STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

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SHARES

WE MAKE INVESTING EASIER

FEEDING YOUR PENSION

INVESTMENT IDEAS

for people in work or retirement

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Three important things in this week's magazine

1

There isn't a one-size fits-all approach to investing in a pension.

We all have different risk appetites and time horizons, and they should help guide your investment decisions. Our main feature this week contains eight investment ideas.

2

Know where to look when interest rates stop going up.

We explore certain parts of the market that could see a share price rally once central banks indicate they've reached the peak of the current rate rise cycle.

3

Dividend reinvestment can be a great way to build wealth.

You'll need to be patient and let compounding do its magic, yet history suggests this is one of the most effective ways to get rich over time.

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:

Morgan Stanley raises forecasts for Tesla after being impressed by supercomputer Dojo

Director deals: Busy time for Diageo directors and JD Wetherspoon boss

Direct Line shares jump most on record despite dividend drought

Computacenter tops mid-cap leaderboard after better than expected first half

Oil surge is reigniting fears over inflation as Brent hits $91 per barrel

The decision by Russia and Saudi Arabia to extend production cuts could make central bank rate decisions tricky

The decision of Saudi Arabia and Russia to extend their current output cuts has helped Brent crude oil prices reach $91 per barrel for the first time this year.

While a potential boon for energy companies listed in the UK and elsewhere, the development threatens to be an inflationary pressure which investors need to follow closely.

Brent, the international benchmark for oil, is up around 25% since the end of June to nine-month highs.

The latest catalyst was the news on 5 September that Saudi Arabia and Russia had agreed to continue with export and production quotas through to the end of the year.

Saudi Arabia's one million barrel per day cut has been in place since July and has been extended twice already. Russia has trimmed 300,000 barrels of oil per day from its exports.

The market had expected an extension but not of this length and the announcement helped push oil sharply higher as it implied both the Saudis and Russia are committed to maintaining high prices.

Chart: Shares magazine • Source: LSEG

Chart: Shares magazine • Source: LSEG

The other driver for oil has been a substantial draw on US stockpiles of crude in recent months – a trend which has accelerated in the last few weeks.

Over the past month shares in the London market's two big oil firms – **BP (BP.)** and **Shell (SHELL)** – are up 6.6% and 3.5% apiece. BP's greater advance reflects its bias towards oil when compared with Shell's key focus on natural gas.

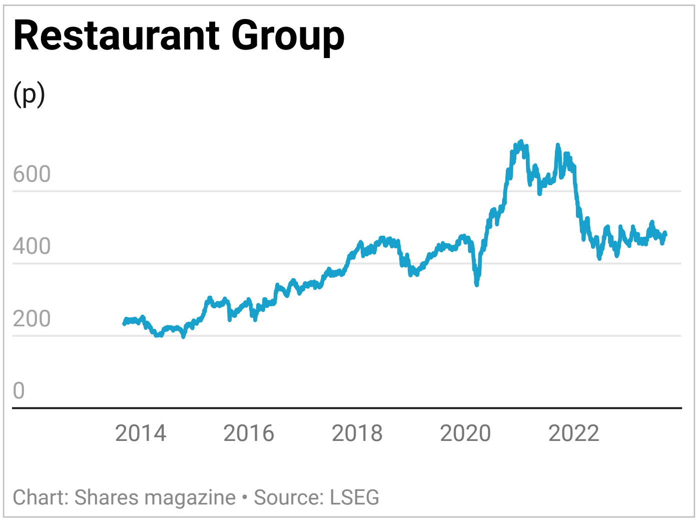
The surge in oil has implications beyond the energy space. Rupert Thompson, managing director at wealth manager Kingswood, observes: 'Oil is poised to complicate the recent story of a marked fall in headline inflation. Whereas energy prices have recently been a major factor driving headline inflation down, as last year's sharp rises have dropped out, they now look set to push it up somewhat.'

Typically, central banks focus on core inflation – which strips out the impact of volatile inputs like food and energy prices – however, the wider context is not something they can ignore entirely.

For the Federal Reserve, higher oil prices carry less weight because the US is a net exporter of energy. However, central bankers in the UK and European Union – looking ahead to renewed pressures this winter – cannot afford to be as sanguine. This is the somewhat unhelpful backdrop to forthcoming interest rate meetings of the Fed and Bank of England on 20 and 21 September respectively. [TS]

Could Restaurant Group's leisure disposal lead to a full break-up?

Arguably the leisure business is being sold after most of the heavy lifting has been done



Shares in **Restaurant Group (RTN)** have been on a tear over the last nine months, gaining 84% after positive trading updates and a strategic review of the business prompted in part by activist investors pushing for change.

The company has now agreed to offload its underperforming leisure division (principally Frankie & Benny's and Chiquitos) to the Big Table Group which operates brands including Café Rouge, Bella Italia and Las Iguanas.

Selling a business usually involves the buyer forking out cash, but in this instance the seller is paying the buyer £7.5 million to take the business off its hands.

Restaurant Group's share price rallied 6% on the news as the sale is expected to accelerate margin expansion by more than 1% in the first year after completion (expected end of October) and remove around £50 million of lease liabilities from the balance sheet.

There was also some relief that the company wasn't forced to sell its better-performing brands to tempt potential buyers for the leisure business.

Leisure analyst Greg Johnson at Shore Capital described the sale as a 'significant milestone' for the group. The disposal removes a financial drag and gives management more time to focus on the growing parts of the business, namely Wagamama, the Brunning & Price posh pubs and the airport concessions.

The big question now for investors is whether the leisure arm sale and the stepping down of chairman Ken Hanna earlier in the month is enough to appease activist investor Oasis Management.

On the same day as the proposed sale was announced Oasis revealed it had increased its shareholding in Restaurant Group to just under 16% from 9%. It is possible the activist could push for a wider break-up of the group.

According to group editor Mark Wingett of industry intelligence group Propel, investment bank Lazard & Co which advised on the leisure sale has also done some work on the potential sale of Brunning & Price but concluded the business would not fetch fair value which is thought to be around £220 million.

Analysts at Liberum updated their sum-of-the-parts model which places a multiple of 10 times EBITDA (earnings before interest, tax, depreciation and amortisation) on the pub estate, implying a value of £200 million. Liberum estimates Restaurant Group is worth 75p per share on the same basis, compared to a 49.2p share price at the time of writing.

Speculation may now turn to the concessions business with possible interest coming from outsourced catering company **Compass (CPG)** and food travel expert **SSP (SSP)**.

A strong recovery in passenger volumes at UK airports saw the group's concessions arm record a 150% rise in first half EBITDA to £6.8 million. [MG]

Burford Capital's $16 billion court win is not a done deal

We look at what the decision could mean for the litigation funding firm

On 8 September, investors in litigation finance provider **Burford Capital (BUR:AIM)** were treated to a 22% spike in the share price to a four-year high of £13.43 following a landmark US ruling on its largest case.

For the past eight years Burford has been pursuing a legal case against Argentina for damages on behalf of several plaintiffs after their shares in YPF, the former state-owned oil producer, were renationalised in 2012.

The US District Court for the Southern District of New York judged that by law the Argentine government should have tendered for YPF shares in April 2012, rather than requisitioning them, and that as well as repaying the capital it should pay interest at a simple rate of 8%, which in round numbers makes the judgement worth $16 billion.

Burford described the ruling as 'a complete win against Argentina at the high end of the possible range of damages'.

While Burford didn't quantify what the decision means in terms of its own income, analyst Julian Roberts at Jefferies estimates the firm is entitled to around $6.3 billion or $28.77 per share compared with a share price of around $16.05 for the US-listed version of the shares as of 11 September.

However, Burford has warned shareholders this isn't the end of the issue as the Argentine government has already signalled it will appeal the decision, meaning the plaintiffs will either have to reach a negotiated settlement – which could be for a lot less than $16 billion – or they may have to engage in a lengthy 'enforcement campaign' and further legal proceedings. [IC]

State pension set to go up by 8.5% from April 2024

Under the triple-lock guarantee the state pension rises by the highest of average earnings growth, inflation or 2.5% each year

The old state pension is set to rise by 8.5% in April 2024, equating to an extra £13.30 per week or £691.60 a year to £8,814. The new state pension should increase by an extra £17.35 a week or £902.20 a year to £11,502.

The Government uses the triple lock system to decide on the rate of growth in the state pension each year, taking the highest of average earnings, inflation or 2.5%.

It looks at the seasonally adjusted pay growth for the three months to July for the earnings component and CPI data in September as the inflation figure. Earnings grew by 8.5% for the three-month period and the next inflation reading is unlikely to be higher.

Had the new state pension increased in line with either inflation or wages since 2011, it would be worth around £180 per week today – meaning the triple lock policy has added an extra £11 billion a year to public spending, according to the Institute for Fiscal Studies. [SG]

Without fanfare, Berkshire Hathaway shares have climbed to all-time high

Average annual gain of nearly 20% since 1965 is double the benchmark

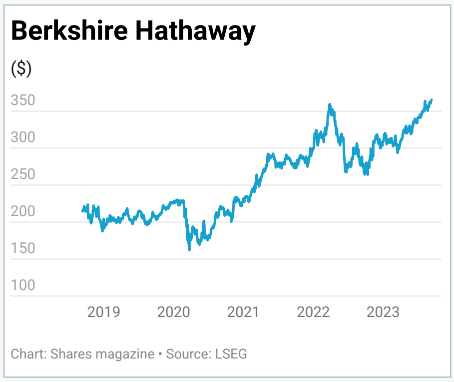


Chart: Shares magazine • Source: LSEG

While investors have been fretting over the direction of interest rates, the rise in crude oil prices, the state of the US consumer and any number of other things in recent weeks, the B class shares in investment giant **Berkshire Hathaway (BRK.B:NYSE)** have sailed serenely to a new all-time high of $363 almost completely undetected.

Since 1965, when Warren Buffett – the so-called Sage of Omaha – took control of the business, shareholders have enjoyed a gain in Berkshire's A shares of a mind-blowing 4,400,000% or an average compound annual return of 19.8% compared with 9.9% for the S&P 500 index.

Just this year, Berkshire's B class shares have risen almost a quarter from their mid-March low of $293, even though the group's biggest holding – in iPhone and computer maker **Apple (AAPL:NASDAQ)** – has been trading sideways for several months.

True to form, Buffett ignores the hoopla, preferring to quietly clip the coupons on Berkshire's vast investment portfolio, which includes big dividend payers like **Chevron (CVX:NYSE)**, **Citigroup (C:NYSE)** and **Johnson & Johnson (JNJ:NYSE)**, and reinvest the proceeds in buying back its own stock. [IC]

How deal-hungry CVS became a dog with fleas

Acquisitive veterinary group left firmly in the doghouse after regulator launches industry probe

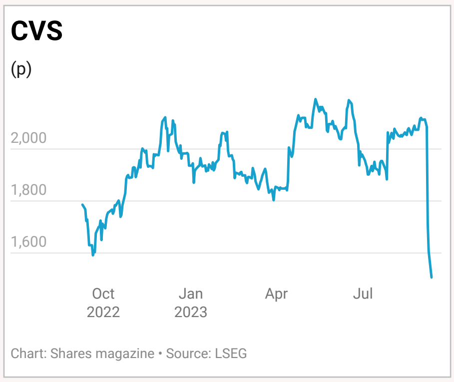


Chart: Shares magazine • Source: LSEG

Shares in acquisitive vet services provider **CVS (CVSG:AIM)** are down 23% year-to-date following a savage sell-off triggered by the launch of a Competition and Markets Authority review into the UK pet industry, prompted by an uptick in vet prices driven by industry consolidation.

In response to the review (7 September), CVS highlighted the 'significant shortage' of vets in the UK and stressed that employment costs represent 'the most significant proportion of our cost base' and its pricing reflects this situation and other inflationary pressures experienced in recent years.

The CMA probe is potentially unhelpful for pet food-to-toys purveyor **Pets at Home (PETS)** too, since one-third of the retailer's profits are exposed to the veterinary industry.

However, Shore Capital senses the company might not be the real focus of the investigation. It adds: 'Pets at Home has actively sought to innovate within the veterinary sector, exemplified by the Vets4pets care plan – a cost-effective scheme covering routine care and insurance. Furthermore, Pets at Home adopts a more conservative investment approach per clinic, which mitigates the pressure to deliver immediate returns, distinguishing it from its corporate-led peers.' [JC]

Can Next boost its slowing sales growth? Here's what to expect from its results

Retailer upgraded full-year profit guidance twice over the summer but trading lost some momentum more recently

Retailer **Next (NXT)** has managed to eke out an impressive 20% share price gain in 2023 despite all the pressures on household budgets as it has continued to deliver sector-leading performance.

Investors will be hoping for more of the same when it posts first-half results on 21 September. These numbers will have wider resonance as Next is seen as a bellwether for the retail sector. Unlike some of its rivals Next has managed to keep pace with changes in the industry.

Chief executive Simon Wolfson makes a habit of being extremely conservative with guidance – understanding the well-worn principle that it's better to under-promise and over-deliver as a public company.

On 3 August Next served up a second upgrade to full-year profit guidance in as many months, with its pre-tax profit forecast for the year to January 2024 lifted by £10 million to £845 million. This was underpinned by solid trading in its second quarter to 29 July with full price sales up 6.9% year-on-year.

Less encouraging was a significant slowing in sales growth in the last six weeks of the quarter. Investors will be watching closely to see if that trend has continued in more recent trading. [TS]

What the market expects of Next

	EPS (p)	Revenue (£bn)
Forecast for year to Jan 2024	536	5.36
Forecast for year to Jan 2025	568	5.51

Table: Shares magazine • Source: Stockopedia

Chart: Shares magazine • Source: LSEG

UK UPDATES OVER THE NEXT 7 DAYS

FULL-YEAR RESULTS

September 18: City of London Investment Group, Enteq Technologies
September 19: Hargreaves Lansdown, Mcbride, Naked Wines,
September 20: Galliford Try, Dunelm, Transense Technologies
September 21: Fonix Mobile, CVS, DFS Furniture

HALF-YEAR RESULTS

September 18: Futura Medical, HGCapital Trust, Greencoat Renewables, S4 Capital
September 19: Kingfisher, Trustpilot, Maintel Holdings, Concurrent Technologies, Good Energy, CPP, MyHealthchecked, Fintel, Henry Boot, Jadestone Energy, Billington, Surgical Innovations, Northcoders, Xaar

September 20: Advanced Medical Solutions, Ten Entertainment, Oxford Biomedica, Judges Scientific, M&G, Destiny Pharma
September 21: Chesnara, Strix, Aquis Exchange, Next, JD Sports Fashion

TRADING ANNOUNCEMENTS

September 15: Alpha Real Trust
September 21: Halma, Investec

Cheerios maker General Mills' shares are under pressure ahead of earnings report

The food producer has seen significant sales volume declines as prices have been rising

While **General Mills (GIS:NYSE)** has largely managed to keep sales afloat in 2023 with price increases, investors have grown increasingly concerned about a lack of volume growth.

These concerns have affected many of the company's food producer peer group but General Mills' shares have chalked up among the largest losses.

The company makes and markets breakfast cereals Cheerios and Lucky Charms in partnership with **Nestle (NESN:SWX)** alongside a range of snacks, meals, frozen desserts and baking products. Key brands include Nature Valley, Häagen-Dazs, Yoplait and Old El Paso. General Mills also has a growing footprint in pet food.

In late June it posted a mixed fourth quarter update. Earnings were slightly ahead of expectations but gross margins eased as the business was hit by cost inflation which it could not fully pass on to customers.

More worryingly for investors, volumes fell substantially. Shoppers seem to be trading down to cheaper unbranded alternatives and the trend of people eating in during the pandemic has reversed as people are able to frequent restaurants again.

For the current financial year, the company is guiding for earnings per share rising 4% to 6% and organic net sales up 3% to 4% with cost inflation of 5%, mainly driven by wages.

General Mills' management face a difficult challenge of trying to lift volumes while not sacrificing too much on price – the market will be closely watching how this conundrum is being handled when it reports first quarter numbers on 20 September. [TS]

General Mills

Chart: Shares magazine • Source: LSEG

What the market expects of General Mills

	EPS ($)	Revenue ($bn)
Q1 (to end of August)	1.09	4.9

Table: Shares magazine • Source: Yahoo Finance

US UPDATES OVER THE NEXT 7 DAYS

QUARTERLY RESULTS

September 18:
Eaton Vance

September 19:
AutoZone, Apogee, Steelcase

September 20:
FedEx, General Mills, KB Home, H B Fuller

September 21:
Darden Restaurants, FactSet Research, AAR, Scholastic, Valneva, Deep Yellow

Buy Keywords Studios now while its share price is depressed

Despite raising equity to part fund acquisitions, earnings per share have increased by almost 20 times since 2013

Keywords Studios

(KWS:AIM) £12.76

Market value: £1 billion

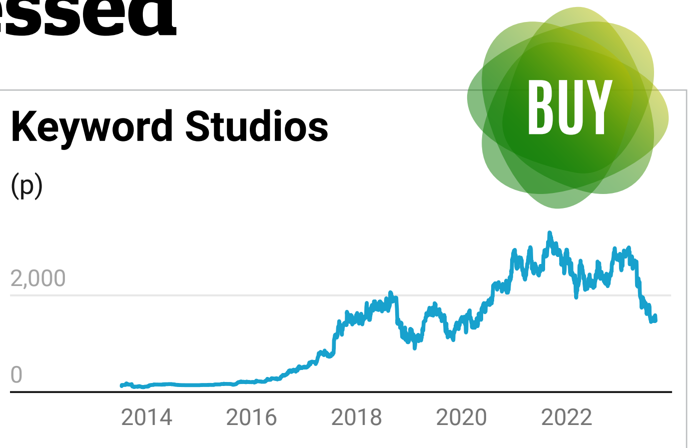


Chart: Shares magazine • Source: LSEG

Leading outsourced service provider to the global gaming industry, **Keywords Studios (KWS:AIM)** is one of the most successful companies to float on AIM, growing from a £50 million market valuation to its current size of £1 billion.

Growth stocks went out of favour when interest rates shot up, hence why its shares have struggled recently. Over the last two years the share price has more than halved from a high of £32 while the PE (price to earnings) ratio has fallen by 77% to the current rating of 10.9 times expected 2023 earnings per share and 9.8 times next year's EPS, according to Stockopedia and Refinitiv data.

We believe the PE now undervalues Keywords' growth opportunity and dominant market position, presenting savvy investors the opportunity to invest in a great business at a great price.

Despite having a market share of just under 6% Keywords is more than three times the size of its nearest competitor according to Numis.

Although it is harder to pin down competitive advantages for service providers compared with companies that own intellectual property or strong brands, Numis believes Keywords' scale and breadth convey certain advantages.

As the largest provider in a relatively immature market, reputation is an important differentiator. Over many years Keywords has regularly made acquisitions, spending around €600 million to gain access to a wide range of niche skills as well as broaden its geographical spread. This has brought the company significant cross-selling opportunities and insight into client needs.

A good example of one of Keywords' differentiated services is its beta game testing. It comprises a community of 20,000 gamers who have signed a non-disclosure agreement to test games just before they go live and give valuable insight to video game creators.

The company's services include localisation of content which helps game makers launch into multiple markets and languages simultaneously.

Over the medium-term management believes it can grow annual sales by 10% organically augmented by acquisitions while achieving an adjusted pre-tax margin of around 15%.

First-half results published on 12 September saw a 19% increase in revenue (10% organic) and adjusted operating profit was 5% ahead. However, the shares fell after the company flagged that US entertainment strikes could impact organic growth in the second half of 2023 by 2% to 2.5%.

Excluding the impact which largely depends on how long the strikes persist the company said second half organic growth is expected to be in line with the first. The strikes are a risk to consider, yet the current depressed price presents a great opportunity for someone with a long-term view to invest in a quality compounder. [MG]

Why it is time for investors to turn to JPMorgan Japanese

This trust is a great way to tap into Japan's structural economic transformation by investing in high-quality innovative growth companies

JPMorgan Japanese Investment Trust

(JFJ) 480p

Market value: £725 million

An 8% share price discount to net asset value on **JPMorgan Japanese (JFJ)** presents a compelling entry point for a capital growth-focused trust with a strong long-run performance record.

It has a portfolio packed with quality Japanese growth companies with good governance.

Yen weakness hasn't been helpful to sterling-based investors this year, but this could be changing with the yen rallying and the fund's performance picking up.

Quality-growth names are finding favour with investors again in a rising market to which Warren Buffet has increased exposure. Luca Paolini, chief strategist at Pictet Asset Management, describes Japanese stocks as 'a bright spot in an otherwise uninspiring global equity market'.

Shares believes JPMorgan Japanese is a savvy and cost-effective vehicle to gain exposure given ongoing charges of 0.68% are the lowest in the Association of Investment Companies' Japan sector.

Japanese equities are attractively valued relative to global peers, the market remains under-owned and ongoing corporate governance reforms are a major reason to be bullish on the country, whose economy is being boosted by the belated ending of Covid restrictions combined with modest inflation.

The Japanese government has committed to improving return on equity and shareholder engagement in order to stimulate economic growth and cash-rich Japanese companies are becoming more focused on shareholder returns, offering a powerful market re-rating catalyst.

JPMorgan Japanese's managers Nicholas Weindling and Miyako Urabe are based in Tokyo along with a large team of analysts, which is a key competitive advantage.

Cumulative share price and net asset value returns have exceeded the TOPIX benchmark this past decade, though the fund has underperformed on both measures over one and five years with its quality-growth style suffering in a tricky 2022.

The positive news is the style has found favour in a rising market in 2023 and last year's sell-off lowered the valuation of the underlying portfolio, which is now ripe for a re-rating.

JPMorgan Japanese offers exposure to themes including automation, digital innovation, demographic change and world class consumer brands through its portfolio of great companies with high market shares and margins, healthy free cash flow and strong pricing power.

The largest holdings include automation sensors leader **Keyence (6861:TYO)** and digital innovation play **GMO Payment Gateway (3769:TYO)**. Other stakes include consumer brands **Sony (6758:TYO)** and **Nintendo (7974:TYO)** as well as bicycle gears specialist **Shimano (7309:TYO)** and Uniqlo-owner **Fast Retailing (9983:TYO)**.

Prospective investors are also buying exposure to **Recruit (6098:TYO)**, the country's number one staffing agency, and incontinence products maker **Unicharm (8113:TYO)**. [JC]

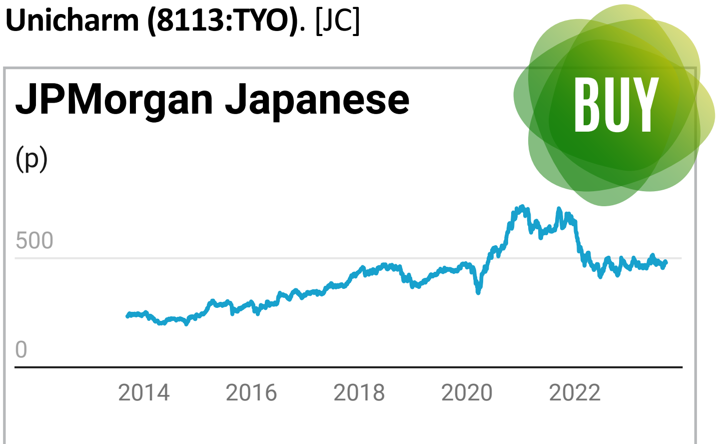


Chart: Shares magazine • Source: LSEG

Clarity over new manager gives International Biotechnology Trust a welcome boost

Schroders will take over the day-to-day running of the trust

International Biotechnology Trust (IBT) 650p

Gain to date: 4.8%

We said to buy shares in **International Biotechnology Trust (IBT)** on 1 June 2022 at 620.1p as there was an opportunity to buy cheaply into a sector that had been heavily sold off.

Biotech can be a high-risk place to invest and so using an investment trust or fund is often a better way to get exposure as the risks are spread across a portfolio of holdings rather than betting on a single stock.

WHAT HAS HAPPENED SINCE WE SAID TO BUY?

On 13 February 2023, investment adviser SV Health gave notice that it would no longer manage the investment trust, standing down from 9 February 2024 or earlier if agreed by the relevant parties. SV Health said it wanted to focus on its core healthcare venture business.

The news caused International Biotechnology's share price to fall 10% over the space of a month.

On 3 August, International Biotechnology announced Schroders would be its new manager, with existing fund managers Ailsa Craig and Marek Poszepczynski moving over.

The trust will be run with the same approach and dividend policy, while benefiting from Schroders' marketing and distribution strength. The ongoing charge is expected to marginally reduce in 2024 (currently 1.4%), and further over time.

The discount to net asset value on the shares has narrowed from 10% to 6% and Numis believes it could narrow further given the clarity over the future management, among other factors.

Chart: Shares magazine • Source: LSEG

WHAT SHOULD INVESTORS DO NOW?

Numis analysts believe biotech could come back into favour, commenting: 'We believe the outlook is positive with key drivers of returns being strong innovation and an uptick in US Food and Drug Administration approvals, an ageing population and rising middle class, as well as attractive valuations which may be crystallised by M&A activity as big pharma seeks to fill holes from patent cliffs by acquiring innovation.'

Shares retains a positive view on International Biotechnology and sees it as a good trust to own as part of a diversified portfolio. Keep buying the shares. [SG]

The new **meme stock craze** likely to end in tears **in Asia**

Some sectors in Asia are seeing bubbles emerge. Just as with the US meme stock craze, it's not likely to have a happy ending for many over-exuberant retail investors.

Bubbles are appearing in certain sectors in Taiwan and Korea. In the latter case, it resembles the US meme stock trend that resulted in the dramatic rise and decline in shares such as Gamestop.

ARTIFICIAL INTELLIGENCE IN T-AI-WAN

In Taiwan anything considered an artificial intelligence (AI) play has recently been rapidly inflated by retail investors.

In particular, basic box assembly companies and contract manufacturers like Quanta, Wistron and Inventec rose 50% in July alone, according to Factset. Their share prices have more than doubled year-to-date. In the case of Wistron, its share price has more than quadrupled over the period.

All three companies, among other products, assemble AI servers. Asian retail investors now seem to believe this will change their businesses to a dramatic extent. This is unlikely in our view.

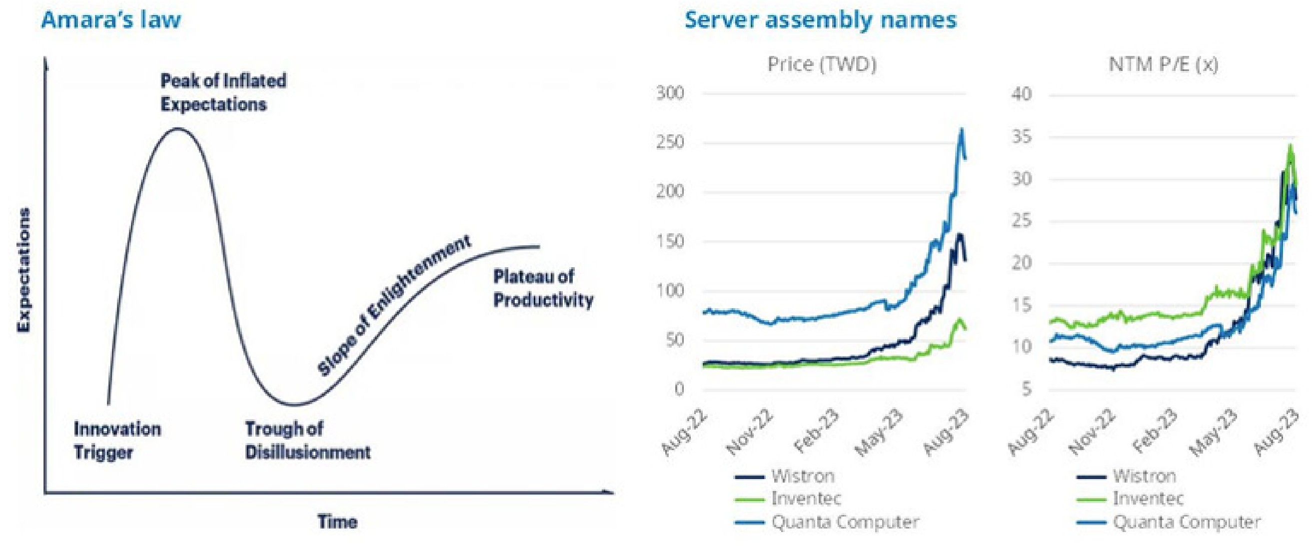
Assembling an AI server will not be so different from assembling a traditional server. And considering AI servers are far more powerful, we believe the overall volume of servers to be assembled may actually fall.

All three companies have consistently had very thin operating margins on their assembly business of 1-2%, reflecting the low value added nature of what they actually do.

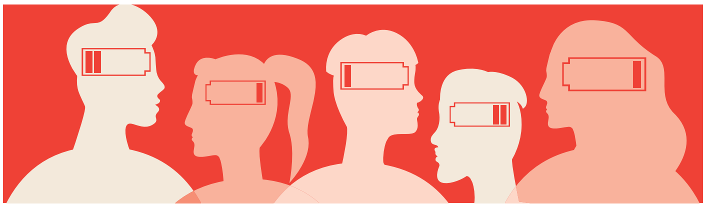
We don't doubt that AI is a potentially ground-breaking technology, but it's still in its relative infancy and applications are still to be defined.

The scientist and futurist Roy Amara stated that "we tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run". This has become known as Amara's Law. We believe that with this in mind, we are currently running close to the peak of inflated expectations when it comes to supposed AI stocks in Taiwan at least.

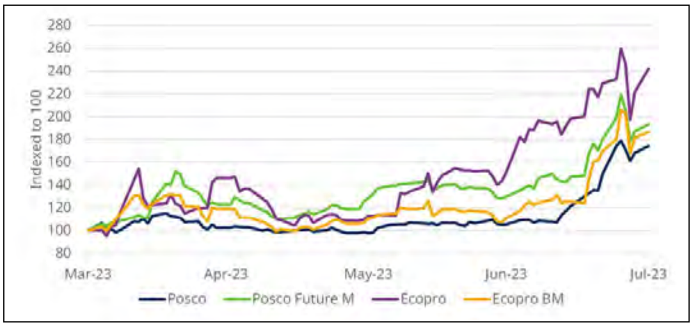
AI AND SERVER NAMES IN TAIWAN – PEAK OF INFLATED EXPECTATIONS?



Source: Gartner, Factset, July 2023. TWD is Taiwanese dollar, NTM is next 12 months.



MR BATT-MAN'S EV PICKS HIT THE BIG TIME



"MR BATT-MAN" AND KOREAN EV MANIA

In Korea the retail fervour appears even more irrational and is more akin to the meme stock craze we saw in the US.

The Korean retail investor has become fixated with perceived electric vehicle (EV) battery plays. This is all on the back of US regulations under the Inflation Reduction Act to encourage onshore investment in the sector and also to exclude Chinese battery names from the US market.

This has led to a Korean retail buying spree in the sector all encouraged by a questionable online "red-hot stock" tipster who calls himself "Mr Batt-Man" - or "Mr Battery" - and who now has a huge retail following.

This has led to some quite extraordinary moves in selected stocks in Korea, with thematic names like Ecopro, Posco Future M, Ecopro BM and Posco (despite being 80% a steel company) all doubling since end March and rising 60-70% in July alone.

We have no doubt this will end in tears. Korean market turnover on several days in July was close to the highest in history (for the KOSDAQ index it has exceeded past highs), with 40-50% of the turnover concentrated in just four or five battery names. Intraday moves in battery stocks have also been wild and volatile.

It is all the more perplexing for us as, while we can understand the retail fervour in AI-related stocks given the global hype, in the EV battery space this is a uniquely Korean concept.

Elsewhere in the region, battery names are weak as investors worry about slowing EV demand in China and huge industry overcapacity in the battery space, most especially in cathodes, anodes and separators (the stocks being ramped by Mr Batt-Man).

This article was authored by Robin Parbrook, the Fund Manager of the Schroder Asian Total Return Investment Company, an investment trust designed to take an 'all-weather' approach to investing in Asia. The Trust invests on an unconstrained basis with a unique hedging strategy designed to reduce risk and protect returns in a market that can be very volatile.

Click here to find out more about the trust

FEEDING YOUR PENSION

INVESTMENT IDEAS

for people in work or retirement

By **Tom Sieber** Deputy Editor

It can be hard to look past day-to-day cares and worries and give proper thought to achieving a financially comfortable retirement. However, if you want to enjoy a decent quality of life after you bring your career to a close then you must devote more attention to your pension.

Investment trusts, held within a SIPP (self-invested personal pension), can be a useful vehicle to help you achieve your goals. They trade on the stock market just like normal stocks and shares, they are easy to buy and sell and they typically have a good deal of transparency.

In this article we identify eight products – four suitable for those building up their retirement pot and four for those already in retirement. Read on to discover the trusts in question and why they earn a place in our two separate portfolios.

FOUR TRUSTS FOR BUILDING UP YOUR PENSION POT

Assuming you have at least a decade to go until you retire then your priority should be on growing your retirement pot as much as possible. For this reason, it is worth taking on a little more risk in order to achieve a higher level of return. In our view the following collection of trusts achieves this in a balanced way.

Four trusts for building up your pension pot

Trust	Discount to NAV	10-year annualised total return	Yield	Ongoing charges
Polar Capital Global Healthcare	8.4%	10.2%	0.6%	0.92%
Strategic Equity Capital	7.3%	10.8%	0.6%	1.08%
JPMorgan Emerging Markets	6.8%	8.4%	1.2%	0.84%
Allianz Technology Trust	12.9%	19.1%	n/a	0.71%

Table: Shares magazine • Source: Morningstar

POLAR CAPITAL GLOBAL HEALTHCARE (PCGH)

BUY AT **323.9P**

BUY

HEALTHCARE IS AN attractive sector from an investment perspective. Demand for healthcare is inelastic and, to an extent, is immune to the vicissitudes of the wider economy.

Another point in its favour for someone with a lengthy investment timeframe is the favourable demographics in the Western world which is seeing its population get progressively older and require more medical interventions.

Polar Capital Global Healthcare is an effective way to play the theme with a strong long-term track record. It is a concentrated portfolio with just 43 holdings and has a high active share (a metric which shows how much its holdings deviate from the benchmark) of 80.8%.

It holds one of the top performing pharma names of 2023, **Eli Lilly (LLY:NYSE)**, which has been propelled higher by the development of new treatments for two of the globe's biggest public health issues in obesity and Alzheimer's, as well as investing its UK-listed peer **AstraZeneca (AZN)**.

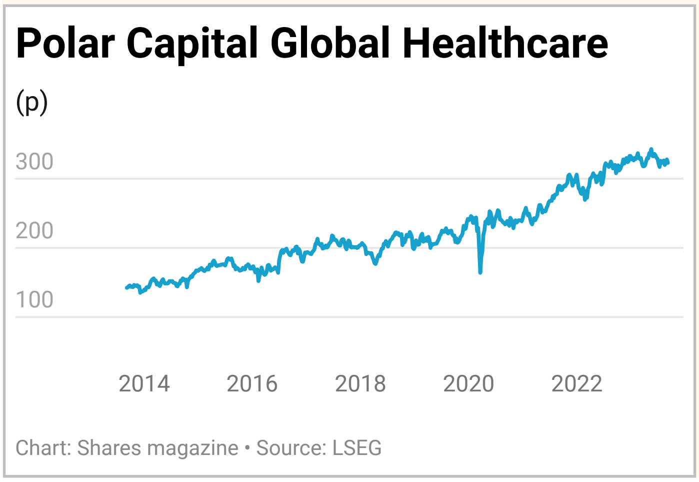


Chart: Shares magazine • Source: LSEG

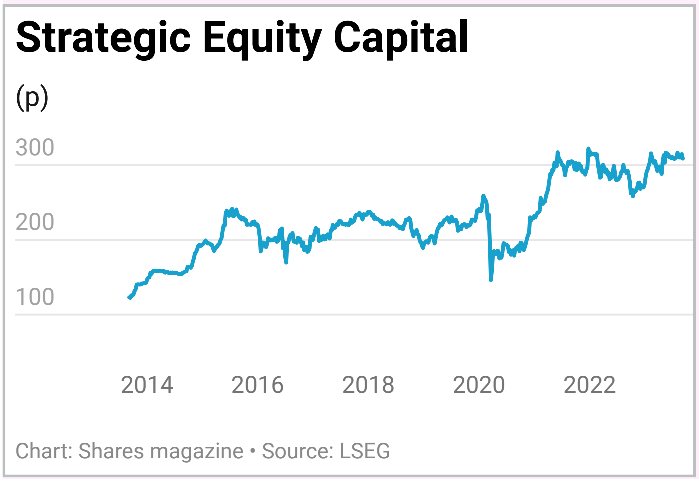
STRATEGIC EQUITY CAPITAL (SEC)

BUY AT 308.5p

BUY

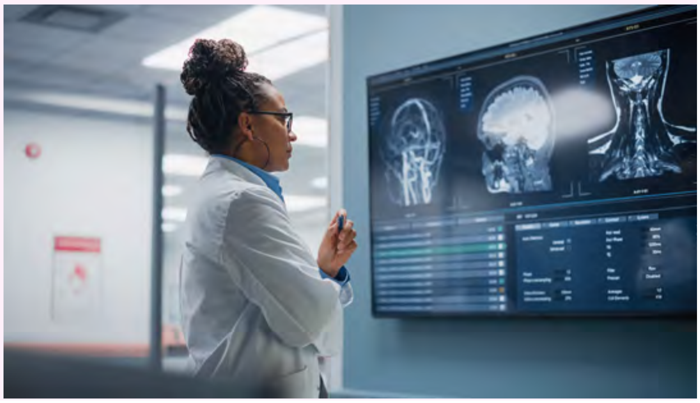
IF YOU ARE investing for the long term your portfolio needs to be able to cope with several different economic and market cycles.

The approach of Strategic Equity Capital should help with these ups and downs given manager Ken Wotton's emphasis on reviewing his portfolio to ensure it is suited to the prevailing environment.



The trust's parent Gresham House looks to employ a private equity approach to public markets. In practice this means Wotton looks for smaller businesses with little or no debt, higher levels of profitability, strong earnings streams and an operating model robust enough to withstand periods of stress and volatility.

Wotton also looks to tap into structural themes like sustainability and digital transformation. This strategy has delivered strong returns over the last decade and helps to justify an ongoing charge slightly in excess of 1%. The company recently saw a top holding, teleradiology provider Medica, taken over in a £269 million premium-priced deal.



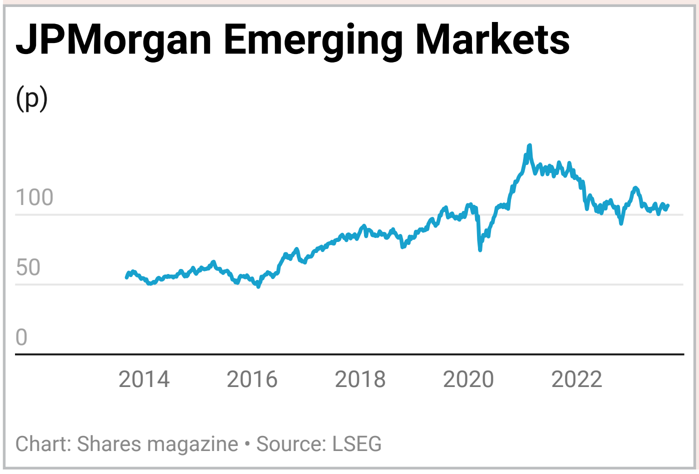
JPMORGAN EMERGING MARKETS (JMG)

BUY AT 106.6p

BUY

EMERGING MARKETS ARE at a different stage of their development and this means they have greater growth potential than developed economies. Their more youthful demographics also create a compelling dynamic.

These markets can be more volatile but with time on your side you can ride out bumps in the road.



There has been a transition away from the commodity and/or export driven story of 20 years ago towards greater levels of innovation.

When it comes to diversified exposure to this space, JPMorgan Emerging Markets is a strong performer and ongoing charges of 0.84% are competitive with the peer group.

The focus on quality should help limit exposure to the historically more elevated risks around corporate governance and financial stress in emerging markets.

The trust leans on a team of more than 90 research and investment specialists who conduct in excess of 3,000 company visits a year.

ALLIANZ TECHNOLOGY TRUST (ATT)

BUY AT **265.5p**

BUY

THE COMPANIES WHICH have shifted the dial in the last decade or more can be found in the technology space and the development of AI (artificial intelligence) seems to be providing new life to the sector.

Valuations may be demanding but given the upside potential any long-term investor realistically needs exposure to this theme as part of a diversified portfolio.

Chart: Shares magazine • Source: LSEG

Allianz Technology Trust is an excellent way to achieve it, particularly as it is trading at a substantial discount (13%) to the value of its assets.

Based close to the epicentre of the global tech industry in Silicon Valley in San Francisco, the portfolio is run by Mike Seidenberg who took over from the long-serving and highly regarded Walter Price in 2022. Reassuringly, Seidenberg had been part of the team for almost 15 years.

The trust has 42 holdings which are overwhelmingly based in North America – with AI star **Nvidia (NVDA:NASDAQ)** in the top 10 by weighting.

The team behind trust has the experience, resources and skills to look past the hype to identify the genuine opportunities.

FOUR TRUSTS FOR INCOME AND GROWTH IN RETIREMENT

If you are going to remain invested in your retirement, i.e., go into drawdown rather than purchasing an annuity providing a guaranteed income for life, then it makes sense to have an eye towards growth as well as income.

Current UK life expectancies mean a 65-year-old man could expect to enjoy nearly 20 years of retirement and a woman of the same age a little more than two decades.

We have constructed our hypothetical portfolio with this in mind, looking for a mix of regular income alongside the potential for capital appreciation. At the same time, we have avoided higher risk investments.

Four trusts for income and growth in retirement

Trust	Discount to NAV	10-year annualised total return	Yield	Ongoing charges
Target Healthcare REIT	32.0%	2.3%	7.5%	1.51%
STS Global Income & Growth	1.5%	7.8%	2.8%	0.94%
Dunedin Income Growth	11.2%	4.9%	4.9%	0.62%
TwentyFour Select Monthly Income	2.7%	n/a	8.7%	1.21%

Table: Shares magazine • Source: Morningstar, AIC

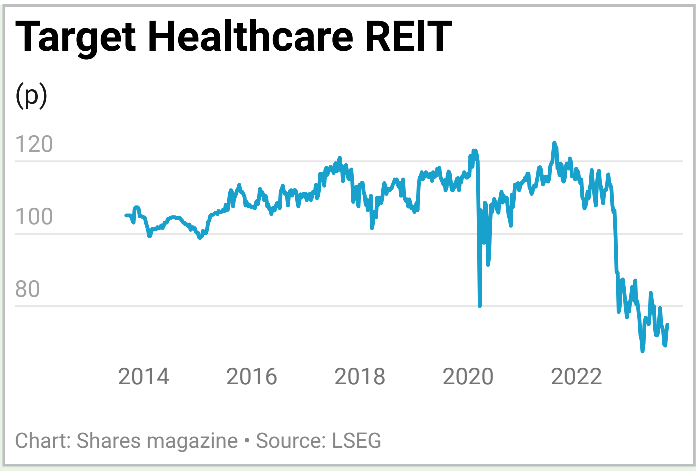
TARGET HEALTHCARE REIT (THRL)

BUY AT 74.9p

PROPERTY IS OFTEN seen as useful source of income and, as a real asset, a protector of wealth during periods of inflation.

We like Target Healthcare REIT because it operates in a care home space which has significant demographic drivers, something it looks to play in a responsible way. It invests in purpose-built facilities with single-occupancy rooms and ensuite wet rooms.

Real estate stocks have been hurt by the sharp rise in interest rates which have increased the attractions of cash as an asset, meaning a lot of people have turned their back on property-focused



investments and thus share prices have fallen across the sector.

This trend has negatively affected Target Healthcare REIT's share price, however it has left the stock looking attractive both from a discount to net asset value (32%) and yield perspective (7.5%).

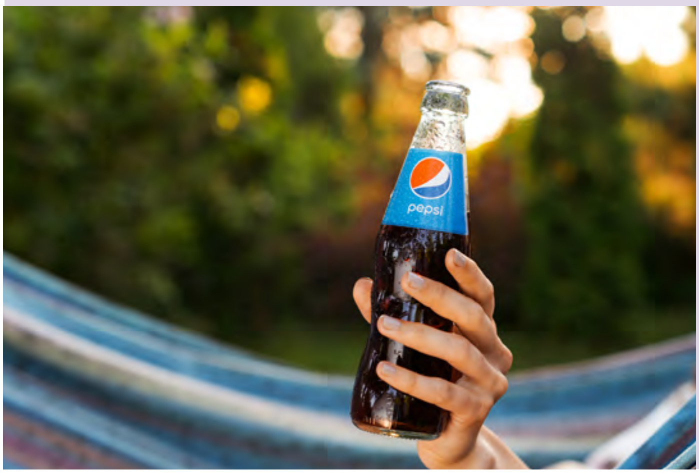
Looking at the track record the income on offer should be secure with long-term leases which are tied to inflation. The extra costs of managing property as an asset class means the ongoing charges (1.5%) are higher than those for equity-focused trusts.

STS GLOBAL INCOME & GROWTH TRUST (STS)

BUY AT 219p

IT MAY HAVE changed name from Securities Trust of Scotland but this vehicle continues to pursue what has been a successful strategy over many years.

The investment manager behind it, Troy Asset Management, has an inherently cautious philosophy which underpins how STS looks to achieve income and growth from global stocks.



This is a high-conviction portfolio of 31 names with a bias towards the sort of solid and dependable companies which do not need to invest huge amounts of capital to expand and therefore are able to fund healthy dividends.

Managers James Harries and Tomasz Boniek also look for businesses which have robust balance sheets and which enjoy competitive advantages which can sustain high returns over the long term.

Top holdings include snacks and drinks firm **PepsiCo (PEP:NASDAQ)**, HR and payroll outsourcing outfit **Paychex (PAYX:NASDAQ)** and pharmaceutical firm **Novartis (NOVN:SWX)**.

DUNEDIN INCOME GROWTH (DIG)

BUY AT 266p

BUY

IF LONGEVITY IS any measure of success, then this trust must be doing something right, having recently marked its 150th anniversary.

The remit is to target regular and growing dividends, principally from the UK market. This portfolio of 35 names includes the likes of data analytics business **RELX (REL)** and consumer goods firm **Unilever (ULVR)**.

While the 4.9% yield may be less than you can currently get on cash savings, the scope for dividend growth is attractive thanks to the type of companies in its portfolio.

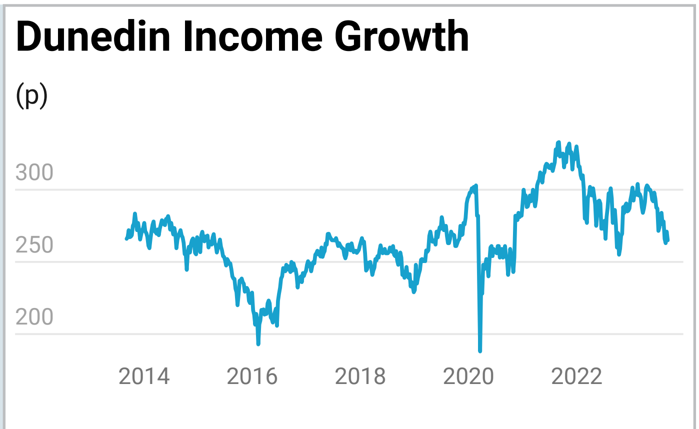


Chart: Shares magazine • Source: LSEG

The ability to consistently grow a dividend implies a company is cash generative and shareholder friendly. You can draw the conclusion that management see scope for value accretion in their business over the coming years.

Given Dunedin has stakes in a collection of businesses with these qualities, one might expect to see both a rising share price and a steady increase in dividends from the investment trust over time, although understanding that neither are guaranteed.

TWENTYFOUR SELECT MONTHLY INCOME (SMIF)

BUY AT 73.9p

BUY

A PRODUCT WHICH pays out a generous rate of income on a monthly basis can be invaluable for someone looking to cover their regular outgoings.

TwentyFour Select Monthly Income invests in a range of different credit opportunities and has a decent track record of delivering income. It has an 8.7% yield based on the historic payments over the past 12 months.

While the departure this month of manager Gary Kirk is not ideal, broker Numis it says should not have a significant impact on the management of the fund given the multi-sector bond team has grown to include five partners and 10 further investment professionals.

Bond funds have been out of favour over the past 18 months thanks to rising interest rates. However, there is a feeling that we're close to the peak of the rate hike cycle and therefore it's worth looking at the bond space again.

Bond fund managers will be hoping to reinvest money from maturing bonds into ones trading on lower prices, thereby locking in higher yields.

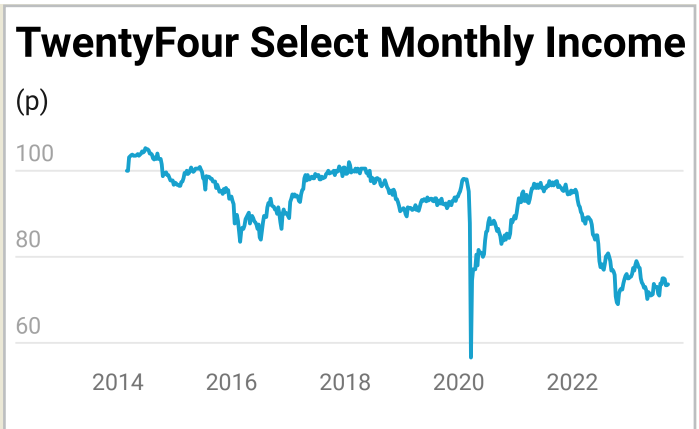


Chart: Shares magazine • Source: LSEG

Numis says TwentyFour Select Monthly Income offers 'an attractive way to generate a high yield, through a diversified portfolio focused on areas of the debt market benefiting from an illiquidity and complexity premium', a strategy which it observes is a good fit with the investment trust structure.

DISCLAIMER: Daniel Coatsworth who edited this article owns shares in Polar Capital Global Healthcare

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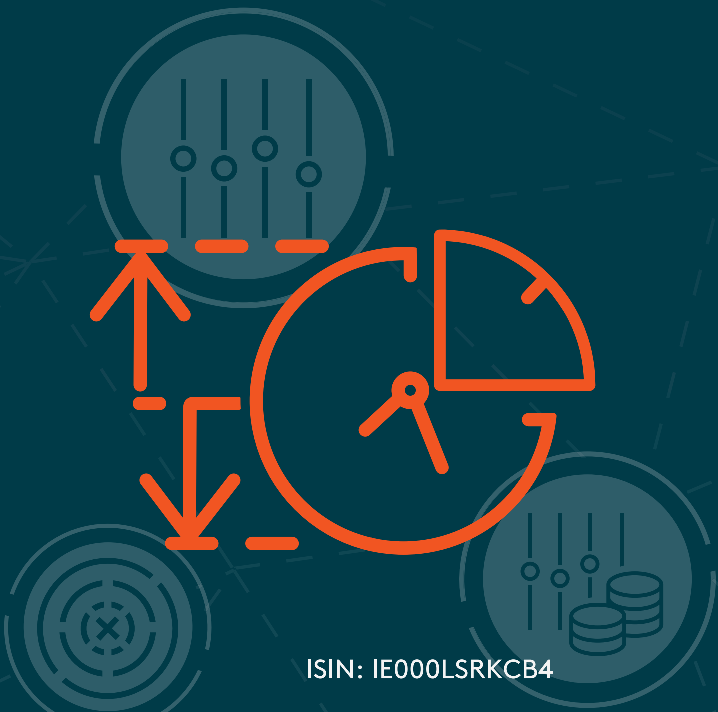
Defined outcome strategies that increase potential to reduce systematic risk and equity volatility.

ISIN: IE000EPX8KB7

S&P 500 Quarterly Tail Hedge UCITS ETF

SQHP LN



ISIN: IE000LSRKCB4

S&P 500 Quarterly Buffer UCITS ETF

SQBP LN

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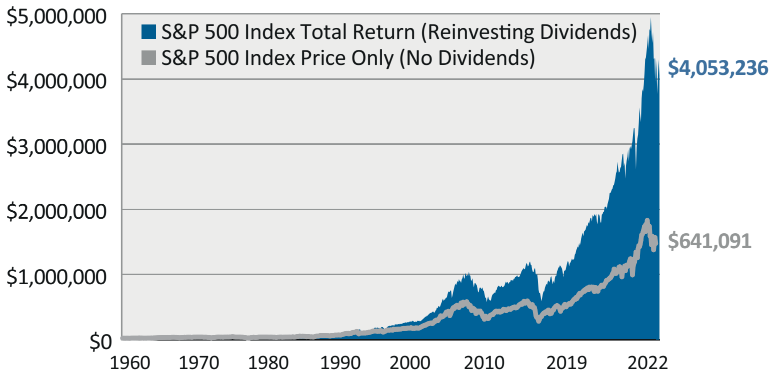
Want to turbocharge your returns over the long term? Here's a handy tip

Reinvested dividends account for a greater chunk of overall returns than you might think



The power of dividends and compounding
growth of $10,000 (1960–2022)

Source: Hartford Funds, Morningstar

There is a misconception that dividends only matter to people who rely on their investments to generate a steady income in cash. What is underappreciated is how dividends play a role in building wealth over a long time.

They are as important to someone in their 30s or 40s looking to save in their ISA or pension for the next 20 to 30 years before retirement as they are to someone in their 60s to 80s looking for a source of income in their post-work life. They can help turbocharge returns in the accumulation phase and then provide a welcome source of cash in retirement.

Dividends accounted for 69% of the total return from the S&P 500 index of US shares going back to 1960, according to research by Hartford Funds. Reinvesting dividends allows investors to enjoy compounding benefits.

Rather than pocket the dividend cash for use on everyday items, the money buys more shares in the same business. If you repeat that each year, you will own an ever-growing number of shares, so you will receive more dividends which you then reinvest, and the cycle continues.

This year, investors have paid particular attention to two areas. The first is to invest in the 'Magnificent Seven' group of tech stocks including **Nvidia (NVDA:NASDAQ)** which have delivered stellar returns. The second is to look at cash as a sharp rise in interest rates have meant investors can get decent risk-free returns from money in the bank.

Investments can have an advantage over cash as you can often get dividend growth each year as well as the potential for capital gains. However, chasing capital gains from big tech stocks can be fraught with risk.

'If you look back over the history of equity markets, speculating on capital appreciation driven by growth hasn't been the way to make money,' says Jon Bell, a portfolio manager on the **BNY Mellon Global Income Fund (B7S9KM9)**. 'The way to make money has been to invest in solid companies that pay attractive dividends and then reinvesting those dividends into your portfolio and experience compounding. We lost sight of that concept completely in the era of free money.

'If you can borrow for nothing, it makes sense to speculate. But as the cost of borrowing rises, it's higher risk to speculate on capital appreciation. In this environment, relying on dividends should be much more rewarding for investors as it was for lengthy periods of history.'

With rates likely to stay higher for longer and dividend-paying stocks offering attractive yields and trading on cheap valuations, now might be a suitable time to deploy a strategy to take advantage of long-term compounding benefits.

Buying an income fund is an easy route to adding compounding machines to your portfolio. If you buy the 'acc' (which stands for 'accumulation') version of a fund, you will get the dividends automatically reinvested.

The performance in the first few years may not knock the lights out. This strategy is more likely to be a slow burner, but let the compounding do its magic and you could see significant benefits down the line.

Janus Henderson
INVESTORS

Dividends that keep on growing – whatever the economic weather

The City of London Investment Trust has increased its dividend every year since 1966, delivering secure and rising income to our investors through thick and thin.

Inflation has passed its peak in the UK and the rate of price increases is now set to decline. Nevertheless, inflation is set to remain well above the low levels experienced for the last decade or more. In times such as these, securing income that beats inflation is harder than ever.

Higher inflation has in turn led to higher interest rates and many savers and investors may have hoped for higher rates from bank savings. But just as many have found those bank savings rates can still be disappointing. Banks have not passed on higher rates in full and achieving a savings account rate much above 4% is difficult, particularly if you are wary of locking away your savings for several years.

The Janus Henderson Investors City of London Investment Trust (CTY), which principally invests in FTSE listed equities, could be the solution.

Beating inflation over the business cycle
Dedicated to delivering secure and stable income and capital appreciation over the long term, we have been able to raise our dividend every year for the last 56 years.
In our last full year, we delivered a dividend growth of 2.6%. That may not have beaten inflation in the last 12 months, but the consistent growth of our dividends over many years means we have trounced inflation over the longer term. Over the last 10 years, dividends from CTY have risen by 41.2%, while the cumulative effect of inflation, as measured by the Consumer Price Index (CPI), has been just 26.5%.

This consistent dividend growth is the key to our success and the long-term inflation-beating value we have delivered for investors.

There are two elements to this success. The first has been our strategy of low risk diversified investment in blue chip companies. Our top five holdings, for example, are Shell, Unilever, HSBC, BAE Systems and British American Tobacco. Our investments are overwhelming UK-based but, as these names illustrate, they are often global businesses, meaning their sales and profits are not linked solely to the UK economy or the value of the pound, and can benefit from growth in other markets as well.

Of course, even the most reliable global businesses face tough times, such as an economic slowdown or an unpredictable crisis such as the Covid-19 pandemic. In such difficult periods, earnings from even blue-chip companies can fall.

This is where the second factor in CTY's success comes into play – the investment trust structure – which allows us to smooth dividend payments and

Janus Henderson INVESTORS

create consistent income growth for our investors.

Our dividends were even immune to Covid-19

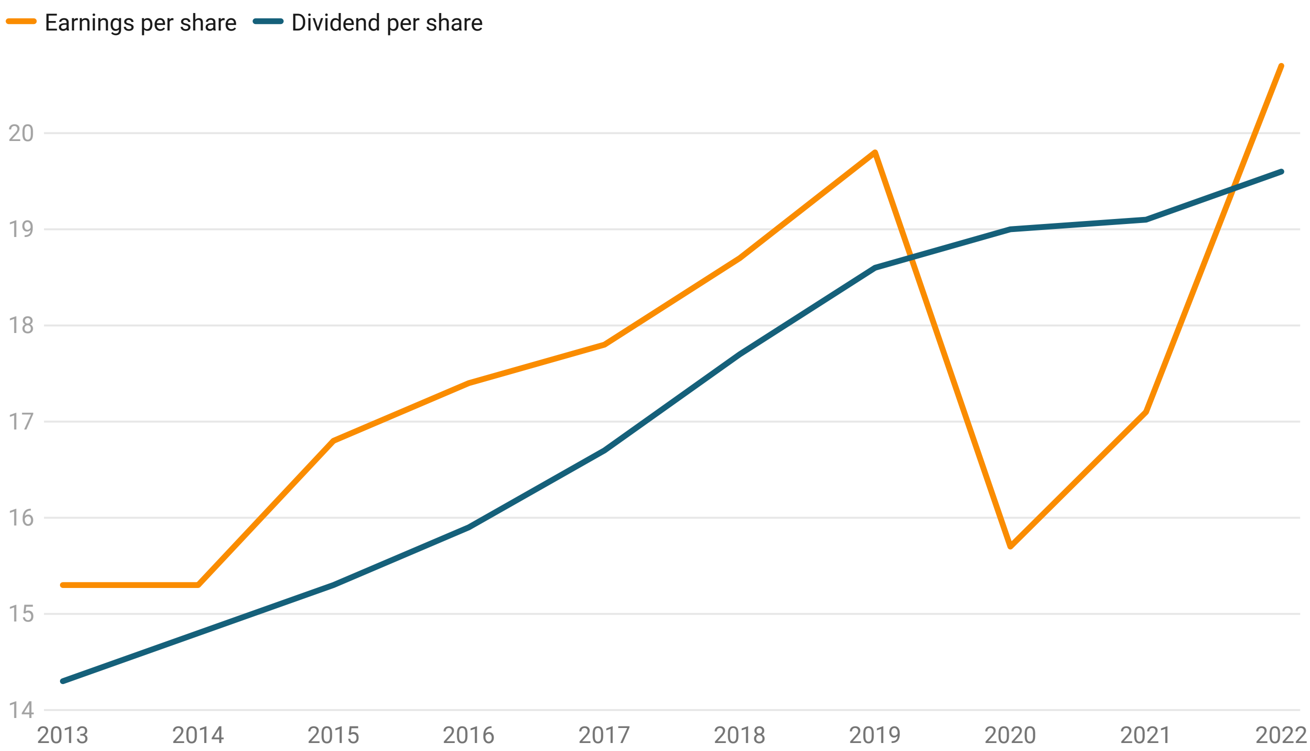
An investment trust can set aside some of its earnings during the good times in a cash reserve.

CTY has always built its reserves during good times. Thanks to this disciplined approach, CTY has been able to draw on those reserves to keep increasing our dividend, even when companies are cutting theirs.

Between 2013 and 2019, the investment trust's earnings per share (dividends from the companies in which we were invested) rose steadily. CTY paid out most of these earnings as dividends to our own shareholders but held back a small

CTY Earnings Per Share vs. Dividend Per Share by year

(p)



Source: CTY annual reports 2014-2022

Discrete Performance Table

Discrete year performance (%)	Share price (total return)	NAV (total return)
30/6/2022 to 30/6/2023	4.1%	4.5%
30/6/2021 to 30/6/2022	7.7%	7.5%
30/6/2020 to 30/6/2021	21.3%	20.0%
30/6/2019 to 30/6/2020	−16.2%	−14.6%
30/6/2018 to 30/6/2019	3.0%	2.7%

Past performance does not predict future returns.

Source: Janus Henderson

proportion to build up reserves.
Then in 2020 as the pandemic took its toll on business, its earnings per share fell sharply as companies slashed their dividends. But, thanks to our prudent building up of reserves, we were able to keep on increasing dividends for our own shareholders.

As the economic effects of Covid-19 have faded, earnings from our investments have begun to rise and we have been able to pay back into those reserves, helping to secure future dividends.

Our dedication to secure and stable dividends as well as constant dividend growth has delivered rising income to our investors and allowed them to stay far ahead of inflation over the long term.

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

GLOSSARY
Consumer price index (CPI) – A measure that examines the price change of a basket of consumer goods and services over time. It is used to estimate 'inflation'. Headline CPI or inflation is a calculation of total inflation in an economy, and includes items such as food and energy, in which prices tend to be more prone to change (volatile). Core CPI or inflation is a measure of long-run inflation and excludes transitory/volatile items such as food and energy.

Earnings per share (EPS) – The portion of a company's profit attributable to each share in the company. It is one of the most popular ways for investors to assess a company's profitability. It is calculated by dividing profits (after tax) by the number of shares.

Property versus pension: which one is a better investment?

We compare returns over a 25-year period and the answer may come as a surprise

For nervous investors worried about the volatility of stock markets, investing in housing may seem like a safer, less bumpy alternative, but the facts don't support this seemingly popular view.

Duncan Lamont, head of strategic research at Schroders, says investing in global stocks has been the superior strategy whether you look back over the last five, 10, 15, 20 or 30 years.

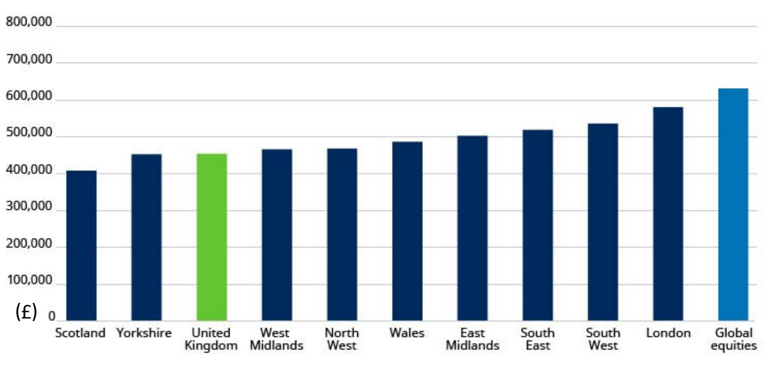
For example, £100,000 worth of UK property purchased 25 years ago would have been valued at £454,000 on average in December 2022 based on Land Registry and Refinitiv data, while the same amount invested in global stocks (ignoring any costs) would have been worth around £631,000.

These figures mask significant regional variations with London property worth around £580,000 and Scotland at the other end of the spectrum, worth £407,000. It is also worth reminding readers that the housing data exclude costs of ownership such as maintenance, repairs, insurance or taxes.

In short, stocks have historically provided better financial returns than houses. Investing in stocks via tax sheltered accounts such as ISAs and SIPPs (self-invested personal pensions) adds to their relative attraction.

That said, one cannot say with certainty that a pension will continue to do better than property as investments can fall as well as rise in value. There are also looming challenges for the housing market which suggests property may not perform as well as it has done over the last 25 years.

What would £100,000 25 years ago be worth today?



Source: Land Registry, Refinitiv Datastream, Schroders. Data to December 2022.

WHAT WE CAN LEARN FROM HISTORY

It is sometimes blindly stated that house prices tend to always rise in the long run, but the historical record suggests that isn't the case. For example, between 1845 and 1911 UK house prices fell 23%.

Over the same period average household earnings almost doubled (+90%) which resulted in the average house price to income ratio falling from over 12 times to around two times in the early part of the twentieth century.

The cult of house ownership didn't really take hold until the second half of the twentieth century with ownership rates steadily rising from around 20% to a peak of 70% in 2000.

Meanwhile, the ratio of house prices to

average earnings rose to the current 9 times based on data as of 30 November 2022.

A working paper by the Bank of England published in December 2019 argued a big contributing factor behind the rise in average house prices to average earnings between 1985 and 2018 was 'a sustained, dramatic, and consistently unexpected, decline in real interest rates as measured by the yield on medium-term index-linked gilts.'

In other words, lower interest rates allowed borrowers to take on more debt without increasing its relative affordability. But the central bank warned that an 'unexpected and persistent increase' in the medium-term real interest rate of 1 percentage point from its level at the end of 2018 could ultimately cause up to a 20% fall in real house prices over the following years.

Mortgage interest costs have ballooned in the past few years as central bank rates shot up. The Bank of England data for July 2023 shows the average interest rate on new mortgages rose to 4.66%, the highest since 2008. Meanwhile, mortgage approvals fell 20% year-on-year, more than economists were expecting.

> Stocks have historically provided better financial returns than houses

COULD HOUSING SEE A REDUX OF THE 1850S?

Lamont at Schroders identifies three important factors which led to houses becoming more affordable relative to incomes in the 1850s. Increasing supply was a major factor with the housing stock doubling to 8.9 million.

Making smaller houses such as terraced homes instead of detached ones was also a key driver while homes in all categories fell in average plot size.

Lastly, average earnings grew 90% over the period – when combined with falling house prices this led to a dramatic fall in the ratio of house prices to incomes, making a house purchase easier to finance.

Putting rising interest rates to one side for a second, could the same dynamics play out over the next few decades and drive down the ratio of house prices to earnings? The recent government record doesn't look promising.

In 2019 the Conservatives set a target to build 300,000 new homes a year by the mid-2020s but last year only 233,000 homes were built.

For reference in the 1960s around 350,000 new homes a year were supplied. Today's equivalent of the smaller dwellings of the 1850s is the government's focus on building affordable housing, but the supply has been lower than envisaged.

Meanwhile, the cost-of-living crisis and sky-high inflation has reduced real incomes. In short, solving the undersupply of new housing remains a thorny problem.

My home is my pension

People often think of their home as their pension. They believe it will go up in value enough so they can sell it at retirement and live off the proceeds. What is often forgotten is the need to still have a roof over their heads for the rest of their life.

That means either using some of the sale proceeds to buy another home, potentially downsizing, or renting which means a steady outflow of cash.

By **Martin Gamble** Education Editor

Where should you invest when central banks stop raising interest rates?

We look at two scenarios, and which sectors might win or lose

There are two questions being asked by every investor. When are interest rates around the world going to stop rising and what happens to stock markets when they do?

No-one knows for sure when rates will peak, but what we can say is there are two different scenarios which could cause central banks to stop raising. As for what happens to markets next, that depends on which of the two scenarios unfolds.

RECORD PACE OF RATE RISES

If the Federal Reserve, the European Central Bank and the Bank of England stop raising rates because they believe inflation is under control, it will have far different ramifications for stocks and bonds than if they stop because their economies are sinking under the cumulative effects of past rate hikes.

Just to recap, the Fed has raised rates from 0.25% to a 22-year high of 5.5% over an 18-month timeframe, one of the quickest hiking cycles in its history, while the ECB has tightened even faster, moving from a 0.25% marginal lending rate to 4.5% in just over a year.

The Bank of England was the first central bank to respond to signs of inflation when it raised its base rate in November 2021, but it waited a year before it really stepped on the accelerator and pushed rates from 2.25% to 5.25% so it could be argued much of the increase has yet to feed through into the real economy.

EQUITIES STILL BELIEVE IN A 'SOFT LANDING'

Despite this record tightening of monetary conditions, investors seem convinced the Fed has engineered an 'immaculate disinflation' and can achieve a 'soft landing' meaning there won't be a recession in the US.

Although inflation is still above the Fed's 2% target, it has declined for 12 straight months from over 9% in June 2022 to a current annualised rate of 3.2%.

Importantly, long-term inflation expectations remain relatively well anchored with the University of Michigan consumer survey showing inflation expectations over the next year at 3.4%, down from 5.4% in March 2022.

Market-based measures such as the five-year implied breakeven inflation rate, derived from index-linked prices, has dropped to 2.2% from 3.6% in March 2022 according to The Federal Reserve Bank of St. Louis.

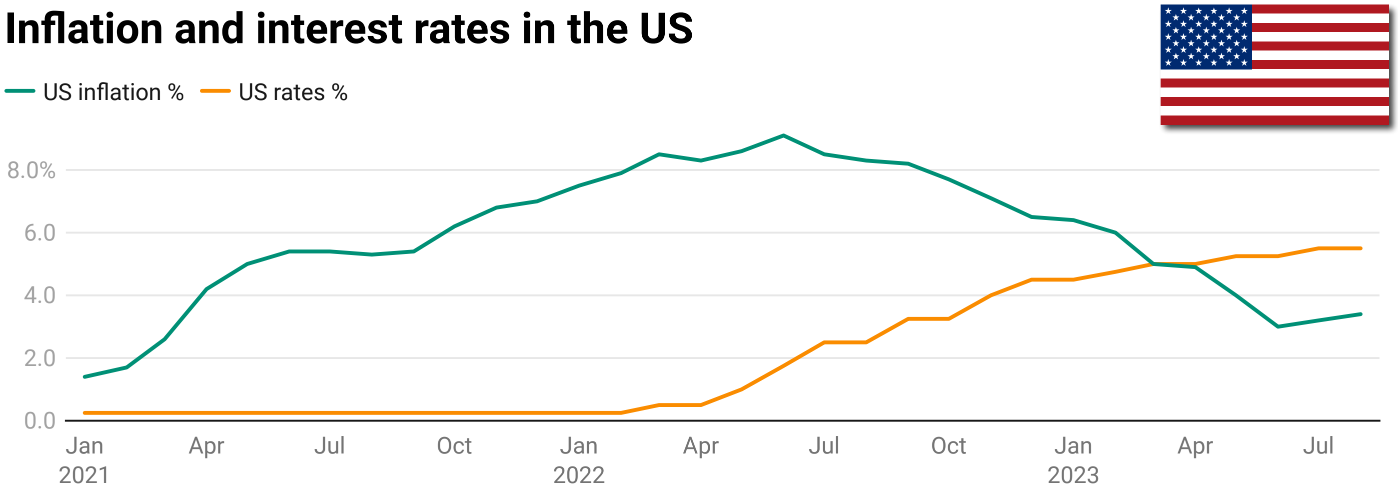
In contrast to equity markets, however, bond markets have been pricing in a recession since the yield curve inverted in July 2022 when 10-year yields fell below two-year yields.

THE POSITIVE SCENARIO

If the Fed is successful in pulling off a soft landing and the economy escapes a deep recession, corporate earnings could accelerate in 2024.

The problem is, consensus earnings are already expected to grow at a double-digit rate in 2024, so unless expectations are revised upward further, stocks may struggle due to valuation pressures.

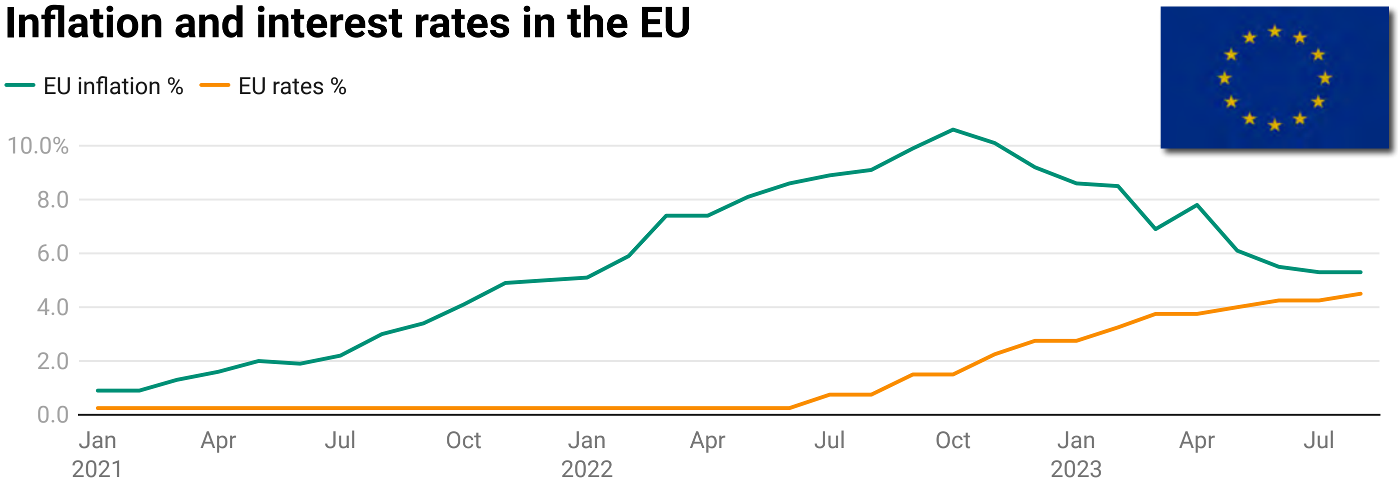
Inflation and interest rates in the US



August 2023 inflation rate consensus estimate. US Fed Funds Rate

Chart: Shares magazine • Source: US Labour Department, Federal Reserve

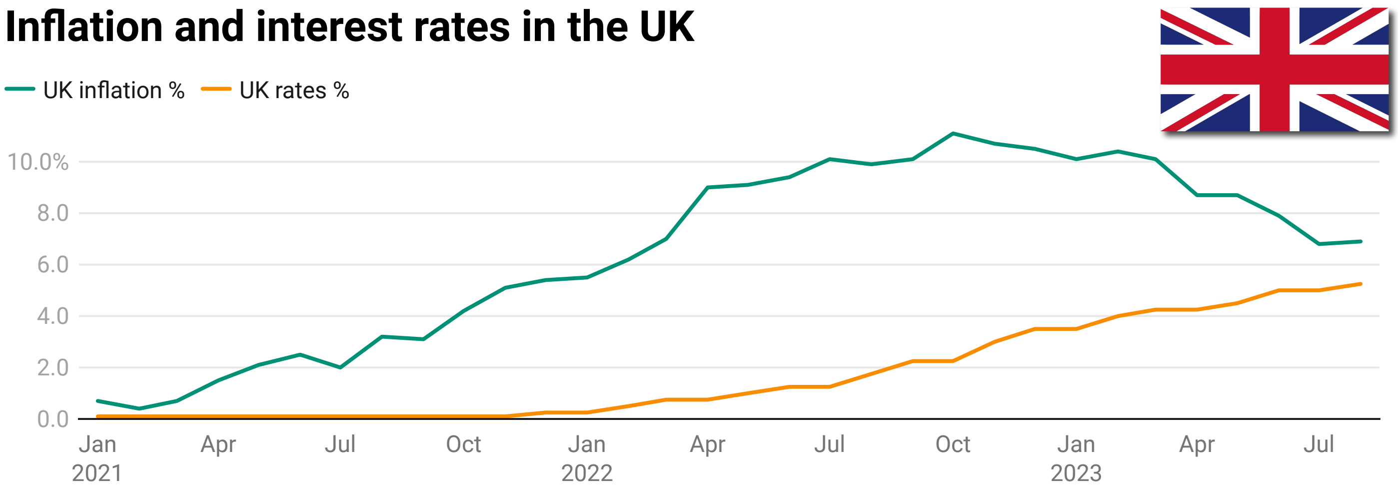
Inflation and interest rates in the EU



August 2023 inflation rate consensus estimate. ECB Marginal Lending Rate

Chart: Shares magazine • Source: ECB, Eurostat

Inflation and interest rates in the UK



August 2023 inflation rate consensus estimate. Bank of England Base Rate

Chart: Shares magazine • Source: Bank of England, Office for National Statistics

Moreover, the US cyclically adjusted price to earnings or CAPE ratio conceived by Robert Shiller is also elevated with a reading of 30.7, and has only been higher on two occasions.

That said, valuation indicators aren't reliable timing tools and it is possible valuations could become even more stretched.

WILL THERE BE A 'DASH FOR TRASH'?

In theory, stable or falling rates should benefit highly indebted companies and those with weaker balance sheets generally as refinancing costs should not get any higher or even fall.

These higher-risk companies could see a short sharp rally in their shares once it becomes clear rates are not moving higher, but stocks are forward-looking and some areas of the market may have already benefited as investors try to get ahead of the peak in rates.

For example, luxury car maker **Aston Martin Lagonda Global (AML)**, which it's fair to say is at the riskier end of the spectrum, has seen its shares shoot up over 300% since autumn last year which suggests investors have jumped the gun on rates topping out.

More speculative areas of the market such as AIM mining or oil stocks could also receive a boost as investors seek out higher-risk opportunities.

Long duration assets such as property, REITs (real estate investment trusts), infrastructure and renewable trusts, which have struggled since interest rates started to increase, could turn out to be good hunting grounds once it is clear rates have peaked.

The same goes for royalty-based companies such as **Hipgnosis Songs Fund (SONG)**, noting that peer **Round Hill Music Royalty Fund (RHMP)** last week received a takeover offer following a prolonged period of share price weakness.

Housebuilders may offer decent risk to reward opportunities once rates peak given the big share price falls across the sector in the last two years.

THE LESS ROSY SCENARIO

So far, the unrelenting strength of the US economy and the resilience of the labour market has allowed the Fed to be aggressive with rate hikes to combat inflation.

However, the reality is the central bank doesn't know for sure how restrictive its monetary policy actually is, which is why chair Jerome Powell often speaks of 'data dependency'.

The Fed's whole approach to the peak in rates is, 'We will know the destination when we get there.'

Given employment is a lagging not a leading indicator, it is possible the economy is already close to recession and the Fed and other central banks will have to make policy less restrictive.

We don't think stock markets are properly priced for this outcome and if the 'soft landing' scenario turns out to be wrong, equities could be vulnerable.

During economic downturns, commodities, financials, housebuilders and consumer cyclical shares usually take the brunt of the falls, while defensive parts of the market such as utilities, staples, technology and healthcare tend to outperform.

TWO IMPORTANTS ISSUES FOR INVESTORS TO CONSIDER

1

ARE BONDS A WIN-WIN?

Under either scenario, government bonds should perform well because if central banks have brought inflation under control. Both short-dated and longer-dated bond yields should fall (meaning prices move higher, as yield is the inverse of price).

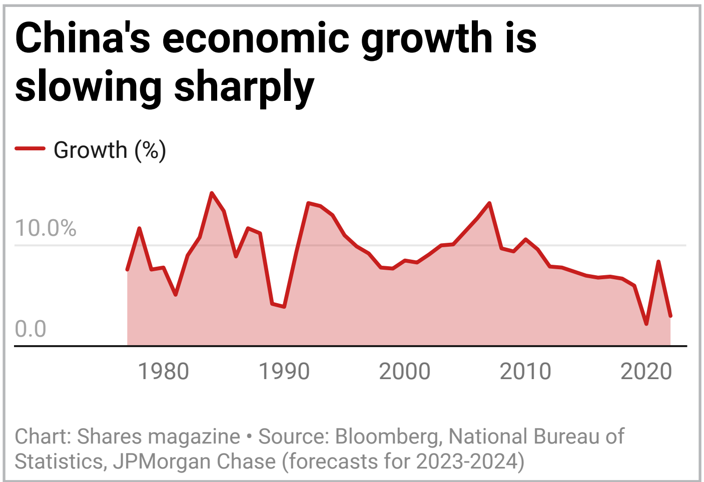
Given their greater sensitivity to moves in interest rates, longer-dated bonds (those with a 10-year maturity and above) should generate greater gains than shorter-dated bonds.

One caveat to the positive outlook for bonds is a scenario where central banks stop hiking prematurely, and inflation remains above target or takes longer to fall back to target.

In other words, persistently elevated interest rates could prove a problem, especially for bonds with longer maturities where the damaging effects of inflation will have a bigger impact.

2

DOES CHINA STILL MATTER?



China certainly still matters to global investors and policy makers, but surprisingly not in the way it used to before the pandemic.

As *Bloomberg's* senior economics writer Shawn Donnan explains, Western attitudes towards China have shifted of late as its $18 trillion economy struggles to recover its former growth trajectory.

'Policymakers are convinced that what is unfolding in China isn't just symptomatic of bigger long-term problems like its ageing and declining population but also what ought to be a shift in strategic thinking,' says Donnan.

'No longer are they planning for China's inevitable rise. The conversation now is venturing into whether the Chinese slowdown marks a sign its power is peaking prematurely, and that the hard work now should be to prepare for a declining rather than a rising China and all its consequences.

'This could be the (time) an economic narrative that for decades has guided the flow of capital and government assumptions and policies around the world flips on its head,' adds Donnan.

In that scenario the implications for energy and commodity companies are huge, as they are for foreign firms selling lifestyle or aspirational products into China.

It has even been suggested that president Xi Jinping is deliberately letting the economy fail, offering only limited measures to support the failing real estate sector and the yuan, which is heading towards its lowest level in over 15 years while foreign investors flee the markets.

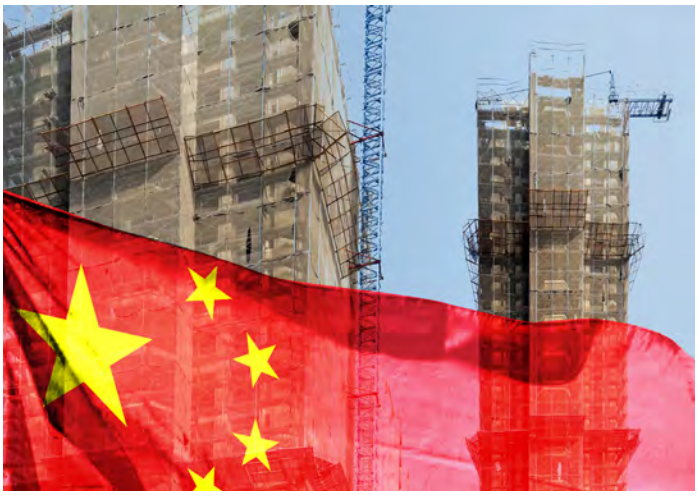
The theory is, whereas US president Joe Biden has spent trillions of dollars to run the US economy hot, Xi is doing the exact opposite in order to destroy once and for all the country's reliance on speculative development and shadow banking, namely unregulated lending.

China is undergoing 'an expectations recession', according to Bert Hofman, former China country director at the World Bank. 'Once everybody believes that growth will be slower going forward, this will be self-fulfilling.'

As it is, *Bloomberg Economics* estimates it would take until the mid-2040s for China's GDP (gross domestic product) to overtake that of the US, and even then, it would only be by a small margin, before falling behind again.

After growth of just 3% last year, analysts at JPMorgan Chase expect the economy to grow by 4.8% this year and 4.2% next year, which would mark the first time since the Mao era of the 1970s that growth has been below 5% for three years running.

What this means is Western economies – and by extension stock markets – can no longer rely on China to turn on the stimulus tap every time there is a risk of a global slowdown: they are now masters of their own destiny.



WHAT IS THE DATA TELLING US ABOUT ECONOMIC GROWTH GLOBALLY?

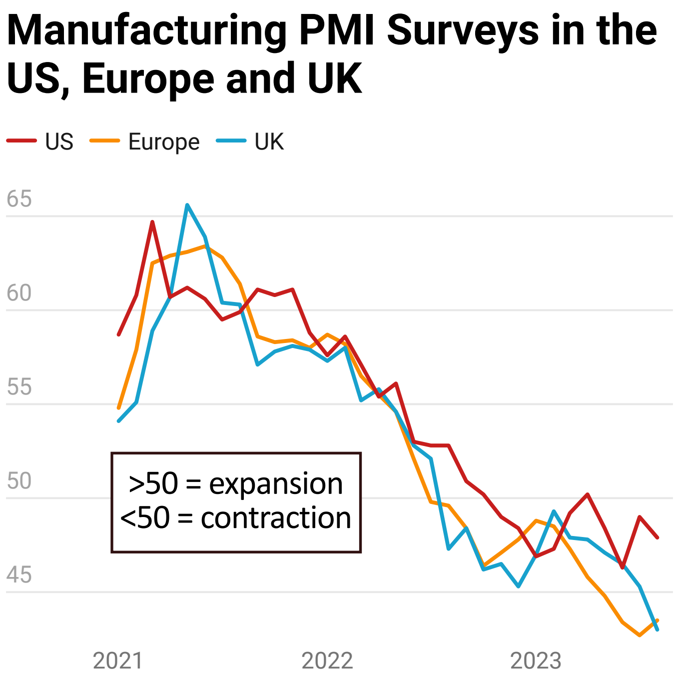


Chart: Shares magazine • Source: S&P Global, Y Charts

For all the talk of US resilience, it is clear from soft data like industrial confidence surveys and hard data such as manufacturing output that growth is slowing elsewhere around the globe.

While the US manufacturing PMI survey seems to have stabilised just below the expansion/contraction line (a reading of 50), the European and UK surveys are plumbing news lows, and whereas in the post-pandemic recovery phase the readings tended to beat expectations now they are regularly undershooting forecasts.

In terms of hard data, German factory orders plummeted by 11.7% between June and July, far worse than the estimate of a 4.3% fall.

Although the June reading was boosted by a large order in the aerospace industry, July showed continued declines in orders for technology products, mechanical engineering and electrical equipment, typically the kind of goods associated with industrial demand.

Domestic orders fell by nearly 10%, while overseas orders fell by close to 13% with orders from the Eurozone down 24%.

Meanwhile, UK factories suffered their worst month since the pandemic in August with orders collapsing 'at rates rarely seen outside of crisis periods' due to lack of confidence driven by rising interest rates, according to S&P Global.

The only saving grace seems to be the fact consumer spending is holding up better than might be expected given the cost-of-living crisis.

According to the British Retail Consortium, total retail sales rose by 4.1% in August, above the three-month average of 3.6%, with non-food sales having their best month since February.

The total figure was surely helped by higher prices and better weather after July's washout, but the increase in in-store purchases was a welcome sign, nonetheless.

WHERE DOES THAT LEAVE US?

The consensus view is that as long as people have jobs and unemployment stays low, as it is at present, then the global economy will muddle through, led by the US thanks to a mix of private consumption and government spending.

For now, central bankers seem prepared to sit on their hands and watch the economic data trickle through before they raise rates again, but the generally accepted view is the job isn't done yet.

The Fed's mind-set is, having been late to recognise the danger, it would rather put the economy into recession than risk easing rates too soon because it cannot allow the inflation genie to escape the bottle, even if it takes time to come down to its 2% target rate.

So far it appears investors have given central banks the benefit of the doubt and been happy to take on risk, but as we know sentiment can turn rapidly and if markets sense the economy is going down the tubes the mood music will change very quickly.

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

CC Japan Income & Growth Trust plc
An AJ Bell Select List Investment Trust

Uncovering income & growth opportunities in Japan

Portfolio manager Richard Aston's valuation-disciplined; total return approach is designed for investing in the Japanese stock market of today. With the strategy's core focus on consistent and improving shareholder returns, Richard looks to provide a stable income via dividends and share buybacks from Japanese companies of all sizes. Richard's high conviction and index agnostic portfolio aims to capture the key beneficiaries of Japan's improving corporate governance and ongoing structural economic reforms.

THE INCREASING IMPORTANCE OF DIVIDENDS IN JAPAN

Dividends, as well as share buybacks, continue to rise in Japan thus improving shareholder returns for investors. With a focus on companies that can provide both a stable dividend AND can demonstrate the ability to grow, CC Japan Income & Growth Trust aims to capture the best ideas that corporate Japan has to offer across sectors, the full market cap spectrum and even geographical reach (domestic, regional & global leaders).

The income focus warrants a disciplined approach to valuation and detailed fundamental research prevents the Trust from overpaying for high-growth companies that are often priced for perfection, whilst also avoiding cheap unloved stocks that are in-fact value traps.

The Trust's consistent and disciplined approach has demonstrated that it can perform throughout the cycle having meaningfully outperformed the TOPIX Total Return (in GBP) since launch in December 2015.

To find out more visit:
www.ccjapanincomeandgrowthtrust.com

Performance Track Record (%)

Total Return	12 months to 31/8/2023	12 months to 31/8/2022	12 months to 31/8/2021	12 months to 31/8/2020	12 months to 31/8/2019	Since Inception (15/12/2015)
Share Price	21.2%	4.4%	24.1%	-18.0%	-7.2%	100.3%
Net Asset Value (cum inc)	12.8%	2.6%	23.6%	-10.0%	0.5%	117.7%
TOPIX (in GBP)	6.3%	-3.7%	15.5%	0.7%	-0.8%	83.5%

Source: Independent NAVs are calculated daily by Apex Listed Companies Services (UK) Limited (by Northern Trust Global Services Limited pre 01.10.17.) From January 2021 Total Return performance details shown are net NAV to NAV returns (including current financial year revenue items) with gross dividends re-invested. Prior to January 2021 Total Return performance details shown were net NAV to NAV returns (excluding current financial year revenue items) with gross dividends re-invested. Ordinary Share Price period returns displayed are calculated as Total Return on a Last price to Last price basis. Past performance may not be a reliable guide to future performance. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. All figures are in GBP or Sterling adjusted based on a midday FX rate consistent with the valuation point. Inception date 15.12.15. Investments denominated in foreign currencies expose investors to the risk of loss from currency movements as well as movements in the value, price or income derived from the investments themselves and some of the investments referred to herein may be derivatives or other products which may involve different and more complex risks as compared to listed securities. CC Japan Income & Growth Trust plc (the Company) does not currently intend to hedge the currency risk.

Recently-retired Nicholas still likes to play the long game

This seasoned investor has no intention of simply playing it safe

After a career spanning more than 30 years in financial services, Nicholas has seen plenty of ups and downs in markets and had his fair share of winners and losers, but he understood early on the importance of staying invested through the cycle rather than trying to time the peaks and troughs.

In his first job in the probate office of a large UK bank, he was struck straight away at how well a small, regular investment plan had served the firm's customers and vowed to 'squirrel money away on the basis that it would keep compounding'.

He also had the odd flutter, but after a couple of heavy losses he decided to dial down his risk and spread his money across the market through funds and investment trusts and leave it there to accumulate.

'I used to dabble in individual stocks and had built a sizeable portfolio, but I got my fingers burnt once too often,' he relates.

'I quickly lost money investing in JJB Sports and I also doubled down in the banking crisis and lost my entire investment in Bradford & Bingley and other stocks. After that I stuck religiously to funds, enjoying their broader investment reach and security.'

A CONFIDENT INVESTOR

While Nicholas hadn't intended to retire early – he wryly recounts how he was 'downsized' over Zoom during the pandemic and a courier was sent to collect his work mobile and security pass – he doesn't miss the daily commute and having lived off his redundancy payment for the last couple of years he is now 'commencing drawdown and working out how best to access my money'.

'I worked in financial services and with pension products so I'm happy to manage my own investments,' says Nicholas, adding 'besides, I have an aversion to advisers and their charges, and their guesses are probably no better than mine.'

With a sizeable SIPP (self-invested personal pension) and stock and share ISAs, he has a substantial retirement pot.

'I've always been rather suspicious of governments and their tendency to tinker with pensions, so for many years I maxed out my ISA contributions.

'I like stock and share ISAs because they are so simple to understand and largely get left alone by the chancellor and lobby groups, whereas it always feels that pensions are under threat.

'My ISAs give me a broader spread of tax wrappers and has meant I've accumulated sizeable funds.'

His long-term SIPP holdings provide a spread of

Some of Nicholas' portfolio holdings

Long-term 'Steady Eddies'
Vanguard FTSE All Share
SPDR S&P UK Dividend Aristocrats
Barings German Growth
First Sentier Global Infrastructure Securities
HSBC Japan Fund Index
'Fun' Holdings
Cordiant Digital Infrastructure
Gore Street Energy Storage
Life Science REIT
Pictet Robotics
Tritax Big Box

Table: Shares magazine • Source: Investor's own records

investments, with the UK taken care of through the **Vanguard FTSE UK All Share Index Unit Trust (B3X7QG6)** and the **SPDR S&P UK Dividend Aristocrats ETF (UKDV)**.

Non-UK exposure is provided through **Barings German Growth Trust (B9M3QX4)**, **HSBC Japan Index Fund (B80QGN8)** and **First Sentier Global Listed Infrastructure (B24HJL4)**.

Nicholas uses his stocks and shares ISAs, bought through AJ Bell, 'to have a bit more fun, trading a bit more and chasing a few ideas and themes like energy, green stocks, real estate and infrastructure, whereas I stay rather more basic with the bulk of my other money'.

He has little time for the traditional approach to investing in retirement, which is to stay low-risk and just own bonds for income instead of having fun and betting on long-term outcomes.

'Stocks will always outperform property, bonds, cash and other assets – it's important not to over-analyse these things,' he believes.

'My AJ Bell funds may well be the last money I access so it's important to remember that some or much of it will be invested for many years, hence I'm willing to play the long game.'

BIG DECISIONS

However, Nicholas is conscious that now his investments have reached an optimum size and he's about to start decumulating, the investment decisions he makes today are big ones.

'A decade ago, I might have been sweating on how best to spread my £20,000 ISA investment every April. Should I put £5,000 each into four funds or £4,000 each into five funds. Now if I decide to shift 5% of my portfolio into X or Y, that's a £75,000 bet!'

The other big decision facing him is how much money to draw down, essentially trying to pre-plan how long he might live and what his long-term needs might be.

'No-one has a crystal ball, but I am influenced by my early work experience at a bank in wills and probates where every day I saw people who had died in their 70s and 80s and seemed to be living fairly modest lifestyles but who had really large unspent investment portfolios and were just living off the dividends.

'I don't intend to die later in life with loads of money that I could have enjoyed. It's also clear that I need more money in the earlier period of retirement than I will need in the later stages, say post age-75.

'The whole idea of an annuity paying a flat amount for life seems daft to me. It requires an odd sort of discipline, to force yourself to spend and enjoy money today when that little voice in your head keep saying "but what if it runs out?".'

Finding a solution to the £1.65 trillion gender investment gap

Women are poorer than men and that situation needs to be addressed

Rising interest rates and a cost-of-living crisis have added to the pressures on our lives. But women have been disproportionately affected, because on average they tend to earn less and because they don't have the same financial cushion in place as men.

That financial cushion, the gender investment gap, is something we've been thinking hard about for a couple of years.

AJ Bell's Money Matters campaign was launched in 2021 with an eye-opening bit of research which revealed that on average British women have less than half of the savings and investments (not including property) of men and cumulatively that amounts to a £1.65 trillion gap.

The latest gender pay-gap figure came in at 9.4% so it raised the question – what happens during a woman's life that ultimately makes them poorer and what can be done about it?

We didn't just want to conduct a bit of research; we wanted to identify and interrogate the reasons for the gap and create a toolkit to help make women more financially resilient.

ISSUES TO CONSIDER

There's always a bit of controversy when we talk about financial gender inequality but helping more than half of the population avoid these potholes can only help create a richer society which will in turn help everyone.

While it might seem counter-intuitive to work backwards, there's been so much focus on getting over-50s back into the workplace that discovering that half of all women over 50 surveyed said their career and finances had been impacted by caring responsibilities in later life felt like the right place to start.

I've just hit my own half century and to be honest it's now that I'm really starting to think about what my retirement will look like and how much longer I will need to work to make my dreams a reality.

What if I had to cut my hours, change job to one that paid significantly less or quit work entirely? I would need to establish what that would do to my pension and my plans.

At the moment I don't have grandchildren to look after, and my mum is still wonderfully healthy, but this is the time many women are having

to make tough choices about how they spend their time.

HOW WOMEN HAVE BEEN IMPACTED

Fifteen percent told us they had quit work because of caring responsibilities; 18% had cut back on their hours and 7% had taken a lower paid job in order to be able to juggle all those balls.

Think of all that experience, all that labour that could be boosting productivity but instead is leaking out of the labour market.

Men are impacted too, but to a lesser degree, which is why there is also a difference in the reasons men and women gave for returning to the workplace after retirement, with women more likely to say they had returned to work because they needed the money and men because they needed a new challenge or sense of purpose.

It's no coincidence all political parties have been focusing on the thorny issue of childcare costs as we head towards the next general election.

Although more men are taking up the option of paternity leave and sharing in childcare responsibilities it still has a disproportionately large impact on a woman's working life with many mothers taking career breaks or quitting work entirely, especially those with more than one child to look after.

Women's pension pots take a big hit during this period with only a quarter of women maintaining contributions at the same level and the same number cutting contributions entirely while taking parental leave.

The financial implication of being a parent is even prompting some women to delay having children or to make the decision not to have them at all.

With an already ageing population, that trend could have massive implications for the future.

REASONS TO BE OPTIMISTIC

Resources like AJ Bell's Money Matters project are providing financial toolkits and younger women in particular are prepared to have tricky conversations about their financial lives.

Sixty percent of those aged 25 to 34 said they had discussed finances with their partners before they had children compared to just a quarter of 55 to 64-year-olds. That younger generation is now more likely to split childcare costs and parental leave.

But women are still less likely to ask for a pay rise than their male colleagues and more likely to prioritise softer benefits like hybrid working or extra holiday entitlement over share schemes and higher pension contributions.

I've seen a lot of commentary railing about the 'pinkification' of women's financial resources and there will be plenty of people who will look at AJ Bell's survey and find fault.

But the differences between an average woman's finances and an average man's finances are clear and this research report only serves to highlight what we already know.

Women have 'Financial Wobbly Bits' – points in our lives where our fortunes – literally – diverge from men's.

Addressing that situation shouldn't be considered rude, sexist or wrong. It should be seen as an opportunity for discussion and for change.

Follow this link to read the AJ Bell Money Matters 'Financial Wobbly Bits' report and access a mini guide to financial fitness.

How does salary sacrifice work with pension contributions?

Here are the different ways you can contribute to a retirement savings pot and get tax relief

I recently joined a new company and they've offered to automatically enrol me into the workplace pension scheme using 'salary sacrifice'. What is this?
Anonymous

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

Employers are required by law to contribute to your workplace pension when you do, while you should also benefit from upfront tax relief and tax-free investment growth.

In 2023/24, the minimum total contribution from both employers and employees for workplace pensions is 8% (with a minimum of 3% from your employer) of earnings between £6,240 and £50,270, although many firms offer more generous terms.

Under automatic enrolment rules, the employer chooses the pension scheme on behalf of their employees. Some employers may offer you an alternative to the main pension scheme, such as a SIPP, but they are under no obligation to do so.

Different pension schemes will receive your contributions in different ways, but in most cases, you should still get the tax relief you are entitled to.

If you are in a 'net pay' pension scheme, your personal contributions are taken from your salary before income tax has been paid. Provided you are earning above the personal allowance of £12,570 per year, after your pension contributions have been deducted, if you are in a net pay scheme you should receive all of your tax relief automatically.

However, if your annual salary is less than £12,570 (after pension deductions), you may not receive your tax relief automatically. Anyone in this position should speak to their employer and their pension scheme to discuss their options.

The other main way to receive tax is 'relief at source'. If your pension scheme operates in this way, you pay contributions from your taxed salary and you will receive basic-rate tax relief automatically, regardless of your income tax band.

If you are a higher or additional-rate taxpayer and are entitled to extra tax relief, you can claim this from HMRC. Your extra tax relief will usually be paid to you via an adjustment to your tax code in the following tax year.

Some employers may also offer to pay pension contributions on your behalf via 'salary sacrifice' (on top of their normal contributions). This involves giving up a portion of your salary, with your employer instead paying you a 'non-cash benefit' – in this case, pension contributions.

This will mean you get your pension tax relief upfront, while also reducing employee and employer National Insurance contributions. In some cases, your employer may share some or all of the NI benefit they receive with you.

One thing to bear in mind when considering salary sacrifice is the impact it might have if you are made redundant. As your salary will be reduced, it is possible your redundancy entitlement will be reduced too. Taking less salary could also affect things like maternity and paternity pay, mortgage applications and some state allowances.

DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

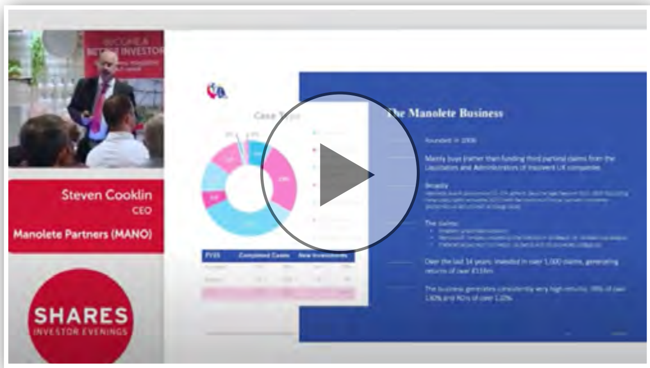
Send an email to **asktom@sharesmagazine.co.uk** with the words 'Retirement question' in the subject line. We'll do our best to respond in a future edition of *Shares*.

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.

WATCH RECENT PRESENTATIONS

Foresight Group
Mark Brennan, Partner

Foresight Group is a sustainability-led alternative assets and SME investment manager, managing £12.0 billion for some of the world's largest institutional investors, private and high net-worth individuals. In this session they will provide further detail on their OEIC products and management approach.



Manolete Partners (MANO)
Steven Cooklin, CEO

Manolete Partners is a specialist insolvency litigation financing company. We fund or buy insolvency claims. We work with Insolvency Practitioners and their lawyers to maximise returns to creditors.

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Michael Riedl, CEO, Billy Green, CFO

Team Internet Group is a leading UK-headquartered global internet solutions company that operates in two highly attractive markets: high-growth digital advertising (Online Marketing segment) and domain name management solutions (Online Presence segment).

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Transferring a pension – how and why you may want to do it

Everything you need to know about consolidating your retirement savings

Tracking down your lost pension pots and consolidating them into one place is a good financial admin task to tick off your list – if it suits your circumstances.

Finding those old pensions can be a lucrative exercise. Estimates vary but tens of billions of pounds are believed to be held in lost pension pots. The Pension Policy Institute calculated last year that over £26 billion of UK savers' money is stranded in lost pension accounts.

There's an admin benefit to tracking down and transferring pensions, as the money is all in one place – so you just have one log-in to remember.

You could also transfer to a pension account with cheaper charges, which would boost your long-term wealth.

WHAT TO CONSIDER BEFORE YOU TRANSFER

Before deciding to move your pension, you should check out the charges and investment options for both the pension company you want to move from and the one you want to move to.

You'll want to check the annual costs, as well as any trading costs or admin charges. And check the range of investments you can put your money into – to make sure there is sufficient choice for you.

If you're nearing retirement, you'll also want to consider the options for retirement income that the pension providers offer.

A

£100,000 pension pot switched from a product with total charges of 1.5% to a platform where charges total 0.75% could be worth £11,000 more in 10 years' time or £32,000 more after 20 years.

If you've got smaller pension pots worth £10,000 or less it might be a good idea to leave them where they are – as you would be able to withdraw the entire pot as a 'small pot lump sum' without affecting your future pension contributions.

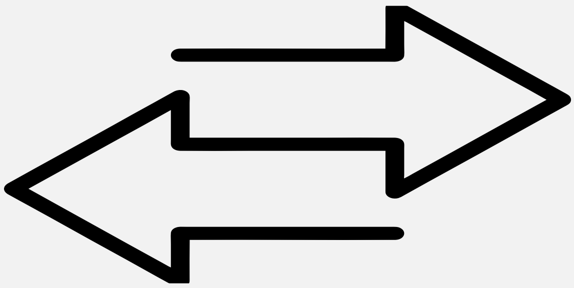
WATCH OUT FOR SCAMS

Above all else when transferring your pension, you need to make sure you're moving to a reputable pension provider and that the money is staying inside a pension.

So-called 'pension liberation' schemes may offer the option of accessing your pension pot before the age of 55 – but it's likely to be a scam and could mean you lose all your money – and face a 55% tax charge for taking your money out of a pension early.

Also be wary of any pension provider promising high returns – these are likely to be scams too.

Check the provider, and any adviser who has contacted you about transferring, is registered with the FCA (you can check on the FCA's register online) and check their contact details match what you're using. If you've been contacted out of the blue about the transfer it's likely to be a scam.



WHAT ARE THE BENEFITS OF TRANSFERRING A PENSION?

- Opportunity to switch to a lower cost scheme
- Opportunity to access a greater range of investments
- Less paperwork if you put all your pensions into a single pot
- More convenient if you only need one log-in to monitor your pension (as a result of consolidating your pots to a single place)

THE TRANSFER PROCESS

If you do decide to transfer, what does transferring your pension involve, how long does it take and how can you get started?

The provider to whom you're moving should take care of much of the work for you. You can transfer most types of pension into a SIPP, including a pension you're already taking money from.

Your first step is to find the paperwork for the pension you want to transfer, including its valuation and details of any guarantees it includes. These guarantees might range from a higher tax-free lump sum or a guaranteed annuity rate – and you could lose them if you transfer.

You'll also want to check that you're not going to face any penalties for moving – some providers will charge you for transferring out, but equally your new provider may offer to cover some (or all) of those costs. You'll need all this information to fill out a pension transfer form to get the process started.

It's also a good idea to check out the Government's MoneyHelper service, which offers free, impartial guidance, to make sure you're making the right move. Alternatively, you could get financial advice, if you want to get an adviser to check your financial situation.

If you are hoping to transfer a defined benefit pension, you'll need a financial adviser to recommend the move if the pension is worth £30,000 or more – so bear that in mind before you start the paperwork. Another thing to consider is that if you're in poor financial health it's a good idea to get financial advice, as there may be tax implications if you die within two years of the transfer.

FILLING OUT THE TRANSFER FORM

Once you've ticked all those boxes you should be ready to fill in your transfer form. You'll need to already have a SIPP account open with the provider you want to transfer to – so they can pay the money into that account. For some providers transfer forms can be done online, while for others

TWO WAYS TO TRANSFER A PENSION

1. Instruct your existing pension provider to sell your investments and then transfer the money as cash to your new pension provider, where you can build a new portfolio

2. Transfer all your existing investments to your new pension provider – this is called an 'in-specie' transfer

it will be a case of filling out paperwork and posting it off.

Sometimes the process to transfer a pension can be very quick and other times it can drag on – but the pension you're moving from must carry out the transfer within six months. In reality it should be much quicker.

Pension transfers often take longer than ISAs, but it depends on what your pension is invested in and whether you want to keep it invested.

It also depends how quickly both the pension company you're leaving and the one you're transferring to act. Often you might be asked for additional information, so if you want the process to go quickly you should reply to these requests quickly.

CAN YOU KEEP YOUR INVESTMENTS WHEN TRANSFERRING?

You can choose to keep your pension invested (often called an 'in specie' transfer) – the benefit of this is that you don't miss out on any days in the market, but the downside is that it can take longer to move the money over.

Your new pension provider will need to check they offer the same investments and may need to move them to a different share class. Alternatively, you can choose to move your existing pension into cash and then transfer the cash over, before making new investments once the transfer has happened. This means that if markets soar in the days or weeks when you're out of the market you won't benefit (but equally if markets fall, you won't be hit).

HOW LONG DOES IT TAKE TO TRANSFER?

As an example, a transfer in cash usually takes between two and four weeks, while one involving shares takes four to six weeks, and funds take six to eight weeks, while international shares take 10 to 12 weeks. These are only a guide and you should be prepared for it to take longer.

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