THE UKSA NEWSLETTER

UKSA
UK Shareholders' Association

Issue 24 – January 2025

Chairman's message

Charles Henderson - Chairman of UKSA

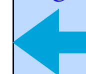
Dear members

Happy new year and welcome to the end year of the current quarter of a century. I have just learned that on 21 January and 28 February this year we will potentially be able to see two lots of planetary alignments, first of Mars, Jupiter, Uranus, Neptune, Venus and Saturn and then of Mars, Jupiter, Uranus, Venus, Neptune, Mercury and Saturn. Some may think these are portents of good or bad things to come. That is easy to imagine, as I was looking at Mars, the Moon, Jupiter and Venus the night before writing this and hearing what sounded like a banshee crying out behind our house (I expect it was really a fox), making me wonder if it was a bad omen warning.

I've just seen a Spectator cartoon suggesting I may be a fantasist wishing people a happy 2025. However, I still think the negatives of our day and age are overplayed and I remain optimistic that the positives should continue to get better. Part of this needs young people to become more self-reliant and reduce their dependence on others and other things, like governments. Apparently Monday 13 January is coming-of-age day in Japan, a national holiday to encourage those who have recently entered adulthood (18 years of age) to become self-reliant members of society – maybe we should have one?

What are your predictions for the coming year or next quarter of a century and what are you basing these on? If inclined, please write to me and let me know and I may collect your thoughts in the next newsletter. I'm expecting increasing interest in UK equities and a decline in US equities (although I've been expecting the former for a while now, ever since private equity started picking up UK equities as bargains from before Covid).

Let us know your predictions by e-mailing charles.henderson@uksa.org.uk



Social media or not to social media

Ever since I heard that those running the US Tech giants were keeping their children away from smartphones and social media, I wondered whether social media were worth having. I think the problem is that like most things there are pros and cons to social media. When they stop people thinking for themselves and looking properly after themselves (being self-reliant), they're a disaster. Unsurprising, then, that Australia is banning social media for under-16s towards the end of this year.

Let's be ambitious for 2025!

Martin White calls for positive thinking on page 11.

My sporadic social media use is limited to LinkedIn, WhatsApp and YouTube. This is mainly because my communication preferences are for direct methods, like in-person, telephone and e-mail.

It has been interesting recently to experience the disappearance of being able to get hold of a person to talk to if you encounter problems with anything. Most of the time I seem to have been pointed to online forms and then had to wait for ages for a reply. If the internet goes down or we experience an electricity cut or some similar interruption to technology, we are doomed!

Just so you know, UKSA has shelved its X/Twitter account and opened a Bluesky one. This was mainly because of a fair amount of toxicity relating to X/Twitter.

Another interesting aside is that giving up social media for January, rather than food, drink or anything else, would contribute a lot of benefit to the environmental problems that we face (referencing the amount of energy used). It may also potentially reduce the attention paid to populists like Trump, Musk and Farage, who, like spoilt children, seek attention and should probably not get it. Unfortunately for us, they see their support as justification for their actions and sayings. However, according to Dan Davies, in his book The Unaccountability Machine, their support is more likely to be a warning from the people with a message 'HELP! THE CURRENT STATE OF AFFAIRS IS INTOLERABLE TO ME'. These populists' actions are unlikely to make the current state of affairs more tolerable for people. Coincidently, I have also just read about Emilie du Châtelet, described as the Enlightenment's most dangerous woman, who advised 'not to carry respect for the greatest men to the point of idolatry'. Following this advice, we should all not follow blindly the persuasions or directives of social media influencers.

Even with any doubts we may have, we can only place our trust in what we know and have experienced until such time as we experience otherwise. And, as mentioned above, I remain optimistic about the future.

New Head of Policy

I would like to welcome our new Head of Policy, Ian Brindley. From 1 January he has taken over the Policy Team from Dean Buckner, whom I would like to thank for his policy team leadership over the last five years. Dean remains an UKSA director.

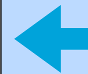
Investment trusts, Saba Capital's activism and cost disclosures

I was recently informed by the Investment Association and the Investors Forum of Saba Capital's interest in seven investment trusts and its requisition of general meetings and shareholder resolutions to remove their boards, replace the boards with two Saba directors and appoint itself as fund manager to pursue different investment strategies to those in place with existing managers. The seven investment trusts are:

- Baillie Gifford US Growth
- CQS Natural Resources Growth & Income
- Edinburgh Worldwide Investment
- European Smaller Companies
- Henderson Opportunities

- Herald
- Keystone Positive Change

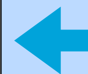
I mention this in case you are a shareholder in any of these investment trusts, unaware of Saba Capital's activism in relation to them and wish to vote on the resolutions at the general meetings. I have no interest in these closed-ended investment companies (the only one I do have an interest in is Henderson High Income in my youngest grandson's AJ Bell junior ISA), but think it strange that a credit/debt specialist, Boaz Weinstein, is taking an interest.



Interested in a Zoom call with Pat Sanderson of Janus Henderson? E-mail officeatuksa@gmail.com

Pat Sanderson of Janus Henderson, the firm that manages two of the trusts, has offered to discuss the specifics of the situation and also the wider policy implications for the investment trust sector. If you are interested in a Zoom meeting with Pat, please e-mail UKSA to register your interest and, if more than 10 of us are interested, I will try and arrange the meeting.

In my last newsletter contribution, I mentioned investment trust cost disclosures. There is now an FCA consultation called CP24/30 - A new product information framework for Consumer Composite Investments (apparently a CCI is an investment where the returns are dependent on the performance of or changes in the value of indirect investments; so like an investment trust/closed-end investment company, ETF or other open-end fund like a unit trust or open-end investment company). We plan to reply to this consultation. If you have any relevant thoughts on this topic you want us to pass to the FCA (including whether it could have produced a more consumer-friendly term than Consumer Composite Investments), please let me know by the end of January.



Let us know your thoughts for inclusion in our response to the FCA consultation by e-mailing charles.henderson@uksa.org.uk

What if anything is wrong with UK stock markets?

As mentioned in the last newsletter, I continue to think a pipeline of decent quality businesses looking to IPO is essential to have stock market shares to invest in. Two recent FT articles supported this view: one on 10 January by Kate Burgess on the unsung heroes in the UK small-cap markets, mentioning the likes of RELX, Bunzl, Halma and Renold; the other article from 13 January's FT by Nikou Asgari, Akila Quinio and Ivan Levingston mentions the companies that may list in the UK this coming year, such as the fintechs Ebury, Zopa and ClearScore, the financial service providers Parameta and Shawbrook and the industrials Metlan Energy & Metals and AirBaltic. Shein and Unilever ice cream are also mentioned.

I recently learned that the London Stock Exchange Group is making its real-time market data available to retail investors free of charge.

Democratising access to UK capital markets can only help and, in respect of an organisation that has done a lot in this area, I remind you of Investor Meet Company, where you can register to gain free access to meetings with companies, an RNS feed and podcasts using AI to summarise corporate reporting communications. I believe that most investor platforms – Interactive Investor, AJ Bell, Hargreaves Lansdown, etc. – now have links to Investor Meet Company.

Digitisation Taskforce

Further to previous updates on this, and in anticipation of the Taskforce's final report, we wrote on 4 December 2024 to the Treasury and the Department for Business and Trade about our key concerns:

1. In the process of dematerialisation, certificated shareholders must neither lose their rights nor face new costs;
2. Ultimate Beneficial Owners' rights need to be restored so they are no worse off than dematerialised certificated shareholders;
3. After dematerialisation, issuers must be able to communicate directly with UBOs;
4. UBOs need to be able to contact other UBOs when needed;
5. Dematerialisation is the occasion for the Government to mandate uniform, high standards of segregation.

Mohammed Amin also recently pointed out that an article in the Cambridge Law Journal echoes our concerns about digitisation and the nominee system.

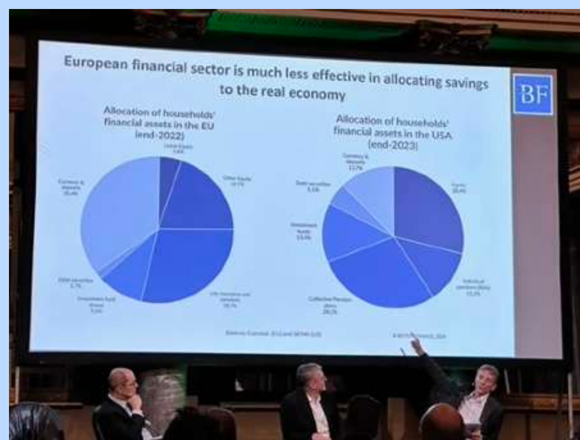
Let's hope that the Taskforce reflects on these in their final report.

Wiesbaden 2024

In December, UKSA was represented at the joint Better Finance - DSW conference at the splendid Kurhaus in Wiesbaden. See also the Martin White column (p. 13)

The theme was "Europe at a Crossroads – Are We Still Competitive?".

The presentations showed stark differences between Europe and the US in terms of asset allocation.



External relations round-up

Sue Milton - External Affairs Director

Where are we with retail investor engagement?

UKSA continues to organise meetings with companies we have a relationship with (most recently Pearson on 30 October 2024, and Young and Co.'s Brewery on 27 November 2024). We are also building relationships with a wider range of companies arranged by Equity Development (there is free access to ED's company research and we had an on-site visit to Restore on 28 November 2024). This type of engagement is positive because investors and companies exchange useful information and views.

Yet it never seems enough, so will the recent changes in the UK listings rules increase retail investor engagement? These rules make it easier for companies to have dual-class shares and differentiated voting rights. In the opinion of Kiran Vasantham, Georgeson's head of investor engagement for the UK and Europe, investors will want to know how the withdrawal of voting rights "will increase engagement between investors and companies"; this potential increase would be about clarification and has nothing to do with better engagement between UK companies and their owners.

In Europe, investor engagement has taken on increasing importance in capital markets. This is illustrated in the EU's consultation with retail investors on T+1 settlement (for more information, see the section in this newsletter on T+1 settlement).

The one area of 'engagement growth' seems to be around the 'S' of ESG, especially in the tech space. Globally, future-proofing these skills needed in companies means there is more interest in employee engagement. Investors want to know how companies think about employee hiring and retention in a world of fast-changing skills.

My conclusions are that more opportunities to engage exist, not only in all aspects of ESG but also in the increasing geopolitical threats companies face, yes, the onus remains on us, the retail investor to promote and improve retail investor engagement.

Please share any views on how UKSA can improve our company engagement. For example, should we contribute our ideas for our meeting agenda to replace our reliance on hearing what the company chooses to share with us? Should companies explain investment opportunities? What can we do to encourage more women and younger people to participate in company meetings?

Let us know your views on improving our company engagement by e-mailing officeatuksa@gmail.com

Carbon credits and carbon offsets: the good, the bad and the downright confusing

Do carbon credits and offsets confuse you as much as they do me? I can't find an easy way to assess them. At an investors meeting hosted virtually by KPMG on 12 December 2024, I found out why.

There is no global approach on how to design and apply them. Using carbon credits and offsets is haphazard. Reporting is voluntary in most cases. Investors are left with unverifiable statements on the true level of carbon (CO_2) and other greenhouse gas emissions (GHGs).

Because gross zero is unachievable, as everything we do creates some level of carbon emission, governments talk about achieving net zero. Carbon markets are the result. Their intention is to reduce carbon emissions to net zero by having polluters cancel out their emissions by creating carbon-capture products.

New terminologies and methodologies exist:

Carbon offsetting: this is a process involving a reduction in, or removal of, carbon dioxide or other greenhouse gas emissions from the atmosphere to compensate for emissions made elsewhere. The carbon offsets are achieved by either purchasing carbon credits or investing in green projects that lead to carbon offsets.

Carbon credits and carbon offsets: credits are based on how much carbon a particular industry or company is allowed to emit. The permitted level is determined by governments and varies globally. Companies seek permission to create more than the permitted level of emissions by paying for a carbon credit for every metric ton of CO_2 and GHGs emitted above what is allowed. Companies can also offset carbon emissions by investing in carbon capture projects, e.g. investing in tree planting.

Units: one carbon offset = one metric ton of CO_2 or other GHGs.

Usage: if, for example, a company has a 2030 obligation to be carbon-neutral but knows it will not reduce its emissions to zero, it will buy credits and/or invest in carbon offsets.

Carbon markets: there are compliance and voluntary markets. The markets exist in various jurisdictions, the larger ones being in the EU, China, Australia and Canada. In compliance carbon markets, governments tell various industries how much carbon they can emit. It is then up to each company within that industry to stay within its allotted carbon amount. Voluntary carbon markets are private markets. Participants voluntarily buy and sell carbon credits that represent removals or reductions of carbon and GHGs in the atmosphere.

Obtaining credits: if companies cannot or choose not to meet compliance levels, they will have to access carbon markets to purchase carbon offsets.

Achieving offsets: carbon offsets are tradeable certificates proving that one ton of CO_2 or the equivalent amount of one ton of another GHG has been removed from, or not emitted into, the atmosphere.

Balance sheet impact: if a company buys these credits in advance of using them, the credits are classed as intangible assets.

Reporting: in the UK, most companies outside of the aviation and automotive industries are not required to report on carbon credits. In

these two cases we should see entries for all credits purchased on the balance sheet. Any company can, of course, voluntarily report its carbon credit purchases, but KPMG said that it had not seen any such reporting.

The reporting nonsense: the chances are that we will know nothing about carbon credits because if the purchased credits have been applied in ways that netted off the carbon emissions, there is no need to report them at all.

The future of carbon credit reporting: we should obtain better clarity from UK companies once the International Sustainability Standards Board's (ISSB) IS1 and IS2 are endorsed and applied in the UK. We do not have an implementation date yet.

Far from foolproof: if, for example, a tree plantation exists to offset carbon emissions, it could burn down before the trees are mature enough to offset the intended carbon emissions. That creates a double whammy – the trees can no longer offset emissions and they are releasing additional emissions caused by the fire.

Insurance: the FT reports (behind the paywall) that insurance companies are beginning to offer "in-kind replacements of insured credits in case of delivery failures of up to five years into the future". There is also "a warranty and indemnity policy available to underwrite the quality of carbon credits".

Unintended consequences: as the following case study shows, businesses are beginning to realise just how imperfect carbon markets are.

The imperfect world of carbon credits and offsets – Electrical Vehicle (EV) manufacturing in Europe and China.

The European, including the UK's, EV market is at risk of subsiding China's EV market. Why?

China is probably the global leader for producing and selling EV vehicles. China has turned buying EVs into a no-brainer for its domestic market through a complementary set of industrial EV policies covering manufacturing and sales. Part of what makes this possible is China's autocratic (no pun intended) rather than democratic approach to governing.

Politics aside, the result is that China has gained loads of carbon credits that it can sell as carbon offsets to European countries whose own car manufacturers are struggling to meet their national emission targets.

The target measurement is crude, based on a percentage of new EV car sales. As we approach 2030/35/40/50, or whatever the net zero target date is for a nation, the EV sales must increase in percentage terms against a government-defined target, the logic being that if the percentage of EV sales increases, the percentage of non-EV sales must decrease.

If our European car manufacturers are unable to do this, they can offset their implied higher emissions (implied because, as they are not selling enough EV cars, emissions must not be falling fast enough) by purchasing carbon credits from their Chinese counterparts. These credits cost a lot so, to keep compliant within national requirements, companies face significant financial costs whilst

subsidising their Chinese competitors with the fees paid for the carbon credits. Surely this was not the intention.

If we have an UKSA expert on the carbon markets, please consider running a nationwide UKSA virtual meeting to help our understanding. Please contact the UKSA Office at officeatuksa@gmail.com.

Have carbon markets expertise you could share? E-mail officeatuksa@gmail.com.

T+1 settlement

In our newsletter #21, I wrote about T+1 settlement in the USA as from May 2024. I am pleased to say I am unaware of any issues arising from T+1 settlement, but let me know if you have experienced any.

Now the UK and the EU, along with several other countries, are looking at T+1 settlement.

In the UK: there was a consultation by the UK AST Technical Group (no UK Government involvement) from 27 September 2024 to 31 October 2024. This passed me by completely. It was seemingly for market participants. Deloitte provides a useful summary.

In the EU: Better Finance, an EU membership group focused on the interests of retail shareholders and others using financial services (Mission & Vision - BETTER FINANCE), has been invited to comment on moving to T+1. The EU's document looks similar to the UK's, which is good news. Thanks to our newsletter editor and board member Helen Gibbons, we will have some input as Helen is a Better Finance board member, representing UKSA.

Globally: we are moving forward globally at pace, with T+1 already in place in six countries. Here is a timetable available from T+1 After Action Report:

T+1 Transition by Jurisdiction		
Country	Date of Announcement	Effective Date
United States	February 15, 2023	May 28, 2024
Canada	March 14, 2023	May 27, 2024
Argentina	March 6, 2024	May 27, 2024
Mexico	April 12, 2024	May 27, 2024
Jamaica	May 20, 2024	May 27, 2024
Peru	April 23, 2024	May 28, 2024
United Kingdom	March 28, 2024	No later than December 31, 2027
European Union	April 2024	Exploring T+1 (04 2027)
Australia	August 2024	Exploring T+1 (2030)

How long before we get to T+0?

How can the Financial Conduct Authority (FCA) promote growth or protect consumers?

I believe that governments should promote growth whilst regulators mitigate the worst excesses in the way growth is achieved. Yet recent and current UK governments want all regulators to adjust their approach to promote competition and growth.

In a Times article of 14 October, banks stated that "industry and regulators should work together to deliver on the promise of the new competitiveness and growth objective". That is great until there is a conflict of interests between regulators and the regulated, and between consumer protection and economic growth.

Retail investors need the UK's Financial Conduct Authority (FCA) to work effectively. The FCA's aim is "to make financial markets work well so that consumers get a fair deal". In practice, the FCA is not good at giving consumers a fair deal, having been accused on 25 November 2024 of "slowness, inaction, complacency, opacity, unaccountability and even dishonesty".

So what makes the government think that the FCA would be good at promoting competition and growth?

The other key regulator for retail investors is Financial Reporting Council (FRC), in charge of the UK's code of corporate governance and stewardship codes. The FRC remains paralysed by successive governments. Its current mandate prevents it acting as broadly and deeply as it would like, so the sooner audit and governance reform are introduced the better. It should be a government priority to get the legislation in place that will allow the FRC to transition to the Audit, Reporting and Governance Authority (ARGA), as this would provide the baselines and benchmarks for corporate behaviour. Until that happens, the UK government will have insufficient information to oversee and improve UK plc.

Policy Exchange (PE), as reported by City AM, states that we are smothered by regulation that paralyses organisations. PE makes a valid point that removing regulations prohibiting certain behaviours does not automatically mean inducing people to behave in those ways, nor does it mean an ignorance of risk.

I agree, but by not explicitly prohibiting those behaviours we implicitly do grant such permission. I also agree that corporate behaviour does not necessarily reflect how well companies understand risks. Risk-taking is necessary for a healthy functioning society so long as the risk is understood and split fairly. The problem is that corporates use investors' money so are able to take risks without investors having the practical means of fair redress when things go wrong .

As well as implementing ARGA, should our political leaders begin stating regulatory aims that complement a genuine industrial strategy for consumer protection, competition and growth?

HonestMoneyNews

John Hunter - Co-Head of Financial Learning and creator of HonestMoneyNow and PlainHonestMoney

PlainHonestMoney Ready in Sandbox Form

'Sandbox' is a word I've borrowed from Helen (Newsletter editor) and fallen in love with. It means 'a place, area or environment that provides opportunities for variation and experimentation in a way suggestive of children playing in a sandbox'. It has been used in explanations of both gaming and business, which gives it a degree of seriousness.

PlainHonestMoney is now complete as to content but is in Sandbox state in terms of the way that content is delivered. There are still no visuals, no video inserts and no concessions to modern methods of teaching and learning. It is prepared using the Squarespace content managing system. Comments received so far have been extremely helpful. The question now exercising us is how to take it further.

PHM has two possible destinations:

- in a fully developed state as a practical destination for all those seeking to improve their money management; with the unique feature of being honest and straightforward about controlling costs and using tax breaks;

- in Sandbox state as a threat to shame the Department for Work and Pensions (DWP) into extending its brief for the Money & Pensions Service (MaPS), through its MoneyHelper website, to cover those cost and tax issues.

We'll be discussing this in the months ahead. Your thoughts are invaluable. Please give them to me at jhunteruksa@gmail.com.

To remind you, MaPS is the 'single financial guidance body' established by the Financial Guidance and Claims Act 2018. Its statutory functions include a requirement to 'develop and co-ordinate a national strategy to improve:

- the financial capability of members of the public;
- the ability of members of the public to manage debt; and
- the provision of financial education to children and young people.'

Since it is seven years since the Act, we can appreciate that MaPS is following a pace of development most recently popularised by the plans to fix the problem of social care (first of several reports 2010, next report now promised 2028).

The fact that a statute is necessary to give any advice at all illustrates the regulatory bind that we have got into. There is no useful centrally sourced advice on controlling costs for the simple reason that 'controlling costs' equals 'reducing profits' for the industry and reducing tax income for the Treasury.

The Martin White column

Let's be ambitious for 2025!

Martin White - Founder of Savers Take Control and Co-Head of Financial Learning

Ambitious in what way? Doing what precisely?

I'm talking here about UKSA, and the need to grow in our public profile and our influence. Which are not the same thing at all – unless the public profile is a respected one, we will have no influence, even if we become better known.

What are intelligent investing and responsible investing all about?

I'd say that intelligent investing is what all our members try to do, and what all members of the wider public should be trying to do. We are looking for a reasonable return over time, given the risks, uncertainties and many challenges involved. This is definitely the primary emphasis of Savers Take Control and our education efforts. For the avoidance of doubt, those "challenges" include not being tricked out of large chunks of your long-term wealth by the financial services industry.

Responsible investing is something rather deeper. It involves both caring how the companies in which we invest behave and engaging with those companies to the extent that is practical, but it also involves continually asking "what is really going on here". Sadly, that question does not get asked anything like as much as it should be.

In practice, responsible investing is not totally distinct from intelligent investing. The more you spend time thinking about what is really going on, the better your personal investment judgements are likely to be.

Can Britain pay its way in the world? Given the shallowness of the public discussion; and the gaping void for many years in political leadership, the problems are so much deeper than generally acknowledged.

This topic is increasingly coming up in our UKSA member discussions. The UK is not alone with this problem, as the discussion at Wiesbaden (see short piece on page 13) made clear, but it feels that the UK's political leadership has perhaps been more complacent than across Europe generally.

Our political leaders need to show the courage to face up to uncertainty, to ask questions, and not to duck issues. It is a sign of courage, not weakness, to be prepared to say: "We have no easy answers, we will make mistakes, we will keep listening, but these are the principles and priorities we plan to adopt in finding our way through". Difficult strategic decisions need to be made that have cross-party support, otherwise we will continue to have policy churn, that is policies changing every year or two. There has to be some confidence across the business and investment community that there will be policy stability,

based on sound analysis. This is not where we are today! Unfortunately, where we are today is the current UK government seems to be every bit as much in the thrall of the financial sector lobby as its predecessors were. This means that the wider public interest is given very little voice in the world of retail investment; short-termism rules in corporate governance, and the profits of the financial sector seem to be given priority by the Treasury over the interests of retail savers and investors.

I have a nasty feeling that the "what's going on with the UK stock market" questions need to come up here. We know for sure that the UK's savings rate is way too low, the lowest in the G20 apparently, and the selling off of UK companies to foreign investors is almost certainly part of this. As is the demise of final salary pension schemes. (long stories, worth full articles for each).

But what's really beginning to concern me is whether UK companies in general have sufficient opportunities to invest shareholder equity (for which mostly read retained profit) at decent rates of return. If the answer is "no", or that the opportunities that do exist are simply not taken, we need to understand why this is and whether anything can be done about it. This matters massively. We hear a lot about "productivity", which tends to be measured per-employee and is the main driver of worker earnings. The UK's productivity has not kept pace with other countries, and the "elephant in the room", which is code for "the big thing that nobody wants to mention", might just be that the UK is losing too many of its higher-productivity companies. If this is so, what are the reasons why? What should the policy responses be?

In all of these things, I am convinced that that a simple "the reason is xyz" is going to be wrong. You can find masses of YouTube videos on these kinds of topics, but I trust very few of them to be properly balanced and objective. I fear that most publicly available material is either produced for profit (someone wants to sell you something) or is to promote a political or business objective.

Independence is power – or certainly should be, as we are free to speak out and not constrained in our thinking. As well as deserving trust through our independence and our objectives, we have to attract the attention of and earn the trust of the public more generally. And not just the older generation!

Back to things like those YouTube videos. Can we capitalise properly on our independence? We are certainly not looking for popularity in the financial sector. Between us, what expertise do we have in producing good enough social media material? How can we learn from each other and from other friendly organisations?

It's time for us to get more aggressive; or perhaps more "energetic" and more "ambitious" would be better words for UKSA's engagement in the various public debates. We are pretty unique in terms of our independence from the financial sector. And across our membership, we have a great deal of knowledge and expertise, giving us the ability to engage widely. But as you

can tell from the discussion above, it's not just about helping people handle the conflicts with the financial sector. We need the whole commercial sector to operate in such a way that our society doesn't sink into autocracy – once you elect dictator types you might just be kissing goodbye to democracy.

Because we are independent, and because we have a diverse membership with all sorts of skills and expertise, we are in a position to trigger conversations that others may wish to suppress or over-simplify.

So, the challenge for 2025 for UKSA is simply to "have a go" at activities that boost our presence, and that bring more people into the conversation. It is media presence and greater awareness of us that are essential to grow our membership, and we should target the young as well as the current (not so young!) profile. We are going to need to learn as we go, of course, and review progress, and we are going to be on the lookout for more members who would like to help with the additional work that comes with success; success means bigger networks and more people to respond to.

So, Happy new Year to all.

UKSA at Wiesbaden

In December, UKSA was represented at the joint Better Finance-DSW conference at the splendid Kurhaus in Wiesbaden. Helen Gibbons and Martin White attended. Harry Braund had also planned to attend and booked the trip, but unfortunately bad weather led to last-minute flight cancellations with no viable alternative flights, so sadly there were just two of us rather than three – a great pity.

The theme was **"Europe at a Crossroads – Are We Still Competitive?"**. Unfortunately there isn't a recording available to watch, but it's worth a look at the agenda.

It's clear that the UK is not alone in losing competitiveness. The problem also exists across the EU. And the problems with the cost of energy attracted a lot of attention.

The presentations showed stark differences between EU members and the US in terms of asset allocation. Across the EU, financial products tend to have a greater emphasis on debt assets than equities, which has led to really poor returns for most financial service consumers across the EU, though there is great variation from country to country. And we were reminded that, apart from in the Netherlands, the ban on commissions which the UK introduced some while ago, and which was also planned to be introduced across the EU, just didn't happen. The financial sector fought against it, and what the EU called the "ban on inducements" failed to materialise.

We noticed a bit of inconsistency between the discussion of the need for masses of investment in renewable energy and related infrastructure. The promoters of such investments wanted there to be lots of cheap debt to make the projects viable for equity investors. Yet the poor long-term returns for pension investors had something to do with there being lots of investing in debt. You can't have it both ways!

Overall, it was a great event, and even though we are no longer in the EU, we were made extremely welcome.

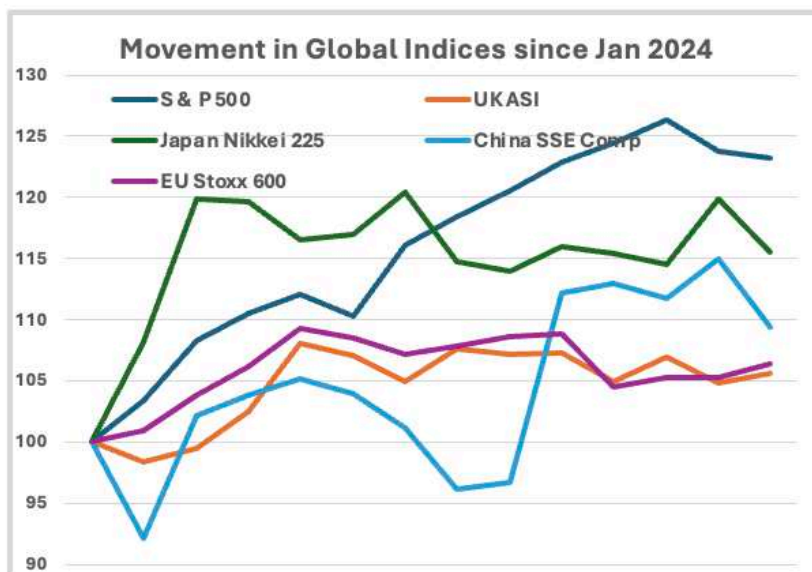
There is no single market in financial services within the EU. This due in no small part to wide taxation differences between Member States.

To achieve competitiveness with the US, the EU embarked on a plan for 'Capital Markets Union', a daunting title which is increasingly being replaced by 'Savings and Investment Union'.

UK and global equities in 2024 and 2025

John Mulligan -UKSA South-West Chairman and creator of STAR

The latest STAR chart of global market indices, below, demonstrates the strong performance of the US-based S&P 500 Index, which is up over 20% since January 2024. However, during the past few weeks the only large indices within our small group to move marginally ahead have been the European-based Stoxx 600 and the UK-based All Share Index.



The outlook for UK and global earnings growth

The latest UK corporate earnings chart calculated by STAR as at mid-January 2025 shows that there has been a marked reduction in estimated corporate earnings growth rates since our last exercise in early December 2024.

Source: Derived from data supplied by Sharescope

Looking one year ahead, the UK earnings growth rate for the larger LSE-listed companies has dropped from 9.1% to 7.7%, a fall of 15%. The rate two years ahead has fallen back from 16.9% to 15.9%, a reduction of just under 6%. At the global level, which mainly represents the outlook for US-based companies, the one-year growth rate has dropped from 35.1% to 27.6% (a drop of 21%) and the two-year rate is down from 66.4% to 57.3% (down 13.7%).

Only time will tell whether this reduction in expectations presages the start of a more bearish tone in equity markets generally.

For more information on the **Star Investor Hub** developed and maintained by John Mulligan, click on the image below.

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STAR Investor Hub

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Targeted as it shines a spotlight on specific investment sectors and individual businesses;

Active because it encourages a direct interest in specific companies and their shares; and

Responsible given that STAR supports ESG objectives and opportunities in sustainable investment.

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The UKSA Board 14 January 2025

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