



MARKET REPORT

Wednesday 20th October 2021

Market Headlines

UK inflation rose 3.1% in September year-on-year, a tad below the 3.2% expected (see 'Chart of the Day').

German factory prices jumped 14% in September year-on-year, the fastest rate since October 1972, driven by surging energy prices.

The US dollar rose to a 4 year high against the yen, as 10 year US Treasury yields rose to highs last seen in May.

The S&P 500 rose 0.7%, the Nikkei 225 added 0.1%, the Hang Seng gained 1.2%, whilst the Shanghai Composite closed down 0.2%. UK indices were lower.

Investments on our buy list

Accrol Group Holdings plc (ACRL) – Accrol's shares fell heavily this morning after the company released a trading update for the current financial year ending 30 April 2022 ("FY22").

The group reported a significant increase in cost pressures which, although being successfully passed on, there is a time lag passing on the full impact and this will result in earnings in FY22 being lower than previously expected.

The group highlighted a range of factors putting upward pressure on costs including pulp prices, the tightening of raw material supply chains, energy cost increases, and distribution pressures (notably the availability of HGV drivers).

On a positive note the management stated "The business remains in excellent operational shape with scalable foundations for growth and a strong market position across U.K. retail."

While the longer-term attractions of the group are intact the current conditions have set-back the improvement in the business coming out of the pandemic. We will be undertaking a more thorough review in light of today's announcement and in the meantime move the stock to hold.



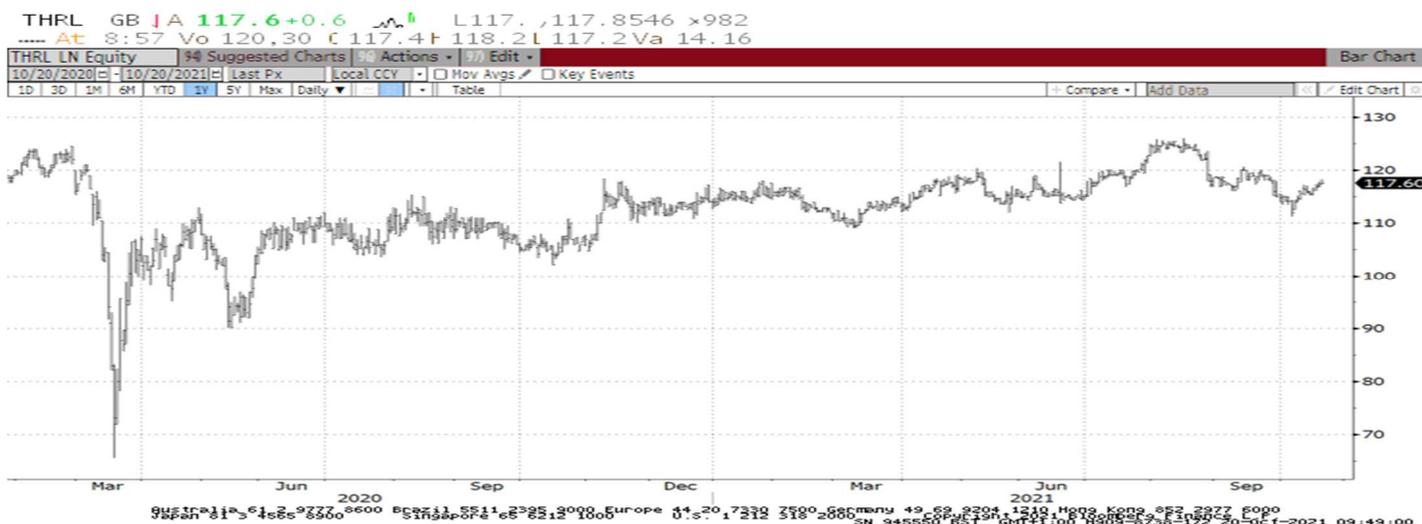
Source: Bloomberg

Target Healthcare REIT Limited (THRL) – today released final results for the year ended 30 June 2021.

The NAV total return of 8.8% (2020: 7.0%) was driven by growth of the underlying portfolio value as a result of modest yield compression and annual rental uplifts. EPRA Net Tangible Asset (NTA) per share increased 2.1% to 110.4 pence and group specific adjusted EPRA earnings per share increased 3.6% to 5.46 pence per share. Dividends were increased by 0.6% to 6.72 pence in respect of the period, covered 80% by adjusted EPRA earnings and fully covered based on EPRA earnings.

Portfolio performance was described as resilient with 95% of rent collected.

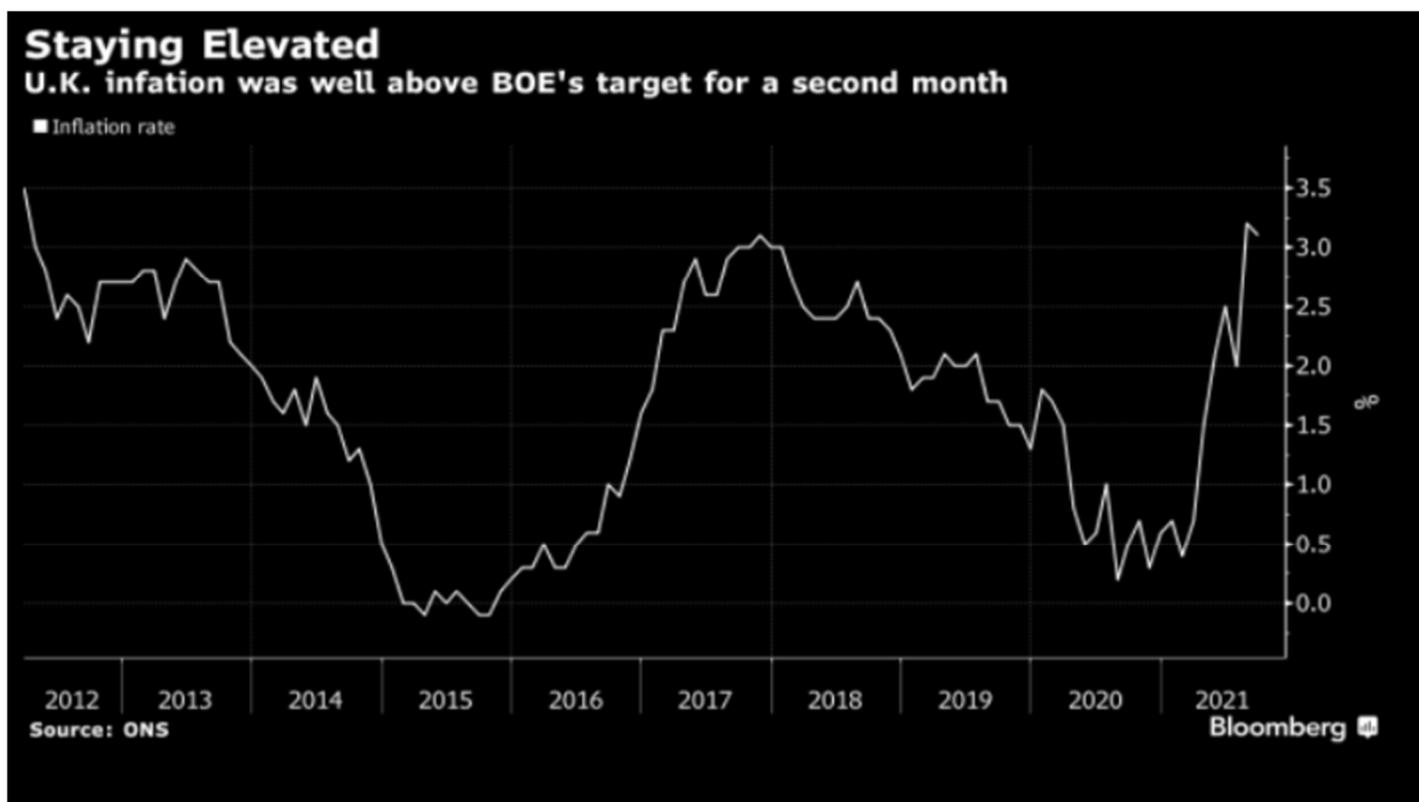
Trading is yet to fully return to normalised levels following the pandemic, but good progress has been made. We remain positive.



Source: Bloomberg

Chart of the day

U.K. inflation unexpectedly declined in September. Consumer prices rose at a 3.1% annualised rate in the month after a 3.2% gain in July. This is well beyond the Bank of England’s 2.0% target for a second month, propelled by the global disruption in supply chains that have pushed up transport costs. The data is the last reading before the November meeting of the central bank’s Monetary Policy Committee, at which markets anticipate officials will lift borrowing costs for the first time since the pandemic struck. The bank expects the inflation rate to climb above 4% by the end of the year.



Source: Bloomberg

Recap of yesterday

Hochschild added 0.6% as it announced it planned to demerge its 80% stake in subsidiary Aclara Resources by year-end with a Toronto IPO.

Meggitt was flat as the UK Competition and Market Authority announced a probe into its takeover by Parker-Hannifin on national security grounds.

Moneysupermarket.com rose 8.9% as it announced the acquisition of Maple Syrup Media, trading as Quidco, for £87m plus a deferred payment of £14m. Third quarter revenues fell 10% year-on-year.

Tesco gained 1.8% as it announced the opening of its first checkout free high street store, GetGo, in London.

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