Alpesh Patel's Newsletter

Exclusively for ShareScope Alpesh Patel Special Edition Subscribers

09 May 2022

Overview BUMPER APRIL and MAY issue

Not a great start eh! The 0.5% Fed rate hike could be a game changer for the upside, but we will have to wait – it's too early to tell.

S&P 500: Worst Performance through 82 Trading Days (1928 - 2022)

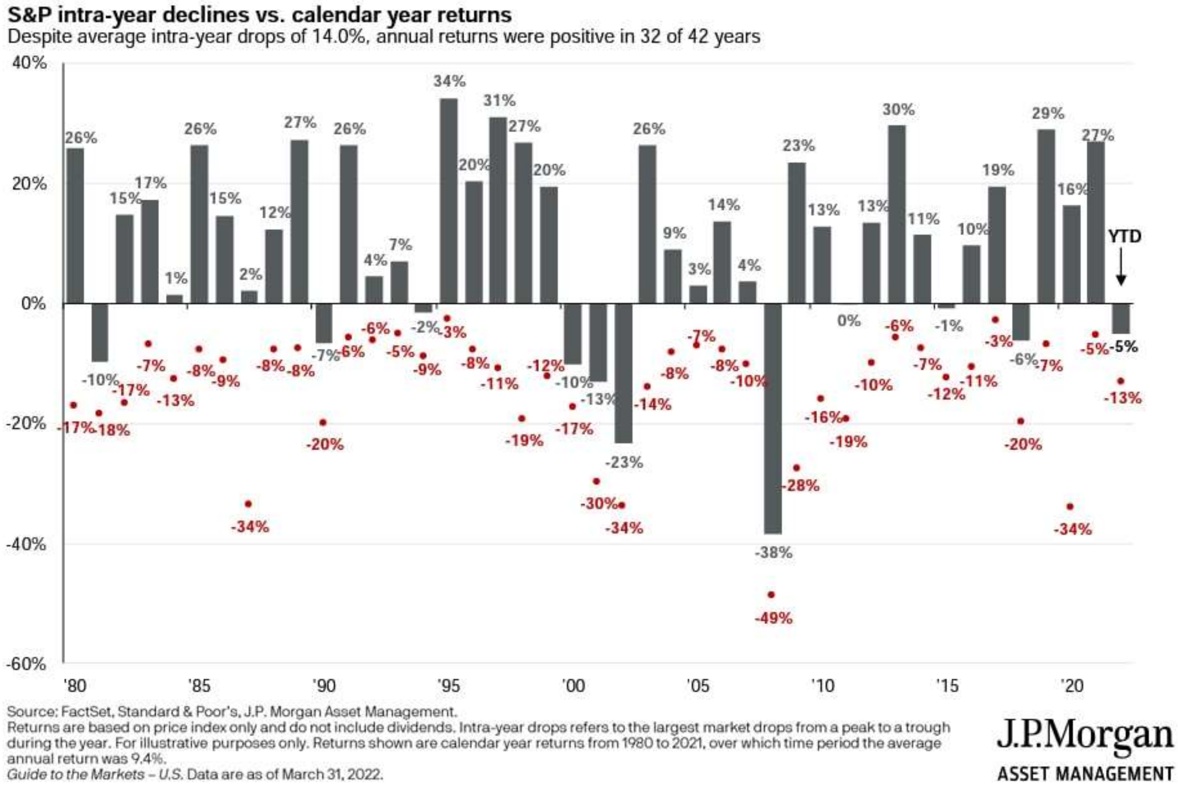
Rank	Year	Price Return: First 82 Trading Days	Price Return: Day 83 to Year-End	Price Return: Full Year
1	1932	-28.2%	18.7%	-14.8%
2	1939	-17.4%	14.7%	-5.2%
3	2022	-13.3%	?	?
4	1942	-11.9%	27.5%	12.4%
5	1970	-11.1%	12.6%	0.0%

This Looks Like Your Average Correction (So Far)

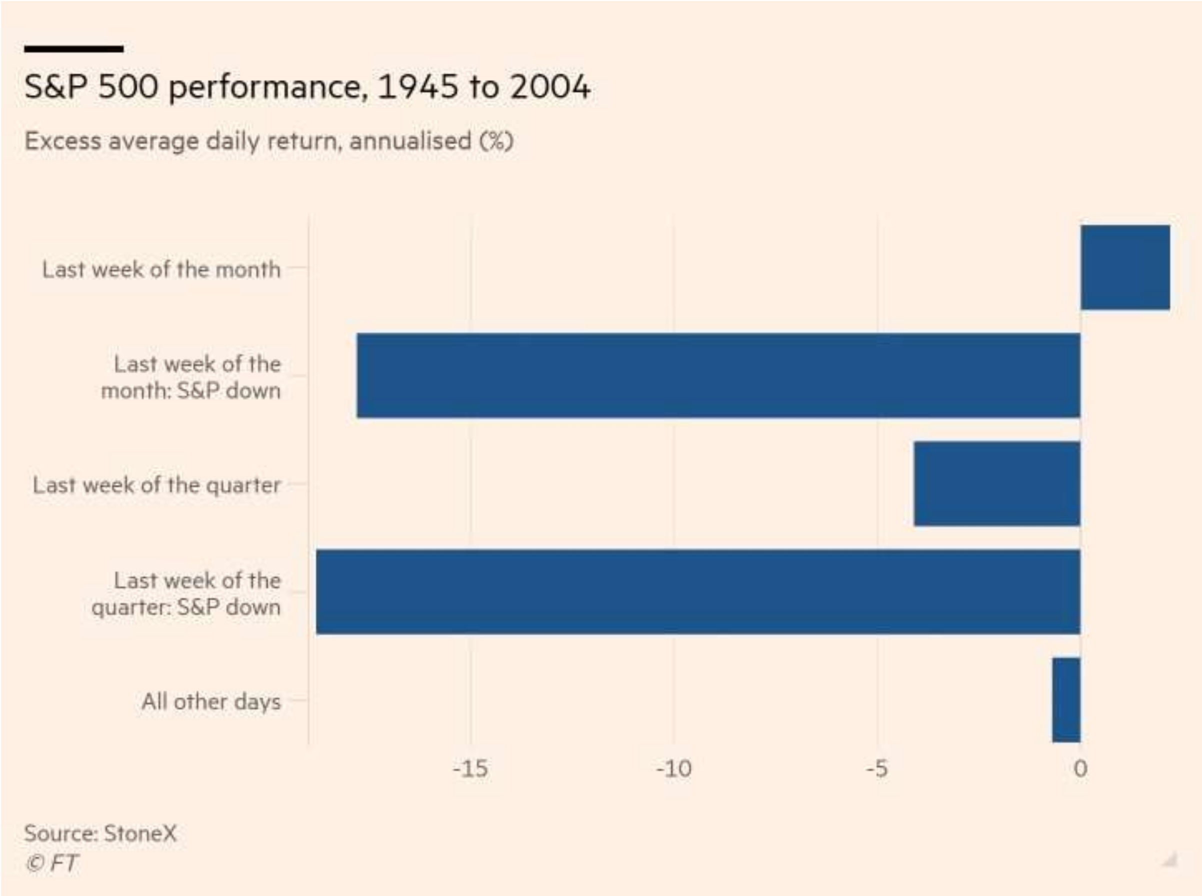
S&P 500 Index Corrections (WWII - Current)

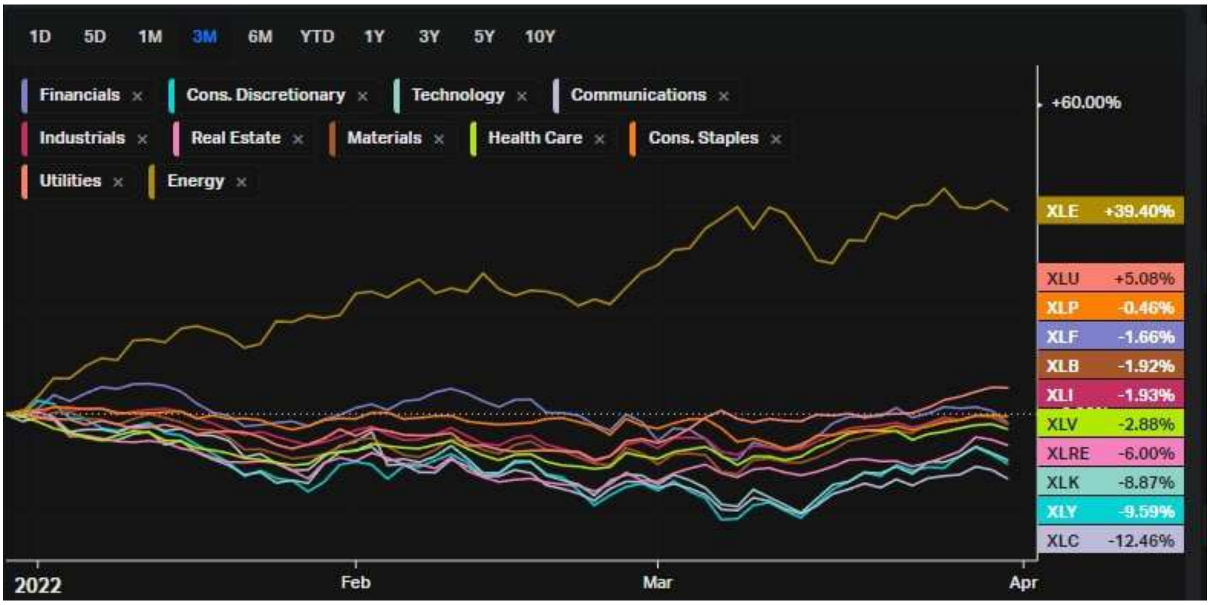
Start Date	End Date	S&P 500 Change	Length of Time (Days)
2/5/1946	2/26/1946	(10.2%)	21
6/12/1950	7/17/1950	(14.0%)	35
1/5/1953	9/14/1953	(14.8%)	252
9/23/1955	10/11/1955	(10.6%)	18
8/3/1959	10/25/1960	(13.9%)	449
9/25/1967	3/5/1968	(10.1%)	162
4/28/1971	11/23/1971	(13.9%)	209
11/7/1974	12/6/1974	(13.6%)	29
7/15/1975	9/16/1975	(14.1%)	63
9/21/1976	3/6/1978	(19.4%)	531
10/5/1979	11/7/1979	(10.2%)	33
2/13/1980	3/27/1980	(17.1%)	43
10/10/1983	7/24/1984	(14.4%)	288
10/9/1989	1/30/1990	(10.2%)	113
7/16/1990	10/11/1990	(19.9%)	87
10/7/1997	10/27/1997	(10.8%)	20
7/17/1998	8/31/1998	(19.3%)	45
7/16/1999	10/15/1999	(12.1%)	91
11/27/2002	3/11/2003	(14.7%)	104
4/23/2010	7/2/2010	(16.0%)	70
4/29/2011	10/3/2011	(19.4%)	157
5/21/2015	2/11/2016	(14.2%)	266
1/26/2018	2/8/2018	(10.2%)	13
9/20/2018	12/24/2018	(19.8%)	95
1/2/2022	4/29/2022	(13.9%)	117*
	Average	(14.3%)	133
	Median	(14.0%)	89

Source: LPL Research, FactSet 05/03/2022 * We don't know when the current correction will end.
All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.
The modern design of the S&P 500 stock index was first launched in 1957.
Performance back to 1950 incorporates the performance of predecessor index, the S&P 90.



In 12 months; 1=10% 2=60% 3=20% [doesn't need to add up to 100% because of other possibilities]

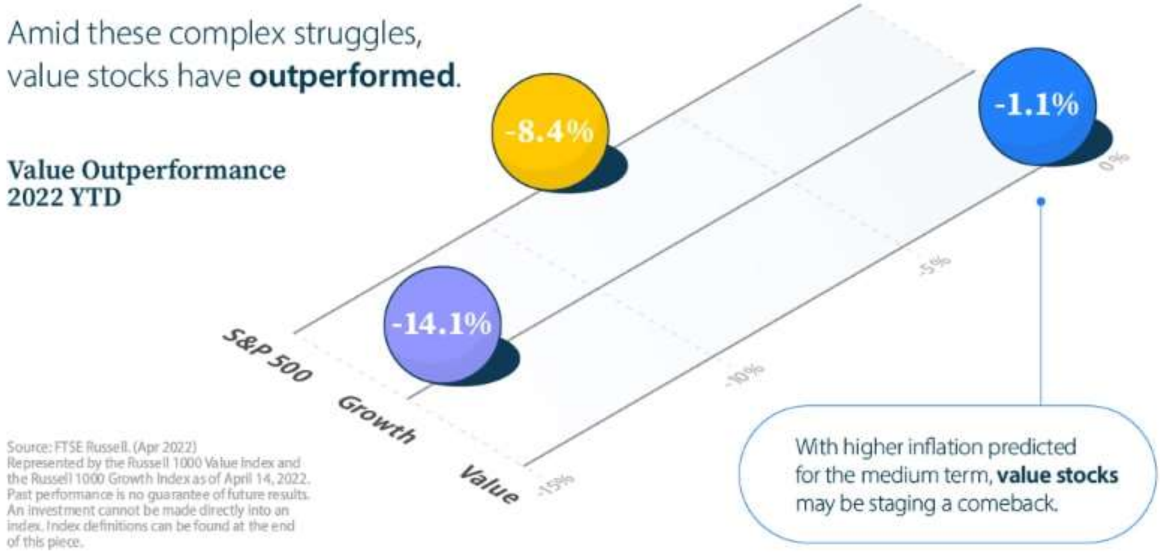




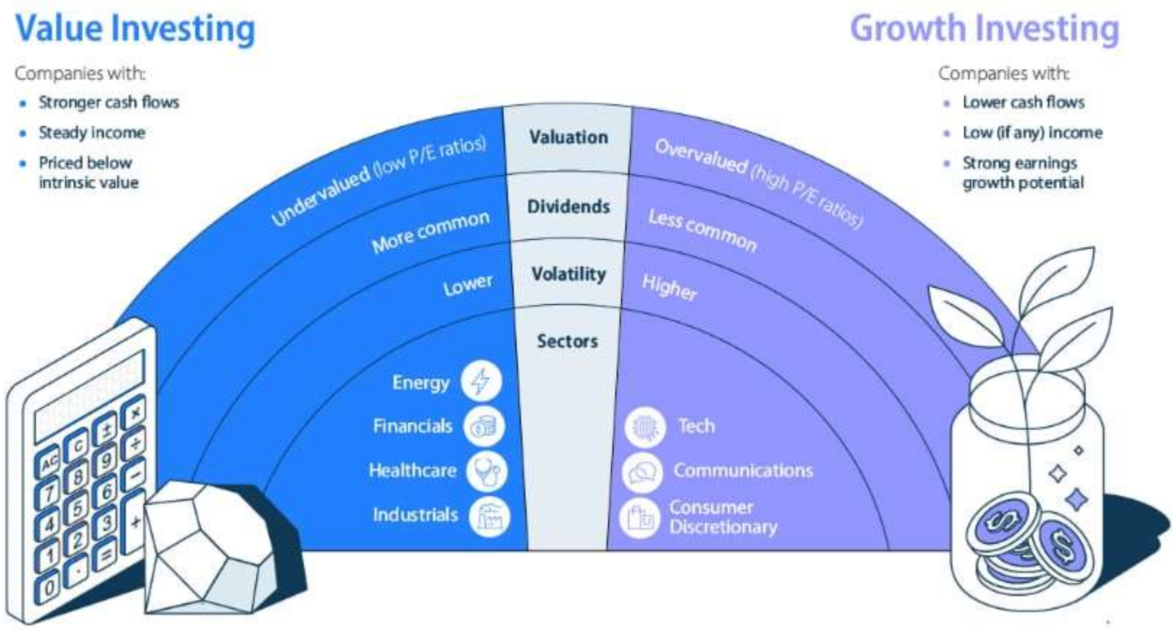
Energy wins last 3 months and consumer disc does not. Unsurprisingly.

But I am in no rush to fill my annual SIPP and ISA allowances. So let's see what I like and why I am patient.

Value or Growth or Both?



As investors look to de-risk their portfolios, many are turning to value stocks, thanks in part to their strong fundamentals and historical outperformance during inflationary periods.



10-year annualized

	Value	Blend	Growth
Large	11.7%	14.6%	17.0%
Mid	12.0%	12.9%	13.5%
Small	10.5%	11.0%	11.2%

YTD

	Value	Blend	Growth
Large	-0.7%	-4.6%	-9.0%
Mid	-1.8%	-5.7%	-12.6%
Small	-2.4%	-7.5%	-12.6%

Since market peak (February 2020)

	Value	Blend	Growth
Large	27.1%	45.0%	61.7%
Mid	32.4%	38.3%	42.9%
Small	37.1%	35.6%	31.7%

Since market low (March 2020)

	Value	Blend	Growth
Large	104.0%	109.0%	114.6%
Mid	129.8%	118.3%	94.3%
Small	135.3%	111.3%	87.0%

Current P/E vs. 20-year avg. P/E

	Value	Blend	Growth
Large	15.3 / 13.7	19.5 / 15.5	26.8 / 18.5
Mid	15.1 / 14.5	17.9 / 16.4	28.6 / 20.4
Small	14.7 / 17.0	21.1 / 21.4	40.5 / 35.5

Current P/E as % of 20-year avg. PE

	Value	Blend	Growth
Large	111.7%	125.7%	144.7%
Mid	104.2%	109.1%	140.3%
Small	86.6%	98.6%	114.1%

Source: FactSet, Refinitiv Datastream, Russell Investment Group, Standard & Poor's, J.P. Morgan Asset Management.
All calculations are cumulative total return, including dividends reinvested for the stated period. Since Market Peak represents period from 2/19/20 to March 31, 2022. Since Market Low represents period from 3/23/20 to March 31, 2022. Returns are cumulative returns, not annualized. For all time periods, total return is based on Russell style indices with the exception of the large blend category, which is based on the S&P 500 Index. Past performance is not indicative of future returns. The price-to-earnings is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next 12 months (NTM) and is provided by FactSet Market Aggregates and J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of March 31, 2022.

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Market Outlook

1=15%; 2=50%; 3=35%

I don't blindly follow what fellow hedge funds buy or sell. I do find it interesting. I have sold some of my holdings as I anticipate continued market falls as I will show below.

HEDGE FUND OWNERSHIP REPORT – Q4 2021

A REPORT COVERING HEDGE FUND STOCK OWNERSHIP TRENDS AND INDIVIDUAL MANAGER PORTFOLIOS

TOP 10 BUYS AND SELLS

TOP 10 PURCHASES

Rank	Security Name	Symbol
1	Microsoft Corp	MSFT
2	Amazon.com Inc	AMZN
3	Alphabet Inc. Class A	GOOGL
4	Meta Platforms, Inc	FB
5	PayPal Holdings Inc	PYPL
6	VISA Inc	V
7	MercadoLibre Inc	MELI
8	Apple Inc	AAPL
9	Alphabet Inc. Class C	GOOG
10	Twilio Inc	TWLO

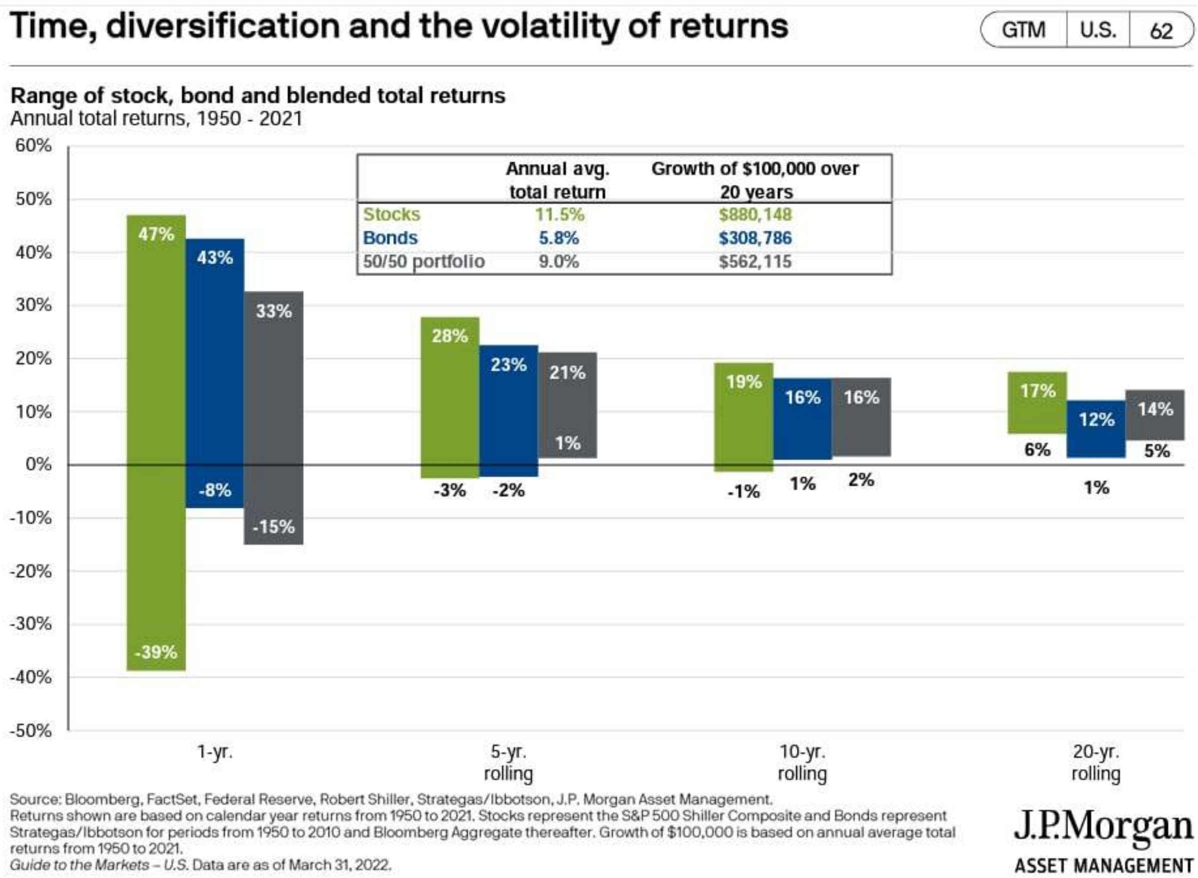
TOP 50 AGGREGATE (1-25)

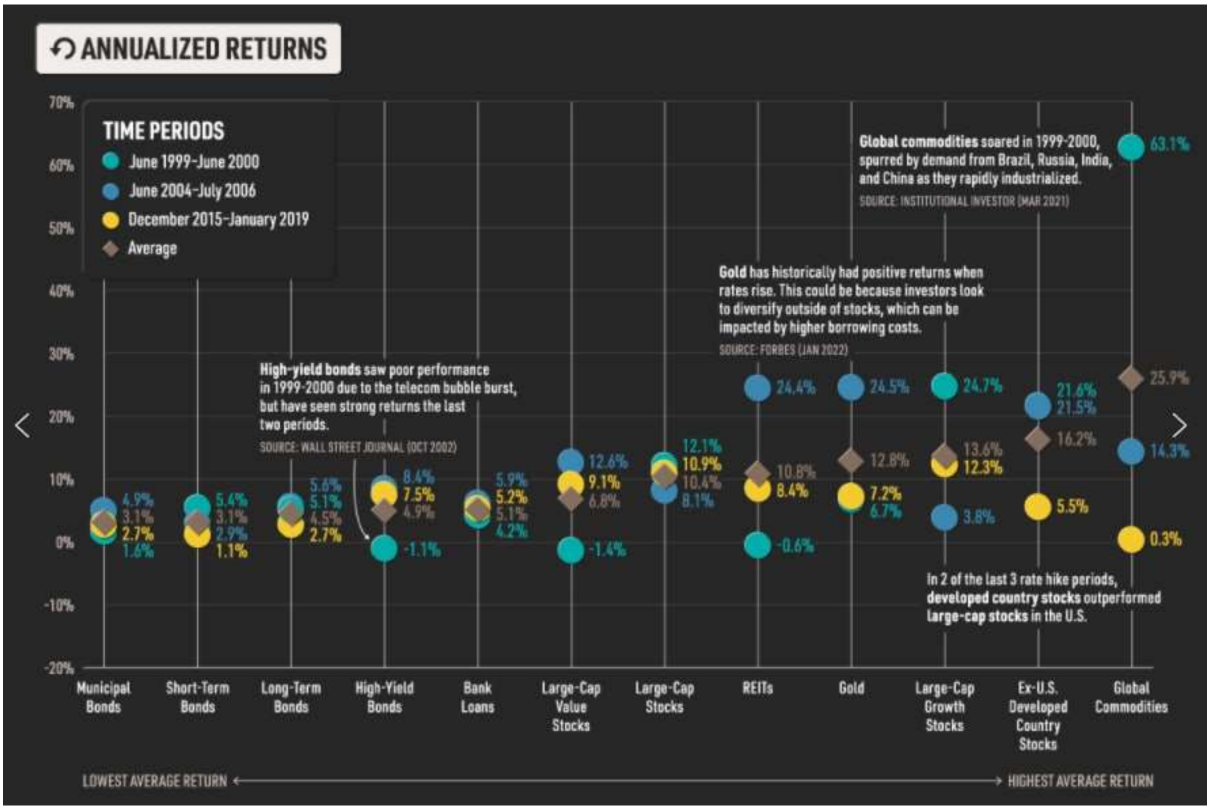
Rank	Security Name	Symbol
1	Amazon.com Inc	AMZN
2	Microsoft Corp	MSFT
3	Alphabet Inc. Class A	GOOGL
4	Meta Platforms, Inc	FB
5	Apple Inc	AAPL
6	Alphabet Inc. Class C	GOOG
7	VISA Inc	V
8	Adobe Systems, Inc	ADBE
9	Netflix Inc	NFLX
10	Mastercard Inc	MA
11	Salesforce.com Inc	CRM
12	NVIDIA Corp	NVDA
13	ServiceNow Inc	NOW
14	QUALCOMM Inc	QCOM
15	PayPal Holdings Inc	PYPL
16	Shopify Inc	SHOP
17	Roblox Corp. Class A	RBLX
18	Carvana Co	CVNA
19	Sea Ltd ADR	SE
20	Twilio Inc	TWLO
21	Berkshire Hathaway Inc Class B	BRK.B
22	Square Inc	SQ
23	Smartsheet Inc	SMAR
24	Airbnb, Inc	ABNB
25	Tesla Inc	TSLA

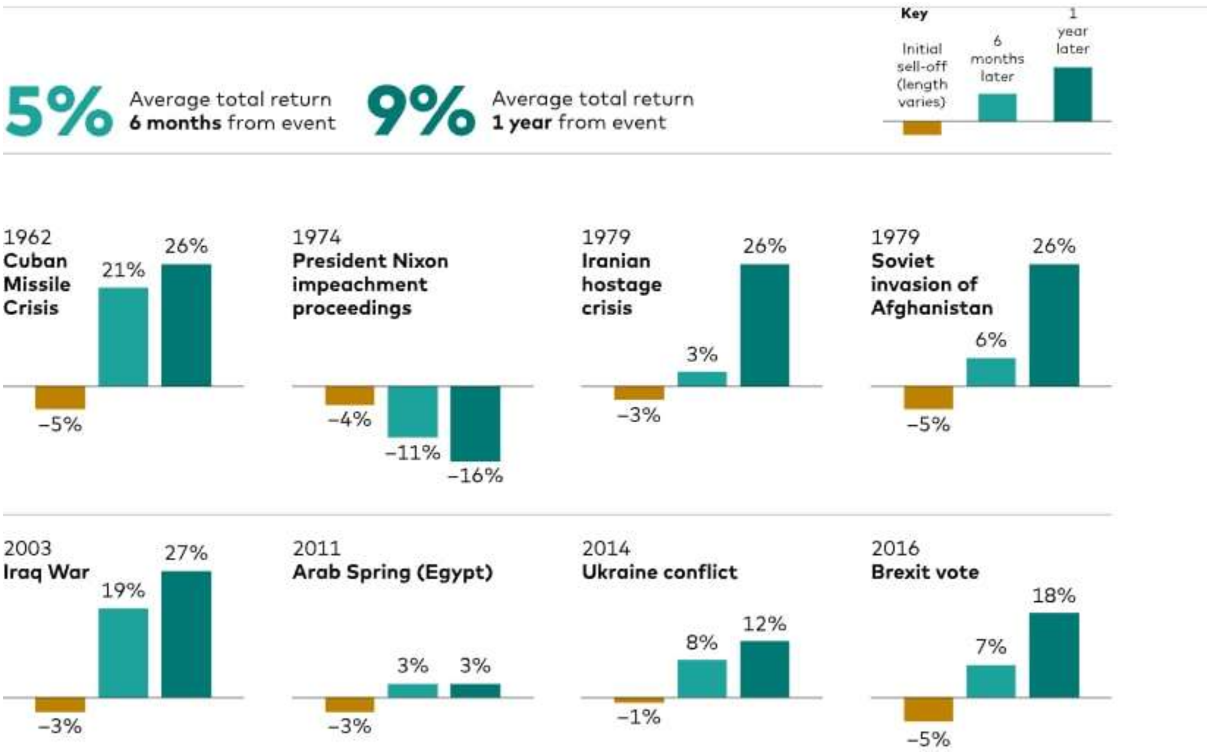
TOP 50 AGGREGATE (26-50)

Rank	Security Name	Symbol
26	MercadoLibre Inc	MELI
27	Snowflake, Inc	SNOW
28	Walt Disney Co. (The)	DIS
29	Workday Inc	WDAY
30	Alibaba Group Holding Ltd ADR	BABA
31	Moodys Corp	MCO
32	Applied Materials Inc	AMAT
33	Cloudflare Inc	NET
34	Coupa Software Inc	COUP
35	Crowdstrike Holdings Inc	CRWD
36	Datadog Inc	DDOG
37	DocuSign Inc	DOCU
38	Atlassian Corp Plc	TEAM
39	Intuit, Inc	INTU
40	TransDigm Group Inc	TDG
41	Costco Co	COST
42	Okta Inc	OKTA
43	S&P Global Inc. (McGraw-Hill Inc.)	SPGI
44	Charter Communications Inc	CHTR
45	Johnson & Johnson Co	JNJ
46	Advanced Micro Devices Inc	AMD
47	Zoom Video Communications Inc	ZM
48	Uber Technologies Inc	UBER
49	Confluent Inc	CFLT
50	JPMorgan Chase & Co. (Chemical Bank)	JPM

Perspective







Don't gamble on sectors

																2007 - 2021	
2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD	Ann.	Vol.
EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 25.5%	Large Cap 10.6%	REITs 23.2%
Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 0.0%	Small Cap 8.7%	EM Equity 22.9%
DM Equity 11.6%	Asset Alloc. 25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	Asset Alloc. -3.9%	REITs 7.5%	Small Cap 22.5%
Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Large Cap -4.6%	High Yield 6.6%	Comdty. 19.1%
Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	REITs -5.3%	Asset Alloc. 5.7%	DM Equity 18.9%
Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	High Yield -5.7%	EM Equity 4.8%	Large Cap 16.9%
Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	DM Equity -5.8%	DM Equity 4.1%	High Yield 12.2%
High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	Fixed Income -5.9%	Fixed Income 4.1%	Asset Alloc. 11.7%
Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	EM Equity -6.9%	Cash 0.8%	Fixed Income 3.3%
REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	Small Cap -7.5%	Comdty. -2.6%	Cash 0.7%

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg US Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2006 to 12/31/2021. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
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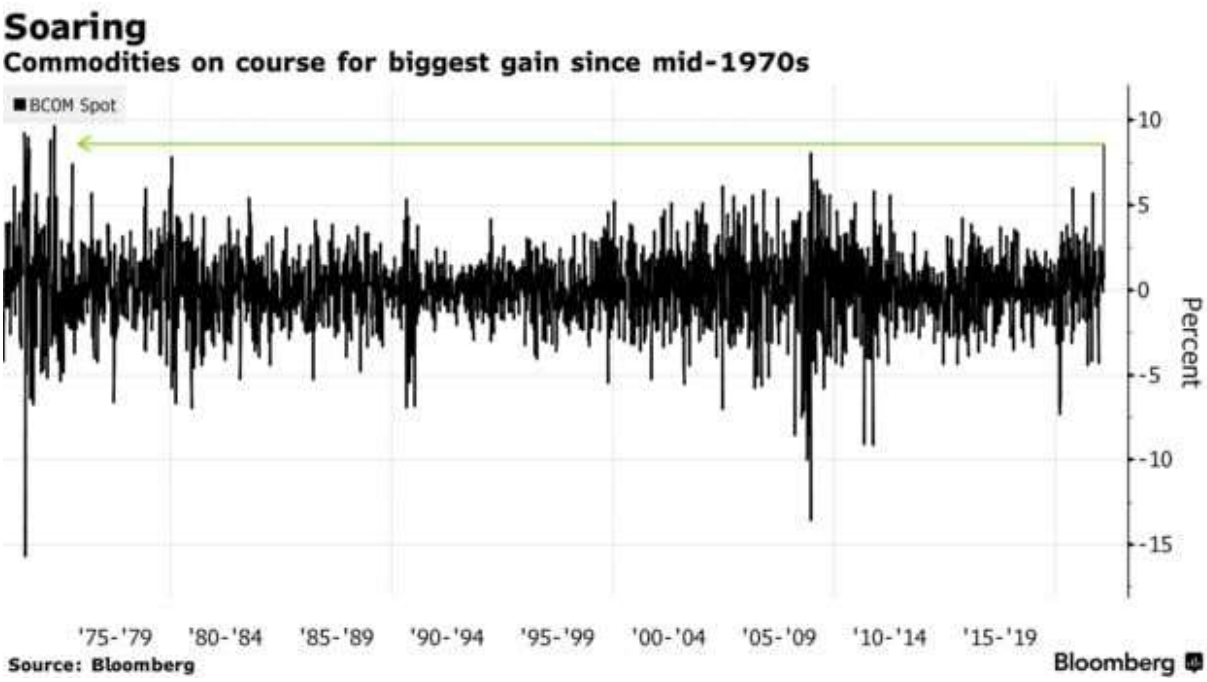
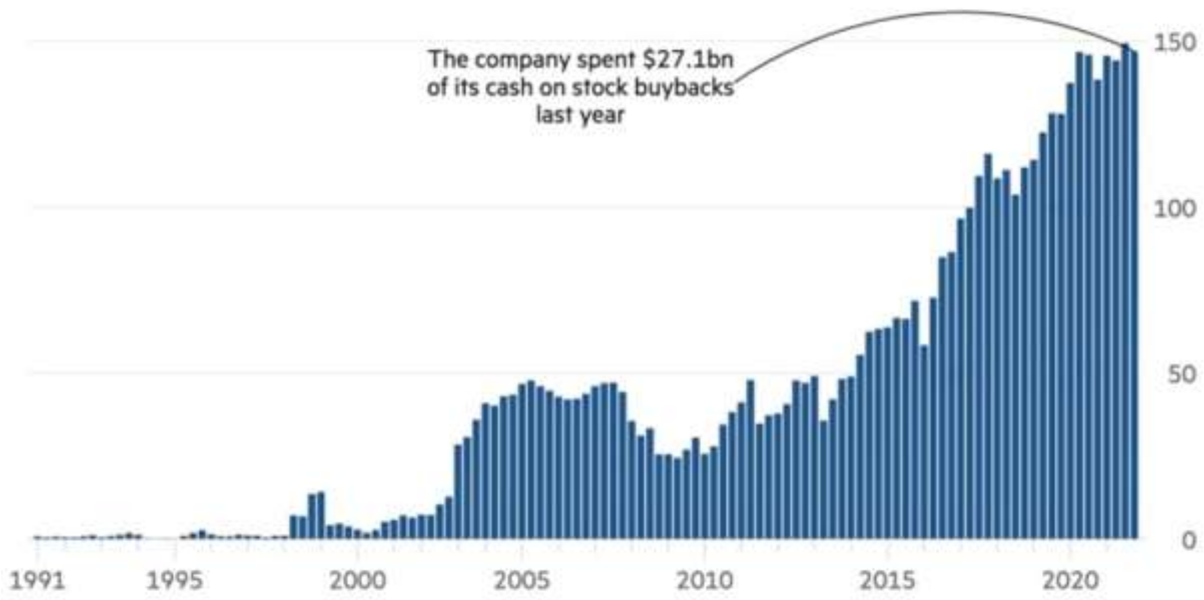


	Price to Earnings	Forecasted Growth
US Market	15.6x	11.4%
Real Estate	36x	8.0%
Healthcare	27.5x	12.5%
Tech	25.2x	12.1%
Utilities	23.2x	11.7%
Consumer Staples	21.7x	9.1%
Industrials	20.4x	16.3%
Telecom	16.9x	13.2%
Materials	16.9x	7.2%
Energy	16.8x	11.2%
Consumer Discretionary	12.5x	23.5%
Financials	10.6x	-4.5%

Berkshire Hathaway's cash pile remains near a record

Cash, cash equivalents and short-term Treasuries held ($bn)



Sources: Company filings, Bloomberg, FT research

What Happens in High Inflation, Recession, Bear Markets?

How Do Stocks Perform Around Recessions?

On average, stocks performed worse 1 year before a recession than during a recession. In the 2 years following a recession, price returns were positive 82% of the time.

Recession Start	Length (Years)	During Recession	6M Before	12M Before	6M After	12M After	2Y After
7/31/1953	0.83	18%	-6%	-3%	17%	30%	55%
8/31/1957	0.67	-4%	5%	-5%	18%	33%	25%
4/30/1960	0.83	17%	-5%	-6%	7%	10%	1%
12/31/1969	0.92	-5%	-6%	-11%	14%	8%	34%
11/30/1973	1.33	-13%	-9%	-18%	1%	23%	18%
1/31/1980	0.50	7%	10%	14%	6%	8%	-12%
7/31/1981	1.33	6%	1%	8%	-19%	20%	18%
7/31/1990	0.67	5%	8%	3%	3%	8%	20%
3/31/2001	0.67	-2%	-19%	-23%	-6%	-18%	-7%
12/31/2007	1.50	-37%	-2%	4%	21%	12%	44%
2/29/2020	0.17	-1%	1%	6%	12%	44%	?
Average Return		-1%	-2%	-3%	7%	16%	20%
% Positive Return Periods		45%	45%	45%	82%	91%	82%

Cumulative price return of the S&P 500 during past recessions. Past performance is not indicative of future returns.

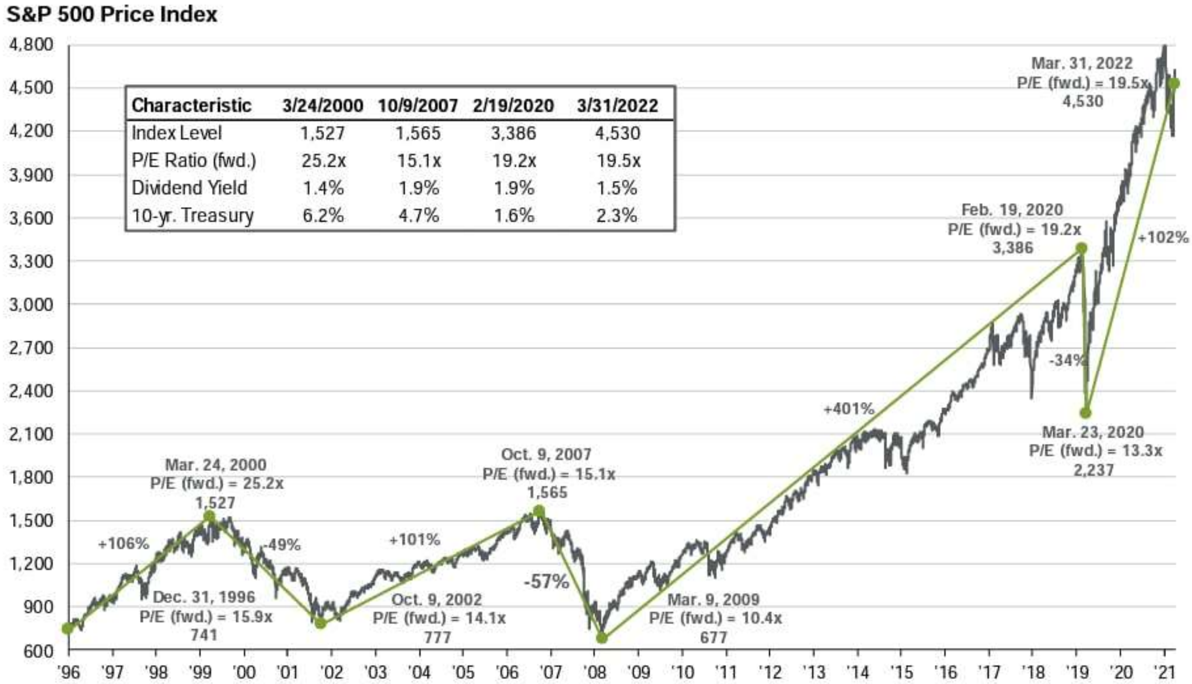
Table: Darrow Wealth Management • Source: YCharts; Nber • Created with Datawrapper

Exhibit 32: Inflation is Above Trend and Likely To Fall, Stay Defensive

Sector Rel. Performance in Inflation Regimes, Jan 2000 - Feb 2022	Above Trend & Falling	Above Trend & Rising	Below Trend & Falling	Below Trend & Rising	Correlation with 10yr B/Es
S&P 500	-7.1%	17.2%	-19.2%	32.8%	0.45
Cyclical/Defensive	-11.1%	9.6%	-24.0%	26.0%	0.42
Energy	-5.4%	12.7%	-32.0%	28.9%	0.27
Materials	-0.9%	3.5%	-10.0%	14.6%	0.15
Industrials	0.4%	2.8%	-3.4%	3.5%	0.05
Consumer Discretionary	-0.6%	-3.1%	1.3%	7.9%	0.03
Consumer Staples	11.2%	-12.4%	21.4%	-18.3%	-0.41
Health Care	10.1%	-4.0%	13.8%	-9.6%	-0.25
Financials	-1.0%	1.4%	-3.9%	-1.0%	0.00
Information Technology	-7.2%	7.4%	-5.6%	5.4%	0.16
Communication Services	-13.6%	2.1%	-2.8%	4.1%	0.08
Utilities	13.1%	-9.7%	22.2%	-30.1%	-0.27
Real Estate	8.9%	-6.2%	8.9%	-10.4%	-0.14

Source: Bloomberg, Morgan Stanley Research

S&P 500 Index at inflection points



Characteristic	3/24/2000	10/9/2007	2/19/2020	3/31/2022
Index Level	1,527	1,565	3,386	4,530
P/E Ratio (fwd.)	25.2x	15.1x	19.2x	19.5x
Dividend Yield	1.4%	1.9%	1.9%	1.5%
10-yr. Treasury	6.2%	4.7%	1.6%	2.3%

Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.
Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price-to-earnings ratio is a bottom-up calculation based on IBES estimates and FactSet estimates since January 2022. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of March 31, 2022.

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S&P 500 Trailing 12-Month P/E Ratio: 10 Years
(Source: FactSet)

Are We Overvalued?

S&P 500 valuation measures

GTM | U.S. | 5

S&P 500 Index: Forward P/E ratio

Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	19.46x	16.83x	0.78
CAPE	Shiller's P/E	37.45x	27.98x	1.47
Div. Yield	Dividend yield	1.46%	2.00%	1.63
P/B	Price to book	4.07x	3.09x	1.22
P/CF	Price to cash flow	14.80x	11.12x	1.69
EY Spread	EY minus Baa yield	0.86%	0.19%	-0.34

Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.
Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since March 1997 and by FactSet since January 2022. Current next 12-months consensus earnings estimates are $233. Average P/E and standard deviations are calculated using 25 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. *P/CF is a 20-year average due to cash flow availability.
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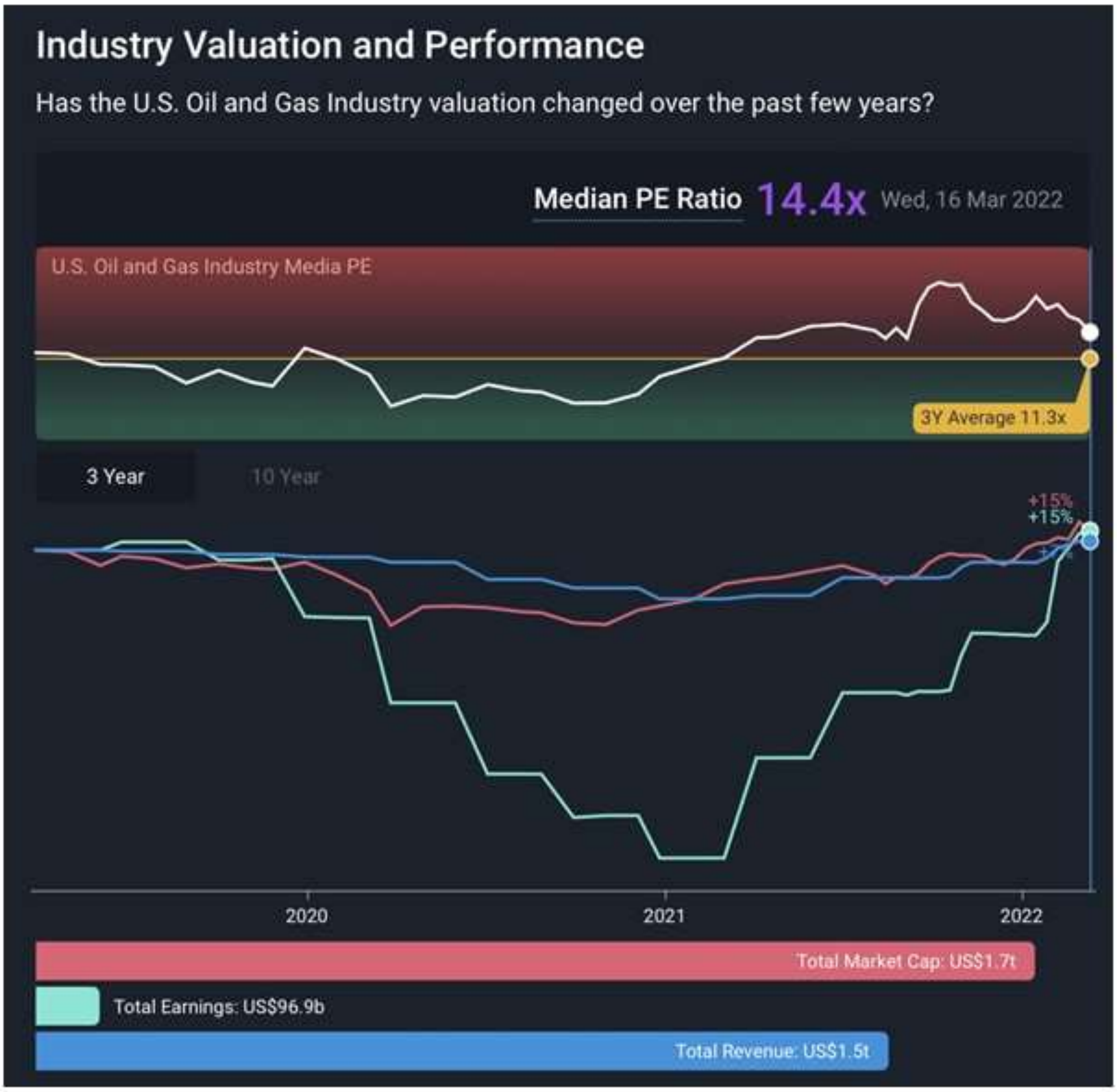
However, looking at 10-year periods, value has outperformed growth over every decade **since the 1940s.**
Value Outperformance Over the Decades
Value Outperformance
Growth Outperformance
-0.5%
10.8%
5.6%
4.2%
8.1%
7.4%
0.7%
8.0%
-2.6%
1930s
1940s
1950s
1960s
1970s
1980s
1990s
2000s
2010s
The 2010s was a **historical outlier**, with a strong bull market driving growth performance.
Source: Fama & French via Mercer (Mar 2021)
Average annual performance of Fama and French ("HML") value factor by decade.
Past performance is no guarantee of future results. An investment cannot be made directly into an index. Index definitions can be found at the end of this piece.



I'll let you know when I buy more PayPal. As you know from my weekly market updates, here is still likely S&P500 falls.

Most likely scenario. So, I will wait to May 1st Approved Filtered List before selecting more stocks for SIPP and ISA.

S&P 500 valuation measures

GTM | U.S. | 5

S&P 500 Index: Forward P/E ratio

Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	19.46x	16.83x	0.78
CAPE	Shiller's P/E	37.45x	27.98x	1.47
Div. Yield	Dividend yield	1.46%	2.00%	1.63
P/B	Price to book	4.07x	3.09x	1.22
P/CF	Price to cash flow	14.80x	11.12x	1.69
EY Spread	EY minus Baa yield	0.86%	0.19%	-0.34

Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.
Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since March 1997 and by FactSet since January 2022. Current next 12-months consensus earnings estimates are $233. Average P/E and standard deviations are calculated using 25 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. *P/CF is a 20-year average due to cash flow availability.
Guide to the Markets – U.S. Data are as of March 31, 2022.

J.P.Morgan
ASSET MANAGEMENT

AbbVie (ABBV) stock dropped 6.0% after the company reported a profit of $3.16 a share, beating estimates of $3.14 a share, on sales of $13.5 billion, below expectations for $13.6 billion.

When a stock has positive expectation beating results and drops six percent then it's the market not the stock and there will be opportunities - but later once the market calms down. I've seen this before many times.


% change 1 day candles
NASDAQ 100
Index
IXND
Volume (Bars) - M's
13, 26 MACD (9 sig) - Bars


% change 1 day candles
FTSE 100
Index
UKX
Volume (Bars) - M's
13, 26 MACD (9 sig) - Bars


DJI
Volume (Bars) - M's
13, 26 MACD (9 sig) - Bars

Why Understanding Financial Accounts Is So Important At School – One For Your Children

I want to give a few words about some of the work you've already covered, and I, as an asset manager, a fund manager, and also somebody who works with businesses with my government hat.

As an author of 18 books on investing published by the Financial Times, I thought it might be helpful to give you a practitioner's insight into some of the things you've already covered in school.

Now, I know you've covered sources of finance, why finance is raised, the importance of financial statements, cash flow statements, profit, and loss statements, and the balance sheet. These are my favorite bits in a moment, both as an asset manager, as somebody involved in private equity, involved with FinTech companies, and entrepreneurial companies worldwide. I'm going to tell you why I think those are important.

So whether you want to go into business or want to go into accountancy, or just generally know about investing, because you know it can help your future. I think you'll find this rather interesting, whichever area you're looking at.

I'll also talk to you about not just why those areas you've learned are significant to open up your options in life. But also why it's important for both public companies, which is what I generally invest in.

My asset management company has a hedge fund unit and a private equity one, which invests in private companies, so those accounts you've been learning are essential for both those segments.

But it’s also important because in life, especially when you’re at school, you want as many choices and options open to you as possible. After all, you often don’t know what you want to do for the rest of your life.

You don’t know whether you want to be an accountant, a lawyer, private equity fund manager, a government advisor, author, who knows, and the skills you’re learning now will help keep all those options open to you and make you incredibly invaluable to not just an employer, but hopefully to society as a whole.

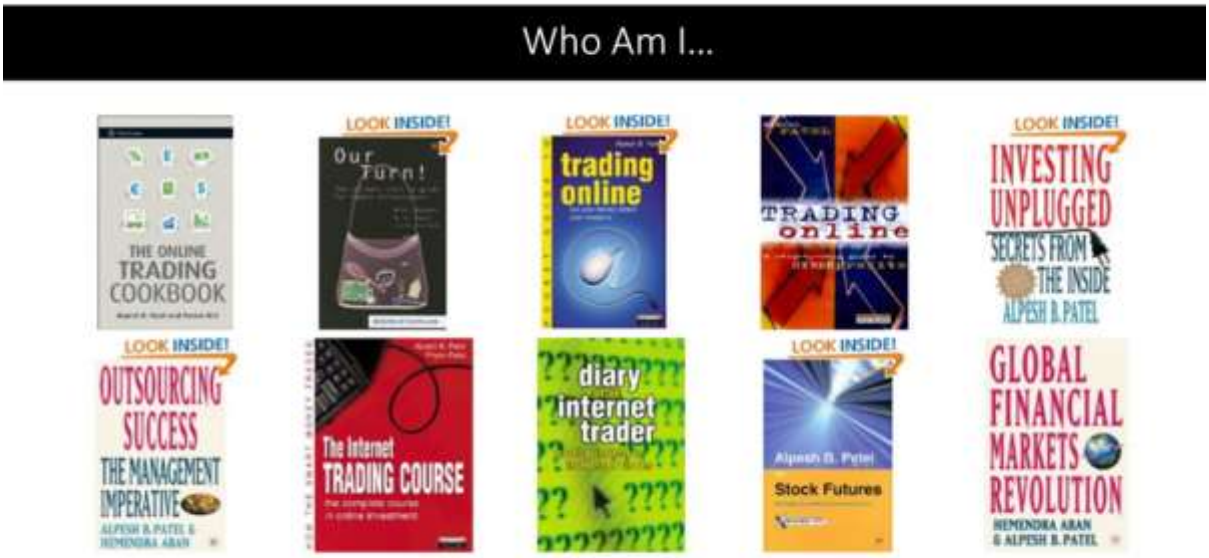
You can see my life in finance has been good to me, and that’s the great thing about the things that you’re learning; they are skills that can be taken across professions. So I started off originally qualified as a barrister, and then I was asked to present my own finance show on Bloomberg Television and BBC doing the paper review.

Yes, all those things are a lot of fun, and they’ve taken me around the world as well, and that’s why I think the things you’re learning in finance, as I say, are so critically important.

I hope you’ll work incredibly hard in your exams, because it’s worth it, it’s all worth it. The hard work you do now is really worth it for the rest of your life, and I tell you that when I’m sitting on a beach in Bali or the Maldives, all those times in school where I did nothing but lock myself in my room and study and revise and study and revise, they were worth it, okay? And I’m not just saying it; they were worth it to open up those options.

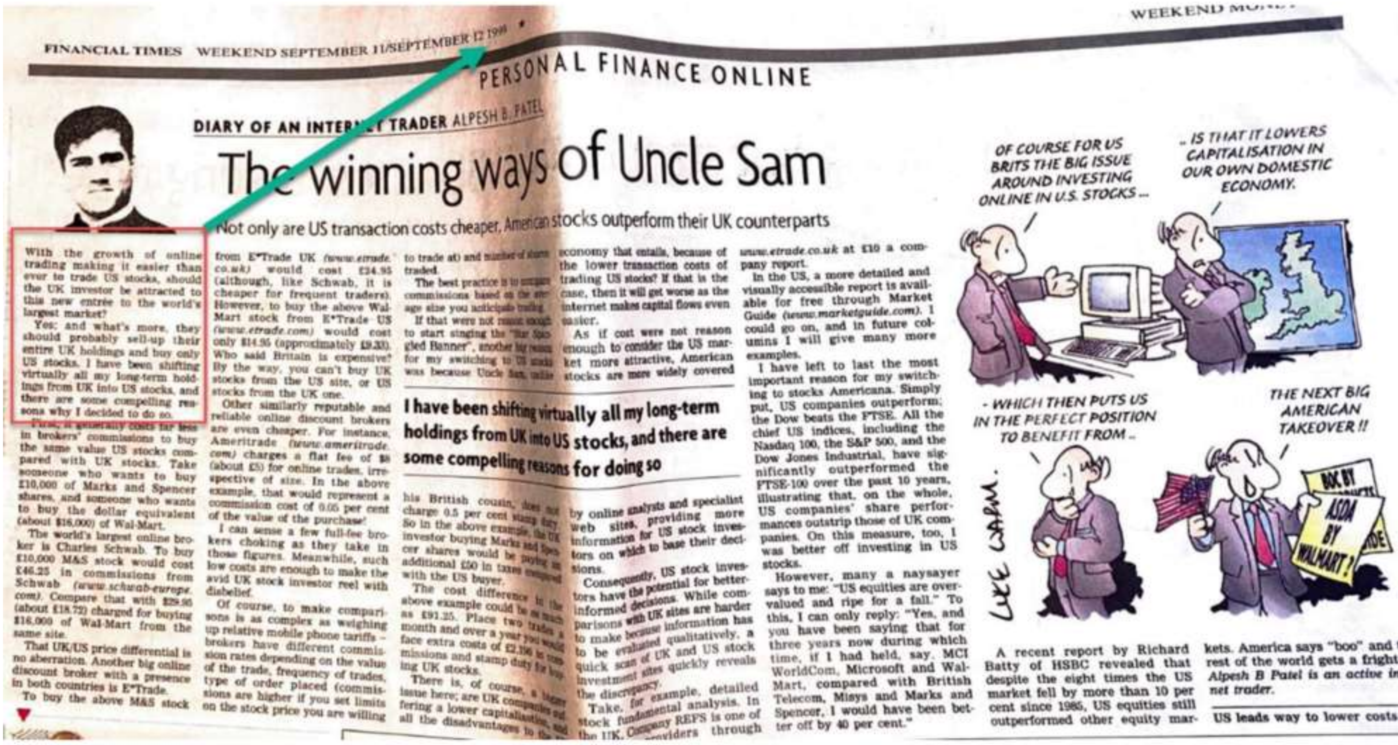
So who am I? Just a bit of background before I deep-dive into everything. Currently, I have two leading roles – I have a role with the U.K. government, where I look for the most outstanding technology companies from around the world with a view of bringing them to the United Kingdom. That sees me traveling the world and meeting some of the people you see there.

Thanks to finance, I've been able to explain finance to wide audiences, whether it's on Newsnight or again for the U.K. government, whether in Singapore, Hong Kong, India, Turkey, Middle East. It's been a great privilege to be able to do that, and it all started because, well, yeah, it's going to sound a bit boring and parental; I worked hard at school, but honestly, it is, and because finance opens up probably more doors than any other… Or business studies, more economics, and I have a degree in economics, more doors than any other degree I can think of, or any other piece of education I can think of from my school days.



I've also written all these books, published by the F.T., and I want to tell you something related to it. When I was at school, I was told I had a problem with my English, and there I am publishing books.

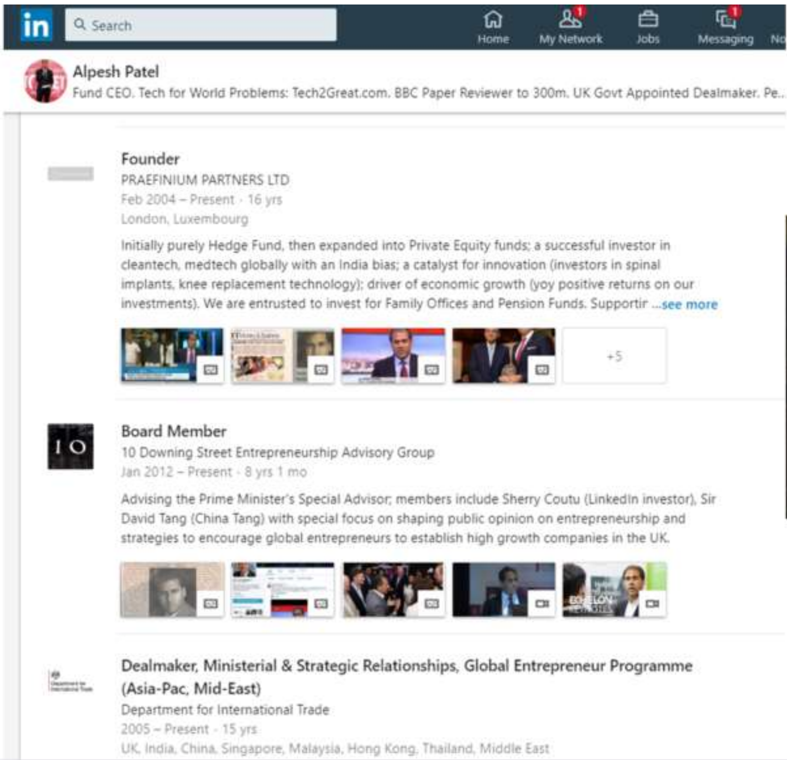
I want to tell you that whatever hardships you're facing at school, whatever things seem like, they're insurmountable; just persevere, okay? Just get through it. You're young, you've got so much advantage and potential on your side, so listen to your schoolteachers and do persevere with it and make your teachers proud, that's one of the… And make your family proud; that's one of the greatest things you can do.



This is me in 1999; that's before you were all born, okay? And it's my column in the Financial Times about investing, and I'm going to touch upon these investment issues.

So, this article is about me, though it might seem like it, it’s just to build up my credentials, so hopefully, you’ll think, “Yeah, maybe we should listen to this guy, he might know a little thing or two that we should listen to.” I know I sound cocky and arrogant; I’m not; Honestly, I promise you.

Do follow me on LinkedIn. You’ll see that that’s a perfect way of learning what people are doing in the workplace, so if you follow people on there, there are people like Bill Gates on there. There are all sorts of business leaders, people from Dragon’s Den on there, and so on; it’ll give you a bit more business insight.



There’s the chairwoman of Pepsi who I follow, and there are other business leaders that I like to follow as well on there. Because you’ll see articles they’ve written, you’ll see what they’re talking about, what’s important in the world to them at the moment. So that’s a top tip when you’re learning about business; that’s a good way of keeping your finger on the pulse, okay?

Then & Now 1999 & 2019

Now, I've been talking about this whole thing for over 20 years now, about business and investing, and part of my job, as I said, is to look at those accounts you guys have been looking at, of companies like this, and come to a decision on what we should invest in. That's what part of my job is.

6 months

Sometimes, like you do your business studies or your economics homework, I feel like banging my head on the desk. So listen, that feeling never goes away, so don't feel you're alone. But I have to say, having that knowledge of P&L accounts, balance sheets, cash flow, and how they interrelate, how they work, has sort of been a bit of a secret sauce to all the rewards I wanted in life.

Now, I don't want to sound selfish. In finance, people often sound really selfish: "Me, me, me, money, money, money." It's all meaningless unless you do something with it which is good and useful. I happen to be chairman of the Loomba Trust, which looks after widows and orphans, and I know for people of your generation, the great thing is you want to do more than just make money; you want purpose in your life. I know some of you are going, "No, just the money, please, just give me the money." Deep down, you all want to do something more purposeful, so I want you to keep that in mind as you go through your school careers.

Now, I can't analyze these companies unless I know everything about their accounts. We have little spreadsheets like this which we put together, where we will draw upon the various companies, we'll draw upon their balance sheets, their profit, and lost accounts, and their P&L statements to work out their valuations, the share price P/E ratio, share price to profitability, their revenue growth, their cash flow statements.

I'm going to come to that in a second and a whole host of other things. None of those things could be possible… And that's with listed companies, with private companies, of course, they don't have a share price as such. None of those would be possible without some understanding of their accounts, and that's been critical, okay? So if there's a secret sauce, you've got it. That's what you're learning at the moment.

Again, part of my job is to work out, not gamble, not speculate on where the future will be, but to make sure the companies I pick are resilient and have solid balance sheets. So I might look at their price-to-book ratios, that they don't have too many liabilities, that they can cover those liabilities, that they've got strong cash flow. I'll look at their cash flow statements, that they've got good, strong earnings and earnings growth, so I'll look at their P&L statements because I want resilient companies.

After all, I don’t know what the world will bring. We’re not in the business of gambling and speculating on the next big thing or the next fad; we just want to see that the numbers in their accounts are solid and are likely to remain so. That’s how we look to invest. We don’t trade in and out. We’re certainly not in the business of gambling because our investors in our asset management company are pension funds; they’re people who want safety and security.

One of the other reasons I like to talk to different audiences about investing is that there’s an enormous ignorance about it. You guys are at a considerable advantage in your school, being able to learn these topics, because the vast majority of people don’t know about investing, don’t know about what makes a company good, whether it’s private or public, and if it’s public, guess what? The SIPPs and ISAs in people’s pension funds, things you’ll worry about in the future, they’re all invested in public companies, so you need to know the stuff you’ll already be comfortable with, and I’ll tell you why.

Look at the big gap. In red, you can see the five-year returns of the FTSE 100, the 100 largest U.K. companies, and in the blue, you see the Nasdaq-100. They’re just index trackers; they’re just tracking indices of those companies, but look at the massive gap between somebody who might have, in America, tracking the U.S. markets and somebody over here who might have tracked only the U.K. ones.

That’s not saying the U.K.’s bad or good, or America’s good or bad; what it’s to say is with a bit of knowledge, you would know about investing because you know about accounts and P&Ls and so on. That makes you more confident, more familiar with the tools you’re going to need in life to save for when you grow older, accumulate wealth, and hopefully do good things with that wealth.

Problem:
Your IFA/Fund Manager is Hand-Cuffed – So You Are Going to Be Poor

So when, as my clients often ask me, “Is this a good fund?” And I point out to them that they’re down 2% when the markets have been rising so much after three years, and this is somebody’s retirement fund. Unfortunately, my clients never had the education you had at school, so they have to come to me a lot later in life, and they don’t have the advantage of knowing what they should be doing. You’ll have those advantages because, as I said, you’ll have financial knowledge and confidence.

You can be better than overpaid fund managers...

Not only that, part of my whole philosophy has always been that you can learn it yourself, even at school. I started investing when I was 12 years old, with £100 borrowed from my aunt. Okay, I’m not suggesting you all go and invest; your parents will kill me if I suggest that.

I’m saying you should at least have the education to know how to do it because somebody like me was entirely self-taught. From my school days onwards, I went on to win competitions on investing and beat fund managers manage billions and billions of pounds.

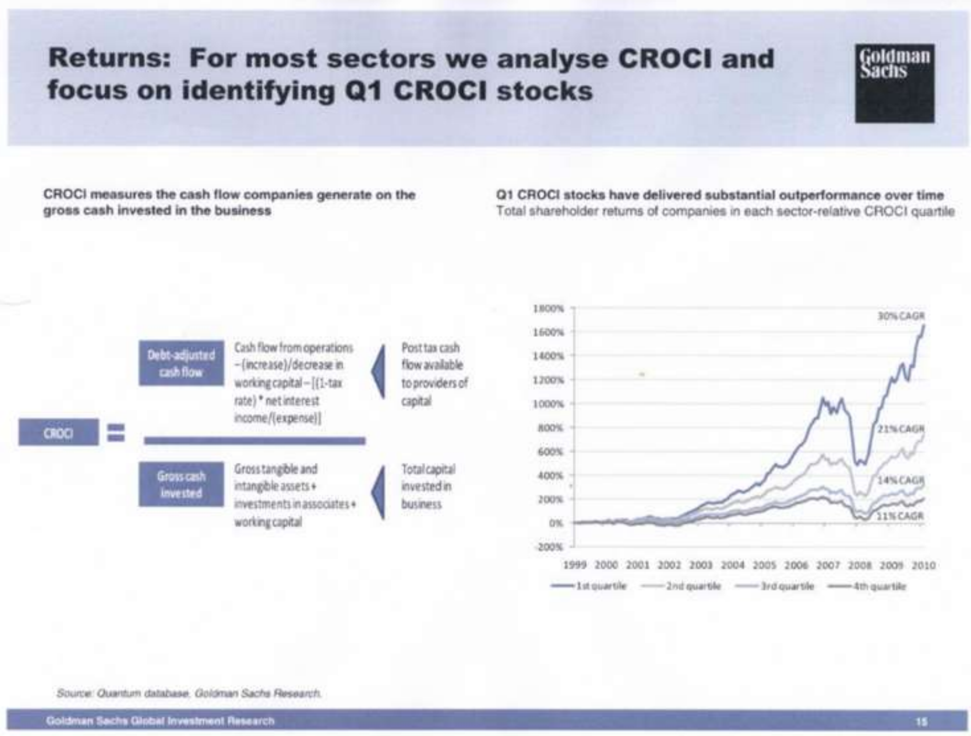
So, what I'm saying is I don't want you just to look at others in awe and say, "Oh, I'll just give my money since they know best; they always know best." You, too, can work it out. As somebody who started off investing as a schoolchild and started learning about it, I didn't have much money to invest. I wouldn't really call it investing, but I certainly learned about it when I was at school; that confidence stays with you for the rest of your life and can be life-altering.

This is not what investing is about. It is not meant to be this. It is not the whole day trading, and the "Give me the latest crypto and the latest TikTok news" and so on. It is not meant to be that. I think that's gambling; I believe that's speculating; I don't think you should be looking at that, other than purely for fun, so not with real money, just fun, just to see what's going on in the world, that's fine.

What I do think investing is more about and the things. Some of these things that you'll have come across, and I'll tell you what, again, my favorite indicators are in a moment, is about valuation. And these are some of the indicators I look at – Discount cash flow, price-to-sales, price-to-book. It's about has the company got growth, private or public? Sales growth, earnings growth, cash flow growth? What about income? Is it generating dividends, is it generating earnings to pay those dividends?

What about momentum? You probably haven't come across these things yet, but you can look at them in due course. On the hedge fund side, we very much look at momentum. Are prices in a rising trend? And statistical analysis you probably haven't come across in terms of share price movements, but we do look at this. How are the companies' prices and returns distributed? In other words, do they consistently get high returns year-on-year? How do they do over 20 days, six months, a one-year period? Are they always positive, or could there be some large drawdowns? How do they correlate to the broader market? Because we actually want lots of companies which aren't correlated to each other. Otherwise, we're just buying one big company. There's a lot to be learned, and this is just the tip of the iceberg.

What Do Goldman Sachs Tell Their Wealthiest Clients?



I wanted to tell you a bit about my favourite indicator or my favourite ratio because I know there are many ratios. So what does Goldman Sachs tell their wealthiest clients? So as a hedge fund manager, I was invited to a lunch by the chairman of Goldman Sachs Asset Management. I know it sounds like I name-drop a lot, tell you about the time I met John Lennon. I haven't met John Lennon. And they revealed this ratio that they use to tell their wealthiest clients.

Now, imagine that. They tell their wealthiest clients, so unless you've got $50 million to deposit with Goldman Sachs Asset Management, they use this to pick stocks and investments, and this is what I continue using. I'm afraid I copied it, and it's called cash return on capital invested, or CROCI. It's a cash flow measure, and they discovered that companies in the top quartile, the top 25% of companies by CROCI, generate 30% per annum returns over the long term. In 2008, nobody got 30%, so it's not every year, it's not a bank account, but over an extended period of time, on average, that's what it works out at.

So that's my favourite ratio; it's not probably one you've covered; I'd be surprised if you have because very few people know it. Deutsche Bank invented it, Goldman Sachs Asset Management uses it, and there you go, you can see the slide; it's part of their Quantum database. So shh, don't tell anyone else. St Bede's School, Redhill has got a complete advantage on investing, okay?

•Assume you plan to invest over 15 years

•And you make 20% pa (some years more, some maybe less) - nothing extravagant and nothing pessimistic.

•Let's say you have 10k in a SIPP/ISA

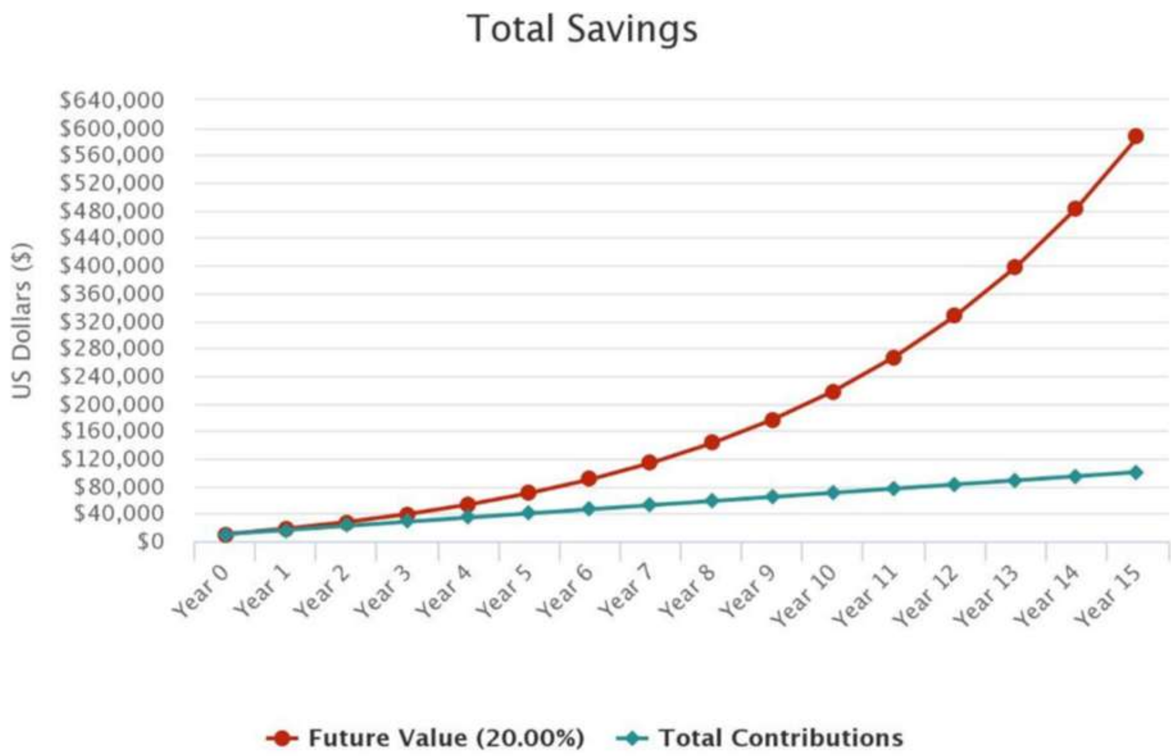
•You also plan to add £500 each month to your portfolio

•Your will have over 600k in 15 years

On a broader note, why might you want to invest? Well, I'm going to give you, and some of you might be thinking already at this stage, "Shut up, Mr. Patel, I'm rich already." Well, assume you plan to invest over 15 years. Let's assume you make 20% per annum, which is a lot. Maybe some years you make more, perhaps some years you make less, maybe some years you make a lot less, nothing extravagant, but let's just take that as an assumption to get you a bit excited. The great advantage you've got is your youth.

Let's say you've got £10,000 in a SIPP or ISA. You probably haven't got a SIPP or an ISA right now. Your parents will know what I'm talking about, look into it. You plan to add £500 each month. There's no way you got £500 at the moment unless you're an entrepreneurial genius at school, but these are just numbers for you to play with.

In 15 years, you'll have 600K, which is nearly a million dollars, in 15 years, by the time you're touching about your early thirties, which seems really old. Trust me, somebody who's passed 30 in the rear-view mirror a long time ago, that is not old. And this is what it looks like. In green are your contributions, and in red is the future value.



Now, everybody always talks about compounding, don't they? Do you know why people don't do compounding? Because for the first three or four… Well, three, four, five, six years barely makes any difference. No, it makes a difference back then. Delayed gratification is what psychologists call it. People who succeed in life are the ones who can delay their gratification. In other words, they can delay consumption and spending in exchange for saving.

And you might say, "Oh God, how boring, Mr. Patel, how boring, want to live our lives." Do live your lives, but just keep this in mind, that your life isn't what's happening just today; it's actually what's going to happen for the next 10, 20, 30 years, and you've made the greatest start to it because you've already started learning about investing and those things.

Anyway, one thing that I've been a part of has been a campaign to teach a million people entirely for free how to be better investors. It's more geared towards people a little bit later than yourselves, but you're more than welcome to have a look at it all, and there are virtual internships when you're at the right age.

They're virtual; they're online, lots of free education from my Financial Times books, and you can download free copies of my books. It's all completely free, and its goal is to make sure people are more financially literate, there's improved financial education. And I'm proud to say the Financial Times newspaper, who are my publishers for my books and my newspaper columns, is also leading a financial education drive within our schools.

And it's also been for me, as somebody who grew up in Leeds, no silver spoon in my mouth, it's been really important for something called social mobility, which I'm sure you've heard of. And so there are these more important things that you want more of when you get older; if that doesn't sound too patronizing, forgive me if it does, I apologize.

Well, congratulations to your parents for picking a good school for you and the excellent education that you're getting. Keep up with it, revise hard, make your teachers proud, make yourselves proud, make your families proud.

When you're sitting on that beach in Bali or Maldives, thanks to the results you got in your education today, you'll be thinking of me for at least half a second and thinking, "God, that old man was right."

But honestly, those bigger purposes will matter more when you're older, and it's better to plan ahead now, and you're already on the right track for that, so congratulations.

Secrets Of My Success With CEO FTSE 100 Company, Lindsley Ruth

How did a global electronics company leader stay focused on the customer during a time when the world was in flux? Alpesh Patel OBE, in conversation with Lindsley Ruth, CEO of FTSE 100 Group, Electrocomponents plc (ECM), discuss how he found success through adaptability, listening, and putting people first.

Alpesh Patel: I've got a very special treat today; we've got the CEO of an FTSE 100 company. Before I introduce him, let me give you some of the top numbers relating to the company.

The company is **Electrocomponents PLC**. They stock more than 650,000 industrial and electronic products sourced from over 2,500 leading suppliers, provide service solutions to 1.2 million industrial customers, operate in 32 countries, and ship around 60,000 parcels a day with revenues of 2 billion pounds and a market cap just shy of 5 billion pounds. At the start of 2022, their stock price was near all-time highs, and they employ some 6,800 employees.

The CEO I'm going to introduce is **Lindsley Ruth**. He has kindly agreed to be interviewed on some aspects of the numbers, how you build a great company and getting into such a great company.

Doing Business in the UK

Alpesh Patel: Lindsley, tell me, first of all, by way of introducing yourself, how did an American, educated in Texas, end up heading up one of the UK's largest companies?

Lindsley Ruth: Thank you very much, Alpesh. I've been in this industry for a long time. First of all, I learned about this company many, many years ago. This company has had an excellent reputation for many decades, not just in the UK but worldwide. So I was familiar with the company, and when I was recruited to come here, I knew a bit about the company. But once I met the board and once I met some of the people within the company, I knew it was the right home for me, and I saw the opportunity that existed. And I like to say I'm more of an international American, I suppose. I've traveled worldwide, and I like living in Europe and London. There's tremendous opportunity here, great innovation, and it's a great place to be headquartered.

Alpesh Patel: Let me touch upon some of those points, Lindsley. Now the Chairwoman of your company is Baroness Fairhead, somebody I'm very familiar with, with my Department For International Trade hat. You've touched upon the UK being a great place to have headquarters and innovation. Speaking about the United Kingdom and your business and exports, I mentioned 32 countries you trade and deal with.

What are your plans for the future? How do you go about expanding? How do you get that reach? What advice would you give to other businesses that are several clicks under your business? Your company was a company of the year, and that's ranked amongst all the FTSE 100 companies. How'd you become a company of the year on top of all of that?

Secrets To Success

Lindsley Ruth: I appreciate the recognition and for you mentioning that. The first thing you have to do is not pay a lot of attention to being the company of the year. If you do, you become complacent, and complacency leads to irrelevancy, which we want to avoid.

So for us, it's a nice signal of the direction we've been going in. It's a nice confirmation and affirmation from the investment community that we have the right strategy, we have the right people, and we're on this journey of greatness to go from good to great.

So to get to where we are, we went from being an average company. At one point, we were really good, and we lost our way. There are various reasons for that, but we've become a good company again. I wouldn't say we're a great company, but that's where we want to be. So it's having that burning ambition.

I think for startups or new companies, if you want to make it to the FTSE 100, if you're going to be in the FTSE 350, it starts with a dream. It starts with a goal. It begins with that aspiration, that inspiration to be great, good, and eventually great.

And I think to me, the biggest difference is, and most people fail to realize this. They talk a lot about it, but you've got to step back. You got to say, "What are you willing to sacrifice to achieve your goals?" So you got to think about your time commitments, what you're willing to put into your company to lead the company, what are you willing to commit in terms of your efforts around the world, and your travel time. And I think those are all important things as a leader, in the beginning, to establish the right culture, because it all starts with culture.

So I often say, you've got to be fast to fire, slow to hire. Make sure you really know what you're willing to sacrifice, what you're getting into, set the goals, and then execute those goals. Make sure you get the right people. If they're not the right people, you need to move forward. But I think it takes the right people, the right culture, and the right level of ambition.

Importance of Humility

Alpesh Patel: That's fantastic advice. I particularly like the slow to hire and the fast to fire part. Any other tips like that or insights critical to making your company great?

Lindsley Ruth: First of all, there's an element of humility that always has to be there. So we're never as good as we think we are. We're never as bad as we think we might be at times. Right? And so I find that often in the UK, people can get down on the UK, but let's look at the positives of the UK. I often hear people talking about, "Well, the train was late today." "Well, how late?" "Eight minutes." That's not bad; at least there's a train. Because in the US, there aren't a lot of trains. Public transit, I find very good in the UK.

As a matter of perspective, I think digital innovation here in the UK is second to none worldwide. I think there's great digital talent. Here, where we're headquartered in Kings Cross, an amazing amount of digital talent exists that we could apply worldwide. So I'm very optimistic about the future as it relates to that talent that exists here.

I would say humility is essential. Identifying talent is important. I would say just some other nuggets of wisdom that I've learned over the years is one; we've got to be focused on; many people like to say the customer comes first, right? And I get it, and the customer is important, but your employees have to come first. Because if you want to offer a world-class customer experience to your customers, it starts by providing a world-class customer experience to your employees. If you do that, then you can offer that experience externally.

So it begins internally. It starts with making sure that you offer a world-class experience at home, within your company, and focus on the right things. And I'm not saying a country club environment, but having an environment with high morale, high performance, people are very clear on the roles and responsibilities, they know the direction you're going in.

And to me, it's about the triple bottom line. So people, profit, and the planet. It takes great people to drive profit. The more profit you can make, the greater the difference you can make for the planet. That's the triple bottom line, people, profit, and planet. And if you have that in your mind, you can make a tremendous difference and give people a purpose for why they come to work every day.

Purpose Of Making A Difference

Alpesh Patel: That's absolutely fantastic. And you mentioned right at the end that purpose, and we're seeing that more with Millennials and Generation X or whatever generation we're on at the moment, this notion of purpose. And I want to touch upon that. When I looked at the investor relations deck, one of the slides mentioned five reasons to invest in the company. And one of those five reasons was the 62% reduction in tons of CO2 since 2014, the ESG part. Now that was listed as one of the five things. Of course, from my years of interviewing CEOs, that wouldn't have been up there 20 years ago. It probably wouldn't have been up there ten years ago. How important are you finding that both for hiring the right people and your investors and potential shareholders in your company, what they're asking for in terms of what they want to see the company do?

Lindsley Ruth: First of all, let me say that the letters ESG may be relatively new, but our purpose of making a difference and making amazing things happen for a better world is not new. We've been focused on it for many years, and we do want to make a difference and believe it's just doing what is right as a business. In years past, many people relied on the governments, I should say, to make a difference in society, to make a difference for the environment, and they had to take the lead.

I see no reason today why businesses cannot take that lead and work with the government to define what the objectives should be going forward.

Working closely with governments worldwide to make that difference and make a difference in terms of the workforce, make a difference in terms of education, and make a difference in terms of the environment. Those things are all critical to us because they're the right things to do.

So I think, if we look at scope 1, 2, 3 emissions, and you mentioned in terms of the 62% reduction over five years. We started that not because it was a metric externally or because investors were asking about it, but because we felt it was the right thing to do, and that's why we did it. So for us, that is our purpose. It's to make amazing happen for a better world. Those aren't just words; we believe in them.

What's really important, I think, today is if you look at students coming out of university and look at people who are new to the workforce, especially those emerging from the pandemic. Of course, the pandemic's not over; we might be saying that in a year or two years. But as people are coming out of this work from home or the virtual environment and the new ways of working moving forward are coming into play, I think it's more important than ever for a company to have a purpose.

So it's where an individual's purpose intersects with the company's purpose that drives the engagement to a higher level. And if we can put those two together, I think, Alpesh, we have something remarkable and special.

Driving Our Purpose

Alpesh Patel: We know it's incredibly important for companies to do this, whether it's the environment or broader social issues. But let me connect that up with another great figure that you've got on your investor relations documents, which is a 24.7% return on capital employed. Now the number crunches, the accountants, the finance department will love that.

How have you managed to achieve the broader purpose? I'll have to tell you, I mean, I come from the hedge fund industry, we often worry that "Listen. What's this going to cost?" Because we're worried about the ROIs and the ROEs and all the rest. So how have you managed to keep the purpose and get such a high return on capital employed simultaneously?

Lindsley Ruth: Right. I think they go hand in hand. So it's not one exclusive to the other. The greater we drive the purpose, and here's an interesting fact for us internally. The greater we drive the purpose throughout the organization, the greater the level of collaboration, the better the results. The more profit we make and our return on capital employed is better.

As I say, and you mention your prior experience as a hedge fund, I would talk to you as if I was talking to an investor today to say that you have not missed the boat in our company. The opportunity still exists for us to accelerate our growth and perform better, and we see an immense amount of opportunity and a sea of uncertainty today. So there's just a great opportunity around the world. We've got less than 1% market share in our market. Together, with a common purpose that pulls us with a vision of becoming the first choice to our stakeholders that drives us, we can accomplish amazing things on our journey.

Ability To Adapt

Alpesh Patel: I'm lucky enough to have hundreds of thousands of followers who are largely private investors. What excites you the most about your company and the future when you wake up in the morning? You've touched upon a bit of it there. Are there certain parts of the world? Are there certain divisions? Are there certain products, or services, which are up and coming? What makes you think, "You know what? I'm sitting on something phenomenal, and I want to get this message out about this part of it." What is it that's the most exciting?

Lindsley Ruth: I think what's the most exciting for me is when I first started here in 2015, our greatest weakness was our ability to adapt. Our ability to adapt to changing markets and adapt to volatility, uncertainty, complexity, ambiguity, and polarization. Today I would tell you that those are our greatest strengths.

And so I wake up every day, today I'm excited. Seven years ago, I was excited, but I was excited about going to fix things. Now I'm excited about building things. And so when I wake up, I think, "Oh, this is going to be a fun day. Because I'm with amazing people and have nothing but opportunity, the key is how we execute and exploit that opportunity." So, for me, it's precisely that.

I was at a session yesterday where we talked about opportunities around connectivity and opportunities around the smart world and smart buildings, and smart education. Just the amount of opportunity out there, Alpesh, is just so exciting, and we want to make it for a better world. And you wonder, with all the advancements in technology over the last 50 years, all the technological breakthroughs, why is the world not a better place? And what can we do to leverage everything that exists to make a greater difference around sustainability and education to ensure that students today have the skills required for the future? They have the digital skills, the technology, and the equipment around the world, and we give them the experience both online, virtually, and offline in classrooms. As we move forward, I think those are all very important. So that's what excites me.

Advice To Students

Alpesh Patel: Now you mentioned students there. And again, another part of my audience is people who are new to the workforce or people moving up the career ladder through LinkedIn. What advice would you give them, specifically when looking at a company like yours, one of the 100 largest listed companies in the UK and a great brand name, to just generally entering the workforce? What are the gaps they need to fill in themselves, would you say? Or any other advice you might have for them?

Lindsley Ruth: The first thing for students coming out today, I'd say number one, is to go into the workforce with an open mind. Make sure you're taking notes; make sure you're learning. And to take from Stephen Covey, "Seek first to understand, then to be understood." Right? So I think way too often, I've noticed.

I have two kids who are graduating from college now, and they'll sit in meetings and won't take notes. It shocks me. I know we're now in this virtual world, and they'll say, "We're taking notes on the phone." But you never know if they're taking notes on the phone or texting or doing something else. But I think there's an art to taking notes, and I still love to do it, and I would encourage people to make sure they're learning.

Second, I would make sure are not to make. I think putting money as a priority is a danger. Students come out today; they might have student debt, college debt, university debt, and credit card debt. You can get a credit card quite easily at that age, and I think it's dangerous to put money as a priority for many people. I think putting the opportunity as a priority and learning and engaging. Every student who comes out today, regardless of where they are in the world, has the gift of opportunity. But not every student is prepared to open that gift. Right? Some of them just stare at it, leave it, and walk away, and others will rip into it and open it up. Every student has an opportunity. It's what they do with that opportunity, I think, that makes the difference in their success long term.

Don't Be Afraid Of Failure

Alpesh Patel: Lindsley, I think what's critical in terms of what you said is not just the message but the messenger. When it comes from the CEO of a major firm, I think it will resonate well with the audience.

In closing, another part of my audience, which I alluded to earlier, are entrepreneurs, as I mentioned. And within the devout for international trade, I'm part of something called The Global Entrepreneur Program; we get the most outstanding technology entrepreneurs from around the world and get them to set up their global headquarters here in the UK. What's your message to those companies around the world? The scale-ups so those who aspire to be in your company's position in a decade.

Those scale-ups around the world, which we're trying to get to the UK, what would be your message to those tech companies worldwide to get them to get set up here in the UK?

Lindsley Ruth: *The first thing I'd say is nobody ever missed the opportunity they did not take. So I think you cannot be so afraid of failure that you do not try. I believe that too many companies abandon their priorities and allow other people to influence their direction. Entrepreneurs should stay true to their priorities and be willing to adapt. But if they've got a conviction in what they're doing and know it's what the market wants or what the market will want and need, they should stay focused on it. I know it's a lot of hard work for a lot of entrepreneurs, we deal with over 100,000* *startups globally in our business, and I believe it's imperative to make sure that we help encourage them to stay the course and support them in any way we can.*

But to set up business here in the UK, I think we're not competing anymore as individual companies. I believe we're competing on ecosystems. So for companies setting up in the UK, I believe so many different organizations can help.

Whether it's Innovate UK, other organizations, the Department of Trade, the Department of International Trade, or so many different organizations can help companies get set up. But there are also willing business partners, through the CBI, that can come in, and that can help companies build out that ecosystem. So I would say, don't think you have to do it yourself. There are partners here that are willing to help and assist on your journey to greatness like us.

Alpesh Patel: That is absolutely fantastic advice. I could talk to you for hours. But as I said, it might impact your share price if we continue talking too long. The CEO is away from the desk. Lindsley Ruth, thank you so much, CEO of Electrocomponents PLC. Thank you so much for an enlightening discussion with us today. We've got more FTSE CEOs coming up. And I think when they're sharing their wisdom, both to a global audience as you did and to entrepreneurs, to people entering the workforce, and such a diverse audience, I think it's absolutely invaluable. So thank you very much for sparing the time and doing that. Thank you.

Lindsley Ruth: Thank you very much, Alpesh, and I'll just leave you with one thought. I love talking to investors, so buy shares that I'll talk to you every day.

Alpesh Patel: Well, that's pretty good advice. And I know a lot of my audience will be taking that on board. From everything from TikTok to LinkedIn, I know I've got it covered with investors and investor questions every day. They've got a fair bit of firepower as well. So I'll make sure they get that message. Thank you.

Lindsley Ruth: Thank you, Alpesh.

Important Things To Remember About Climate Change

Here are the answers to a few questions I was asked on climate change. I'm going to give you the data from NASA on these and their shocking facts. And I think everybody should be well aware of them.

Socio-political Challenges
How do the current socio-political, economic challenges affect climate change? There are a couple of crucial things which come to mind. First of all, we get done what we're focused on.

What are we focused on at the moment? A lot of attention, particularly public attention, is focused on the war in Ukraine. That means that the same public attention is not focused on making sure politicians' feet are kept to the fire. That's a key problem, okay? Governments move when the world gets its attention as it did during COP26 to a particular issue. When governments think they're not being watched, they tend not to move. That's the first thing.

Economic Impact
In terms of economics, an increase in global debt national debt that governments have means that they've got less money to spend on other things.

So what happens? Well, it means that those investments that are needed to shift to more renewable fuels, that money might, because of future promises, get shifted elsewhere perhaps into defense seems an obvious thing.

However, there is one slight positive, which is this. The conflict with Russia, certainly for the Western governments, if you consider which are the most polluting; China, EU, US.

For Western governments that move away from relying on Russian oil, the EU, UK, and the US will be less reliant on hydrocarbons oil. UK has very little reliance on Russian oil and gas, and similarly for the US, very little reliance. But it's surely for the EU; it might lead to a shift in the EU more towards climate benefiting sources of fuel, right?

Where We Went Wrong?

Where and when do you think the human species went wrong in assessing climate change and its adverse impact? I think there was an area where we went wrong, and there's an area when even though we could have gone right, we continued choosing to go wrong.

First of all, to some extent, you can't blame us if we don't have the data. When I look at the data on the NASA website, and I like going to the NASA website, okay? Basically, the level of atmospheric carbon dioxide had never been above the 1950s level for millennia. And we know this because we can dig up old fossils, and you can tell the carbon content of the air at that time when those fossils were fossilized, so from thousands of years ago.

After the 1950s, it went through the roof. Now, this was partly due to obviously what happened in the 1800s and the industrial revolution. I don't want to blame the British; I'm Indian. They get blamed enough for everything, but we didn't have the data. We didn't know that would be the impact. So to some extent, I can't blame us. And then, of course, when we realized the problem became climate denial, which is why I'm referring to data from NASA.

I think you have got to be pretty off your face if you believe NASA data is somehow just manufactured artificial political unless you're a flat earth supporter. In which case, you definitely don't think so in NASA's data. So that's the basis where I go, where did we go wrong? Well, we have the denies, which still exist. And thankfully, they have a weaker force in government.

And secondly, when we did discover the problem, we just didn't take enough notice. Now, why didn't we take enough notice? We're a world of national governments, and each has self-interests. So everybody wants to keep doing what's best for their own country. That hasn't changed. Unless you can get collusion amongst governments so that everybody is on the same page and doesn't feel that somebody else is free riding and getting away with it, it doesn't work. So we needed to create a cartel.

Governments are notoriously bad at colluding and creating cartels as the numbers grow bigger. You could probably create a formula and say, "The more governments are involved, the less law likely that collusion will hold." OPEC is, ironically enough, one of the best-known cartels in the world, and even they get people cheating, as it were. Simple so, what's the problem? Self-interest is. As I said, we don't have a united government of the world. We have nation-states.

So again, do I blame humans? No, we're created as a species of self-interest. The fault is in the maker.

India-UK partnership
How can the UK-India partnership help in working towards handling climate change? At COP26, at the very last minute, India railed back on how quickly it will slow down on coal with China. Interestingly enough, at COP26, the Chinese stood up and said in Mandarin in a very short sentence, "The Indians would like to say something."

The Indians stood up and took it for; I think the Brazilians, Indians, and Chinese were on the last-minute signing of COP26 and said, "We'll make best endeavors instead of setting a specific goal." So how can UK-India work together?

Well, both have an interest in the climate. They're both pretty much on the same page, despite what happened in the last minutes of COP26, which I think had more to do with mismanagement than mal intent on the Indian side. I think they just got played by the Chinese who threw the Indians under the bus, and the Indians were more than happy to be thrown under the bus for some reason by the Chinese on this issue.

What will happen going forward between UK-India is, of course, that shared knowledge on the technologies that we need. India has a problem: it doesn't make enough solar panels domestically of sufficiently high quality. Britain can help with that. Britain has a problem with carbon extraction technology, which India's rather good at. We've brought companies like carbon clean solutions from India over to the UK using their intellectual property, and they've been phenomenal. So I think that partnership of knowledge sharing will be tremendously valuable, plus India needs plenty of capital, and the UK financial markets are very good at raising capital.

India needs a lot of capital, just simply because of the size of the country. And it doesn't have enough domestic capital alone, so it needs to borrow money from other parts of the world. And I think Britain can help, whether it's green bonds or just raising capital for its companies in the conventional sense through the London markets. And as I said, the UK is very good at that.

Diversity and Inclusion
How can diversity and inclusion promote an accelerated approach for deriving solutions for climate change? Well, I used to be on the UK-India Roundtable. I was appointed to that back in 1999 by the then UK prime minister to device and closer ties between UK and India. And the Indian side at one point said, "You guys had mad cow's disease in the UK, and you went running around the Western world looking for a solution. And nobody thought to ask the Indians who have been managing diseases relating to cows for decades."

And I think that's the problem. When you don't have diversity of thought, the problem becomes that you try and use the same old or incremental solutions when you might need revolutionary solutions. And I think diversity inclusion can give rise to more diversity of thought, which could give rise to revolutionary ideas, as opposed to what I said just incremental ones.

Reading Recommendations
What would you recommend our readers should read to learn more about climate emergencies? I think the United Nations and NASA are two very good sources, and those would be the two main places. There's obviously Al Gore's work an inconvenient truth. I think Ted Talks on this subject are phenomenal. They're very, very good. So NASA, United Nations, Al Gore, and inconvenient truth and Ted Talks on this.

Contribution From Asian Community
How can the Asian community contribute towards building a better or more sustainable future amid

solving the climate crisis? Because a lot of the Asian community, I think you mean British nation. By that, we usually mean from the Indian Subcontinent. And a significant number of those will share the same faith as me, Hinduism.

If you're from the same faith, the environment is a core part of your faith, looking after the world. The idea is that God exists in all things and inanimate. I think that's an integral part of our faith to remember and not just to remember, but to use that in our daily actions, whether recycling and not wasting. There used to be the old joke that an Indian goes to the fridge opens up a tub of what looks like ice cream, and inside they find, I don't know, something completely different, which they didn't want to eat.

Why? Because we have the habit of recycling containers, particularly as Gujaratis as my Punjabi in-laws keep mentioning. Now, they're not laughing. They're saying, "Hey, this is a good idea. We're supposed to do this, not just throw things out." So I think going back to that old attitude that our parents had when they first came to this country and when money was so tight, that you didn't just throw away clothes, you didn't just keep buying new ones, you didn't have fast fashion. You did recycle and reuse and relabel and repurpose.

And I think going back to that attitude and using faith to communicate to people, not necessarily mentioning your faith and shoving it down to people's throats. But, using that as part of living your faith, by taking those actions, communicating with them peacefully whenever you have an opportunity to push this agenda with anybody.

If we get one letter, we'll act on it because we assume there are a thousand people who haven't written to us. So writing even one letter on it makes a difference; it makes a difference, okay?

Planet Earth 50 years on

What would it be like if we were to describe how the earth would look 50 years later? Well, let me tell you some scary facts. The planet's average surface temperature has risen about two degrees since the late 19th century, a change driven primarily by increased carbon dioxide emissions into the atmosphere and other human activities. Most of the warming occurred in the past 40 years, with the seven most recent years being the warmest.

The year 2016 and 2020 are tied for the warmest year on record. So guess what? It's going to get hotter, and the oceans will start rising. The ocean has absorbed much of the increased heat, with the top 100 meters of ocean showing warming of more than not 0.6 degrees Fahrenheit since 1969. Earth stores 90% of the extra energy in the oceans; the oceans take that heat and get bigger.

Think of that then impacting shrinking ice sheets. The Greenland and Antarctic ice sheets have decreased in mass. Data from NASA's gravity recovered in climate experiment show Greenland lost an average of 279 billion tons of ice per year between 1993 and 2019, while Antarctica lost about 148 billion tons of ice per year. What does that mean? Well, places also start retreating. Places are retreating almost everywhere worldwide, including the Alps, Himalayas, and these Rockies, Alaska, and Africa decrease snow cover.

Satellite observations revealed that the amount of spring snow cover in the northern hemisphere has decreased over the past five decades, and snow is melting earlier. This means floods, natural disasters, and habitat loss for other species, but sea levels are rising. Global sea level rose about eight inches, 20 centimeters in the last century. The rate in the last two decades is nearly double that of the last century and accelerating slightly every year.

Is this goodbye to the Maldives? Nobody cares about the Maldives other than the Maldivians and people who holiday there, but they will care when it's everywhere else around the world. The coastal towns and cities and the disasters in their tax bills go up because somebody's got to pay for all that. And let's not forget in Britain, we live on an island.

Conclusion

Extreme events. Declining Arctic sea ice, both the extent and thickness of Arctic ice have declined rapidly over the last several decades. The number of record high-temperature events in the United States has been increasing. All the number of record low temperatures events have been decreasing since 1950.

To give one example, the US has also witnessed increasing numbers of extreme rainfall events. You're going to get rain in areas you're not supposed to, more of it than is helpful for agriculture and could be damaging and less rain in places where you actually need it. I won't go on; there's a lot more. So how does it look 50 years from now? Pretty bleak, I'm afraid. Pretty bleak.

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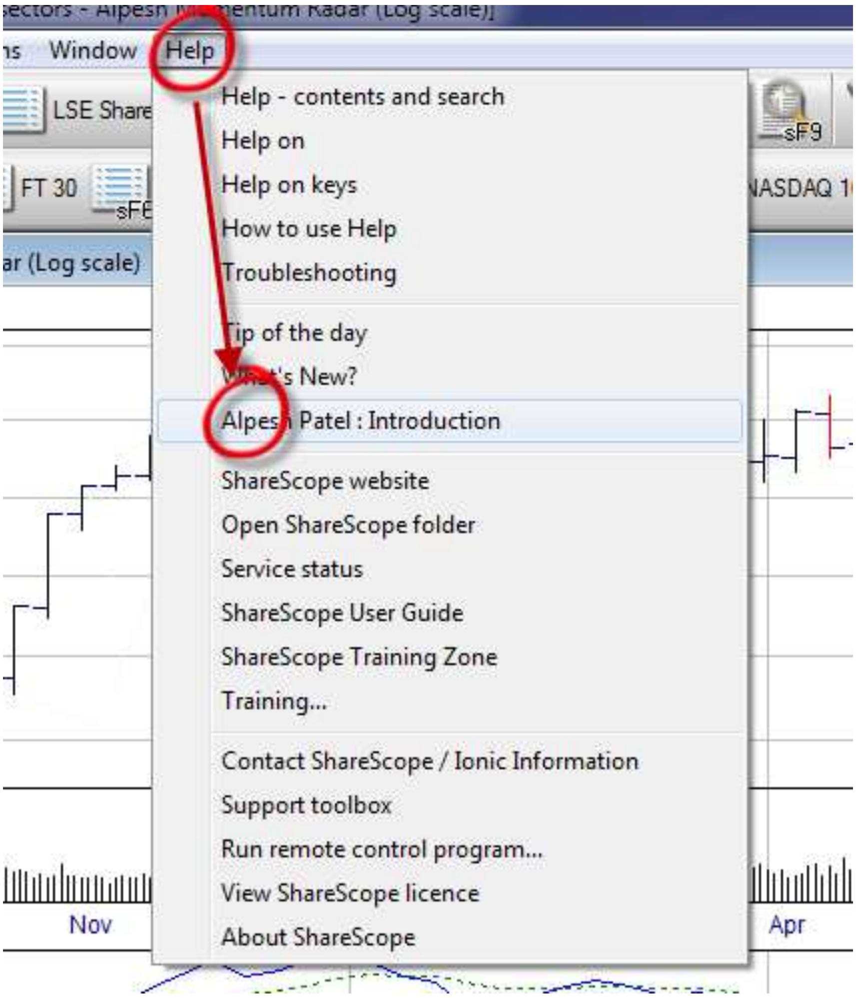

Personal

Wife at Number 10 for meeting with Prime Minister

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