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# SHARES

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## ENOUGH IS ENOUGH:

**The FTSE 100 companies  
which face a grilling  
from investors**

**How inflation is  
hurting companies  
on the UK stock  
market**

**Investing to  
cover the cost  
of university**

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recession? These  
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# Contents

|    |                          |  |
|----|--------------------------|--|
| 05 | <b>EDITOR'S VIEW</b>     | It's been a bad year for small caps but this dip is normal   |
| 06 | <b>NEWS</b>              | How inflation is hurting companies on the UK stock market / Central banks impotent in the face of inflation fuelled by supply issues |
| 10 | <b>GREAT IDEAS</b>       | <b>New:</b> Airtel Africa / Darktrace<br><b>Updates:</b> Supreme / Guinness Global Equity Income                                     |
| 16 | <b>FEATURE</b>           | Specialist distributor Diploma is a rare winner from global supply chain constraints   |
| 19 | <b>FEATURE</b>           | A complete exit from Russia is likely to cost companies dearly   |
| 22 | <b>FEATURE</b>           | Enough is enough: The FTSE 100 companies which face a grilling from investors  |
| 26 | <b>EDUCATION</b>         | Regular investing: how it works and the benefits of putting money aside each month   |
| 30 | <b>RUSS MOULD</b>        | Are you worried about a recession coming? These are the signs to watch   |
| 33 | <b>INVESTMENT TRUSTS</b> | Discover the best and worst performing investment trusts so far in 2022  |
| 36 | <b>FUNDS</b>             | Fund risk scores are not very helpful to investors   |
| 39 | <b>FEATURE</b>           | How investors including people in retirement should deal with 7% inflation   |
| 43 | <b>PERSONAL FINANCE</b>  | Don't struggle with a big university bill. Invest now for your child's future  |
| 47 | <b>INDEX</b>             | Shares, funds, ETFs and investment trusts in this issue  |

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# It's been a bad year for small caps but this dip is normal

More than two thirds of UK smaller company funds and trusts have underperformed

**H**aving exposure to smaller companies is meant to bring some excitement to a diversified portfolio. Unfortunately, some investors' hearts might be racing due to pain rather than pleasure this year.

Historically this part of the market has outperformed larger companies. For example, between 1955 and 2019, the Numis Smaller Companies index (excluding investment trusts) beat the FTSE All-Share index by 3.3% a year on a total return basis.

While that is an impressive statistic, it is important to note smaller companies do not always outperform, as we have seen this year. The FTSE 100 index of large companies has generated a 3.8% total return whereas the Numis Smaller Companies index (including AIM shares but excluding investment trusts) has lost 9.7%.

Even more alarming is that 51 out of 74 funds and investment trusts focused on the UK smaller company space have underperformed the Numis index in the year to 12 April, according to data from FE Analytics. Investors pay a fund manager a fee to beat the market and such widespread underperformance is disappointing.

To the fund industry's credit, looking at such a short time period is unfair. Fund managers should be judged on a longer-term basis.

Most of the UK smaller company shares which have done well this year are unlikely to feature in the typical UK small cap fund. The top performers list is dominated by tiny oil, gas and mining companies which are riding high because of a hike in commodity prices. These types of companies are fraught with risk as they are often heavily indebted, loss-making and have no control over the pricing of their product.

Many fund managers prefer to back companies

which are in a strong financial position, have a differentiated product or service offering, and where there is a clear path to growth.

Smaller companies which delivered bad news in recent months have been punished hard by investors. Some of the worst share price performers have been companies which missed market expectations with trading or have come under financial pressure.

Difficulties finding enough staff, failing to achieve the anticipated level of business as Covid restrictions ease, and a general slowdown in growth are among the reasons behind share price declines.

History suggests a pattern of long-term outperformance punctuated by shorter periods of lagging performance for smaller companies. Private banking group Julius Baer says small caps have lagged in periods when economic activity has been weak.

Investors owning smaller companies need to accept that we'll see more of the dips that have shaken portfolios this year. Julius Baer suggests someone might want to lean more to smaller companies when economic conditions are good and retreat to larger companies when storm clouds gather (such as we are seeing now).

There is logic in that view yet permanently maintaining some exposure to small caps seems like the most sensible way forward.

It's no good selling out completely when valuations have already fallen. Instead, you may find it better to allocate new money in your portfolio to larger companies if you're nervous about the current economic outlook.

Keeping an existing small cap portion in your portfolio will mean you'll benefit when the market starts to favour these types of stocks again.

# How inflation is hurting companies on the UK stock market

Supermarkets, retailers and airlines are hoping that demand doesn't weaken

**UK** inflation is officially running at 7%, but unfortunately it is likely to go higher once the impact of the Ukraine conflict and the removal of the energy price cap take effect.

A year ago, consumer prices weren't even a concern, now they are front and centre with Google Trends showing internet searches for inflation hitting the highest level in nearly two decades.

## FOOD SHOPPING HABITS ALREADY CHANGING

Retail is one of the sectors feeling the pinch as the cost of living crisis cuts into shoppers' willingness to spend.

Supermarket **Tesco (TSCO)** has invested heavily to keep prices down in its stores through its Aldi Price Match campaign and its Clubcard offers. While that has worked in terms of market share, with the grocer still taking more than a quarter of all UK spending on groceries according to research group Kantar, its margins have suffered as a result.

In its latest update, the firm revealed operating profits for the year to February were below the



bottom of the range of market expectations. Just as disappointing, the forecast for the year to next February was also below the bottom end of the range.

Not only are shoppers visiting stores less, they are putting fewer items in their baskets each time with the result that sales by volume are down over 10% in the first three months of the year.

According to a survey commissioned by Tesco, the number one response by consumers to the squeeze on their incomes is to trade down to cheaper items. This is backed up by further research from Kantar which shows half of all goods bought at supermarkets in the first quarter were own-label products.

## CLOTHING RETAILERS WORRIED

Elevated inflation is also reflected in cautious outlook statements from clothing retailers. Margins are being impacted by higher wage and freight costs, while the growing pressures on consumer spending look set to dampen demand for non-

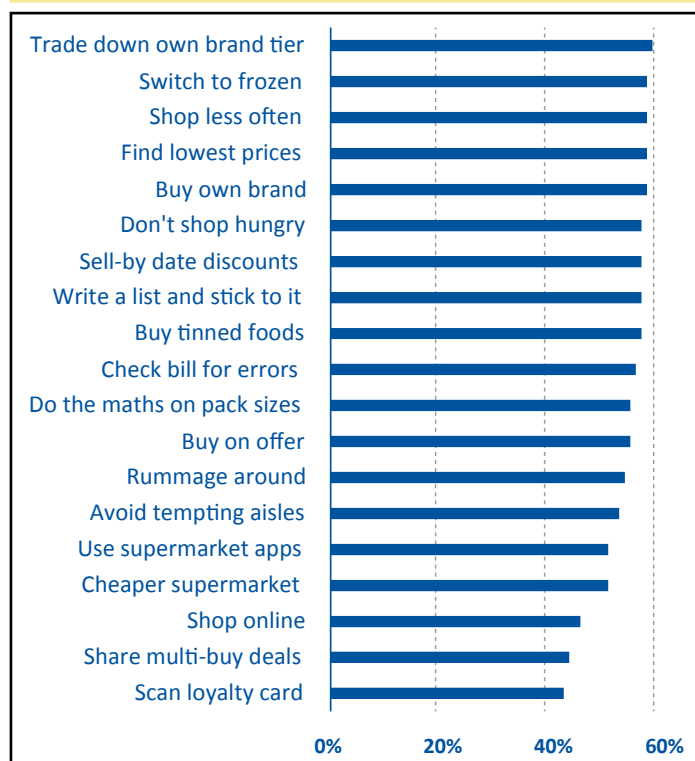
## There has been a big increase in people searching for 'inflation' on Google this year



Chart: Shares Magazine • Source: Google Trends. Numbers represent search interest relative to the highest point on the chart for the given time. 100=peak popularity



### How food shoppers plan to manage costs



Source: Tesco, Kokoro, The Score, 18 March 2022

essential items.

Online fashion seller **ASOS (ASC)** says the external environment has become more challenging. It sees greater risk than normal as the full impact of inflationary pressures and the potential impact on the discretionary spend on customers is yet to be felt.

This warning followed cautious commentary from retail bellwether **Next (NXT)**, which left first-half like-for-like selling price expectations unchanged at 3.7% but upped its estimate for second-half selling price inflation from 6% to 8%.

Next explained 'the inflation we are experiencing is a symptom of underlying constraints in the supply of goods', though how such price increases impact demand is yet to be seen.

Consumer goods group **PZ Cussons (PZC)** has successfully increased prices to help counter inflation, but CEO Jonathan Myers says the external environment is among 'the most challenging many of us have seen'.

The Carex-to-Morning Fresh maker is 'removing costs that the consumer does not value' and has 'plans in place to meet evolving consumer needs, including innovation to offer everyday great value as well as more premium-priced launches'.

### DEMAND COULD FALL FOR BIG TICKET ITEMS

Rampant inflation is likely to have a big impact on demand for big ticket items such as furniture and cars. Automotive retailer **Lookers (LOOK)** said on 6 April that first quarter trading had been strong despite new vehicle supply remaining tight. However, it is mindful that Covid is still disrupting life, the Ukraine war is ongoing, and significant cost of living increases are putting pressure on disposable incomes.

Furniture retailers are having to contend with higher raw material and shipping costs. Sofa sellers **DFS Furniture (DFS)** and **ScS (SCS)** last updated the market in March, so we've yet to learn if soaring inflation hurt sales over the Easter bank holiday, though both businesses have exhibited resilience so far.

### AIRLINES REMAIN SURPRISINGLY OPTIMISTIC

Soaring fuel costs threaten to clip the wings of the airline sector's recovery just as demand starts to return from two years of Covid disruption.

Crude oil prices have surged from \$65 to \$111 a barrel since August 2021, while jet fuel has soared 125% to \$159.20 a barrel during the past 12 months, according to data from Platts. With fuel making up to a third of many airlines' running costs will passengers pay higher prices for seats or will planes be half empty this summer?

Recent updates from the sector seem to have been dominated by a lack of staff forcing hundreds of flights to be cancelled around Easter, hitting **EasyJet (EZJ)** and British Airways-owner **International Consolidated Airlines (IAG)** hardest yet the companies remain optimistic.

Alongside first-half results on 12 April, EasyJet talked up a 'strong, sustained recovery in trading' since the relaxation of travel restrictions, reflecting the pent-up demand coming out of the pandemic, with capacity through March up to 80% of 2019 pre-pandemic levels.

Two days later **Wizz Air (WIZZ)** shrugged off Covid and war in Ukraine to upgrade its forecasts. It is preparing to ramp up operations and crew numbers in preparation for 'a busy summer', news of which sent its share price up 8%.

By Ian Conway, James Crux and Steven Frazer

# Central banks impotent in the face of inflation fuelled by supply issues

*Big Short* investor Michael Burry believes the Fed won't tackle rising prices

**I**nflationary pressures continue to build on both sides of the Atlantic. In the US the annual rate of inflation jumped again in March to 8.5% from 7.9% in February. In the UK inflation hit 7%, up from 6.2% in February.

This has placed mounting pressure on central banks that have been tasked with controlling inflation.

However they are ill-equipped to do so given that interest rate increases (the principal weapon in the central banks' toolkit) only influence demand when supply constraints have been the principal cause of inflation.

The twin forces of technological innovation and globalisation, rather than the policies pursued by central banks, have been responsible for the structural decline in both interest rates and inflation in recent decades.

The unwinding of these forces has exposed the central banks.

Moving forward China's zero-Covid approach is likely to further exacerbate both supply chain disruptions and inflationary forces.

In a recent tweet Michael Burry (the infamous investor who played a key part in the book and film charting the financial crisis, *The Big Short*) claimed the Fed has no intention of fighting inflation:

'The Fed's all about reloading the monetary bazooka, so it can ride to the rescue and finance the fiscal put,' he said.

In other words Burry believes the Fed will always intervene to prevent markets from falling too far and needs to put up rates in the short term to give it the capacity to fulfil this role.

## RESHORING FUELS INFLATION

In the last two decades the proliferation of globally integrated supply chains has facilitated an increase in imports from low wage economies like China.



These have made it easier to shift different parts of the production process to where it can be produced most cheaply, thus reducing inflation.

And in the UK, the free movement of labour before Brexit helped keep a lid on labour costs.

Developments in technology including the emergence of price comparison websites have also played a role in reducing inflation, by simultaneously increasing price transparency and restraining large retailers' margins.

Brexit, and more recently Covid, have highlighted the importance of having access to local supply chains. As a result many of the previous benefits of globalisation are starting to unwind, contributing to higher inflation.

Central banks don't have the tools to deal with supply-side shocks and the conflict in Ukraine has only added to supply constraints for food and fuel.

On 7 March international oil benchmark Brent Crude hit nearly \$140 per barrel after the US and Europe took steps to block Russian imports.

Russia is the world's second largest producer of crude oil and has historically supplied approximately a third of Europe's needs. [MGar]



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**Allianz**   
Global Investors

# Airtel Africa keeps beating forecasts as it 'bridges the digital divide'

The company is already a FTSE 100 member and its future looks bright

It is somewhat ironic that for a communications company there is so little coverage of **Airtel Africa (AAF)** in the financial press.

As a result, it may surprise many readers to discover that the firm, which only listed in mid-2019, is already a FTSE 100 constituent.

Its latest set of financial results beat estimates. They show the company is increasingly profitable and has a long runway of growth ahead of it.

## IMPRESSIVE GROWTH

Airtel Africa is a subsidiary of Indian telecoms giant Bharti Airtel and is currently valued at £5.5 billion compared with £19 billion for **BT (BT.A)**.

The firm is the second-biggest player in the African continent, which Bharti Airtel chairman Sunil Bharti Mittal calls 'the next global growth frontier', behind Johannesburg-listed



**AIRTEL AFRICA**

BUY

(AAF) 146.69p

Market cap: £5.5 billion

## MTN (MTN:JSE).

Airtel entered the African mobile market in 2010 and after a slow start now has over 125 million customers and 45 million data subscribers across 14 different countries.

As well as offering affordable services, the company has innovated with its data and its payments facilities and now has nearly 26 million Airtel Money users.

In terms of its network Airtel has significant spectrum, links with 2,800 partners including IT and telecom infrastructure providers, and it owns over 60,000 kilometres of fibre.

Its retail presence is vast with over 60,000 exclusive retail 'touchpoints' including mini shops, kiosks and Airtel Money branches, together with 225,000 activating agents including freelancers.

This has helped the company generate 16 consecutive quarters of double-digit revenue growth and rising pre-tax operating margins.

## HIGH MARGINS

As the number one or two operator in each of its 14 markets Airtel offers scale in a region with substantial growth potential.

The company has invested heavily in 4G infrastructure and modernising the network in countries such as Kenya, Malawi, Rwanda, Uganda and Zambia in recent years to provide customers with access to digital services such as data and mobile payments.

In its results for the nine months to December 2021, revenue in constant currency

## Airtel Africa's track record of consistent delivery

|                           | Q1<br>2019 | Q1<br>2020 | Q1<br>2021 | Q1<br>2022 | Q3<br>2022 |
|---------------------------|------------|------------|------------|------------|------------|
| Underlying revenue growth | 14.4%      | 10.2%      | 13.0%      | 33.1%      | 24.8%      |
| Underlying EBITDA margin  | 42.6%      | 43.7%      | 44.1%      | 48.0%      | 48.8%      |

Data correct as of 14 April 2022

Table: Shares Magazine • Source: Airtel Africa



terms grew faster than expected to \$3.49 billion, almost a 25% increase, driven by strong demand in Nigeria and East Africa.

At the same time, earnings before interest, tax, depreciation and amortisation – better known as EBITDA – also grew faster than expected, up 34% to \$1.7 billion, meaning the firm made an operating margin of 48.8%.

By comparison, rival MTN reported an operating margin of 44.5% in its results for 2021, and in its first-half earnings report **Vodafone (VOD)** registered a 33.6% operating margin.

We have included Vodafone as a comparator as it is also a player in the African market, and its M-Pesa financial services platform is making an important contribution to group growth as demand for mobile payment services takes off.

### RELATIVELY LOW-RISK

Considering Airtel Africa operates in what are classified as emerging markets, its share price has been remarkably resilient during the Covid crisis and more recently during the invasion of Ukraine.

Investors typically try to cut their risk exposure at times of market stress, and emerging markets are seen as fairly high on the risk spectrum, yet Airtel's shares have remained in favour and are currently trading close to their highest level since the company joined the UK stock market.

That isn't to say the shares are risk-free, however. There are some concerns over the future regulatory situation in Nigeria as well as potential restrictions

on dividend repatriation from some of the company's subsidiaries.

There is also the possibility that other companies try to enter its markets, attracted by its high margins.

Meanwhile, some fixed-income investors have expressed concerns over the group's debt being denominated in US dollars and the risk that if the dollar goes up, so does the interest cost on the debt.

However, thanks to its strong operating cash flow, which climbed 40% in the nine months to December, as well as the success of Airtel Money and the proceeds from the sale of some of its mobile towers, the firm reduced its net debt to EBITDA ratio to 1.4 times from 2.1 times a year earlier.

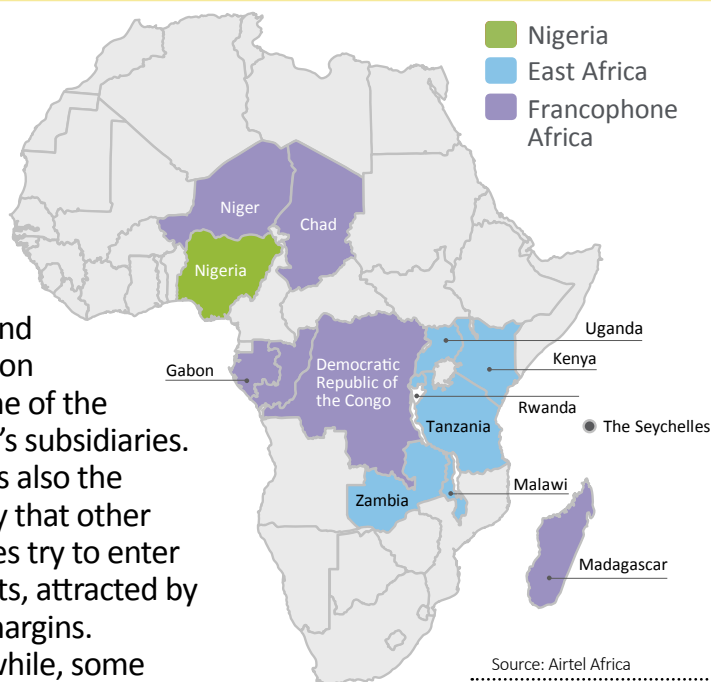
### EXPERT VIEWS

The research team at JPMorgan described the forecast-beating third quarter earnings as 'further evidence of strong execution which is likely to support a re-rating'.

The analysts flagged the fact growth in mobile money revenue was driven both by higher average revenue per user and higher transaction values.

With a licence expected to

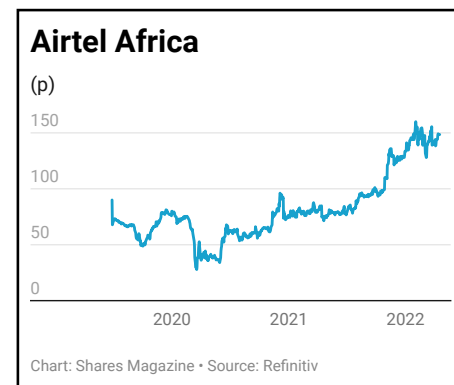
### Airtel Africa's operating locations



be approved in Nigeria this year, money services are likely to remain a strong driver for the group.

Goldman Sachs called the results 'positive given the persistent growth across both operational segments – mobile, data and mobile money – as well as the geographical footprint'.

It added: 'We remain positive on management's commitment to further optimise the balance sheet, with net debt to EBITDA trending downwards, while growth in operating cash flow is supportive of the outlook going forward.' [IC]



# Why investors should buy discounted cybersecurity stock Darktrace

The company has delivered a consistent stream of good news over the past year

**T**he wider markets may still be reluctant to engage with growth stocks given the geopolitical backcloth and worsening inflationary environment, yet we believe that the rapidly improving fundamentals of **Darktrace (DARK)** demand attention.

The company's third quarter to 31 March 2022 update was the fifth time in succession it has raised its guidance. That means every single trading update since it joined the stock market a year ago has been accompanied by good news.

Darktrace reported third quarter annual recurring revenue of \$462.6 million, 46% year-on-year, while lifting its earnings before interest, tax, depreciation and amortisation margin from a range of 10% to 12% to a new range of 15% to 17% for the fourth quarter.

Since Darktrace floated in April 2021 investment bank Berenberg has increased its 2023 and 2024 annual recurring revenue forecasts by 27% and 32% respectively, while original EBITDA estimates of \$10 million and \$23 million respectively now stand at \$80 million and \$98 million.

Emerging as one of the world's most innovative cybersecurity companies, Darktrace uses behavioural analysis to detect



the early signs of a cyberattack on a network. You only need spin through the news to see just how rapidly the cybersecurity market is growing as governments and organisations throw money at it.

The US cybersecurity market was valued at \$156.5 billion in 2019, yet by 2027 that is expected to have grown to \$326.4 billion, according to forecasts by Grand View Research.

Darktrace is starting to consistently deliver rampant growth while improving its ability to generate more money per customer through upselling.

To sustain this momentum the company may have to bolster its sales teams, which may not be easy or cheap to do given the relative shortage of skills. Investors also need to watch client churn, which has typically run at around 7% a year.

Details on upselling and churn are not published quarterly so we'll have to wait for full-year results in September for further detail.

**DARKTRACE**  
**BUY**

(DARK) 375.13p

Market cap: **£2.6 billion**

The share price has been volatile in its short stock market life and that may continue over the coming years which means this is not a suitable investment for nervous individuals.

A sell-off in the past six months has left the shares trading up to 70% cheaper than peers such as **Zscaler (ZS:NASDAQ)**, **Okta (OKTA:NASDAQ)** and **CrowdStrike (CRWD:NASDAQ)** on an enterprise value to sales basis, says Berenberg.

Use the current share price weakness to take a position in Darktrace as the stock could fly once the market stops worrying so much about inflationary pressures and rising interest rates. [SF]

## Darktrace



Chart: Shares Magazine • Source: Refinitiv



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## SUPREME

(SUP:AIM) 156.9P

**Loss to date: 16.3%**

**Original entry point:**

**Buy at 187.5p, 27 May 2021**



Shares in consumer products supplier **Supreme (SUP:AIM)** fell after a trading update on 12 April spooked the market.

While Supreme expects to deliver profitable growth for the year to March 2023, the company warned performance will be 'tempered' by commodity price inflation within its sports nutrition and wellness division.

Prices for whey, the main ingredient in protein powder, have spiked and Supreme will also feel the pinch from rising wage and transport costs.

Investment bank Berenberg believes the price increases Supreme is having to implement 'could temporarily weigh on sales momentum' but argues growth and margins 'can be recovered once whey prices normalise'.

The warning overshadowed confirmation of a strong performance from Supreme in the year to March 2022.

Supreme expects to report sales north of £130 million (2021: £122 million) and growth in adjusted earnings before interest, tax, depreciation and amortisation from £19.3 million to 'no less than' £21 million.

Management expects the vaping division to grow at a double-digit percentage again in 2023, while the batteries and lighting divisions continue to exhibit defensive characteristics.



### SHARES SAYS: ↗

**Look past the short-term noise and stick with Supreme. [JC]**

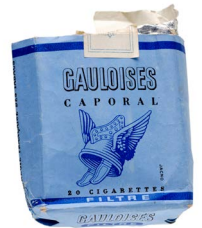
## GUINNESS GLOBAL EQUITY INCOME

(BVYPP13) £18.43

**Gain to date: 8.1%**

**Original entry point:**

**Buy at £17.05, 22 July 2021**



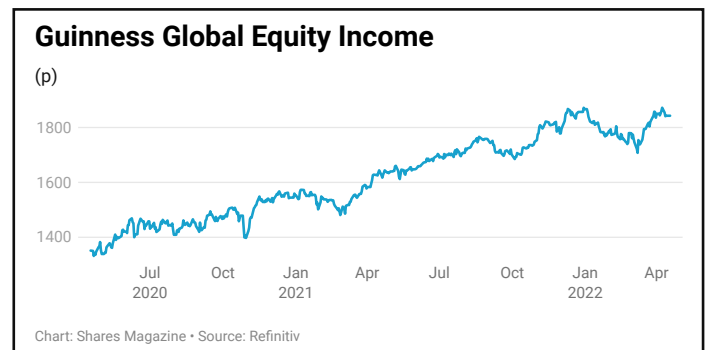
We highlighted **Guinness Global Equity Income (BVYPP13)** as a good way of protecting against market uncertainty back in July 2021.

While the sources of that uncertainty might have changed from the Delta variant of Covid-19 to war in Ukraine and rampant inflation, the fund has continued to deliver a resilient performance, gaining more than 8% against the MSCI World index which is down nearly 3% over the same timeframe.

It helps having defensive names in the portfolio including US pharmaceutical firm **Abbvie (ABBV:NYSE)**, tobacco manufacturers **British American Tobacco (BATS)** and **Imperial Brands (IMB)**, as well as **BAE Systems (BA.)** which has benefited from the renewed impetus behind defence spending in the wake of the Ukraine war.

The fund has an emphasis on dividend growth rather than just companies with a high dividend yield. This is reflected in the historic yield of 2.2% which is lower than many other income funds, but over time dividend growth is an important driver of returns.

It has a concentrated portfolio with 35 holdings. The top 10 positions account for more than a third of the fund's assets.



### SHARES SAYS: ↗

**Guinness Global Equity Income continues to be an attractive investment as the risks to the global economy stack up. [TS]**


We speak  
the language  
of opportunity  
– wherever it  
emerges



Ithuba  
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में निवेश

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# Specialist distributor Diploma is a rare winner from global supply chain constraints

Albeit the firm's enviable growth record looks to be reflected in its valuation

**E**ver since the world economy regained its footing after the first round of the pandemic, supply chains have been struggling to keep pace first with consumer demand then with industrial demand.

Some UK companies have opted to stockpile components to meet future sales while others have taken the strategic decision to try to shorten their supply chains by 'near-shoring' the parts they need.

This has all played to the strengths of FTSE 250 specialist distributor **Diploma (DPLM)**, which supplies industrial controls, seals and life science equipment.

## FOCUS ON THE ESSENTIALS

In the year to September 2021, the group posted a 46% increase in revenue to £787 million with organic revenue up 12% and acquisitions contributing 34% growth.

Underlying revenue growth was due to market share gains driven by management's bold decision to diversify its products to meet more end-markets.

In the controls division, which supplies specialist wiring, cable, connectors and control devices, underlying growth was 16% while the recently-acquired US unit Windy City Wires had an outstanding year, registering 26% revenue growth.

More than half of the revenue from the controls business comes from specialist wire and cables where it serves customers in areas like data centres.

The rest comes from fasteners, connectors, fluid controls and adhesives used in industries ranging from aerospace and defence, motorsport and food and beverage processing.

The seals business supplies original equipment seals and gaskets which are custom-made and fitted to heavy machinery and specialised industrial equipment.



It also supplies after-market replacement seals and gaskets for heavy machinery commonly used in construction, mining and agriculture, as well as in wind turbines.

The smaller but fast-growing life sciences unit supplies medical equipment, instrumentation and disposable items to the healthcare and environmental markets.

## PRICING POWER

Each part of Diploma supplies must-have kit to its customers, so the key for management is to control the supply chain and its inventories to ensure it has the right products available whenever and wherever the customer needs them.

If it can do that successfully where others can't, the firm can afford to pass on price increases because its customers have few alternative options and could face big costs for switching to a new supplier.

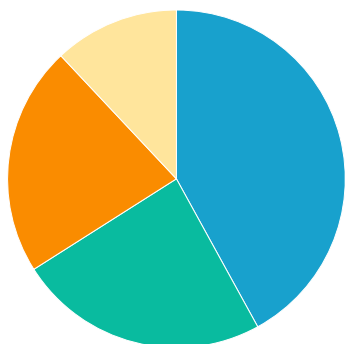
This is especially the case with industrial seals for heavy equipment, where utilisation is key and downtime has to be kept to a minimum so that projects are delivered on time and to budget.

Similarly, for firms running data centres having the correct bit of kit to hand when it is needed is

## Breakdown of each business area by sales

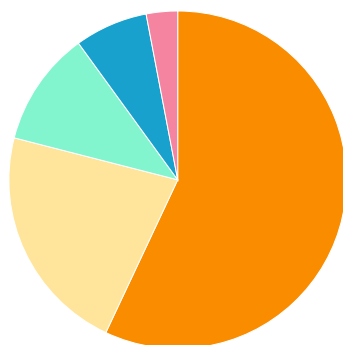
## Seals

International seals (42%)  
 North American after-market (24%)  
 US original equipment (22%)  
 US maintenance & repair (12%)



## Controls

Wire & Cable (57%)  
 Specialty fasteners (11%)  
 Adhesives (3%)  
 Interconnect (22%)  
 Fluid controls (7%)



## Life Sciences

Canada (42%)  
 Australasia (22%)  
 Europe (30%)  
 Environmental (6%)

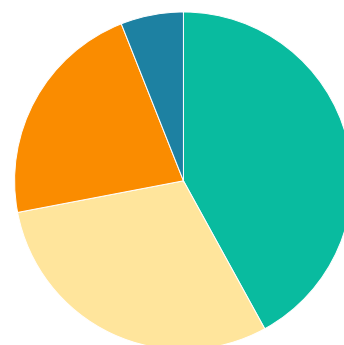


Chart: Shares Magazine. Source: Diploma. Data correct as of 13 April 2022

worth paying up for rather than not being able to deliver for their own customers.

In a second quarter trading update earlier this month the firm said it was successfully managing input cost inflation and supply chain hold-ups and passing on price hikes to customers so that margins would be at the top end of its target range.

It also raised its revenue growth forecast for the year to September 2022 from 10% to 20% thanks to better than expected underlying growth and two new acquisitions.

## GROWING ITS MARKET SHARE

A big part of Diploma's growth strategy has been timely acquisitions to build scale and market share, and along with its trading update the firm announced it had recently acquired two 'high-quality businesses' for a combined £121 million.

R&G Fluid Power, acquired for £100 million, builds on Diploma's existing UK aftermarket seals distribution operations and brings £65 million of annual sales.

The business has 'significant' organic growth potential through the aftermarket e-commerce channel, further regional expansion through its in-house platform and further product cross-selling.

LJR Electronics, acquired for £21 million, increases the group's reach in the US controls market and is expected to contribute around £14 million of full year sales.

## QUALITY AT A PRICE

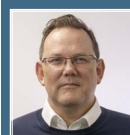
Shore Capital analyst Akhil Patel calculates that, excluding the 2020 financial year, Diploma has grown its adjusted EPS (earnings per share) by around 16% per annum over the last decade and is aiming to grow by the same amount going forward.

'Combining strong returns on capital investment, financial borrowing headroom at a low cost and a strong M&A track record, we believe the strategy is achievable,' says Patel.

Based on the firm's forecast of 20% revenue growth and operating margin close to 19% for this year, Shore Capital has raised its estimate for 2022 EBITDA (earnings before interest, tax, depreciation and amortisation) by 15% and its EPS estimate by 16% to 102.9p, implying over 20% growth on 2021.

After their 11% pop on the day of the update the shares trading are on 27 times current year earnings and a similar multiple for 2023, given Shore Capital left its profit forecast unchanged.

While that isn't exorbitant, it isn't cheap either and relies on the firm's continued ability to win market share through new market segments and earnings-accretive acquisitions while maintaining a tight grip on costs and its ability to pass on rising input costs.



By Ian Conway Companies Editor

# GOING LONG: THE PURSUIT OF EXTREME RETURNS

**The value of an investment, and any income from it, can fall as well as rise and investors may not get back the amount invested.**

Companies that can deliver extreme returns are by their very nature rare. Being able to invest globally and be agnostic between public and private companies gives Scottish Mortgage the best opportunity of finding them. Whether investing in private or public markets, the goal is always the same: to identify the small number of companies that have the potential to deliver the exceptional growth characteristics that its managers are looking for.

Trying to maximise returns for shareholders over five and ten years means the investors tend to have a different focus to many of the other shorter-term participants in the financial markets. It's not that they are blind to economic headwinds, such as rising inflation or global conflict, but that they are able to see through them. By backing structural trends, the holdings are less dependant than average growth companies are on GDP growth or other elements.

As Lawrence Burns, deputy manager, explains, "We're trying to own companies that face a really transformational, secular growth opportunity, that in all but the strongest of macro headwinds should come to fruition and be meaningful." He cites Mercado Libre, one of Scottish Mortgage's holdings, as an example. It operates online marketplaces in Latin America. "Ultimately, the investment case is

about whether you think people are going to buy more online in the future or less, irrespective of how large that retail pie is? And I think that's answered by the fact that despite the macroeconomic difficulties, over the past five years, Mercado Libre has grown its revenues over eightfold."

One of the reasons the company has been able to do this is that online retail is a better and more efficient way to consume. And 'a better way of doing things' is a common theme among the companies Scottish Mortgage backs, whether they are in healthcare or ecommerce. Companies that can lower the price and the cost to the end consumer/patient by providing a better way of doing things. This makes the advantages that they offer even more important and, ultimately, more valuable for shareholders in the long term. It gets to the heart of what Scottish Mortgage is trying to invest in, which is the big changes on a ten-year view.

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# A complete exit from Russia is likely to cost companies dearly

Provisions for write-downs have only just begun in many cases

**J**ust when it seemed as if Russia's standing in the international community couldn't sink any lower, evidence of war crimes in Ukraine has seen the US and its allies take an even tougher line.

As well as imposing harsher sanctions on Russian banks and state-owned enterprises, the US has proposed a blanket ban on all new investment in the country. The UK has done the same.

'The goal is to force them to make a choice,' said the White House press secretary. 'The biggest part of our objective is to deplete the resources that Putin has to continue his war against Ukraine.'

For companies who moved to disassociate themselves from Russia, the issue now isn't just the revenues they have lost from no longer doing business in that country. They need to face the fact they may never do business there again and therefore have to write off their assets.

One of the first companies to announce its withdrawal from Russia was oil major **Shell (SHEL)**. The company stopped all spot purchases of Russian crude oil and shut its local service stations, aviation fuels and lubricants operations.

It also pledged to cease all involvement in Russian hydrocarbons including crude oil, petroleum products, gas and liquefied natural gas.

That means pulling out of the Nord Stream 2 pipeline project, exiting its equity partnerships with Gazprom and its 27.5% stake in the Sakhalin LNG facility together with 50% stakes in two further



energy projects.

In its first quarter update, the company said the post-tax impact from the impairment of non-current assets and charges for write-downs of receivables, credit losses and onerous contracts from its Russian activities would be between \$4 billion and \$5 billion, which even for a firm like Shell is still a material hit to its balance sheet.

Rival **BP (BP.)** said it would sell its 19.75% shareholding in Russian energy firm Rosneft, which was valued at \$14 billion at the end of last year, as its involvement with the firm 'simply cannot continue'.

As well as presenting the firm with a major strategic challenge given Rosneft accounts for half of BP's oil and gas reserves and a third of its production, exiting Russia is going to be extremely costly.

BP will no longer recognise its share of Rosneft's

revenues or earnings and will no longer receive dividends from this investment, plus it will have to take a 'material' non-cash charge to write down the value of its equity stake and account for the \$11 billion of currency losses accrued on it since 2013.

Working out the value of Rosneft isn't going to be easy either, especially with other sellers of Russian assets including Norway's \$1.3 trillion sovereign wealth fund also rushing to offload Russian investments.

If a ban on new investments is widely adopted the list of potential buyers of Russian assets is going to be pretty short and prices are likely to be rock-bottom, so BP may end up writing off the majority of the value of its Rosneft stake.



Similarly, cigarette and vape-maker firm **British American Tobacco (BAT)** concluded owning a business in Russia was 'no longer sustainable in the current environment'. Therefore, the firm is transferring its operations to a local firm and walking away. Russia and Ukraine accounted for 3% of group revenues and slightly less in terms of operating profit.

Rival **Imperial Brands (IMB)** also said it would transfer its Russian assets and operations to a local third party as a going concern.

Russia and Ukraine made up around 2% of sales and 0.5% of operating profits last year, so the impact isn't major for either firm, but both are essentially writing off their investments in Russia.

Shareholders will want to know if there is a chance of recouping anything from Russia, and where insurance companies stand if companies start claiming for lost assets and revenue.

As *Shares* understands it, most war-risk policies include a seven-day notice of exclusion or cancellation as standard, so most insurers would have notified firms they were cancelling cover as soon as Russia invaded Ukraine in late February.

## QUANTIFYING THE IMPACT OF PAUSING BUSINESS IN RUSSIA

**Mothercare (MTC:AIM)** had 116 stores and an online presence in Russia via a franchise partner. These operations have now been suspended.

It says £88 million of annual retail sales came from Russia and the territory contributed £5.5 million to adjusted earnings.

Mothercare says it has excluded Russia from its forecasts given uncertainty around when stores may reopen. Many other companies are pulling out of Russia permanently.



In the high-profile case of the more than 100 foreign-owned aircraft leased to Russian airlines, the Russian government only drafted a law allowing the airlines to register the planes locally on 14 March by which time most seven-day notices would have come into effect.

As a result the cost to the insurance industry is likely to be minimal, say in the region of 10% to 15% of the value of the assets, with the aircraft owners – typically leasing companies – left to shoulder the bulk of the losses.

Shares of UK business insurers such as **Beazley (BEZ)** and **Lancashire (LRE)** are down between 10% and 15% since the invasion of Ukraine, although to date neither firm has commented on potential claims.



By Ian Conway Companies Editor

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Equity markets at both home and abroad have experienced significant volatility in recent months. While lower valuations could represent a great buying opportunity, it's also essential to recognise that not every undervalued situation is special. Some unloved stocks are cheap for good reason.

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their corporate strategy. They also take time to speak to clients and suppliers of companies in order to build conviction in a stock.

It's a consistent and disciplined approach that has worked well; the trust has significantly outperformed the FTSE All Share Index over the long term both since Alex took over in September 2012 and from launch 27 years ago.

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### Past performance

|  | Jan 2017 -<br>Jan 2018 | Jan 2018 -<br>Jan 2019 | Jan 2019 -<br>Jan 2020 | Jan 2020 -<br>Jan 2021 | Jan 2021 -<br>Jan 2022 |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| Net Asset Value                              | 17.8%                  | -5.5%                  | 12.5%                  | -7.4%                  | 31.4%                  |
| Share Price                                  | 18.5%                  | -2.1%                  | 10.3%                  | -5.8%                  | 31.1%                  |
| <b>FTSE All Share Total<br/>Return Index</b> | <b>11.3%</b>           | <b>-3.8%</b>           | <b>10.7%</b>           | <b>-7.5%</b>           | <b>18.9%</b>           |

*Past performance is not a reliable indicator of future returns*

Source: Morningstar as at 31.01.2021, bid-bid, net income reinvested. ©2021 Morningstar Inc. All rights reserved. The FTSE All Share Total Return Index is a comparative index of the investment trust • Created with Datawrapper

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# ENOUGH IS ENOUGH

## The FTSE 100 companies which face a grilling from investors

**A** significant number of FTSE 100 companies could face shareholder rebellion over the coming weeks as investors increasingly put pressure on boards over key issues.

There is a long list of topics which could dominate this year's annual shareholder meeting season, which gets into full swing at the end of April.

These include environmental policy and climate change action, boardroom and workforce diversity, nutrition and its impact on obesity, and human rights. Protests about bloated bonuses, management pay, and long-term share price underperformance may also feature heavily.

Significant pressure on a company could result in various actions which might ultimately benefit investors, customers, society and the environment – so what happens at AGMs can truly make a difference.

### **ACTION HAS ALREADY BEGUN**

This year has already seen **Fundsmith Equity Fund (B41YBW7)** manager Terry Smith use his annual shareholder meeting to put the boot into **Unilever (ULVR)**, the international consumer goods giant that was one of the fund's five worst performers in 2021.



By Steven Frazer News Editor

Smith attacked the Marmite-to-Magnum ice cream maker saying it 'seems to be labouring under the weight of a management which is obsessed with publicly displaying sustainability credentials at the expense of focusing on the fundamentals of the business.'

The fund manager hinted at possible fireworks at Unilever's annual general meeting scheduled for 4 May. 'This should be a business which is capable of performing better than it has,' Smith told Fundsmith Equity Fund investors in March.

Unilever has been a core holding for thousands of retail investors and funds over the years. Its share price increased more than tenfold between 1990 and 2019 when it hit £50. That's all changed since chief executive Alan Jope, a Unilever 'lifer' who joined the firm at 18, took the top job in May 2019. Under his leadership the shares have fallen by a third to approximately £34.

Terry Smith has a simple solution: 'To be blunt, we think it's easier to change the management than it is to change the business.'



## Put these AGM dates in your diary

|                 |                 |
|-----------------|-----------------|
| AstraZeneca     | Friday 29 April |
| HSBC            | Friday 29 April |
| Pearson         | Friday 29 April |
| Unilever        | Wednesday 4 May |
| Barclays        | Wednesday 4 May |
| GlaxoSmithKline | Wednesday 4 May |
| Aviva           | Monday 9 May    |
| BP              | Thursday 12 May |
| Lloyds          | Thursday 12 May |
| Shell           | Tuesday 24 May  |
| Sainsbury's     | Thursday 7 July |

Table: Shares Magazine • Source: Company announcements

### NAMES TO WATCH

Unilever is far from alone in attracting criticism from shareholders. Insurer **Aviva (AV.)**, pharmaceuticals firms **GlaxoSmithKline (GSK)** and **AstraZeneca (AZN)** and retail bank **Lloyds (LLOY)** could all endure an uncomfortable face-off with shareholders at their respective AGMs this year.

Other names to watch include engineer **Rolls-Royce (RR.)**, cigarette maker **British American**

**Tobacco (BATS)**, education publisher **Pearson (PSN)** and supermarkets **Tesco (TSCO)** and **Sainsbury (SRBY)**.

And perhaps the biggest drama could involve the shareholder meetings of energy giants **BP (BP.)** and **Shell (SHEL)**.

'The themes that will prevail in 2022 are strategic repositioning, operational efficiencies, capital allocation decisions and ESG,' says Marco Taricco, co-founder of Bluebell Capital Partners.

Anne-Sophie d'Andlau, partner and deputy CEO at investment firm CIAM, sees the European telecoms sector coming under scrutiny from shareholders this year, which implies action at **BT's (BT.A)** and **Vodafone's (VOD)** annual investor meetings.

'We expect to see increased shareholder activism across the sector, especially around capital returns. We also expect to see increased M&A activity across the sector, including some transformational mergers,' she says.

### CLIMATE CLARITY

Climate change is likely to be one of the hot button issues. Shareholder pressure has been building for some time for companies to give greater transparency over environmental policy and improve disclosure on what's being done, according to law firm Ashurst.

It flags several companies in the oil and gas, mining and utilities sectors to have already been cajoled by investors to formulate climate aims. These include **Glencore (GLEN)**, **BP**, **Shell**, **National Grid (NG.)**, **BHP (BHP)**, **Severn Trent (SVT)** and **SSE (SSE)**.

### QUESTIONS FOR BP AND SHELL

Soaring oil and gas prices following Russia's invasion of Ukraine pose various conundrums for investors in BP and Shell. These questions are likely to be asked by shareholders at their AGMs in May:

- Are the energy giants going to do a U-turn on oil and gas by investing more money in production, given the energy squeeze being felt by the West as it attempts to cut its dependence on Russian supply?
- If so, what might this do to their respective energy transition plans to renewables?



- Are BP and Shell in danger of overpaying for renewable energy assets against this industry and political backcloth?

### PRESSURE ON BANKS AND INSURERS

There are numerous financial institutions in the firing line, including **Barclays (BARC)**, **HSBC (HSBA)** and Aviva.

Both Barclays and HSBC have been criticised this year by activist group ShareAction for continuing to finance new oil and gas projects despite signing up to green banking group the Net Zero Banking Alliance. There is also clear guidance from the International Energy Agency that net zero means no new oil and gas projects.

According to ShareAction data, European banks have provided over \$400 billion to the top 50 oil and gas producers since 2016. HSBC and Barclays are among the worst offenders, providing \$59 billion and \$48 billion respectively.

In March, Barclays' long-awaited climate plan, which it will put to a shareholder vote at its annual investor meeting on 4 May, came under fire for not going far enough.

'Barclays' *Say on Climate* plan lacks the ambition needed to address the climate crisis,' says Lydia Marsden, senior research officer at ShareAction. 'By failing to update its oil and gas policy it can continue to finance Paris misaligned activities such as oil sands and new oil and gas. Investors need to question whether Barclays' policies and targets truly mark progress or instead enable business as usual for its clients.'

ShareAction is calling for shareholders to vote against Barclays' climate strategy at the bank's AGM next month.

### ACTIVISM WITH SHARPER TEETH

Shareholder activism is not new and organisations such as Pirc, Institutional Shareholder Services and Glass Lewis have long been vigilant on corporate governance breaches and shareholder votes.

US-based Elliott Management, founded by Paul Singer and one of the most high profile activist fund groups, encouraged **Whitbread (WTB)** to sell its Costa Coffee business in 2018, eventually bought by **Coca-Cola (KO:NYSE)** for £3.9 billion, leaving Whitbread to concentrate on its hotels business.

But activism has intensified in recent years, and retail investors are also being called to take up the challenge.

There are some great examples of shareholder action at work. According to ShareAction, 36 of the 100 largest companies in the UK are now real living wage employers, while large organisations such as Tesco, Vodafone and BT have signed up to source 100% renewable electricity.

Following strong investor engagement, HSBC has made new climate commitments and agreed to phase down its financing of fossil fuels in line with what's required to limit global temperature rise to 1.5C. The bank plans to publish its new climate strategy by the end of this year.

### PEARSON UNDER FIRE

Pearson's AGM on 29 April could be among the more hostile of this year's batch. The company has come under attack from shareholders thanks to its history of profit warnings, failed strategic rethinks and its refusal to engage with private equity firm Apollo about a takeover.

In February, fund manager Nick Train told **Finsbury Growth & Income Trust (FGT)** shareholders at their annual meeting that he had finally ditched the trust's stake in Pearson after years of having to justify why it continued to own this underperforming stock. The share price has halved over the past seven years.

**DISCLAIMER: The author (Steven Frazer) and article editor (Daniel Coatsworth) own units in Fundsmith Equity Fund**





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# Regular investing: how it works and the benefits of putting money aside each month

Constantly feeding your ISA or SIPP could be one of the best decisions you make



**P**eople are creatures of habit, especially when it comes to the mundane things in life. Creating good financial habits can really pay off later in life and provide more flexibility and freedom. Feeding your ISA or SIPP (self-invested personal pension) every month could be one of the best decisions you'll ever make.

Scientific evidence shows people might have good intentions, but often don't follow through with them when push comes to shove. The temptation is just too great.

Sometimes individuals simply forget to put money aside, particularly as financial matters are not always at the forefront of people's daily lives.

Automating the process makes it easier to sidestep the behavioural challenges.

The sooner you start investing, the longer your ultimate exposure to the stock market will be and the greater your potential returns. The differences a few years can make may surprise you.

## HOW REGULAR INVESTING WORKS

Let's take a simple example of Joan who sets up a regular automated plan to transfer £100 every month into an ISA after she gets her first job at age 21.

By starting early, Joan hopes to take advantage of the positive effects of investing over longer periods.

David waited until he turned 31 before investing

money in the markets.

To keep things simple, we assume both invest the same amount and get the same returns of 6% per year. Their monthly contributions also remain the same over time. Both continue to save until they are 50 years old.

David's contributions amount to £22,800 and his portfolio is worth £41,816 when he turns 50.

Joan's contributions are 53% greater because she invests for 29 years versus David's 19 years. They add up to £34,800 which is an extra £12,000 of money put into her ISA.

However, she benefits from greater time in the market and her investments after 29 years would be worth more than twice those of David at £91,214. The figures do not take account of inflation or investment platform charges.

This simple illustration shows you do not need to have huge disposable income to build a nest egg. Time is as, if not more, important as size.

In fact, David would need to save more than double the amount Joan is saving at £218 a month to have the same value as her portfolio by the time he turns 50.

## CHOICES WHEN INVESTING IN A REGULAR SAVINGS PLAN

Most investment platforms provide an automated investment service which takes the manual hassle

out deploying savings into the stock market.

Step one is to set up a regular savings deposit into your ISA or SIPP via a direct debit from your bank account.

Step two is to choose the shares, funds or exchange-traded funds in which to invest.

With regular investing schemes, investment platforms will usually amalgamate all clients' orders and offer a reduced dealing charge (typically £1.50) because they can make the trade in bulk on the same day each month.

This not only saves you money, but it means you can invest smaller amounts more cost effectively.

Making regular savings at the same time each month means you are buying at different prices. You buy more shares of what you like at lower prices and fewer at higher prices.

### TIMING THE MARKET IS HARD

An alternative to using a regular monthly saving service is to feed your ISA or SIPP with cash and let it build up until you've got enough money to invest whereby any charges will only represent a very small percentage of the transaction amount.

Getting the timing wrong can lead to short-term losses which will be magnified by the larger amount invested. This can be demoralising and lead to feeling of regret and lost confidence.

Your temperament is an important factor in how you deploy the cash. Always try to keep a long-term focus.

Also, remember that accumulating cash means

you are not investing in the market.

A study by Vanguard showed the FTSE All-World index has ended higher than the previous month in almost two out of every three months since the index was launched at the end of 1993. In other words, waiting can be costly.

Whichever method you decide is best for you, the advantages of starting a regular saving plan as early as possible is the best way to secure your financial goals.

## REGULAR INVESTING IN PRACTICE

### EXAMPLE 1

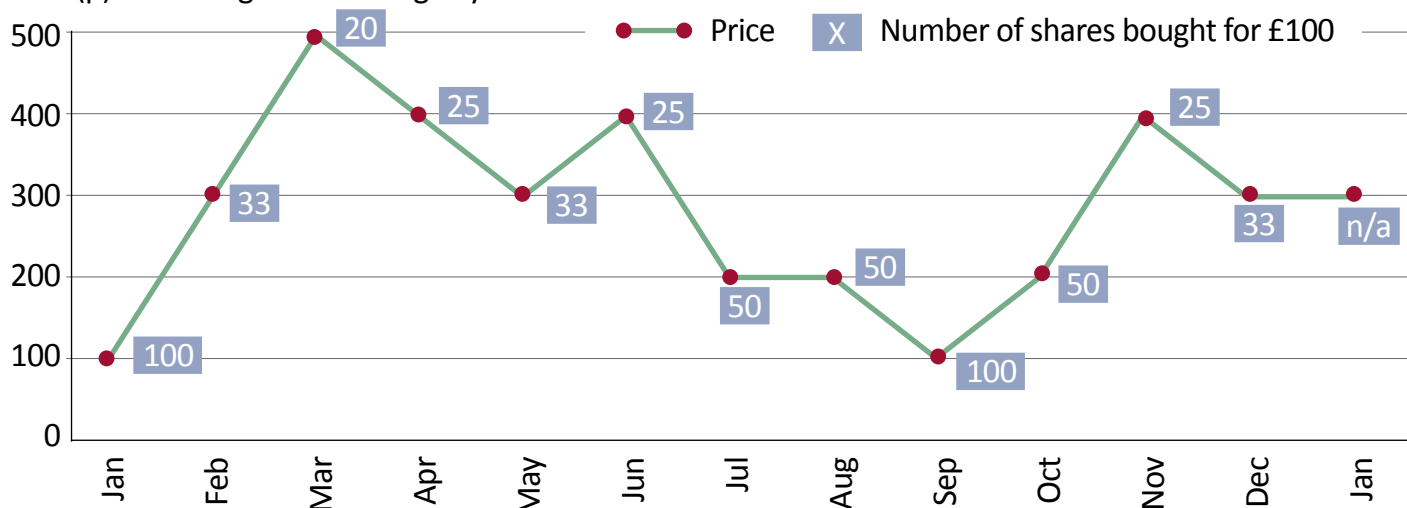


We've created a hypothetical company called Light Up The Sky to illustrate how regular investing might work in practice.

Shares in Light Up The Sky started the year at 100p and ended the year at 300p.

### EXAMPLE 1

Price (p) on the regular investing day each month





Investing £1,200 as a lump sum meant you could have bought 1,200 shares ( $£1,200 / 100p$ ) at the start of the exercise. After 12 months your investment would have been worth £3,600 ( $300p \times 1,200$ ).

If you could only afford to invest £100 a month, you would have invested the same amount after a year as the lump sum investor (£1,200) yet bought a different number of shares.

Accounting for the ups and downs of the market, your £100 would buy a varying number of shares almost every month. After one year in the Light Up The Sky example above, you end up with 544 shares worth £1,632 ( $300p \times 544$ ). That is less than half if you'd invested the lump sum.

The shares saw lots of ups and downs but ended the year higher than the starting point.

## EXAMPLE 2

The second example looks at another hypothetical company called Bike Frame Expert whose shares started at 500p and ended the year at 200p.

Investing the same £1,200 lump sum would have got you 240 shares ( $£1,200 / 500p$ ) if bought at the start of the year. At the end of the year they would have been worth £480 ( $200p \times 240$ ).

Going down the regular investing route at £100 a month would mean you bought more shares for your money as the year progressed, thanks to the share price falling.

You would have ended the year with 472 shares worth £944 ( $200p \times 472$ ). That's nearly twice as



much as the lump sum route.

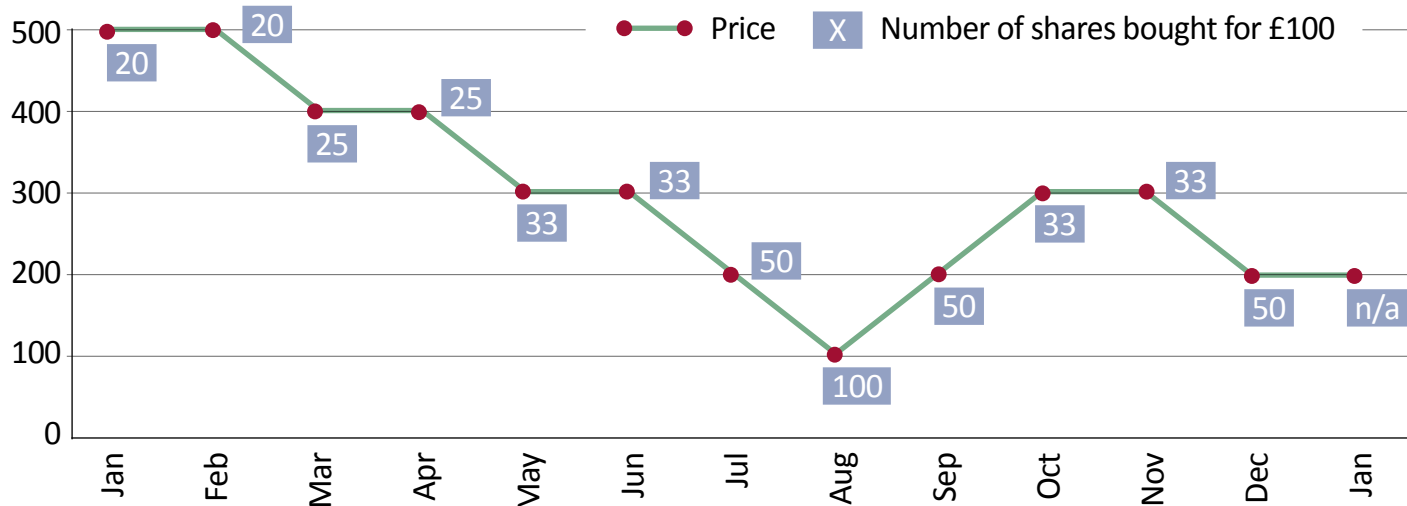
Unfortunately, no-one knows how share prices will behave in the future, so it is impossible to say with accuracy which method is better. However, investing every month is the best way to get into the rhythm of putting money away for the future.



By **Martin Gamble** Education Editor

## EXAMPLE 2

Price (p) on the regular investing day each month



SIPPs | ISAs | Funds | Shares



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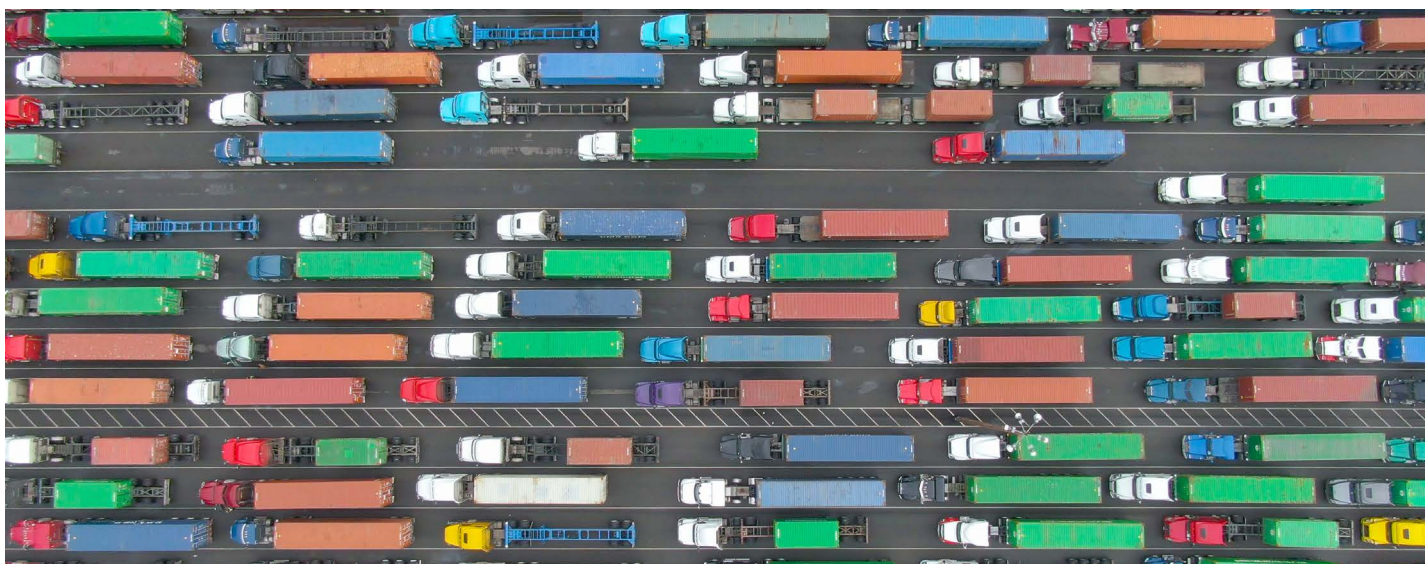






# Are you worried about a recession coming? These are the signs to watch

There are several charts which tell us a lot about the state of the world



**C**entral bankers, politicians, company management teams and the public continue to fret about the cost of oil.

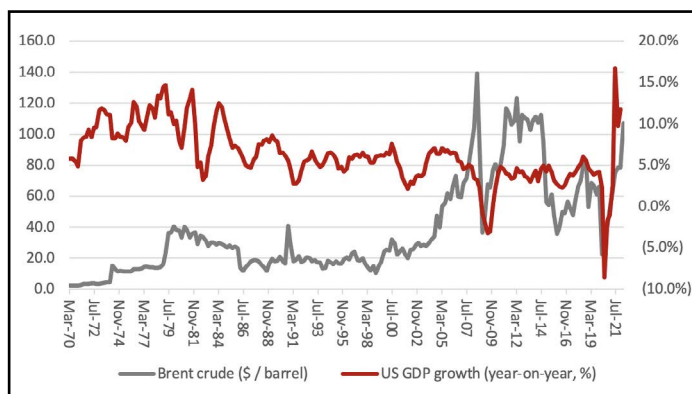
A high oil price is in effect a tax, as it increases costs and squeezes margins and cash flow at companies. It also crimps consumers' disposable income and their ability to spend.

An oil price of \$147 a barrel may not have caused the recession of 2007-09 but it may have tipped a fragile, indebted global economy – and febrile, over-leveraged financial markets – over the edge.

The oil price shocks of 1973 and 1979 did a lot of damage too, as they stoked inflation and pushed the US toward an economic downturn.

Oil had nothing to do with the US downturn of 2001 as that was an investment bust in the wake of the technology, media and telecoms bubble. But it seems reasonable to ask the question whether oil is again about to wreak havoc and prompt a recession, or at least stagflation.

## Oil price spike brings back bad memories of 2007 (and 1973-74)



Source: FRED – St. Louis Federal Reserve database, Refinitiv data

## LOSING STEAM

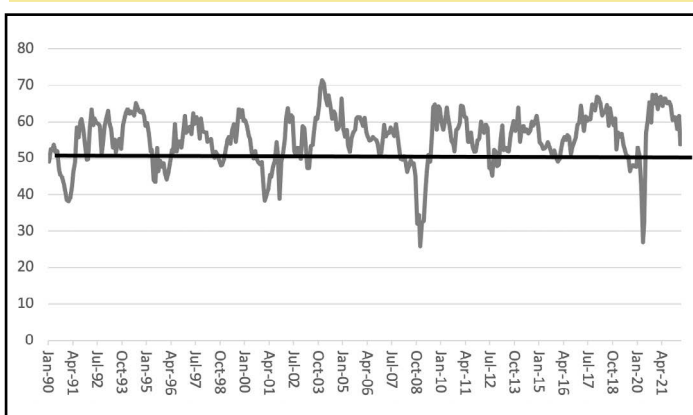
There is some evidence of a slowdown in the world's largest economy, the US. Where the US goes it is fair to assume the rest of the West will follow.





The new orders reading from the latest US purchasing managers' index for manufacturing slumped by 7.9 points to just 53.8. That was the biggest drop since April 2020 and if that reading goes below 50 then there could be trouble ahead.

### US manufacturing is seeing a slowdown in order intake

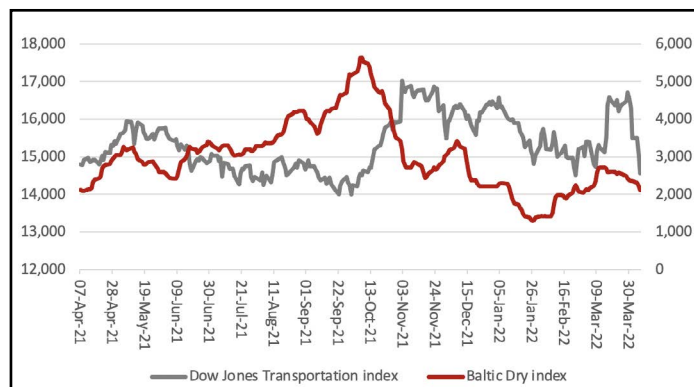


Source: FRED – St. Louis Federal Reserve database, Refinitiv data

This could be the result of supply chain friction rather than weak end demand, so it may not pay to jump to conclusions. But the Dow Jones Transportation index has slumped in the past month, and it peaked last November. The Baltic Dry shipping index has also sprung a major leak.

Regular readers of this column will know of

### Has the Dow Jones Transportation index hit the buffers?



Source: Refinitiv data

Richard Russell's Dow Theory, and his assertion that the economy, and by extension the Dow Jones Industrials, cannot do well if the Transportation index is not doing well.

If the economy is strong and goods are selling, the stocks must be replenished and shipped. If the economy is weak and goods are not selling, then shelves do not have to be filled, goods do not have to be manufactured and moved, and trucks, planes, trains and ships stay idle.

So far, the Dow Jones Industrials is doing its best to ignore the Transportation index's loss of momentum, but this is a trend that requires careful attention.



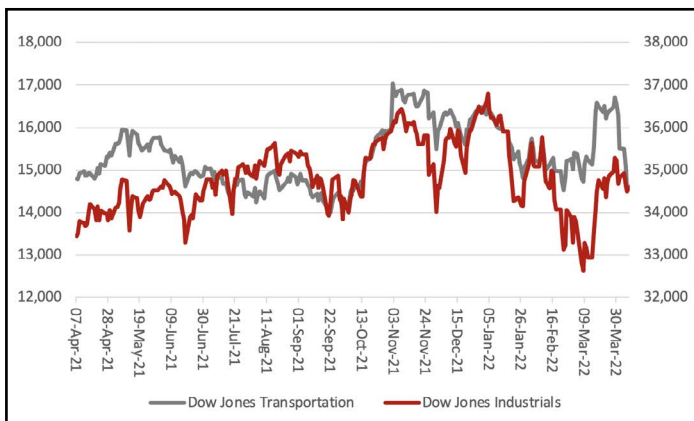
# RUSS MOULD

AJ Bell Investment Director

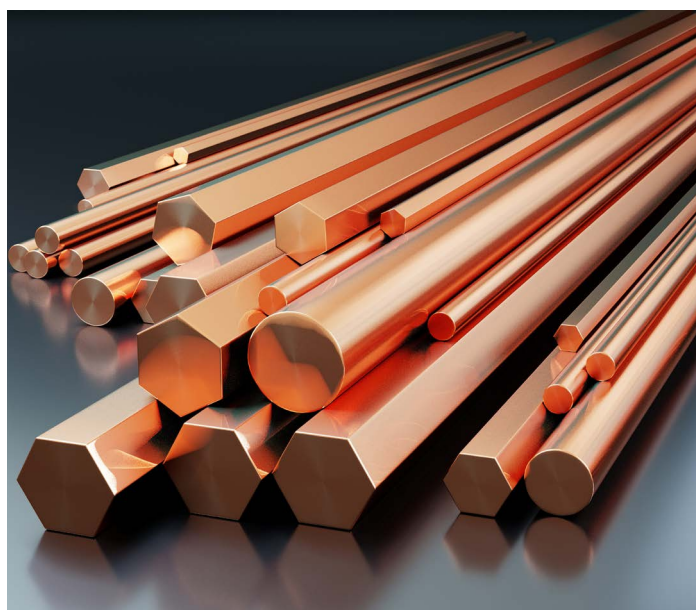


Insightful commentary on market issues

## Dow Jones Industrials is trying to ignore the Transport index's decline



Source: Refinitiv data



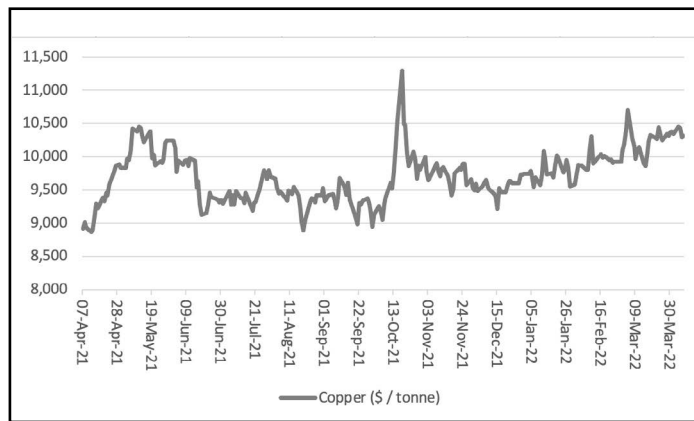
### SHINING BRIGHT

One bright spot remains copper. The malleable, conductive, ductile metal has many uses in infrastructure, cars, electrical goods, construction and more that it is seen as a good guide to the health of the economy, and hence its nickname, Dr Copper. The good news is the commodity's price remains strong, despite fears over China's economy.

The economic picture is far from clear cut and, frankly, it if were then share prices would have priced it in and moved on by now.

The economy is not the stock market and vice-versa. If a recession does hit, the markets will at

## Copper's price strength is a positive sign



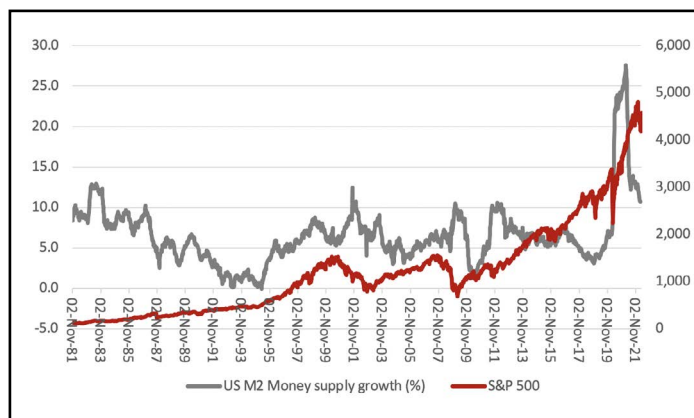
Source: Refinitiv data

some stage decide the outlook is so bad that it can only get better and start to discount an upturn, long before the data show any signs of improvement.

There is also the potential for policy intervention. Central banks and governments have shown they have little or no appetite for a recession or austerity, or the risk of financial market turmoil spilling over into the real economy. In the past they have quickly cut interest rates or spent money.

The difference this time is that inflation is roaring, rates are already low and coffers relatively empty. Indeed, money supply growth is sagging in the US, even before the Fed really tightens policy, and that could be the biggest challenge of all, at least for financial markets.

## US money supply growth is slowing



Source: Refinitiv data

# Discover the best and worst performing investment trusts so far in 2022

Commodities, Latin America and infrastructure among the winning themes

**R**ising interest rates since the turn of the year, runaway inflation and Russia's shocking invasion of Ukraine have shaken the investment kaleidoscope in 2022 and forced many investors to reposition portfolios for an increasingly uncertain world.

This is reflected in developments in the investment trusts universe, which has thrown up some obvious and more surprising winners in the opening months of the year.

*Shares* has crunched the performance data to shine a light on the themes and styles that have worked year to date, and those that haven't.

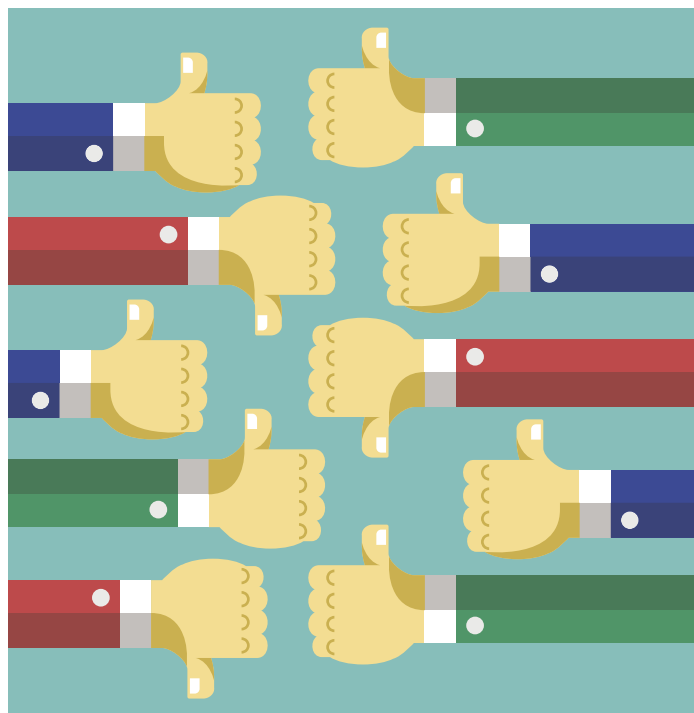
## COMMODITIES TRUSTS IN DEMAND

Precipitated by the supply/demand imbalances caused as global economies awakened from Covid hibernation, rising commodities prices have boosted a number of trusts focused on resources with inflation hedge characteristics. **Riverstone Energy (RSE)**, which invests across the global energy industry, has seen its shares surge 40% higher in 2022 thus far thanks to rising energy price tailwinds and a boost from share buybacks.

**Geiger Counter (GCL)**, which invests in uranium explorers and producers, has built on 2021's gains with 39.6% share price appreciation year-to-date.

The unfolding energy crisis triggered by Vladimir Putin's brutal assault on Ukraine is driving a reappraisal of the role of nuclear power and the sector is 'recapturing credence as a competitive source of clean, baseload generating capacity' according to Geiger Counter's managers Keith Watson and Robert Crayford.

Other beneficiaries of the commodities boom are **CQS Natural Resources Growth & Income (CYN)**, which has risen 37.3%, and **BlackRock Energy and Resources Income Trust (BERI)**, which has delivered a 35.6% share price gain. The Evy Hambro-managed **BlackRock World Mining**



(**BRWM**) is up 29.8%.

Another noteworthy mover is **Gulf Investment Fund (GIF)**, whose shares have gushed more than 30% higher to trade at a near-8% premium to net asset value as the Gulf Cooperation Council economies it invests in, such as Qatar, Saudi Arabia, the United Arab Emirates and Kuwait, continue to benefit from higher oil and gas prices and increased oil production.

## LATIN AMERICAN FUNDS LEAP

Among the best year-to-date performers is **BlackRock Latin American (BRLA)**, which is up more than 27% and has recently made gains in net asset value terms, while **Abrdn Latin American Income Fund's (ALAI)** shares having risen 23%.

The Russo-Ukrainian conflict has been good news for commodity exporting regions such as Latin America, and the year-to-date stock market rally in Latin America is a good example of how





quickly investor sentiment can change.

Emerging market equity and bond funds have seen major inflows since the invasion as investors flocked to major commodity exporters, sought higher debt yields and pulled money out of Russia funds to invest elsewhere, with Latin American funds among the beneficiaries.

Ed Kuczma and Sam Vecht, BlackRock Latin American's two experienced managers, remain positive on the outlook for Latin American equities, with Kuczma telling research house Edison that the region is 'under-owned, undervalued and unloved' and has 'a ton of value'.

## INFRASTRUCTURE IN DEMAND

In terms of what's working elsewhere, **Middlefield Canadian Income (MCT)** moved higher in March, helped by Canada's resource-rich economy.

Investors in Middlefield Canadian Income get

## Investment trust winners in 2022

| Company                               | Gain  |
|---------------------------------------|-------|
| Riverstone Energy                     | 40.0% |
| Geiger Counter                        | 39.6% |
| CQS Natural Resources Growth & Income | 37.3% |
| BlackRock Energy and Resources Income | 35.6% |
| Gulf Investment Fund                  | 31.2% |
| BlackRock World Mining                | 29.8% |
| BlackRock Latin American              | 27.2% |
| Abrdn Latin American Income           | 23.0% |
| Gresham House Energy Storage          | 18.8% |
| Middlefield Canadian Income           | 14.9% |

Table: Shares Magazine • Source: SharePad, data as at 11 April 2022

## Investment trust losers in 2022

| Company                           | Loss   |
|-----------------------------------|--------|
| JPMorgan Russian Securities       | -83.0% |
| Baillie Gifford European Growth   | -30.8% |
| Scottish Mortgage                 | -28.9% |
| Edinburgh Worldwide               | -26.9% |
| JPMorgan China Growth & Income    | -26.8% |
| Allianz Technology Trust          | -26.5% |
| Baillie Gifford US Growth         | -26.2% |
| Baillie Gifford China Growth      | -22.0% |
| Fidelity China Special Situations | -20.4% |
| Syncona                           | -20.0% |

Table: Shares Magazine • Source: SharePad, data as at 11 April 2022

exposure to the energy sector and the emerging renewable power industry in Canada.

Russia's invasion of Ukraine and its disruption of the flow of oil and gas means energy prices could remain elevated for some time, boosting the earnings of attractively valued Canadian energy companies in the trust's portfolio.

The quarterly dividend payer also offers exposure to best-in-class financial institutions, healthcare names and the real estate market.

Elsewhere, infrastructure and renewable energy investment trusts are in demand with a combination of energy security and the need for inflation-beating dividends front of mind for investors.

For example, **Ecofin Global Utilities & Infrastructure (EGL)** has risen 13% this year.

## YEAR-TO-DATE LOSERS

No prizes for guessing the worst performer, namely **JPMorgan Russian Securities (JRS)**, which has plunged 83% year-to-date as the severe sanctions imposed on Russia sent the vast country into financial isolation and the company was forced to write down the value of its investments.

QuotedData points out the premium for JPMorgan Russian Securities soared to 'a ridiculous 228% by the end of March as, rather distastefully, some investors tried to profit from the war in Ukraine by betting that sanctions will be lifted'.

Dedicated China trusts had a torrid March as high coronavirus cases and restrictions in parts of the country and the 5.5% growth target set by authoritarian leader Xi Jinping, the country's lowest in three decades, added to concerns over increased regulation.

Year-to-date, shares in **Fidelity China Special Situations (FCSS)** and **Baillie Gifford China Growth (BGCG)** are both down more than 20% with **JPMorgan China Growth & Income (JCGI)** having shed the best part of 27%.

Other poor performers so far this year include trusts managed by growth-focused Baillie Gifford, such as **Baillie Gifford European Growth (BGEU)**, **Baillie Gifford Shin Nippon (BGS)** and **Edinburgh Worldwide (EWI)**.

Sentiment towards these names remains sour following the rotation out of growth stocks earlier this year with higher inflation and rising interest rates likely to continue.






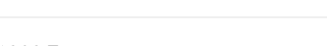


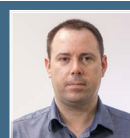
| Name                                      | 31/12/2021 – 11/04/2022   |
|---|---|
| Riverstone Energy                         | 465.0  658.0   |
| Geiger Counter                            | 53.0  73.0     |
| CQS Natural Resources Growth and Income   | 376.6  522.2   |
| BlackRock Energy & Resources Income Trust | 233.9  311.5   |
| JPMorgan Russian Securities               | 1202.7  210.4  |
| Baillie Gifford European Growth           | 999.7  692.8   |
| Scottish Mortgage                         | 4631.9  3278.2 |
| Edinburgh Worldwide                       | 835.7  605.7   |

Table: Shares Magazine • Source: Refinitiv

Also in the doldrums with a 26.5% share price decline is **Allianz Technology Trust (ATT)**, one of the UK's most popular tech funds, marked down amid the same rotation away from growth stocks and where long-serving manager Walter Price is retiring. He will hand over the lead portfolio manager's reins to Mike Seidenberg in July 2022.

Another poor performer is **RTW Venture Fund (RTWG)**, the life sciences sector investor managed by healthcare specialist RTW Investments. It posted poor annual results showing a 13% decline in net asset value per share following a tough 2021 for the biotech sector.

Small cap stocks in particular have sold off, which RTW's founding partner Roderick Wong argues is providing 'exciting' opportunities for RTW Venture Fund in 2022.



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

# Fund risk scores are not very helpful to investors

The risk and reward numbers feature prominently on fund information documents

**R**isks hide in different places, in politics economics and elsewhere. Investing by its very nature is risky, as investments can be affected by shocks to the financial system, such as the financial crisis of 2008 or more recently the Covid crisis.

European Commission regulations require fund managers to publish scores for their funds, known as 'Synthetic Risk and Reward' or SRRI numbers. These are designed to give investors an idea of the appropriate level of risk and return they might see in the future.

Advocates of the measure highlight its use as a standardised risk assessment tool across all funds and for understanding how risks vary across different asset classes.

However, the value of SRRI as a risk measure has been questioned, because it looks back at fund returns over past years and uses this to estimate how significantly they might fluctuate in the future.

This has led to claims the measure provides no real guidance to future performance.

Moreover, critics of SRRI suggest that five years is an insufficient period to assess the performance of a fund through a full market cycle.

## UNDERSTANDING SRRI

The SRRI score is designed to provide a

consistent calculation and presentation of risk information for all UCITS funds, allowing investors to compare products using an easily understood format.

It is used to classify investment funds into one of three different risk categories (low risk, medium risk and high risk) and forms an integral part of the 'KIID' or 'Key Investor Information Document' which is available on every fund via an investment platform provider's website or on the fund manager's website.

It uses a numerical scale between one and seven (which represents the historic volatility), with one meaning low/risk reward and seven the highest level of risk but with the potential for a higher level of return.

The volatility is calculated using weekly past returns of the investment fund over the last five years.

For example, **Fundsmith Equity Fund (B41YBW7)** scores 'five' for its risk and reward profile. It says: 'This fund is ranked at "five" because funds of this type have experienced medium to high rises and falls in value in the past. The underlying investments are, however, in large companies with shares that are, in most cases, highly liquid.'

## Examples of risk and reward scores for popular funds

| Fund                               | SRRI score |
|------------------------------------|------------|
| Baillie Gifford American Fund      | 7          |
| Fidelity Global Special Situations | 5          |
| Fundsmith Equity                   | 5          |
| Fidelity Index World Fund          | 5          |
| Vanguard LifeStrategy 80% Equity   | 4          |

Table: Shares Magazine • Source: Morningstar, 13 April 2022



## PROS AND CONS

Critics of SRI have argued that to create a standardised process for matching investors to funds, risk assessment tools have tended to simplify risk to the single measure of volatility.

However, given volatility's poor predictive power, it is both a weak proxy for risk and an unreliable way to predict severe capital loss. Given this, it has been suggested that SRI on its own is of limited use in matching funds to investors.

The calculation of volatility makes two big assumptions – that returns are normally distributed and correlations are stable. Neither is true.

As a result, the SRI score does not fully describe the distribution of returns. In essence, investors who simply use the SRI score are attempting to navigate the future investment landscape using only their rear-view mirror.

## UNRELIABLE MEASURE

Sadly, an SRI score should not be relied upon as a useful measure of risk because the bands are too wide.

The lower scores are essentially cash and at the top end it isn't common to see a fund with a 'seven' score. However, scores four to six are too broad, with historic volatility ranging from 5% to 25%.

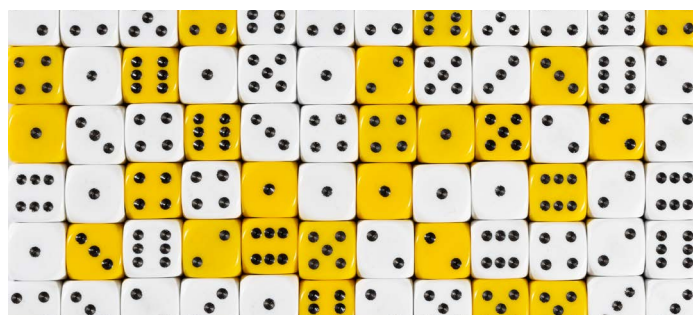
That means you end up with funds having the same score but potentially a different outcome. The vast majority of products cluster between a score of four to six whether they are 10% equity or 100% equity.

## OTHER MEASURES TO CONSIDER

There are a few other measures investors can use alongside SRI to gain a more holistic picture of the risks associated with a specific fund. These include the information ratio and the upside/downside ratio.

While the SRI score is easily obtainable, the information ratio and upside/downside ratio are harder to find.

Unless you pay a premium subscription to Morningstar, the only way you'll typically get this information is if a fund publishes a Morningstar managed investment report on its website such as this [one](#) on Fundsmith Equity Fund. Even then, there is no guarantee it will contain all the information you want.



### 1. INFORMATION RATIO

The information ratio seeks to identify whether the active risk taken by the manager relative to the benchmark has been rewarded with outperformance. It is an assessment as to whether the active bets in the portfolio have paid off.

An information ratio above 0.5 is considered good. A figure above 1.0 is considered excellent.

### 2. UPSIDE/DOWNSIDE CAPTURE RATIO

The upside/downside capture ratio is one way to evaluate a fund's historical performance during both bull and bear markets.

The measure indicates whether a particular fund has outperformed a broad market benchmark during periods of market strength and weakness, and if so by how much.

An upside capture ratio over 100 indicates a fund has generally outperformed the benchmark during periods of positive returns for the benchmark.

Conversely, a downside capture ratio of less than 100 indicates that a fund has lost less than its benchmark in periods when the benchmark has been in the red.

'A down market is defined as those periods (months or quarters) in which market return is less than 0,' explains Morningstar. 'In essence, it tells you what percentage of the down market was captured by the managed investment. For example, if the ratio is 110%, the managed investment captured 110% of the down market and therefore underperformed the market on the downside.'

**Disclaimer: Daniel Coatsworth who edited this article has a personal investment in Fundsmith Equity and Fidelity Index World**



By Mark Gardner Senior Reporter



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# How investors including people in retirement should deal with 7% inflation

Key points to consider if you're saving for later in life or you're already retired

**I**nflation hit a 30-year high of 7% in March and there are expectations the cost of living will surge even higher in April.

The extent of the impact of rising prices on savers and retirees will depend on a range of factors including income, spending patterns and how long spiralling prices persist.

When it comes to generating a retirement income, the flexibility of your pension and whether it provides protection against inflation will also be important.

Let's start with the impact on retirement savers.

## 1. SAVING FOR RETIREMENT

If you are saving for retirement, the biggest challenge posed by the cost-of-living crisis will likely be maintaining your current pension contributions.

While setting aside money for the future might feel like a luxury you simply cannot afford, it's worth taking some time to write down your incomings and outgoings and think about your priorities.

You might be surprised at the difference a few tweaks to your lifestyle can make to the money you have left to save at the end of the month.

When it comes to long-term saving the earlier you start, the easier it is. What's more, employees contributing to a workplace pension not only benefit from upfront tax relief but also matched employer contributions through automatic enrolment.

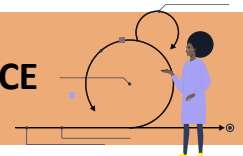
Quitting your workplace scheme will effectively mean you are taking a voluntary pay cut – not something most would want to contemplate right now.

## REVIEWING YOUR INVESTMENTS

While a short spell of inflation shouldn't change



## HOW IT WORKS IN PRACTICE



Take a 30-year-old who has just started a new job and has yet to make a pension contribution. Let's assume they earn £30,000 a year and their salary goes up by 2% each year.

If they saved in their workplace pension scheme, then 8% of their salary would go towards their retirement. For simplicity we'll base their pension contributions on total earnings.

If, despite the cost-of-living crisis, they decided to stay in the scheme and enjoyed 4% annual investment growth, they could have a fund worth £306,000 by age 68 (their scheduled state pension age).

If, however, they opt out of their workplace pension scheme and are subsequently re-enrolled in three years' time – as required by auto-enrolment legislation – then their fund at 68 could be worth around £269,000.

In other words, putting off saving in a pension for three years has resulted in a final retirement pot worth £37,000 less.

your investment approach, it might be worth reviewing the risks you are taking and making sure you are comfortable with your strategy.

Younger investors should generally be able to shoulder more investment risk than older savers, with the aim of benefiting from market returns over the long-term.

One of the key benefits of taking investment risk should be at least keeping pace with – and ideally beating – inflation over the long-term, something which will clearly be a challenge in the current environment.

It is worthwhile for anyone invested in an automatic enrolment default fund to kick the tyres of their investments.

Default funds tend to operate a lower risk strategy than might otherwise be ideal for a younger investor, although you need to be aware that by increasing your investment risk you also increase volatility, particularly over the short-term.

## 2. APPROACHING RETIREMENT

The extent of any impact from inflation on those approaching retirement will depend on how they plan to take an income.

It's worth remembering that while for some people retirement remains a fixed point in time, for many it is much more flexible.

To provide a bit of context, official figures suggest that around three people choose to take a flexible income through drawdown each year for every person who decides to buy a guaranteed annuity income from an insurance company.

- **OPTION A: Planning to buy an annuity or take all your pension as cash**

For anyone planning to buy an annuity, the aim of the game in the years approaching retirement is to build in certainty.

This usually involves shifting away from equity investments and into bonds and cash as your chosen retirement date approaches.

One of the consequences of 'de-risking' during a period of high inflation is that you'll almost certainly be locking in real-terms losses on your money.



## HOW IT WORKS IN PRACTICE

Take someone with a £100,000 pension who plans to buy an annuity in five years' time. As a result, their fund is shifted into bonds and cash as part of a 'de-risking' strategy.

If during that period inflation runs at 5% a year and their fund after charges delivers returns of 1% a year, then in 'real' terms when they reach retirement their fund will have plummeted in value to just £82,000.

However, it's worth remembering bond prices should, in theory, move in the opposite direction to annuity rates, meaning if returns on those investments are lower in the run-up to retirement then the annuity rate available should be higher.

For someone planning to cash out their entire pension then the de-risking principle is similar – assuming they have something specific they want to spend the money on.

Withdrawing all your pension in one go potentially brings into play a whole host of other risks, including paying too much tax on your withdrawals, having your fund eaten away even further by inflation, and running out of money early in retirement. It is therefore a decision that comes with a severe health warning.



### • OPTION B: Entering drawdown

For those planning to take an income via drawdown, there is less of a need to de-risk your fund as you approach retirement as the bulk is likely to remain invested for the long-term.

If you're planning to take your 25% tax-free cash and have specific spending plans for that money, then you might want to de-risk that proportion of your portfolio.

It also makes sense to have at least 12 months' spending in cash once you enter drawdown to fund your retirement plans.

### 3. TAKING AN INCOME FROM YOUR PENSION



The impact of rising prices on retirement incomes will depend in part on how that income is taken. Let's take each of the major conventional pension income routes in turn:

#### Drawdown

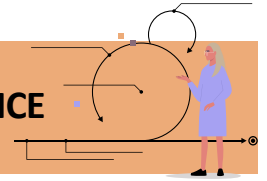
Anyone keeping their pension invested via drawdown has the flexibility to adjust withdrawals to take account of rising living costs.

This has the advantage of allowing you to maintain your living standards even during periods of high inflation. However, ramping up withdrawals will also increase the risk of running out of money early in retirement.

What is sustainable will depend on your personal circumstances and investment returns. Anyone considering hiking withdrawals should make a budget if they haven't already as inflation varies depending on how you spend your money.

Once you have done this, think about the sustainability of your withdrawal plan and see if there are any day-to-day lifestyle changes you can make to help your money stretch a bit further.

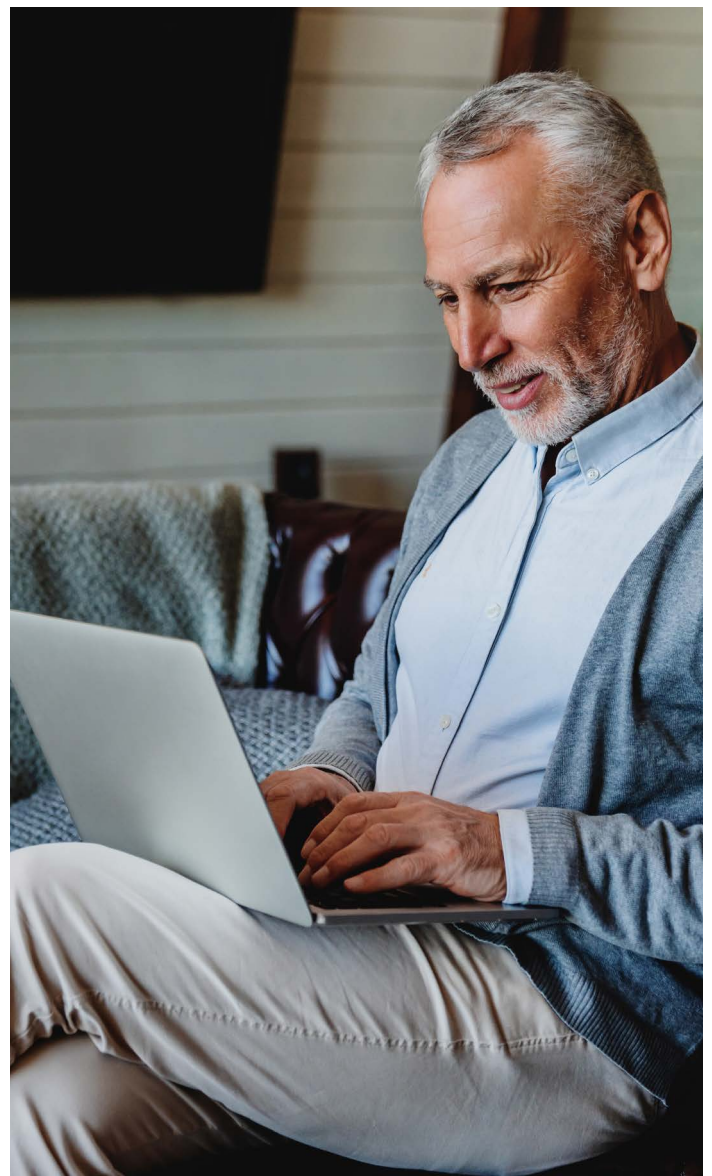
### HOW IT WORKS IN PRACTICE



Take a 70-year-old with a £200,000 pension pot in drawdown who last year took a flexible income of £10,000 from their fund. They ideally want to maintain their standard of living throughout retirement.

If inflation runs at 2% on average and they increase withdrawals at this rate each year, their fund could run out around their 93rd birthday.

However, if inflation runs at 5% on average and they increase withdrawals at this rate each year, their fund could run out by their 88th birthday – a full five years earlier.



## Annuity

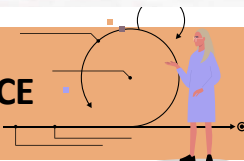
For those taking an annuity income, the impact of inflation will depend on whether they chose to bake inflation protection into the terms of their contract.

Anyone who bought an inflation-protected 'escalating' annuity is probably pleased with the decision right now – particularly as a few years ago the idea of price rises pushing towards double digits would have been fanciful at best.

On the other side of the coin, people in receipt of level 'non-escalating' annuities will be feeling the pinch in a big way, as rising prices eat away at their spending power.



## HOW IT WORKS IN PRACTICE



Take a retiree who is paid a level annuity worth £10,000 a year. If inflation runs at 2% a year, after five years the real value of this income will have dropped to £9,039.

However, if inflation runs at 5% a year, their spending power will plummet to £7,738.

## 1. DEFINED BENEFIT PENSION

Those lucky enough to have built up generous defined benefit pension entitlements are likely to have at least some inflation protection built in, although the extent of this will vary depending on their scheme rules.

It's worth checking the terms of your contract as even inflation increases capped at 5% could mean a real cut in your spending power over the short-term.

The Pension Protection Fund is responsible for paying out defined benefit pensions where the sponsoring employer has gone bust.

The inflation protection you might receive varies depending on the period during which you built up the benefits.

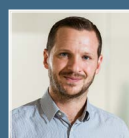
In most cases payments relating to pensionable service from 6 April 1997 will rise in line with inflation each year, but subject to a cap of 2.5% a year.



## 2. STATE PENSION

Finally, your state pension should have gold-plated protection in the form of the triple-lock – a manifesto commitment to increase the payment in line with the highest of average earnings, inflation or 2.5%.

However, a combination of the decision to scrap the earnings link for 2022/23 and the use of September's 3.1% inflation figure to uprate this year means millions of pensioners will see their state pension spending power reduced over the next 12 months.



By **Tom Selby**  
AJ Bell Head of Retirement Policy



# Don't struggle with a big university bill. Invest now for your child's future

Discover how much you might need and where to put your money

**M**any American families already embrace the concept of a college fund and start saving for their children from when they are born.

With the cost of university increasing in the UK, lots of parents might be thinking of starting a similar fund for their children.

Anyone with younger children could start putting money away so their son or daughter can avoid having 40 years of student loans following them around.

If you start when your child is born, or in the first few years of their life, the money will have a long time to grow and benefit from compound growth.

## HOW MUCH DO YOU NEED TO SAVE?

Currently the average graduate leaves university with around £45,000 of debt. This could be higher for future graduates as the cost of university rises and the size of loans increases too.

For that reason, we've taken the £45,000 figure and increased it by 2% inflation a year to see what the average sum is likely to be when a child reaches 18.

For a child who has just been born the amount will be just over £64,000. For a child who is five it will be just over £58,000 and for someone who is 10 the amount will be almost £53,000.

If we then look at the amount you need to save each year, it varies dramatically by the timeframe you have. Someone who starts saving as soon as their child is born will have to reach a higher sum but will have 18 years to save and benefit from compounding. That parent needs to put away £2,200 a year, or £183 a month, assuming they get an investment return of 5% a year.

A parent of a five-year-old who starts saving will need to put away £3,150 a year or £263 a month



**The average graduate leaves university with £45,000 of debt - what might this amount be in the future if you apply 2% annual inflation?**

| Child age now | Potential debt at graduation from university |
|---------------|--|
| 0             | £64,000                                      |
| 5             | £58,000                                      |
| 10            | £53,000                                      |

Table: Shares Magazine • Source: Shares Magazine

to be able to pay for their child's university, while someone who waits until the child is 10 needs to save a much higher £5,250 a year, or £438 a month.

## WHERE MIGHT I WANT TO INVEST?

If you're saving for up to 18 years, then putting the money in cash doesn't really make sense.

Currently the money would struggle to keep pace with inflation, and it means that you'd have to save more each year to get to the desired pot size in the future. Instead, someone who has an 18-year period to invest has the ultimate long-term investment time horizon. Taking more risk could reward them with higher returns.

Parents should make sure they put the money into an ISA, so it's protected from tax on any gains they make from the investments.

There are two choices: open a Junior ISA in their child's name or put the money in their own ISA – there are some pros and cons of each.

If you open a Junior ISA in your child's name, then you can put in up to £9,000 a year and it will be sheltered from tax.

You (and grandparents/anyone else) can keep

adding money but it is locked up until the child turns 18, at which point they legally control the money and can decide what to do with it. This means they could decide to splurge the money rather than spend it on university – although you'd hope not.

If you're worried about your child having control of the money at age 18 you might want to save via your own ISA. It's not as neat because the money isn't ringfenced, and it also means you'll have to use up some of your own £20,000 a year ISA allowance – which might be an issue if you plan to save up to that limit each year for yourself.

However, the money will stay in your name and won't come under your child's control on their 18th birthday. There's no right answer, just what works for you.

Just remember that if you save into a Lifetime ISA, you'll have to pay a 25% exit penalty upon withdrawal unless the money is being used for a deposit on a first property, you are aged 60 or older, or you are terminally ill.

## Saving up for university fees? Pros and cons of investing via your child's Junior ISA or your own ISA

### JUNIOR ISA



Money locked away until child turns 18



Child legally controls the money at 18 and could decide not to use it for university

### ADULT ISA



You control the money and can ensure it goes on university fees



Money not locked away and can be withdrawn at any time creating temptation to use it for something else than university

Table: Shares Magazine • Source: Shares magazine, HMRC

## WHAT IF THINGS CHANGE IN THE FUTURE?

A potential downside of starting a college fund at birth is that you have no idea if in 18 years' time your child will want to go to university.

What's more, you don't know if the entire system will change (either to become cheaper or more expensive).

Because the money would be saved in an ISA account (whether it's a Junior ISA or an ISA for adults such as a Stocks and Shares ISA) it isn't ringfenced for a specific purpose. You could decide to use the money for something else, such as supplementing their income if they go into a trainee role on a low salary or helping with some training.

The other potential downside is that most parents only have a limited amount of money they can save each month, so any cash they are funnelling into a college fund is money they won't be saving for other purposes, such as towards a house deposit for their children. But the main thing is getting started with investing – you can always decide later how the money is spent.

## THREE POTENTIAL INVESTMENTS FOR YOUR UNIVERSITY FUND

### FIDELITY EMERGING MARKETS FUND (B9SMK77)

Emerging markets are a higher risk area in which to invest but could see higher returns over a long time period.

#### Fidelity Emerging Markets



One option is the Fidelity Emerging Markets fund, which invests in around 60 different companies across emerging markets, with current holdings including Samsung Electronics and HDFC Bank.

The fund doesn't stick too closely to its target benchmark, the MSCI Emerging Markets index, which means returns can considerably differ from it at times.

### ABRDN GLOBAL SMALLER COMPANIES FUND (B777SP3)

#### Abrdn Global Smaller Companies Fund



Smaller companies are another area that tend to

deliver higher returns over a long period, albeit with a more volatile ride along the way.

One fund that invests in global small companies is Abrdn Global Smaller Companies – until recently known as ASI Global Smaller Companies.

The fund typically has stake in between 40 and 80 companies around the world, with current holdings including payroll company **Paylocity (PCTY:NASDAQ)** and swimming pool supplies expert **Pool Corp (POOL:NASDAQ)**.

### ISHARES MSCI WORLD SRI UCITS ETF (SUWG)

Many parents may want to invest ethically for their children's future, and there has been a boom in the number of ESG funds launched in recent years.

#### iShares MSCI World SRI UCITS ETF



Parents could opt for a tracker fund, such as the iShares MSCI World SRI UCITS ETF, which tracks the performance of the MSCI World SRI Select Reduced Fossil Fuel index.

This is effectively a basket of shares featuring companies with high ESG credentials and excluding companies such as oil and gas firms. The ETF costs 0.2% a year.

**DISCLAIMER:** Daniel Coatsworth, who edited this article, has a personal investment in Fidelity Emerging Markets Fund and Abrdn Global Smaller Companies Fund



By Laura Suter  
AJ Bell Head of Personal Finance





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# **SHARES** SPOTLIGHT

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| Main Market                         |            | Investment Trusts                           |    |
|-------------------------------------|------------|---|----|
| Airtel Africa                       | 10         | Abrdn Latin American Income Fund            | 34 |
| ASOS                                | 7          | Allianz Technology Trust                    | 35 |
| AstraZeneca                         | 23         | Baillie Gifford China Growth                | 35 |
| Aviva                               | 23         | Baillie Gifford European Growth             | 35 |
| BAE Systems                         | 14         | Baillie Gifford Shin Nippon                 | 35 |
| Barclays                            | 24         | BlackRock Energy and Resources Income Trust | 33 |
| Beazley                             | 20         | BlackRock Latin America                     | 33 |
| BHP                                 | 23         | BlackRock World Mining                      | 33 |
| BP                                  | 19, 23     | CQS Natural Resources Growth & Income       | 33 |
| British American Tobacco            | 14, 20, 23 | Ecofin Global Utilities & Infrastructure    | 35 |
| BT                                  | 10, 23     | Edinburgh Worldwide                         | 35 |
| Darktrace                           | 12         | Fidelity China Special Situations           | 35 |
| DFS                                 | 7          | Finsbury Growth & Income Trust              | 24 |
| Diploma                             | 16         | Geiger Counter                              | 33 |
| EasyJet                             | 7          | Gulf Investment Fund                        | 33 |
| GlaxoSmithKline                     | 23         | JPMorgan China Growth & Income              | 35 |
| Glencore                            | 23         | JPMorgan Russian Securities                 | 35 |
| HSBC                                | 24         | Middlefield Canadian Income                 | 34 |
| Imperial Brands                     | 14, 20     | Riverstone Energy                           | 33 |
| International Consolidated Airlines | 7          | RTW Venture Fund                            | 35 |
| Lancashire                          | 20         |   |    |
| Lloyds                              | 23         |   |    |
| Lookers                             | 7          |   |    |
| National Grid                       | 23         |   |    |
| Next                                | 7          |   |    |
| Pearson                             | 23         |   |    |
| PZ Cussons                          | 7          |   |    |
| Rolls-Royce                         | 23         |   |    |
| Sainsbury (J)                       | 23         |   |    |
| ScS                                 | 7          |   |    |
| Severn Trent                        | 23         |   |    |
| Shell                               | 19, 23     |   |    |
| SSE                                 | 23         |   |    |
| Tesco                               | 6, 23      |   |    |
| Unilever                            | 22         |   |    |
| Vodafone                            | 11, 23     |   |    |
| Whitbread                           | 24         |   |    |
| Wizz Air                            | 7          |   |    |
| ETFs                                |            | AIM   |    |
| iShares MSCI World SRI UCITS ETF    | 45         | Mothercare                                  | 20 |
|                                     |            | Supreme                                     | 14 |

## KEY ANNOUNCEMENTS OVER THE NEXT WEEK

### Full-year results:

**25 April:** Audioboom. **26 April:** Learning Technologies, Puretech Health. **28 April:** Keystone Law, Sainsbury's, Sanderson Design.

### Half-year results

**25 April:** Lok'N Store. **26 April:** Associated British Foods, Focusrite. **27 April:** AB Dynamics, Go-Ahead, WH Smith. **28 April:** C4X Discovery. **29 April:** Up Global Sourcing.

### Trading updates

**22 April:** Record. **25 April:** Globaldata, Totally. **26 April:** Flutter Entertainment, IWG, Jupiter Fund Management, National Express, Taylor Wimpey. **27 April:** Aveva, Drax, GlaxoSmithKline, Fresnillo, Lloyds, Persimmon, Petropavlovsk, Reckitt Benckiser. **28 April:** Barclays, Convatec, Evraz, Glencore, Howden Joinery, Indivior, Lancashire, PPHE Hotel, Schrodgers, Smith & Nephew, Standard Chartered, Unilever. **29 April:** AstraZeneca, Natwest, Rotork, Smurfit Kappa, Travis Perkins.

## WHO WE ARE

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