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EQUITY
INCOME

**10 SHARES FOR A
£10,000 INCOME IN
2024**

PAGE 5

A large, vibrant red alarm clock is the central focus of the cover. The clock face is black with white tick marks and hands. The words "TIME TO INVEST" are written in a white, chalk-like font across the lower half of the clock face. The clock has two yellow legs and two red bells at the top.

TIME TO
INVEST

**INVESTMENT
TRUST OUTLOOK**

THE TRUSTS SET TO BENEFIT
FROM FALLING RATES

PAGE 7

**CAMPAIGNS
AND POLICY**

PAGE 12

INDEX

	EDITORIAL Pg3: How useful is best-buy fund consensus?
GOVERNANCE CONCERNS Pg4: Why UK corporate governance needs tightening up	
	EQUITY INCOME Pg5: 10 shares for a £10,000 income in 2024
INVESTMENT TRUST OUTLOOK Pg7: The trusts set to benefit from falling rates	
	PORTFOLIO REVIEWS 2023 Pg9: Mark Bentley Pg11: Roger Lawson
CAMPAIGNS AND POLICY Pg13: Hartley pensions rollercoaster ride Pg14: Woodford Campaign Pg16: Digitisation Taskforce Interim Report follow-up Pg16: Defective legislation thwarts Europa Oil shareholders Pg17: Labour Party financial services review Pg17: ShareSoc response to Education Select Committee	
	PLATFORMS AND PROVIDERS Pg18: Transferring allegiances Pg19: Another SIPP provider collapses
AUDIT INSIGHTS Pg20: Random musings from the Secret Auditor	
	PRAISE AND GRUMBLES Pg21: Terry Smith's wisdom Pg21: Impossible to vote!
SHARESOC MATTERS Pg21: ShareSoc Investor Academy resources	
	SIGNET NEWS Pg22: SIGnet update Pg22: SIGnet launches new group in Reading
EVENTS UPDATE Pg23: Upcoming events Pg23: Catch-up corner	



How useful is best-buy fund consensus?

Can we learn anything from a comparison of leading platforms' favourite fund lists, asks Faith Glasgow

For many investors, the leading investment platforms' best buy lists of favoured funds and investment trusts remain a useful source of ideas for a DIY portfolio overhaul. The interactive investor Super 60 and ACE 30 lists, which I tend to use, are curated by Morningstar and a rationale for each choice is provided, so at the very least they can work as benchmark ideas against which to assess others.

What has puzzled me in the past, though, is how much discrepancy there tends to be between the lists of different platforms, given that presumably the experts are looking for similar markers of performance, quality and reliability.

I was therefore interested to see a recent Trustnet article that goes to the trouble of cross-referencing the various lists and crunching the numbers to work out which funds are the most popular best buy picks among the Big Five platforms – AJBell, Barclays, Fidelity, Hargreaves Lansdown and interactive investor.

Not a single fund appears on every list, and only one, BlackRock Continental European Income, makes it onto four of the five as “the standout pick for investors seeking dividend payers from across the Channel”. A further 17 manage to score on three lists out of five; not a single investment trust is included.

But it's noteworthy that seven of the 18 appearing on three or more lists - more than a third – are index trackers, where the differentials are typically small and driven primarily by charges.

Three are actively managed bond funds with very different focuses – Jupiter Strategic, M&G Emerging

Markets and M&G Global Macro – which suggests to me that each should be a pretty good option for that enclave of the fixed interest arena.

The other eight are equity funds, and again are highly diverse in their focus. Three smaller companies funds feature, covering the UK, the US and global markets. Three similarly wide-ranging equity income funds also make the grade, covering UK, European and global dividend payers.

The two outliers are Fidelity Asia and Liontrust UK Growth. Again, the lack of crossover in the focus of these choices implies that the expert pickers are showing some consensus in regard to the best options for particular regions and market caps.

It's also quite interesting to consider the extent to which the platforms appear to be in step with each other. Hargreaves and ii lead the pack, with 14 of the 18 funds appearing in their best buy tables. Does that indicate they use the same methodology? But they are not the same 14 funds – indeed, there is no overlap in the ones they haven't included.

Fidelity must be using a different approach: only six of its best buy choices are picked by at least two other platforms.

I really don't know whether it's possible to draw any meaningful conclusions from such a study – but it's a handy consensus-driven quick fix. I was looking for ideas for exposure to Europe, and after seeing that Trustnet article I bought BlackRock's European income fund.

Faith Glasgow is a freelance journalist



RETURN
TO INDEX

GOVERNANCE CONCERNS

► Why UK corporate governance needs tightening up

Barry Gamble argues that the LSE's response to the government's panicky U-turn on governance regulation is not helpful to NEDs or other stakeholders

After a string of governance and corporate failures, it had been widely anticipated and indeed trailed that there would be a tightening of the UK's corporate governance regulatory regime. Mooted changes included more rigorous audits, greater director responsibility and a strengthened accounting regulator, with the Financial Reporting Council (FRC) being reborn as the Audit, Reporting and Governance Authority (ARGA).



As one seasoned investment banker commented, "She [Hoggett] might have been on stronger ground if she had said that these 'ever increasing corporate governance processes' hadn't prevented some catastrophes." The list of previous failures is far too long, but Carillion and Patisserie Valerie immediately spring to mind.

Despite all the fees paid to advisers, all under the watchful eye of the regulators, the share price of a number of post-Covid LSE and AIM IPOs are now at substantial discounts to the IPO price; some have even gone bust.

The failure of the London markets to lure IPOs away from New York and elsewhere and the exodus of prominent UK-based corporates to other exchanges are self-evident. Coupled with the continuing trend to de-equitisation, as pension funds and other institutional investors reduce their exposure to equities, these elements have seen the government persuaded to press the panic button. It has accepted the mantra that strong UK governance is hampering the success of the equity markets.

Whether a company is an IPO, delisting or AIM de-admission, shareholders make their decisions on the basis of legally verified prospectuses and other documents which include disclosures, undertakings and obligations by directors. But, with a few high profile exceptions, most of these outcomes are not investigated or conclusions drawn as to what has gone wrong; the waters seem mostly just to close over them.

No one wants to see rules for the sake of rules, or box-ticking approaches, but the enthusiasm with which the London Stock Exchange (LSE) and the Financial Conduct Authority (FCA) have greeted the volte face on UK corporate governance is hugely unhelpful to non-executive directors.

This lack of overt and timely censure undermines efforts to achieve best practice governance for shareholders and other stakeholders.

NEDs are rightly seen to have a key role in ensuring boards are mindful of, and discharge, their corporate governance responsibilities. Their influence in setting the right tone and encouraging the right behaviours is critical.

Various bodies, the LSE included, suggest that shareholders troubled by outcomes might pursue litigation or engagement with other regulators or statutory bodies. It is, however, unclear where the overlaps and underlaps between the various bodies exist.

Setting aside the detail, this significant change of mood must surely make it harder to ensure best practice governance prevails.

Trust in the equity markets and support for non-executives seeking to do the right thing are missing in action when the LSE, FCA and government dismiss the value of governance.

Where's the evidence?

It is not helpful for the LSE's chief executive, Julia Hoggett, to be quoted as saying – and no doubt egged on by the FCA – that "ever increasing corporate governance processes have impacted the effectiveness of listed companies and the standing of the UK over other capital markets". Where is the evidence to support such an assertion?

There is a real danger that what we currently have is too much box-ticking, voluminous, expensive and largely impenetrable compliance reports as a substitute for good practical corporate governance.

ShareSoc member Barry Gamble is an advisory board member to Board Agenda and senior adviser to the Non-Executive Directors' Association. This article was first published in Board Agenda in November 2023. Reproduced with kind permission from the author.



EQUITY INCOME

▶ **10 shares for a £10,000 income in 2024**

Lee Wild's 2023 portfolio generated more than the required annual income, and the dividend yield was way above the most generous bank account. How will the 2024 version fare?

After 14 years of either declining or historically low interest rates, UK savers finally had something to cheer at the end of 2021. Rates started rising and didn't stop until they reached 5.25% in August last year. But while higher savings rates are good news for those seeking risk-free returns, sky-high inflation and a buoyant stock market meant the best opportunities for both income and growth in 2023 were found elsewhere.

Britain's flagship FTSE 100 index grew less than 4% on a share price basis last year. Despite making a record high and briefly exceeding 8,000 for the first time in February, it spent most of the year between 7,350 and 7,750.

However, the total return, which includes dividends, was 7.9%. The FTSE 250 index managed 8%. Those diversifying their portfolios with overseas assets would have done even better. America's Nasdaq tech index delivered almost 54% in US dollar terms, Japan grew 28% and European bourses were up by a fifth.

Best rates on easy access savings accounts last year, according to the ii monthly income screener column, were 5.3%, and 5.5% for easy access cash ISAs. You could have got 6.2% on a one-year fixed rate bond.

But with CPI annual inflation anywhere between 10.4% early in 2023 and 3.9% in November, every percentage point was crucial to generating a positive real-terms return. Now, in 2024, savers will be forced to make some big decisions if interest rates do start to fall in a few months' time, as expected.

Income portfolio performance in 2023

The objective is to generate at least £10,000 of annual dividend income over the 12 months, using a diversified basket of 10 shares. Ideally, the value of the portfolio would also be higher at the end of the year than at the start; but income is the priority.

When I put the portfolio together a year ago, I anticipated a dividend yield of 6.4%. I wanted a diverse basket of shares, so sacrificed yield in some cases. But there were still some chunky prospective dividends in there, and the likes of Legal & General Group, British American Tobacco and M&G Ordinary Shares delivered the goods. Over the year, my 10 stocks generated £10,660 of income for a yield of 6.8%.

Biggest contributors to the excess income were Sainsbury's with 24% more than I'd expected, Taylor Wimpey (17%) and SSE (12%). Diversified Energy Co (1.48%) was the biggest positive surprise, generating an extra 27%. However, its share price was also the biggest negative in the portfolio.

Having invested £158,000 in the portfolio to generate that level of income, I ended the year with £147,461 for a decline of 6.7% and total return of 0.1%. Diversified accounted for £6,900 of the lost capital.

Normally, an investor would not churn their portfolio at the end of each calendar year but, as I point out each time, this portfolio starts the year with a clean slate. It means the exercise remains relevant for anyone who shows an interest, whether existing investor or newbie. That also means there will be some changes in the line-up for 2024. Here are the stocks that stay, those that don't and some new entries.

The shares that stay in 2024

Six companies in the 2023 portfolio are kept for this year's basket of 10 income stocks. Not all of them had a spectacular 2023, but each delivered a generous dividend and provided valuable diversification, while four of them also chipped in a market-beating capital gain.

Last year I switched out of Persimmon and into Taylor Wimpey. That proved to be a wise decision, the latter's share price ending the 12 months up 23% and yielding 8.2%. The payout was deemed safer than housebuilder peers because its dividend policy is not based on earnings cover targets. Instead, the company promises to return 7.5% of net asset value, giving investors "increased certainty of a reliable income stream throughout the cycle." That's good enough for me, especially as a likely decline in interest rates this year should support the housing sector.

Sainsbury's also did me proud, my estimate of a 4% dividend yield proving conservative. A 5% payout generated almost £1,000 for the portfolio, while the share price ended the year up 8%. There's not much to choose between Sainsbury's and Tesco in terms of share performance, but the former has a much better yield.

I'm keeping M&G in the portfolio for a fourth year because it continues to deliver the goods. A steady share price performance over the past few years and one of the best blue-chip yields around make it impossible to reject the asset manager. Yes, plenty have been predicting a dividend cut for years, but the company repeats that its policy of "delivering stable or growing dividends to our shareholders remains unchanged."

GSK had been ever-present in these income portfolios since launch before losing its place in 2021 following the decision to 'rebase' its dividend. The payout still isn't great, but diversification into the defensive pharma sector made up for last year's modest prospective yield of 4%. As well as making a solid contribution to the



RETURN
TO INDEX

10 shares for a £10,000 income in 2024

income strategy, the share price grew by 10%. I'm sticking with the drug giant this year for the same reasons.

There wasn't much to choose between the high street banks last year, confirmed by their share price performance over the 12 months. None covered itself in glory, despite much higher interest rates, and Lloyds Banking Group shares fell 19%. But it's a well-run company and has avoided any shocks, unlike some peers. Its shares have spent most of the past three years in a 40-50p range, and there's little to suggest they'll be worth significantly less in 12 months' time, so I'm locking in a 6.6% yield.

Legal & General shares were pretty much flat in 2023, but a 7.7% dividend yield made a welcome contribution toward our £10k target. A near two-year downtrend appeared to end in November as the insurer's shares rallied with the rest of the market. L&G shares sit near an 11-month high and offer an 8% yield and, having outperformed rival Aviva last year on both share price and dividend, albeit marginally, I'm sticking with L&G in 2024.

Heading for the exit

If six stocks stay, it must mean four stocks have been shown the door. Three are punished for an underperforming share price and deteriorating outlook, but utility SSE gets the boot for committing the cardinal sin – cutting the dividend. This was flagged by the company before I picked it for the 2023 portfolio, but there was still an attractive yield to be had before the payout was rebased for the year to 31 March 2024. There are better yields than SSE's 3.5% elsewhere in the sector.

British American Tobacco's three-year run in the portfolio ends now. It's always delivered the dividend it promised, but the capital depreciation has been significant (25% in 2023). The shares are cheap on a price/earnings basis compared to the FTSE 100 average, but I just don't see enough potential for significant recovery in the near term.

Since launch, I've always set aside one or two spots in the portfolio for more speculative income plays, typically with higher yields. I don't invest as much in them as I do the blue-chips, just in case. Often it pays off, and when it doesn't, the lower investment and diversification within the portfolio protects both income and capital.

Diversified Energy had been in the portfolio for three consecutive years because strong free cash flow meant regular and very generous dividends – it yielded over 9% in each of the first two years and 12.6% in 2023. But a lot's happened over the past year – US gas prices have declined, the company listed its shares in New York after a 20 for 1 share consolidation, and now there are concerns in the US regarding its well retirement and emissions information.

A 57% slump in the share price means the already high-yielding stock now offers a dividend yield of around 30%. Understandably, alarm bells are ringing loud, and

despite still impressive free cash flow, the payout looks vulnerable. It seems an irresponsible and unnecessary risk for this year's portfolio.

Sylvania Platinum's inclusion in the portfolio has been brief, despite achieving a 7.6% dividend yield. It all seemed rosy when I explained the rationale a year ago – running platinum group metal (PGM) processing plants across South Africa's lucrative Bushveld complex, owning exciting mining rights, high margins and return on capital, reasonably priced shares, and a generous dividend.

But October's annual results were poorly received, and the share price decline has accelerated in recent weeks. Platinum and palladium prices both fell in 2023, and Sylvania shares suffered a 42% capital loss amid an uncertain year ahead for the industry.

Four more for 2024

Energy company SSE has generated a healthy annual income above 5% for the past two years, but after deciding to rebase the dividend for 2023/24, the forecast yield drops to 3.5%. That's why I'm going back to National Grid, a defensive stock which offers an inflation-linked dividend and attractive yield of 5.7%. It's a well-run business, and some analysts believe the market is overlooking long-term asset growth in UK electricity networks and US networks.

Both Imperial Brands and British American Tobacco are among the highest yielders in the FTSE 350, but while BAT's three-year stint in this income portfolio started well, the capital loss in each of the past two years, particularly the 30% slump in 2023, has been disappointing. Imperial fell too, yes, but the decline in the last calendar year was a more modest 12.8%. And while both share prices had followed similar trends, a divergence became obvious last October, widening during December when BAT said it would write down the value of its acquired US cigarette brands by £25 billion.

And for the two more speculative spots, I've dialled down the risk and brought in Rio Tinto Registered Shares. The mining heavyweight had been in this income portfolio for three years until I switched it out last year when fewer special dividends meant a much lower prospective yield.

While there are still plenty of issues around demand and production overhanging the industry, Rio has promised "total cash returns to shareholders over the longer term to be in a range of 40% to 60% of underlying earnings in aggregate through the cycle."

Morgan Advanced Materials is the smallest company in this year's portfolio at £800 million, but it yields over 4% and offers exposure to the industrials sector. Morgan manufactures advanced carbon and ceramic materials used in wind farms and plane engines.

At third-quarter results in November, the company maintained its forecast for annual organic revenue



RETURN TO INDEX

10 shares for a £10,000 income in 2024

growth of 2-4%. It also expects "good growth" in the first half of 2024 and further margin expansion following recent sequential improvements. The dividend is both

generous and well covered by earnings, while the valuation is also attractive at 11 times prospective earnings.

Company	Share price 24 Jan 2024 (p)	Sum invested (£)	Percentage of the portfolio	Prospective dividend yield (%)	Expected annual income (£)
Lloyds Banking Group	42.2	20,000	12.3	6.6	1,328
GSK	1,554.8	20,000	12.3	3.7	740
National Grid	1,033.5	20,000	12.3	5.7	1,142
Sainsbury (J)	283.6	20,000	12.3	4.7	931
Legal & General Group	253.4	15,000	9.2	8.4	1,264
Taylor Wimpey	144.3	15,000	9.2	6.2	936
Rio Tinto Registered Shares	5,494.0	15,000	9.2	6.5	969
M&G Ordinary Shares	224.6	13,000	8.0	9.4	1,226
Imperial Brands	1,916.5	13,000	8.0	8.0	1,036
Morgan Advanced Materials	273.5	12,000	7.4	4.4	527
Total		163,000	100	6.2	10,098

Source: SharePad, analyst estimates. All figures as at 24 January 2024.

Lee Wild is head of editorial at interactive investor. This article was first published on the interactive investor website on 29 January 2024. The author holds shares in Diversified Energy Company.

INVESTMENT TRUST OUTLOOK

The trusts set to benefit from falling rates

Jennifer Johnson of the Investor's Chronicle believes the mass sell-off of trust shares is over and it's time to identify the best prospects

Latest inflation data from both sides of the Atlantic is an unwelcome reminder for investors that rapid rate cuts are not a foregone conclusion. The headline US inflation rate was 3.4% in December, up from 3.1% the month before. UK CPI inflation rose from 3.9% to 4% over the same period. These backwards steps have undone some of the progress made late last year by equities that investors see as particularly rate-sensitive, including some UK investment trusts.

The investment trust sector's average discount was 13.2% at the end of 2023. By mid-January that had moved above 15% and, at the time of writing, was set to widen further as a result of Wednesday's worse than



expected UK inflation figure. While this is still an improvement on the 20% average discount seen in the autumn, it does mean many trusts look cheap by historical standards. Nonetheless, interest rate cuts are still likely this year, and the task now facing investors is to identify the funds and sub-sectors poised to make a meaningful recovery in the not-too-distant future.

Outer space may not be the first place you'd go in search of hidden value, but with a discount of nearly 54% as of mid-January Seraphim Space (SSIT) may be worth exploring. Given its tilt towards early-stage companies, the specialist space tech investor has fallen victim to the move away from growth-



RETURN TO INDEX

The trusts set to benefit from falling rates

focused assets. However, some analysts argue that the fund's portfolio is far from speculative, given that satellites are now crucial pieces of infrastructure.

"The space sector is bolstered significantly by geopolitical tension, in the sense that lots of governments want more monitoring capability for sanctions and in order to monitor climate change," says Shavar Halberstadt, an analyst at Winterflood Securities. "There's a lot of expenditure being made there, and Seraphim's portfolio companies are the beneficiaries."

Infrastructure plays

Investors have also spent the past two years feeling bearish on more established infrastructure trusts, due to the fact that rising interest rates translate into higher discount rates. Higher rates today mean a greater cost of capital – and as a consequence returns in the future will need to be greater to compensate.

At the same time, power prices are likely to be higher in an inflationary environment – and so will revenue from energy assets. "Most of the market has been trading on the back of interest rate expectations as if they're long term, fixed-rate bonds," says Numis analyst Ewan Lovett-Turner. "I think that's an overly simplistic view that forgets the fact that a lot of [infrastructure] cash flows have inflation linkage."

Shares in International Public Partnerships (INPP), among London's largest dedicated infrastructure funds, have proved highly volatile in the past 12 months. This is despite the fact that its largest holdings include critical assets such as gas distribution group Cadent and the Tideway wastewater project, as well as a handful of offshore transmission owners (OFTOs), which own the cables that connect offshore wind farms to the onshore electricity network. The latter make up about 20% of the INPP portfolio and, helpfully, their revenue streams are separated from the performance of energy generators.

In other words, cables linked to wind farms generate the same level of income, regardless of whether there's a strong breeze and the turbines are turning, and are also relatively insulated from the cost pressures facing wind farm owners. There are relatively few opportunities for investors to gain exposure to the stable world of OFTOs, making INPP unique among listed infrastructure funds. Numis analysts also say that long-term earnings visibility suggests the group can continue to deliver dividend growth of 2.5% each year for at least 20 years, an attractive prospect for a fund trading at a discount of around 16%.

Rival BBGI Global Infrastructure (BBGI) fared somewhat better in the past year – trading on an average discount to net asset value (NAV) of just 5% or so, and continuing the historical trend whereby its share price premium exceeded those of other names in its sector. The fund's higher valuation is likely to be a reflection of its entirely availability-based income streams, which generate



revenue so long as its assets are available for use.

The portfolio consists of 56 "social infrastructure" holdings, including healthcare facilities, hospitals, schools and motorways. It's also geographically diversified, with assets located exclusively in countries with AAA or AA credit ratings. BBGI's seemingly reliable portfolio and comparatively shallow discount make it appear less of a recovery play and more of a hedge against further uncertainty in the coming months. There are, though, other risks facing INPP and BBGI over the medium term.

Private equity

Listed private equity (PE) funds are rarely thought of as defensive in the same way, because the companies in which they invest are less mature and therefore riskier ventures, with little guarantee of future profitability. Even so, many PE funds have seen discounts narrow somewhat over the past year, albeit the current average of around 19% is still relatively steep.

It should also be noted that this figure would be far steeper were chronic outperformer 3i Group (III) – currently trading on a 24% premium – not included in the cohort. But with a hefty discount comes a significant opportunity, provided you pick a winning fund.

Separating the leaders from the laggards can be especially difficult in a sector such as private equity, where transparency is sometimes in short supply. In these cases, Winterflood analyst Elliott Hardy suggests recent history can be a useful guide.

"Within private equity, it's important to look at their exits," he says. "What track record have they produced over the last year with respect to realising their assets? If a manager is realising assets at a significant uplift, then it might give some signal as to the quality of those assets."

Put simply, it's important to ensure that a PE fund is selling its holdings for more than it purchased them for. HgCapital (HGT), an investor in software-as-a-service companies, has a particular knack for this – it achieved an average exit uplift of 31% across £323m of proceeds across the year to the end of September. Last month it sold its stake in insurance brokerage platform GGW to another private equity firm for £94m, representing a



RETURN
TO INDEX

The trusts set to benefit from falling rates

40% uplift on its carrying value (purchase price minus depreciating factors).

Pantheon International (PIN), meanwhile, saw an average uplift on realisation of 27% for the year to the end of May. This is not substantially lower than its 10-year average of 31%. Although it has seen a share price uplift of more than 21% in the past six months, it is still trading at a discount to NAV of 35%, suggesting that there's additional runway left. Pantheon's board initiated a £200m share buyback last year, indicating its commitment to returning capital to shareholders.

Ultimately, a more substantial rerating is somewhat dependent on falling interest rates. But investors don't have to sit on their hands until central banks take action – there's value waiting to be realised across the London market.

This article first appeared on the Investors Chronicle website on 17 January 2024.

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PORTFOLIO REVIEWS 2023



Mark Bentley

This is my fourth annual comprehensive portfolio review. See [my 2020 review](#) for an explanation of my investment objectives, strategy, asset types and investment accounts. My 2022 review can be found [here](#).

2023 was another difficult and disappointing rollercoaster year. For the second consecutive year I underperformed my FTSE All-share total return benchmark. Still, at least this year my aggregate total return of 3.7% was positive (boosted by significant dividend income).

The year got off to a good start in January and then tailed off until the end of October, when it looked as though I was going to end with a second year of negative returns. Fortunately, November and especially December were very strong, putting my portfolio back in positive territory.

Note that I started work on this review at the end of 2023 and some of the quoted yields, P/E's and other quoted ratios are now out of date. Readers should check all figures before relying on them in any way.

Interest rate influences

Throughout the year, general market performance (especially for the income-generating instruments I focus on) has been dominated by interest rate sentiment – not so much actual interest rates as market perceptions of their trajectories. While the market was nervous about further rate increases to come, yields generally increased (i.e. bond prices declined). Once the market came to the view that interest rates had peaked, prices stabilised and yields began to decrease.

What happens next will depend very much on central bank decisions. Those, in turn, will be heavily influenced by inflation and inflation projections. Whilst the inflation outlook remains benign, I would not expect rates to rise

and central banks may be able to cut them. However, should inflation rebound, rates will not be brought down and could rise further.

The big question is: can inflation truly be tamed without inducing a serious recession?

I don't know the answer to that question, nor do I think anyone else does. I draw some comfort from the fact that my investments in bond-like instruments and bonds are offering yields well above current bank base rates, providing some margin of safety.

Investment trusts

The majority of my portfolio is invested in investment trusts and investment companies. 2023 was a very bad year for investment trusts in general, with discounts to NAV of many trusts widening to unprecedented levels, resulting in many cases in share price appreciation severely lagging NAV growth. This was particularly notable for private equity (PE) focused trusts. You'll find a more detailed commentary in the "International" subsection [on the website](#).

It seems to me that the turning point for PE trusts will come when M&A (mergers and acquisitions) and IPOs (initial public offerings) pick up again (whenever that may be!) and the trusts are able to demonstrate that assets can be realised above book value.

Over the last two years, a number of relatively recently launched "alternative asset" trusts have run into difficulties, notably Home REIT, Thomas Lloyd Energy Impact Trust and Digital 9 Infrastructure (the first two are currently suspended). Digital 9 in particular has proved disastrous for me – further details in the "International" subsection [on the website](#). A lesson I take from these issues is to be very wary of alternative asset trusts until they have a well-established and sound track record, especially if one is not familiar with the managers of those trusts.



Portfolio Review 2023: Mark Bentley

Asset allocation

Figure 1 shows how my asset allocation has changed between the end of 2022 and the end of 2023.

Account				Account			
Class	SIPP	ISA	Overall	Class	SIPP	ISA	Overall
Fixed Interest	5.0%	9.1%	6.0%	Fixed Interest	5.5%	9.4%	6.5%
High Yield	26.8%	27.4%	27.0%	High Yield	24.0%	23.8%	23.9%
Real Estate	16.2%	17.6%	16.5%	Real Estate	15.2%	17.3%	15.7%
Natural Resources	17.2%	17.3%	17.2%	Natural Resources	18.3%	16.9%	17.9%
International	23.8%	20.3%	23.0%	International	21.8%	21.1%	21.6%
Other	7.0%	1.7%	5.8%	Other	7.5%	6.4%	7.2%
Cash	3.9%	6.5%	4.5%	Cash	7.8%	5.1%	7.2%
Total	100.0%	100.0%	100.0%	Total	100.0%	100.0%	100.0%
Asset Allocation 2022				Asset Allocation 2023			

Figure 1

To explain the non-obvious asset types:

- “High yield” are equities yielding in excess of 3%, that don’t fall within other asset types
- “International” are mainly investment trusts with a global focus
- “Other” are equities attractive to me that don’t fall into any of the other asset types

As certain investments regained value over the course of the year, I have trimmed holdings to release more cash, from the very low levels held at the end of 2022. I’m targeting a cash level of 10% so that a) I’m not a forced seller when I need to withdraw cash; b) I can take advantage of any bargains that appear, without having to sell other assets.

Results breakdown

Now let’s look at the comparative returns of each asset class, for 2022 and 2023, shown in Figure 2.

Account				Account			
Class	SIPP	ISA	Overall	Class	SIPP	ISA	Overall
Fixed Interest				Fixed Interest	16.1%	14.8%	15.6%
High Yield				High Yield	0.4%	-1.8%	-0.1%
Real Estate				Real Estate	12.2%	9.9%	12.3%
Natural Resources				Natural Resources	2.4%	1.3%	2.1%
International				International	2.4%	1.7%	2.3%
Other				Other	2.8%	4.1%	3.0%
Cash				Cash	2.0%	2.0%	2.0%
Total				Total	3.9%	3.1%	3.7%
Returns by Asset Class 2022				Returns by Asset Class 2023			

Figure 2

Portfolio Review 2023: Mark Bentley

These figures compare to a FTSE-All Share total return for 2023 of +7.9%, which I use as my benchmark – so this is the second consecutive year of underperformance.

Note the wide variance of returns by different asset classes – and how different, once again, the performance of each asset class was this year compared to last year. The stonking outperformance of fixed interest investments is particularly notable. I feel that this supports my strategy of diversifying by asset class to reduce volatility.

Note that my reported return may be overstated because shares in two of my shareholdings (Savannah, SAVE and Asian Energy Impact, AEIT) are currently suspended. I am confident that they will return to trading in 2024 but the share prices used are the suspension prices and may go lower when trading resumes. See my more specific commentary in the Natural Resources subsection [on the website](#).

See [the 2020 article](#) for an explanation of how I calculated those returns, using SharePad's features, which use the "Modified Dietz" method. See [@MiserlyInvestor's excellent thread](#) for an explanation of returns calculation.

Real estate

I said last year:

I have given some thought to the reasons for the severe underperformance of the real estate sector in 2022. I came to realise that this was principally due to the rapid rise in central bank interest rates. Rapidly rising rates mean that investors demand higher yields on properties that they invest in, which means that asset values fall. The sector was hit by a "double whammy", however, in that not only have capital values fallen but the discounts on REITs and other property companies to their NAVs have widened considerably.

Now, one of the attractions of the sector to me is that it should offer a degree of inflation protection... but, what I hadn't appreciated is that this protection will tend to lag. There are two factors that can result in the increase in yields that higher inflation demands: a) the fall in capital values we have seen; b) increasing rent. So far we have seen a) but b) is yet to evolve. The ability to increase rents is also heavily dependent on the type of property invested in. It is crucial to invest in sub-sectors where demand exceeds supply and where tenants are likely to be less sensitive to rent increases...

...As with fixed income investments, this thesis is subject to the risk that central banks need to continue raising interest rates to higher levels than the market is currently anticipating to contain inflation. Nevertheless, I have increased my target allocation to real-estate to around 17% (also hoping for some "mean reversion" in 2023).

Increasing my target allocation to real estate at the beginning of 2023 did work out – but not quite for the reasons I anticipated. I believe the principal factors were confidence returning to the sector (reducing discounts), as interest rate sentiment improved, rather than rental increases.

I finished 2023 with a lower allocation to real estate than at the end of 2022. This is because, as share prices recovered, I trimmed several holdings to restore my target weightings and release cash.

For a more detailed examination of the portfolio and how each asset type fared, please [click here](#).

I am again hopeful that 2024 will prove a more productive year than 2023 and that my optimism in the investments I hold proves justified.

Mark Bentley is a director of ShareSoc.



Roger Lawson

I have reviewed the performance of my stock market portfolio across 2023.

I'll repeat what I said last year: I write this for the education of those new to investing, because I have no doubt that some experienced investors will have done a lot better than me, while some may have done worse.

I always feel wary of publishing such data because when I have a good year I appear to be a clever dick with an inflated ego, while in a bad year I look a fool. Consistency is not applauded on social media.

My portfolio is very diversified across FTSE 100, FTSE 250 and smaller company (e.g. AIM) shares listed in the UK. I also hold a number of UK investment trusts which give me exposure to overseas markets, and some venture capital trusts (VCTs). Although I have some emphasis on AIM shares, they are not the very speculative ones.

My 2023 total return including dividends was up 2.9%, against 3.8% from the FTSE All-Share, which I use as my benchmark (the latter figure does not include dividends though). So in summary a disappointing year although much better than the previous year.

Some explanations are as follows:

Holdings in small and mid-cap stocks, particularly tech ones, had another bad year. Both my wife's and my own ISAs showed significant losses mainly because I tend to purchase any new speculations in those portfolios as costs are lower there. Losses included Paypoint, SDI, EKF, Spirent, Telecom Plus, Keywords, Learning Tech and RWS.

Property REITs failed to recover from the impact of higher debt costs until late in the year.

Values of alternative energy investment companies fell towards the end of the year, resulting in losses on



Portfolio Review 2023: Roger Lawson

Greencoat UK Wind, Renewables Infrastructure Group, Gore Street Energy Storage, Gresham House Energy Storage etc, and those holdings were sold. Clearly there was excessive enthusiasm in the market (including me) for environmentally friendly investment funds, while it became clear that future profits from these companies are difficult to predict.

My investment trust and fund holdings generally did well, often because they have substantial US holdings. I failed to beat Terry Smith's performance at Fundsmith for yet another year, but Scottish Mortgage and Polar Capital Technology recovered substantially, particularly the latter.

Venture capital trusts almost all lost value, as their holdings in smaller companies were revalued downwards to reflect AIM valuation falls (the AIM market was down about 8% in the year). But their dividends held up well.

Holdings in large oil and mining companies which I had moved into did reasonably well, but not well enough to offset the impact of losses on small/mid-cap investments. Overall, dividend income was down slightly as I moved more into cash in the previous period, and I still have a relatively defensive overall portfolio position with substantial cash holdings in ISAs and SIPPs. At least brokers are now paying reasonable levels of interest on cash holdings.

Due to my poor health, at age 78 I need to have shorter time horizons for investments with less time spent on researching new investments and managing my portfolios.

What does the future hold? I find it impossible to predict what will happen in markets and I therefore tend just to follow the trends. US markets are now highly valued, but betting against the vibrancy of US technology markets could be very tricky.

The political environment is still negative with wars in Europe and the Middle East, while it seems likely that the Labour Party will have a good chance of winning a general election later in the year. None can be good for stock market investment, and taxes are currently too high to stimulate investment in the UK even if inflation is now being brought under control.

I am therefore feeling somewhat negative about future investment prospects, but simply continue to focus on investing in good companies that are generating real cash profits, and on well-managed investment trusts and funds.

Roger Lawson is a ShareSoc member.



CAMPAIGNS AND POLICY

We have been busy on a number of fronts.

We can only undertake this work effectively with the support of our staff and contractor team and other infrastructure, including IT, that ShareSoc has to pay for. If you value this work that we do to support individual investors, please [upgrade to full membership](#) to allow us to continue and expand these activities.

1. Hartley

Further key developments are reported [below](#).

2. Woodford

We await Mr Justice Richards' judgement on the Scheme of Arrangement ([see below](#)).

We remain concerned that the scheme as drafted and supported by the FCA only provides for a subset of the losses, but releases Link from all further claims from WEIF investors.

RGL appears to be pursuing its claim against Hargreaves. We hope to arrange a meeting with RGL towards the end of Feb, to discuss if ShareSoc will support or endorse the RGL claim.

3. Flint Digitisation review

We had a useful discussion when we met Sir Douglas Flint and Mark Austin before Christmas, which we followed up with a [letter](#). We have not had a response. We continue to interact with the registrars and other interested parties.

4. QCA

We met James Ashton, chief executive of the Quoted Companies Alliance (QCA), on Friday 24 January, and discussed areas of mutual interest, including the remuneration of NEDs in shares, the NatWest Tell Sid 2.0 campaign and the Flint Digitisation review.

5. Home REIT

We are considering supporting the Marcus Parker campaign/claim if it can effectively be restricted to targeting Alvarium (the erstwhile investment manager) and the Home REIT directors, although any claim on the latter is limited to amounts covered by D&O insurance cover.

6. Labour Party financial services review

Working with UKSA, we produced a comprehensive response collated by Peter Parry ([see below](#)).

7. Financial education

We submitted a response to the Select Committee ([see below](#)).

8. 4D Pharma

4D Pharma went bust after directors made extravagant claims about its potential.

The potential claim via legal firm Marcus Parker appears not to have legs. However, ShareSoc can now report the directors to the FCA/LSEG/ AIM Regulation for failing to inform the market of key information.

Hartley pensions rollercoaster ride

Mark Bentley, director, ShareSoc



I have reported on the Hartley Pensions case in previous editions of the Informer. There have been major developments since my last report. This case is very important for anyone with a SIPP.

Background

Hartley Pensions, a SIPP and SSAS (Small Self Administered Scheme) administrator, entered insolvency administration in July 2022. Since then over 16,000 SIPP clients have been unable to make substantial withdrawals or transfer their accounts. Hartley administered SIPPs with total assets in excess of £1.2bn.

The Financial Services Compensation Scheme (FSCS) had, until very recently, refused to reimburse clients or the insolvency administrators for the costs of the administration process and the costs of transferring the SIPPs to alternative SIPP administrators. These costs are estimated at over £37m.

Hartley's Joint Administrators (JAs) therefore applied to the High Court for leave to be able to recover their costs through an Exit and Administration Charge (EAC) to each of the SIPPs, a move which effectively drives a coach and horses through the ringfence that is supposed to protect SIPP assets.

In February 2023, the JAs initiated an informal client committee to represent client interests in the insolvency process. Some Hartley clients approached ShareSoc for assistance and I joined the committee on ShareSoc's behalf to represent these members and to look after the broader interests of all SIPP holders. ShareSoc also formed a Hartley Pensions Client Support Group.

Recent developments

The JAs nominated a number of Hartley clients (including a member of the client committee) to act as Representative Respondents (RRs) for Hartley's entire client population in the court hearing to enable the EAC.

An independent legal adviser, FS Legal (FSL), was nominated to advise the RRs. The client committee felt

that the nominated RRs and their adviser were suitably independent and capable of fulfilling their duties.

The JAs then decided to formally disband the client committee. However, committee members have remained in contact with the RRs, to ensure that their views were properly represented.

On 22 December the JAs submitted papers asking the court to formally appoint the RRs and FSL, with a hearing to be held on 22 January. Further papers were submitted relating to the court application to apply the EAC to SIPP accounts. This part of the case was to be heard on 29 February/1 March.

Between 22 December and 18 January, the RRs, FSL and the JAs negotiated on a) the application and quantum of the EAC; b) how FSL's costs would be reimbursed. Agreement on these matters was not reached. On 18 January the JAs submitted fresh papers to the court appointing alternative RRs and a different legal adviser. In light of this late change, the 22 January hearing was adjourned and rescheduled for 7 February.

I was not happy with the proposed appointment of alternative RRs, whom I did not believe were suitably independent, and planned to attend the 7 February hearing.

ShareSoc decided to launch a high-profile campaign to highlight the iniquities of this case and the threat it posed to the security of SIPP holders, with the aim of pressuring the FSCS to change its stance, which could obviate the need for an EAC.

But on 29 January the FSCS announced (see Latest updates on the [FSCS link](#)) that it has revised its stance and is now prepared to compensate SIPP holders for the EAC.

Better late than never! But we now need to see the details. I hope that the court hearings will be adjourned again, while the papers are redrafted to take account of this welcome development.

Watch this space (or ask to join the ShareSoc Hartley Pensions client support group) for further news.



RETURN TO INDEX

Woodford Campaign

woodford

A meeting of Link scheme creditors was held on 13 December 2023, followed by a court hearing on 18 and 19 January. See [issue 126 of ShareSoc Informer](#) for a detailed explanation of the Link scheme and ShareSoc's concerns.

Over 54,000 scheme creditors attended the meeting in person or by proxy. Of those who voted, 93.7% in number, representing 96.1% in value, voted in favour of the scheme.

Some 9.8% (14.5% by value) of individual scheme creditors who submitted a voting form in their own name voted against the scheme.

The clear discrepancy between this and the voting behaviour of individual scheme creditors who voted via an authorised representative strongly suggests that the authorised representatives failed to canvas the views of their underlying beneficial owners. Only 0.6% of this cohort (1.3% by value) voted against the scheme.

These outcomes diverged markedly from the results of ShareSoc's poll of members of our own Woodford Campaign. Conducted in December, our poll indicated an intention on the part of 73% of campaign members to vote against the scheme, with just 12% in favour.

Letter to the court

On 21 December 2023 ShareSoc wrote to the judge, making the following key points:

It is very good to see some element of redress being achieved for harmed investors, and it is unsurprising that, based on the information supplied from Link and the FCA, some investors have voted so strongly to take what is on the table.

However, there are three fundamental flaws to the Scheme which make it unfair to Scheme Creditors unless further measures are intended.

The first flaw is the FCA's calculation of harm, which is woefully inadequate. It naively focuses only on one element – unequal treatment of investors – while ignoring the greater damage that resulted from an apparent reckless disregard for the fund mandate, for the formal liquidity constraints that apply to a UCITS fund, the reckless manner of the liquidation of fund assets and the opportunity costs to WEIF investors since suspension in the form of foregone returns / interest on their investment capital.

The second flaw is that the proposed redress falls short of even the FCA's own very limited estimate of harm by £70m to £120m. There is a compensation framework in the UK, in the form of the Financial Services Compensation Scheme, which is intended to make investors whole for harms such as these.

At an absolute minimum, the Court should look for assurances from the FCA that efforts will be made to recover the shortfall relative to the FCA's own fantasy figure of £298m.

One possible route to achieving such an outcome is the issuance by the FCA of a restitution order against Woodford Investment Management Limited and its principals (or indeed against other parties that have been under investigation, some since 2019). Such a course of action might, of course, result in the insolvency or bankruptcy of certain of those parties, with the effect that the FSCS would be required to step in to make investors whole.

ShareSoc submits that the scheme is fundamentally unfair without a formal commitment from the regulator to attempt to recover, at a minimum, the substantial shortfall relative to even its own assessment of the harm suffered by investors.

The third flaw relates to the design and execution of the Scheme and raises questions as to whether the Vote was representative. In this regard, we focused on:

- 1 - voting form and voting complexity.*
- 2 - whether the voting outcome is representative of the views and interests of Scheme Creditors, and specifically whether votes by intermediaries were in accordance with the wishes of the beneficial owners.*
- 3 - whether the information supplied by LFSL was fair, reasonable and not misleading.*
- 4 - whether there was a level playing field in respect of communicating with Scheme Creditors.*

In conclusion, ShareSoc submits that the Scheme is inadequate and unfair to Scheme Creditors.

We are also of the view that the information provided to Scheme Creditors failed to give a balanced view of the risks and potential rewards of the range of options available to them.

We request that the Scheme, if it is sanctioned by the Court, be enhanced by:



RETURN
TO INDEX

Woodford Campaign

- a formal commitment from the FCA to seek additional redress from other involved parties
- imposing alterations to the Scheme such that
 - 1) the Creditor's indemnity to LFSL is modified to allow legal redress claims to be made against other parties and to enable the possibility of litigation funding being attracted successfully
 - 2) that the right for Creditors to make claims via the FOS (and any consequent potential payments via the FSCS) is reinstated.

We have requested that a ShareSoc representative be allowed to speak at the Hearing to raise the above points and concerns.

Court hearing

Justice Richards reserved his judgement on whether to sanction the Link scheme at the end of the hearing on 18/19 January.

Schemes of Arrangement (a mechanism generally used for insolvencies and mergers) are normally relatively straightforward with judgement announced on the day. The delay indicated that, at the very least, some serious and complex arguments were raised during the hearing, which the judge needed to consider carefully.

Given the sums of money involved, the numbers of investors affected, and the importance of the legal issues and potential precedents involved, the judge was aware that appeals could follow.

The court first heard from Link's barristers and then from opposing counsel representing Marcus Parker and the Transparency Task Force (TTF). Cliff Weight then spoke on behalf of individual investors and ShareSoc's Woodford Campaign members. This was followed by representations from five individual objectors, and finally by the FCA's counsel and the barrister for the Investor Advocate.

The judge appeared to recognise ShareSoc's point that the £183m-£230m compensation is clearly inadequate relative to the £298m harm that the FCA has identified in relation to the failure to suspend WEIF in the period Nov 2018 to June 2019.

Justice Richards also appeared to take on board the argument that the FCA's £298m only represents a "subset" of the total losses that investors have suffered due to disregard for the fund mandate, failure to adhere to the formal liquidity constraints that apply to a UCITS fund, the manner of the liquidation of fund assets and the opportunity cost to WEIF investors since suspension.

The FCA barrister accepted the subset point and clarified that the FCA had at the last minute entered into evidence that the 'FCA Total Amount' relates only to the benefit gained by investors who exited the fund after it breached liquidity rules in November 2018 – the "first mover advantage" up to the point the fund was suspended. Nevertheless, this clarification from the FCA fundamentally affects the understanding derived from the term "FCA Total Amount".

Counsel for the TTF argued that the law cannot allow a scheme to remove individual investors' statutory FSCS protections (up to £85,000 per individual) or to remove individuals' right to refer their cases and claims to the Financial Ombudsman Service (FOS). Link's barristers, in their reply, attempted to counter these arguments.

Many objectors complained that the scheme document and associated process were unfair, presenting a one-sided view and failing to clearly lay out the relevant alternatives. They argued that the biased documentation and process were misleading to investors.

However, following Judge Richards' further consideration, the High Court judgement was handed down on 9 February, approving the scheme.

Further commentary from ShareSoc's policy committee is available [here](#).



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▶ Digitisation Taskforce Interim Report follow-up

ShareSoc and UKSA continue to work closely on the important issue of shareholder rights. We wrote to Sir Douglas Flint stressing our concerns with the Digitisation Taskforce Interim Report, and requested to meet.

Representatives from UKSA and ShareSoc met Sir Douglas on 11 December. Most attendees thought it was useful and Charles Henderson has written to Sir Douglas to confirm the key points of the meeting:

Thank you for your recent meeting that enabled us (UKSA and ShareSoc) to clarify our response to your interim report.

We were encouraged by your and Mark Austin's comments that there was no plan to remove any rights from shareholders and if we got this impression (as implied by our response), you would resolve this. You also pointed out that restoring UBOs' [Ultimate Beneficial Owners'] rights to that of shareholders would need legislation.

However, our understanding of your comments leaves us with some significant concerns. It could mean that, unless primary legislation is passed, we will be left with the status quo after certificated shareholders are digitised (i.e. certificated shareholders will become UBOs

who will not be recognised as shareholders, as their nominee holder will, and existing UBOs will not have their rights restored).

Therefore, please would you confirm that:

– Certificated shareholders will not lose their existing shareholder rights when they are dematerialised. Accordingly, if dematerialisation requires them to become UBOs, through passing primary legislation their existing shareholder rights will be preserved and exercisable irrespective of investment platform or nominee account terms

– Existing UBOs, including those required to be UBOs because of holding their investments in an ISA or SIPP, will be given (by passing primary legislation) those rights which members have today as if they were recorded as members in the register of shareholders.

If this is not the case, please could you confirm what you plan.

Charles Henderson, chairman, [United Kingdom Shareholders' Association](#)

We await with interest Sir Douglas's response, which we will share with members.

▶ Defective legislation thwarts Europa Oil shareholders

ShareSoc was recently approached by one of its members for assistance in the case of Europa Oil. Dr Erika Syba and others, who collectively own more than 5% of Europa's shares, sought to requisition a general meeting of the company. The Companies Act stipulates that members of a company collectively owning more than 5% of its shares are entitled to requisition general meetings.

Unfortunately, however, Erika's shares are held in nominee accounts, like the vast majority of individual shareholders' shares. Indeed, shares held in ISAs and SIPPs can only be held via nominee structures.

Europa rejected the requisition, on the basis that Erika and the other shareholders were not members of the company. Technically, this is correct: it is the nominee operators (e.g. Hargreaves Lansdown) that are the members of the company and entitled to the rights afforded by [s303 of the Companies Act](#).

This is an illustration of how current legislation, combined with the use of nominees, deprives many individual shareholders of rights that they should be entitled to exercise.

Erika said: "I think many people (including me) are stunned by their lack of rights".

ShareSoc has been campaigning since 2014 for legislative improvements to remedy this unjust and undemocratic situation. We were heartened by recent recommendations from the Law Commission and the Austin Review.

These fed into the terms of reference for HM Treasury's Digitisation Taskforce, led by abrdn's chair Sir Douglas Flint; they called for the taskforce to: "Identify immediate and longer term means of improving on the current intermediated system of share ownership so that investors as beneficial owners are better able to exercise rights associated with shares which intermediaries hold on their behalf".

We were therefore very surprised and concerned that the Taskforce's interim report didn't appear to address this issue in any meaningful way, and we call on HM Treasury to ensure that the final report of the Taskforce properly addresses its terms of reference and produces the intended improvements.

Shareholders such as Erika and her co-requisitioners should not find themselves in this situation in the future. It is essential for good corporate governance that shareholders can hold boards to account, as the Companies Act intends.

This article was published as a ShareSoc press release on 12 January 2024



RETURN
TO INDEX

Labour Party financial services review

UKSA and ShareSoc have made a [submission](#) to the Labour Party's review, highlighting the issues with the current financial services market that most concern us.

The response captures a large number of concerns spanning regulation, law, shareholder rights, financial education and the operation of financial markets in the UK.

The response is apolitical and makes interesting reading.



ShareSoc response to Education Select Committee

On 24 January 2024, ShareSoc submitted its response to the enquiry ([click here](#) to read the whole response), where we stressed the importance of educating about savings and investment and the potential role that ShareSoc could play to support teachers, e.g. via the use of ShareSoc Investing Basics videos and the ShareSoc Investor Academy.

The House of Commons Education Committee will examine the current state of financial education in England and consider what steps need to be taken to ensure its delivery is improved, that schools and colleges



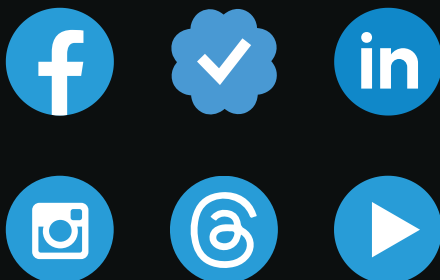
are more confident in its application, and that pupils and students are better equipped for a fast-changing financial and economic world.

The Committee will explore what we should be teaching young people about money, where financial education should sit within the curriculum, and whether the provision of financial education should be extended to primary schools and post-16 education.

Click [here](#) to read the call for evidence for more detail about the inquiry.



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PLATFORMS AND PROVIDERS

Transferring allegiances

Some platforms make it very difficult and time-consuming to transfer your investments to another host. Here is some guidance to make the process easier.

Research

You must do some planning and fact-finding before you start. This will help you avoid the pitfalls, delays and obstacles put in your way. You should expect the platform you have spurned to be disappointed to be losing you and your associated income stream.

If you have more than one account to transfer, do the simplest one first, so you can learn from your experience as you go along. This might be your general investment account, your smallest account, or the account with the easiest investments to transfer. The limitations on what investments can be held in ISAs and SIPPs may make one of them easiest for you.

Before you start, you need to check that your new platform can hold your existing investments, so put together a list of your investments in each account and tick them off one by one as to whether they can be held.

In most cases you will want to transfer in specie which means you do not have to sell the investment and then buy it (or something similar to it) back. Selling and buying incurs costs of trading, buy/sell spreads and capital gains tax (except in the case of an ISA or SIPP).

Shares are generally easy to transfer, but some low-cost platforms (e.g. FreeTrade) will not allow you to hold shares in smaller quoted companies listed on AIM or on Aquis Exchange. Overseas-listed shares can also be a problem.

If you cannot transfer them in specie, you will have to sell the shares and transfer the cash. In a general investment account, you can of course withdraw the spare cash and reinvest it in your new platform. However, if you don't want to incur capital gains tax, you have to retain your existing account and continue to hold some of your shares on the current platform, as transferring shares between your own accounts does not count as disposal for CGT purposes.

Funds can be simple to transfer in specie, but only if both platforms offer the same funds and share classes. You should check the details very carefully as there are often different classes of funds and not all platforms offer the same ones; often fee structures vary between the different classes.

If you have unquoted shares or property (e.g. in a pension plan) in your accounts, then these are likely to be more difficult or impossible to transfer in specie.



Instructions

First, recheck your reasons for wanting to transfer from one platform to another and whether you will still be able to achieve your original objectives.

Next, either sell the shares and funds that you cannot transfer in specie to the new platform; or take a decision to keep them on the current platform.

Then, to initiate the transfer, contact the receiving platform/broker and let it know what you want to do. It will undertake the necessary formalities. Nevertheless, it is sensible to also advise your current platform/broker, so that it is aware that it can expect to receive a transfer request.

You can expect your existing platform to try to persuade you to change your mind, to raise questions, seek clarification and, in the worst-case scenario, possibly attempt to delay the process. Your planning should mean that most of the reasons for delay will have already been covered off (proof of identity, account names and numbers, bank account details, etc, clear and precise description of what you want it to do, in specie transfers, etc).

Transfer process

Once you have initiated the transfer, it should proceed as follows:

- 1 - The new platform requests a valuation from your current platform.
- 2 - Your current platform sends the new platform details of all the investments to be transferred.
- 3 - The two platforms agree a transfer date.
- 4 - The transfer proceeds on the agreed date (cash is transferred separately and last).

Delays can occur at any stage in this process. If your new platform doesn't advise you automatically of the progress



RETURN
TO INDEX

Transferring allegiances

of these stages (some platforms do), you should chase it to find out.

In the event of delays, you may well find that your current platform has been slow in responding to requests from your new platform. You should then chase your current platform to respond to your new platform's requests. If necessary, in the event of excessive delays, register a formal complaint with your current platform, which can ultimately be escalated to the Financial Ombudsman Service (FOS) in the worst cases.

If both the current and new platforms are major platforms, this transfer process should occur entirely electronically and promptly. Delays are more likely to occur where one or both of the platforms are smaller platforms/brokerages without electronic transfer systems in place.

Troubleshooting

Some of the problems of transferring investments to a new provider were explained in an excellent [article by Moira O'Neill in the FT on 8 September](#).

She wrote that some investors are forced to wait months to see the transfer of investments, and that "many are put off transferring their ISAs, pensions and general investment accounts between investment platforms just by the thought of the administration involved. Others worry

about spending time out of the stock market while their investments are moved, meaning they miss opportunities to buy cheaply or stay invested through a market rally."

In 2019, the Financial Conduct Authority (FCA) decided that the transfer process entailed unnecessary complexity and cost for consumers. It changed the regulations to require platforms to offer consumers the chance to transfer their investments in specie without having to realise them into cash and then reinvest.

ShareSoc has already pressed the FCA on this issue, in our response to their consultation in 2019. Perhaps it's time for ShareSoc to re-engage with the FCA about these issues, as difficult transfers remain a barrier to competition.

One of the problems with in specie fund transfers is that some funds issue units that are only available on specific platforms (i.e. a cosy deal has been done between the fund and the platform. This was the case with Woodford and Hargreaves Lansdown.). Arguably, the FCA should ban such platform-specific units in the interests of transparency and levelling the playing field (Hargreaves, with 40% market share, is able to exploit its power to secure the best deals for its customers).

Following the guidance above should hopefully make things as simple and quick as possible.

Another SIPP provider collapses

Cliff Weight, ShareSoc member

I have been to Cape Verde and seen some of The Resort Group "investments", many of which are half-built following a boom. So I was not that surprised when I read this story.

The Financial Services Compensation Scheme has declared SIPP operator Rowanmoor Personal Pensions in default, after receiving 1,464 claims against the firm. Rowanmoor collapsed in August 2022 under the weight of hundreds of complaints related to failed offshore investments held in its SIPPs. These were then re-routed from the Financial Ombudsman Service to the FSCS, which has been investigating them since.

The company, which operates nearly 5,000 client pensions, manages assets of £1.4billion. Rowanmoor's failure comes after it was revealed in 2021 that the company had received over 800 complaints against it through the Financial Ombudsman Service (FOS). Over 500 of these complaints were regarding investments made into the Cape Verde-based property group, The Resort Group. As of 1 September 2022, the number of complaints had risen to over 1,000.

According to the FCA, one complaint upheld by the FOS was representative of most complaints against Rowanmoor. The regulator also said Rowanmoor had entered administration due to having "historical high-risk, non-standard assets" and that it failed to conduct

adequate due diligence before accepting such assets into clients' SIPPs.

Rowanmoor's collapse into administration will see many clients lose significant sums of cash. While the FOS can award compensation of up to £375,000, all outstanding and future complaints will now be brought via the Financial Services Compensation Scheme (FSCS), which has a significantly lower compensation cap of £85,000.

While it appears that the FSCS will award compensation for any losses caused by mis-selling on the part of Rowanmoor, it is not clear that the FSCS will cover any excess costs of the administrators and the transfer of SIPP accounts. This has parallels with the present Hartley Pensions case where the FSCS for a long time refused to pay the costs of the administration and transfer of pensions, which would have led to the likelihood of a £37m "haircut" for the SIPPs (see [article page 13](#)).

More background here:

- [Lawplus – Rowanmoor collapses into administration](#)
- [FT adviser – Rowanmoor declared in default as it faces nearly 1,500 claims](#)

The author does not hold shares/a short position in Rowanmoor or The Resort Group. This article reflects the opinions of its author and not necessarily those of ShareSoc.



AUDIT INSIGHTS

▶ **Random musings from the Secret Auditor****Nirvana**

Investing nirvana involves being equally indifferent to losses and to wins. Having been investing for about 20 years, I have yet to reach that nirvana. I am never indifferent as to whether the portfolio has had a good day or a bad day: moreover, the angst of a bad day outweighs the pleasure of a good day. This begs the question of whether I would be better off investing in a tracking fund. Like most investors, I hope that 60% of my financial decisions turn out to be correct, so heartache is a feature of the share-picking process.

Trainspotters

Why are trainspotters nearly always male? On my trips between Newcastle and London, I have never seen a female trainspotter. On a similar theme, it seems to me that most people who spend an inordinate amount of time watching the stock market go up and down are male. I wonder why? It is not as if the activity can be easily linked to hunting and gathering, a theme of the paternalistic society of the last 2,000 years. It's a shame that Desmond Morris didn't comment on investors in his bestselling book *The Naked Ape*. Incidentally, per Wikipedia, Desmond Morris is still alive, so there is still time for his thoughts on this male activity.

Occupational hazard

If you spend several hours each week looking through the financial statements of companies, it's not surprising that over time the obsession encompasses not only limited companies, but also private companies. If on a walk, I will often scribble down the names of limited companies displayed on billboards marketing local businesses. When back home I will look them up on the Companies House website. Likewise, the ubiquitous plastic envelopes that come through the post, always red, on behalf of some obscure charity,



are not tossed directly into the non-recyclable waste basket. Instead the charity number on the envelope is used to determine, courtesy of the register of charities, how much of the donations it receives are absorbed by admin costs.

Memories

I have problems recalling what I had for lunch yesterday, but I have a good recall of the ticker of many companies on the stock market, even companies that are no longer trading. Some are easy to remember – Northbridge Industrial's ticker was NBI, Hasting Insurance was HSTG. But my memory is not perfect; there are some companies whose ticker I have forgotten. I wonder if there is a database maintained somewhere that has all the ticker names issued by the London Stock Exchange?

This article reflects the opinions of its author and not necessarily those of ShareSoc

RETURN
TO INDEX**Membership Benefits**

- EXCLUSIVE INVESTOR EVENTS & MASTERCLASSES
- REGULAR NEWSLETTER
- MEMBER ONLY ON-LINE FORUMS / Q&AS
- CO. DATA AND VOTING GUIDANCE
- GET INVOLVED IN OUR ACTIVITIES



PRAISE AND GRUMBLES

Terry Smith's wisdom

Roger Lawson, ShareSoc member

Terry Smith has published his [Annual Report](#) for holders of the Fundsmith Equity Fund, which I hold.

Total return last year was 12.4%, which I consider a good result, but was less than the MSCI World Index of 16.8% – probably a consequence of being underweight large US tech stocks, where mania continued unabated.

Terry emphasises the long-term track record of the fund and puts that down to the superior return on capital of the fund holdings in comparison with those of the S&P 500 and FTSE 100 (32% last year versus 18% and 17%).

He says: “..... if you own shares in companies during a period of inflation, it is better to own those with high returns and gross margins”, and “Consistently high

returns on capital are one sign we look for when seeking companies to invest in”. I completely agree with him on that.

He also argues that the fashion for investing in bonds is misplaced, as equities have provided better returns since 1928, which period includes the Great Depression, World War Two, the 1987 market crash, the dotcom meltdown, the 2008/09 financial crisis and the Covid pandemic.

He also makes some prescient comments on the enthusiasm for AI products and points out that it will be difficult to predict the winners in that market.

The newsletter is worth reading for the wisdom of Terry Smith. I see no reason to change my holding in Fundsmith.

Impossible to vote!

Roger Lawson

I have just spent many minutes trying to vote my shares in the Baronsmead VCTs. I received letters giving me a web address for proxy voting and a CIN and access code, but for some of my holdings the access code is blank. Even when supplied, access is rejected in one case.

It's getting more and more difficult to vote my shareholdings. Similar technical problems arose recently when I tried to vote my shares in AJ Bell in the Signal Shares app.

I am generally most diligent in voting all my shareholdings but complexity and technical problems are preventing me from doing so. It's most annoying that companies no longer send out simple proxy voting forms.

Note these are holdings on the share register, either certificated ones or personal crest holdings, so these problems are inexcusable.



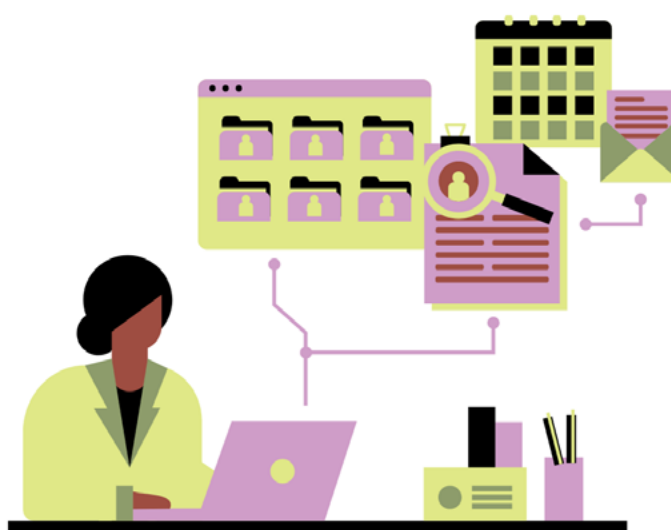
RETURN TO INDEX

SHARESOC MATTERS

ShareSoc Investor Academy resources

A new resource hub for those interested in the bigger picture and how it might affect their investing strategy has been launched. It includes a wide variety of downloadable macro level financial and economic analysis, offering a wide array of perspectives and insights from leading financial entities and experts. It features a comprehensive list of links to PDFs and reports from various banks, asset managers, private equity firms and other financial institutions.

Click [here](#) to access the resource, which is exclusive to Full ShareSoc members. Associate and SIGnet members can upgrade [here](#) to gain access.



SIGNET NEWS

SIGnet update

Bill Fawkner-Corbett, head of SIGnet

2023 was a very successful year for SIGnet. We created seven new groups and grew membership by about 25%. Most new members are ShareSoc members who have added SIGnet to their membership. We also introduced a number of initiatives which have proved of interest to members. So if you are not yet a SIGnet member, why not consider joining us?

The main activity of SIGnet is our groups, which typically have eight to 15 members and meet regularly, usually every month. One strength of the SIGnet network is that we have many different groups with different styles, locations and experience levels. This [map](#) shows our national coverage.

Most groups have returned to physical meetings, but some have preferred to stay with the virtual meetings that were adopted during Covid - so no matter where you live you can join a SIGnet group.

If you cannot see a group near you, and if you are an experienced investor who prefers physical meetings, then you could start a group close to your home. ShareSoc provides all the support necessary to launch the new group, including contacting prospective members and arranging an initial Zoom meeting. Please [contact me](#) if this is of interest.

Our objective is to continue to grow SIGnet membership by at least 15% in 2024. Much of this will be achieved by launching new groups; we are planning to launch six new groups in the first six months of this year.

- Worcestershire – first meeting held on 17 January
- Scottish Technical Traders – first meeting held on 30 January
- Reading – Zoom Introductory meeting held on 12 February (further details below)
- West Sussex – Zoom Introductory meeting to be held 21 March
- Virtual Technical Group – Zoom Introductory meeting to be held mid April
- Taunton – Zoom Introductory meeting to be held late April.

But there is more to SIGnet than just the groups:

* After-meetings to IMC, PI World and ShareSoc presentations. These are an opportunity to discuss a listed company which has recently presented. As a ShareSoc member you are welcome to attend these; as a SIGnet member you can initiate a meeting on a company you would like to discuss with others; you just need to let us know and turn up to chair the virtual meeting.

* Our monthly SIGnet Newsletter, which includes the SIGnet Challenge.

* Access to many ShareSoc [webinars and events](#).

For better investment performance [join SIGnet](#) today!

If you would like to hear more before you join, you are welcome to attend one of our monthly induction meetings – the next one is on 20 March and you can [register here](#). These are designed for new SIGnet members, but prospective members are welcome to join them. And we offer a three-month, no-quibble guarantee of money back in the unlikely event that SIGnet does not meet your expectations.

SIGnet launches new group in Reading

Bill Fawkner-Corbett

SIGnet is excited to announce the launch of a new in-person Investor group in Reading. All levels of investing experience are welcome.

The convener will be Jez Dyer. Jez has been an active investor for 20 years, and a member of the SIGnet Henley Group for the past 10 years. Jez also runs a project management consultancy.

The launch meeting took place on Zoom on 12 February, and was an opportunity for attendees to hear more about the group, meet other investors, and confirm details for future group meetings. You will need to join SIGnet (if not already a SIGnet member) to attend subsequent meetings.

SIGnet groups are for discussion about shares and investing. They offer an opportunity to meet, socialise with and learn from fellow investors. They are not for promotion of any financial products or services.

They are run by their members for the mutual exchange of knowledge and enjoyment.

Benefits of being part of a group:

- Learn from the experience of other investors, and share yours
- Hear and debate new stock, fund or trust ideas
- Discuss how to be a better investor
- Improve your investing network, make friends with other investors
- Have some fun!

You can visit the SIGnet [website](#) to learn more about SIGnet and its groups.

If you were unable to attend the launch meeting but are still interested in joining the group, please contact us at info@sharesoc.org.



RETURN TO INDEX

Events update

Amanda McTomney, general manager, ShareSoc

We held a total of 32 events in 2023, with the majority being company webinars. We also hosted four in-person events in London, including the first live-streamed event, and online premium webinars covering topics such as VCTs and the banking crisis. We hope to provide even more events for our members in 2024.

As I write this we are busy preparing for the first premium event of 2024 – “In Conversation with Lord Lee, Andrew Brode, Rosemary Banyard and Damian Cannon” (31 January) - which is exclusive to full ShareSoc members. This type of event is always very well attended and appreciated, and we will provide our full ShareSoc members with many more premium events through the year.

On 28 February, we will be hosting an in-person event in London with presentations from Itaconix PLC (ITX), Quartix Technologies plc (QTX), Eden Research PLC (EDEN) and Bioventix plc (BVXP). This event is again for full ShareSoc members. We hope you enjoy hearing from the companies in-person and networking with other members. Associate and SIGnet members are welcome to upgrade in order to register.

Following this February event, the next planned in-person event is due to take place in April.

UPCOMING EVENTS

28/02/24 - SHARESOC GROWTH COMPANY LIVE SEMINAR, LONDON

Registration: <https://bit.ly/3NH0NEC>

07/03/24 - SHARESOC WEBINAR WITH HELIOS UNDERWRITING PLC (HUW)

Registration: <https://bit.ly/3UATEdd>

07/03/24 - BHP RESULTS BRIEFING WITH SHARESOC & UKSA - FULL MEMBERS ONLY

Registration: <https://bit.ly/49xufFx>

26/03/24 - SHARESOC WEBINAR WITH TIME FINANCE PLC (TIME)

Registration: <https://bit.ly/3vK47bZ>



PARTNER EVENTS

27/02/24 - SHARES INVESTOR EVENING (EDINBURGH) - LIVE EVENT

Registration: <https://bit.ly/3HTwL6X>

12/03/24 - SHARES INVESTOR EVENING (LONDON) - LIVE EVENT

Registration: <https://bit.ly/3utHKY9>



RETURN TO INDEX

Catch-up corner

All company webinars are now publicly available. To see the full catalogue of company webinar recordings, [click here](#) to access the ShareSoc youtube channel.

To see the recordings of some recent webinars, please use the specific links below:

- [Lowland Investment Company plc \(LWI\) - 30/01/24](#)
- [The Henderson EuroTrust \(HNE\) - 13/12/23](#)
- [The Henderson Smaller Companies Investment Trust \(HSL\) - 5/12/23](#)
- [CQS New City High Yield Fund \(NCYF\) - 22/11/23](#)



The ShareSoc home page (www.sharesoc.org) contains links to our [Twitter](#), [Facebook](#), [Instagram](#) and [LinkedIn](#) pages - see the bottom left hand corner of that page. This makes it easy to sign up and follow the news or add comments.



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Editorial, General Information and Membership Secretary Email: info@sharesoc.org

Telephone: 0333-200-1595 (Int: +44-33-3200-1595)

Web: www.sharesoc.org

Address: ShareSoc, 20 Wenlock Road, London, N1 7GU

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