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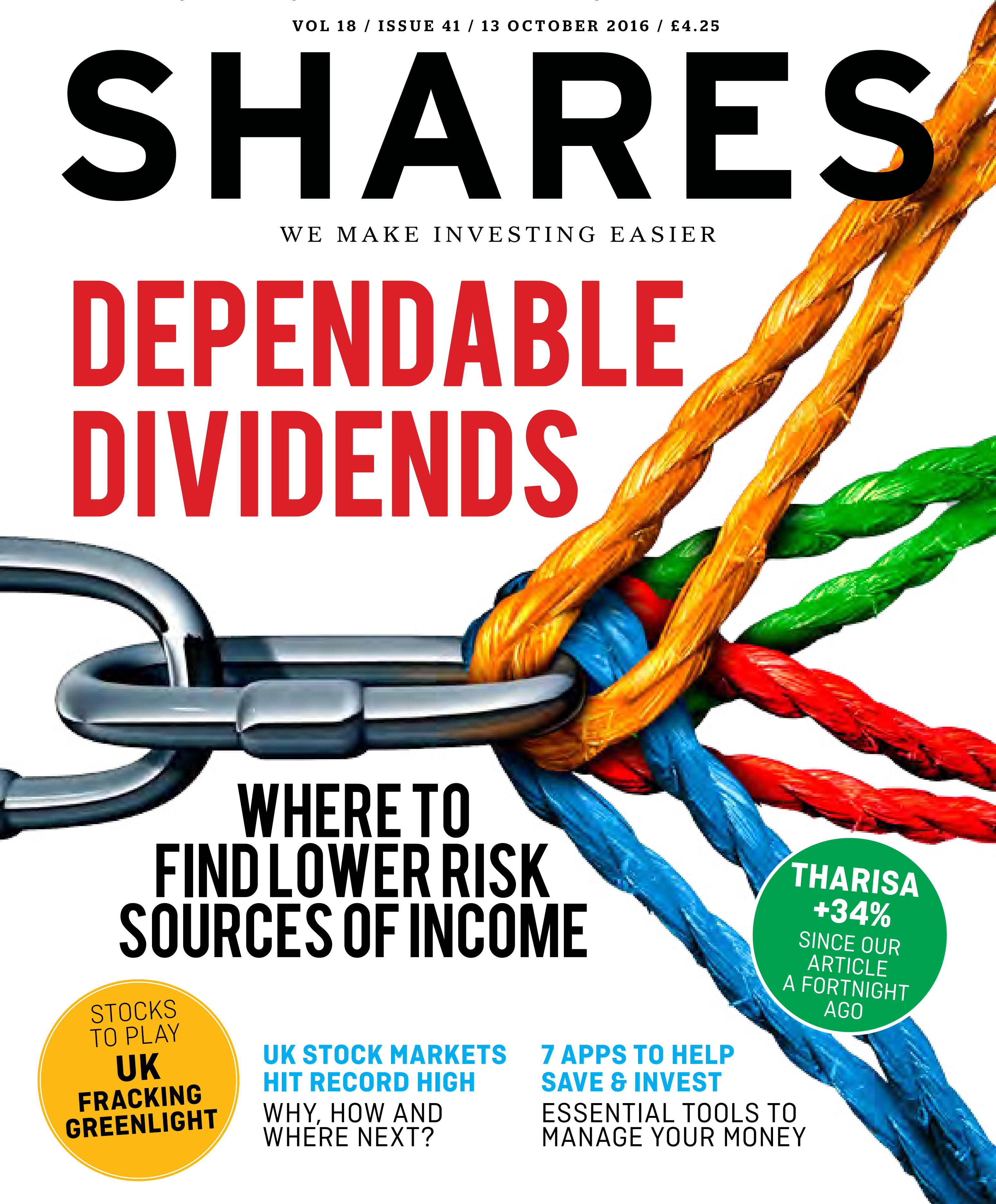

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ESSENTIAL TOOLS TO MANAGE YOUR MONEY

BEST IN CLASS *FUNDS FOR YOUR ISA OR SIPP*

Junior miners are back

Get ready for deals galore as majors restock growth pipeline

Share prices have rallied in many parts of the commodity space this year and confidence is spreading fast across the sector. First metal, energy and oil prices went up; now we're seeing interesting corporate deals.

BHP Billiton (BLT) has muscled in on attempts by small cap miner **SolGold (SOLG:AIM)** to secure a strategic partner to help advance its Cascabel copper project in Ecuador.

SolGold in September 2016 agreed a $33 million investment from Newcrest Mining and Canadian investor Maxit (plus clients) for 14.4% of the business, subject to shareholder approval.

BHP has now made an alternative offer of $30m for a 10% stake in SolGold and a promise to spend $275m to acquire 70% of the subsidiary company that holds the Cascabel project tenements.

What's really interesting, in my opinion, is that the big companies are once again willing to put up cash to help fund work by juniors. We haven't seen this type of action outside of the gold space for many years. Collaboration was standard practice until the commodity price crash in 2012. The majors then stopped spending and started selling their own assets to raise cash for debt repayments.

Majors now have to restock their growth pipeline. They have traditionally taken stakes in exploration companies as an option on the junior making a decent discovery. The amount of money isn't too much to waste if exploration proves unsuccessful but is very material to the junior – it gives them a lifeline to continue working without worrying about whether they can pay the bills each month.

BHP clearly is eager to do deals. It signed up with **Aston Bay (BAY:TSX-V)** in May 2016 to earn a 75% stake in the junior's Storm copper project in Canada.

FTSE 100 copper producer **Antofagasta (ANTO)** has numerous exploration projects with both public and private companies, although it does not provide much detail. However, its recent financial results include a statement about wanting to partner with experienced junior exploration companies.

The renewed interest by majors in exploration projects could help some juniors start to realise value from some large-scale assets that have essentially been stranded in their portfolios for several years.

Metminco (MNC:AIM) may have wished it hadn't agreed in August 2016 to let CD Capital invest up to $45m for 70% of its Los Calatos copper project. The asset is very big and the price looks cheap – but at the time it didn't seem to have many alternative options. Had it waited a bit longer, one could speculate it might have got a better price. (DC)

WHO WE ARE

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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.

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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.

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Contents

13 October 2016

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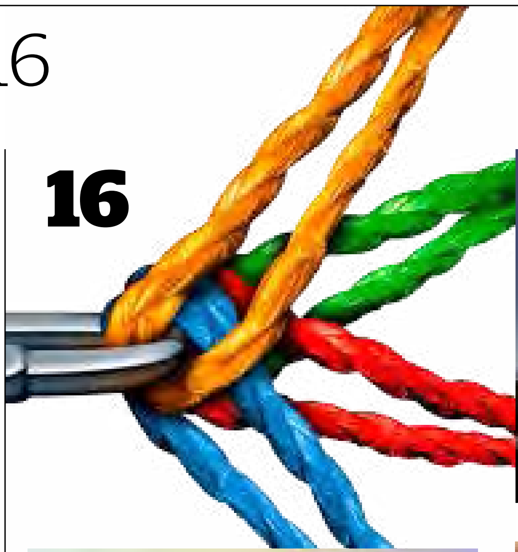

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Winners and losers as Brexit stance hardens

Research highlights stocks which will benefit from EU departure amid volatile sterling

Renewed volatility in sterling is helping to reignite interest in stocks which earn a big proportion of their revenue overseas, helping take the FTSE 100 and FTSE 250 to record highs.

A weak pound benefits overseas earners – which is the case for around 80% of the FTSE 100 and half the FTSE 250. It means their revenue and profits are worth more when converted back into sterling. This in turn makes their sterling-denominated shares look more attractively valued when measured against these profits.

The pound lost as much as 6% against the dollar in a matter of minutes on 7 October 2016, a massive move in currency terms. It was attributed to automated trades in a thin market. It is thought computers responded to comments from French president Francois Hollande that the UK must pay a heavy price for Brexit.

Sterling had already suffered a mini-collapse after UK Prime Minister Theresa May said the formal process of leaving the European Union would commence in the first quarter of 2017.

Rhetoric also emerged from the Conservative Party conference which suggested the country may be headed for a 'hard Brexit' with immigration controls prioritised over access to the single market.

Research published by investment bank UBS concludes the currency tailwind is priced into FTSE 100 stocks in general. However, it offers an insight into some of the potential winners ahead of the UK's departure which have yet to reflect the currency boost.

Of the flagged winners we are particularly bullish on power supply specialist **Aggreko (AGK)**, tobacco firm **Imperial Brands (IMB)**, insurer **Prudential (PRU)** and engineer **Rotork (ROR)**.

On UBS's losers list are two stocks that we really like, being supermarket **Tesco (TSCO)** and home emergency repair business **Homeserve (HSV)**. We will keep a close eye on them.

'In our view, the more the Prime Minister pushes to control immigration the "harder" the leave is likely to be,' says UBS. 'The weaker the pound, the bigger the fall in real wages and potentially in domestic consumption,' it adds.

UBS sees GBP/USD hitting $1.20 by the end of 2017, down slightly from the current exchange rate of $1.23. (TS)

UBS' BREXIT VOTE WINNERS THAT HAVE LAGGED THE MARKET – BUYING OPPORTUNITY?

Company	Share price since Brexit vote (%)
Aggreko (AGK)	-27
Inmarsat (ISAT)	-14
Aviva (AV.)	-7
Vodafone (VOD)	-6
Centrica (CNA)	-6
Hiscox (HSX)	-6
Prudential (PRU)	-4
Rotork (ROR)	-3
Imperial Brands (IMB)	-2

Source: UBS European Equity Strategy, 7 Oct 2016

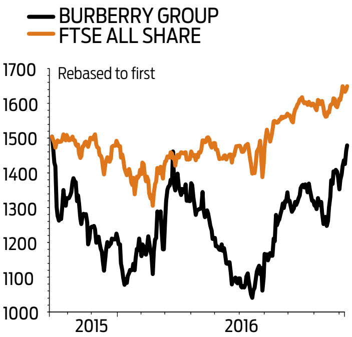
Burberry set up for fresh leadership

Positive momentum and self-help potential reasons to bag trench coats seller

Luxury goods leader **Burberry (BRBY)** should maintain its share price momentum as it awaits the arrival of new chief executive Marco Gobbetti in 2017, in our opinion.

Boasting a balance sheet robust enough to withstand prevailing industry storms, the retailer retains a fabulous brand which confers pricing power and underpins Burberry's high margins and robust cash flow generation.

Shares in the heritage British brand, famed for its iconic equestrian knight logo and Burberry check trademarks as well as its signature trench coats, have rallied hard since the vote for Brexit. Burberry benefits from sterling weakness.



Source: Thomson Reuters Datastream

Yet the shares remain some way from the £19.08 levels reached in February 2015 and Burberry plans to reinvigorate sales and achieve at least £100m of annual savings by 2019.

Yes, the luxury goods market remains tough with slowing demand from travelling customers and Chinese spend globally. The iconic outerwear seller reported (13 Jul) a 3% drop in first quarter like-for-like sales. But consumers will continue to be attracted to the right brands and Burberry's barriers to entry remain exceptionally high.

Burberry, which has taken full control (1 Aug) of its retail business in China, has £660m of year-end net cash, while a £150m buyback programme should continue to support the share price. The arrival of luxury goods veteran Gobbetti, with Christopher Bailey demoted to chief creative officer, offers a catalyst to drive growth in the years ahead. (JC)

SHARES SAYS: ↗

We're positive on Burberry at £15.17.

BROKER SAYS 7 19 4

UK fracking makes comeback

Egdon is our best way to play the UK shale gas industry

THE UK GOVERNMENT has overridden local county council objections to sanction fracking in Lancashire. In doing so, investors are once again interested in stocks with exposure to the nascent UK shale gas industry.

Among UK-quoted stocks, **IGas Energy (IGAS:AIM)** offers the purest exposure but is already up 13.5% since the news (paring initial gains of 30%) to 13.62p and has balance sheet issues.

Patient investors who reckon the UK shale industry can overcome the requisite technical challenges, complex planning process and high population density issue could consider instead **Egdon Resources (EDR:AIM)**. This company has no debt and its shares are down 15% to 14.75p since the decision was announced. VSA Capital has a price target on the stock of 38p.

Communities Secretary Sajid Javid ruled on 6 October 2016 that private operator Cuadrilla Resources can drill and frack four horizontal wells on its Preston Road site near Blackpool. Javid deferred judgement on a similar work programme at the nearby Roseacre site, saying he is 'minded to allow' the project if concerns over traffic can be overcome.

Egdon and IGas both have interests in the Springs Road site in Nottinghamshire. A planning decision has been delayed to 15 November 2016 after a late legal matter. (TS)

SHARES SAYS: ↗

Go for Egdon.

BROKER SAYS 1 0 0

Stobart to update on £28m profit target

Progress on Energy and Aviation divisions in focus at forthcoming results

Logistics outfit **Stobart (STOB)** will update the market on progress towards a £28m profit target across two key divisions when it reports half year results on 27 October 2016.

Stobart is aiming to deliver £20 million of earnings before interest and non-cash costs (EBITDA) in its Energy biomass supply division and a further £8 million of EBITDA in its London Southend Airport asset.

A trading update (8 Sep) indicates the plans are on track and there could be room for further surprises when results are published, according to analyst Ken Rumph at investment bank Stifel.

'Stobart's first half (to end August) update confirms the significant progress made by the Energy biomass supply division – more than sufficient to meet its £20m target,' wrote Rumph on 8 September.

On top of the £28m it aims to make from Energy and Aviation, Stobart also has a number of other profitable assets. It has a 49% stake in the famous Eddie Stobart haulage brand and full ownership of an infrastructure and investments portfolio as well as a rail business.

Rumph estimates Stobart will deliver pre-tax profit of £28.7m in the year to 28 February 2017 and earnings per share of 6.1p, both an increase of 56% year-on-year. Dividends, forecast at 12p a share, are sustainable Rumph argues. There could even be higher payouts because of disposals of some of Stobart's infrastructure assets.

SHARES SAYS: ↗
Earnings growth and cash return potential at a classy business. Buy at 168p.

Seeing Machines' spin-out on hold

DRIVER MONITORING AND safety technology designer **Seeing Machines (SEE:AIM)** has confirmed to *Shares* its decision to delay the planned spin-out of its *FOVIO* automotive business as talks continue with potential investors. There is even the chance of a strategic rethink as the company explores all avenues to maximise shareholder value. We believe a decision looks likely in the early part of 2017. (SF)

Rally in cyclicals 'nearing end'

YEAR-TO-DATE GAINS ON cyclical stocks like miners means higher quality stocks with good balance sheets may now be more attractive, argue analysts at Bank of America-Merrill Lynch. Fund managers are loading up on cyclical stocks but valuations are starting to look stretched. 'History argues that while high quality stocks often lag in late bull market rallies, they usually make up for it when the cycle rolls over,' it says. (WC)

Putin's crude remarks lift oil

RUSSIAN PRESIDENT VLADIMIR Putin's pledge to join OPEC's production freeze (10 Oct) is helping to lift crude oil prices, fueling the rally which originates from the cartel's surprise move on 28 September 2016. US oil prices hit their highest levels so far this year as Putin made the commitment at an conference in Istanbul. More details on OPEC's cut are expected at its next official meeting on 30 November. (TS)

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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

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SILVER PRICE TROUNCED:

-8.6%

METALS STRUGGLE AS ENERGY POSTS GAINS ON THE WEEK

SILVER PRICES POSTED heavy declines along with gold as the year-to-date rally in precious metals stalled.

In the week to 7 Oct 2016, silver prices dipped 8.6% and gold fell 4.3%, according to Saxo Bank research. Commodity gainers included natural gas, up 6.1% and crude oil, up 4.4%, as traders speculate on a prospective production cut by oil cartel OPEC.

14.6 DEGREES:

Warm September hurts retailers

GOOD WEATHER IN September 2016, the second-warmest since 1910 according to Met Office data, may have hurt high street sales at fashion retailers.

Consultancy BDO said high street sales declined 2.8% in the four weeks to 30 September with apparel sales the worst hit, down around 5.9%.

UK market leader **Next (NXT)** and women's value fashion specialist **Bonmarche (BON)** both flagged tough trading conditions in recent weeks.

HURRICANE MATTHEW LOSSES:

$15B

SHARES IN LLOYD'S insurers gained after Hurricane Matthew failed to cause widespread damage in Florida – though analysts say insured losses could still be in the range of $5bn to $15bn.

Insurers potentially impacted by the event include **Lancashire (LRE)**, **Hiscox (HSX)**, **Beazley (BEZ)** and **Novae (NVA)**.

Reinsurance taken out by these businesses should limit the damage from Hurricane Matthew and early indications are for around a 5%-10% hit on Lloyd's insurers' pre-tax profits, say analysts at Stockdale.

£200M: EASYJET PROFIT DOWNGRADE

ANALYSTS SLASH FORECASTS ON DISRUPTION, FOREX

Shares in **EasyJet (EZJ)** have hit their lowest level in almost five years as analysts downgraded profit estimates.

Disruption from air traffic control strikes in France and lower demand from customers weighed on EasyJet's profitability in the three months to 30 September 2016.

Analysts at Davy expect these issues to persist in its next financial year, leading to a potential £200m profit downgrade.

'We expect to revise down our full year 2017 pre-tax profit range to slightly over £400m given the foreign exchange headwind,' says analyst Stephen Furlong.

AVERAGE GAIN ON 2016 IPOS: 17%

Strong returns year-to-date

Businesses including software outfit **Misys** and waste manager **Biffa** are considering joining the stock market – and that could be good news for investors.

Initial public offerings (IPOs) have been particularly strong in 2016, according to investment bank Liberum, delivering a 17% average return since issue. Confectionary brand **Hotel Chocolat (HOTC)** is the biggest gainer so far, up 56% from its IPO price.

CHANCE OF 2016 US RATE HIKE: 64%

Will the US raise interest rates this year?

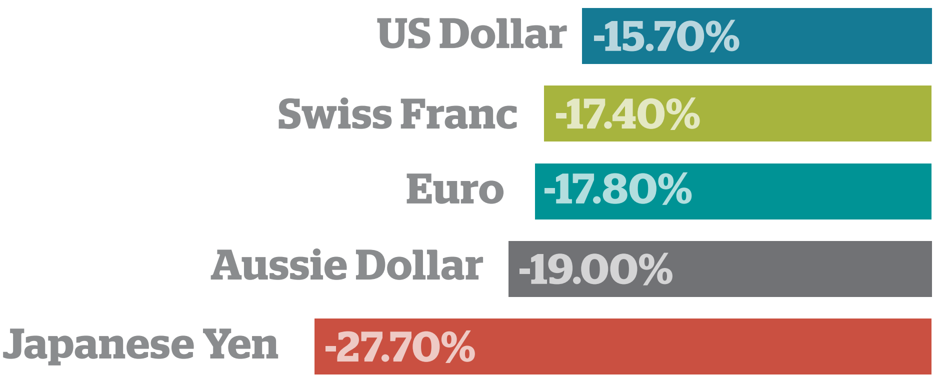
STRONGER ECONOMIC DATA will be needed to push the Federal Reserve over the line on an interest rate hike this year.

Market expectations for a December, quarter point increase, as measured by derivatives traded on the CME exchange, are around 64%. In the last 20 years, the Federal Reserve has never raised interest rates unless that figure has stood above 70%, according to the *Washington Post*.

Non-farm payrolls (7 Oct) did little to bolster the case for a rate rise, registering a slightly below-consensus 156,000 new jobs.

Sterling Currency Pairs

Year-to-date change in sterling (%)



Source: Thomson Reuters (7 Oct)

BEST & WORST - UK SMALL CAP FUNDS

Fund	Year-to-date (%)
Cavendish AIM Fund	19.5
Old Mutual UK Smaller Cos Focus	18.9
Legal & General UK Alpha Trust	13.8
SVS Church House Deep Value	13.3
TB Amati UK Smaller Companies	13.1
MFM Atorious	-2.3
CF Miton UK Value Opportunities	-2.5
JP Morgan UK Smaller Companies	-2.7
SF Webb Capital Smaller Cos	-3.5
Franklin UK Smaller Companies	-4.6

Source: Morningstar. Note: Different fund classes with same manager and similar portfolios excluded

FTSE 350 YEAR-TO-DATE

BEST PERFORMERS

	COMPANY	(%)
1	Hochschild Mining	238.8
2	Fresnillo	146.3
3	Centamin	135.4
4	Acacia Mining	123.1
5	Evraz	121.1
6	Electrocomponents	102.1
7	KAZ Minerals	95.1
8	Glencore	80.3
9	GVC	79.1
10	Micro Focus	78.2

WORST PERFORMERS

	COMPANY	(%)
1	Sports Direct	-63.2
2	Countrywide	-59.8
3	Capita	-51.1
4	Restaurant Group	-48.0
5	EasyJet	-46.4
6	Royal Bank of Scotland	-45.1
7	Thomas Cook	-43.3
8	N Brown	-41.7
9	Next	-41.5
10	Essentra	-41.3

Source: SharePad.
Data; 1 week to 7 October 2016.

Enjoy a slice of airport food seller SSP

Transport hub operator benefits from having a captive audience

Ever been shocked at how much airports and train stations charge for food and drink? Well you can profit from these sky-high prices by investing in the company running many of these outlets.

SSP (SSPG) is one of the two market leaders. It has franchise or licence agreements to use many well-known brands including M&S Food, Starbucks, Burger King and Yo! Sushi. Its own brands include Upper Crust and Caffe Ritazza.

Nearly two thirds (62%) of revenue is generated outside of the UK, providing geographical diversification and helping to soften the impact of any temporary weakness in a specific travel market.

It has outlets in more than 30 countries and serves in excess of one million people every day. The company is forecast to generate £2.18bn of sales in the year to September 2017 and make a £122.5m profit.

An estimated half of its forecast earnings growth is expected to come from making the business run more efficiently, says stockbroker Numis.

CAPTIVE AUDIENCE

SSP is very interesting from an investment perspective as it serves a captive audience.

The alternatives are a) go hungry and have nothing; b) tuck into a cheese sandwich that you made earlier at home; or c) go out of your way to buy something before you get to the train station or airport.

We presume a large proportion of people would just hand over the cash at an SSP outlet and stomach the high cost as there may not be time to seek cheaper alternatives or, in the case of airports, you are stuck in a specific area.

Dwell times are increasing at airports as security procedures require longer check-in times, thereby increasing exposure to SSP's cafes and restaurants. Many airlines are scrapping free food and so passengers may feel they want to tuck into a decent meal before boarding a flight – another driver in SSP's favour.

Numis believes SSP should benefit from sterling weakness because of its large overseas presence. It believes revenue growth will be enhanced by 3.5% in 2016 and by 7% in 2017 purely because of currency translation effects.

The broker also estimates that SSP has generated £170m in free cash flow since it floated on the stock market in 2014, equivalent to 17% of its market value at the IPO (initial public offering). That is money left over after reinvesting in the business which can be used for debt reduction and dividends. (DC)

SSP ↗ BUY
(SSPG) 323p
Stop loss: 258p

Market value: £1.5bn

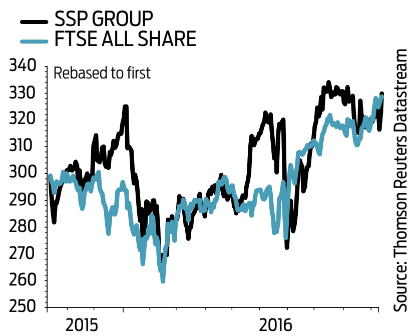
Prospective PE Sept 2017: 18.6

Prospective PE Sept 2018: 16.6

Dividend yield : 1.8%

Analyst price target: 390p (Numis)

BROKER SAYS: 5 6 1



RPC rides plastic fantastic growth path

We believe shares have further to rise despite impressive past few years

Investors haven't missed the boat on plastic packaging firm **RPC (RPC)** despite the share price having doubled in the past two years. Decent scope for ongoing earnings growth suggests the shares have much further to run.

Panmure Gordon reckons the shares could trade above £15 in the next 18 to 24 months. Its confidence is backed by a forecast 23.1% compound annual growth rate in earnings per share through to 2018, a forecast which assumes no M&A activity.

DOUBLE-DIGIT GAINS

Even if the rating stays the same investors could in theory enjoy capital gains of 20% a year. Yet Panmure puts the company at a more than 10% discount to its peer group so there is re-rating potential as well, assuming RPC can eventually trade in line with similar companies.

The broker calculates that the combination of earnings growth and reaching parity with its rivals could see the shares reach just shy of £17.00.

RPC manufactures pots, bottles, jars, tubs and lids for a variety of consumer goods companies including **Unilever (ULVR)** and **Kraft Foods (KRFT:NDQ)**. In theory these are simple, almost commoditised products, but in reality packaging quality is important in preserving the brand integrity.

The company is benefiting from a structural trend which sees conventional glass and metal packaging replaced by lighter weight plastics.

RPC operates in a fragmented market and is highly acquisitive. Two of its highest profile recent deals are the £470m purchase of French bottle-top maker Global Closure Systems, which completed in March 2016; and the £261m deal to acquire Scotland's British Polythene Industries, which concluded in August 2016.

RPC BUY
(RPC) 992p
Stop loss: 793.6p

Market value: **£3.2 billion**

Prospective PE Mar 2017: **17.6**

Prospective PE Mar 2018: **15.2**

Dividend yield: **2.1%**

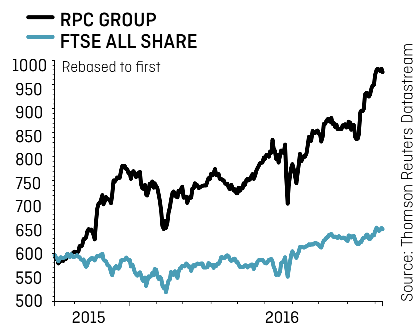
Analyst price target: **£12***

*Panmure Gordon

The company has a good track record with M&A, doubling its synergy target for Iceland's Promens within months of buying it, for example. RPC also has a progressive dividend policy.

Despite international expansion, 86.7% of its revenue came from the UK and mainland Europe in the year to March 2016 so prospective investors do need to weigh the risks of a Brexit-related slowdown in the European economy. The company's strong track record during previous bouts of economic uncertainty offers some reassurance. (TS)

BROKER SAYS: 8 0 0



TESCO
(TSCO) 202.95p

Gain to date: 23.4%

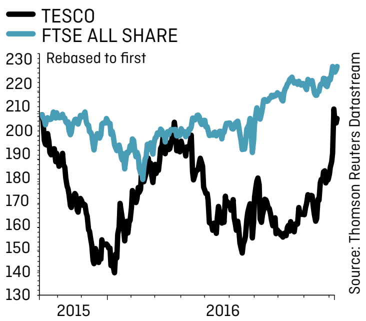
Previous Shares view:

Buy at 164.45p, 25 Aug 2016

OUR BULLISH CALL on **Tesco (TSCO)** is now 23.4% in the money, the recent rally sustained by half year results (5 Oct) confirming progress with CEO Dave Lewis' turnaround plan. With positive like-for-like sales growth delivered across all parts of the group – the core UK business grew 0.6% like-for-like – investors have renewed confidence in the recovery story.

Tesco is battling back against German discounters Aldi and Lidl through price cuts, simpler product ranges and better customer service in a deflationary UK market. Meanwhile, Lewis also reported a 2.6% improvement in international same-store sales and significantly lower net debt helped by disposals. Lewis also shared his ambition to rebuild Tesco's battered operating margin to between 3.5% and 4% by the 2019/20 financial year, aided by some £1.5 billion of additional savings.

Curbing enthusiasm somewhat was a 28.3% slump in statutory profit before tax to £71m after exceptionals and Tesco's rising pension deficit, up from £2.6bn to £5.9bn due to lower bond yields. (JC)



SHARES SAYS: ↗

We're staying positive given the fresh improvement in UK sales and further reduction in the debt pile.

BROKER SAYS: 5 8 8

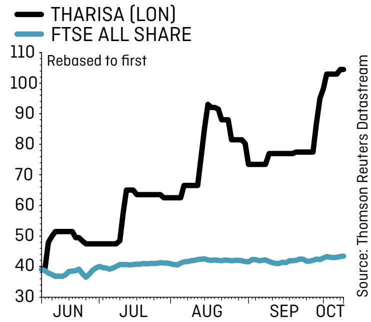
THARISA
(THS) 103.75p

Gain to date: 33.9%

Previous Shares view:

Buy at 77.5p, 29 September 2016

BETTER-THAN-EXPECTED platinum group metals (PGMs) production has helped to lift shares in miner **Tharisa (THS)**. The stock is now up 33.9% since we said to buy a fortnight ago.



Tharisa extracts PGMs and chrome from its mine in South Africa and sells them to China. A bullish trading update on 10 October says PGM recovery rates from its mine were higher than targeted and tons milled reached a record high. It also states that metallurgical grade chrome prices have risen by 50% in the third quarter of 2016.

These factors bode well for Tharisa's upcoming full year results which will be published on 29 November 2016. The company has also confirmed to *Shares* that it intends to recommend a maiden dividend at these results.

Dividends could become a key part of the investment case in the future. Tharisa has a low cost mine with the potential to generate significant amount of cash.

Stockbroker Peel Hunt implies that its 120p price target may prove too conservative. (DC)

SHARES SAYS: ↗

Keep buying the shares despite the strong run that's already taken place. Tharisa is really cheap on a mere 4.6 times 2017 forecast earnings.

BROKER SAYS: 1 0 0

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DEPENDABLE DIVIDENDS

WHERE TO FIND LOWER RISK SOURCES OF INCOME

Prime Minister Theresa May has warned of 'bumps in the road' for the economy as she prepares to start the difficult journey for the UK leaving the European Union. As such, the Bank of England may need to cut interest rates to avert a downturn.

That situation would be awful for savers who are already getting next to nothing on cash deposited in the bank or building society. Thankfully, stocks and shares are among the few ways in which you can still generate a decent income.

We plan to look at the different options for generating an income from the markets over the coming months. Our series begins with dividends paid by individual companies.

Our top picks include tobacco firm **Imperial Brands (IMB)**, utility **National Grid (NG.)**, high street fashion outfit **Supergroup (SGP)** and corporate energy provider **Yu Group (YU.:AIM)**.

CROWDED TRADE

Income is a crowded trade as a result of the low yields available on cash and bonds. Masses of people have piled into classic dividend-paying stocks, arguably making many of them overvalued.

Blake Hutchins, who manages investment fund **Investec UK Equity Income (GB00BV9G3J1)**, explains the need to be realistic about the level of yield you target.

'It is important for investors to remember where we are in the equity cycle. You might have to accept a lower starting dividend yield than you had to accept three or five years ago.'

So what is a 'realistic yield' these days?

Investec's Hutchins says his marker is a 3% yield backed by a free cash flow yield of 5%. 'Stretching to a dividend yield of 4% or more probably means sacrificing dividend growth or moving considerably up the risk spectrum,' he adds.

That may sound disappointing if you're used to the 5% to 6% that's been available on many shares over the past decade.

Higher yields these days – such as 5% or more – could be the result of a falling share price. The market is warning that something is up with the quality of earnings, which in time could feed through to reduced dividend payments.

A useful litmus test for dividend safety is to see how many times it is covered by forecast earnings. We prefer a ratio of two or more. A figure below 1.2 could suggest the dividend is in danger territory.

The accompanying table shows the highest yielding FTSE 350 stocks which have increased their dividend in each of the past 10 years. All have yields of 4% or more. Unfortunately you cannot presume all the companies will grow their dividend forever.

Outsourcer **Capita (CPI)** served up a shock profit warning on 29 September 2016 which has prompted concern a rights issue may be required to shore up its balance sheet – and potentially at the cost of its dividend.

Aerospace and defence business **Cobham (COB)** has already launched a rescue rights issue in 2016, while academic publisher **Pearson (PSON)** continues to contend with structural issues in its core US higher education market.

As such, it is important to undertake thorough research on every single company that hits your radar as a potential source of dividends for your portfolio.

DIVIDEND YIELD = DIVIDEND PER SHARE ÷ SHARE PRICE

DIVIDEND COVER = EARNINGS PER SHARE ÷ DIVIDEND PER SHARE

GROWTH FOCUS

Hutchins' strategy is to focus on sustainable dividend growth rather than obsess over the starting yield.

Consistent dividend growth is typically a hallmark of a high quality company with the ability to generate plenty of cash flow.

And if you are in a position to reinvest the income from your holdings in dividend growth stocks, rather than taking the cash straight away, you can in theory benefit by steadily increasing your exposure to an income stream which itself is already growing.

'When we are looking for companies with the ability to grow their dividends we are looking for two or three things. Chief among them are asset-light companies which do not require huge amounts of investment to grow,' Hutchins says. For example, this might be a software or consumer staples business that typically doesn't consume too much capital when it grows.'

In comparison, an oil company has to drill for oil to achieve growth, which is a very expensive exercise.

Oil producer **Royal Dutch Shell (RDSB)** is a popular choice for income investors. It hasn't been able to fund dividends out of organic cash flow for some time, instead having to allow its balance sheet to take the strain.

We think the company's plan to fix this problem by adjusting to lower oil prices will ultimately be successful before it is forced to consider its first dividend cut in more than 70 years. Nevertheless, paying a dividend out of debt is unsustainable in the long-term.

HIGHEST YIELDING CONSISTENT DIVIDEND GROWERS IN THE FTSE 350

Company	EPIC	Prospective yield (%)
PayPoint	PAY	6.5
Pearson	PSON	6.5
Mitie	MTO	6.2
SSE	SSE	5.9
Aberdeen Asset Management	ADN	5.6
Stagecoach	SGC	5.5
Capita	CPI	5.1
Cobham	COB	4.2
Pennon Group	PNN	4.2
National Grid	NG.	4.1

Source: Sharepad, as at 6 Oct 2016
Based on companies that have increased dividends in each of the past 10 years.

IS INCOME EXPENSIVE?

The majority of Hutchins' portfolio is invested in quality companies like spirits maker **Diageo (DGE)**, consumer goods giants **Reckitt Benckiser (RB.)** and **Unilever (ULVR)** as well as software business **Sage (SGE)**.

He rejects the argument that these so-called 'bond proxies', stocks offering reliable income which have attracted investment in a world of plummeting bond yields, are overvalued. He argues they are instead 'fairly valued'.

This is backed up by recently published research from investment bank UBS which concludes income stocks 'are not very expensive compared to history on a price to book basis in most regions'.

UBS flags 11 high quality dividend paying stocks, four of which are London-listed. These are insurer **Admiral (ADM)**, pharmaceutical **AstraZeneca (AZN)**, kitchen and joinery supplier **Howden Joinery (HWDN)** and water utility **Pennon (PNN)**. (TS)

THE BANKS

BANKS WERE HISTORICALLY seen as one of the best sources of income on the stock market. Shareholders used to get 7%+ dividend yield from **Lloyds Banking Group (LLOY)**, for example.

The financial crash in 2008/2009 put an end to the generous cash rewards from the banking sector as financial companies had to rebuild their businesses.

Eight years on, Lloyds is approaching high yield territory once more. Investors buying shares at the current price of 55.19p could get 6.9% dividend yield over the bank's next financial year if earnings and dividend forecasts prove correct.

Anyone who needs to rely on income from shares, funds and bonds to support their lifestyle – such as pay the bills during retirement – should not buy Lloyds, in our opinion.

There is large difference in the risks attached to Lloyds versus something that less exciting that might only pay 3% yield, such as **Cineworld (CINE)**.

Let's round Lloyds' prospective dividend up to 7%. For an extra 4% yield versus Cineworld, you get to own a business that operates in an industry hampered by fines, ever-changing regulation, clunky legacy systems and whose earnings could be hard hit if interest rates fall further and economic conditions deteriorate.

UK-QUOTED BANKING SECTOR DIVIDEND RANGE

BANK	FORECAST DIVIDEND YIELD
Lloyds	6.9%
HSBC	6.5%
BGEO	2.7%
Barclays	1.7%
Standard Chartered	1.7%
Virgin Money	1.5%
Shawbrook	1.1%

Source: Sharepad, as at 6 Oct 2016

The extra 4% yield from Lloyds does not compensate for the significantly greater risks versus owning Cineworld.

Cinema operators have historically done well in both good and bad economic conditions. It is an affordable treat and going to the flicks is a welcome two-hour distraction from the stress of life.

Cineworld's dividend has increased by 10.8% compound annual growth rate over the past seven years, according to our calculations using SharePad data. You should sleep comfortably owning Cineworld shares, but Lloyds could give you nightmares. (DC)

IMPERIAL BRANDS (IMB) £39.31

Dividend yield: 3.9%

10-yr CAGR in dividend: 10.1%

A MODEST RETREAT in the share price of **Imperial Brands (IMB)** following tobacco duty increases in Russia and industry-wide legal action on packaging in the US represents a buying opportunity at the tobacco giant; a consistently reliable income play.

Government duties on tobacco and packaging initiatives have long been a feature of the tobacco market and while recent developments could trim industry growth rates in the markets affected short term, Imperial's overall prospects look good.

Results at Imperial near-term are potentially supported by read-across from its peers. **British American Tobacco (BATS)** and, more recently, **Philip Morris International (PMO:NYSE)** give valuable insight into the state of tobacco markets.

Western Europe, Imperial's largest market, was British American Tobacco is fastest growing geography in the first half of the year. Philip Morris International, supplier of Marlboro products in markets outside the US2, also reported improved performance.

Developed Europe contributes almost one-third of Imperial's total volume, versus just 11.2% at BAT and 17.4% at Philip Morris.

Risks include general litigation and regulation, including potential new US and EU packaging rules and the excise increase in Russia. Around 20% of Imperial's sales volume is in the US and 9% in Russia.

Imperial, like its peers, carries a lot of debt with £11.2 billion of net borrowings versus 2016 forecast operating profit of £3.4 billion. (WC)

Disclosure: The author of this part of the article owns shares in British American Tobacco.

NATIONAL GRID (NG.) £10.43

Dividend yield: 4.1%

10-yr CAGR in dividend: 5.5%

NATIONAL GRID IS the owner and operator of gas and electricity infrastructure on both sides of the Atlantic. It receives a regulated price for maintaining these assets and connecting households and businesses to the network.

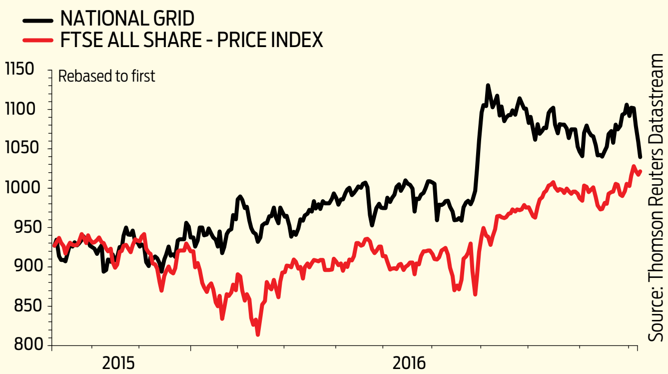
In addition to funding its day-to-day operations, the company has enough cash flow to pay interest on its borrowings, any tax owed and fund a generous dividend. Although the current yield is lower than the historical average, it still looks attractive given the level of visibility it offers.

The business is not at the whim of changes in the market price of electricity and gas. It makes money instead by charging gas and electricity providers for access to its network.

This network has been expanded using cheap debt and this has boosted profitability, supporting the rising dividend.

Plans to divest its UK gas distribution unit, with an £11 billion deal expected to complete in the near-term, could see shareholders benefit from a one-off capital return and would increase the bias towards the faster growing electricity network.

On the flipside there is a modest risk the resulting reduction in cash flow could pressure the dividend, despite management's ongoing commitment to increase it by at least the level of retail price index (RPI) inflation. (TS)



SUPERGROUP (SGP) £15.13

Dividend yield: 1.8%

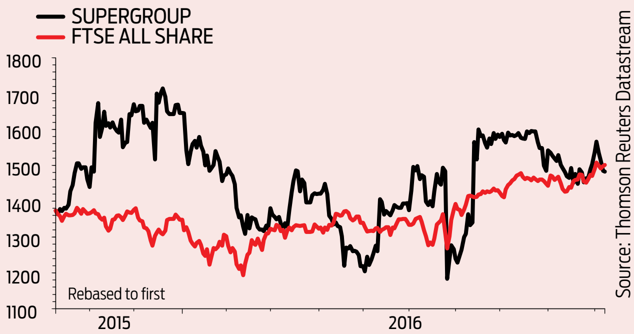
Recently started paying dividends

SUPERDRY FASHION brand-owner **SuperGroup (SGP)** started paying dividends earlier this year and is well positioned to reward shareholders with a steady stream of progressive payouts in the future.

Earnings are growing rapidly, driven by global expansion through e-commerce and an expanding store footprint across Europe. Also making early forays into the US and China, the premium quality clothing purveyor's profitable growth looks sustainable. It is underpinned by a broadening assortment that includes womenswear, a Superdry Sport range and a well-received, headline-hogging premium Idris Elba range.

Full year results (14 Jul) revealed 16.3% growth in pre-tax profit to £73.5m on sales up 21.3% to £590.1m. Income seekers will note that on top of a maiden full year dividend of 23.2p, SuperGroup declared a first special dividend of 20p, underscoring the potential for progressive cash returns.

Cash generated from operations rose from £50.8m to £91.6m in the period, fattening the year-end net cash pile up almost 30% to £100.7m. Investment bank Berenberg forecasts growth in the ordinary dividend to 27.4p this year, a shareholder reward covered a reassuring three times by estimated earnings of 82.2p. (JC)



YU GROUP (YU.AIM) 292.5P

Dividend yield: 1%

This is a dividend growth story

ENERGY FOR BUSINESSES supplier **Yu Group (YU.:AIM)** is an attractive option for investors with a medium to longer-term investment horizon. The income credentials may not initially appear great, but this should be a rapid dividend growth story.

Analysts anticipate fast growth in the payout, presuming it continues to execute the rapid revenue gains already demonstrated this year. It has crossed the monthly losses to free cash flow generation threshold that imply its first ever pre-tax profit this year to 31 December, albeit a modest £0.1m. That is expected to expand to £2.3m, £4.7m and £6.8m over the next three years respectively.

Providing electricity and gas to UK businesses is a multi-billion pound market and a huge growth opportunity for Yu, one where organisations are still tied in to fixed-term contracts. This is unlike the consumer space where customers can switch supplier at the drop of a hat.

It joined the stock market on 17 March 2016 at 185p and the shares have since soared, peaking at 310p in September. It's the type of business that could, perhaps should, be paying out 40% or 50% of its earnings once it matures a bit. That would imply a payout in excess of 13p per share for full year 2019, compared to Shore Capital's 8.25p forecast. (SFr)

YU GROUP'S PAYOUT POTENTIAL

Year to 31 Dec	Dividend per share	Implied yield at current share price
2016	2.00p	0.7%
2017	3.00p	1.0%
2018	5.60p	1.9%
2019	8.25p	2.8%

Source: Shore Capital

INTRODUCING 'YOUR VIEWS'

We want your views on key investing issues.
Each week we will pose a question and publish the best comments in a future edition of *Shares*. You can comment on our Facebook page, send us an email or interact via our Twitter account.

This week's question...

What are the three biggest factors that would make you consider selling a stock from your portfolio?

1. Change in strategy that makes the stock higher risk than when I bought it.
2. Directors mislead shareholders by exaggerating claims or bending the truth. I have zero tolerance for this.
3. When I find a better investment idea that requires money to buy the shares.

Elizabeth Young, Email

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1. I sometimes buy shares in anticipation of a forthcoming news announcement and sell once the news is out.
2. Dividend is held, cut or suspended.
3. When a company has to raise money on two or more occasions in a 12 month period and issues shares at more than 10% below market price.

Malcolm Taylor, Email

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1. When a company says it requires a strong second half period in order to meet earnings expectations.
2. I sell companies in a sector that has gone out of favour with the market.
3. I sell when two or more senior directors leave within three months of each other.

Rory McGruthren, Email

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1. It no longer meets my investment criteria.
2. I want to move my capital into a significantly better opportunity.
3. To reduce risk.

Paul Smith, Email

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1. Fresh innovative competitor joins same sector but unlikely to materially increase market size.
2. Remuneration policy.
3. Weaker cash flow.

@Humphiebackit, Twitter

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1. Stop loss hit.
2. Bad results.
3. Profit warning.

@cambiumplants, Twitter

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FTSE 250 hits all-time high

Commodities and forex drive gains – but can it continue?

Mid caps could be running out of momentum as fears over the potential impact of Brexit increase and the commodities and currency driven tailwinds currently driving them elapse.

Shares in the FTSE 250, the UK index for mid-sized businesses, hit new all-time highs in early October 2016, recovering heavy losses soon after the UK voted to leave the European Union.

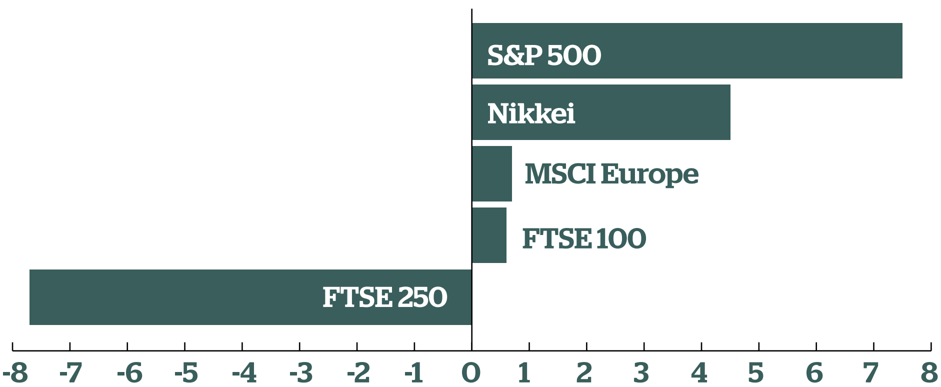
Year-to-date gains on the mid cap index, excluding dividends, are up 5% at 5 October 2016 and the blue chip FTSE 100 index is 13% higher – also close to all-time highs.

HOT COMMODITIES

Commodity stocks have been among the key drivers of returns in equity markets this year and have also played a part in gains on the mid cap index. Boasting only 16 companies in the materials sector, the FTSE 250 has still received a decent boost from these stocks because year-to-date gains are very high, at around 72%.

There are some standout performers within this group. Big gainers include gold and silver miner **Hochschild (HOC)**, up 439%; steel, coal and vanadium business **Evraz (EVR)**, up 153%; and copper miner **Vedanta (VED)**, up 124%.

DOLLAR FTSE
Stock market returns – Measured in dollars (year-to-date, total return %)



Source: Thomson Reuters
Note: Data to 5 October 2016

Financials are the largest component of the FTSE 250, representing around a quarter of the index according to FTSE data.

Year-to-date, financials have gained 5.6% and the biggest winners have almost zero exposure to the UK economy.

Georgian bank **BGEO (BGEO)** is the biggest winner, up 59.3%, followed by asset manager **Ashmore (ASHM)** and investment company **Templeton Emerging Markets (TEM)**. The latter two companies both invest in assets overseas.

Information Technology (IT) has been another of the better performing sectors. Under the Global Industry Classification Standards (GICS), which we used for this article, distribution stocks **Premier Farnell (PFL)** and **Electrocomponents (ECM)** are included in the IT category and are the sector's biggest gainers.

Farnell gained 72% because of a takeover by US electronics giant **Avnet (AVT:NYSE)**, while Electrocomponents, up 103%, has delivered an impressive turnaround under new chief executive Lindsley Ruth. Another name with a technology focus, although actually in the media sector, is property portal **Zoopla (ZPLA)**, up 60%.

Out of all of these gainers, only Zoopla does a significant share of its business in the UK – in contrast to most of the bigger losers.

Sports Direct (SPD), down 48%; estate agent **Countrywide (CWD)**, 46% lower; and **Restaurant Group (RTN)** are all UK domestic businesses in relatively cyclical sectors.

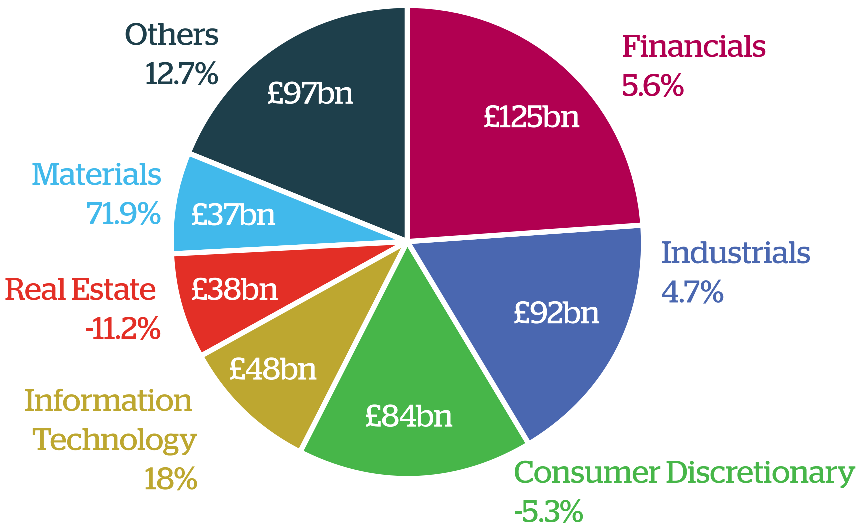
OVERSEAS BENEFITS

Differing fortunes for international and domestic-focused stocks is mainly because the economic shock of the UK's vote to leave the EU is expected to have a larger impact on the UK than elsewhere.

Exchange rate moves have also been a key factor in 2016, explaining some of the gains in the shares of internationally-focused businesses.

Around 50% of the profit at FTSE 250 companies on aggregate is earned overseas and a weaker UK currency increases the value of these profits to UK investors, and tends to increase the companies' share prices. The vast majority of companies on the UK stock market have their shares priced in sterling.

Sector-by-sector – Market cap relative to index (£bn) and year-to-date returns (%)



Source: Thomson Reuters
Note: 'Others' include: Investment Trusts (+12.7%); Consumer Staples (+3.0%); Health Care (18.7%); Energy (37.6%); Utilities (7.9%); Telecommunications (-20.3%)
Note 2: Sectors used here are based on the GICS classification and may not tally with FTSE's own definitions

CURRENCY IMPACT

Paper profits may not be all they seem at first glance.

Measured in dollars, the FTSE 250 is down year-to-date and even the FTSE 100 is up only marginally.

The FTSE 250 index shed 8% in dollar terms, including dividends, versus a 5% gain in sterling terms between 1 January and 5 October 2016. That compares to small gains on the FTSE 100 and MSCI Europe indices in dollar terms and increases on the S&P 500 (US) and Nikkei (Japan).

> Fluctuations in commodities and currencies are unlikely to drive the index forever and some investors are already warning the mid cap rally could soon come to an end

'As shocking as the Brexit vote was, its impact so far has been less bad than feared,' says Wouter Sturkenboom, senior investment strategist for Europe at Russell Investments.

'Survey data on consumer and producer confidence as well as the housing sector have partly rebounded after steep initial drops. Financial markets too have recovered quickly.

'We believe, however, that it is too early for investors to let their guard down. Our (GDP) growth expectation of 1% for 2016 remains unchanged. The risk of a recession in the next 18 months has declined but the growth slowdown is still very much in place.

'Price momentum for equities improved over the third quarter but this was offset by overbought short-term contrarian indicators. With so much economic pain left in store and too much uncertainty hanging over the country, we continue to advocate for underweight UK equities positions in UK domestically exposed risk assets.' (WC)

Use gold price dip to buy top quality miners

Cash king Centamin is a precious pick

This year's impressive gold price rally has gone into reverse with the precious metal at $1,253 per ounce now trading at a four-month low. We don't think it will stay down for long. Now is a good opportunity to pick up gold mining shares at a more attractive level than earlier this year.

We like **Centamin (CEY)** at 153.6p. It has just published record third quarter production figures at its Sukari mine in Egypt.

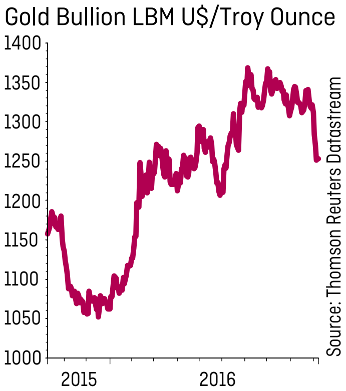
The gold price has fallen amid US dollar strength and subsiding economic fears. We view this as a temporary situation. It would be unwise to turn bearish on gold given the potential for considerable economic disruption in the UK, Europe and US over the coming 12 months.

The gold price typically rises during periods of economic, political and geopolitical unrest. The start of Brexit negotiations, a potentially negative read-across to European economies as a result of this process, and the forthcoming US presidential election all have the potential to trouble the market. Gold could see a new rally.

Gold producers have traditionally outperformed a rising gold price. Centamin says its gold production for 2016 will be at the top end of its 520,000 ounce to 540,000 ounce guidance.

The gold price would need to fall by 40% in value from today's level before Centamin starts losing money. Its all-in costs are $750 for every ounce of gold produced at Sukari.

Centamin believes Sukari could be mined for the next 20 years or more, based on the amount of gold it has found through exploration work.



Year to date
Gold price
+18%
Centamin
+136%
Source: Datastream, 10 Oct 2016

The £1.8bn miner is busy drilling the underground section as well as in and around the open pit section. Elsewhere, it has budgeted $30-$35m for exploration work in Burkina Faso and Cote D'Ivoire this year.

The company is expected to start giving the Egyptian government a share of profit from next year, beginning with 40% of free cash flow and rising to 50% after two years. This is in lieu of all taxes (excluding a 3% royalty at the revenue line).

The agreement lets Centamin recover all costs from building Sukari before the government receives any share of profit. Centamin has invested north of $1.2bn in the mine and has already made some advance payments to the government. (DC)

SHARES SAYS: ↗

Centamin is a high quality business. It has one of the biggest gold mines of its peer group on the UK stock market and it generates a significant amount of cash from operations. The dividend could fall in the coming years because of the government profit sharing agreement soaking up some of the cash flow, yet this has never been an income story. Buy for capital growth.

BROKER SAYS: 7 4 0

WANdisco boardroom battleground

Upheaval at the top of big data hopeful highlights deep divisions

Just days after announcing that the company's CEO and joint founder David Richards was to leave struggling big data hopeful **WANdisco (WAND:AIM)** he has made a Lazarus-like return to the helm of the Sheffield and Silicon Valley-based company, sparking a boardroom walk-out.

Richards' departure was reported on 29 September but on 6 October it was revealed that he had snatched back his CEO role, and taken on temporary duties as interim chairman, after talks with its biggest shareholders.

Oppenheimer Funds and asset manager **Schroders (SDR)** are the two biggest investors in the company with 14.3% and 9.4% stakes respectively. Richards himself and joint founder Dr Yeturu Aahlad are the two next largest shareholders, owning just over 7.5% of WANdisco apiece.

Richards return was, according to a company statement, backed by shareholders owning 58% of the 36,981,777 shares in issue yet it has proved to be a controversial move, prompting the instant resignations of chairman Paul Walker, the ex-**Sage (SGE)** executive, non-executive director Ian Duncan and CFO Erik Miller, the latter having only joined the company on 28 September.

Miller has subsequently been tempted back to the CFO role, while William Dollens has been instated as a non-executive director. As a partner at consulting firm and 4.3% shareholder in WANdisco Global Frontier Partners, there is speculation that Dollens appointment was part of a deal struck with Richards in order to secure support for his return to the board, although this has not been confirmed.

The depth of the boardroom divisions are seemingly matched by the wider shareholder base. When news of Richards' departure broke the share price responded by nudging more than 5% higher to 221p but those short-run gains have been completely wiped out by a 21% slump, to 176.5p, in the wake of his reappointment.

The company has also unveiled a pair of new contracts, the bigger of which a $1.5m deal for its *Fusion* big data suite with a 'leading US financial services institution'. The second, worth $775,000, comes from a bank headquartered in Europe for WANdisco's *Sunversion* application lifecycle management solution. (SF)

SHARES SAYS: ↘

These bits of new business are clearly vital if WANdisco is ever to establish the sort of growth profile it has often hinted at but, so far, remains undelivered. It raised growth funding of $15m in June at 160p but the company continues to consume cash, about $2.7m in the first half of this year to 30 June, despite making massive cuts to its operations cost base as revenue has flat-lined. Until there is demonstrable progress on both cash burn and revenue growth, investors should avoid.

BROKER SAYS: 2 0 0

NWF's dairy boost

Stabilising milk prices could buoy results in year ahead

Upwards pressure on dairy prices mean investors should keep a close eye on agricultural supplier **NWF (NWF:AIM)**.

NWF, feedstock provider to one-sixth of the UK's dairy herd, should benefit if early signs of improvement in the livestock market start to feed through to improved profitability for its customers.

Milk prices increased month-on-month in July and August to 21.3p a litre, according to figures published by government department Defra. Increases are on the back of a tough couple of years which saw farm gate prices fall almost a third.

NWF reported tough industry conditions in a trading statement on 29 September. Animal feed represents around 30% of revenue and 25% of profit at the Nantwich, Cheshire-headquartered business.

NWF also operates fuel and food distribution businesses.

Stabilising milk prices are still not enough to push the dairy farming industry as a whole into profit, according to research by farm accountant Old Mill.

A *Farmers Guardian* report quotes research from Old Mill showing losses of around 3p per litre on average, though including other income including calf and cattle sales profit was around 1.1p a litre.

Earnings per share (EPS) in the year to 31 May 2017 are estimated by Panmure Gordon analyst Adrian Kearsey at 12.1p, down 11% from 13.6p reported in the 12 months prior.

NWF's shares trade at 156p. (JC)

SHARES SAYS: ↗
Stabilising milk prices are a positive sign – keep an eye out for NWF's next trading statement scheduled for some time in December.

BROKER SAYS: 2 1 0

Cash boost for NU-Oil And Gas

SMALL CAP OIL and gas company **NU-Oil And Gas (NUOG:AIM)** is proceeding with its unmanned buoy production solution for marginal oil fields after raising £700,000. The company, formerly called Enegi Oil, aims to secure its first development project. The shares soared on 5 October 2016 to 0.7p when service group Aibel agreed to become an engineer partner. (TS)

Morses Club sticks to guidance

CHIEF EXECUTIVE Paul Smith at consumer lender **Morses Club (MCL:AIM)** expects profit to be second half-weighted as interim numbers fell short of last year. Reductions in admin costs should start to feed through in the second half and into 2017. Higher loan impairments year-on-year reflected an increase in new customers, where loan losses tend to be higher initially. (WC)

Aura Energy to rework cost model

Aura Energy (AURA:AIM) should soon publish an internal study that remodels its Tiris uranium project at 3 million pounds production a year, triple the old plan. It wants to see by how much costs could fall from $30 per pound estimate in the original scoping study by increasing output. Aura hopes to start production by early 2019. (DC)

Finsbury's sweet outlook

Cake and bread maker has laid the groundwork for growth

Specialist bakery manufacturer **Finsbury Food (FIF:AIM)** has a platform for ambitious deals in a fragmented industry.

Already a bigger, more diversified business having integrated the Fletchers and Johnstone's acquisitions, the cake, bread and muffin maker has consistently been a *Shares* favourite.

We remain bullish at 129p with 34% upside towards Investec's 173p price target. Full year results (19 Sep) revealed 41% growth in adjusted pre-tax profit to £16m with organic growth of 5% well spread across the grocery and foodservice channels.

Enlarged Finsbury has favourable exposure to growing parts of the UK bakery market and the return to volume growth of key supermarket customers is a positive.

Net debt of £19.7m feeds into a modest leverage ratio of 0.8 times EBITDA, leaving Finsbury equipped to fund organic growth by investing in its high-quality asset base and with the firepower for bigger acquisitions.

For the year to June 2017, Investec forecasts pre-tax profit of £17.2m for earnings of 10.1p (2016: 9.7p) and an improved 3.1p dividend. A prospective PE of 12.8 leaves re-rating scope and Finsbury also offers a 2.4% yield. (JC)

SHARES SAYS: ↗
We remain positive on Finsbury Food at 129p.

BROKER SAYS: 2 0 0

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- Imagination Technology is 'undervalued'
- Why InnovaDerma shares jumped 283% in a day
- William Hill's odd merger plans
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- Sky accused of 'accounting alchemy'
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Understanding premiums and discounts to NAV

Why investment trusts can sometimes be cheap or expensive

Many investors are unnerved by investment trust discounts and premiums and it's all too easy to be confused. Yet the concepts are quite simple and they shouldn't put you off these investment vehicles. Understanding the difference between discounts and premiums is important. If you do not it can cost you money.

The total sum of an investment trust's holdings, minus any liabilities, is known as its net asset value (NAV).

Shares in an investment trust are traded independently on the stock market and the price of those shares is based on what investors think the investment trust is worth, rather than the estimated value of the assets it holds. So the trust can be undervalued (trades at a discount) or overvalued (trades at a premium) compared to its NAV.

There is one very simple reason why investment trusts have typically traded at discount to NAV – the liquidation cost. This is the implied expense a trust would incur if it was to wind itself up, sell off its assets, and return the cash proceeds to shareholders.

SEEMINGLY SIMPLE, BUT OFTEN COMPLEX

Investing in investment trusts at a discount is often billed as a good opportunity for investors, but it's not quite that simple.

There may be other factors at play, such liquidity and/or market sentiment.

When investors get spooked for whatever reason, since investment trusts can be less liquid (the shares are more difficult to trade) than the underlying holdings of the trusts, the trust's share price can fall faster than the share prices of its underlying assets, and ergo its NAV, widening the discount.

Or perhaps it might reflect a lack of faith in the management of the trust. They might come to the conclusion that bad management is going to reduce the investment trust's NAV such as through poor asset allocation and stock selection.

Theoretically, large discounts could be arbitraged away by the market over time, yet all too often they can persist for years. **Alliance Trust (ATST)**, for instance, is a huge £3bn-plus trust that has long traded at a discount to NAV, currently 10.8%. That is despite being held in relatively high regard by many investment experts. Over the years arbitragers have even looked at releasing the extra value by buying the entire trust and closing it down but there has been no concrete move in this direction yet.

This is relevant information because so many UK-quoted

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investment trusts are currently trading at discounts. More than three quarters, according to data from Trustnet, or 225 of the 295 investment trusts trading on the London Stock Exchange can be bought for less than their net asset value. Nearly half (46%) of them are currently on discounts of 10% or more; and 21 (7%) are on discounts in excess of 30%.

Nick Greenwood, manager of the **Miton Global Opportunities Fund (MIGO)** believes there is something more structural going on that helps explain why so many investment trusts are discounted. 'Going back not too many years, the old-fashioned private brokers were the main users of investment trusts,' he explained in an interview with Morningstar earlier in 2016. 'That whole industry has been consolidated into five or six major wealth manager organisations/chains who wanted to standardise portfolios because of the sheer bulk of the money that they were managing.'

Importantly, with so much capital in the hands of a small number of wealth managers, it becomes increasingly difficult to buy stakes in many investment trusts right across a vast number of clients, so the wealth managers look to alternative vehicles.

Greenwood estimates that maybe 80% of traditional investment trust buyers have disappeared this way, which helps explain why discounts in the mid-20s are not untypical for smaller and medium-sized trusts these days.

PREMIUM PRICING

As you might expect, the reasons for the rarer situation of a trust trading on a premium are the reverse of the discounted trust. Investors might be particularly bullish and have bid up the price of relatively illiquid trusts in the frenzy, for example.

Premiums could even be down to strong faith in management to make good stock selection and asset allocation decisions in future, or even be a perception that a trust is investing in a particular hotspot.

For example, the technology space has largely enjoyed a good 2016 right across the globe.

When the **Allianz Technology Trust (ATT)** posted full year to 30 November 2015 results on 26 February 2016 it had a year end NAV of 675.1p. That compared to a 632p share price on 30 November 2015 (a 6.5% discount) or 576p on the day the figures were released (14.7% discount).

Based on its most recent NAV of 844.3p, according to Morningstar data, the shares at 797p trade at a 5.6% discount.

While investing in investment trusts trading at a premium may seem counter-intuitive to the old adage of buy low, sell high, implementing this rule of thumb wholesale would rule out many excellent trusts with hard-earned and deserved copper-bottomed reputations. (SF)

A SELECTION OF INVESTMENT TRUSTS TRADING AT A DISCOUNT TO NET ASSET VALUE

Name	Latest price (p)	Net asset value (p)	Discount now (%)	Average discount (%)
Edinburgh Worldwide	499.5	560.5	-10.9	-9.0
Foreign & Colonial IT	514.5	572.5	-10.1	-8.6
JP Morgan Global Growth & Income	258.6	279.6	-7.5	-8.6
Law Debenture	515.0	606.0	-15.0	-4.6
Scottish Investment Trust	718.0	858.3	-16.4	-12.9

Source: Winterflood, 10 Oct 2016

A SELECTION OF INVESTMENT TRUSTS TRADING AT A PREMIUM TO NET ASSET VALUE

Name	Latest price (p)	Net asset value (p)	Premium now (%)	Average premium (%)
Aurora	169.5	165.9	2.2	1.4
F&C Capital & Income	295.0	282.7	4.4	2.2
Fundsmith Emerging Equities	1173.5	1145.0	2.5	2.5
Schroder Oriental Income	244.5	235.5	3.8	0.2
Troy Income & Growth	77.3	75.9	1.7	1.6

Source: Winterflood, 10 Oct 2016

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Michael Hunt, CFO

ReNeuron is a leading, clinical-stage cell therapy development business. Based in the UK, its primary objective is the development of novel cell-based therapies targeting areas of significant unmet or poorly met medical need. ReNeuron has used its unique stem cell technologies to develop cell-based therapies for significant disease conditions where the cells can be readily administered "off-the-shelf" to any eligible patient without the need for additional immunosuppressive drug treatments.

Sphere Medical (SPHR)

Dr Wolfgang Rencken, CEO

Sphere Medical is a dynamic and growing company specialising in the development of innovative medical monitoring and diagnostic equipment. Their products are used in a wide range of medical applications, enabling faster clinical decision-making and improved patient outcomes, whilst providing efficiencies that result in reduced healthcare costs.

More to follow...

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Companies presenting

AB Dynamics (ABDP)

Tim Rogers, MD

The Group is engaged in the design, manufacture and supply to the global automotive industry of advanced testing and measurement products for vehicle suspension, brakes and steering both in the laboratory and on the test track. With over 90% of sales to export, the Group's products are used for research, development and production quality control. The Directors believe that the Group is one of the leading UK suppliers in its market, with customers including the research and development divisions of some of the world's leading vehicle manufacturers.

C4X Discovery (C4XD)

C4X Discovery brings a new dimension to drug discovery. Using its unique NMR-based technique to determine 3D molecular structures with high accuracy, C4X Discovery is focused on optimising the design and development of medicines and partnering with the pharmaceutical sector to generate better, safer products.

Zenith Energy (ZEE)

Andrea Cattaneo, President & CEO

Zenith Energy Ltd. is a Canadian oil & gas exploration and production company, listed on the TSX Venture Exchange (ZEE). The main focus of the Company is the acquisition of large onshore oil & gas fields in countries that offer strong asset protection and a business atmosphere conducive to stable and profitable production activities. Zenith operates the largest onshore oil field of Azerbaijan through its fully owned subsidiary, has oil fields in Argentina and significant gas producing assets in Italy. The Company's Italian operations also include the production of electricity and condensate.

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THE SCRAMBLE FOR DIVIDENDS IN ASIA IS JUST **GETTING STARTED**

ARE THERE ATTRACTIVE OPPORTUNITIES FOR INCOME INVESTORS IN THE FAR EAST?

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GLOBAL INVESTORS

In the West the grasp for yield has become a protracted theme for investors. Income hungry, they have been forced to search in non-traditional income-yielding asset classes as bond yields continue their fall amid the flow of central bank money from across the globe.

The UK government now rewards you a mere 0.6% a year if you lend to them for 10 years. In Germany you'll need to pay the government to take your money. As the risk-reward dynamic has become skewed, income-yielding equities have never been more en-vogue.

LOOKING EAST

Investors have tended to focus chiefly on income yielding equities originating in western markets; places where they believe companies are transparent, democratic, well governed, and focused on the value they provide shareholders.

But high quality companies can be found elsewhere around the globe. According to Henderson's dividend index monitor – a study tracking the progress of the top 1,200 companies by market capitalisation in growing their dividends – over a trillion dollars of dividends were paid out in 2015.

While it is true that North American, European and UK companies made up around $750bn of this figure, companies from Asia Pacific and Japan dolled-out a handsome $162bn.

It marks a shift: Asian companies have been, for some time, changing their approach to shareholders, driven top-down by governments wishing to improve capital distribution, increase efficiency and attract a larger stable of global investors.

Korea, for example, is levying penalties on companies who hoard too much cash on their balance sheets; the emphasis of reform in China's state-owned enterprises (SOE) has been to refocus management towards shareholder returns.

Japan – Asia's champion and the second largest equity market in the world – echoes the shift. In the summer of 2013 Japan Exchange Group and Nikkei Inc. developed the JPX-Nikkei 400. The index frees itself from the traditions of weighting by market capitalisation (market value of a company) to include measures such as the company's profitability or corporate governance structures.

The aim is to improve capital distribution to drive efficiency and attract a larger stable of global investors, marking a permanent structural shift towards Asia's own 'dividend culture'.

HIGH YIELD FOR A REASON

Due to the perceived risks, yields in Asia have traditionally been much higher than that of the West. This has changed in recent years as yields have fallen. So what does this signify?

In the past, heavyweight Asian investors such as large pension funds and sovereign wealth funds have tended to allocate their cash towards fixed income assets and property. This made sense. With yields significantly higher than Western markets, exposure to the additional capital risk in equities would have been nonsensical.

Mike Kerley is Director of Pan Asian Equities and Fund Manager of Henderson Far East Income Ltd. Mike joined Henderson in 2004 as a fund manager for Pacific equities. He has been managing investment trusts at Henderson since 2007 and is co-manager of the Henderson Asian Dividend Income strategy.

Recent evidence points to a shifting landscape in this regard. Look at data from China, the region's stalwart economy, and you'll see yields have been steadily dropping across a number of income asset classes: government bonds, corporate bonds, property, and even wealth management products.

The latter offer fixed-term pay-outs based on underlying assets and have been hugely popular among retail investors.

Some of the non-bank wealth management products offered fairly high (and unsustainable) yields in the past due to the spurious assets underpinning them, and are now facing a government clampdown.

Similar products sponsored by banks are deemed safer, but

(the percentage of net income paid out as dividends) – an increasingly attractive income proposition on a risk / reward basis. The picture is reflected across most Asian markets.

HOW ARE INVESTORS REACTING?

Institutional investors, cognizant of the eroding value in traditional income asset classes, have been changing their allocations towards equities for the first time in history.

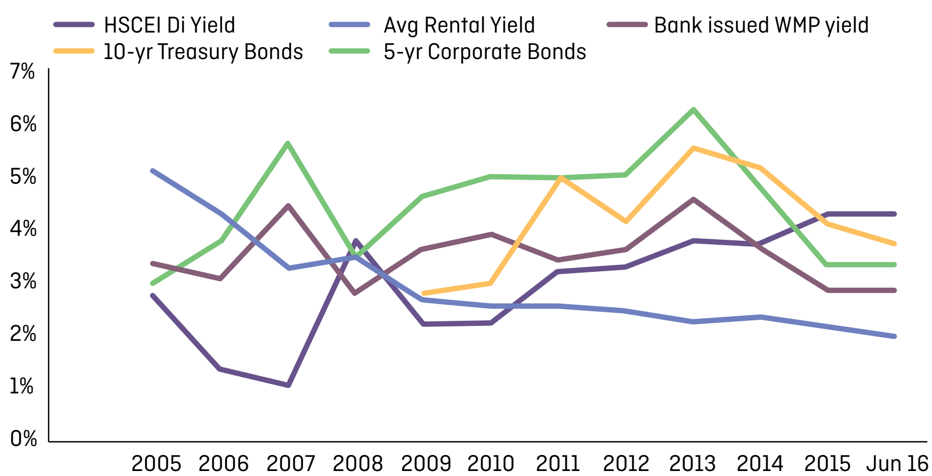
In Taiwan the risk-based capital requirements for insurers and pension funds have been raised, which could attract between $25bn and $35bn towards equities over the next five years.

Singapore's sovereign wealth fund, GIC, is in talks to buy 7% of Vietcombank in Vietnam. In India, the biggest retirement manager has recently been permitted to invest 5% to 15% of new assets in equities, where before they had not been allowed.

The tendency has been for dividend paying stocks with low betas – those of lower volatility when compared with the wider market. A market capitalisation

yields have contracted to below 4%. That is also lower than the yield of the main H-Shares equity market in Hong Kong (HSCEI) and a growing number of shares listed in Shanghai and Shenzhen, China, a far less compelling proposition than 12 months ago.

Overall, the effect has been to squeeze all of the traditional avenues for income, making equity yields – rising on account of the improving corporate attitudes towards shareholders and increasing pay-out ratios



Source: Henderson Global Investors; Morgan Stanley: as at 17/08/2016.
HSCEI – Hong Kong Seng China Enterprises Index

weighted index of 44 Asian stocks with dividends above 3% and betas of between 0.8 - 1.0 (less than one implies lower volatility than the market; more than one implies greater) has been climbing, especially since the Bank of Japan introduced negative interest rates.

A WHOLESALE CHANGE?

Thus far, the steps towards Asian equity income have only been tentative. In Thailand 17% of the top pension funds have assets in stocks, compared with 61% in Hong Kong, according to the Organisation for Economic Cooperation and Development (OECD).

It is the demand potential from retail investors that could be game-changing. As a percentage of Gross Domestic Product (GDP), China has a savings rate of 49% versus a world aggregate of 24%, a US rate of 18%, and 12% in the UK, according to the World Bank.

With China's GDP at around $11trn, the savings portion is eye-watering. And with savers receiving the same lacklustre yields as institutional investors even a small allocation switch has the potential to move significant sums of cash into the equity markets. It paints a picture of potentially rampant domestic Asian equity demand.

In our portfolios the strategy has been to provide a blend of income yielding equities with lower yielding equities with the potential for dividend growth. We believe this mix – with improving corporate governance and attitudes towards shareholder value and dividend pay-outs – provides our investors the opportunity to diversify their income stream, particularly for those invested in UK markets where the majority of dividends are paid by only a handful of companies (in the UK the top 10 companies in the FTSE 100 pay 57% of the entire market's dividends). The change afoot in Asian markets is only just getting started.

Before investing in an investment trust referred to in this article, you should satisfy yourself as to its suitability and the risks involved, you may wish to consult a financial adviser.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

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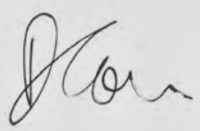

Daniel Coatsworth, Editor

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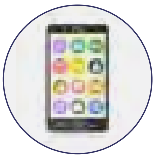
Seven of the best saving and investment apps

We profile some of the most useful bits of technology to help you manage your finances

Trying to stay on top of your savings, investments and financial goals is difficult, but there are lots of apps and online tools which can help. Here are seven of the best budgeting, retirement planning and investment apps and tools currently available at the click of a button.

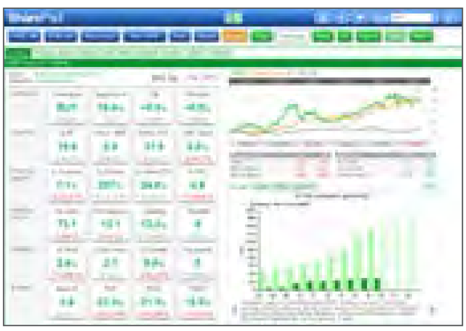


INVESTMENT APPS

SharePad

SharePad is a portable version of ShareScope's investment and trading software. Available on tablets, Macs and PCs, its dashboard lets you analyse the merits of stocks based on 24 measures relating to sentiment, valuation, growth, returns and financial safety.

There is a traffic light system whereby red means 'steer clear' and green suggests 'investigate further'. You can set your own parameters and screen for funds, investment trusts and exchange-traded funds. For example, you can look for investments with the best performance over the last decade.



It has a handy split-screen format which means you can scroll down a list of shares on the left-hand side of your screen and see the financials for each stock on the right-hand side. The tool includes market data and an alarm to inform you of unexpected price movements and events. SharePad costs £25 for the first three months and £25 a month thereafter.

AJ Bell Youinvest

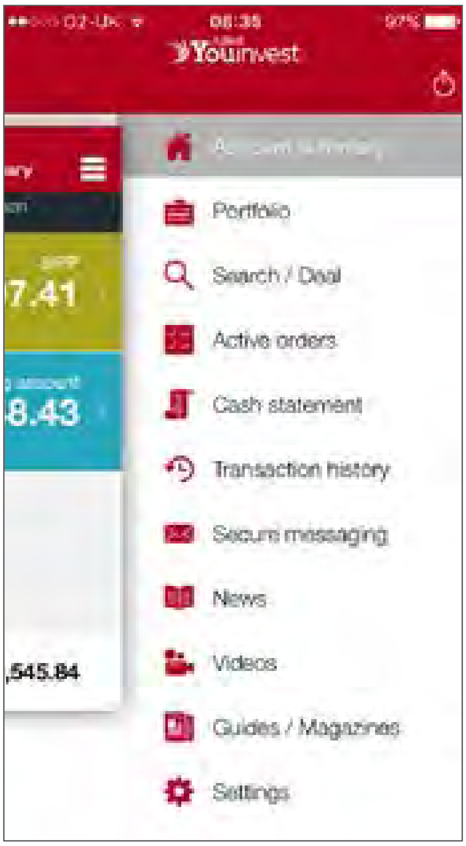
AJ Bell Youinvest's app, which is available on iPhone, Android and tablet, lets customers check how their investments are performing and carry out trades.

You can log in to your account using your fingerprint (if your device enables this) which makes it very quick to view your portfolio.

The app shows your active orders, cash statement, transaction history and enables you to send a secure message to the customer service team. It also provides access to news, education videos and guides. There is a version for Apple TV which shows AJ Bell Youinvest's educational videos.

AJ Bell Youinvest is currently trialling share trading via Facebook's Messenger app; it carried out its first live share trade in May 2016, buying £500 worth of Facebook shares.

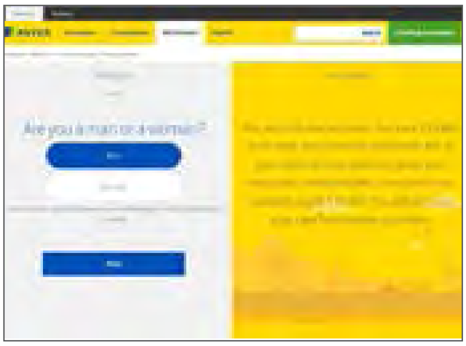
The platform has also developed functionality that would enable customers to get investment information via Amazon Echo, a wireless speaker which connects to Amazon's voice recognition service Alexa. AJ Bell Youinvest is considering providing a daily stock market report via Echo's news alert, which customers could access using voice commands. It might also consider offering portfolio valuations and stock market quotes via Echo.



RETIREMENT PLANNING APPS

My Retirement Planner

Aviva's My Retirement Planner app is very good for a number of reasons, one is that you don't need to be a customer to use it. Therefore anyone running their own retirement planning scheme via a SIPP (self-invested personal pension) can benefit from the app, even though they may not hold investments with Aviva.



The app estimates how much your pension could be worth when you retire. It calculates what yearly income this pot could provide depending on whether you choose an annuity or income drawdown.

The figures are based on your age, how much you and your employer pay in each month and your life expectancy. There are useful sliders which let you see the impact of increasing or decreasing your pension contributions and target retirement age. It also takes into account the State Pension and the 25% of your pension you can withdraw tax-free.

Shape my Future

Shape my Future is another free online tool from Aviva which is aimed at a broader demographic. It's a fun and colourful tool which calculates what your weekly budget could be when you retire.

It works out whether this budget is enough to cover your desired lifestyle – based on how much you intend to spend on food, travel, grandchildren and hobbies.

A useful feature is it indicates what these costs will cover – £45 a week on food means you eat fairly basic meals at home, splash out on a few fresh ingredients, and treat yourself to a one-course pub meal twice a month.

RetireEasy

RetireEasy is an in-depth retirement planning online tool which helps you evaluate and plan your potential finances and lifestyle during retirement. You can enter information on your pensions, savings and investments, personal possessions, debts, future income sources and estimated outgoings, including potential care home costs.

The tool calculates how much money you may have each year in retirement. You can choose one of three options: LifePlan Basic, which is free; LifePlan Classic, costing £1.99 a month, which provides more comprehensive charts, a home downsizing scenario and planning for specific growth rates; or LifePlan Premium, which at £3.99 a month also has live feeds for shares and funds, modelling for multiple scenarios and printable reports.

BUDGETING APPS

OnTrees

OnTrees is a free online and mobile app from Moneysupermarket.com which lets you access all of your bank accounts in one place.

Your spending is automatically sorted into colour-coded categories, such as restaurants, groceries and household bills, so you can see where your cash is going each month. It also shows how much money is coming in.

If you earn more money than you spend, the app suggests saving it into a cash ISA. It highlights a cash ISA provider and the accompanying rate. Clearly this can also be used as a prompt for investing into a stocks and shares ISA.

MoneyHub

MoneyHub brings together all your bank accounts, credit cards, savings and borrowings in one place. It categorises your transactions so you can see where your money goes each month.

You can set spending goals and track your progress against those goals. If you want advice on issues such as tax planning, the app will find an adviser, connect with them and share your data. Costing 99p a month or £9.99 a year, MoneyHub works across your computer, tablet and smartphone. (EP)

Pension planning for the self-employed

Two ways in which people who work for themselves can save for the future

Are you among the growing number of self-employed people in the UK? If so, it is very important to put aside some money every month for your retirement. The onus is on *you* to think about financial planning otherwise you could face a financially insecure future.

The UK is in the midst of an entrepreneurial boom. The level of self-employment surged from 3.8m in 2008 to 4.6m in 2015, according to the Office for National Statistics. Alarmingly, the number of self-employed paying into a person pension has fallen from 990,000 to 380,000.

Let's look at two major retirement savings vehicles available to the self-employed.

SIPPS

While the state pension remains the bedrock on which most people's later years are built, for most it is not enough to sustain the retirement lifestyle they want. You'll probably want to build a private nest egg to supplement your state pension income.

Self-invested personal pensions (SIPPs) are one of the UK's most popular retirement saving vehicles and are worth considering if you're self-employed.

The key word with a SIPP is flexibility. When you are making contributions you can pay in regular amounts or one-off amounts depending on your circumstances.

The range of investment is typically much wider than a standard personal pension. And when it comes to taking money out (after age 55), you can take it all in one go, on an ad-hoc basis or phased over several years.

This is perfect for self-employed individuals who may want to scale back their work commitments or have a financial buffer in place for the months where business is slower.

As it is a personal pension scheme, you also get tax relief on contributions at your marginal rate, so if you're a basic-rate taxpayer your £80 pension contribution will be topped up with an extra £20 from the Government. If you're a 40% taxpayer you'll be able to claim another £20 through your self-assessment tax return.

Remember that pensions are subject to an annual contribution allowance of £40,000 and a lifetime benefits allowance of £1m – save any more than that and you could be hit with severe tax charges.

LIFETIME ISA

The new Lifetime ISA, due to launch in April 2017, could also be a viable retirement savings vehicle if you're self-employed. The product will allow anyone age 40 or under to pay in up to £4,000 a year, and receive a Government bonus of 25% up to £1,000 – equivalent to basic rate pension tax relief.

You can keep paying in until age 50, and withdraw your money and pay no tax at all from age 60.

You can also take your money out before age 60 to pay towards your first home, or if you face serious ill health problems, without any penalty. However, if you access your fund early for any other reason you'll be hit with a 25% exit charge.

TOM SELBY
Senior analyst, AJ Bell

FRIDAY 14 OCTOBER

RESULTS

Finals

Inland Homes	INL

ECONOMICS

UK

Construction Output

US

Retail Sales

PPI

UoM Inflation Expectations

MONDAY 17 OCTOBER

RESULTS

Finals

Avacta	AVCT
Tristel	TSTL

AGMS

Clipper Logistics	CLG
Tristel	TSTL

ECONOMICS

UK

Rightmove HPI

EU

CPI

US

Empire State Manufacturing Index

Industrial Production

TUESDAY 18 OCTOBER

RESULTS

Finals

ASOS	ASC

ASOS
Web-based fast-fashion wonder ASOS' (ASC:AIM) full year results (18 Oct) should make pleasing reading with Shore Capital forecasting pre-tax profit of £63.1 million (2015: £46.1 million). While UK apparel retailers are finding the going tough, ASOS is an international retailer and benefits from a currency tailwind at present. (JC)

Bellway	BWY
Connect Group	CNCT
DotDigital	DOTD

TRADING STATEMENTS

BHP Billiton	BLT
Evraz	EVR
Hays	HAS
Burberry	BRBY

AGMS

Scancell	SCLP
Frontier Developments	FDEV

ECONOMICS

US

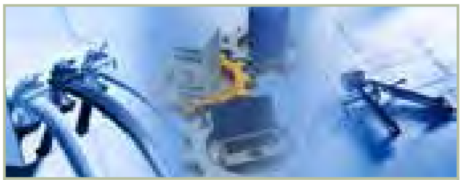
CPI

WEDNESDAY 19 OCTOBER

RESULTS

Finals

Softcat	SCT



SOFTCAT
Concerns about IT infrastructure budgets are feeding through to reseller Softcat (SCT). Yet the company adapted superbly during the last financial meltdown. Key performance indicators (KPIs) to watch are overall customer numbers (are they consistently rising?), gross profit, and gross profit earned on each customer. (SF)

Interims

U And I Group	UAI

TRADING STATEMENTS

Reckitt Benckiser	RB.
Rentokil Initial	RTO

RENTOKIL INITIAL
A trading update (19 Oct) will provide more clues on results from Rentokil's (RTO) return to a more disciplined business model. Rentokil has offloaded less attractive business units like its Initial facilities management unit and the troubled parcels firm City Link, leaving it with higher earnings quality and growth prospects. (WC)

Rio Tinto	RIO
Travis Perkins	TPK

ECONOMICS

US

Building Permits

Housing Starts

THURSDAY 20 OCTOBER

RESULTS

Interims

Lombard Risk Management	LRM

TRADING STATEMENTS

International Personal Finance	IPF
London Stock Exchange	LSE
Segro	SGRO

EX-DIVIDEND

BAE Systems	BA.	8.6p
Capita	CPI	11.1p
Card Factory	CARD	2.8p
Card Factory	CARD (special)	15p
City of London IT	CTY	4.05p
Hansteen	HSTN	1.9p
Harvey Nash	HVN	1.57p
Howden Joinery	HWDN	3.3p
HSBC	HSBA	0.1USD
InterQuest	ITQ	0.5p
Marshalls	MSLH	2.9p
Morses Club	MCL	2.1p
MP Evans	MPE	2.25p
Quantum Pharma	QP.	1p
Ricardo	RCDO	13.03p
S&U	SUS	24p
Senior	SNR	1.95p
Smart Metering Systems	SMS	1.37p
Smiths Group	SMIN	28.75p
Wetherspoon (JD)	JDW	8p
William Hill	WMH	4.1p
Wilmington	WIL	4.3p

ECONOMICS

UK

CBI Industrial Order Expectations

US

Philly Fed Manufacturing Index

Unemployment Claims

FRIDAY 21 OCTOBER

RESULTS

Interims

Acacia Mining	ACA
Schlumberger	SLB

TRADING STATEMENTS

InterContinental Hotels	IHG
Computacenter	CCC
Dechra Pharmaceuticals	DPH

ECONOMICS

US

Flash Services PMI

Flash Manufacturing PMI

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

Cashed up Crossrider at crossroads

Troubled business aims to move from ad tech to app distribution

Technology business **Crossrider (CROS:AIM)** trades at a discount to its net cash position as it begins a planned transition from advertising technology play to app distributor.

The $70m on the balance sheet provides downside protection for now but investors still need to determine if this cash will be frittered away or if the shift in strategy can put the company on a sustainable growth path.

The shares have advanced 46% to 37.25p since new chief executive Ido Erlichman outlined his plans in detail alongside half year results on 20 September 2016, yet they still trade just below net cash.

GEAR SHIFT

It is fair to say Crossrider is by the far the least successful of the stock market ventures backed by Israeli billionaire Teddy Sagi. He is best known as the founder of gambling technology giant **Playtech (PTEC)**.

Crossrider's core activity upon joining AIM in September 2014 was a platform for the development of add-on applications for internet browsers like Chrome, Internet Explorer and Firefox and helping developers monetise these apps through targeted advertising.

It was one of a flurry of Israel-based ad tech plays to be floated in London in a short space of time. Serious concerns over the quality of these businesses emerged after a string of profit warnings, most notably from the last of the ventures to float, **Adgorithms (ADGO:AIM)** which issued a major warning (9 Oct 2015) a little over two months after posting seemingly robust maiden financial results.

Sentiment towards this niche space collapsed amid a clamour for ad blocking and concerns over the effectiveness and transparency of online advertising, and with it the share prices of its constituents.

The sector is now in recovery mode. **Matomy Media (MTMY)** is up by nearly three quarters in the past three months while **Taptica (TAP:AIM)** (formerly known as Marimedia) has gained nearly 150% since the end of June 2016 and reported a very strong set of half year results on 31 August.

Elsewhere, private equity firm Vector Capital recently agreed to buy US ad tech firm Sizmek for $122m.

VALUE CHAIN

Erlichman tells *Shares* that Crossrider's plan is to 'move up the value chain' and focus on the distribution of digital applications.

A restructuring process was

launched in June 2016, already achieving annualised cost savings of $2m, and the 'new' Crossrider is organised into three divisions.

The first division is App Distribution will generate revenue from end users purchasing software online. The second division is Media which encompasses the marketing technology and ad network platforms. The third division is Web App & Licensing, the browser extensions business which is deemed 'non-core'.

The plan is for the App Distribution business to ink revenue sharing agreements with third parties and, according to Erlichman, potentially develop its own applications. 'We already have a great distribution platform and we have the skill-set to market apps to targeted users,' he says.

At present the company is testing the strategy with one unnamed third party. It reports the third party product in question achieved a 125% increase in revenue and doubling of its previous monthly gross profit after being included on its platform.

Analyst at house broker Shore Capital Peter McNally says Crossrider's own product, Re-image, a virus repair programme, 'has done well' and he notes the company could make a 'higher margin on products it actually owns'.

107%
the percentage of Crossrider's net cash versus its market value

He adds: 'We think it can attract many third party products given its success with Re-image that has recently been ranked by Alexa in the top 300 websites globally'.

M&A PLANS

Revenue from App Distribution was up 45% in the first half of 2016 to $5.9m with Web Apps seeing revenue decline nearly 30% as the group pulled investment from the business.

Although the company is loss making in accounting terms, it remains cash generative with operating cash flow of $4.1m in the first half. Shore Capital forecasts $1.4m free cash flow for 2016 as a whole, so investors can have some confidence the company's cash pile will not be lost to management salaries and day-to-day operational costs.

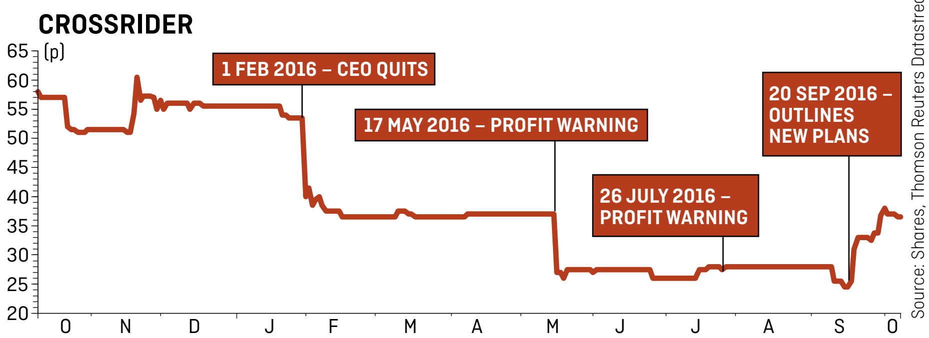
McNally reckons instead these funds will be used 'to build out the distribution business, whether by buying technologies or individual products'.

Erlichman says he will consider deals 'which help us move faster with the new organic project', adding he will adopt a balanced approach by 'growing and developing the business organically, supported by acquisitions'. (TS)

TEDDY SAGI'S QUOTED COMPANIES

Company	EPIC	Gain/loss since IPO
Playtech	PTEC	266.3%
Safecharge	SCH:AIM	38.3%
Crossrider	CROS:AIM	-63.8%
Market Tech	MKT:AIM	-26.5%

Source: Thomson Reuters, 6 Oct 2016



SHARES SAYS:
Although the success or failure of Crossrider's planned transition is still very much in question, this looks priced in at the current valuation and the initial signs are promising.

FANTASTIC FUNDS

TOP QUALITY UNIT TRUSTS AND OEICS FOR YOUR ISA OR SIPP

Picking funds can be a difficult task given the sheer volume of products available to UK investors. We're big fans of analysing long term performance data to help narrow down the field and help spot the funds that shine year in, year out.

Last week we revealed the investment trusts which managed to achieve at least 7% annual total return the most times over a decade. This week we look at unit trusts and open-ended investment companies (Oeics) which match the same criteria.

Consistency of performance is very important when it comes to picking funds. You should be wary of any product that has one or two great years but in general doesn't perform to the same level. This could imply it had a one-off benefit like some holdings being taken over at a premium price.

Ideally you should park your money with a fund manager who can invest it in assets that grow every year and runs a portfolio not dependent on M&A driving the value.

Rathbone Global Opportunities (GB0030349095) managed to produce annual total return in excess of 7% for eight of the 10 years to the end of 2015, according to Morningstar data. In four of those years it achieved more than 25% gains.

The fund focuses on 'under the radar, out of favour growth companies,' according to its manager James Thomson who has run the product since 2003. It has a concentrated portfolio of circa 40 names with freedom to invest anywhere, albeit it shuns emerging markets.

The top performing investment during Thomson's tenure is property listings website **Rightmove (RMV)** on which he enjoyed a 1,300% return. US payment processing business **Visa (V:NYSE)** is another success story from the portfolio. Thomson says the company has 'future-proofed' its business to benefit from the shift to contactless payments and the introduction of new technologies such as Apple Pay.

'Sell discipline is important,' says Thomson. 'We have to be quite cut throat. If a company is underperforming or executing poorly it will be sold.' He has a 'run the winners, cut the losers' mantra.

He admits the fund was 'too adrenaline fuelled' heading into the financial crisis and this was a 'eureka moment' for him to evolve and make greater use of risk management.

ONE OF THE top performing funds in our screening exercise is **Pictet-Digital Communications P USD (LU0101692670)**. It has one of the highest annualised total return scores of all the funds at 12.24% between 2006 and 2015 and beat our 7% total return hurdle in eight of the 10 years.

'The fund's objective is to invest in innovative, fast growing and disruptive companies that benefit from the "digital transition",' says asset manager Pictet. 'We only select companies with a minimum of 20% of their revenue conducted online.

'The objective is to construct a well-diversified portfolio, investing only on interactive business models / software that are conducted online and filtering for qualitative companies through a very strict investment process,' adds Pictet.

The fund used to have a telecoms focus until its repositioning in 2008 towards digital communication. It attributes the stellar performance to constant re-evaluation of the portfolio's risks, a strict investment process, deep knowledge of companies and web-based business models, and a highly experienced team.

Current holdings include discount travel ticket website **Priceline (PCLN:NDQ)**, media conglomerate **Comcast (CMCSA:NDQ)** and social media giant **Facebook (FB:NDQ)**.

It suggests the fund is suitable for investors who want exposure to an innovative and growing theme: the digital revolution. 'They will get a secular growth exposure towards the digital transformation of the economy,' it says, with the caveat it is not buying growth at any price.

Pictet believes the next decade will continue to see significant innovation. It believes there could be 'unprecedented opportunities' for investors to access to innovative and disruptive business models in areas such as Internet of Things, e-health, fintech and the future look of devices such as thin and flexible products.

SHARES' TOP 5 PICKS

MORGAN STANLEY UK GLOBAL BRANDS A GBP

NEWTON GLOBAL INCOME GBP INC

PICTET-DIGITAL COMMUNICATIONS P USD

RATHBONE GLOBAL OPPORTUNITIES

SLI CHINA EQUITIES A ACC

8 YEARS OUT OF 10

Findlay Park American USD
Pictet-Digital Communication P USD
Morgan Stanley UK Global Brands A GBP
Rathbone Global Opportunities R Acc
IP High Income Inc
Newton Global Income GBP Inc
IP Income Inc
Newton UK Opportunities GBP Inc
SLI Global Equity Trust
BNY Mellon Global Opportunities B USD

7 YEARS OUT OF 10

Martin Currie China Fund A
Franklin Biotechnology Discv A Acc $
AXA Framlington Biotech R Acc
SLI China Equities A Acc
First State Indian Subcontinent II
MFM Slater Growth A Acc
Mirabaud Eq Swiss Small & Mid A CHF
Threadneedle PanEurpSmCos Instl Net£ Acc
Fidelity China Focus A-USD
Baillie Gifford Global Discovery B Inc
Stewart Invs Asa Pac Sstnbty A Acc GBP
First State Greater China Gr I
Old Mutual UK Mid Cap A GBP Acc
Pictet-Biotech P USD
Threadneedle Eurp Sm Cos Inst Net EUR
Invesco Greater China Equity A
Schroder ISF Swiss Small & Mid Cap Eq A
Liontrust Special Situations R Inc
HSBC GIF Asia ex Jpn Eq Smlr Coms AD
Baring Europe Select GBP Inc
Jupiter European
JPM China A (dist) USD
Jupiter European Growth L EUR Acc
F&C UK Mid-Cap 1

WHAT DO THESE FIGURES MEAN?

We've looked for unit trusts and Oeics 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 7% total return each year.
Source: Morningstar, Shares

It is not a fully comprehensive list due to space limitations; we have only included the funds with highest 10-year annualised return and tried to focus on products we believe are widely available to retail investors.

WE BELIEVE **NEWTON Global Income GBP Inc (GB00B0MY6T00)** is an ideal fund for your ISA or Sipp. It has achieved 8.78% annualised total return over the past decade. Five of those years saw annual total return in excess of 13%.

Its strategy is aligned with many of the traits we desire when looking for investment opportunities. It likes companies with consistent cash flows, robust balance sheets, pricing power and flexible cost bases.

'The fund's strategy is to generate a good total return over the medium term by focusing upon good quality companies that are able to generate a sustainable income,' says fund manager Nick Clay. 'We employ a disciplined "buy" process, in which any new investment must yield more than 125% of the world market, and a sell discipline which requires us to sell any holding yielding less than the market.'

Top holdings include *Gillette* razors-to-*Head & Shoulders* brand owner **Procter & Gamble (PG:NYSE)**, electricity and gas provider **Eversource Energy (ES:NYSE)** and software group **CA (CA:NDQ)**.

The fund has a circa 3.3% yield and pays dividends quarterly. Newton's strict selection criteria helps to spot stocks that should have reliable dividends. 'In order for a company to generate a sustainable income it must generate sustainable cash flows; which in turn requires sustainable returns on its capital. To achieve this, the company's management must exhibit a discipline on how it allocates it capital,' says Clay.

NEWTON GLOBAL INCOME: GREAT FOR QUALITY COMPANIES

INVESCO PERPETUAL HAS two funds in the best performers' list, both achieving more than 7% annual total return in eight out of the past 10 years.

Invesco Perpetual High Income Inc (GB0033054015) has an 8.96% annualised total return over the decade. **Invesco Perpetual Income Inc (GB0033053827)** is close behind with 8.74% annualised total return over the same 10-year period.

The funds are run by Mark Barnett who took over both products from fund manager Neil Woodford in 2014. '(Both funds) aim to invest primarily in UK companies, with the balance invested internationally,' says Invesco.

Both funds presently yield 3.1%-3.2%, according to Trustnet data. Their top holdings include numerous tobacco and drug stocks. Interestingly, just over 2.5% of each fund is held in outsourcing group **Capita (CPI)** which recently issued a profit warning and whom analysts believe may have to undertake a rights issue. Such an event could trigger the cancellation of the dividend.

That would clearly be negative for the products, although one of the reasons for investing in funds is to benefit from diversification. Any setbacks to a single holding shouldn't, in theory, have too dramatic an impact on the overall performance.

One of the star performers on our list is **Findlay Park American (IE0002458671)** with 12.3% annualised total return over the 10 years to end of 2015. Sadly the fund is closed to new investors.

INVESTORS SEEKING A seemingly-reliable fund that delivers year in, year out should definitely take a look at **Morgan Stanley UK Global Brands A GBP (GB0032482506)**. The annualised return on a 10-year basis was 9.75%.

It achieved at least 7% total return in eight out of the past 10 years. Of the remaining two years, one scored very close to our hurdle with 6.5% positive return in 2006. The other year (2008) saw a mere 4.8% decline – arguably a very good result given global stock markets collapsed that year.

'Our goal is to compound shareholder wealth at a superior rate over the long-term by investing in high quality companies run by high quality management teams at the right price; capital preservation is key to the ability to compound money over time,' says Bruno Paulson, portfolio manager at Morgan Stanley.

The asset manager believes its fund has performed well because it follows a consistent investment philosophy and process. 'We believe that a portfolio of exceptionally high quality companies, whose competitive advantage is driven by hard-to-replicate intangible assets and pricing power, has the potential to generate consistent returns in up markets and help to preserve capital in down markets,' adds Paulson.

Key holdings include *Kit Kat*-to-*Shredded Wheat* seller **Nestle (NESN:VTX)**, cosmetics giant **L'Oreal (OR:EPA)**, and **Altria (MO:NYSE)** which owns cigarette maker Philip Morris and US drinks group Ste. Michelle Wine Estates.

ALTHOUGH SLI CHINA **Equities A Acc (LU0213068272)** 'only' passes our 7%+ total return hurdle for seven out of the 10 years, it is worth a look as an example of a fund that has produced exceptional gains in the 'good' years.

Total returns in the early part of our 10-year analysis period were: 88.6% in 2006, 70.9% in 2007 and 58.5% in 2009. In contrast, the 'bad' years were represented as: -34.2% in 2008, -20.5% in 2011 and -4.4% in 2015. Overall it has a 15.95% annualised total return on a 10-year basis, according to Morningstar data.

Ross McSkimming, investment director (equities) at fund manager Standard Life says the investment focus is on 'companies with improving global competitiveness; companies which drive structural change; stock specific self-improvement; and innovation in underdeveloped sectors'.

He says: 'We aim to identify positive drivers of change within a company that the rest of the market has yet to price in and exploit this ahead of the market view coming into alignment with us.'

The fund invests in companies domiciled in China or companies that derive the majority of their revenue/profit from Chinese operations or have a significant proportion of their assets located in the country.

Key holdings include online marketplace **Alibaba (BABA:NYSE)**, **China Construction Bank (601939:SHA)** and travel services group **Ctrip.com (CTRP:NDQ)**. Nearly half the fund's holdings are concentrated in the information technology and financial sectors. (DC)

SLI CHINA EQUITIES: AN INTERESTING STRATEGY FOR ASIA

UK FOREX AWARDS 2016

CONGRATULATIONS TO THE WINNERS

BEST FOREX INTRODUCING BROKER
WINNER: **CITY CREDIT CAPITAL**

BEST VALUE FOREX BROKER
WINNER: **GWFX**

BEST FOREX BINARY OPTIONS BROKER
WINNER: **CMC MARKETS**

BEST FOREX AUTOMATION
WINNER: **IG - PROORDER**

BEST FOREX EXECUTION BROKER
WINNER: **CITY CREDIT CAPITAL**

BEST FOREX ECN/STP BROKER
WINNER: **CAPITAL INDEX**

BEST FOREX MOBILE/TABLET TRADING APPLICATION
WINNER: **GKFX FINANCIAL SERVICES - GKFX MOBILE**

BEST FOREX TECHNICAL ANALYSIS PROVIDER
WINNER: **METASTOCK**

BEST FOREX FUNDAMENTAL ANALYSIS PROVIDER
WINNER: **LCG**

BEST FOREX CUSTOMER SERVICE
WINNER: **GKFX FINANCIAL SERVICES**

BEST FOREX RESEARCH REPORTS
WINNER: **ORBEX**

BEST FOREX EDUCATORS
WINNER: **ADMIRAL MARKETS**

BEST MT4 BROKER
WINNER: **ADS SECURITIES LONDON**

BEST MT5 BROKER
WINNER: **FXPRO**

BEST FOREX TRADING TOOLS
WINNER: **UFX.COM**

BEST FOREX TRADING IDEAS
WINNER: **IG**

BEST FOREX TRADING PLATFORM
WINNER: **CMC MARKETS - NEXT GENERATION**

BEST FOREX SOCIAL TRADING BROKER
WINNER: **INSTAFOREX - FOREXCOPY**

FOREX NEWCOMER OF THE YEAR 2016
WINNER: **PHILLIPCAPITAL UK**

FOREX PROVIDER OF THE YEAR 2016
WINNER: **ADS SECURITIES LONDON**

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KEY

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

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