analysts' consensus • Created with Datawrapper

### FTSE 350 by Sells

	Sell %
TUI	58%
Fraser's Group	50%
Rightmove	47%
Hammerson	44%
Renishaw	40%
Domino's Pizza	38%
Sage	32%
Carnival	30%
Johnson Matthey	30%
Ashmore	29%

Data as of 5 January 2022

Source: Refinitiv data, analysts' consensus • Created with Datawrapper



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## Full-year results:

**18 Jan:** Pressure Technologies, Ramsdens, Watkin Jones. **19 Jan:** Crest Nicholson. **20 Jan:** Blue Prism, Ibstock.

## Half-year results:

**18 Jan:** Kromek. **19 Jan:** Ilika, Superdry, Time Finance. **21 Jan:** TheWorks.co.uk

## Trading updates:

**17 Jan:** DP Poland, Taylor Wimpey. **18 Jan:** Carr's, Energean, Hays, Henry Boot, Hotel Chocolat, Integraf, Rio Tinto. **19 Jan:** Antofagasta, Audioboom, BHP, Burberry, Centamin, Diploma, Galliford Try, JD Wetherspoon, Liontrust Asset Management, Midwich, QinetiQ. **20 Jan:** Associated British Foods, CMC Markets, Headlam, Kier, Luceco, N Brown, Paypoint, Premier Foods, Workspace. **21 Jan:** Close Brothers, Record.

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