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THE STOCKS USING IT TO THEIR ADVANTAGE

GOLD MINERS Everything you need to know to invest in the sector

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Good Energy
INCLUDES COMPANY PROFILES, COMMENT AND ANALYSIS

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Three important things in this week's magazine

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ARTIFICIAL INTELLIGENCE:
The stocks using it to their advantage

Many companies are now detailing how they already use, or to play to use, artificial intelligence

In this week's main feature, we explore various names embracing this technology and the impact AI could have around the world

2


Feature: Fast-food companies
The fast-food stocks making investors rich: the secrets of their success
Popular brands are demonstrating strong pricing power and delivering growth

Investors are feasting on fast-food companies as many stocks hit new share price highs

Chipotle Mexican Grill, Wingstop and Greggs have delivered the strongest returns over the past five years

3


Sector Report: Gold miners
Investing in gold miners: the stocks and funds that matter
We look at the key drivers for the gold price and the various ways to get exposure

There are plenty of options to invest in gold miners as the precious metal price shines

We look at the stocks and funds related to the gold theme and pick three names to buy

Visit our website for more articles

Did you know that we publish daily news stories on our website as bonus content? These articles do not appear in the magazine so make sure you keep abreast of market activities by visiting our website on a regular basis.

Over the past week we've written a variety of news stories online that do not appear in this magazine, including:


UK equity investment trusts: Fidelity Special Values leads the pack while Henderson Opportunities Trust is the laggard


Dechra Pharmaceuticals shares drop 10% after full year profit guidance downgrade

Investors remain sceptical despite 75% rally in Fevertree Drinks shares


Cranswick shares sizzle as better-than-expected profits and Pets at Home partnership please

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Germany's flagship DAX index surges to new all-time high

Despite an impressive first quarter earnings beat there is some cause for concern

Germany's blue-chip DAX index comprising the country's 40 largest quoted companies made a new intraday all-time high of 16,333 points on 19 May after it breached the prior high of 16,290 points set in November 2021.

That makes the DAX the second-best European performer in 2023 with total gains of 17.2%, slightly behind the French CAC index which is up 18% but way ahead of the FTSE 100 which is up a paltry 6%.

The comparison isn't quite apples-to-apples though because the DAX is one of a few total return indices which means it is calculated to include dividend payments.

The number of DAX constituents was increased to 40 from 30 in September 2021. The maximum individual company weighting is capped at 10%.

WHAT'S BEEN LEADING THE DAX HIGHER?

Engineering and technology stalwart **Siemens (SIE:ETR)** is up 22% so far in 2023 and 37% over the past 12 months. Last week (17 May) the company increased sales and profit guidance for the year to 30 September having already raised its outlook in February.

Sales growth was increased to 9% to 11% from 7% to 10% while earnings per share was increased by 6.5% to €9.75 in the middle of the range.

Airline **Deutsche Lufthansa (LHA:ETR)** is up 25% in 2023 and 42% over the last 12 months. Analysts have increased their earnings estimates by 80% since December 2022 on pent-up demand in air travel.

In early May rival **Ryanair (RYAAY:NASDAQ)** won its legal challenge against Lufthansa's 2020 state bailout.

Top DAX performers over 1 year

Company	%
Munich Re	50.7
Siemens Energy	42.2
Deutsche Lufthansa	41.6
Siemens	37.2
Heidelberg Cement	36.5

Table: Shares magazine • Source: Share Pad

STELLAR EUROPEAN EARNINGS

Few people would have predicted European stock markets to be so buoyant a year after the invasion of Ukraine, skyrocketing energy prices and the ECB (European Central Bank) aggressively raising interest rates.

But with energy prices now well below their peak and China reopening following the abandonment of its zero-Covid policy, the future looks a fair bit brighter.

Positive investor sentiment seems to have been driven in part by an impressive first quarter reporting season. Morgan Stanley's equity strategist Graham Secker calculates it is the fourth best European earnings beat over the last 15 years.

A net 36% of companies have beaten consensus expectations by a weighted average of 13.4% at the index level with large cap names leading the charge.

Despite the strong showing Secker warns the 'stellar' season is unlikely to be replicated as the broader macro data seems to be fading. He says said the macro weakness points to weaker earnings ahead.

Another worrying omen came out in the same week as the DAX made a new high. May's ZEW index which measures investor sentiment unexpectedly fell into negative territory for the first time in five months. [MG]

Stealth rally in construction stocks suggests economy is on a firm footing

The FTSE 350 construction and materials index is up 20% this year despite recession fears and a weak housing market

While there is much handwringing over the outlook for the new-build housing sector, it seems the rest of the UK construction industry is in rude health. That has helped construction to be one of the best performing sectors in the FTSE 350 index year-to-date, up 20%.

The latest S&P Global/CIPS UK Construction PMI survey – which tracks changes in the total volume of construction activity in the UK by taking responses from 150 firms – posted a third consecutive monthly rise in output in April.

Although the housing sector recorded the fastest fall in activity since May 2020, this was more than offset by rising volumes of commercial and civil engineering work.

At the same time, supply conditions improved to the greatest extent since September 2009 due to better availability of materials, fewer transport delays and an easing of price pressures.

Commercial building was the fastest-growing area of the construction sector in April, with improving economic conditions helping to boost clients' willingness to spend.

Civil engineering activity also picked up in April, supported by resilient pipelines of work on infrastructure projects.

Encouragingly, new orders increased for the third consecutive month in April and are growing faster than they were on average in the second half of 2022 due to 'resilient client demand' especially for commercial building.

> "rising volumes of commercial and civil engineering work"

'The growth in the construction of commercial properties is welcome news, with the avoidance of a recession in the last quarter leading to clients being more willing to spend,' commented John Glen, chief economist at the Chartered Institute of Procurement & Supply.

Leading the charge on the stock market has been construction and urban regeneration firm **Morgan Sindall (MGNS)** with a total return of 26% and FTSE 100 global building materials group **CRH (CRH)**, returning 24%.

In its April update, CRH said it had seen 'a positive start to the year in a seasonally quiet trading period' driven by good activity levels in the Northeast US in its essential materials, road solutions and infrastructure divisions.

Meanwhile, Morgan Sindall reported healthy demand in UK construction and infrastructure and strong trading in its fit-out business with its order book and new enquiries providing 'confidence for the rest of the year'.

Other notable performers this year include **Genuit (GEN)**, formerly known as Polypipe, and infrastructure firm **Balfour Beatty (BBY)**, which added two major road projects to its order book in the first quarter along with a contract to build US data centres. [IC]

Performance of FTSE 350 Construction stocks year-to-date

Morgan Sindall	26.0%
CRH	24.0%
Volution	23.0%
Genuit	20.0%
Balfour Beatty	17.0%
Ibstock	13.0%
Marshalls	12.0%
Keller	-12.0%
FTSE 350 Construction & Materials Index	20.0%

Data correct as of 22 May 2023

Table: Shares magazine • Source: Sharepad, Shares. Total return.

Initial surge as Zoom beats expectations and lifts forecasts fails to last

Growth is slowing and the company faces an increasing competitive threat from Microsoft

An early share price advance in after-hours trading for **Zoom Video Communications (ZM:NASDAQ)** off the back of its latest earnings update (22 May) evaporated fast.

The video conferencing platform raised its annual revenue forecast to between $4.47 billion and $4.49 billion, representing year-on-year growth of 2%. Previously it had forecast $4.44 billion to $4.46 billion.

First-quarter revenue was ahead of forecasts but also represented the slowest quarterly growth on record of 3%. Its enterprise business, which encompasses larger customers, saw quarterly growth of 13% but the company's guidance implied a slowdown in the remainder of the year. These factors saw the stock give back all its initial gains.

During the pandemic Zoom shares surged to highs above $550 as the platform entered the public consciousness and demand soared but it now trades at a little over $71.

Growth has slowed significantly and the competitive threat from rivals with deeper pockets, most notably **Microsoft (MSFT:NASDAQ)**, has put Zoom on the back foot.

As Microsoft introduces AI functions into its Teams video conferencing system it could further increase its grip on a market which could have a winner-takes-all element to it.

After all, if Microsoft becomes the platform of choice for businesses and individuals then increasingly it may become the only service people feel they need to subscribe to, thereby squeezing Zoom out of the picture. [TS]

ATOME shares boosted by Baker Hughes investment and its fertiliser plan

Micro-cap hydrogen play gets endorsement from a major player

ATOME Energy (ATOM:AIM) is generating excitement after it attracted US energy services heavyweight **Baker Hughes (BKR:NASDAQ)** as a strategic investor.

On 22 May it was revealed Baker Hughes is investing £2.4 million to take a 6.6% holding in the company at a 3.2% premium to the previous market close. The company also has the right of first offer to supply equipment to ATOME, although it has no exclusivity and must offer a competitive rate.

ATOME CEO Olivier Muscat tells *Shares* it is possible the agreement could be the precursor to a deeper partnership involving other projects.

Longspur Research analyst Adam Forsyth says: 'As with all such strategic stakes the information content of the investment is key, signalling a positive appraisal of the company from an industry insider.'

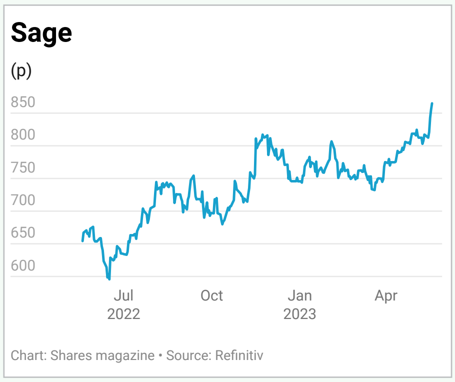
ATOME was formed for the purpose of producing, marketing and distributing green hydrogen and ammonia (for fertiliser). Green hydrogen and ammonia (made through renewable energy) is expected to be a fast-growing market. The company has projects in Paraguay, Iceland and Costa Rica of which Villeta in Paraguay is the most advanced.

Alongside the Baker Hughes news, the company has announced plans to develop its ammonia into a finished product before sale which Muscat says should generate higher returns. A final investment decision is expected on Villeta later this year with production following around two years later. [TS]

Moving HIGHER

Sage seizes its chance to impress investors

There is talk of a new era of growth for the UK's largest listed technology company



Having missed the January tech rally, accounting tools software supplier **Sage (SGE)** has been making up for lost time. The share price has stormed higher since reporting first-half results on 17 May, with analysts getting excited about the prospect of cloud adoption triggering a new era of growth.

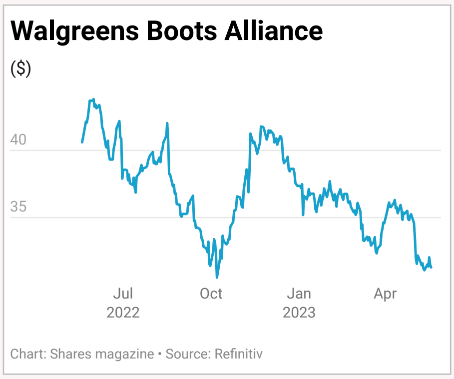
That's important for what is now the UK's biggest technology company by market value. Sage's cloud revenues rose 29% in the six months to 31 March 2023, pushing annual recurring revenues up 12%, providing the sort of cash flow security that catches the eye of investors.

Peel Hunt believes execution in the accountant practices space has been particularly sharp, claiming that about a quarter of the UK's 20,000 accountants are now onboard with Sage.

This is an important channel into the company's core small and mid-sized enterprise segment. With operating profit margins now moving up to 20.8%, there is renewed hope that Sage could yet get back to the 27% to 28% levels of years past. [SF]

The owner of Boots loses a quarter of its value in six months

Abandoned disposal and $6.8 billion pre-tax charge for opioid-related claims had a knock-on effect



Shares in **Walgreens Boots Alliance (WBA:NASDAQ)**, the owner of Walgreens and Boots, have lost over a quarter of their value in the past six months.

This fall to around the $31 mark is surprising considering the retail pharmacy giant raised its full-year sales outlook. Or is it?

Last year, the retail pharmacy giant abandoned plans to sell Boots, citing inability to find a buyer in difficult market conditions. This turned out to be a bit of good luck for the company as the UK division reported sales growth of 16% for the second quarter of 2023.

However, what wasn't good for Walgreens is the prospect of paying out billions of dollars to settle thousands of lawsuits accusing the chain of mishandling opioid painkillers.

This had a knock-on effect for Walgreens' earnings. During the first six months of its 2023 financial year, the pharmacy giant swung from a profit of $2.5 billion to an operating loss of nearly $6 billion.

With a sharp drop in income from Covid-related products and services, Walgreens is looking to its VillageMD primary care arm to help accelerate earnings growth.

DOWN in the dumps

UK UPDATES OVER THE NEXT 7 DAYS

FULL-YEAR RESULTS
May 26: Volvere
May 30: Silver Bullet Data Services
May 31: Bloomsbury Publishing
June 1: Pennon, NextEnergy Solar, Auto Trader, Dr. Martens

HALF-YEAR RESULTS
May 26: IntegraFin
May 30: Hollywood Bowl, Oxford Biodynamics, Greencore
May 31: Impact Asset Management

Bloomsbury set to report £30 million profit and outline digital growth plans

The publisher is seeing strong demand from both consumer and academic markets

Life has gone particularly well for publishing company **Bloomsbury (BMY)**. The reading boom during the pandemic has not faded away. Demand from consumers and students for books has remained strong despite the cost-of-living crisis. Bloomsbury's recent hits include Samantha Shannon's novel, *A Day of Fallen Night* – the prequel to *The Priory of the Orange Tree*.

On 15 March, Bloomsbury said its results for the 12 months to 28 February 2023 would be ahead of previous expectations with revenue above £260 million and pre-tax profit in the region of £30 million.

The exact figures will be reported on 31 May, to be followed on 21 June by a capital markets day which will provide more information on its digital offering.

Bloomsbury Forecasts

	2023	2024	2025
Revenue (m)	260.8	272.1	278.9
Pre-tax profit (m)	30.2	32.2	34.2
EPS (adjusted) (p)	28.3	29.0	30.7

February year-end
Table: Shares magazine • Source: Refinitiv

In December 2021 Bloomsbury bought a business called ABC-CLIO for £17.3 million to strengthen its position in digital academic resources, including a big presence in the US high school library market.

Investors will want to know how it plans to replicate ABC-CLIO's US success in other geographic territories and the initial response to the launch of its academic streaming content platform, Bloomsbury Video Library, which has more than 2,000 films covering a large range of subjects. [SG]

Salesforce faces the challenge of geographical expansion versus protecting profits

Software giant faces tricky prospect of trying to please everyone

The **Salesforce (CRM:NASDAQ)** share price has surged 56% in 2023, but there are concerns that growth will slow this year.

The $206 billion technology giant has been in the news a lot lately, trouncing earnings and revenue forecasts in January, upping guidance, and catching the eye of activist investors Elliott Management, Third Point and others.

Caught in the crossfire of a debate about sales expansion versus margin protection, the customer relationship management software firm faces a challenge to extend its international expansion without sacrificing some short-term profit. How it deals with this conundrum will certainly grab investors' attention when it reports the February to April results on 31 May.

Pre-announced plans to cut its workforce by 10% will help, as will plans to reduce its office space footprint, but probably not this quarter. More job cuts could be coming, some analysts speculate. Consensus, according to Investing.com data, is for $1.61 of earnings per share on $8.18 billion sales. [SF]

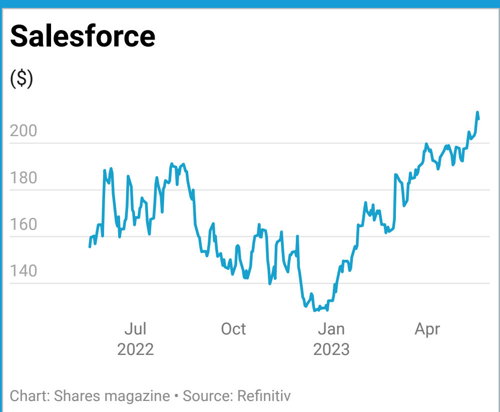


Chart: Shares magazine • Source: Refinitiv

What's expected from Salesforce

Quarterly forecasts	
EPS	$1.61
Revenue	$8.18 billion
Same quarter a year ago	
EPS	$0.98
Revenue	$7.41 billion

EPS = earnings per share
Table: Shares magazine • Source: Yahoo Finance, Salesforce

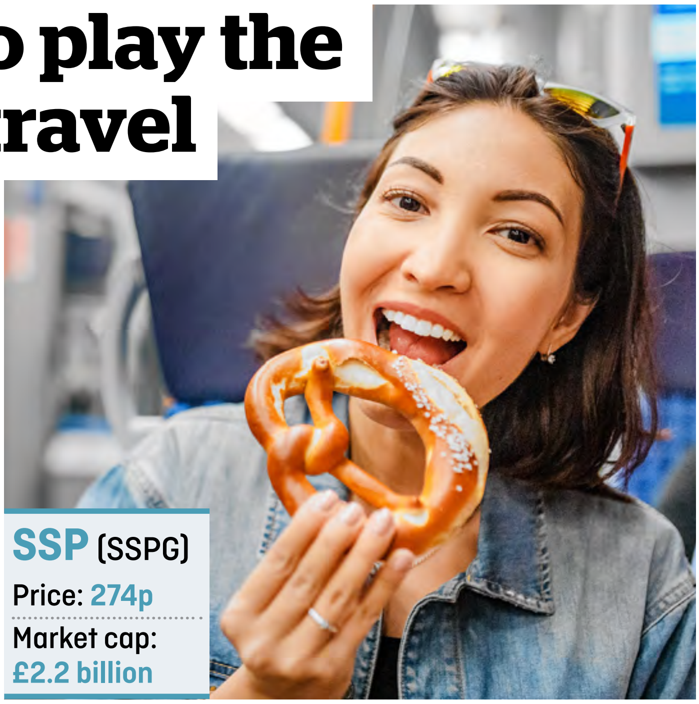
US UPDATES OVER THE NEXT 7 DAYS

QUARTERLY RESULTS

May 26: AIA Group, Meituan, Marvell, Cathay Financial, Booz Allen Hamilton, Buckle, Sumo Logic, Hibbett Sports
May 30: Elbit Systems, Box Inc, Golar, Victoria's Secret, Hello Group, Canopy Growth
May 31: Salesforce, National Bank of Canada, Hewlett Packard, Julius Baer
June 1: Broadcom, Dollar General, Hormel Foods, GameStop, Macy's, Lululemon Athletica, Uipath

SSP is a great way to play the recovery in global travel

Shares in the multi-national foodservice firm are still way below their pre-pandemic levels



SSP (SSPG)
Price: 274p
Market cap: £2.2 billion

One of the most notable trends of the last year has been the rebound in travel, both in the UK and across the globe, as workers have gone back to their offices and holidaymakers have gone on what the media likes to refer to as 'revenge travel', making up for trips which were put off due to the pandemic.

Yet strangely, shares in food travel expert **SSP (SSPG)** are still only half their value at the start of 2020, which suggests investors have overlooked the business and its potential for recovery.

The group, which operates over 2,800 outlets ranging from food on-the-go kiosks to fine dining venues at railway stations and airports in 35 countries worldwide, under such brands as Upper Crust, Ritazza and Le Grand Comptoir, is rapidly making up lost ground.

In the six months to March 2023, sales were up 64% to £1.32 billion, taking them above 2019 levels for the first time, while operating profits reached £34 million against a prior-year loss of £36 million.

While we appreciate London isn't representative of the whole of the UK, recent Transport for London data suggests office attendance in the capital is back to around 70% of pre-pandemic levels and the situation is likely to be similar in other big cities.

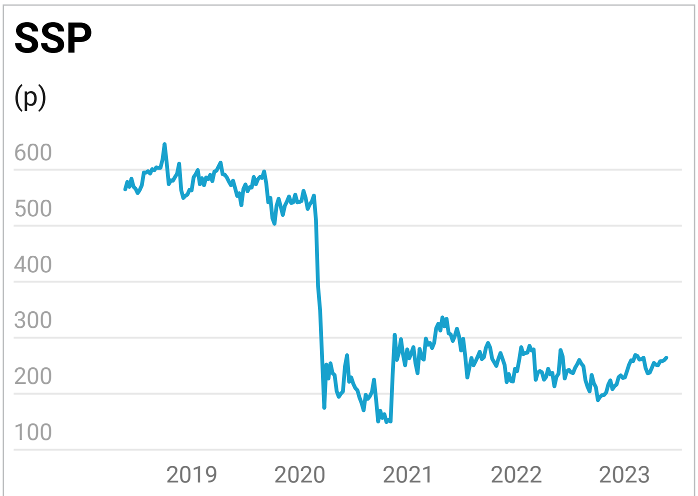


Chart: Shares magazine • Source: Refinitiv

Also, research by the Centre for Cities and Imperial College estimates around half of those workers who are back in the office spend a minimum of three days at their desk, with this proportion higher for workers under 30.

In Europe, air travel has soared in the past year with low-cost airline Ryanair saying it carried 169 million passengers in the 12 months to March, 74% more than in the previous period, while it also noted a sharp increase in Asian and US visitors to Europe thanks to the strength of the dollar.

The pick-up in people using trains and planes has helped SSP grow its European revenues to 116% of 2019 levels, while in North America revenues are 124% of 2019 levels thanks to a surge in spending on travel and leisure as customers look to make the most of their free time.

Earlier this month, SSP announced it had increased its North American footprint with the acquisition of the concessions business of Midfield, giving it a presence in 30 of the largest US airports and bringing in an extra $100 million of annual revenue.

Thanks to this sharp recovery in activity, the group now sees sales and operating profit at the top end of previous expectations driven by its North American and Rest of the World operations. [IC]

VT CANTAB SUSTAINABLE GLOBAL EQUITY
(BK5XL00)
Fund size: £41 million

This global equities fund may not stay under the radar for long

VT Cantab Sustainable Global Equity offers exposure to well-financed, quality companies with positive ESG credentials

Top quartile in terms of performance over the past 12 months, under-the-radar fund **VT Cantab Sustainable Global Equity (BK5XL00)** deserves a closer look. It was one of the few growth funds to deliver a positive return in 2022, a year where US stock markets experienced a miserable showing and growth investing as a style was out of favour.

Having maintained its top quartile position for the past three and six months, it's clearly doing something right. Don't be put off the mere £41 million assets under management, there is a lot to like about this fund.

Shares believes this carefully constructed portfolio of 35 quality names, operating in a diverse batch of sectors and bought at attractive valuations, should allow risk-averse investors to sleep at night by holding up better than its sector during market selloffs while participating in market upswings. It has a 0.91% ongoing charge.

Yes, the outlook for the global economy is somewhat clouded. However, quality companies with sustainable franchises and fortress balance sheets should continue to flourish in what could prove to be uncertain times ahead.

DISCIPLINE AND PATIENCE

Managed by Cantab Asset Management's Mark Wynne-Jones, a seasoned equity analyst and fund manager, the fund seeks to generate superior risk-adjusted returns through a disciplined and patient investment process. Warren Buffett-fan Wynne-Jones' process focuses on investing in responsible companies with sustainable franchises at attractive valuations and holding them for the long term.

Since its late 2019 launch, a few months before the onset of the pandemic, VT Cantab Sustainable Global Equity has produced a robust performance, generating a three-year cumulative return of 37.4%, ahead of the 32.4% delivered by the IA Global sector.

Wynne-Jones' philosophy posits that quality companies, which typically trade at premium valuations, generate superior risk-adjusted returns to investors, as long as they are purchased at attractive valuations with a margin of safety, and held for the long term.

The fund manager adopts a glass half-empty approach to analysis, focusing at least as much on downside risk as upside potential.

He says investors should think of the approach as being Warren Buffett and Charlie Munger with an ESG (environmental, social and governance) overlay, since the fund's investable universe excludes companies involved in the production of fossil fuels and armaments as well as alcohol, tobacco and gambling stocks.

Quantitative and qualitative analysis is also used to assess whether companies are paying due attention and consideration to ESG concerns and are demonstrating this through their policies and practices.

Wynne-Jones insists that if investors can manage risk in the short term, they are far more likely to deliver superior returns in the long run. Given the recent failures of Silicon Valley Bank, Signature Bank and Credit Suisse, investors may be reassured that the fund owns no banks, though it does hold a pair of insurers in **MetLife (MET:NYSE)** and **Aviva (AV.)**.

Wynne-Jones' preference for strong balance sheets is demonstrated by the fact that seven of the portfolio's non-financial stocks have net cash positions, while a further 13 have estimated 2023 net debt to earnings before interest, tax, depreciation and amortisation (EBITDA) ratios of less than one times.

WHAT'S IN THE PORTFOLIO?

The fund's top 10 includes Google-parent and AI play **Alphabet (GOOG:NASDAQ)**, Danish drug maker **Novo Nordisk (NOVO-B:CPH)** which is benefiting from growing excitement over its Wegovy obesity offering, and Spanish travel industry software concern **Amadeus IT (AMS:BME)**.

It has a stake in consumer staple **General Mills (GIS:NYSE)**, the food multi-national that makes and markets breakfast cereals Cheerios and Lucky Charms in a partnership with another of the fund's holdings, **Nestle (NESN:SWX)**.

Investors putting money into the fund will get exposure to **Akamai Technologies (AKAM:NASDAQ)**, a leading player in internet content delivery and security expanding its cloud computing offering, as well as **Swatch (UHR:SWX)**, the pure-play collection of luxury watch brands which Wynne-Jones believes is too lowly valued for such a unique asset.

Shares in the world's largest watchmaking group behind brands including the namesake Swatch as well as Omega, Harry Winston, Tissot and Longines, ticked higher in the first quarter of 2023 thanks to the reopening of China as well as the successful launch of the 'MoonSwatch'.

Top 10 Holdings

Novo Nordisk	5.4%
Omnicom	4.2%
Oracle	3.4%
General Mills	3.3%
Swatch	3.2%
Alphabet	3.1%
Schneider Electric	3.1%
Amadeus IT	3.1%
Trend Micro	3.0%
Akamai Technologies	3.0%

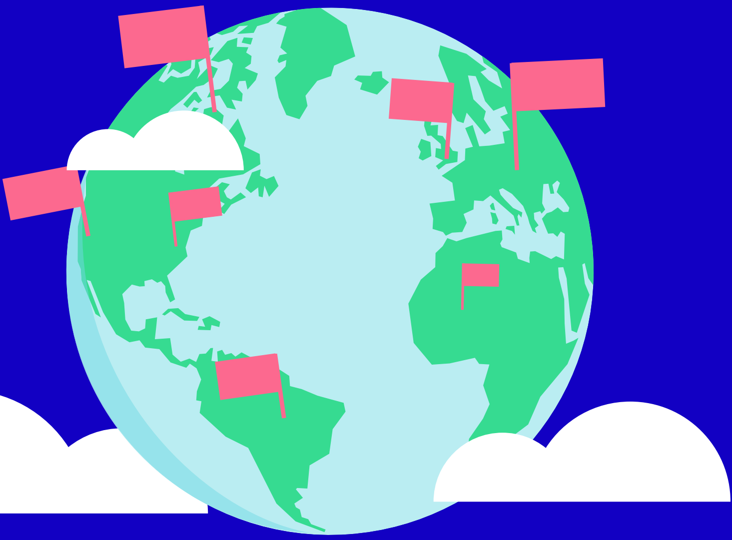
Table: Shares magazine • Source: Cantab Asset Management, as of 30 April 2023

Of late, VT Cantab Sustainable Global Equity has added to its position in **Trend Micro (4704:TYO)**, Japan's largest specialist software security company which is tapping into opportunities created by the rise in cyberattacks globally.

Wynne-Jones has also bought shares in **PayPal (PYPL:NASDAQ)**, the digital payments firm he believes has longevity despite transaction margin pressures and competition from the likes of **Apple (AAPL:NASDAQ)** whose own payments system is growing fast. [JC]

VT Cantab Sustainable Global Equity

Chart: Shares magazine • Source: Refinitiv



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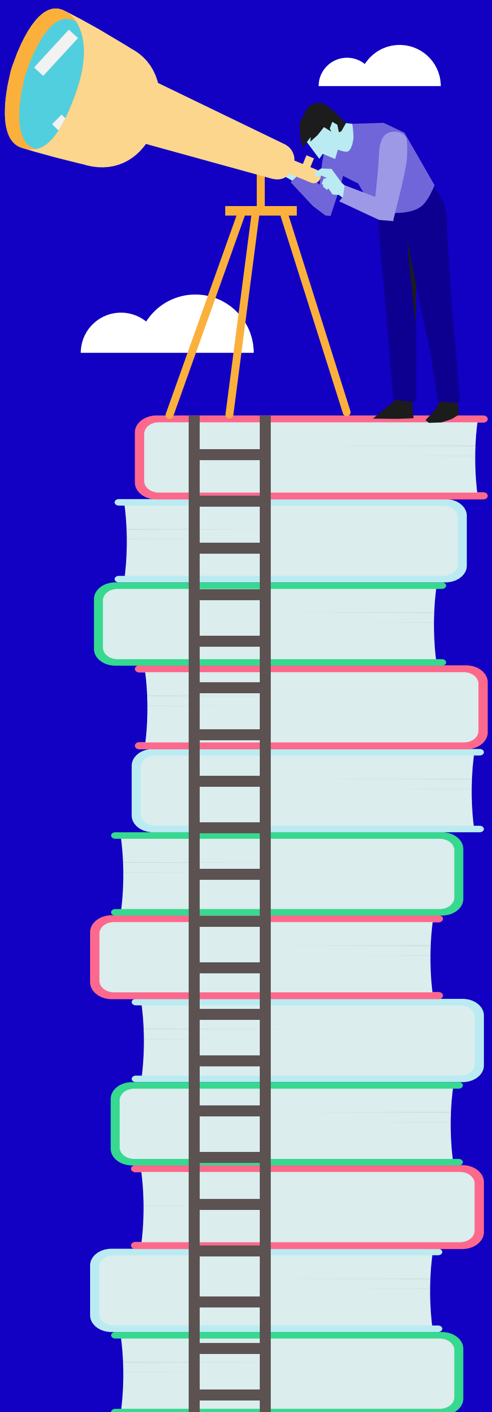
Discrete Performance*	Q4 2017 Q4 2018	Q4 2018 Q4 2019	Q4 2019 Q4 2020	Q4 2020 Q4 2021	Q4 2021 Q4 2022
Share price	-8.1%	22.1%	2.7%	11.9%	-9.8%
Net Asset Value**	-8.4%	21.3%	4.2%	15.8%	-10.2%
Benchmark#	-6.6%	20.1%	9.5%	19.9%	-6.2%



This financial promotion was approved by Witan Investment Services Ltd FRN: 446227 on 13 February 2023. Please note that past performance is not a guide to future performance. Witan Investment Trust is an equity investment. The value of an investment and the income from it can fall as well as rise as a result of currency and market fluctuation and you may not get back the amount originally invested.

*Source: Morningstar/Witan. Total return includes the national investment of dividends. ** The Net Asset Value figures value debt at fair value. # Witan's benchmark is a composite of 85% Global (MSCI All Country World Index) and 15% UK (MSCI UK IMI Index). From 01.01.2017 to 31.12.2019 the benchmark was 30% UK, 25% North America, 20% Asia Pacific, 20% Europe (ex UK), 5% Emerging Markets.

Time to cut losses after Hunting's swift reversal of fortunes

The energy services firm has seen its shares come under pressure in the wake of its annual results

Hunting (HTG) 208p

Loss to date: 26.6%

We flagged the appeal of energy services firm **Hunting (HTG)** at 283.5p in September 2022 as a means of playing a rebound in spending by the sector off the back of strong oil and gas prices. Hunting is particularly exposed to rig activity in North America.

WHAT HAS HAPPENED SINCE WE SAID TO BUY?

At first, our hypothesis proved on the money as in both operational and share price terms the company continued to demonstrate real momentum. In February, the shares hit a high above 350p, implying a gain on paper of around 25%.

However, the company's full year results and accompanying strategy update on 2 March were poorly received and put the stock firmly on the back foot. In hindsight we should have reacted quicker to the shift in the company's fortunes.

The numbers themselves were decent with revenue up 39% to $725.8 million and the order book increasing from $211.5 million to $473 million year-on-year. The dividend was up 13%.

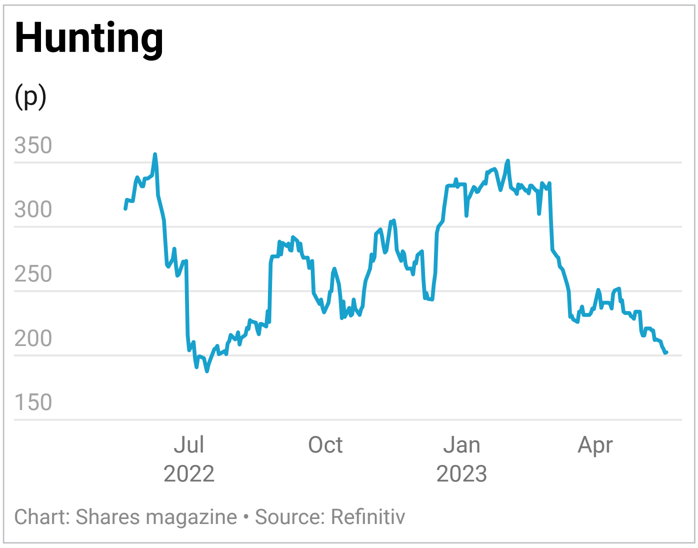
However, Berenberg analyst Richard Dawson observed at the time that 'the US rig count has declined year-to-date and faces headwinds to further growth, including labour shortages, supply chain constraints, lower gas prices and continued capital discipline', prompting a 3% and 4% cut to his revenue forecasts for 2023 and 2024 respectively.

Falling commodity prices amid concerns about recession have also contributed to weaker sentiment.

Alex Brooks from Canaccord Genuity is worried that Hunting will make expensive acquisitions over the next two years to diversify away from oil and gas.

WHAT SHOULD INVESTORS DO NOW?

We're cutting our losses rather than persevere. The outlook for energy prices is heavily tied to the current dampened global growth picture and without an uptick in the oil and gas markets it may be tricky for Hunting shares to rebound. [TS]



Cut through with conviction

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The fast-food stocks making investors rich: the secrets of their success

Popular brands are demonstrating strong pricing power and delivering growth

Despite gloomy commentary on the state of the economy caused by rising interest rates and a cost-of-living crisis, one corner of the stock market appears to be in rude health.

Big players in fast food or quick service restaurants look to be at the top of their game with many shares in this space trading at new all-time highs.

For example, **McDonald's (MCD:NYSE)** is up 27% over the past 12 months, while **Yum! Brands (YUM:NASDAQ)**, owner of KFC and Taco Bell, is up 25% and Burger King's parent **Restaurant Brands International (QSR:NYSE)** is up 44%.

Easily the biggest winner over the past 12 months is chicken wing-focused **Wingstop (WING:NASDAQ)** whose share price is up 180%.

WINGSTOP'S RECIPE FOR SUCCESS

The idea for the Buffalo-style chicken wing operator was hatched in 1994 and the firm now operates from over 1,500 stores across the US, South America, Asia, France and the UK.

Its shares listed on the Nasdaq exchange in the US in 2015 and have delivered a six-fold share price return to investors, equivalent to a compound annual growth rate of around 27% a year.

However, before rushing out to buy the shares, it should be pointed out they don't come cheap and trade on a one-year forward price to earnings ratio of 90.8. That compares with 17.6-times for the S&P 500 index.

The high rating reflects a fast-growing business which has delivered earnings per share growth of 24% a year over the last decade. Earnings are expected to grow at a more modest clip of around 15% a year over the next couple of years, according to Refinitiv data.

Prospects of maintaining high growth may seem like a tall order but the company has plenty of room to grown if it wants to catch up with McDonald's which has a footprint of 40,000 stores across 100 countries.

Fast-food stocks: ranked by five-year total return

Chipotle Mexican Grill	364%
Wingstop	355%
Greggs	197%
Starbucks	105%
McDonald's	103%
Yum! Brands	79%
Restaurant Brands	61%
Wendy's	59%
Papa Johns	48%
Domino's Pizza (US)	29%
Jack in the Box	15%
Shake Shack	15%

Table: Shares magazine • Source: Refinitiv, data as of 18 May 2023

Mexican-themed **Chipotle Mexican Grill (CMG:NYSE)** is another fast-growing business. It operates from around 3,200 restaurants, making it double the size of Wingstop in terms of outlets.

The business is expected to generate revenue of $9.9 billion and a net profit of $1.2 billion in 2023, according to Refinitiv data. Analysts expect earnings per share to increase 35% in 2023 and 21% in 2024. Over the last five years earnings have grown at a rapid clip of 38% per year. The shares trade on a one year forward PE of 42, less than half the rating of Wingstop.

STAR PERFORMERS

The table shows the total returns (share price gains/losses and dividends) from popular fast-food companies around the world. Note that you can buy shares in most of the best-known chains either on the US or UK stock market. One notable exception is Subway which is privately-owned.

Chipotle Mexican Grill is the best performer over the past five years, generating a 364% total return. Close behind is Wingstop with a 355% total return. In third place is **Greggs (GRG)** with a 197% return.

The laggards are **Shake Shack (SHAK:NYSE)** which has nearly 460 locations – approximately two thirds in the US and Colombia and the rest overseas – and **Jack in the Box (JACK:NASDAQ)** which has more than 2,000 sites mainly on the West Coast of the US. Both have generated a 15% total return over five years.

WHAT ARE THE WINNERS' KEY QUALITIES?

The strong returns achieved for most of the selected shares may at first appear counter-intuitive to a generally held view that the fast-food sector is highly competitive with few barriers to entry and limited brand loyalty.

The best positioned fast-food operators have managed to build strong brand value which has allowed them to flourish over decades.

McDonald's is a good example. According to Statista, McDonald's brand value was $196.5 billion in 2022, making it one of the top 10 most valuable global brands.

Brand value isn't visible in a firm's report and accounts. It represents intangible value. Tangible assets like plant and machinery can be touched and measured unlike intangibles.

Fundsmith founder Terry Smith is a big fan of intangible value and says: 'We seek to invest in businesses whose assets are intangible and difficult to replicate.'

Another advantage of intangible assets according to Smith is that it is hard for competitors to replicate intangible assets with borrowed funds because banks tend to favour the comfort of tangible collateral. Importantly, concludes Smith, this means the business does not suffer from 'economically irrational' competitors.

You know you've made it into the big leagues when *The Economist* creates an index from your product as an informal way of measuring consumer purchasing power in different countries.

The Big Mac index started in 1986 and can be used to estimate the theoretical value of currencies. For example, a Big Mac in the UK costs £3.79 while in the US it is $5.36, according to *The Economist*.

This implies an exchange rate of £1.41 to the US dollar. Given the current exchange rate is £1.25, it means the pound is 11% undervalued, based on the Big Mac index.

McDonald's has been no slouch in returns either, delivering roughly 13% a year over the last 40 years, giving investors a 115-fold return.

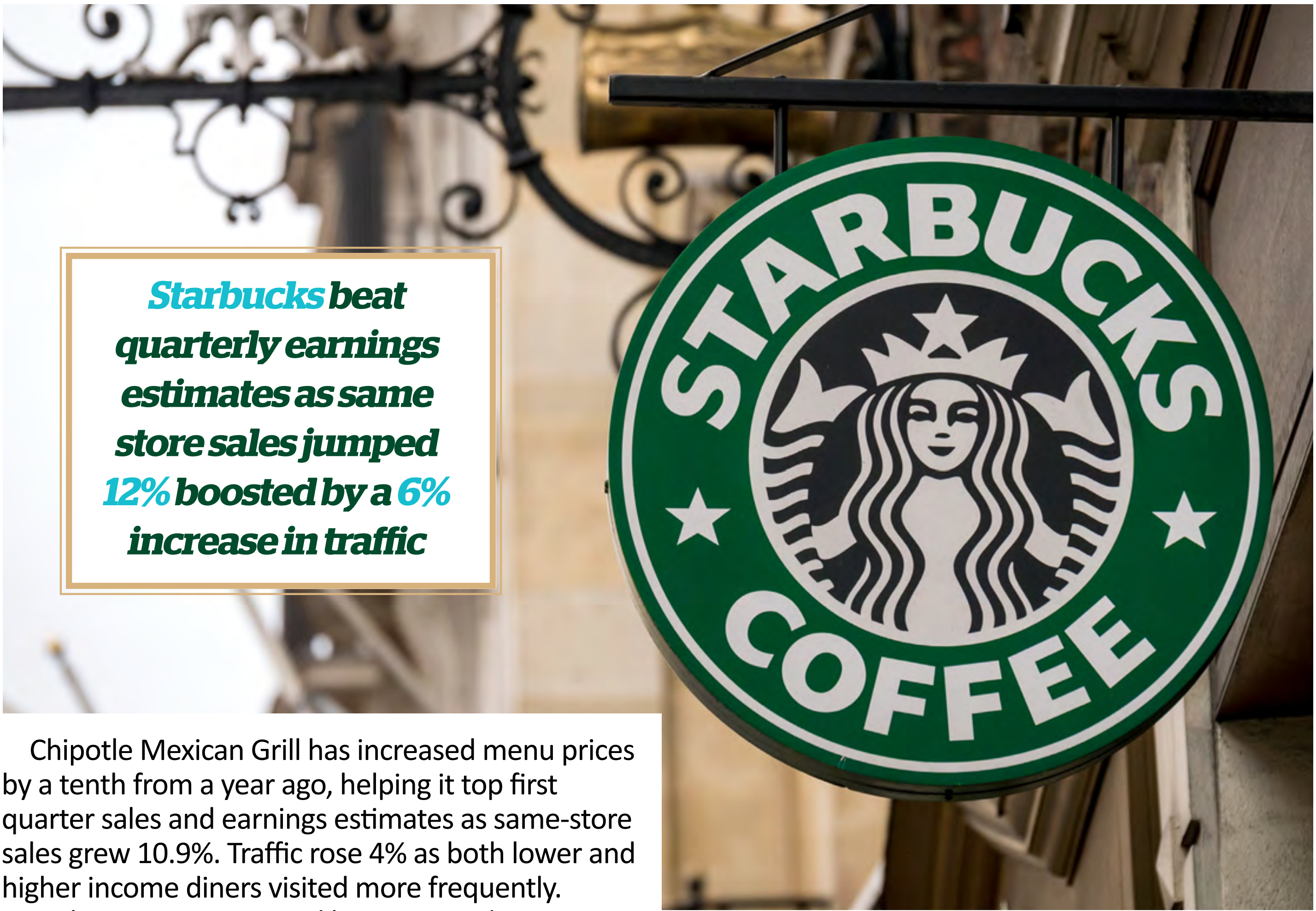
On top of that, the company has a long history of increasing its dividend which stretches back to 1976. Over the past decade the dividend has increased by around 7% a year. In addition, the company has purchased and cancelled around 25% of its shares in the past decade.

Size can create further barriers which serve to protect the business. McDonald's spends around $400 million a year on advertising which is difficult for smaller competitors to match.

A further distinguishing feature of several companies in the table is that they operate franchised businesses which have the advantage of being able to expand quickly in a capital-light way.

WHY ARE FAST-FOOD COMPANIES DOING SO WELL?

The big players can offer great value for money which is a key advantage when times are tough. In addition, they have been able to pass on higher costs through menu increases without losing customers.



Starbucks beat quarterly earnings estimates as same store sales jumped 12% boosted by a 6% increase in traffic

Chipotle Mexican Grill has increased menu prices by a tenth from a year ago, helping it top first quarter sales and earnings estimates as same-store sales grew 10.9%. Traffic rose 4% as both lower and higher income diners visited more frequently.

Higher menu prices and lower avocado costs pushed up margins as net income jumped 81% to $291.6 million. CEO Brian Niccol said the chain has demonstrated pricing power, adding: 'We don't want to be in front of the inflationary environment, but we also don't want to fall behind.'

Constant innovation is another differentiating factor working in favour of the best operators. Chipotle generates nearly 40% of its total sales from digital orders. It works hard to improve speed of service and accuracy to efficiently manage demand from in-person diners and digital orders. The company plans to open 255 to 285 new restaurants in 2023.

Burger chain **Wendy's (WEN:NASDAQ)** reported an upbeat first quarter ahead of analysts' estimates after delivering 8% growth in same restaurant sales. The company reiterated 2023 global system-wide sales growth of between 6% and 8%, with earnings per share expected to grow between 14% and 20%. Digital sales accelerated to represent 12% of overall sales while management committed to delivering 'meaningful' global growth.

Higher margins led to a big jump in free cash flow to $40.7 million which allowed the company to continue buying back shares and double the quarterly dividend to $0.25 per share.

The company is planning to launch an artificial intelligence chatbot to automate its restaurants' drive-throughs. Called FreshAI, the bot will hold limited conversations with customers and answer frequently asked questions.

'Wendy's introduced the first modern pick-up window more than 50 years ago and we're thrilled to work with Google Cloud to bring a new wave of innovation,' said CEO Todd Penegor.

Starbucks (SBUX:NASDAQ) also recently beat quarterly earnings estimates as same store sales jumped 12% boosted by a 6% increase in traffic. The company's second largest market, China, registered its first same-store sales growth since the third quarter of 2021 as the country emerges from its prior zero-Covid policy.

Belinda Wong, the boss of Starbuck's Chinese mainland operations, said her part of the business registered 30% same-store sales growth in March which continued into the firm's third quarter.

SHARES' TOP PICK

YUM! BRANDS
BUY AT $137.22

Yum! Brands (YUM:NASDAQ) owns iconic restaurant brands KFC, Pizza Hut and Taco Bell as well as The Habit Burger Grill. Its subsidiaries franchise or operate more than 55,000 restaurants spanning 155 countries.

YUM! Brands consensus forecasts

	2023	2024
Sales ($bn)	7.3	7.9
EPS ($)	5.1	5.9

Table: Shares magazine • Source: Refinitiv, Stockopedia

We like the firm's exposure to a reopening Chinese market which is its second largest behind the US. We also favour its high proportion of digital sales which make up 45% of total sales and strong brands which focus on value for money meals.

Deals such as Taco Bell's '$2 and under' menu, KFC's 'two for $5' and Pizza Hut's $6.99 'melts' have attracted diners in their droves and helped to drive 6% growth in same-store sales across the group in 2022.

China is KFC's largest market. In the first quarter of 2023 the company said system sales in that country jumped 17%. China is the second largest market for Pizza Hut and system sales went up by 24% in the quarter. The brand also performed well in the US with same-store sales up 8%.

Meanwhile, Mexican-themed Taco Bell reported first quarter same-store sales growth of 8%. Taco Bell is Yum! Brands' fastest growing international brand with 746 new locations opened in the first three months of 2023.

As well as providing double digit annualised gains in the share price, Yum! Brands has delivered 20% annualised growth in dividends per share over the last two decades.

Analysts forecast 15% to 16% earnings growth over the next two years which is up with the fastest growing fast-food businesses while the PE ratio of 26.7 times is towards the bottom end of the pack.

Yum! Brands' dividend history

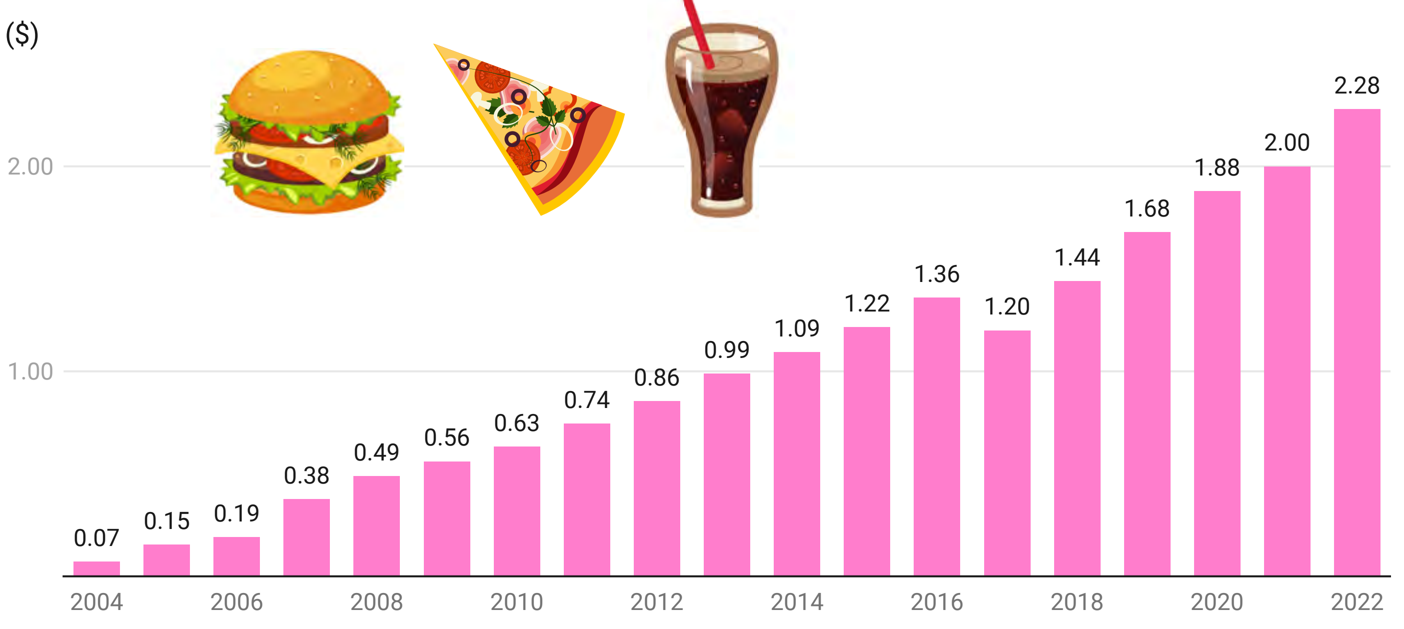


Chart: Shares magazine • Source: Yum! Brands. Dividend per share

Proof that boring companies can make the best investments

Think a stock is dull as dishwater? Dig deeper and you might want to put it at the top of your shopping list

Imagine you've been given the choice of investing in three companies. You can choose one of two batches with the intention of holding them for at least five years.

The first batch features a rat catcher, a provider of emergency telephones for lifts and a trucking company carrying small loads across the US. Sounds boring, right?

The second batch features an American cruise line operator. You also get the owner of brands loved by young and old including Yankee Candle and Sharpie pens, and a fashion seller which generated $6.2 billion revenue in 2022.

I would wager that more people would choose the second trio of stocks over the first batch. They all sound exciting – many are likely to have used their products and services, and that familiarity means investors might feel more comfortable owning a slice of these businesses.

Unfortunately, if you had picked batch two a decade ago, you would be holding a trio of duds. Each one of these three companies has lost money for investors over that period.

> "Boring is beautiful when it comes to investing"

The leisure group is **Norwegian Cruise Line (NCLH:NYSE)**, which has delivered a 7.5% negative annualised total return (share price gains/losses and dividends) on a 10-year basis, according to SharePad data. The Sharpie owner is **Newell Brands (NWL:NASDAQ)** which would have lost you 4.7% a year over that decade-long period and the fashion group is **Ralph Lauren (RL:NYSE)** with 3.3% negative annualised return.

In contrast, batch one features the winners. On a 10-year view, the trucking company is **Old Dominion Freight Line (ODFL:NASDAQ)** which has achieved 27.4% annualised total return. The rat catcher is **Rentokil (RTO)** with a 22% annual gain and the emergency phone group is **Halma (HLMA)**, which boasts a 17.5% annual gain.

This is the perfect illustration that boring is beautiful when it comes to investing. While the three 'winners' all trade on premium valuations, that is a recognition of the strong returns they've generated over the years.

Think of some of the other boring names to have made investors rich over the years, such as **Bunzl (BNZL)** which supplies things that companies need to do business but do not actually sell to customers – think takeaway cups for coffee shops or clean door mats for hotels and offices.

Too many investors automatically flock to companies with a good narrative, thinking that is the ticket to easy returns. Space as an investing theme is a good example. We're all fascinated by the opportunities with space, but how many of the relevant companies make any money? As a bellwether for the sector, note that **Seraphim Space Investment Trust (SSIT)** is down 60% in value since it joined the stock market in 2021.

Often it can pay to put your money into something more mundane, whether that's companies which fix blocked drains or make widgets to keep factories running.

Exchange-traded fund providers have been scrambling over themselves to launch thematic ETFs which track hot themes. But they're missing a trick.

I'd be the first in line to buy a 'boring companies' ETF, yet such a product still doesn't exist. Sadly, the ETF industry would no doubt argue it would be too hard to market. What a shame.

ARTIFICIAL INTELLIGENCE:

The stocks using it to their advantage

By **Steven Frazer** and **Sabuhi Gard**

There is no hotter area to invest in today than artificial intelligence, or AI as it is commonly known. Ever since OpenAI's ChatGPT took the world by storm, investors have been racing to find winners from this explosive trend.

Corporate leaders, meanwhile, have been scrambling to prove to investors that they are harnessing the technology to drive revenue growth, improve operational efficiency, and more.

In first-quarter 2023 earnings in the US, company reports mentioned AI and related terms more than twice as often as they did a year ago, a recent study showed.

Consultancy McKinsey believes 70% of companies will be using at least one type of AI by 2030, and investment bank Morgan Stanley forecasts the AI industry will generate $1 trillion in annual revenue by 2050.

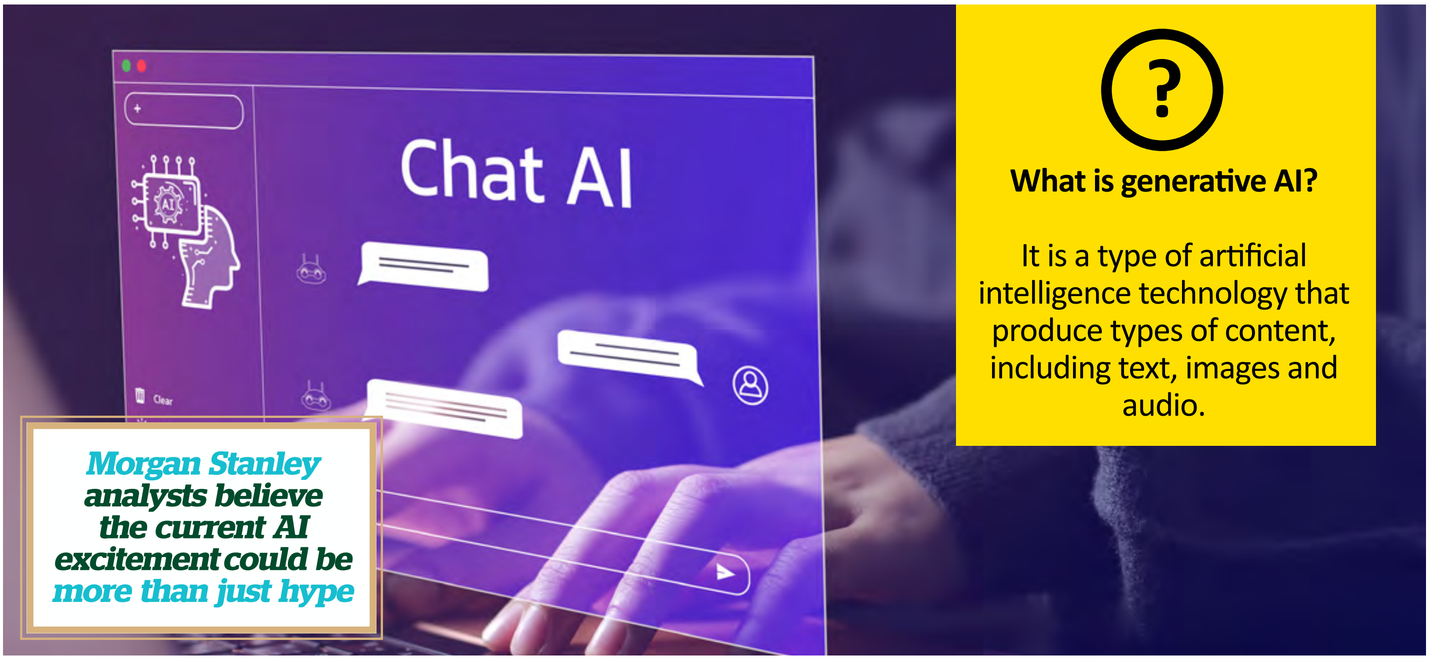
S&P RALLY FUELLED BY AI GAINS

AI fervour this year has been responsible for all of the S&P 500's gains, according to new analysis by Société Générale. The investment bank's research shows that without the gains of 'AI boom stocks' the S&P 500 would actually be down 2% this year, rather than up 8% (when the research was released earlier in May).

That is not entirely surprising when you consider stocks of companies perceived as AI winners – **Nvidia (NVDA:NASDAQ)**, **Microsoft (MSFT:NASDAQ)**, **Alphabet (GOOG:NASDAQ)** and others – have been on an absolute tear.

Nvidia's share price has more than doubled this year (+121%), while Microsoft has rallied 33% since it invested $10 billion in OpenAI back in January.

Morgan Stanley analysts believe the current AI excitement could be more than just hype. 'When we consider tech diffusion with real market impact potential, generative AI is a serious contender,' says Edward Stanley, Morgan Stanley's head of thematic research in Europe.



Morgan Stanley analysts believe the current AI excitement could be more than just hype

What is generative AI?

It is a type of artificial intelligence technology that produce types of content, including text, images and audio.

JPMorgan named AI as one of its hot themes for 2023, saying that with the emergence of ChatGPT, and other generative AI-powered chatbots, the future of work is set to be disrupted.

'We believe we are on a secular trajectory towards the workforce, particularly the younger Generation Z, entering what we call the "multi-earner era" – one where workers pursue multiple earning streams rather than a single job.'

Shares investigated the opportunities available to retail investors in February, and as we said then, 'despite all the hype, AI is still in its infancy and faces years of further development, and investors have time on their side.'

We concluded at that point that an investment fund with a focus on the wider AI world was the best way to invest, and that view still stands.

However, there are investors who prefer individual shares over funds and this article provides examples of companies embracing AI.

IMPACT OF AI

The scope for AI to drive corporate profitability and free cash flow by lowering labour costs and/or making its workforce more efficient, could have profound implications for company market valuations and share prices, both winners and losers.

'We are already seeing businesses across our portfolio leverage AI tools to streamline the work delivered by their teams,' says Stuart Veale from Beringea, manager of **ProVen VCT (PVN)**.

Education is just one sector where analysts and fund managers see potential for an AI-driven

The expert's view: Trevor Green, head of UK equities, Aviva Investors

'I believe we are at a similar stage as to when the internet came on the scene. The difference to when the internet arrived was that we didn't have mega cap technology companies boasting unlimited budgets to invest in it, which we obviously have now.

'But I caution that just because Apple, Google, etc have the head start and the big budgets does not automatically mean they will be the winners in this space in 10 years' time when we look back. I believe there will be other less well-known companies at this stage who are winners.

'There is a divide between companies that have been investing in AI for years and those that are playing catch-up and it is key as an investor to identify which camp companies are in. Take **Sage (SGE)** which reported last week and hardly mentioned AI in its results statement because the company has been using it for years and didn't feel a need for sensational announcements.

'Investors should not underestimate ChatGPT4 which is ground-breaking and is likely to result in a big reduction in call centre staff, for example. However, I would argue that in some/a lot of instances AI is not leading to job losses but freeing up those employees for other more productive roles, lowering the need for recruitment drives in organisations.

'Remember the key launch was version 4 of ChatGPT and that was only 14 March 2023. We are still in the early days in all of this.'

seismic shift. 'Currently there aren't enough teachers, classes are too large, textbooks are expensive, private education is prohibitively expensive, and exams can be too blunt and stressful an instrument for assessing diverse students with differing abilities,' says Steven Tredget, partner at Oakley Capital. 'AI removes all these constraints to the benefit of students.'

Tredget says the launch of AI-driven teaching assistant Syntea has received overwhelmingly positive feedback from developer IU Group and 120,000-plus higher education students.

These sorts of active examples prompted three researchers from NBER (National Bureau of Economic Research) to conduct a study to quantify the impact of AI on corporate valuations. Their work also identified companies set to benefit the most and least from ChatGPT, which was used as an illustration.

DOUBLE-EDGED SWORD

The NBER thesis was that generative AI tools could lead to an increase in some companies' market values. That is because these technologies can boost free cash flow by affecting the workforce in two major ways.

First, workers might be replaced with less expensive AI technologies, which would boost free cash flow by lowering operating costs. Second, companies may find their employees become more efficient by using AI to get things done better and faster. This improved efficiency can lead to higher profits and more free cash flow.

The study involved giving impact scores to sample companies, rating each on how exposed its workforce is to generative AI. They studied upwards of 20,000 tasks done by humans and used ChatGPT to figure out whether AI could achieve these tasks instead. They then grouped these tasks by occupation.

Next, they linked job roles to specific companies on the stock market, then cross-referenced their findings with recent earnings call transcripts. These companies were compared by share price performance and sorted into quintiles.

In short, they found that when ChatGPT arrived on the scene, it had a sizeable positive impact on the value of firms whose labour forces were more exposed to generative AI. Put differently, firms whose workforces can benefit the most from the use of ChatGPT saw their stock prices perform significantly better than those of firms that stand to benefit the least.

This outperformance amounted to 0.4% in daily excess returns during the two weeks following ChatGPT's release. That is huge when you consider that a daily 0.4% excess return translates into more than 100% on an annualised basis, the research says.

Technology companies have a huge swath

HOW AI IS CHANGING THE ADVERTISING INDUSTRY

AI is transforming the advertising industry at pace with the use of personalised adverts and chatbots, which can help consumers make buying decisions. Nick Waters, CEO of media marketing consultancy **Ebiquity (EBQAIM)**, says the success is seen in the paid search market where AI is used to generate keywords and text that achieve stronger results than human input.

'There have been tentative steps taken to apply AI to the development of longer form copy but this is yet to prove itself,' he says. 'We are still in the learning stage and testing possibilities at Ebiquity with useful progress in data cleansing and processing. We feel the application of AI to large data sets will enhance our ability to produce predicted outcomes at speed which will be an exciting development for our clients and ourselves.'

Daily Mirror newspaper owner **Reach (RCH)** has been using AI to publish articles on its local news and information sites. Last July, Reach launched an AI-powered audience engagement tool called Neptune Recommender. Page views through this tool now account for 40% of Reach's page-view growth since the start of 2022.

Using machine learning and increased data points, Reach believes it can now suggest more relevant content to readers, keeping them on its platforms for longer and targeting them with more relevant advertisements.

of employees whose jobs could potentially be replaced by ChatGPT. The NBER researchers also found industries with higher exposure tend to pay bigger wages, suggesting more workers in well-paid positions could see their careers transformed by the technology.

Industries with higher relevance also tend to have more employees compared to their capital, spend more on research and development, and have fewer physical assets.

On the other side, firms with employees doing manual, physical tasks stand to benefit the least from ChatGPT. That includes food and drink providers **Starbucks (SBUX:NASDAQ)** and **McDonald's (MCD:NYSE)**, retailers **Target (TGT:NYSE)** and **Walmart (WMT:NYSE)** and transport companies, such as **United Parcel Service (UPS:NYSE)**.

This list gives investors a starting point for stocks to research. The goal should be to narrow the options to a handful of companies that seem like good bets to ride the ChatGPT and AI trend.

On top of the usual analysis of a stock's fundamentals and valuation, it is worth investigating whether each company has plans to leverage generative AI to enhance workforce productivity and/or shrink its workforce costs. This may be part of the thinking behind recent announcements from **Vodafone (VOD)** and **BT (BT.A)**, which plan to cut 11,000 and 55,000 jobs respectively over the coming years.

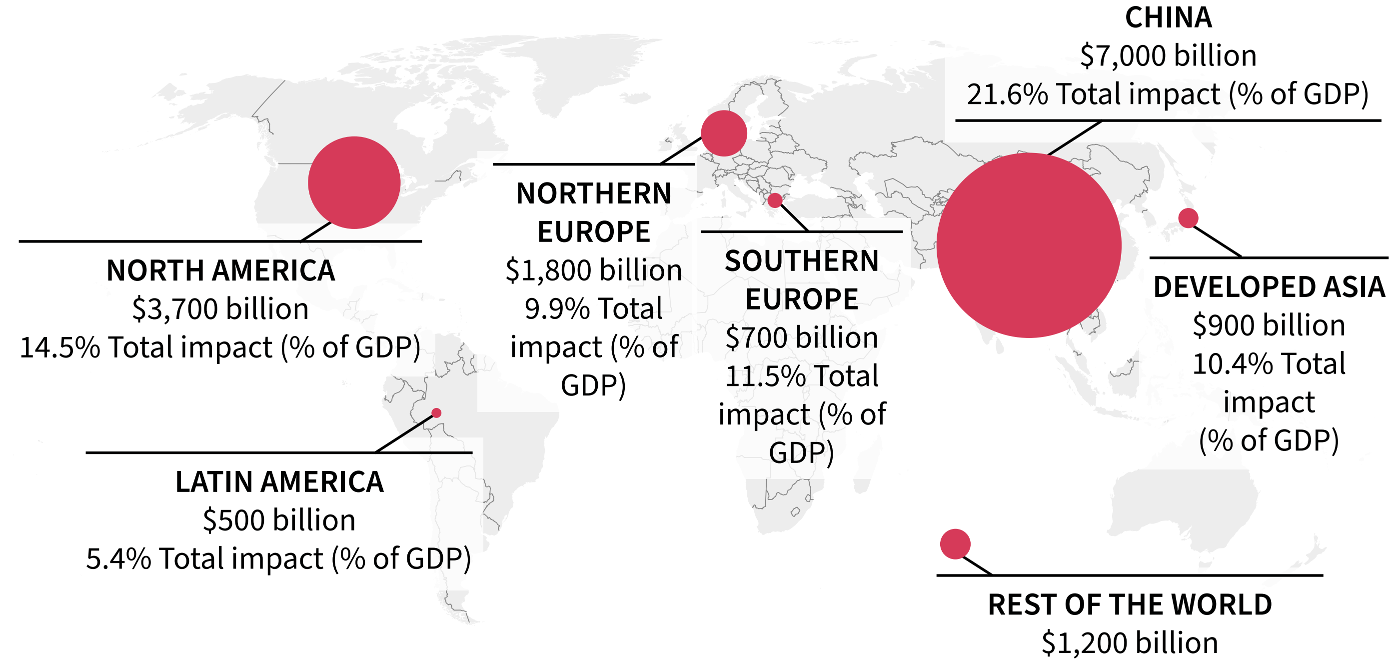
Also keep in mind that NBER's study focuses on

Companies with high and low AI exposure

HIGH	LOW
3M	Costco
Adobe	CSX
Advanced Micro Devices	Dollar General
Broadcom	Home Depot
Fiserv	Lowe's
IBM	McDonald's
Intuit	Mondelez
Microsoft	Northrop Grumman
Nvidia	Starbucks
PayPal	Target
Qualcomm	Tesla
S&P Global	TJX
ServiceNow	Union Pacific
Thermo Fisher Scientific	United Parcel Service
Verizon Communications	Walmart

Table: Shares magazine • Source: NBER

Sizing the prize: who will benefit the most from AI?



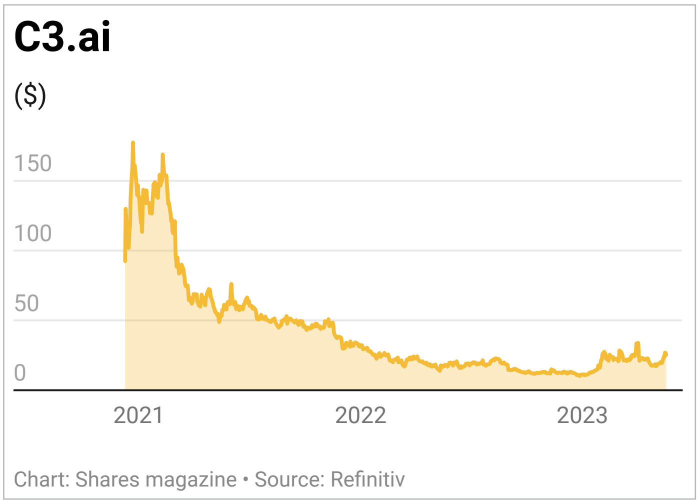
Map: Shares magazine • Source: PwC

firms' workforces but does not get into the product side of things. Generative AI has the potential not only to reduce labour costs and enhance employee productivity, but also to drive revenue growth by being integrated into existing or new products, and some companies have exposure to both, creating a potential double-whammy of value creation.

For example, creative design software firm **Adobe (ADBE:NASDAQ)** is one of the biggest potential beneficiaries should it choose to adopt generative AI internally and externally.

SIX STOCKS RELEVANT TO THE AI THEME

C3.ai
(AI:NYSE)

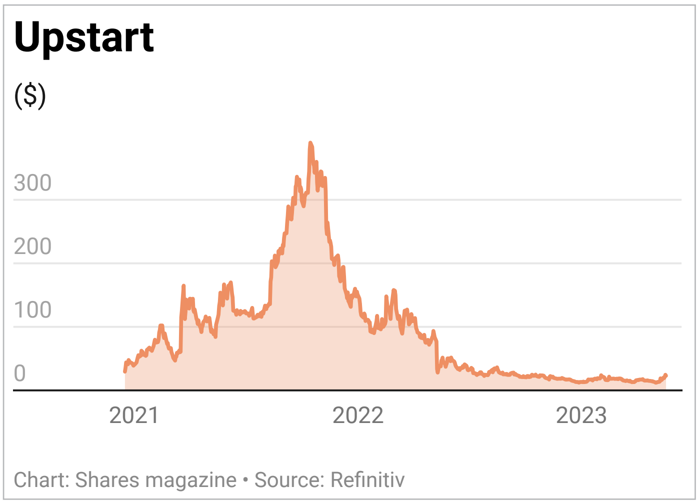


C3.ai is a software company focused on developing enterprise-scale AI solutions, with products used in industries as diverse as healthcare, industrial automation and finance. C3.ai offers clients a range of AI products, allowing users to either develop their own code or take off-the-shelf solutions.

The suite of services is ideal for firms looking to get up to speed with the opportunities AI offers in their respective sectors. Firms should realise AI is an arms race and failure to adapt could put their very existence under threat. This makes C3.ai's off-the-shelf software packages an option for operational functions that do not require recruiting legions of IT experts to use them.

The business remains loss-making for now but investors have been chasing the stock hard this year, fuelling a 141% rally since January.

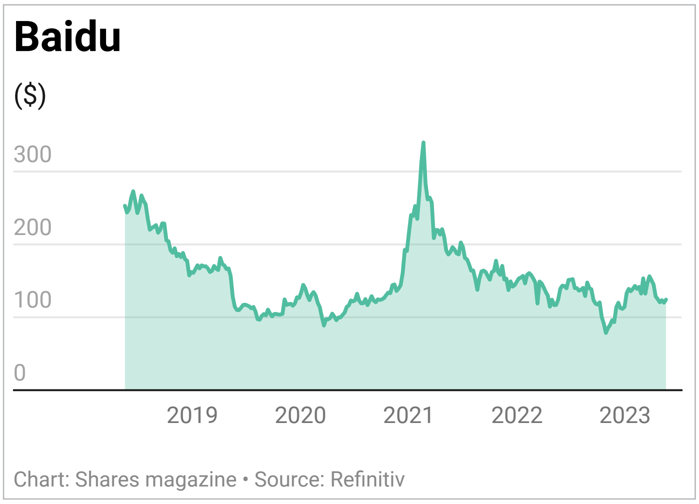
UPSTART
(UPST:NASDAQ)



Founded in 2012, Upstart is an AI lending platform that partners with banks and credit unions to provide consumer loans using non-traditional variables, such as education and employment, to predict creditworthiness.

Upstart's revenues have come under substantial pressure this year with the US banking sector thrown into crisis by Silicon Valley Bank's collapse and sale. Revenue for the three months to 31 March fell 30% quarter-on-quarter to $103 million, a third the size of its $310 million the year before, but the growth trajectory could recover sharply once financial stability returns.

BAIDU
(BIDU:NASDAQ)



Analysts think the Chinese company is a great play on rampant AI growth, with multiple catalysts looming for the company.

Baidu started out as China's answer to Google, and it remains a significant player in internet search, but its focus has broadened to cloud services are more recently, AI.

It has developed a rival to ChatGPT called Ernie with a plan to incorporate generative AI into its search engine and other products. It currently waiting for Chinese government approval to launch Ernie.

PEARSON (PSON)

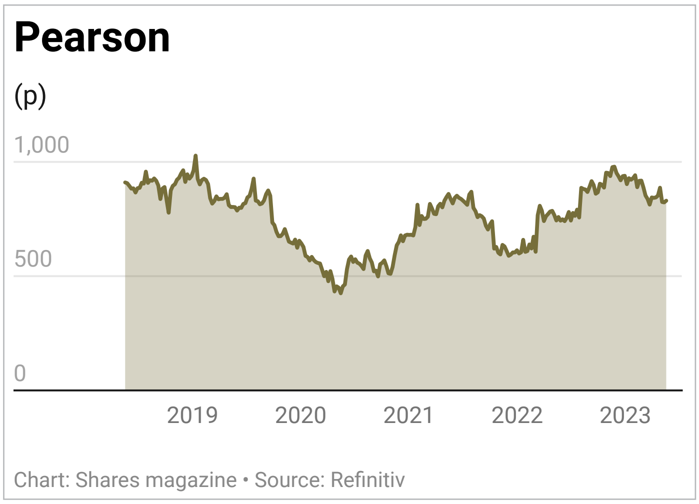


Chart: Shares magazine • Source: Refinitiv

The education publishing group is to use generative AI enhancements across key products. Pearson is hoping its AI strategy will attract a new student audience (and more subscriptions) who might ordinarily be tempted by chatbot learning through ChatGPT.

For example, in Pearson+, users will have access to a generative tool that automatically summarises the content of videos in simple bullet points and auto-generates quizzes.

It has developed proprietary predictive algorithms which assess trends in demand for skills and occupations globally, and recommend career and learning pathways for consumers, enterprises and governments.

RELX (REL)

RELX says the first AI-linked tools have been around in the legal world for more than a decade. However, the industry is now exploring the capabilities more seriously.

RELX's recent financial results highlighted further diversification into higher growth analytics and decision tools.

For example, it is using AI to speed up the complex and time-consuming legal research

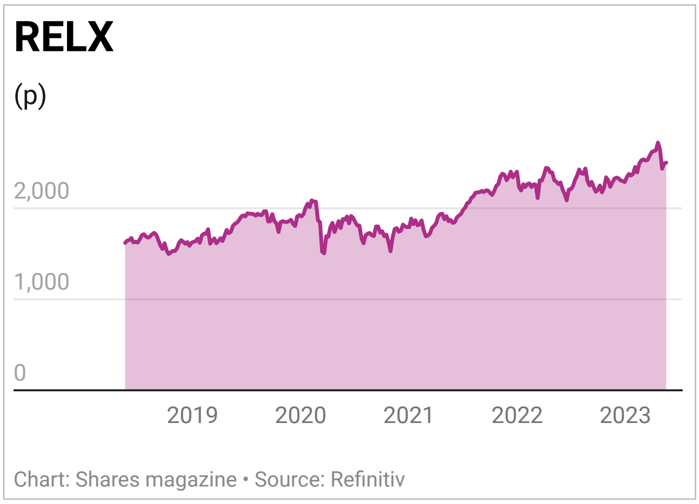


Chart: Shares magazine • Source: Refinitiv

process, allowing lawyers to do 'billable' work faster. Lawyers can then spend more time doing other duties like advising clients or performing other work.

Its Lexis+ AI system can provide legal summaries in seconds and it can also generate briefs and contract clauses.

META PLATFORMS (META:NASDAQ)

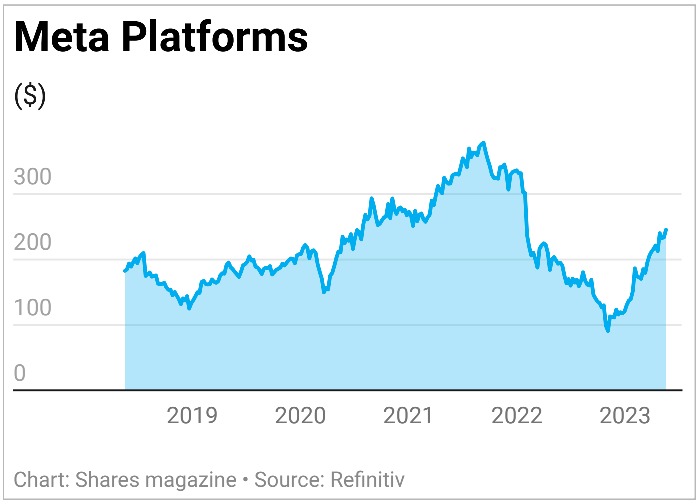


Chart: Shares magazine • Source: Refinitiv

Regular users of Instagram and Facebook might wonder why they have been spending more time on the social media networks recently. That might be down to actions by the company which owns these platforms.

Meta has been using AI to suggest what it hopes are more relevant short-form videos for users. Increased engagement should equate to more exposure to advertising. Forty percent of Instagram content is now AI-recommended.

The company has also built custom computer chips to help with AI and video-processing tasks.

How robotics and AI might shake up the labour market

More companies are experimenting with robots in the workforce, but are they up to the job?

The recent tightness in the UK's labour market has impacted the country's economic growth and the resulting spike in wage costs has also contributed to the core inflation number that keeps central bankers awake at night.

There has been much discussion about potential solutions to labour issues, from increased migration to more technological methods: automation, robotics and AI (artificial intelligence).

Recent advances in the latter have fuelled the imagination and sparked investor interest with tech players enjoying something of a renaissance as search engines become more intuitive and chips and processors become more responsive.

BT (BT.) recently announced it was looking to replace about a fifth of its customer service workers with AI and there have been warnings that 'Tomorrow's World' could see more than 300 million jobs at risk.

UK prime minister Rishi Sunak has promised the country will take a leadership position when it comes to these sweeping technological advancements, and it was hot topic at the recent G7 summit. But it led me to ponder exactly what roles can't be filled by tech.

ROBOTS IN REAL LIFE

On a recent trip to Belfast my pre-flight airport burger was delivered to me by a very polite, very speedy robot. Only the accompanying glass of wine couldn't be handed over, a real person had to check I was legally of age to imbibe.

But how long before that robot is kitted out with facial recognition software that can scan my all too visible crow's feet and decide I am 'of age' – perhaps a better question is how long will it be before the law allows it?

Robotics and automation have a huge initial outlay so there has to be a real monetary gain in order for businesses to make this investment. At Belfast there are times the airport is almost empty and other times when every seat seems to be taken.

Paying for workers to stand around for hours makes little sense and few people are willing to turn up for a shift that's just an hour or two long.

But robots don't always provide the solution that business needs. The first incarnation of 'Flippy' the burger cook was turned off after just one day at the stove because it was too slow and required too much human assistance.

And a bakery in Barnsley made headlines back in 2009 when it turned on its robotic helper, which it hoped would decrease energy use and increase capacity in its ovens by 80%. The only problem was it just couldn't stand the heat and when I returned to film at the bakery a few months later I found it had been quietly retired.

THE INVESTMENT PERSPECTIVE

There will be many examples of failures and no investor wants to end up wearing the emperor's new clothes or finding themselves in the next dotcom bubble when it bursts.

Sector-specific ETFs (exchange-traded funds) are one way to get exposure while remaining diversified and increased headlines haven't hurt the share price performance of three options since the start of the year (see table).

Like those EV start-up companies, robotics and AI operations can burn through capital to take an idea from the drawing board and into mainstream production. The aforementioned Flippy has since been reborn and Flippy 2 started service in the US in 2021 just as the post-Covid labour crisis was at its peak.

Retail investors cannot currently invest in Miso Robotics, the company behind Flippy 2 but the ETFs mentioned in the table have a wide variety of global players in their portfolios including **Keyence (6861:TYO)** and **ABB (ABB:NYSE)**.

REPLACING HUMANS

The potential for the robotics and automation space is huge, especially at a time when migration is such a political hot potato.

Food growing, picking and production is an obvious area for investment and a new funding round has just gone live to allow businesses to invest in new technologies that could fill skills and staffing gaps and ultimately help bring prices down for the consumer.

AI has further changed the game and there are now super-smart robots (named Tom, Dick and Harry) that can identify and zap weeds among crops which means the need for fewer herbicides, and prototypes have been created that could ultimately solve the crop-picking crisis.

Right now, like Flippy's first incarnation, those prototypes can't match the speed of human hands and a review last year into automation in farming found that it's likely to take at least another five to seven years before the prototypes move to commercially-available options.

Productivity investment in robotics, AI and automation seems like a total no-brainer, but there are questions about the ultimate impact this shift will have on the global labour force. What jobs will be safe, what jobs will be created and what jobs will disappear from our vacancy lists?

Governments will have to step in to regulate this space and that's something companies and investors will have to watch closely. But it seems 'Tomorrow's World' is really upon us and rather like the internet before it, I doubt anything is likely to slow it down.

Robotic ETFs: share price performance this year

Global X Robotics & Artificial Intelligence UCITS ETF	29.1%
iShares Automation & Robotics UCITS ETF	19.2%
L&G ROBO Global Robotics and Automation UCITS ETF	14.3%

As of 22nd May 2023

Table: Shares magazine • Source: Sharepad

Investing in gold miners: the stocks and funds that matter

We look at the key drivers for the gold price and the various ways to get exposure

In an environment of political, economic and market turmoil, the gold price is within touching distance of record highs and US precious metals miner **Newmont (NEM:NYSE)** recently sealed a blockbuster $19 billion takeover of Australian rival **Newcrest Mining (NCM:ASX)**, bringing extra pizzazz to the sector.

Gold and its miners are clearly in the spotlight and encouragingly for investors who fear they may have missed the boat, valuations among small and medium-sized gold mining stocks have not kept pace with the surging price of the metal.

A lot of demand for gold has come from central banks rather than institutional and retail investors. If that changes and money piles into funds that track the price of metal then this could act as a strong catalyst for gold mining stocks.

When is gold in demand?

Gold, which has limited applications in industry, tends to be in demand during periods of economic or geopolitical strife, when inflation threatens paper currencies or there are significant falls in bond and equity markets.

Its status as a 'safe haven' asset is based on its historic role as a store of value and the fact that, unlike currencies, its value cannot be manipulated through adjustments to interest rates.

THE SHORT AND MEDIUM-TERM DRIVERS FOR GOLD

A key driver for gold in the short term has been talks over the US debt ceiling. Gold has retreated a little from the $2,000 mark as investors have become slightly more hopeful about a resolution to this crisis which doesn't involve the US defaulting on its debt.

Chart: Shares magazine • Source: Refinitiv

If a deal is brokered then a pullback in gold prices is possible in the short-term, but in the medium-term, as interest rates peak, economies potentially head into recession and the dollar weakens (the US currency tends to have an inverse relationship with gold) then gold prices could shine.

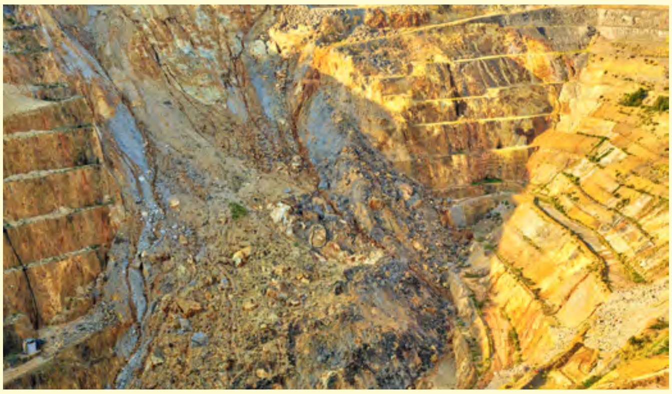
Segun Lawson, the CEO of **Thor Explorations (THX:AIM)**, which recently completed its first full year of production from its Segilola mine in Nigeria, tells *Shares*, 'I'm always bullish on gold.'

He adds: 'When it comes to the gold price, the global inflationary environment we are in and a slowing down of interest rate hikes means somewhere around the $2,000 mark will hopefully persist through this year.'

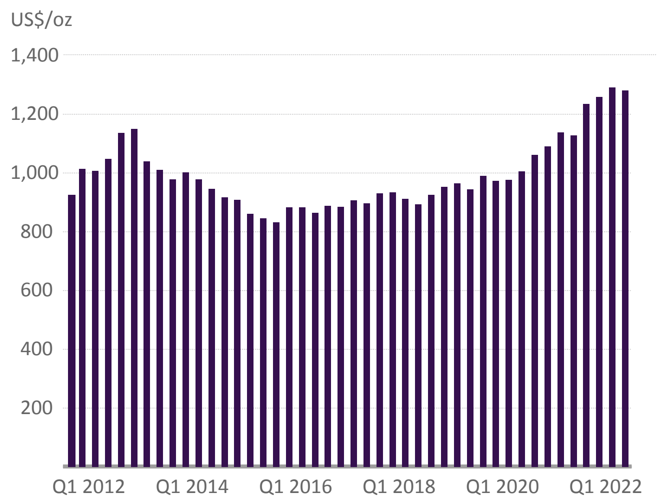
Offering a more dispassionate view, Robert Crayfourd manages **CQS Natural Resources Growth & Income (CYN)**, an investment trust which invests across the mining and oil and gas space. He explains the trust's exposure to gold miners has been steadily increasing and recently reached the 20% mark.

What is the AISC?

The AISC or all-in sustaining cost is a key metric which shows the direct and recurring costs to mine a unit of ore or in other words, the total costs of sustaining operations. It is expressed in terms of dollar per ounce of gold sold. According to data from the World Gold Council the average AISC for the industry reached a record high of $1,276 per ounce in 2022.



AISC trends



Data as of 31 December, 2022
Sources: Metals Focus Gold Mine Cost Service
Disclaimer: https://www.gold.org/terms-and-conditions#proprietary-rights

Co-manager Keith Watson observes the maximum level the fund has reached on gold historically is in the mid-20s around Brexit and the election of Donald Trump as US president and in the early stages of Covid. 'In a world of uncertainty people are looking for protection and gold miners have lagged the move in gold by 20% to 30%,' Crayfourd says.

'That's partly justified by cost inflation but we are starting to see those pressures ease. Some small and medium-sized gold miners are trading below one times net asset value and this could be an attractive entry point.'

Watson adds that, against the current backdrop and amid high levels of global indebtedness, it 'is wise for people to protect their wealth with unencumbered real assets'.

HOW TO INVEST IN GOLD AND GOLD MINERS VIA FUNDS

Investors are for spoilt for choice when it comes to investing in gold. If you want direct exposure to the precious metal without owning a coin or bar, you are well served by tracker funds.

Alternatively, investing in gold miners involves operational risk but allows you to potentially secure income from dividends and enjoy gains over and above the change in the gold price if they manage to grow their operations.

Investing in a diversified fund of gold producers provides protection from companies' individual failures. For example, **iShares Gold Producers ETF (SPGP)** tracks the performance of a basket of gold miners.

This exchange-traded fund has an ongoing charge of 0.55% and has delivered a five-year annualised total return of 11.8%. This compares with 9.3% from **BlackRock Gold & General (B5ZNJ89)**, an actively managed gold mining fund whose ongoing charges are 1.16%.

CQS Natural Resources Growth & Income has stakes in various gold stocks including Newmont, Newcrest, **Barrick Gold (GOLD:NYSE)** and royalties group **Franco Nevada (FNV:NYSE)**.

INVESTING IN INDIVIDUAL GOLD MINERS

If you want to go a step further and invest in individual gold miners there is a reasonable universe of UK-listed stocks. Though the universe is shrinking as Petropavlovsk went into administration last year, **Polymetal (POLY)** has warned it is planning to delist from the London Stock Exchange, and Pure Gold Mining left the UK stock market earlier this year.

The table shows how UK-listed gold miners worth more than £100 million have performed since the start of 2023 and, where applicable, over the last five years on an annualised basis. Depressed valuations and a strong gold price could act as drivers for M&A activity, though the UK market is a little short of gold miners of scale compared to stock markets in Canada and Australia.

Among the names generating revenue from more than one asset, **Resolute Mining (RSG)** has been the best performer this year on the stock market, with a 106% total return. The Africa-focused company has two producing gold mines and impressed the market with its first quarter report in April, beating estimates for production. Stronger output has helped it to pay off a good chunk of debt, while exploration results have also beaten expectations.

FTSE 100 constituent **Endeavour Mining (EDV)** is a West African producer with six gold mines and all-in sustaining costs of mining at the low end of its peer group. It has seven development projects and more than 100 exploration properties.

Elsewhere, the world's leading silver producer **Fresnillo (FRES)** is also one of Mexico's largest gold producers.

Risks to consider

Gold is often located in countries with geopolitical or security risks and investors also must consider the dangers of resource nationalism – a country increasing its percentage stake, income stream or control of natural resource projects through higher taxes or directly appropriating assets.

Ratings agency Fitch recently warned of heightened resource nationalism risks in key gold mining jurisdiction Ghana as the government wrestles with a debt crisis.

An alternative way to get exposure to gold is through **Wheaton Precious Metals (WPM)** which is a royalties company rather than a miner. When a miner needs cash to develop a project to the point of production, they often strike a deal with a royalties company whereby the latter provides upfront cash in exchange for a percentage of revenue from future production.

Wheaton tends to secure a cut of precious metal production in projects where it is a by-product to another metal such as copper. This allows it to secure this production at a discount to spot prices.

How various UK-listed gold mining shares have performed

Company	Five-year annualised total return (%)	Total return year-to-date (%)
Resolute Mining	n/a	106
Shanta Gold	15	22
Thor Explorations	n/a	19
Endeavour Mining	n/a	18
Hochschild Mining	−15	15
Anglo Asian Mining	24	10
Pan African Resources	24	6
Caledonia Mining	12	5
Polymetal	−7	3
Amaroq Minerals	n/a	−1
Centamin	−4	−5
Greatland Gold	69	−6
Fresnillo	−10	−25

Table: Shares magazine • Source: Sharepad, data to 18 May

THREE STOCKS TO BUY

Centamin (CEY) 105.5p

Despite a somewhat patchy track record over the past five years or so, Egyptian gold producer **Centamin (CEY)** has three key projects in chain which could act as a catalyst for the share price and help diversify the company from its current single-asset, single-country focus.

The company has a plan to boost production at its core Sukari mine back above 500,000 ounces per year by developing the mine further underground. It is progressing the Doropo project in Cote d'Ivoire with a pre-feasibility study, a key development milestone, expected in June and it is pursuing an exploration programme in Egypt's eastern desert.

It trades on a price to net asset value of 0.9 times and offers a prospective free cash flow yield for 2024 of 8.5%. Those are very attractive metrics from an investment perspective.

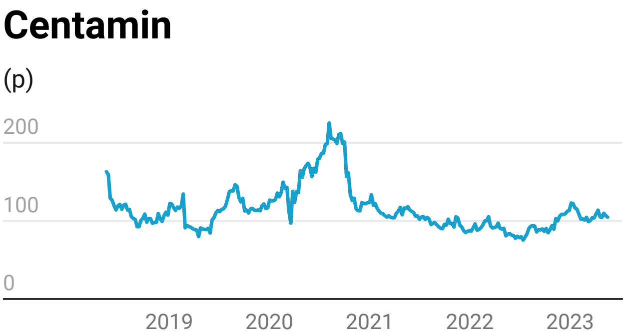


Chart: Shares magazine • Source: Refinitiv

Thor Explorations (THX:AIM) 18.5p

A higher risk but potentially higher reward option for investors is **Thor Explorations (THX:AIM)**. The company entered commercial production at its Segolia mine in Nigeria in 2022. The company is targeting production of 80,000 to 100,000 ounces a year over the next four years at a low all-in sustaining cost of $800 per ounce.

The company has aggressive drilling plans as it looks to extend the four-year mine life of Segolia and capitalise on other opportunities.

Canaccord Genuity analyst Alex Bedwany comments: 'Thor remains our preferred gold producer in London, with strong margins on offer in the current high gold price environment.' He forecasts free cash flow in 2023 and 2024 combined of $112 million – around three quarters of the current market valuation.

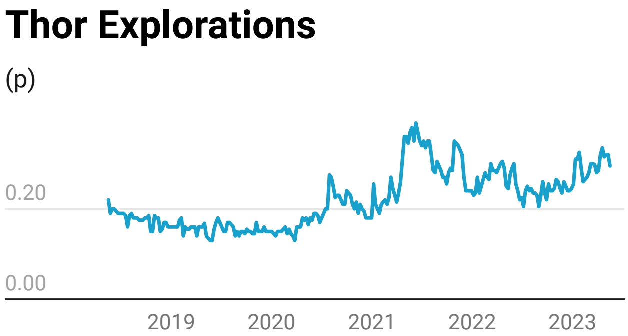


Chart: Shares magazine • Source: Refinitiv

Endeavour Mining (EDV) £20.34

This is the stock to own if you are looking for a multi-asset gold company listed in the UK with scale. The company is benefiting from rising production and falling costs.

It has operating mines in various parts of West Africa including Cote d'Ivoire, Senegal, Mali and Burkina Faso. The business is highly profitable and shareholders are being rewarded with a dividend yield in the region of 3%.

Diverse sources of income from its growing portfolio of mines are attractive, albeit you will have to pay a small premium price for the shares. They trade on approximately 1.4 times net asset value.

Chart: Shares magazine • Source: Refinitiv

By **Tom Sieber** Deputy Editor

Are emerging markets less reliant on commodities than you think?

Despite some perceptions the relationship with resources is a changing and nuanced one

Historically emerging markets have been seen as having their fortunes heavily tied to commodity markets.

However, reliance on big state-owned oil or mining enterprises is diminishing as emerging markets become more innovative and consumer-driven and, consequently, sectors like technology and retail become increasingly important.

There is also a nuanced picture in terms of emerging market countries' relationship with commodities.

Some economies, like Brazil, are heavily reliant on commodity exports, both agricultural and materials. This underpinned a strong showing from the Brazilian market in the first half of 2022 as prices surged in the wake of Russia's invasion of Ukraine.

But others are big importers of commodities. China, for example, is one of the biggest global consumers of metals and energy.

Overall, the MSCI Emerging Markets index has a combined weighting of 13.8% to energy and materials (5% and 8.8% respectively), its developed economy counterpart MSCI World has a 9.4% weighting (5.1% energy and 4.3% materials).

A 2018 World Bank report noted: 'As emerging market economies mature and shift towards less commodity-intensive activities, their demand for commodities may plateau.

'For the two-thirds of emerging market and developing economies that depend on raw materials for government and export revenues, these prospects reinforce the need for economic diversification and the strengthening of policy frameworks.'

MSCI Emerging Markets vs MSCI World - combined weighting for energy and materials stocks

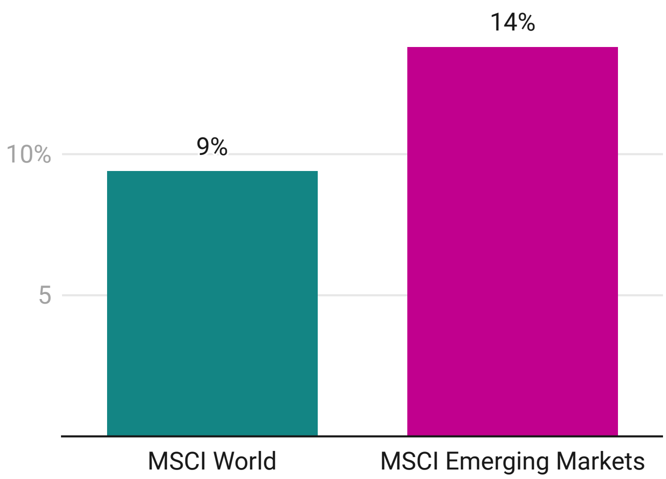


Chart: Shares magazine • Source: MSCI, data to 30 April

This outlook is part of a series being sponsored by Templeton Emerging Markets Investment Trust. For more information on the trust, visit here

Emerging markets: earnings season, resource nationalism and a tale of two sectors

Three things the Franklin Templeton team are thinking about right now

1. Earnings season. The earnings season in emerging markets is underway. Flat headline earnings growth in 2023 masks significant divergence across individual markets. Consensus expectations for China is for earnings growth of 20%, with India also expected to witness double-digit growth. However, heavyweight markets in Taiwan and South Korea are expected to witness a contraction in earnings of 26% and 40% respectively. This is primarily due to weakness in the semiconductor sector, which has a large weight in both markets. Commodity-heavy markets – including Brazil and Saudi Arabia – are also forecast to witness a contraction in earnings due to lower commodity prices compared to the year-earlier period.

2. Rising resource nationalism. The Chilean government is issuing new rules on lithium mining in the country. Future projects are required to have the state as the majority shareholder. The goal of the policy is to raise output to meet the forecast increase in demand for lithium, which is a key input to electric vehicle battery production. The government has indicated it will honour existing mine concessions, which for the largest projects expire in 2030 and 2047. There are lingering concerns about how the government will execute the policy and the impact on future contract negotiations. The decision to impose the state as the largest shareholder in future projects reflects a global trend toward government tightening controls over strategic industries.

3. A tale of two sectors. Recent purchasing manager index (PMI) data highlights divergent trends in the services and manufacturing sectors across emerging markets (EMs). Services-sector PMI is firmly in expansionary territory in China and Brazil, whereas manufacturing PMI data in the same economies have weakened in recent months. This trend reflects the post-COVID pivot toward services, and concurrent dip in demand for manufactured goods. This has negative implications for EM economic growth, as manufacturing tends to have a higher weight in these economies relative to services. Conversely, it has potentially positive implications for equity markets as the weight of broadly defined services is larger than the weight of broadly defined manufacturing in EM equity indices.

TEMPLETON EMERGING MARKETS INVESTMENT TRUST (TEMIT)

Porfolio Managers

Chetan Sehgal
Singapore

Andrew Ness
Edinburgh

TEMIT is the UK's largest and oldest emerging markets investment trust seeking long-term capital appreciation.

Should I worry if my investments aren't making money?

How we deal with losses says a lot about who we are as investors

Successful investing isn't all plain sailing, and now and again you must take the rough with the smooth.

It would be lovely to think you could put your savings in lots of guaranteed winners and never have to worry about looking at your portfolio again until you need to the money, but sadly markets don't work like that.

Even the least volatile, most boring investments will occasionally go through periods of underperformance – what matters is how you respond to that underperformance.

THE FIRST RULE: DON'T PANIC

It may sound trite but, if you are sitting on losses, the last thing you should do is panic and sell everything 'in case it goes down even more'.

Markets move in waves, rather than cycles, with upward bull phases and downward bear phases, but over the long term they tend to go up as companies generate higher earnings and valuations rise as a result.

There is also the effect of survivor bias, where loss-making or poorly-run companies gradually disappear to be replaced by more profitable, more successful ones.

Assuming you are a buy and hold investor rather than a short-term trader, and you plan on owning your stocks a long way into the future,

I bought the shares in 2021 but it's fallen ever since. What do I do?

Renishaw: an example of a falling share price

Chart: Shares magazine • Source: Refinitiv

the day-to-day ups and downs of the market are not that important.

In *The Intelligent Investor*, Benjamin Graham offers the following analogy: 'Imagine that in some private business you own a small share that cost you $1,000. One of your partners, named Mr. Market, is very obliging indeed. Every day he tells you what he thinks your interest is worth and furthermore offers either to buy you out or to sell you an additional interest on that basis.

'Sometimes his idea of value appears plausible and justified by business developments and prospects as you know them. Often, on the other hand, Mr. Market lets his enthusiasm, or his fears run away with him, and the value he proposes seems to you little short of silly.

'You may be happy to sell out to him when he quotes you a ridiculously high price, and equally happy to buy from him when his price is low. But the rest of the time you will be wiser to form your own ideas of the value of your holdings, based on full reports from the company about its operations and financial position.'

WHAT ABOUT THE 'EFFICIENT MARKET'?

The fact is, there is no such thing as an 'efficient market', where all the news and information that could possibly be known about a company is reflected in its share price.

For starters, most investors have a different approach to one another when it comes to choosing stocks and indeed about what constitutes a good or a bad company.

Even highly-paid investment bank analysts – who are employed to forecast how well or how badly a company is likely to do and therefore what its intrinsic value is – often have completely conflicting views on the same stock.

Zoom is a classic example of investors racing to buy the shares and then earnings growth failing to match expectations

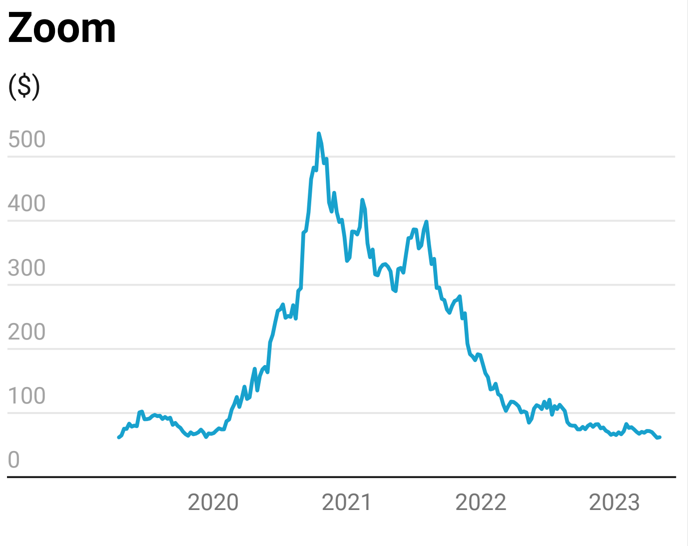


Chart: Shares magazine • Source: Refinitiv

Also, depending on what is in vogue in the market at any one time – such as technology stocks, oil companies, banks – expectations for these businesses can reach unrealistic levels and the shares, which will also have been driven to unsustainable levels, can come crashing down.

Providing you aren't caught up in the hype and invest everything at the top of the market, you are likely to make money over the long run – in fact, studies have shown that even if you do invest at the top of the market, you still make money long-term, it just takes longer.

WHAT DO I DO ABOUT LOSSES?

There will undoubtedly be times when a company you are invested in disappoints and the shares sell off.

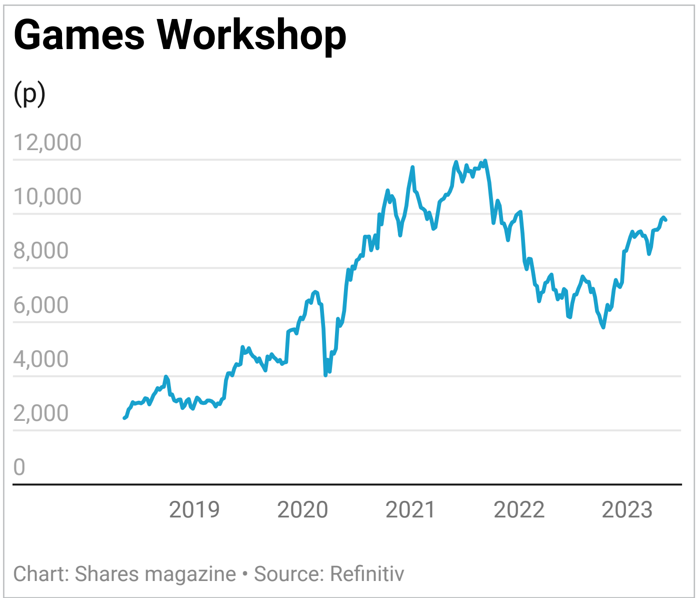
This is the time to revisit the investment case to see whether it still stacks up – for example, is the company doing what you thought it would, is it growing as fast as you expected, is the dividend as big as you were led to believe, and so on.

If you still believe the long-term argument for owning the shares, the trick is to have the courage of your convictions and add more, but if you feel the company no longer measures up to expectations then you should sell and move on, with no regrets.

The key is not to get caught like a rabbit in the headlights and do nothing, which is how many investors react because they fear taking losses. This phenomenon is known by psychologists as 'loss aversion', the fear of losing money, which is a much stronger emotion than the pleasure we get from making a profit.

As Warren Buffett, chairman of US investment

There have been plenty of periods when shares in Games Workshop have fallen, but the investment case hasn't changed and the shares have bounced back on plenty of occasions



company **Berkshire Hathaway (BRK.B:NYSE)** and one of the world's best-known investors, succinctly put it: 'You don't have to make it back the way you lost it.'

The best investors always learn from their mistakes – and great investors still make mistakes, they aren't superhuman.

In his book, *Simple, But Not Easy*, former Mercury fund manager Richard Oldfield devotes an entire chapter to what he calls his 'howlers' and the lessons he learned from them. It's well worth a read.

HOW CAN YOU REDUCE LOSSES?

One way to reduce the likelihood of losses is to reduce your tolerance for risk, so it's important you are honest with yourself about what you are hoping to achieve as an investor.

If you are happy to settle for an annual average return of 5%, with a modicum of risk, you can invest everything in a global tracker fund. Just don't check its performance every five minutes because the more frequently you check the greater the likelihood you will be running a small loss.

If you want higher returns and are prepared to accept a higher degree of risk, you can still try to build a portfolio which is resistant to major market selloffs, because, as the statistician and author Nassim Taleb said, not seeing a tsunami or economic event coming is excusable but building something fragile to them is not.

Try to avoid putting all your eggs in one basket – whether that is not holding lots of stocks, funds or investment trusts which are related to the same sector – and maybe think about equal-weighting your investments so that if one stock blows up it doesn't damage your entire portfolio.

SHOULD YOU EVEN WORRY ABOUT LOSSES?

As we said to begin with, if you are a buy and hold investor then you shouldn't be bothered with the day-to-day gyrations of the market.

This is even more relevant if you have income-generating investments because you want to leave your capital where it is and keep compounding your dividends for as long as possible by reinvesting them.

In fact, you might even welcome a period of share price weakness as it means with your dividends you can buy more shares than you would be able to if the price was higher.

Every study of stock market returns comes to the same conclusion – most long-term gains don't come from capital appreciation, they come from reinvested dividends, so maybe instead of shooting for the stars and taking lots of risk the way to avoid big losses and still win in the long run is to let compounding do the job for you.

By **Ian Conway** Companies Editor

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How these two technical indicators can make you money and two shares to buy now

Stock markets discount the future which means share prices tend to move before news comes out

By **Martin Gamble** Education Editor

So-called 'technical' investors study charts to look for patterns which can signal when to buy and sell a share. At the other end of the spectrum is 'fundamental' analysis which seeks to understand the intrinsic value of a business by examining its profit, cash flow and balance sheet and its competitive position.

Often the two approaches are seen as polar opposites, but that does not mean they cannot work together and bring something useful to the table. This article looks at two technical indicators which could help investors make more money from fundamental analysis.

Any fund manager will tell you that buying too early is the same thing as being wrong. That is not to belittle fundamentals either because eventually share prices follow profits.

SHARE PRICES OFTEN MOVE AHEAD OF NEWS

Because the stock market is forward looking, share prices tend to anticipate changes in fundamentals ahead of them showing up in company announcements and quarterly reports. A good example is private equity manager **3i (III)** which is discussed in more detail later in the article.

In practice that means share prices can provide information about the future direction of a business. Purist value managers may disagree. Legendary investor Ben Graham famously said the stock market is there to serve investors not to guide them.

That may be correct in the very short-term because stock prices are much more volatile than earnings which can throw up opportunities to 'go against the crowd' and exploit share price overreactions.

But the two technical indicators presented here are not short term in nature or designed to capture a 'quick profit'. They are helpful in identifying long-term trends. The first indicator discussed is a trend line. The idea here is to identify a long-lasting shift and stick with the trend until the line is broken.

The second indicator discussed is the Coppock indicator which is specifically designed to identify the start of new long-term trends. The two indicators can be used together to pinpoint new up-trends and complement fundamental analysis. First, though, we will introduce them separately.

DRAWING A TREND LINE

There is not a formula to help draw trend lines, you draw what you see by connecting the dots. From the lowest price point on a chart draw a line which connects successive low-price points which are higher than the first point. That forms the trend line.

A break of the line happens when the price breaches the line. Often a re-test and failure to break the trend line is seen which confirms the break.

FLUTTER ENTERTAINMENT EXAMPLE

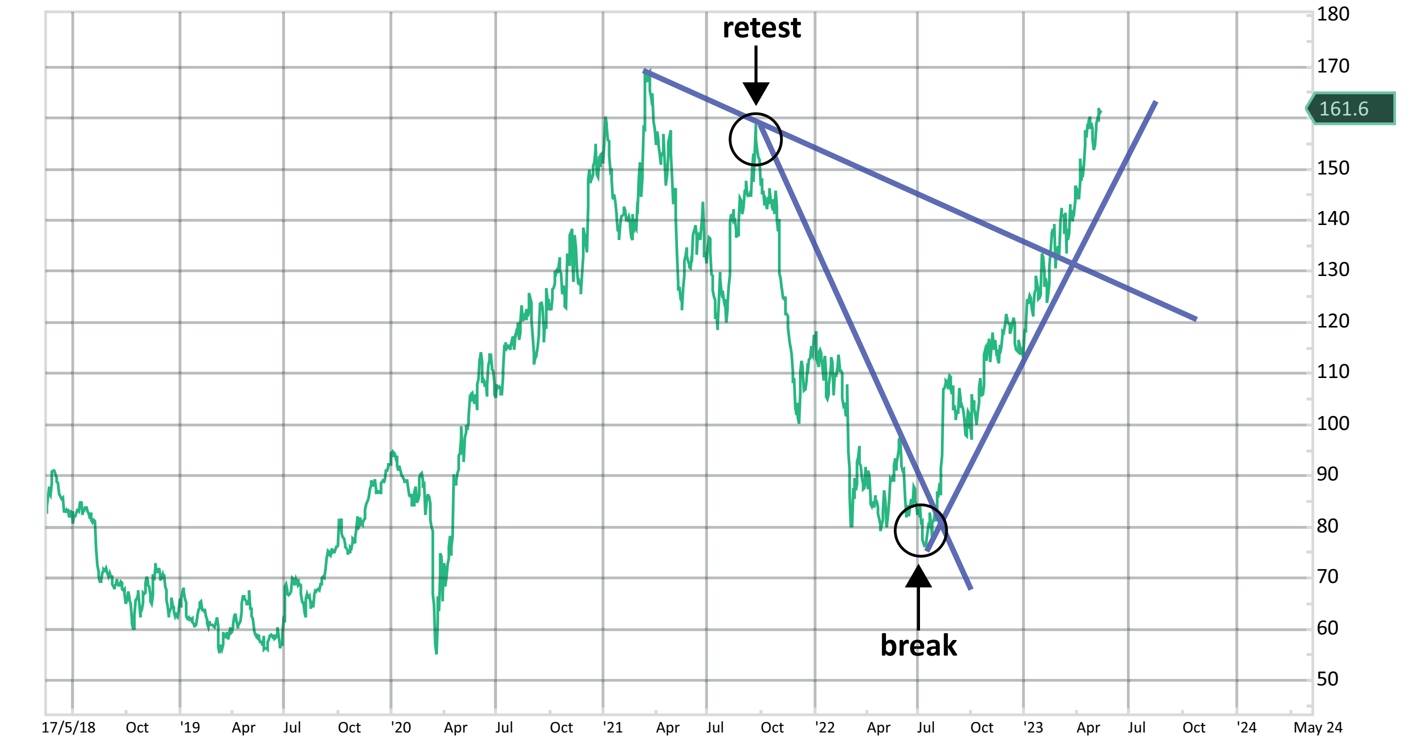


Chart: Shares magazine. Source: SharePad

FLUTTER FLYING HIGH

Gambling shares did very well during lockdowns as people stuck at home had more time and money to spend on leisure activities. **Flutter Entertainment (FLTR)** shares peaked in March 2021 as the economy reopened and gave back all the outperformance against the FTSE 100 index eventually bottoming in July 2022.

A broad down trend line can be drawn connecting the peak in March 2021 and the top of a counter trend rally in late 2021. This line was broken in February 2023. However, a steeper trend line drawn from the top of the counter trend peak was broken in July 2022, confirming a potential new uptrend.

At the low the shares had underperformed the FTSE 100 for over a year which may have attracted long term buyers. Fundamentally the shares looked much more attractive after the one year forward PE (price to earnings) ratio dropped from a dizzy 53 times to 28 times.

The latest strong share price rally has been predicated on the company getting shareholder approval for an additional Nasdaq listing and the continued outperformance of market leading fantasy sports operation FanDuel.

WHAT IS THE COPPOCK INDICATOR?

The indicator is named after its inventor, economist Edwin Coppock, and is designed to find long-term buying opportunities. The indicator is constructed from the sum of the 14-month rate of price change and the 11-month rate of change which is then smoothed by a 10-period weighted moving average.

A buy signal is formed when the indicator makes a trough by turning up from negative territory. The Coppock is not designed to give reliable sell signals.

3I GROUP EXAMPLE

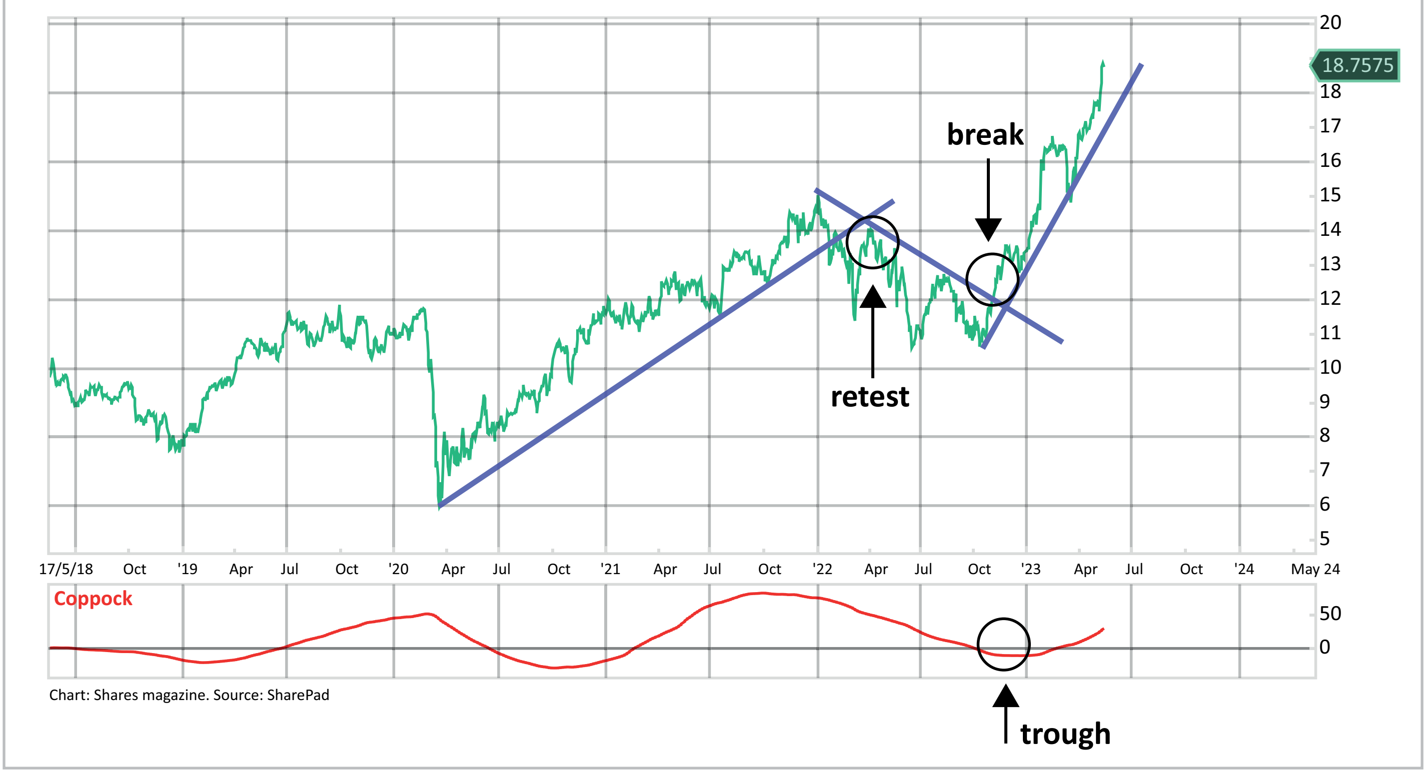


Chart: Shares magazine. Source: SharePad

3I GROUP ON A NEW UPWARD TREND

Private equity manager 3i is a good example of how trend lines and the Coppock indicator can be used in conjunction to find good entry points. The strong rally from the March 2020 pandemic low broke the strong uptrend in the middle of January 2022 with the shares gaining 150% from trough to peak.

Note that using longer term trend lines means missing exiting at the peak, but it has the benefit of improving the odds that the uptrend has finished. The shares broke the uptrend around 10% below the peak.

In late January 2022 the shares made an unsuccessful attempt to break back above the trend line. This confirmed the downtrend was now in place. The downtrend took the shares down by around a third from the peak. After making a bottom in June 2022 which was tested again in October the shares broke the downtrend in early November 2022.

At this point the Coppock indicator had yet to turn up to form a trough. However, this did occur in the middle of December when the shares 'tested' the new uptrend. With the shares moving higher after testing the trend and the Coppock also forming a trough, it created a potential entry point.

The price action led the fundamentals by a couple of months. In late January 2023 the company revealed net asset value had increased more than a quarter over the previous nine months leading to a 5% rally in the shares.

Scouring the FTSE 100 for shares which have broken a downtrend to form a new uptrend combined with a Coppock buy signal *Shares* discovered these two shares.

STOCKS TO BUY

ROLLS-ROYCE (RR.) 152.4p

Shares in aircraft engine maker **Rolls-Royce (RR.)** have been in a brutal downtrend since August 2018 which seems to have ended in November 2022 after they finally broke the trend.

From peak to trough the shares lost 90%. The firm's troubles stretch back even further with the shares peaking at just under 400p in December 2013.

The Coppock indicator turned up at the same time the shares tested the new uptrend line in February 2023, confirming the move could have further to run.

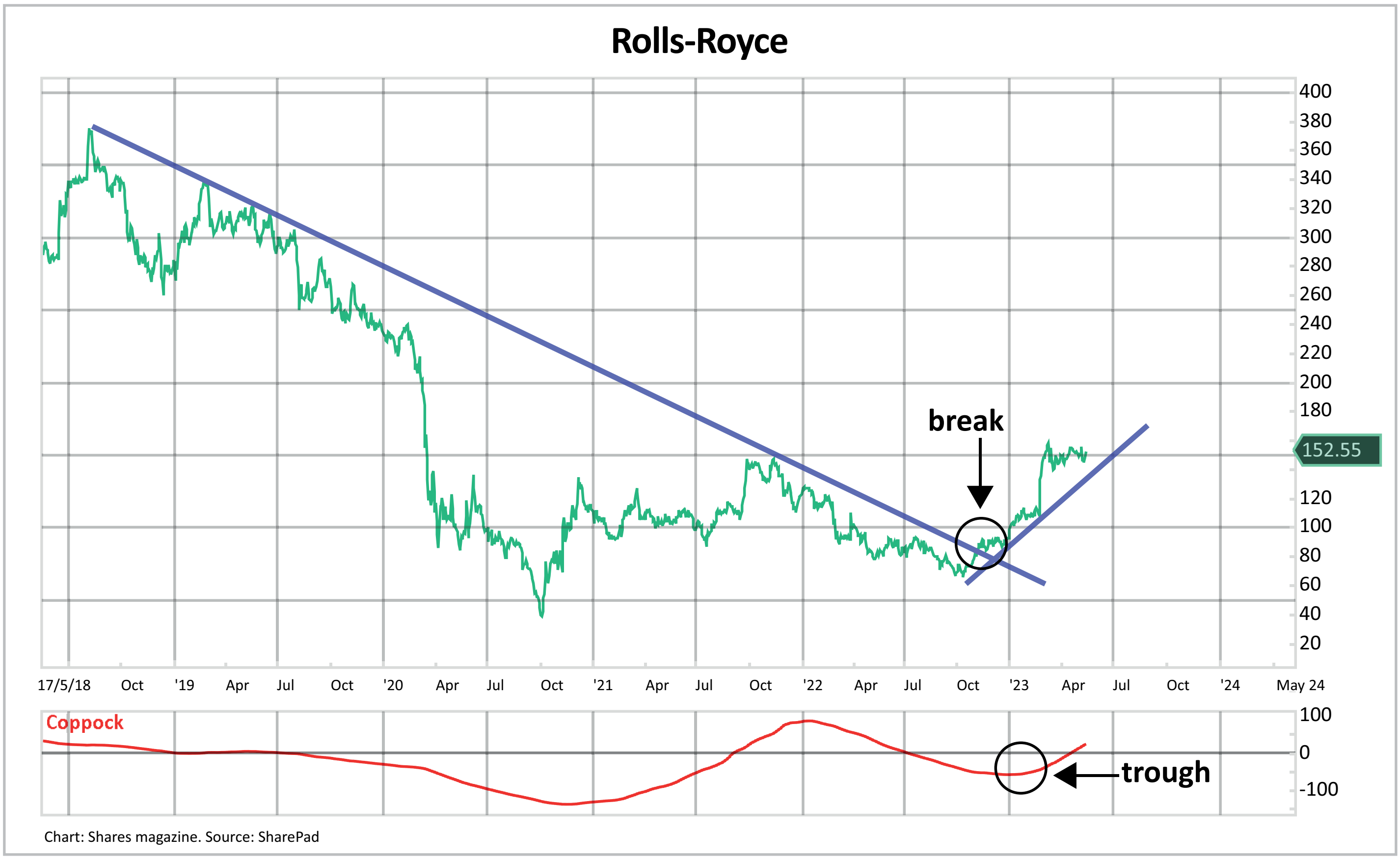
Looking at the fundamentals, analysts increased their earnings estimates for the first time in two years with upward revisions starting in February 2023.

Since then, earnings estimates have increased by 42% with the consensus expecting 2023 net profit of £410 million and 2024 profit of £614 million according to Refinitiv data.

Incoming CEO Tufan Erginbilgic has been scathing of Rolls' operating performance and pledged to transform the business by targeting inefficiencies and exiting low return parts of the business.

In March Erginbilgic brought **BP (BP.)** executive Helen McCabe on board as the firm's new finance chief to implement his transformation programme.

Investors and analysts are starting to give the new management team some credit for turning the business around so it might be worth waiting around to see what they can achieve.



STOCKS TO BUY

SMITH & NEPHEW (SN.) £13

BUY

Medical products company **Smith & Nephew (SN.)** was hit hard by the lockdowns as knee and hip replacements were considered non-essential procedures and postponed.

The firm has befitted from the reopening of the economy as the backlog of hospital procedures is reduced.

From a peak at just under £20 in March 2022 the shares halved over the subsequent two and a half years before making a bottom at 980p in October 2022.

The shares then rallied up the falling trend line which was reached in early January before testing 'resistance' and breaking above the line in late March. This later move coincided with the Coppock indicator forming a trough and registering a long-term buy signal.

In the middle of February, the company revealed 2022 full year sales and profit ahead of market expectations and raised medium-term guidance.

Revenue growth is now expected to be 'consistently' above 5% in the medium-term compared with prior guidance of 5% to 6%. A key driver is expected to come from a return on innovation investments and execution of the firm's 12-point plan.

Momentum has continued with first quarter revenue climbing 6.9% on an underlying basis against a market backdrop which Berenberg described as being 'in robust health'.

A favourable market backdrop and further evidence of the turnaround success should underpin the positive trend in the shares.

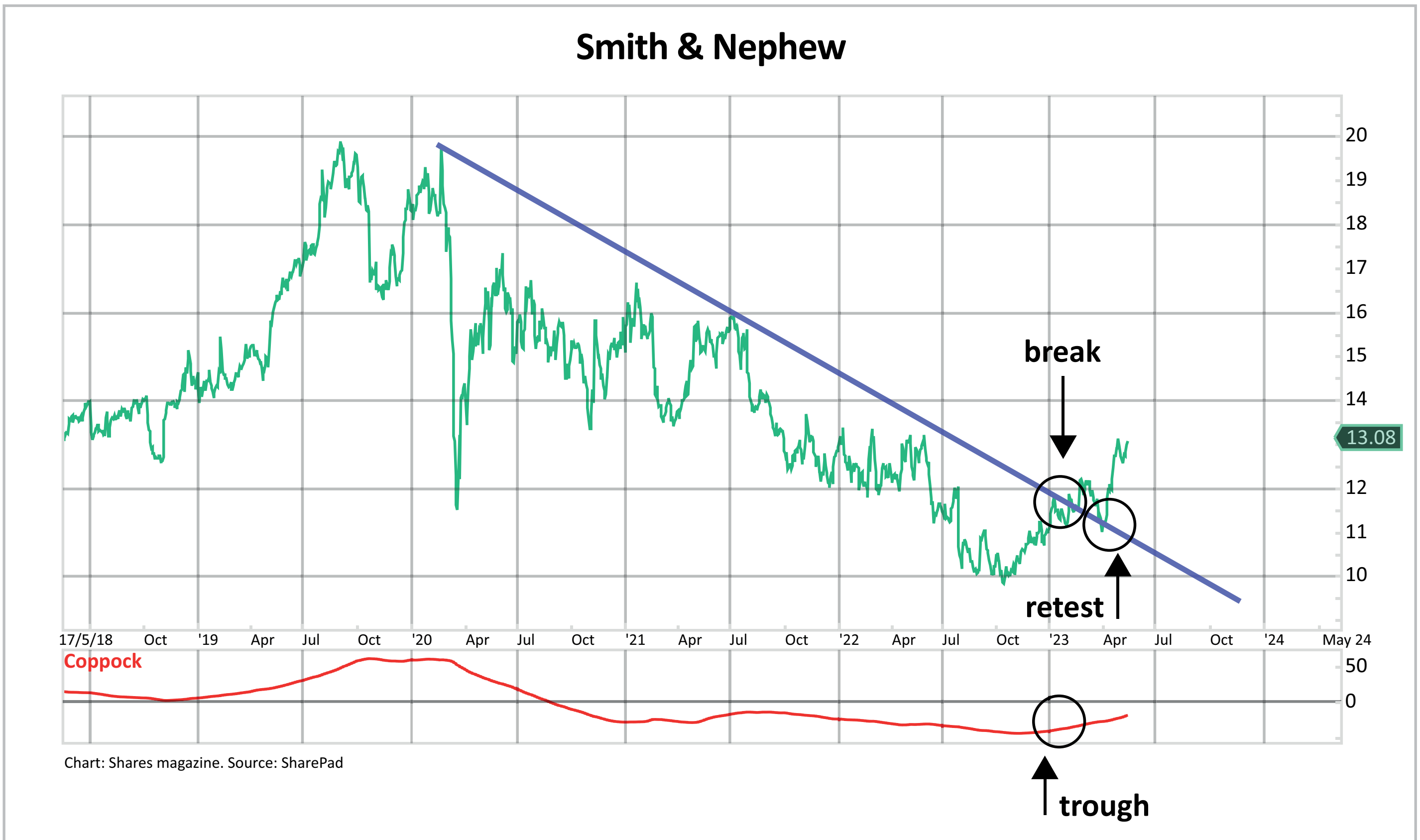


Chart: Shares magazine. Source: SharePad

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AJBell

Help: can I choose which pension scheme my employer pays into?

Answering a query from someone disappointed with the performance of their workplace retirement pot

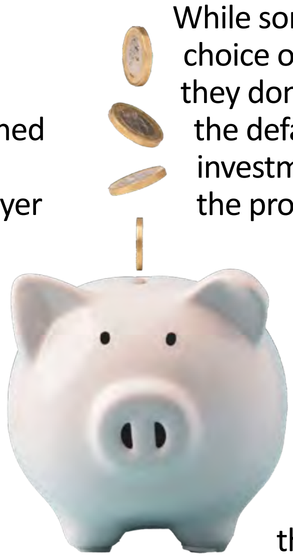
Am I allowed to choose the pension scheme my employer pays contributions into? My employer has picked a scheme for me but since joining in 2016 my pension has barely grown in value. I'm 34 and my pension is currently worth around £40,000.
Ahmed from Coventry

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

Auto-enrolled employees contribute a minimum of 4% of 'qualifying earnings' to their pension, with the employer contributing a further 3% and another 1% coming via basic-rate pension tax relief. In 2023/24, qualifying earnings are between £6,240 and £50,270. Lots of employers will offer more generous matched contributions than this, however.

Under auto-enrolment, it is your employer who chooses the pension scheme, rather than you. Some companies might offer an alternative to your main auto-enrolment scheme, such as a SIPP (self-invested personal pension), but they are under no obligation to do this.

If you do nothing, your pension contributions will be invested in an auto-enrolment default fund within the pension scheme chosen by your employer. This is simply an investment fund that is designed to be broadly appropriate for all members of the pension scheme. As such, it will not be tailored to your personal circumstances, age or risk appetite.



This default fund is subject to a charge cap of 0.75%. This charge cap was introduced to ensure savers who have little power over the scheme into which auto-enrolment contributions are paid, are protected from high charges. Even relatively small differences in percentage charges can have a big impact on your retirement, particularly over the course of decades.

Some auto-enrolment pension providers will offer alternatives to this default but again they are under no obligation. Often, schemes will just offer a small selection of their own in-house investments.

CAN I CHOOSE WHERE AUTOMATIC ENROLMENT CONTRIBUTIONS GO?

While some firms may offer you a bit of choice over your auto-enrolment investments, they don't have to. Often you will just have the default investment charge-capped investment and possibly a limited range of the provider's own funds.

Anthony Browne, the Member of Parliament for South Cambridgeshire, recently put forward the idea of giving employees the right to choose their own pension for auto-enrolment in the House of Commons. This idea has received some industry backing but has not yet been taken up by the Government.

It is, however, possible to transfer your existing auto-enrolment pension to an alternative provider. There are several potential benefits to

AUTOMATIC ENROLMENT

Automatic enrolment reforms introduced in the UK between 2012 and 2018 require employers of all sizes to offer workers who meet certain criteria a workplace pension scheme. To qualify for auto-enrolment you need to be:

Aged 22 to state pension age (currently 66)

Working in the UK

Earning at least £10,000 per year

doing this, including increased choice, greater flexibility when you come to taking a retirement income, and in some cases lower costs and charges. When it comes to investing, having a choice of investments can allow you to build a retirement strategy which better suits your personal preferences.

Before making the leap, you need to be clear of the risks as well. If you transfer your auto-enrolment pension, you will be leaving an environment protected by a 0.75% charge cap and moving your money into a world without a charge cap.

It is perfectly possible to build a suitable, well-diversified retirement strategy for much less than 0.75% in a SIPP, but you need to be careful not to end up paying over the odds. Remember that investing is a long-term game, so you need to be comfortable with the risks you are taking and be prepared to ride out any short-term bumps in the road.

You also need to make sure you are transferring to a bona fide, FCA-regulated scheme that you trust. Although most scams are now outside of pensions, it is still vital to be sure your money isn't at risk of falling into the wrong hands.

In addition, it's worth checking you won't lose any valuable guarantees or expose yourself to high exit charges by transferring your pension. This is more likely to be the case where someone has an older-style pension, as more modern schemes – including those used for auto-enrolment – don't tend to have these features.

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.

Which ISA is best for you? Read our guide to the different types

It's important to choose the right one as they each have their pros and cons

The Individual Savings Account, better known as an ISA, was launched almost a quarter of a century ago, in 1999, and has been a success story in helping people save and invest for their future.

However, in recent years the ISA landscape has been a bit more cluttered than it used to be, with new types of ISAs being added to the line-up. AJ Bell has called for the government to simplify the ISA landscape and roll all existing ISAs into one.

We'll see how that goes, but in the meantime, here are a few pointers on which ISAs are best suited to which savings needs, though much will depend on personal circumstances.

STOCKS AND SHARES ISA

The Stocks and Shares ISA is a tax-efficient and flexible wrapper which you can use to grow your wealth and protect it from inflation.

It can be used for a variety of longer-term investment goals, such as saving for school or university fees, to pay off a mortgage, or to boost your retirement fund.

There are a wide range of investments you can choose from, including funds, shares, investment trusts, bonds and cash, so this ISA can be calibrated to your tolerance for risk and your appetite for growth.

Using your stocks and shares ISA allowance to shelter your investments has never been more important because the Chancellor has taken an axe to tax-free dividend and capital gains allowances. The annual dividend allowance has been cut from £2,000 last tax year to £1,000 this year and £500 next year, and the capital gains tax allowance has been cut from £12,300 last year to £6,000 this year and £3,000 next year.

CASH ISAS

Cash ISAs are much maligned nowadays, as their raison d'être has been somewhat undermined by the introduction of the personal savings allowance, which allows basic rate taxpayers to receive £1,000 of interest tax-free every year.

Higher rate taxpayers can only receive £500 of annual interest before paying tax though, and additional rate taxpayers pay tax on all their interest, so a Cash ISA can still be a useful port of call for higher earners, or even basic rate taxpayers who have large sums sitting in cash.

Rising interest rates also now mean that savers are more at risk of breaching their annual tax-free savings allowance because of bigger cash interest payments.

Cash ISAs are not very flexible in that they can only ever hold cash, but this does make them good for storing money that you might need at the drop of a hat. That's because the value of your Cash ISA will never fall, unlike a Stocks and Shares ISA, though over time it may be vulnerable to the effects of inflation, if prices are rising faster than the interest rate your Cash ISA is paying.

LIFETIME ISA

The Lifetime ISA is a fairly new addition to the ISA family and comes in stocks and shares and cash flavours. The attraction of this ISA is the government bonus of 25%, up to a maximum of £1,000 a year. This comes with strings attached though.

The ISA can only be used to fund a first house purchase, or else drawn after the age of 60, otherwise there is a penalty for withdrawal. This makes the Lifetime ISA more appropriate for those saving up for a house deposit or for retirement.

It's also an ISA for younger people because it comes with age restrictions. Only those between 18 and 50 can contribute, and they must have set up the account before they turn 40. Higher earners and those who aren't maximising employer pension contributions might be better off adding more to their pension rather than saving in a Lifetime ISA though, if they are using it to fund their retirement.

JUNIOR ISA

Junior ISAs allow parents, grandparents or anyone else who feels inclined to contribute to an ISA for a child, up to £9,000 a year.

The child can start to manage the Junior ISA from age 16 and gets access to it from age 18, so it can be used to help them through university, travel during a gap year, or go towards a house deposit, for example.

There are both cash and stocks and shares Junior ISAs available, with many parents opting for the cash option. However, given the long-term investment horizon most children would have, it makes a lot of sense for parents to consider the stocks and shares route.

There is also a bit of a loophole in the rules which means children between the age of 16 and 18 can apply for a £9,000 Junior ISA and a £20,000 adult cash ISA at the same time, providing them with a £29,000 total ISA allowance, the biggest allowance anyone at any age receives.

INNOVATIVE FINANCE ISA

The Innovative Finance ISA was launched to help provide a boost to the peer-to-leer lending industry, but it now looks like a busted flush. HMRC figures show that last year these accounted for only 0.13% of ISAs contributed to, so they are a niche product, and are likely to become even less appealing now savers can get more reasonable rates from traditional savings accounts.

If you are interested in peer-to-peer lending and want to protect your interest from tax though, an Innovative Finance ISA can help.

HELP TO BUY ISA

The final product in the ISA line-up is the Help to Buy ISA. This was initially set up to provide a 25% government top-up for first time buyers saving for a house deposit.

Unlike the Lifetime ISA you can only pay in £200 a month, so an annual total of £2,400 rather than £4,000, and there is a cap on the total government top-up of £3,000. However, the Help to Buy ISA has now been superseded by the Lifetime ISA, and you can no longer open one, though if you already have one you can still contribute until 2029.

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

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THIS WEEK: 10 PAGES OF BONUS CONTENT

SHARES SPOTLIGHT

Growth & Innovation

Frenkel Topping

Good Energy

INCLUDES COMPANY PROFILES, COMMENT AND ANALYSIS

MAY 2023

ISSN 2632-5748

Introduction

Welcome to *Spotlight*, a bonus report which is distributed eight times a year alongside your digital copy of *Shares*.

It provides small caps with a platform to tell their stories in their own words.

The company profiles are written by the businesses themselves rather than by *Shares* journalists.

They pay a fee to get their message across to both existing shareholders and prospective investors.

These profiles are paid-for promotions and are not independent comment. As such, they cannot be considered unbiased. Equally, you are getting the inside track from the people who should best know the company and its strategy.

Some of the firms profiled in *Spotlight* will appear at our investor webinars and live events where you get to hear from management first hand.

Click here for details of upcoming webinars and events plus how to register for free tickets.

Previous issues of Spotlight are available on our website.

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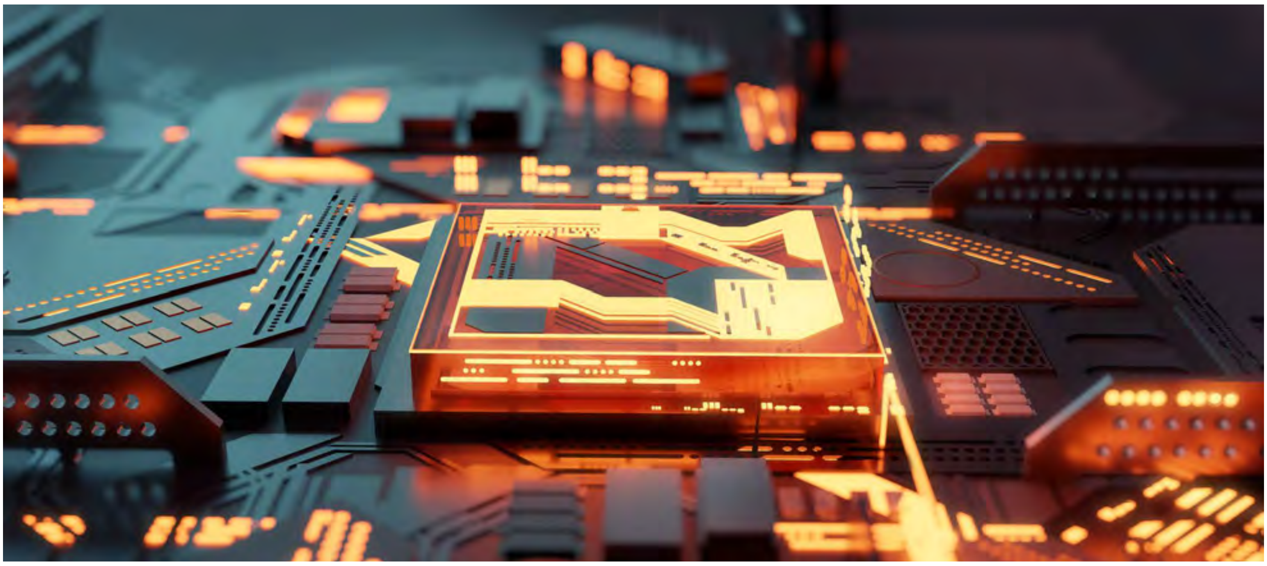
How quantum computing works and why the market could be worth billions

This nascent technology has significant potential



This article is based on a report produced by Edison Investment Research, other thematic research is available.

Quantum computing is a nascent technology that exploits the fundamentals of quantum mechanics with the aim of processing exponential quantities of data at exceptionally rapid speeds.

We present an overview of the key technologies and concepts involved in developing these complex systems, recognising that they are extremely high-level in nature and potentially difficult to understand. We hope that this at least provides some basic information regarding the subject as it evolves over the remainder of this decade.

Quantum computing, which holds the promise of surpassing the world's fastest supercomputers, is now at the early stage where prototypes are functioning efficiently; it remains uncertain as to what form these machines will eventually take, for example what technology will predominantly be used to house qubits.

WHAT ARE QUBITS?

Quantum computing revolves around 'qubits', or quantum bits, which are essentially two-state basic units of quantum information (typically subatomic particles such as electrons or photons). Unlike classical computer units, 'bits', which can be in only one of two states at any moment with values of 0 or 1, qubits are capable of superposition, meaning they can be in both states simultaneously. Currently the two main architectures for housing qubits are the superconducting method (nanoscale loops of superconducting wire chilled to near absolute zero temperatures (-273°C)) and ion traps (ions trapped in magnetic fields), but other technologies may emerge.

WHAT ARE THE MARKET PROSPECTS?

The global quantum computer race is intensifying, with the number of new prototype technologies increasing exponentially. To date, the United States has led the way but Europe and Asia are seeing significant growth in the number of startups and new projects. Various sources indicate that the quantum computing market size was $470 million in 2021 and is

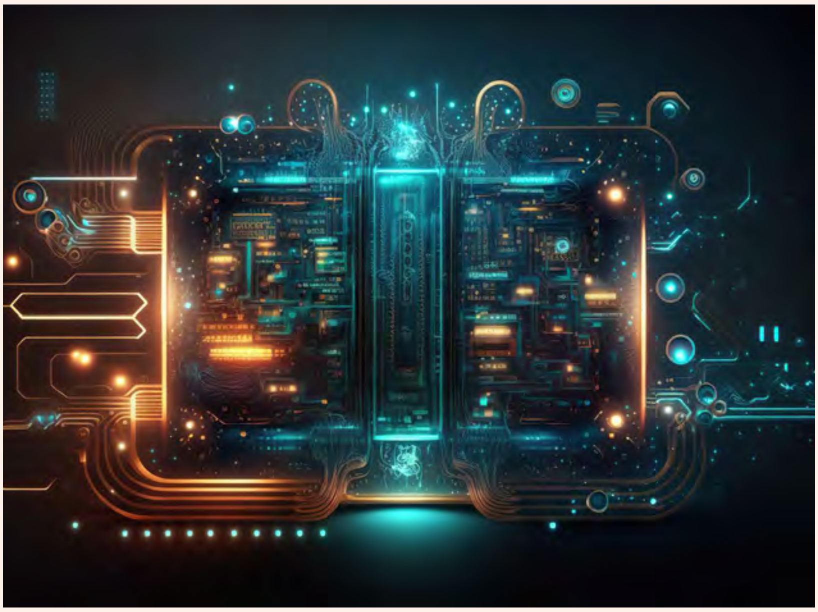
expected to exhibit a CAGR of 30% to 2030, surpassing $1 billion by 2026. Other sources predict that it will exceed $125 billion by 2030. We expect the hardware segment, in particular, to record appreciable expansion, driven by rising product usage in artificial intelligence (AI) and molecular simulation applications.

While hardware revenues are expected to grow, the number of quantum computers is expected to be limited, although the values will be high. As a pricing example, the European Commission selected a consortium to build a 100-qubit quantum computer by 2025 with an initial budget of €18–20 million. Most of the market revenue growth is projected to come from cloud access services to a quantum computer.

Over time quantum computer applications are expected to create most value for markets such as finance, energy, materials, telecoms and healthcare/ pharmaceuticals.

EDISON INSIGHT

Quantum computers provide a step change in processing speeds and computing power. While still in the early stages of development, the quantum computing market is expected to grow rapidly to circa $5 billion by 2030 from circa $470 million in 2021.



KEY CONCEPTS

Two key quantum concepts applicable to qubits are explained below:

Superposition: an electron's spin can either be in alignment with a magnetic field, known as spin-up state (1), or opposite the field, known as spin-down state (0). A pulse of energy generated (usually from a laser beam) can initiate a change in the state of the electron's spin. Besides being in state 1 or 0, qubits can also represent numerous combinations of 0 and 1 at the same time. The ability to be in multiple states simultaneously is called 'superposition'. To put qubits into superposition, researchers need to manipulate them using precision lasers or microwaves. Superposition provides the ability to crunch a high number of potential outcomes at the same time. During a single measurement, the number of possibilities is 2n (n = number of qubits used); thus a 64-qubit computer has enough memory for over 18 quintillion numbers. This ambiguity (the ability to 'be' and 'not be' concurrently) is what provides quantum computers with such power.

Entanglement: entanglement is the term used for particles that are entangled pairs of qubits that exist in a state where changing one qubit directly changes the other, which will simultaneously assume the opposite spin direction, enabling operations to occur at lightning speed. Knowing the spin state of the entangled particle (spin-up or spin-down) gives away the spin of the other in the opposite direction. This phenomenon is essential for a quantum algorithm to offer exponential speeds compared to classical computations.

Frenkel Topping's compelling model is delivering strong growth in assets under management

Manchester-headquartered **Frenkel Topping Group's (FEN:AIM)** solid performance during and post the Covid period and throughout the turbulence of recent years, has showed how protected the business is from a geo-political point of view.

The firm has operated in the serious Personal Injury and Clinical Negligence (PI and CN) space for more than 30 years and has earned a reputation as a tried and trusted player in its space.

Richard Fraser, Frenkel Topping Group CEO said: 'Sadly, accidents will always happen, mistakes in clinical settings will always happen, irrespective of what is going on in the world. It is our mission to give those injured people – and their professional representatives – the very best standard of care from that point onwards so that they can live the most fulfilling life possible.'

A LIFE-LONG SERVICE

Frenkel Topping provides services to people after injury and illness (for example, negligence at birth or misdiagnoses resulting in severe brain injury or serious RTAs (road traffic accidents) or falls from height that result in spinal cord injury) who are entitled to a legal claim and the resulting financial settlement.

The structure of the group means FTG is introduced to cases at the earliest point possible and tend to work with clients for many, many years, often for life.

Every division under the FTG umbrella supports the client in navigating life after injury, from index event (when the accident/illness occurs) and for their lifetime, delivering lifelong care.


Richard Fraser: Frenkel Topping Group CEO

Fundraises in 2020 and July 2022 have allowed FTG to capitalise on the opportunity to consolidate a highly fragmented area of professional services, executing a buy-and-build strategy that has brought complementary services under the umbrella group and created multiple touch points in the PI and CN space, developing an end-to-end service meaning clients can have most of their professional services needs met 'under one roof'.

THIS IS AN ADVERTISING PROMOTION

At Index Event (when the accident/illness occurs)	
FTG Service	**HOW WE HELP**
Cardinal	Cardinal works in close partnership with a number of key NHS Major Trauma Centres (MTCs) nationwide to provide a Major Trauma Signposting Partnership (MTSP) support service. It is the sole commercial organisation operating in the space and has a five-year track record of contracts with the NHS, with a 100% contract renewal rate. Operating inside Major Trauma Centres, Cardinal introduces Frenkel Topping Group's services to the client immediately after injury. **Find out more: www.cardinal-management.co.uk/**

Pre-Settlement (during litigation, before a financial settlement is awarded, legal teams need expert support services to build their clients' cases in thehope of achieving the right settlement)	
Somek	One of the largest providers of Expert Witnesses in the UK, delivering highly professional trained experts in a range of health professions. Somek has a balanced portfolio with instructions from claimants and defendants.
Forths	Forths is one of the UK's leading specialist forensic accounting practices. We provide clients with high quality expert witness and investigative financial services in a wide range of legal and financial disputes. **Find out more: www.forthsonline.co.uk**
Frenkel Topping Ltd	Frenkel Topping is an independent financial advisory firm specialising in providing advice and financial expert services to those seeking damages for personal injury and medical negligence with more than 30 years' experience. **Find out more: www.frenkeltopping.co.uk**
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A&M Bacon	A&M Bacon is the go-to costs expert for professional deputies. We deliver a range of costs management services which includes a specialist team dedicated to assisting deputies with the recovery of Court of Protection costs. **Find out more: www.aandmbacon.co.uk**
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Post-Settlement (After a financial settlement is awarded by the court, FTG clients need support in managing that money and in their lifelong care)

Service	HOW WE CAN HELP
Frenkel Topping	Post settlement, we offer lifelong holistic financial planning. **Find out more: www.frenkeltopping.co.uk**
Ascencia	Ascencia Investment Management creates and offers managed portfolio investment solutions for a varied range of clients. We offer a diverse range of products and aim to achieve income and/or capital growth over the medium to long-term in line with the needs of the modern investor. **Find out more: www.forthsonline.co.uk**
Keystone Case Management	Post settlement our case managers continue to support clients with ongoing care management. **Find out more: www.keystonecasemanagement.co.uk**
Equatas	Equatas is a highly experienced accountancy team.

A COMPELLING BUSINESS MODEL

The primary objective of the group is to grow assets under management (AUM), including those on a discretionary basis, through Ascencia Investment Management – its discretionary fund management arm. Its portfolio of services, from index event to post-settlement encourages cases to flow through to that AUM goal.

Fraser said: 'Against a backdrop of economic turbulence – volatility in investment markets, supply chain issues, the ongoing conflict in Ukraine and broader macro-economic concerns – the Group has demonstrated strong performance for another year. Our portfolios (managed by the group's discretionary fund manager, Ascencia) have continued to perform well, delivering returns that have been consistently and notably ahead of the relevant indices and we are very strong on the balance sheet from cash.'

Frenkel Topping

Chart: Shares magazine • Source: FE Analytics

Good Energy: the company leading the clean energy revolution

Good Energy (GOOD:AIM) has an incredibly strong legacy of innovation in clean energy. Founded over 20 years ago, it was the first fully certified 100% renewable electricity supplier and one of the original challengers in energy supply.

It created the blueprint for paying small scale solar powered homes and businesses for what they generate inspiring the government's Feed-in Tariff (FiT). Today despite being a relatively small energy supplier, Good Energy is a big player in FiT — the biggest voluntary administrator, and the second biggest solar power payment company in the UK. About one in every five solar powered homeowner is a Good Energy customer. It has unrivalled credentials

Nigel Pocklington, CEO

as a real renewable electricity supplier, sourcing power direct from a community of over 1,700 generators across the UK, recognized by the Which? Eco Provider, Uswitch Green Tariff Gold Standard and Ethical Consumer Best Buy. This is supported with service rated 'excellent' by its customers on TrustPilot — a score which actually improved over the last year during the turbulence of the energy crisis.

Rising energy prices drove a 70.3% revenue increase in 2022 to £248.7 million and the company reported a £9.2 million profit before tax. This included a baseline operating profit before tax of £3.6m on energy supply and services, but was driven largely by an increased valuation of another energy transition led business it holds a stake in — the UK's go to electric vehicle charging app Zapmap.

On this foundation as an expert, trusted, truly green energy company it has ambitions to help one million homes and businesses cut their carbon by 2025 across supply, generation and transport.

HOTTING UP FOR ELECTRIFICATION

In late 2022 Good Energy acquired the established heat pump installation business Igloo Works. Heating accounts for about 23% of the UK's carbon emissions, and the vast majority of UK homes are kept warm with fossil fuels — largely gas boilers but many off-grid oil heated homes too. This challenge is a hurdle on the route to net zero that, unlike decarbonisation of electricity supply, has barely been addressed.

The technology widely recognised to replace gas and oil is the heat pump. The Government's climate advisors the Committee on Climate Change has recommended a 2033 deadline for all sales of gas boilers and the government has set a target to reach 600,000 annual heat pump sales by 2028.

As a high quality, trusted heat pump installer, with capability to offer innovative services, tariffs and financing alongside, Good Energy will be a central player in this burgeoning industry.

THE SOLAR POWER SURGE

Good Energy helped drive the last big solar boom during the hey day of the Feed-in Tariff. Today rooftop solar is experiencing a resurgence, as high energy prices drove a year on year doubling in installations during 2022 taking installs to over 130,000, back up to levels not seen since 2015.

Through its acquisition of Igloo Works, Good Energy gained the capability to offer solar and storage, completing its first rooftop installation in early 2023. It has launched a new market leading smart export tariff Power for Good, a variable tariff which will pay 10p per kilowatthour for what small scale solar generators share back to the grid.

As solar installs continue to be strong in the first quarter of 2023, the indications are this is not a 'solar coaster' but an enduring area of growth. Good Energy intends to be the go-to company for solar across installs, tariffs and services.

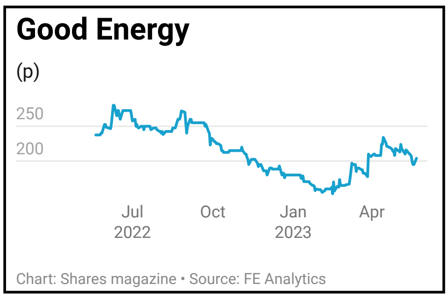
DRIVING CLEAN TRANSPORT

Another pillar of Good Energy's strategy is clean transport. It first invested in EV (electric vehicle) charging app Zapmap in 2019, and in 2022 participated in its series A fundraise totalling £9 million alongside global fleet payment giants Fleetcor valuing the business at £23.1m. Good Energy retains a large minority shareholding in Zapmap of 49.9%. Zapmap helps EV drivers search, plan and pay for EV charging. The app, which has had over a million downloads, is plugged into the UK's public charging networks. As the take up of EVs has rocketed, Zapmap has retained an incredibly strong market share of +80% of EV drivers becoming registered users.

Revenues from consumer customers come via Zap-Pay, Zapmap's payment platform, and premium subscriptions providing additional app features. Zapmap also has a growing business customer base as a data and insights provider. Zapmap's data is of great interest to a wide range of businesses and organisations and already provides the official government data on public charging.

Meanwhile Zapmap research has shown that EV drivers are seven times more likely to have solar or a heat pump at home, indicating strong synergies between Good Energy's products and Zapmap's customers — something Good Energy intends to capitalize on further as it launches new tariffs and services designed especially for EV drivers.

Across heat, power and transport Good Energy is going to be one of the key companies driving the clean energy revolution on the road to net zero.



WATCH RECENT PRESENTATIONS

Frenkel Topping Group (FEN)
Richard Fraser, CEO

Frenkel Topping Group (FEN) is a long-established family of businesses who are tried, tested and trusted. We are always available to provide advice and technical support to our legal Clients and those they represent. We support lawyers and their Clients with a concierge approach to anything they may need throughout the litigation journey.

Cake Box (CBOX)
Sukh Chamdal, CEO & Mike Botha, CFO

Cake Box (CBOX) - The company generates revenue from the sale of goods and services. Geographically, it derives revenue from the United Kingdom. All of our products are 100% egg free. The founders of Eggfree Cake Box follow a strict lacto vegetarian diet, and that is how they came up with idea for the company.

Murray Income Trust
Charles Luke, Investment Manager

The Murray Income Trust was founded in 1923 aiming for high and growing income with capital growth. The Trust has a long track record of raising dividends every year since 1973.

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Best performing AIM shares in 2023

Company	Year-to-date performance (%)	Sector
Vast Resources	352	Precious Metals and Mining
B90 Holdings	230	Travel and Leisure
Verditek	209	Renewable Energy
Celadon Pharmaceuticals	197	Pharmaceuticals, Biotechnology and Cannabis Producers
Kodal Minerals	194	Industrial Metals and Mining
Inspecs	185	Medical Equipment and Services
Star Phoenix	150	Oil, Gas and Coal
Hummingbird Resources	128	Industrial Metals and Mining
Synergia Energy	107	Oil, Gas and Coal
Genedrive	105	Pharmaceuticals, Biotechnology and Cannabis Producers
Sound Energy	103	Oil, Gas and Coal
Zinnwald Lithium	102	Industrial Metals and Mining
Craven House Capital	100	Investment Banking and Brokerage Services
Aurrigo International	97.8	Technology Hardware and Equipment
ECSC	96.2	Software and Computer Services
Zanaga Iron Ore Co	93.7	Industrial Metals and Mining
Kooth	90	Software and Computer Services
Condor Gold	89.9	Industrial Metals and Mining
Keras	86.5	Industrial Metals and Mining
Safestay	86.2	Travel and Leisure

Table: Shares magazine. Source: SharePad, data to 19 May 2023