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What does the Year of the Dragon hold for Chinese stocks?

After nearly three years of losses, *Shares* asks emerging market and specialist managers their take on where the Chinese stock market goes this year.

Four years on from the Covid sell-off, why has the recovery been so patchy?

Despite a recovery in the FTSE 100 index, hundreds of UK stocks continue to trade below their pre-pandemic levels.

Meet the only manager with five years of double-digit returns

Many investors may not have heard of Argonaut Absolute Return, so *Shares* sat down with manager Barry Norris to learn the secrets of his success.

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:



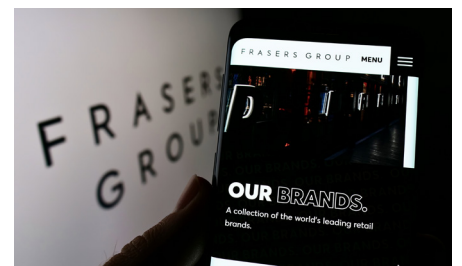
JPMorgan Global Growth & Income to issue new shares at a premium



Beware the lurking threat after Arm's stunning run



TUI delivers record performance but all eyes on London de-listing vote



Frasers launches fresh £80 million buyback and boosts N Brown stake

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S&P 500 surpasses 5,000 milestone and chip design firm ARM almost doubles in a week

US index is already way above many analysts' December 2024 forecasts

S&P 500

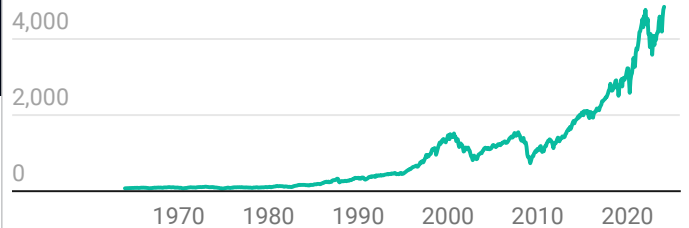


Chart: Shares magazine • Source: LSEG

The S&P 500 hit another historic high on 9 February, closing above 5,000 for the first time. This milestone comes as no surprise for those investors paying close attention to the index.

The S&P 500 has been on a general uptick since last October, rising 21% since the end of that month. And the reason for this new record? Strong earnings from its main constituents including **Meta Platforms (META:NASDAQ)**, which not only reported impressive fourth quarter earnings but issued its maiden dividend – year-to-date the shares are up 32.2%.

Then there is microchip technology firm **Nvidia (NVDA:NASDAQ)** whose shares are up 45.7% year-to-date. Nvidia is due to report fourth-quarter earnings on 21 February with analysts expecting revenue of more than \$20.2 billion, a more than three-fold increase on last year due to surging demand for AI (artificial intelligence).

Other companies which have buoyed the US index include global streaming giant **Netflix (NFLX:NASDAQ)** and software and services firm **Microsoft (MSFT:NASDAQ)**.

These mega caps were also the drivers of most of the index's 24% gain in 2023.

However, it isn't just technology stocks which have lifted the index recent US economic data such as job numbers and consumer spending point to a surprisingly resilient economy in the face of record interest rate hikes.

In the healthcare sector, shares in **Eli Lilly (LLY:NYSE)** have scaled fresh heights this year after the diabetes and weight-loss drug maker reported fourth-quarter sales and earnings above analysts' estimates.

Over the last five years, Eli Lilly shares have gained 489% taking the company's market value to \$669 billion, overtaking EV (electric vehicle) maker and former market darling **Tesla (TSLA:NASDAQ)** on the way and making it the 10th largest S&P 500 constituent.

Elsewhere, hotly-anticipated new listing **ARM (ARM:NASDAQ)** has not disappointed, posting better-than-expected results and a strong outlook, sending its shares up nearly 50% in a single trading session and 98% over five trading days to take its market cap to more than \$150 billion.

The Cambridge-headquartered chip design firm reported a better-than-forecast 14% revenue increase in its December quarter revenue and now projects sales will rise as much as 20% for the financial year to March 2024. There is considerable excitement about its growth in the AI sphere. [SG]

Best-performing big US stocks in 2024

Company	Year-to-date change (%)
Nvidia	45.7
Meta Platforms	32.2
Eli Lilly & Co	26.7
Advanced Micro Devices	17.0
Netflix	15.3
Merck & Co	15.1
Broadcom	15.0
Amazon.com	14.8
AbbVie	12.3
Microsoft	11.8

Note: includes S&P 500 companies with market caps of \$200 billion or more.

Table: Shares magazine • Source: Sharepad, 12 February 2024

Big banks expected to report largely benign fourth quarter earnings

Lloyds may be at risk from probe into commission-led car loans

The publication of full-year results by the big four UK high-street banks is imminent and there will inevitably be a good deal of scrutiny of their margins and provisions for bad loans.

If last week's update from **Virgin Money UK (VMUK)** is any guide, net interest margins should be fairly steady although that will depend on how keen the major players have been to expand their loan books.

Virgin itself was fairly conservative, showing a slightly lower balance of mortgage lending as it took what it called a 'disciplined' approach and went for quality over quantity.

The 'challenger lender' noted that on the whole credit quality was good, and that it had seen an uptick in sentiment among home buyers now it seems interest rates have peaked.

That improvement in consumer sentiment was also picked out by **Barratt Developments (BDEV)** and **Redrow (RDW)** in their trading statements, which were slightly overshadowed by the news of the all-share takeover by Barratt of Redrow.

According to the latest Bank of England credit conditions survey, there was a small uptick in mortgage and consumer loan defaults last quarter, and expectations are for these to continue into the current quarter along with rising defaults by small businesses, but in each case we are still talking about historically low levels and provisions are ample.

Also, while lower rates this year may mean less income on loans, UK swap rates have fallen in advance of interest rates so the banks' cost of funding is lower.

If there is one fly in the ointment it is the review by the FCA (Financial Conduct Authority) of discretionary commission deals in car finance.

According to Jefferies bank analyst Joseph

Dickerson, in a worst-case scenario, claims could reach £13 billion with **Lloyds (LLOY)** alone potentially on the hook for up to £1.8 billion.

NatWest (NWG) is the first to report earnings on 16 February, followed by **Barclays (BARC)** on 20 February then **HSBC (HSBA)** and Lloyds on 21 February.

In terms of conviction, Dickerson rates HSBC as his number one pick based on its proven return on tangible equity and dividend yield.

Among the UK domestic players, Barclays is his preferred choice due to its high level of pre-provision profitability, gearing to lower interest rates, capital return – which is around 40% of its market cap when adding together dividends and buybacks – and what he calls the 'asymmetric payoff potential' given the shares trade on just 0.4 times tangible book value. Notably Barclays has just agreed a £600 million deal with **Tesco (TSCO)** to acquire the latter's retail banking business. [IC]



FTSE 350 Banks



Chart: Shares magazine • Source: LSEG

Consolidation in commercial property market shows no signs of slowing

Takeover of UK Commercial Property would create a £6 billion giant

The recent wave of takeovers and mergers in the quoted UK commercial real estate sector has continued this week with the proposed all-share takeover of **UK Commercial Property (UKCM)** by **Tritax Big Box (BBOX)**.

The deal, which values UKCM at 71.1p per share or a 10.8% premium to the previous day's closing price, would create the UK's fourth-largest REIT (real estate investment trust) by market cap with a combined portfolio valued at around £6.3 billion, and has the blessing of UKCM's two biggest shareholders.

In November 2023, UKCM was approached by smaller rival **Picton Property Income (PCTN)** with a view to merging, but that deal was sunk by lack of support from UKCM's largest shareholder Phoenix Life, which owns 43% of the company's shares.

Since then, **Custodian Property Income (CREI)** and **abrdn Property Income (API)** have agreed an all-share deal with Custodian paying a 29% premium for API shares to create a company with around £1 billion in assets.

While the API deal makes obvious sense – both firms have an income focus as well as a similar strategy of investing in regional, sub-institutional sized assets with strong rental growth potential – there were few who predicted a tie-up between Tritax Big Box and UKCM.

The firms argue there is a 'compelling strategic and financial rationale' for the combination given both have logistics-oriented portfolios, but UKCM has just 60% exposure to the industrial warehouse sector and its property sizes are smaller while the rest of its holdings comprise retail, office and leisure assets, including a Hyatt hotel under construction in Leeds.

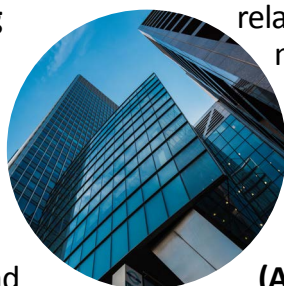
'As one of the largest funds in the peer group and with its shares trading at a tighter discount than many of its closest peers, UKCM was not the most obvious takeover candidate. In addition, due to its specialist industrial & logistics sector focus, BBOX was perhaps not the most obvious acquirer',

commented Winterflood's investment trust specialist Emma Bird.

Bird also observes, 'some shareholders will have owned UKCM for its diversified portfolio and its relatively low risk profile, which will not be maintained post-merger given Tritax Big Box's specialist strategy, higher leverage (32% LTV as at 31 December) and notable development exposure (7% of portfolio)'.

There may be a less obvious reason for the deal, however: asset manager **abrdn (ABDN)**, which manages UKCM, also owns 60% of Tritax Management, and is actively trying to reduce overlap between its funds and trusts, which it has already done in the Japanese and Asian markets.

January's takeover of API by Custodian and this week's proposed deal could therefore represent further 'housekeeping'. [IC]



Many UK real estate investment trusts are still trading on wide discounts

Investment trust	Last price	Discount to NAV
Regional REIT	22.3p	71%
Life Science REIT	51.8p	43%
abrdn Property Income Trust	52.5p	37%
Schroder Real Estate	43.1p	34%
Custodian Property Income REIT	69.3p	26%
Balanced Commercial Property	76.7p	30%
Supermarket Income REIT	75.9p	22%
Alternative Income REIT	67.8p	18%
LXI REIT	100.1p	10%

Discounts calculated using latest declared NAVs

Table: Shares magazine • Source: AIC, data to 12 February 2023

Global data services specialist Experian continues to deliver positive news

Shares up 8% in the past month as the firm enjoys growing demand

Shares in global data services specialist **Experian (EXPN)** are on a roll after the firm reported another strong set of results lifted by strong global demand.

In November, the group reported a 5% increase in revenue on an organic basis to \$3.42 billion for the six months ending 30 September 2023 driven by demand at both its B2B (business-to-business) and consumer divisions.

It also announced its first interim dividend of \$0.18, payable to shareholders on

2 February.

The good news continued with the company's third-quarter trading update last month, with chief executive Ben Cassin reporting the company had delivered growth 'at the upper end of expectations.'

Cassin said for the full year 2024, the global data services specialist expects organic top-line growth to be between 5-6% 'with modest margin accretion, all at constant exchange rates and on an ongoing basis.'



'Bright sparks' in the third quarter were Latin America, where group revenue was up 15%, and the UK and Ireland group where revenue was up 12%.



Experian



Chart: Shares magazine • Source: LSEG

Over the past month the shares have gained 8% to a new 12-month high of £33.60, not far off their late 2022 record levels, as the company continues to strike a chord with businesses and consumers worldwide. [SG]

Shares in specialty chemical maker Victrex hit fresh multi-year lows

Latest trading update provides little relief for long-suffering investors

High-performance polymer-maker **Victrex (VCT)** delivered a downbeat assessment of the outlook for the current financial year last week citing weakness in demand in several end-markets.

The update caused the shares to fall almost 15% to a new multi-year low of £11.52 before clawing their way back gradually to the £13.40 level.

In December, the firm warned it was seeing a slow start to the year, with volumes even lower than the seasonal norm, and

last week it reported a 22% drop in quarterly revenue which it blamed on order phasing and destocking in some markets and a 'prolonged downturn' in others including electronics, energy and industrial.

Victrex shares enjoyed a moment in the sun in 2021 thanks to firm end-markets and investor interest in the sector, but aside from that they have been on a downward slope ever since peaking in 2018 and last week's sell-off took them close to decade lows.

The firm did say it had seen an improvement in its monthly run-rate since the start of 2024, with January



Victrex



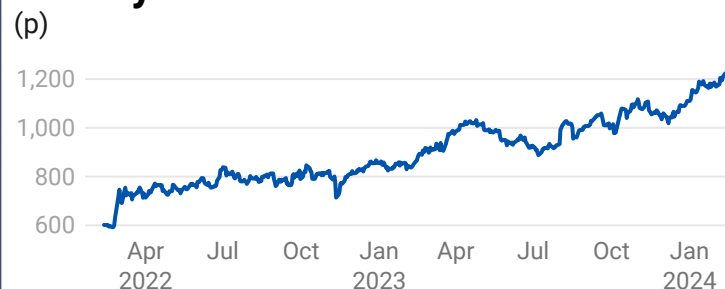
Chart: Shares magazine • Source: LSEG

trading 'slightly ahead of the prior year', but it also said it was 'mindful of the limited visibility of an uptick in several markets' and first-half sales and earnings would be down on last year.

The chief executive admitted a continuation of the current macro-economic conditions 'makes achieving a profit growth outcome for the year more challenging and requires a further step up in run rates for the remainder of FY 2024'. [IC]

BAE Systems riding high ahead of its full year results

BAE Systems



UK UPDATES OVER THE NEXT 7 DAYS

FULL-YEAR RESULTS

16 February:

NatWest, Segro

19 February:

Moneysupermarket

20 February:

InterContinental Hotels Group, Antofagasta, Barclays, Plus500

21 February:

HSBC, Rio Tinto, Glencore, BAE Systems

22 February:

Jupiter Fund Management, Indivior, Anglo American, Morgan Sindall, Mondi, Rolls Royce, WPP, Lloyds Banking Group, Hikma Pharmaceuticals

FIRST-HALF RESULTS

19 February:

Wilmington

20 February:

Springfield Properties

22 February:

Hargreaves Lansdown, Genus, Pantheon International

TRADING

ANNOUNCEMENTS

22 February:

Hays

The shares have had an extremely strong run leaving little margin for error

It has been a stellar two years for defence business **BAE Systems (BA.)**, among the very best periods in the company's history. The war in Ukraine and other tensions around the world have acted as a spur for global governments to invest in their military capability and BAE has positioned itself in the right areas to take advantage.

This has been rewarded by the market and means there is little margin for error when the company reports its full year results on 21 February. At £12.17 the shares trade on 18.1 times consensus 2024 earnings.

Investment bank Berenberg had pretty high hopes for these numbers when it previewed them just before Christmas, analyst George McWhirter expecting a strong outcome after the upgrade to guidance the company delivered at the half-year stage. He thinks this will be sustained by a robust showing in its maritime division.

McWhirter is also positive on the medium-term future for the business: 'We think BAE is well placed to deliver 10% earnings per share compound annual growth over the mid-term.'

'The building blocks are a combination of mid-to-high single-digit organic revenue growth, steady margin expansion and low single-digit accretion from the ongoing share buyback.'

Commentary on the extent to which rising military budgets are feeding into contract awards could well hold the key to the market's reaction to BAE's looming update. [TS]

What the market expects of BAE Systems

	EPS	Revenue
2023	62.4p	£24.6bn
2024	67.7p	£26.8bn

Table: Shares magazine • Source: Stockopedia



Will Nvidia deliver more knockout earnings?

Wall Street consensus aligns for more exciting and sustained growth

Can AI (artificial intelligence) chip leader **Nvidia (NVDA:NASDAQ)** keep putting forecasts to the sword? The Santa Clara-based design business has blown past expectations in each of the past four quarters and skipping a soggy third quarter for earnings in 2022, it's a forecast-thumping record that stretches back to 2019.

Last year saw half a dozen upgrades to estimates, a run that triggered a 240%-odd stock rally, but investor excitement remains undiminished – the share price has jumped 50% already in 2024 for a market cap that is now closing fast on \$2 trillion.

This leaves fourth quarter 2024 (to

31 Jan) consensus estimates calling for earnings of \$4.54 per share on \$20.3 billion of revenue. This time a year ago the company reported \$0.88 on \$6.05 billion of revenue.

Yet the powerful AI growth engine is increasingly believed to be a structural technology shift not seen since the internet was invented. Analysts see earnings and sales ballooning 68% and 56% respectively in the new fiscal year to January 2025 and recent speculation of talks between Nvidia top brass and many of its biggest clients, **Apple (AAPL:NASDAQ)** and **Amazon (AMZN:NASDAQ)** among them, about bespoke AI chips looks likely to fuel the buying frenzy for now. [SF]

What the market expects of Nvidia

	EPS	Revenue
Q4 forecast	\$4.51	\$20.18bn

Table: Shares magazine • Source: Zacks



US UPDATES OVER THE NEXT 7 DAYS

QUARTERLY RESULTS

16 February:

Arbor, Treehouse Foods, Cinemark, Barnes

19 February:

Helix, Unisys

20 February:

Walmart, Home Depot, Medtronic, Public Storage, Realty Income, CoStar, SolarEdge Technologies

21 February:

Nvidia, Exelon, Synopsys, Verisk, Garmin



22 February:

Intuit, Booking, Autodesk, Moderna

Focus on GDP and Fed meeting minutes after big inflation numbers

Markets will hope to avoid any negative surprises

After an uneventful few days over the tail end of last week and the beginning of this week, the economic calendar moves into high gear with the all-important US and UK January consumer price indices due for release just before *Shares* goes to print.

Markets often go up during quiet periods, and the last week has been no exception with the S&P 500 index in the US hitting/approaching the

Macro diary 15 February to 22 February

Date	Economic Event	Previous Month
15-Feb	UK Q4 GDP	-0.1%
	UK December Construction Output	0.9%
	US February Philadelphia Fed Manufacturing Index	-10.6%
	US January Industrial Production	1.0%
	US January Retail Sales	5.6%
16-Feb	UK January Retail Sales	-3.2%
	US January Producer Prices	1.0%
19-Feb	UK February Rightmove House Prices	-0.7%
20-Feb	US January Leading Index	-0.1%
21-Feb	US Federal Reserve meeting minutes	
	UK January Public Sector Net Borrowing	£6.85bn
22-Feb	UK February CBI Industrial Trends Orders	-30.0%
	Eurozone January Consumer Price Index	2.8%

Table: Shares magazine • Source: Morningstar, central bank websites

Next Central Bank Meetings & Current Interest Rates

Date	Event	Previous
07-Mar	European Central Bank	4.5%
20-Mar	US Federal Reserve	5.5%
21-Mar	Bank of England	5.25%

Table: Shares magazine • Source: Morningstar, central bank websites

5,000-point level for the very first time although the FTSE 100 was held back by a few disappointing large-cap earnings reports.

Goods inflation has been falling steadily thanks to easing supply chains and energy disinflation, but we are coming to the point where base effects could make further progress rather slow.

Service inflation was a lot slower to start falling, which it now is, but it needs to keep declining for the headline figure to move towards the central banks' targets and with wages being a big part of service costs this is likely to be the area the market focuses on.

Aside from the inflation figures, which will be in the rear-view mirror by now, there is UK fourth-quarter GDP which the ONS (Office for National Statistics) forecasts was just 0.1% after zero growth in the third quarter.

On an annual basis, and taking into account the rate of inflation, real GDP is expected to have grown by just 0.6% last year against 4.3% in 2022, and is seen growing by 0.7% this year as 'squeezed real wages, higher interest rates and unwinding government support all weigh on economic activity' according to the OBR's November 2023 economic and fiscal outlook.

The GDP figures are followed by UK January retail sales, which should show an improvement from December's disastrous number: currently the consensus expects a 1.5% month-on-month rise in the headline figure and a 1.7% rise in core sales.

Next week sees the release of the Rightmove house price index and public sector net borrowing in the UK and, much more significantly, the minutes of the Federal Reserve's latest meeting. Investors will be hunting for clues on the future trajectory of interest rates across the Atlantic. [IC]

BECOME A BETTER INVESTOR WITH SHARES



SHARES MAGAZINE HELPS YOU TO:

- **Learn** how the markets work
- **Discover** new investment opportunities
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- **Explore** sectors and themes
- **Spot** interesting funds and investment trusts
- **Build** and manage portfolios

Why investors should access the high-quality growth on offer at Judges Scientific

This company has been running the buy and build model the right way for years

Judges Scientific
(JDG:AIM) £98.82

Market cap: £655 million



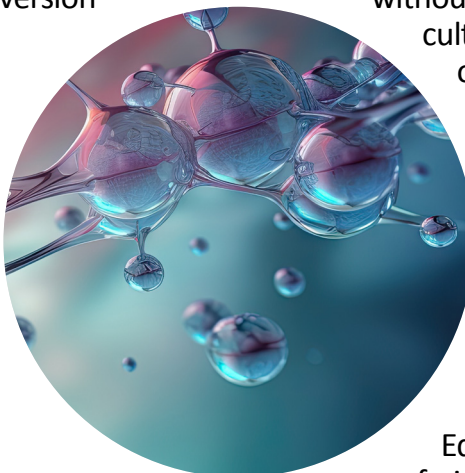
Science kit manufacturer **Judges Scientific (JDG:AIM)** has built up a loyal fan base over the years, both ordinary and professional investors. We continue to see the stock as a core smaller company growth holding that will gradually build value for portfolios, while letting you sleep comfortably at night.

Over the past 10 years, the stock as recorded a 16.2% total return yearly. In other words, £1,000 invested in 2014 would be worth nearly £4,500 today including dividends.

A FOCUSED AND HIGH-QUALITY COMPANY

Judges is a focused and high-quality company that runs a portfolio of niche science-based businesses. It has often been seen as a smaller version of **Halma (HLMA)**, the FTSE 100 health, safety, and environmental equipment designer, which is high praise. In a similar vein to its larger peer, Judges likes to hand its portfolio businesses a level of independence, letting local management operate with a certain level of autonomy.

Its activities span a range of interests tapping engineering, technology and advanced sciences that are helping to create the modern world around us, such as nanotechnology, chemical engineering, fibre optic testing, advanced materials research, LED and x-ray technology, and much else. It has won multiple Queens'



Judges Scientific

(p)



Chart: Shares magazine • Source: LSEG

Awards for innovation.

What each portfolio business has in common are established products, international customers and scope for sustainable growth, profits, and cash flows. Targets tend to be small, sometimes underfunded specialists well known to the Judges team, which helps de-risk integration and lays a firm foundation for future growth potential without losing entrepreneurial spirit culture, a crucial element of its success over the years.

AN EYE FOR A BARGAIN

Judges' eye for a bargain also means it seldom pays large premiums for target companies, which are typically funded from existing cash resources or borrowings, which means shareholder dilution is minimal.

Equally important, the company is not afraid to walk away from negotiations if the deal is not right, which can lead to occasional dry years for acquisitions.

Higher interest rates over the past couple of years has increased borrowing costs yet there is

no question of the company overstretching its balance sheet. 'Based on its covenant structures, we estimate Judges has £80 million of firepower for full year 2024 (to 31 Dec), affording it significant M&A optionality', Berenberg analysts recently wrote in a note to clients.

Berenberg's detailed analysis of various M&A strategies Judges could employ leads it to see potential for an extra 20p per share of earnings being added to current forecasts for 2025.

The underlying business continues to grow organically, with the backcloth becoming more encouraging. In the first half of 2023, Judges posted organic revenue growth of 16.5%, with organic orders up 14%. Organic revenue excludes contributions from all acquisitions in the 12 months before the start of the period under review, so going back to January 2022 in its 2023 first half.

Profit and cash flow continue to impress. Pre-tax profit adjusted for recent acquisitions, jumped 33% to £12.8 million in the half year, while cash thrown off by the business was up 40% at £11.5 million. Net debt for the full year is expected to be about £44 million, barely 40% of shareholders' equity.

A growing stream of income remains a key part of the package and first half dividends were upped 23% in June to 27p per share. Berenberg is



Key data points

Compound average growth rate (earnings past six years)	24.5%
Operating margin	11.8%
Return on capital	10.2%
Return on equity	13.5%

Table: Shares magazine • Source: Stockopedia

estimating about 93p per share for the full year, so the dividend yield is limited at around 1%.

JUDGES' BUSINESS MODEL



Source: Judges Scientific

THREATS COULD EMERGE

Potential threats could emerge with Brexit making life less easy for trade with Europe, while a significantly stronger pound might crimp demand. M&A opportunities could also dry up, in theory. That seems unlikely given the vast fragmentation of its target markets, while a mainly fixed cost base is something that the company can control.

Helped by the firm's already widespread revenue sources, when rate cuts do eventually come, potentially in the second half of this year, we would expect it help provide a meaningful catalyst for the company.

Judges' shares have frequently traded on a price-to-earnings (PE) multiple of above 20 to 25, sometimes higher, and a 2024 PE of 25 is in line with larger peer Halma. That said, the valuation factors in no M&A. This leads us to believe that estimates will prove low as the year ticks by, and we would expect the share price to steadily track higher as 2024 progresses. [SF]

Buy ICG Enterprise Trust at a 40% discount while you still can

This underappreciated private equity fund offers exposure to defensive growth in the US and Europe

ICG Enterprise Trust
(ICG) Price: £11.66

Market cap: £783 million

BUY

A 40.5% discount to NAV (net asset value) on **ICG Enterprise Trust (ICGT)** looks a compelling value opportunity for investors seeking exposure to a private equity portfolio with a history of delivering resilient sales and earnings growth.

While the nature of the unquoted investments made by the trust means some discount is almost inevitable, the current level seems overly severe considering ICG Enterprise's long-term record of generating attractive returns.

Shares sees potential for a re-rating now that interest rates have peaked, credit markets are easing and with 2024 expected to see a pick-up in mergers and acquisitions (M&A). Historically, periods of higher private equity transaction volumes have helped support valuations and driven NAV growth for a trust which is also returning capital to shareholders through dividends and buybacks.

Managed by **Intermediate Capital Group's (ICP)** Colm Walsh and Oliver Gardey, the FTSE 250 trust invests in profitable, cash-generative private companies in the US and Europe with the aim of generating long-term defensive growth.

An investor in unquoted companies directly and through specialist funds, ICG Enterprise is differentiated from peers in being the only UK-listed private equity investor focused exclusively on buyouts in developed markets, since the managers believe they offer the best risk/reward profile for shareholders over the medium to long term.

A bias towards mid-market and large deals which are viewed as more defensive than smaller deals

ICG Enterprise Trust

(p)



Chart: Shares magazine • Source: LSEG

reduces risk, as does the emphasis on defensive growth companies in sectors with non-cyclical growth drivers such as technology and software in particular, together with healthcare, businesses services and education. The focus is very much on firms with strong market positions, pricing power and structurally high margins.

2023 was a quiet year for M&A activity in general, but the quality of ICG Enterprise's portfolio meant the trust's realisation rate stood up well against its peers, and the trust, which has the balance sheet firepower for further deals, continues to execute on new investments to fuel future NAV growth.

For the third quarter ended 31 October 2023, the portfolio generated positive cash flow and generated an NAV per share total return of 3.3%, along with 12 full exits at an uplift of 33.7% to their carrying value. ICG Enterprise has said it plans to pay total dividends of 'at least' 32p per share for the year to January 2024, up from 30p in full year 2023.

The portfolio offers exposure to an array of successful companies ranging from fire protection systems supplier Minimax to pet products purveyor PetSmart, ice cream maker and distributor Froneri, premium campsites-to-holiday parks play European Camping Group, not to mention business management software firm Visma. Reflecting the complexity of managing a portfolio like this ongoing charges are relatively high at 1.48%. [JC]



Unilever reassures investors with return to volume growth

Changes to unlock increased shareholder returns are on the way at the Marmite-to-Magnum maker

Unilever

(ULVR) Price: £39.93

Gain to date: 4.6%

We suggested investors buy fast-moving consumer goods goliath **Unilever (ULVR)** at £38.19 in January 2024 on the grounds the Marmite-to-Hellmann's maker's intrinsic strengths were underappreciated by the market. Poor sentiment reflected market share losses for some key brands amid cost-of-living squeeze-induced consumer downtrading, and there had been an underwhelming reaction to new chief executive Hein Schumacher's plan to 'drive growth' and 'unlock potential'.

WHAT HAS HAPPENED TO SINCE WE SAID TO BUY?

Shares in the Comfort fabric conditioner-to-Cornetto ice cream supplier rallied on full year results (8 February) showing a return to volume growth and improved margins for the year to December 2023, and with free cash flow up by €1.9 billion to €7.1 billion last year, Unilever felt confident enough to announce a fresh €1.5 billion share buyback.

That said, we were disappointed by fourth quarter underlying sales growth of 4.7%, which came in a smidgeon below consensus and turning this super-tanker of a business round will take time; Schumacher conceded Unilever's competitiveness remains 'disappointing' and performance 'needs to improve'.

WHAT SHOULD INVESTORS DO NOW?

Stick with Unilever. The much-needed return to volume growth should drive improved sentiment towards the stock and Schumacher is

Unilever

(p)



Chart: Shares magazine • Source: LSEG

implementing his plan at pace, as demonstrated by a step-up in investment behind Unilever's 30 'Power Brands'.

In the wake of the results, Berenberg observed potential earnings upgrades as 2024 unfolds should not be ruled out. The broker sees potential for Unilever to improve organic sales

growth 'and narrow the gross margin gap to peers through disposal of the non-core brands. Although management did not commit to quickly divest or sell brands outside the top 30, we believe this remains an option'.

Consumers trading down to cheaper private label brands will remain a headwind for Unilever until interest rates start to fall and consumers have more money in their pockets, but *Shares* remains excited by the potential in its diversified brand portfolio and the long-run growth opportunity in developing markets. [JC]





THE BIG CHINA DEBATE

Can the world's second largest economy recover its roar in the Year of the Dragon?

Back in the summer of 2021, [we suggested](#) the Chinese government's clampdown on technology companies and its deeper involvement in the private sector – which it accused of having been ‘hijacked by capital’ – risked causing an exodus of foreign investment.

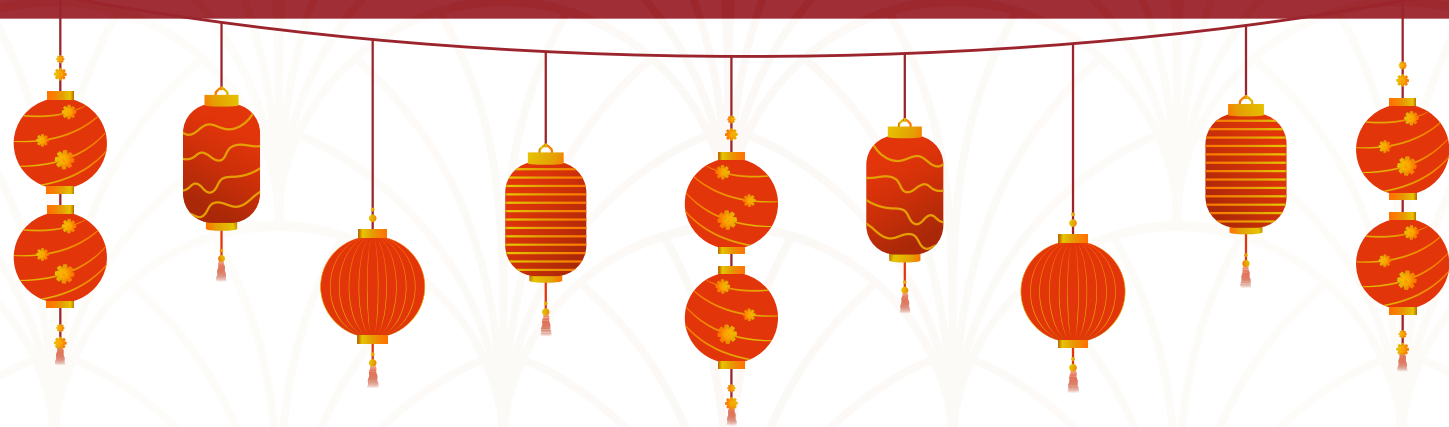
[We also put forward](#) a list of Asia-Pacific investment companies with low exposure to China, so investors could reduce their risk but still keep their money in the region and benefit from the big demographic and structural changes in chain, such as the emergence of a new, moneyed middle class and the increased use of mobile technology,

especially in financial services.

Since then, sentiment towards the world's second largest economy has continued to sour with the market losing more than \$6 trillion in value as investors have fled while Beijing struggles to revive its economy and deal with a crisis in its property sector.

To put that in perspective, US stocks have gained more than \$5 trillion in value since the summer of 2021, meaning their market cap is now \$38 trillion bigger than that of the Chinese and Hong Kong markets put together, a new all-time record according to *Bloomberg*.





Rebased to 100

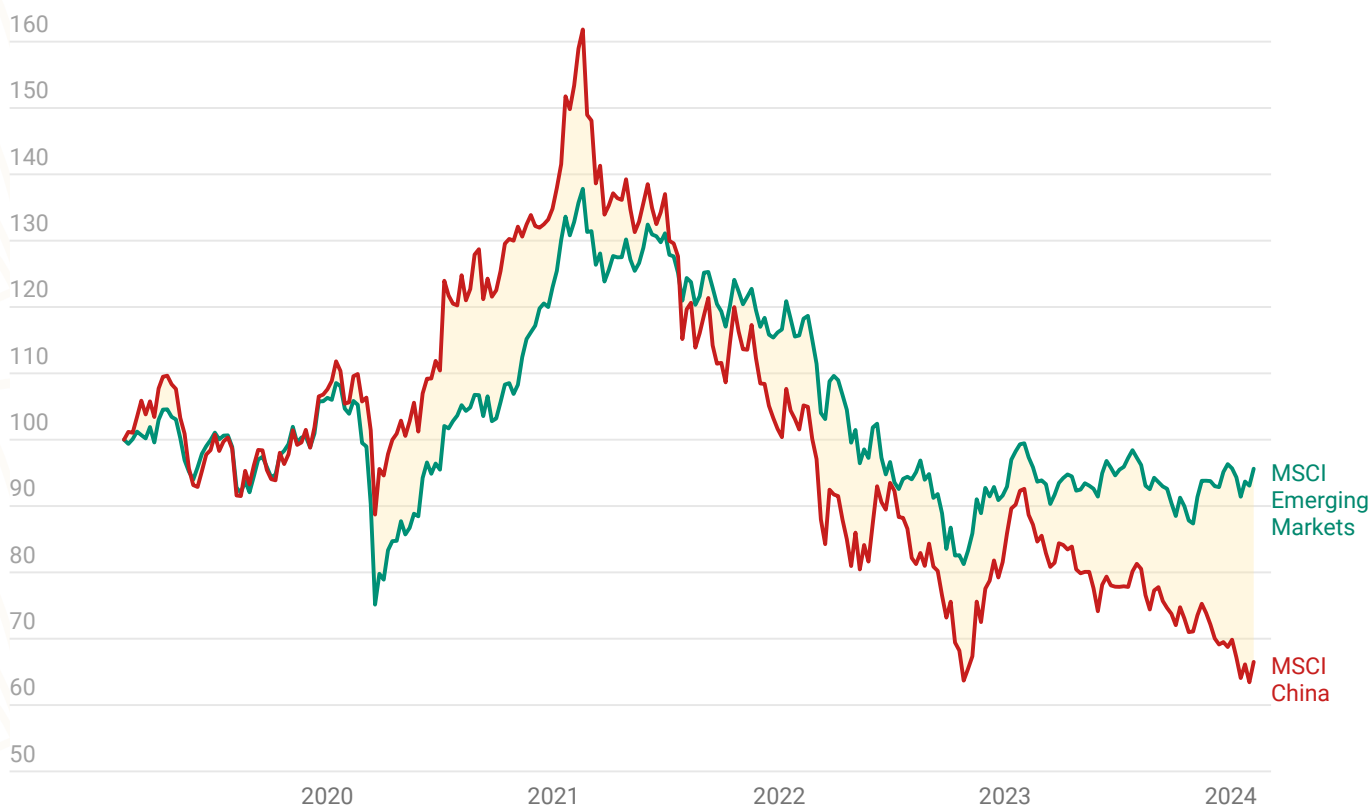


Chart: Shares Magazine • Source: LSEG

CONFIDENCE IS KEY

The Chinese authorities tried to restore investor confidence last month with a reduction in the RRR (reserve ratio requirement) for domestic banks, which is meant to encourage them to lend more, as well as the introduction of a ban on short selling of stocks.

At the start of this month the country's vice-premier called for 'more forceful and effective measures to stabilise markets', yet foreign investors remain wary with the *Financial Times* reporting that more than 40% of those attending a recent Goldman Sachs conference in Hong Kong describing China as 'uninvestable'.

Goldman's chief equity strategist for Asia-Pacific, Timothy Moe, was reported as confirmed investors' aversion, saying 'the global investors we spoke to

are by and large out of China'.

There is no question valuations for many Chinese companies are now at rock bottom, but valuations in and of themselves aren't enough of a reason to buy.

Reports last week that China's sovereign wealth fund would step up share purchases in an attempt to put a 'floor' under sliding share prices did prompt a short, sharp rally, but for investors to see the market as anything more than a quick trade they need to see a change in the fundamentals.

So, as we enter the Year of the Dragon – which is traditionally seen as auspicious, bringing with it change and opportunity – we asked a group of Asian investment experts what they thought of China as an investment proposition. 🏮



MIXED VIEWS AMONG GLOBAL EMERGING MARKET MANAGERS

Global emerging market funds & trusts	Assets £m	China/HK weighting	Other markets %	Top holdings
JPMorgan EM Income (JEMI)	£460	26.7%	Taiwan 19.1, Korea 10.2	TSMC, Samsung, Bank Rakyat
JPMorgan Emerging Markets (JMG)	£1,332	26.4%	India 25, Taiwan 15.1	TSMC, HDFC Bank, Tata Consult
JPMorgan Emerging Markets Fund (B1YX4S7)	£2,150	24.7%	India 16.3, Taiwan 13.3	TSMC, Samsung, HDFC Bank
Templeton Emerging Markets (TEM)	£1,930	24.2%	Korea 19.8, Taiwan 15.1	TSMC, Samsung, ICICI Bank
Fidelity Emerging Markets Fund (BJVDYV9)	£2,565	19.4%	India 22.2, Taiwan 14.1	TSMC, Samsung, HDFC Bank
Fidelity Emerging Markets (FEML)	£628	18.8%	India 21.2, Brazil 11.4	TSMC, HDFC Bank, Samsung
Mobius Inv Trust (MMIT)	£165	3.7%	Taiwan 25.3, India 18.8	Leeno, EPAM, Totvs
Benchmark: MSCI Emerging Market Index		26.5%		TSMC, Samsung, Tencent

Table: Shares magazine • Source: Company factsheets, data correct as of 31 December 2023

For our article we polled managers of global emerging markets funds and trusts, where the MSCI benchmark gives China a 26.5% weight, and managers of Asia-Pacific funds and trusts, where the MSCI benchmark gives the country a 30.7% weighting.

Judging by their exposure, which in each instance we have taken from their latest fund factsheets, most global emerging markets managers are still reasonably positive on China, although for many it isn't their top choice.

Instead, India seems to be the most popular country, followed for the most part by Taiwan, Korea and Brazil, while at a stock level the most popular three holdings by far are Taiwanese chipmaker **TSMC (2330:TPE)**, Korean electronics giant **Samsung (005930:KRX)** and Indian financial firm **HDFC Bank (HDFCBANK:NSE)**.

Big Chinese companies such as multimedia firm **Tencent (700:HKG)** and ecommerce group **Alibaba**

(9988:HKG) tend to be some way down the pecking order for most managers.

UNDERESTIMATING IMPACT OF PRO-GROWTH STANCE

Omar Negyal, manager of the **JPMorgan Global Emerging Markets Income Trust (JEMI)**, has a neutral weighting in China, although it still represents his biggest country exposure.

'Although China's near-term growth is less vigorous than before the pandemic, we think its GDP (gross domestic product) is likely to grow more rapidly than most developed economies. We also believe investors are underestimating the impact from the Chinese authorities' pro-growth stance,' says Negyal.

'Taking a long-term view, China is well-positioned to maintain its role as an important positive driver of activity and markets within Asia and further afield,' he adds.



John Citron, manager of the larger **JPMorgan Emerging Markets Fund (JMG)**, is neutrally weighted on China but sees upside for stocks this year.

‘We believe China is focused on a sustainable growth trajectory, including removing tail risks from the real-estate sector. We also think Chinese consumption should gradually recover over the coming year which, in turn, is supportive for earnings.’

‘China’s economy continues to grow, though slower than expected. Valuations – currently around their long-term averages – are reasonable, and emerging market earnings offer upside potential.’

Templeton Emerging Markets (TEM) is both one of the largest and oldest trusts in the global sector and lead manager Chetan Sehgal also has an in-line weighting in the Chinese market.

‘China has remained the only major emerging market which has disappointed, it’s been a drag on the overall index for several years. We hoped 2023 would see the country recover, but it does face some long-term challenges.’

‘While government policy has become more supportive, more substantive policies and a rebound in consumer activity is required for a sustained improvement in Chinese equities. We do still see some upside in China; in particular the internet sector which has adjusted to the new operating environment as China has eased its regulatory crackdown on the sector. We expect future returns for the sector to be driven more by steady cash flow generation and corporate actions.’

Sehgal believes Chinese stocks could benefit from a renaissance of interest from local investors as well as foreign money.

‘The locals remain cash-rich following the pandemic, they have the savings, assets in China are currently looking reasonable and cheap, and we’ve witnessed companies buying back shares. China has a good chance of returning to higher EPS (earnings per share) growth this year, which in turn means good prospects of returning to positive returns on an absolute basis.’

The trust recently added to its holding in Tencent after its shares had declined on new draft rules for video games which have since been abandoned.

BEARISH ON CHINA

In contrast, **Mobius Investment Trust (MMIT)** manager Carlos von Hardenberg is extremely underweight China with just 3.7% exposure due to lack of transparency and regulatory risks.

‘Ongoing challenges such as the authorities’ intervention in the economy, coupled with lower corporate governance standards among Chinese companies compared to their Asian EM counterparts, have steered us away from direct investment in China.’

‘We rarely find the level of governance, fundamental quality and innovation that would meet our investment criteria. Instead, we prefer to access the Chinese market indirectly through countries such as Taiwan and South Korea.’

For example, the portfolio includes **Elite Material (2383:TPE)**, a Taiwanese company specialising in components for the semiconductor industry. The company operates manufacturing facilities across China and generates a significant proportion of its revenues in the country while offering Taiwanese standards of governance and transparency, says von Hardenberg.

The manager admits investors can’t afford to ignore the world’s second largest economy, and he continues to scour the market for exciting companies that meet his quality investment criteria, but he doesn’t see a quick fix to the country’s troubles.

‘Structural challenges such as problems in the property sector, overcapacity, slowing FDI (foreign direct investment) flows and weak consumer sentiment, with around 70% of household wealth tied up in property, are weighing on investor sentiment.’ 🍂



REGIONAL MANAGERS ARE DIVIDED

Asia-Pacific funds & trusts	Assets £m	China/HK weighting	Other markets %	Top holdings
Invesco Asia Trust (IAT)	£235	38.8%	Korea 17.8, Taiwan 16.5	TSMC, Samsung, Tencent
JPMorgan Asia Growth & Income (JAGI)	£330	37.0%	India 18.7, Taiwan 17.7	TSMC, Tencent, Samsung
Schroder AsiaPacific (SDP)	£785	31.0%	India 19.4, Taiwan 17.4	TSMC, Samsung, Tencent
Asia Dragon Trust (DGN)	£950	29.0%	India 19.1, Taiwan 14.7	TSMC, Samsung, Tencent
Pacific Horizon (PHI)	£535	28.0%	India 31, Korea 18	Samsung, Ramkrishna, Delhivery
JPMorgan Asia Pacific Equity Fund (B986V32)	\$1,074	24.3%	Taiwan 17.1, Australia 16.6	TSMC, Samsung, Tencent
Henderson Far East Income (HFEL)	£400	24.0%	Australia 16, India 13.8	TSMC, Samsung, BHP
Schroder Oriental Income (SOI)	£630	22.1%	Taiwan 20, Australia 20	TSMC, Samsung, BHP
Schroder Asian Total Return (ATR)	£460	18.1%	Taiwan 23.1, Australia 14.1	TSMC, Samsung, HFDC Bank
Abrdn Asian Income (AAIF)	£405	13.3%	Taiwan 21.3, Australia 20.5	TSMC, Samsung, BHP
Pacific Assets Trust (PAC)	£465	12.0%	India 46.2, Taiwan 11.7	CC Power, Mahindra, Tube Investments
Jupiter Asian Income Fund (BZ2YND8)	£1,400	6.9%	Australia 26.4, India 18.1	Mediatek, ITC, TSMC
Benchmark: MSCI Asia ex-Japan Index		30.7%	TSMC, Samsung, Tencent	

Yoojeong Oh, manager of the **abrdn Asian Income Fund (AAIF)**, is heavily underweight China and shares similar concerns to von Hardenberg.

‘First, the market is dominated by large internet companies which don’t pay dividends; and second, many of the high-yielding names are state-owned enterprises, in sectors such as banking and utilities, and the team is finding similar high-yielding companies with better transparency and governance structures elsewhere in the Asia Pacific region.’

While she expects to remain underweight, the manager accepts there is ‘a disconnect between

market sentiment, as seen in valuations and headlines, versus the economic reality on the ground’.

‘With much of the negative headlines in China already priced in, a period of calm followed by some positive news could open the possibility of a market bounce,’ admits Oh.

OPPORTUNITIES TO BE FOUND

Doug Ledingham, manager of **Pacific Assets Trust (PAC)**, is underweight the market but believes there *are* opportunities for those who take a bottom-up view.

‘The trust now owns nine Chinese companies:



each has a private entrepreneur, family or steward behind it who we trust to continue their track record of treating minority investors fairly while building unique and enduring franchises,' says the manager.

He adds the following caveat, however: 'If we were to see a deterioration in the industries in which our companies operate, greater political involvement or stretched valuations there should be no surprise if the trust's exposure to China were to fall again.'

Henderson Far East Income (HFEL) has less than half the index weighting in Chinese stocks, but manager Sat Duhra acknowledges that despite being underweight the market for some time the trust's exposure did it no favours last year.

'Household debt has been increasing very sharply over the past ten years. So, people talk of savings rates being high but you also have to look at mortgages and other consumer debt such as auto-loans. Generally, 60% of household assets in China are held in property so with the recent collapse in property prices we have not really seen any return in spending.

'Another concern we have is to do with local governments, whose indebtedness has increased year after year but their fiscal revenue has collapsed because no one is buying land from them. Property developers are in a tight spot, yet 40% of local government income lies with land sales.'

Duhra's direct exposure is concentrated in infrastructure, technology (although not e-commerce companies) and what he calls domestic consumer champions.

The rest of his exposure is indirect, through Australian miners, high-quality Hong Kong stocks and Taiwanese tech firms which have both Chinese and global growth potential.

Pruksa Iamthongthong, manager of **Asia Dragon Trust (DGN)**, has an in-line weighting in China and believes a recovery is overdue.

'Chinese stock markets have just come off an extremely tough 2023 and are now among the cheapest markets across the world.

'We are still seeing weakness persist in mainland markets, but encouragingly fundamentals remain intact and we are expecting high single-digit earnings growth for the entire market. This, along with depressed valuations, lays the ground well for an eventual recovery, as the benefits of monetary and fiscal stimulus gain traction in 2024.'

The **Schroder AsiaPacific Fund (SDP)** is underweight China in terms of direct exposure, but manager Abbas Barkhordar says that over the past

year 'the opportunity set has really widened for us'.

'If you take the Chinese market as a whole, there isn't enough focus on return on investment or on shareholders, so when companies talk about growth it rarely feeds through to the bottom line, which is why many investors struggle.

'Companies which do generate high returns and look after shareholders used to be highly-rated, but in the last year they have become much more affordable so with selective stock-picking it's now possible to capture those returns.'

FOCUSED ON LONG-TERM POTENTIAL

Rob Lloyd, portfolio manager of **JPMorgan Asia Growth & Income (JAGI)**, is also positive on the market with 37% of his portfolio in Chinese and Hong Kong stocks and a top three holding in **Tencent (700:HK)**.

'The Chinese economy is expected to grow around 4% this year, an enviable pace compared to western economies. China's longer-term outlook is also positive given Asia's structural and societal changes. For example, rising incomes, urbanisation, infrastructure investment and digitalisation,' he offers.

Fiona Yang, manager of **Invesco Asia Trust (IAT)**, is equally bullish and is also overweight mainland Chinese stocks.

'We are overweight China across the portfolios within the Asia and emerging markets equities team for two reasons: the valuations on offer are compelling, and expectations are undemanding at the stock level, meaning that the odds of beating consensus are higher than for example in the Indian market.

'Our contrarian mindset leads us to be overweight China and underweight India, without relying on big macro calls as this positioning is backed by company analysis.' 🌸



WHAT DO COUNTRY SPECIALISTS THINK?

China Country Funds & Trusts	Assets £m	Top Holdings
Allianz China (BMG9ZY3)	£2,190	Kweichow, CITIC, China Merchants
Fidelity China Focus (B51RX72)	£2,160	Alibaba, Tencent, ICBC
Fidelity China Special Sits (FCSS)	£1,102	Tencent, PDD, Pony AI
abrdn China (ACIC)	£215	Tencent, Kweichow, Alibaba
JPMorgan China Growth & Income (JCGI)	£215	Tencent, PDD, Alibaba
Baillie Gifford China Growth	£130	Bytedance, Alibaba, Tencent

Table: Shares magazine • Source: Company factsheets, data correct as of 31 December 2023



Rebbecca Jiang, portfolio manager of **JPMorgan China Growth & Income (JCGI)**, sees significant potential in the Chinese equity market and believes most of the widely discussed negative news has been priced in.

‘We remain optimistic about China’s long-term prospects and the opportunities that will benefit patient investors. We are encouraged by recent shifts in government policies, designed to promote economic growth and boost consumer confidence.

‘We are also finding attractive investment opportunities provided by companies that offer superior earnings growth or are benefitting shareholders by introducing regular dividends’, says Jiang.

‘THE WORST IS OVER’

Investment trust **Fidelity China Special Situations (FCSS)**, one of the ‘big beasts’ among the country specialists, is itself in a special situation this year after agreeing to take over **abrdn China Investment Company (ACIC)**, with Dale Nicholls continuing as the portfolio manager.

Nicholls believes there are better times to come for investors: ‘Unlike Europe or the US, inflation has not been a problem in China and the government is taking measures to stimulate investment and consumption to support the post-Covid recovery.

‘Consumer confidence remains soft, mainly due to a weakened property market, but the government is addressing this by implementing

various measures including lower mortgage requirements and support for property developers.’

Nicholls also notes Chinese households have accumulated substantial savings, which sets the stage for an upswing in consumer spending once confidence is restored.

From the team’s discussions with companies on the ground, ‘we have the sense that the worst is behind us. Over the longer term, improving corporate earnings could be a key driver for investor confidence to come back.’

Meanwhile, he adds, valuations in the Chinese equity market ‘remain compelling both in historical terms and compared with some other major markets. Clearly, a lot of pessimism over the economy appears priced into valuations.’ 🏯

DISCLAIMER: The author of this article has an investment in Henderson Far East Income.



Fidelity China Special Situations PLC

An AJ Bell Select List Investment Trust

If you want to take full advantage of the incredible growth of China's middle classes and a seismic shift towards domestic consumption, you need real on-the-ground expertise.

Fidelity China Special Situations PLC, the UK's largest China investment trust, looks to capitalise on an extensive, locally based analyst team to make site visits and attend company meetings. This helps us find the opportunities that make the most of the immense shifts in local consumer demand.

China's growth story

Since its launch in 2010, the trust has offered direct exposure to China's growth story; from tech giants right the way through to entrepreneurial medium and small-sized companies, and even new businesses which are yet to launch on the stock market. Portfolio manager Dale Nicholls looks to identify and invest in companies that are best placed to capitalise on China's incredible transformation.

Investing in China's most compelling growth drivers Dale believes a vast and still expanding middle class is increasingly driving stock market returns in China.

"China is well established now as a major driver of growth and investment performance, not just in Asia, but in the wider world. The sheer size of China's economy, its continued growth and ever-increasing global importance, should see investors increase their exposure to China as part of a balanced investment portfolio."



Past performance

	Jan 2019 - Jan 2020	Jan 2020 - Jan 2021	Jan 2021 - Jan 2022	Jan 2022 - Jan 2023	Jan 2023 - Jan 2024
Net Asset Value	9.0%	75.9%	-26.2%	-1.2%	-31.0%
Share Price	13.2%	92.7%	-27.4%	-2.1%	-32.4%
MSCI China Index	5.6%	40.2%	-27.6%	-2.0%	-31.3%

Past performance is not a reliable indicator of future returns.

Source: Morningstar as at 31.01.2024, bid-bid, net income reinvested. ©2024 Morningstar Inc. All rights reserved.
The MSCI China Index is a comparative index of the investment trust.

Important information

The value of investments can go down as well as up and you may not get back the amount you invested. Overseas investments are subject to currency fluctuations. Investments in emerging markets can be more volatile than other more developed markets. The trust invests more heavily than others in smaller companies, which can carry a higher risk because their share prices may be more volatile than those of larger companies. The shares in the investment trust are listed on the London Stock Exchange and their price is affected by supply and demand. The Trust can use financial derivative instruments for investment purposes, which may expose it to a higher degree of risk and can cause investments to experience larger than average price fluctuations. The investment trust can gain additional exposure to the market, known as gearing, potentially increasing volatility. This information is not a personal recommendation for any particular investment. If you are unsure about the suitability of an investment you should speak to an authorised financial adviser.

The latest annual reports, key information documents (KID) and factsheets can be obtained from our website at www.fidelity.co.uk/its or by calling 0800 41 41 10. The full prospectus may also be obtained from Fidelity. The Alternative Investment Fund Manager (AIFM) of Fidelity Investment Trusts is FIL Investment Services (UK) Limited. Issued by FIL Investment Services (UK) Ltd, authorised and regulated by the Financial Conduct Authority. Fidelity, Fidelity International, the Fidelity International logo and F symbol are trademarks of FIL Limited.

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Meet the only UK fund to deliver double-digit gains five years in a row: Argonaut Absolute Return

What investors can learn from manager Barry Norris' expertise - including on stocks to avoid

Out of more than 3,500 regulated investment funds in the UK industry **VT Argonaut Absolute Return (B7FT1K7)** says to 'the best of its knowledge' it is the only one to have delivered double-digit returns for the last five years in a row.

The fund's performance over the past year is particularly eye-catching, returning more than 30% to investors. Since launch in 2009 the fund has achieved a return of 227.3%.

While past performance is not a guide to the future, these returns mean fund manager Barry Norris is a man worth listening to and this author had that opportunity to do just that face-to-face recently.

A LONG/SHORT STRATEGY

The fund's strategy involves taking both 'long' and 'short' positions in stocks. As a reminder a long

position is when a fund manager buys a stock or stocks as they believe it will go up in the future. A short position is when a fund manager bets against a stock, borrowing shares with the aim of selling them and then buying them back later at a lower price.

The fund has 32 long holdings and 40 short holdings as of 31 January 2024. So far this year the fund has made 2% in its long book and 3% from its short book.

Norris says there are advantages of combining the two strategies the first one being that 'you get two goes at stock-picking'.

Second, he adds: 'By combining the two we can produce a return that not only outperforms the market but crucially delivers at contrasting times to the market and therefore most other funds. Whilst we are proud about our performance record, the value of our returns to investors seeking proper diversification is our unique selling point.'

Argonaut Absolute Return's performance leaves other absolute return funds in the shade

Fund	One-year performance	Three-year performance	Five-year performance
VT Argonaut Absolute Return R Acc	31.3	48.4	105.9
WS Lancaster Absolute Return Ret Acc	-13.7	14.2	46.0
Thesis TM Tellworth UK Select A Acc	8.5	28.3	41.4
7IM Absolute Return Portfolio A Acc	3.6	31.1	36.8
Man GLG Absolute Value Professional CX Acc	11.9	21.0	34.1
VT Woodhill UK Equity Strategic Inc TR	17.9	30.1	25.4
BNY Mellon Multi-Asset Diversified Return B Acc	-4.0	3.1	25.2
Aviva Inv Multi Strategy Target Return 1	5.3	14.2	24.5
TM Fulcrum Diversified Absolute Return D Acc	2.2	12.6	24.1
EF Brunswick Growth Portfolio B Acc	-4.5	-5.5	21.2

Table: Shares magazine • Source: FE Analytics, data to 9 February 2024

‘The value of short selling is more easily identifiable in periods of market weakness. There were five negative market months in 2023 during which MSCI Europe delivered a negative return of 11%.’

‘In those same months the fund delivered a positive return of 24%,’ said Norris in his latest Argonaut Absolute Return fund factsheet.

WHAT ARE BARRY NORRIS’ RED FLAGS

Even if you would never even consider short selling yourself, understanding Norris’ process in identifying shorting candidates could help you judge a prospective investment and avoid investing in a dud. While he is understandably guarded about his method, managers very rarely want to reveal their ‘secret sauce’, we did manage to glean some nuggets.

‘Generally, we look for expensive stocks where the market is overestimating earnings potential,’ Norris says. ‘However, we characterise our shorts into three

main types: frauds (where management is misleading or stealing from shareholders), fads (growth stocks that will stop growing) and fades (value stocks that cannot be saved).’

Norris gives past examples of stocks that fall into these categories including: Wirecard – which falls into the fraud category, Cineworld – falls into the poor management category and Los Angeles-based producer of plant-based meat substitutes **Beyond Meat (BYND:NASDAQ)** – the over-hyped category along with Swedish alternative food company **Oatly (OTLY:NASDAQ)**.

Norris’ also looks for companies whose management are ‘overly promotional in their market communications’ or ‘overly reliant on capital markets, government subsidies or client concentration’.

He also refers to companies which have a ‘poor cash conversion,’ have an ‘over reliance on serial acquisitions with no obvious synergies’.

Finally, another ‘red flag’ is a company whose management buys or sells assets from friends and family and ‘insider sales’.





WHAT IS NORRIS BUYING AND SHORTING

In January, Norris found 'a happier hunting ground for shorts' according to the fund's factsheet. Top performing constituents of this part of the portfolio include Rolex seller **Watches of Switzerland (WOSG)** which fell 47%, owner of rehab centre The Priory **Medical Properties Trust (MPW:NYSE)** down 37% and electric vehicle seller **Rivian Automotive (RIVN:NASDAQ)** down 35%.

Norris shorting Watches of Switzerland is of a piece with his negative view on the luxury sector which has fallen victim to a slowdown in the Chinese economy and a lack of demand from high-net-worth individuals cutting back on spending during the cost-of-living crisis.

In relation to Norris' long holdings, he has been looking closely at the shipping/tanking sector which could see higher rates as a result of the ongoing crisis in Red Sea and geopolitical tension between the Houthis, UK, and US.

The fund's top five long positions include: global tanker company **Hafnia (10Q:FRA)**, Danish shipping company **Torm (TRMD-A:CPH)**, Texas-based building materials company **Builders First Choice (BLDR:NYSE)**, global uranium company **Cameco (CCJ:NYSE)** and jewellery manufacturer **Pandora (PNDORA:CPH)**.

Norris says: 'Whilst we are sceptical about the effect of this [Red Sea disruption] on oil prices, we think this Iranian proxy war is not easily resolved and has the potential to cause sustained disruption to Suez Canal transits, which would increase

Argonaut Absolute Return's best performing investments - January 2024

Company	Performance (%)
Long	
Torm	17%
Ardmore	17%
Piraeus	17%
Rheinmetall	11%
Short	
Watches of Switzerland	-47%
Medical Properties Trust	-37%
Rivian	-35%

Table: Shares magazine • Source: Argonaut Capital

demand for ton-mileage.'

While the focus of the fund is not necessarily on income it does offer a 2.36% yield from its 'long' holdings.

WHAT ARE THE FEES?

The fund's returns are undoubtedly impressive but are there any drawbacks? While performance has been strong of late and, in fairness, overall, it can be volatile and Norris' approach means it will deviate significantly from the wider market – often to investors' benefit but occasionally to their detriment. There is also a performance fee which according to the fund's January factsheet can be '20% of anything above the hurdle rate (5% per annum)'.

Ongoing charges are 0.81%. When asked about these ongoing charges and performance fee, Norris says they are 'justified' considering the performance of the fund which has delivered during difficult macroeconomic times.



By **Sabuhi Gard** Investment Writer



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Is MicroStrategy more than just a proxy for Bitcoin?

The company calls itself a business intelligence firm but the market sees it differently

Is \$11 billion US firm **MicroStrategy** (**MSTR:NASDAQ**) really the largest independent business intelligence company listed anywhere, as it claims, or merely a proxy for cryptocurrency Bitcoin, as many investors perceive it to be?

On its website, MicroStrategy says it provides modern analytics on an open, enterprise platform used by many of the world's most admired brands in the Fortune Global 500. It offers stories from well-known names like **Sainsbury's** (**SBRY**), **Pfizer** (**PFE:NYSE**), **Ebay** (**EBAY:NASDAQ**), and **Standard Chartered** (**STAN**).

MICROSTRATEGY STORY

MicroStrategy was founded 35 years ago as a data mining and analytics company. It went public in

1998, and its stock soared from its split-adjusted IPO (initial public offering) price of \$60 to a record high of \$3,130 near the apex of the dotcom bubble in early 2000.

That bubble burst shortly after MicroStrategy's stock peaked, and the stock's decline was exacerbated by the unexpected restatement of its financial results for the previous two years. Those sudden revisions prompted the US SEC (Securities and Exchange Commission) to launch a probe into the company that eventually ended in a settlement.

Over the two decades that followed, MicroStrategy divested itself of some of its businesses and expanded its software into the mobile and cloud markets. However, the aging software company faced fierce competition from higher-growth analytics companies like **Salesforce** (**CRM:NYSE**) as well as expanding cloud infrastructure giants like Amazon Web Services and Microsoft Azure.

Bitcoin returns vs other major asset classes

BTC	Bitcoin
AGG	S&P US Aggregate Bond Index
CMT	Dow Jones Commodity Index
EM	Dow Jones Emerging Markets Total Return Index
HY	US High Yield Corporate Bond Index
SPX	S&P 500 Total Return Index



2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
BTC	SPX	BTC	BTC	BTC	AGG	BTC	BTC	BTC	CMT	BTC
5516%	12%	37%	119%	1300%	0%	92%	302%	58%	20%	156%
SPX	AGG	AGG	HY	EM	HY	SPX	Gold	CMT	Gold	SPX
26%	5%	0%	17%	35%	-1%	29%	24%	30%	1%	25%
HY	HY	SPX	EM	SPX	Gold	EM	SPX	SPX	HY	HY
6%	2%	-1%	15%	18%	-3%	21%	15%	29%	-11%	12%
AGG	EM	HY	CMT	Gold	SPX	Gold	EM	HY	AGG	Gold
-1%	1%	-4%	14%	12%	-7%	18%	14%	5%	-12%	12%
EM	Gold	Gold	SPX	HY	CMT	HY	AGG	EM	EM	EM
-3%	-3%	-11%	11%	7%	-9%	14%	7%	0%	-18%	9%
CMT	CMT	EM	Gold	CMT	EM	CMT	HY	AGG	SPX	AGG
-9%	-18%	-14%	7%	6%	-15%	10%	7%	-1%	-20%	5%
Gold	BTC	CMT	AGG	AGG	BTC	AGG	CMT	Gold	BTC	CMT
-29%	-58%	-25%	2%	3%	-73%	8%	-3%	-6%	-65%	-2%

Table: Shares magazine • Source: iShares, Visual Capitalist

FROM A SOFTWARE MAKER TO A BITCOIN HOARDER

From 2010 to 2020, MicroStrategy's revenue only grew at a compound annual rate of 0.6%. It plunged into the red in 2020, chalking up a net loss of \$7.5 million. That is why it might seem odd that its stock surged 172% in 2020.

That rally was completely driven by the company's abrupt decision to hoard Bitcoin as the cryptocurrency's price skyrocketed. It initially bought \$250 million worth of Bitcoin in August 2020 and continued to purchase more over the following three years.



The company's abrupt decision to hoard Bitcoin as the cryptocurrency's price skyrocketed

MicroStrategy's revenue rose by 6% to \$511 million in 2021 as its software business stabilised in a post-pandemic market. However, its net loss widened from \$7.5 million in 2020 to \$535.5 million in 2021 as its Bitcoin impairment losses surged.

Bitcoin's price peaked at more than \$65,000 in November 2021. But by the end of 2022, its price had dropped to about \$16,000 as inflation, rising interest rates, and a market wide shift away from risk assets crushed the cryptocurrency market. However, MicroStrategy was still holding 132,500 Bitcoin that it had acquired for an

aggregate cost of \$4 billion and at an average price of \$30,100 per Bitcoin.

In the meantime, MicroStrategy's core software business stayed sluggish as declining product license and support revenues offset its rising subscription revenue. As a result, its revenue fell by 2% to \$499 million in 2022 and its net loss widened to \$1.47 billion. Most of that loss was attributed to its \$1.29 billion in Bitcoin impairment charges.

WHAT DOES BITCOIN'S REBOUND MEAN FOR MICROSTRATEGY?

MicroStrategy seemed to be on the ropes last year, but Bitcoin's recovery to above \$50,000 is bringing back the bulls. As of January 2024, the company was holding 189,150 Bitcoin at an average price of \$46,506 with a market value of \$8.8 billion, according to data from Statista. That is more than 80% of company's current \$10.9 billion market cap. On that basis, if Bitcoin continues to rally it would certainly drive MicroStrategy's stock higher. It is up 9% so far in 2024.

Its software business remains stuck in a rut. Revenue in 2023 came in at \$496 million, modestly off 2022's \$499 million, although subscription revenues in the fourth quarter rose 23% to of \$21.5 million year-on-year, helping to offset 11.4% declines in its product license and support revenues of \$39.9 million.

The company generated a fourth quarter net profit of \$89.1 million, lifting net profits for the year of \$429 million, but it continues to run up large impairment charges on its Bitcoin holdings, running at around \$2.27 billion last year. As it stands, MicroStrategy's Bitcoin holdings are valued at \$42,531.41 per token, versus an average cost per bitcoin of approximately \$31,168.

For full year 2024, analysts expect MicroStrategy's revenue to barely budge, forecasting \$505 million, with net profits predicted to plunge again to just \$1.41 million.

VALUATION ISSUES

If we use price to earnings multiples as a valuation metric, the stock looks inflated. Based on current forecasts for 2024, the PE stands at 342, 21.5-times projected sales. Net gearing, the level of debt

Microstrategy and Bitcoin

Rebased to 100

— Microstrategy — Bitcoin



Chart: Shares magazine • Source: LSEG

versus equity, stands at 98.7%, according to Stockopedia data, putting the company firmly at the high-risk end of the spectrum, which could limit share price progress going forward, especially if rates stay higher for longer.

Whether these traditional valuations tools are helpful is a crucial part of any Bitcoin debate. The cryptocurrency use case is far from proven and given its highly volatile journey to date, the store of value argument is also in question. For investors, owning MicroStrategy shares might be a convenient way to play Bitcoin, if you believe its value will rise, and you do not fancy investing directly through a crypto exchange.

This is understandable in the wake of the FTX debacle, and questions over other crypto exchanges like Binance and **Coinbase (COIN:NASDAQ)**. But many will feel more comfortable avoiding the whole cryptocurrency universe completely, and in that case MicroStrategy shares are certainly not for you.

“
**Owning
MicroStrategy
shares might
be a convenient
way to play
Bitcoin**”



By **Steven Frazer** News Editor



Proposed listing rule changes are rightly drawing fire from overseas investors

Attracting foreign capital is a key part of reviving the UK market's fortunes

Just before Christmas we wrote about the FTSE 100's 40th birthday which was coming up at the start of 2024.

It felt too much of an open goal not to talk in terms of a mid-life crisis and life beginning at 40.

The fear we expressed then and one which has been reinforced now is the London market, which obviously underpins the FTSE 100, would take drastic steps to feel young again and revive its fortunes.

Nobody should be under any illusions about the challenges the UK stock market and FTSE 100 are facing. A chart comparing its performance to not just the S&P 500, which has benefited from an extraordinary period for US equities, but also its French and German counterparts, tells you everything.

As does the desultory number of IPOs in recent times and an exodus of big names. There are still great businesses listed in this country but the list is shrinking and there is a real absence of fresh blood to replace those which have departed.

It is notable, looking at the chart, that the gap between the FTSE and Germany's DAX and France's CAC 40 benchmarks really began to open up after the Brexit vote in 2016. Foreign money, put off by political instability, turned away and hasn't come back in the volume needed to breath new life into the index.

The response so far in terms of promised reforms to listings requirements looks like the wrong remedy for the market's malaise. Voting rights and transparency are just two areas which could be undermined.

Crucially, it seems many of the overseas investors which the UK needs to win over are just as unimpressed. The ICGN (International Corporate Governance Network), which is led by investors responsible for assets under management of around \$77 trillion, has raised serious concerns about the proposals, which would weaken corporate

FTSE 100 left behind by global counterparts

Rebased to 100

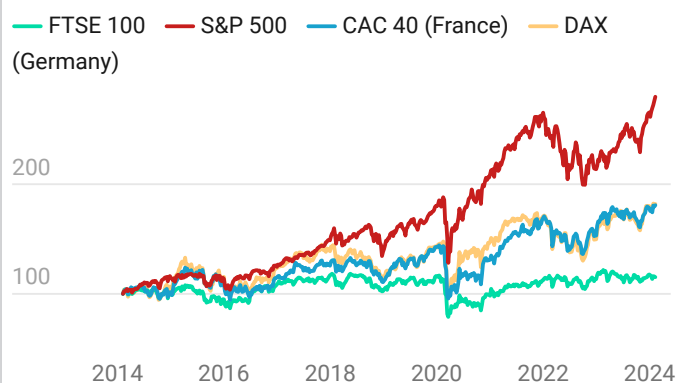


Chart: Shares magazine • Source: LSEG

governance standards and shareholder protections.

ICGN chief executive Kerrie Waring says: 'Robust governance structures, high-quality corporate reporting and strong investor protections are essential to a competitive market which safeguards corporate resilience, long-term value creation and ensures economic growth.'

ICGN's statement was co-signed by major investors and associations representing institutions around the world. Waring adds: 'Far from being a barrier to growth, maintaining high standards of corporate governance and shareholder protection enables growth.'

UK governance rules are still held up as a gold standard across the globe – they should not be surrendered in a rush to attract businesses to the market at any cost. Instead, the people in charge need to hold their nerve and have faith that over time the attractions of London as a listing venue and a place to invest in great businesses return to the fore.

Worryingly, the ICGN's comments suggest the regulators at the FCA (Financial Conduct Authority) aren't listening.

One thing which could help, although unfortunately this is an area which relevant decision makers and rule makers cannot control, are calmer political waters domestically. [TS]



Three common investing myths busted for you

We look at a trio of popular misconceptions about the stock market

As investors we all like to think we can avoid the pitfalls that other people might suffer, but as many of us also know we can be our own worst enemy when it comes to choosing where to put our hard-earned cash.

Sometimes even things as basic as comparing share prices can lead us to the wrong conclusion, so here are three common mistakes and how to keep from making them.

1. LOW-PRICED SHARES ARE CHEAPER THAN HIGH-PRICED SHARES

Possibly the most common misconception of all, and one that from time to time we are probably all guilty of when scanning the market for ideas.

Say you have a choice of investing in two companies, A and B, which have the same market value and do exactly the same thing, but Company A's shares are 30p while Company B's shares are £30 each.

Optically, Company A's shares look cheaper, or

better value, than Company B's shares, simply because they are 30p instead of £30.

However, Company A has 10 million shares and Company B has 100,000 shares so both companies have a market cap of £3 million.

True, you get 100 times more shares for your money in Company A, but that doesn't make them cheaper or better value.

If both companies earn the same profit and pay the same amount in dividends, it doesn't matter which one you own shares in – the earnings per share for Company B may be 100 times those of Company A, but in pounds, shillings and pence they are the same and so is the price-to-earnings multiple.

Alternatively, if Company B makes twice as much money as Company A and pays twice as much in dividends, shares in Company B are actually half as expensive as shares in Company A and have double the yield to boot. Finally, low-priced shares *aren't* safer than high-priced shares, if anything we would argue the opposite.

WHEN SMALLER SHARE PRICES ARE RELEVANT

If you want to invest relatively modest sums in individual stocks, for example through a regular investment instruction, a really large share price might render this impractical.

Just because Company A's shares are only 30p, it doesn't mean you can't lose money in them – in fact, as this investor can readily testify, it's quite easy for a low-priced share to lose value without you really noticing.

If Company A's shares drift from 30p to 20p it's unlikely to create a great deal of fanfare, but if Company B's shares fall from £30 to £20 it is a lot more obvious because optically – and in reality – investors have lost £10 per share not 10p per share. However, in percentage terms there's no difference.



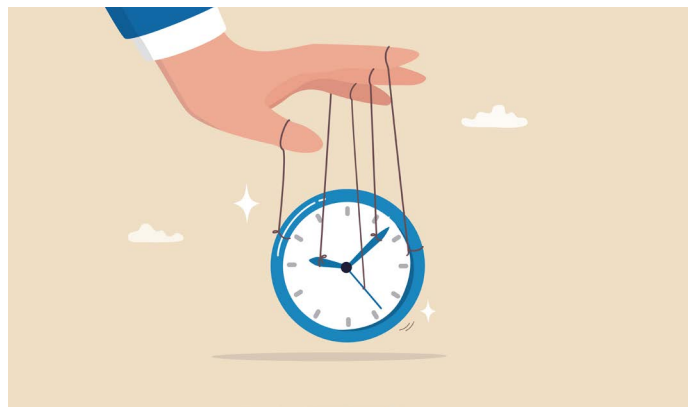
2. SHARE SPLITS INCREASE THE VALUE OF YOUR HOLDING

This is a nice idea but all that happens when companies have a stock split is your holding gets divided into a greater number of shares.

Yes, you end up with more shares than you had before, but the market adjusts the price downward to take account of the increased share count so there is no net benefit and the value of the company remains the same.

Nor does a stock split count as 'compounding', unfortunately – that would be the case if you received a bonus share instead of or on top of your regular dividend, as that extra share would then entitle you to more income the next time the dividend was due.

In fact, as [we discussed](#) some time ago, companies which split their shares tend not to do as well as companies which don't, which rather neatly brings us back to the first point – low share prices don't always mean something is a bargain or that the share price can't go lower.



3. TIMING THE MARKET IS IMPORTANT IN INVESTING

Timing the market is one of the most difficult things investors can try to do, and even some of the greatest names in the business admit they have no edge when it comes to knowing when markets will rise or fall.

When it comes to *trading*, timing is certainly important as it can determine whether a trade makes or loses money, but when it comes to investing for the long term it actually makes little difference.

Even if you had bought a FTSE 100 tracker fund at the very height of the tech bubble in 2000 you would still be in the money today, and the same applies if you had bought in 2007 before the global financial crisis or indeed in 2020 just days ahead of the pandemic.

While there are often large sell-offs, being able to predict when they are going to happen is nigh-on impossible, and over the long term share prices tend to go up regardless as the companies which make up 'the market' increase their earnings.

Time spent *in* the market is far more important, and the ability to ride out the sell-offs and still be there to take part in the rallies which follow is what marks out true long-term investors.



By **Ian Conway** Deputy Editor



Why investors are dumping funds which invest in UK stocks

Cost-of-living-pressure, weak performance and a push for global diversification have all played a part

The last two years have seen unprecedented levels of outflows from funds invested in UK equities.

Across the course of 2022 and 2023, around £25 billion was withdrawn from these funds by retail investors. This isn't a new phenomenon. UK funds have seen outflows every year since 2016, to the tune of £46 billion in total. This feels like a significant and longstanding shift in consumer behaviour, so what precisely is going on?

COST OF LIVING PLAYS A PART

Certainly, the cost-of-living crisis has played a part in the scale of the outflows seen in the last couple of years. With energy and food costs at uncomfortable levels, people's discretionary income has been eroded, which has left them little to save and invest, and some people may even have had to withdraw savings and investments in order to cover their day-to-day expenditure.

Higher interest rates have helped to lure some investors away from the stock market towards cash products too.

The UK may have had more than its fair share of quitters because it's a high yielding market, and so favoured by income-seekers who might be vulnerable to the temptations of cash.

But none of that really explains why UK funds have been hit so hard, or why they were so out of favour even before inflationary pressures started to build, and interest rates rose.

PERFORMANCE ALSO A CONTRIBUTING FACTOR

Performance undoubtedly has a part to play in weak investor sentiment towards the UK. As the chart below shows, the UK has underperformed the global stock market for eight of the last 10 years, and it's started off this year in the same fashion.

Absolute returns haven't actually been too bad, with the FTSE All Share returning 68% in the ten years to the end of 2023. But of course, everything is relative. When investors have looked at their annual valuations, they have seen much larger gains from their global funds than from their UK

FTSE All-Share relative to MSCI World

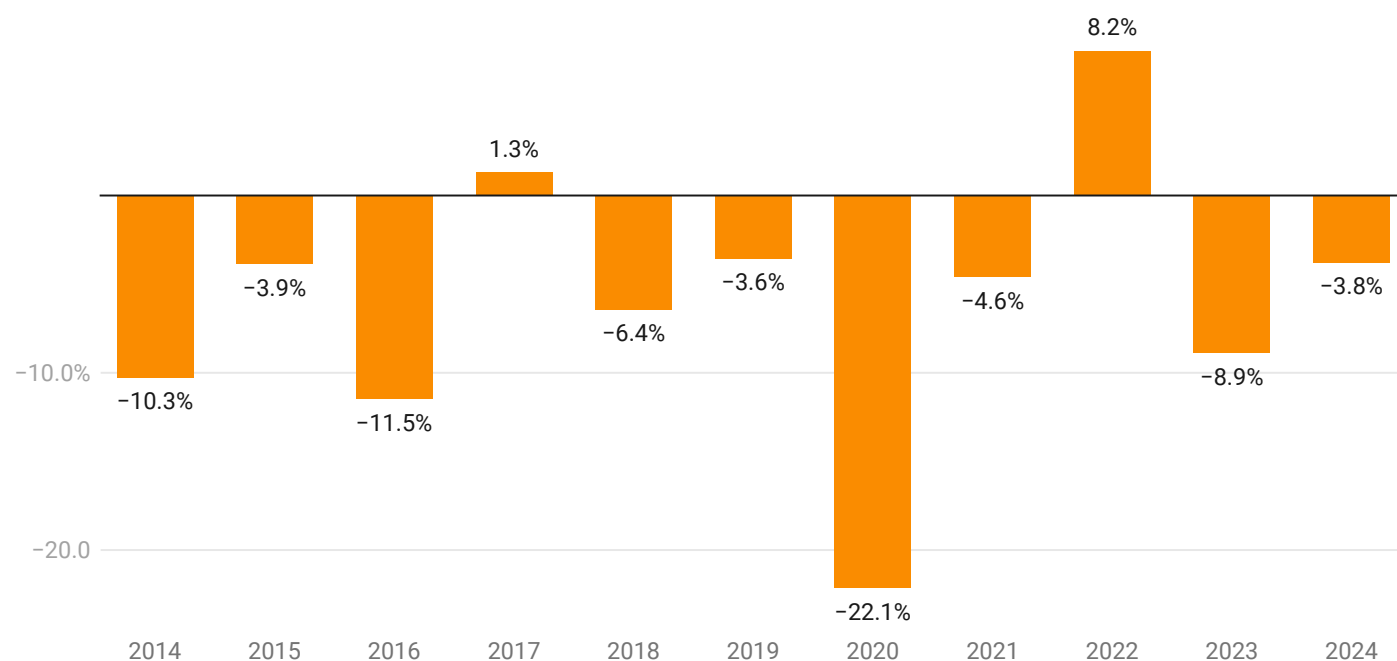


Chart: Shares magazine • Source: FE Analytics in GBP

ones. Little wonder they have plumped for the former over the latter.

LOOKING FOR DIVERSIFICATION

We have also seen investors unwinding their home bias, and this comes down to a more global way of thinking about portfolio construction, by financial advisers and DIY investors alike. UK equity funds accounted for 51% of all equity fund assets held by retail investors 2009, with the remainder made up by other regional and global equity funds. That has now shrunk to 27%.

Clearly a large part of that shift can be attributed to weak UK performance relative to other areas, but fund flows have also been a factor, as investors have sought out overseas opportunities and also realigned their portfolios to take less regional risk by carrying such a large UK bias.

The UK now makes up just 4% of the global developed stock market, so with an average of 27% invested in the UK, retail investors are still heavily overweight the domestic market. Worryingly, that might mean the trend to a more global way of investing money may spell further outflows from the UK.

AN UNLOVED MARKET

What seems clear is the UK is currently very unloved by fund investors, and for what seems like a long time now, market commentators have been talking about a stock revival that hasn't materialised.

For those still holding UK funds, disappointment may be starting to turn into frustration. But performance can be a fickle beast, and the prevailing winds can shift pretty quickly when they do change direction. Whether there will be some catalyst in 2024 for a resurgence in the UK stock market on the global stage remains to be seen.

But a positive spin on negative sentiment is that at least when UK investors look down, there isn't that far to fall. In the meantime, the one good thing about the UK stock market is many companies pay a handsome dividend, and so there is something to tide investors over while they wait for a turnaround in fortunes.



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



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Andrew Newland
CEO
Ian Griffiths
CFO
ANGLE plc (AGL)


London 06.02.2024



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Andrew Newland, CEO and Ian Griffiths, CFO

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Stock market crash four years on: why the recovery has been patchy

Hundreds of companies are still trading below the point where the pandemic knocked equities for six

Shares in hundreds of UK and US-listed companies have not fully recovered since the Covid-19 pandemic triggered a global stock market crash in February 2020, even though most major market indices are now trading above that level.

According to SharePad data, 196 stocks in the FTSE 350 and 149 stocks in the S&P 500 are still trading below the day before markets crashed four years ago (21 February 2020).

In contrast, the FTSE 350 is now trading 0.3% higher while the S&P 500 has achieved significantly greater returns, up 50%. On a broader basis, the FTSE 100 is trading 3% ahead while the Nasdaq index in the US is up 65%. Even other parts of the



world are thriving – France's CAC 40 is 27% ahead and Germany's DAX is trading 25% higher.

Anyone looking at the performance of these equity indices might think Covid is now a blip in the minds of management teams. However, the large group of laggards implies Covid continues to be the root cause of many problems despite most countries having emerged into a new post-Covid normality.

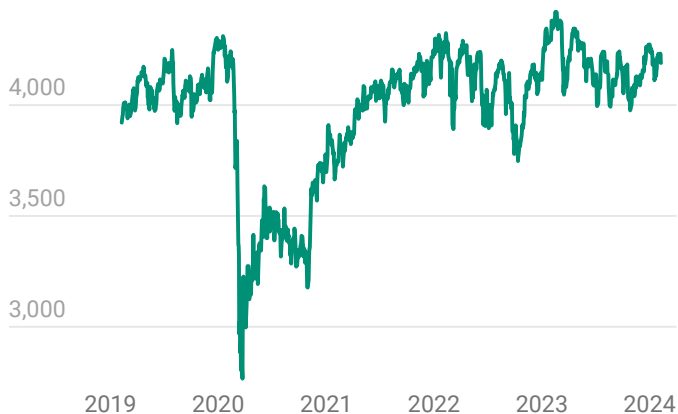
WHY HAVE SO MANY FAILED TO RECOVER?

There are multiple reasons why so many share prices have languished over the past few years and failed to fully recover. For some, financial gains made during the pandemic effectively brought forward earnings growth and this demand momentum has now fizzled away, making it harder for these companies to sustain earnings growth.

Builders' merchant **Travis Perkins (TPK)** looks to be one of the companies nursing a hangover as home improvement projects become less important as more people go back to the office for work. The 'do it for me' scene boomed after lockdown as homeowners wanted tradesmen to spruce up their houses and flats. This trend has since lost momentum and Travis Perkins has also suffered from a downturn in the construction market led by weaker new-build housing.

Supply chain problems during the pandemic fired up inflation and Russia's invasion of Ukraine exacerbated the situation, leading to a rapid

FTSE 350

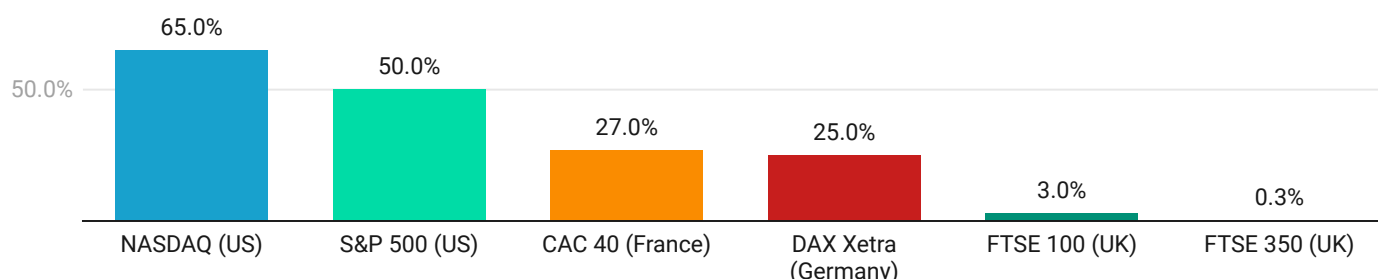


5 year data to 9 February 2024

Chart: Shares magazine • Source: LSEG



How major indices have performed since the Covid global market crash



Data 21 February 2020 market close to 9 February 2024

Chart: Shares magazine • Source: SharePad

increase in interest rates. Companies had to take on extra debt during the pandemic and the subsequent action by central banks on interest rates has put pressure on corporate finances. Those having to refinance over the past few years, or those on floating rates, have really felt the pain as the cost of servicing borrowings has shot up.

Higher labour and energy costs have eaten into profit margins, particularly for companies lacking the strength to fully pass on these extra costs to customers.

Inflation combined with other negative factors created a cocktail of problems, just as **Direct Line (DLG)** experienced. Having already felt the pressure of high inflation making it expensive to fix cars damaged in accidents, a higher-than-expected amount of insurance claims weighed on Direct Line and left its balance sheet weaker which prompted management to cancel its dividend. These factors pulled down the stock price, explaining why its shares are trading well below pre-Covid levels.

NEGATIVE IMPACT OF ISSUING NEW SHARES

Companies had to raise new money during the pandemic if they were unsure how long their funds would last. A reduction or complete absence of income meant relying on cash savings and/or debt would weaken their balance sheets and so it became common for companies to issue new shares to raise additional cash. Doing so increased the share count which effectively watered down an existing investor's ownership.

SSP (SSPG) was among the companies to have issued new stock during the pandemic and it is still trading below its pre-Covid levels. The average share count for the travel hub food and drink

seller went from 458 million in the year ending September 2019 to 697 million two years later.

The travel industry has had a lumpy recovery over the past few years. While demand has certainly bounced back, cost pressures have weighed on earnings and certain companies in the sector such as TUI are still trying to pay down large debts amassed during the pandemic.

Certain drug companies prospered from the pandemic thanks to developing vaccines. They managed to keep the momentum going until last year when it became clear that income from Covid-related treatments was not the golden goose previously thought.

UP AND THEN DOWN

Pfizer (PFE:NYSE) and **Moderna (MRNA:NASDAQ)** have both said in recent months that sales from Covid treatments would be much less in 2024 than in previous years. Shares in Pfizer are now trading below the lowest point in the February/March 2020 global market crash. As for Moderna, its share price rallied hard for a year after unveiling its Covid vaccine in 2020 but the bulk of those gains have faded away. Nonetheless, its shares still trade above pre-Covid levels.

Interestingly, the pharmaceutical sector is experiencing divergent fortunes. While Pfizer and Moderna are in the doldrums, companies with exposure to weight-loss treatments have enjoyed a share price rally. There might be more similarities with the pandemic than you think. Investors initially scrambled to own stocks exposed to Covid treatments in the belief that earnings would soar. The same is now being applied to weight-loss treatments.



Examples of FTSE 350 stocks that haven't recovered from Covid global market crash

Examples of S&P 500 stocks that haven't recovered from Covid global market crash

Company	Share price change since the 2020 crash	Company	Share price change since the 2020 crash
Harbour Energy	-87%	VF Corp	-82%
Aston Martin Lagonda	-82%	Warner Bros Discovery	-66%
Mobico	-81%	AT&T	-56%
TUI	-80%	Walgreens Boots Alliance	-56%
Jupiter Fund Management	-80%	Boston Properties	-55%
Hammerson	-75%	PayPal	-53%
Close Brothers	-68%	Match Group	-52%
Marshalls	-66%	Illumina	-52%
International Consolidated Airlines	-65%	American Airlines	-46%
Currys	-65%	Hasbro	-44%
Wood Group	-64%	3M	-41%
Pennon	-63%	Estee Lauder	-33%
Carnival	-63%	Tyson Foods	-31%
Workspace	-61%	Citigroup	-29%
Great Portland Estates	-60%	Bristol Myers Squibb	-26%
SSP	-59%	Whirlpool	-25%
Vodafone	-59%	Pfizer	-23%
Ashmore	-58%	Walt Disney	-20%
Essentra	-58%	Brown Forman	-19%
C&C	-58%	Dollar General	-19%

Data 21 February 2020 market close to 9 February 2024

Table: Shares magazine • Source: SharePad

Elsewhere, spare a thought for asset managers as inflation and the sharp increase in interest rates have created choppy market conditions since the onset of Covid for equity and bondholders. Investors taking money out of investment funds and parking it in cash also created significant outflows for asset managers.

The likes of **Jupiter (JUP)** and **Ashmore (ASHM)** are nowhere near reclaiming all the share price

territory lost since the start of the Covid market crash. A wider rally in the markets would be helpful to these stocks but otherwise they still face considerable headwinds as sentiment remains poor towards the sector.

By **Daniel Coatsworth**

AJ Bell Editor in Chief and Investment Analyst

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Help: I’ve just started thinking about pension planning and I’m not sure where to start



Dealing with a question about working out how much you will need for retirement

I have only recently started thinking seriously about my retirement. However, I am paying the maximum I can into my employer’s pension to get matching contributions, and I also pay into my SIPP each month. I am 48 years old and am trying to figure out how much more I need to pay into my SIPP to retire. I have also built up investment ISAs and I have 10 years more to pay off the mortgage on my house.
David



Rachel Vahey,
AJ Bell Head of Public Policy, says:

Retirement can often seem like a long way off, and planning can naturally feel challenging. But when trying to take on a big task, often the easiest way to solve the problem, is to break the question down into smaller parts.

People may want to start by considering when and how they want to stop working. For example, if they want to completely stop at a certain age, or if they would like to ‘run down’ into retirement, possibly by moving to a less stressful job, or working part-time on a consultancy basis.

difficult to work out. Fortunately, help is at hand. The PLSA (Pensions and Lifetime Savings Association) have put together a set of Retirement Living Standards to show people what life in retirement looks like. There are three different levels showing how much money is needed (after tax) to afford a given living standard.

The aim of these standards is to build awareness, to help people picture their future and what it costs. The figures are based around a basket of goods and services, for example including the costs of maintaining a house, not just the energy bills, but new furniture, decorating, or employing a cleaner or gardener. The budget also considers how often someone would eat out, if they were running a car, and other things, such as holidays or new clothes.

For example, the costs for someone on a moderate retirement living standard include a Tesco food shop with 50% branded products, an £8 bottle of wine each week, a three-star European summer holiday plus a UK weekend break.

Whereas those on a comfortable retirement would be upgraded to a Sainsbury’s food shop, a £10 bottle of wine each week, a four-star European summer holiday with additional spending money and three weekend breaks.

WORKING OUT HOW MUCH YOU NEED

Once someone knows when, another question is often ‘how much money will I need?’. This can be

WHAT CAN YOU REALISTICALLY EXPECT?

The next question is where someone could expect to land on that scale. To work that out people need

RETIREMENT LIVING STANDARDS	SINGLE	COUPLE
MINIMUM (Covers all your needs, with some left over for fun)	£14,400 London £15,700	£22,400 London £24,500
MODERATE (more financial security and flexibility)	£31,300 London £32,800	£43,100 London £44,900
COMFORTABLE (more financial freedom, some luxuries)	£43,100 London £45,000	£59,000 London £61,200

Source: Retirement Living Standards latest report, Pensions and Lifetime Savings Association



Ask Rachel: Your retirement questions answered

to know any defined benefit pension income they expect to receive plus the total pension pot from defined contribution plans. State pension should always be added in as that is often the bedrock of people's financial income (£11,500 for this tax year).

However, some may want to stop working – or work less – before age 67 or 68 when the state pension kicks in. So some other income may be needed to fill that gap. That could be from other investments, or tax-free cash taken from pensions.

The PLSA assume a couple would each need a pension pot of between £280,000 to £450,000 to provide the comfortable standard, between £150,000 to £250,000 each for the moderate standard. But nothing extra for a couple on the minimum standard. (That's because the figures assume each receive a full state pension, which may not be the case.) Obviously, cashing in other investments will reduce the size of the pension pots required.

If someone doesn't like the look of what they

could expect in retirement, they may want to do something about it. Paying in additional contributions could be a solution, and there are various pension calculators available that help figure out what that could achieve.

Finally, this is a tricky area, so a regulated financial adviser will be able to help build a personalised cash flow model and plan.

DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

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

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

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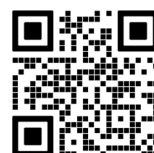
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WHO WE ARE

EDITOR:
Tom Sieber
@SharesMagTom

DEPUTY EDITOR:
Ian Conway
@SharesMaglan

NEWS EDITOR:
Steven Frazer
@SharesMagSteve

FUNDS AND INVESTMENT TRUSTS EDITOR:
James Crux
@SharesMagJames

EDUCATION EDITOR:
Martin Gamble
@Chilligg

INVESTMENT WRITER:
Sabuhi Gard
@sharesmagsabuhi

CONTRIBUTORS:
Daniel Coatsworth
Danni Hewson
Laith Khalaf
Laura Suter
Rachel Vahey
Russ Mould

ADVERTISING
Senior Sales Executive
Nick Frankland
020 7378 4592
nick.frankland@sharesmagazine.co.uk

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