VOL 18 / ISSUE 40 / 06 OCTOBER 2016 / £4.25

SHARES

WE MAKE INVESTING EASIER

GET MORE EVERY YEAR

TOP QUALITY INVESTMENT TRUSTS FOR YOUR ISA OR SIPP

BIG NEWS IN PROPERTY MARKETS

FTSE 250 **AT NEW RECORD HIGH**

BE PREPARED FOR HARD BREXIT
ECONOMIST FLAGS NEW SHOCK RISK

HARVEST MINERALS SOWS SEEDS FOR BIG RETURNS
SHARES SURGE – CAN THEY KEEP GOING?

IS **SHELL'S DIVIDEND** SAFE NOW OIL PRICE HAS RISEN?

Your new magazine

Welcome to the new, improved *Shares* as we go digital

Welcome to the first issue of *Shares* in its new format as a digital magazine. This edition is jam-packed with ideas, data and insight to help you become a better investor.

Regular readers may notice a few changes in terms of section names. We've also added a few new sections and made parts of the magazine more user-friendly, particularly for anyone who wants a clear, easy to read summary of the market's most important events.

For example, we are introducing a new section called *Story In Numbers* which is your dashboard for monitoring key movements in stocks, funds, commodity prices, big contracts, acquisitions, trends, you name it.

We've always flown the flag for smaller companies and we will continue to provide extensive coverage on this area of the market. You asked us to increase coverage of bigger stocks as well, so we are introducing a new weekly section called *Larger Companies*.

Over the years we've had people ask us to run a section dedicated to our best ideas each week; that was exactly the purpose of the *Plays of the Week* section. Perhaps it wasn't clear enough as to what the section meant, which has led us to give it the new name of *Great Ideas*.

The principle remains the same: if you've only got the time and/or money to make one or two investments each week in individual companies or funds, stories in this section are our 'great ideas' for you to research further.

We have extended our funds coverage in recognition that most investors put money into both individual company shares and investment collectives.

We intend to analyse a lot of data to help spot really interesting funds, investment trusts and exchange-traded funds. You can see the first fruits of our labour in this week's main feature which looks at investment trusts that have delivered very good returns year in, year out.

Our *Under The Bonnet* section has been a big favourite with readers and we're eager to know which companies you'd like us to analyse in the magazine. Drop us a line at editorial@sharesmagazine.co.uk with 'Under The Bonnet' in the subject line, tweet us @sharesmag or send a message via our Facebook page.

The purpose of our magazine has not changed, despite the new distribution method. We provide ideas for stocks and funds for your portfolio, what to avoid and how to stay ahead of the market. We also explain how to manage a portfolio, what to think about as an investor and the potential routes you could take to achieve certain goals.

We have something for everyone; whether you are new to investing or are a seasoned expert, invest via an ISA, dealing account or self-invested personal pension. We are here to help.

Daniel Coatsworth. Editor

WHO WE ARE

EDITOR: Daniel Coatsworth @SharesMagDan	**DEPUTY EDITOR:** Tom Sieber @SharesMagTom	**NEWS EDITOR:** Steven Frazer @SharesMagSteve	**COMPANIES EDITOR:** William Cain @SharesMagWill
REPORTER: James Crux @SharesMagJames	**REPORTER:** Mark Dunne @SharesMagMark	**JUNIOR REPORTER:** Lisa-Marie Janes @SharesMagLisaMJ	**CONTRIBUTERS** Emily Perryman Tom Selby

PRODUCTION
Head of Production
Michael Duncan

Designer
Rebecca Bodi

ADVERTISING
Sales Executive
Nick Frankland
020 7378 4592
nick.frankland@sharesmagazine.co.uk

MANAGING DIRECTOR
Mike Boydell

Shares magazine is published weekly every Thursday (50 times per year) by AJ Bell Media Limited, 49 Southwark Bridge Road, London, SE1 9HH. Company Registration No: 3733852.

BROKER RATINGS EXPLAINED:

We use traffic light symbols in the magazine to illustrate broker views on stocks.

Green means buy, Orange means hold, Red means sell.

The numbers refer to how many different brokers have that rating.

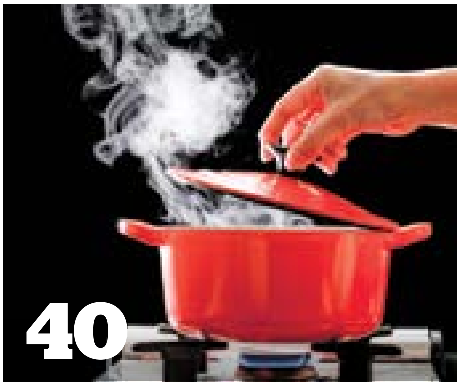
Eg: 4 2 1 means four brokers have buy ratings, two brokers have hold ratings and one broker has a sell rating.

The traffic light system gives an illustration of market views but isn't always a fully comprehensive list of ratings as some banks/stockbrokers don't publicly release this information.

Contents

06 October 2016

INTERACTIVE PAGES
CLICK ON PAGES NUMBERS TO JUMP TO THE RELEVANT STORY



Major developments in the property market

There are positive and negative announcements to digest

Investors in property companies and housebuilders need to digest a large number of important announcements made over the past few weeks. The overall impact looks a net positive.

Our best idea in this space is specialist housebuilder **MJ Gleeson (GLE)**. Its twin track approach of developing low cost homes in the North of England and strategic land sales in the South continues to pay off in spades, reflected in a good set of full year results published on 26 September 2016. The company's average selling price is £125,700, with around 80% of its customers being first time buyers.

The Help to Buy mortgage guarantee scheme will be scrapped at the end of 2016. However, elements of the broader scheme are being maintained. Most relevant for housebuilders is the continuation until 2020 of the equity loan scheme. This helps first time buyers purchase a new home with a 5% deposit.

It is also worth remembering first time buyers will get another form of assistance from April 2017 with the launch of the Lifetime ISA. The Government will give a monetary bonus to individuals investing in the wrapper, subject to certain conditions.

Mortgage approvals in August 2016 recorded their lowest figure since November 2014 and were down 16% year-on-year, according to new Bank of England data.

Liberum analyst Charlie Campbell says the real test will come with September data (out 31 October 2016), when approvals will reflect applications made since the EU referendum.

THE APPEAL OF GLEESON

MJ Gleeson posted a 63% rise in pre-tax profit to £28.2m for the 12 months to 30 June 2016. The dividend was increased by 45% to 14.5p per share. At 603p the company trades on a relatively undemanding 12.2 times June 2018 consensus earnings.

Chancellor Philip Hammond announced in his 3 October 2016 speech to the Conservative Party conference £5bn worth of investment in new homes. The package includes a £2bn fund to speed up building by using public land and a £3bn loan pot for the smaller housebuilders frozen out of the market by a lack of bank funding.

The Government also plans to relax planning rules with a presumption in favour of residential development.

All in all, there are positive and negative developments in the property market. If you consider the potential for further interest rate cuts and the fundamental imbalance between supply and demand in the UK housing market, the backdrop looks encouraging for housebuilders.

Just don't ignore the risk of a short-term market correction once Brexit negotiations get underway. (TS)

Brexit gets real

'Hard Brexit risk rises' as Prime Minister outlines position

Prime minister (PM) Theresa May's negotiating position on Europe increases the risk of a 'hard Brexit', according to analysts at Bank of America-Merrill Lynch (BAML).

May, who pledged to begin the UK's exit from the EU by triggering Article 50 in the first three months of 2017, wants more controls over immigration and freedom from EU courts while retaining access to the single market.

'Delaying Article 50 until 2017 was one factor (others being Theresa May's quick elevation to PM and Bank of England's actions) that we think has helped UK economic data to recover since July,' writes BAML UK economist Robert Wood.

'Triggering Article 50 could provide a new shock. Some firms are already delaying investment but announcing an Article 50 timetable could catalyse more companies to take action: one reason we expect UK growth to weaken next year.'

Wood expects the UK to negotiate a 'free trade deal' with the EU, which would involve tariff-free trade in goods and services. However, because free trade deals typically take longer than two

years to agree, there would also need to be some transitional agreements to bridge the gap between the UK's expected exit in 2019 and the completion of a deal.

Also, Wood argues true free trade in services is more difficult to achieve because non-tariff barriers like admin procedures and rules and regulations can form a further barrier to competition across national boundaries.

'So it would be inferior to single market membership and economically costly to the UK: we assume the lost trade would detract 2.5% from GDP in the long-run,' adds Wood.

Brexit advocates argue this downside could be mitigated by expanding trade relationships with countries outside Europe. (WC)

FTSE 250 rallies to record high

But mid cap index cheaper than last month despite rise

UK MID CAP index the FTSE 250 hit a new record this week – and analysts at investment bank Liberum say the rally could have further to run in a number of stocks.

The FTSE 250 went through its May 2015 peak on 4 October 2016, hitting 18,590 at the time of writing. But analysts at Liberum say increases in the index's value may not be keeping up with earnings upgrades.

In September, for example, the index gained 1% but its price-to-earnings ratio declined from 15.5 to 15.2 over the month. A lower price-to-earnings (PE) ratio, other things being equal, indicates investors are receiving more value per pound invested.

Earnings estimates increased the most for UK domestic cyclical stocks, which includes housebuilders, banks and recruitment companies, at 4%, 6% and 4%, respectively.

Liberum analyst Sebastian Jory says falling interest rate expectations in the UK have led investors to bid up the prices of big dividend-paying stocks among the mid cap universe.

To avoid overpaying for dividend income, Jory sees opportunities in 'quality income' stocks. Liberum highlights a number of companies including payments specialist **PayPoint (PAY)** and ship broker **Clarkson (CKN)**.

But Jory warns the FTSE 250's forecast PE of 15.2 remains well above its long-term average. (WC)

Does Capita need a rights issue?

Analysts speculate after shock profit warning

Outsourcer **Capita (CPI)**, which suffered a shock profit warning on 29 September 2016, may need to ask shareholders for extra cash if earnings fall by more than expected.

The lion's share of Capita's 45% year-to-date decline came after a trading update last week which said it faced complications with a Transport for London contract, a slowdown in 'specific trading businesses' and delays in client decision-making.

Chief executive Andy Parker expects Capita's ratio of net debt to earnings before interest and non-cash items (net debt/EBITDA) to hit 2.7 at its 31 December year-end. Some analysts are now speculating that if Capita's profitability slips further, it may need to raise extra capital.

Red flags in Capita's accounts have been regularly flagged by Panmure Gordon analyst Michael Donnelly. He is concerned about the company's balance sheet, earnings quality, acquisition strategy and valuation.

Donnelly argues fellow outsourcer **Babcock International (BAB)** trades at a similar valuation to Capita and represents a less risky option. (WC)

Healthcare heavyweight IPO

British medical treatment specialist set for one of the year's biggest stock market floats

BURNS-TO-ULCERS treatment group **ConvaTec** is to float on London's Main Market in the next month. It hopes to raise $1.8bn to help reduce debt. The Reading-based group could become a candidate for the FTSE 250 or even FTSE 100. **Bristol-Myers Squibb (BMY:NYSE)** sold the business to private equity for $4.1bn in 2008. (DC)

For sale: Asset managers

Aberdeen, Jupiter gain as Henderson seals US merger

A $6BN (£4.7BN) merger between UK-listed **Henderson (HGG)** and **Janus Capital (JNS:NYSE)** could spur further consolidation in the asset management sector.

Shares in Henderson rallied as much as 17% to 272p on news of the deal (3 Oct), which will see Henderson shareholders own 57% of an enlarged Janus-Henderson group with $320 billion of assets under management (AuM).

Investors also snapped up shares in Henderson's mid cap rivals **Aberdeen Asset Management (ADN)** and **Jupiter (JUP)** following the deal, partly because of the potential for further consolidation in the sector.

Aberdeen was rumoured to be in talks with an unnamed potential buyer in late 2015, according to a *Financial Times* report, though chief executive Martin Gilbert subsequently denied the claim.

Jupiter as well as Henderson were reported to be in the sights of US retail bank **Wells Fargo (WFC:NYSE)** in November 2015, according to the *Sunday Times*.

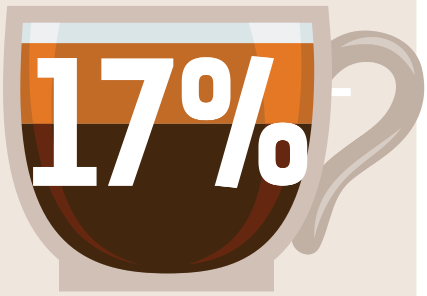
Key risks for UK-headquartered asset managers are uncertainties around the UK's vote to leave the EU, which places a question mark over London's access to EU financial markets. (WC)

SHARES SAYS: ↗
Asset managers like Aberdeen and Jupiter have struggled for some time with tough overseas investment markets and consolidation could be one solution to improving profitability.

40:1

NOW FULLY focused on digital audio solutions after the sale of its health monitoring unit, there is plenty going on at **Toumaz (TMZ:AIM)** including a massive tidying up of the share base.
The technology minnow plans a 40 for one share consolidation, creating one new share for every 40 existing, effectively converting the current 2.62p share price into 104.8p. Beyond that admin, the company hopes to start creating value by maximising its two lines of business – digital radio and connected audio, something it has largely failed to do to date.
Rounding things off is a change of company name to Frontier Smart Technologies on 2 November 2016. (SF)

COFFEE PRICE HEATING UP



CAFFEINE ADDICTS beware: the price of coffee has risen 17% this year. Brazil has been hit by the wrong type of weather, the kind of excuse normally attributed to delays on the UK's rail network. There are now concerns about next year's coffee crop as Brazil and Vietnam – two major producing regions – have suffered dry conditions which may have damaged coffee plants. Exchange-traded product **ETFS Coffee (COFF)** moves in line with a coffee price index. If coffee prices go up, so does this product – it declines if coffee prices fall. (DC)

5% CASH

NATIONWIDE'S FLEXDIRECT current account is offering 5% fixed interest for 12 months on up to £2,500 cash. This may appeal to someone with a diversified investment portfolio who wants a proportion of assets locked away as a cash buffer for unforeseen events. You need pay in £1,000+ per month. After 12 months the rate falls to a measly 1% annual interest. (DC)

SPIN-OFF GROUP TAKES THE MARKET BY STORM

Coal-to-manganese miner **South32 (S32)** has outperformed its former parent company **BHP Billiton (BLT)** by 130% so far this year on the London stock market, according to Google Finance data. South32's spending has fallen, cash generation has risen and the balance sheet strengthened. BHP spun out various assets in 2015 to create the standalone business. (DC)

This is the increase in **Entertainment One's (ETO)** library valuation since last year.

An independent assessment values its TV, film and music content at $1.5bn. This includes pre-school favourite *Peppa Pig*, *The BFG* movie and the latest kids' cartoon big hit, *PJ Masks*. (DC)

$90 MILLION

ROYAL MAIL'S SUNNY DEAL

THE GROUP'S European division GLS has bought California-focused next day parcel delivery group Golden State Overnight for $90 million. It will give **Royal Mail (RMG)** a stronger position in the US business-to-business market. (DC)

FTSE All-Share Sectors

Year-to-date change (%)

Materials	76.4%
Energy	19.3%
Consumer Staples	12.0%
Information Tech	12.0%
Utilities	11.8%

Source: Thomson Reuters

BEST PERFORMING GLOBAL EMERGING MARKETS FUNDS

		1 year change
1	Jupiter Global Emerging Markets Acc	49.5%
2	FP Henderson Rowe FTSE RAFI Emerging Markets Fund B Acc	47.5%
3	GAM Star North of South EM Equity GBP Acc	47.2%
4	Lazard Emerging Markets Retail Acc	47.0%
5	Templeton Global Emerging Markets Fund W Acc	45.9%
6	T Rowe Price Funds SICAV - Emerging Markets Equity Fund Q GBP	45.4%
7	Lazard Developing Markets Retail Inc	45.3%
8	Baillie Gifford Emerging Markets Leading Companies C Acc	44.5%
9	Legg Mason IF Martin Currie Emerging Markets Fund X Acc	44.2%
10	NFU Mutual Global Emerging Markets I	44.1%

Source: SharePad, 4 October 2016. IMA Sector: Global Emerging Markets
Best performing retail version of each fund features in list, other versions not included for simplicity reasons

FTSE 350 IN A WEEK

BEST PERFORMERS

	COMPANY	(%)
1	Evraz	23.9%
2	Tullow Oil	18.8%
3	Hunting	18.3%
4	Weir	16.2%
5	Henderson	16.1%
6	Provident Financial	13.8%
7	Diploma	13.8%
8	Entertainment One	13.5%
9	KAZ Minerals	13.5%
10	Petrofac	12.7%

WORST PERFORMERS

	COMPANY	(%)
1	Capita	-29.0%
2	CMC Markets	-4.3%
3	Merlin Entertainments	-3.3%
4	Tritax Big Box REIT	-2.8%
5	Great Portland Estates	-2.3%
6	Derwent London	-1.7%
7	Mediclinic International	-1.4%
8	Softcat	-1.2%
9	Sainsbury (J)	-1.1%
10	Babcock International	-1.1%

Source: SharePad.
Data; 1 week to 4 October 2016 11am.

Daily Mail to deliver

New CEO to unveil strategy plans in coming months

Newspaper publisher and information services provider **Daily Mail & General Trust (DMGT)** looks attractive as it moves from investment phase to delivery phase.

Buy ahead of full year results on 1 December 2016 which should see chief executive Paul Zwillenberg update on efforts to streamline the business and make it more efficient.

The shares look fairly cheap on 12.2 times forecast earnings for the year to September 2018. Admittedly there is a slight discount priced in to its valuation from the ongoing decline in print advertising.

Casual followers of the stock might only be aware of its higher profile DMG Media division which encompasses the *Daily Mail*, *Mail on Sunday* and *Metro* newspapers as well as the more salacious *MailOnline* site.

Although this division represented nearly 40% of revenue in the year to September 2015, there is a lot more to the business than this traditional news element.

Rough calculations suggest its stakes in B2B publisher **Euromoney Institutional Investor (ERM)** (67%) and online property portal **Zoopla (ZPLA)** (31%) are worth around £1.4bn at current market prices and account for more than half the media group's total market cap on their own.

Investec suggests Daily Mail & General Trust could get more than £600m if it sold its stake in Zoopla and offloaded US software arm Hobsons.

The company also has its RMS insurance risk modelling product, its DMG Information arm serving the property, education and energy sectors and an events division which operates exhibitions in industries such as construction, interiors and hotels and hospitality. On a sum-of-the-parts basis Panmure Gordon values the group at 920p per share – significantly above the current market price of 750p.

DAILY MAIL & GENERAL TRUST BUY

(DMGT) 750p
Stop loss: 600p

Market value: £2.6bn

Prospective PE Sept 2017: 13.5

Prospective PE Sept 2018: 12.2

Prospective dividend yield Sept 2017: 3.0%

Bid/offer spread: 0.42%

Analyst price target: 850p*

*Panmure Gordon, 30 September 2016

DELIVERY FOCUS

Zwillenberg was appointed in May 2016 and has a background in digital media. He most recently headed up the media side of multi-national consultancy firm Boston Consulting Group.

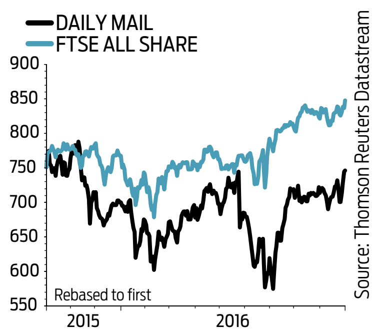
He has outlined an ambition to deliver on the revenue and profit potential of the portfolio, given the group has already invested heavily in areas such as RMS and *MailOnline* in recent years.

The company last month said it would increase a restructuring charge from £15m to £50m.

Given how the company's fortunes are heavily tied to Euromoney, it was encouraging to hear star fund manager Nick Train singing the latter's praises at a recent conference in London.

Train pointed to its excellent track record in terms of cash conversion and said this is why he had stuck with the publisher of *Metal Bulletin* and *Institutional Investor* despite a downturn in its core investment banking and commodities markets. (TS)

BROKER SAYS: 7 8 1



A.G. Barr's resilient BRU

IRN-BRU producer has qualities to shrug off market uncertainties

A de-rating of soft drinks maker **A.G. Barr (BAG)** represents a buying opportunity in a high quality company.

The recent absence of share price fizz reflects testing market conditions and worries over the government's proposed soft drinks sugar tax, now in the consultation phase.

However Cumbernauld-headquartered A.G. Barr has a strong track record and an excellent portfolio of brands - IRN-BRU, Rubicon, Strathmore and cocktail solutions business Funkin – to see it through uncertain times.

Interims (27 Sep) reflected deflationary, promotional market conditions and poor early summer weather. Total sales softened to £125.6m (2015: £130.3m) and like-for-like sales fell 2.8%, though pre-tax profit before exceptional items edged up to £17m (2015: £16.9m) on improved operating margins. Return on capital employed (ROCE) grew 110 basis points to 20%, underscoring management's shareholder value creation credentials.

The £599m cap is having to adjust to the consumer's increasing demand for lower and no sugar products. The good news is A.G. Barr's business is resilient, soft drinks being low ticket items, leading brands IRN-BRU and Rubicon have runway for growth in the UK and A.G. Barr also has an increasing international presence.

CEO Roger White insists A.G. Barr is making good progress across its longer term

reformulation and innovation programme. Recent launches IRN-BRU XTRA and Rubicon Spring, both containing no added sugar, 'are both performing well at this early stage'.

SWEET STRATEGY

White, who argues the levy is 'a punitive and unnecessary distortion to competition in the UK market', stresses 'we have continued to reformulate and reduce sugar across our portfolio, as well as bringing new lower and no sugar products to the market'. More specifically, A.G. Barr remains on track to reformulate its portfolio such that two thirds of it will be low or no sugar by 2018.

Sterling weakness will lead to higher input costs, yet a business reorganisation drive will help A.G. Barr mitigate the impact and leave it better structured to improve service levels and speed to market. Interim free cash flow of £19.6m helped reduce net debt to £6.6m to give a lowly net debt/EBITDA ratio of 0.3 times.

This strong balance sheet gives A.G. Barr the firepower to invest in its asset base, brands and new product development as well as further acquisitions. Recent weakness leaves A.G. Barr trading on 17.5 times forward earnings, which is cheap relative to the historical average, while Investec Securities' 640p price target implies 26% upside. (JC)

A.G. BARR BUY

(BAG) 508.5p
Stop loss: 406.8p

Market value: £599m

Prospective PE January 2017: 17.5

Prospective PE January 2018: 16.6

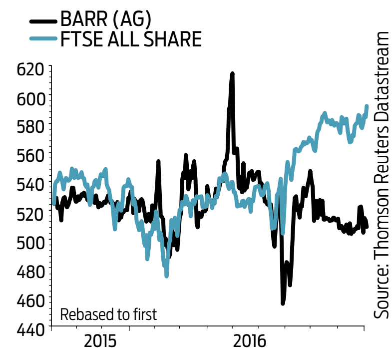
Prospective dividend yield January 2017: 2.7%

Bid/offer spread: 508p-509p

Analyst price target: *640p

*Investec Securities, 27 September 2016

BROKER SAYS: 4 2 4



BCA MARKETPLACE
(BCA) 183p

Gain to date: 10.9%

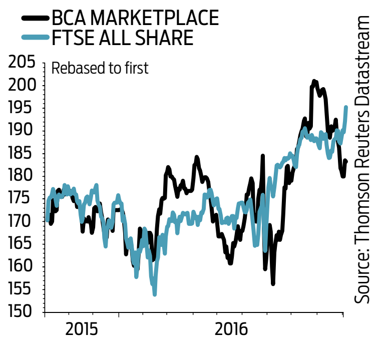
Previous Shares view:
Buy at 165p, 23 Dec 2015

ANALYSTS ARE INCREASINGLY excited about the growth potential at **BCA Marketplace (BCA)**. Best known to the public as the owner of the webuyanycar.com website, BCA makes most of its money from car dealers using its physical auction sites.

N+1 Singer believes the company will report 22% growth in pre-tax profit at half year results on 30 November. It forecasts 20% compound annual growth in earnings per share for the next three years and hints this figure may prove too conservative.

BCA is one of our top picks of the year. We believe it has high barriers to entry, namely it would be extremely hard for someone else to replicate its business model to the same scale in the UK. We also like the steady flow of cars going to auction as consumers switch vehicles every three years on credit schemes.

'Activity levels are increasing and market share gains are set to continue,' says N+1 Singer contributing analyst Matthew McEachran.



SHARES SAYS: ↗
We remain big fans and believe the forthcoming results will help remind the market about BCA's high quality business model. Buy at 183p. (DC)

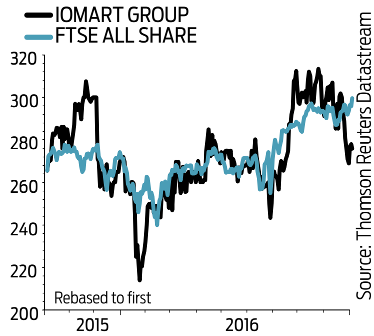
BROKER SAYS: 4 0 0

IOMART
(IOM:AIM) 285.75p

Gain to date: 10.5%

Previous Shares view:
Buy at 258.5p, 23 Jun 2016

TYPICALLY PREDICTABLE AND robust, a trading update on 30 September 2016 reaffirms the attractive investment case we made for IT outsourcing and cloud services supplier **Iomart (IOM:AIM)** back in June. Management reports revenue and profit materially ahead of the comparative period last year, in line with expectations, and reiterates a confident outlook for the year to 31 March 2017, implying 13% revenue and 16% earnings growth, based on FinnCap forecasts. Market momentum continues to drive cloud services and Iomart has bases covered thanks to partnerships with big cloud vendors, including Amazon Web Services, Microsoft Azure and more.



SHARES SAYS: ↗
An almost flawless record of execution delivering consistent high single-digit underlying growth bolstered by select and savvy acquisitions, not to mention 90%-odd recurring revenues, mean a price to earnings (PE) multiple in the high teens to low 20s looks totally justifiable. A March 2018 PE of 18 equates to a 342p share price, towards our 360p potential target and another 20% up from here. (SF)

BROKER SAYS: 2 1 0

JOIN OUR TRADING GAME

SG MARKET MASTER CHALLENGE

FROM 3rd TO 28th OCTOBER, SOCIETE GENERALE IS OFFERING YOU THE CHANCE TO WIN A HOST OF FANTASTIC PRIZES

SGMARKETMASTER.CO.UK

SIGN UP HERE

RISK WARNING: Short & Leveraged ETPs are suitable for sophisticated retail investors. Both gains and losses will be accelerated in comparison to a direct investment in the underlying asset. Investors are exposed to counterparty risk with Societe Generale.

SOCIETE GENERALE

FOLLOW US
@SG_ETP_UK

INTRODUCING 'YOUR VIEWS'

We want to give readers a chance to have their say on key issues affecting investors.

Each week we will pose a series of questions and publish your responses in future editions of *Shares*. You can comment on our Facebook page, send us an email or interact via our Twitter account.

Send us your views and we'll do our best to publish the best ones.

This week's question...

What are the three most important factors you desire in a company when considering an investment?

1. High cash flow generation per sales unit as a percentage of overall capital employed.
2. Dividends per share growing faster than inflation at a steady payout ratio.
3. Lower levels of debt than its main competitors within its market sector.

John Innes, Email

---

1. Directors have 'skin in the game' (i.e. they own shares in their employer).
2. Small market cap that is under the radar, unloved, undervalued and potential to make significant change in cost and/or income structure.
3. Shareholder friendly with good, clear, regular communication.

John Griffiths, Email

---

1. Return on capital employed.
2. Business growth potential and risks.
3. Graham formula margin of safety.

Paul Smith, Email

---

1. The company must have a competent board of directors with a proven track record of generating investment returns for shareholders.
2. The board must have 'skin in the game' and have willingness to buy additional shares in the open market.
3. Must be in a niche that is growing, that I understand and the company's specialism should enable medium to long term growth opportunities.

@conkers3, Twitter

---

1. Cash flow.
2. Cheap but not too cheap.
3. To-the-point RNS announcements, no waffle.

@PaulBai123, Twitter

---

1. Low or manageable debt.
2. Honesty and regular communication policy.
3. Risk versus reward.

@categoryx, Twitter

---

1. Transparency/communication from the board.
2. True future asset value.
3. Monies invested, not diluted in corporate self funding.

@ABMckinley, Twitter

---

1. Is their remuneration policy (including all directors) equitable and reasonable?
2. Clearly stated objective.
3. Cash management.

@Humphiebackit, Twitter

NOW GIVE US YOUR OPINION ON:

1. **What is the biggest stock position in your portfolio and why do you own it (in 50 words or fewer)?**
2. **What are the three biggest factors that would make you consider selling a stock from your portfolio?**

EMAIL: yourviews@sharesmagazine.co.uk

TWITTER: @sharesmag

FACEBOOK: www.facebook.com/sharesmag

GET MORE EVERY YEAR

TOP QUALITY INVESTMENT TRUSTS FOR YOUR ISA OR SIPP

Wouldn't it be nice if you could buy an investment trust or fund and see it deliver a consistent performance year in, year out?

We've found a group of products that arguably have the hallmarks of being reliable or fairly consistent performers. There is no guarantee they will always deliver positive results in the future, but their track record is so good that you should sit up and take notice.

We look at some of the top ranking investment trusts in this article and cast the spotlight on high quality unit trusts/open ended investment companies (Oeics) – being two core types of funds – in next week's issue of *Shares*. Many of these products could, in our opinion, be considered as great building blocks for your ISA or self-invested personal pension (SIPP).

JUDGE OF QUALITY

A lot of factsheets contain one, three and five year performance data. That isn't enough information if you want a good representation of how a product performs over the longer term. The stock market might have been in a rising trend for that entire period, so it would be easy for an investment collective to also turn in a good performance

A better way of judging quality is to look at the 10 year track record. That should include both good and bad times on the market. Essentially you want to see how a product performs through the course of a full economic cycle.

We have sought investment trusts and funds that delivered a minimum 7% total return each year. Total return is the increase or decrease in the value of the shares or fund units plus any dividends.

Not a single investment trust from the search results managed to produce 7% or more every single year between the start of 2006 and the end of 2015. We aren't surprised given the period included one of the worst global financial crises in history.

However, several investment trusts did meet the criteria for nine of the 10 years. In total, 34 investment trusts produced 7% or more gains for at least seven of the past 10 years. Read on to learn about some of the winners.

THE STANDOUT PERFORMER over the past decade has been **Lindsell Train Investment Trust (LTI)** which has delivered a total return in excess of 7% each year for nine of the past 10 years – six of those years it exceeded 20%. Even 2016's year to date performance is fantastic, up 41%.

It has a broad remit where it can invest in any sector or market. Top holdings include gaming giant **Nintendo (7974:TYO)**, **London Stock Exchange (LSE)** and beer seller **Heineken (HEIA:AMS)**.

At present you pay a low annual fee of 0.65% and get exposure to a variety of big names around the world. What makes this product so interesting is its 24.5% stake in Lindsell Train Limited, the management company that runs five funds including the investment trust in question.

At face value the Lindsell Train Investment Trust looks extremely expensive, trading on a 65% premium to net asset value (NAV). Some investors argue the premium is justified in the belief that the management business is undervalued, saying it should be valued on a multiple of earnings and not net asset value.

You could argue that its very good performance over the past decade warrants a premium rating as well. Fund manager Nick Train is highly respected in the market as being a good stock picker. Anyone put off by Lindsell's valuation may wish to look at one of Train's other trusts – **Finsbury Growth & Income Trust (FGT)** which has beaten the 7% minimum total return per year hurdle in six of the past 10 years and trades in line with NAV. Three of those years saw total returns of 25% or more.

SHARES' TOP 5 PICKS

- F&C PRIVATE EQUITY TRUST
- FINSBURY GROWTH & INCOME
- MARTIN CURRIE GLOBAL PORTFOLIO
- SCOTTISH MORTGAGE
- WORLDWIDE HEALTHCARE TRUST

9 YEARS OUT OF 10

F&C Private Equity Trust
Lindsell Train

8 YEARS OUT OF 10

Scottish Mortgage
Foreign & Colonial Investment Trust
Electra Private Equity
Edinburgh Investment
Biotech Growth

7 YEARS OUT OF 10

Independent
Martin Currie Global Portfolio
Northern Investors
BlackRock Income and Growth
Pacific Assets
JPMorgan Chinese
North Atlantic Smaller Companies
BlackRock Greater Europe
Henderson European Focus Trust
Jupiter European Opportunities
Worldwide Healthcare
Alliance Trust
F&C Global Smaller Companies
Witan
Pantheon International Redeemable
Strategic Equity Capital
TR Property
European Assets
Standard Life Investment Property Income Trust
International Biotechnology
Oryx International Growth
Perpetual Income & Growth
Troy Income & Growth
Fidelity Asian Values
Henderson High Income
Allianz Technology Trust
Fidelity European Values

WHAT DO THESE FIGURES MEAN?

We've looked for investment trusts that have delivered strong annual returns for as many years as possible in the past 10 years.
This table shows how many times between 2006 and 2015 they have delivered a minimum of 7% of total return each year.

Source: QuotedData, Shares

Martin Currie Global Portfolio Trust (MNP) has achieved more than 10% annual total return in seven of the past 10 years, with credit going to fund manager Tom Walker who has run the investment trust for 16 years.

He believes the product is an 'ideal' core equity holding for a long term investor. 'Shareholders have benefited from strong long-term performance, inflation-beating income growth and many shareholder-friendly policies,' he says.

The investment trust consists of 50 to 60 international stocks, spreading risk and providing access to potential gains from stock markets worldwide. The portfolio currently has positions in such companies as tech giant **Apple (AAPL:NDQ)**, car maker **Toyota (7203:TYO)**, aerospace group **Lockheed Martin (LMT:NYSE)** and the owners of clothing/fashion brands like TK Maxx and Victoria's Secret.

'We focus on finding higher-quality businesses with favourable prospects, sound financials and the ability to generate healthy cash flow,' says the fund manager. 'If you had invested the current ISA allowance in the trust 16 years ago – at the trust's inception – you would have received more than £8,000 in dividend payments alone. And even though taking dividends reduces your total return, the original investment would have more than doubled.'

MARTIN CURRIE GLOBAL PORTFOLIO TRUST

10%+ RETURN

IN 7 OF THE PAST 10 YEARS

Edinburgh Investment Trust (EDIN) is an interesting inclusion on the list as it suffered a traumatic period in late 2013/early 2014 when its fund manager Neil Woodford quit and set up shop on his own. His replacement, Mark Barnett, had to quickly regain investors' confidence in the UK equity-focused investment trust.

The performance statistics prove he was successful – it generated 11% total return in 2014 and 15% gains in 2015. 'A good chunk of the 10-year performance is attributable to Woodford,' says analyst Matthew Read at QuotedData. 'There were a lot of outflows when he took over, but he's a very credible fund manager.'

Edinburgh belongs in Invesco Perpetual's stable of funds. The asset manager says the product's resilient performance since it took over the fund's management in 2008 has been driven in principle by holdings in the tobacco and pharmaceutical sectors.

'Despite headwinds from declining volumes, increased regulation and, most recently, the introduction of plain packaging, the share prices of tobacco companies have delivered impressive returns as the market has recognised the sector's resilient business models and prodigious cash flows,' says Invesco.

It adds that Barnett sold down some of the portfolio's 'super-concentrated' individual holdings when he took over from Woodford, particularly in the pharmaceutical sector. 'This freed up resources to invest across a broader range of favoured stocks, notably in financial services where new holdings were established in **Legal & General (LGEN)** and London Stock Exchange.'

SCOTTISH MORTGAGE (SMT) is one of the most popular investment trusts on the market, according to the number of 'buy' orders on AJ Bell Youinvest's platform. The Baillie Gifford-managed product scores very highly in our research exercise, delivering 25% or more annual total return in five of the past 10 years. It beats 7% total return in eight of these 10 years.

'The investment trust's basic investment philosophy is very simple,' says Catharine Flood, client service director at Baillie Gifford. 'We look to create a relatively concentrated portfolio of the best growth opportunities available around the globe, regardless of geography or industry, and then hold those investments for the long term, by which we mean at least the next five years and beyond.'

Scottish Mortgage isn't afraid to allocate large amounts of the fund to companies in which it has strong conviction. For example, **Amazon (AMZN:NDQ)** accounts for 10.3% of the investment trust. The top 10 holdings represent more than half (55.5%) the entire fund, as of 31 August 2016.

'Over the past 10 years for which we have held Amazon's shares in the portfolio, the shares have risen more than 1,500%. It is the largest single contributor to returns over the period,' says Flood. 'Broadly speaking, this is due to Amazon's clear focus and corporate ambition, combined with constant reinvestment in its own future growth.'

The second biggest holding is genomic testing group **Illumina (ILMN:NDQ)**. An estimated 90% of all genomic sequencing has been done on Illumina's machines, according to Flood.

The investment trust can also invest up to 25% in unquoted firms and has stakes in companies that have chosen not to list on a public market despite being of a decent size. Holdings include two businesses that have truly disrupted their respective industries: accommodation company Airbnb and music streaming group Spotify.

SCOTTISH MORTGAGE

GREAT FOR HIGH-QUALITY COMPANIES

Independent Investment Trust (IIT) should interest fans of Scottish Mortgage as there is a link between the two products. Independent's managing director and fund manager Max Ward used to be the manager of Scottish Mortgage between 1989 and 2000. He is also a director at Edinburgh Investment Trust.

Independent has delivered some very strong returns over the past decade, although the down years also tend to be particularly bad. For example, while in 2006 it generated a 46.2% total return. Yet in 2008 it posted a 47.2% negative return, according to QuotedData.

Ward is paid a flat fee of £200,000 a year to run Independent which is considerably less than many fund managers are paid. That helps to keep the ongoing charges for shareholders low at 0.32%, according to Morningstar data.

Independent invests in UK and overseas stocks and, if appropriate, index futures. It has proclaimed a liking to take part in IPOs (initial public offerings) which is the opposite of many other fund managers who like to see a company prove its worth as a listed company before making an investment. Eleven out of its 28 holdings, as of 30 June 2016, have joined the stock market in the past two years.

It has a big exposure to housebuilders with six holdings in this sector accounting for 21.8% of total assets, according to mid-year data. You'd need to have a strong stomach to hold this investment trust at present, in our opinion, as newly-floated companies can be unpredictable investments and housebuilders could be volatile performers if the UK economy goes into decline as a result of Brexit preparations.

FOUR PRIVATE equity-focused funds appear on our list of star performing investment trusts over the past decade, which may come as a surprise. Private equity returns tend to be lumpy and unpredictable, as they are generally dependent on businesses in the portfolio being sold to a trade buyer or floated on the stock market.

To see private equity funds deliver strong performance on a near-consistent basis would imply they have a solid portfolio of investments at different stages of their business life. That could result in a steady flow of exits each year, thereby crystallising value for shareholders.

From our list, **Foreign & Colonial Investment Trust (FRCL)** invests in both quoted and unquoted companies. **Electra Private Equity (ELTA)** achieved greater than a 7% annual total return in eight out of 10 years to the end of 2015, although it suffered the most of the three products in the down years including a 63.3% loss in 2008.

Northern Investors (NRI) passed our criteria test on seven out of the past 10 years. It is being wound up, having decided in 2011 to start selling its holdings and return money to shareholders.

F&C PRIVATE EQUITY TRUST

GREAT FOR ACCESSING FIRMS NOT ON A STOCK MARKET

F&C Private Equity Trust (FPEO) invests in a range of private equity funds, so you benefit from broad diversity of underlying holdings. It has beaten 7% annual total return in nine out of the past 10 years. Seven of those years saw annual returns in excess of 15%.

'Private equity as a mode of investment, benefits from, but does not require, a strong economic background for success,' insists F&C fund manager Hamish Mair, who has managed the trust for more than 16 years.

'F&C Private Equity Trust has maintained a steady rate of investment through the cycle, continually rejuvenating the broadly spread portfolio through backing high quality investment partners,' he explains.

'The key differentiating features for this fund over others in its sector is its focus on mid and lower mid-market European buy-outs, which comprise the bulk of the portfolio. This is a broad and inefficient market populated by a number of lesser known private equity investors.'

Biotech Growth Trust (BIOG) had a slow start on our 10 year analysis period but raced ahead from 2008 onwards. It is managed by US healthcare investor OrbiMed and takes stakes in biotechnology companies. 'It has clearly been in the right space,' says Read at QuotedData. 'One benefit has been big pharmaceutical companies restocking their pipeline (via acquisitions) as patents expire and demand increases from an ageing population. Bring these together and you get super returns.'

Winterflood analyst Kieran Drake notes the view of OrbiMed founding partner Sven Borho who believes major biotech stocks are more defensive than other sectors as drug sales are less sensitive to the macro economy. However, it is hard to ignore that market concerns about a potential cap on drug pricing in the US weighing on the sector at present.

Drake said in July 2016 that he preferred another OrbiMed-run trust, being the more diversified **Worldwide Healthcare Trust (WWH)**. That has beaten our 7% minimum annual total return hurdle for seven out of the past 10 years, although its 286% cumulative return is nearly half that achieved by Biotech Growth at 525.3%, according to QuotedData.

DISCLOSURE: The author holds shares in Scottish Mortgage

Your regular weekly Shares magazine now comes with more Shares views, more coverage, more access, more insight, more tools and more real time data.

Weekly Digital Magazine

Welcome to the first digital-only edition of Shares magazine. Every week we provide a multitude of investment ideas, essential data on the markets and unmissable articles giving you insight into stocks, funds and much more.

You can get essential details on these products with a click of a button including financial history, charts and broker views. All this information is free to Shares subscribers.

You can read Shares magazine online from midnight every Wednesday, and in a range of formats including our website www.sharesmagazine.co.uk, via your tablet or mobile phone, or download the magazine as a pdf document so you can print it off at home if required.

The New Shares App

The brand new Shares app is being developed as you read this. We'll email all subscribers as soon as it's ready so that you'll be one of the first to download it!

Insight Online 24/7

Your digital access gives you full access to Shares online, providing you with all these additional benefits in your subscription:

- Access the latest weekly digital Shares magazine.
- Unlimited access to Shares' archive editions
- Fantastic investment tools including:
  - > **LIVE** share prices
  - > Customisable watch list (Free to subscribers, normally £120 a year)
  - > Portfolio manager to track your investments
  - > Fund selector and prices
  - > Intraday and historic charts
  - > Latest broker forecasts with alerts
  - > Latest directors deals with alerts
  - > Live market news/commentary from the Shares team
  - > Carry out in depth company research with fundamentals and investor tools
  - > Priority booking for over 20 **FREE** daytime and evening investment events
  - > Educational and company videos
  - > Fantasy investment game to test your investment theories

and much, much more ......!

What next?

The cost of a digital subscription is now much lower at only £125 per year, compared to £175 a year previously. We also have a new monthly billing option for just £12 a month. You still get all the benefits of the magazine plus all the tools, news and data on our website – and your subscription now costs you less!

As a subscriber you will have received a letter from us letting you know about the price decrease, to make things easy we have automatically extended your current subscription period pro rata so that you get your full value for money from the big price drop.

We hope that you will continue to enjoy Shares for many years to come.

Happy investing!

Daniel Coatsworth, Editor

Find out more at
www.sharesmagazine.co.uk/**hellodigital**

What oil price rise means for Shell and BP dividends

OPEC cut boosts oil and underpins confidence in generous yields

Oil producers' cartel OPEC's surprise decision on 28 September 2016 to cut production has given a boost to the commodity price and to natural resource companies. In particular, shares in oil producers **BP (BP.)** and **Royal Dutch Shell (RDSB)** are moving upwards as investors feel more confident in their ability to maintain dividend payments.

BP has a 6.5% dividend yield and Shell yields 7.1%, according to latest dividend forecasts.

Since the collapse in oil prices which began in June 2014 both Shell and BP have been unable to fund their dividends out of cash generated from their operations. It means they are effectively borrowing money to pay their dividends.

In the short-term both companies' balance sheets are robust enough to bear the strain but in the long-term this situation is unsustainable.

History suggests BP would be more likely to cut its dividend. It did so in the aftermath of the Deepwater Horizon disaster and resulting Gulf of Mexico oil spill in 2010. Shell has not cut its dividend since the Second World War.

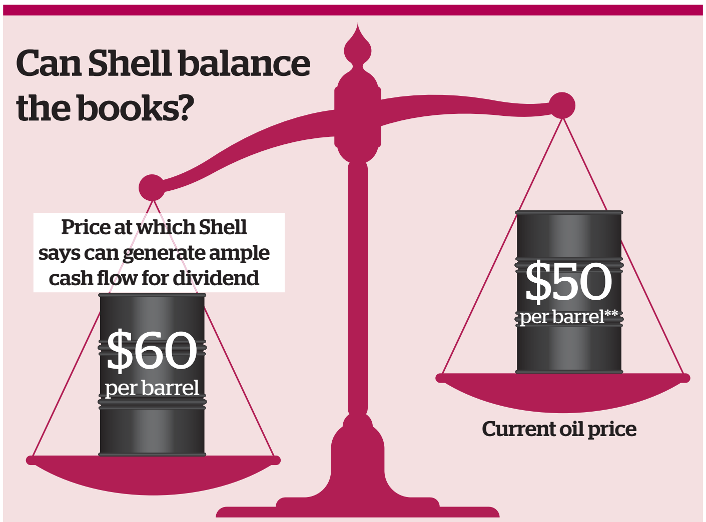
By 2020 Shell reckons it could generate organic free cash flow of between \$20bn and \$25bn based on an oil price of \$60 per barrel.

This would be sufficient to cover the dividend at its current level, the cash cost of which was around \$9bn in 2015.

Despite the recent rise in oil prices to circa \$50 a barrel off the back of the OPEC decision, Barings' multi-asset team head Marino Valensise believes prices will not go any higher than a \$55 to \$60 per barrel range as this is the level at which US shale producers could flood the market with additional supply.

The other issue to consider is the pace and timing of the OPEC cuts. A committee will propose by 30 November 2016 how the cuts will be actioned, with some countries not expected to make any changes. The cuts may not happen until next year.

Analysts at Bank of America Merrill Lynch are a bit more optimistic and see prices hitting \$70 per barrel by the end of the second quarter of 2017. (TS)



**Brent crude oil price as at 3 Oct 2016
Source: Company reports, Thomson Reuters, Shares

SHARES SAYS: ↗
OPEC cuts may not be as straight-forward as some people think. However, we believe Shell will do everything it can to maintain its consistent dividend-paying track record. We are positive at £20.54 although anyone owning the shares purely for income should make sure their portfolios are well diversified in case of any unwelcome dividend shocks should oil prices revert back to a downwards trend.

BROKER SAYS: 13 0 0

New lease of life for EasyHotel

Fundraising gives weight to M&A strategy

A huge slug of new cash, a major new shareholder and acceleration of growth plans suggests a new lease of life at **EasyHotel (EZH:AIM)**. Buy at 94.7p.

We like the company's clear focus on only pursuing opportunities which can deliver a good return on investment.

It targets a minimum 15% return on capital employed and that's been achieved so far at its three owned hotels in the UK, according to the company.

EasyHotel has 21 operational hotels in many different countries including Germany, Netherlands and Switzerland. It sees potential for approximately 12,000 rooms owned by the group and 15,000 rooms under franchise agreements in the UK and Europe.

A recent deal was struck in Turkey with a local construction and tourism group to develop an EasyHotel site in Istanbul. Franchise sites are also planned for Portugal, Brussels and Dubai, among other locations.

Shareholders will be called to vote on 14 October for plans to issue new shares at 100p to raise £38m. That is nearly two thirds the current market cap (£59m). Interestingly the new stock has been priced at 18% above the market price on the eve of the announcement. It only took a few hours to place the stock with existing and new investors, showing there is strong support for the expansion plans.

Real estate fund ICAMAP is taking the biggest slice of the new shares, giving it a 29.3% stake in the group.

EasyHotel says its priority is now the UK. We believe the low-cost hotelier should be well placed to prosper from the current uncertain economic climate. Budget brands outperformed the market during the last UK recession so EasyHotel could do well if Brexit preparations trigger another economic downturn in this country.

It is presently converting properties into EasyHotel sites in Birmingham, Liverpool and Manchester, all expected to open between February and April 2017. New hotels in Ipswich and Barcelona follow in July 2017 and early 2018 respectively.

The £38m of new money has been earmarked for five potential new sites; three in England, one in Wales and one in Europe. A further nine hotel developments are under evaluation, says the company.

We'd urge investors not to use the traditional metric to earnings (PE) valuation method when looking at the stock. That doesn't take into account a potential significant increase in scale over the next few years. (DC)

REWARDS

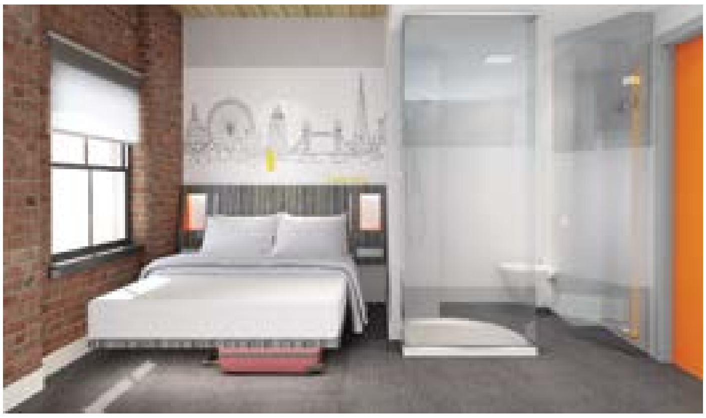
Rapidly builds scale in the UK

Improves operational efficiency

RISKS

Fails to win appeal regarding London hotel retrospective planning permission refusal

Increased competition from Airbnb



SHARES SAYS: ↗

EasyHotel is a profitable business with a low-cost model that should stand it well during good and bad economic conditions.

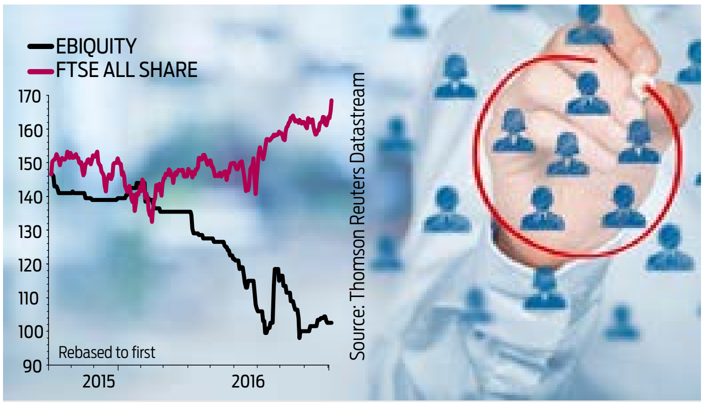
BROKER SAYS: 2 0 0

Ebiquity's profit margin sacrifice

Equity valuation already factors in a short-term hit to earnings

Marketing analytics business **Ebiquity (EBQ:AIM)** is sacrificing short-term margin performance as it invests for future growth. Earnings are forecast to decline near-term, perhaps explaining why the shares are trading close to a two-year low of 102.5p.

Contrarian investors may wish to consider taking a position now while the shares are depressed. The best time to buy something is when others are fearful, which makes Ebiquity look interesting at present.



The benefits of the company's investment plan may take time to be realised, but Numis analyst Paul Richards says the plan will leave the group 'well-positioned to deliver double-digit earnings per share growth' in the future.

The bulk of the investment is going towards Ebiquity's Media Value Measurement and Marketing Performance Optimisation divisions. They help companies understand the effectiveness of their marketing and advertising and to make promotions have greater impact in the future.

In the peak year of the investment programme (2018), margins are expected to be around the 12-13% mark versus the current level of 17%. (TS)

SHARES SAYS: ↗
We like companies that invest for the future and believe the short-term hit to earnings is already reflected in the stock rating. It trades on a mere 10.4 times 2017 forecast earnings. Buy at 102.5p.

BROKER SAYS: 1 0 0

Rare Earth seeks Bacanora marriage

LITHIUM MINER **Bacanora Minerals (BCN:AIM)** has rejected a merger proposal from **Rare Earth Minerals (REM:AIM)** on valuation and corporate disruption grounds. We doubt the two firms will walk down the aisle as their corporate cultures seem vastly different. Bacanora wants to build a proper mining business; its admirer seems more like someone wanting to drive a quick sale. (DC)

Generous moves to support Stratmin

A 75% PAY cut by directors and £344,500 fundraising priced 54% above the previous trading day's stock valuation gives cash shell **Stratmin Global Resources (STGR:AIM)** a lifeline while it seeks an acquisition. It must do a deal by March 2017 or it will be delisted under AIM rules. It recently sold a graphite mine and retains a joint venture interest in a similar asset. (DC)

Shop DJ Immedia sounds upbeat

THE PROVIDER OF in-store music content for shops, offices and banks is sounding increasingly excited about its business prospects. **Immedia (IME:AIM)**, run by former Radio 1 DJ Bruno Brookes, says it has just won a contract with a major UK retailer. It is also in talks with new channel launches with two other major brands. Current clients include HSBC, Subway, FIFA and O2. (DC)

In partnership with Henderson Global Investors

Hitch a ride with Vietnam funds

We look at the easiest ways to get exposure to one of Asia's most exciting countries

Vietnam is one of the world's fastest growing markets. The emerging economy is based on growing manufacturing prowess, a reducing reliance on commodity and extractive industries and a shift towards consumption.

This frontier market has an attractive growth profile, having generated GDP growth of 6.7% in 2015 powered by a young, well-educated and growing workforce.

Average GDP growth over the past 20 years has exceeded 7%, which is second only to China according to investment fund **Vietnam Holding (VNH)**.

Vietnam's 94.3 million strong population is the world's fifteenth largest with a literacy rate of 94.5%, while a median age of 29.6 years means Vietnam benefits from a 'demographic dividend'.

If you are looking for ideas to diversify your portfolio, the investment case for Vietnam is undeniably attractive, in our opinion. There are several funds available to UK investors that provide easy exposure to this country.

BOUNCING BACK

Vietnamese markets are in the midst of a bull run, bouncing back from a torrid 2006-2009, driven by several years of high earnings growth.

Vietnam's new government

'Vietnamese markets are in the midst of a bull run'

appears business friendly and GDP growth of around 6% is forecast this year, slightly lower than anticipated at the start of the year due to the impact of drought on agriculture, though Vietnam has both a trade surplus and reasonable foreign exchange reserves.

Even though the market has already re-rated, Vietnam bulls argue it remains cheap on a relative basis. Vietnamese companies have demonstrated resilient earnings growth in recent years and that ongoing reform in Vietnam is expected to benefit equities, with privatisation and reform of state-owned enterprises remaining on the agenda.

HOW TO GET EXPOSURE

We've had our eye on Vietnam Holding for some time, having flagged it at 87c in 2011. Even after surging to $2.26, the fund presently trades at a 22% discount to latest estimated net asset value (NAV) of $2.885 per share – something that may entice value investors.

The fund is managed by Vietnam Holding Asset Management and benefits from an experienced team whose local presence represents a competitive advantage.

The manager's value investment approach has proved highly successful, supported by an active engagement programme

with an emphasis on ESG (environmental, social and corporate governance) issues.

In fact, Vietnam Holding's NAV per share is up 29.26% year-to-date versus 15.88% for the VNAS Index. Over the past five years it has grown 166.88% versus 50.87% for the Vietnam All Share (VNAS) Index.

The fund's portfolio is biased towards growing mid cap companies and focused on three key themes: domestic consumption, urbanisation and agri-business. 'Vietnam has reached a level of income per capita where it is more than just about survival,' says Jean-Christophe Ganz, chairman of the fund's management company.

'Vietnam is entering the age of consumption. Two thirds of the population still live in rural areas, but there's a huge investment effort to provide accommodation, water, schools and education to the population as people migrate to the cities,' he says.

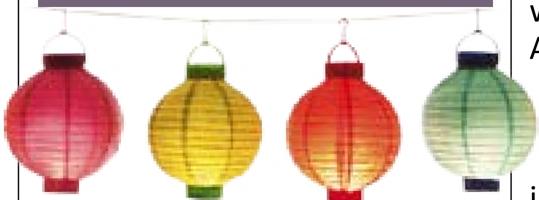
'Agri-business used to be 26% of the portfolio, but we realised investments that had reached their maturity stage and we divested them at a premium,' adds Ganz. 'We keep companies for a relatively long time if we can and we rebalance.

'If the valuation becomes really high or an investment has reached maturity, then we will divest. There's a big dividend culture in Vietnam in general,' explains Ganz, citing demand for payouts from the retail investors that drive the market, and saying that most companies pay high dividends.

Key holdings include Traphaco, an industry leader in traditional herbal medication and a potential bid target for an overseas pharma company in time. It also has positions in Thien Long, a pens and stationery distributor and strong portfolio performer, as well as Nafoods, which exports fruit puree and juice concentrate to more than 50 countries.

THE ANALYST VIEW ON VIETNAM HOLDING:

'The manager's value approach has delivered good returns and we like their active engagement with investee companies and emphasis on "ESG" issues.' *Innes Urquhart, Winterflood.*



FURTHER SELECTIONS

Other ways to gain Vietnamese exposure include **VinaCapital Vietnam Opportunity (VOF)** and Dragon Capital's **Vietnam Enterprise Investments (VEIL)**, launched over 20 years ago as the first-ever Vietnamese closed-ended fund.

In July 2016, the latter moved from the Irish Stock Exchange to London's Main Market in a bid to boost liquidity, attract greater investor interest and narrow its discount to NAV, currently 12.7%.

Vietnam Enterprise Investments offers an exposure to the likes of dairy products play Vinamilk, IT and telecommunications leader FPT Corp and also VEAM, a state-own enterprise with stakes in automobile and motorcycle makers via joint ventures with Honda, Toyota and Ford.

BROADER EXPOSURE

If you aren't comfortable with having one fund with sole exposure to a single overseas country, an alternative route would be to invest in a broader Asian-themed fund.

For example, **BlackRock Frontiers Investment Trust (BRFI)** has 6.6% of its holdings in Vietnamese stocks. Baillie Gifford's **Pacific Horizon Investment Trust (PHI)** has 4.6% of its portfolio in the country, the fifth largest geographic position after India, Taiwan, Korea and Hong Kong/China.

Don't presume all Asian-style investment funds will have Vietnam in their portfolio, despite the country's obvious attractions. For example, **Henderson Far East Income (HEFL)** has no exposure to the country. 'We're not in Vietnam, though the long-term story is a pretty compelling one', says fund manager Mike Kerley.

He believes the market has already done very well and, with an income mandate in mind, claims dividend yields in Vietnam tend to be derived from riskier sectors including banks. His frontier market preference is Pakistan, currently undergoing an infrastructure boom. 'It is Vietnam fifteen years ago,' he claims. 'The market there is half the multiple of Vietnam and the index yields over 5%.' (JC)

Buffett disciple in rare stock purchase

Fund manager has only made four new investments in past two years

When the manager of one of the UK's most interesting funds makes a rare investment, you need to take notice.

Keith Ashworth-Lord of the **CFP SDL UK Buffettology Fund (GB00B3QQFJ66)** is a very picky man, mirroring the approach of legendary investor Warren Buffett whose stock picking skills are admired around the world and which serves as the backbone to said fund.

Only three new companies had been added to the Buffettology portfolio in the two years to September 2016. A fourth has now joined the portfolio, being urban regeneration and land development group **MJ Gleeson (GLE)**.

Ashworth-Lord applies the methodology of 'Business Perspective Investing' championed by Warren Buffett and his teacher Benjamin Graham. Buffett himself is famous for discipline, patience and value – a style that has outperformed the market on many occasions over the years.

The Buffettology fund contains UK equities with strong operating franchises and experienced management teams. 'Only an excellent business bought at an excellent price makes an excellent investment. One without the other just won't do,' states the website of Sanford DeLand Asset

Management, the brains behind the Buffettology fund.

MJ Gleeson recently reported its latest financial results, showing 20.5% growth in pre-exceptional pre-tax profit to £28.2m and a 45% increase in the dividend to 14.5p.

The shares were hard hit in June on the back of the Brexit vote where they fell to 424.5p by the start of July. They've since bounced back to now trade just above 600p.

SPANNERS AND PLATTERS

The other three stocks bought by Ashworth-Lord in the past two years focus on engineering and leisure.

'The first was **AB Dynamics (ABDP:AIM)** in June 2015,' reveals Ashworth-Lord. This business designs and manufactures specialised products for the automotive industry and supplies all the top global automotive OEMs (original equipment manufacturers). It has a unique niche product required by its customers,' he explains.

'The second was a re-entry into a business I used to own, **Driver (DRV:AIM)** in December 2015. It is a people business providing consultancy to the engineering and construction industries with a particularly strong position in dispute resolution. It briefly lost its way – not for the first time – in 2014/5 but is coming back strongly under new management,' says the fund manager.

The third investment, **Restaurant Group (RTN)** had been on his watch list since the fund's inception but could only be purchased at a 'sensible price' after three profit warnings between November 2015 and April 2016, explains Ashworth-Lord.

'Again under new management it is making progress in resolving company-specific failings. I was able to buy in at prices as low as 40% below what I estimated net worth to be. That's what I call a "margin of safety".' (JC)

INVESTING IN THE DIGITISATION OF PAYMENTS

HOW BANKERS INVESTMENT TRUST PREPARED FOR EU VOTE AND LOOKS TO TAP HOT TECH THEME

Unfortunately it wasn't just the torrential downpours that dampened spirits in June: the UK's EU in/out referendum on the 23rd was probably the biggest contributor to the downbeat mood.

With markets around the world pricing-in a higher probability of a 'remain' vote, 'Brexit' caught many by surprise. On the morning following the result, markets plunged. In the space of a few days sterling dropped nearly 11% against the dollar; the FTSE 250 – the UK's more domestically focused smaller-cap market – sank over 13.5%. The ensuing political mayhem left heads rolling from the spectrum's left, right and centre.

Although markets have recovered since the result, Alex Crooke of **The Bankers Investment Trust (BNKR)** was cautious in the run-up to Brexit. He and the board of directors – a unique, independent, client-focused feature of investment trusts – decided almost a year ago, without taking a view on the outcome, that it would be prudent to pare-back risk and reduce Bankers' exposure to the UK. It proved to be the right decision.

It highlights the advantages of a global generalist such as Bankers: with its mandate to invest in any stock market in the world, Alex is unrestrained and can shift capital to where he finds the best value.

SO HOW DOES THE TRUST INVEST?

The Trust has a long history of investing globally. It started life in 1888 when a group of professionals – seven of which were bankers from the firm Williams & Glyn – got together and decided to pool their wealth, diversify their risk and invest to try to earn a cost-efficient return. Years down the line little has changed except for the mix of securities contained in the portfolio.

The Trust has two main targets: to grow the capital above that of the FTSE All-Share, aiming to give investors a better return than they would in the UK market, but also to grow the Trust's dividend above that of the retail prices index (RPI) measure of inflation.

Investments aim to reflect this mandate, looking for companies that will grow their value over time as well as their dividends to keep increasing the stream of income paid out by the Trust. Companies are selected that appear undervalued by the market, and where an examination of cash flows reveals a sustainable dividend with room for growth.

Adopting a global approach expands the investment opportunities available. A global perspective allows access to faster-growing industries or companies, no matter where they operate, to take advantage of different market cycles. Supporting Alex in selection is a global equity team of seven fund managers and three analysts, as well as regional specialists from across the globe.

THE LAND OF OPPORTUNITY

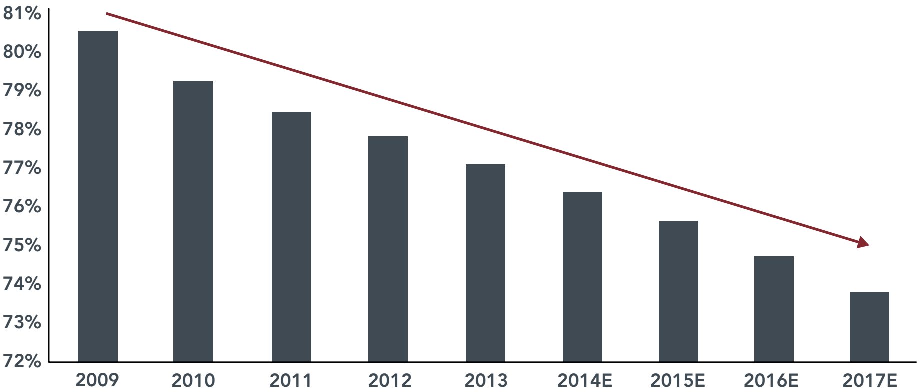
In a shifting picture of asset allocation for the portfolio one region that remains a high weighting is the US stock market. It is by far the largest equity market in the world. The economy is growing at a faster clip than any other developed economy, and predicted to continue as such for at least the next few years. House prices continue to rise, consumer spending is firm, and the jobs market is strong with the Fed believing it near full employment.

Alex Crooke is Head of Global Equity Income, having joined Henderson in 1994 as an Associate Director of Investment Trusts. Alex graduated from Manchester University with a BSc (Hons) Physics with Astrophysics and is an Associate Member of the Society of Investment Professionals (ASIP). He is also co-manager on a number of funds.

For Alex, while the economic picture is important the portfolio's focus is to uncover promising stocks at reasonable valuations. The focus for the US sleeve of the portfolio has been growth-at-the-right-price (GARP) – companies in the growth phase of their development but where the implied growth appears not to be overvalued.

Stocks are picked with the help of a number of overarching themes. Investment themes describe where perceived

Cash as a percentage of all transactions



Source: Barclays European Technology, Payments: The digital roadmap to the future, as at 2 October 2014

long-term trends underpin the growth of a particular area of a market, for example where fund managers believe the application of a new technology or government policy will continue to drive consumer demand in a particular market for many years to come.

CARD OR CASH?

One such theme is paperless payments. It represents the classic scenario where technology is an enabler for ‘convenience’. It regards the shift from cash payments to digital payments on debit and credit cards, and is coupled with the adoption of newer technologies, such as Apple Pay, in developed economies and mobile payments in the developing economies.

Aside from convenience and time savings for users, electronic payments are more reliable and secure, and can reduce transaction costs for businesses. Customer retention is likely to be higher, with those more willing to stick with a company or website where they have formerly entered their personal details. This potentially increases sales and encourages larger transaction amounts, explaining why cash as a percentage of transactions continues to shrink (see chart) while mobile payments have been rising at a compound annualised growth rate of more than 50% since 2010.

MORE THAN JUST ‘TOUCH AND GO’

Electronic payments in all formats are increasing, whether it be swipe technology, chip and pin, or more modern NFC-based (near field communications) contactless technology – either via a bank card or a mobile device with pre-loaded bank card credentials. Mobile phone-based financial services are allowing people to bank without a formal bank account. For example, branchless banking service M-Pesa, which operates in developing countries such as Kenya, India and Afghanistan, allows users to send secured SMS text messages to pay for goods and services. Customers can also deposit or withdraw funds from

a network of banking agents, which include retail outlets and airtime resellers. The system also serves to reduce fraud and is important for many developing countries as the trade across this banking system can be included in GDP calculations.

VISA AND MASTERCARD

Notable holdings for the portfolio include the leading global payment networks, **Visa (V:NYSE)** and **Mastercard (MA:NYSE)**. Alex and the team think both companies have exceptional financial track records since their initial public offerings in 2006 and 2008 respectively. The companies have high barriers to entry – how difficult it is for potential competitors to enter the market – and most new payment options will be run on Visa/Mastercard's networks. Furthermore strong long-term growth appears underpinned by a move away from cash.

WEX

WEX (WEX:NYSE), the US-based corporate payment solutions provider, is another notable holding. It has been consolidating the fragmented vehicle fleet and fuel payment system in the North American market, and replicating this success elsewhere. It has diversified into other specialised payment areas including virtual cards, food cards and travel and healthcare, and has a track record of strong revenue growth.

We also have a significant position in **Apple (AAPL:NDQ)**, but at present payments revenues remain a very small percentage of this business. Apple clearly has an important part to play in the payments industry, as it is seen to be a leader in NFC-based mobile payments, but our investment case for holding the stock is not currently based on the strength of the Apple Pay offering.

So with 85% of the globe still using cash – Alex and the team think this is an investment theme for the long-term.

Cyber threats just keep growing

Biggest hack in history underlines demand drivers of IT security

If your home is burgled or there is a break-in at your business premises, you get to know about it pretty quickly. It is very unlikely that it would take two years to come to light. Yet that is how long it has taken **Yahoo (YHOO:NDQ)** to realise it was the victim of the biggest hack in history, with details – names, passwords, email addresses, phone numbers, security questions – of 500 million users taken from the company's network in late 2014.

The US company doesn't believe that bank or credit card details were stolen but even so it stands out among the litany of cyber crimes, IT system breaches and digital data scams that are becoming almost everyday episodes in the world.

On the same day as the Yahoo news, it was announced that the White House was looking into a cyber breach after what appeared to be a scan of first lady Michelle Obama's passport was posted online. The fresh disclosures, which included emails to and from White House staff, raised further concerns about the security of sensitive systems following a string of breaches affecting government agencies, private companies and the Democratic National Committee.

Household names including **Ebay (EBAY:NDQ)**, **Sony (6758:T)** and **Apple (AAPL:NDQ)** have recently been victims of cyber attacks.

Closer to home, readers may still remember the cyber attack on broadband and calls supplier **TalkTalk (TALK)** in October 2015, when personal data and bank account details of more than four million of its customers were potentially compromised. The company subsequently lost around 100,000 subscribers.

HEADS IN THE SAND

There remains limited sympathy for organisations or their bosses from cyber security experts. 'The issues facing business today are entirely of their own making because people don't take IT security seriously,' says Rob Cotton, chief executive of escrow and IT assurance business **NCC (NCC)**.

This is a passion of Cotton's and he and his company have been banging this particular drum for years, even commissioning a study on the topic through research consultancy ComRes. The findings of which were released last week (27 September) in the *Elephant in the Boardroom* report, tying in with Cotton's keynote address at the Institute of Directors' Annual Convention on the growing cyber threat to business.

'Cyber security is the greatest risk facing modern business,' he states in response to the findings. 'For years it hasn't been taken seriously enough in boardrooms across the country and while these results don't prove that it's now being managed appropriately, they do show that directors are realising that greater scrutiny and oversight from regulators and government will stimulate the necessary action and help drive-up standards. This can only be a good thing for businesses and consumers alike.'

Investors could also benefit from this technology niche by having exposure to relevant technology stocks. 'A rise in cyber crime has led to an increasing need for data

COUNTING THE COST OF CYBER ATTACKS

	Small businesses	Large organisations
Business disruption	£40,000 - £225,000 (over 2-12 days)	£800,000 - £2,100,000 (over 4-11 days)
Time spent responding to incident	£3,000 - £10,000 (13-24 man-days)	£10,000 - £30,000 (40-80 man-days)
Lost business	£25,000 - £45,000	£120,000 - £170,000
Direct cash spent responding to incident	£250 - £500	£100,000 - £155,000
Regulatory fines and compensation payments	£150 - £300	£70,000 - £100,000
Lost assets (including lost intellectual property)	£6,500 - £14,000	£275,000 - £375,000
Damage to reputation	£3,000 - £16,000	£80,000 - £310,000
Total cost of worst incident on average	**£75,000 - £310,800**	**£1,455,000 - £3,140,000**
2014 comparative	£65,000 - £115,000	£600,000 - £1,150,000
2013 comparative	£35,000 - £65,000	£450,000 - £850,000
2012 comparative	£15,000 - £30,000	£110,000 - £250,000

Source: 2015 Information Security Breaches Survey

protection, and businesses are having to spend more on security as well as frequently outsource their security needs to specialists,' spells out Peel Hunt technology analyst Paraag Amin in a detailed report on data and its security needs published in September 2016.

'Gartner forecasts that by 2018, global expenditure on cyber security will reach $101bn, up from circa $75bn today,' reveals Amin.

ETFS ISE Cyber Security (ISPY) is an exchange-traded fund (ETF) which tracks a basket of global companies which work in this burgeoning space. It has a total expense ratio of 0.75%. While this is relatively expensive for an ETF, it reflects its scarcity value as the only UK product offering pure exposure to this theme and its relative greater complexity.

'Gartner forecasts that by 2018, global expenditure on cyber security will reach **$101bn**, up from circa $75bn today'

PRICE OF FAILURE

Gartner's estimates could prove conservative given the enormous and escalating cost of cyber attacks on organisations large and small. According to data from the *2015 Information Security Breaches Survey*, the average cost of a large organisation's worst case security breach runs between £1.5m and £3.1m, or £75,000 to £311,000 for smaller companies, presumably capable of sending many less robust small businesses to the wall.

'Look what happened to TalkTalk's valuation,' pointed out cyber crime commentator Howie Li, in the wake of its incident. 'We saw that fall by more than £669m in under one week.'

While it is widely acknowledged that the broad, technically deep, evolving challenge that is cyber security has no silver bullet solution, there are effective steps that businesses can take now to help combat threats. The UK Government highlights four stages of security management that organisations can, and probably should, adopt:

- Risk assessment, planning and policies
- Technology build and systems protection
- Manage and monitor
- Incident response

New rules are also being introduced to guide and enforce basic standards of IT security. The introduction of the GDPR (General Data Protection Regulation) will come into effect from May 2018 following a two-year transition period that began earlier this year.

This new EU-wide legislation will provide the framework for better protections for personal data, and the tool kit for the police and criminal justice sectors to enforce laws. Such steps would appear to apply extra regulatory drivers to the already emerging commercial requirements of organisations, a useful by-product that should underpin surging demand for expert advice and implementation of effective solutions from the private sector. (SF)

Keep a lid on your emotions

Fear and greed can result in poor investment decisions

There is an old saying that financial markets are driven by two conflicting emotions – fear and greed. Letting them control your investment decisions can have a hugely detrimental impact on your portfolio.

In the UK, fear is the emotion that holds the majority of investors back. Recent research by fund manager Henderson found UK households hold half of all their financial assets in cash, despite it failing to meet their stated investment goals.

Peter Chadborn, director at financial advice firm Plan Money, says there is a general misconception that money in the bank is not at risk. This is largely because people don't understand the importance of inflation and the effect it has on capital in real terms.

'The Consumer Price Index is currently 0.6% and most money on deposit in bank and building society accounts is getting nowhere near that in terms of interest. So it may feel like deposit-based savings are safe but in real terms they are losing value. Then we need to introduce the concept of compounding, or negative compounding in this example, and at this stage it should become clear that money in the bank is no place for long-term investing,' says Chadborn.

For people who do invest in the market, fear often causes them to panic in a downturn and sell stocks that have dropped in value, thereby crystallising their losses. If there is a market rally, greed takes over and causes investors to buy at the top.

Russ Mould, investment director at AJ Bell Youinvest, suggests investors draw up a checklist with six to 10 points to help decide whether a potential new pick or a current holding meets their investment criteria.

'This imposes a discipline and makes you stop and think before you do something rash and potentially costly,' he explains.

INVESTMENT TIMEFRAME

Deciding your attitude to risk is one of the most important things to get right when you're investing. There are a few key factors to consider to help you get more comfortable with risk. The first is your investment timeframe.

'Over the very long term equities, particularly once dividends are taken into account, have delivered very good investment returns. So, if someone is 35 and they are investing via their pension they have at least 20 years before they can even think about withdrawing their money and even longer than that in most realistic circumstances. They will therefore have time to sit tight and ride out any short-term market volatility,' says Mould.

Another factor to consider is asset allocation. If you're

worried about the risks associated with investing in equities, you can take that into account when deciding how to split your money.

'There is an old rule of thumb that says you take your age away from 100 and that gives you the proportion of your portfolio that should be invested in equities. So a 35 year-old would have 65% of their portfolio in equities, whereas a 65 year-old would have 35% in equities,' says Mould.

RISK PROFILING

You could try one of the online risk profiling questionnaires to help determine your risk attitude. Moo.la, a digital investment service, presents its questionnaire as a game which aims to tap into people's subconscious and build a fuller picture of how they will behave through the lifecycle of an investment.

Gemma Godfrey, founder and chief executive of Moo.la, says investors shouldn't ignore their emotions because peace of mind is important.

'If seeing a whipsawing value will cause a great deal of concern, then it may not be the right thing to buy. Another interesting reason not to ignore emotions is that often markets can move due to broad investor "sentiment", therefore if a person is aware of how they feel about an investment, beyond the facts, this can sometimes give an insight into how the wider investor community will react,' she adds.

Balancing your equity exposure across different geographies and sectors is a good starting point. You could also consider investing in different assets such as bonds, property and commodities.

James Horniman, portfolio adviser at James Hambro & Partners, says investors can learn to come to terms with risk.

'There is an investment mantra that you should take more risk when you are young and less when you get old. I think that's dangerous. Younger investors may be better served taking more moderate risk in the first few years until they've come to terms with the way markets dip and recover, otherwise they may get hurt and panic and never trust the markets again – which is a bit like cutting your leg off because of an ache,' he says.

It is probably impossible to take emotions entirely out of the equation when investing, we're not robots after all, but by understanding the risks and your responses to them you stand a better a chance of achieving your financial goals. (EP)

"The investment mantra that you should take more risk when you are young and less when you get old is dangerous."

SHARES

TRUMP VS. CLINTON: TRADING THE US PRESIDENTIAL ELECTION

in partnership with

ETX CAPITAL

Join SHARES and ETX CAPITAL in London October 19th

The 2016 US Presidential Election promises to be one of the most closely watched contests in history and could have a huge impact on the global economy. Now is the time to understand what trading opportunities the US election offers. Come to the event to discover what the impact of the election might be on different markets and sectors and how you can profit.

Presenting

Daniel Coatsworth
Editor, SHARES
Daniel Coatsworth has 15 years' experience of financial journalism. Daniel joined Shares in 2005, became online editor in 2012 and was appointed editor in June 2014. In previous roles, Daniel was a stock market reporter and personal finance journalist providing news and analysis broadcast on Channel 4, ITV and Channel 5.

Andrew Edwards
CEO, ETX Capital
Andrew Edwards has worked in the CFD and financial spread betting industry for over 13 years. In his early career, Andrew worked at Deutsche Bank and then Dresdner Bank, subsequently spending 5 years at City Index as a senior Trader and later as Head of US equities. In 2003 Andrew joined ETX Capital as Head of Trading, was appointed MD in 2007 and Chief Executive Officer in early 2010. Andrew has a BSc from Bath University and has a MBA in International Business from Larenstein University in the Netherlands.

David Papier
Head of Retention, ETX Capital
David Papier has worked in the broking industry for 9 years, starting his career at CMC markets working in Sales and Account Management. After five years he left the firm to join Accendo Markets as a Sales Trader specialising in UK equity CFDs. In 2014 David joined ETX Capital as Head of Sales trading where he is responsible for the UK, Western and Central Europe and the Middle East. A major aspect of his role is to provide market commentary and analysis for broadcast media outlets such as the BBC, Sky News, CNN, ITV, Bloomberg and CNBC.

Event details

Date: 19th October 2016
Location: Novotel Tower Bridge, 10 Pepys St, London EC3N 2NR
Registration and coffee: 18:00
Presentations: 18:30

Contact

For any enquiries, please contact:
Dimple Patel
dimple.patel@sharesmagazine.co.uk
0207 378 4406

Register now free

www.sharesmagazine.co.uk/events

Pension vs property: which wins the retirement income war?

We run the numbers on three different scenarios

On the retirement income battlefield, one war has waged more fiercely than any other – pensions versus property. Property evangelists insist you'd be better off sticking your savings in bricks and mortar, while pension nerds steadfastly back the tax-advantaged retirement vehicle.

But who is right? And what should you consider when deciding whether to put your hard-earned cash in property or pensions?

THE MATHS

As is often the case when investing for retirement, the answer is by no means black and white. Bearing that in mind, we've looked at how well you would do if you invested in a pension against buy-to-let property.

This analysis is based on past investment performance and house price growth. As such, it may provide a guide to the future. We've also had to estimate things like charges for your pension and rental income for buy-to-let, which again are only educated guesses.

> 'Unless you are prepared to take on multiple buy-to-let properties and borrow significant amounts of money to do so, **a pension is likely to be the easiest and most profitable way** to save for your retirement.'

The results are therefore indicative rather than absolute. They are, nonetheless, fascinating, and as you can see from the table, it's a close run event.

Someone investing £100,000 in a pension would, in our model, see their pot grow to over £200,000 in the 10 years before

PENSION VS PROPERTY – IS THERE A WINNER?

	Buy-to-let (1 property)	Buy-to let (3 properties)	Pension (drawdown)
Value of investment after 10 years (pre-retirement)	£123,095	£171,600	£203,612
Annual income over period (pre-tax, pre-retirement)	£4,118	£7,242	£0
Annual income (pre-tax, post-retirement)	£4,549	£7,844	£8,000
Value of investment in another 10 yrs (post-retirement)	£156,331	£217,932	£174,088

Source: AJ Bell

retirement.

A single buy-to-let property, on the other hand, returns just £123,095 over the same period, with annual rental income of £4,118 on top. Roll up that income over a decade and the pension is still, comfortably, the winner.

However, if our investor sticks their money into three buy-to-let properties – putting down deposits on each and borrowing from the bank at rock bottom interest rates – they would be significantly better off both pre and post-retirement.

REALITY CHECK

Many people like the idea of investing in property because it is tangible and feels easier to understand. However, our analysis shows that simply buying one buy-to-let property instead of a pension is unlikely to deliver a better outcome.

Unless you are prepared to take on multiple buy-to-let properties and borrow significant amounts of money to do so, a pension is likely to be the easiest and most profitable way to save for your retirement.

Borrowing also adds extra risk – your returns are multiplied, but so are your losses if the market takes a nosedive. In addition, with property you are essentially putting all your eggs in one basket, whereas your pension can be diversified across assets and countries to reduce your exposure to market shocks.

You can start saving in a pension from as little as £1 per month via a direct debit. For property you need to have a deposit, probably of around £20,000 to £30,000, but most people can't afford a deposit on their own home let alone a second property for investment purposes.

The Government will also make contributions to your pension via generous tax breaks and, if you are employed, the company for whom you work generally has to provide a pension for you and contribute to it too.

In reality, investing in buy-to-let property is no substitute for saving through a pension. Really the debate should not be around whether property is an alternative to a pension, but whether property would make a good addition to your overall retirement income strategy once a retirement income foundation has been established.

TOM SELBY
Senior analyst, AJ Bell

KEY DATA USED TO SUPPORT OUR TEST:

BUY-TO-LET
We've assumed house price growth is the same level as achieved over the past 10 years. Average UK house price in July 2006 was £170,604. In July 2016 it was £216,750 – representing growth of 27%. See: http://landregistry.data.gov.uk/app/ukhpi/explore
We've also assumed gross rental yield of 6%.

PENSION
Annual investment growth via the pension of 5% post charges (FTSE All-Share has returned 5.8% over past 10 years) has been assumed in our exercise.
We've used 4% annual pension withdrawal rate of £8,000, aligned with a standard annuity rate.
Annual investment growth in drawdown assumed to be 3% per year post charges to reflect lower risk.

Harvest Minerals sows the seeds for big returns

Agri-miner could soon enjoy very large profit margins

Aspiring fertiliser producer **Harvest Minerals (HMI:AIM)** has the potential to generate a material amount of cash from its operations in the medium term.

There is also a blue-sky element to story as it owns an exploration project that could potentially allow **Vale (VALE:NYSE)**, one of the world's biggest miners, to extend the life of its Taquari-Vassouras potash mine in Brazil. Harvest is keeping that ace up its sleeve for now.

We believe Harvest's share price has significant upside potential from the current 18.62p level, despite having already shot up 365% in the past three months.

Harvest joined AIM in September 2015. Its subsequent plan to raise a large amount of money to advance the potash exploration project was unsuccessful, causing a rethink of its work programme.

Potash prices have been falling over the past year and investors have been reluctant to back large scale mine exploration and development projects. 'Our story has changed due to economic circumstances,' explains chairman Brian McMaster.

The primary focus is now on the Arapua project which is further down the value chain compared to potash

but very appealing from a potential return on investment perspective.

Harvest expects a trial mining permit any day now. Getting the permit seems a formality as it already has the necessary components, being municipal, federal and state licences.

It will produce something initially categorised as 'stonemeal' which is another term for remineraliser. Harvest then needs to apply for fertiliser certification which will require crop trials, potentially taking up to 18 months.

It will have a very simple operation, digging up a layer of soil and extracting material underneath that is naturally enriched in nutrients. Harvest doesn't need a big processing plant or complicated beneficiation – the stuff comes straight out of the ground, it potentially has to be crushed slightly and will most likely be sold to local farmers.

VOLATILE START

Harvest started trading on AIM at 0.9p, which is the equivalent of 9p when you adjust for a one-for-10 share consolidation at the start of 2016. It tried to raise $15m a year ago, more than twice its market value at the time, but only secured $3.6m. The focus subsequently switched from the potash asset to Arapua.

The shares drifted for months before exploding to life in August 2016 when a study showed the economic potential for Arapua and Harvest subsequently secured a land agreement which paved the way for trial mining. The price went from circa 4p in early summer to a peak of

23.5p on 19 August.

The scoping study gave a range of potential economic returns using different selling prices, demonstrating that Harvest could get a significant return for very little investment. 'At higher prices, the project goes off the charts,' says McMaster.

Harvest told the market everything could be funded out of existing cash and production could start within a few months. You don't get many mining companies saying they can start a project at the flick of a switch.

All-in costs are calculated to be $7.34 per tonne. McMaster suggests $60 per tonne potential selling price, based on the scoping study and Harvest's nearest competitor's pricing. That implies significant gross profit margins.

It expects to produce 50,000 tonnes of material – all of which is saleable – every 30 days or so, according to McMaster. 'It is probably realistic to suggest we will produce 400,000 tonnes in a year,' he adds.

The company says it will start paying dividends if it cannot find a suitable acquisition or organic investment opportunity. That exact sales pitch helped bring investors on board at last year's fundraise, reveals the chairman.

Beaufort Securities suggests $30 per tonne selling price could be more realistic for the first few years while Harvest establishes its customer base. Its product is different to what many farmers normally use, so selling prices may have to include an initial discount to get farmers to try something new.

The broker also assumes production will hit 200,000 tonnes a year by 2018 and 400,000 tonnes by 2022, so investors trying to work out potential returns shouldn't assume it operates at full capacity and gets top dollar from the get-go.

IDENTIFYING RISKS

Key risks to consider include a lack of a commercial mining permit and no sales agreement at present. 'That is a little bit of the remaining $64 question,' says the chairman. An agronomic expert has been appointed to help with product development and marketing.

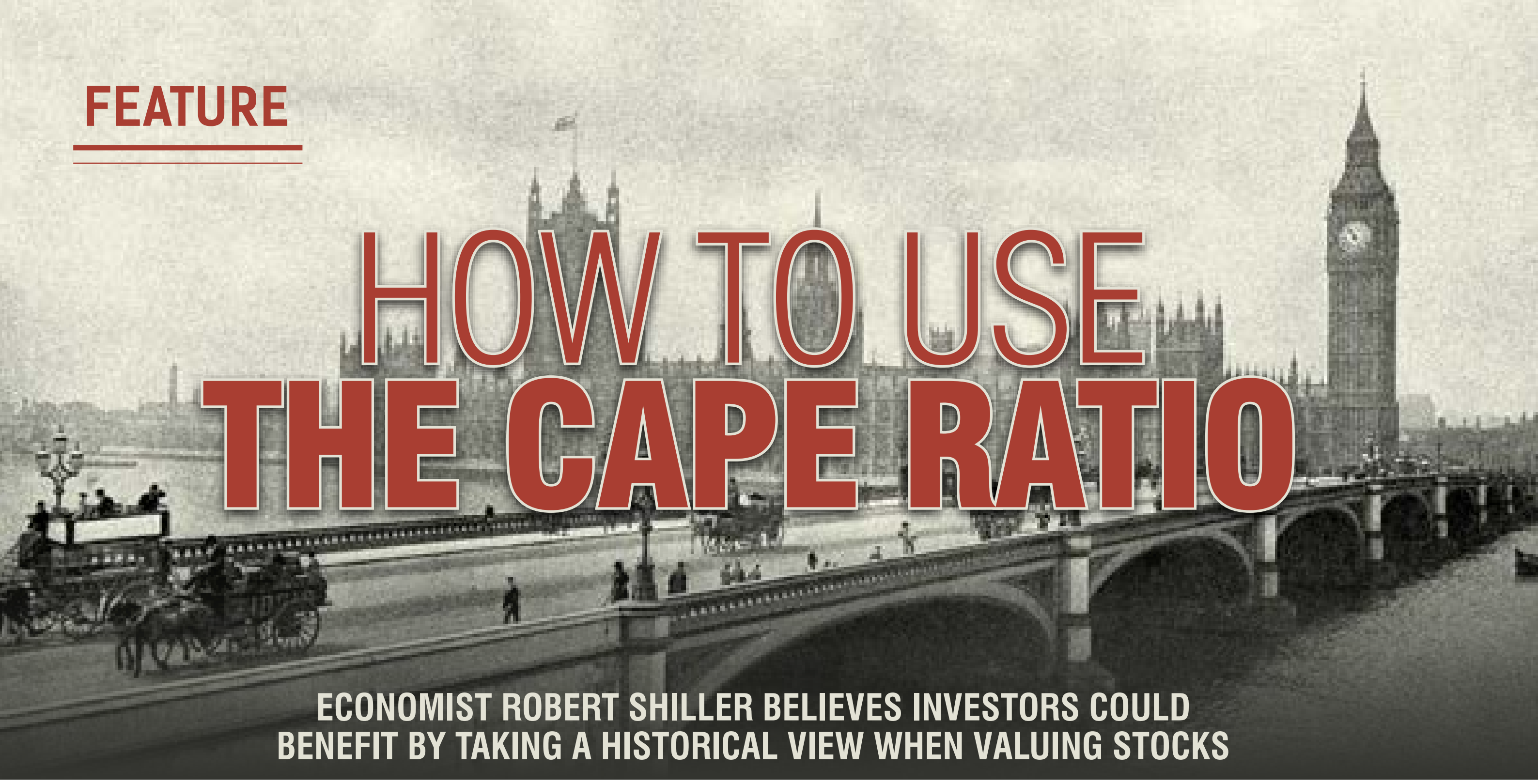
Investors who stumped up the $3.5m cash in the late 2015 placing also got warrants which can be exercised for shares at 8.8p before a deadline of 31 May 2017. They are clearly in the money now, hence why you are seeing a lot of announcements regarding warrant holders exercising their right for new stock. (DC)

SHARES SAYS: ↗

We originally said to buy at 9.5p (adjusted for January's share consolidation) and anyone following our article would have since doubled their money. We think there's more to come. Beaufort has a 32p price target for the next 12 months, implying 72% further upside from the current share price. We share this bullish view but appreciate it could be a bumpy ride as there are many unknowns regarding customer appetite, output levels and selling prices.

GIVING CROPS A BOOST

Brazil has poor quality soil and imports most of its fertiliser products. Harvest should become a valuable local producer.



HOW TO USE THE CAPE RATIO

ECONOMIST ROBERT SHILLER BELIEVES INVESTORS COULD BENEFIT BY TAKING A HISTORICAL VIEW WHEN VALUING STOCKS

Nobel Prize winning economist Robert Shiller reckons the best way of assessing value in forward looking markets is to look to the past.

In 1988 he popularised the cyclically-adjusted price to earnings (CAPE) ratio, also known as the Shiller PE, to help investors decide if a stock, sector or market is trading at a premium or discount to its historical value.

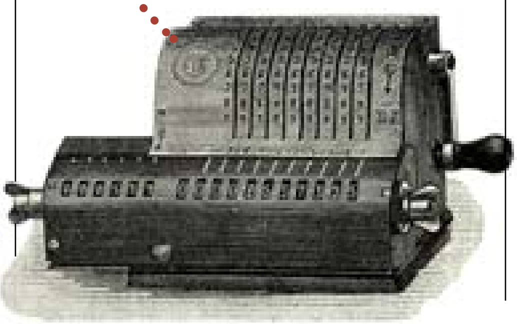
Whereas a price to earnings (PE) ratio is calculated with one year's earnings, CAPE uses the average over 10 years to avoid factoring short-term fluctuations in earnings into the assessment.

To calculate the CAPE, you divide the latest share price by the average earnings over the previous 10 years, which are adjusted for inflation.

Shares attended an event in September featuring Shiller. He pointed to the UK being an attractive investment because its CAPE ratio is low, while the weak pound and the investment flowing into companies are reasons for optimism.

We have used SharePad's stock screener to identify a list of stocks that look cheap using the CAPE methodology. They include social care provider **CareTech (CTH:AIM)**, cruise giant **Carnival (CCL)**, residential services specialist **HML (HMLH:AIM)** and compound wafer designer **IQE (IQE:AIM)**.

TO CALCULATE THE CAPE, YOU DIVIDE THE LATEST SHARE PRICE BY THE AVERAGE INFLATION-ADJUSTED EARNINGS PER SHARE OVER THE PREVIOUS 10 YEARS



Carnival's discount to its historical average, for example, looks unjustified given analysts expect profit to grow by 10% in 2017.

NO GUARANTEES

CAPE is based on historical data and past performance is no guarantee of future returns. Digital marketing play **Jaywing's (JWNG:AIM)** current discount to its long-term PE or CAPE ratio reflects the fact it started out as a buy-and-build venture when it floated on AIM in 2006. Therefore its early rating was inflated as it was only deriving earnings from a limited number of businesses.

Ryanair (RYA) looks a great buy at present, in our view, as it is trading on 11.4 times earnings versus a CAPE ratio of 15.3. Airline stocks are out of fashion at the moment due to weak demand as a result of terrorist activity in many parts of the world. Longer term we believe Ryanair will prosper as it has done in the past.

Thomas Cook (TCG) is also down for similar reasons. We believe its strong brands and large market share will put it in a good position in time. It trades on nine times forward earnings versus a 15.6 average for the past 10 years.

Some companies might be trading below their CAPE or have a low CAPE for good reason.

Henry Boot (BHY) trades on 9.4 times earnings, well below its historical 17 average, using the CAPE approach. The company is linked to the fortunes of the construction and housebuilding industries, which are vulnerable to economic declines.

Pubs and restaurant group **Mitchells & Butlers (MAB)** is approximately half its historical average, as calculated by the CAPE ratio. That's because it has spent years lagging the peer group and the market is slowly giving up hope the business can be fixed.

A CAPE, just like PE, should not be used in isolation. It is a part of an investor's research arsenal and no investment decision should be made on the ratio alone.

For those looking to diversify the risk of investing in single companies or need help stock picking based on CAPE, there are ETFs available focusing on Europe or the US.

Ossiam ETF Shiller Barclays CAPE EU (CAPE) and **Ossiam ETF Shiller Barclays CAPE US (CAPU)** select sectors based on the CAPE ratio and share price momentum. (MD)

SELECTED STOCKS TRADING AT DISCOUNT TO CAPE

Company	EPIC	CAPE	Forecast PE
CareTech	CTH	13.0	8.2
Mitchells & Butlers	MAB	14.9	7.6
Ryanair	RYA	15.3	11.4
Thomas Cook	TCG	15.6	9.0
Jaywing	JWNG	16.0	7.9
Carnival	CCL	16.3	14.0
HML	HMLH	17.1	9.7
IQE	IQE	18.0	11.5
Berkeley	BKG	12.3	6.4
Amec Foster Wheeler	AMFW	16.0	10.2
Bellway	BWY	14.1	7.5
Ebiquity	EBQ	17.8	9.5
Grafton	GFTU	14.5	11.6
Mothercare	MTC	16.1	11.8
Laird	LRD	18.0	13.8

Source: Sharepad

CAPE-based research bullish on Europe

US STOCKS ARE overvalued relative to European equities, according to research produced by ETF Securities, and the situation could reverse over the remainder of the year.

A reversal of GDP performance and earnings trends between the two regions are two of the reasons Aneeka Gupta, equity and commodities strategist at the exchange-traded fund provider, is bullish on European stocks.

Gupta's research also uses the CAPE ratio. It shows the European market, excluding the UK, trades on a CAPE ratio of 17 versus 24 in the US. That's despite diverging fortunes in the two countries at an economic and corporate level.

Second quarter GDP in the EU surpassed the US after years of weaker performance, growing 1.6% versus 1.2% in the US. After years of adjustment, even economies like Spain are starting to grow at a decent pace again, improving the overall growth rate on the continent.

Earnings growth in Europe, excluding the UK, is also expected to turn positive in the third quarter of 2016 after 18 months of downgrades on the back of lower energy prices, Gupta says.

In the US, stock-market listed companies on aggregate are not expected to start delivering earnings per share improvements until the fourth quarter.

'The important thing we believe is backing a reversal in this trend is the pick-up in GDP growth in Europe and the acceleration of that,' Gupta says.

'In addition, we feel the recovery in Europe is still in its early stages, compared to the US where the expansion has been running much longer. From our research, early stage recoveries tend to produce stronger stock market performance compared to those in the later stages.' (WC)

FRIDAY 7 OCTOBER

RESULTS

Finals

Progility	PGY

ECONOMICS

UK

Halifax HPI

Manufacturing Production

Industrial Production

EU

German Industrial Production

US

Non-Farm Employment Change

US employment and economic performance is under the spotlight as the Bureau of Labor Statistics releases monthly non-farm payrolls (NFPs) data. Economists polled by *Market Watch* estimate around 169,000 new jobs were created in the country during September. Stronger-than-expected growth would increase pressure on US central bankers to raise interest rates. (WC)

AGMS

Legendary Investments	LEG

MONDAY 10 OCTOBER

RESULTS

Finals

Surface Transforms	SCE
Waterman	WTM
YouGov	YOU

TUESDAY 11 OCTOBER

RESULTS

Finals

Volution	FAN
Genedrive	GDR
Nanoco	NANO
River and Mercantile	RIV

Interims

LiDCO	LID
Ted Baker	TED

TRADING STATEMENTS

Pagegroup	PAGE

AGMS

Harvest Minerals	HMI

Strategic issues are likely to drive the direction of the share price when cadmium-free quantum dots technology developer **Nanoco (NANO:AIM)** reports full year results on 11 October. Speeding the route to market and commercialisation is the key focus, so a second major licensing agreement agreed with industrial giant Merck (1 Aug) was big news. (SF)

ECONOMICS

UK

Retail Sales

PPI

CPI

RPI

HPI

EU

ZEW economic sentiment

WEDNESDAY 12 OCTOBER

Finals

Diurnal	DNL

Interims

Tissue Regenix	TRX

AGMS

Ashley (Laura)	ALY
New World Oil & Gas	NEW
Project Finance Investments	PROJ

THURSDAY 13 OCTOBER

EX-DIVIDEND

Action Hotels	AHCG	0.76p
Amati VCT 2	AT2	2.75p
British & American Investment Trust	BAF	2.7p
Tritax Big Box Reit	BBOX	1.55p
Close Brothers	CBG	38p
Curtis Banks	CBP	1p
City of London	CLIG	16p
Centrica	CNA	3.6p
CPL Resources	CPS	€0.06
Charles Taylor	CTR	3.15p
Daejan	DJAN	58p
Dillistone	DSG	1.38p
F&C Private Equity Trust	FPEO	6.12p
Hays	HAS	1.99p
Kerry	KYGA	€0.17
Manx Telecom	MANX	3.7p
Mears	MER	3.3p
Morgan Sindall	MGNS	13p
Onesavings Bank	OSB	2.9p
Pacific Horizon	PHI	0.35p
Restore	RST	1.33p
Strategic Equity	SEC	0.78p
Sprue Aegis	SPRP	2.5p
Spirax-Sarco	SPX	22.5p
SciSys	SSY	0.53p
Staffline	STAF	10.5p
Spectris	SXS	18p
Tandem	TND	1.3p
Witan Pacific	WPC	2.2p

Results

Finals

Imperial Innovations	IVO

Interims

SKY	SKY

Reporting results for its fiscal first quarter, pay TV giant Sky needs to show it can offset big inflation in the price of Premier League football rights through cost savings. The numbers also face the shadow of tough comparatives against the previous 53 week financial year. (TS)

ECONOMICS

UK

Retail Sales

Official Bank Rate

US

Unemployment Claims

FRIDAY 14 OCTOBER

RESULTS

Finals

Inland Homes	INL

ECONOMICS

UK

Construction Output

US

Retail Sales

PPI

For complete diary go to www.moneyam.com/forward-diary

KEY

- Main Market
- AIM
- Overseas Market
- Fund
- Investment Trust
- Exchange-Traded Product
- IPO Coming Soon