



## BULLETIN No. 5

# INVESTMENT HORSE RACES



I do hope everybody is keeping well.

Now we have allowed our 'horses' to run for a while, a pattern is emerging. Out in front is Merian UK mid cap fund followed by the Franklin US Special Situations fund. Closely on its tail is one of my all time favourite funds, the Legg Mason Japan. The Tracker horses of US, UK and Europe are in a clump and unfortunately it is currently the ethical funds which are bringing up the rear.

It will be interesting to see how the race progresses over the next few months.

### The UK National – The runners

The Funds	Sector	The starting value	Value at 23 June 2020
Artemis Income	Income	£5,000	£6,562.49
LionTrust Special Situations	Growth	£5,000	£6,374.30
Merian UK Mid Cap	Mid cap	£5,000	£7,884.72
BMO Responsible UK Income	Ethical	£5,000	£6,210.11
HSBC FTSE All Share	Tracker	£5,000	£6,412.36
Total value		£25,000	£33,443.98

### The US Derby – the runners

The Funds	Sector	The starting value	Value at 23 June 2020
J P Morgan US Equity Income	Income	£5,000	£6,136.51
Franklin US Opportunities	Growth	£5,000	£6,890.46
Schroder US Mid Cap	Mid cap	£5,000	£6,693.62
Fundsmith Sustainable Equity - 62% USA	Ethical	£5,000	£6,140.35
HSBC American Index	Tracker	£5,000	£6,490.75
Total value		£25,000	£32,351.69+

### The European Stakes – the runners

The Funds	Sector	The starting value	Value at 23 June 2020
ASI European income	Income	£5,000	£6,445.48
Fidelity European	Growth	£5,000	£6,563.50
Baring European Select	Mid cap	£5,000	£6,544.32
Liontrust Sustainable Europe	Ethical	£5,000	£6,502.01
HSBC FTSE Developed Europe Index	Tracker	£5,000	£6,487.76
Total value		£25,000	£32,543.07

## The Rest of the World Championship – the runners

The Funds	Sector	The starting value	Value at 23 June 2020
Legg Mason Japan	Japan - Growth	£5,000	£6,800.50
HSBC Japan Index	Japan Tracker	£5,000	£5,945.95
Fidelity Asia	Asia - Growth	£5,000	£6,039.01
L&G Pacific Index	Asia - Tracker	£5,000	£6,492.54
Fidelity India	India - Growth	£5,000	£6,277.41
First State Greater China Growth	China - Growth	£5,000	£6,005.86
Baillie Gifford Emerging Markets	Emerging markets - Growth	£5,000	£6,548.77
Stewart Investors Emerging Markets Sustainability	Ethical	£5,000	£5,776.70
L & G Emerging Markets Index	Emerging Markets Tracker	£5,000	£6,105.95
Total value		£45,000	£55,992.69



Armchairs at the ready, this month I hope you will enjoy wandering around the East of England

#### **WHERE ARE WE GOING?**

This month I have chosen a very beautiful and varied slice of our island to explore. We are going to look at the counties of the East of England region. These are Essex, Hertfordshire, Bedfordshire, Cambridgeshire, Norfolk and Suffolk. This area has a mainly rural landscape, plenty of market towns and four medium sized cities: Peterborough, Norwich Luton and Cambridge.



The Norfolk coast conjures up visions of the traditional British holiday with ice-creams, donkey rides and at Cromer you can spend an evening enjoying the last end of the pier show in Europe and on a trip to Wells Next the Sea you can see an amazing sight; a row of almost 100 brightly coloured beach huts.

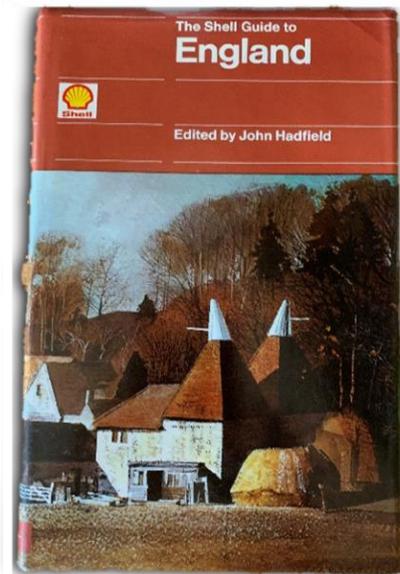
Looking to the present, economically it is a flourishing area relying on a strong financial services sector and also activities in manufacturing particularly, automotive, and pharmaceuticals.

## WHAT DOES OUR GUIDE BOOK SAY ABOUT THE REGION ?

If we move on from Norfolk to Suffolk the choice of attractions is wide. Go to Aldeburgh in June to the music festival, gaze at the views that inspired John Constable in Denham Vale, go horse racing at Newmarket and spend a few days pottering around the Colleges of Cambridge. Wherever you go there are wide open spaces and beautiful skies.

Now that we know something about the place, we will see what the guide book says about the economy in the region today.

The region is one of the fastest growing regions in the UK, both in terms of population and economy, it is the fourth biggest exporting region in the UK. The south of the region is densely populated and economically dynamic, as it is heavily influenced by proximity to London and has one of the lowest unemployment rates in the country. The region has a strong research heritage, with world-class research facilities and skills at the University of Cambridge and elsewhere that have led many multinational corporations and technology-based start-ups to locate in the area.



In the less populated rural areas we find some reasonable sized cities such as Norwich, Colchester, Cambridge which are home to the region's universities. A significant technology cluster has developed around Cambridge with a strong focus on electronics, ICT and biotechnology. The skills and capabilities of the university and the resulting cluster have attracted the R&D activities of multinationals such as Toshiba and Nokia, and large numbers of technology-based start-ups many of which are university spinouts. Major ICT innovators are present in the Cambridge cluster, e.g. Apple, Amazon, EE, Fujitsu, Google, Huawei, Microsoft, Nokia, Philips, Qualcomm, and Samsung. Genomics and regenerative medicine are among the regions' world-class strengths in health and life sciences, along with medical technologies. Global leaders in these sectors, such as GlaxoSmithKline and Astra Zenica have production plants located in the region. Did you know that a large proportion of the world's low earth satellites are constructed by Airbus Defense and Space situated in Stevenage and if you fancy a Lotus car, you need to head to Norwich to the Lotus Cars and Engineering factory.

## SPY GLASS ON TWO COMPANIES

With the myriad of famous companies listed above, it was a difficult decision to decide where to focus the spy glass this month. I decided we all needed cheering up and what better way to do that but to think about food to start with. Hope you will enjoy reading about my two choices.

### Hotel Chocolat



It has been a real joy to research this company, the co-founder, Angus Thirlwell appears to be someone who has the right attitude to running a business. He is passionate about what he does and hands on and from the reports I read, everyone down to the person on the production line seems to enjoy working for him and the company – this is rare when you read employee feedback there are usually many more negatives than I spotted for this firm.

Why am I directing the spy glass on Hotel Chocolat? Because like most people I like chocolate and because the head office of this business sits conveniently in Royston, Hertfordshire, 10 minutes from the station and 35 minutes away from London Kings Cross. If we want to go and have a look, it will be very convenient.

The company was founded in 1993, the first shop was opened in 2004 the first café in London Borough Market in 2010 and the company listed on the stock exchange in 2016. Now there are 103 shops as well as cafes, a restaurant and a hotel in a working cocoa plantation in the Caribbean – I think I would like a trip there if lockdown ever ends! What is particularly impressive about this business is its consistent adherence to its three basic values of originality, authenticity and ethics. They are one of the few chocolate makers to grow the chocolate on their own plantation and to make a positive effort to bring down the sugar content in chocolate. According to their website a typical bar of milk chocolate contains more than twice as much sugar as cocoa, Hotel Chocolat's mantra is more cocoa less sugar – their milk chocolate contains 40% to 50% cocoa.

Baillie Gifford, like me, think there is a good future for this company, because they hold Hotel Chocolat shares in their UK smaller companies fund. A final fun throw-away line, apparently Hotel Chocolat once raised £4.2m via Chocolate Bond. Investors receive their interest in the form of chocolate!

## PayPoint UK

Now for something different, enough of chocolate, the other company on which I am focusing the spyglass has developed a very simple idea which is a help to many thousands of people and flourishes on the demise of the local Post Office. The local Post office has been forced to close in many communities but the convenience store is still there. PayPoint, a FTSE 250 company, are using the convenience store as a means of connecting with a section of the population who find payment of bills a complex business.



Over 600 people in or around Welwyn Garden City are employed by PayPoint UK. This is a business which should prosper throughout all economic cycles because it offers an essential service to those who need access to a swift and simple method of paying gas and electricity bills, BBC TV License fees, cash payments and withdrawals and mobile phone top ups. The PayPoints are located in 29,000 convenience stores across the UK, so the consumer is always close to a store. In addition, the Pay Points are now located in 8,500 shops in Romania and 500 shops and Credit Unions in Ireland. In 2011 Pay Point increased the service to the consumer by launching Collect+ which allows customers to send and collect packages at the same convenience stores that they are using to pay bills. Until I did my research, I had not heard of PayPoint. Now, when I visit a convenience store, I am constantly seeing the yellow and black PayPoint sign. Some business ideas go in and out of fashion, PayPoint are satisfying a need which is very unlikely to disappear. Any client invested in Investec UK Smaller Companies fund will have some of their money invested in this fast-growing company.

## Five quick finance questions



1. In what circumstances could you give away 10% of your personal allowance to your partner?
2. How long did the great depression last approximately
3. Joyce gives her daughter £3,000 every tax year, can she give her niece a birthday present worth £200? And not pay IHT
4. My son is going to University in September and wants to earn some money – how much can he earn and not pay tax?
5. Peer to Peer lending seems to be such a good idea, why am I told it is risky?

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**

**June 2020**

<b>Answers to quiz – Bulletin 4</b>	1 The subscriber must be under the age of 40
	2 The triple lock is an increase equivalent to the higher of earnings increase, price increases based on cpi and 2.5%
	3 Age 67
	4 The return on the UK equity market to the end of 2009 was 30.1% proving you should stay invested!
	5 £50,000