

Four stocks for the current investment landscape



We spoke to four of our investment managers about the stocks they believe stand out from the crowd.

Governments around the world are cutting growth forecasts amid soaring inflation and economic uncertainty. While there are no companies that are completely immune to a downturn, some industries perform better in a weak economy than others.

We've appointed some of the best investment managers in the world to manage your wealth. Each of our funds is managed by a team that has relevant expertise in the specific markets. We recently caught up with four of our managers to explore stocks they believe offer the most value in the current investment environment.

AG Barr



Martin Currie Investment Management manages the Omnis UK Smaller Companies Fund. Despite the near-term challenges UK consumers face, the manager continues to believe in the long-term value creation of investing in respected consumer brands, which should remain resilient during any short-term downturn. It says excess household savings from the pandemic should provide a cushion for the reduction in spending by consumers.

One company the manager likes is Scottish soft drinks giant AG Barr, which manufactures Irn-Bru. With high inflation squeezing customer budgets, the company is showing resilience to the unfavourable business climate.

The company was founded in 1875 and has always had a member of the Barr family on board. Although the family's ownership has dropped to 15%, the features of the family business remain, including conservative financial management, cash generation and investment for the long term.

The family's management of the company has helped Irn-Bru to become the best-selling soft drink in Scotland and third top in the UK as a whole, behind Coca-Cola and Pepsi. The company also benefited from greater at-home consumption of food and drinks during the pandemic.

While Irn-Bru accounts for around 50% of company revenue, AG Barr is also known for brands such as tropical fruits drink Rubicon and pre-mixed cocktails Funkin. AG Barr also has a strong track record of bringing successful innovation to market and growing brand awareness.

Martin Currie believes that if customers need to cut back on their spending, Irn-Bru will remain a strong seller, supported by its established position through distribution and its place in the UK's collective psychology.

Eli Lilly



T. Rowe Price manages the Omnis US Equity Leaders Fund. The team knows that the pharmaceutical industry has always been a solid place to invest money over time, with some of the largest global companies frequently posting strong earnings. Traditionally, it has weathered downturns well as demand for its products remains unchanged.

One company T. Rowe price likes is American pharmaceutical giant Eli Lilly, which has a market capitalisation of \$286 billion. Lilly is a big spender when it comes to research and development compared with the rest of the industry, ploughing back in over 20% of its sales annually on research.

T. Rowe Price expects Lilly to get a huge boost from its type 2 diabetes treatment, called Mounjaro. The drug was recently approved by America's Food and Drug Administration for diabetes, and there's a high probability that it will be approved for the treatment of obesity as early as next year. If successful, the drug could eventually bring in more than \$20 billion a year in revenue, much of which is not currently reflected in expectations for the stock looking out over the next two to three years.

Lilly also has an Alzheimer's drug in late-stage development, called Donanemab. This could be a big earner for the company as many current Alzheimer's therapies are not especially effective.

Huhtamäki



Barings Asset Management manages the Omnis European Equity Opportunities Fund. The manager says that the global packaging market has enjoyed steady growth in recent years and increasing consumer demand is expected to boost this even further. The rise in online shopping is also set to significantly increase packaging requirements over the next decade.

The pandemic-driven surge in online sales has resulted in an increased number of packages being sent to people's homes and this trend is set to continue as the e-commerce industry continues to expand. There is also rising demand for eco-friendly packaging, which will help push market growth higher.

Finnish consumer packaging company Huhtamäki has a market capitalisation of \$3.7 billion. It produces food and drink packaging and disposable containers, with clients including fast-food giants such as McDonald's, Coca-Cola and Nestlé.

Barings likes the firm because the food services industry is a defensive area of the market and should continue to do well as economic growth slows. This sector has experienced a strong period of recovery since Covid-19 lockdowns as people begin to eat out more.

Although Huhtamäki is based in Finland, it is a global leader in its field, with 40% of its profits coming from North America. Its exposure in the region should continue to be an advantage as consumer spending remains resilient despite rising inflation.

The company has demonstrated its pricing power by passing on cost inflation to consumers. Its shares appear to not account for the prospects of the business and as such, they are perceived by Barings to be cheap relative to the value of the company. Barings believes the sustainability credentials of Huhtamäki's products (such as its innovative plastic-free moulded fibre packaging, which is plant-based, recyclable and compostable) also give the firm an underappreciated competitive edge.

Kureha

Schroders manages the Omnis Japanese Equity Fund. The manager typically invests in companies with niche technologies or whose managements are driving improvements in profitability, rather than relying on cyclical economic factors.



One company Schroders likes is Kureha, a chemical manufacturing company based in Japan, which has specialised in producing pharmaceuticals, agrochemicals and packaging materials for over 70 years. It is one of the world's leading producers of polyvinylidene fluoride (PVDF), a high-performance polymer that is used in the manufacture of lithium-ion batteries for electric vehicles (EVs).

With countries looking to achieve net zero, the demand for EVs is increasing, which puts Kureha in a strong position for growth. Revenue from PVDF is expected to rise by more than around £100 million in the next three years.

The purity of PVDF made by Kureha is superior to its competitors, which means batteries last longer and perform better. The company currently produces 40% of the PVDF used in lithium-ion batteries globally and has driven earnings growth in recent years as demand has increased.

To discuss any of these funds in more detail, please get in touch with your financial adviser – you can also find monthly factsheets and investor literature online [here](#).

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