



## BULLETIN No. 8

# INVESTMENT HORSE RACES



We hope you are all keeping well

This month, there has been very little movement in the 'pack' Merian Mid Cap and Legg Mason Japan and Baillie Gifford keep up their lead and it is interesting to see that the European funds have all gained a small lead over the over developed countries funds, especially fidelity. It will be interesting to see as we go into the winter months how this race pans out

### The UK National – The runners

| The Funds                    | Sector  | The starting value | Value at 23 September 2020 |
|------------------------------|---------|--------------------|----------------------------|
| Artemis Income               | Income  | £5,000             | £6,478.18                  |
| LionTrust Special Situations | Growth  | £5,000             | £6,429.12                  |
| Merian UK Mid Cap            | Mid cap | £5,000             | £8,069.60                  |
| BMO Responsible UK Income    | Ethical | £5,000             | £5,991.65                  |
| HSBC FTSE All Share          | Tracker | £5,000             | £6,128.01                  |
| Total value                  |         | £25,000            | £33,096.56                 |

### The US Derby – the runners

| The Funds                             | Sector  | The starting value | Value at 23 Sept 2020 |
|---------------------------------------|---------|--------------------|-----------------------|
| J P Morgan US Equity Income           | Income  | £5,000             | £6,280.53             |
| Franklin US Opportunities             | Growth  | £5,000             | £7,407.42             |
| Schroder US Mid Cap                   | Mid cap | £5,000             | £6,769.99             |
| Fundsmith Sustainable Equity -62% USA | Ethical | £5,000             | £6,235.96             |
| HSBC American Index                   | Tracker | £5,000             | £6,794.11             |
| Total value                           |         | £25,000            | £33,488.01            |

### The European Stakes – the runners

| The Funds                        | Sector  | The starting value | Value at 23 Sept 2020 |
|----------------------------------|---------|--------------------|-----------------------|
| ASI European income              | Income  | £5,000             | £6,539.73             |
| Fidelity European                | Growth  | £5,000             | £6,779.62             |
| Baring European Select           | Mid cap | £5,000             | £6,902.02             |
| Liontrust Sustainable Europe     | Ethical | £5,000             | £6,835.61             |
| HSBC FTSE Developed Europe Index | Tracker | £5,000             | £6,624.31             |
| Total value                      |         | £25,000            | £33,681.29            |

### The Rest of the World Championship – the runners

| The Funds   | Sector                    | The starting value | Value at 23 Sept 2020 |
|---|---------------------------|--------------------|-----------------------|
| Legg Mason Japan                                  | Japan - Growth            | £5,000             | £7,796.36             |
| HSBC Japan Index                                  | Japan Tracker             | £5,000             | £6,130.63             |
| Fidelity Asia                                     | Asia - Growth             | £5,000             | £6,691.88             |
| L&G Pacific Index                                 | Asia - Tracker            | £5,000             | £6,798.51             |
| Fidelity India                                    | India - Growth            | £5,000             | £6,757.13             |
| First State Greater China Growth                  | China - Growth            | £5,000             | £6,688.94             |
| Baillie Gifford Emerging Markets                  | Emerging markets - Growth | £5,000             | £7,250.92             |
| Stewart Investors Emerging Markets Sustainability | Ethical                   | £5,000             | £6,273.94             |
| L & G Emerging Markets Index                      | Emerging Markets Tracker  | £5,000             | £6,403.51             |
| Total value                                       |                           | £45,000            | £54,388.31            |



### WHERE ARE WE GOING?

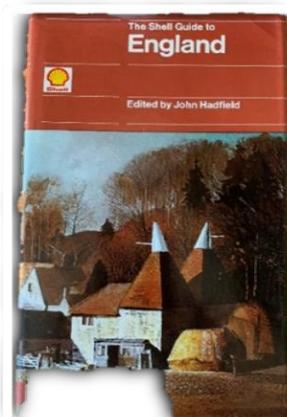
We have now left London behind and are heading down the M4 toward **Bristol and the South West**.

As the main Nicholls Stevens offices are in Bristol and most of our staff live in and around the city, we are delighted to welcome you to our city and will not let you venture further south or west without introducing you to the highlights.

Bristol has a rich history but unfortunately is often seen as playing second fiddle to Bath. It is easy to see the Georgian sights of Bath, they are laid out in front of you to view: the crescents, the Assembly rooms, the Roman Baths. Bristol was badly bombed in the Second World War and therefore you have to work harder to see some of the more interesting sights. If you have a good guide you will not be able to miss the lovely gothic parish church of St Mary Redcliffe, Brunel's SS Great Britain, the first iron ship to cross the Atlantic, or his towering Clifton Suspension Bridge. However, you will need a good nose to ferret out Christmas Steps, St John's Archway, the historic entry to the Old City or the nails outside the Corn Exchange where deals were agreed 'on the nail'. If you come to visit us we will point you in the right direction to see 'the real Bristol'.



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



The South West region is large in geographical terms, stretching from Gloucestershire and Wiltshire in the north to Devon and Cornwall in the south and Bournemouth, Poole and Dorset to the East.

The south is more dependent on rural activities and tourism while the northern and eastern counties have a much more mixed economy including high-technology manufacturing (e.g. aerospace, defence, electronics) and knowledge-based industries (digital media, semiconductor design, financial services).

The region, as a whole, has a lower unemployment rate than the UK average, 3.0% and 4.0%, respectively (Eurostat, 2019).

Bristol is the key economic city-region. It sits at the western end of the so-called 'M4 corridor' – a highly active economic area that follows the M4 motorway from Bristol, via Heathrow (the UK's main airport and the world's busiest international hub) to London. The 'M4 corridor' has a particularly high level of economic activity in technology and knowledge based manufacturing and services, and is home to the UK branches of major multinationals.

The region hosts a number of significant clusters of industrial and R&D activity, covering the key regional sectors, namely aerospace and high value engineering, microelectronics, new energy systems, digital industries. In particular, high levels of R&D expenditure are concentrated in the aerospace industry, which is the single most powerful sector in the region. The 2018 UK Tech Innovation Index indicates the clusters in the South West.

The region is home to eight universities and four higher education colleges including several research-intensive universities and those with a focus on science and technology such as the Universities of Bristol, Bath and Exeter. The University of Bristol is ranked 8th in the UK and 49th worldwide in the 2020 QS university ranking system, and it is actively engaged in R&D activities focused especially on nuclear technologies.



### **SPY GLASS ON TWO COMPANIES**

As you might imagine, I intend to put my spy glass on two companies in Bristol. You may find my choices strange: one company is a competitor of Nicholls Stevens and the other company manufactures goods of which many of my clients disapprove. However, the shares of both companies feature in funds which are held in client portfolios.

### **HARGREAVES LANSDOWN**

Hargreaves Lansdown was founded in 1981 by Peter Hargreaves and Stephen Lansdown. I have known Peter Hargreaves from that time. The business started in his small townhouse in Clifton and today it is a FTSE100 company – that is real success. Peter and Stephen managed to succeed where others have failed because they came from outside the financial services industry, with an Accountancy background and they had no baggage. They could see clearly that what was needed in the industry was a 'cheap and cheerful' way for members of the public to buy financial products - at the outset, particularly collective funds. In their first newsletter they recommended Henderson Income and Growth fund and Save and Prosper Income and Growth fund and never looked back. Their success was also based on the ability to run the business in a cost-efficient manner and not being diverted from their 'brand'. I admire what they have done and am happy to sit cheek by jowl with them, their offices (somewhat more-grand than mine!) are just around the corner. My brand is totally different from theirs and I am sure my clients understand this, so they are no competition and indeed I feel very comfortable that my clients have Hargreaves Lansdown shares within their portfolios.

## IMPERIAL BRANDS PLC

In many of the companies I have reviewed on my travels around the country you will have seen that I favour those who have made money but put something back into the society which made them rich. I should have said something on this topic when discussing Hargreaves Lansdown, Stephen Lansdown has put an enormous amount of money into sport in Bristol, rugby, basketball and Bristol City football club including over £47m into rebuilding Bristol City's Ashton Gate stadium.

So, what of Imperial Brands plc? This company is a Bristol company through and through and generations of Bristolians have worked for Wills. The company was originally named W.D. & H.O. Wills, established in 1761 as tobacco manufacturers. Although their product turned out to be harmful, as employers they were ahead of their time. In the 1880s they introduced free canteen meals, a sickness scheme, sports facilities and paid holidays. The population of Bristol flocked for a job at Wills because the pay was apparently 10% or even 20% more than in other similar work. Wills introduced one of the first pension schemes for their employees as early as 1926 and for many years the pensioners not only received their pension but also a free weekly supply of cigarettes.

The Wills family came from a non-conformist background and were keen to put back into society, they not only treated their employees well but, if we look around Bristol, the city also benefited from their largess. A gift of £100,00 was made in 1870 to allow Bristol University to be established and many University Buildings bear the name of the Wills family. There are of course two sides to most stories, the employees and the city may have benefited but there are of course connections with the transportation of the tobacco and the slave trade and of course we must not forget the harm done by the actual product.

Having said all of this, Imperial Brands features frequently in UK equity income funds because of the very high levels of dividend they have been paying for many, many years. Please be assured that any client who has indicated that they do not want investments in tobacco products will *not* have an investment in these shares.

## Three quick finance questions

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| 1. Who is the current Governor of the Bank of England?   |
| 2. What is the name of the latest book written by Mervyn King the previous governor of the Bank of England |
| 3. Who is the President of the European Central Bank   |



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 previous one. In the meantime, we hope you all stay safe and well.

**Carole Nicholls**

**September 2020**

|                                     |   |
|-------------------------------------|---|
| <b>Answers to quiz – Bulletin 7</b> | 1. The product carries a Government guarantee up to a sum of £1m                          |
|                                     | 2. She can make a gift of any size – her assets fall within the nil rate band of £325,000 |
|                                     | 3. Age 67   |
|                                     | 4. No, you cannot present purchase index-linked savings certificates                      |
|                                     | 5. Yes, attendance allowance is tax free  |