



BULLETIN No. 4

INVESTMENT HORSE RACES



I do hope everybody is keeping well.

Let's have a look and see how the various runners have performed in the last four weeks.

The UK National – The runners

The Funds	Sector	The starting value	Value at 22 May 2020
Artemis Income	Income	£5,000	£6,146
LionTrust Special Situations	Growth	£5,000	£6,212
Merian UK Mid Cap	Mid cap	£5,000	£7,110
BMO Responsible UK Income	Ethical	£5,000	£5,911
HSBC FTSE All Share	Tracker	£5,000	£6,026
Total value		£25,000	£31,415

The US Derby – the runners

The Funds	Sector	The starting value	Value at 22 May 2020
J P Morgan US Equity Income	Income	£5,000	£5,980
Franklin US Opportunities	Growth	£5,000	£6,517
Schroder US Mid Cap	Mid cap	£5,000	£6,406
Fundsmith Sustainable Equity - 62% USA	Ethical	£5,000	£5,965
HSBC American Index	Tracker	£5,000	£6,266
Total value		£25,000	£31,134

The European Stakes – the runners

The Funds	Sector	The starting value	Value at 22 May 2020
ASI European income	Income	£5,000	£5,899
Fidelity European	Growth	£5,000	£5,868
Baring European Select	Mid cap	£5,000	£6,053
Liontrust Sustainable Europe	Ethical	£5,000	£5,930
HSBC FTSE Developed Europe Index	Tracker	£5,000	£5,825
Total value		£25,000	£29,575

The Rest of the World Championship – the runners

The Funds	Sector	The starting value	Value at 22 May 2020
Legg Mason Japan	Japan - Growth	£5,000	£6,479
HSBC Japan Index	Japan Tracker	£5,000	£5,631
Fidelity Asia	Asia - Growth	£5,000	£5,537
L&G Pacific Index	Asia - Tracker	£5,000	£5,933
Fidelity India	India - Growth	£5,000	£5,666
First State Greater China Growth	China - Growth	£5,000	£5,570
Baillie Gifford Emerging Markets	Emerging markets - Growth	£5,000	£5,941
Stewart Investors Emerging Markets Sustainability	Ethical	£5,000	£5,488
L & G Emerging Markets Index	Emerging Markets Tracker	£5,000	£5,622
Total value		£45,000	£51,867



Armchairs at the ready, we are leaving the north and spending the next two or three months in the middle of the country.

WHERE ARE WE GOING?



This month we are visiting the East Midlands which includes Derbyshire, Leicestershire, Rutland, Northamptonshire, Nottinghamshire and most of Lincolnshire.

It covers an area of 6034 sq. miles and has 4,781,284 inhabitants which makes it one of the least populated regions in UK. There are four main urban centres: Derby, Leicester, Northampton and Nottingham and it is in these centres we are likely to find the larger companies.

WHAT DOES OUR GUIDE BOOK SAY ABOUT THE REGION ?

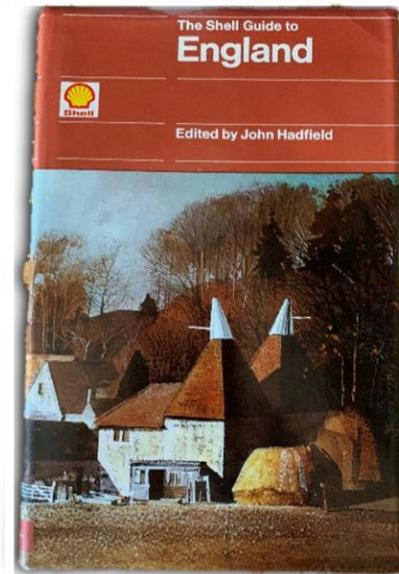
Compared with the areas we have already visited, I thought there would be less to see in this region. How wrong I was!

There are beautiful churches, three cathedrals, Lincoln, Derby and Leicester, where you need to stop off to see the tomb of Richard III. There are stately homes round every bend in the road, the most famous being Althorp, home of the Spencer Family, Burley House, Chatsworth, Shugborough Hall, and Hardwick House built by the indomitable Bess of Hardwick.

If you are interested in the aviation history of World War Two, there are numerous war cemeteries including the National Memorial Arboretum and the International Bomber Command memorial to 55,000 bomber command aircrew who died in World War Two.

On a lighter note, you can visit the statue to Brian Clough in the centre of Nottingham or take a steam engine ride from Rothley station to Loughborough. I know that the aim of my newsletter is to cheer you up but I must include a rare find in my research which is Eyam Church in the Peak district. In the church and the small museum you can learn the history of how, in 1665-1666, the bubonic plague killed over one-third of the population. A little too close to our current situation, but maybe an interesting place to visit in the future when the pandemic is behind us.

Now that we know something about the place, we will see what the guide book says about the economy in the region today. The construction and manufacturing sectors account for a relatively large proportion of the East Midlands economy. Manufacturing sub-sectors such as Transport Equipment and Food & Drink are significantly more productive in the region than nationally. This regional specialism in production activities has been in decline over the past two decades, as the national trends, while the Service sector has generally grown more quickly, which is in line with national trends. Two large multinational firms: Rolls Royce and Alliance Boots are responsible for much of the Research and Development in the area as are the nine Universities in the region, Leicester are renowned for biological sciences, engineering at Nottingham, Leicester and Loughborough. The region's nine universities are seen as key to the knowledge networks of the region. The region is also home to two public sector research establishments: the British Geological Survey and the Health and Safety Laboratory and six science/innovation parks.



Nottingham Town Hall

SPY GLASS ON TWO COMPANIES

It is interesting that many of the companies I reviewed are operating in disparate sectors. There are the two giants: Rolls Royce and Alliance Boots and then a large number of large and mid-cap firms: Sports Direct, Wilko, Pandragon, Barratt Developments. I decided to highlight two companies which maybe of more interest to my women clients: Next and Dunelm

Next

When I decided on Next as the share to discuss, I had forgotten that there is a link back to our previous regional area, the North East because Next started its life as J Hepworth and Son in Leeds in 1864. The purchase of Kendall's rainwear shops in 1981 moved the business to women's wear and the business was renamed NEXT.

One of the attributes of Next has always been the speed at which they moved, for example they opened their first Next store on 1 February 1982 and by July there were 70 around the UK. Similarly when they expanded into menswear they displayed the same speed opening the first shop in August and by the end of December there were 52 in the UK. The launch of the Next Directory in 1988 led to an innovative method of shopping which they extended to the USA and 30 other countries and they were early into internet shopping. The secret of their success is that customers are loyal because they think they are being listened to. A good example of this is that they introduced a four-season buying cycle so that it was still possible to buy winter clothes in February or summer clothes in September. They have been successful for a very long time but as retailers on the high street come under more and more pressure it will be interesting to see where NEXT will go from here.

Recently they demonstrated their flair for resolving a problem quickly. At the beginning of the lockdown they were forced to cancel their online service because they did not have sufficient capacity for social distancing, by 12th April they had 3000 volunteer staff being inducted to a new system which complied and a limited online service was restored while other retailers remained closed. However, a number of fund managers still believe strongly in their potential to make money for the future. Blackrock hold 4% of their UK fund in these shares.



Dunelm

Reading the history of this company, it is a rags to riches story. The founders set up a stall in Leicester market selling seconds of curtain material in 1979. In 2006 they were floated on the stock market and today they have 169 superstores throughout the UK, a good on line business with their own warehouse to provide goods quickly from warehouse to home and a factory for making curtains and blinds. Most stores are in out of town parks which are easy to access and even in times when the economy slows, there is a continuing need to alter décor. Fund managers think that this share will do well in the future. It appears in a number of the funds we hold including JP Morgan UK Smaller companies.

Five quick finance questions



1. Who can save into a Lifetime ISA?
2. The Government gives increases to the state pension in line with the triple lock – what does this mean?
3. At what age will someone born 1 June 1964 receive their state pension?
4. To the end of 2008 the UK equity market fell by 29.9%, what do you think the return was on the UK equity market to the end of 2009?
5. What is the maximum investment an individual can make into NS&I premium bonds?

NEXT TIME: next time we will catch up on the performance of our competing funds in the various horse raises, visit another area of the UK, set you a new quiz and give you the answers to the last one. In the meantime we hope you all stay safe and well.

Carole Nicholls

May 2020

Answers to previous quiz – Bulletin 3

1. The term of office for the Governor of the Bank of England is 8 years
2. 1908 Old Age Pensions Act introduced the first general old age pension
3. Many UK property funds use client monies to purchase commercial property. If a large number of investors wish to encash their holdings, there is insufficient cash available to pay them out and there is a delay while properties are sold
4. Annuity rates are based on the yield on gilts – gilt yields are at an all-time low, hence low annuity rates
5. Investment into a pension plan is the only way to receive the £250 uplift. The government give an instant 20% tax relief, this applies even to non-tax payers on a contribution up to £2,880