STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

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SHARES

WE MAKE INVESTING EASIER

ENJOY THE RETIREMENT YOU WANT

HOW TO BUILD A SIPP PORTFOLIO

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Three important things in this week's magazine


ENJOY THE RETIREMENT YOU WANT

HOW TO BUILD A SIPP PORTFOLIO

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How to enjoy the retirement you want

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Scottish Mortgage

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Patience is wearing thin with Scottish Mortgage

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Feature: Property Sector

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Scope for a property sector rebound

A chat with a leading fund manager in the space about why real estate could be about to enjoy a renaissance.

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:

Christmas for Associated British Foods-owned Primark saved by late festive sales flurry

Spirit Airlines/JetBlue take on Federal Court in last ditch attempt to save merger

Does S4 Capital's latest update signal a turnaround for the advertising group?

Wincanton set to go private after recommending all-cash takeover

US stocks hit new high buoyed by biggest jump in consumer confidence in 33 years

Falling inflation expectations and resilient growth is music to the Fed's ear

After a new year stutter which saw the S&P 500 index fall in three of the opening four sessions, the world's largest market is back to winning ways notching up a new all-time high on 19 January.

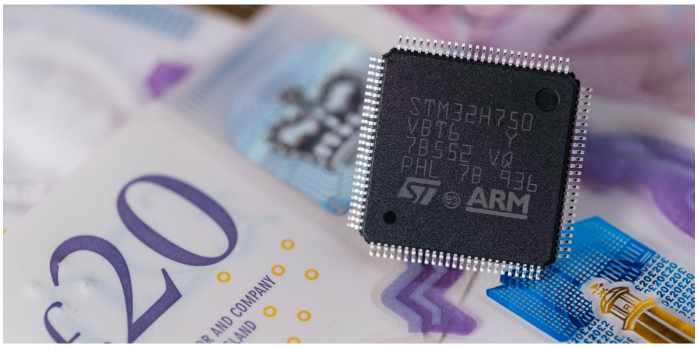
Investors seem to have taken heart from a widening in stock market participation beyond the 'Magnificent Seven' with the Philadelphia Semiconductor index, or SOX, also racking up new all-time highs.

Almost in stealth-like fashion, shares in Cambridge-based UK chip-designer **ARM (ARM:NASDAQ)** are up an impressive 54% since floating in September 2023.

Meanwhile, the technology-focused Nasdaq Composite index is now only 4% shy of its all-time high reached in late 2021. However, the small-cap economically-sensitive Russell 2000 is roughly 20% below its 2021 highs.

Stronger than expected economic data continues to play a part in stoking investor risk appetite.

Consumer confidence hit a two-and-a-half year high on 19 January after the University of Michigan Consumer sentiment reading jumped 13% to 78.8 against a reading of 70 expected by economists.



The second consecutive month of improvement took the cumulative gain to 29%, the biggest two-month increase since 1991 after a recession ended, according to Michigan University director of surveys Joanne Hsu.

The sentiment survey also provides a glimpse of consumer inflation expectations. Over the next year consumers expect inflation to average 2.9%, down from 3.1% previously. On a five- and 10-year timeframe, inflation is expected to average 2.8%.

The findings chime with a Federal Reserve Bank of New York survey released this month which found consumers expect inflation to ease over the short-, medium- and long-term.

While the latest data is supportive of the Fed's view that inflation expectations remained well 'anchored', it does suggest more work needs to be done to get the measure back to the central bank's 2% target.

Initial filings for unemployment benefits came in lower than expected at 187,000 compared with just over 200,000 the prior week on 18 January.

That was the lowest reading since September 2022, showing just how resilient the labour market has been in the face of higher interest rates.

All of which suggests the Fed can keep interest rates higher for longer without taking too much of a risk of pushing the economy into recession.

The odds of a Fed pivot to lower rates, which investors were pricing in as early as March a few weeks ago, have now drifted further out into late spring with markets now forecasting less than a 50% chance of an early cut. [MG]

UK core dividend payments rose 5.4% to £88.5 billion last year

Banks become the biggest-paying sector for the first time since 2007

While it may have been choppy seas for growth investors last year, for those with an income strategy it was plainer sailing with regular dividend payments for the FTSE All-Share excluding investment trusts growing by more than 5% to over £88 billion according to the latest *Dividend Monitor* report from financial services company Computershare.

The firm's latest quarterly report reveals some interesting trends, with underlying dividend growth accelerating in the final quarter which hopefully bodes well for 2024 payouts.

The main drivers of growth were the banks, in particular **HSBC (HSBA)**, which fully restored its quarterly payment for the first time since the pandemic and as a result regained its position as the number one dividend payer in the UK, a spot it last held in 2008 says the report.

Thanks to HSBC, the banks not only made the biggest contribution to dividend growth for the second year running, with payments up by nearly a third to £13.8 billion, they also became the largest-paying sector for the first time since the great financial crisis let alone since the pandemic.

Computershare's chief executive of issuer services Mark Cleland said: 'The need to quell inflation with higher interest rates means the last two years have delivered a dramatic turnaround. Bank investors are reaping the dividends of this reversal and we expect them to see even larger payouts in 2024.'

Oil and gas and utility stocks were also major contributors, with high energy prices driving a 15.8% increase in payouts from energy stocks and inflation-linked dividend policies boosting utility payouts to a record level.

However, the mining sector let the side down with payments shrinking over 28% to just £4.5 billion due to weak commodity prices.

The survey also revealed that although underlying dividends grew by 5.4%, the overall dividend 'pot' shrank by 3.7% to £90.5 billion due to fewer one-off special dividends.

With major companies such as **Aviva (AV.)**, **BP (BP.)**, **Glencore (GLEN)** and **Shell (SHEL)** buying back shares, reducing the number in circulation, the total value of dividends paid rose more slowly than it would have.

According to Computershare, without buybacks dividend growth last year would have been 7.2% instead of 5.4%.

For 2024, the firm is expecting underlying dividend growth of 2% to £89.8 billion and total headline growth of 3.7% to £93.9 billion helped by an increase in special dividends. [IC]

UK Q4 dividends – (£ Billion)

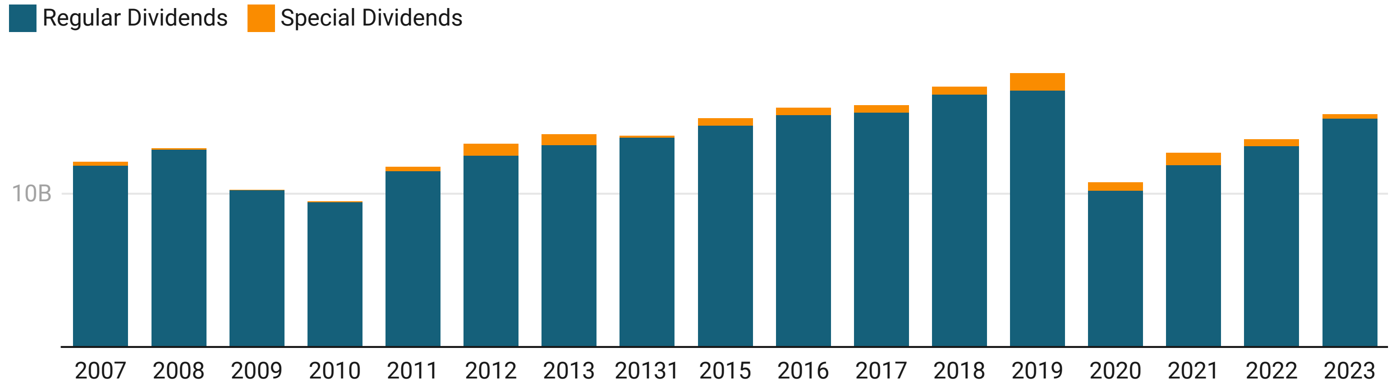


Chart: Shares magazine • Source: Exchange Data International & Computershare

Finsbury Growth & Income marks three years of underperformance

Manager blames stock selection and lack of exposure to energy sector

Finsbury Growth & Income Trust

Chart: Shares magazine • Source: LSEG

Following on from our coverage of **Fundsmith Equity (B41YBW7)** and the fact it has lagged its benchmark for three years running, another popular fund with retail investors, the Nick Train-run **Finsbury Growth & Income (FGT)**, has also failed to outperform over the last three years.

As the manager says in his December factsheet: 'This is disappointing to me and all my colleagues, because we work hard, we care and are invested in the strategy ourselves.'

In the year to 31 December, the trust generated a NAV (net asset value) return of 5.8% and a share price return of just 3.9% against a 7.9% gain for the FTSE All-Share index.

The main reason for this underperformance, as Train himself acknowledges, is not owning oil and mining shares and having too much exposure to consumer and financial stocks, which together make up nearly 80% of the portfolio.

Train also blames his individual stock selection: 'In addition, I have invested in some companies where my confidence in their earnings power and undervaluation has been misplaced, at least to date. Amongst these, **Hargreaves Lansdown (HL.)** has been a big detractor from the returns, as have **Burberry (BRBY)** and, particularly in 2023, **Diageo (DGE)**.'

Shares in Hargreaves Lansdown lost around 14% in 2023, while Burberry lost 30% of its value last year and has lost another 13% so far this year.

Shares in Diageo lost around 22% last year, and like Burberry are trading down again this year as evidence mounts that sales of upmarket spirits, like those of luxury goods, aren't as immune to a downturn in consumer spending as had been argued.

To his credit, Train isn't about to change his investment strategy just because the trust didn't outperform and nor would we expect him to. As per the saying, when the going gets tough the tough get going.

'I can assure investors that our approach remains unchanged and that the structure of the portfolio makes it very likely to continue to perform very differently from the benchmark. Of course, we hope for the better.'

There is one new addition to the trust, FTSE 100 housing market portal **Rightmove (RMV)**, which enjoys 'a formidable competitive position' according to the manager.

Train also notes that **CoStar (CSGP:NASDAQ)**, which is aiming to challenge Rightmove's market dominance, trades on 67 times forward earnings against 22 times for the UK company, demonstrating how undervalued successful UK digital companies are by comparison with their US peers. (IC)

Disclaimer: The author (Ian Conway) owns shares in Fundsmith Equity.

Under the radar tech star Super Micro Computer surges as earnings set to smash forecasts

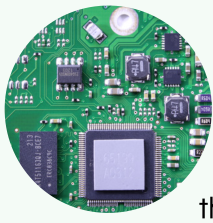
Company's liquid cooling solutions becoming increasingly relevant in an AI world

Shares in US data centre hardware outfit **Super Micro Computer (SMCI:NASDAQ)** have extended their remarkable gains over the last 12 months to 491% as the company flagged an exceptional second quarter performance (19 January).

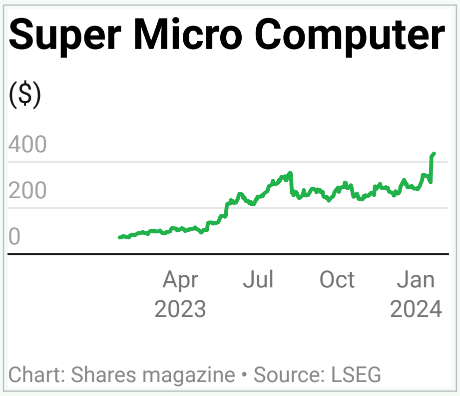
Revenue for the three-month period to 31 December is expected to total between $3.6 billion and $3.65 billion, well in excess of previous guidance of $2.7 billion to $2.9 billion and ahead of the analyst consensus of $3.06 billion.

Adjusted earnings are pegged at $5.40 to $5.55 per share, up from the $4.40 to $4.48 per share which had previously been penciled in.

Super Micro makes and sells hardware behind servers for websites, data storage and AI (artificial intelligence). Its offering of liquid cooling solutions for data centres is seen as particularly important given the amount of power consumed and the heat generated when running AI applications.



Super Micro's fortunes are therefore closely tied to those of its partner **Nvidia (NVDA:NASDAQ)**, which makes the chips used to power AI.



Investors will be looking for more colour on the outlook and detail on what is driving earnings when the second-quarter numbers are reported in full around the end of this month. [TS]

Birkenstock under pressure after disappointing post-IPO earnings

Shares in German sandal maker tumble after markets lose faith in the brand

Birkenstock (BIRK:NYSE) tripped over itself on Wall Street last week, with the shares falling by as much as 14% at the opening bell before stabilising after the German shoemaker delivered a mixed earnings report for the fourth quarter of 2023 and a muted outlook for 2024.

The stock slid as the European footwear brand forecast 18% revenue growth for 2024 and EBITDA (earnings before interest, tax, depreciation and amortisation) of between $566 million and $577 million.

The company said it expected profits to shrink this year as it ramped up its investment plans, although there are clear signs shoppers globally are cutting spending on 'nice-to-haves' in favour of 'must-haves' like food and shelter.

Birkenstock has undergone a major shift under chief executive Oliver Reichert in the last decade, going from a family-owned specialist manufacturer to a global footwear brand.

The company made its stock market debut last October at $46 per share, giving it a market value of approximately $9 billion.

Analysts at Morgan Stanley were encouraged by the firm's full-price sales performance, while Jefferies analyst Randall Konik flagged Birkenstock's 30% sales growth in the US in the final quarter of 2023 and suggested the firm's 2024 sales guidance could turn out to be 'conservative'. [SG]

Will Pets at Home win a pat on the head from investors?

The pet food purveyor needs to show like-for-like sales continue to recover from short-term logistics centre disruption

Chart: Shares magazine • Source: LSEG

Compared to other retail verticals, Christmas is relatively less important to the pet care market. Nevertheless, UK market leader **Pets at Home (PETS)** will need to reassure investors that retail like-for-like sales momentum has been sustained when it bounds in with a third-quarter trading update on 30 January.

Liberum Capital doesn't expect any reporting surprises, although the broker does remain 'concerned around the slip we notice in store standards' at the FTSE 250 retail name, which reiterated guidance for the year to March 2024 at the first half results on 28 November. At the time, the pet food-to-vet services purveyor said the consumer environment remained 'uncertain'.

Yet Pets at Home stressed its sales growth had normalised after a short-term revenue hit from distribution centre disruption which affected product availability. The early weeks of the third quarter started well with 'good initial sell-through' of Christmas ranges and the company expressed confidence in delivering annual underlying pre-tax profits of around £136 million, in line with the analyst consensus supported by cost reductions and veterinary services outperformance.

The next big catalyst for the shares, up more than 100% over five years but down over 10% on a one-year view, should be the Competition & Markets Authority's initial findings from its review of the UK veterinary services market, likely to see the light of day in early 2024. [JC]

What the market expects of Pets at Home

	EPS (p)	Revenue (£bn)
Year to March 2024	19.9	1.5
Year to March 2025	23.7	1.6

Table: Shares magazine • Source: Berenberg

UK UPDATES OVER THE NEXT 7 DAYS

FULL-YEAR RESULTS

29 January:
British American Tobacco

30 January:
Vodafone, SThree

31 January:
Abrdn Private Equity Opportunities Trust, GSK

1 February:
Shell

INTERIMS

30 January:
Diageo

31 January:
ITM Power

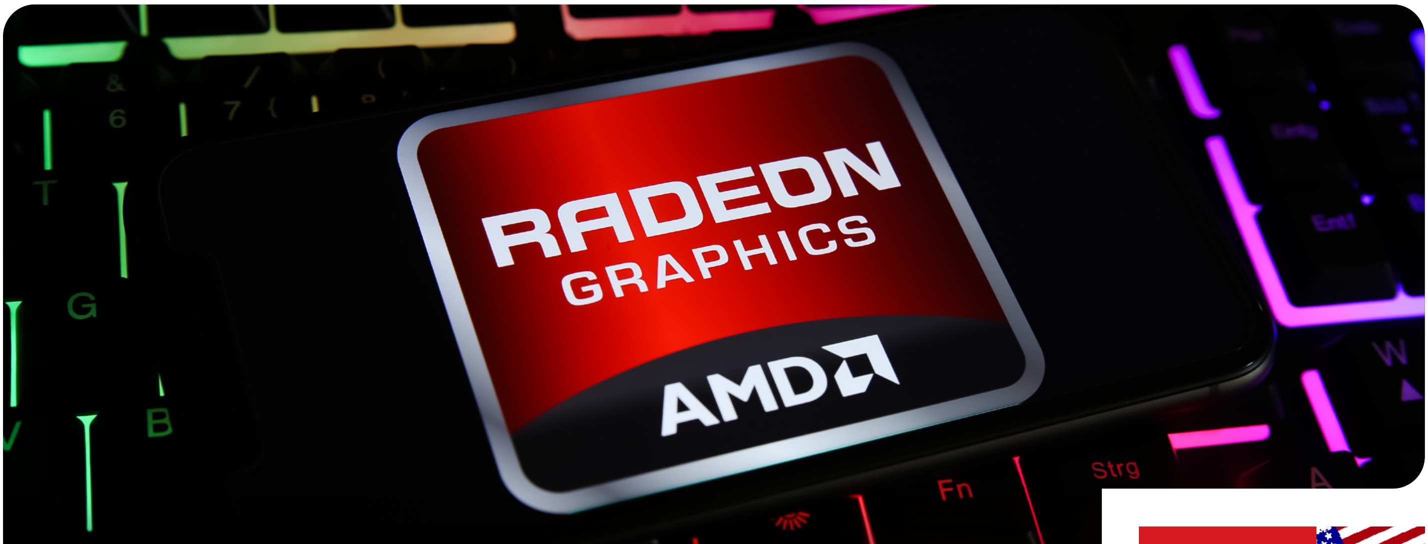
1 February:
Rank Group

TRADING ANNOUNCEMENTS

26 January:
Record, Paragon Banking, WH Smith

30 January:
Pets at Home, Luceco

1 February:
Cranswick, JTC, Barr (A.G.)



How Advanced Micro Devices has surfed AI wave

Nvidia challenger is generating huge excitement among in-the-know analysts

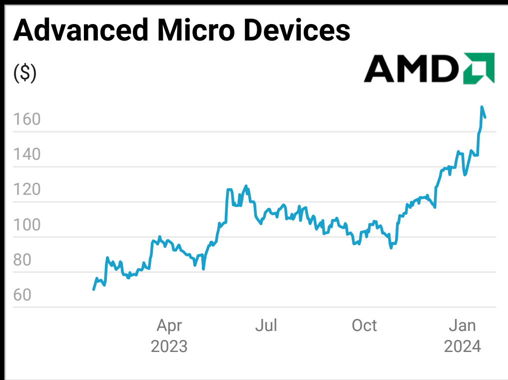
It's been easy to overlook **Advanced Micro Devices (AMD:NASDAQ)** as **Nvidia (NVDA:NASDAQ)** cornered the market for AI microchips last year. Yet analysts are increasingly seeing scope for AMD to emerge as a second AI chip champion as computer processing power demands surge.

Microsoft (MSFT:NASDAQ) is incorporating AMD's AI chips into its Windows PC operating system as part of a multi-year partnership, for instance, and it is not alone. Facebook parent **Meta Platforms (META:NASDAQ)** has been eying AMD's AI processors as a lower-cost alternative to those provided by industry leader Nvidia.

What the market expects of Advanced Micro Devices

	EPS ($)	Revenue ($bn)
Q4, 2022	0.69	5.60
Forecast for Q4, 2023	0.77	6.14
Forecast for Q1, 2024	0.69	5.79

Table: Shares magazine • Source: Koyfin



AMD stock has already doubled since October 2023, and has tripled over the past 15 months, with January strength powered by multiple analyst forecast and target price upgrades from the likes of Barclays, KeyBanc Capital Markets and Susquehanna Financial.

Fourth-quarter 2023 earnings after the market closes on 30 January will test whether the stock's run is sustainable. Analysts forecast around 15% earnings growth on last year's Q4 $0.67 marker at $0.77, on only its second quarter ever of $6 billion-plus revenue ($6.13 billion is the forecast).

Analysts estimate 18% earnings growth through 2024, based on Koyfin's latest data. [SF]

US UPDATES OVER THE NEXT 7 DAYS

QUARTERLY RESULTS

26 January: Caterpillar, American Express, Colgate-Palmolive, Norfolk Southern

29 January: Graco, Franklin Resources, Woodward, Rambus, Crane, Whirlpool

30 January: Microsoft, Alphabet, Advanced Micro Devices, Danaher, Pfizer, UPS, Stryker, Chubb, General Motors, Harley Davidson, Pitney Bowes

31 January: Mastercard, Boeing, Boston Scientific, MetLife

1 February: Apple, Amazon.com, Merck & Co, Honeywell, Eaton, Microgen, Royal Caribbean Cruises, Pinterest, Hartford, Spire

Crucial week for markets as central banks set out their stalls for 2024

Investors are already repricing the likelihood of rate cuts in the spring

After a stellar rally in the final quarter of last year, markets are on the back foot in 2024 as hopes of a round of interest rate cuts early in the spring have faded following higher-than-expected inflation data in the UK and stronger retail sales figures in the US.

While economists had penciled in a 0.1% fall in the rate of UK inflation to 3.8% last month, the official data showed a 0.1% rise to 4% due to an increase in tobacco duty and alcohol prices.

As Morningstar market strategist Michael Field notes we are still a long way from the Bank's 2% target and 'although the fall so far has been impressive, the going may get tougher from here'.

December UK retail sales on the other hand were alarmingly weak, falling 3.2% – with non-food sales sliding 3.9%.

It is possible consumers blew their budgets early, taking advantage of the discounts on offer in the Black Friday sales and similar, or they may have preferred to spend money on 'experiences' like going to pub, the cinema or bowling.

No doubt the Bank of England will be weighing up all these possibilities ahead of its rate-setting meeting on 1 February, but while we can't see interest rates moving higher neither can we imagine there is enough of a case for a cut just yet.

In the US, after December's retail sales and consumer confidence surprised to the upside the Federal Reserve will be watching the personal income and spending data on 26 January along with the JOLTS (job openings and labour turnover) survey four days later when it considers whether to cut interest rates at its meeting.

US 10-year bond yields moved above 4% again last week while pricing in the swap market showed the chances of a cut in the Fed's benchmark interest rate in March fell from 80% to below 60% for the first time in a month.

Fed officials have been pushing back against expectations of an imminent cut and the latest Beige Book cited bumper consumer spending as having propelled the economy in recent months. [IC]

Macro diary 25 January to 1 February 2024

Date	Economic Event	Previous Month
25-Jan	German IFO Survey	86.4
	US December Durable Goods Orders	5.4%
	US Q4 GDP	4.9%
26-Jan	US December Personal Income	0.4%
	US December Personal Spending	0.2%
30-Jan	UK December Consumer Credit	£2bn
	UK December Mortgage Approvals	50k
	US December Job Openings	8.79m
31-Jan	Euro-zone Q4 GDP	0.5%
	US January ADP Employment	164k
01-Feb	UK January Manufacturing PMI	
	US January ISM Manufacturing PMI	47.4

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

Next Central Bank Meetings & Current Interest Rates

Date	Event	Previous
25-Jan	European Central Bank	4.5%
31-Jan	US Federal Reserve	5.5%
01-Feb	Bank of England	5.25%

Table: Shares magazine • Source: Morningstar, central bank websites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A BLAST
Launch your ISA in minutes from our low-cost investment platform.
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Feel good, investing.
MAY 2023
Which?
Recommended Provider
INVESTMENT PLATFORMS
Capital at risk. ISA rules apply.

Why Smithson is a smart idea for 2024

Historically-wide 11.5% discount presents a buying opportunity at high-quality global small- and mid-cap trust

Smithson Investment Trust

(SSON) £13.93

BUY

Market cap: £2.22 billion

Smithson Investment Trust

Chart: Shares magazine • Source: LSEG

After a steep decline during most of 2023, investment trust **Smithson's (SSON)** shares are enjoying a healthy rebound which should have further to run as sentiment towards quality global small- and mid-cap companies improves, with potential interest rate cuts providing a tailwind.

The trust's wide 11.5% discount to NAV (net asset value), which compares to its long-term average of 2%, presents a compelling entry point for investors as a further narrowing of the discount combined with growth in underlying portfolio NAV would provide a powerful performance double-whammy.

Established by star fund manager and Fundsmith chief executive Terry Smith, Smithson's investment approach entails identifying companies with superior operating characteristics, investing at attractive valuations and holding them for the long term.

Managed by Simon Barnard and assistant portfolio manager Will Morgan, Smithson offers high-conviction exposure to quality global equities at the small- to mid-cap end of the spectrum with a market value of between £500 million to £15 billion at the time of initial investment.

Barnard and Morgan scour global markets for small- and mid-sized firms delivering strong profitability which is sustainable over time and generating substantial cash flow they can reinvest back into their businesses. The focus is on firms which are outperforming competitors and rely heavily on intangible assets, which leads the managers to sectors such as information technology, health care and consumer goods.

Over the past five years, Smithson has generated an NAV total return of 60.7% against returns of 54.5% for the MSCI World SMID Index and 34.2% for the global smaller companies sector. In 2023, as the peak in rates was reached, Smithson delivered an NAV total return of 13.3% versus 9.1% from the MSCI SMID Index and 4.5% from its peer group.

Concentrated around 33 holdings as of 29 December 2023, the portfolio offers exposure to the likes of rare disease medication maker **Recordati (REC:BIT)** and Italian luxury fashion house **Moncler (MONC:BIT)**, not to mention enterprise software firm **Temenos (TEMN:SWX)** and internet domain name services provider **Verisign (VRSN:NASDAQ)**.

The fund also owns **Fortinet (FTNT:NASDAQ)**, a play on the bull market in cybersecurity spending, as well as recovery situation **Fevertree Drinks (FEVR:AIM)**.

Kepler analyst Nicholas Todd believes there are bargains to be had in the smaller companies market and that Smithson could benefit from the serial acquirers in the portfolio that are 'in a position to absorb competition to gain market share or gain access to alternative markets at knock-down prices which could lead to a higher rate of return over the long term'. Ongoing charges on the trust are 0.9%. [JC]

Investors should buy Datadog before its appeal hits the mainstream

Manhattan company has the hallmarks of a great AI/data tech growth story

Datadog
(DDOG:NASDAQ) $132.98

BUY

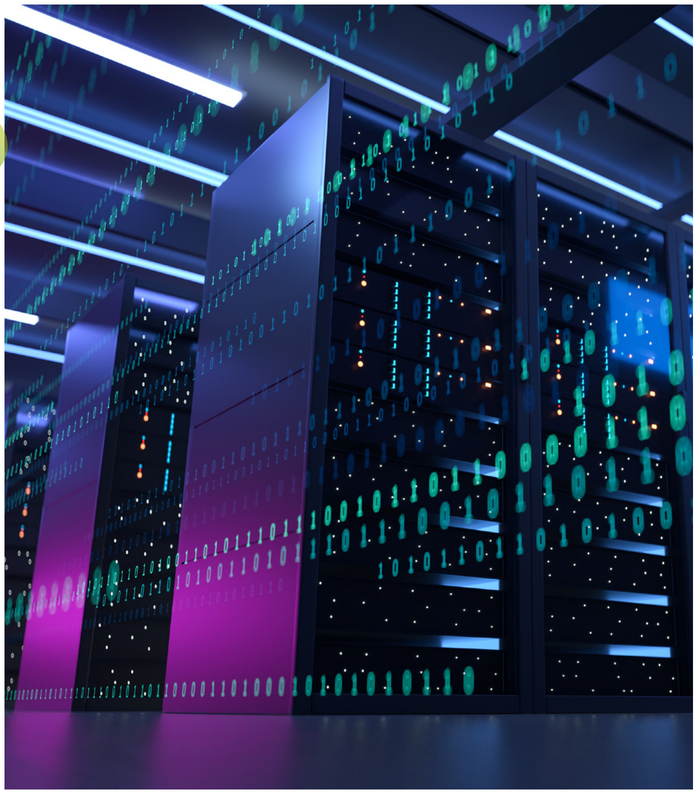
Market cap: $43.7 billion

Booming spending on AI (artificial intelligence) and cloud computing infrastructure has ignited a new tech bull market. That's the claim of several analysts and fund managers and if you're willing to bet on that narrative, **Datadog (DDOG:NASDAQ)** is a stock worth backing.

While overall IT budgets are expected to be up modestly in 2024, cloud and AI-driven spending will be up 20% to 25% over the next year, 'with use cases now exploding' in the enterprise and consumer landscape.

'We believe the new tech bull market has now begun, and tech stocks are set up for a strong 2024 as the AI spending tidal wave hits the shores of the broader tech sector,' as one analyst told clients.

Investing in US growth stocks comes with risk. These companies can often be more volatile than average, often look expensive compared to the market, and there's things like currency



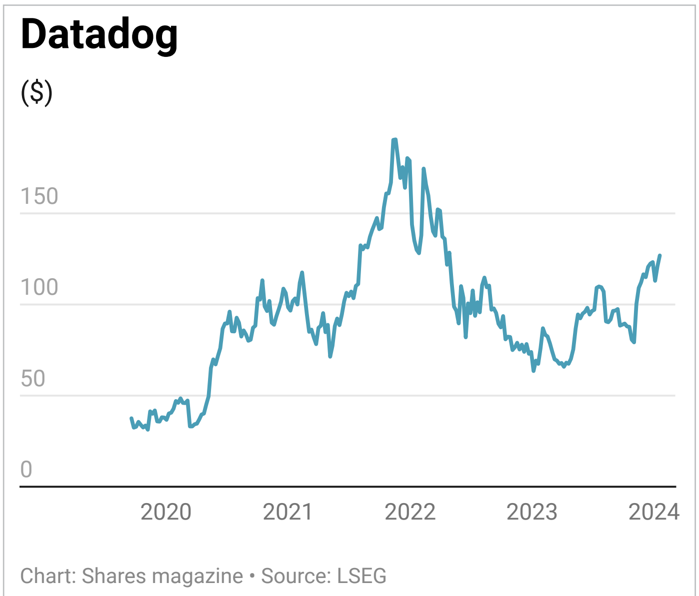


Chart: Shares magazine • Source: LSEG

unpredictability to consider.

But as we have seen over the past 12 months or so, when stocks like **Nvidia (NVDA:NASDAQ), Meta Platforms (META:NASDAQ)** and **Palo Alto (PANW:NASDAQ)** clocked up triple-digit returns, buying well-positioned tech growth stocks can pay-off way more impressively than even the most optimistic predictions.

So, what makes Datadog worth a look? The short answer is that it provides mission-critical data tools to businesses and is rapidly expanding its total addressable market as organisations around the world grapple with the huge volumes of data that AI and machine learning need to become effective.

WHAT DATADOG DOES

Datadog won't be a familiar name to most UK investors, but we expect that to change over the coming years. The $43.7 billion Manhattan-based business provides a software-as-a-service suite that allows clients to monitor and analyse

cloud-scale applications across the technology stack in real-time from a single place. This means monitoring servers, databases, tools, and services across major cloud providers, including **Amazon's (AMZN:NASDAQ)** AWS, **Microsoft (MSFT:NASDAQ)** Azure, **Alphabet's (GOOG:NASDAQ)** Google Cloud and others.

This makes Datadog a crucial behind-the-scenes facilitator for more than 25,000 firms worldwide.

'The company's unified, real-time view into the entire technology stack remains mission-critical to developers and enterprises as they focus on identifying and eliminating performance issues,' spelled out analysts at Oppenheimer in a note to clients. 'While not recession-proof, the mission-critical nature of its solutions gives Datadog relative resiliency in times of spending constraints,' they said.

Rapidly expanding its target market, through vertical shifts into areas like digital security, corporate compliance, and workflow efficiency, has scope to massively ramp the revenue growth opportunity. BMO analysts earlier this month calculated Datadog's core TAM (total addressable market) out to 2026 at $24 billion, yet thrown in large adjacent opportunities, BMO projects a 2026 TAM of approximately $58 billion.

To get here, Datadog has had to invest millions of dollars, and shareholders have endured a white-knuckle ride. After clocking up roughly $123 million of net losses in the five years to 2022, results for 2023 should reveal its annual profits breakthrough.

The company reported net earnings per share of $0.28, $0.36, and $0.45 in quarters one to three in 2023, with Q4 (to 31 December) due on 13 February. It calls for around $0.44 of EPS to hit the consensus full year forecast of $1.53, according to Stockopedia data. 2024 consensus is set at $1.82 but we see scope for those estimates to rise as the year progresses, providing more momentum for the share price.

'We believe the dynamics of the cloud market have meaningfully improved in the past few quarters, which should help with Datadog's revenue growth in 2024 and beyond', said BMO in its initiation note to clients this month.

Oppenheimer has previously noted Datadog's high-teens percentage free cash flow and operating margins, while growing revenue above 30% a year on average. Datadog has beaten quarterly forecasts every time since it listed on Nasdaq in September 2019 at $27 per share.

WHERE IT COULD GO WRONG

As Datadog continues to integrate itself at the heart of its clients' operations, it makes the company a potential target for malicious cyber-attacks. A lot of sensitive data and information is flowing through its platform, and if the company were to suffer a significant data breach, it could expose this business to some significant reputational damage.

There is also intense competition in this area, both from in-house tools hosted by the big cloud providers previously mentioned, plus specialists like Dynatrace, New Relic and AppDynamnics, according to Gartner. This means Datadog will have to keep investing in R&D to maintain an edge.

It's also important to realise that the valuation, while down about a third from pandemic peaks, when the stock hit $193 in October 2021, still trades at lofty multiples – a price to earnings of about 72, on current estimates. That said, great growth stocks never look cheap in the short term, so potential investors must put near-term valuations into the context of long-run growth potential.

All-in-all, *Shares* believes that Datadog shares offer a rare combination of growth and profit for years into the future and are worth buying now. [SF]

Stick with food producer Cranswick as it strengthens competitive position

Company's pig herd now supplies over half its needs

Cranswick
(CWK) £40

Profit to date: 11%

In November 2023, we said investors hungry for positive earnings momentum and an unbroken 33 years of dividend growth should take a closer look at pork and poultry products supplier **Cranswick (CWK).**

We saw scope for further earnings forecast upgrades based on strong UK food trading highlighted by leading grocer **Tesco (TSCO).**

There is also underappreciated upside from Cranswick's recent entry into the pet food business where it can leverage its strong existing relationships with UK supermarkets.

WHAT HAS HAPPENED SINCE WE SAID BUY?

The earnings upgrades continued after the company delivered a sizzling first half update (21 November), with sales up 12% and pre-tax profit jumping 24% to £81.6 million beating consensus expectations.

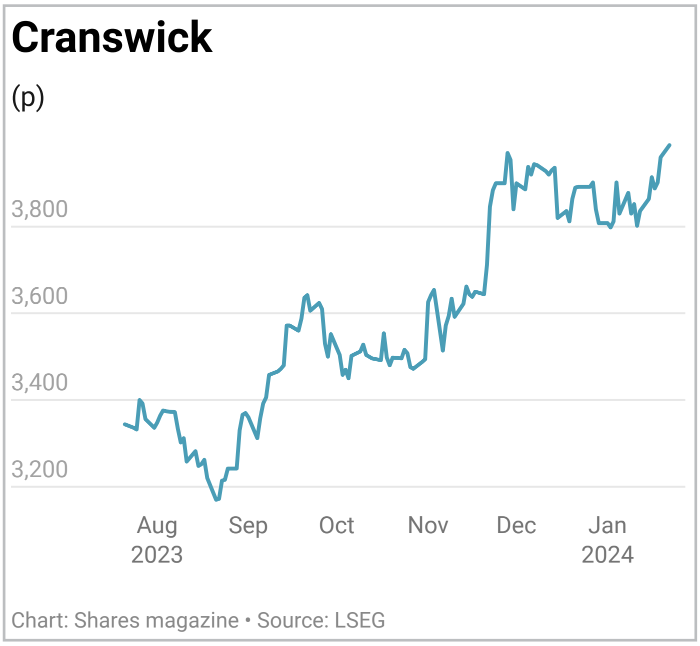


Chart: Shares magazine • Source: LSEG

Growth was driven by 'effective inflation recovery' and 'resilient' volume growth across four UK food categories. Tight control of costs and a positive contribution from rapidly expanding pig farming operations saw the operating margin expand to 6.8% from 6.1% in the same period of 2022.

Since the update, consensus earnings per share estimates have increased by around 5% for both 2024 and 2025 according to Refinitiv data.

Shore Capital raised its own 2024 earnings forecast by around 5% and commented: 'We see Cranswick's considerable investment in the UK food supply chain and food security as a major contributor to its margin enhancement.'

Berenberg noted Cranswick's competitive moat is expanding as its market share increases on the back of the outperformance of its key customers- namely **Sainsbury's (SBRY),** Tesco and **Marks & Spencer (MKS).**

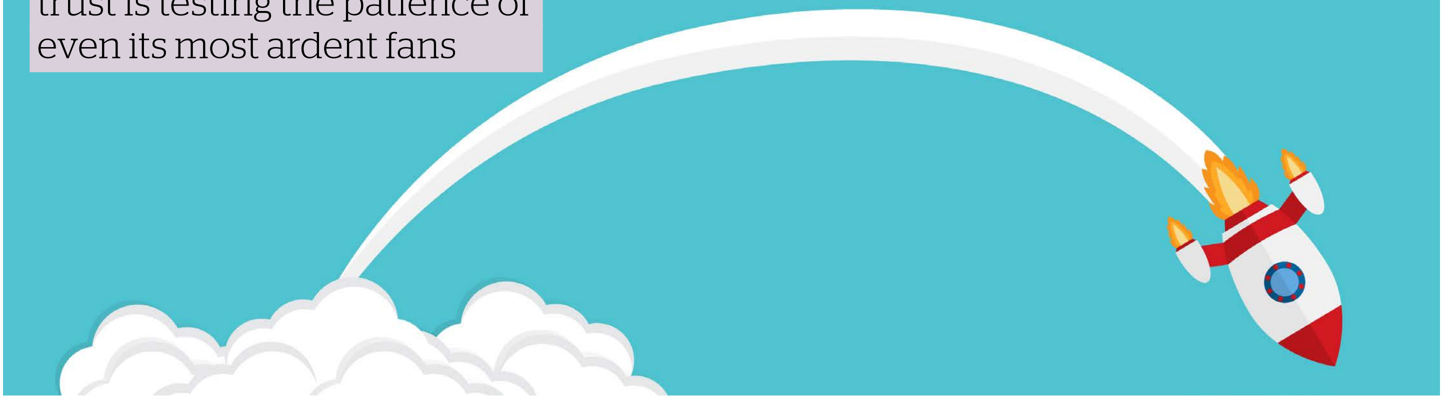
'Cranswick will continue to pursue investment in capability expansion and partner with its key customers to deliver growth in underdeveloped opportunities such as pet food,' added the analysts.

WHAT SHOULD INVESTORS DO NOW?

We believe investors should stick with Cranswick as it continues to benefit from its investment programme and ramps up volumes in its emerging pet food business. [MG]

What should investors do with Scottish Mortgage?

One-time star investment trust is testing the patience of even its most ardent fans



For the first time in years **Scottish Mortgage Investment Trust (SMT)** investors are contemplating selling up and moving on. Over the past month, it is the most sold investment trust on the AJ Bell platform, accounting for 14.6% of all trust sales.

This is almost unheard of, and it is meaningful too. For most of the 21st Century, long-term investors have backed Scottish Mortgage to the hilt, enjoying a seemingly endless supply of successes, including stakes in **Amazon (AMZN:NASDAQ)**, **Tencent (0700:HKG)**, **Tesla (TSLA:NASDAQ)** long before the rest of the market caught on.

It is a run that has made Scottish Mortgage a foundation stone of thousands of private investor portfolios, powering the trust into the FTSE 100.

INVESTMENT STRATEGY

Many investors will know the pitch – Scottish Mortgage aims to identify and back the world's most exceptional growth companies, and by doing so, deliver exceptional returns for shareholders over the long term. As with many things, it sounds simple, yet is far from easy to execute and investors must be willing to accept what might be called exceptional risk too.

In theory, 2024 should be a much better year for the trust than recent ones. Investors look forward not backwards, and there is widespread expectation that peak interest rates have been reached across Western economies. Data from Bloomberg shows more than 160 basis point cuts are currently priced in by the market for US interest rates this year, with 150 and 130 basis point cuts for the Eurozone and UK respectively.

This would lower the cost of borrowing and shallow market discount rates on growth assets.

Only it didn't seem to play out that way for the trust's shares for most of 2023 when plenty of growth stocks went to the moon, but Scottish Mortgage remained firmly out of favour. While portfolio holdings like **Nvidia (NVDA:NASDAQ)**, Tesla and **Shopify (SHOP:NYSE)** were clocking up triple-digit 2023 gains, Scottish Mortgage' share

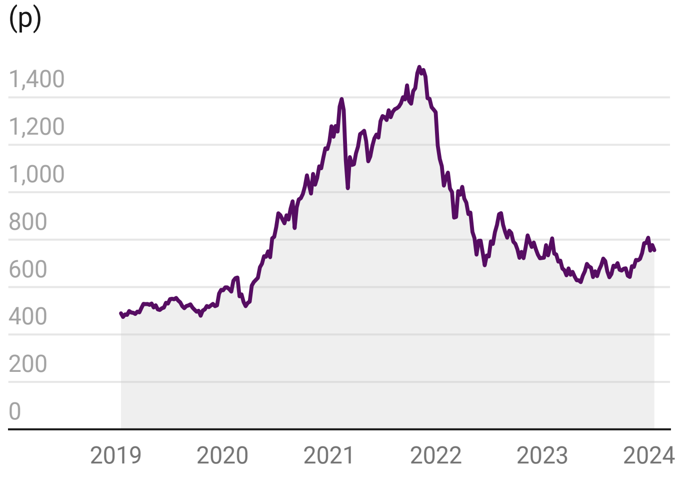


Chart: Shares magazine • Source: LSEG

price rose just 12% in 2023, ending the year at 808p, and that was only after a post-Halloween rally – up until then the stock was actually down 11%.

Not much has changed this year so far either, the stock off around 4% in January 2024 (as of 22 January). Even so, the discount to net assets has narrowed, roughly halving from almost 23% to 10.8% now, according to Trustnet data. Yet that remains historically high, with the long-run average discount calculated by Trustnet at 4.8%.

In that light, Scottish Mortgage' focus on sustained technological advances could be on the cusp of another wave of outperformance, enhanced by a further narrowing of the discount. That would come as a relief for shareholders who have endured a period of poor returns that have tested patience.

During the three years to 31 December 2023, the shares lost 32.8%, according to manager Baillie Gifford, versus a 28.7% gain for its FTSE All World Index benchmark. Even over five years, typically the period joint managers Tom Slater and Lawrence Burns prefer to be judged on, it has barely tracked the benchmark's 77.8% returns.

Scottish Mortgage' greatest hits

By contribution to investment returns January 2003 to June 2022

Amazon	10%
Atlas Copco	6%
Petrobras	5%
Tencent	4%
Baidu	4%
Brazilian inflation-linked bonds	3%
Tesla	3%
British American Tobacco	3%
Vale	3%
Kering	2%
Barclays	2%
Illumina	2%
Alibaba	2%
Suncor	2%

Table: Shares magazine • Source: Baillie Gifford, 14 assets have earned 53% of 12-times return on investment, January 2003 to June 2022

STAKES IN PRIVATE BUSINESSES

A big part of that underperformance comes from Scottish Mortgage's decisions on the thorny issue of owning stakes in private companies, notoriously difficult to value and especially so during dry spells for funding rounds and an IPOs (initial public offerings) drought.

Scottish Mortgage has scope to invest up to 30% of the portfolio into private companies, and the trust is rock solid in its belief that privates offer some of the most exciting growth opportunities anywhere, such as Elon Musk's SpaceX, 'an exceptional and unique company', according to Claire Shaw, one of the specialists on the trust's investment team.

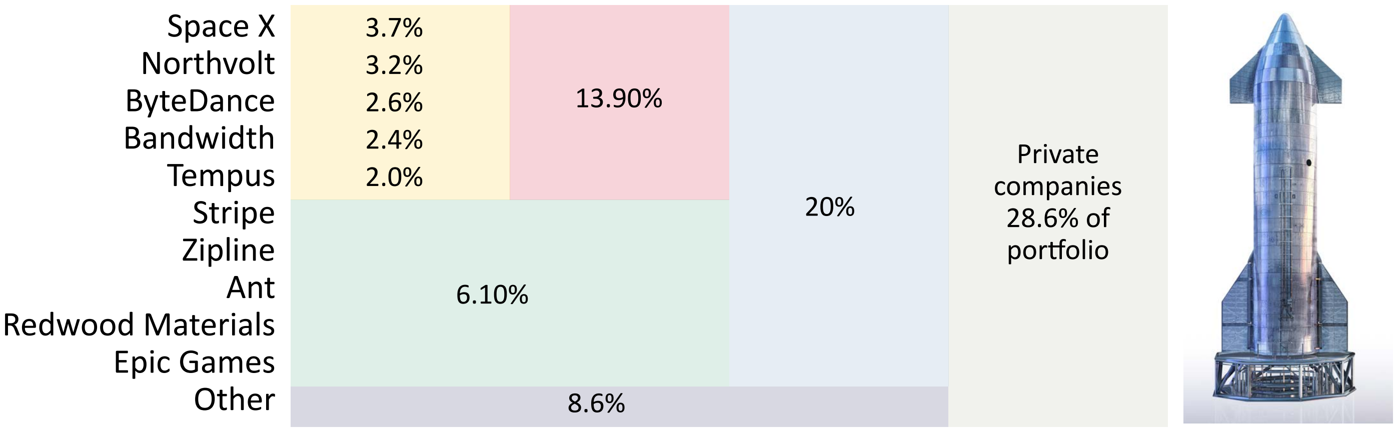
SpaceX is not about off-planet tourism, but its launch capabilities to slash the cost of its Starlink satellites network, which is providing super-fast connectivity in parts of the world with little or no alternatives.

The post-carbon economy will have a strong appetite for energy storage solutions, due to the proliferation of electric vehicles and intermittency of renewable energy generation. Yet the West remains hugely reliant on China, which provides about 80% of the world's batteries production and materials. That's not a comfortable place to be with tension hot between Washington and Beijing.

This, in turn, bolsters the investment case for Northvolt, aided by the sustainable nature of its materials sourcing and manufacturing process.

Lawrence Burns acknowledged that a variety of battery technologies are gaining prominence but noted that lead times are long and therefore they trust the company to allocate R&D

Big bets on private companies



Source: Baillie Gifford, 30 November 2023

as appropriate.

ByteDance, the owner of the hugely popular social media platform TikTok, is another private company in the portfolio, as is Stripe, one of the world's biggest payment platforms.

Scottish Mortgage invested £193.7 million into new private companies in 2023.

IPO BOOST COULD LIFT SHARE PRICE

'Many private companies in the portfolio are ready for IPO as soon as market conditions allow, including Northvolt, Tempus, SpaceX and ByteDance,' say analysts at Winterflood. Scottish Mortgage conducted more than 400 revaluation exercises last year with most falling within a 5% range after price discoveries, the trust says.

Many believe 2024 will see the IPOs market pick up again, which will help established private company valuations and dispel some of the worries investors might have.

'Risk aversion is rife among equity market investors, and that's where we can create value for shareholders,' says Slater, who claims average growth of portfolio companies is close to 40%.

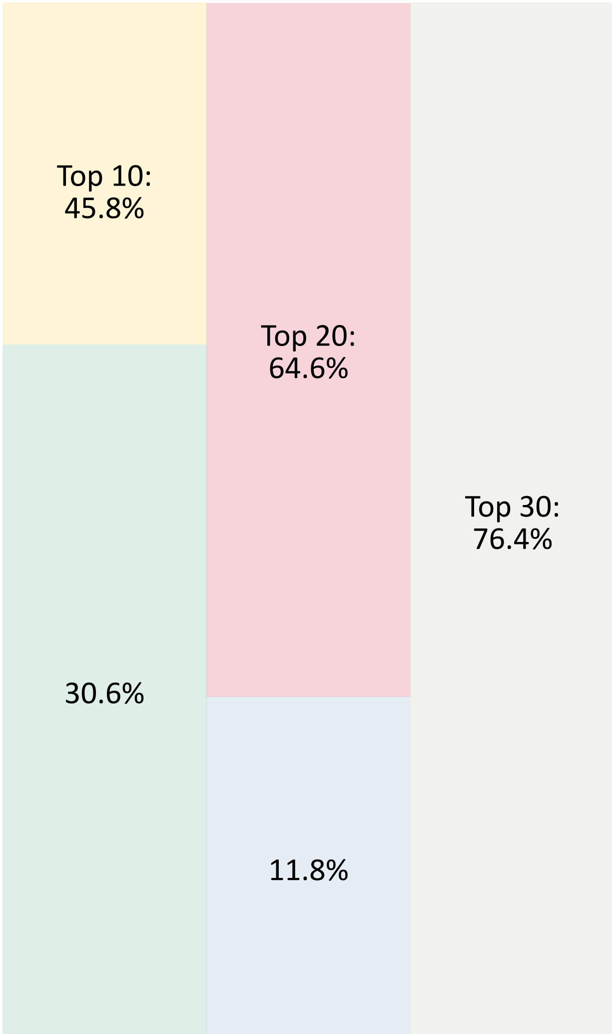
'Sometimes, that is not easy, but if it wasn't a volatile journey there would be lots of investment companies doing what we do,' he says. 'You have to endure those periods when what you are investing in is out of favour, and not conform with whatever the market is interested in.'

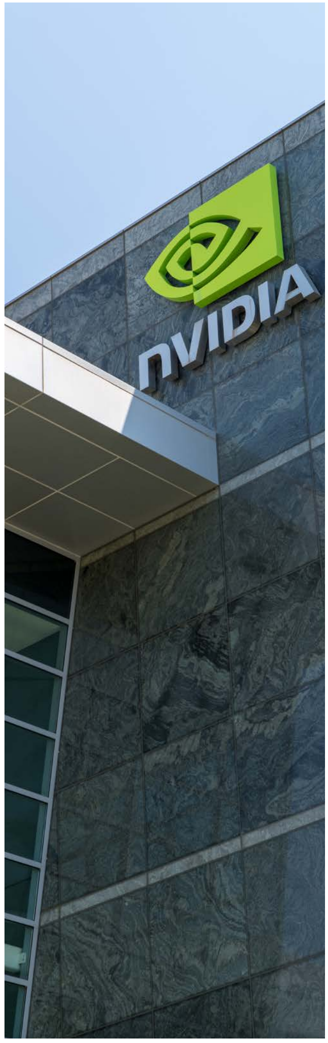
Despite its previous popularity, Scottish Mortgage's Slater admits that it won't suit all investors. But for those willing to accept the volatility inherent in the share price, this remains a clearly focused investment trust aiming to capture outlier returns amid market risk aversion from many of the largest investment themes around, such as AI, (artificial intelligence), energy storage, digital commerce, and healthcare technology.

We believe this means share price performance will improve and could repeat the benchmark-

Scottish Mortgage' top 30 stakes

ASML	6.8%
Moderna	5.3%
Nvidia	5.2%
MercadoLibre	5.1%
Amazon	4.7%
PDD	4.7%
Tesla	4.5%
Space X	4.0%
Northvolt	2.8%
Ferrari	2.7%
Wise	2.4%
ByteDance	2.3%
Brandtech	2.2%
Spotify	1.8%
Tencent	1.8%
Kering	1.8%
Tempus Labs	1.7%
Stripe	1.7%
Adyen	1.6%
Meituan	1.5%
Zipline	1.5%
Snowflake	1.5%
Shopify	1.4%
Affirm	1.2%
Delivery Hero	1.1%
Netflix	1.1%
Cloudflare	1.1%
Meta Platforms	1.0%
Nio	1.0%
Gingko Bioworks	0.9%





Source: Baillie Gifford, 31 December 2023

beating return of the past decade's 318.9% versus 193.2%.

Disclaimer: AJ Bell referenced in this article owns Shares Magazine. The author (Steven Frazer) and editor of this article (Tom Sieber) own shares in AJ Bell. The author of the article (Steven Frazer) owns shares in Scottish Mortgage.

By **Steven Frazer** News Editor

Twenty years of dividend investing

Bruce Stout, Martin Connaghan and Samantha Fitzpatrick, co-managers of Murray International Trust

In 2024, and after twenty years at the helm, Bruce Stout will hand over management of Murray International to Samantha Fitzpatrick and Martin Connaghan. Here the team consider how dividend investing has changed over that time, and its prospects from here.

Twenty years is a long time in financial markets. It has seen the technology bubble collapse of the early 2000's, the 2007/08 global financial crisis and, more recently, the global Covid pandemic. Murray International Trust has steered a path through these various crises by focusing intently on its investment objective – to build and grow its payouts to shareholders. However, the tools available to achieve that objective have changed considerably.

In 2003, the Murray International portfolio looked very different to how it is positioned today. It had a significant weighting in the UK, at over 40% of the fund, plus a weighting of around 20% in bonds. It was only lightly invested in faster growing areas, such as technology, or emerging markets. While the mandate was flexible, choice was limited because many regions and sectors did not pay a dividend.

For example, Asian companies had just emerged from their financial crisis, and had neither the inclination nor the wherewithal to pay dividends. Japan had almost no dividend-paying companies, while US and European dividend payouts were patchy, and often confined to single sectors, such as utilities. There was a prevailing view that companies had given up on future growth if they started to pay dividends to shareholders. In the US, senior executives were often rewarded on the growth they could achieve in earnings per share, so spent any spare capital on buybacks rather than dividends. This made it tough to run a global fund truly diversified across sectors and geographies.

THE EXPANSION OF DIVIDENDS

The past twenty years have seen an astonishing breadth of choice open up for dividend investors. It is possible to draw an income from equities across a vast range of countries and sectors. Dividend payers now include technology giants Broadcom in the US or TSMC in Taiwan; plus numerous other companies from across the globe including emerging markets. Investors no longer have to choose between reliable dividends and capital growth. Global dividend portfolios can now be far more diversified, which makes them more robust.

The diversification of global income into new companies and different regions is ongoing. For example, the high end luxury goods companies are now increasing dividend payouts to shareholders, which would have been unheard of even 10 years ago. Japan's corporate governance reforms are encouraging companies to use capital more efficiently and, where appropriate, return profits to shareholders through dividends. There is a growing realisation that, rather than implying a company has no pathway to growth, paying dividends can be a sign of strength.

This choice and flexibility has helped manage changes in the dividend landscape. These happen periodically. There was a time when UK banks were a source of stable income and a significant feature of most income portfolios. The financial crisis saw dividends decimated and share prices tumble. If, however, investors had had the flexibility to look at Asian banks, for example, they would have found opportunities such as Oversea-Chinese Banking Corporation, a well-capitalised, Singapore-based bank which has maintained a solid dividend policy throughout, with dividend growth last year of over 40%.

Equally, flexibility can help investors take advantage of opportunities as they arise. Miners will never be a bedrock of an income fund, but they will have periods of real strength at certain points in the economic cycle. The dividend landscape is always changing and there will be times to invest in certain areas and times to avoid them. In Murray International we hold a Chilean lithium company, which is currently in the sweet spot for demand, but that will ebb and flow.

While this transformation has been

happening in global income, investors have been minutely focused on capital growth, and a handful of technology companies in particular. The majority of the world's market cap is now in America. This means that many growth portfolios are now more concentrated and less robust than they have been in a generation. The contrast with global dividend portfolios could not be more acute.

THE END OF LOW INTEREST RATES

The era of loose money that has characterised the past decade is almost certainly over. This is not necessarily because of higher inflation, but also because the balance sheets of global governments are exhausted and need to be brought back to sustainable levels. This means bonds will once again be priced by the market, rather than their price being distorted by government policy and central bank intervention.

This changes the landscape for Murray International and global income strategies from here. Pre-2008, around 60% of the annual returns from equities came from reinvested income. From 2008, 60% came from capital growth. This could reverse as investors place a higher priority on the tangible, near-term returns delivered by dividends, rather than the longer-term, less reliable prospect of future capital growth.

Equally, in a less certain environment, with less support from loose monetary policy, diversification is likely to become increasingly important. Relying on a handful of technology companies looks an increasingly precarious strategy. We believe the more tangible charms of high quality, cash generative businesses around the world will come to the fore, as they have done historically.

Over 20 years, the inherent philosophy of Murray International Trust has remained the same – to pay a high and growing dividend. We recognise that investors don't want to see significant fluctuations in their capital, but when market volatility does occur, the stability of reliable income that the trust provides becomes even more important for shareholders. On the way that objective is achieved we remain flexible in recognition that the options available to us are improving and diversifying all the time.

ENJOY THE RETIREMENT YOU WANT

HOW TO BUILD A SIPP PORTFOLIO

The size of pot you might need to achieve the right income and what to invest in at different stages of your retirement journey

Most of us will be aware of the need to plan for our retirement, however far or otherwise we might have got with doing so. After all, when we stop working we all still want to enjoy a decent quality of life. In this article we will explore how much money you will need and the level of pension pot required to achieve it as well as providing some investment ideas for people at the start of the process, those nearing retirement and those who have already retired.

HOW MUCH DIFFERENT LIFESTYLES COST

A 2023 Retirement Living Standards report produced by the PLSA (Pensions and Lifetime Saving Association), based on research by Loughborough University's Centre for Research in Social Policy, calculated how much the average person needs to live a 'minimum', 'moderate' or 'comfortable' lifestyle.

After tax, the annual cost of a 'minimum' lifestyle is estimated at £12,800 for an individual and £19,900 for a couple. The state pension is currently £10,600.

For a couple, that figure is more than covered by the new full state pension, which stands at £10,600, while the PLSA believes £12,800 for a single person is 'very achievable if they supplement the state pension with income from a workplace pension saved through automatic enrolment during their working life'.

The tables paint a picture of the kind of things you could expect to afford based on the different

RETIREMENT LIVING STANDARDS 2023

(OUTSIDE LONDON)

SINGLE	MINIMUM (£12,800 a year)	MODERATE (£23,300 a year)	COMFORTABLE (£37,300 a year)
WHAT STANDARD OF LIVING COULD YOU HAVE?	Covers all your needs, with some left over for fun	More financial security and flexibility	More financial freedom and some luxuries
HOUSE	DIY maintenance and decorating one room a year	Some help with maintenance and decorating each year	Replace kitchen and bathroom every 10/15 years
FOOD	£54 a week on food (including food away from the home)	£74 a week on food (including food away from the home)	£144 a week on food (including food away from the home)
TRANSPORT	No car	3-year old car replaced every 10 years	2-year old car replaced every five years
HOLIDAYS & LEISURE	A week and a long weekend in the UK every year	2 weeks in Europe and a long weekend in the UK every year	3 weeks in Europe every year
CLOTHING & PERSONAL	Up to £580 for clothing and footwear each year	Up to £791 for clothing and footwear each year	Up to £1,500 for clothing and footwear each year
HELPING OTHERS	£20 for each birthday present	£34 for each birthday present	£56 for each birthday present

COUPLE	MINIMUM (£19,900 a year)	MODERATE (£34,000 a year)	COMFORTABLE (£54,500 a year)
WHAT STANDARD OF LIVING COULD YOU HAVE?	Covers all your needs, with some left over for fun	More financial security and flexibility	More financial freedom and some luxuries
HOUSE	DIY maintenance and decorating one room a year	Some help with maintenance and decorating each year	Replace kitchen and bathroom every 10/15 years
FOOD	£96 a week on food (including food away from the home)	£127 a week on food (including food away from the home)	£238 a week on food (including food away from the home)
TRANSPORT	No car	3-year old car replaced every 10 years	Two cars, each replaced every five years
HOLIDAYS & LEISURE	A week and a long weekend in the UK every year	2 weeks in Europe and a long weekend in the UK every year	3 weeks in Europe every year
CLOTHING & PERSONAL	£460 per person for clothing and footwear each year	£791 per person for clothing and footwear each year	Up to £1,300 per person for clothing and footwear each year
HELPING OTHERS	£20 for each birthday present	£34 for each birthday present	£56 for each birthday present

Table: Shares magazine. Source: 2023 Retirement Living Standards report, Pensions and Lifetime Saving Association income levels.

When it comes to the level of pot required to achieve the income you want, the PLSA has had a stab at working out how much you might need to generate the different income tiers.

The results are based on buying an annuity after accumulating funds in a defined contribution pension and, while this is now a more viable option thanks to increased interest rates, the assumptions here were made at the peak of annuity rates seen in 2022.

They are just a rough guide. It does helps to have figures in your head to shape your goals and investment plan but a lot can change over time. The more you can put away and the longer you can put it to work in the markets the better as you benefit from the compounding effects. This describes the process whereby investment returns themselves generate future gains.

The value of an investment increases exponentially because growth is earned on the initial sum of money plus the accumulated wealth. The impact of compounding becomes immensely powerful if you invest over an extended period.

Whether you opt for an annuity or stay invested in retirement will depend on your risk appetite and personal circumstances. However, if you stay invested after you stop work, one advantage is the value of your investments and any income you derive from them can continue to grow and help beat inflation – whereas the income from an annuity is fixed (unless you buy an inflation-linked product which pays out a lower starting rate). Read on for portfolio ideas for someone in the initial stages of their career and getting started early with their planning, someone getting closer to the magic date and someone already in retirement.

> **"Very achievable if they supplement the state pension with income from a workplace pension saved through automatic enrolment during their working life"**

Pot size to reach different Retirement Living Standards

Retirement Living Standard	Single person	Couple (per person)
Minmum	£36,500	£0
Moderate	£248,000	£121,000
Comfortable	£530,000	£328,000

Based on purchasing an annuity offering £6,200 per £100,000 - encompasses state pension

Table: Shares magazine • Source: 2023 Retirement Living Standards Report, Pensions and Lifetime Savings Association

SIPPS AND PENSIONS THE BASICS

A SIPP or self-invested personal pension is the most flexible type of personal pension. It allows you access to a wide range of different investment choices and gives you several options on how you draw your cash when you reach 55 (or 57 from 2028).

Pensions benefit from tax relief, so contributing to one can be an effective use of cash that isn't needed to repay expensive debts or pay bills. Thanks to the generous tax relief on offer, £1,000 paid into a pension will automatically be topped up to £1,250 via 20% basic rate tax relief based on the total contribution.

Those who pay a higher rate of tax can claim an additional 20% through their self-assessment tax return or by contacting HMRC.

If your taxable income is over £150,000, you'll pay a tax rate of 45% on everything over this threshold. You can claim additional tax relief on that amount - an extra 5%, to give you 45% tax relief in total on all pension contributions from your income over this threshold. In Scotland slightly different tax rates apply.

While SIPPs benefit from up-front tax relief, any income drawn from them is subject to taxation (unlike ISAs).

You have three main alternatives at retirement: buy an annuity (an insurance-like product providing an income for life); drawdown regular chunks or income from your pension pot as and when you wish; or take the lot in one go. Or you can opt for a mix of these options. Up to 25% of your pension can be taken tax-free with the rest taxed as normal income.

Planning for retirement

Assuming you have a decade or more to go until you retire then your priority should be growing your retirement pot as much as possible. For this reason, it is worth taking on a little more risk in order to achieve a higher level of return. The selections below are intended to meet that objective without taking on disproportionate levels of risk.

INVESTMENT IDEAS

Fidelity UK Smaller Companies (B7VNMB1) 376.4p

BUY

Smaller companies typically have more scope for growth albeit with higher levels of volatility, which make them a good fit for someone with a lengthy time horizon. This is a diversified fund made up of around 100 small- and medium-sized UK firms. Manager Jonathan Winton looks for businesses which have slipped under the radar and which might have endured a difficult spell but where he can see scope for improvement. He does not invest in companies which are facing structural decline, and accounting and investigation of cash generation are a key part of his due diligence. Performance has been impressive on a three, five and 10-year view. Top holdings include defence contractor **Babcock International (BAB)** and support services outfit **DCC (DCC)**. Ongoing charges are 0.92%

JPMorgan Emerging Markets (JEMI) 100.6p

BUY

Because they are at a different stage of their development, emerging markets have the potential for faster growth than developed economies, particularly when you consider they typically have more youthful populations. This investment trust is backed by a team of more than 90 research and investment specialists who conduct in excess of 3,000 company visits a year. A focus on quality should help limit some of the governance and financial issues which can dog emerging markets businesses and that is reflected in the trust's performance. Ongoing charges of 0.84% compare favourably with the peer group. The trust is on a discount to NAV (net asset value) of 12.3%.

Schroder Global Healthcare (B76V7Q0) 257p

BUY

Investing in health care has two benefits. Demand is less closely correlated to fluctuations in the economy and, in the West, an ageing population is likely to be a significant driver of demand. This fund, which has an ongoing charge of 0.92%, has a very strong track record. Steered by John Bowler since 2004. It owns some of the names at the forefront of areas like obesity drugs including **Eli Lilly (LLY:NYSE)** and **Novo Nordisk (NOVO-B:CPH)**.

Planning for retirement portfolio

Fund/trust	Three-year annualised total return	10-year annualised total return	Yield	Ongoing charges
Fidelity UK Smaller Companies (B7VNMB1)	10.8%	9.0%	2.1%	0.92%
JPMorgan Emerging Markets (JMG)	5.5%	8.3%	1.5%	0.85%
Schroder Global Healthcare (B76V7Q0)	4.3%	12.0%	0.2%	0.92%

Table: Shares magazine • Source: Morningstar, 19 January 2024

Nearing your retirement date

Whichever route you choose to draw on your defined contribution pension, it's likely you'll want to build up at least some cash in your pension by selling investments in what is sometimes called the 'retirement runway'. That's because most people take their 25% tax free cash at retirement, for obvious reasons.

To limit the risk of a big fall in the market just as you're about to crystallise your investments to fund this withdrawal, you probably want to build this cash up incrementally. You may also want to dial down your risk, even if you are going to stay invested when you retire.

INVESTMENT IDEAS

Allianz Strategic Bond (B06T9362) 139.1p

BUY

This fund provides a decent stream of income and has historically done a decent job of protecting investors against stock market volatility. An unconstrained mandate means the portfolio can differ significantly from the benchmark. Lead manager Mike Riddell and his team have the flexibility to look at the parts of the global bond market which look most attractive. This can include everything from government bonds to corporate bonds, inflation-linked bonds and emerging markets debt. What also helps is Allianz is the largest investor in bonds in Europe so the fund is backed by significant resources and expertise. The ongoing charge is a reasonable 0.44% a year.

Brunner (BUT) £11.35

BUY

We think this trust's balanced approach makes it a sensible option for someone looking to reduce their risk profile in the run-up to retirement while still benefiting from some of the growth potential offered by the stock market. Investing in global stocks, Brunner has a record of delivering consistent returns across market cycles. The shares currently trade at an 11.9% discount to NAV. The ongoing charge is 0.63%. The focus is on attractively-valued quality companies which enjoy big market shares, pricing power, strong balance sheets and a sustainable competitive advantage. There is also a focus on tapping into structural growth trends.

VT Argonaut Absolute Return (B7FT1K7) 275.9p

BUY

Run by Barry Norris, well-known in investment circles as taking a contrarian view, the fund has a strong track record. Norris employs an 'earnings surprise' stock picking method which, as its moniker suggests, looks to identify companies which can deliver positive surprises on earnings. Norris has the flexibility to go short (bet against) stocks he thinks will fail as the fund aims to provide positive absolute returns over a three-year rolling period regardless of market conditions. The portfolio has 51 long holdings and 33 short holdings and the ongoing charge is 0.81%.

Nearing your retirement date portfolio

Fund/trust	Three-year annualised total return	10-year annualised total return	Yield	Ongoing charges
Allianz Strategic Bond (B06T936)	9.9%	n/a	4.3%	0.44%
Brunner (BUT)	14.1%	11.6%	1.8%	0.63%
VT Argonaut Absolute Return (B7FT1K7)	12.0%	6.1%	2.5%	0.81%

Table: Shares magazine • Source: Morningstar, 19 January 2024

Staying invested in retirement

If you opt to go into drawdown rather than purchasing an annuity, providing a guaranteed income for life, then it makes sense to have an eye towards growth as well as income.

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

We have therefore created this hypothetical portfolio with a look towards regular income (including an instrument which pays monthly income) alongside the potential for capital appreciation. At the same time, we have avoided investments at the higher-risk end of the spectrum.

INVESTMENT IDEAS

Jupiter Monthly Income Bond (B1XG8Y1) 98p

BUY

A fund offering monthly income is useful as it can provide you with means to meet at least some of your regular outgoings in retirement. The fund employs a balanced approach to a portfolio of largely (more than 90%) corporate bonds. It has delivered a solid performance over the medium to long term, achieving top quartile performance over three, five and 10 years, and has an ongoing charge of 0.65%. The yield is more than 6%.

STS Global Income & Growth (STS) 215p

BUY

The investment manager behind this trust, Troy Asset Manager, adopts an inherently cautious approach to markets and this is reflected in the way it seeks to achieve income and growth from global stocks.

A concentrated portfolio of 31 names, made up of solid corporate citizens which do not require huge amounts of capital to grow and, as a result, have the capacity to pay out generous dividends.

Steered by James Harries and Tomasz Boniek, the managers are on the lookout for businesses with robust balance sheets and clear competitive advantages. Holdings include US payroll services firm **Paychex (PAYX:NASDAQ)** and consumer goods company **Reckitt Benckiser (RKT)**. The ongoing charge is 0.94% and the trust trades at a modest discount to NAV of 3.2%.

Royal London Global Equity Income (BL6V111) 152p

BUY

This fund employs the same well-tested investment approach of Royal London's other global funds. This involves a 'Corporate Life Cycle' framework, built on the assumption corporate returns on productive capital and growth tend to progress along a life cycle and every company can be located economically in one of five corporate life cycle categories.

These include early-stage accelerators and growth compounders as well as more mature returners and turnarounds. This helps it to perform well across different market backdrops. Holdings include North Carolina-headquartered trucking outfit **Steel Dynamics (STLD:NASDAQ)** and European aircraft engine maker **UnitedHealth (UNH:NYSE)**. The ongoing charge is 0.7%.

Staying invested in retirement portfolio

Fund/trust	Three-year annualised total return	10-year annualised total return	Yield	Ongoing charges
Royal London Global Equity Income (BL6V111)	14.6%	n/a	2.9%	0.72%
Jupiter Monthly Income Bond (B1XG8Y1)	1.4%	3.4%	6.4%	0.65%
STS Global Income & Growth (STS)	4.5%	7.7%	2.8%	0.94%

Table: Shares magazine • Source: Morningstar, 19 January 2024

Why falling interest rates could be a 'harbinger of boom' for commercial property

Marcus Phayre-Mudge, manager of TR Property, explains his thinking

While it was founded over a century ago as a general investment trust, since 1984 **TR Property (TRY)** has focused exclusively on analysing the UK and European property sectors looking for the most profitable and attractive companies.

The FTSE 250 company currently has exposure to 12 European countries, including the UK, through holdings in over 60 stocks and funds as well as a small number of direct property investments.

Marcus Phayre-Mudge, who has managed TR Property since 2011, was formerly an investment surveyor at Knight Frank and qualified as a Chartered Surveyor over 30 years ago, giving him an unequalled insight into the UK property market alongside his skills as an investment manager.

After the property sector across Europe struggled in 2022 and 2023 due to the steep rise in interest rates, Phayre-Mudge is convinced 2024 will see it return to favour, for several reasons. *Shares* sat down with him to hear why.

INTEREST-RATE SENSITIVITY

'Listed real estate has acted as the ghost of Christmas future, pricing in higher interest rates early and ruthlessly – ultimately leading to overselling of the sector as a whole,' says the manager.

Not only have institutional investors been running scared of property stocks, hedge funds and other sources of 'fast money' have come into the market and shorted the sector since the pandemic, he believes, with the result that European listed real estate has rarely traded at

TR Property Top 10 Sector Allocations

Sector	% of NAV
Industrial	20.9
German Residential	16.4
European shopping centres	11.0
Swiss Diversified	8.1
UK Majors	7.8
French Offices	7.6
UK Diversified	7.1
Swedish Diversified	6.9
Spanish Diversified	4.1
Nordic Residential	3.5

Table: Shares magazine • Source: TR Property, data correct as of 29 December 2023

such large discounts.

'Historical data shows that as discounts widen, average future returns for listed real estate tend to rise. An even more crucial consideration for 2024 is that when interest rates peak, property equities recover much more sharply than the wider stock market.

'The missing piece of the puzzle is that we don't know exactly when this peak will come, with the game of "will they, won't they" surrounding central bankers truly alive and well. But the past 18 months have proven once again just how sensitive listed property is to interest rates, and now comfort for this rate-induced scare is appearing in the near distance.'

Judging by the upward move in markets over the year-end, investors may have got ahead of themselves somewhat in discounting the speed and timing of rate cuts.

December's higher-than expected UK inflation hasn't helped sentiment, but the consensus seems to agree higher prices for some goods were the result of one-off factors and the 'direction of travel' for both inflation and interest rates remains downward.

SECTOR IS BETTER CAPITALISED

Going into the great financial crisis a decade and a half ago, it's fair to say there was an excess of leverage across the global economy.

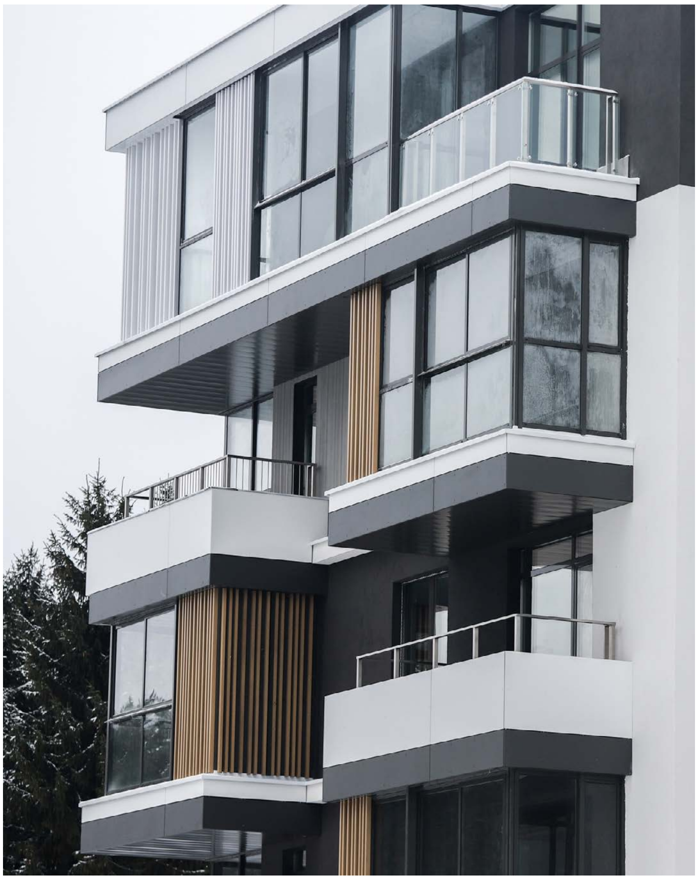
The cycle which took place following the crisis 'was characterized by large deleveraging of banks, governments, consumers and firms all at the same time, which was hugely disinflationary', with the effects of this felt throughout the following decade says Felipe Villaroel, partner of fixed income boutique manager TwentyFour.

Today, 'banks are in good shape, governments are running very large deficits and consumers and firms have solid balance sheets for the most part,' adds Villaroel.

It's tempting to say no sector felt the unwanted effects of having to deleverage more than real estate.

'Valuable lessons were learned in the global financial crisis and excessive leverage is now largely avoided in the listed sector, especially in the UK,' confirms Phayre-Mudge.

Therefore, 'as an additional safety net, investors can hunt for businesses that have balance sheets which can withstand interest rates remaining at current levels' says the manager.



TR Property Performance

	2019	2020	2021	2022	2023
Fund NAV	28.3%	−3.2%	18.7%	−32.4%	17.0%
Share Price	41.4%	−12.0%	23.5%	−35.6%	18.3%
Benchmark	21.3%	−5.7%	11.1%	−33.0%	13.6%

Table: Shares magazine • Source: TR Property, data correct as of 29 December 2023

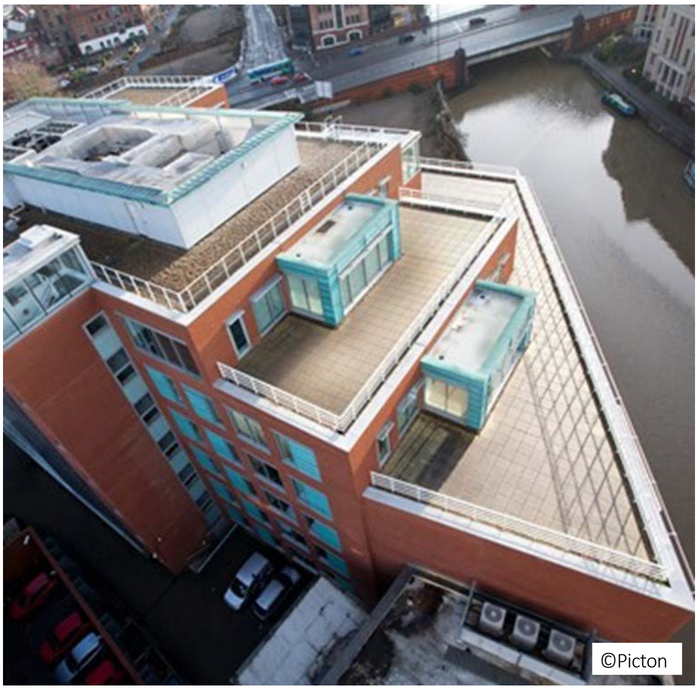
MAXIMUM BANG FOR HIS BUCK

The trust is currently tilted towards Continental European property shares, which make up 72% of the £1.15 billion portfolio, while UK shares make up just under 36% and 6% is invested directly in UK assets.

Eagle-eyed readers will have spotted that the percentages above come to 114% - this is because for the first time in many moons Phayre-Mudge is himself using debt to leverage the trust's returns.

'We have the ability to run up to 20% of the fund in cash, and at the other extreme to use as much as 20% leverage,' explains the manager.

'Before the great financial crisis we had the maximum amount of cash, whereas today we're using leverage, which tells you which way we think markets are going.'



©Picton

The trust's biggest exposure is to European industrial property, shopping centres and residential assets, with limited exposure either to offices or the retail sector.

Of the top 10 holdings by NAV (net asset value), just two are in the UK – **Land Securities (LAND)** and **Picton Property Income (PCTN).**

While he doesn't expect interest rates to fall sharply this year, the fact they are not rising, combined with rising rents and stable margins thanks to strong demand and lack of supply in key markets, means the sector is set for a revival says the manager.

TR Property Top 10 Holdings

Company	% of NAV
Vonovia	10.0
Klepierre	5.5
Gecina	5.4
Land Securities	5.4
PSP Swiss Property	5.2
Castellum	4.1
Fastighets Balder B	3.5
Sagax B	3.4
Picton Property Income	3.4
Argan	3.3

Table: Shares magazine • Source: TR Property, data correct as of 29 December 2023

By **Ian Conway** Deputy Editor

Finding Compelling Opportunities in Japan

AJOT
AVI Japan Opportunity Trust

Asset Value Investors (AVI) drives positive change through active engagement

Asset Value Investors (AVI) has managed the c.£200m* AVI Japan Opportunity Trust (AJOT) since 2018. The strategy over the five years has been to buy quality companies and engage with management on increasing shareholder value. AJOT's focus is on small-cap companies with excess cash. The concentrated portfolio of 20-25 stocks are all companies that have been thoroughly examined by the investment team to find value, quality, and an event to realise the upside.

Corporate governance reform has strengthened over the past five years and is a major driver of value realisation in the Japanese stock market. As Japanese companies have become more focussed on improving profitability and efficiency, AJOT's strategy is now more relevant than ever.

Japan is no longer a value trap and there are many reasons to consider Japan now:

Interesting macroeconomic backdrop with a cheap currency, sustained inflation, and moderate wage pressure.

Improving corporate governance since the introduction of the Corporate Governance and Stewardship Codes.

The Tokyo Stock Exchange is putting pressure on companies trading on low price to book ratios to improve.

Opportunity set in undervalued,small-cap and cash rich companies.

AJOT targets high-quality companies with strong business fundamentals to avoid value traps. Our event-driven engagement strategy to unlock value is supported by an experienced investment team undertaking bottom-up research.

AJOT has a well-defined, robust investment philosophy in place to guide investment decisions. Our aim is to be a constructive, stable partner and to bring our expertise – garnered over decades of investing in Japan to realise value. AJOT's track record since launch bears witness to the success of this approach, with a NAV** total return well in excess of its benchmark.** We believe that this strategy remains as appealing as ever and we continue to find plenty of exciting opportunities.

From stage and screen to stocks and shares – Beth shares how she has started her investment journey

The twentysomething actress started investing during the pandemic after a chat with her dad

Twentysomething Beth started her investment journey during the pandemic after chatting with her dad who is an experienced investor. Prior to that investing was 'never on her radar'.

Beth's parents opened a Stocks & Shares ISA for her with investment platform AJ Bell and this is how she primarily invests. She also has a Lifetime ISA – a tax free savings product available to the under-40s which can be used to save for your first home and retirement.

Beth hopes her ISA will 'compound' over the long term by using her active investment strategy.

WHERE DID IT ALL START?

Beth used her free time during the pandemic in 2020 and 2021 to learn about investing in the stock market, particularly those areas of interest to her. This largely includes UK-listed stocks across the range of market valuations.

'One of my biggest investment wins was in investing in **Marks & Spencer (MKS)** over a year ago when its turnaround story was becoming more compelling,' she explains.

She readily admits that the last three years have been volatile for her portfolio due to uncertain market conditions.

When planning her ISA, she restricts herself to 20 holdings at a time. Interestingly she prefers to buy individual shares over funds. ''I prefer buying stocks as I feel I can understand them better whereas funds contain many individual holdings,' she says.

EXAMPLES OF HOLDINGS IN BETH'S PORTFOLIO

Molten

Marks & Spencer

Card Factory

W7

Renold

Graphic: Shares magazine. Source: Investor's own records

WHAT DOES BETH INVEST IN?

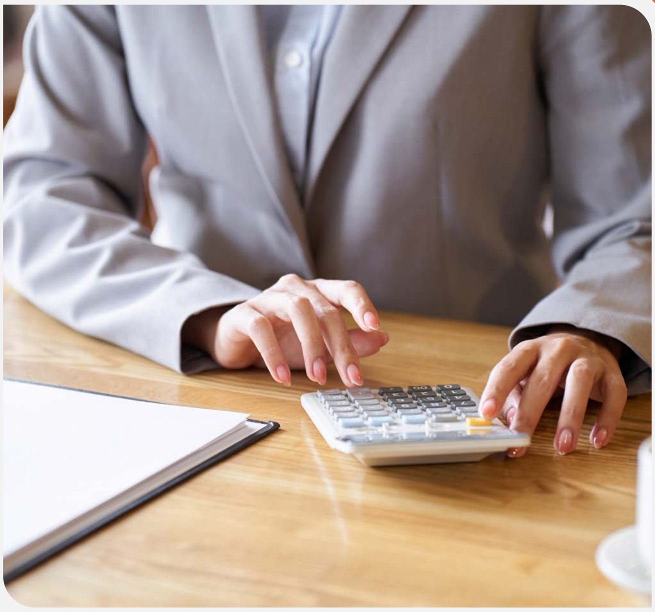
Beth doesn't believe in investing in cryptocurrencies and is currently ignoring the noise about this now.

'I prefer to invest in solid asset-backed companies over crypto and at the moment I'm happy with my levels of risk. I also want to keep a sensible amount of cash in savings [as a buffer],' says Beth.

Beth has a focus on UK high street retailers, cosmetics, and fast fashion. 'My biggest regret was not selling **Boohoo (BOO:AIM)** sooner after doubling my return on investment.

'I didn't notice that Boohoo's growth was slowing, and it was losing market share to Chinese low-cost fashion retailer Shein.'

To broaden her knowledge about stocks and shares she reads the business



LIFETIME ISA IN A NUTSHELL

To open an account, you must be 18 or over but under 40, and you can pay in up to £4,000 per year as part of your £20,000 annual ISA limit until you are 50.

The government will add a 25% bonus to your savings, up to a maximum of £1,000 per year.

In theory, therefore, if you pay in £4,000 every year from age 18 to age 50 you could get a 'free' £32,000 from the government on top of your original savings of £128,000.

Once you turn 50, you can't pay into your Lifetime ISA or earn the 25% government bonus but your account stays open and earns interest or investment returns. You can hold cash, shares, or a mixture of them, and you get all the usual ISA benefits such as no tax on income and capital gains but there are strict rules on withdrawals.

You can only withdraw money if you are:

- Buying your first home;
- Aged 60 or over;
- Terminally ill with less than 12 months to live.

If you withdraw cash or assets for any other reason, you must pay a 25% charge based on your total pot.

pages of national newspapers like the *Times* and the *Telegraph* and watches online webinars about investing. Beth doesn't read any publications focused on 'tipping' any particular stocks.

She also follows a few individuals on social media. These include Richard Crow a self-described 24-year-old 'pro-investor trader' on X (formerly Twitter) called 'Cockney Rebel' who largely discusses retail stocks.

MAKING PLANS FOR THE FUTURE

Beth believes it is important for people her age to start investing now thus giving them a long investment horizon of 30 years or more.

'I'm passionate about investing, it is empowering and not enough people my age invest maybe due to lack of cash or just don't know enough,' says Beth.

She adds that people shouldn't 'underestimate the power of time in the market and compound growth'.

As Beth has recently bought a property in southwest London with the help of deposit money from her parents, she will be focusing on home improvements in the near term.

'However, I really enjoy investing using my ISA and I am hoping to grow my savings over time, perhaps buy a car with cash and achieve financial freedom in years to come.'

DISCLAIMER: Please note, we do not provide financial advice in case study articles, and we are unable to comment on the suitability of the subject's investments. Individuals who are unsure about the suitability of investments should consult a suitably qualified financial adviser. Past performance is not a guide to future performance and some investments need to be held for the long term. Tax treatment depends on your individual circumstances and rules may change. ISA and pension rules apply. AJ Bell referenced in this article owns Shares magazine. The author (Sabuhi Gard) and editor (Tom Sieber) of this article own shares in AJ Bell.

By **Sabuhi Gard** Investment Writer

As BRICS grouping grows find out which of the original members has done best

A divergence in performance has become more pronounced in recent years

It may have started off as an acronym to describe the main emerging markets in the early noughties but Brazil, Russia, India and China have co-opted the term to create an alliance over the last decade or so bringing South Africa into the fold.

This BRICS alliance just added new members to the fold in the form of Egypt, Iran, Ethiopia, Saudi Arabia and United Arab Emirates.

But looking at the performance of the four original members – Brazil, Russia, India, China – over the last decade is an interesting exercise – with Russia something of an outlier for obvious reasons – and instructive given the weight they carry in the emerging markets universe.

For China we have used the CSI 300 index which could be considered a better gauge for Chinese stocks than the SSE Composite index.

A similar exercise two years ago revealed India as the clear winner, with China a close second and Brazil in third. Looking at the last decade though, Brazil and China have swapped places. India remains out in front with upcoming elections this spring likely to reinforce the position of the ruling BJP party and its leader Narendra Modi. Both are seen as playing a key role in delivering economic and market reforms in the country.

BRIC: how the big emerging markets have performed over the last decade

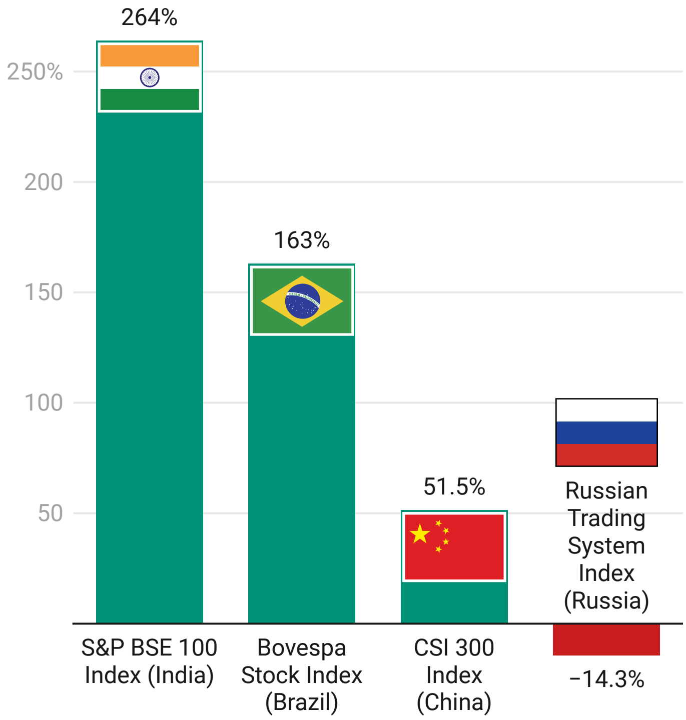


Chart: Shares magazine • Source: SharePad, 17 January 2023

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

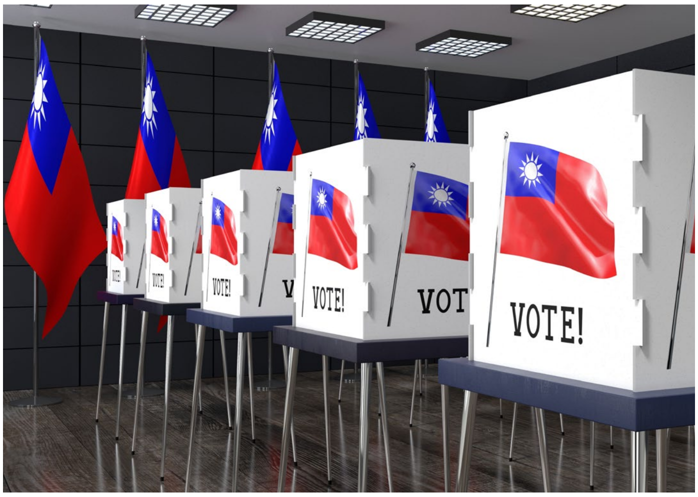
Emerging markets: positive 2024 outlook for stocks and earnings as voters go to the polls

Three things the Franklin Templeton emerging markets team are thinking about right now

1. We are constructive on equity markets in 2024. Drivers include consensus expectations for a recovery in earnings growth, the likelihood of a soft economic landing in the United States, and evidence that interest rates have peaked. Over the past 30 years, emerging market equities have on average risen 14% in the 12 months following the first Federal Reserve (Fed) rate cut.

2. In 2024, more than four billion people will take part in elections, starting with Taiwan in January and culminating with the United States in November. Voters will also go to the polls in India, Indonesia and Mexico, as well as in other countries. The Indian election in April-May is expected to see the incumbent Bharatiya Janata Party (BJP) party returned to power, as the benefits from widespread reforms continue to cascade down to households and companies.

3. Consensus expectations call for a recovery in global earnings growth in 2024. Emerging market earnings growth is expected to accelerate to 18% in the year ahead, driven by South Korea and Taiwan. This represents a sharp recovery from the contraction in 2023. Price to earnings (PE) valuations for emerging market equities remain below their long-term averages. On a relative basis, the PE gap between emerging market and global equities is close to its highest level in over 20 years. Faster earnings growth in emerging markets relative to global equities may act as the catalyst to reverse the valuation discount.



TEMPLETON EMERGING MARKETS INVESTMENT TRUST (TEMIT)

Porfolio Managers

Chetan Sehgal
Singapore

Andrew Ness
Edinburgh

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

Editor's View: Tom Sieber

Why there could be a little too much optimism around right now

Economic forecasters do not have a great track record and the outlook remains uncertain

Canadian American economist John Kenneth Galbraith once observed that 'the only function of economic forecasting was to make astrology look respectable'.

His words came to mind when great credence was given to the EY ITEM Club lifting growth forecasts for the UK recently. There is hardly an abundance of exuberance on display, yet the new Winter Forecast sees the growth outlook upgraded from the 0.7% predicted in October to a still sluggish 0.9%.

There is more striking optimism on inflation, which is expected to fall to the Bank of England's target of 2% by May and average 2.4% through 2024 compared with the previous forecast of 2.9%.

Off the back of this, 125 basis points (1.25%) of rate cuts are expected from the Bank of England, and this is expected to feed into an improved outlook for house prices and consumer spending, two especially important contributors to UK growth.

An improved outlook for the property market has been heavily priced into FTSE 350 housebuilder shares which are up nearly 35% on average over the last three months. Morgan Stanley thinks the market may have got carried away, observing: 'Even if mortgage rates materially corrected, volume recovery is capped by planning bottlenecks and labour availability.'

If a surfeit of optimism is apparent at a sector and industry level, it might be emerging at a broader level too. Quoting Galbraith's wry observation is not intended to ridicule the role of any forecaster, not least EY ITEM Club. There is value in looking at what they have to say and, in particular, why they are saying it. But, more than ever, the backdrop is fraught with uncertainty.

Geopolitical tensions are already feeding into renewed inflationary pressures as shipping costs surge off the back of disruption to routes through the Red Sea thanks to attacks by Houthi rebels. Middle East tensions are also sustaining higher energy prices which, as this column observed a couple of weeks back, might otherwise have fallen more sharply given the supply and demand picture.

The impact of the sharp increase in rate hikes since late 2021 has still not been fully absorbed by businesses and individuals alike. Many homeowners are still to roll off their fixed-rate mortgages on to higher rates and, as the latest *Red Flag Alert* from insolvency consultant **Begbies Traynor (BEG:AIM)** shows, 47,000 UK businesses are teetering on the brink.

According to the report, the levels of 'critical' financial distress increased by around a quarter for a second three-month period in a row, while a much larger number of firms – more than half a million – are in 'significant' financial distress.

These companies really need rate cuts, and soon. It remains an open question whether the Bank of England will deliver.

Russ Mould: Insightful commentary on market issues

Discover the most and least popular stocks heading into 2024

Which names are in favour with analysts and which they are shunning?

Every year this column tracks the ratings put on stocks across the FTSE 100 and FTSE 350 by the investment banks which provide research on the UK equity market. What catches the eye this year is that the analyst community is the most bullish (and least bearish) it has ever been since our first survey back in 2015, based on stock-specific, public recommendations.

Analysts have become progressively more bullish over the past three years. While this does not look so smart in terms of the UK market's sluggish overall performance, it makes sense, as the FTSE 100 and FTSE 350 continue to lag their global peers and thus become progressively cheaper on a relative basis (and an absolute one, as earnings and dividends continue to grow).

As we enter 2024, 59% of all stock ratings are buys and just 8% are sells for constituents of the FTSE 100, the highest and lowest scores in a decade. For the FTSE 350 index 62% of all recommendations are positive ratings and just 7% are negative, again the highest and lowest scores since 2015.

We are not endorsing these views, but investors could be forgiven for wondering whether this is a signal to buy more London-traded stocks or actually a warning to cut exposure to UK equities. Momentum players may feel inclined to stick with US equities and join the herd in running with the 'Magnificent Seven' US tech stocks. Contrarians may take to heart Mark Twain's maxim that: 'Whenever you find yourself on the side of the majority it is time to pause and reflect.' This might lead them to ponder whether the analysts are on to something as they champion the unloved, and thus potentially undervalued, UK stock market.

One way to research which path may be the best one to follow is to assess the efficacy of individual analyst recommendations.

A GOOD YEAR

This column has back-tested the performance of the most and least popular stocks at the start of a year, as measured by the percentages of 'buy' and 'sell' ratings attributed to them by analysts.

The good news is that the most popular picks outperformed the FTSE 100 in 2023 (after similar success in 2019) to suggest there may be some truth in the idea that the huge flows of money into passive instruments such as exchange-traded funds (ETFs) mean there are opportunities for skilled stock-pickers.

Sceptics will counter by saying that the least popular FTSE 100 stocks with analysts, as ranked by the percentage of 'sell' ratings attributed to them, went up more than the most popular ones and the index overall.

Analysts will take less satisfaction from how their labours worked out across the FTSE 350. When it came to the broader index, the most popular selections marginally underperformed the index and the least popular ones outperformed hugely.

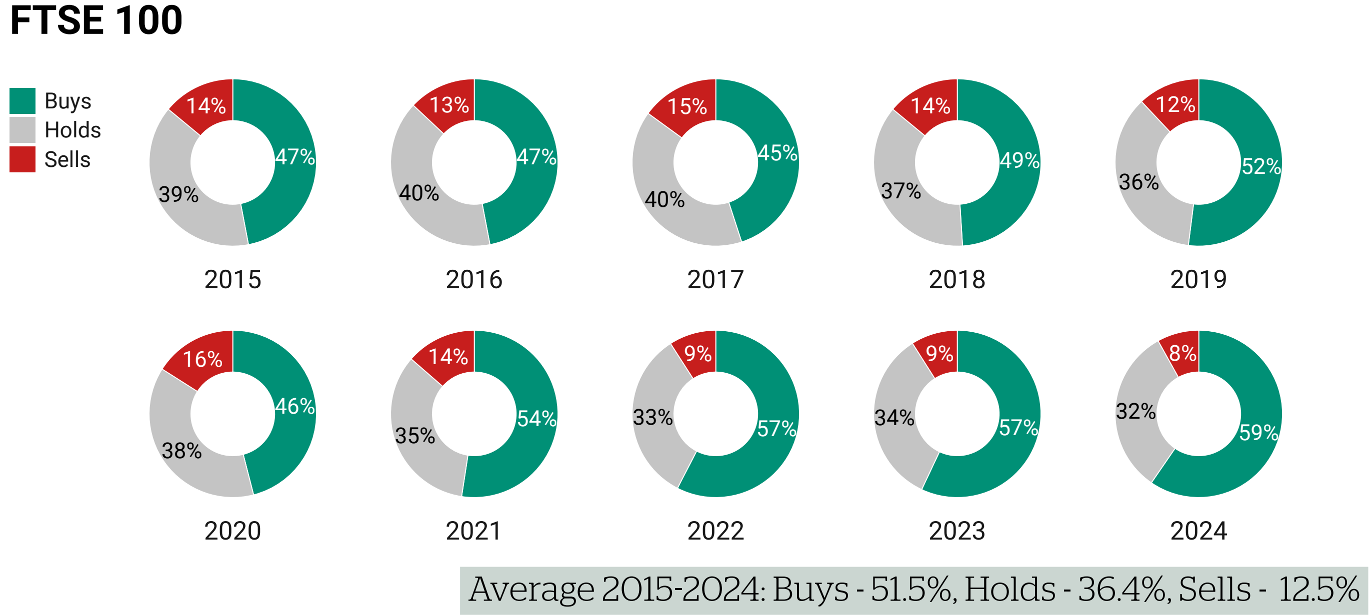
This is *not* to poke fun. It just shows how hard picking individual stocks can be, even if it is your full-time job (and this column should know, having been an equity analyst at a leading investment bank from 1993 to 2005). No analyst sets off with the intention of joining the consensus. It just so happens that their views shape that consensus and almost by definition the consensus is priced in quickly, so if anything unexpected happens (as it tends to) then share prices will diverge from the anticipated path.

HIGH CONVICTION

The ultimate conclusion still probably has to be that broker research needs to be treated with a degree of caution (assuming that investors can get their hands on it in the first place), certainly in the cases where stocks seem universally popular.

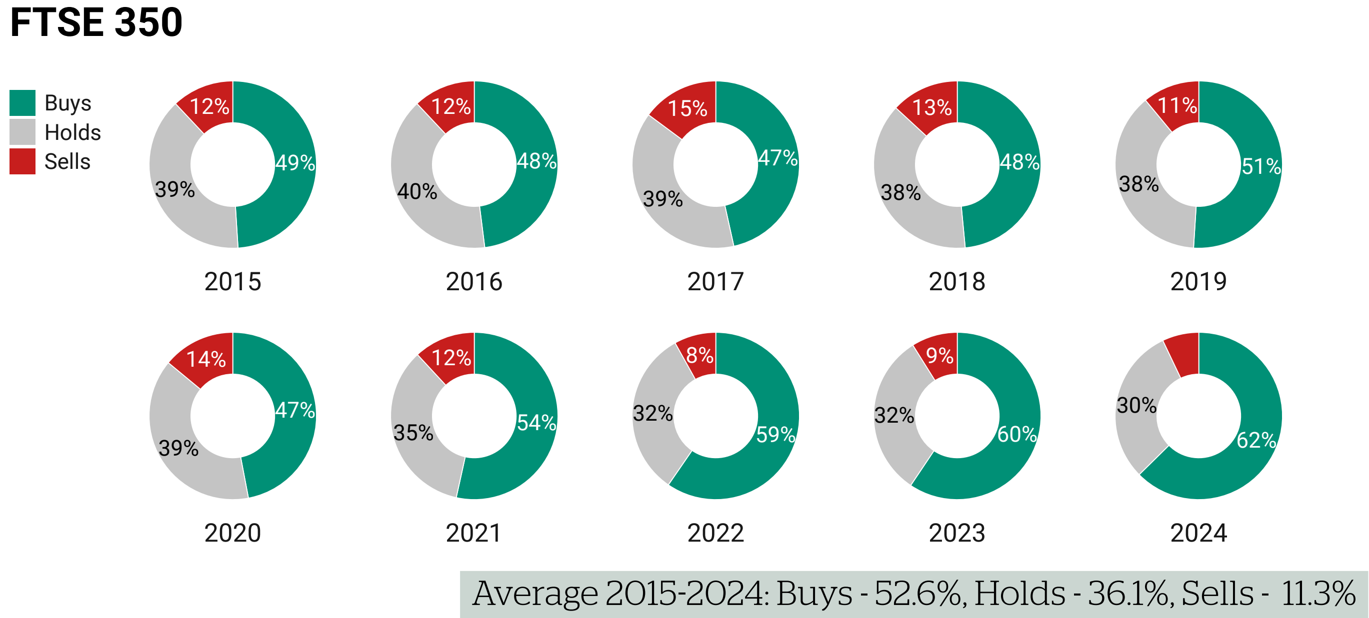
Anyone prepared to pick their own stocks rather

Analysts are more bullish than ever on FTSE 100 and FTSE 250 stocks as we enter 2024



Data as of 9 January 2024. Rounded to nearest %

Chart: Shares magazine • Source: LSEG Datastream data, analysts consensus, London Stock Exchange



Data as of 9 January 2024. Rounded to nearest %

Chart: Shares magazine • Source: LSEG Datastream data, analysts consensus, London Stock Exchange

than pay a fund manager or index-tracker fund to do it for them simply must do their own research on individual companies before they even think about buying or selling any of its shares.

In sum, Warren Buffett seems spot on with his observation that, 'you cannot buy what is popular and do well'.

The stunning performance of the Magnificent Seven in America will put that to the test once more in 2024 and, closer to home, investors might like to know which stocks are most liked – and disliked – by analysts at the start of 2024. The tables below list the names which investors may wish to analyse in greater depth, or simply avoid altogether, depending upon their view of the value of the research provided.

By **Russ Mould**
Investment Director at AJ Bell

Brokers' top FTSE 100 picks beat the index in 2023 (but so did the least popular names)

FTSE 100 most popular by Buys in 2023

	Buy	Hold	Sell	%Buy	2023 total return
CRH	7	0	0	**100%**	86.5%
Shell	18	1	0	**95%**	5.0%
Endeavour Mining	14	1	0	**93%**	6.8%
JD Sports Fashion	13	1	0	**93%**	32.4%
Smurfit Kappa	10	1	0	**91%**	8.3%
Prudential	18	0	2	**90%**	-20.1%
Entain	17	2	0	**89%**	-24.8%
Glencore	17	2	0	**89%**	-13.3%
3i	8	1	0	**89%**	85.5%
Beazley	15	2	0	**88%**	-23.2%
Total					14.3%
FTSE 100 total return					7.9%

Data as of 6 January 2023, 9 January 2024

Table: Shares magazine • Source: LSEG Datastream data, analysts consensus, Marketscreener

FTSE 100 least popular by Sells in 2023

	Buy	Hold	Sell	%Sell	2023 total return
abrdn	3	3	9	**60%**	2.1%
Kingfisher	3	9	7	**37%**	8.8%
Rolls Royce	4	7	5	**31%**	221.6%
Sainsbury	3	6	4	**31%**	45.9%
Bunzl	5	8	5	**28%**	18.0%
Ocado	7	6	5	**28%**	23.0%
Severn Trent	4	5	3	**25%**	1.4%
Sage	10	6	5	**24%**	60.9%
Vodafone	8	8	5	**24%**	-9.6%
Rightmove	8	9	5	**23%**	14.3%
Total					38.6%

Data as of 6 January 2023, 9 January 2024

Table: Shares magazine • Source: LSEG Datastream data, analysts consensus, Marketscreener

Brokers' top FTSE 350 picks did not beat the index and the least popular names did in 2023

FTSE 350 most popular by Buys in 2023

	Buy	Hold	Sell	%Buy	2023 total return
Centamin	10	0	0	**100%**	-8.3%
Future	10	0	0	**100%**	-37.1%
Grafton	9	0	0	**100%**	20.1%
Network International	9	0	0	**100%**	30.8%
Diversified Energy	8	0	0	**100%**	-43.6%
Energean	8	0	0	**100%**	-13.1%
CRH	7	0	0	**100%**	86.4%
Hill & Smith	7	0	0	**100%**	66.6%
IG Group	7	0	0	**100%**	4.5%
NCC	7	0	0	**100%**	-33.2%
Total					7.3%
FTSE 350 total return					7.9%

Data as of 6 January 2023, 9 January 2024

Table: Shares magazine • Source: LSEG Datastream data, analysts consensus, Marketscreener

FTSE 350 least popular by Sells in 2023

	Buy	Hold	Sell	%Sell	2023 total return
abrdn	3	3	9	**60%**	2.1%
Ashmore	4	2	5	**45%**	1.6%
TUI	0	4	3	**43%**	-20.0%
Kingfisher	3	9	7	**37%**	8.8%
easyJet	9	3	6	**33%**	57.1%
Rolls Royce	4	7	5	**31%**	221.6%
Sainsbury	3	6	4	**31%**	45.9%
ASOS	6	15	9	**30%**	-16.6%
Bunzl	5	8	5	**28%**	18.0%
Ocado	7	6	5	**28%**	23.0%
Total					34.1%

Data as of 6 January 2023, 9 January 2024

Table: Shares magazine • Source: LSEG Datastream data, analysts consensus, Marketscreener

The 10 most and least popular FTSE 100 stocks with analysts at the start of 2024

FTSE 100 most popular by Buys in 2024

	Buy	Hold	Sell	%Buy
Endeavour Mining	10	0	0	100%
Smurfit Kappa	10	0	0	100%
Beazley	15	0	1	94%
AstraZeneca	21	2	0	91%
DCC	10	1	0	91%
Melrose Industries	10	1	0	91%
Prudential	16	2	0	89%
3i	8	1	0	89%
Airtel Africa	8	1	0	89%
Intermediate Capital Group	12	2	0	86%

Data as of 9 January 2024

Table: Shares magazine • Source: LSEG Datastream data, analysts consensus, London Stock Exchange

FTSE 100 least popular by Sells in 2024

	Buy	Hold	Sell	%Sell
Bunzl	5	5	6	38%
Admiral Group	5	4	5	36%
Ocado	6	4	5	33%
Severn Trent	6	3	4	31%
Kingfisher	5	8	5	28%
Spirax-Sarco Engineering	6	5	4	27%
Unilever	7	7	5	26%
Sage	3	6	3	25%
Sainsbury	9	6	5	25%
Antofagasta	4	9	4	24%

Data as of 9 January 2024

Table: Shares magazine • Source: LSEG Datastream data, analysts consensus, London Stock Exchange

The 10 most and least popular FTSE 350 stocks with analysts at the start of 2024

FTSE 350 most popular by Buys in 2024

	Buy	Hold	Sell	%Buy
OSB Group	11	0	0	100%
Endeavour Mining	10	0	0	100%
Smurfit Kappa	10	0	0	100%
Inchcape	10	0	0	100%
Morgan Advanced Materials	10	0	0	100%
Serco	10	0	0	100%
Energean	9	0	0	100%
Grainger	9	0	0	100%
Hochschild Mining	9	0	0	100%
Bytes Technology	8	0	0	100%

Data as of 9 January 2024

Table: Shares magazine • Source: LSEG Datastream data, analysts consensus, London Stock Exchange

FTSE 350 least popular by Sells in 2024

	Buy	Hold	Sell	%Sell
abrdn	1	5	8	57%
Hammerson	5	3	7	47%
AO World	2	1	2	40%
Renishaw	3	2	3	38%
Bunzl	5	5	6	38%
Admiral Group	5	4	5	36%
Hargreaves Lansdown	8	4	6	33%
Ocado	6	4	5	33%
Ninety One	2	2	2	33%
Ashmore	3	5	4	33%

Data as of 9 January 2024

Table: Shares magazine • Source: LSEG Datastream data, analysts consensus, London Stock Exchange

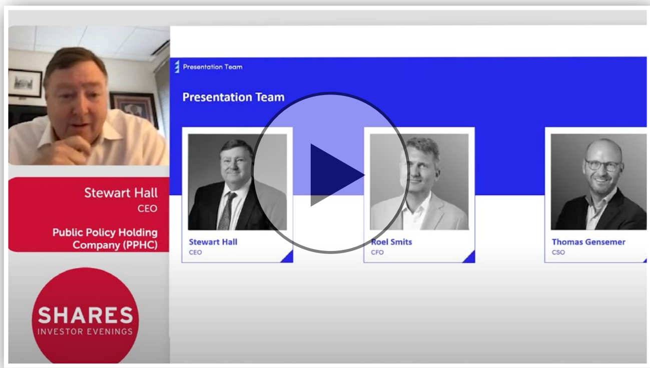
WATCH RECENT PRESENTATIONS

Cohort (CHRT)
Andy Thomis, CEO & Simon Walther, CFO

The parent company of six innovative, agile and responsive defence technology businesses providing a wide range of services and products for UK and international customers. It has headquarters in Reading, Berkshire and employs in total over 1,100 core staff there and at its other operating company sites across the UK, Germany, and Portugal. Cohort was admitted to London's Alternative Investment Market in March 2006.

Custodian Property Income REIT (CREI)
Richard Shepherd-Cross, Investment Manager

Custodian Property Income REIT (CREI) offers investors the opportunity to access a diversified portfolio of UK commercial real estate through a closed-ended fund that seeks to provide an attractive level of income and the potential for capital growth.



Public Policy Holding Company (PPHC)
Stewart Hall, CEO, Roel Smits, CFO, Thomas Gensemer, CSO

PPHC is a US-based government relations and public affairs group providing clients with a fully integrated and comprehensive range of services including government and public relations, research and digital advocacy campaigns.

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Get ahead of the big ISA changes coming soon

Tax wrappers to get a spring clean for the new tax year

Thank you to *Shares* reader Thomas, who suggested we cover the ISA changes announced in the Autumn Statement.

If you also want to get ahead with next year's ISA planning, here is a reminder of what is happening from 6 April 2024.

ALLOWANCES STAY THE SAME

The ISA allowances have been frozen for 2024/25. That adds up to a total of £20,000 across all your ISAs – including the £4,000 limit for Lifetime ISAs – and a Junior ISA allowance of £9,000.

FLEXIBILITY TO PAY INTO MULTIPLE ISAS OF THE SAME TYPE

That could be a direct debit into a Stocks & Shares ISA on one investment platform, and later in the year a 'Bed and ISA' on another, to move investments into another ISA there.

Cash ISA savers might want to mix and match between an easy access cash ISA with one provider and locking in a fixed term account with another.

There are two things to keep in mind though:

- The flexibility will not be extended to Lifetime ISAs; and
- You will need to keep a close eye on your multiple ISAs to make sure you do not bust your overall allowance.

GOODBYE TO TRANSFER RED-TAPE

From 6 April, you will be able to transfer as much (or as little) as you want between different providers.

Right now, if you want to transfer cash and investments bought with money you paid in this year, you will have to move it all at once.

NO NEED TO REAPPLY FOR DORMANT ISAS

Getting rid of this little known rule makes it easier to pay into ISAs that are already open. You might have been asked to 'reapply' for existing ISAs in the past – an ISA is dormant if no money has been paid in into it for a whole tax year.

INNOVATIVE FINANCE ISAS EXTENDED

You will soon be able to invest in long term asset funds (LTAFs) and open-ended property funds with redemption periods in the Innovative Finance ISA. HMRC figures show that this type of ISA made up only 0.13% of the ISAs paid into last year so this new home for these unloved property funds looks little more than a marriage of convenience.

Fractional shares to come?

The Government plans to consult on allowing certain fractional shares in ISAs. This could be good news for investors who want to buy into some of the big US brands that are currently out of reach for smaller, regular investments due to their share price.

Charlene Young
Pensions and Savings Expert

I'm approaching 75 what should I do with my SIPP?

Helping with a query on the rules around pensions and inheritance tax

My wife and I are both retired with excellent private and state pensions which more than cover our lifestyle.

I am 74 years old. I also have another SIPP pension of £350,000 which I have not drawn down. If I do nothing, will I lose the chance to draw 25% (£87,500) of the pension tax free?

I know that if I die before I am 75 my family will be able to draw on the pension tax free. However, once I reach 75, they would have to pay tax at their marginal rate.

Our estate will be valued at more than £1 million so it is important the remaining SIPP pension would not be part of our estate.

Brendan

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

Under pension rules, someone's 75th birthday has always been an important milestone. That was because it meant a further test against the lifetime allowance of any untouched pension funds, plus any investment growth in drawdown plans. That test has effectively been dropped for this tax year and will be gone completely from April.

But age 75 remains a key date. If someone dies before this birthday, then any lump sums paid out to their beneficiaries will normally be tax free up to a £1,073,100 limit, and any income paid out to them, say from their drawdown plan, will normally be completely tax free. If the pension saver died on or after this birthday, then any lump sums or income paid out would be subject to income tax.

Pension savers can usually take up to 25% of their pension fund as a tax-free lump sum. There is nothing stopping people from taking this lump sum after their 75th birthday. It should still be available (although you should check the pension scheme rules allow this).

PROS AND CONS

There are, as you have identified, pros and cons to taking the tax-free lump sum, where someone doesn't need the funds.

If they keep it in the pension, then it can grow in a tax-efficient environment. It will also be shielded from inheritance tax.

The pension saver can identify who they want to benefit from the pension funds. And although it will be subject to income tax (if the pension saver dies after age 75), the beneficiary can decide how and when to take the funds.

For example, instead of passing the funds to a spouse who doesn't need them, or an adult child, someone may want to leave it to a grandchild who isn't currently paying income tax, or who is a low earner. They can then manage their withdrawals to

keep down any additional tax bill.

It's important if a pension saver wants to leave the funds to someone other than a dependant (usually their spouse or any of their children aged under 23), that they complete a nomination form making their preferences clear. And review this on a regular basis.

Taking the 25% lump sum means getting it tax free. But it will fall into the pension saver's estate for inheritance tax purposes.

GIFTING CASH

The money can be gifted to others. Everyone is entitled to give away up to £3,000 a year as a gift free of inheritance tax. And there are other gifts which can be made on top of that – such as to help pay for a wedding.

Gifts can also be made tax-free as part of a normal pattern of expenditure, where they are paid from surplus income each year whilst the person retains sufficient income to maintain their normal standard of living.

And finally, a potentially exempt transfer - or PET – means if someone decided to make a gift above the £3,000 annual gift allowance then the funds would only become chargeable to inheritance tax if the person didn't survive for seven years from the date of the gift. So, deciding whether to gift any pension tax-free lump sum may also depend on the pension saver's health, if they want it to count as a PET.

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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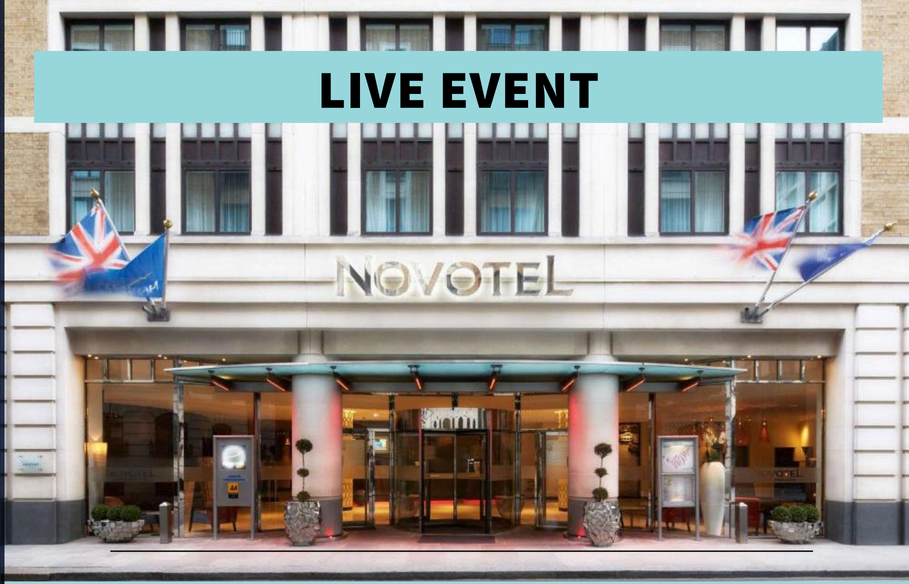

06 FEBRUARY 2024

NOVOTEL TOWER BRIDGE
LONDON EC3N 2NR

Registration and coffee: 17.15
Presentations: 18.00

During the event and afterwards over drinks, investors will have the chance to:

- Discover new investment opportunities
- Get to know the companies better
- Talk with the company directors and other investors

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