

Our Dear Leader is now completing his US trip in New York having been to Philadelphia (or Philly as it is known); the 6<sup>th</sup> largest City in the USA. More interesting perhaps to Andrew, knowing what a sports fan he is, is that Philadelphia hosts teams in the "Big Four" major sports leagues in North America. These major sports teams are the Philadelphia Phillies of Major League Baseball (MLB), the Philadelphia Eagles of the National Football League (NFL), the Philadelphia 76ers of the National Basketball Association (NBA) and the Philadelphia Flyers of the National Hockey League (NHL). Each team has played in Philadelphia since at least the 1960s, and each team has won at least two championships.

From a financial point of view Philadelphia also still has its own Stock Exchange, the Philadelphia Stock Exchange, owned by NASDAQ. It is the nation's oldest stock exchange and a global leader in options trading. Andrew is a great believer that where Stock Exchanges are involved, competition is incredibly important and a monopolistic approach is bad for the Country and the Investors. This explains why Andrew is so committed to the growth of the London Aquis exchange (LON: AQX) as a proper competitor to the LSE and why he calls it the "Nasdaq of London" At the back end of 2022 VSA did host the incredibly successful Britain's Got Aquis showcase day with Armstrong Teasdale. If ever there was proof that demand is out there, this was the case with a room packed with 200 High Net Worth's and Fund Managers throughout the day. We think everyone is already looking forward to the 2023 event.

30<sup>th</sup> Street is also the 3<sup>rd</sup> busiest Amtrak station in America and Andrew sensibly decided to take an Amtrak train to New York, but this also made him wonder why America has so few railways and in particular high speed railways? After all they are more environmentally friendly and high-speed trains can be as quick as flying? It appears to be a political issue as it would need considerable Government support and there are two big Industries that would lobby hard against it. The airline industry and also the oil industry who are very supportive of the automobile, but as we go EV, that may change? America was built off the "railroad" and these railroads basically still exist but are used mainly for freight and the map below shows how limited the Amtrak rail system is. Sadly though the track gauge would not work for High Speed trains and so a new network alongside would have to be built in the same way we are building HS2 (or are we?)

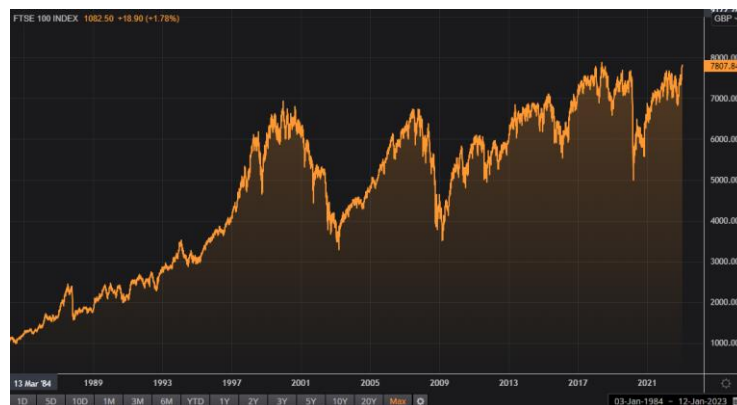


It is in sharp comparison to China where our Dear Leader pre-pandemic spent much time and was a regular traveller on their high speed train network. The UK has a tremendous network of railways unfortunately it doesn't always run as efficiently as most Asian Train networks!

Andrew was intrigued by the Amtrak system of last minute bidding for upgrades where you can submit a bid of what you would pay to be upgraded to First Class. Andrew submitted the lowest bid allowed and 90 minutes before departure he was in the Amtrak lounge and ready to travel first class. He does wonder if the airline industry could learn from this. Ryanair would love it he feels except they don't have first class!



New York is the last stop on Our Dear Leader's trip and as a city, needs no explanation. Andrew actually worked in New York when he was younger and was with Smith New Court (now Bank of America) in 1987 and 1988 and he was there during the great crash of 1987 known as Black Monday (Monday October 19<sup>th</sup> 1987). On that Monday the Dow Jones fell 508 points or 22.6% in a day. On Friday, October 16, all the markets in London were unexpectedly closed due to the Great Storm of 1987. After they re-opened, the speed of the crash accelerated, partially attributed by some to the storm closure. By 9:30am, the FTSE 100 Index had fallen over 136 points and it was down 23% in two days, roughly the same percentage that the NYSE dropped on the day of the crash. Stocks then continued to fall, albeit at a less precipitous rate, until reaching a trough in mid-November at 36% below its pre-crash peak. All of the twenty-three major world markets experienced a sharp decline in October 1987. When measured in US dollars, eight markets declined by 20 to 29%, three by 30 to 39% (Malaysia, Mexico and New Zealand), and three by more than 40% (Hong Kong, Australia and Singapore). Today most people have forgotten and on a chart it appears as a mere blip! Andrew has not forgotten and says it puts the markets of 2022 into perspective, but it also reminds him that for long term investors who can ride out any crash and sit tight, it doesn't really matter as over a long period if you are invested in good companies you will make good returns. Does Andrew feel the '87 crash was the worst he has ever experienced? He tells us Yes, but no crash is ever the same.



Today one does also have to be cautious about indices as they can vary significantly. The FTSE 100 was in fact the only major market that gave a positive return in 2022 as it has a very high percentage of Energy and Mining stocks and also has a large international stocks that pay high dividends. We think it would be fair to say that

retail investors who play in the small cap arena had a very different experience in 2022 with sadly significant losses but still not as bad as '87!

Does this mean that Our Dear Leader is negative for 2023? Having spent a week in America he tells us that everything is extraordinarily expensive [watch out for his expenses] but that the UK must look incredibly cheap to Americans and this of course brings round full circle to why Andrew is in America and looking to create some M&A opportunities, find investors for UK Companies and find pools of capital that aren't currently around in London.

Andrew has noticed some critical differences between the UK and USA - anything below about \$500mn rarely gets listed and there just isn't a Small/mid cap market like we have, instead Private Equity is very active and although valuations have maybe fallen it still is very active. This means that in general US investment banks only cover large cap stocks and as this is currently an area that is suffering US investment banks are having to retrench and cut staff as we see with Goldman Sachs. This again is why Andrew believes American investment banks need an international perspective and to be active in the small/ mid cap space looking for international M&A.

---

<b>Andrew Monk, Chief Executive Officer</b>	T:+44 (0)20 3005 5001	E: <a href="mailto:amonk@vsacapital.com">amonk@vsacapital.com</a>
<b>Andrew Raca, Head of Corporate Finance</b>	T: +44 (0)20 3005 5004	E: <a href="mailto:araca@vsacapital.com">araca@vsacapital.com</a>
<b>Ollie O'Donnell, Head of Research</b>	T: +44 (0)20 3005 5005	E: <a href="mailto:oodonnell@vsacapital.com">oodonnell@vsacapital.com</a>

VSA Capital Limited, Park House, 16-18 Finsbury Circus, London EC2M 7EB | [www.vsapital.com](http://www.vsapital.com)  
VSA Capital Limited is Authorised and Regulated by the Financial Conduct Authority and is a member of the London Stock Exchange.

The Company is registered in England with company number 2405923 at Park House, 16-18 Finsbury Circus, London EC2M 7EB.