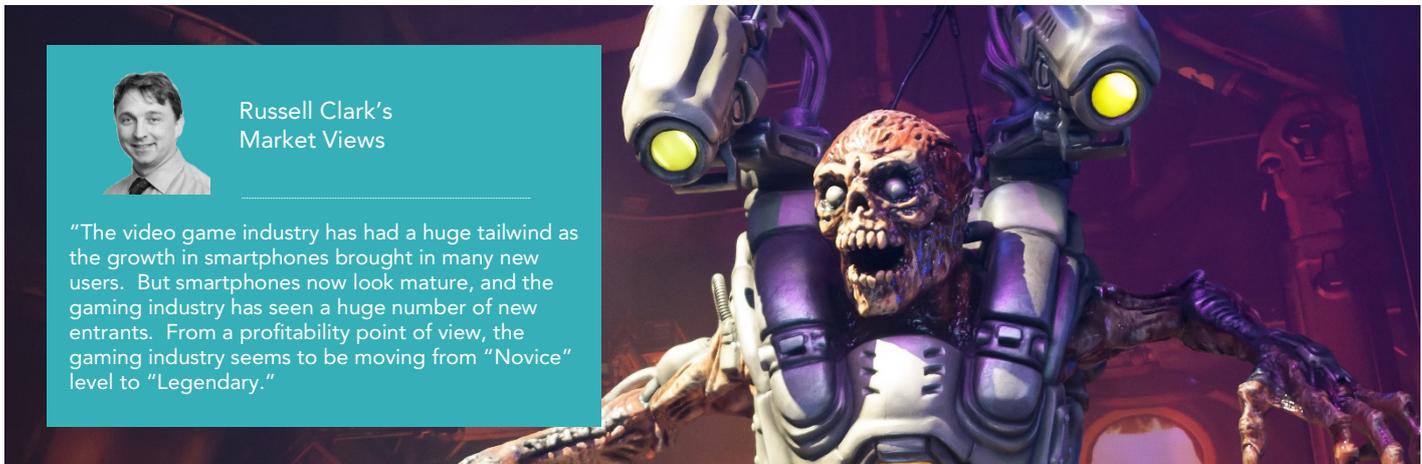


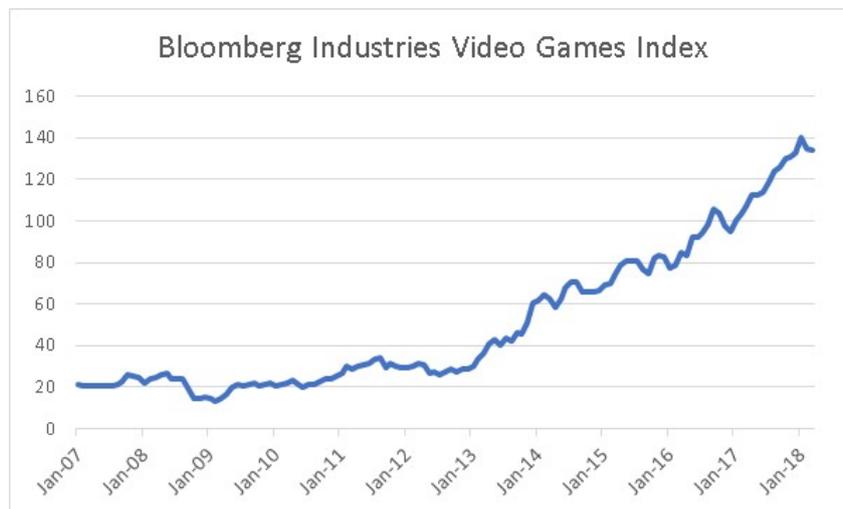
FRAGFEST



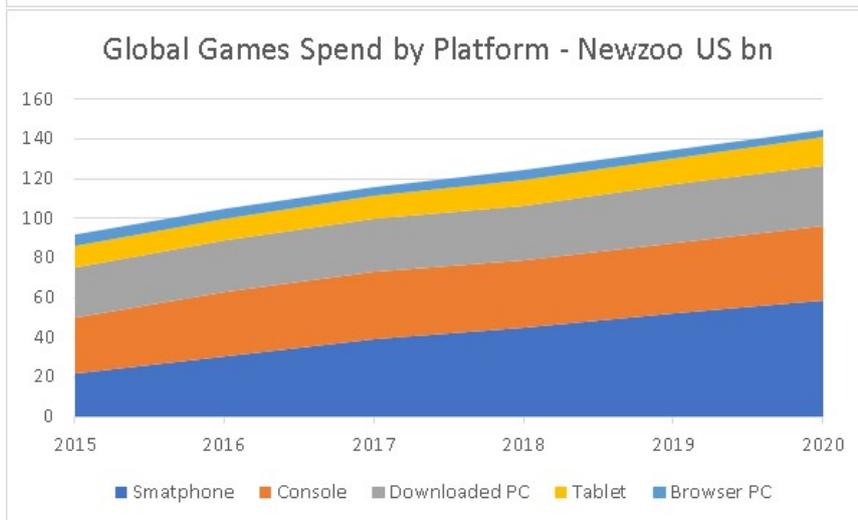
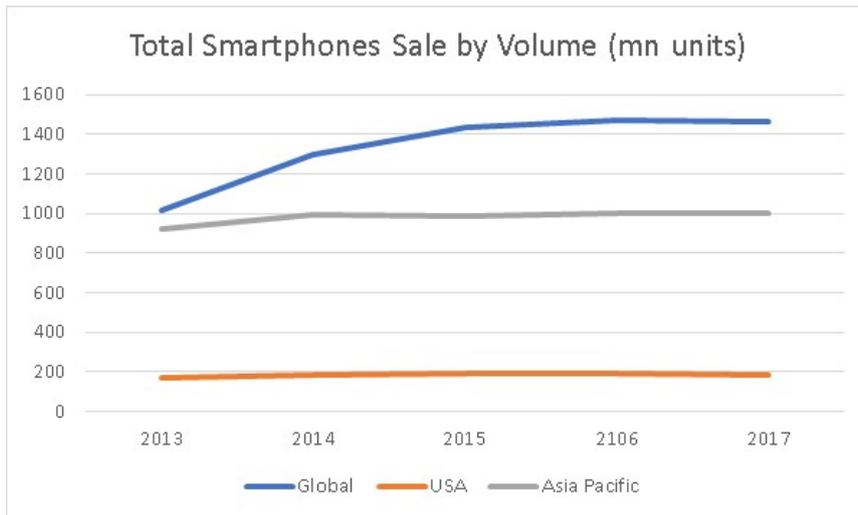
Russell Clark's
Market Views

"The video game industry has had a huge tailwind as the growth in smartphones brought in many new users. But smartphones now look mature, and the gaming industry has seen a huge number of new entrants. From a profitability point of view, the gaming industry seems to be moving from "Novice" level to "Legendary."

Video games have been a huge winner in the stock markets over the past 5 years, with a Bloomberg index of video game stocks rising more than 600 percent.

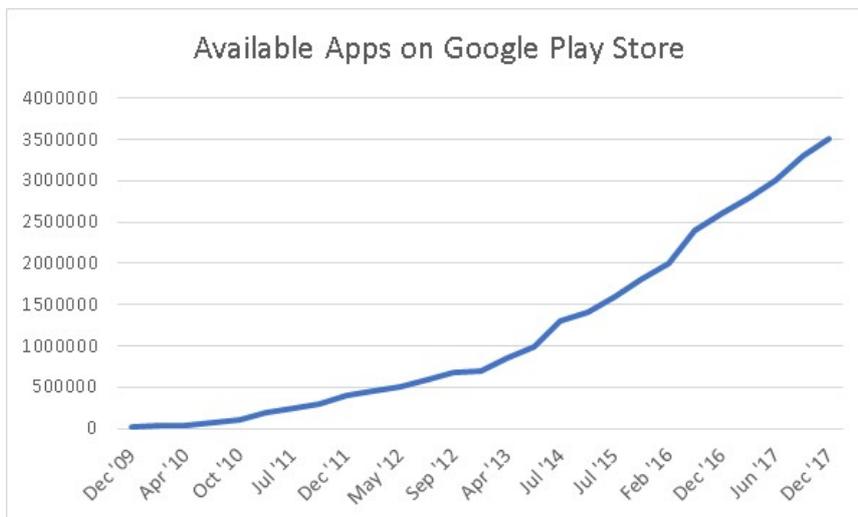


Research firm newzoo details the gaming market by platform. Recent growth has been driven mainly by growth in the smartphone segment of the gaming market. <https://newzoo.com/insights/articles/the-global-games-market-will-reach-108-9-billion-in-2017-with-mobile-taking-42/> The same report has China overtaking the US as the biggest market for gaming in 2017, with total spend of USD27.5bn versus USD 25.1bn in the US.

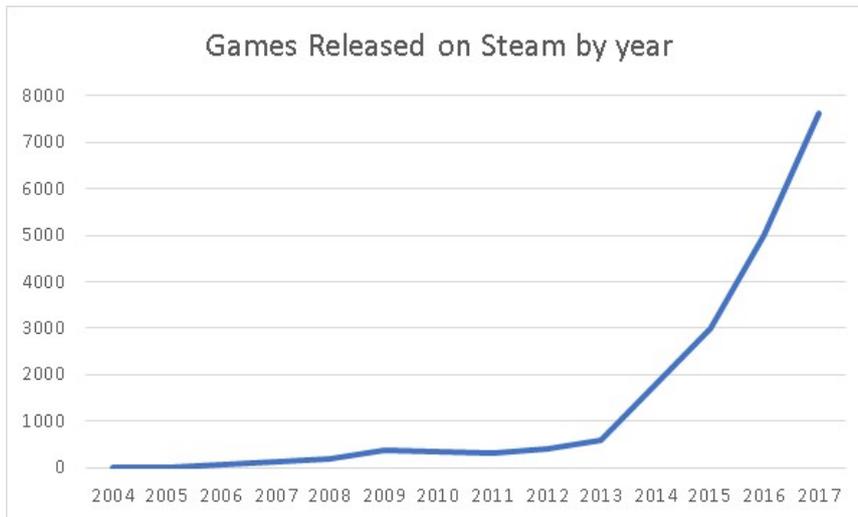


One of the big drivers for the gaming industry has been a significant increase in the number of users. This has been driven by the global take up of smartphones. We have seen growth in smartphone sales slow significantly, not only in the USA and Asia, but globally.

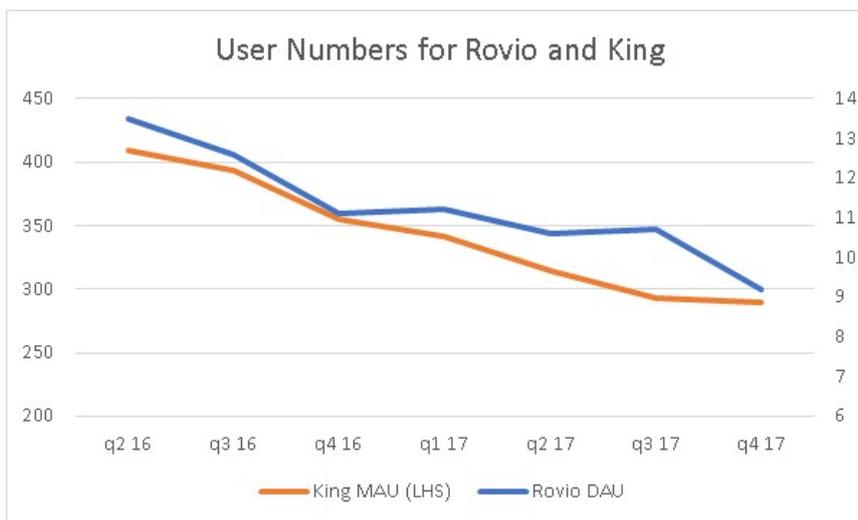
The problem is that as a proxy for competition for smartphone based games, there has been a huge increase in available apps to download.



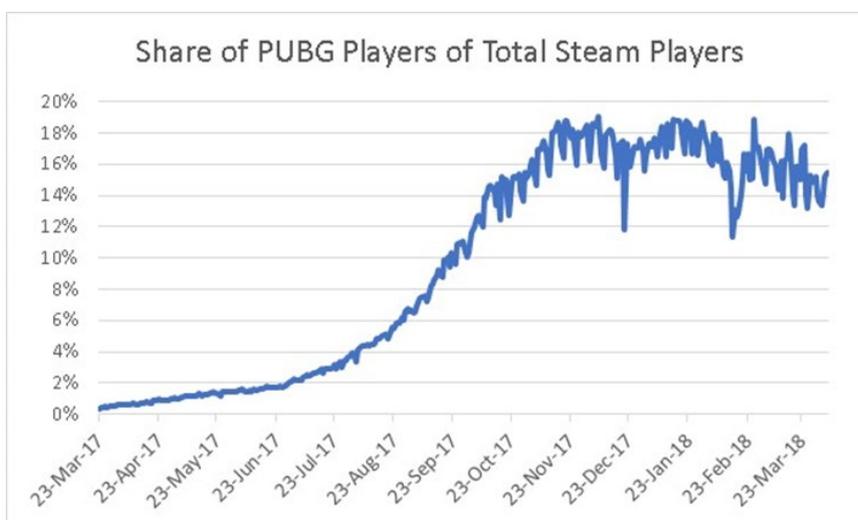
If we look at Steam, a platform for PC gamers to download games, we can also graph the number of new titles released per year.



The negative effects of this competition is starting to become apparent. King, maker of Candy Crush, and Rovio, maker of Angry Birds, have both been reporting substantially declines in active users. (MAU – Monthly Average Users; DAU – Daily Average Users)



While Rovio and King are both focused on the “casual gaming” market, the hard core gaming market is also beginning to face more pressure. A game from an independent Korean game developer, called Playerunknown’s Battlegrounds, has seen huge increase in concurrent users on Steam. For context, this game now has more players than the next 20 most played games. This includes many well-known games such as Dota 2, Counter-Strike and Grand Theft Auto. As can be seen below, PUBG is 15% of all Steam players.



Gaming companies have responded to the falling users in a number of ways. One has been to increase monetisation of players. This involves a number of different measures, including the offering of various digital products online. For example, paying a premium to receive a strong weapon earlier. This has also led to the use of “loot boxes”, where players can spend a small amount of money, for the chance that they might receive valuable loot. This has taken on the appearance of gambling, and politicians and regulators in both Europe and the US are beginning to act.

<https://www.gamesindustry.biz/articles/2018-02-13-hawaii-introduces-landmark-legislation-against-loot-boxes>

The video game industry has had a huge tailwind as the growth in smartphones brought in many new users. But smartphones now look mature, and the gaming industry has seen a huge number of new entrants. From a profitability point of view, the gaming industry seems to be moving from “Novice” level to “Legendary”. Investors should be cautious on video game stocks.

INFORMATION

Issue Date: 9th April 2018
 Source: Bloomberg, unless otherwise stated
 Investor Relations: Samantha Dunn
 Email: info@russellclarkim.com
 Telephone: +44 (0)20 7838 7580
 Website: www.russellclarkim.com
 Business and registered address: Russell Clark Investment Management Limited, 9 Chester Close, London SW1X 7BE, United Kingdom. Registered in England and Wales - Company number: 04034280

DISCLAIMER

This Market View has been prepared and issued by Russell Clark Investment Management Ltd (the "Firm") authorised and regulated by the Financial Conduct Authority. It has been approved as a financial promotion by the Firm and as such is intended **for professional clients and eligible counterparties only and is not intended for retail client use**. It is not intended for distribution to any country where such distribution or use would be contrary to local law or regulation.

This Market View is provided for information purposes only and should not be regarded as an offer to buy or sell any investments or related services that may be referenced herein. No guarantee is made as to the accuracy of the information provided which has been obtained from sources believed to be reliable. The view expressed in this Market View are the views of the portfolio manager at time of publication and may change over time. Nothing in this Market View constitutes investment, legal tax or other advice nor is it to be relied upon in making an investment decision. No recommendation is made positive or otherwise regarding individual securities mentioned herein. Past performance is not indicative of future performance. The price of investments can go up as well as down and can be affected by changes in the rates of exchange. The information contained in this document is strictly confidential and is intended only for the use of the person who has been provided the Market View by the Firm. No part of this Market View may be divulged to any person, distributed, resold and or reproduced without the prior written permission of the Firm.

Where “forward looking” information, including estimates, projections and subjective analysis and judgement are provided no representation as to the accuracy of such projections or estimates or that they may be realised. Certain assumptions used in formulating such “forward looking” information may differ materially from actual events or conditions.