STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

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SHARES

WE MAKE INVESTING EASIER

TESTING TIMES

What the Ukraine crisis means for investments

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Daniel **Coatsworth**

EDITOR'S VIEW

Don't panic sell. Markets have a habit of bouncing back quickly

Stay focused and feed your ISA and SIPP through bad times as well as good

Are you tinkering with your portfolio every time there's bad news, even war? You could be doing more harm than good.

Ukraine's troubles are being felt emotionally around the world and the battle has also put a dent into people's hard-earned savings.

With stock markets already on edge, thanks to ongoing inflationary pressures and the impact of rising interest rates, the Ukraine/Russia war has caused markets to wobble again.

Panic selling might be a mistake. When you invest money in the markets, you do so on the understanding that prices can go up and down. Stocks and shares have historically delivered a better return than cash in the bank, but there is also a chance you could lose money. People accept that risk in exchange for potentially higher rewards.

Running away at the first sign of difficult times isn't a good move. You risk being out of the market when share prices bounce back. This isn't guaranteed to happen, but history would suggest a lot of markets recover quickly from times of turmoil.

Look at this chart of the FTSE 100 index. The big drop in the UK market happened on 24 February as Russia launched a full-scale invasion of Ukraine, sending the FTSE 100 down nearly 4% in a day. Many share prices fell by an even greater amount.

The following day, the FTSE 100 recovered most of all that lost territory as sanctions were put on Russia by the West.

Constant tinkering with your portfolio should be avoided. It is tempting to keep dumping any positions that aren't rallying – firstly for fear they

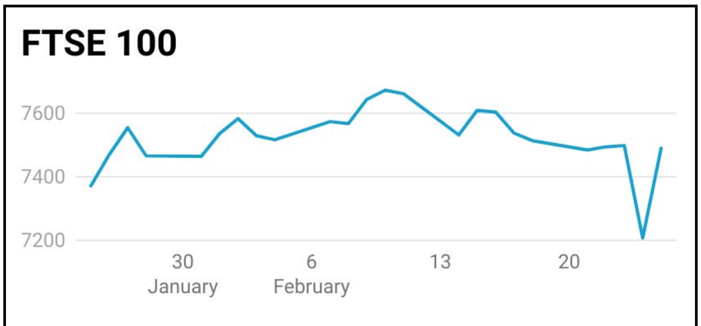


Chart: Shares Magazine • Source: Refinitiv • Created with Datawrapper

will never make you money and secondly because you want to use the proceeds to buy more of what's already doing well.

You might be better off looking at laggard holdings and seeing if something has changed to the investment case – if the answer is no, don't sell it unless you really need the cash.

Just look at oil producers, banks, tobacco manufacturers and defence companies – no-one wanted to touch them a year or two ago, but more recently they've been doing well on the market. If you had sold when they were in the doldrums, you would have missed out on the recovery rally.

In general, a diversified portfolio should always have something that isn't doing as well as other positions. The whole point is to spread your risks in different areas of the market. If you put all your money in one part of the market, you would really feel the pain when that area goes out of favour.

Even though investing during times of turmoil can be uncomfortable, it's important to hold your nerve and wait out the market volatility. Just ask those who sat tight through the Covid sell-off in February 2020, global financial crisis in 2008, and countless other difficult times which saw share prices fall and then rebound. Investing is all about patience and hopefully the rewards will come in time.

Testing times: What the Ukraine crisis means for investments

The sectors in demand, the stocks that have sold off, and the after-effects of the crisis

For now, the escalating conflict in Ukraine shows no signs of easing. After the initial shock, markets were hopeful the economic impact of the war might be contained as the West's opening salvo of sanctions in response to Russia's invasion (24 Feb) were weaker than some had anticipated.

However, any relief soon dissipated as Ukraine put up stiff resistance against the Russian invaders and sanctions towards Russia became much more punitive.

Sentiment wasn't helped by Vladimir Putin's decision to place Russia's nuclear force on high alert. This appeared to be a message to the West to not go any further in its intervention in Ukraine, using the country's nuclear arsenal as leverage.

However, even if the move is only intended to send a message it heightens risks of a nuclear clash to levels arguably not seen since the 1980s.

BAD FOR CONSUMER SENTIMENT

This is unlikely to be constructive for consumer sentiment which is already weakening amid pressure on personal finances from a rising cost of living.

Disruption to energy and food supplies, with Ukraine and Russia accounting for a large proportion of the world's supply of wheat, corn and vegetable oil, will only add to inflationary pressures. The region also produces a significant quantity of rare earth metals used to manufacture already scarce semiconductors.

HOW WILL CENTRAL BANKS REACT?

This puts central banks in a fix as they look to balance the need to control rising prices with a potential role in easing the economic impact of the Ukrainian conflict.

Major indices: movement since invasion began

Russia Trading System (Russia)	−23.7%
S&P 500 (US)	−4.6%
Dax (Germany)	−3.7%
Hang Seng (Hong Kong)	−3.8%
FTSE 100 (UK)	−1.6%
SSE Composite (China)	0.0%
Nikkei 225 (Japan)	1.5%

Table: Shares Magazine • Source: Shares, Google Finance, 1 March 2022, 12.50pm UK time • Created with Datawrapper

Phil Milburn from Liontrust Asset Management's fixed income team told *Shares* the bond market has reduced average expectations for US Federal Reserve rate hikes from 7 to 6.3 increases in 2022 and the chance of 0.5% rise in March has fallen from 50% before the invasion to around 25%. Milburn added that the impact from rising energy prices meant peak inflation would be extended by a couple of months.

US VERSUS EUROPE

Arguably the US is better placed than Europe to weather the current crisis. Seema Shah, chief global strategist at Principal Global Investors, notes that while trade with Russia is negligible for both, as a net energy exporter, the US is less vulnerable to a rise in oil and gas prices.

Shah adds: 'Europe, however, is a net importer—over 40% of EU gas and 20% of EU oil originates from Russia. Any disruption to the supply of oil and/or gas will have a significant impact on energy prices across Europe and, therefore, on growth and inflation, leading to a preference for US based investments.'

WHICH SHARES HAVE DONE WELL DURING THE CRISIS?

Best performing UK-listed stocks since invasion began

Zanaga Iron Ore	73%
Proton Motor Power Systems	51%
ITM Power	43%
FD Technologies	41%
Parkmead	35%
Oxford Instruments	32%
Igas Energy	30%
Ceres Power	29%
Poolbeg Pharma	29%
Geiger Counter	28%
Harvest Minerals	28%
Darktrace	27%
Bens Creek	25%
Cloudbreak Discovery	25%
Bushveld Minerals	25%

Table: Shares Magazine • Source: SharePad, 23 Feb 2022 market close to 1 Mar 2022 12.45pm • Created with Datawrapper

Worst performing UK-listed stocks since invasion began

Polymetal	−76%
Raven Property	−75%
McColl's Retail	−70%
Made Tech	−58%
Petropavlovsk	−58%
Petroneft Resources	−55%
Essensys	−53%
Eurasia Mining	−52%
Evraz	−51%
Hyve	−42%
Amur Minerals	−38%
Ferrexpo	−37%
SimiGon	−32%
MySale	−26%
Non-Standard Finance	−24%

Table: Shares Magazine • Source: SharePad, 23 Feb 2022 market close to 1 Mar 2022 12.45pm • Created with Datawrapper

Commodity producers and explorers, cyber security experts and defence companies are among the best performing stocks since the market close on 23 February, being the night before Russia kicked off its full-scale invasion of Ukraine.

Disruptions to supplies of oil, gas and iron ore have pushed up the respective commodity prices and served to also raise the value of relevant companies, including **Zanaga Iron Ore (ZIOC:AIM)** which is up 73%.

Cyber security threats became elevated as soon as the conflict broke out, which explains why shares in cyber expert **Darktrace (DARK)** have jumped by nearly 30% in less than a week.

HOW HAVE DEFENCE COMPANIES FARED ON THE STOCK MARKET?

UK-listed defence stocks soar on war in Ukraine

Avon Protection	22%
BAE Systems	20%
Cohort	20%
Chemring	17%
QinetiQ	14%
Babcock International	9%
Ultra Electronics	6%

Table: Shares Magazine • Source: SharePad, 23 Feb 2022 market close to 1 Mar 2022 10am • Created with Datawrapper

A Russia-related shift in the calculus for European countries when it comes to defence spending has seen a share price surge in defence companies.

In some ways this was predictable but the extent to which countries like Germany, which has committed to meeting the requirement for NATO members to spend 2% of GDP on defence, have changed tack seems to have surprised the market.

Jefferies analyst Chloe Lemarie comments: 'For all NATO members to reach 2% of GDP spent on defence would imply a 25% increase overall, excluding the US, which would trigger significant benefits across the entire industry.

'Outside of NATO, Sweden, Finland and Eastern European countries also appear likely to drive a significant acceleration in defence spending in coming years,' Lemarie adds.

On the UK market, **Avon Protection (AVON)**, **BAE Systems (BA.)** and **Cohort (CHRT)** have all increased by approximately 20% in value since the Ukraine invasion began. Overseas-listed companies either in the defence sector or with customers in this space have also been in demand, including Rheinmetall (+49%), Thales (+30%) and Leonardo (+29%).

WHAT DOES THE CRISIS MEAN FOR BP AND SHELL?

Both **BP (BP.)** and **Shell (SHEL)** have unveiled plans to sever their ties with Russia. BP's interests in the country were more direct and material.

Its 19.75% stake in Russian producer Rosneft was a significant contributor to earnings and cash flow, accounting for 17% of its preferred measure of profit in 2021. Investment bank Jefferies had estimated BP would bank a $1.6 billion dividend from Rosneft in 2021, 6% of its forecast cash flow.

Non-cash impairments of up to $25 billion could be taken in BP's first quarter results on 3 May with a sale back to Rosneft emerging as the most likely way the company can realise any value from its stake in the Russian business.

Shell is selling out of its 27.5% interest in the Sakhalin 2 gas development and will also face write-downs, with its Russian assets valued at around $3 billion at the end of 2021.

BP and Shell have been praised by the public and investors for taking swift action in cutting ties with Russia, despite the financial setbacks caused by their actions.

HOW HAVE DEFENSIVE STOCKS HELD UP?

Traditional defensive stocks like utilities **National Grid (NG.)**, **SSE (SSE)** and **United Utilities (UU.)** as well as healthcare products provider **Reckitt Benckiser (RB.)** and groceries-led retailers like **Sainsbury's (SBRY)**, **Tesco (TSCO)** and **B&M European Value Retail (BME)** have held up well since Russia launched its invasion, most of which have seen positive share price movements.

Whatever the backdrop people will still need to power their homes and businesses, look after their health as well as purchase food and sundries.

HOW HAVE FINANCIAL TRADING COMPANIES PERFORMED?

War creates fear, volatility and uncertainty. Intuitively, one might expect the cohort of online trading exchanges to benefit from this environment as investors trade more to adjust their portfolios to the changing circumstances of war. Share movements imply it's not so clear-cut this time, perhaps suggesting that day traders are too nervous to play the markets given the crisis is still unfolding.

Plus500 (PLUS) is down 5.6%, **IG Group (IGG)** has fallen by 1% but **CMC Markets (CMCX)** has risen by 3.2%.

HOW HAVE CAPITAL PRESERVATION FUNDS PERFORMED?

Investors seeking safety amid the recent market rout would have generally done well by sheltering among the stock market's capital preservation funds, which are positioned to help investors avoid large losses.

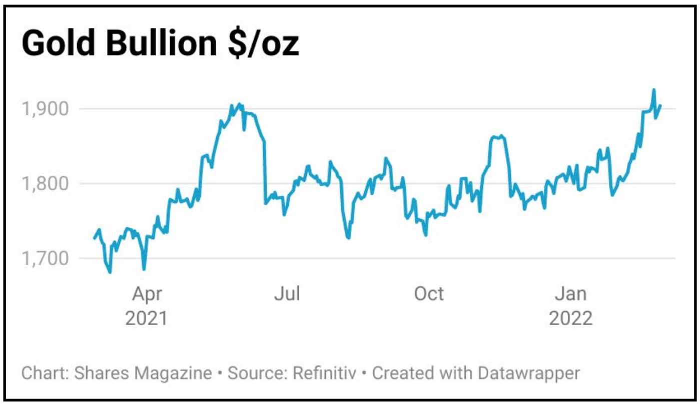
Since the market close on 23 February, **Personal Assets Trust (PNL)** has risen 1.9%, helped by its gold exposure and investment in low-risk US and UK government bonds, while **RIT Capital Partners (RCP)** is up 1.6% and **Capital Gearing Trust (CGT)** is trading 1.9% higher. Shares in **Ruffer (RICA)** trade 1.9% lower.

WHAT ABOUT NON-CORRELATED ASSETS?

Certain investment companies that are non-correlated to equity markets have fared well in share price terms since the invasion, among them property-focused investment trusts such as healthcare facilities landlords **Assura (AGR)** and **Primary Health Properties (PHP)**, whose shares are up 1% and 1.7% respectively.

Also trading higher are supermarkets property investor **Supermarket Income REIT (SUPR)** and warehouse investor **Tritax Big Box REIT (BBOX)**, both up around 3% to 4%.

HAS GOLD (AND BITCOIN) BEEN A SAFE HAVEN?



The performance of gold miners has been solid rather than spectacular since Russian tanks began rolling into Ukraine. The main exception is Russian producer **Polymetal (POLY)** whose share price has fallen by 76% in less than a week. It is hard to see this company retaining a listing on the London Stock Exchange for long.

The precious metal itself, a traditional 'safe-haven' at times of war and strife, had been steadily moving higher ahead of the invasion and is trading above $1,900 per ounce for the first time since summer 2021.

Tempering gains could be speculation Russia might sell its stockpiles of gold to help fund its war efforts.

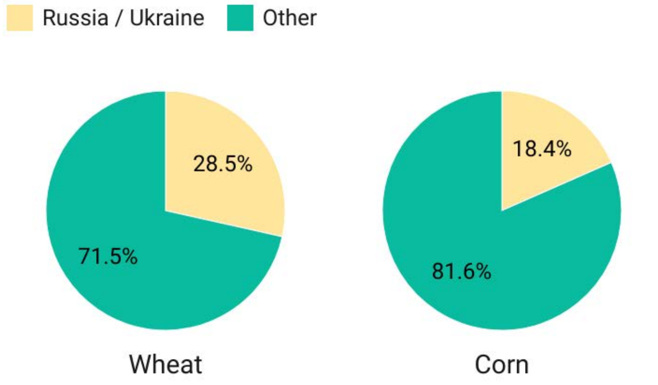
Bitcoin, touted in some quarters as an alternative defensive asset to gold, was slow to react but moved higher on 28 February amid expectations Russia will turn to the cryptocurrency as it is shut out of the Swift international payments system and sanctions are imposed on its banking system. Bitcoin has now risen by 17% in value since the invasion began to $43,528.

WHICH UK STOCKS ARE RELEVANT TO UKRAINE/ RUSSIA-DRIVEN COMMODITY PRICE CHANGES?

Ukraine is known as the breadbasket of Europe and the world's largest exporter of sunflower oil and the second biggest producer of barley. Russia and Ukraine produce more than a quarter of the world's wheat exports.

Pressure on soft commodity prices from the

Russia and Ukraine combined share of global corn and wheat exports*



**Based on 2021/22 projections, as at 9 Febuary 2022*

Chart: Shares Magazine • Source: US Department of Agriculture • Created with Datawrapper

disruption of supply could increase all vegetable oil prices. This could benefit palm oil producer **MP Evans (MPE:AIM)** from an earnings perspective.

Low inventories and disruption to supply for industrial metals could drive a spike in related commodity prices. Russia accounts for around 11% of global platinum output and supplies 6% of aluminum and 4% of refined copper.

The biggest supply challenge is likely to be in palladium with Russia controlling around 25% of the market.

Glencore (GLEN), **Tharisa (THS)**, **Jubilee Metals (JLP:AIM)** and **Sylvania Platinum (SLP:AIM)** are among the stocks on the London market involved in platinum and/or palladium production outside of Russia.

The spike in oil prices to seven-year highs and surging gas prices are likely to provide an earnings benefit to those companies with limited hedging, with a high proportion of their production not on fixed prices. These include **Capricorn Energy (CNE)**, **Gulf Keystone (GKP)** and **Jadestone Energy (JSE:AIM)**. Companies with exposure to UK gas prices include **Serica Energy (SQZ)** and **Harbour Energy (NBR)**.

By **The Shares Team**

Investors unconvinced by Lloyds strategy after earnings disappointment

The bank wants to grow its position in wealth and investment management but previous efforts have been unsuccessful

Even on a down day for the markets prompted by war in Ukraine the 9% fall in **Lloyds Banking (LLOY)** shares on 24 February was notable as it reported full year results. Earnings were weaker than forecast due to higher-than-expected fraud costs and restructuring charges.

The market appeared unconvinced by a strategy to increase non-interest income in areas like wealth and investment management.

Berenberg analyst Peter Richardson says Lloyds has a 'clear rationale'. He comments: 'The bank has an enviable distribution network and has low penetration in these areas. Problematically, however, this is not the first time that Lloyds has attempted this strategy and past success has been limited.'

Richardson notes that for this reason Lloyds is unlikely to receive full credit for the targeted £700 million of revenue growth in this area by 2024 whereas the increased costs associated with this initiative are more 'certain'.

The weak sentiment towards Lloyds is not helped by fears that Russia's invasion of Ukraine might derail anticipated interest rate rises globally.

In 2021 the bank's pre-tax profit rose to £6.9 billion versus a consensus forecast of £7.2 billion. Earnings per share of 7.5p fell short of a consensus estimate of 8.1p. Return on tangible equity at 13.8% was also shy of an expected 15.1%.

More positively, the group's common tier one ratio (a key measure of a bank's balance sheet strength) at 17.3% suggests surplus capital of £7.4 billion.

This is equivalent to 20% of the bank's current market value and explains Lloyds' ability to announce a significantly larger than expected share buyback of £2 billion. The market was expecting a more moderate buyback of £1.4 billion. The group's capital position means it can support a 5% dividend yield.

As the biggest UK retail bank, Lloyds has a large customer base to whom it can provide investment advice and savings services. However, while the bank's Scottish Widows business is well placed to support life insurance and pension needs, the group's capabilities in wealth and investment management have been lacking.

Lloyds agreed a wealth management joint venture with **Schroders (SDR)** in 2018, though Berenberg's Richardson notes 'progress here has already disappointed'.

In July 2021 Lloyds announced the £390 million acquisition of Embark. The deal bolstered Lloyds' position within wealth management and brought in 410,000 customers and £35 billion of assets under management.

The hope is Embark's digital capability and expertise will help Lloyds to deliver a modernised, self-managed investment offering. Lloyds is aiming to reach a top-three position in the individual pensions and retirement drawdown market by 2025. [MGar]

Buy Marlowe for stable and growing earnings

The business is less influenced by ups and downs in the wider economy

Safety, testing and compliance company **Marlowe (MRL:AIM)** has an attractive business offering an unusual combination of defensiveness and profitable growth. The 'buy-and-build' strategy has been executed superbly, yielding impressive results.

The shares have dropped around 20% from the recent highs in mid-January despite the company acquiring Optima Health for £135 million.

The transformational deal positions Marlowe as the leading player in the UK occupational health market.

And given the company is relatively insulated from inflationary pressures and geo-political ructions, in part due to the non-discretionary nature of its services, this represents a compelling buying opportunity. The shares are trading on 17 times consensus forecast earnings for the 12 months to 31 March 2023.

In the wake of the Optima deal, investment bank Berenberg upped its 2023 and 2024 earnings forecasts and now forecasts 19% compound annual earnings growth over the next three years.

That's partly because the acquisition shifts group revenue and profit towards faster growth and higher margin end markets.

MARLOWE
BUY
(MRL:AIM) 840p
Market cap: **£808.8 million**

The enlarged Governance, Risk and Compliance division now represents 60% of profit and 40% of revenues.

MARLOWE EXPLAINED

Founded in 2015 by chief executive Alex Dacre and backed by businessman and political figure Michael Ashcroft, Marlowe has become a leader in specialist business-to-business services.

The strategy is to acquire and develop businesses that provide regulatory testing, inspection and compliance services.

The mission-critical nature of its services and high client switching costs means stickier customers and more stable revenue.

Services range from health and safety, human relations and employment law, fire safety, compliance, water treatment and air quality testing.

Marlowe targets sectors which are fragmented, offering it the opportunity to act as consolidator and build greater scale. This in turn drives operational efficiencies and higher margins.

A BIG MARKET OPPORTUNITY

The firm believes its total addressable market in the UK alone is worth £6.8 billion. The fire and safety sector is estimated at £1.7 billion but is growing slowly.

Services in this area come under the Testing, Inspection and Certification division.

However, of more interest are the employment law, HR and occupational health sectors, which are worth a combined £4.9 billion and are growing at around 6% per year.

These services come under the Governance, Risk and Compliance division.

DEVELOPING A STRONG TRACK RECORD

Marlowe started out as a cash shell (a stock market listed entity with no assets other than cash) called Shellshock. Since the name change six years ago the share price is up 808%.

While impressive, the performance has been supported by an increase in the fundamentals. For instance, cash generated from operations has grown from £600,000 in 2015 to £20.4 million in 2021, or around 3,300%.

Analysts have had a hard time keeping up with recent growth delivered by Marlowe.

Earnings revisions over the last 12 months have increased by 17% and 40% respectively for the 2022 and 2023 financial years, according to Stockopedia data.

Earnings per share estimates for the year ending 31 March 2022 are expected to be 36.75p while a year ago the estimate was 31.6p.

Rising earnings revisions tend to be a positive indicator for share price performance.

GROWTH AHEAD OF TARGET

At a February 2021 capital markets day, the company set out three-year plans to achieve £500 million of revenue and £100 million of EBITDA (earnings before interest, tax, depreciation and amortisation).

Achieving these goals implies EBITDA margins increasing from 16% to 20%, enabling greater cash generation and more ammunition for further acquisitions.

Big growth forecast for Marlowe

	2022E	2023E
Sales (£ million)	312.0	420.0
Adj pre-tax profit (£ million)	37.2	57.6
EPS (p)	36.7	48.7

Year End 31 March

Table: Shares Magazine • Source: Berenberg • Created with Datawrapper

The Optima acquisition has propelled the company closer to achieving its targets. It also increases the potential for organic growth. Between 2019 and 2021 Optima grew at 12% a year.

Taking account of the Optima acquisition, annual revenue is running at around £400 million while EBITDA is running around £79 million. This implies a margin close to the group's internal target at 19.6%.

As well as providing greater scale Optima pushes the company towards its goal of creating a 'one-stop-shop' addressing the full spectrum of business compliance needs.

Marlowe recently (10 Feb) enlarged its debt facilities from £130 million to £180 million, in addition to a further £60 million unused facility.

Securing greater debt capacity complements the support provided by long-term shareholders. It positions the business for further growth as it consolidates a fragmented marketplace.

Marlowe is an interesting company with an excellent track record of executing on its strategy and increasing shareholder value. *Shares* expects more of the same. [MGam]

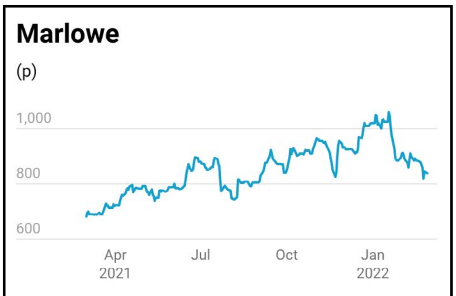


Chart: Shares Magazine • Source: Refinitiv • Created with Datawrapper

The stock to own as the EU weans itself off Russian gas

Cheniere Energy is a big exporter of liquefied natural gas from the US

The war in Ukraine has created a significant incentive for Europe to wean itself off Russian gas and oil. According to data from the European Union's statistics office Eurostat, Russia accounted for 41.1% of the bloc's natural gas imports in 2019 and a little over a quarter of its oil.

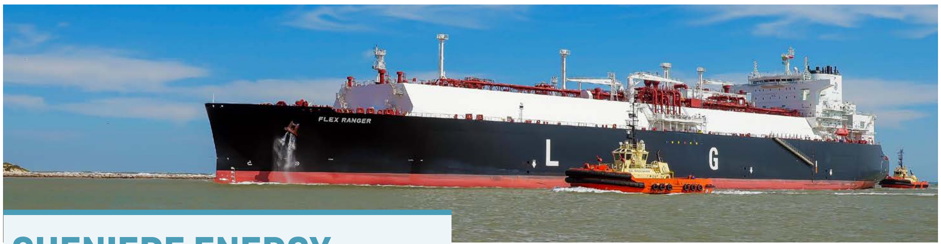
There have already been signs of Europe's determination to turn away from Russia for its energy needs as the German government halted the Nord Stream 2 pipeline which links the two countries.

A potential alternative source could be to ramp up liquefied natural gas, or LNG, imports from the US. It has been a net exporter of gas since the discovery of substantial shale gas deposits earlier this century.

LNG is gas chilled to a liquid, reducing it to fraction of its volume and making it viable to transport over long distances.

In 2016 Cheniere Energy became the first US company to export LNG and it retains a central place in the country's LNG infrastructure.

It operates two facilities on the US Gulf Coast, Sabine Pass in Louisiana and Corpus Christi in Texas. The former has capacity of 30 million tonnes per year, while that latter has capacity of



CHENIERE ENERGY
BUY
(LNG:AMEX) $132.62

Market cap: $33.9 billion

15 million tonnes per year.

Cheniere purchases gas in the North American market, where prices are significantly lower than Europe, and transports it to two hubs. From here the gas is processed into LNG and then either loaded onto customers' vessels or shipped to regasification facilities across the globe.

The company has plenty of demand for its products and services. The world remains reliant on gas and the energy source is seen as a bridge between more polluting fossil fuels like oil and coal to renewables where there are currently technology and capacity limitations when it comes to fulfilling the world's energy needs.

Cheniere is investing to increase the capacity of its LNG terminals and around 90% of its production is secured to long-term supply contracts. However, the remaining output not already contracted out can benefit from strength in the market and Cheniere recently lifted its 2022 earnings forecast by 20% to $7.5 billion.

After a strong run in the past 12 months the US-listed shares aren't cheap at 13.6 times forward earnings, and the yield is only a little over 1%. However, we think this valuation is more than justified by Cheniere's leading position in a market with increasing growth drivers.

There is a real chance that energy prices could keep going up and Cheniere is exactly the stock you should own in this situation. [TS]

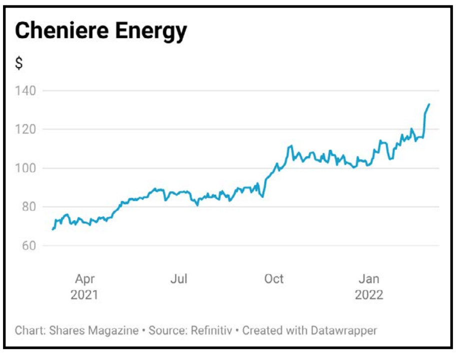


Chart: Shares Magazine • Source: Refinitiv • Created with Datawrapper

ALLIANCE TRUST
(ATST) 964p

Loss to date: 7.5%
Original entry point:
Buy at £10.42, 4 November 2021

A STROKE OF bad luck meant that **Alliance Trust's (ATST)** winning streak in 2021 came to a disappointing end. A weak fourth quarter saw the global equity investment trust lag the broader market and ultimately underperform for the year.

The target for Alliance Trust is to beat the MSCI All Country World index by 2% a year, net of costs, over rolling three-year periods. It achieved an 18.6% increase in net asset value versus a 19.6% return from the benchmark in sterling terms, partially because it lacked the level of exposure to technology stocks which helped propel the MSCI ACWI towards the end of the year.

There are reasons to stay optimistic. First is the fact that its portfolio of 180 stocks is more aligned to the value investment style which is now in fashion across Europe, having already been in vogue in the US during 2021.

Alliance Trust features a panel of fund managers, each running a section of the trust's portfolio with their best stock ideas. River & Mercantile and Jupiter account for a combined 13% of the portfolio and both value-style managers have done well so far in 2022, according to Craig Baker, global chief investment officer at Willis Towers Watson, the company responsible for overseeing Alliance Trust's fund manager panel.

Another reason to be optimistic is that Alliance Trust's portfolio companies offer less volatile earnings potential than the benchmark. 'The portfolio is cheaper than the market, has higher earnings than the market, and more stable earnings growth than the market,' says Baker. 'That's very attractive.'

Then there is appeal of higher dividends. Last year Alliance Trust reviewed the amount of revenue it kept aside in reserves to help smooth dividends in darker times and concluded that it could be more generous with dividends paid out to shareholders on a sustained basis – not simply a one-off boost.

Shareholders can now look forward to a dividend yield in the region of 2% alongside scope for capital gains.

It's now been five years since Willis Towers Watson was appointed as the investment manager and so the pressure is on to deliver a consistent market-beating performance. Doing so would help the shares narrow their 8% discount to net asset value and stop shareholders from jumping ship to use a low-cost tracker fund to simply track the market.

ALLIANCE TRUST: CHEAPER PORTFOLIO VS THE MARKET

	Alliance Trust Portfolio	MSCI ACWI Index
Price to Earnings (Trailing)	21.5	23.1
Price to Earnings (Forward 1 Year)	17.1	19.1

Data as of 31 Dec 2021
Source: Alliance Trust • Created with Datawrapper

Alliance Trust

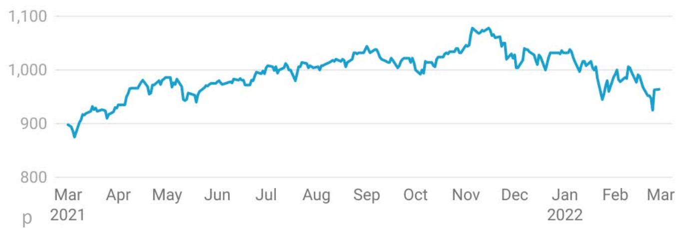


Chart: Shares Magazine • Source: Refinitiv • Created with Datawrapper

SHARES SAYS:
Investors have become less willing to pay up for high growth stocks, which makes Alliance Trust's portfolio more appealing given it offers growth at a more reasonable price. Stick with it. [DC]

BERKSHIRE HATHAWAY
(BRK.B:NYSE) $321.75

Gain to date: 0.5%
Original entry point:
Buy at $320, 17 February 2022

OUR RECENT RECOMMENDATION to buy B shares in Berkshire Hathaway is reinforced by strong fourth quarter results.

The company's annual report (26 Feb) revealed quarterly earnings of almost $40 billion, a rise of 11% versus the same quarter in 2020.

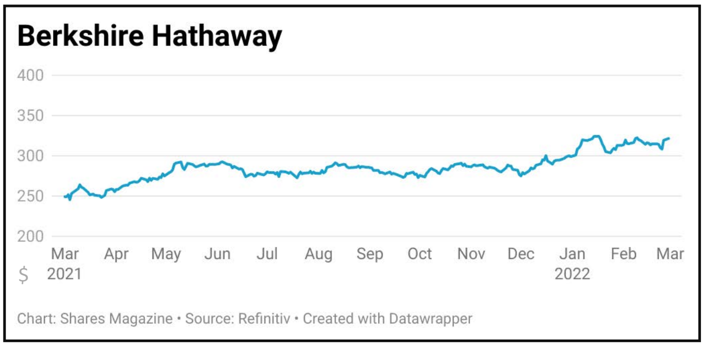
Operating earnings, which are a better reflection of the firm's earnings power, increased by 45% versus 2020.

The key contributors to this robust performance included the BNSF Railway business and the plethora of electric companies within the portfolio.

In his annual letter Warren Buffett emphasised the paucity of attractive investments, highlighting that a period of low interest rates had resulted in inflated valuations.

This explains the recent decision to increase share buybacks. Berkshire bought back $6.9 billion of stock in the fourth quarter bringing the year to date total to $27.1 billion.

The magnitude of the share repurchases also underscores Buffett's claim that he and Charlie Munger are having little success in finding alternative investment opportunities with a more attractive risk/reward profile.



SHARES SAYS:
This is an investment offering attractive defensive qualities and plenty of diversification, reflected in its resilient performance during recent market weakness. [MGar]

COCA COLA HBC
(CCH) £18.19

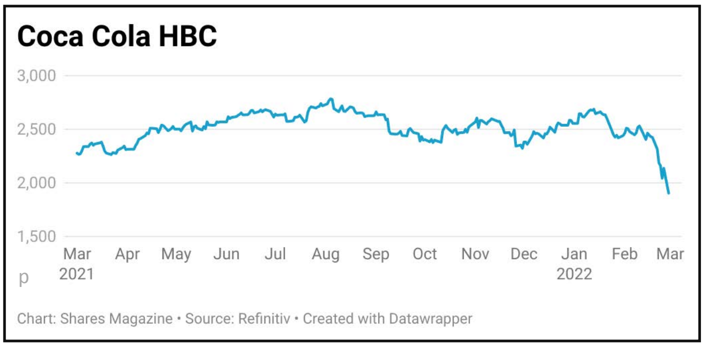
Loss to date: 22.2%
Original entry point:
Buy at £23.38, 17 December 2020

SHARES IN **COCA-COLA HBC (CCH)** have slumped in recent weeks as investors absorb the negative earnings implications of the Coca-Cola bottling partner's significant exposure to Russia and Ukraine, which combined spoke for 36.2% of the soft drinks group's emerging markets volumes in 2021.

Even though this high-quality beverages play is a global reopening beneficiary, recently delivered (22 Feb) forecast-beating earnings for 2021 and raised its dividend payout ratio target from 35%-to-45% to 40%-to-50%, we are exiting the position at a loss for three key reasons.

Firstly, the unfolding tragedy in Ukraine means Coca-Cola HBC will experience major disruption and a weakening of consumer confidence across its key Eastern and Central European markets. The situation on the ground will halt the recent positive momentum in its Russia and Ukraine business and, along with a currency headwind from the collapsing Russian rouble, is likely to result in material downgrades to earnings forecast over the coming months.

Secondly, sentiment towards companies with exposure to the embattled region is set to remain poor and thirdly, we would now expect big institutional investors to begin selling down positions in Coca-Cola HBC, thus exerting further downwards pressure on the share price.



SHARES SAYS:
Risks to earnings are rising. Sell Coca-Cola HBC. [JC]

KITWAVE
(KITW:AIM) 155p

Gain to date: 3.7%
Original entry point:
Buy at 149.5p, 21 October 2021

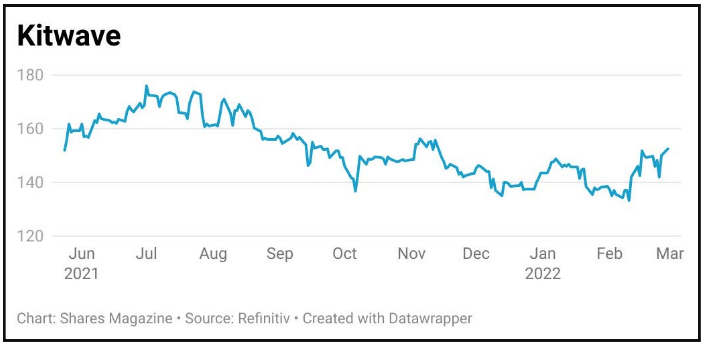


Chart: Shares Magazine • Source: Refinitiv • Created with Datawrapper

OUR 'BUY' CALL on **Kitwave (KITW:AIM)** is now 3.7% in the money as the market responds to earnings upgrades from the food and drink wholesaler and we remain positive about the company's organic and acquisitive growth prospects in the UK's fragmented grocery and foodservice wholesale market.

Kitwave says current trading is slightly ahead of market expectations.

Revenue recovered strongly in the second half of the last financial year as Covid restrictions eased, enabling Kitwave to generate earnings of £15.1 million on turnover of £380.7 million. The company has navigated the pandemic, and supply chain and product availability issues, thanks to its in-house delivery fleet and strong relationships with suppliers.

With trading virtually back at pre-pandemic levels, Canaccord upgraded its 2022 revenue estimate by 2% to £462.5 million and its adjusted earnings estimate by 7% to £24.3m, implying growth of 61.7% year-on-year.

Kitwave trades on a price to earnings ratio of 9.9 with a 4.5% yield.

SHARES SAYS:
Kitwave has plenty of room to grow as well as significant re-rating potential. [JC]

Schroders

What are the merits of a public-private equity investment approach?

By Uzo Ekwue and Tim Creed

A public-private equity investment approach is one that combines both stock market-listed shares and private equity investments within the same portfolio. In recent years this has grown in scale globally, and we believe there is much more to come.

Both public and private equity investments can be attractive as standalone strategies. However, we believe bringing them together in the same portfolio confers some important benefits. These include access to a broader set of potential investee companies, the ability to invest at an early stage in a company's existence, as well as enabling a wider perspective and consistency of stewardship.

We think all of this enables an investment team to create the best possible portfolio for clients.

Wider opportunity set

Stock markets in different geographies have different degrees of diversification. In the UK, for example, the tech sector represents only c.1.4% of the MSCI UK index compared to nearer 30% for the MSCI US.

But that doesn't mean there are no attractive tech companies in the UK, just that they aren't publicly listed. Fast growing segments such as fintech (financial technology) can be accessed by private equity investors. A portfolio that combines both public and private equity investments can therefore invest in the best opportunities from either segment of the market.

Broader perspective enhances knowledge

An investment team that looks across both public and private equity markets can gain a competitive edge from thorough knowledge of both types of companies.

Private companies often provide their investors with more information than public ones do, given the strict reporting rules that apply to stock market listed firms. Information from a private company can therefore help shed light on a public company operating in the same field; for example, on industry issues such as competition or demand trends.

This can be particularly useful when assessing the attractiveness (or otherwise) of niche areas of the market.

Investing across a company's lifecycle

An integrated public-private equity approach also offers the opportunity to invest at all stages of a company's lifecycle. This could be from the venture capital stage, through subsequent funding rounds, to a stock market listing and beyond.

Of course, not all companies seek a listing on the stock market. However, in the event that this is a company's ambition, investors who are able to invest in the company at an early stage are often able to do so at a lower valuation than the eventual IPO price. This potentially provides such investors with a superior ability to outperform relative to other public equity investors who enter at a higher price.

What's more, we have found that IPO candidates often seek out long term financial partners early on, with a mutual understanding that these partners may act as cornerstone investors for the listing. In particular, our experience is that companies with an end goal to IPO are more likely to select investment firms that have internal capacity also to invest in the public equity markets.

Building a relationship in earlier funding rounds can therefore be an important competitive advantage for those who have the capacity to invest across the whole company lifecycle.

Opportunity to guide on ESG issues

The relationship building made possible by investing at an early stage can also be beneficial when it comes to stewardship and environmental, social and governance (ESG) issues.

Companies in an early phase of their lifecycle may have limited sustainability policies and infrastructure. By investing early, before such companies reach the public markets, public-private equity investors have the opportunity to drive significant change through partnership on ESG issues. This could include implementing diversity & inclusion and environmental practices at an early stage, and recommending an appropriate board structure.

And bringing together both public and private equity in the same portfolio means there is a single investment team who can provide consistent stewardship on ESG issues. We think this consistency is preferable to asset allocators selecting and investing in distinctly separate public equity and private equity vehicles.

Central point of governance is critical

To conclude, we believe there are several attractions of a combined public and private investment portfolio. Most critically, a central point of governance – i.e. a single investment team making the decisions - means that each part of a portfolio can be managed with reference to the other.

This enables monitoring of diversification – by sector or geography - and of other underlying exposures. It enables a wider perspective, where knowledge of a private company can help inform analysis of a public one (and vice versa). It also means an overall portfolio can be aligned to a single set of overarching risk, return and impact objectives.

6 GREAT STOCKS FOR YOUR ISA

Our ideas span value, quality, income and growth styles

The deadline for using up this tax year's £20,000 ISA allowance is fast approaching. You have until 5 April to use it or lose it, so now is the time to think about topping up your account.

Clearly there are reasons to be nervous as an investor amid rising inflation and tensions in Ukraine, but you do have the option of putting cash into an investment ISA now and sitting on it until you're ready to put it to work in the markets.

In doing so, you would lock in those ISA benefits which mean you don't pay tax on any future capital gains or income inside the account.

For those happy to invest now, *Shares* has six investment ideas which are compelling regardless of the wider backdrop. Using screening tools, we have selected six stocks which fit several different themes including income, growth, quality, and value matched by earnings momentum. Read on to discover the names and why we like them.

By **The Shares Team**

You can invest up to £20,000 across Stocks and Shares, Cash and Innovative Finance ISAs in a tax year.

Lifetime ISAs have a limit of £4,000 a year, and this allowance counts towards the overall £20,000 annual ISA limit if you're also using Stocks and Shares, Cash and/or Innovative Finance ISAs. You can put money into one of each kind of ISA each tax year.

Junior ISA accounts are available for children under 18 and have a limit of £9,000 a year.

VALUE AND EARNINGS MOMENTUM

KENMARE RESOURCES (KMR) 432p

Dublin-headquartered **Kenmare Resources (KMR)** is on the cusp of substantial cash flow generation from its 100%-owned Moma mineral sands operation in Mozambique and yet the shares are trading at bargain basement levels.

With catalysts in place, this represents a stunning value opportunity for investors and one they should seize with both hands.

The company extracts three key minerals – ilmenite, zircon and rutile – from sand in a substantial section of the Mozambique coast. It uses dredging equipment to collect the sand and then separates out the minerals in processing plants.

Kenmare, which made its first shipments from Moma in 2007, previously encountered some problems with sub-standard work by contractors but operations are now running more smoothly. Despite significant progress on site, the share price is still a long way below the peaks enjoyed in the late noughties and early 2010s.

Kenmare is currently valuated at a mere 3.4 times 2022 consensus forecast earnings per share which looks far too cheap.

Kenmare Resources forecasts

	2021E	2022E	2023E
Revenue	$422.3 million	$459.3 million	$407.7 million
Pre-tax profit	$145.1 million	$176.1 million	$134.4 million
Dividend per share	$0.27	$0.42	$0.31

Table: Shares Magazine • Source: Refinitiv • Created with Datawrapper

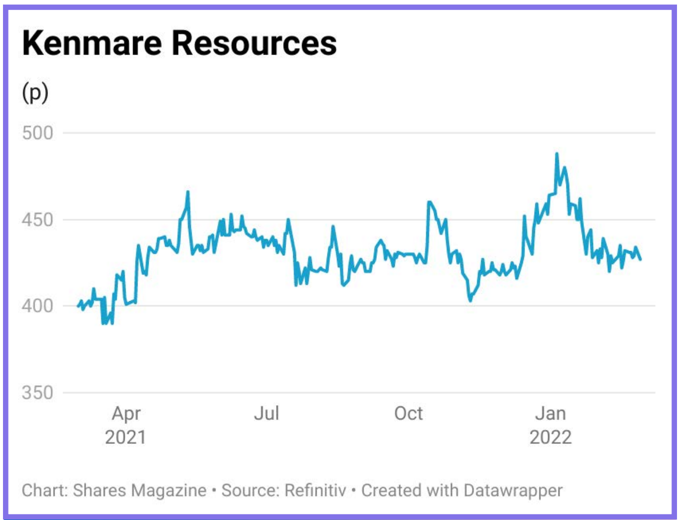


Chart: Shares Magazine • Source: Refinitiv • Created with Datawrapper

Having just completed a significant programme of capital expenditure, Berenberg forecasts Kenmare will generate free cash flow of $182 million for 2022. This translates into an eye-catching free cash flow yield of more than 30%. The company could end the year in a net cash position and this rich cash flow should underpin generous returns to shareholders.

The equity valuation seems at odds with Kenmare's growing production profile as well as resilient global demand for ilmenite, zircon and rutile and relatively limited supply.

Ilmenite is the main source of titanium oxide, used in paints, printing inks, fabrics, plastics and sunscreen. Zircon is employed in areas like foundry casting, nuclear fuel rods, catalytic convertors and air and water purification systems, while rutile has applications in the production of titanium metal.

The main risks for the company and its share price include any big decline in global economic demand which could hurt commodity prices, and the company's single-asset focus so it cannot afford to suffer any major operational setback. [TS]

SOMERO ENTERPRISES (SOM:AIM) 484p

You might be surprised to find a genuine world technology leader listed on the AIM market but this is how you could describe **Somero Enterprises (SOM:AIM)** which is trading on an attractive valuation. The 2022 price to earnings multiple stands at 10.3.

Somero is the world number one when it comes to concrete levelling kit. Its success was to develop laser-guided technology over the last couple of decades that is accurate to within fractions of millimetres. This is becoming increasingly important for major construction projects like building skyscrapers, but Somero has a digital economy slant too.

As we increasingly shop online, nations everywhere need large numbers of modern warehousing and fulfilment centres. With these vast sheds increasingly embracing robotics and automation, much like the car industry did years ago, these properties need level flooring to the nth degree.

Somero has a range of products, and its training, fast turnaround servicing and general advice to buyers about getting best performance both operationally and from capital expenditure make the company stand out. This is what protects its high margins in an industry where cheaper, reverse engineered copycat machines exist but can't do the job to the same standard.

Over the past five years Somero's shares have averaged annual returns of nearly 18%, versus about 4% for the FTSE 100. A trading update on 26 January flagged better profit and cash than management expected, leading analysts to increase forecasts, a second upgrade in two months. [SF]

Somero Enterprises forecasts

	2021E	2022E
Revenue	$133 million	$138.8 million
Pre-tax profit	$46.7 million	$46.3 million
Dividend	$0.49	$0.483

Source: FinnCap • Created with Datawrapper

GREAT INCOME

RIO TINTO (RIO) £55.86

Miner **Rio Tinto (RIO)** is getting its act together after being beset by corporate governance concerns. Strong drivers for the metals which the miner extracts and processes should sustain attractive cash flow and generous dividends for shareholders in the medium term.

The company, which derives a significant chunk of its earnings from iron ore, copper and aluminium production, recently announced 2021 dividends worth $16.8 billion, the second highest in UK corporate history.

While dividends aren't expected to match this monumental sum going forward, the shares still offer a 2022 prospective yield of 9.2% based on consensus forecasts.

While such a high yield would typically ring alarm bells that the dividend is unsustainable, in Rio's case it is underpinned by prodigious cash generation and a strong balance sheet with the company sitting on net cash upwards of $1.5 billion as at 31 December 2021.

Rio Tinto forecasts

	2021	2022E	2023E
Revenue	$63.5 billion	$53.4 billion	$48.4 billion
Pre-tax profit	$29.8 billion	$22.1 billion	$17.1 billion
Dividend per share	$10.40	$7.06	$5.12

Table: Shares Magazine • Source: Company reports, Refinitiv • Created with Datawrapper

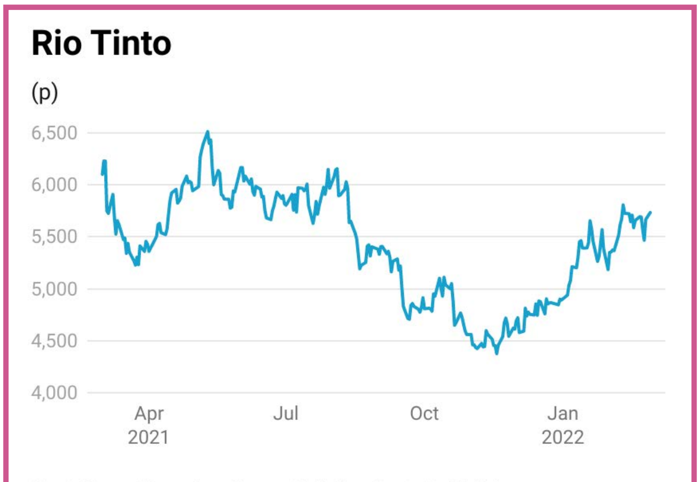


Chart: Shares Magazine • Source: Refinitiv • Created with Datawrapper

Under the leadership of Jakob Stausholm, the company is trying to improve its previously patchy track record on governance issues. In February a survey covering its workplace culture revealed shocking revelations of racism, sexism, bullying and harassment.

However, by owning up to its problems Rio Tinto has taken an important first step in addressing them and the report also acknowledged improvements had been made in the previous 12 months, roughly coinciding with the start of Stausholm's tenure.

Stausholm has also outlined an ambitious strategy on climate change, in the company's own words 'combining investments in commodities that enable the energy transition with actions to decarbonise our operations and value chains'. As with several firms in the resources sector there has been more talk than action so far.

While revenue and profit are expected to moderate from an exceptional 2021, recent under-investment in the mining industry, plus demand from significant planned investment in electric vehicle and renewables infrastructure, has created positive conditions for metals prices and this should make Rio an excellent income pick for years to come. [TS]

GOING FOR GROWTH

SPRINGFIELD PROPERTIES (SPR:AIM) 138.55p

Scottish housebuilder **Springfield Properties (SPR:AIM)** has an impressive growth record and is on track for plenty more of the same over the next few years. This doesn't look fully reflected in a rating of 7.2 times consensus earnings for the year to 31 May 2023.

The firm, which specialises in affordable housing, is enjoying excellent demand with record sales in the six months to November 2021.

It also has significant visibility over future sales thanks to the 'missive' system which operates in Scotland.

Missives are the written exchange of terms and conditions between a buyer and seller of a property. Once the missives have been 'concluded', neither side can back out of the deal.

This means Springfield can reliably forecast its sales pipeline with greater certainty than housebuilders in England. The firm's current order book is the highest in its history.

Springfield is working with the Scottish government on the development of new 'villages' in semi-rural areas including the commuter belt of key cities.

Springfield Properties forecasts

	2022E	2023E	2024E
Revenue	£260 million	£309 million	£340 million
Pre-tax profit	£22 million	£28.4 million	£32.9 million
Dividends per share	6.5p	7.5p	8p

Financial year end: 31 May

Source: Progressive Equity • Created with Datawrapper

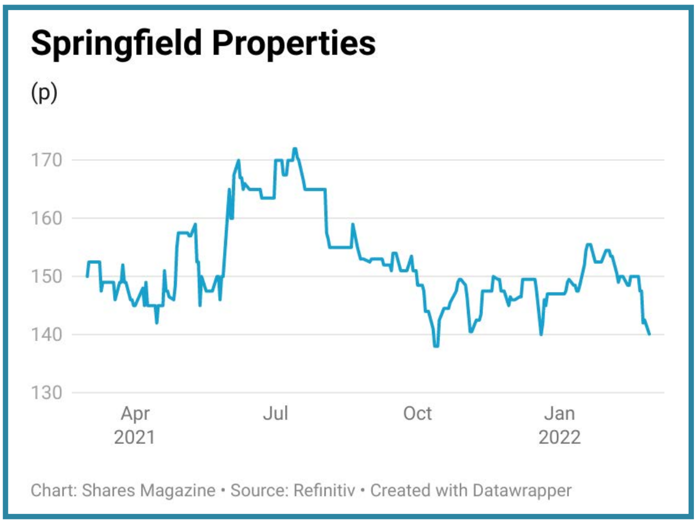


Chart: Shares Magazine • Source: Refinitiv • Created with Datawrapper

The recent acquisition of Tulloch Homes increases Springfield's already considerable land bank and gives it a presence in the Highlands.

Tulloch is already profitable and highly cash generative with no debt, so the acquisition is earnings-positive for Springfield.

The firm has also expanded into the private rental sector which will provide additional revenues on top of affordable and private housing.

Houses are built to a fixed-cost design for its partner Sigma Capital, which owns, lets and manages the properties.

Management recently confirmed earnings would meet full year expectations thanks to its substantial order book and high level of missive sales pending. [IC]

TOP QUALITY STOCKS

COMPUTACENTER (CCC) £26.86

What price to earnings multiple would you pay for a stock that has returned nearly 20% a year over the past decade in share price gains and dividends, and continues to see forecasts upgraded? 25? 30? **Computacenter (CCC)** is currently trading at less than 17 times 2022 earnings.

In an era of unprecedented technological change there are thousands of organisations needing help with adaption and adoption, and Computacenter is there to help. It is a pan-European IT enterprise operator whose 16,000-odd staff annually ship more than 25 million products to 4.5 million end users, providing valuable advice, support and services in 30 different languages.

Computacenter forecasts

	2021E	2022E
Revenue	£6.5 billion	£6.7 billion
Pre-tax profit	£236.4 million	£241.3 million
Dividend	58.2p	59p

Source: Stifel • Created with Datawrapper

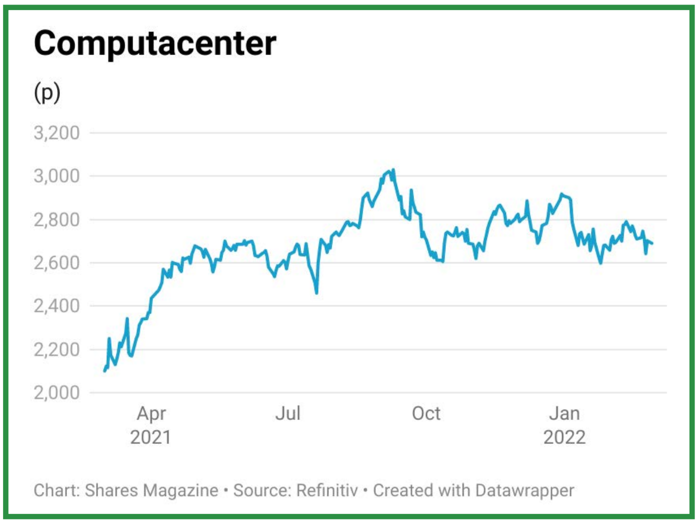


Chart: Shares Magazine • Source: Refinitiv • Created with Datawrapper

The company has been part of the FTSE 250 index for most of the last 10 years and has been an astonishingly reliable investment for shareholders on both capital growth and income fronts. Analysts calculate that in the decade or so before the pandemic, Computacenter handed back something like £350 million to shareholders in regular and special dividends.

Group operating margins are low in the region of 4%, reflecting the fact it sells a lot of third-party computer software and hardware and takes a small cut. But one of the fastest growing parts of the business is providing managed services – namely remote IT support – where margins are estimated to be closer to 20%. Given the strong growth in this arm, overall group margins should improve as the years go on. [SF]

DIAGEO (DGE) £36.96

Drinks-maker **Diageo (DGE)** is a high-quality business which owns an outstanding collection of some of the world's most prestigious spirits and beer brands, including Johnnie Walker whisky, Don Julio tequila, Smirnoff Vodka and Baileys liqueur.

Investors looking for quality in a business expect certain financial characteristics including consistent profitability and pricing power and Diageo satisfies these expectations.

Despite many years of consistent growth Diageo still only commands around 4% share of the global alcohol market. By 2030 management want that share to rise by 50% to around 6% share.

One of the key competitive strengths of the company is its global reach and dense distribution network which has cost advantages that allow the company to spend more on advertising and promotion, creating a virtuous circle.

Diageo forecasts

	2021	2022E	2023E
Revenue	£12.7 billion	£14.5 billion	£15.5 billion
Pre-tax profit	£3.7 billion	£4.5 billion	£4.9 billion
Dividend per share	72.6p	76.4p	81.7p

Financial year end: 30 June

Source: SharePad, Refinitiv, Financial Express • Created with Datawrapper

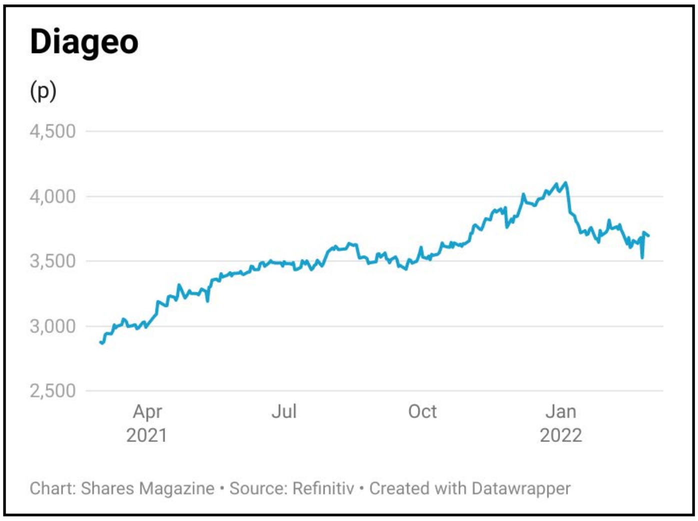


Chart: Shares Magazine • Source: Refinitiv • Created with Datawrapper

These strengths also mean Diageo is an attractive home for upcoming new brands looking for global reach and maximum promotion.

Over the last seven years the company has delivered an average return on equity of close to 30% a year while free cash flow has grown by nearly 10% a year. Free cash flow is what is left after paying all operating costs and servicing financial liabilities.

Return on equity represents the investment return attributable to shareholders and is simply net profit divided by shareholder's equity. A typical return for a UK company is around 12%.

High return on equity provides both defensive and growth advantages not available to ordinary businesses. In less rosy times, even if profitability falls, there is a bigger financial cushion.

In good times, there are more options to increase value for shareholders through investment in the business, dividends, share buybacks or acquisitions. Diageo has used all these advantages to consistently grow the business. [MGam]

Gearing up for recovery

The team behind BB Healthcare Trust think the continuing market rout for growth equities has created a fantastic opportunity for investors brave enough to weather the ongoing storm...

The MSCI ACWI gained almost 20% in 2021 – a year during which the British government made 'going on holiday' illegal, the Suez Canal was blocked, and the US Capitol was besieged by rioters led by a man dressed as a buffalo.

Yet this year, with Coronavirus firmly in retreat, the same index has lost 4.6% and technology stocks have entered 'correction' territory. The Nasdaq 100 lost more than 10% between New Year's Day and 15 February 2022.

This apparent irrationality of markets is emphasised by the way that biotechnology companies, despite the role they played in saving the world, shared no significant part of the upside of last year's strong performance, and have tanked with everything else since this year began.

The Nasdaq Biotechnology Index gained just 0.94% in 2021, and has lost more than 12% since the market re-opened in January.

For the team at **BB Healthcare (BBH)**, an investment trust focused on generating capital growth via a globally diversified portfolio of healthcare companies, the message is one of optimism for the future tempered by the acknowledgement of volatility in the near term.

"The COVID-19 pandemic is unarguably moving into an endemic phase," says fund manager Paul Major, who runs the portfolio alongside co-manager Brett Darke. "There is still a huge amount of liquidity in the global monetary system and corporate balance sheets are in rude health relative to historical norms regarding leverage ratios and funding costs.

"However, other asset classes, especially sovereign bonds and property, are unattractive at this time due to rising interest rate expectations and changes to how we live and work. All of this is arguably supportive for equities in the longer-term."

Against that backdrop, and cognisant of the bumpy ride which shareholders in the trust have had in recent months and which is likely to continue in the short term, the team have moved to a bullish footing, increasing gearing and adding incrementally to their existing holdings where value has emerged.

"We firmly believe that history will look back on this moment as a fantastic relative opportunity for long-term healthcare investors. Even the most recent market low in March 2020 only saw a 16% decline over the first quarter of that year, as the market grappled with the consequences of the rapidly unfolding pandemic.

"The market can have irrational periods and how one chooses to respond to those can add material value for investors. If you really think that asset prices are wrong, then you should be taking advantage of that."

As well as adding to existing holdings, the BBH team have added three new ones – one each in the Tools, Diagnostics and Medical Technology sub-sectors. The total number of holdings now stand at 33, reflecting the managers' intention to manage a concentrated portfolio.

The team's bullish view on the long term outlook is matched by a realism on what they, and their investors, will have to get through to get there.

"There is a common misperception that market panics unfold quickly and decisively. Looking back to recent market corrections such as Q4 2018 or Q1 2020 would affirm this view, but 'market correction' is an interesting choice of terminology; it implies a rationality or higher purpose to market behaviour that is often lacking, and these things can go on for much longer than one may realise.

"With that in mind we cannot be confident that the mid-cap healthcare rout is close to its denouement, but we can objectively discern value when we see it, and that time is now. To that end we approach the springtime with a portfolio of undiminished quality and an unchanged investment strategy, but one that is re-weighted to take maximum advantage of any return to more typical market dynamics and enhanced with an increased level of gearing that reflects our conviction in the opportunity that lies before us."

Click **here** to read our latest research on BB Healthcare Trust...

Glencore is a stock to own amid strong commodities demand

The trader and miner is paying down debts and is getting its house in order

Despite a 40% advance for the shares in the past 12 months, resources firm **Glencore (GLEN)** continues to look cheap.

Based on current commodity prices and forecasts from investment bank Jefferies the stock trades on a 2022 free cash flow yield of 19% with a significant chunk of cash set to be returned to shareholders.

With its commodities focus leaving it well placed to withstand inflationary pressures we think Glencore is worth buying at these levels, though we acknowledge there are risks associated with the company's previous governance failings.

In this article we'll look in some detail at the business, its current strategy, and the outlook on some of the key issues it is facing around coal ownership and corruption probes.

UNDERSTANDING GLENCORE

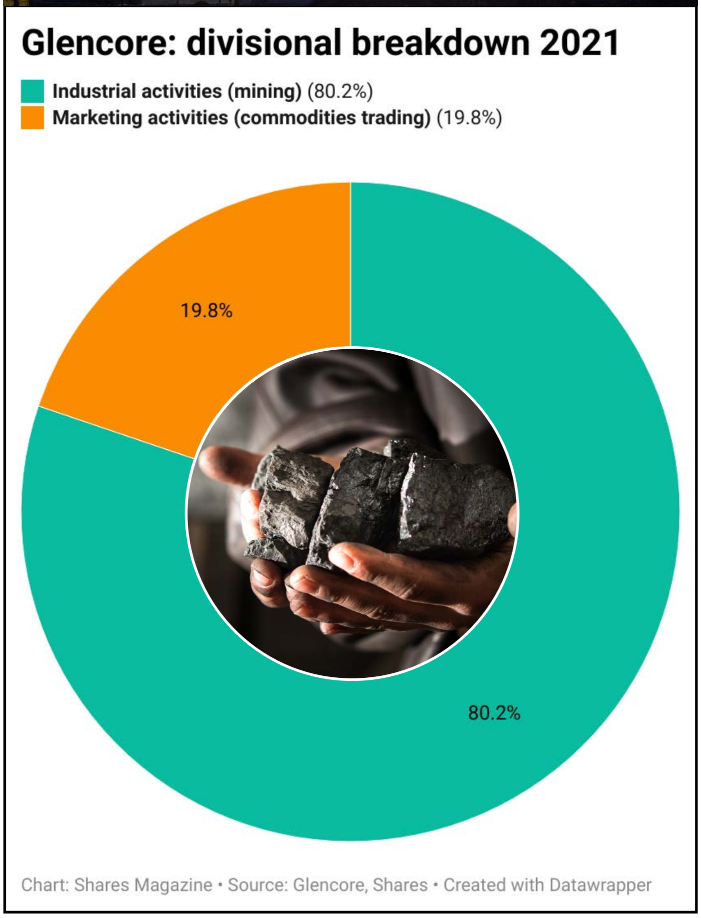
Glencore is something of an outlier in the mining sector. Starting out as a pure commodities trading operation its merger with Xstrata in 2013 greatly increased its position as an owner of mining assets.

This more complex structure, plus brushes with bribery scandals and a somewhat chequered wider history, have often seen its shares trade at a discount to the wider sector.

Founded in 1974 by commodities traders Pincus Green and Marc Rich, Glencore, an abbreviation of 'Global Energy Commodity Resources', listed on the London Stock Exchange in 2011 and now makes its money in two ways.

The trading operation accounted for around 20% of 2021 earnings. It physically sources commodities and products from a diversified base of global suppliers and transports these commodities by sea, rail and truck, storing, processing and delivering them according to the specifications of its customers. Products include metals, oil, natural gas and coal.

Glencore's marketing arm makes its money through what are known as 'arbitrage



opportunities' buying a commodity at a certain price and selling it at a higher price, making a profit after covering its costs.

Christopher LaFemina, mining analyst at Jefferies, observes that in 2021, 'Commodity market fundamentals were strong, with significant dislocations creating arbitrage opportunities for this business.'

HIDDEN VALUE FOR GLENCORE IN VITERRA

Glencore holds a 49% stake in crop trading outfit Viterra – a firm which snapped up US rival Gavilon in a $1.13 billion deal in early 2022.

Officially spun out of Glencore as a standalone entity in 2020, with a group of Canadian investors having taken a stake in 2016, a full sale of Glencore's remaining holding in Viterra has been rumoured.

According to a report, UBS has arrived at a $7 billion to $10 billion transaction value for Viterra, encompassing net debt of $2 billion. However, this assessment was based on historic deals in the space and does not reflect a likely surge in food prices linked to the war in 'bread-basket of Europe' Ukraine.

The company also has an interest in an agricultural commodities trading business.

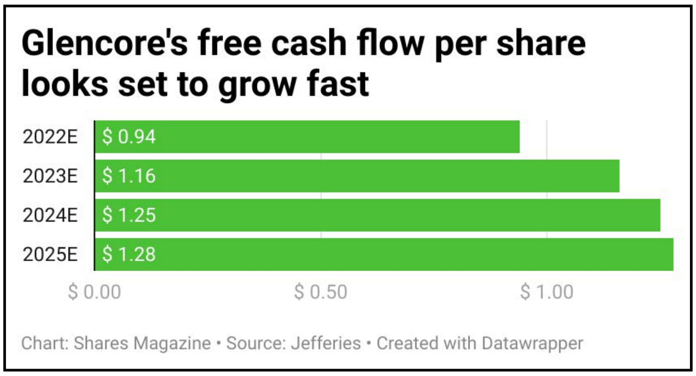
Artemis fund manager Jacob de Tusch-Lec holds Glencore in one of his portfolios. He says: 'The trading operation is essentially like a hedge fund in the sense that profits are volatile and not predictable. It's almost like a Goldman Sachs where there's one multiple applied to the investment bank and another to the trading arm.'

Essentially Glencore's argument is that combining marketing and mining activities gives it an inside track on commodity markets, underpinning strong strategic decisions.

STRONG PERFORMANCE FROM MINING ASSETS

A robust 2021 performance from the mining or 'industrial activities' division saw it account for around 80% of earnings. This part of the business saw a 118% rise in adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) to $17.1 billion, underpinned by 'significantly higher commodity prices with many reaching record or multi-year highs, amid widespread supply/demand deficits,' the company said.

These substantial earnings were matched by cash generation which helped reduce net debt below the targeted range of $10 billion to $16 billion.



As Jefferies LaFemina observes: 'The Glencore deleveraging story is over. It is now a capital returns story, and we expect rising prices for some of its key commodities and continued outperformance of its marketing segment to lead to growing free cash flow and capital returns.'

CHANGE AT THE TOP

The company was led between 2002 and 2021 by Ivan Glasenberg. His successor and compatriot Gary Nagle, the former head of Glencore's coal operations, may not be as outspoken but he is quietly making some significant changes, in particular on environmental, social and governance issues.

On the 'E' side of the ESG equation, Nagle has committed to more aggressive total emissions reductions with a new short-term target of a 15% reduction by 2026, and a 10 percentage point increase in its medium-term target to a 50% reduction by 2035, with a net zero ambition by 2050.

The mining operation also focuses heavily on metals like copper, zinc and nickel. All of these will be key to the transition away from polluting fossil fuels thanks to their role in building the electric vehicle and renewable energy infrastructure required for this shift.

THE COAL ISSUE

A key sticking point, and a contributor to Glencore's discounted equity rating, is its interests in thermal

Industrial activities: 2021 revenue breakdown by commodity

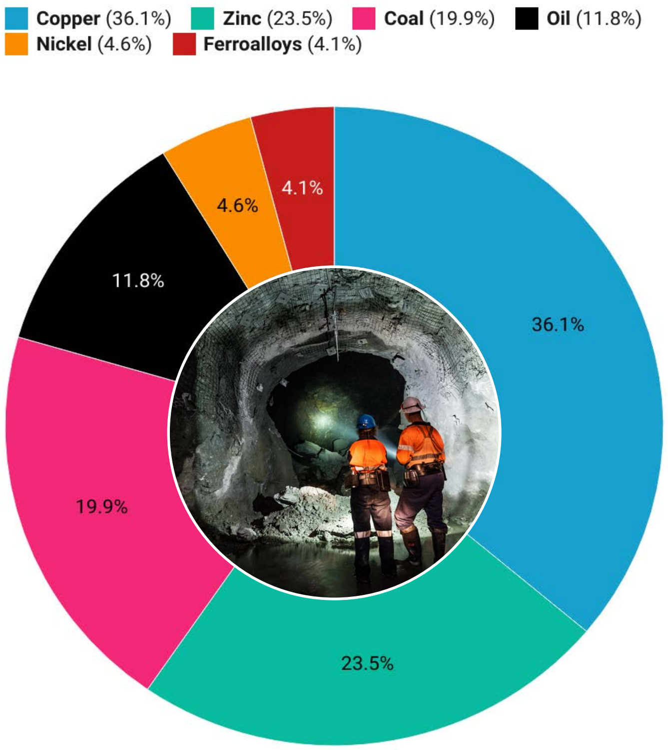


Chart: Shares Magazine • Source: Glencore, Shares • Created with Datawrapper

coal. Activist investor Bluebell Capital, which has a stake of undisclosed size in the business, has pushed for these assets to be spun off, in a similar way to how **Anglo American (AAL)** demerged its own coal assets to create **Thungela Resources (TGA)** in June 2021.

However, when acquiring **BHP's (BHP)** stake in the Cerrejon coal mine in Colombia in 2021 for $294 million, Glencore's then-CEO Glasenberg observed that 'disposing of fossil fuel assets and making them someone else's issue is not the solution and it won't reduce absolute emissions.'

Glencore's argument is that it will be a responsible steward for the assets and wind them down gradually over time.

Bluebell's demerger proposal would allow for this with a dual share class structure for a 'Coal NewCo', which would allow Glencore to maintain control over the assets.

Artemis' de Tusch-Lec notes: 'Right now the whole company is punished because some investors cannot invest in coal. There may be a clever solution, but it needs to be more than just disposing to a worse operator.'

GLENCORE IS A MAJOR PLAYER IN THE WORLD METALS MARKET

COPPER:
Glencore is one of the world's largest producers and marketers of copper. In 2020, it produced 1.26 million tonnes, and sold 3.4 million tonnes through its marketing business. The company is also one of the world's largest producers of cobalt.

It mines and processes copper in Africa, Australia and South America. Scrap copper is recycled by Glencore in North America and Asia. It also smelts and refines copper in various parts of the world.

OTHER METALS:
Glencore produces nickel in Canada and Norway, and zinc and lead in Australia, South America, Kazakhstan and Canada. It processes and sell products including bauxite from a range of third-party aluminium and alumina producers. The company also markets iron ore from third party producers, primarily selling to Asia.

RESOLVING CORRUPTION SCANDALS

In terms of governance issues Nagle has allocated $1.5 billion to resolve corruption probes in the US, UK and Brazil with the aim of putting these to bed in 2022.

The key questions for investors to weigh are whether this sum be sufficient to cover all potential liabilities and are there any, as yet unaired, skeletons in Glencore's closet? It is also worth noting that the current provision does not encompass investigations in Switzerland and the Netherlands.

For his part de Tusch-Lec adds: 'By buying Glencore we are supporting the company in embarking on a journey to higher standards; not ticking boxes, but accelerating the move to net zero without destroying shareholder value.'

By **Tom Sieber** Deputy Editor

Your portfolio could be over-exposed to Microsoft, Alphabet and Amazon

So many global equity funds hold the same stocks

There are many advantages to running a concentrated portfolio over a diversified portfolio, but sometimes investors may have too much concentration in their holdings if they aren't aware of what is in the different funds they own.

A screening of the top holdings in some of the most popular global equity funds and investment trusts keeps throwing up the same three names again and again. Unsurprisingly, all three are US stocks and all are mega-caps which have performed well ahead of the market over the past few years.

If you're concerned that the global funds in your portfolio all seem to move the same way at the same time, it's probably worth seeking out the handful of managers who do things differently.

US TECHNOLOGY BIAS

Even though few global managers would class themselves as tech specialists, a remarkably high proportion of global funds have placed the same bet on three specific US technology stocks.

Top of the list by some margin, even though it's not the biggest stock in the market, is software and cloud computing giant Microsoft.

EXAMPLES OF GLOBAL FUNDS WITH MICROSOFT AS A MAJOR HOLDING

Fund / Investment Trust	% of net assets in Microsoft*
Manchester & London	23.37%
Morgan Stanley UK Global Brands	9.31%
Trojan Global Equity	9.30%
Threadneedle Global Focus	8.32%
LF Blue Whale Growth	7.87%
Fundsmith Equity	7.81%
M&G Global Sustain Paris Aligned	7.74%
Royal London Global Equity Select	7.17%
Invesco Global Equity	6.37%
Ninety One Global Franchise	6.31%
JPM Global Sustainable Equity	6.31%
Threadneedle Global Select	6.30%
Janus Henderson Global Sustainable Equity	6.15%
Purisima Global	6.08%
Ninety One Global Equity	5.88%
Brunner	5.69%
Schroder Global Sustainable Growth	5.66%
Jupiter Global Managed	5.42%
BNY Mellon Global Equity	5.24%
Martin Currie Global Portfolio	5.15%

**latest reported date. Table: Shares magazine.*

Source: Morningstar, 9 Feb 2022 • Created with Datawrapper

This company has been a leader in the software sector for decades thanks to its Windows operating system and Office products, but its push into the cloud with its Azure platform has brought Microsoft much greater scale. It is also expanding its gaming business with a recent takeover offer for Activision Blizzard.

Microsoft is the largest holding for **Fundsmith Equity Fund (B41YBW7)**, managed by Terry Smith who described the firm as having had 'a bonanza' during the pandemic thanks to its Teams video meeting software.

Microsoft is also the top pick for **F&C Investment Trust (FCIT)**, the second-largest global investment trust with £5.4 billion of assets, and the biggest holding for both the **Invesco Global Equity Fund (BJ04GX9)** and the **JPMorgan Global Equity Income Fund (B6TPLD7)**.

It is the second biggest holding for **JPMorgan Global Growth & Income (JGGI)**, which now includes the assets previously managed by Scottish Investment Trust, and for the **Trojan Global Equity Fund (B0ZJ5S4)**.

THREE DEGREES OF CONCENTRATION

The second most popular stock in the global funds we surveyed is Google and YouTube parent Alphabet, which processes close to 90% of online searches in the US and was another winner from the pandemic thanks to a big surge in advertising revenues.

Alphabet is the number one pick for **Alliance Trust (ATST)** and the Trojan Global Equity Fund, and the second pick for the F&C Investment Trust and Invesco Global Equity Fund.

Blue Whale Growth Fund (BD6PG78) lists Microsoft and Alphabet among its top 10 holdings, which make up 59% of its portfolio, although somewhat coyly it doesn't reveal their individual stock weightings or where they come in the pecking order. FE Fundinfo lists Microsoft as being its top holding as of 30 June 2021, which is interesting but somewhat out of date.

The third most popular stock with global funds is Amazon, the online marketplace which now also offers video streaming services, and which was a huge beneficiary of the pick-up in consumer spending during the pandemic.

Terry Smith recently bought shares in Amazon and Alphabet for the Fundsmith Equity Fund, after years of resisting, although as of the last update it isn't clear whether either stock features in the top 10 holdings of Fundsmith Equity.

However, several other popular funds own all three stocks in their top 10 holdings, including the £3.8 billion **Rathbone Global Opportunities (B7FQLN1)**, while **Allianz Technology Trust (ATT)** and **Polar Capital Technology Trust (PCT)** both have heavy weightings in at least two of the three stocks.

If you are an investor who owns ETFs (exchange-

EXAMPLES OF GLOBAL FUNDS WITH ALPHABET AS A MAJOR HOLDING

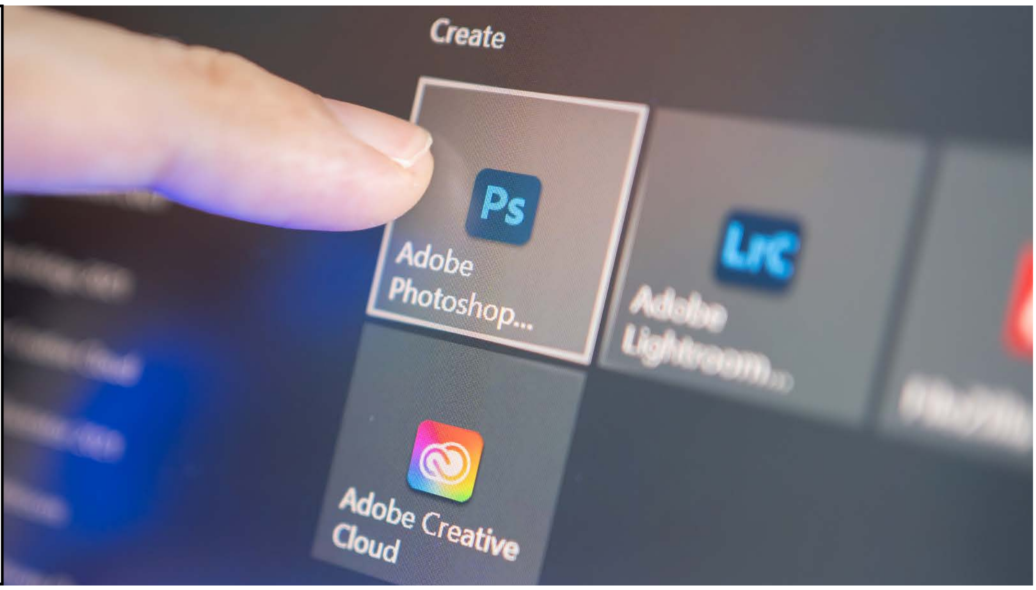
Fund / Investment Trust	% of net assets in Alphabet*
Trojan Global Equity	8.97%
Harris Associates Global Concentrated Equity	8.92%
MI Metropolis Value	8.46%
Threadneedle Global Focus	5.96%
M&G Global Sustain Paris Aligned	5.88%
Threadneedle Global Select	5.30%
BNY Mellon Global Equity	4.81%
Ninety One Global Strategic Equity	4.60%
Liontrust Sustainable Future Global Growth	4.55%
Invesco Global Focus	4.51%
Schroder Global Equity	4.41%
Schroder Global Sustainable Growth	4.40%
Ninety One Global Equity	4.28%
Royal London Global Equity Select	4.15%
EdenTree Responsible and Sustainable Global Equity	3.83%
JPM Global Sustainable Equity	3.83%
Quilter Investors Ethical Equity	3.74%
LF Blue Whale Growth	3.56%
Purisima Global	3.43%
Aviva Investors Global Equity Unconstrained	3.37%

*latest reported date. Table: Shares magazine.
Source: Morningstar, 9 Feb 2022 • Created with Datawrapper

Other widely-held stocks in global equity funds

Adobe	Paypal
AIA	Roche
Apple	Schneider Electric
ASML	Tencent
Autodesk	Tesla
Intuit	Thermo Fisher Scientific
Mastercard	TSMC
Meta Platforms	UnitedHealth
Novo Nordisk	Visa

Table: Shares magazine
Source: Morningstar • Created with Datawrapper



traded funds) which track global indices such as the FTSE All World or MSCI World, or a US index such as S&P 500, you automatically have a large exposure to all three stocks as well.

A DIFFERENT APPROACH

To perform differently from the crowd, you must invest differently. The following three names offer an alternative to the other funds and trust discussed in this article.

Bankers Investment Trust (BNKR) holds Microsoft as its top pick but the portfolio as a whole is tilted towards consumer, industrial and financial stocks such as Estee Lauder, Home Depot, American Express and Union Pacific.

Brunner Investment Trust (BUT) also holds Microsoft as its largest position, but the rest of its portfolio is focused on consumer, healthcare and financial stocks such as Adidas, Abbvie, Munich Re, Partners Group, Roche and UnitedHealth.

The **Lindsell Train Global Equity Fund (B644PGO)** is even more diversified with no US tech stocks in its top five or even its top 10 holdings.

Instead, the portfolio is heavily skewed towards consumer stocks such as **Diageo (DGE)**, Heineken, PepsiCo and **Unilever (ULVR)**, with a smattering of media firms including **RELX (REN)** and Walt Disney, and financial stocks such as **London Stock Exchange (LSEG)**.

Disclaimer: The author (Ian Conway) owns shares in Bankers Investment Trust. The editor (Daniel Coatsworth) has a personal investment in Fundsmith Equity Fund.

EXAMPLES OF GLOBAL FUNDS WITH AMAZON AS A MAJOR HOLDING

Fund / Investment Trust	% of net assets in Amazon*
Manchester & London	18.05%
Threadneedle Global Extended Alpha	6.66%
JPM Global Unconstrained Equity	5.99%
Threadneedle Global Focus	5.51%
Royal London Global Equity Select	5.43%
Baillie Gifford Long Term Global Growth	5.31%
T. Rowe Price Global Focused Growth Equity	4.95%
Threadneedle Global Select	4.89%
Purisima Global	4.83%
Invesco Global Focus	4.61%
JPM Global Sustainable Equity	4.01%
Ninety One Global Strategic Equity	3.99%
BNY Mellon Global Equity	3.66%
Invesco Global Equity	3.60%
Ninety One Global Equity	3.53%
LF Blue Whale Growth	3.36%
Royal London Global Sustainable Equity	3.26%
Fidelity Global Special Situations	2.88%
Halifax Ethical	2.78%
ASI Standard Life International Trust	2.76%

**latest reported date. Table: Shares magazine.*
Source: Morningstar, 9 Feb 2022 • Created with Datawrapper

By **Ian Conway** Companies Editor

Trusts beat funds when it comes to UK small caps

A much lower proportion of open-ended smaller company vehicles outperformed the benchmark

Look at the investment trust space if you want to outperform the market when it comes to investing in UK smaller companies.

Using data from FE Fundinfo, *Shares* compared the sector performance to the FTSE All-Share and the Numis Smaller Companies indices.

Only seven out of 17 open-ended funds in the UK Smaller Companies sector have beaten the market over the past five years, according to analysis by *Shares*. Investment trusts fared a lot better, with 17 UK small cap collectives outperforming.

The poor showing from open-ended funds comes as a surprise given that small caps are often considered to be a part of the market where fund managers can truly add value through expert stock picking. Companies are often under the radar and so truly active fund managers can potentially spot great opportunities if they put in the hours to research the market.

TOP FUND

The FTSE All-Share returned 25.7% over five years while the Numis Smaller Companies index returned 28.1%. While that is almost in line with what you might expect to make from UK equities based on historical returns, the success achieved by the top performing actively managed funds and trusts in the sector illustrate how it is possible to achieve considerable excess gains.

In the funds space, **FP Octopus UK Micro Cap Growth (BYQ7HP6)** returned just over 100% over five years, and 241% over 10 years. Asset manager Octopus argues that smaller companies grow faster. 'That means share prices have a better chance of increasing at a faster rate over the long term,' it adds.

Launched in 2007, the Octopus fund holds 88 companies in such sectors as support services, media and construction. The portfolio is constructed around a core of profitable cash generative businesses with experienced management teams and surrounded by stocks that can be categorised as higher risk growth.

Other funds at the upper end of the league table include **LF Gresham House UK Micro Cap (BV9FYS8)** which has returned 77% over five years and 368% over 10 years, the latter significantly ahead of the broader market.

Gresham House looks for six key areas when assessing potential investments: entrepreneurial managers, strategy, market opportunity, market position, valuation and financials. The latter includes earnings potential, quality of earnings and balance sheet strength.

Its portfolio currently includes various consultancies including **XPS Pensions (XPS)**, **Mattioli Woods (MTW:AIM)** and **Inspired (INSE:AIM)**, as well as consumer, tech and healthcare companies.

TOP TRUST

BlackRock Throgmorton Trust (THRG) is the top

Best performing UK smaller companies sector investment trusts, ranked by 5 year performance

Investment Trust	1 year	3 years	5 years	10 years
BlackRock Throgmorton Trust	−3.4%	56.6%	109.7%	371.6%
JPMorgan UK Smaller Companies Investment Trust	−6.5%	71.0%	107.3%	308.0%
Oryx International Growth	−11.5%	62.2%	104.7%	463.4%
Rockwood Realisation (formerly Gresham House Strategic)	13.5%	64.3%	94.1%	186.3%
BlackRock Smaller Companies IT	4.2%	38.7%	78.9%	314.0%
Abrdn Smaller Companies Income Trust	7.0%	34.1%	67.6%	253.5%
Abrdn UK Smaller Companies Trust	4.7%	48.0%	66.0%	265.9%
Henderson Smaller Companies Investment Trust	−3.2%	33.9%	63.7%	314.6%
Strategic Equity Capital	25.0%	50.0%	55.4%	283.3%
River And Mercantile UK Micro Cap	−3.8%	36.3%	52.4%	n/a
SVM UK Emerging Fund	−5.0%	1.6%	49.2%	73.6%
Rights & Issues Investment Trust	9.9%	18.9%	44.0%	382.4%
Montanaro UK Smaller Companies IT	−12.0%	26.8%	43.0%	139.9%
Invesco Perpetual UK Smaller Companies	4.7%	26.9%	41.9%	267.7%
Miton UK MicroCap Trust	−10.2%	49.1%	38.1%	n/a
Aberforth Smaller Companies Trust	9.0%	19.0%	32.0%	182.6%
FTSE All Share	**14.5%**	**17.2%**	**25.7%**	**94.4%**

Table: Shares Magazine • Source: FE Fundinfo, 23 February 2022. Total return in GBP • Created with Datawrapper

Best performing UK smaller companies sector open-ended funds, ranked by 5 year performance

Fund	1 year	3 years	5 years	10 years
FP Octopus UK Micro Cap Growth P Acc	−6.2%	62.8%	100.9%	241.0%
LF Gresham House UK Micro Cap C Acc	4.7%	45.5%	77.0%	368.2%
TB Amati UK Smaller Companies B Acc	−7.3%	34.0%	66.0%	247.8%
Fidelity UK Smaller Companies W Acc	23.0%	48.9%	61.9%	300.6%
CFP Castlefield B.E.S.T Sustainable UK Smaller Companies General Inc	5.6%	46.3%	57.2%	191.4%
Unicorn UK Smaller Companies B	5.2%	34.4%	49.1%	220.5%
Aberforth UK Small Companies	12.6%	22.1%	26.7%	159.2%
FTSE All Share	**14.5%**	**17.2%**	**25.7%**	**94.4%**

Table: Shares Magazine • Source: FE Fundinfo, 23 February 2022. Total return in GBP • Created with Datawrapper

performer for UK smaller companies-focused investment trusts on a five-year basis, returning 110%. Close behind is **JPMorgan UK Smaller Companies Investment Trust (JMI)** with 107% total return.

Throgmorton is indicative of several trusts whose portfolios contain quite a few larger companies than one might associate with the small cap space. It is upfront with this approach, saying mid-caps are part of the overall investment focus.

That explains why its portfolio features such names as £2.9 billion **Watches of Switzerland (WOSG)**, alongside smaller companies such as £500 million construction group **Sigmaroc (SRC:AIM)** and £405 million mobile payments provider **Boku (BOKU:AIM)**.

Among the worst performing funds in this space is **Sarasin UK Thematic Smaller Companies (B7XS1T5)** which has only returned 2% in the past five years, significantly underperforming the broader market.

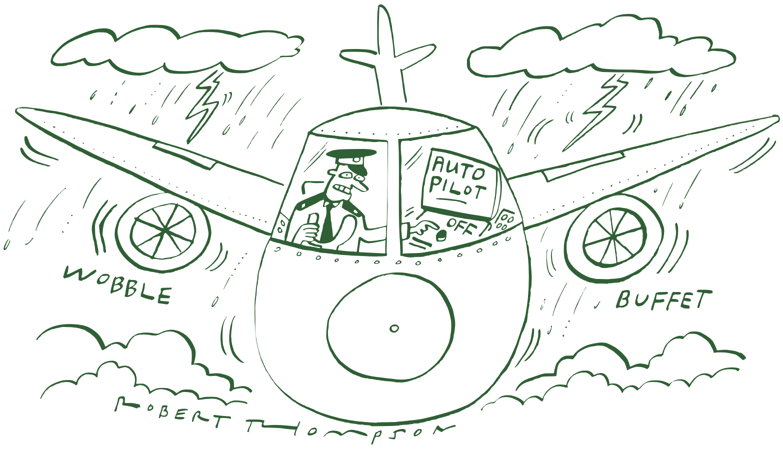
Looking at the performance chart, it seems as if the fund has been left behind since Covid struck with its portfolio struggling to recover from the February/March 2020 global equity markets sell-off.

Its top 10 holdings are mainly mid-cap stocks including retailer **WH Smith (SWMH)**, online fashion specialist **ASOS (ASC)** and student accommodation provider **Unite (UTG)**.

By **Daniel Coatsworth** Editor

Inflation volatility demands a new investment strategy

An environment of increasing inflation volatility represents the greatest challenge to investors for a generation. Here, Ruffer looks at how they are reimagining portfolios for a changed investment landscape.



Increasing inflation volatility simply means inflation going up and down more sharply, more often. If inflation volatility is the future, you can be sure market turbulence won't be far behind. No single strategy will sail unscathed through this turbulence – portfolios will need to be dynamic and investors must be willing to adapt.

INFLATION VOLATILITY IS NOT THE SAME AS HIGHER INFLATION

It is tempting to jump to position for the inflationary endgame. But the long run is a series of short runs and it is important to stay in the game. Investing for inflation volatility is not the same as investing for inflation. Investors must be careful not to make this mistake.

Investors will have to steer portfolios through the twists and turns of more abrupt economic and liquidity cycles whilst adapting to changing policy reaction functions.

It is taken as gospel that timing markets is a fool's errand. No wonder, given 80% of active managers have failed to beat their benchmarks in the last decade[1]. In this new world, stock pickers need to navigate two key challenges; first, risk premia will rise so equities are likely to de-rate. Second, the distribution of returns will skew negative – imagine a game of snakes and ladders with twice as many snakes. These are technical ways of saying something quite simple – volatility is coming, and it threatens investment returns.

WHAT SHOULD YOU OWN TO PROTECT AGAINST THE TURBULENCE?

One way is to position for a reversal in the fortunes of the assets which have benefitted from the abundant liquidity of the past decade – like the high yield and investment grade credit market, certain cryptocurrencies or technology and growth stocks. We are not resolute sceptics; the promise is real. But we think excess liquidity has brought the hopes and dreams of the future into the prices of the present.

For the new regime, portfolios will need to be thoughtfully constructed. In a nutshell, swapping nominal assets for real assets, swapping the conventional for the unconventional; and resolving to be active and nimble rather than strategic will be crucial. Portfolios will need to be positioned for resilience, rather than optimisation. For regret minimisation rather than return maximisation.

[1] S&P Dow Jones Indices. Data to 31 Dec 2020

DANNI HEWSON
AJ Bell Financial Analyst

The companies chasing the electric vehicle opportunity

Will a shift away from combustion engines also mean the death of the petrol station?

The boss of electric vehicle charging provider **Pod Point (PODP)**, Erik Fairbairn, recently told the *Sunday Express* he believed the switch to EVs (electric vehicles) would bring about the demise of the petrol station as we know it. It's an interesting and not so far-fetched view of the future. Think about the way we already live our lives.

Pod Point

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

When Asda opened the first ever supermarket petrol station back in 1967 many may have raised an eyebrow but by 2019 the Petrol Retailer's Association estimated that almost half (49%) of all petrol bought in the country was from supermarkets despite them accounting for less than 20% of all forecourts.

FILLING UP AT THE SHOPS

The cheaper prices on offer at the pump from supermarkets will undoubtedly have played a part but so too did lifestyle. Before Covid slowed our pace, time had become the most precious of commodities and any opportunity to multi-task was seized upon.

Pairing the weekly shop with filling up the car made sense and if you could shoehorn in a quick coffee and a stop off at the dry-cleaning booth as well so much the better.

The length of time it takes to charge up an EV will require us to think even more creatively and presents some interesting opportunities for investors to consider. It's no accident that Pod Point struck a deal with **Tesco (TSCO)** to increase the number of charge points available in shoppers' car parks or that other supermarkets have been making similar upgrades to their offer.

EV drivers will be captive consumers and they'll want to top up wherever they're doing business. Smart adjustment to retail parks could turn them into EV honeypots.

BROAD APPEAL

Easy access and plentiful parking make them ideal locations and many already mix retail and hospitality to good effect. Going forward we're

DANNI HEWSON
AJ Bell Financial Analyst

likely to see that offer diversify further to include more leisure activities, gyms and soft play rubbing shoulders with personal services like hairdressers and beauticians.

Real estate investor **LondonMetric Property (LMP)** has already scented the opportunity, signing a deal at the start of 2022 with the UK's largest independent forecourt operator MFG to house charging hubs at six retail locations.

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

It's an offensive move by MFG, which is itself said to be the target of a potential takeover. But if the Pod Point CEO is on the money, if petrol stations are on borrowed time why would the business be on anyone's radar, least of private equity stalwart Fortress?

Location, location, location is probably the answer and Fortress already has a roster of UK businesses that could fit nicely with the idea of hub venues. When MFG's current owner Clayton Dubilier & Rice snapped up Morrisons there was plenty of speculation that the two businesses might work very nicely hand in hand.

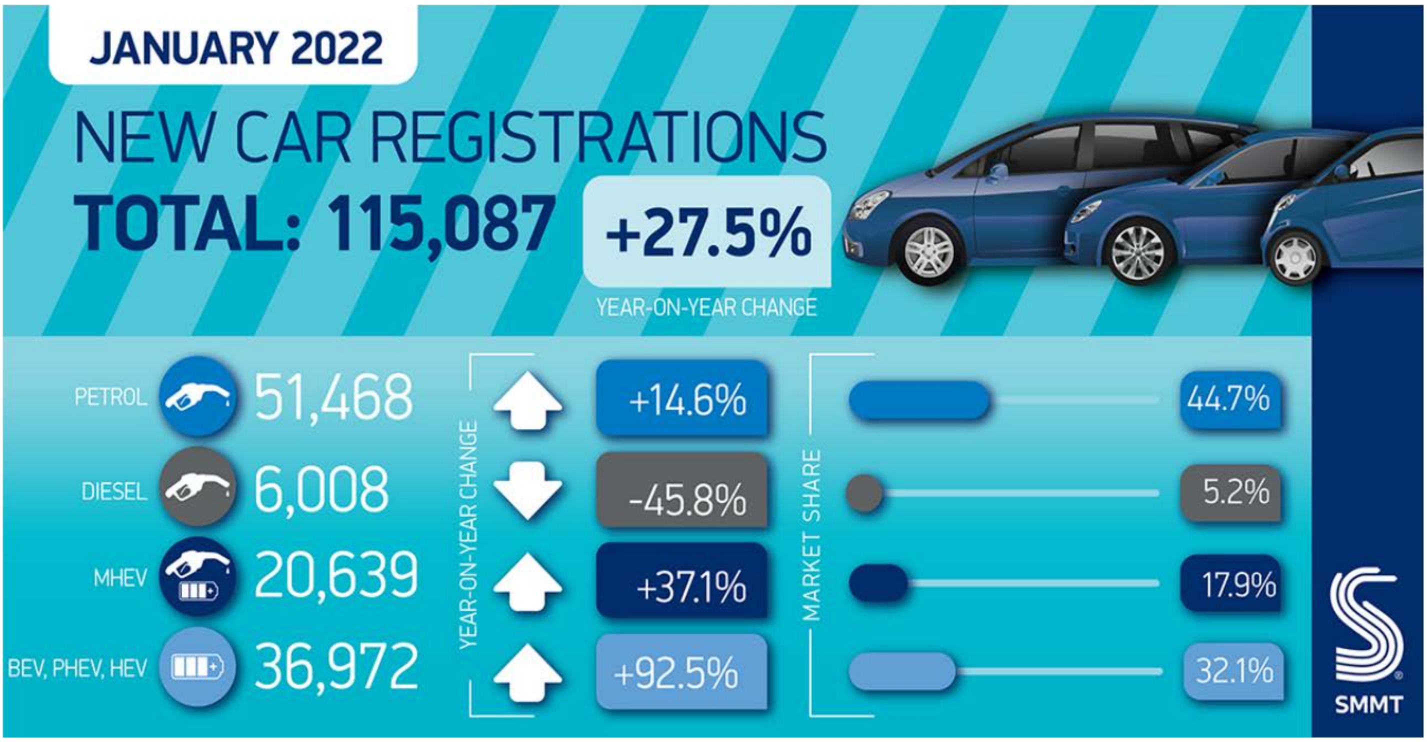
The competition watchdog would be a potential obstacle to any such deal considering its stance on all the comings and goings at Asda, whose new proprietors also own a large number of UK petrol stations.

THE BIG SWITCH

When you look at the rate at which UK drivers have been making the switch to electric vehicles over the past couple of years you can understand the big interest in the space.

One in six new cars registered in 2021 was electric according to figures from the Society of Motor Manufacturers and Traders, a 586.8% increase between 2019 and 2021.

But the number of charge points increased by just by 69.8%, a significant disconnect which will require



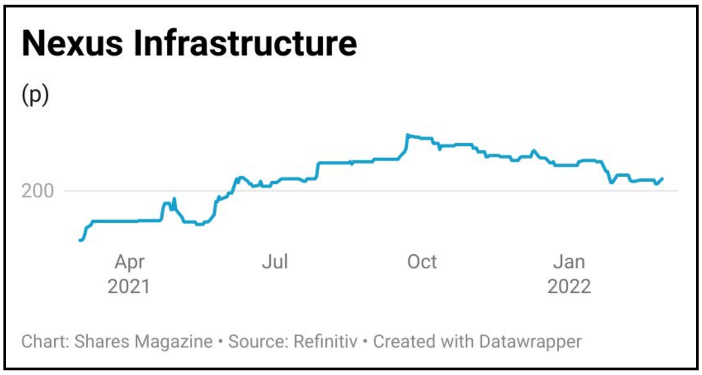
MHEV = Mild Hybrid Electric Vehicle, **BEV** = Battery Electric Vehicle, **PHEV** = Plug-in Hybrid Electric Vehicle, **HEV** = Hybrid Electric Vehicle.

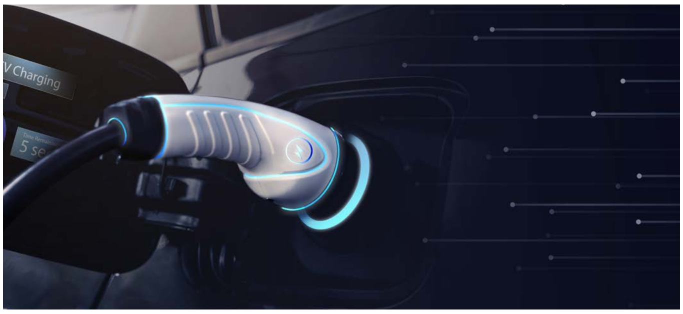
DANNI HEWSON
AJ Bell Financial Analyst

rapid action if the big switch to electric vehicles isn't to stall, particularly as the record cost of fuel might just push more people than ever to ditch their combustion engines for a shiny '22 plate EV.

Many commentators have described it as a chicken and egg situation. If motorists make the switch the infrastructure will have to follow, but without the infrastructure in place many motorists won't feel confident that the switch can be made.

The clock is ticking, and eight years won't be enough time to install enough capacity for every driver to make the change, especially those who don't have an option to charge up at home.





It will need big changes, big investment and could mean big revenue for businesses like **Nexus Infrastructure (NEXS:AIM)**. From a low base its eSmart Networks arm, which installs EV charging infrastructure, reported a 310% revenue jump for the 12 months to 30 September 2021 to a little more than £9 million with an order book up 255% year on year. Nexus is considering a separate stock market listing for the business.

The UK may not be ready for its next chapter yet but the story is already being written. Will it end with the demise of petrol stations and opportunities for shopping centres and high streets or will it just add to the appeal of supermarkets as fuel points? Time will tell.

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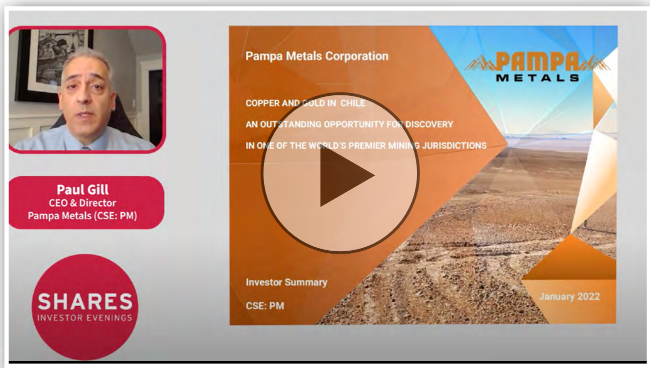
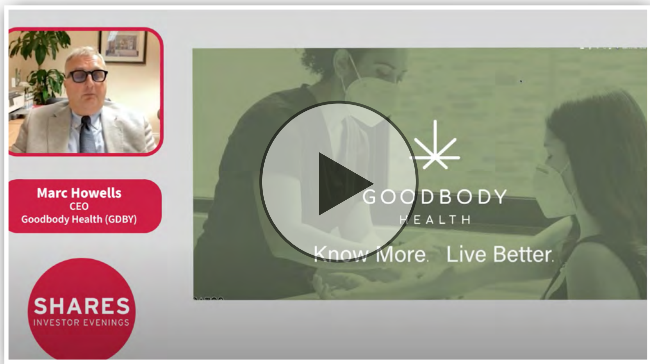


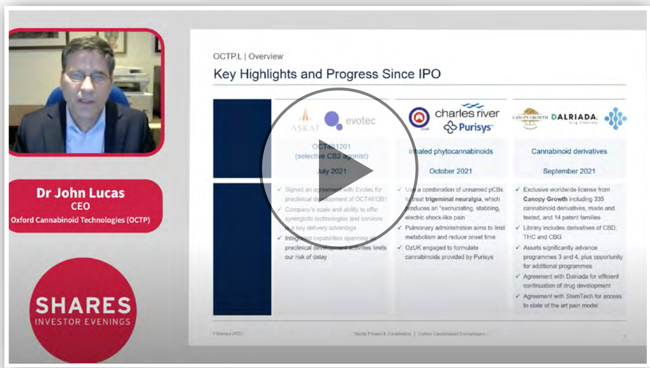
Pampa Metals
Paul Gill, CEO & Director

Pampa Metals (CSE: PM) is a Canadian company listed on the Canadian Stock Exchange (CSE: PM) as well as the Frankfurt (FSE: FIRA) and OTC (OTCQB®: PMMCF) exchanges. Pampa Metals owns a highly prospective 62,000-hectare portfolio of eight projects for copper and gold located along proven mineral belts in Chile, one of the world's top mining jurisdictions.



Goodbody Health
Marc Howells, CEO

Goodbody Health (GDBY) under the strapline *Know More. Live Better*. is focused on the Health and Wellness of its customers through the local community as a trusted distributor of quality, accredited wellness products and the use of cutting-edge diagnostic equipment enabling customers to manage their health care digitally.



Oxford Cannabinoid Technologies
Dr John Lucas, CEO

Oxford Cannabinoid Technologies (OCTP) is a pharmaceutical company developing prescription cannabinoid medicines for approval by global regulatory agencies and targeting the US$ multi-billion pain market.

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I worked in the Ukraine and UK, what happens with my pension?

Our resident expert helps with a question about state entitlements for someone who spent decades in two different countries

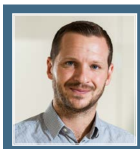
I wonder if you can give me some hints on whether my state pension can be increased, as I worked in two different countries?

Between 1977 and 1997 I lived and worked in Ukraine. The country has now rewritten laws and I am no longer qualified for a pension there as they require 30 years of work.

Since 1998 I have been working in the UK and have 25 years of National Insurance contributions, and therefore qualify for my pension in the UK. In reality I have worked for 42 years already.

Could my work years in Ukraine be accounted for in the UK as my general work time for state pension?

I am 61 and can pay National Insurance for five more years providing I work – although I may wish to retire earlier. So, I will never pay 35 years of NICs to qualify for a full UK state pension.
Tatyana



Tom Selby, AJ Bell Head of Retirement Policy says:

Firstly, given recent events in Ukraine I hope you and any family you have are OK in what are clearly extremely stressful times.

For anyone unfamiliar with the UK state pension, here's a quick summary of how it works.

Since April 2016 people have built up entitlement to the flat-rate state pension, worth £179.60 per week in 2021/22. You need a 35-year National Insurance Contribution record to receive the full amount, with a deduction made for every missing year. You need at least a 10-year NIC record to qualify for any state pension.

The flat-rate state pension normally rises in

line with 'triple-lock', meaning it increase by the highest of average earnings, inflation or 2.5%. The earnings element is ditched for the 2022/23 tax year.

Many of those who reached state pension age before 6 April 2016 will have a state pension made up of a basic element and an earnings-related element (usually SERPS or S2P). The basic state pension is worth £137.60 per week in 2021/22 and also rises in line with the triple-lock.

Millions of people will have built up rights under both the old system and the new system. Where this is the case, the DWP calculates a 'foundation amount', with the amount you receive being the higher of:

- the amount you would get under the old state pension rules;
- the amount you would get if the new state pension had been in place at the start of your working life.

If you lived or worked in a European Union country or Switzerland then social security

contributions in that country should count towards your UK state pension entitlement.

As Ukraine is not in the EU, unfortunately this will not be the case and your UK state pension will be based on your UK National Insurance record only.

However, it is possible to buy NICs to fill gaps in your record and boost the value of your state pension up to the full flat-rate amount. The deadline is 5 April each year, although you are usually only able to fill gaps from the last six years.

You can find more information here.

DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

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

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

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Funds and trusts that helped people become ISA millionaires

36 investment products would have helped you hit the jackpot if you had invested your full ISA allowance every year since 1999

Becoming an ISA millionaire isn't an easy task. It requires a steadfast commitment to making the most of your ISA allowance each year, but you also need to invest your money wisely.

Only 14 funds and 22 investment trusts would have made you an ISA millionaire if you had invested your full ISA allowance every year since 1999, when the ISA was introduced. That equates to just 4% of funds and 17% of trusts which have been around all that time.

US AND TECH

Of the investments that would have made you an ISA millionaire, US and technology-heavy funds have led the pack, with Baillie Gifford-managed products topping the list of both best-performing funds and trusts. Indeed, an annual ISA investment in Baillie Gifford's **Scottish Mortgage (SMT)** would now be worth £1.8 million, despite a rocky start to 2022 for the UK's largest investment trust, which has seen it shed around a quarter of its value.

Funds and trusts investing in smaller companies, in particular those in the UK, also feature heavily in the list of investments which would have made you an ISA millionaire.

The minnows of the stock market lend themselves to a bumpier ride than their blue chip cousins, but history suggests they could deliver better returns in the long run, especially if partnered with an active fund run by a skilful fund manager, who can pick out the hidden gems.

ATTRACTIVE NUMBERS

Although only a relatively small proportion of funds and trusts would have performed well enough to turn their investors into ISA millionaires, those who have diligently invested their full ISA allowance since 1999 would still be sitting pretty, even if they chose other investments.

The total of £263,440 saved into ISAs over the years would now be worth £601,359 if invested in the average fund with a performance record stretching back to 1999 and £762,443 if invested in the average trust.

Based on these figures one might be tempted to conclude that investment trusts have performed better than open-ended funds over this period, and on average, they have.

But that doesn't tell the whole story. Investment trusts invest predominantly in shares, whereas

Funds that would have made investors millionaires if they invested full ISA allowance each year since 1999

Fund	Sector	Current ISA value
Baillie Gifford American	North America	£1,423,136
Liontrust UK Smaller Companies	UK Smaller Companies	£1,268,961
Baillie Gifford Pacific	Asia Pacific Excluding Japan	£1,260,408
Janus Henderson Global Tech Leaders	Tech and Tech Innovations	£1,248,798
Abrdn Indian Equity	India/Indian Subcontinent	£1,153,411
ASI UK Smaller Companies	UK Smaller Companies	£1,130,795
Janus Henderson European Smaller Companies	European Smaller Companies	£1,089,796
AXA Framlington American Growth	North America	£1,085,387
Threadneedle American Smaller Companies	North American Smaller Companies	£1,074,175
Threadneedle European Smaller Companies	European Smaller Companies	£1,073,352
Schroder UK Dynamic Smaller Companies	UK Smaller Companies	£1,067,174
BlackRock UK Smaller Companies	UK Smaller Companies	£1,064,004
Threadneedle American	North America	£1,015,227
Barings Europe Select	European Smaller Companies	£1,004,378

Source: Morningstar, total return to February 2022, based on a full annual ISA allowance being invested on the first day of each tax year. • Created with Datawrapper

there are more open-ended fund offerings that invest in bonds and cash, which will tend to have lower long-term returns.

Comparing the average fund with the average trust isn't comparing like with like, as funds are more commonly used by investors looking for lower risk options, rather than full stock market exposure. Investment trusts can also borrow to invest, which can exacerbate both gains and losses.

DIVERSIFICATION STRATEGY

Investors should bear in mind that past performance is not a guide to future returns. Using your ISA allowance every year to invest in the same fund isn't a good idea either, as some diversification would be beneficial from a risk management perspective.

Nonetheless, splitting your investment equally across the funds and trusts in the tables each year would also have produced an ISA value in excess of £1 million, while also providing some diversification.

It is still a risk hungry approach though, seeing as every single one of these funds is invested purely in the stock market, and some follow fairly specialist strategies. However long-term ISA investors can afford to take such risks if they won't need to draw on their money for 10 to 20 years, or more, and are happy to stomach the ups and downs.

Investment trusts that would have made investors millionaires if they invested full ISA allowance each year since 1999

Trust	Sector	Current ISA value
Scottish Mortgage	Global	£1,805,666
Allianz Technology Trust	Technology & Media	£1,788,035
HgCapital Trust	Private Equity	£1,650,276
Polar Capital Technology	Technology & Media	£1,604,156
Pacific Horizon	Asia Pacific	£1,521,259
Aberdeen Standard Asia Focus	Asia Pacific Smaller Companies	£1,331,389
Oryx International Growth	UK Smaller Companies	£1,277,763
Rights & Issues Investment Trust	UK Smaller Companies	£1,221,963
BlackRock Smaller Companies	UK Smaller Companies	£1,202,387
3i	Private Equity	£1,165,188
BlackRock Throgmorton Trust	UK Smaller Companies	£1,152,318
JPMorgan Russian Securities	Country Specialist	£1,102,515
Scottish Oriental Smaller Cos	Asia Pacific Smaller Companies	£1,096,375
Worldwide Healthcare	Biotechnology & Healthcare	£1,068,341
North Atlantic Smaller Cos	Global Smaller Companies	£1,068,009
JPMorgan UK Smaller Cos	UK Smaller Companies	£1,059,023
Abrdn UK Smaller Companies Growth	UK Smaller Companies	£1,052,933
Herald	Global Smaller Companies	£1,032,475
Invesco Perpetual UK Smaller	UK Smaller Companies	£1,022,742
JPMorgan American	North America	£1,017,739
JPMorgan European Discovery	European Smaller Companies	£1,009,846
Biotech Growth	Biotechnology & Healthcare	£1,005,425

Source: Morningstar, total return to February 2022, based on a full annual ISA allowance being invested on the first day of each tax year. • Created with Datawrapper

HIGHER ALLOWANCE

It has also become significantly easier to become an ISA millionaire now the annual allowance has been increased to £20,000.

For 10 years following its introduction in 1999, the ISA allowance was just £7,000, and was only raised to £20,000 in 2017.

Looking back at the performance data, if the annual ISA allowance had been £20,000 since 1999, 70% of funds and 86% or trusts would have performed well enough to be worth over £1 million today. Indeed, the annual investment in Scottish Mortgage would have been worth £4.2 million.

This underlines how generous the ISA allowance is today compared to when the ISA account was first launched, and the opportunity now available to investors to build up a large nest egg which isn't subject to income or capital gains tax.

Investors should still be picky when choosing investments, but in the future, we can expect the number of ISA millionaires to balloon, thanks to the more generous annual allowance.

By **Laith Khalaf,**
AJ Bell Head of Investment Analysis


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KEY ANNOUNCEMENTS OVER THE NEXT WEEK

Full-year results:

4 Mar: Essentra, FBD, Hammerson, Morgan Advanced Materials. **7 Mar:** Clarkson, Downing Renewables & Infrastructure Trust, MTI Wireless Edge. **8 Mar:** Bakkavor, Bango, Capital & Regional, Capricorn Energy, Convatec, Direct Line, Domino's Pizza, Fresnillo, Greggs, Gresham Technologies, H&T, Johnson Service, Keller, M&G, Made.com, Midwich, Wood Group. **9 Mar:** 888, Alfa Financial Software, Breedon, Foresight Solar Fund, Headlam, Ibstock, Legal & General, Network International, Prudential, Quilter, Somero Enterprises. **10 Mar:** Balfour Beatty, Hill & Smith, Just Group, National Express, Savills, Secure Income REIT, Spirax-Sarco, Spirent Communications. **11 Mar:** SIG.

Half-year results:

9 Mar: Kier, Thinksmart. **10 Mar:** Brooks Macdonald, Volution.

Trading announcements:

8 Mar: Ashtead. **11 Mar:** Berkeley.

WHO WE ARE

EDITOR: Daniel Coatsworth @Dan_Coatsworth

DEPUTY EDITOR: Tom Sieber @SharesMagTom

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