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**F**OR better or for worse, we have five years of a Labour government ahead of us. Although there is little doubt that life for prudent savers and investors will become increasingly difficult as Chancellor of the Exchequer Rachel Reeves hits them with extra taxes, despair should not be the order of the day.

Far from it. While the ability to shield personal wealth from tax will become trickier under Labour – we will know more in Reeves' autumn Budget – the case for investing in stock markets remains robust. Investment opportunities, not just here in the UK but overseas, abound.

It is a view held by many financial experts. Wealth & Personal Finance spoke to in the wake of Labour's crushing victory at the polls on Thursday.

Among them is Tom Stevenson, investment director at investment specialist Fidelity International. 'Stock markets are in a sweet spot,' he says. 'The global economy seems to be landing softly, company earnings growth is robust, inflation is under control and interest rates appear to have peaked. A case can be made to justify investors' enthusiasm for stocks.'

Christopher Rossbach, chief investment officer at investment partnership J Stern, agrees. 'Yes, we need to be mindful of ongoing and potential global conflicts, and keep a beady eye on inflation and interest rates, but it's a time of opportunity. To paraphrase Frank Sinatra's classic song My Way, the record shows that the global economy took the blows from inflation, interest rates and the subsequent 2022 stock market correction.'

'But now, inflation is moderating, the Bank of England and other central banks are cutting or looking to cut interest rates, and many global stocks remain cheap.'

Lower interest rates, says Guy Foster, chief strategist at wealth manager RBC Brewin Dolphin, will not be good news for cash savers. But provided they do not coincide with a global recession, he says that 'invested assets [equities] should generally do well'.

In other words, it is a time to invest, albeit sensibly.

So where do these investment opportunities lie?

## THE UK: BANKS, HOUSEBUILDERS AND SMALLER COMPANIES

INVESTMENT specialists believe the UK stock market could do well under Labour. Not necessarily because of Labour's economic growth agenda, although its focus on new house builds should boost the market fortunes of the country's leading housebuilders.

No, it is more to do with the fact that a thumping majority in the House of Commons should put the country on a steadier footing – providing a fillip for UK shares. Markets thrive on certainty – but panic

when uncertainty rules the roost.

Recent research by Fidelity International, based on analysis of the FTSE All Share Index over the past 60 years, shows that the colour of government (blue or red) has little bearing on the performance of the UK stock market. But it tends to thrive under strong and stable governments.

For example, the FTSE performed well under the Labour administration of Tony Blair (1997 to 2001) and the Conservative government of Margaret Thatcher (1983 to 1987). These governments had majorities of 179 and 144 respectively – and during their time in power, the FTSE increased by 134 and 154 per cent respectively: 126 and 134 per cent when adjusted for inflation.

Of course, it is impossible to assess how stable Sir Keith Starmer's government will be (will the far Left faction raise its ugly head and cause trouble?)

But the portents are sound as Nuwan Goonetilleke, head of shareholder assets at long-term savings and retirement business Phoenix Group, acknowledges. He

says: 'The UK is really being seen not just as a safe haven, but the safest of havens – especially in Europe. With a Labour majority, it continues to really double down on that promise of economic stability, growth and wealth creation.'

Fidelity's Stevenson believes the outlook for the UK stock market is better than it has been for some time. It is also cheap – both by historic standards and when compared to other stock markets such as the United States.

Enticingly, he adds, it provides investors with the prospect of a good combination of growth and dividend income. J O Hambro Capital Management UK Equity Income is among a cluster of investment funds set up to deliver the mix of capital gain and growth that Stevenson talks about.

Over the past 20 years, the £1.6 billion fund has provided investors with annual dividend

growth averaging 9 per cent. It currently pays an attractive annual dividend equivalent to 5 per cent and over the past year has delivered overall returns of 22 per cent.

Yet joint manager Clive Beagles believes there is more to come. In his latest missive on the fund, published to coincide with the General Election, he paints a positive picture, saying some UK stocks have the capacity to double or more in price.

He says an intoxicating mix of rising consumer confidence, real wage growth and the unleashing of a vast store of personal savings accumulated during the 2020 lockdown, could propel the UK market upwards with consumer stocks leading the charge.

Among the fund's holdings are furniture retailer DFS, DIY specialist Wickes, Marks & Spencer and electrical goods retailer Currys.

The fund also has exposure to housebuilders and UK banks – sectors of the market that some investment experts believe could also perform well under Labour.

Susannah Streeter, head of money and markets at wealth manager Hargreaves Lansdown, believes Labour's pledge to kickstart a housebuilding boom should help the stock market fortunes of housebuilders such as Taylor Wimpey and Vistry.

Ben Kumar, head of equity strategy at fund manager Seven Investment Management, says UK retail banks potentially represent an 'interesting' investment, especially if Labour delivers on its promise to get the UK economy back in growth mode.

Banks make their biggest profits when the economy is booming and confident households are more minded to take out bank loans.

Kumar describes the likes of Lloyds and NatWest as 'the best run and best regulated utilities in the UK'. He adds: 'Lloyds' share price might not be going back to £3 [where it was before the 2008 financial crisis] while NatWest's

There are months to go until Rachel Reeves' first Budget. And if you use that time wisely, you'll find there's...

# A world of INVESTMENT opportunities on the HORIZON

*‘Sentiment is changing and smaller firms may rise the most’*



sustainability. Top of his like list are US power management company Eaton and US water technology company Xylem.

Investors who want a foot in the tech camp can buy a global fund such as World Stars Global Equity or Blue Whale Growth which both complement their tech holdings with stakes in other big name companies.

For example, World Stars Global Equity has UK drinks manufacturer Diageo, Swiss food company Nestlé and French luxury goods giant LVMH in its portfolio. Alongside its holdings in tech stocks such as Applied Materials, Apple, Meta and Nvidia, the £1.1 billion Blue Whale Growth fund has payment companies Visa and Mastercard among its top ten holdings.

Another option is investment trust Scottish Mortgage, an £11.8 billion stock market listed fund which has more than 15 per cent of its assets in Nvidia and ASML. Alternative approaches include buying a technology fund as part of a diversified portfolio. Allianz, Janus Henderson and Polar Capital are leading players in this space.

Wealth manager Nutmeg allows clients to tilt their portfolios towards funds (stock market listed exchange traded funds – ETFs) which invest in companies involved in technological innovation. But this is only available to investors which it classifies as suitable for ‘high risk’ investing.

Seven Investment Management’s Kumar also says investors could consider an ETF that invests in the Standard & Poors (S&P) 500 Equal Weight Index.

This index has a 0.2 per cent equal weighting in the top 500 US stocks. Every quarter, it is rebalanced. So, for example, if Nvidia’s share price goes above the 0.2 per cent weight, the index takes the profit and recycles it into some of the companies that haven’t done so well. ‘Diversifying exposure in this way protects against bubble bursting,’ says Kumar.

Funds that track the S&P 500 Equal Weight Index are provided by iShares and Invesco and can be bought through most investing platforms.

### AND FINALLY... DIVERSIFY

WHETHER you love investing in your home stock market, are enthused by Labour’s plans for the economy, or think the tech story is the only investment show in town, diversification makes best sense.

Fidelity’s Stevenson is a big believer. He says: ‘It is one of the key investment principles. Investing in a range of asset classes, sectors and geographical areas should provide investors with a smoother ride over time.’

‘Predicting how the AI technological revolution will evolve is impossible. Yes, the US will continue to lead the way, but other regions will play their part too.’

‘While technology stocks will do well, so will other companies that deliver consistent earnings growth. For investors, it’s all about building balanced portfolios.’

upward trajectory, fuelled by the hottest investment theme in town: artificial intelligence (AI).

A few days ago, Amazon’s share price hit a record high when it breached \$200 – a rise of 30 per cent this year. Yet its performance has been dwarfed by AI king Nvidia which has seen its shares jump by 164 per cent.

Over the same period, tech stocks Microsoft, Apple, Alphabet and Meta have risen by 26, 21, 37 and 54 per cent respectively.

While Jeff Bezos, Amazon’s founder and executive chair, saw the company’s soaring share price as an opportunity to offload \$5 billion of shares, most experts believe investors should maintain some exposure to these tech titans.

Fidelity’s Stevenson says the strong performance of tech stocks is justified on the back of the superior profits growth that they are enjoying. J Stern’s Rossbach manages the J Stern World Stars Global Equity fund. Its biggest holding is Nvidia. He says that AI and the metaverse will have a transformative impact on the world economy with companies such as Nvidia and Dutch tech giant ASML driving innovation and growth.

Yet he believes investors should also look outside the mega stocks and invest in other companies which are providing solutions to some of the acute problems the world faces – climate change and

share price isn’t heading back to the £50 it stood at in 2007. But there’s a lack of love in the market for these companies that I don’t understand, given their reliability and simplicity.’ Their shares currently stand at £0.58 and £3.24 respectively.

Kumar also likes UK healthcare stocks – such as Oxford Nanopore and FTSE100-listed Smith & Nephew. He says: ‘Healthcare is only going to become more important in the next decade.’

He also believes UK smaller company stocks could flourish as the economy improves. It is a view shared by Rob Morgan, chief investment analyst at wealth manager Charles Stanley. ‘Small cap stocks tend to struggle when interest rates are high and the economic environment is uncertain,’ he says.

‘Yet sentiment is changing. The performance of the UK economy has perked up a little while increased merger and acquisition activity among UK listed companies has highlighted the cheapness of the market.’ He adds: ‘As the most undervalued part of the UK market, smaller companies stand

to rise the most as sentiment improves. Cuts in interest rates would bolster this.’

The best way for investors to get exposure to UK smaller companies is through an investment trust or fund which invests in a portfolio of such stocks.

Over the past year, the best performing funds include Artemis UK Smaller Companies and Martin Currie UK Smaller Companies with respective gains of 22 and 21

per cent. Top performing trusts, listed on the UK stock market, are Aberforth Smaller Companies and JP Morgan UK Smaller Companies (up 29 and 27 per cent).

### LOOKING OVERSEAS, AND THE CONTINUED TECH BOOM

TECHNOLOGY stocks in the United States continue their

It could be worse... bond market looks calm compared to the US

Financial MAIL ON SUNDAY

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...and don't forget Money Mail on Wednesday in the Daily Mail