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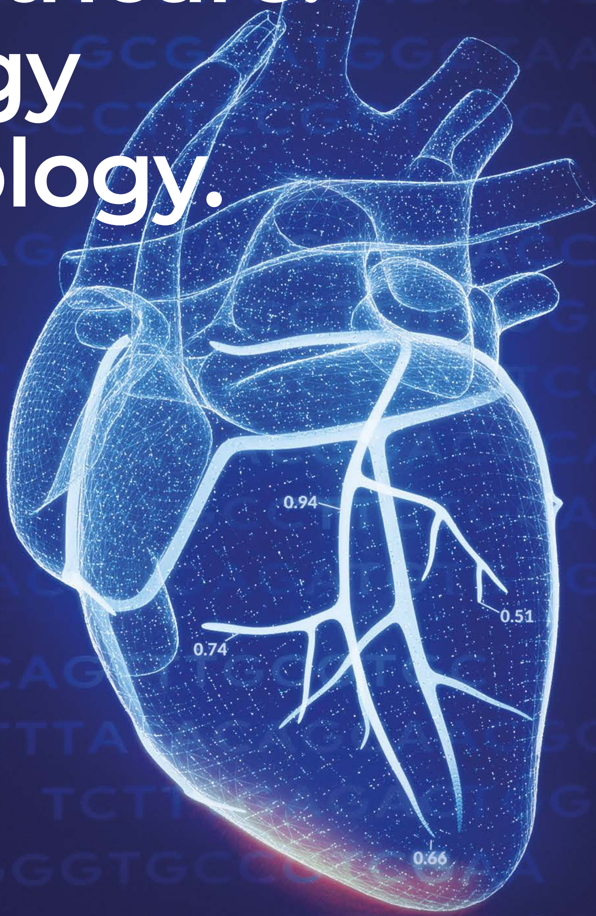
Contents

SCOTTISH MORTGAGE
INVESTMENT TRUST

The future of healthcare. Putting technology at the heart of biology.



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Why it can pay to buy more shares if the market overreacts to bad news

Dr Martens has been around for 75 years so should we worry about a short-term blip?

Overdramatic is the best way to describe the current market reaction to stocks that deliver the slightest bit of bad news. It certainly applies to **Dr Martens (DOCS)** whose share price fell by 23% in a single day after it guided for lower profit margins and a slowdown in growth for the direct-to-consumer sales channel.

The scale of the share price decline looks overdone. Part of the margin pressure was linked to a strong dollar, yet the currency has started to weaken amid recent signs that inflation is easing in the US and the Federal Reserve will slow the pace of interest rate hikes.

Dr Martens can surely be excused for saying consumer demand is weakening given the difficult backdrop. What really matters to an investor is the long-term potential for the business and on this front everything still looks fine.

A sharp decline in a share price should be treated as a major buying opportunity if the company's qualities remain attractive. They certainly do for Dr Martens, given its history of strong returns on the money invested in its business.

This is a durable, iconic brand with wide appeal. While it may suffer a few quarters of tougher trading, it's hard to believe Dr Martens' business model will be ruined by a recession.

A 55% share price fall year-to-date means considerable bad news is already factored into the company's valuation. It's impossible to say with any precision what will happen to Dr Marten's earnings in the near term. All we know from the market reaction is that investors don't think it will do very well.

If you're intending to hold the shares for a long term because you like it as a business, should you care what the market is thinking? Howard Marks, co-chairman of Oaktree Capital, last month wrote: 'Macro events and the ups and downs of companies' near-term fortunes are unpredictable and not necessarily indicative of – or relevant to – companies' long-term prospects. So little attention should be paid to them.'

Someone who has done their research on Dr Martens might conclude that it's a great business. If the shares go up, the value of their investment increases and they hold on in hope of further gains. If the shares fall, buy more if the investment case hasn't changed. It's that simple.

Nick Train, fund manager of **Finsbury Growth & Income Trust (FGT)**, takes a similar view when people worry about **Burberry's (BRBY)** position in China and how the country's zero-Covid policy has restrained sales growth for the fashion retailer.

'Having exposure to China hasn't helped in 2022, but so what? Burberry is 170 years old; one year with a bit of Covid shouldn't make any difference,' he told me about the company which sits in Finsbury's portfolio.

The 28% hike in Dr Marten's latest dividend tells you a lot about the management's outlook – they wouldn't be increasing the shareholder reward if life looked glum. Dr Martens was founded 75 years ago and has survived many recessions over that time. It should do so again in the future.

Find out what China's protests and latest Covid plans mean for stocks

Officials announce vaccine drive after furious response to new restrictions

Markets had a volatile end to November, driven by turmoil in China as the world's second largest economy contends with lockdown protests and mounting Covid infections as it sticks (for now) with its zero-Covid policy.

Renewed restrictions in response to new outbreaks of Covid sparked levels of protest not seen in decades in China. A show of force by police and security forces seems to have calmed things down for the time being and China also announced on 29 November a drive to vaccinate its elderly population which would be a key first step towards living with the virus.

This saw Chinese stocks recover ground, though they remain significantly lower year-to-date. Commodity prices and resources stocks also enjoyed a rebound. China is a big consumer of global commodities and the fortunes of its economy have significant implications for demand.

Also supporting the move higher in Chinese shares was a rally in property developers as regulators lifted a ban on equity refinancing for listed property firms. This represents a fresh support measure for a sector which has been under significant pressure.

Despite the rapid turnaround in sentiment, the chances of Chinese premier Xi Jinping abandoning zero-Covid entirely look slim in the short term given the blow it would represent to his authority.

Even if the will was there, it's not clear if China can relax restrictions materially yet. The country has relied on domestic vaccines over whose effectiveness there is some doubt and because it has kept the rate of infections low, there is far less natural immunity than seen in the West.

Even if China was to perform an about face on Covid tomorrow, there will already have been damage to its economy and disruption to global supply chains.

Chinese shares remain volatile

Hang Seng index

Chart: Shares magazine • Source: Refinitiv

Rupert Thompson, chief economist at asset manager Kingswood, comments: 'Near term, the latest flare-up will put Chinese growth under renewed downward pressure and there is little prospect of the zero-Covid policy being relaxed significantly. Vaccination rates amongst the elderly are still too low, winter is underway, and it would be seen as a sign of weakness to bow to the demands of the protesters.

'More importantly, current events can only reinforce the pressure on China to stick with its plan to step away from zero-Covid next year, most probably in the spring. This should fuel a rebound in the economy and, along with cheap valuations, is the basis for our positive medium-term view on Chinese equities.' [TS]

Retail sector breathes sigh of relief as Black Friday sales top expectations

The focus now moves to the all-important Christmas period

Amid concerns sales would be significantly impacted by the cost-of-living crisis and the recent tax-grab in the Autumn Statement, it seems Black Friday was relatively successful for UK shops judging by anecdotal evidence gathered together by *Shares*.

Industry magazine *Retail Gazette* described Black Friday sales as having gone 'gangbusters' with cash-strapped UK shoppers 'splurging on deals' to beat the previous record.

Figures on consumer spending from Barclaycard suggested that by lunchtime on 25 November sales were already marginally ahead of last year and almost 5% ahead of 2019.

Meanwhile, Nationwide building society said its customers carried out 10% more transactions than last year and 36% more transactions than in 2019, making it the firm's busiest day ever for payments processing.

'This year's Black Friday was our busiest day on record as people started their Christmas shopping earlier,' said director of payment strategy Mark Nalder.

'While cost of living pressures will have inevitably meant some people have cut back on luxury purchases, others will have used the day to buy essential items at a lower cost.'

Clive Black, head of research at Shore Capital, said early indications showed shopping centres and high streets had attracted more traffic than a

year ago as consumers were no longer as fearful of the pandemic.

While footfall in general is still down some 15% to 20% on pre-Covid levels, according to early data from retail consultancy Springboard, this change in customer behaviour 'is encouraging for retailers and landlords alike' says Black.

The question retailers and investors in the sector will be asking themselves is does this bode well for the key Christmas selling period or have shoppers simply brought forward their spending on gifts?

Department store owner John Lewis recently warned of 'a bumpy ride' for retailers this Christmas, while **Marks & Spencer (MKS)** has reportedly postponed orders from some suppliers in order to avoid building up unneeded inventory.

According to *Retail Gazette*, shorter lead times from suppliers in East Asia 'has left retailers receiving new stock earlier than expected while many are still clearing last year's delayed stock following supply chain snarl-ups.'

The situation has hit 'a number of fashion chains' just as consumers are reining in their spending, says the magazine.

'Our overall feeling around peak-2022 shopping is that many if not most folks will be more careful, disciplined and precise in their decisions,' says Shore Capital's Black, describing the trend as 'precision shopping'.

'Many gifts will, of course, still be bought albeit lots of households and families may concentrate on their children and pets rather than the grown-ups.' [IC]

Why no-frills Costco Wholesale continues to flourish

The global membership retailer has a winning proposition for inflationary times

Retailer **Costco Wholesale (COST:NASDAQ)** is expected to unveil further market share gains when it reports quarterly results on 8 December.

The company has already reported sales up 7.7% year-on-year to $17.73 billion for October, building on a bumper 10.1% rise to $21.46 billion for September, as it capitalises on US consumers who are beginning to feel the pinch from cost-of-living pressures. November's sales figures were scheduled to have been published as this issue of *Shares* was being finalised.

Washington-headquartered Costco offers low prices to members, including hard-pressed individuals and cash-strapped small and medium-sized businesses, by eliminating virtually all the frills and costs historically associated with conventional wholesalers and retailers. Costco passes through any price increases to the customer and makes additional money via an annual membership fee.

Steve Wreford, portfolio manager of **Lazard Thematic Inflation Opportunities Fund (BLNKWV8)**, says in times of inflation 'you become more cost conscious, so Costco is a cheap place to shop.' He adds: 'It has a more limited range; by focusing on a small number of items it can offer ludicrously cheap prices. That is a strong proposition for cash-strapped shoppers.'

Costco's shares have outperformed the S&P 500 year-to-date – down 6.3% versus a 17.4% decline for the index of US-listed companies. [JC]

New life science investment company seeks to take advantage of depressed UK valuations

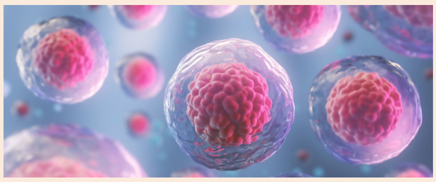
Conviction Life Sciences is planning to float on the UK stock market on 16 December

INVESTMENT COMPANY **CONVICTION Life Sciences** is hoping to raise up to £100 million via an initial public offering on the Main Market of the London Stock Exchange on 16 December.

It is targeting 20% annualised growth in total net asset value over time and intends to construct a portfolio consisting of 20 to 40 positions in public and private companies across the spectrum of life science from novel therapeutics to medical devices.

Investment manager and founder of Conviction Life Sciences Andrew Craig told *Shares* the combination of tougher European legislation and the Neil Woodford debacle had reduced retail and institutional investor interest in the life sciences sector.

Craig said only six out of 50 small cap managers now have any exposure to this part of the market.



This has created opportunities to invest at more attractive prices, particularly companies in the UK, Europe and Australia.

Around a third of Conviction Life Sciences' net asset value will be invested in companies with a market cap above $500 million, providing what Craig described as 'ballast' to the portfolio.

The company believes value creation will be driven by structural global demographic trends and accelerating technological and scientific progress. It will charge a 1% management fee and a performance fee. [MG]

Moving HIGHER

Card Factory bucks the negative retail sector trend with share surge

The greeting cards seller is doing better than expected

Shares in greeting cards-to-gifts retailer **Card Factory (CARD)** have surged since the delivery of a surprise bumper upgrade (15 November) to full year earnings guidance and have bucked the retail sector gloom with an 18% gain year-to-date.

Signs that CEO Darcy Willson-Rymer's refreshed growth strategy is working and hopes the retailer's strong value proposition will resonate with consumers dealing with a cost-of-living crisis have helped drive the stock higher, while Liberum Capital thinks Card Factory is at the start of an upgrade cycle for earnings estimates.

The Wakefield-headquartered shopkeeper now expects to deliver year-to-January 2023 earnings before interest, tax, depreciation and amortisation (EBITDA) of 'at least £96 million', comfortably ahead of the previous £88.8 million consensus forecast and which should drop through to pre-tax profits of £37.5 million.

Card Factory has seen stronger than expected second-half trading, particularly in stores and across 'everyday' ranges, and enjoyed a 'marginally' better than anticipated start to the Christmas selling season.

The update also provided relief on the supply chain front, with Card Factory assuring investors that 'all internationally sourced seasonal stocks have been landed in the UK, with a significant proportion already delivered to store'. [JC]

Shares in Home REIT are down hard on short-selling report

Company calls the note 'inaccurate and misleading' but it could still be time for investors to make a decision

IT WAS A week to forget for shareholders in **Home REIT (HOME)**, the investment trust which aims to alleviate homelessness in the UK through funding the creation of secure sheltered accommodation.

US short seller Viceroy published a damning note causing shares in the UK firm to slide to 55p.

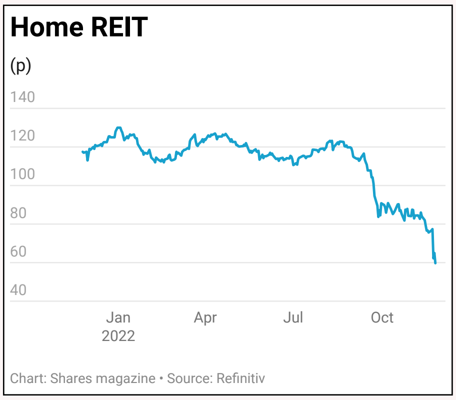
Viceroy claimed the trust's accounts showed poor operating results, some of its biggest tenants weren't paying rent, and many charities weren't able to service their leases on a long-term basis, much less the 25 years proposed by the company.

Viceroy also questioned the incentives for external manager Alvarium to 'fix' the problem given it is paid based on a percentage of net asset value, and suggested there was 'substantial audit risk in the revaluation of Home REIT's book'.

DOWN in the dumps

The manager called the report 'inaccurate and misleading', saying it was based on 'mistaken assumptions, misinformed comments and disputable allegations'. It then issued a full response to the report on 30 November.

Investors should read both the report and the response and make up their own mind whether to keep the shares. Unfortunately, even if the allegations are unfounded, like litigation finance provider **Burford Capital (BUR:AIM)**, which found itself similarly targeted, it could take years to rebuild the firm's reputation. [IC]



Why now is a great time to buy the Artemis Strategic Bond Fund

It has added exposure to the debt of businesses such as Nestlé, PepsiCo and McDonald's

ARTEMIS STRATEGIC BOND FUND
(B2PLJR1) 101p

Net assets: £1.13 billion

With inflation still roaring away and bond investors nursing the deepest losses suffered in decades, now might not seem like a great time to invest in bonds. But, surprisingly, seasoned bond investors are more positive today than they have been in a long time.

Rebecca Young who co-manages the **Artemis Strategic Bond Fund (FUND:B2PLJR1)** told *Shares* 'income has returned to the asset class which investors haven't been able to talk about for many years'.

Young argues the repricing of bonds over the last few months means the starting point is far more sensible today than it has been for a long time. Famed bond investor Howard Marks would appear to concur.

Marks recently told the *Financial Times*: 'Risk aversion has replaced FOMO (fear of missing out)' which has resulted in debt being available at 'very attractive' returns.

Young highlights the importance of starting with what the market has already priced in. The market-implied peak in UK interest rates is around 4.5%, somewhere in the middle of 2023.

Bond prices and credit spreads (the extra yield on offer from company debt over government debt) have adjusted accordingly. Young gives the example of the UK short-dated 'triple B' index which yields 6% today compared with 1.7% at the start of 2022.

This looks 'historically attractive' according to Young, who believes investors are now getting 'adequately rewarded' to take on the risk of lending to investment grade companies. Triple B is the lowest rung on the investment grade ladder.

The manager also believes we are approaching peak inflation in the core UK, European and US economies which potentially removes a headwind for bond prices.

Young manages the £1.13 billion Artemis Strategic Bond Fund alongside Juan Valenzuela who has been managing bonds since 2003.

The fund aims to provide a combination of income and capital growth over a five-year investment horizon. It has the inbuilt flexibility to invest across different types of bonds as the economic cycle turns and market conditions change.

The portfolio typically has between 100 and 130 positions and risk is spread across different sectors, quality of issuers and maturity profile.

Over the last 10 years the fund has delivered an annualised return of 2.91% a year compared with a 1.64% return from the Investment Association Global Flexible Bond benchmark. The fund has an ongoing charge of 0.57% a year and offers a yield of 3.6%. [MG]

Artemis Strategic Bond I Quarterly ACC GBP

Chart: Shares magazine • Source: Refinitiv

Insurance and retirement specialist Just Group looks undervalued

Market has overlooked the firm's transformation to positive cash generation

JUST GROUP
(JUST) 76p

Market cap:
£788 million

While investing in the market for retirement income may not sound very exciting, even in the case of a self-proclaimed 'disruptor' like **Just Group (JUST)**, for those approaching retirement it actually makes a good deal of sense.

Just Group offers bulk annuities, individual annuities and lifetime mortgages.

Bulk annuities are insurance products which are sold to defined benefit schemes allowing them to transfer their risk, so that the insurance company – in this case Just Group – pays benefits to pension scheme members covered by the policy until they die.

The market for bulk annuities, which make up 60% of the group's new sales, is currently booming as most pension schemes are sitting on strong surpluses.

Consultant Lane Clark & Peacock estimates that more than £600 billion of bulk annuity deals will complete over the next 10 years.

Individual annuities, which make up 20% of new sales, are 'guaranteed income for life' products which allow members of a defined contribution pension scheme to transfer their cash lump sum to the group in exchange for a guaranteed regular income until they die.

Lifetime mortgages are a kind of equity release, which sounds risky if house prices fall but they only make up 16% of new sales and Just Group's average loan to value is just over 35% so it has a big 'cushion' if the market does decline.

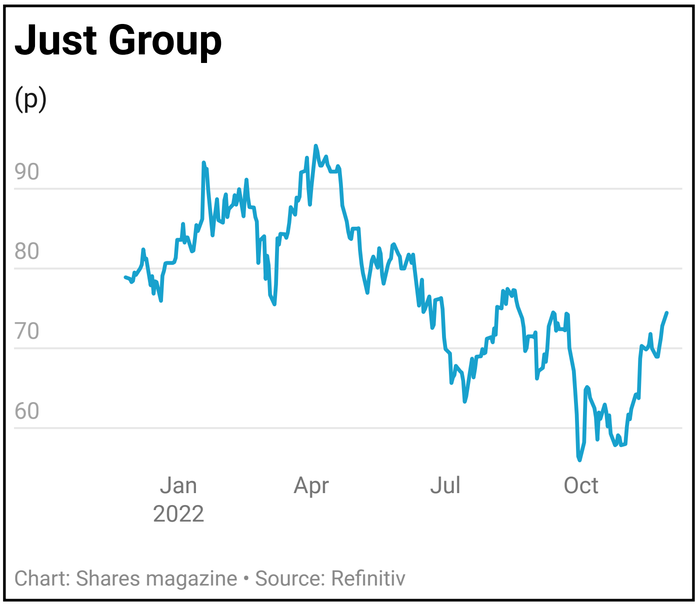
What makes the company attractive is not just the fact that the share price has come down a long way in the last five years, but since the firm became self-financing in 2020 it has built up a high level of capital which is set to keep on building.

Prior to 2020, the company faced a major headwind as every time it sold a product it had to put aside a large amount of cash which it didn't have meaning it was constantly in debt.

Now, cash generated by in-force policies is more than enough to offset the 'business strain' of selling new products.

Bearing in mind the long duration of many annuity products, Just Group is producing steady and predictable cash flow over decades, with analysts at Jefferies estimating in-force cash generation growing by 7% per year between the start of 2022 and the end of 2026.

Combined with reforms to Solvency II rules, which mean a reduction in the 'risk margin' on new sales, the group's underlying surplus cash is set to grow by an average of over 20% per year over the same period. It offers a 2.1% prospective dividend yield. [IC]



How SRT Marine surged 60% higher in less than two months since we said to buy

Scope for big contract wins would suggest the shares continue to look attractive at the current price

SRT MARINE SYSTEMS
(SRT:AIM) 48p

Gain to date: 60%

When we flagged maritime identification and tracking technologies kit supplier **SRT Marine Systems (SRT:AIM)** at 30p a month-and-a-half ago (13 October) we were confident a business which had gone under the radar for years was ready to win the market's attention.

We probably didn't expect to see a 60% increase in the share price in a matter of weeks but that's exactly what has transpired.

WHAT'S HAPPENED SINCE WE SAID TO BUY?

A big catalyst for the surge higher in the shares was provided by first-half results on 14 November. Covering the six-month period to 30 September, these revealed a 300% increase in revenue year-on-year to £18.8 million and a pre-tax profit of £2.1 million compared with a loss of £3.1 million for the same period a year ago.

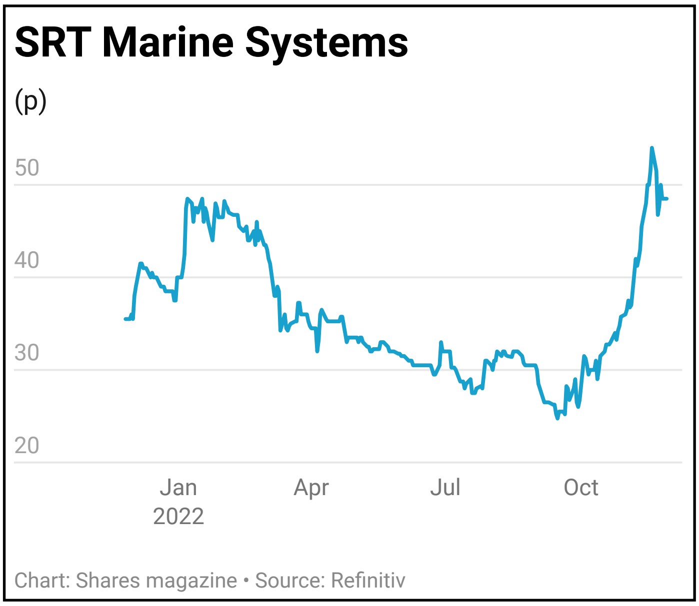


Chart: Shares magazine • Source: Refinitiv

Chair Kevin Finn commented: 'These results are now starting to show the benefits of the significant technology, product and market investments we have made over many years.'

Some of this was already known thanks to a trading update but as FinnCap analyst Lorne Daniel observed, the second half is 'shaping up well', underpinning his confidence in forecasts for £56.6 million in revenue and £6.8 million adjusted pre-tax profit for the 12 months to 31 March 2023.

Daniel added: 'After securing a small new coastguard deal (in early November), management continues to expect significant new systems contracts to be announced in the coming months; five in particular worth £200 million are currently in the final stages of lengthy contracting processes.'

WHAT SHOULD INVESTORS DO NOW?

While it might be tempting to take profit after such a strong run, a rating of 12.6 times FinnCap's forecast 2023 earnings per share does not seem onerous, particularly given the scope for SRT to win some very meaningful new orders in the coming months. In our view investors haven't missed the boat and the shares remain worth buying. [TS]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PASSING ON WEALTH

How AIM shares could cut an inheritance tax bill

WITH THE CURRENT nil-rate threshold for inheritance tax being frozen at £325,000 until 2028, many investors will be wondering how they can reduce tax liabilities for their estate when they die.

In the 2021-22 tax year, inheritance tax receipts jumped 14% to a record £6.1 billion as more people's estates topped the threshold, yet according to a survey by estate planning firm Time Investments only 22% of those in the 55 to 64 age-bracket knew what their estate's inheritance tax liability would be.

An even smaller percentage, just 8%, said they had taken action to ensure their estate didn't pay any more inheritance tax than was needed.

INVESTING IN AIM STOCKS TO MINIMISE IHT

One popular way to minimise inheritance tax bills is to invest in AIM-quoted companies which qualify for business property relief.

Business relief, as it is now known, was introduced in 1976 to allow family businesses to be passed down through generations free of inheritance tax (also known as IHT). Its scope has since been widened and in 1996 it was made available for a range of assets including shares in some limited companies.

Shares which qualify for business relief are excluded from inheritance tax calculations if they have been held for longer than two years at the time of death and the company still meets the criteria.

There is no upper limit or allowance on the amount of money you can invest, but the problem is there is no official list of companies which do and don't qualify for inheritance tax exemption, nor is there a ready-made fund which investors can buy off the shelf. Some wealth managers offer AIM IHT portfolio services, but these typically come with high charges.

HMRC has a set of guidelines which determine the type of company that could qualify for relief. They must have a proper trading business such as a pub, a manufacturer or a retailer. To qualify the company must not be listed on a main stock exchange either in the UK or abroad.

The most notable exclusions are companies that mainly deal with investments, land or buildings (for example, real estate investment trusts), and not-for-profit organisations.

Since there is no definitive list of qualifying companies, claims are assessed retrospectively meaning when a claim for relief is made during the probate process HMRC will confirm if the company in which the deceased was a shareholder qualifies for business relief and whether the shares can be passed on free of inheritance tax.

Importantly, to benefit from 100% relief the company must have qualified at the time of the investment and still qualify when the relief is claimed.

HOW DO I PICK THE RIGHT SHARES?

One option is to pick companies yourself which qualify for relief and put together a portfolio. This means you will need to research the shares beforehand to establish their investment merit and status regarding relief.

When you contact them, AIM-listed companies should be able to confirm if they think they qualify at that point, but you should check in regularly as a company which qualifies today may not qualify in future.

The easiest starting point may be to make a note of which companies don't qualify for relief using a simple checklist.

YOU CANNOT CLAIM BUSINESS RELIEF IF THE COMPANY:

- Mainly deals with securities, stocks or shares, land or buildings, or in making or holding investments
- Is a not-for-profit organisation
- Is being sold, unless the sale is to a company that will carry on the business and the estate will be paid mainly in shares of that company
- Is being wound up, unless this is part of a process to allow the business of the company to carry on

THE IMPORTANT RULES TO CONSIDER

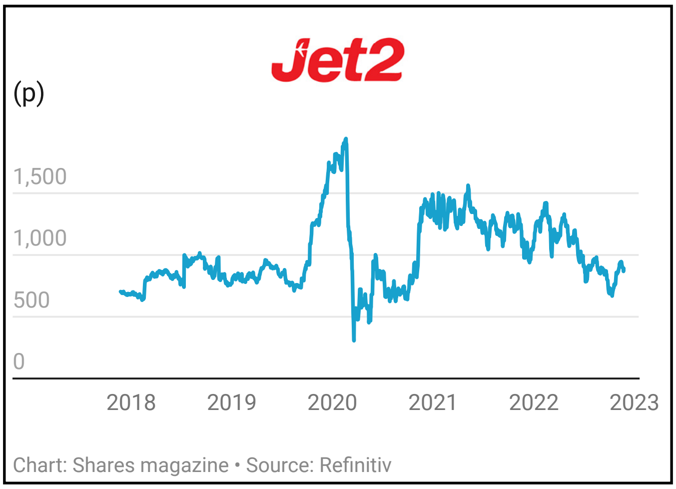
- You need to invest in qualifying AIM companies for at least two years to get the inheritance tax relief.
- The clock starts ticking from the point at which your money is invested in qualifying stocks.
- If you make a second (or more) deposit of funds, a new clock starts for that amount of money – so you'll need to keep accurate records as your investments would now need to be held over different time durations.
- If you sell the stocks after the two-year qualifying period ends, you have three years to use that cash as you wish – but you must be reinvested in qualifying stocks by the time that three-year period ends.
- You must be invested at the point of death.
- Speak to a qualified tax expert to get full clarification of the rules.

The Government website provides further information. It is also worth visiting the Investor's Champion website as it has a screening tool which is regularly updated to help identify AIM companies which qualify for relief from inheritance tax. There is a small fee to pay for this service.

WHICH KIND OF COMPANIES QUALIFY?

Below are three examples of well-known AIM companies which qualify for inheritance tax relief, as suggested by Chris Boxall from Investor's Champion and Fundamental Asset Management, which offers AIM IHT portfolio services.

JET2 (AIM: JET2)



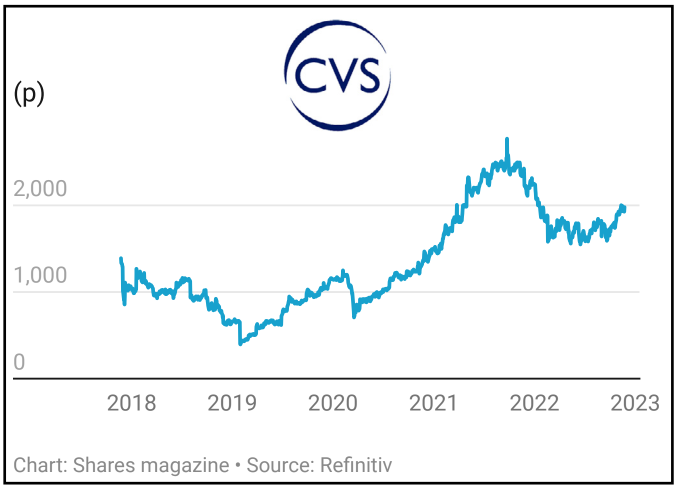
Travel group Jet2 offers low-cost travel through its airline, Jet2.com, the UK's third-largest carrier, and package holidays through Jet2holidays, the country's second-largest package holiday provider.

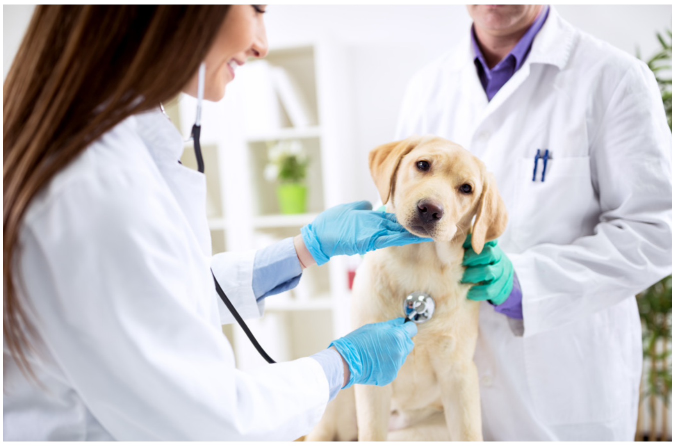
Jet2 is AIM's third-largest company with a market value of £2 billion. Founder and executive chairman Philip Meeson owns 20% of the group's shares.

Half-year results reported on 24 November saw Jet2 swing to a £450.7 million pre-tax profit versus a £205.8 million pre-tax loss a year earlier. Those profits are well ahead of pre-Covid days thanks to pent-up demand for travel, greater capacity to fly customers abroad and a greater percentage of sales coming from higher margin package holiday customers.

Higher fuel and staff costs could put pressure on margins near-term and there is also uncertainty around whether as many consumers will be able to afford to go on holiday next year versus 2022. Yet Jet2 is big in all-inclusive package holidays, and these might appeal to people who want certainty over how much their trip abroad will cost in total, rather than simply securing a plane ticket and a hotel, and then realising the food and drink is costing them a lot on top.

CVS GROUP (AIM:CVSG)





CVS is one of the largest integrated veterinary services providers in the UK, with over 500 veterinary practices across the UK, Ireland and the Netherlands.

Alongside the core veterinary practices division, CVS also operates laboratories, pet crematoria and an online retail business. It is currently AIM's seventh-largest company with a market value of £1.4 billion.

CVS plans to double profitability over the next five years through a combination of higher organic growth and improved margins through investment in facilities and equipment.

Acquisitions will remain part of the growth story and are expected to see CVS achieve a bigger position outside of the UK in time.

A trading update on 23 November said the company had enjoyed a positive start to its new financial year with performance for the four months to 31 October in line with expectations.

RWS (AIM:RWS)

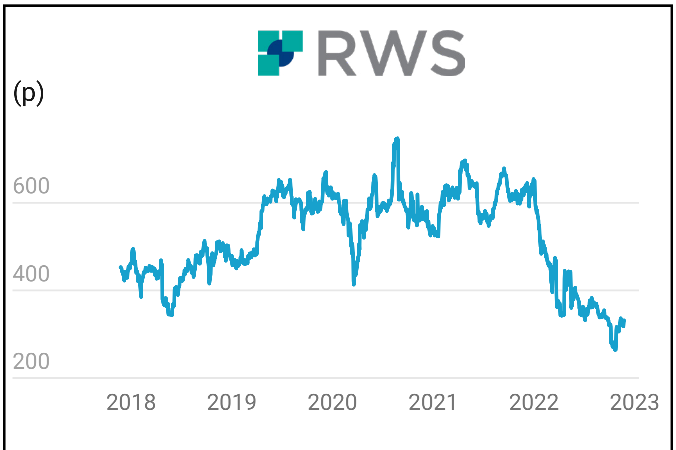


Chart: Shares magazine • Source: Refinitiv

Founded in 1958, RWS is a world-leading provider of technology-enabled language, content and intellectual property services.

The group's customers include 90 of the world's top 100 brands, the top 20 pharmaceutical companies and 19 of the top 20 patent filers.

RWS is AIM's ninth-largest company with a market value of £1.3 billion. Executive chairman Andrew Brode holds 23% of the shares.

On 26 October, RWS reported a year-end trading update, guiding for 8% revenue growth and in line with market expectations. Some of its big technology customers have reduced activity over the past year but RWS is confident that volumes will recover 'in due course'.

The shares have also been caught up this year in the rotation away from highly rated growth stocks and more towards value. A year ago, investors were happy to pay 30 times earnings for the stock, but today the shares only trade on 13-times.

WHICH COMPANIES DON'T QUALIFY?

The list below, also suggested by Chris Boxall, comprises firms which don't meet HMRC's requirements, although they may have done in the past.

ABCAM (ABC:AIM)

Abcam is a global supplier of life science research tools and AIM's largest company with a market value of £3.1 billion.

It used to be a popular stock for IHT planning portfolios, but the listing of its American Depositary Shares on the Nasdaq market in October 2020 compromised its IHT qualification, causing many AIM IHT managers to sell the shares from portfolios they managed.

Unlike AIM, the Nasdaq meets HMRC's definition of 'listed' for the purpose of HMRC legislation although there is a degree of ambiguity as strictly speaking it is the ADS rather than the AIM shares which are listed on Nasdaq.

However, the company recently announced its intention to cancel its admission to trading on AIM so it would no longer qualify anyway. It will delist from the UK stock market on 14 December.

HUTCHMED (CHINA) (HCM:AIM)

The ordinary shares of novel drug discovery firm Hutchmed trade on AIM as well as on the main board of the Hong Kong Stock Exchange, which meets the definition of 'listed' for the purpose of HMRC legislation. Hutchmed also has a listing on Nasdaq in the form of American Depositary Shares.

GREENCOAT RENEWABLES (GRP:AIM)

Energy infrastructure investment firm Greencoat Renewables owns a portfolio of more than 1,028MW of power generation assets across Europe.

The company is classed as an externally managed alternative investment fund as it has

FOUR OTHER WAYS TO REDUCE INHERITANCE TAX

1. Gifting

Gifting is one way to pass on assets to your children and grandchildren without them paying inheritance tax. However, if you die within seven years of making a gift, inheritance tax will be payable on a sliding scale.

Note that everyone can gift up to £3,000 of their assets to beneficiaries each tax year without that sum becoming liable to inheritance tax, no matter when they die.

Gifts of up to £5,000 to children made in advance of a wedding are protected from IHT, irrespective of when you die, and up to £2,500 for grandchildren. You are also allowed to make gifts from your surplus income, provided they are regular and documented. The rules around this form of gifting are complex, so consider talking to a qualified financial adviser if you are going down this route.

2. Consider pensions

A pension or SIPP (self-invested personal pension) is a way to pass wealth onto younger generations, though its purpose first and foremost is to provide you with a retirement income.

You can nominate beneficiaries for your pension in the event of your death, which must be officially submitted to your pension provider, and IHT is not generally payable.

If you die after the age of 75, your

beneficiaries must pay income tax on money they take out of the pension, which could be 20%, 40% or 45%, depending on whether they are a basic, higher, or additional rate taxpayer.

3. Set up a trust

Setting up a trust to hold your assets is another option to consider, yet it is complex so consider talking to a financial adviser. The benefit is that whoever you appoint as the trustee can control the assets, rather than them being passed onto the beneficiaries right away.

4. Buy insurance

Another option to consider is setting up an insurance policy which pays out when you die and thereby covers any inheritance tax liability.

The policy should be written in trust, so the pay-out doesn't fall into your estate and therefore be subjected to IHT itself. Consider using a financial adviser for this route.

no employees of its own and is managed by Schroders Greencoat, an experienced investment manager in the listed renewable energy infrastructure sector.

Therefore, as its primary purpose appears to be making or holding investments, Greencoat doesn't meet the IHT qualifying rules.

OTHER THINGS TO CONSIDER

Anyone investing in AIM shares for the purposes of lowering their inheritance tax liabilities should bear in mind the rules can change.

With the Government under pressure to improve its finances, it is possible that the loophole which allows investors in AIM stocks to benefit from relief could be scrapped one day.

Also, the fact that shares in a certain company qualify as a tax-efficient investment shouldn't be the prime reason for buying them.

Investors need to do their research and put the fundamentals first, so you need to ask if it is a good business and will it generate an attractive risk-adjusted return over the long term?

By **Ian Conway** Companies Editor

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International Personal Finance PLC

12% Bonds due December 2027 (the "**Bonds**")

Dealer Manager
WH Ireland Limited

Authorised Offerors
- **Hargreaves Lansdown**
- **Interactive Investor**
- **Redmayne Bentley**
- **PrimaryBid**
- **EQi**
- **AJ Bell**

Background to the Issuer
International Personal Finance plc ("**IPF**" and the "**Issuer**") is the holding company for a global consumer finance business helping people of average to below-average incomes, who are excluded from mainstream finance, to access simple, personal and affordable credit. IPF and its subsidiaries (together, the "**Group**") offers a suite of small sum, short-term unsecured consumer credit and insurance products to suit its customers' different credit profiles. The products range from instalment home credit cash loans, a loan card and digital instalment credit to revolving credit lines and a mobile wallet with online payment facilities. The Group's head office is in Leeds in the United Kingdom. The Group operates in Poland, the Czech Republic, Hungary, Romania, Mexico, Lithuania, Estonia, Latvia and Australia and has approximately 22,000 employees and customer representatives.

Further information on the Issuer and Group can be found at: www.ipfin.co.uk

Key features of the Bonds
The International Personal Finance PLC 12.0% Bonds due December 2027 pay interest of 12.0% per annum on the face value of £100 per Bond. Interest will be paid semi-annually in arrear on 12 June and 12 December in each year with the investment paid back in full on 12 December 2027 (unless the Bonds are repaid early).

The Bonds will be issued under the Issuer's Euro Medium Term Note Programme pursuant to the final terms relating to the Bonds dated 15 November 2022 (the "**Final Terms**") and the Terms and Conditions of the Bonds contained in the base prospectus dated 25 August 2022 (the "**Base Prospectus**"), as supplemented by a supplementary prospectus dated 4 November 2022 (the "**Supplement**" and together with the Base Prospectus, the "**Prospectus**") (see "**Important Information**" below for more information about the Prospectus).

The Bonds are expected to be rated BB- by Fitch Ratings Limited and Ba3 by Moody's Investor Services Limited.

The minimum initial investment is £2,000. Purchases of greater than £2,000 must be in whole multiples of £100. After the initial purchase of Bonds during the period during which the Bonds are offered for sale by IPF (this offer period ends on 12 noon on 6 December 2022 unless otherwise ended earlier by IPF (the "**Offer Period**"), the Bonds can be bought and sold in whole multiples of £100, though the actual price you pay or receive per Bond may be higher or lower than this depending on the market price of the Bonds at the time.

The Bonds are expected to be admitted to trading on the Order book for Retail Bonds of the London Stock Exchange, following which investors will be able to check the current trading price on the London Stock Exchange website and buy and sell their Bonds in the open market at any time during market hours (subject to normal market conditions).

Further and important information about the Bonds, including how to purchase the Bonds is available at the website of Kroll Issuer Services Limited (https://deals.is.kroll.com/ipfin). Please also see "**Important Information**" below for more information about the Prospectus, this advertisement and the Bonds.

Important Information
This is an advertisement and not a prospectus for the purposes of Prospectus Rule 3.3 and Commission Delegated Regulation (EU) No 2019/979 as it forms part of UK law by virtue of the European Union (Withdrawal) Act (the "**EUWA**"), and is not a prospectus for the purposes of the UK Prospectus Regulation and/or Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**"). The Base Prospectus, the Supplement and the Final Terms have been published and are available to view at the website of Kroll Issuer Services Limited (https://deals.is.kroll.com/ipfin). The contents of this advertisement are indicative and are subject to change without notice. This advertisement should not be relied on for making any investment decision in related to the purchase of Bonds. Any decision to purchase the Bonds should be made by you solely on the basis of a careful review of the Prospectus and Final Terms.

Please therefore read the Prospectus and Final Terms carefully before you invest. Before buying and selling any Bonds you should ensure that you fully understand and accept the risks relating to an investment in the Bonds, otherwise you should seek professional independent advice.

This advertisement is a financial promotion approved, for the purposes of section 21(2)(b) of the Financial Services and Markets Act 2000, by WH Ireland Limited and made by the Issuer. WH Ireland Limited (incorporated in England and Wales with registered number 02002044) whose registered office is 24 Martin Lane, London, England, EC4R 0DR, is authorised and regulated by the Financial Conduct Authority with reference number 140773.

WH Ireland Limited does not provide legal, tax, regulatory, accounting or investment advice in relation to the Bonds and is not responsible for any advice you may receive from any third party.

The Bonds have not been and will not be registered under the United States Securities Act of 1933 (the "**Securities Act**"). The Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in the Securities Act). The Bonds are being sold outside the United States in reliance on Regulation S of the Securities Act.

Key Risks

A number of particularly important risks relating to an investment in the Bonds are set out below. You must ensure that you understand the risks inherent in the Bonds. The risks set out below are not intended to be a comprehensive list of all the risks that may apply to an investment in the Bonds. You should seek your own independent professional investment, legal, regulatory and tax advice as to whether an investment in the Bonds is suitable for you. You should be aware that you could get back less than you invest or lose your entire initial investment.

Full details regarding the risk factors relating to IPF, the Group and the Bonds are set out in the section headed "**Risk Factors**" on pages 10 to 31 of the Base Prospectus. Please read them carefully.

- The Bonds are not protected by the Financial Services Compensation Scheme (the "**FSCS**") or any equivalent scheme in another jurisdiction. As a result, neither the FSCS nor anyone else will pay compensation to investors upon the failure of the Issuer or the Group as a whole.
- Investors who hold through CREST through the issuance of CDIs ("**CDI Holders**") hold or have an interest in a separate legal instrument and will have only indirect interests in the underlying Bonds. This could potentially lead to the CDI Holders having different rights and returns in respect of such underlying Bonds as against those investors who have a direct interest in their Bonds.
- Defined majorities may be permitted to bind all Bondholders with respect to modification and waivers of the Bonds Conditions, even if some Bondholders did not attend or vote.
- Bonds may have no established trading market when issued, and one may never develop, or may develop and be illiquid. Investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.
- Although WH Ireland Limited will be appointed as a market maker when the Bonds are issued, there is no assurance that the market-maker will continue to act as a market-maker for the life of the Bonds and a replacement market-maker may not be appointed, impacting the ability to sell the relevant Bonds.
- Full details regarding the risk factors relating to the Issuer, the Group and the Bonds are set out at pages 10 to 31 of the Base Prospectus.

For more information visit:
www.ipfin.co.uk

RUSS MOULD
AJ Bell Investment Director

Does FTX's collapse mean the cryptocurrency bubble is about to burst?

Its trajectory has similarities to Charles P. Kindleberger's study of manias, panics and crashes

Lurid stories continue to emerge as the courts, regulators and creditors continue to sift the wreckage of the FTX cryptocurrency exchange, its trading and research arm Alameda and the financial affairs and reputation of their founder Sam Bankman-Fried.

THREE CRUSHING IRONIES ARE APPARENT:

1 FTX ultimately failed because the world's leading crypto platform, Binance, lost confidence in it and pulled out its assets. This is hardly a glowing endorsement of cryptos, stablecoins and digital tokens.

2 FTX then tried to bail itself out by raising $8 billion in fiat currency, the very sort of money that cryptocurrency supporters were trying to eschew in the first place.

3 Once an investor puts cash in the bank, the bank invests that cash and treats it as a liability on its balance sheet. Once an investor puts crypto onto a platform, the exchange owes that digital currency to the investor and may trade or lend or leverage it accordingly. Neither the bank nor the crypto platform can meet mass withdrawals – a 'run' – so crypto fans have simply found the same risk in different form, and an unregulated version of it for good measure.

The key issue now is what happens next, and what are the implications for the crypto asset class and financial markets more widely?

MANIAS, PANICS AND CRASHES

Bitcoin has lost a fifth of its value since news of FTX's financial troubles first broke, yet it could have been worse. This column assumes the fall-out in equity and bond markets would be much greater if the world's fifth-largest investment bank or investment platform were to fail. Some may therefore treat bitcoin's price resilience with suspicion rather than approbation.

However, bitcoin has lost three-quarters of its value since the November 2021 peak, just shy of $68,000.

This will tempt sceptics to argue that the crypto bubble is starting to go pop, especially as the asset class's trajectory closely follows that outlined by Charles P. Kindleberger in his magisterial study of similar episodes, *Manias, Panics & Crashes*. The details may change from mania to mania, but human behaviour clearly does not, and the running order feels consistent:

- The starting point for a bubble is a new investment opportunity, one that may be genuine or even one with just a big enough grain of truth to be irresistible to those looking for a quick financial killing.
- Initial price rises then catch the attention of newcomers, as 'fear of missing out' starts to gather.
- Investing and operational profits go into orbit and fresh cash is attracted, often in the form of borrowed cash.
- More copycats and imitators spring up and

RUSS MOULD
AJ Bell Investment Director

Bitcoin is down by 75% from its highs

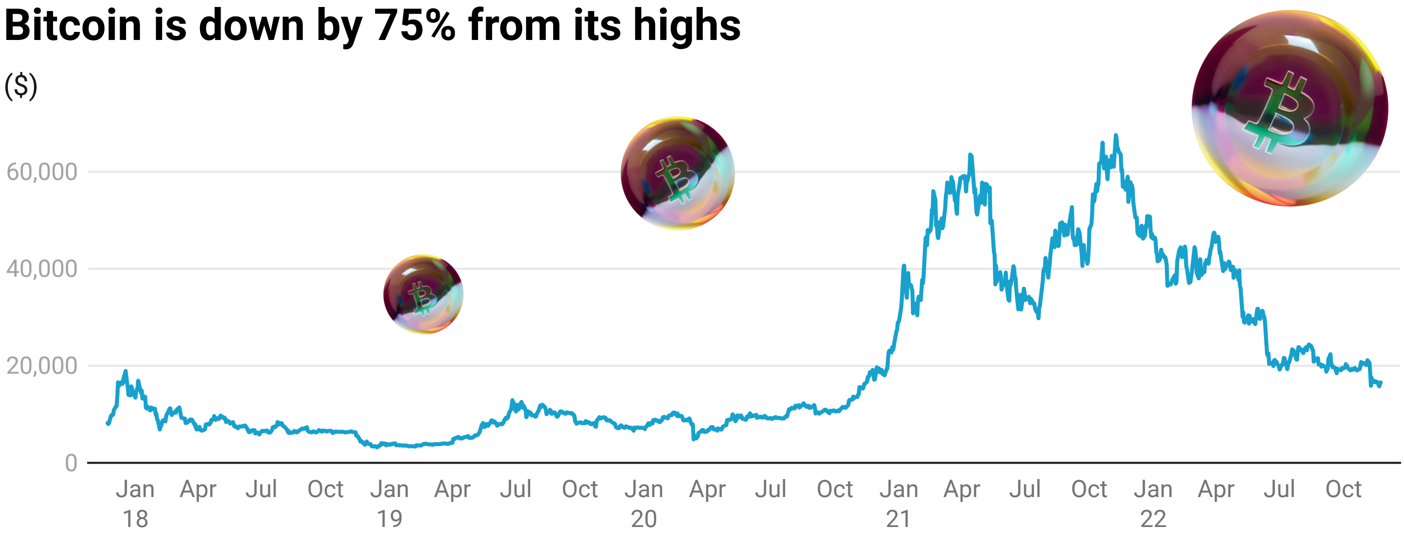

Chart: Shares magazine • Source: Refinitiv

more credit is made available as asset prices keep running and the profits keep flowing.

- Then the trouble starts. Insiders start to lock in their profits by selling to the unwary at elevated prices and leave investors holding the bag. Prices initially correct but then rally as loyal supporters buy on the dips.
- Initial signs of distress then start to sow real seeds of doubt. A new offering goes wrong, a firm runs out of cash and asset prices fail to reach their previous peaks. The queue of copycat flotations and management teams looking to sell their stock on a secondary basis gets longer by the minute and supply begins to outstrip demand.
- Then comes a good, old-fashioned scandal. Someone goes bust or accounts prove to be crooked, or someone runs off with the money, and investors realise they have been had.
- Fear and revulsion replace greed, asset prices collapse as investors scramble to cut their losses and the recriminations begin as scapegoats are sought and publicly pilloried.

Investors can judge for themselves where they feel cryptocurrencies stand in this cycle, assuming they accept the view the cryptos did indeed enter bubble territory in the first place.

ECHOES OF HISTORY

If Kindleberger's model holds firm, there could be more bad news to come, especially if central banks stay the course, and keep hiking rates, to take away at least a chunk of the cheap liquidity that did so much to fuel interest in crypto in the first place.

As interest rates rise, and quantitative easing is being slowly withdrawn, the cost of money, and returns on cash, are going up. This may force markets to treat money with more reverence and take less risk.

This could have implications for other, potentially bubbly assets, including equities, bonds, property, art, wine, sports cars and thoroughbred racehorses. All have seen some meteoric price increases during the era of zero interest rates and quantitative easing, and some are already rapidly retreating, as we can see in more speculative areas of the stock markets, such as initial public offerings (IPOs) and special purpose acquisition companies, also known as SPACs.

If there is any good news, it is that the aggregate crypto market value is just $825 billion, down from a peak of $3 trillion according to the website *coinmarketcap.com*. If regulators just leave crypto alone, in the view it will go to zero all by itself, that will equate to the loss of just 2.5% of the American S&P 500 stock index. That should not be enough to destabilise anything, although that may depend upon how much money has been borrowed using cryptos as collateral.

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Invesco

POCKETS OF OPPORTUNITY WITHIN THE HIGH YIELD BOND MARKET – **INVESCO BOND INCOME PLUS LIMITED**

*Author: **Rhys Davies***

Key takeaways

1. The volatility in financial markets this year has been relentless. There has been a big sell-off across government, investment grade and high yield bond markets.

2. It's been a hard journey to get here but given the level that the market is at now, I am seeing lots of bonds that I think are attractive.

3. New issuance has been low in the high yield market this year. When issuers have come to the market, they have had to issue bonds in an environment which is tougher for them but better for lenders like us.

Q. Financial markets in 2022, and the last couple of weeks in particular, have been extremely volatile. How have conditions been for you as a bond manager?

The volatility in financial markets this year has been relentless. There has been a big sell-off across government, investment grade and high yield bond markets. The moves have been dramatic, and it has really felt as if there was nowhere to hide for bond investors.

Fortunately, we came into the year with a fairly defensive portfolio in the **Invesco Bond Income Plus Limited** (ticker: BIPS). We had a bias towards shorter-dated and higher quality bonds than we might typically hold, and we've been able to add bonds as they have got cheaper. However, prices have continued to fall, so even when we have bought into weakness, we've seen prices go lower.

The Net Asset Value of the portfolio has fallen as markets have moved lower this year. On a relative basis, performance has been okay. To the end of September, our Net Asset Value return is in line with the ICE BoA European Currency High Yield Index (GBP hedged), which we often reference. And that's net of our costs, and despite a portfolio holdings bonds with lower credit ratings, on average. However, while we are pleased with relative returns, it has been a bad year for absolute returns.

Invesco

Ordinary share price & NAV cumulative performance (% growth)

	YTD	1 year	3 years	5 years	10 years
Share Price	−9.6	−9.5	−1.7	5.9	75.1
Net Asset Value	−13.5	−13.2	−0.6	6.9	66.3
ICE BofA European Currency High Yield Index (GBP hedged)	−13.4	−13.0	−5.0	2.0	51.2

Standardised rolling 12-month performance (% growth)

	31/10/18	31/10/19	31/10/20	31/10/21	31/10/22
Ordinary Share Price	−0.3	8.0	1.8	10.8	−9.5
Net Asset Value	−0.9	8.4	3.3	6.7	−13.2
ICE BofA European Currency High Yield Index (GBP hedged)	−0.3	7.7	0.2	9.0	−13.0

Past performance does not predict future returns

Source: Morningstar. All performance figures are in sterling as at 31 October 2022, unless otherwise stated. Ordinary share price performance figures have been calculated using daily closing prices with dividends reinvested. NAV performance figures have been calculated using daily NAV with dividends reinvested. The NAV used includes current period revenue and values debt at fair.

A very important feature of bonds is that they return to a price of par, or 100, provided they do not default. To try to ensure that it mitigates loss of capital through defaults, BIPS will continue to maintain a well-diversified portfolio with a strong focus on credit analysis. Furthermore, the active rotation of the portfolio during the year from lower yielding bonds into higher yielding bonds means that levels of income in the portfolio have been rising. One of the key benefits of active fund management is the ability to respond to changing markets in this way.

Q. Following all this weakness, what are you thinking about now?

I'm looking for opportunities. Given the level that the market is at now, I am seeing lots of bonds that I think are attractive.

In BIPS, I have a mandate to use leverage and I've done this to increase exposure to higher yielding bonds by about 10% over the course of this year. It has been great to be able to invest in this weak market.

Leverage is currently about 20%. I could add more but I don't want to do that yet. I am waiting for signs that the outlook for credit is improving. I am not seeing those yet. I'm still cautious. But I can exploit opportunities when I am ready.

Q. What worries you most?

One thing that lingers in my mind is Jay Powell's speech last month, where he said that the US Federal Reserve had to deal with inflation and that there would have to be 'pain' in doing that. I worry that economies have yet to experience that sort of pain. In the world of high yield bonds, further economic weakness could well lead to credit stress and defaults. So, I'm still cautious about the bonds I hold. I am tending to avoid companies in sectors that are typically more sensitive to the level of economic growth, where this pain might be felt more acutely. I am favouring businesses with strong balance sheets which I think can weather some economic weakness over the next couple of years. Luckily, there are lots of bonds now with pretty good yields, issued by companies that we know well and where we are comfortable in the credit story, even with a tough outlook.

Q. What are the prospects for income and income investment from here?

As you can imagine, new issuance has been low in the high yield market this year, whereas 2021 was a record year. Interest rates were low then and corporate bond yields were low too, so conditions were very favourable to borrowers. European currency high yield issuers (according to JP Morgan data) issued €150bn (€88bn net). To the end of September this year, they have issued just €23bn gross (€3bn net).

When issuers have come to the market this year, they have had to issue bonds in an environment which is tougher for them but better for lenders like us. They have had to pay significantly higher coupons, which is something we have been waiting a long time to see.

One very good recent example is Verisure, a European provider of alarm and security systems. In September, they came to the market to refinance their May 2023 3.5% bond. They managed to do this, but their new 2027 maturity bond has a significantly higher coupon of 9.25%.

I think Verisure is a good business. I was happy to participate in this new bond because I think they can afford to pay this coupon. But I also think (and as an income investor, I hope) that this is an example of an important shift in the markets. That is, a shift towards a higher-yielding environment where bondholders can get a better deal. In the very low interest rate world of the last few years, corporates were able to finance cheaply, and equity holders have benefitted from that. Perhaps we are entering a period where bond yields are higher now.

Another bond I was happy to buy recently was the Centrica 7% 2033. This bond was originally issued, at a price just below 100 in 2008 (the volatility in the market at that time helps to explain the high coupon). Since then it has traded up to a peak above 160 but the price is back close to 100 now. This is an investment grade bond, so it's not a typical holding for us. But it was offering a good yield, that we were very happy to have for such a strong credit. It's another indication of the changed income environment.

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

When making an investment in an investment trust you are buying shares in a company that is listed on a stock exchange. The price of the shares will be determined by supply and demand. Consequently, the share price of an investment trust may be higher or lower than the underlying net asset value of the investments in its portfolio and there can be no certainty that there will be liquidity in the shares.

Invesco Bond Income Plus Limited has a significant proportion of high-yielding bonds, which are of lower credit quality and may result in large fluctuations in the NAV of the product.

Invesco Bond Income Plus Limited may invest in contingent convertible bonds which may result in significant risk of capital loss based on certain trigger events.

The use of borrowings may increase the volatility of the NAV and may reduce returns when asset values fall.

Invesco Bond Income Plus Limited uses derivatives for efficient portfolio management which may result in increased volatility in the NAV.

Important information

All information as at 13 October 2022 unless otherwise stated.

Where individuals or the business have expressed opinions, they are based on current market conditions, they may differ from those of other investment professionals and are subject to change without notice.

For more information on our products, please refer to the relevant Key Information Document (KID), Alternative Investment Fund Managers Directive document (AIFMD), and the latest Annual or Half-Yearly Financial Reports.

Further details of the Company's Investment Policy and Risk and Investment Limits can be found in the Report of the Directors contained within the Company's Annual Financial Report.

If investors are unsure if this product is suitable for them, they should seek advice from a financial adviser. For details of your nearest financial adviser, please contact IFA Promotion at **www.unbiased.co.uk**

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Can I buy shares in football clubs and are they worth it?

We run the rule over the beautiful game's stock market history as the Glazers consider selling Manchester United

The less than happy story of football clubs on the stock market has a new chapter as **Manchester United (MANU:NYSE)** might be put up for sale by its controversial owners, the Glazer family.

Casual observers might be surprised to learn that such a significant global brand from the world's most popular sport is valued by the market at just £3.5 billion – for context that's roughly comparable with housebuilder **Taylor Wimpey (TW.)**.

A sale could put a much higher valuation on the football club, with suggestions it could be worth between £4 billion and £5 billion. A bidding war could push it north of £7 billion, according to one banker cited by the *Financial Times*.

Before the Glazer's announcement, Manchester United's shares had effectively gone nowhere since joining the US stock market at $14 in 2012. The sale chatter has lifted the shares to approximately $21.

Despite being lauded for its ruthless exploitation of commercial opportunities, something former executive vice-chair Ed Woodward was supposed to be good at even when on-field matters were less than rosy, Manchester United is currently loss-making and has been for several years ever since the onset of the pandemic decimated matchday revenue.

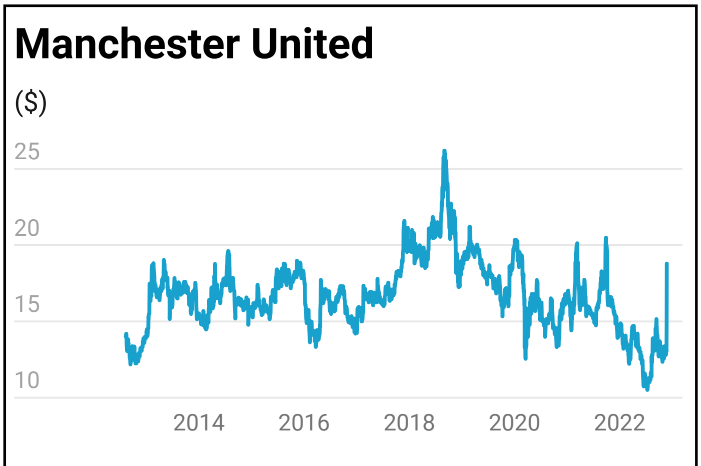
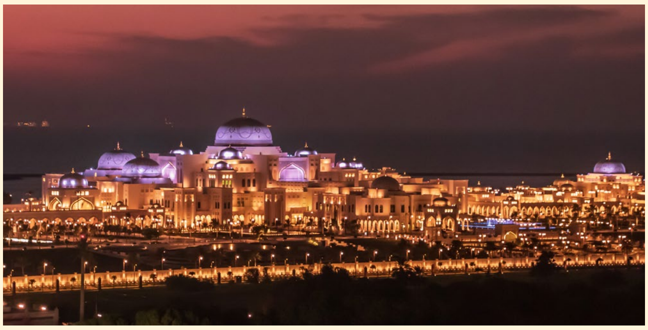


Chart: Shares magazine • Source: Refinitiv

FOOTBALL CLUBS ON SALE

Among the potential bidders for Manchester United may well be a sovereign wealth fund from the Middle East. There have been a series of buyers from this region, starting when an investment company for the Abu Dhabi royal family acquired Manchester City in 2008.



Qatar Sports Investments subsequently purchased Paris St Germain in 2011 and Saudi Arabia-linked owners snapped up Newcastle United in 2021.

Many observers believe their motivation for these moves is sports-washing – using the clubs to distract the world from human rights abuses and discriminatory laws at home.

The £4.25 billion takeover of Chelsea in May 2022 by a consortium led by Los Angeles Dodgers part-owner Todd Boehly demonstrated there are others who are interested in football's global reach.

Liverpool's owners FSG are looking for external investment or even a full takeover which could crystallise the increase in value since the club was acquired for £300 million in 2010.

WHY UNITED HAS RACKED UP BIG LOSSES

A look at the latest report and accounts reveals Manchester United's predicament. The company has a heavy wage bill, albeit one which will be lightened by the recently agreed departure of ageing superstar Cristiano Ronaldo.

In the 12 months to 30 June 2022 employee benefit expenses totalled £384 million. The company posted a net loss for the period of £116 million and the consensus forecast is a net loss of £66 million in the year to June 2023 and a £36.3

Manchester United transfers in and out

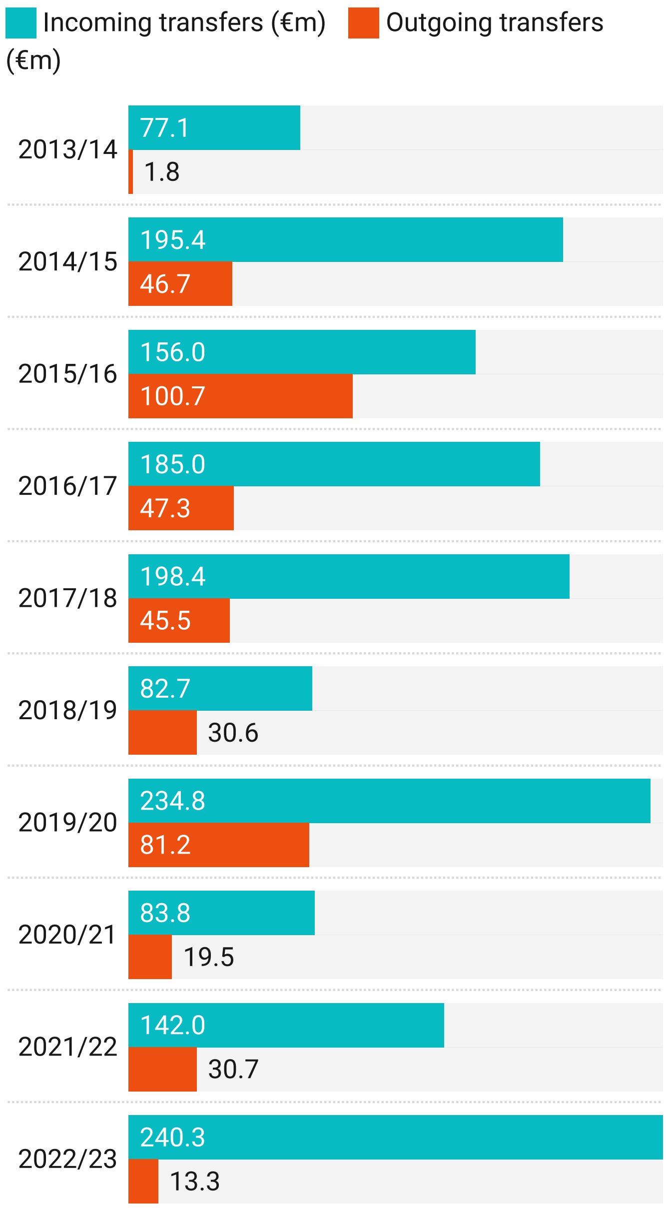
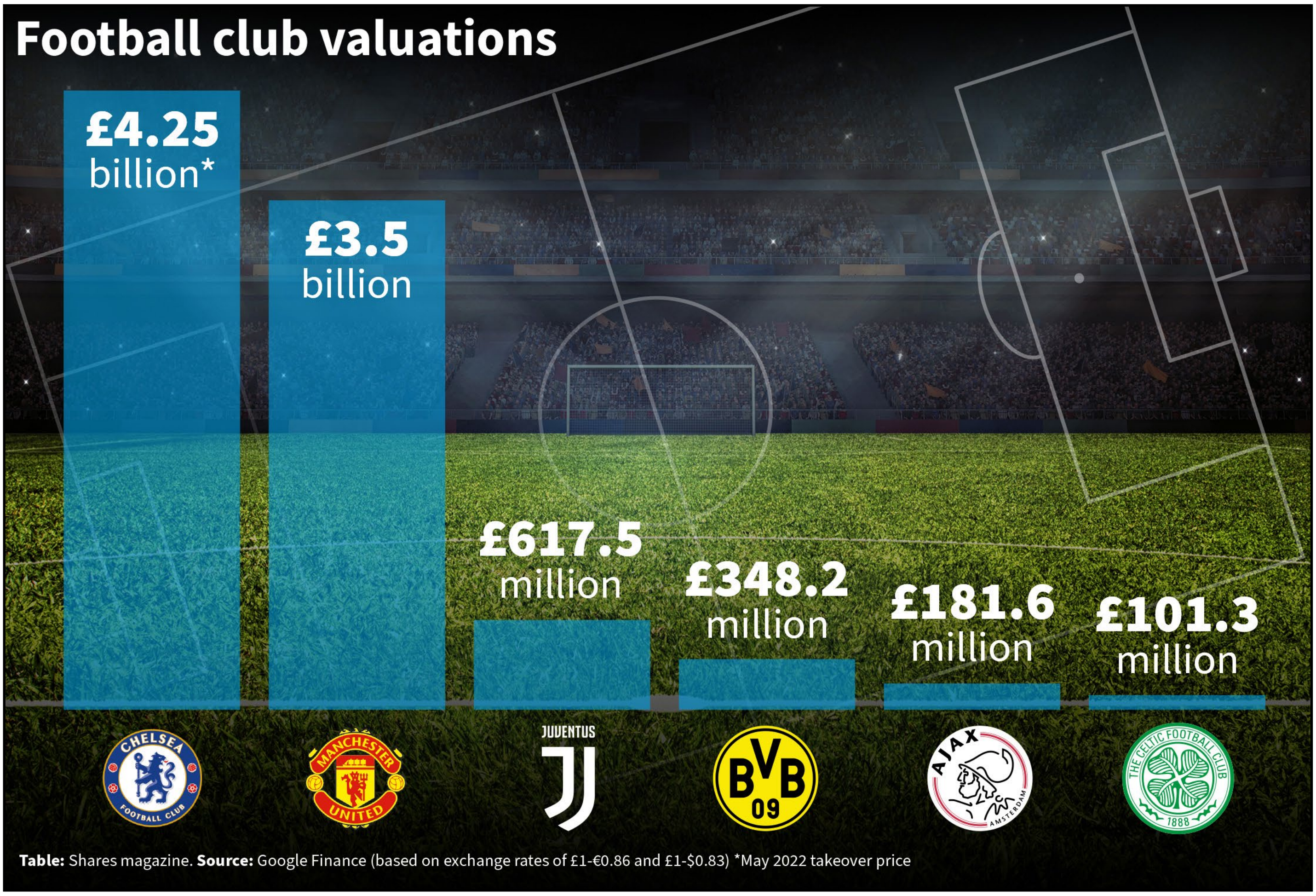


Chart: Shares magazine • Source: Transfermarkt



million loss the year after.

Football clubs principally make money through player sales, broadcast revenue, prize money, sponsorship, merchandising, and matchday revenue through tickets and sales of food and refreshments.

The clamour for the top talent, and the impact of the Bosman ruling in the 1990s which made it easier for players to move between clubs, has seen much of the wealth from a large increase in broadcast revenue expended on transfer fees and wages – to the benefit of footballers and their agents.

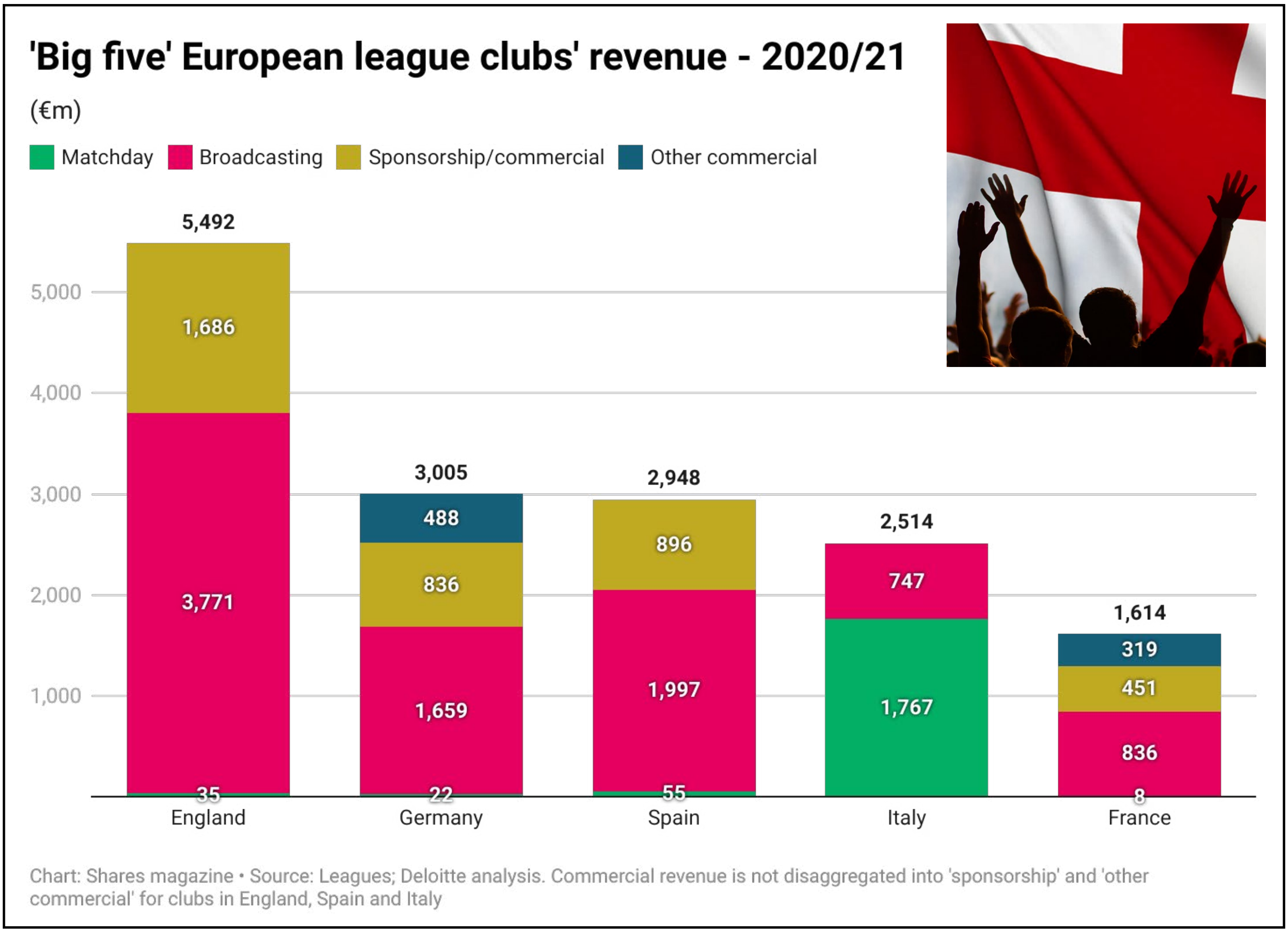
Covid restrictions had a negative impact on the revenue of all clubs and combined with these spiralling costs, put their finances in a precarious position.

Manchester United is saddled with £505 million of debt – which it spent £62 million servicing in the last financial year. This is a legacy of the Glazers' takeover in 2005 which was largely funded with borrowings secured against the club's assets. This is a big reason why many fans remain hostile to the Glazers' ownership.

A LACK OF SUCCESS ON THE PITCH

Despite allocating billions on transfers and wages, success on the pitch has proved elusive since legendary manager Alex Ferguson left in 2013.

Since then, Manchester United has only won one FA Cup and one Europa League, thin gruel for a club and fanbase which had grown used to regular league triumphs and success in Europe's premier competition – the Champions League. Very little of this transfer outlay has been recouped through player sales.



And then there is controversy around the mooted European Super League, which offered the prospect of no relegation and more predictable revenue. Hopes among a group of major clubs including Manchester United and Spanish giants Barcelona and Real Madrid of replicating something akin to the sporting model seen in the US were blown out of the water by a furious fan backlash in 2021. This may well have been the catalyst for the current Manchester United owners to sell.

Billionaire Jim Ratcliffe is seen as a potential suitor, having said earlier this year that he would be interested in buying if the club was put up for sale. Other potential bidders include private equity players Josh Harris and David Blitzer and a consortium led by Boston Celtics co-owner Stephen Pagliuca and Canadian businessman Larry Tanenbaum. **Apple (AAPL:NASDAQ)** has even been suggested as a potential buyer.

A deal won't be straightforward. Significant investment in the squad is required to make the team truly competitive again, despite some early promise under new manager Erik Ten Haag, and the training facilities and stadium also require an upgrade.

The danger is that Manchester United's enviable brand power, particularly in Asian markets, will eventually be tarnished by a lack of silverware and younger fans will turn to other more successful clubs.

WHICH FOOTBALL CLUBS HAVE SHARES ON A STOCK MARKET?

Manchester United is the only English football club listed on a stock market, but it is possible to buy shares in several foreign clubs including **Borussia Dortmund (BVB:ETR)**.

Manchester United vs Borussia Dortmund net transfer spend seasons 2013/14-2022/23*

(€million)

Chart: Shares magazine • Source: Edison, Transfermarkt. *Amount received less amount spent on the squad

Unlike Manchester United, Dortmund has done an enviable job of recruiting and selling on players – including to the Manchester club itself with Jadon Sancho sold for €85 million in 2021.

Dortmund also sold one of world football's leading lights, Erling Haaland, to Manchester City for €60 million in 2022, three times what it paid to Red Bull Salzburg two-and-a-half years earlier.

The German club has earned itself a reputation as a place where young talent will be nurtured and given opportunities to play first-team football, and England midfielder Jude Bellingham is the latest starlet to attract envious eyes from some of European football's biggest clubs.

As Edison analysts Russell Pointon and Richard Finch observe: 'The company has a history of identifying and nurturing young talent that it has ultimately sold for great profits. Continuation of this is important to the company's future profitability.'

Borussia Dortmund's shares performed well

during the 2010s, increasing 760% over the course of the decade. This coincided with a strong performance on the pitch which saw it win two Bundesliga titles, reach a Champions League final, regularly come runner-up to dominant rival Bayern Munich and win several domestic cups.

Since then, the company's market valuation has more than halved with the shares trading at €3.56, the club hit by losses associated with the pandemic and a less impressive showing at a sporting level.

Edison's Pointon and Finch noted results for the three months to 30 September 'demonstrated the expected recovery in its more variable revenue streams as the club welcomed the return of more fans to the stadium' and they see potential for Dortmund to benefit from 'structural growth drivers of growing global interest in football, which should enable it to continue growing its multiple revenue streams domestically and in international markets'.

They have a sum-of-the-parts asset-backed valuation for the shares of €10.50.

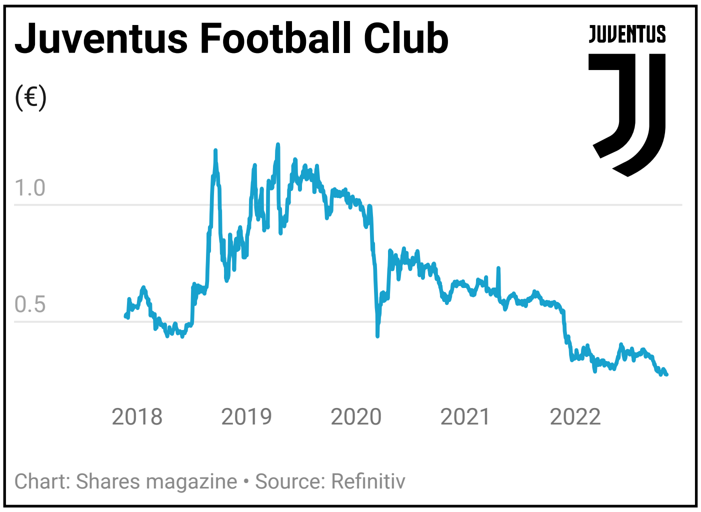
Borussia Dortmund

(€)

Chart: Shares magazine • Source: Refinitiv

PURSUING COMMERCIAL OPPORTUNITIES

Other European clubs with stock market listings include **Juventus (JUVE:BIT)**, which features alongside Manchester United in the portfolio of Nick Train's **Finsbury Growth & Income (FGT)** investment trust.



Train has previously argued Italian football has lagged rivals in other countries in capitalising on commercial potential.

The club, long a dominant player in Italian football, is going through a fallow period and recently racked up a fifth consecutive annual loss, and a record one to boot, of €254.3 million for the 12 months to 30 June 2022.

Other listed football clubs include Scottish champions **Celtic (CCP:AIM)** as well as **Ajax (AJAX:AMS)** and **Roma (ASR:BIT)**.

The mid to late-1990s was the zenith of domestic clubs joining the stock market as they looked to capitalise on the commercial possibilities provided by the launch of the Premier League in 1992 and the subsequent increase in TV money.

UK clubs whose shares used to trade on a stock market include Aston Villa, Sunderland, Newcastle United and Tottenham Hotspur. None really delivered for shareholders – and in possibly the worst example Rangers went into administration in 2012 amid financial mismanagement and a damaging tax dispute.

BETTER OFF OUT OF THE SPOTLIGHT

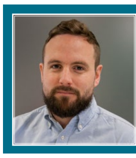
An exception to this tale of woe is Arsenal which saw a spectacular increase in its value until Stan Kroenke took full control in 2018 at a price of £29,419 per share. The club was priced at just £700 when it joined the stock market in October 1995.

But just as clubs being listed on the stock exchange hasn't really worked out for investors most of the time, Kroenke's takeover of Arsenal is reflective of the fact most clubs would rather operate outside the glare of public markets.

While it is the case that for most investors buying a season ticket in their favourite club is a more rewarding option than buying shares, there are potential investment opportunities for those prepared to take on the associated risks.

Dortmund looks undervalued if it can sustain the model which served it well in the last decade and Manchester United could be acquired for a price some way in excess of its current market value.

However, football clubs are unpredictable both on and off the pitch and failure to qualify for the Champions League, for example, can have a significant financial impact so anyone putting money into football stocks must bear this unpredictability in mind.



By **Tom Sieber** Deputy Editor

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Can shares in luxury goods firms repeat their success in 2023?

Earnings growth is expected to fall from 20%-plus in 2022 to single digits in 2023

While growth stocks, bonds and cryptocurrencies have struggled, there is one 'well-heeled' corner of the stock market which hasn't missed a beat this year.

Luxury goods stocks have outperformed their respective domestic stock markets by an average of 19% over the last six months while earnings have been revised upwards as the businesses continue to perform better than expected and surprise to the upside.

The long-term prognosis for luxury goods is no doubt positive given their fundamental strengths and growth opportunities as emerging economies become richer.

But *Shares* believes there are risks that the sector could struggle to maintain momentum over coming months as earnings growth falters and with valuations already having enjoyed a strong recovery.

THE BULL CASE FOR LUXURY GOODS

Fund manager Nick Clay at Redwheel told *Shares* in September the luxury goods sector offered better value than traditionally defensive sectors such as consumer staples.

Clay said the sector tends to hold-up better during economic downturns due to its pricing power. Marking up luxury goods just makes them more desirable to own which in turn increases demand, something known as the 'Giffen' effect.

Another angle on the bull case is provided by Steve Wreford who manages the **Lazard Thematic Inflation Opportunities Fund (FUND:BLNKQF0)**.

Wreford argues that China's zero-Covid policy is probably temporary and given the country represents 20% or more of luxury goods company's sales, allocating capital now means the opportunity to benefit from the anticipated reopening of the economy in due course.

A STRONG YEAR OF GROWTH

It appears the upper echelons of society are continuing to spend despite surging inflation and remain unscathed by the rising cost of living. The YOLO (you only live once) meme is also alive and well in the land of the rich, in contrast to the period running up to the pandemic.

Shares in French company **LVMH (MC: EURONEXT)** which owns brands ranging from Dior, Tiffany, Moet Hennessy, Krug and Louis Vuitton, and iconic British trench coat company **Burberry (BRBY)** are trading close to their all-time highs.

Burberry's 15% share price gains this year have been supported by persistently rising earnings

Luxury goods relative performance* and earnings revisions

Name	Six-month relative strength	10-month EPS Revisions
Hermes Int'l	37.5%	22.8%
Burberry	28.9%	17.1%
LVMH	19.5%	11.6%
Moncler	13.2%	15.4%
Kering	12.8%	9.7%
Richemont	12.2%	14.8%
Tapestry	10.4%	-11.6%
Average	**19.2%**	**11.4%**

*EPS = earnings per share. *Relative to local markets*

Table: Shares magazine • Source: Shares magazine, Stockopedia, Refinitiv

revisions which are around 20% higher than where they stood in early 2022.

The company's second largest shareholder is asset manager Lindsell Train which holds the stock in various funds managed by Nick Train.

Burberry shares halved in the months following the outbreak of the pandemic in March 2020 but have since surged around 80%. The shares have risen nine-fold since listing at 230p 20 years ago, compared with a 132% return for the FTSE All-Share.

In a June 2022 fund update Train commented: 'share price gains have been lumpy and often coincide with periods of recovery from economic crises and recovering consumer confidence.

'As Burberry's sales mix improves so should profit margins. If you add to that self-help the possibility of more market growth for luxury, driven by wealth-creation in the US and Asia, there is certainly the potential for higher earnings and a higher rating attached to them.'

Burberry's one-year forward price to earnings ratio has fallen from 18.3 in 2020 to 17.5 today.

Shares in LVMH have outperformed the French stock market by around 20% this year. It is owned by Europe's richest man Bernard Arnault whose family control just under half of the company.

The firm reported strong growth over the first nine months of 2022, with revenues up 20% to €56.49 billion.

Europe, US and Japan saw a sharp increase in demand from local customers and a recovery in international visitors while China registered lower growth as its economy grappled with restrictions under its zero-Covid policy.

Former CEO of fellow luxury goods company **Hermes International (RMS:EURONEXT)** Axel Dumas once described Arnault as a 'brash US-style operator' who would ruin the 177-year-old company.

The barb came in 2014 after a French court ordered LVMH to sell its 23% stake in the silk scarves-to-Birkin handbags maker Hermes following a decade long dispute over 'creeping' ownership amid failed discussions to take over the company.

In October 2022 Hermes revealed third-quarter sales had increased by 24% to €3.14 billion, smashing analysts' estimates.

JP Morgan commented: 'The robust momentum across the full product portfolio was expected, but the magnitude of it is still impressive and better than anticipated.'

Demonstrating its strong pricing power, the company said it would increase prices by 5%-to-10% in 2023 after acknowledging no signs of weakness across its markets.

Swiss Luxury goods group **Compagnie Financière Richemont (CFR: SWX)** owns brands including Cartier, Van Cleef & Arpels, Dunhill and Montblanc. Its shares gained the most in nine months after first-half earnings beat analysts' estimates (11 Nov).

The company delivered 20% growth in sales and profit as the jewellery and specialist watchmakers segments registered strong growth.

WHO IS LAGGING BEHIND THE PACK?

Slightly bucking the stronger than expected earnings trend, Italian fashion house **Moncler's (MONC: MTA)** latest update was slightly more disappointing, although still a marginal beat.

Despite notching-up third quarter sales growth of 12% to €528 million, driven by a recovery in China, the performance was only slightly better than market expectations.

Likewise, Gucci-owner **Kering (KER: EURONEXT)**

marginally beat market expectations after delivering 14% sales growth in the third quarter. But there was disappointment around the Gucci brand where sales lagged expectations.

In contrast to the European luxury goods companies, US group **Tapestry (TPR: NYSE)** which owns the Coach and Stuart Weitzman brands cut full-year profit and sales guidance. The company blamed the downgrade on China restrictions and slowing demand in the US.

COULD THERE BE A SLOWDOWN IN 2023?

Despite a string of remarkably strong trading updates across the sector some analysts are taking a more cautious view for 2023. Analysts at Consultancy Bain & Co and Altagamma predict growth will slow dramatically next year to between 3% and 8%.

While sales are forecast to pick up again in 2024, the annual growth rate is expected to average 6% between 2022 and 2030, a sharp slowdown on the 20% growth registered in 2022.

Even industry insiders see the risks of a slowdown amidst a tough economic backdrop. At the Milano Fashion Global Summit Moncler CEO Remo Ruffini commented: '2023 will surely be a complicated year, because real inflation will be felt in the next 12 months.

'We must be aware of this and prepare to talk to the market in different ways.'

By **Martin Gamble** Education Editor

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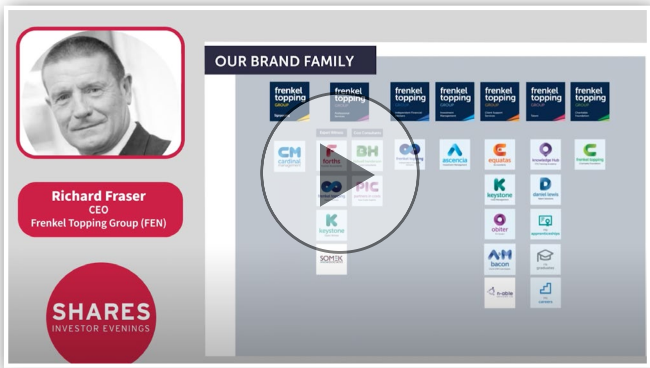

Frenkel Topping Group (FEN)
Richard Fraser, CEO

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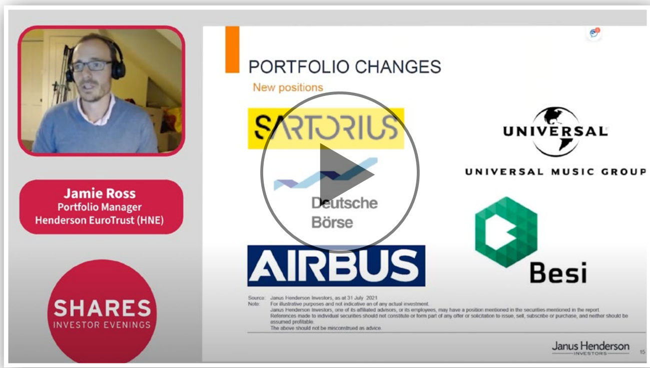

Henderson EuroTrust (HNE)
Jamie Ross, Portfolio Manager

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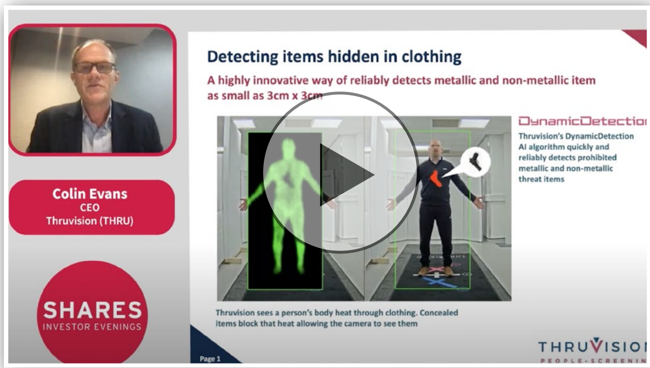

Thruvision Group (THRU)
Colin Evans, CEO

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This fund offers solutions if high inflation is here to stay for longer

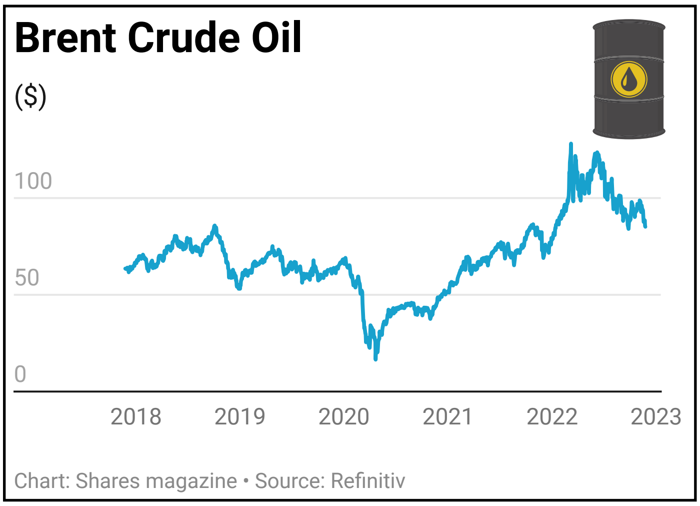
Lazard portfolio manager believes cost of living pressures won't go away for long

Are we close to peak inflation? Possibly, but one investment fund believes the theme will be at the forefront of markets for longer than you might think.

Lazard Thematic Inflation Opportunities Fund (BLNKWV8) invests in companies which display the type of characteristics you'd want when the cost of living is high. These include the ability to push up prices without hurting demand and to protect or even grow profit margins while many other companies are seeing a decline in earnings.

SIGNS OF DEFLATION

Many of the factors which drove inflation are now in reverse. Oil prices have recently eased back, other commodities like copper have declined in value and shipping rates are falling. The US latest inflation figures were even lower than expected.



Despite this situation, there are several reasons why investors might want to look at the Lazard fund. It's all down to how central banks might respond to a recession caused by aggressively raising interest rates to combat inflation.

'The base effects of moving into next year means you can see signs of inflation rolling over,' says portfolio manager Steve Wreford. 'For this side of the Atlantic, inflation has been caused by energy and food prices, and that's what has led to this cost-of-living crisis, along with damaged currencies. If commodity prices remain flat going into next year, then inflation would drop down.

'In the US, the drivers of inflation are probably stickier because they are related to wages which are growing at about 5% to 6% and shelter costs such as rent.'

INFLATION IS STILL HIGH

Between 2012 and 2021, the average rate of US consumer price inflation was 2.8%, according to data from the Federal Reserve Bank of Minneapolis. The annual rate in this period was as low as 0.1% in 2015.

Inflation noticeably started to pick up in 2021 with a 4.7% increase, and it soared in 2022.

With inflation currently at 7.7% in the US and 11.1% in the UK, there has been a real shock to the system. Central banks are racing to lift interest rates to fight inflation. The risk is the pace and scale of interest rate hikes cause a big slump in consumer spending and business investment which in turn causes a recession.

'Policymakers will panic, start the printing presses again and inflation returns,' suggests the portfolio manager. 'The lurch from inflation to recession and back to inflation again is what happened in the 1970s. The average level of inflation from 1968 to 1982 in the US was 7.3%, but CPI spanned from 2% to 15%, and that's the environment we envisage.'

The traditional playbook for investors during

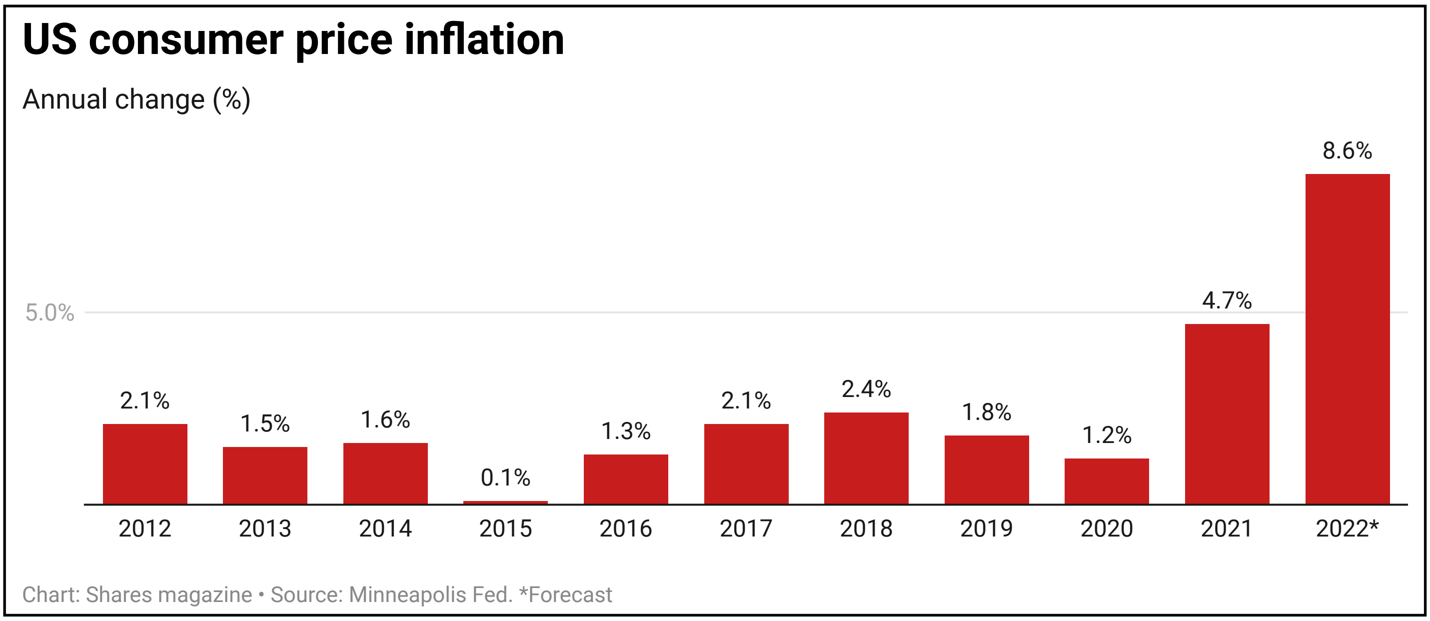


Chart: Shares magazine • Source: Minneapolis Fed. *Forecast

times of rising inflation is to put money into real assets such as property, commodities and infrastructure. Equities can be choppy when inflation is moving higher, yet Wreford believes there is a subset of the stock market that can 'do well, prosper and benefit' when the cost of living is rising.

Some equities are obvious ones to own, others are underappreciated by the market which gives stock pickers like Wreford an opportunity to buy certain companies at undemanding valuations.

Lazard Thematic Inflation Opportunities Fund launched in September 2021, with a version made available to retail investors in June 2022, so it is too early to judge its performance. It has a 0.91% ongoing charge.

Oil producers account for four of the top 10 holdings and nearly 10% of the Lazard fund's total investments, led by **Shell (SHEL)** and **BP (BP.)**. Industrials feature heavily with approximately 18% of the fund in this sector including mining equipment group **Caterpillar (CAT:NYSE)**.

DEERE SHARES ARE TRADING AT A RECORD HIGH

The biggest portfolio position is agricultural equipment giant **Deere & Co (DE:NYSE)**, whose fourth quarter results on 23 November beat market forecasts at the sales, operating income, earnings per share and operating cash flow lines. For full-year 2022, it saw a 20% increase in net income to $7.1 billion. Its end markets are doing well, leading to solid demand for kit from dealers and end-users.

'Deere sits under the "industrial pass-through" type of investment opportunity for our fund. These types of companies typically sell to businesses, and they have a secret – embedded within their business model is the ability to contractually pass through some form of their input cost.

'Not all companies can pass through input costs – in the last 12 months, many companies have seen huge margin compression. But there is set of companies whose margins have gone up or stayed flat, and those are the ones you want to own in an inflationary environment,' says Wreford.

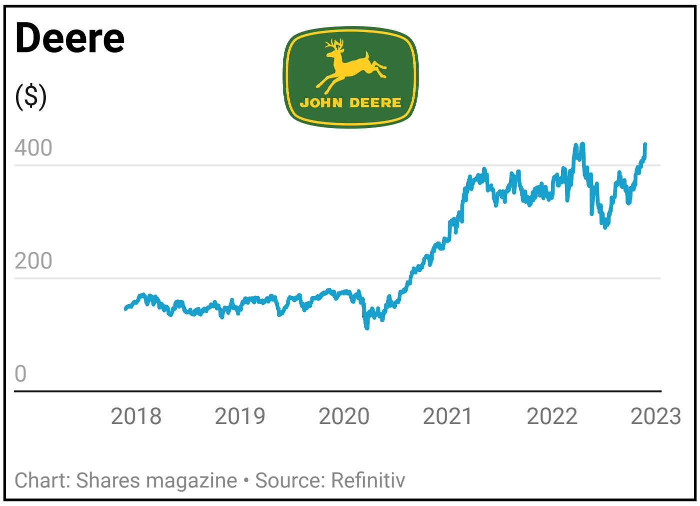


Chart: Shares magazine • Source: Refinitiv

FEASTING ON BURGERS

McDonald's (MCD:NYSE) is in the Lazard fund and benefits from the ability to push up prices and not worry about a big drop-off in demand. The real attraction is being a franchise owner.

The franchisee must deal with rising costs of labour, food and energy, so the natural move is to charge more for burgers, which is exactly what we've seen with McDonald's restaurants. Yet the McDonald's on the stock market is the company that owns the master franchise, so it is collecting a fee on all product sales, typically between 12% and 21% of revenue. Therefore, the more the restaurant charges for items, the more the master franchise owner will earn.

The other thing to consider is that McDonald's is beneficiary of inflation because the rising cost of living drives more traffic to its restaurants. The Lazard portfolio manager says the people hurt most by inflation tend to be low-income workers. When prices go up, people trade down from sit-down restaurants to fast-food joints, so visits to McDonald's go up and not down.

'(The McDonald's franchise owner on the stock market) is clipping the coupon from the rising price of a Big Mac. That is an attractive business model and means its profits go up.'

'OFF THE BEATEN PATH' STOCKS

Elsewhere in the portfolio you'll find a few companies in the building materials space including **Vulcan Materials (VMC:NYSE)** and **Martin Marietta Materials (MLM:NYSE)** which own quarries and dig out what's needed to build highways and infrastructure projects.

'These stocks are off the beaten path for most investors, but they are exactly the sort of thing you want to own in an inflationary environment because in big motorway projects, the costs are passed through, and there aren't that many of these companies in the developed world.'

Wreford explains that one of the big costs for infrastructure projects is transportation of materials, hence why the aggregates industry tends operate on a local scale with limited competition. 'If there is a tidal wave of money being printed by the government you want to be in the way of it, and these materials companies are beneficiaries of big infrastructure spending.'

By **Daniel Coatsworth** Editor

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Discover the ingredients behind the success of soups-to-cookies maker Campbell's

Shares condenses the investment case at the iconic American foods maker

Condensed and ready-to-serve soups, cookies and potato chips may not excite investors as much as cloud computing, electric vehicles or the hottest new fashion brands, but shares in storied US processed foods-to-snacks company **Campbell Soup (CPB:NYSE)** are up 20% year-to-date amid ravenous appetite for the dependable earnings delivered by consumer staples.

Historically, this $15.8 billion cap has outperformed the S&P 500 during downturns and with a global recession looming, the American packaged food group should prove resilient as consumers conserve cash by staying in to cook meals and wolf down snacks.

Investor appetite for dependable cash flows generated by a brand portfolio that has stood the test of time explains why Campbell Soup's shares aren't cheap.

Campbell Soup

($)

Chart: Shares magazine • Source: Refinitiv

They trade on 18.1 times forecast earnings for the year to July 2023 according to consensus data from Stockopedia, a rating that drops to 17.3 times based on 2024 estimates.

Prospective investors should also heed de-rating risk should inflationary cost pressures bite into margins and the cost-of-living crisis drive cash-strapped shoppers into the arms of cheaper private label competition.

UP CLOUSE & PERSONAL WITH CAMPBELL'S

New Jersey headquartered since 1869, present-day Campbell Soup is guided by CEO Mark Clouse, a former US army pilot and seasoned food industry executive. The company is most closely associated with its flagship canned soup products.

However, through mergers and acquisitions (M&A), the company has grown to become one of America's largest processed food companies with a wide variety of products under the flagship Campbell's brand, as well as other differentiated brands like Pepperidge Farm, Snyder's of Hanover and Swanson.

Through its Meals & Beverages division, it makes Campbell's condensed and ready-to-serve soups, Swanson broth and stocks as well as Pacific Foods broth, soups and non-dairy beverages, not to mention Prego pasta sauces, Campbell's gravies and dinner sauces, Swanson chicken broth, V8 juices and beverages and Campbell's tomato juice.

The Snacks division consists of Pepperidge Farm cookies, Goldfish crackers and Snyder's of Hanover

A CANNED HISTORY

For those who like their corporate history, Campbell Soup was founded by fruit merchant and namesake Joseph Campbell and commercial canner Abraham Anderson back in 1869 in New Jersey as Anderson & Campbell.

It claimed the name Campbell Soup Company during Dr. John T. Dorrance's tenure as president in honour of his groundbreaking invention, condensed soup, which made soups more affordable for families whilst preserving ingredient quality.

The group's first red and white soup can label made its debut in 1898 after a company executive attended the annual Cornell-Penn football game and was particularly taken with Cornell's new red and white uniforms.

In 1922, the group adopted 'Soup' as its middle name and officially became Campbell Soup Company. The classic red-and-white can design used by many Campbell's branded products has become an American icon and its use in pop art was typified by Andy Warhol's series of Campbell's Soup Cans prints.

pretzels, as well as the likes of Cape Cod and Kettle Brand potato chips.

HOW DOES CAMPBELL SOUP COMPARE TO KRAFT HEINZ?

Campbell Soup's products vie for supermarket shelf space with a number of players. They include **Kraft Heinz (KHC:NASDAQ)**, the Warren Buffett-backed maker of Heinz Soup, ketchup and baked beans, as well as HP Sauce, Philadelphia cream cheese and Oscar Mayer wieners, which readers may recall made a bold and unsuccessful tilt at Colman's mustard-to-Marmite maker **Unilever (ULVR)** in 2017.

At $47.7 billion, Kraft Heinz's market cap is more than three times larger than Campbell Soup's, while annual revenue in the former's last financial year of $26 billion was more than three times that of the latter's fiscal 2022 sales of $8.6 billion, giving it considerable marketing clout.

But size isn't everything, as Kraft Heinz is more lowly rated on a forward PE basis than Campbell Soup. Its shares trade on 14.4 times forecast earnings for 2022 with a prospective dividend yield of 4.1% versus a 2.9% forward yield for Campbell's. This rating differential might reflect the fact that Kraft Heinz remains indebted and, due to its scale, is less agile than Campbell Soup.

Kraft Heinz's legacy brands have also become a bit tired, or 'a little bit dusty' as CEO Miguel Patricio recently told *CNN*.

Investors are also worried about the threat of market share erosion at the expense of private label brands as inflationary pressures send grocery prices skyrocketing, though Campbell Soup arguably faces the same challenges.

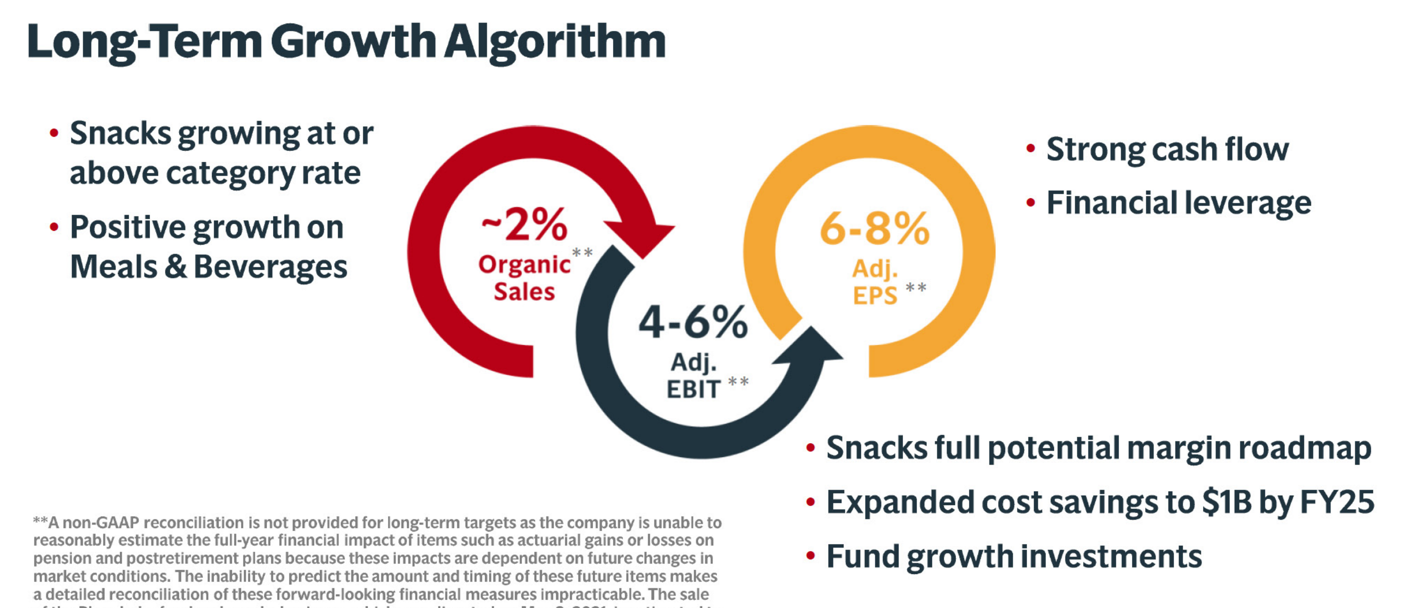
Campbell Soup in numbers

1895	First jar of ready-to-eat soup, Beefsteak tomato, is introduced
95%	Of all American households have a Campbell Soup brand in their home
$8.6 billion	Company's net sales in full year 2022
2	Number of divisions

Table: Shares magazine • Source: Campbell Soup

IS CAMPBELL SOUP SERVING UP PORTFOLIO NOURISHMENT?

Thanks to its strong supply chain and the resilience of its brands – a staggering 95% of all American households have a Campbell brand in their home – the company dished out earnings per share



Source: Campbell Soup

(EPS) for the year to July 2022 at the high end of management's original guidance range, no mean feat in one of the most volatile economic climates in living memory.

Net sales nudged up 6% to $2 billion in a strong fourth quarter and adjusted earnings before interest (EBIT) fattened up 5% to $269 million as Campbell Soup flexed its pricing power muscles and delivered cost savings, with the market shares of most of its key brands remaining at or above full year 2019 (so pre-pandemic) levels.

Following this tasty finish to the year, and in a show of confidence in continued elevated demand for its brands, Campbell Soup guided towards full year 2023 organic sales growth of 4% to 6%, with Clouse and co expecting to stir up sales growth in both the group's divisions.

'During fiscal 2022, we demonstrated a significant step up in execution across the company with improved supply chain performance and effective revenue management to counter inflation,' explained Clouse. 'Our solid foundation and momentum will serve us well in fiscal 2023 as we continue to make progress on unlocking Campbell's full growth potential.'

Income-hungry investors will note Campbell Soup is also a cash flow star turn. It churned out $1.2 billion of free cash flow from operations last year, of which more than $600 million was returned to shareholders through dividends and share buybacks.

FUTURE-PROOFING CAMPBELL SOUP

Now in its third century, the iconic brand is also embracing technology to ensure it survives to see a fourth by growing its product portfolio, using artificial intelligence to spot new trends and expanding beyond its soupy roots with the help of acquisitions.

In 2017, Campbell Soup bought Pacific Foods, a maker of organic soups, broths, and milks. The following year, it munched on snacks giant Snyder's-Lance, which owns Late July, Pop Secret and other brands.

And while health-conscious millennials may turn their noses up at its condensed soups, the company's recent product innovations include Oat milk-based soups, which the company rolled out in 2021 through Pacific Foods, as well as FlavorUp, a cooking concentrate that comes in three flavours.

Last but not least, Campbell Soup recently inked a 12-year virtual renewable power purchase agreement with Enel North America to support the soup maker's goals of reducing greenhouse gas emissions. Those interested in the story and an update on progress should put Campbell Soup's first quarter results date (7 December) in the diary.

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

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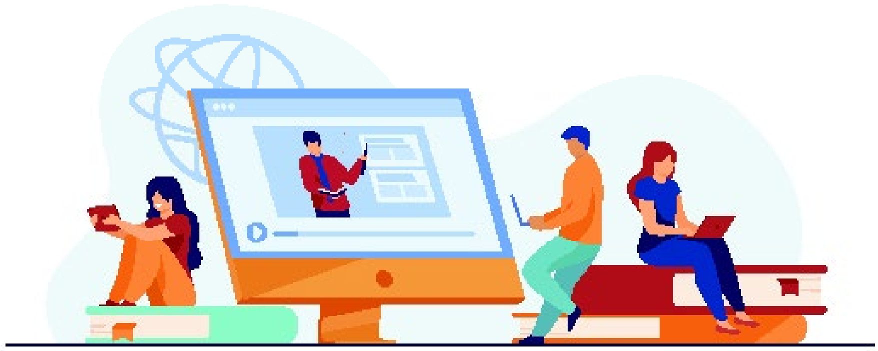

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Money is tight so should I stop paying into my workplace pension?

Our pensions expert calculates how disruption to saving could affect a retirement pot

I'm struggling to pay my bills and considering opting out of my workplace pension scheme. What impact might this have on my retirement? I'm 25, earn £30,000 and currently pay 8% of my total salary into my pension (4% from me, 3% from my employer and 1% from tax relief).

Ben

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

The rising cost of living is forcing millions of people to review their finances and consider areas where they can cut back. With inflation running at over 11% and expected to remain high for the next 12 months, it is inevitable some will consider saving for the long-term to be less of a priority.

Nonetheless, stopping your pension contributions is a major step. You will be forgoing upfront tax relief and tax-free investment growth, plus contributions from your employer.

So, before stopping your pension contributions, review your finances to make sure there aren't any alternative savings you can make.

If you feel you have no option but to opt out of your workplace pension scheme or cut back on other forms of retirement saving, you should aim to have a plan to restart as soon as you can afford to. The more years you miss or the longer you put off restarting pension contributions, the harder it will be to build up a decent-sized fund.

Let's consider someone in broadly your circumstances – a 25-year-old earning £30,000 a year who can choose whether or not to join their workplace pension scheme, which comes with a contribution worth 8% of their total salary (4% from the employee, 3% from the employer and 1% via tax relief).

It's worth noting this is slightly higher than the minimum under automatic enrolment rules, which require a minimum contribution of 8% of 'qualifying earnings' (which for 2022/23 is all earnings between £6,240 and £50,270).

Throughout, we'll assume the person's salary grows by 2% per year and their investments grow by 4% per year.

If they start contributing 8% a year from age 25 until age 68 (their anticipated state pension age), they could have a pension pot worth £403,000.

If, however, they delay saving in their workplace pension until age 28, if all other assumptions are unchanged, they could end up with a fund worth around £363,000 at age 68.

In other words, missing out on long-term compound growth on those three years of contributions has resulted in a final pension pot worth £40,000 less.

To make up for the lost time and get back to a fund worth £403,000, the person will need to contribute an extra 1% a year to their pension in total, with 0.8% coming from their own pocket and 0.2% via basic rate pension tax relief.

DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

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

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

How to beat the big UK wealth tax crackdown

We look at the measures introduced in the Autumn Statement and what you can do to minimise their impact

Chancellor Jeremy Hunt launched a crackdown on wealth taxes in his Autumn Statement on 17 November. It means that from next year many people with investments outside an ISA or pension will face higher taxes, and from 2024 that tax hit will increase again. Here's how to beat them.

WHAT'S CHANGING WITH DIVIDEND TAX?

Jeremy Hunt revealed that from April 2023 the tax-free allowance for dividends will be cut from the current £2,000 to £1,000. Then from April 2024 it will be cut again to £500. Also remember that dividend tax rates rose in April this year and that increase will remain. So a basic-rate taxpayer will pay 8.75%, higher-rate taxpayer will pay 33.75% and an additional rate taxpayer will pay 39.35%.

WHAT'S THE IMPACT?

It means that someone with £2,000 of dividends will go from paying no tax this year (as they are covered by the tax-free allowance) to paying up to £393.50 in tax from next year and £590.25 in tax from April 2024.

HOW CAN I BEAT IT?

The answer is ISAs and pensions. Clearly a pension is a longer-term play, so an ISA might be more suitable if you want to keep access to the money. But anyone with any of their £20,000 ISA allowance left this year should consider a 'Bed and ISA', where you sell investments from a dealing account and immediately re-buy them in your ISA.

If you have a spouse who hasn't used up their ISA allowance this year you could transfer the investments to them (which will be tax free) and then they re-buy them in their ISA. (This also has a capital gains tax perk, see below).

However, if you have a large portfolio outside tax-wrappers it could take you multiple years to move it into your ISA. If that's the case, you'll need to be savvy about what you move first. List out your investments by the amount of money in dividends they pay out each year. You'll then want to move the ones with the highest monetary pay out into your ISA first, as they will take up a bigger chunk of your tax-free allowance. This might not be the biggest holding.

For example, Investment A is worth £10,000 but yields 2% each year, meaning it pays out £200 in dividends, but Investment B is worth £5,000

Additional tax under Government changes to dividend tax

Taxpayer	Basic rate	Higher rate	Additional rate
Additional tax between 2022/23 and 2023/24	£88	£338	£394
Additional tax between 2022/23 and 2024/25	£131	£506	£590

Table: Shares magazine • Source: AJ Bell. Calculations assume annual dividends of £2,000 or more.

Extra capital gains tax due as tax-free allowance is cut

Tax level	Additional tax in 2023	Additional tax in 2024
Basic rate - 10%	£630	£930
Basic rate (property) - 18%	£1,134	£1,674
Higher rate - 20%	£1,260	£1,860
Additional rate (property) - 28%	£1,764	£2,604

Table: Shares magazine • Source: AJ Bell. Figures assume your gains are higher than the current tax-free allowance of £12,300

but yields 6%, paying out £300 in dividends a year. In this case you'd want to move Investment B into your ISA first, even though it's the smaller investment, because it pays out a higher income.

WHAT'S CHANGING WITH CAPITAL GAINS TAX?

Much like with dividend tax, the Government has cut the tax-free amounts on CGT (capital gains tax). Currently you can bank £12,300 of capital gains in a year without paying tax, this will be cut to £6,000 in April next year and £3,000 in April the year after. There are four rates of CGT, ranging from 10% up to 28%, depending on your income tax band and whether it's for a property or not.

WHAT'S THE IMPACT?

From next year a basic-rate taxpayer with gains above the current tax-free limit will pay an extra £630 in tax, rising to £930 in 2024. For higher and additional-rate taxpayers that increase will be £1,260 rising to £1,860 in April 2024. That's assuming the gain is not for a property (which attract a higher rate of CGT) otherwise the increase for an additional-rate payer will be £2,604 by 2024.

HOW CAN I BEAT IT?

There are lots of ways to beat CGT and keep your money from the taxman's clutches. The main thing this year is that you want to use up your CGT allowance if you can, before it's cut next year. If you have any ISA allowance remaining you could bank gains in a dealing account up to your tax-free limit this year and then move them into your ISA. This 'Bed and ISA' process means that your investment will no longer be subject to tax.

Another option is to move the money to your spouse, if they have any CGT limit left. Transfers to spouses aren't subject to CGT, but if they then sell the investment the gain will be based on the price that you bought it for and the price they sell it for (not the value when you transfer it to them). If they have any ISA allowance left this year they can also do a Bed and ISA with the money to keep it from the taxman's clutches in the future.

If you're without any ISA allowance you could consider selling the asset to realise the gain up to this year's limit and then buying it back. The tax rules around this mean you have to rebuy the shares 30 days after you sell them – so this carries a bit of risk as you don't know what the share price will do in that time. But it's a canny way to lock in gains if you don't mind that risk. Alternatively, if you have a partner they can buy the shares back the day after you dispose of them.

If you have losses on any of your assets you could use them to offset your capital gains. Even if you don't have any gains this tax year, you can carry forward losses to use from previous years. This could be particularly useful in future, as it will help to counteract the lower CGT limit. However, in order to use a loss in the future you'll need to report it to HMRC. If you don't fill out a self-assessment return you can write to HMRC to tell them about it instead. You have up to four years to claim for a loss, so there is no immediate hurry.

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

INDEX

KEY ANNOUNCEMENTS OVER THE NEXT WEEK

Full-year results

6 December: Gooch & Housego, Paragon Banking, SSP, Victorian Plumbing
7 December: Mitchells & Butlers
8 December: Focusrite, On The Beach
9 December: Nexus Infrastructure

Half-year results

2 December: Mind Gym
5 December: Fusion Antibodies, Induction Healthcare
6 December: Civitas Social Housing, Infrastructure India, Iomart, Mercia Asset Management, Vianet
7 December: Berkeley, Moonpig, Quiz
8 December: Redcentric, SDCL Energy Efficiency Income Trust

Trading updates

8 December: Balfour Beatty, British American Tobacco

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