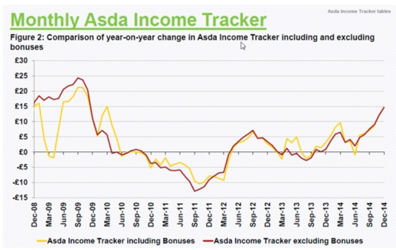
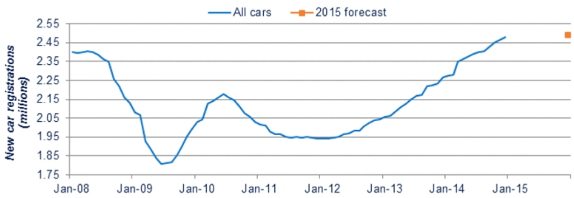
MVAM
MOLE VALLEY
ASSET MANAGEMENT

# MVAM Newsletter

## ‘Every Little Helps’ February 2015

Every Picture Tells a Story may have been croaked by Rod Stewart in 1971 and was more about a young man’s adventures in Paris and Peking than the stockmarket, but the song’s title is just as true for investors. This month’s charts highlight this point, showing the positive trends for the UK consumer, which are gathering momentum at the start of 2015. The underlying drivers for these charts are the plummeting oil price, lower food inflation, rising employment and the long awaited uptick in real wages.




SMMT – New Car Sales

The Asda Income Tracker is one of the best monthly monitors of the underlying position of the UK consumer. It measures the change in discretionary income (basically the amount of spare money the average person has after spending on necessities). In December it recorded the strongest annual increase since 2009, +9%, reflecting the fall in the cost of living.

Another indicator from the economy is new car sales. Something to ponder while you are stationary on the outside lane of the M25 is that the jam means you are likely to be more secure in your job! Last year was a great year, with total UK sales +9% to nearly 2.5m new vehicles, the fourth highest on record and the best performing large market in Europe. Car sales are an excellent sign of underlying consumer confidence. It’s the ultimate discretionary spend as you drive out of the showroom, testing the sound system and smelling the leather, while you are losing 15% of its value in seconds just to make the neighbours jealous of the new motor sitting on the driveway.

For investors, what do these monitors tell us? In short, the UK consumer is in a good place and a very different place from 5 years ago. This should offer some interesting investment opportunities across the consumer sectors but, as always, active stock picking remains all important.

Next - the fashion retailer - is one of the great investor success stories in the UK over the past 15 years, focused on delivering sustainable Total Shareholder Return (share price +dividends). The share price is up 12x, while the dividend has increased 7x, since 2000. During this period the company has traded through a financial crisis and deep recession. I think somebody forgot to tell the senior management. In contrast, one of its direct competitors Marks &Spencer has delivered a relatively lethargic performance, with the shares and dividend moving sideways. Same consumer market, but different management (many in the case of M&S).

What that shows is that it’s all about identifying the right stock, not just picking the right sector, and then hanging on in there, particularly if the fundamentals haven’t changed. Next Plc shareholders of 15 years are likely to be relaxing in the Caribbean, while the long suffering M&S investors will be looking forward to booking an off season break in Blackpool.