STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

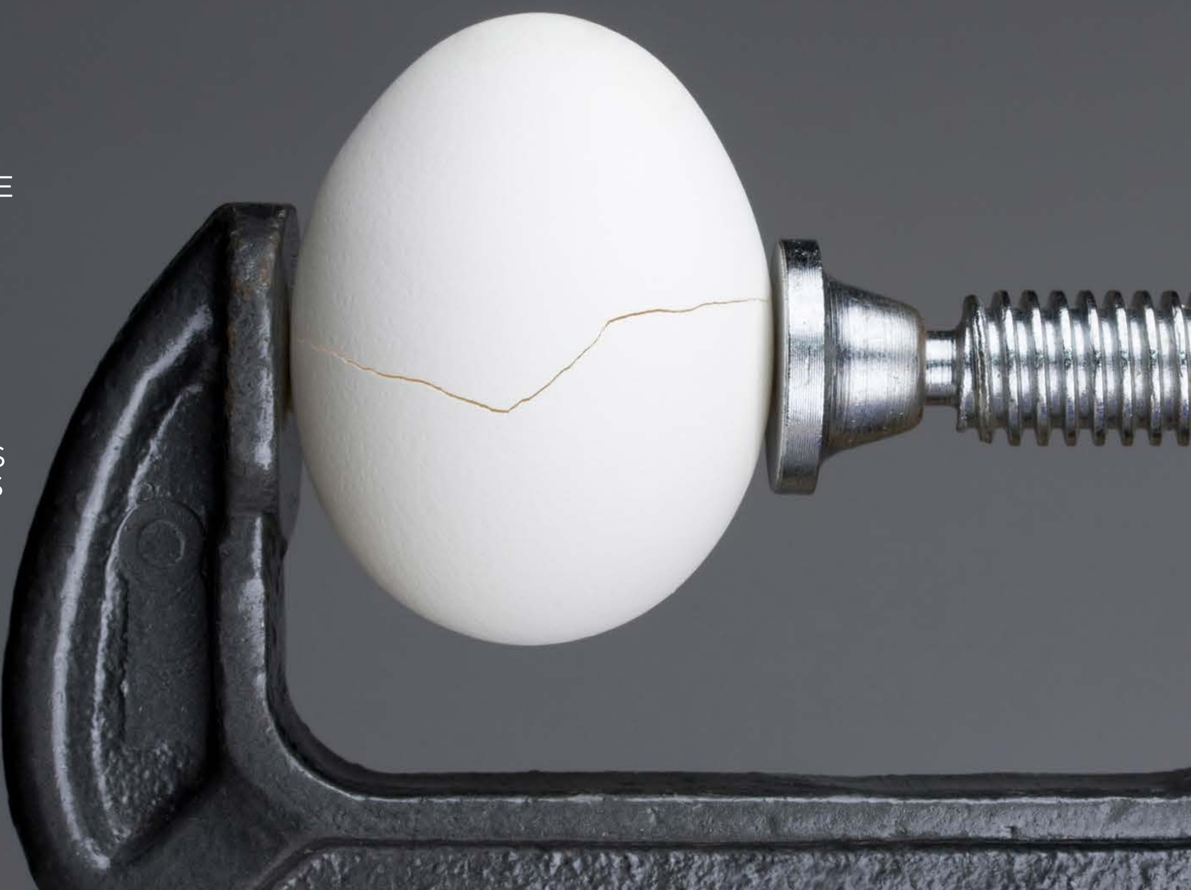
VOL 24 / ISSUE 24 / 23 JUNE 2022 / £4.49

SHARES

WE MAKE INVESTING EASIER

UNDER PRESSURE

The stocks investors are **betting against**



PLUS

INFLATION
NOTHING IS MORE IMPORTANT FOR INVESTORS RIGHT NOW

SCOTTISH MORTGAGE
FUND MANAGERS FACE QUESTIONS AFTER WEAK PERFORMANCE

GROWTH COMPANIES
PART TWO IN A SERIES ON HOW TO ANALYSE THEM

A dedicated follower of the unfashionable

FIDELITY SPECIAL VALUES PLC

This investment trust seeks out underappreciated companies primarily listed in the UK, whose quality and long-term growth potential have been overlooked by the market.

Those who have held on to their vinyl records over the years, will understand why investing in what's not in vogue can pay off. It's something the trust's portfolio managers appreciate, too. Supported by an extensive research team, they look to invest in out-of-favour companies, having spotted potential triggers for positive change they believe have been missed by others.

It's a consistent and disciplined approach that has worked well; the trust has outperformed the FTSE All-Share Index over the long term, both since the current manager took over in September 2012 and from launch over 27 years ago. As with vinyl, the true value of a good company is almost always recognised in time, even if it temporarily falls out of fashion.

PAST PERFORMANCE

	Apr 2017 – Apr 2018	Apr 2018 – Apr 2019	Apr 2019 – Apr 2020	Apr 2020 – Apr 2021	Apr 2021 – Apr 2022
Net Asset Value	10.3%	-1.0%	-26.0%	53.9%	5.2%
Share Price	13.5%	2.4%	-30.8%	64.1%	1.2%
FTSE All-Share Index	8.2%	2.6%	-16.7%	25.9%	8.7%

Past performance is not a reliable indicator of future returns.
Source: Morningstar as at 30.04.2022, bid-bid, net income reinvested.
 The FTSE All-Share Total Return Index is a comparative index of the investment trust.

The value of investments can go down as well as up and you may not get back the amount you invested. Overseas investments are subject to currency fluctuations. The trust can use financial derivative instruments for investment purposes, which may expose it to a higher degree of risk and can cause investments to experience larger-than-average price fluctuations. The trust invests more heavily than others in smaller companies, which can carry a higher risk, because their share prices may be more volatile than those of larger companies and the securities are often less liquid.

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Contents

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What OPEC can do about energy prices and why it might do nothing

The producers' cartel faces a dilemma when the current set of production quotas are removed in August

When the latest eye-watering energy bill comes through the post, or you hand over £100 to fill your car with petrol, your mind may not immediately turn to a nondescript building in Vienna, just a short stroll from the Sigmund Freud Museum.

However, it is in this low-key location which OPEC or the Organization of the Petroleum Exporting Countries is headquartered.

OPEC is an intergovernmental organisation or, in slightly less polite language, a cartel which looks to influence the oil market.

At times it has done this in spectacular fashion. The high watermark came in the 1970s when OPEC introduced an oil embargo on Western countries which had supported Israel in the Yom Kippur war. That saw oil prices quadruple.

Since then, OPEC's influence has reduced as alternative sources of supply have been discovered, not least in the US which is now the world's top global producer of crude oil.

OPEC still matters though. The cartel found this out to its cost in November 2014 when a failure to cut output against a backdrop of rising supply contributed to a big slump in oil prices.

In recent years it has earned the nomenclature OPEC+, with the plus denoting affiliates such as Russia. The latter, despite the war in Ukraine, has not been excluded from OPEC's decision making.

The dominant player is Saudi Arabia because it is the largest individual producer in OPEC and, on paper at least, has the most amount of spare capacity for oil production.

The cartel is at a decision point and in August it will have rolled back the final lot of cuts introduced to help support the market when the Covid-19 pandemic hit demand.

The question of just how much more oil OPEC can pump is a live one. In May OPEC's production fell rather than rose despite the quota for its members being increased. The Saudis got their production up by 60,000 barrels of oil per day, but this was offset by lower levels from the likes of Libya and Nigeria.

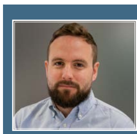
There is very little transparency on Saudi Arabia's oil reserves, although the US-based International Energy Agency believes Saudi Arabia and the United Arab Emirates have 2.2 million barrels of oil per day spare on top of what's already factored in from the removal of quotas.

However, even assuming the ability to increase output is there, the will might not be. This is a finely balanced decision for OPEC.

Oil prices at current levels are already forcing countries to look at their long-term energy strategies and are creating an incentive to accelerate investment in alternatives. The inflationary pressures associated with high energy prices could also tip the global economy over the edge and lead to reduced demand for crude.

However, what if OPEC increases output and the world experiences a pronounced downturn regardless? Then it will be boosting supply just as economic activity and demand is in retreat. Moving production closer to its capacity will also diminish its ability to affect the market in a meaningful way in the future.

Whatever OPEC decides it could have significant ramifications for the economy and markets across the globe. This underscores the reality that OPEC remains relevant in 2022, just as it was 50 years ago.



By **Tom Sieber** Deputy Editor

How rising interest rates are increasing the risk of recession

Rising interest rates are exposing parts of the global economy and financial markets with the largest borrowings

While all eyes were on the US Federal Reserve's three-quarter point interest rate increase last week (15 June) the European Central Bank was conducting an emergency meeting to discuss the risks of fragmentation across the 19 countries of the eurozone.

$6.6 BILLION WITHDRAWN FROM HIGH YIELD BOND FUNDS **IN A WEEK**

The ECB is worried about its one-size-fits-all monetary policy. This could cause problems for countries carrying structurally high debts which feel a greater chill from the bank's move to push up interest rates and tighten monetary conditions.

Italy is the real worry for investors, and this is evidenced by long-term government Italian bond yields which have surged from around 1% at the start of 2022 to over 4%.

By contrast German 10-year bunds have risen from minus 0.3% to 1.6%, implying the Italian bond spread has doubled (from 1.3% to 2.6%).

Countries with higher indebtedness tend to experience lower growth as debt servicing costs eat into investment and growth.

To preserve the orderly functioning of markets the governing council of the ECB said it will apply 'flexibility' when reinvesting bond redemptions. This implies it will act to support the bond markets of peripheral counties.

Chief economist Nouriel Roubini at Atlas Capital Team has pointed out that in practice any facility designed to rescue Italian bonds may come with unacceptable conditions to the Italian government.

There are growing fears that raising interest rates while the Eurozone recovery is still fragile will push the region into recession later this year.

One investor with a gloomy view on the Eurozone and its stock markets is Ray Dallio's Bridgewater Associates which is now the biggest short seller of European stocks according to a *Reuters* report.

The hedge fund has made at least a $6.7 billion bet against 27 European companies including a $1 billion bet against semiconductor equipment maker **ASML (ASML:AMS)**.

Short selling involves borrowing shares to sell them with the intention of buying them back at a lower price to pocket the difference.

Another sign of increasing market fragility is the spectacular collapse of crypto currency bitcoin which has dropped 75% from almost $69,000 in November 2021 to around $17,600.

The sharp fall is affecting some of the largest investors in the space. Singapore-based crypto hedge fund Three Arrows Capital said recently it had suffered substantial losses.

And while up until now corporate bond investors have been relatively relaxed about the strength of the US economy, this seems to have changed.

According to data provider EPFR $6.6 billion was withdrawn from high-yielding bond funds in the week ending 17 June, the highest weekly outflows since the start of the pandemic.

High yield bonds are issued by the most indebted companies with the weakest balance sheets and are considered more likely to fail in a recession. [MGam]

Why Primark's plan to trial new click and collect service could be smart

Discount fashion chain's move looks a decent halfway house at a time when online retail looks challenged

Budget retail chain Primark will launch a UK click and collect trial on children's products towards the end of the calendar year in what looks a useful halfway house into online retail at a tough time when the channel is weakening as cash-strapped consumers change their behaviour.

Owned by foods-to-fashion conglomerate **Associated British Foods (ABF)**, Primark has long eschewed online transactional services. The discount clothing and homewares seller's rationale has always been that the economics of online deliveries and returns wouldn't stack up for its cheap and cheerful product range.

This argument carries extra weight currently given the inflationary pressures, uncertain buying patterns and soaring return rates eating into the margins of online-only fast-fashion rivals **ASOS (ASC)** and **Boohoo (BOO:AIM)** at present.

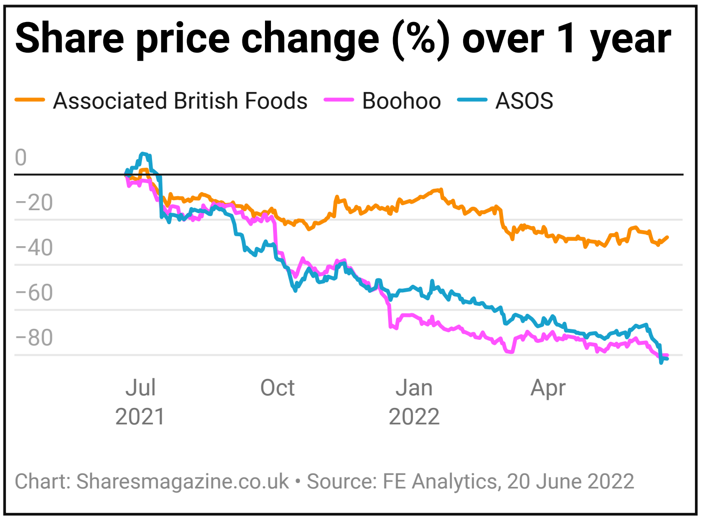
Given these headwinds, Primark's capital light trial seems sensible at a time when physical stores are proving more resilient than many expected and, to quote Shore Capital, Primark's pure offline offer is 'not presently as strategically out of favour as some previously believed and presently may suggest'.

Associated British Foods' CEO George Weston told analysts click and collect represents a 'significant business opportunity' for Primark.

The trial, which will take place in up to 25 stores in the North West, will allow cash-strapped shoppers to order children's goods online at their convenience, but they will still need to pop into a Primark to collect their purchase.

Associated British Foods' management hopes the initiative will boost footfall and incremental in-store sales.

As for ASOS and Boohoo, shares in both names



slumped on 16 June after the former delivered yet another profit warning and the latter reported a weak start to its 2023 financial year with news of its first-ever sales decline in the UK market.

Both online clothing retailers are feeling the squeeze from soaring costs at a time when cash-strapped shoppers are cutting spending on non-essential clothing and more young fashionistas, hit hard by the cost of living crisis, are returning products. They also face aggressive competition from the likes of Chinese ultra-fast fashion retailer Shein.

ASOS has at least finally ended its long search for a new CEO, having appointed José Antonio Ramos Calamonte to the hot seat. Investors will be hoping for some fresh thinking in the boardroom with the share price sitting at a 12-year low. Calamonte joined the company from Portuguese fashion group Salsa Jeans.

He will need to execute against a strategy focused on own-brand sales, fulfilment on behalf of partners and overseas growth whilst fending off cheap competition and grappling with rampant cost inflation. [JC]

Supermarket sales slide extends to over a year as shoppers trade down

Rampant inflation means customers buying fewer, cheaper items

The latest supermarket 'till roll' from Kantar for the 12 weeks to mid-June makes for more unhappy reading for the industry and consumers.

Total sales by value in the period, which included the Platinum Jubilee celebrations, shrank by 1.9% due to a more than 10% fall in the number of items purchased.

Offsetting the fall in volumes was a further spike in inflation which reached a record 8.3% in the last four weeks of the period.

Sales growth has been negative for over a year now, partly due to the surge in supermarket food spending during the pandemic when we were all eating at home but also due to the rising cost of living.

Based on Kantar's own data, the average annual grocery bill is on course to rise by £380 this year compared with last year.

'This is over £100 more than the number we reported in April this year, showing just how sharp price increases have been recent and the impact inflation is having on the sector', said Fraser McKevitt, head of the firm's retail and consumer insight.

The only two retailers to show an increase in sales, predictably, were the German discounters Aldi and Lidl, with rises of 7.9% and 9.5% respectively.

Both retailers predominantly sell own-label goods, which is contributing to the overall rise of private-label products at the expense of branded products.

Kantar also flagged the increase in popularity of supermarket own-label value ranges, with sales surging by 12% over the period.

Interestingly, more shoppers seem to be opting to visit stores rather than shop online, possibly to avoid expensive delivery charges.

On 17 June market leader **Tesco (TSCO)** disappointed the market with a first quarter trading update which revealed UK like-for-like sales were down 1.5% in the three months to the end of May.

On 5 July, smaller rival **Sainsbury's (SBRY)** is due to update investors on its first quarter, during which its market share shrank to 15% from 15.3% a year ago and its sales fell roughly 10% according to Kantar.

Year-to-date, Tesco shares are down 13% and Sainsbury's shares are down 24% while the FTSE 100 is down just 4.5%. [IC]

UK grocery market share

12 Weeks to 12 June 2022 versus 12 weeks to 13 June 2021

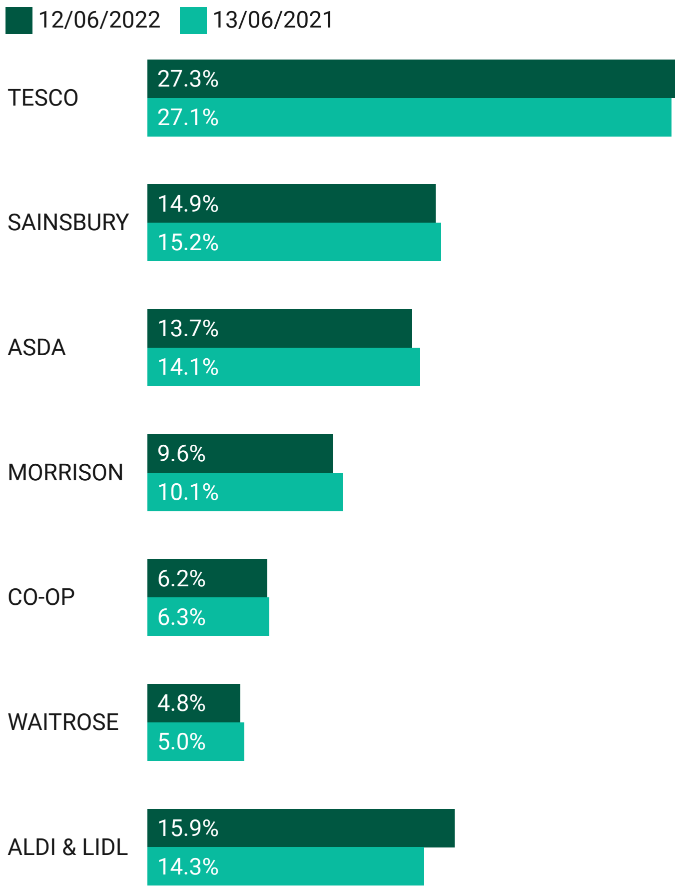


Chart: Sharesmagazine.co.uk • Source: Kantar Worldpanel

Trustpilot pulls forward breakeven target at its big investor day

Stock has lost 78% since 2021 highs as investors ditch 'jam tomorrow' equities

Online reviews and analytics platform **Trustpilot (TRST)** believes it will hit breakeven in 2024, on an EBITDA basis (earnings before interest, tax, depreciation and amortisation), sooner than most analysts are forecasting.

The Danish company which listed in London in March 2021, revealed its intentions to analysts at a capital market day on 16 June, during which it also broke out standalone sales and marketing costs for the UK. The UK has significantly better economic unit metrics, say analysts, including a net dollar retention rate of 103% and long-term value to cost of capital of 5.1 times for 2021, compared to 99% and 3.7 times for the wider group.

'These metrics are important, as the UK is a posterchild of what other regions could achieve over time,' said Peel Hunt. This would support Trustpilot's ambitions for approximate 30% EBITDA margins down the line.

Trustpilot has customers in 65 countries around the globe, including the UK, US, across Europe, India and Australia.

Analysts at Peel Hunt and Berenberg are currently forecasting EBITDA losses of between $4 million and $5 million for 2024, although Peel Hunt said it expects consensus to rise following the investor day. Liberum, which started covering Trustpilot in May, estimates positive EBITDA of $4.1 million by 2024.

Trustpilot shares, at 100p, have lost 69% this year and 78% since peaking at 460p in November 2021. [SF]

Henderson manager hits the sell button on Shell

Getting out when a trade seems like a 'sure thing' can often be advantageous

IT'S TIME TO sell shares in FTSE 100 oil producer **Shell (SHEL)**, according to **Henderson Opportunities Trust (HOT)** manager James Henderson.

The trust will slowly reduce its position and recycle the proceeds into unloved AIM shares.

Sentiment has shifted for AIM stocks. Two years ago, a wave of retail money bid them up but now many of these investors have bailed out, and few institutional investors have been buyers, leading to a big sell-off.

The fund manager says Shell 'has done its job' in providing a cushion for Henderson Opportunities Trust during this year's rocky market. He says a bullish outlook for oil and gas prices is precisely the time to reduce exposure to Shell and fellow portfolio holding **Serica Energy (SQZ:AIM)**.

'We are modestly contrarian and when the story sounds really good, you've got to be reducing exposure a bit. Quite a lot of the story about oil and gas prices has been articulated and markets are discounting mechanisms,' he says.

Laura Foll, who co-manages Henderson Opportunities Trust, has been selling down a position in **Severn Trent (SVT)** from **Lowland Investment Trust (LWI)**. 'It's a very good quality company but has rerated to a higher level versus where it has historically been, and the yield has compressed to the point where we can get better yields elsewhere,' she explains. [DC]

Games Workshop shares have rarely looked as cheap as they do today

Fantasy games and model maker is much more than just a lockdown winner

Fantasy games and miniatures maker **Games Workshop (GAW)** is the definition of a business which has chunky gross margins with high and sustainable returns on capital, allowing it to re-invest its cash flow to grow in size or hand back the surplus to shareholders.

Its strategy is simple: 'To make the best fantasy miniatures in the world, to engage and inspire our customers, and to sell our products globally at a profit. We intend to do this forever.'

Having virtually halved in the last nine months, we believe the company's shares have rarely looked such good value.

GAMES WORKSHOP GROUP

BUY

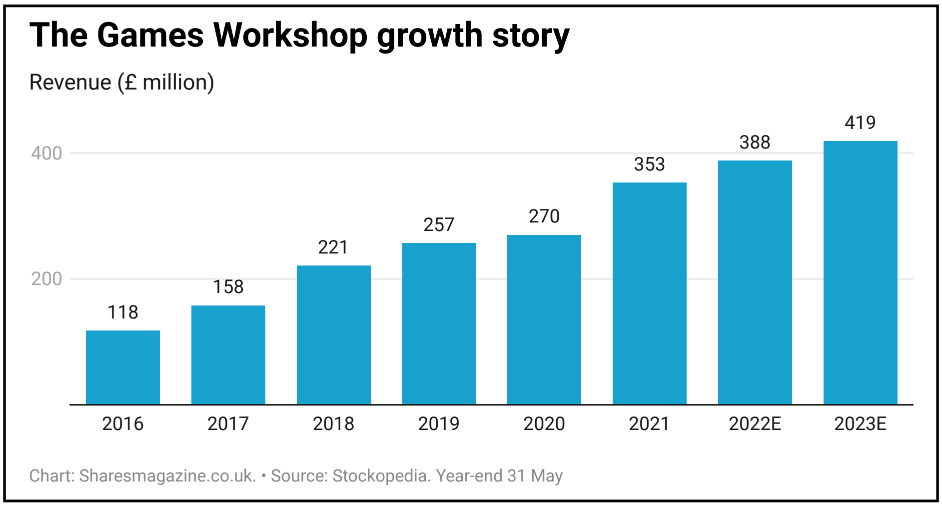
(GAW) £60.45

Market value: £2 billion

VALUATION MATTERS

Games Workshop shares have been drifting steadily since September 2021, after investors began rotating out of highly-rated growth companies into lowly-rated financial and commodity stocks as expectations of interest rate rises grew.

Cheap, economically-sensitive sectors such as banks and oils typically do well in stock market terms when central banks start ratcheting up rates while more expensive stocks, including those with superior long-term cash-flows, tend to do less well.



At a price of £120 nine months ago, shares in Games Workshop were trading on a multiple of more than 32 times earnings for the year to May 2021.

At today's price they are trading on just over 15 times this year's earnings, which makes them an outstanding bargain in our view.

LIFE AFTER LOCKDOWN

There is no doubt the company was a big winner from the restrictions imposed during the pandemic.

A generation of hobbyists with time on their hands and furlough cheques in their pockets practically competed with each other to drive up sales of Warhammer miniatures and subscriptions as they sought to entertain themselves during their confinement.

While sales of many

High margin royalty income is growing fast

Royalties receivable (£ million)

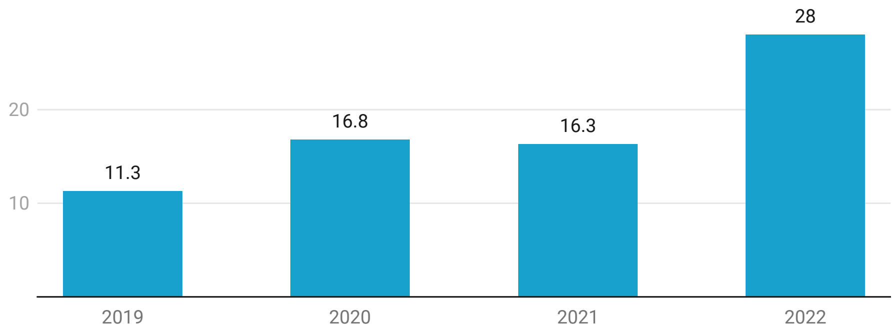


Chart: Sharesmagazine.co.uk. • Source: Stockopedia. Year-end 31 May

discretionary items have since slumped as the economy has reopened, in its recent trading update for the year ended in May – which was customarily short and sweet – the firm revealed core sales would be at least 9% above last year's record level of £353 million.

In addition, royalty revenues – which it receives from PC and console games based on its Warhammer miniatures – jumped 72% from £16 million to £28 million, and there are several more video games due to be launched this year which will generate future royalties.

SIMPLE MODEL

The firm's business model is beautifully simple: it continually invests in making the best products on the market and making its games fun and enjoyable.

'Our customers are global. People with our particular hobby gene, that is collecting, painting and playing with fantasy soldiers, exist all over the world. Our job is to find them.'

The more customers it can attract and retain, the more miniatures it can make and sell, and by sticking to fantasy it has unlimited scope for product innovation.

Management are laser-focused on protecting their IP (intellectual property) on the one hand and improving returns on capital for shareholders on the other.

When the company makes an investment, be it in tooling to make better models, new IT systems or new warehouses to better support its stores and stockists, it is always done with the aim of driving more volumes and improving gross margins.

The firm has no debt and doesn't make acquisitions, so it has no goodwill on the balance sheet, just cash which it distributes to its employees as bonuses and to shareholders as and when it builds up a sizeable surplus.

EXPERT VIEWS

David Beggs, analyst at Sandford Deland – which manages the **CFP SDL UK Buffettology Fund (BF0LDZ3)**, a big backer of Games Workshop – flagged the fact core sales in both the first and second halves of the year to May were above those during 'peak' lockdown.

Meanwhile, royalties are making a bigger contribution. 'This is pure profit, with no cost of sales attached,' notes Beggs.

The drop in prices means the shares have also caught the attention of investors who had previously avoided the shares.

For Mark Wright, co-manager of the **VT Momentum Diversified Income Fund (B7JTF56)**, at today's price the stock ticks all the boxes in terms of valuation, growth and a solid balance sheet.

'Having had a very good pandemic, Games Workshop was previously too expensive but the shares have de-rated along with many other growth stocks.

'It's a fantastic business with high gross margins, largely due to the fact that its customers consider it a hobby to assemble and paint the miniatures it manufactures' says Wright.

'There is unlimited scope for product innovation by virtue of the fact that Games Workshop's miniatures and universes are fanciful and it's all original IP.

Wright is 'excited about what the future could bring... a TV series, film or even a theme park.

'There are so many different growth avenues for the company.' [IC]

Games Workshop

(p)

Chart: Sharesmagazine.co.uk • Source: Refinitiv

Find out why Liontrust European Growth's roaring success can return

This fund's focus on companies' historic cashflows has helped it deliver consistent top quartile performance

European markets are under pressure right now and with good reason as the European Central Bank gets more hawkish in the face of mounting inflation and as growth slows.

However, we think there are opportunities for good stock-pickers to take advantage of share price weakness and **Liontrust European Growth (B4ZM1M7)** – which has a strong process and proven pedigree – looks ideally placed.

Managed since its late 2006 launch by James Inglis-Jones, who was joined by Samantha Gleave in 2012, the fund is concentrated around the managers' best ideas.

This comprises 32 names at last count, and has been positioned more defensively of late with a focus on attractive valuations.

Liontrust European Growth's stated aim is to deliver capital growth over the long term, meaning five years or more, by using asset manager Liontrust's tried-and-tested 'Cashflow Solution' process to identify winning investments.

Put simply, Inglis-Jones and Gleave seek to own companies that generate significantly more cash than they need to sustain their planned growth yet are lowly valued on that measure and run by management teams committed to an intelligent use of capital. The Liontrust managers screen for two cash flow ratios in particular; cash flow relative to operating assets, and cash flow relative to market value.

LIONTRUST EUROPEAN GROWTH FUND

BUY

(B4ZM1M7) 283.18p

Net assets: £365 million

HUNTING FOR CASH FLOW

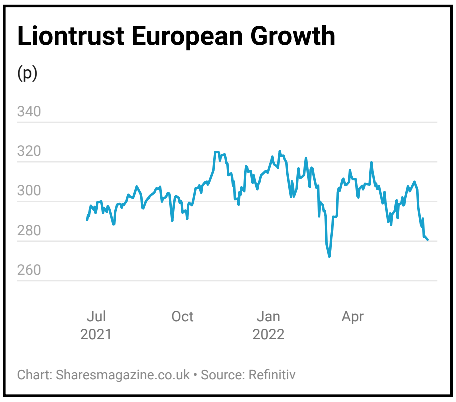
The £387.2 million vehicle's success is reflected in a top quartile ranking over one, three, five and 10 years and the fund is top quartile year-to-date too. On a 10-year cumulative performance basis, Liontrust European Growth has returned 222.7%, dramatically outpacing the 148.5% from the IA Europe Ex UK index and the 141.7% generated by the MSCI Europe ex UK index, thanks to its focus on companies' historic cash flows.

As at the end of May, the portfolio's biggest sector exposures were those with a value tilt such as industrials, materials and financials followed by consumer discretionary and healthcare, a spread that also gives investors access to a diverse batch of cash generative names.

Among the top 10 holdings are the likes of German fertiliser supplier **K+S (SDF:ETR)**, a recent beneficiary of surging potash and other agricultural commodity prices in the wake of Russia's invasion of Ukraine, as well as Dutch microchip tech firm **ASML (ASML:AMS)**, Denmark-headquartered pharmaceutical name **Novo Nordisk (CPH:NOVO-B)** and French military aircraft-to-business jets maker **Dassault Aviation (AM:EPA)**.

Another holding is **Swedish Match (SWMA:STO)**, the tobacco company famed for its Zyn nicotine pouches.

This was added to the portfolio just before the shares puffed higher after Swedish Match agreed to a SEK106 per share cash offer from tobacco titan **Philip Morris (PM:NYSE)**. [JC]



EUROMONEY
(ERM) £13.82

Gain to date: 24%
Original entry point:
Buy at £11.12 , 7 October 2021

SHARES IN INFORMATION services and events firm **Euromoney (ERM)** jumped 25% following confirmation of an approach from private equity firms Astorg Asset Management and Epiris LLP, regarding a possible cash offer of £14.61.

This equates to a 34% premium to the undisturbed closing price on 17 June.

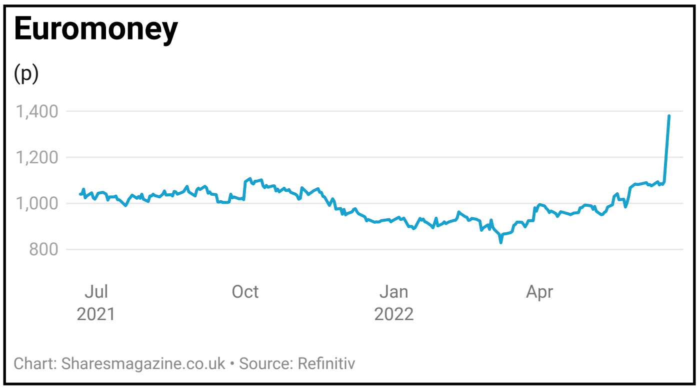
The Euromoney board are currently engaged in discussions with Astorg Asset Management and Epiris LLP, which have until 18 July to either make a formal bid or walk away.

Euromoney recently reported strong first-half results (19 May). The numbers were ahead of expectations from both a revenue and earnings perspective.

The core focus of Euromoney's strategy has been to grow the data orientated segments of the business which benefit from high barriers to entry and recurring revenues.

This has in part been facilitated by three key bolt-on acquisitions: BoardEx, Wealth-X and Wealth Engine.

The data Euromoney provides is becoming increasingly fundamental to customers' work.



SHARES SAYS:
Sit tight and wait for the bid situation to play out. [MGar]

REVOLUTION BEAUTY
(REVB:AIM) 84.2p

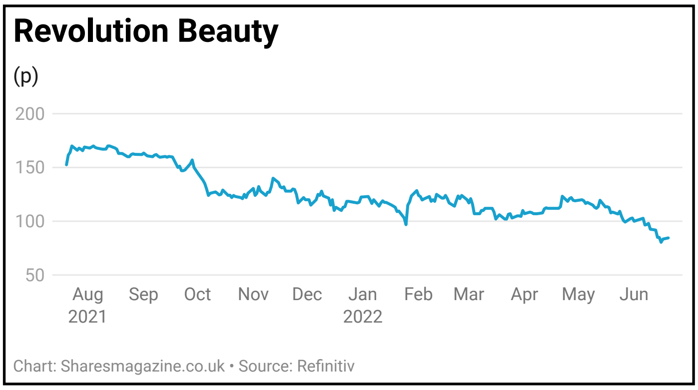
Loss to date: 47.4%
Original entry point:
Buy at 160p, 9 September 2021

DESPITE THE COMPANY in question not really doing anything wrong in terms of execution our buy call on **Revolution Beauty (REVB:AIM)** has been badly beaten up.

In hindsight we might have cut our losses when we last commented on the shares in February though obviously we didn't know the war with Ukraine was coming. The conflict has helped exacerbate cost of living pressures and put consumer-facing stocks like Revolution Beauty on the back foot.

Global cosmetics brand **Revlon (REV:NYSE)** entering Chapter 11 bankruptcy is a reminder of the pressures on the wider industry, particularly when it comes to supply chains. Though its troubles are partly a function of its heavy borrowings too.

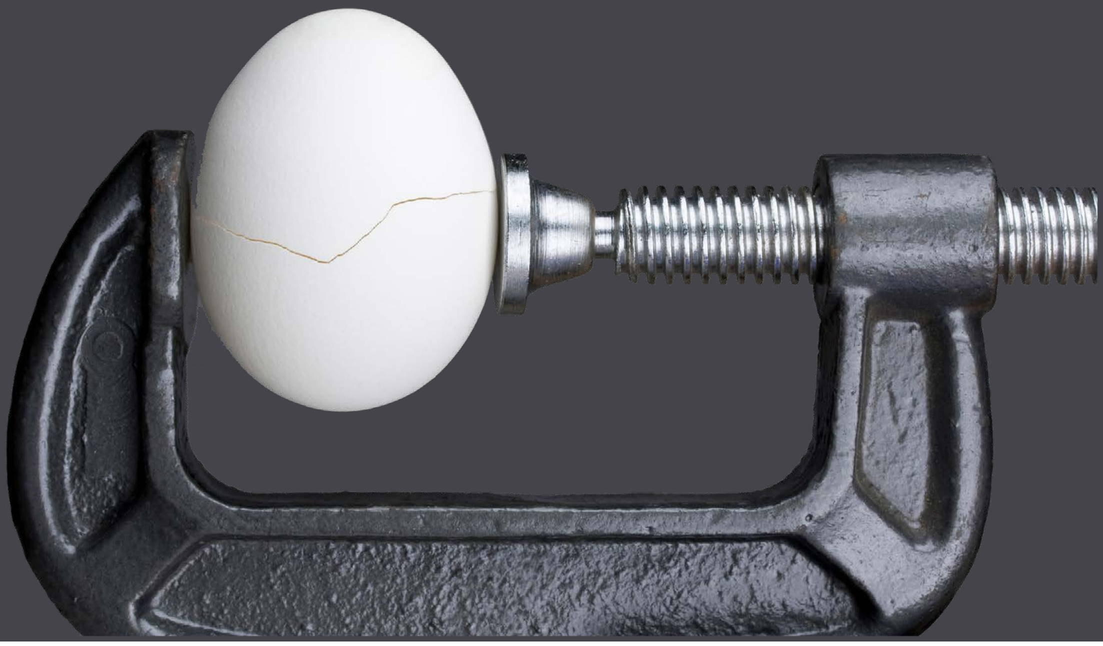
Revolution Beauty, which looks to bring quality, cruelty-free cosmetics and skincare products to market fast, recently updated investors on its full-year performance. In the 12 months to 28 February 2022, admittedly not encompassing the period since the Ukrainian invasion, the company reported revenue up 42% year-on-year to £194 million.



SHARES SAYS:
Historically cosmetics spend has proved fairly resilient in a downturn and Revolution Beauty has done nothing to lose our faith. Stick with the shares. [TS]

UNDER PRESSURE

The stocks investors are betting against



Some of the UK's best-known businesses are being targeted by hedge funds this year as investors' nerves are shredded by inflation risks, rising interest rates and Russia's war in Ukraine.

British retailers such as **ASOS (ASC)**, B&Q-owner **Kingfisher (KGF)** and **Currys (CURY)** have seen short sellers make big bets that they will struggle as the cost-of-living crisis spirals, potentially leading to large share price falls.

Other targets include **Royal Mail (RMG)**, **Domino's Pizza (DOM)**, **Fevertree (FEVR:AIM)** and **Future (FUTR)**, the magazine and website publisher.

Cineworld (CINE), the world's second-largest cinema operator, has been top of the list of the most shorted stocks since January.

The latest data from shorttracker.co.uk, a website which calculates short interest on UK stocks, shows Cineworld has 8.2% of its shares in the hands of shorters, who profit when share prices fall, including 2.42% held by New Holland

By **Steven Frazer** News Editor

Capital and Whitebox Advisors' 2.38%, the two largest bets against the company.

Tempting as it might be at a time when many shares are under pressure, shorting is not really an activity which is accessible or suitable for most investors, however it is definitely worth keeping tabs on the list of most shorted stocks.

If you already own stock in any of these businesses, or perhaps think they might represent buying opportunities at current valuations, it is worth considering why they might be in the sights of the shorters.

After all, these specialists are taking on big risks if they hold these positions. The most someone can lose when buying shares in the hope they go up in value is the entire value of their initial investment. Yet if someone is short selling a stock

HOW SHORTING WORKS

Short selling or 'shorting' is a process where investors seek out companies who they believe could suffer a falling share price. They are effectively betting the company risks financial distress or issues bad news that triggers a share price decline.

The short seller pays a small fee to borrow stock owned by an existing shareholder, typically a large financial institution such as a pension fund, then sells it at the current market price.

Presuming the stock falls as anticipated, it means the short seller can buy back the same number of shares as originally borrowed for a cheaper price, give the stake to the original lender, and pocket the difference.

For example, say a short seller borrows 100,000 shares at 100p each in the hope the share price will fall. They sell the stake worth £100,000 and wait. Let's say the stock declines to 85p after three months. The short seller buys back 100,000 shares in the market at a cost of £85,000, gives these shares to the original lender, and they make £15,000 profit on the deal, less any fees.

and it goes up in value – rather than down as they hoped – then in theory there's no limit to the level a share price can rise. That means the losses could be significantly more than the initial investment. For this reason, shorting stocks is not suitable for most retail investors.

WHY GO SHORT?

As discussed, even if you don't partake in short selling, it is also worth establishing why others are betting against a stock. It could help you avoid companies which you previously thought were good, or make you alert to problems which lead you to reassess whether you still want to own those shares.

This year, there have been several times shorters have called it right. Since the start of 2022, Cineworld's shares have lost 30% of their value. In fairness, you could say the same about any number of stocks this year. But what sets Cineworld apart is that at 2.89p, the stock is trading at an all-time low, valuing the one-time near-£10 billion company at just £320 million.

UK's 25 most shorted stocks

	% shares in issue	Number of funds short
Cineworld	8.2%	5
Fevertree	7.2%	3
Kingfisher	7.1%	6
Boohoo	6.9%	9
ASOS	6.4%	7
Dixons Carphone	5.6%	5
Hammerson	5.1%	5
Naked Wines	5.0%	5
Ashmore	4.7%	5
Sainsbury	4.5%	4
International Consolidated Airlines	4.1%	6
Metro Bank	4.0%	2
Aston Martin	3.9%	4
Domino's Pizza	3.6%	5
Strix	3.6%	3
AO World	3.2%	4
Hargreaves Lansdown	3.1%	5
Travis Perkins	3.1%	4
Wizz Air	3.1%	3
Rentokil Initial	3.0%	4
Royal Mail	3.0%	2
Weir	3.0%	4
Greencore	2.8%	2
Tullow Oil	2.8%	3
Wood Group	2.7%	2

Table: Sharesmagazine.co.uk • Source: Shorttracker.co.uk, 16 June 2022

Many companies that rely on consumer spending will be feeling nervous as pressure mounts on household budgets. In the current environment, how many of us can justify doing up the spare room, buying a bigger fridge or spending cash on takeaways?

It should come as no surprise that FCA data indicates that short sellers are looking to exploit weaknesses that the cost-of-living crisis will create for consumer stocks.

Several businesses which prospered during the pandemic have also drawn short interest – the hypothesis being that either the pandemic pulled forward future business leading to growth rates which will be hard to sustain post-Covid or simply that they were more of a fad or temporary beneficiary of things like lockdown restrictions.

Royal Mail remains a favourite of shorters, some of whom believe the 500-year-old postal service faces an existential crisis. The company is seeking to radically overhaul its business after the pandemic accelerated an existing trend toward e-commerce that sees it deliver more parcels and fewer letters.

But with a heavily unionised workforce pushing aggressively for higher pay, costs are rising fast, putting Royal Mail's pace of operational savings under threat.

Investors might wonder why people are betting against **Tullow Oil (TLW)** despite rising oil prices, with 2.8% of its stock in the hands of short sellers. It's certainly true that rocketing oil prices have provided a vital boost to cash flow following a dismal period during the early stages of the pandemic.

Tullow's shares have risen in price by nearly 9% this year versus the FTSE 100's near-6% decline, yet its strained balance sheet, despite refinancing last year, means it has not been able to capitalise on the higher commodity price environment in the same way as many of its peers.

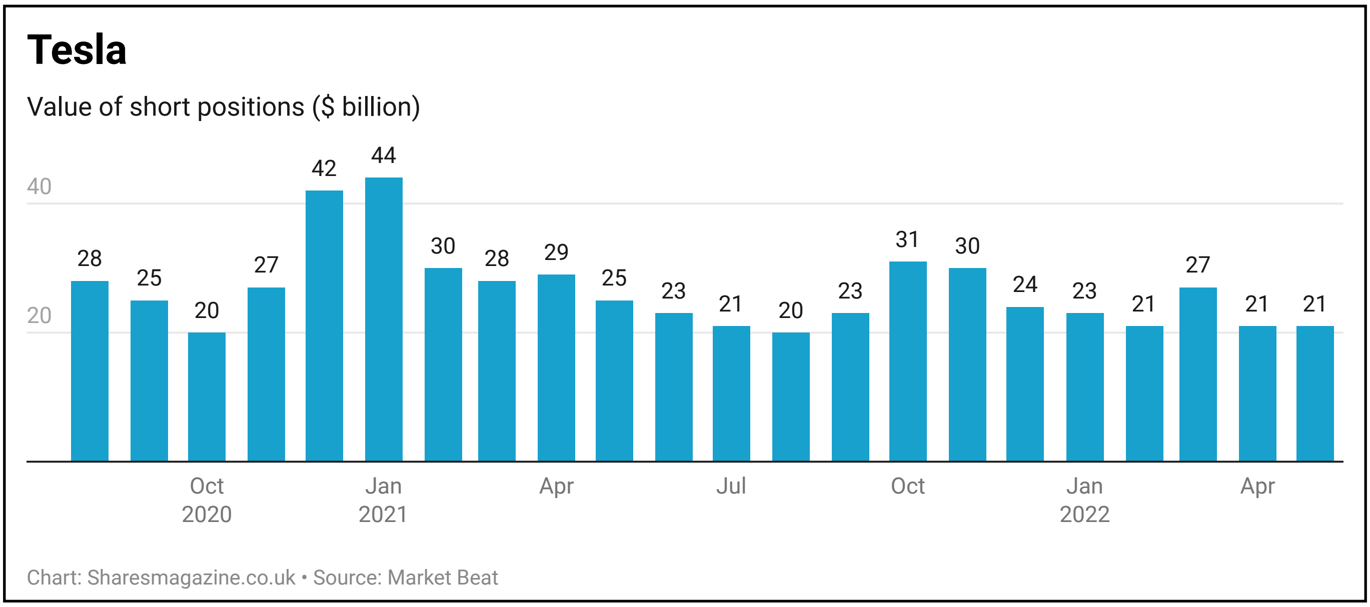
All of this said, just because short sellers have held the upper hand on many stocks through 2022, that doesn't mean they will continue to do so down the line.

A LESSON FROM TESLA

Elon Musk's electric cars-to-renewable energy company was once the most shorted stock on the Nasdaq market as investors queued up to bet against the electric automaker.

In early 2020, short interest on **Tesla (TSLA:NASDAQ)** was estimated at around 20% of its entire float as it was targeted by high-profile short sellers like Jim Chanos, who made his name on shorting Enron, David Einhorn, who made his name shorting Lehman Brothers before its 2008 collapse, and Michael Burry, whose bet against the US housing market before the financial crisis was dramatised in Hollywood blockbuster *The Big Short*.

Yet it now looks like most of them have given up as short interest on Tesla has dwindled. In



October 2021, *Bloomberg* reported the lowest short interest on Tesla since the carmaker listed on Nasdaq in 2010.

'The percentage of stock borrowed by traders, a standard measure of short interest, has slumped to 1.1% of Tesla's shares available for trading, according to IHS Markit,' reported the financial news site, as Tesla consistently met or beat vehicle delivery numbers.

WHAT'S A SHORT SQUEEZE?

When short sellers rush to exit their bets against a company to prevent deeper losses, their purchase of shares to cover positions can propel its stock price sharply higher. That exacerbates the pain of those still short the company, potentially forcing them to cover their trades as well, creating what is called a 'short squeeze'.

That appears to have been part of the story behind Tesla's blistering 1,340% gain between the start of the pandemic to the stock's $1,222.09 peak in November 2021. That the stock has come back sharply this year is more in line with most growth stocks losing favour during the current inflation squeeze rather than evidence of renewed short seller confidence, with short interest currently running at 3.22%, according to MarketWatch data.

IT'S THE DEBT THAT WILL GET YOU

Cineworld faces bigger challenges than simply getting bums on seats in its theatres as it grapples with spiralling debts that could strangle the company out of existence. Full year 2021 results, released three months ago, showed net debt widened by nearly half a billion dollars last year to $4.84 billion, 14 times the company's equity despite raising around $425 million in liquidity. It reports in dollars because more than two-thirds of its theatres are in the US.

Cinema-goers returned to the screens in the second half of the year of 2021, helping Cineworld's revenue jump 112% to $1.8 billion and allowing the company to return to an operating profit ($15.8 million versus 2020's $2.3 billion loss). Yet you can see why shorters have been drawn to the stock.

Facing a possible rough $1 billion damages bill following its decision to walk away from buying Canadian chain Cineplex (a case it has already lost but is appealing) ups the ante that bit more.

WHY ARE INVESTORS SHORTING THESE STOCKS?

DOMINO'S PIZZA (DOM) 308.4p

- **Year-to-date performance: -33%**
- **Amount of stock on loan: 3.6%**
- **Number of investment funds with short positions: 5**

Source: Google Finance, shorttracker.co.uk, data as at 17 June 2022

WHY IT HAS ATTRACTED SHORTERS

The company was a clear beneficiary of the pandemic when people were unable to go out to eat and so spending £20 on a takeaway pizza felt like an affordable treat to break up the monotony of lockdown.

Now people are able to dine out again Domino's position looks less robust, and the cost-of-living crisis means £20 for a pizza is starting to feel like more of a stretch.

There are also concerns the group has reached saturation point and new sites will only cannibalise sales from existing ones. And while a row with its franchisees was resolved in December 2021 through a profit sharing deal, that relationship still feels fragile.

WHY SHORTERS MIGHT BE WRONG

The company is cash generative and net debt (at around 1.5 times earnings as of the end of 2021) is at manageable levels. The resolution with franchisees should help drive growth and the company is buying back shares – with £24.2 million of a planned £46 million purchased as of 5 May. Domino's is also good at coming up with marketing offers to keep driving sales volumes. [TS]

FUTURE (FUTR)

- **Year-to-date performance: -56.7%**
- **Amount of stock on loan: 1.6%**
- **Number of investment funds with short positions: 2**

Source: Google Finance, shorttracker.co.uk, data as at 17 June 2022

WHY IT HAS ATTRACTED SHORTERS

The publishing company has grown rapidly in a relatively short period of time, driven by lots of acquisitions. Question marks have been raised around the remuneration policy and there have been claims the monetisation of the company's online content through links to the websites of commercial partners is alienating readers. The weak economic picture could hit advertising and e-commerce revenues.

WHY THEY MIGHT BE WRONG

The company continues to deliver, recently confirming 2022 guidance (17 June) after a series of earnings upgrades. A deteriorating consumer backdrop may be a risk but the focus on specialist niches and hobbies with loyal fans means spending among its cohort of readers could be more resilient.

Future's model of buying titles cheaply and plugging them into its existing platform to generate revenue from their content and brands has proved successful and there should be more opportunities because of the current economic uncertainty. The shares now trade on a 2022 price to earnings ratio of 9.7 times. The balance sheet looks robust with net debt to earnings of less than 1.5 times. [TS]

KINGFISHER (KGF)

- **Year-to-date performance: -31.2%**
- **Amount of stock on loan: 7.1%**
- **Number of investment funds with short positions: 6**

Source: Google Finance, shorttracker.co.uk, data as at 17 June 2022

WHY IT HAS ATTRACTED SHORTERS:

The B&Q-owner had a patchy track record before the pandemic and is now emerging from an exceptional period when it was one of the few areas of retail able to operate without too many restrictions. It benefited from a lockdown-induced desire among customers stuck at home to spruce up their surroundings. With that tailwind disappearing sales are falling, down 14.2% in its first quarter to 30 April 2022. The company faces supply chain issues and rising costs.

WHY THEY MIGHT BE WRONG:

A lot of people are still waiting for tradesmen to become available to do projects on their home, so the tailwind for home improvements could stay healthy for longer. There are also plenty of people midway through projects where they are doing the work themselves.

Fundamentally there is lot of pent-up demand from people who still want to upgrade their home and spending at Kingfisher's stores could be more resilient than expected. The company is in the process of a £300 million share buyback and recently reiterated full-year profit guidance of around £770 million. [TS]

The devil is in the details

JEGI has made some very favourable changes for shareholders...

It's easy to gloss over the fine print when most of what we're focused on as investors is usually the actual investments. This is as true in the investment trust world as it is with ETFs, or really any other investment product.

A very simple example of this might be a trust's benchmark and performance-related fees. If the trust decides to benchmark itself against an index that's easy to outperform, managers can then rack up higher performance fees. Those are then passed on to shareholders, who could easily see a resulting decline in the value of their investment in the trust, but not even realise what's going on.

The reason we typically don't look at these sorts of things is that we get sidetracked by the investments that a trust makes. Poring over a portfolio and trying to work out whether you agree with the decisions a manager has made is often much more enjoyable than looking at the legal fine print.

But these details are extremely important, something that the changes **JPMorgan European Growth & Income (JEGI)** announced towards the end of last year illustrates.

The trust, which was named JPMorgan European Investment Trust previously, has historically been split into two separate share classes. Holding one class of shares gave you exposure to a portfolio more geared towards capital growth. Investing in the other share class meant getting exposure to an income-seeking portfolio.

In October of last year, after a review undertaken by the trust's board, the decision was taken to merge the two parts of the trust into one. As of February 2022, the trust now only has one share class, which gives shareholders exposure to the best of both worlds from a single share class structure. The company allows growth-oriented investors to participate in the attractive long-term growth potential of European stock markets while also aiming to deliver a predictable dividend to income seekers. The trust will also see improved liquidity due to it being a much larger, single investment vehicle.

Lower fees

Underneath some of these large-scale changes were a number of striking changes to the trust's structure. Most of these seem very much geared towards improving the options available to shareholders.

On the most basic level, the trust has slashed its management fees. Previously the trust had a flat fee of 0.74% across both share classes, the trust's board has cut that number to 0.55% on net assets up to £400m and 0.45% on any assets held in excess of that amount.

Dealing in fractions of a percent can make it seem as though we're talking about insignificant amounts of money. But assuming the trust has £500m in net assets, that would mean a nearly 30% drop in management fees for shareholders, worth more than £1m in cash terms.

Another step the trust has taken since the merger is to introduce an active discount management policy. The trust has committed to keeping any discount in its share price relative to NAV in the single digits, assuming that market conditions are normal.

And somewhat similarly, if JEGI's managers underperform their benchmark in the following five years, a tender offer will be made for 25% of the trust's outstanding shares. Those purchases would be made at NAV prices too, so shareholders needn't fear about selling at a discount.

Don't sacrifice growth for income

Perhaps the most attractive change JEGI has made was to its dividend policy. Previously income-seekers would have to buy into the appropriate share class if they wanted a higher yield, potentially sacrificing the opportunity to get exposure to companies more geared towards capital growth as a result.

That no longer is the case as, post-merger, the trust has adopted a policy of targeting a dividend equal to 4% of the trust's NAV at the end of its financial year. If there is not enough income from the underlying portfolio to pay this then the trust can make full use of its investment trust structure to pay income from capital.

This is likely to be a big positive for many shareholders. The growth segment of JPMorgan European outperformed its benchmark and delivered strong returns over the past decade. Investors can now get exposure to that management style without having to worry about missing out on income.

Along with lower fees, discount management process, and potential for buybacks if underperformance occurs, this makes the changes that took place at JEGI far from cosmetic. The fine print may not always be the most exciting thing to read, but in this instance it's worth a closer look...

Click **here** to read our latest research on JPMorgan European Growth & Income...

Where next for Scottish Mortgage as trust managers face up to investors

Surprisingly there was little anger despite its shares plummeting in value this year

With hundreds of investors granted the opportunity to ask questions in person to **Scottish Mortgage's (SMT)** fund managers at an event in London, you might have expected some angry audience members given the investment trust's share price at 676.2p has fallen 56% since peaking in November 2021.

However, attendees of the Baillie Gifford event in mid-June were either too polite to vent any frustration at the managers or they were incredibly patient as there was little sign of anger or malice on the night.

The audience were certainly eager to ask questions with a sea of hands raised, hoping for their chance to prise new insights from the people making the key decisions – Tom Slater and Lawrence Burns.

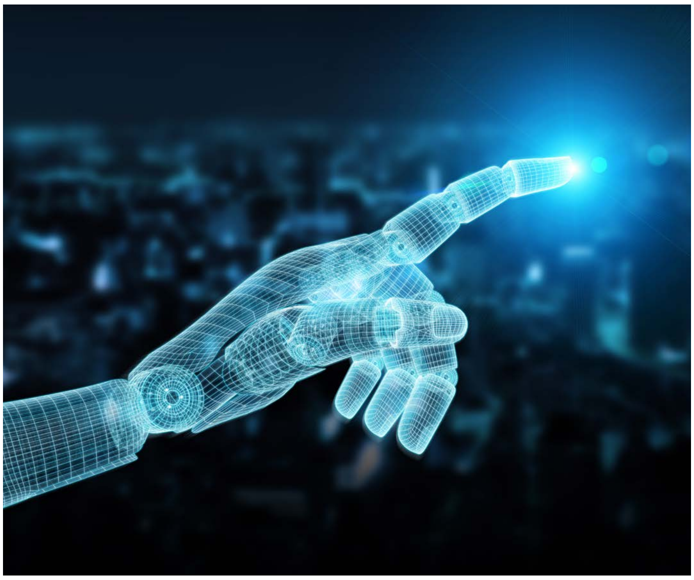
Perhaps a key reason why the audience was relatively sanguine was down to the managers pre-empting the types of questions they might receive and giving this information upfront to calm some nerves.

NOT SHORT-TERM TRADING

From the start, the focus was on explaining the trust's investment process and why the duo have not tinkered with the portfolio in the wake of the shifting market conditions.

'We are not smart enough to trade the market,' said Burns. 'Even the best investments endure tough conditions and downturns. We have to accept that share prices will be volatile.

'While we remain long-term in focus, we are



Tough time for investors

Chart: Sharesmagazine.co.uk • Source: Refinitiv

...but we've been here before

This isn't the first time Scottish Mortgage's shares have slumped in a short period. In 2008 they fell 64% between May and November

Chart: Sharesmagazine.co.uk • Source: Refinitiv not blind to the reality that now is a painful period (for markets).'

Slater insisted Scottish Mortgage wouldn't deviate from its end goal, to find 'outliers', companies that have the potential to be truly great in the future.

In the current market some growth managers might be tempted to buy stocks like **Shell (SHEL)** which is benefiting from high oil prices.

Scottish Mortgage would never dream of going down this path. There was no hint of even considering short-term opportunities just to limit share price losses for the investment trust.

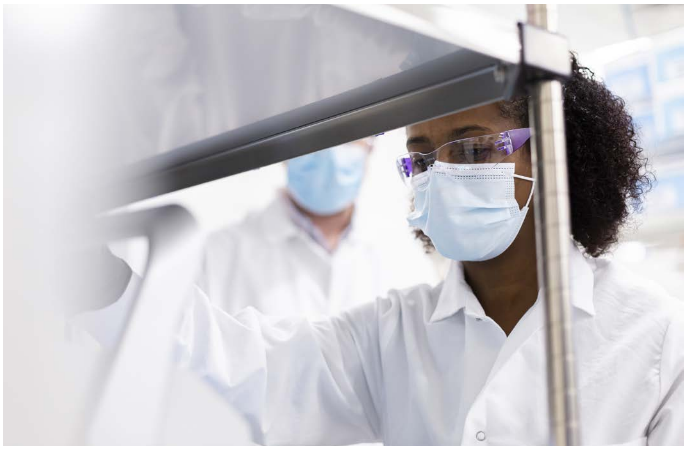
It's all about staying focused on the long-term and sticking to the trust's key interests – digitisation of society, the intersection of biology and technology, and the energy transition.

DIFFERENT THINKING

Slater recalled a comment from billionaire investor Charlie Munger, vice chairman of Warren Buffett's **Berkshire Hathaway (BRK.B:NYSE)** conglomerate, who said many hard problems are best solved when they are addressed backwards or 'inverted'.

Burns said it was hard to imagine the world needing fewer computer chips from the likes of **ASML (ASML:NASDAQ)** and **Nvidia (NVDA:NASDAQ)** given technology is advancing everything we do and touch.

In parts of the world, e-commerce still only accounts for a small chunk of retail sales, so the manager remains supportive of the opportunities for companies like **MercadoLibre (MELI:NASDAQ)** which is often called the 'Amazon of Latin America'.



The trust's biggest holding is **Moderna (MRNA:NASDAQ)**, which played a crucial role in the development of a Covid vaccine and there is a hope it could be involved in more critical medical breakthroughs in the future. 'Just imagine if it could help address HIV, flu or even cancer,' said Burns.

Tesla (TSLA:NASDAQ) is a big part of Scottish Mortgage's portfolio as the trust says demand for its products far outstrips supply and there remains significant potential to grow earnings, with the car maker hoping to increase annual production 20-fold by the early 2030s to 20 million vehicles.

One audience member asked why the trust wasn't investing in producers of metals critical to the electric vehicle revolution. In response, Slater said: 'We don't think batteries will be commoditised products for electric vehicles, the design of them will be very important. That's why we invest in Northvolt, which recently struck a joint venture with Volvo to develop tailor-made batteries. That's more attractive than investing in raw materials.'

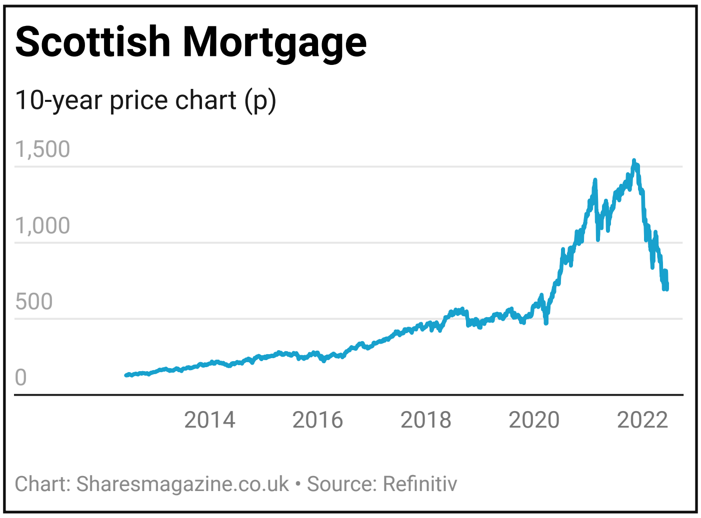
STOCK RATING CONUNDRUM

A key reason why Scottish Mortgage's share price has fallen this year is the plethora of companies in its portfolio which command high ratings because of future earnings potential, rather than the profit they make today.

The market's rotation from growth to value has seen investors less willing to pay high multiples so we've seen a derating in stocks. Nobody knows how long this will last, and it certainly doesn't help Scottish Mortgage that interest rates keep going up. Higher interest rates have a negative effect when calculating the present value of future cash flows.

This valuation correction could get even worse if the trust's unquoted investments are marked down at the next quarterly review, which is plausible. As of 30 April, these private investments accounted for approximately 29% of Scottish Mortgage's assets and this may have increased further given how the stock markets have weakened recently.

There will be the odd exception in its portfolio, such as Elon Musk-founded SpaceX, which recently raised $1.5 billion at a 25% uplift on the previous valuation. However, investment bank Investec believes private company valuations in general are coming under increasing pressure.



'Scottish Mortgage has a clear and well-articulated philosophy and process which focuses on the identification of exceptional global growth companies, and then holding them for the very long term,' says Investec.

'The strategy was highly effective as equities recovered from the global financial crisis; over 10 years to March 2021, the company was ranked first out of 2,408 global investment vehicles.

'However, in recent months, sharp falls in net asset value have been compounded by a de-rating. The company is enduring a perfect storm, and we believe the next few months could continue to be difficult,' concludes Investec.

PREVIOUS MISTAKES

The idea that the share price could get worse before it recovers is something investors will have to think hard about.

This might explain why one person in the audience at the Scottish Mortgage investor event asked what the fund managers had learned from previous mistakes – implying they hoped there wouldn't be any more, given the current fragile state of the trust's share price.

'We aren't right all the time,' replied Burns, giving the example of online furniture group **Home24 (H24:ETR)** which disappointed in terms of the 'stability and capability of management'.

Another audience member was more controversial with their questioning, asking why Scottish Mortgage has gone so big on China when the country has a reputation for treating its workers so badly.

Some of the trust's biggest Chinese investments are internet platforms **Alibaba (9988:HKG)** and **Tencent (0700:HKG)**. 'What happened if we didn't invest in China?' asked Burns. 'If the West withdrew capital, there would be less interaction between China and the rest of the world. There would be less opportunity to have conversations on social issues as you wouldn't have a seat at the table.

'Before Alibaba and Tencent, the government controlled the flow of information. Now you can express opinions.'

THE BIG QUESTION: BUY OR NOT?

Scottish Mortgage says it doesn't have a crystal ball, but its investment process requires taking a view on which companies will be winners or losers 10 years down the line.

Shares believes a lot of investors may have underestimated the risks involved with this process and they're now finding out the hard way that investments with great stories don't always translate into extra pounds in their pockets.

In recent years, the rotation from growth to value has only lasted a matter of months. There seems a good chance this trend might be different in 2022. We are facing a reset of monetary policy and the global economy could stutter while high inflation works its way through the system. While this is in motion investors could remain hesitant about paying up for future growth.

If you're an existing Scottish Mortgage shareholder there is merit in sitting tight if you understand the risks. A lot of bad news is already in the price so there is no point locking in this year's losses by selling now.

However, what's missing is an obvious catalyst to drive a near-term recovery in the stock. In January, Ian Conway wrote in *Shares* that Scottish Mortgage was worth buying after a 33% fall, albeit drip-feeding money into the market rather than going all-in at once. Since then, we've had the Ukraine crisis which has caused inflationary pressures to intensify and has made the backdrop even worse for highly-rated growth stocks.

POCKETS OF VALUE

Admittedly not everything in Scottish Mortgage's portfolio is pricey. Its biggest holding, Moderna, is firmly in value territory, with cash equivalent to a quarter of its market value and the shares trading on a mere 6.8 times the next 12 months' expected earnings, according to Refinitiv.

Alibaba and Gucci-owner **Kering (KER:EPA)** are both trading on 15 times earnings or less. The remainder of the trust's top 10 holdings are in the range of 25 to 65 times earnings, excluding shopping platform **Meituan (3690:HKG)**, which is forecast to be loss-making in 2022.

Most of Scottish Mortgage top 10 quoted holdings still have premium ratings

Company	Price to earnings ratio (next 12 months)
Amazon	64.6
Tesla	47.3
Illumina	41.9
Nvidia	28.4
ASML	26.3
Tencent	24.9
Kering	15.2
Alibaba	13.2
Moderna	6.8
Meituan	n/a

Table: Sharesmagazine.co.uk • Source: Refinitiv, 16 June 2022

In the current market, those ratings are unappetising and a prospective investor thinking about taking a position in Scottish Mortgage shares needs to recognise the headwinds that could stop the share price recovering in the near term.

By **Daniel Coatsworth** Editor

When might inflation peak and what is behind the surge?

Nothing is more important right now for investors and consumers than rising prices

Having initially underestimated how 'sticky' it would be, and faced with the added impetus of soaring energy prices due to the invasion of Ukraine, central banks around the world are being forced to hike rates to stop inflation rising, even at the risk of choking off growth.

The latest inflation figure from the US was worse than expected, proving again that interest rates are a blunt tool when it comes to trying to bring prices under control.

A SERIES OF UNFORTUNATE EVENTS

It is ironic to think that a few years ago the prospect of rates being lower for longer was most peoples' main concern.

Even though rates had been low for an unusually long time, there was little sign of inflation until Covid intervened, disrupting supply chains and altering consumers' priorities.

As the global economy struggled to get back to equilibrium after the initial impact of the pandemic, shortages of raw materials and semi-finished goods meant industrial costs spiked.

That was followed by higher food costs, while the war in Ukraine has caused energy costs to rise steeply as well.

Now inflation is spreading to services, including rent, putting even more pressure on consumers.

The big question is, with labour markets in many countries tighter than they have been for years, are we about to see workers demand higher wages to make ends meet, leading to a wage-price spiral?

WHAT IS DRIVING INFLATION?

To get a handle on why inflation is rising so fast and try to assess how 'sticky' it is we need to know what goes into the basket of consumer prices in the first place.

Each month the ONS (Office for National Statistics) releases its calculation of inflation using a basket of goods and services.

In April, the CPI rose by 9% on an annual basis, the highest yearly increase since January 1989. For comparison, in April 2021 it rose just 1.5% on an annual basis.

The three biggest components are housing, water, electricity gas and other fuels, which together make up 14%; transport, which also makes up 14%; and recreation and culture, which makes up 13% of the basket.

Housing costs including energy were the biggest contributor to April's rise, jumping 13.2% on a monthly basis and 19.2% on an annual basis due to the well-publicised removal of the energy price cap.

On average, energy prices rose by 46.5%, with gas prices rising 67%, but to treat this as a one-off would be a mistake as there is another price rise coming in October.

More importantly, prices had *already* been rising at a rate of 7% or more in the previous six months so there is a 'core' element to living-cost inflation which pre-dates the removal of the price cap.

Transport costs rose by 13.5% in April due not just to higher petrol prices but to higher ticket costs for train and plane journeys.

Again, it's tempting to think it might be a one-off, this time due to the war in Ukraine, but inflation in transport was running at 11% to 12% for months *before* the invasion.

Inflation in recreation and culture was mainly driven by increases in subscriptions, computer games and other hobbies, which could be a one-off.

Components of the UK CPI basket

	Weighting (%)	April change year-on-year (%)
Housing, water, electricity, gas and other fuels	13.8%	19.2%
Transport	13.9%	13.5%
Recreation and culture	13.4%	5.9%
Food and non-alcoholic beverages	11.6%	6.7%
Restaurants and hotels	11.4%	7.9%
Miscellaneous goods and services	9.4%	2.9%
Furniture, household equipment and maintenance	7.6%	10.5%
Clothing and footwear	6.0%	8.3%
Alcoholic beverages and tobacco	5.0%	4.4%
Education	3.3%	4.5%
Communication	2.5%	2.8%
Health	2.1%	2.3%
All goods	**56.3%**	**12.4%**
All services	**43.7%**	**4.7%**

Table: Sharesmagazine.co.uk • Source: Office for National Statistics. All data correct as of 10 June 2022

However, food prices – which make up just under 12% of the basket – rose by 6.7% in April and don't look like reversing their upward trend for some time.

The ONS figure is backed up by monthly data from Kantar, which shows food prices rising by 7% in the 12 weeks to mid-May compared with falling prices this time last year.

Consumers have responded by shopping less, with volumes down by 10% in each of Kantar's last three monthly reports meaning overall the amount we are spending at the supermarkets is falling.

HIGHER FOR LONGER?

While there are those that believe the peak in inflation may not be far away, there are just as many who believe that it is likely to stay at a higher level than we're used to for a long time to come.

David Rees, senior emerging market economist at **Schroders (SDR)**, points to the on-off lockdowns in China and their effect on supply chains as one reason for structurally higher prices globally.

'China has become central to global supply chains and the restrictions put in place to contain Covid have severely hampered manufacturing activity and caused a logjam in transport infrastructure', says Rees.

Data from 55 major Chinese ports shows container ship congestion is worsening rather than improving, meaning supplier lead times will lengthen, keeping prices up.

Meanwhile, food prices have risen globally by around 20% in dollar terms, according to the United Nations' FAO index and sanctions on Russia and Belarus – previously major suppliers of fertilizer – means there is a risk food prices will remain high.

Finally, as the service sector recovers, prices for everything from dining out to flying abroad are sky-rocketing as companies try to recover the increase in their own costs.

By **Ian Conway** Companies Editor

Building resilience in an income portfolio

Yoojeong Oh, Investment Manager, abrdn Asian Income Fund Limited

- Rising bond yields mean income portfolios need to stand out even more on delivering dividend and capital growth
- Asia has an abundance of good quality, dividend paying companies across sectors and countries
- The Region's structural growth drivers also offer highly compelling returns

Dividend stocks have been an attractive option for those seeking an inflation-adjusted income from their investments, especially in the past decade of ultra-low interest rates. This is changing. US 10-year treasury yields are tipping above 3%. Income seekers now have more choices.

As a result, today's income portfolio needs to stand out even more in delivering on resilient capital growth and dividend returns. This would mean going beyond simply relying on a range of slow-moving industries in mature markets for reliable, long-term income. It would also entail including a breadth of markets that bring greater resilience and growth to portfolios.

We think Asia offers huge potential and fulfils both growth and income needs. The region has an abundance of good quality, dividend paying companies across sectors and countries. Such diversity and richness of choice is complemented by structural growth themes that present highly compelling return opportunities.

Quality, diversity and sustainability

abrdn Asian Income Fund offers an attractive way to target the growth and income potential of Asia's most compelling and sustainable companies. We identify high-yielding, quality companies with strong balance sheets and earnings. This quality aspect is important especially at a time of rising rates. A healthy balance sheet means a company is not beholden to refinancing its borrowings at higher interest rates. We are also focused on understanding our investee companies to find out how they themselves manage inflation and rising input prices to protect margins and ultimately keep paying a growing dividend.

Drawing income from Asia also allows investors to build greater diversity into an income portfolio. Asia is home to some of the world's best quality businesses across sectors and geographies that offer access to structural growth trends and attractive dividend yields. Our Fund's biggest positions are in markets where dividends are high and growing, for example in Singapore, Australia and Taiwan, and in the dividend-rich sectors such as real estate and financials. Although we do not see the same quality and yields in sectors like healthcare and energy that exist in the UK and other Western markets, Asia offers world-class high-quality global leaders in the technology sector that are growing both earnings and dividends. For example, Taiwan Semiconductor Manufacturing Co (TSMC) is the world's leading chipmaker that is benefiting from solid demand for its semiconductor chips that power next generation technologies. Despite the high capex required to maintain its innovative edge, TSMC's profitability and dominant market share has enabled it to build up cash on its balance sheet, which, in turn, protects against financial risk.

Meanwhile, we regard Environmental, Social and Governance (ESG) practices as an integral part of our investment process towards generating better long-term outcomes for our clients. With Asian companies at various stages of their ESG adoption and integration, we are able to draw on our expertise to help companies along their journey and improve transparency and disclosures. For example, we are pleased to see that after our regular discussions with Asian insurance company AIA, they have announced that they no longer have exposure to coal mining and coal fired power businesses in their main investment book. The improving ESG footprints of our holdings helps to draw international investors and should support market leading returns over the long run. We see that companies are increasingly willing to engage with us, as addressing these issues helps enhance business value.

Economic resilience and structural growth trends

Looking to Asia may also help investors side-step some of the difficulties for other markets today given Asia is relatively less exposed to the Ukraine crisis for example. Asia is also at an earlier stage in its post-pandemic recovery. Inflation is still benign for most of the region, which has given its central banks greater policy leeway and flexibility. While some countries have started to shift monetary policy, China is easing credit conditions and Japan is maintaining its ultra-low rates. Asian countries have not built up the same levels of government debt, allowing policymakers to be more agile in supporting economies through difficult times. We are also seeing earnings resilience for our investee companies, which is translating into sustainable dividends.

Asia's potential is also underpinned by structural growth trends. An expanding middle class is expected to fuel rising demand for healthcare and wealth management. Urbanisation and infrastructure needs remain vast. Changes brought about by the pandemic could prove durable, such as globally increased adoption of cloud computing and 5G which supports the technology leaders in Asia. We are more positive on areas with policy support. Policymakers globally are also committing to a lower-carbon future and Asia is at the forefront of change. We anticipate tailwinds for companies operating in renewable energy, batteries, electric vehicles, related infrastructure and environmental management.

Finally, the Fund remains focused on quality companies that can support sustainable dividends for shareholders. We do this from a position of strength. Our team is well resourced with on-the-ground presence in Asia. We have more than 40 fund managers conducting due diligence and generating stock ideas in seven locations. This year, we are celebrating 30 years of active investing in Asia.

Companies selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

Important Information

Risk factors you should consider prior to investing:

- The value of investments, and the income from them, can go down as well as up and investors may get back less than the amount invested.
- Past performance is not a guide to future results.
- Investment in the Company may not be appropriate for investors who plan to withdraw their money within 5 years.
- The Company may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that any movement in the value of the company's assets will result in a magnified movement in the NAV.
- The Company may accumulate investment positions which represent more than normal trading volumes which may make it difficult to realise investments and may lead to volatility in the market price of the Company's shares.
- The Company may charge expenses to capital which may erode the capital value of the investment.
- The Company invests in smaller companies which are likely to carry a higher degree of risk than larger companies.
- Movements in exchange rates will impact on both the level of income received and the capital value of your investment.
- There is no guarantee that the market price of the Company's shares will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments the value of the Company's shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.
- The Company invests in emerging markets which tend to be more volatile than mature markets and the value of your investment could move sharply up or down.
- Specialist funds which invest in small markets or sectors of industry are likely to be more volatile than more diversified trusts.
- Yields are estimated figures and may fluctuate, there are no guarantees that future dividends will match or exceed historic dividends and certain investors may be subject to further tax on dividends.

Other important information:

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How Fevertree qualifies as one of the best growth companies

Shares of companies which are most profitable tend to outperform those which are least profitable

This is the second part of our series on how to find and analyse growth stocks.

As a reminder, we are attempting to find companies which can grow their earnings per share by at least 10% a year and maintain high returns on equity (ROE). This is fundamental to profit and shareholder returns.

ROE is net profit divided by book value and a ratio above 15% is a good indicator of a quality business which possesses durable economic advantages.

Companies like this benefit from compounding, which refers to the stunning effects of multiplying growth on top of prior growth.

SCREENING FOR GROWTH

Shares has utilised Stockopedia software to create a screen to isolate possible growth share candidates.

In part one we discussed ways to find growth companies and we use one of the approaches here.

Companies with a demonstrable track record of growth are more likely to continue to grow in the future especially when they possess economic advantages. This usually shows up in quality metrics like high returns on equity.

Economic advantages can include brand strength, intellectual property rights, scale, high barriers to entry, network effects, and high switching costs.

THIS IS PART TWO of three articles looking at how to find and analyse growth stocks. In this second article we take a closer look at an individual UK-listed company and how to identify and define its growth. In part three we will turn to valuation.

Research conducted by Guinness Global Investors has shown that companies which are able to consistently achieve higher than average returns on capital over a decade have an 80% chance of continuing to do so over the following four years.

The *Shares* screen also applies a filter to identify high expected shareholder returns. This is based on sustainable growth as described by Mary Buffett in the book *Buffettology* (See *Calculating expected shareholder returns* overleaf).

The screen a requires a company to have a minimum 20% expected shareholder return to qualify.

The screen reduces the UK share universe down to around 30 candidates.

From this list *Shares* has chosen premium mixer drinks disrupter **Fevertree (FEVR)** as a candidate to explore.

Like most successful companies Fevertree has an interesting backstory. Co-founder Charles Rolls quit his engineering job in 1997 to buy struggling gin brand Plymouth for £500,000.

Despite having no relevant experience Rolls managed to turn the business around as the popularity of gin made a renaissance. Four years later he sold Plymouth for £28 million, making 56 times the purchase price.

One thing he took away from the experience (apart from a lot of cash) was that it didn't matter what the gin tasted like if the tonic mixers weren't up to scratch.

Rolls set about testing tonics and when entrepreneur Tim Warrilow approached him about starting a new gin company Rolls suggested that, instead, they start a new tonic water company and Fevertree was born.

At the time the mixer market was considered a commodity by incumbents like Schweppes with very little innovation.

Schweppes used to be part of UK confectioner Cadbury Schweppes but today beverage giant **Coca-Cola (KO:NYSE)** owns the brand in several territories including 21 European countries.

UK-listed growth companies

Company	Return on equity five-year average (%)
Auto Trader	182
GSK	158
Plus500	97
Elixirr International	69
Games Workshop	66
Ferrexpo	52
Kainos	40
Team17	38
Howden Joinery	35
Integrafin Holdings	33
Rentokil Initial	33
Fevertree Drinks	**29**
JD Sports Fashion	29
Gamma Communications	27
Focusrite	26
Spirax-Sarco Engineering	24
RS (Electrocomponents)	24
Ashmore	23
Craneware	23
Pan African Resources	22
Numis	21
Frontier Developments	21
Robert Walters	19
Big Yellow	19
ASOS	17
Serco	17
Playtech	17

Table: Sharesmagazine.co.uk • Source: Stockopedia. Data to 16 June 2022

Calculating expected shareholder returns

Sustainable growth in the context of this analysis is the amount of cash available to reinvest in the business based on return on equity.

For example, if Company X's book value is £100 and ROE is 15%, there would be £15 available to reinvest in growth which means the company can theoretically grow at 15% if no dividends are paid.

We can use the ROE and retention ratio (100% in the above example) to estimate future book value. Taking a 10-year average smooths the data.

Continuing with the same example, let's say the average worked out to be a 15% ROE and all profits were retained. We further assume that pattern continued over the next decade.

In year two book value will start at £115 (£100 + £15) but the higher base means profit that year would increase to £17.25 and book value would grow to £132.25 (£15 profit in year one plus £17.25 in year two).

This continues and in year 10 book value is a whopping £404.55 and earnings will be £60.68. (15% of £404.55)

How much will investors pay for those earnings? Again, we can apply a 10-year average. Let's say the average is 20 times.

We can calculate a theoretical market price by multiplying year 10 earnings of £60.68 by a PE of 20 times which equals £1,213.60.

Assuming investors are willing to pay 20 times for the current £15 of earnings this implies a price of £300 (£15 x 20).

The future price is 304% higher which is equivalent to a compound annual growth rate of 15% a year. This is the expected shareholder return.

Schweppes International, a subsidiary of Suntory, owns the brand in a further 22 countries.

Fevertree is the leading premium mixer brand in the UK with around 40% of the market. In 2021 it overtook Schweppes in the US for the first time, nabbing a 26% share. Fevertree is the leading ginger brand in the US.

The company does not use artificial sweeteners, preservatives or flavours in the products, making them stand out in the marketplace.

The products are differentiated by their premium ingredients with an emphasis on provenance.

The quinine comes from the Democratic Rpublic of Congo and the ginger root is from the Ivory Coast, Nigeria, and India.

In 2021 Fevertree shipped 546 million bottles and cans in over 70 countries.

IS GROWTH ATTRACTIVE AND SUSTAINABLE?

It is important to seek out the growth drivers to determine if they are sufficiently sustainable to drive shareholder value.

Between 2012 and 2019, the premium global mixer category grew at almost five times the rate of the total mixer category according to Fevertree.

Even more impressively, Fevertree has grown at twice the rate of the wider premium category.

According to consultancy *Statista* the global soft drinks market is worth nearly a trillion dollars and is forecast to grow at around 7% a year on average over the next six years.

Fevertree has grown sales from £34.7 million when the company floated in 2014 to an estimated £364 million in 2022. That represents a compound annual growth rate of 34% a year. Earnings per share have grown at 50% a year.

Looking forward sustainable trends such as premiumisation, wellness and health (think lower alcohol drinks and mocktails) and increased interest in craft should act as growth tailwinds for the company.

While there have been worries about saturation in the UK market, Fevertree's continued expansion overseas should keep the growth rate rattling along in double digits for the next few years.

As we discussed in part one of this series, sales growth is only half the story because it is profit and cash flow growth which drive the share price.

In the final part we will look at Fevertree's profitability, the very competitive landscape in which it operates and the valuation of the business.

By **Martin Gamble** Education Editor

Why you need to know about dealing spreads when buying and selling shares

The price you see on the screen may not be the price you get

In an age where everything is digital, and buying shares no longer means having to physically take delivery of paper share certificates, it's tempting to assume you can deal at the touch of a button at any time during the day and get the same price you see on your screen.

However, that price is just an illusion which lasts only the time it takes the market to match similar-sized buyers and sellers.

Underlying the whole system is the bid-offer spread, which is the difference between the best price at which you can sell shares and the best price you can buy them.

Depending on the stock and accounting for other variables such as underlying liquidity, market volatility and news flow, the spread could be a fraction of a percent of the share price, or it could be wide enough to drive a double-decker bus through.

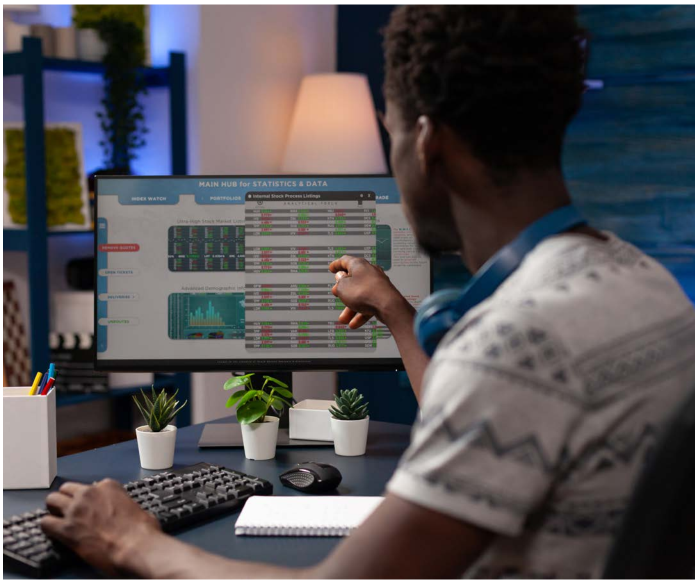
BUYER (AND SELLER) BEWARE

Back before the 'Big Bang' financial reforms of 1986, which saw share trading move from the floor of the London Stock Exchange to computer screens in offices, all deals were struck in person between 'brokers' and 'jobbers'.

Brokers traded shares on behalf of their customers while jobbers traded for their own account, meaning they put their own capital at risk.

Jobbers are now called 'market-makers', 'Retail Service Providers' or RSPs for short. These firms commit to make firm two-way prices based on the underlying stock exchange, e.g the SETS order book for the London Stock Exchange.

The market makers may quote prices for all stocks listed on an exchange or they may specialise in certain segments or markets, for example FTSE 350, AIM or US stocks. These firms ensure the liquidity needed for retail investors to trade instantly through today's range of digital channels.



The issue for private investors is that the price displayed on most financial websites and some platforms can reflect the last trade, which is typically somewhere between the best bid and the best offer, and not necessarily the same price you will get if you try to buy or sell yourself 'at market'.

UNDERSTANDING LIMITS

In some cases, rather than opting to deal at market you can enter an order with a price limit. These orders are tracked electronically until your chosen limit price is reached, but it may not be completed or 'dealt' depending on the underlying liquidity of the shares.

For FTSE 100 stocks, if you put on a 'limit order' somewhere between the best bid and the best offer you are more than likely to get that price whether you are buying or selling.

Alternatively, you can put in a buy order below the market price or a sell order above the market price and leave it there for a few days or a few weeks until it expires. You may or may not be successful, but that is the chance you take.

With less liquid stocks, you may still be able to place a limit order but even though you might see the shares trade at that price there is no guarantee your order will be filled.

For example, if you want to sell 10,000 shares at say 100p but the bid is only for 5,000 shares at that price your order can't be executed.

In this scenario your broker or platform may partially fill your limit order and leave the balance on until its expiry date.

Typically, once you have entered a limit order you can't change the limit, all you can do is cancel the order and put in a new order at a different price.

MIND THE GAP

In general, larger companies have the tightest bid-offer spreads and the greatest liquidity in terms of the amounts of shares traded every day.

The spread for a FTSE 100 company like **Unilever (ULVR)** can be as tight as one basis point (100 basis points is 1%), but it is important to understand that spreads aren't set in stone, and they can move around.

Also, as you might expect, supply and demand affect the volume of shares traded. For example, results announcements and corporate events such as acquisitions attract three more times the average daily volume.

The percentage of free float, that is the proportion of shares publicly traded and not held in long-term ownership by major stakeholders, also has an influence on the amount of daily liquidity and spread.

If you invest in smaller-cap names, they are likely to have wider spreads and lower daily volumes which means it is often easier to execute orders when they have a trading update or results announcement.

Market volatility and the state of the economy also have an impact on trading volumes and spreads. Rising interest rates and the war in Ukraine have increased the risk of recession as acknowledged by the Bank of England.

If the UK market were to enter a bear market, it is important to be aware that this could result in lower trading volumes and wider bid-offer spreads. A bear market is when the overall market falls in value by 20% or more from the previous high.

In that event or when market volatility is elevated, what you thought was a relatively easy stock to sell might turn out not to be.

TIGHEST AND WIDEST

FTSE 350 stocks with the widest bid-offer spreads

Name	Market cap (£ million)	Spread (bps)
4imprint	739	113.4
Puretech Health	524	87.5
Oxford BioMedica	494	58.2
PZ Cussons	875	48.9
Morgan Advanced Materials	922	46.3
Greencore	581	45.2
Vivo Energy	1,774	42.8
Lancashire Holdings	940	41.4
Liontrust Asset Management	646	38.0
Euromoney Institutional Investor	1,183	36.9
Tyman	587	33.4
TI Fluid Systems	945	33.0
MITIE	882	32.5

Table: Sharesmagazine.co.uk • Source: Stockopedia, Refinitiv. bps = Basis points. Data taken 13 June 2022

Shares has used Stockopedia software to identify those areas of the UK market which have the tightest spreads as well as examples of some of the widest. We have excluded investment trusts and Russian stocks.

Roughly 90% of the FTSE 100 and 60% of the FTSE 350 have bid-offer spreads of less than 20 basis points. Unsurprisingly the narrowest spreads are FTSE 100 names.

But interestingly, market capitalisation doesn't tell the whole story and the number of shares traded seems to influence the tightness of the spread.

Banking group **Lloyds Bank (LLOY)** is only a fifth the size of pharma giant **AstraZeneca (AZN)**, but its dealing spread is almost half.

This might be explained by the fact that around 3% of Lloyd's outstanding shares trade every day compared with only 0.2% for AstraZeneca.

The winner of the dubious honour of the widest

FTSE 350 stocks with the narrowest bid-offer spreads

Name	Market Cap (£ million)	Spread (bps)
Lloyds Banking	31,730	1.1
GSK	89,022	1.1
Unilever	93,731	1.4
Diageo	82,296	1.4
Vodafone	34,976	1.6
International Consolidated Airlines SA	6,149	1.6
Rio Tinto	98,283	1.6
Glencore	70,688	1.9
HSBC Holdings	104,534	1.9
AstraZeneca	159,750	1.9

Table: Sharesmagazine.co.uk • Source: Stockopedia, Refinitiv. bps = Basis points. Data taken 13 June 2022

spread in the FTSE 350 index goes to promotional products company **4Imprint (FOUR)** which had a dealing spread of 1.1% at the time of writing. This reflects a smaller average daily volume of shares traded which accounts for 0.1% of the company's outstanding shares.

KEEP COSTS LOW

It is important to consider the bid-offer spread and dealing charges when considering investments because these costs eat into potential returns.

You should also bear in mind that the wider the spread today, the chances are that in less favourable times it can increase further.

Companies with dealing spreads above 5% means the shares must gain more than 10% before commissions just for an investor to break-even.

Surprisingly, there are over 500 companies on the UK market which fall into this category so it can pay to do your research before deciding whether to buy shares in certain companies.

By **Martin Gamble** and **Ian Conway**

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Nick Dashwood Brown, Head of Investor Relations

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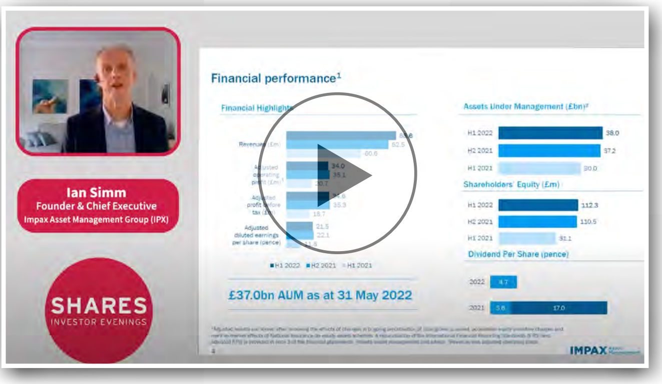

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This little-known UK tech business links some of the world's biggest brands

Eagle Eye Solutions promises to be a key player in driving shoppers to retailers

What links **Tesco (TSCO)**, **Sainsbury (SBRY)**, Asda, Waitrose, John Lewis, **Diageo (DGE)**, Pret A Manger, **Greggs (GRG)**, **Coca-Cola (KO:NYSE)**, **Carlsberg (CARL:CPH)** and Budweiser-owner **Anheuser-Busch InBev (BUD:NYSE)**?

It might surprise you that it's a £135 million AIM-listed UK technology company based in Guildford. Meet **Eagle Eye Solutions (EYE:AIM)**, an ambitious business which is trying to transform how big brands reach out to customers.

The deepening cost-of-living crisis is tightening its grip on household budgets, making life increasingly tough for consumer stocks. Yet this could be a blessing in disguise for Eagle Eye, as retailers and big brands try new ideas to win sales from existing and new customers.

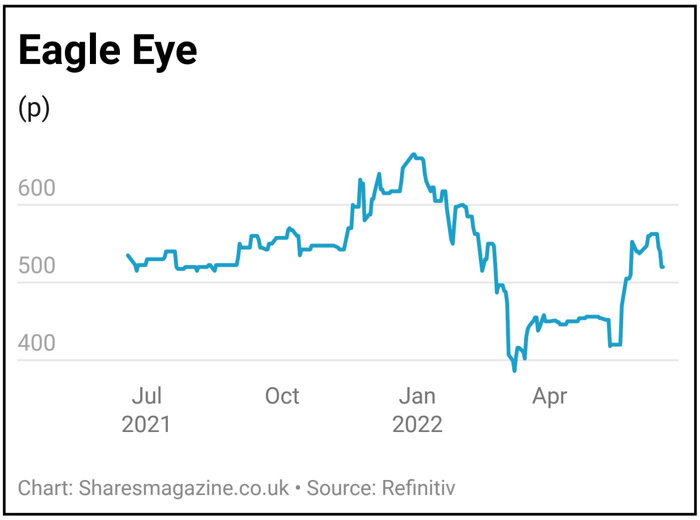
It's worth noting that while the stock has lost 23% this year, the share price has rallied 21% over the past month, possibly a sign that investors are catching on to the company's potential.

BEST-IN-CLASS EAGLE EYE AIR

Eagle Eye claims to have developed a best-in-class loyalty and promotions omnichannel software-as-a-service platform called Eagle Eye AIR. It allows customers of big brands businesses to validate and redeem digital promotions in real-time, principally to large supermarket chains, retailers and hospitality organisations across Europe, North America and Australasia.

Eagle Eye AIR works as a platform to integrate into existing point of sale terminals (computerised tills in old money), helping businesses to market and send vouchers, coupons, and loyalty incentives to customers, either by text, email or store apps.

The platform also provides users with useful customer data and insights, such as the number of redemptions taken up on a specific offer, and in



350,000,000

Personalised offers per week

Source: Eagle Eye

which store.

This is a massive help when it comes to targeting customers with increasingly personalised rewards, one of the retail industry's holy grails.

According to research by data insights firm Fact.MR, the sheer scale of digital data now within reach is ushering in a 'new generation of customer relationship management'.

The researcher claims that increasingly smart artificial intelligence applications means analysis of mountains of data can help describe customer behaviour with a richness and depth like never before, allowing retail organisations to understand their buying habits and preferences and develop appropriate marketing plans, identifying sales transactions, and establishing long-term loyalty relationships.

'The incentives supplied to potential consumers will have a significant impact on profitability,' Fact.MR says.

LOYALTY TECH GROWING MUCH FASTER THAN GDP

Fact.MR estimates that the global digital loyalty market is set for rapid growth over the next decade, from about $40.3 billion last year to $98 billion by 2032.

These exciting statistics might prove optimistic, and it's unknown how big a part Eagle Eye might

play in the industry in future. That said, it has some heavyweight experts on the board to help, including non-executive directors Terry Leahy, who ran Tesco for 14 years, and Robert Senior, former boss of ads group Saatchi & Saatchi.

Leahy owns a 9.27% stake in the business, while founder and chief technology officer Steve Rothwell owns another 5.19% of the company, so there is decent alignment of objectives at the top table with ordinary investors.

What we do know is that Eagle Eye is starting to gather a growth head of steam despite the tough backdrop. On 20 May the company released a pre-close update for the year to 30 April 2022 that revealed EBITDA (earnings before interest, tax, depreciation and amortisation) and revenue

Growth in global digital loyalty market

($ billion)

Chart: Sharesmagazine.co.uk • Source: Fact.MR

Compound annual growth in digital loyalty market by region – 2021 to 2032

US	8.1%
UK	7.4%
China	7.8%
Japan	6.9%
South Korea	6.1%

Table: Sharesmagazine.co.uk • Source: Fact.MR

would beat market expectations by 7% and 10% respectively.

'This is due to the go-live of a national US grocer contract which was announced in January 2022, while the company has benefited from significant new customer wins across multiple geographies and an accelerated ability to bring these live,' explained Megabuyte analyst Vinay Bhardwaj at the time.

STICKY CUSTOMERS AND REVENUES

Importantly, once a new client is won, Eagle Eye is able to deepen its relationship, creating opportunities for higher revenue and profits per client.

This was illustrated at the half year stage when the company's NRR, or net revenue retention, was 130%, demonstrating its ability to upsell existing clients.

Also worth noting is the company's very low churn, reported at just 0.04%, so when a company signs up with Eagle Eye AIR, it almost always sticks. ARR, or annualised recurring revenues rose 45% to £18.9 million, outpacing the 40% growth of £15.1 million headline revenue.

951,600,000

Chargeable AIR platform volumes

Source: Eagle Eye

Having reported its first meaningful pre-tax profit in the June 2021 year of £1 million, with £1.9 million forecast this year, it catapults the company beyond the proving stage and demonstrates that Eagle Eye AIR adds substantial value to its users.

The company's own calculations imply upfront costs to new customers are paid back within the first year, a compelling pitch, while gross margins north of 90% show significant control over Eagle Eye's own running costs.

Shore Capital's headline revenue forecast this year of about £30 million is expected to rise by a third by 2024, by which point pre-tax profit should hit £4 million, calculated at an implied price to earnings multiple of 48, based on the 519p share price at time of writing.

With another fiscal 2022 update pencilled in for July ahead of final results in September 2022, there are near-term catalysts for investors and the share price.

The stock is not cheap by any measure, and we wouldn't rule out plenty of volatility in the months ahead given the market's mood, but there is an increasingly attractive long-run investment story here, one that deserves further investigation by investors.

By **Steven Frazer** News Editor

Janus Henderson
INVESTORS

Is diversification dead?

As work, education and retail went virtual during the Covid-19 pandemic, a surge in technology and internet-related shares helped lift US indices to record highs in 2020. At some point, US tech stocks were more valuable than the entire European stock market for the first time in history.[i] With US stocks outperforming non-US stocks in recent years, some investors have begun questioning conventional investing wisdom - the role that global diversification plays in their portfolios. Some have even started asking the question, is diversification dead?

*In this article, Alex Crook, Portfolio Manager of **The Bankers Investment Trust**, explores why diversification is key in markets long-term.*

LESSONS FROM HISTORY

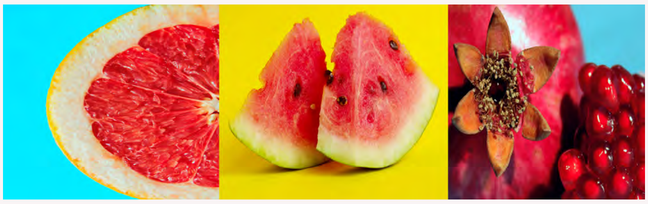
While it might be tempting to focus on a single index, sector or market based on returns over a short period, events throughout history have highlighted why this might not be the best approach. We can start with the Nifty 50 era when a narrow group of stocks rallied strongly during the 1960s and early 1970s. The prevailing sentiment was that these stocks were meant to be "bought, not sold", and investors were willing to pay any price. By the early 1970s, some of them were trading at incredible valuations (as shown in the chart below).

NIFTY 50 valuations Price-to-earnings (P/E)

Stock	P/E ratio
Johnson and Johnson	57.1x
McDonalds	71.0x
Disney	71.2x
Polaroid	94.8x

References made to individual securities should not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase, and neither should be assumed profitable.

Source: Jeremy Siegel, Valuing growth stocks: Revisiting the Nifty Fifty, AAII Journal October 1998



However, as we all know, irrational exuberance is always a harbinger of darker days to come. Against a backdrop of rising interest rates, high oil prices and political instability, the US market entered a bear market in 1973, and Nifty 50 stocks fell significantly. From their highs, some of the share price declines to 1974 lows were precipitous: Xerox (-71%), Avon (-86%) and Polaroid (-91%)[ii]. Fast forward to today, a similar picture has been unravelling, particularly with US growth stocks that have dominated US stock market returns over the last few years.

During the pandemic, Zoom (148x) and Snapchat (320x) were trading at valuations extreme even by Nifty 50 standards. However, since their respective pandemic highs, some of these growth stocks have taken a beating - Zoom (-87%), Snapchat (-83%), Paypal (-74%) and Meta (-53%)[iii] - driven unnervingly by a similar cocktail of events that brought Nifty 50 stocks to their knees. They say history is a great teacher, and though alarm bells about US valuations have been ringing for quite some time, not many have listened. This latest reversion is yet another reminder of the dangers of focusing on a narrow market segment and how a period of outsized returns can lead to an aggressive reversal.

For those still unconvinced, just look at the dot.com bubble, where year-after-year, high-tech start-ups - driven by speculative investing - outperformed companies with far better balance sheets and consistent profit records. The Nasdaq rose 90% in 1999 alone[iv]. However, as the tech bubble imploded, cash-strapped start-ups became worthless in months, and by 2002 the Nasdaq had lost 77% from its peak. As an investor, you must ask yourself, can you deal with the level of volatility that comes with focusing on a specific market segment.

GLOBAL TO WHAT EFFECT?

Even focusing on a single country can be problematic. The "lost decade" (2000-2009) is a prime example of why a globally diversified portfolio can shield investors from weakness in one country. During this period, the S&P 500 recorded one of its worst 10-year performances with a cumulative return of -9.1% as investors dealt with the fallout of the dot.com bubble and global financial crisis. However, beyond US large caps, conditions were favourable for global equity investors. Most equity asset classes outside the US generated positive returns over the decade.

Global Index Returns – The last decade

Index	Returns
S&P 500	-9.1%
MSCI UK	14.5%
MSCI World ex US	23.7%
MSCI Europe ex UK	34.6%
MSCI China	156.7%

Source: Bloomberg, as at 26/05/2022

Another factor to consider is how difficult it is to predict single market returns and how a single year of outperformance might not necessarily translate to consistent outperformance. The adage "past performance is not a guarantee of future results" comes to mind. This is accurately reflected in the chart below. Such disparity in performance year-to-year highlights the difficulty of executing a strategy that relies on picking the best-performing country. However, more importantly, it reveals the benefits of diversification. Notice how competitively The Bankers Investment Trust has performed over the 20-years.

Click on the image below to see a full-size version.

As 2022 gets underway, it is clear that uncertainty is now the new normal. Supply chain disruptions persist, and higher inflation has prompted central banks to raise interest rates and, more importantly, begin reducing their quantitative easing measures.

All, if not most, of these factors, have been exacerbated by the war in Ukraine, causing further volatility in equity markets. Understandably, regions, sectors and businesses have all been impacted differently, posing the question – where can investors take refuge? The answer is simple – in diversification.

DIVERSIFIED TO THE CORE

At The Bankers Investment Trust, we believe that diversification is now more important than ever. It is at the core of everything that we do. We have the flexibility to invest in any geographic region and sector with no set limits on individual country or sector exposures to provide sustainable long-term returns to our shareholders. Diversification can provide our shareholders with stable and consistent returns by offering a smoother, less volatile ride. This is especially important in periods of volatility when investors are often tempted to sell their assets. Even more than bear markets – emotional decision making is the greatest threat to an investor's financial future.

It is a strategy that has served us well. Not only has the Trust paid dividends every year since 1894, but it has also increased dividends every year since 1966, a 55-year track record. The

Rank	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1	Australia -9.18	Germany +48.09	Australia +24.43	Canada +44.78	Germany +19.78	Germany +34.29	Japan -3.65	Australia +60.06	Canada +26.39	US +2.65
2	Japan -18.63	Canada +39.51	Canada +14.31	Japan +40.20	France +18.76	Canada +28.92	Switzerland -4.70	Canada +39.02	Australia +20.47	UK -1.81
3	Switzerland -18.66	Australia +39.24	BNKR +13.14	Australia +33.01	Australia +17.95	Australia +28.22	US -14.30	Netherlands +28.49	Japan +19.64	BNKR -5.88
4	Canada -21.25%	France +27.02	UK +11.50	Switzerland +31.31	BNKR +16.45	Netherlands +19.60	France -21.57	UK +27.67	US +19.17	Switzerland -6.69
5	BNKR -21.04	BNKR +22.79	France +11.13	Netherlands + 28.87	Netherlands +15.98	France +12.89	Canada -24.02	BNKR +21.01	BNKR +17.71	Australia -8.74
6	UK -23.37	Japan +22.69	Germany +8.73	BNKR +27.34	UK +14.6	BNKR +7.68	BNKR -24.36	France +19.69	Switzerland +16.77	Netherlands -11.07
7	Netherlands -27.92	Switzerland +21.26	Japan +8.21	France +24.08	Switzerland +12.47	UK +6.88	Germany -25.38	Switzerland +14.67	Germany +12.93	Canada -11.49
8	France -28.25	UK +18.81	Switzerland +7.77	Germany +23.92	Canada +3.27	Switzerland +4.55	Netherlands -28.65	US +14.13	UK +12.20	Japan -13.70
9	US -29.66	Netherlands +16.81	Netherlands +5.60	UK +20.10	US +1.68	US +4.38	UK -28.46	Germany +13.67	Netherlands +5.54	France -15.38
10	Germany -43.07	US +16.19	US +3.21	US +16.94	Japan -6.57	Japan -6.83	Australia -30.01	Japan -3.86	France 0.07%	Germany -16.85

Rank	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	Germany +27.35	US +29.79	US +20.86	Japan +14.61	Canada +48.72	Netherlands +21.33	US +1.44	Switzerland +28.57	Netherlands +20.74	US +29.78
2	Australia +19.93	Germany +29.50	Canada +8.97	Netherlands +7.59	Australia +34.88	BNKR +21.05	Switzerland -2.70	Netherlands +28.12	US +15.02	Netherlands +29.23
3	France +17.76	Netherlands +29.30	BNKR +6.35	France +7.28	US +33.62	France +18.90	BNKR -7.23	US +26.97	BNKR +13.12	Canada +26.31
4	Netherlands +16.35	BNKR +25.42	Switzerland +6.20	US +7.20	France +25.69	Germany +17.39	Australia -4.37	BNKR +24.95	Japan +11.09	Switzerland +20.58
5	Switzerland +16.16	France +24.86	Australia +4.70	BNKR +6.24	Netherlands +25.61	Japan +12.38	France -7.33	Canada +24.45	Germany +8.94	France +19.73
6	BNKR +12.38	Japan +24.12	Netherlands +3.35	Switzerland +6.00	Germany +23.75	UK +11.73	Netherlands -7.37	France +24.16	Switzerland +8.62	UK +19.54
7	UK +10.72	Switzerland +23.78	Japan +2.54	Germany +3.58	Japan +23.69	Switzerland +11.70	Japan -7.55	Australia +22.72	Australia +5.85	BNKR +16.24
8	US +9.47	UK +18.35	UK +0.43	UK -2.26	BNKR +21.73	US +11.20	UK -8.84	Germany +17.54	Canada +3.45	Australia +11.62
9	Canada +4.38	Canada +4.54	France -3.37	Australia -3.23	UK +19.22	Australia +9.86	Canada -11.66	Japan +16.74	France +2.34	Germany +5.79
10	Japan +0.14	Australia +2.98	Germany -3.90	Canada -18.92	Switzerland +12.81	Canada +5.57	Germany -16.58	UK +16.18	UK -13.13	Japan +2.86

Source: Bloomberg as at 31/12/2001 to 31/12/2021. Note: Country returns are based on MSCI indices in GBP BNKRs return is ex par NAV Return

Janus Henderson INVESTORS

Trust has also outperformed its benchmark over the last 10 years despite the volatility that has characterised the period. While some might focus solely on the solid share price return, the compounding impact of consistent dividends has also contributed significantly (see table below).

Returns over the last 10 years (cumulative performance)

Share price return (excluding dividends)	196.1%
Share price return (dividends reinvested)	278.1%
FTSE World Index (exclusing dividends)	112.2%
FTSE World Index (dividends reinvested)	188.1%

Source: Bankers Investment Trust, Annual Report 2021

While, by its very nature, a diversified portfolio will never top the performance charts, it will not be at the bottom either. Diversification is not just about downside protection.

While owning growth/tech stocks for most of the pandemic was a good idea, the sharp reversal we've seen not only means these investors have incurred losses, but they have also missed out on the significant rally in value-heavy indices. In contrast, owning value-oriented markets such as the UK and Japan, alongside core growth equities, allowed us to benefit from that rotation.

It's understandable that investors are frustrated by the underperformance of non-US stocks over the last few years and have rightly questioned the role diversification plays in a portfolio. However, it is at these moments that investors should see what lessons can be gleaned from history. After all, those who fail to learn from history are doomed to repeat it. We are one of the world's oldest investment trusts, and there is a reason we continue to provide investors with stable and consistent returns.

i Source: U.S. tech stocks are now worth more than the entire European stock market (cnbc.com)
ii Source: Jeremy Siegel, Valuing growth stocks: Revisiting the Nifty Fifty, AAII Journal October 1998
iii Source: Bloomberg, as at 26/05/2022
iv Source: Bloomberg as at 26/05/2022

For more insights, research and commentary on the range of Janus Henderson Investment Trusts, visit the Insights Hub.

GLOSSARY TERMS

Price-to-earnings (P/E) ratio
A popular ratio used to value a company's shares. It is calculated by dividing the current share price by its earnings per share. In general, a high P/E ratio indicates that investors expect strong earnings growth in the future, although a (temporary) collapse in earnings can also lead to a high P/E ratio.

IMPORTANT INFORMATION

These are the views of the author at the time of publication and may differ from the views of other individuals/teams at Janus Henderson Investors. Any securities, funds, sectors and indices mentioned within this article do not constitute or form part of any offer or solicitation to buy or sell them.

Past performance does not predict future returns. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

The information in this article does not qualify as an investment recommendation.

DANNI HEWSON
AJ Bell Financial Analyst

Why summer 2022 could be just the start of a painful period for travel stocks

Things are tricky for the airlines but some related businesses are in a better place

The travel sector has a lot riding on the 'Summer 2022' season but it's shaping up to be more of a damp squib than anything to write home about.

With just weeks to go before the crucial school holiday season gets properly underway **EasyJet (EZJ)** has taken a red pen to its summer schedule, paring back the number of flights it operates in a bid to avoid the kind of chaos endured by holidaymakers over the May half term.

Capacity has been significantly impacted with the low-cost carrier now expecting to at operate between 87% and 90% of its pre-Covid levels in place of the 97% it had been shooting for by the end of the summer.

There are big questions about what the change in plans will do to profit margins. EasyJet's last lot of numbers proved it's not just about how many people are flying it's about how much it costs to fly them versus the amount they are paying for the pleasure.

EasyJet revenue and profit

	Revenue	Operating profit (loss)
2017	£5.05 billion	£404 million
2018	£5.9 billion	£460 million
2019	£6.4 billion	£466 million
2020	£3.09 billion	(£899 million)
2021	£1.46 billion	(£910 million)

Table: Sharesmagazine.co.uk • Source: Stockopedia

DAMAGE CONTROL

But this is damage control and it's crucial. Bookings heading into the fourth quarter period to 30 September are less than half sold. While that might be broadly in line with the normal ebb and flow there is a danger that many would-be travellers will have been put off by the scenes that have been played out on social media and will be watching the next three months with a laser-like focus to decide if they should risk a foreign sojourn or stick closer to home.

Travelling is tricky at the best of times; at the worst of times, it can be akin to the seventh circle of hell particularly if you have young children in tow and I'm one of those firmly standing in the wait and see queue.

I watched smugly over the Jubilee Bank Holiday weekend from my Welsh Airbnb by the sea as social media was flooded with horror stories of families on the way to airports receiving last-minute email cancellations, others stuck abroad paying through the nose for flights to get them back in

time for school.

A short trip to Belfast via Manchester airport did little to change my opinion. Once a seasoned traveller I, like many of my fellow travellers, seemed to have forgotten some of the nuances, the little hacks that help speed your way through.

My plastic bag was too big, and I was forced to add a couple of toiletry items to the overflowing bins at the security gate.

I joined the throngs at **WH Smith (SMWH)** and Boots spending over the odds to replace them before fighting for a seat in one of the few hospitality businesses that had actually manged to open their doors. Though my flights both left on time the journey was fraught, we the travelling public might be up for travel but not many of us are really ready, and the airports certainly aren't either.

FORCED CANCELLATIONS

Both **EasyJet (EZJ)** and **International Consolidated Airlines (IAG)** owned British Airways have bowed to insurmountable pressure not to over promise. Better to cancel flights weeks ahead allowing time to re-jig and re-book than have thousands turned away on the day of departure. Many of this cohort of holidaymakers are still using lockdown savings or even taking the break that had been earmarked for summer 2020.

Holidays to come are likely to be more expensive at a time when people's disposable income is under increasingly severe pressure. The travel sector will have to fight to win back consumer confidence and investors aren't altogether convinced that's going to happen quickly.

The surging price of oil, the cost-of-living crisis and the difficulties getting staff numbers back to pre-pandemic levels have left markets distinctly unimpressed.

That's not to say there aren't some businesses operating within the travel sector scenting opportunity. The aforementioned WH Smith is expanding, nipping into holes left behind by the closure of Dixon's Carphone stores in 2021.

Its little boxes chock-full of travel essentials and the magical escapism of books are doing a roaring trade, even if its high street offer is still suffering from a dearth of office worker footfall. It's a simple model but one that's able to keep costs low and crucially doesn't need huge staffing numbers to keep doors open.

STAYCATIONING IN DEMAND

Then there's the Great British 'Staycation' – the UK Short Term Accommodation Association found the domestic tourism space enjoyed a bumper Jubilee Bank Holiday and expects a boom in bookings over the summer.

Homegrown tourist numbers are also being buoyed by the return of incoming travellers and Premier Inn-owner **Whitbread (WTB)** is bullish about the outlook for the rest of the year. But it's warned that costs are set to rise as the business fights to attract and retain the illusive hospitality worker.

And that's where the wheel keeps stopping. Anyone booking anything will have noticed prices creeping up. Whether it's flights, hotel rooms or a bottle of water. The bigger the ticket, the more concerned businesses should be, and this week's annual International Air Transport Association meeting was pretty sombre.

All the conversations so far about the recovery of the travel sector and air travel in particular have been primarily focused on this summer. But the real test is still to come.

With incomes squeezed and the initial pent-up demand to jet away having faded, the challenges facing the airlines may only get more acute.

WH Smith revenue and profit

	Revenue	Operating profit (loss)
2017	£1.23 billion	£142 million
2018	£1.26 billion	£136 million
2019	£1.4 billion	£140 million
2020	£1.02 billion	(£260 million)
2021	£886 million	(£92 million)

Table: Sharesmagazine.co.uk • Source: Stockopedia

Discover how recent capital returns from Aviva are being taxed

Insurer has returned proceeds from acquisitions to shareholders – here's how to work out what you owe HMRC

Investors are probably used to receiving dividends from companies, and the income tax that may be liable on those payments. But every now and then, companies choose to pay back some capital to investors, and that is taxed in a different way.

Insurance firm **Aviva (AV.)** recently paid £3.75 billion back to shareholders by issuing them with B shares, and then immediately redeeming those shares for cash.

The important thing to recognise with these returns of capital is that they are potentially liable for capital gains tax or CGT, rather than income tax like dividends.

All individuals have an annual capital gains tax allowance of £12,300 each year, which means even those with large gains can normally avoid CGT by spreading out their share sales over a number of tax years. That's not necessarily the case with a return of capital, because the timing is normally a one-off event dictated by the company, rather than individual shareholders. The result is that those receiving large payments could face capital gains tax, especially if they have other unsheltered gains that have been crystalised in the same tax year.

WHAT IS THE CHARGEABLE GAIN?

When a return of capital creates a profit for investors, they need to work out what their chargeable gain is, to calculate if it might be liable for capital gains tax. This requires investors to deduct the cost of their shares from the proceeds of the return of capital. The proceeds are normally fairly straightforward to ascertain, they are typically the cash that the shareholder receives from the disposal of shares or from the company. In the case of Aviva, for each share held by investors, they received a B share which was then immediately cancelled in exchange for 101.69p.

The B shares are simply an intermediate step, and it may be simpler to think of the company simply providing individual investors with 101.69p in cash for each existing Aviva share they held. So an investor with 10,000 Aviva shares ended up receiving a cash payment of £10,169. These are the proceeds produced by the return of capital.

TRICKY CALCULATION

Determining the cost of the shares that produced that proceeds can be a little more tricky, because usually investors will still retain a shareholding in the company in question. Essentially the total base cost of the shareholding needs to be apportioned between the capital that is being returned, and the shares which investors are left with.

Happily, Aviva have supplied this split for investors – 74.68% of the base cost should be attributed to the retained shareholding, and 25.32% to the return of capital, or B shares.

So in our simplified example, let's say the 10,000 Aviva shares were purchased 10 years ago for £3 a share, including charges, at a total cost of £30,000.

According to Aviva's template, the cost apportioned to the return of capital should be 25.32% of £30,000, or £7,596.

Now the chargeable gain from the return of capital can be calculated by deducting the base cost of £7,596 from the proceeds of the return of capital, £10,169. The difference, £2,573, is the gain made by the investor in this example, and should be added to other gains and losses made within the tax year to determine if the £12,300 annual CGT-free allowance has been breached, and hence if any tax may be payable. Investors should also make a note of the base cost of their remaining shareholding, the other 74.68% or £22,404, as this is then the base cost to be used to calculate any chargeable gain when they sell their remaining Aviva shares.

DO YOUR HOMEWORK

Clearly this is a relatively complicated area of taxation, and in these scenarios, investors should carefully read the documents provided by the company returning capital, where details of the payment and tax treatment are typically available. The level of tax payable by investors depends on their individual circumstances, and if investors are in any doubt, they should consult their financial adviser or accountant.

This might be particularly relevant where investors have bought and sold shares in the same company several times over the years, rather than just in one go, which adds complexity to the calculation. It's also worth bearing in mind that returns of capital made on shares held in SIPPs or ISA are entirely free from CGT, which might not only save you tax, but could also keep you from agonising over a spreadsheet for several hours.

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

LIVE

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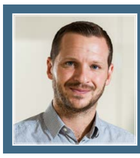
I want to access my pension but the markets have spooked me, what should I do?

Our resident expert helps with a query about accessing a retirement pot against a volatile backdrop

I'm 65-years-old and thinking of accessing my pension in about 12 months' time. However, I've been slightly spooked by markets recently, which knocked about £10,000 off the value of my pension. What should I be thinking about and doing before withdrawing my money?
Evan



Tom Selby, AJ Bell Head of Retirement Policy says:

If you have a defined contribution (DC) pension pot and are planning to access it in the next 12 months, you should already have thought about your retirement income plans. If you haven't, don't panic – but don't stick your head in the sand either.

The first thing to do is ask yourself whether you really need to access your pension at all. Because pensions benefit from generous tax treatment on death, it can make sense for this to be the last asset you touch.

What's more, taking taxable income from your fund will reduce your annual allowance (the amount you can pay into your pension) from £40,000 to just £4,000. This is important if you decide you want to make additional pension contributions in the future, as you won't be able to benefit from tax relief on anything over £4,000 a year.

The later you are able to wait before accessing your pension, the greater annual income it will be able to deliver too.

Of course, if you need to access your pension to provide a retirement income that is what it's there for but it's worth asking yourself this fundamental question.

If you are intent on accessing your pension, the next thing to consider is how you want to generate an income. If you are using your entire pot to buy an annuity, you should already have shifted your fund into cash.

If you haven't, you should consider doing this – otherwise your retirement prospects will be a hostage to the fortune of short-term market movements. There is no other way to 'freeze' your pension pot and lock-in its value while it is still invested. While your fund is in the stock market it still has a chance to grow over the long term, but in the short term it could fluctuate in value significantly.

If you do look at an annuity it's worth remembering that the older you are, the better the annuity rate you will be able to get from an insurance company. You should also disclose any health or lifestyle factors – including how much alcohol you drink or if you smoke – which could improve your rate.

If you're planning to cash in your entire fund then you should also be invested mostly in lower risk assets, again so you have a clear idea what you will get when you come to withdraw the money. Anyone going down this road also needs to consider the tax implications, as well as the sustainability of their withdrawal plan.

If you plan to keep your fund invested via drawdown, it is possible that your investments won't need to change at all. A healthy 65-year-old could live for 30 years or more in retirement – meaning their investments have plenty of time to grow even as they are taking an income.

For someone in this position, a little bit of short-term market volatility such as we've seen recently shouldn't be a major cause of concern.

However, large withdrawals in the early years of retirement combined with big market falls could have a seriously detrimental impact on the sustainability of your plans. This is one reason it's important to keep your strategy under regular review and be prepared to cut back if necessary.

If you're going down this road you should consider shifting some of your investments into cash to pay your income. Usually anywhere between 12 to 24 months' expenditure is about the right level.

You should also consider whether your investments are aligned to your retirement plans, both in terms of risk and what they are trying to achieve. Given the aim of the game at this point is usually generating an income, picking stocks or funds aimed at producing a steady income is a common approach.

If you want help navigating your retirement options, consider speaking to a regulated adviser. It's also worth visiting Pension Wise, an independent service set up by Government, for guidance on all things pensions.

DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

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

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

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KEY ANNOUNCEMENTS OVER THE NEXT WEEK

Full-year results:

24 June: Manolete. **27 June:** Cake Box. **28 June:** Appreciate, IG Design, Wise. **29 June:** Latham (James), Moonpig, Mulberry. **30 June:** Accsys Technologies, Cadence Minerals, Civitas Social Housing, Grand Vision Media, Polar Capital, Seen, SDCL Energy Efficiency Income Trust, Shefa Gems.

Half-year results:

24 June: Oxford Biodynamics. **25 June:** Velocity Composites.

Trading Announcements

24 June: ICG Enterprise Trust.

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