

Alpesh Patel's March Newsletter

Exclusively for ShareScope Alpesh Patel Special Edition Subscribers



21 March 2019

Top insights from the City

Brexit – the never ending story shows the importance of ShareScope APSE – because picture yourself in stocks you know are high growth, yet undervalued, paying good dividends. Then whilst watching Parliament and all the uncertainty there is – you clearly don't get riled.

In this newsletter we will focus on investing and trading in uncertain times; important lessons for all times.

When you are as old as I am, you develop resilience and coping strategies for your business and your investments. These I will share in this newsletter.



Hedge funds ✓ Added

Hedge funds win big from Brexit bets



Crispin Odey made money by taking out a large position in gold

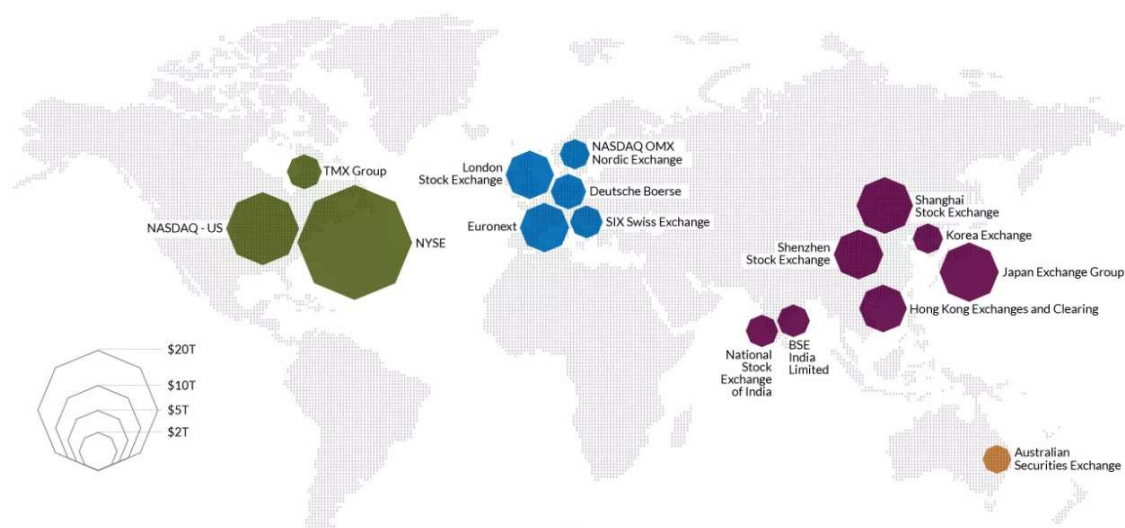


17 Save

JUNE 26, 2016 by: **Miles Johnson, Harriet Agnew** and **Mary Childs**

The \$1 Trillion Club

16 exchanges, each with a total market capitalization over \$1T, can be considered to be in the exclusive "\$1 Trillion Club"



Equities

So many in the FTSE 350 rank at 9 or 8 for value growth. That's a lot of choice. They are growing in the case of exporters because GBP makes it cheaper. They are undervalued due to pessimism being potentially overdone and they pay good income.

03 List: FTSE 350 - All sectors - Alpesh Table (Linked)

No.	Alpesh value/ growth rating	Name	Price% 3 months ago
1		9Antofagasta PLC	▲ 22.85
2		9Barratt Developments PLC	▲ 36.29
3		9Britvic PLC	▲ 16.79
4		9Dunelm Group PLC	▲ 75.49
5		9Evraz PLC	▲ 26.46
6		9National Express Group PLC	▲ 17.03
7		9Redrow PLC	▲ 30.92
8		8Anglo American PLC	▲ 14.40
9		8Auto Trader Group PLC	▲ 13.52
10		8Barr (AG) PLC	▼ -0.12
11		8Bellway PLC	▲ 25.37
12		8Bovis Homes Group PLC	▲ 36.70
13		8BP PLC	▲ 11.14
14		8Cineworld Group PLC	▲ 14.95
15		8ConvaTec Group PLC	▼ -1.96
16		8Countryside Properties PLC	▲ 17.97
17		8Dairy Crest Group PLC	▲ 52.47
18		8DS Smith PLC	▲ 20.36
19		8EI Group PLC	▲ 18.15
20		8Fisher (James) & Sons PLC	▲ 19.73
21		8Galliford Try PLC	▲ 28.23
22		8Grafton Group PLC	▲ 30.21
23		8Greencore Group PLC	▲ 20.78
24		8Greggs PLC	▲ 45.95
25		8Halma PLC	▲ 25.23
26		8Hill & Smith Holdings PLC	▲ 3.42
27		8IMI PLC	▲ 9.84
28		8Informa PLC	▲ 18.74
29		8ITV PLC	▲ 7.51
30		8JD Sports Fashion PLC	▲ 51.15
31		8Lloyds Banking Group PLC	▲ 25.22
32		8Londonmetric Property PLC	▲ 6.35
33		8Marshalls PLC	▲ 31.15
34		8Micro Focus International PLC	▲ 35.29
35		8Moneysupermarket.com Group PLC	▲ 29.52
36		8National Grid PLC	▲ 13.66
37		8NewRiver REIT PLC	▲ 2.04
38		8PageGroup PLC	▲ 5.00
39		8Pennon Group PLC	▲ 12.83
40		8Rightmove PLC	▲ 19.03
41		8Sage Group (The) PLC	▲ 14.63
42		8Savills PLC	▲ 31.76
43		8Segro PLC	▲ 15.35
44		8Softcat PLC	▲ 49.06
45		8Spectris PLC	▲ 20.81
46		8Taylor Wimpey PLC	▲ 36.83
47		8Telecom plus PLC	▲ 5.54
48		8Tesco PLC	▲ 22.78
49		8Whitbread PLC	▲ 13.15

That's a lot of choice.



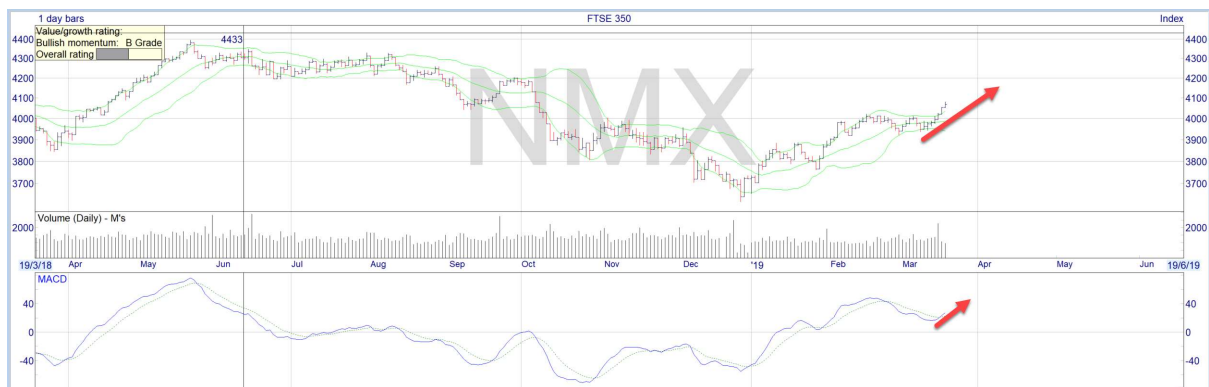
Indices

This is what I said last month:

“I will stick my neck out and say as Brexit uncertainty wains (and I will stick my neck out and say it will wain!) FTSE 350 will start moving up again.”

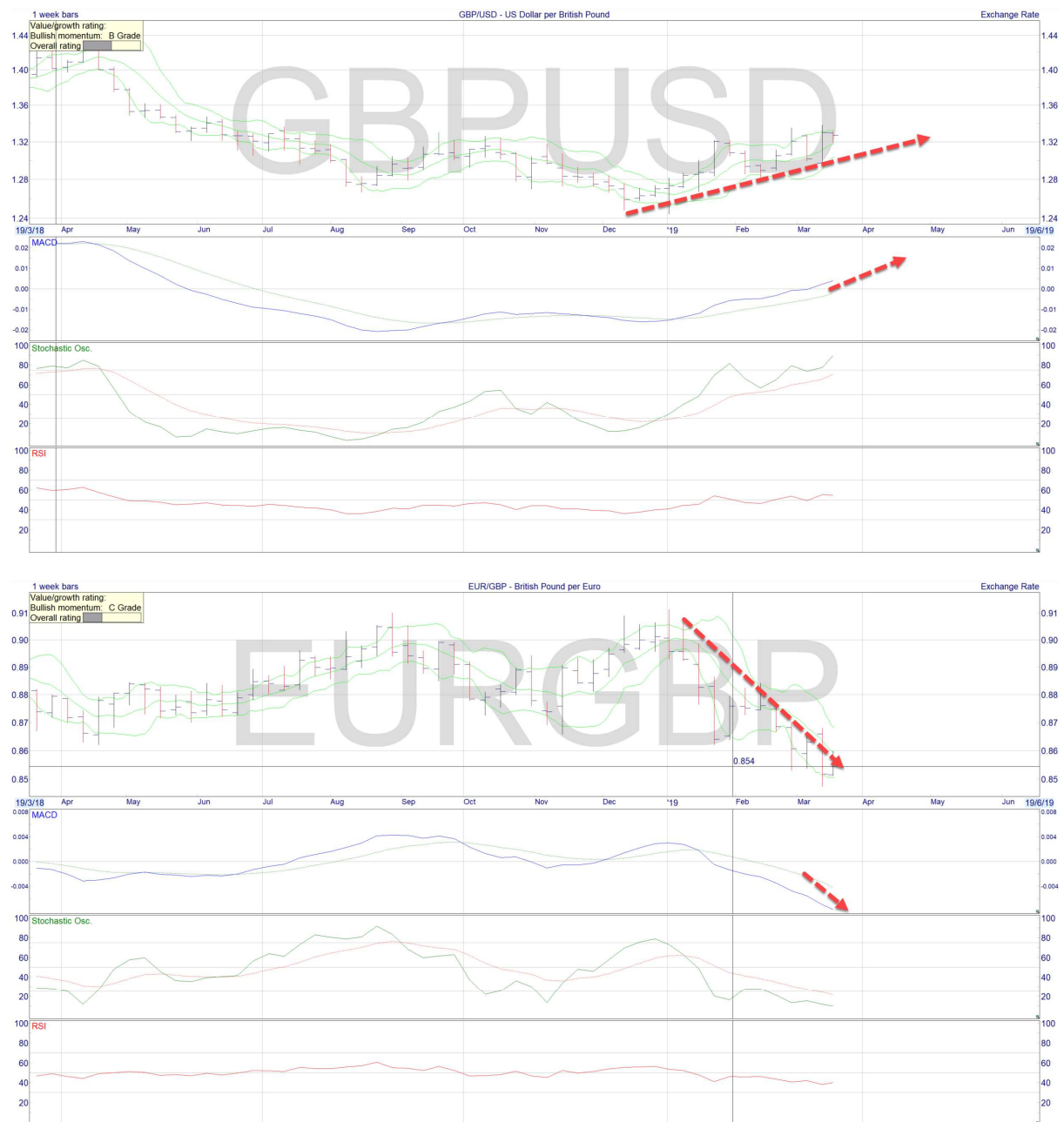


This is what happened. Am happy to hold on to that view.



Forex

It's all eyes GBPUSD –



Personal Thoughts

Why is the stock market holding up so well?

Why? Company profits. Markets move on expectations. We expected far worse earnings after all the Brexit shenanigans and uncertainty and trade war talk. So, stock markets sold off and became cheap. Companies expected poor profits and so they cut costs. But exports held up. Disaster was denied, or at least delayed and so the consumer merrily bought and China and India did too. So, profits rose.

Am I not forgetting something? Unemployment, EU country default dangers, government spending cuts, tax rises, inflation, and commodity prices, rising oil? Surely stock prices cannot rise with all this going on? Ummm... yes they can. Unemployment is receding – in the UK it is as low as when I was born back in... well let's just say a long long time ago.

EU debt defaults are being bailed out by printing money, which yes causes inflation which in turn leads to rising stock prices anyway; government spending cuts are being substituted by private sector orders for companies, commodity prices are being hedged by companies or leading to outright profits. So where is the pain? Tax, but it is slowing down growth, not killing it.

But do consider some warnings. To quote Warren Buffett, “We see the growth in corporate profits as being largely tied to the business done in the country (GDP), and we see GDP growing at a real rate of about 3%. In addition, we have hypothesized 2% inflation. If profits do indeed grow along with GDP, at about a 5% rate, the valuation placed on American business is unlikely to climb by much more than that. Add in something for dividends, and you emerge with returns from equities that are dramatically less than most investors have either experienced in the past or expect in the future. If investor expectations become more realistic — and they almost certainly will — the market adjustment is apt to be severe, particularly in sectors in which speculation has been concentrated... “Fools give you reasons, wise men never try.”

So, in the age of Facebook in anticipation of this article I posted a poll: ‘If you had to invest in the equities of one of these countries which is your favourite?’ The results at the time of writing are: 58% for India; 25% for US; 0% for China, 8% for UK and 8% for Japan.

Back to caution: “Examine the record of, say, the 200 highest earning companies from 1970 or 1980 and tabulate how many have increased per-share earnings by 15% annually since those dates. You will find that only a handful have. I would wager you a very significant sum that fewer than 10 of the 200 most profitable companies in 2000 will attain 15% annual growth in earnings-per-share over the next 20 years,” said Warren Buffett. The point is the current rate of profit growth which some of the large British and US companies are producing presently cannot of course last. But the issue with the market is always ‘when’ not ‘how’ or ‘what’. So, when will the music end?

Personal Activities



Sister's wedding!

My BBC comment on how few FTSE companies have people with my skin colour on their boards – way fewer than the population and given CEOs of Mastercard, Pepsi, Microsoft, Google are all Indian – you'd think America knows something!

<https://youtu.be/ZZz33OpFiMI>



All

Mentions

Verified



Mo Ansar  @MoAnsar · 8m



Today a stark reminder from [@alpeshbp](#).
Whilst some progress on gender and equal pay; for BAMEs little or no progress. Even backwards.

UK Top Corpns @ Chair/CEO/CFO (out of 302 results)
96.7% White
92.4% Men
7.6% Women
3.3% Black & Ethnic Minority

H/T. [@GreenParkLtd](#) Report 5.

Mo Ansar  @MoAnsar

Superb diversity banger from
[@alpeshbp](#) on [@BBCNews](#) w/
[@BBCSimonMcCoy](#). Back in the long ago, those who spoke hard truths with charisma and swag were the lifeblood...

All wrapped up with a trip to the Middle East again for my fund.

