STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

VOL 18 / ISSUE 47 / 24 NOVEMBER 2016 / £4.49

SHARES

WE MAKE INVESTING EASIER

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Seven companies offering growth and innovation

SMALL CAP FUNDS: *HOW THE EXPERTS PICK STOCKS*

Read the M&A signs

Unsuccessful takeovers can be good times to buy, subject to certain conditions

Takeover activity in the small and mid-cap space is gathering pace. Investors should consider buying stocks where deals haven't immediately been accepted, have failed, or where other bidders may enter the scene.

You might think that sounds a bit counter-intuitive as surely the best scenario is to already own shares in a company before a bid approach pushes up its price?

Well, yes that is strictly true. However, you could potentially still make money buying after the first approach if the situation ticks either of two boxes.

CHECKLIST

- Has the company indicated it would be happy to accept a takeover if the price was right?
- Is the suitor a high-profile business whose actions could prompt competitors to also make a bid?

There are no guarantees you will make money and buying stocks purely as a bet on a takeover is rarely a good investment strategy. But hear me out.

I believe there is merit in examining each takeover scenario on a case by case basis and making a judgement call on whether there are enough signs to warrant buying.

Construction equipment provider **Lavendon (LVD)** received a takeover approach last month from Belgian rival TVH at an indicated price of 205p per share.

The deal didn't go through as Lavendon doubted whether TVH had enough support from its shareholders.

The most interesting part was Lavendon asking TVH to approach additional shareholders to see if it could get the necessary support. That is Lavendon blatantly saying it wants to be taken over.

At the time of writing Lavendon was trading at 190.5p, implying an opportunity to buy if you believe it can eventually be taken over for 205p or more.

Lavendon's eagerness to get support from TVH's shareholders also sends a sign to the market that it is willing to accept an offer if the price is right. That might encourage other interested parties to make a move. Watch this space.

GOOD EXAMPLE

Entertainment One (ETO) rejected a takeover approach from **ITV (ITV)** in August and its shares slumped. Weakness didn't last long; the share price subsequently recovered to the same level when ITV's bid interest was confirmed.

Having takeover interest from someone ITV's size is a wake-up call to the media industry that Entertainment One could be worth buying. I'd use current price weakness to buy more shares.

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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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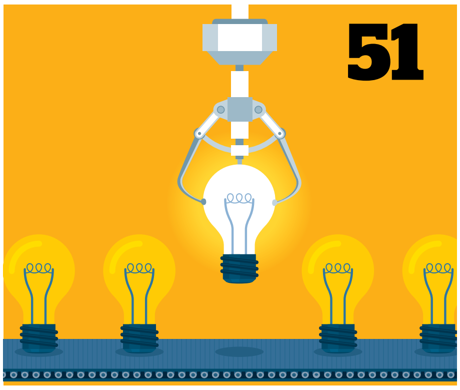

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The Autumn Statement is good for equities

Lower corporation tax could provide a boost to stocks and shares

The pledge by Chancellor Philip Hammond in his Autumn Statement on 23 November to cut corporation tax from 20% to 17% by 2020 is positive for equities.

The money that listed companies will save on tax could be used to hire more staff which could boost productivity. Firms could also pay higher dividends or accelerate debt repayments.

'The corporation tax cut will be a positive initiative for a number of reasons: domestic companies will see the benefit to cash flow and higher earnings per share, while the UK will become a more attractive environment for overseas investors,' says fund manager Paul Mumford of Cavendish Asset Management.

NEW SAVINGS BOND

The Government's decision to launch a new savings bond also acts as a reminder that equities can provide more generous levels of income than cash accounts.

The new bond will pay 2.2% gross interest on a three-year term. That is attractive versus best buy cash accounts at present but pales in comparison to the 4% yield you can get from many companies on the stock market.

INFRASTRUCTURE BENEFICIARIES

The Autumn Statement fleshed out a pledge by the Government to boost spending on infrastructure, from better transport links to more efficient telecom networks.

We see several beneficiaries from this announcement. Engineering services specialist **Renew Holdings (RNWH:AIM)** could get a boost from both rail and land remediation work.

The Government wants to test digital signalling on the UK rail network and squeeze more capacity out of existing rail infrastructure. That could favour **Tracsis (TRCS:AIM)** whose skills include the monitoring of technology systems used on the rail network.

CityFibre (CITY:AIM) looks interesting amid a desire by the Chancellor to improve UK network speed and reliability. The small cap designs, builds and operates pure-fibre networks. (DC/TS)

KEY MOVERS FOLLOWING THE AUTUMN STATEMENT

• Estate agents were under pressure as the Chancellor confirmed plans to ban upfront lettings fees, a key source of their revenue. **Foxtons' (FOXT)** shares fell nearly 15%.

• Insurers dipped on news that insurance premium tax will go up from 10% to 12% from June 2017. **Admiral (ADM)** led the way with a 1.5% decline.

• The £2.3bn allocated to housing infrastructure and £1.5bn to affordable homes failed to impress investors in the housebuilding sector with **Redrow (RDW)** seeing the biggest fall, down 1.8%. Low cost housing specialist **MJ Gleeson (GLE)** was the exception, up 3.2% to 562.5p.

Essentra is too good to ignore

High quality assets should overcome weak market sentiment

INVESTORS ON THE lookout for bombed out opportunities should check out industrial distributor **Essentra (ESNT)** after a mild profit warning triggered a 20% share price slump.

Essentra's share price tumbled on Monday 21 November as operating profit guidance was reduced by around £20m to between £137m and £142m, taking year-to-date share price losses to more than 50%.

While we have been bullish on the stock all the way down from around 760p to today's 396p share – and some risks remain – Essentra should offer decent upside if trading performance can be stabilised quickly.

ACQUISITION SPLURGE

Essentra's stock price now trades little higher than when it began a merger and acquisition spree in 2011 under new chief executive Colin Day.

Problems started with the downturn in oil and gas markets at the end of 2014. Revenue and profit margins at Essentra's oil and gas-focused Pipe Protection Technologies (PPT) unit crumbled in the first six months of 2015.

Perhaps it was concern over the impact of an oil and gas downturn that encouraged Essentra to diversify through the $455m acquisition of specialty packaging business Clondalkin in early 2015.

Backed by institutional shareholders through a placing at 714p a share, Clondalkin should have provided a new earnings stream to offset poorer performance at PPT.

Plans to reduce costs by closing distribution hubs met resistance from customers and profit expectations were not delivered here either.

A 2016 slowdown in Essentra's two other operating divisions, Filters and Distribution, triggered a profit collapse and spelled the end for chief executive Day.

Compounding the issue, Essentra conducted a fire sale of Specialist Technologies, one of its most prized assets, because of the need to reduce net debt.

SOLID FOUNDATIONS

A perfect storm across the entire business means Essentra's trading and stock market performance subjects its investors to high risks. But it seems unlikely incoming chief executive Paul Forman would have left **Coats (COA)**, a global market leader in its own industrial niche, if Essentra's prospects were doomed.

Trading at another quoted business suggests brighter days in oil and gas. **Rotork (ROR)** reported improved strong order intake in the third quarter of 2016. Former Essentra chief Day always maintained there was significant upside in the PPT unit when conditions in that market stabilise.

Better performance at PPT, combined with steadier performance elsewhere, could prove the basis for Essentra's return to form.

Analyst expectations, which may not have been updated since Essentra's trading update, indicate adjusted earnings per share for 2016 at 43p rising to 44p a year later. Those numbers look around 10% too optimistic based on management guidance, according to our calculations. (WC)

SHARES SAYS: ↗
Essentra has lost its way but we remain convinced of the underlying quality of its assets.

BROKER SAYS 3 1 0

Slap on some Warpaint

Cosmetics merchandiser is a profitable growth and income play

Investors should keep an eye out for eyeliners, lipstick and nail varnish seller **Warpaint London** which joins AIM on 30 November.

Owner of the 'W7' brand, the £62.6m business has a clear global growth strategy and a cash generative model that should support progressive dividends.

Guided by joint chief executives Sam Bazini and Eoin Macleod, the colour cosmetics seller has raised £2.5m of new money. The CEOs are also getting £20.5m from selling part of their holdings. We understand it is in a net cash position.

PRETTY PROSPECTS

Buckinghamshire-based Warpaint sells keenly-priced colour cosmetics in multiple countries. Its core, higher margin 'own-brand' division consists mainly of flagship brand W7, sold into high street retailers and independent beauty shops.

Customers include **B&M European Value Retail (BME)**, ASDA and Australia's My Chemist.

Outsourced manufacturing of W7 enables rapid production and competitive pricing, with W7 exports growing rapidly in Europe and the US.

The lower margin 'close-out' division is a useful source of insight into market trends. It buys and sells the excess stock of branded cosmetics and fragrances such as *Rimmel* and *Max Factor* to resell to discounters.

Warpaint will use AIM to grow organically and via acquisitions. The focus is on promoting and growing the W7 brand, expanding the product range and investing in e-commerce to drive sales in the US and China. Management plans to launch a W7 vegan range.

It has a track record of buying the rights to brands from other sellers. For example, it bought *Outdoor Girl* from **Procter & Gamble (PG:NYSE)** with the intention of selling branded products to customers at a cheaper price.

LIPSTICK EFFECT

Warpaint is a profitable, cash generative operator in a cosmetics market that has demonstrated resilience through economic cycles, often referred to as 'the lipstick effect'.

The valuation also looks reasonable. Warpaint is being priced at less than 2.4 times Stockdale's £26.5m 2016 sales estimate, from which £6.4m pre-tax profit (2015: £5.4m) is forecast.

Revenue is forecast to hit £31.8m and pre-tax profit at £7.6m in 2017. Dividends are expected to commence soon. We understand the yield could be in the range of 3.5% for 2017, based on the IPO price of 97p.

Risks to consider include a reliance on the joint CEOs, potential for intellectual property infringements, a material exposure to Australia's My Chemist and the fact Warpaint buys in dollars. Weak sterling is potentially a benefit as overseas sales grow.

SHARES SAYS: ↗

Colour cosmetics is a cut-throat business, yet Warpaint London looks to be an agile operator. We'd rate the stock as a speculative buy once it starts trading. (JC)

BROKER SAYS 0 0 0

Trump lifts US small caps to record high

Russell 2000 index charges ahead following election upset

The Russell 2000 index is steaming ahead. The main US small cap index is riding the Trump bump along with the S&P 500, Dow Jones Industrial Average and NASDAQ Composite. All these indices closed at record highs on 21 November.

Stocks on the Russell 2000 are arguably the greatest beneficiaries of president-elect Donald Trump's promised $500m plus of infrastructure spend and pledge to cut corporation tax due to their domestic focus.

This is reflected in the performance of the index since Trump's shock win. It is up 10.6% against a 3.4% advance for the NASDAQ Composite and 2.7% advance for the S&P 500.

The median market cap of stocks on the Russell 2000 is $706m and the largest stock is valued at more than $6.5bn. The top five sectors are financial services, technology, producer durables, consumer discretionary and healthcare.

Russell 2000 +10.6% since Trump election win

Few of its constituents would be household names on this side of the pond but **Build-A-Bear Workshop (BBW:NYSE)** may be familiar to parents of small children given its UK high street presence.

Investors need to decide how much of the benefits from Trump's expected business-friendly policies have been priced in.

There are several ways to play US small caps. A handful of UK exchange-traded funds (ETFs) offer direct exposure to the Russell 2000, the cheapest of which is **SPDR Russell 2000 US Small Cap (R2US)** with a total expense ratio of 0.3%.

Mutual funds with a US small cap focus include **Aberdeen Global – North American Smaller Companies (LU0566484027)** and **CF Miton US Opportunities (GB00B8278F56)**. (TS)

Lloyds privatisation takes shape

THE PRIVATISATION of **Lloyds Banking Group (LLOY)** is progressing as the Government cuts its stake to just below 8%. At its peak following the £20.3bn bail out during the financial crisis, 43% of the bank was in public hands. Plans for a retail share offer were abandoned in October in favour of selling shares to institutional investors. (TS)

Robot army rocket

VIRTUAL WORKFORCE technology disruptor **Blue Prism (PRSM:AIM)** says it will beat already increased forecasts for the full year to 31 October 2016. Surging demand for its robotic software task army has encouraged further investment. The shares have soared since we wrote about the company on 21 July at 127.5p, setting a new 330.5p record. The stock IPO'd on 18 March at 78p. (SF)

Ashtead's canny deal

EQUIPMENT RENTAL FIRM **Ashtead (AHD)** is snapping up the assets and name of Manchester-based rival Hewden out of administration for £29m. The deal includes the powered access and power generation fleet of Hewden, five depots which service major petrochemical customers and the Interlift lifting and materials handling business. (TS)

10 YEARS AGO

2006

EXACTLY A DECADE ago **London Stock Exchange (LSE)**, currently the subject of a takeover bid by **Deutsche Boerse (DB1:FRA)**, was fighting off two bids: Deutsche and **NASDAQ (NDAQ:NYSE)**. One broker argued the LSE would be better off remaining independent but favoured the NASDAQ offer of the two bids. Why? 'There would be no advantage to NASDAQ to diminish the LSE's status and role in London,' Redmanye-Bentley's Keith Loudon argued. (WC)

05 YEARS AGO

2011

AHEAD OF THANKSGIVING weekend five years ago, *Shares* argued the euro was likely to lose ground against the dollar despite US politicians' failure to rein in a surging government deficit.
'The dollar's ability to shrug off the news and hold its ground against the euro near the $1.35 mark suggests the single currency is still seen as the real turkey by the market,' we said. Today, the euro buys just $1.06. (WC)

01 YEAR AGO

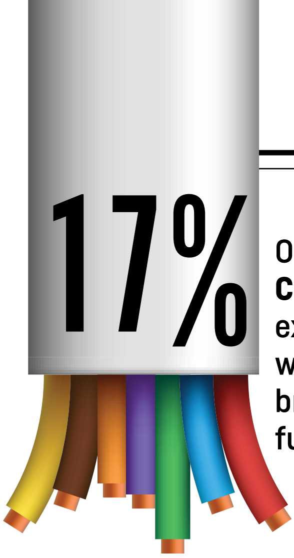
%

2015

INFLATION COULD BE back on the agenda *Shares* warned this time last year, citing Bank of America-Merrill Lynch (BAML) research which indicated consumer prices would be rising at a 1.7% rate by the end of 2016. At a time when the UK's exit from the EU was barely on the agenda and sterling traded considerably higher, it's worth bearing in mind that inflation even after Brexit is now unlikely to exceed that level in 2016. BAML argued rising oil prices would be the main driver of inflation in 2016. (WC)

PUB COMPANY **Mitchells & Butlers (MAB)** says net restaurant openings across the industry were flat over the last year, easing competitive pressure in the dining market.

That compares to 1,700 new restaurants, net of closures, opened in the year to June 2015, according to chief executive Phil Urban. Cost pressures because of a July 2015 increase in the minimum wage is the main reason for the slowdown in the sector and Urban says the new sector dynamic may help the operator of chains including *Toby Carvery* win back back market share.



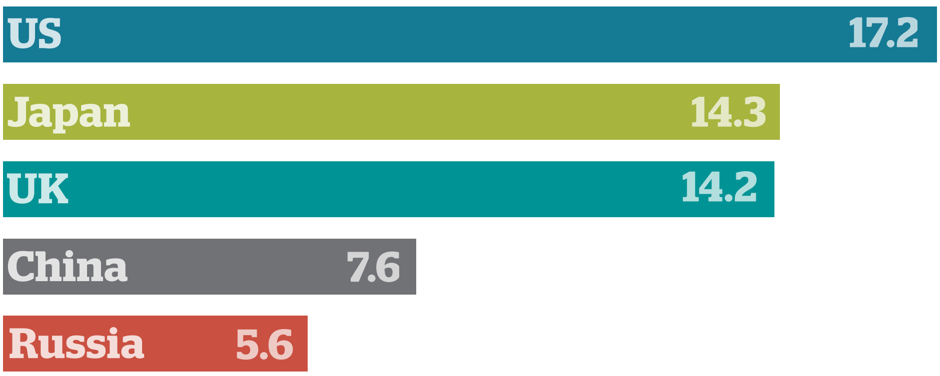
ONLY A FEW weeks after **CityFibre (CITY:AIM)** executives sold £900,000 worth of their shares in the broadband fibre operator, fund manager Neil Woodford has upped his stake in the company by around £55,000 to above 17%.

Loaded up with debt after the acquisition of **Kcom's (KCOM)** national cable network in 2015, Cityfibre is accelerating its efforts to become a top tier provider of high speed internet connectivity. It already operates in 25 of the top 30 cities outside London and may receive a boost from Government plans to invest £1bn in new fibre optic infrastructure.

OUTSOURCER **Babcock International (BAB)** says it is well placed to secure new work on the back of a £9bn efficiency regime under the Government's five-year Strategic Defence and Security Review.

Cost savings are an area where outsourcers should be able to excel and Babcock says there are opportunities in the civil sector, where it also does business. With an order book standing at £20bn, Babcock says it has visibility of 93% of budgeted revenues in its current financial year and 63% in the year after.

PE ratios: Selected global markets (2017 earnings estimates)



Source: SocGen

TOP EARNINGS UPGRADES

Sector	Earnings momentum
Leisure Goods	100%
Chemicals	86%
Industrial Metals	83%
Life Insurance	77%
Food Producers	75%

Source: SocGen - analyst upgrades as percentage of total analyst forecast changes over past 4 weeks

FTSE 350 IN 12 MONTHS

BEST PERFORMERS

	COMPANY	(%)
1	Hochschild Mining	298.73
2	KAZ Minerals	280.63
3	Glencore	180.68
4	Evraz	178.56
5	Acacia Mining	171.56
6	Petra Diamonds	152.46
7	Anglo American	142.41
8	Centamin	120.70
9	Vedanta Resources	102.57
10	Electrocomponents	97.90

WORST PERFORMERS

	COMPANY	(%)
1	Capital & Counties Properties	-36.88
2	Stagecoach	-36.89
3	Essentra	-41.37
4	Restaurant	-41.74
5	Brown (N)	-41.95
6	Countrywide	-42.21
7	Capita	-50.69
8	Sports Direct International	-53.27
9	Laird	-54.23
10	Capita	-57.13

* Excluding Equity Investment Instruments, Nonequity Investment Instruments
Date to 22 Nov 2016
Source: Thomson Reuters Datastream

GoCompare wins on price

Demerged price comparison site has growth potential at an attractive price

Take advantage of share price weakness in **GoCompare (GOCO)** and buy the comparison site at 62p.

The share price has been falling since its demerger from insurer **Esure (ESUR)** on 3 November. It started trading on the market at 76p.

We attribute this selling as many Esure investors viewing the 'free' shares in GoCompare as an easy way to cash in some money.

That selling pressure should soon be played out and GoCompare eventually judged on its own merits.

Its shares trade at a significant discount to **Moneysupermarket (MONY)**. Although its larger competitor probably warrants some premium, the gap between GoCompare's trailing price to earnings ratio of 13.6 times and Moneysupermarket's 18 times looks too wide.

In a nutshell, GoCompare's shares look too cheap so buy now before the market starts to pay more attention.

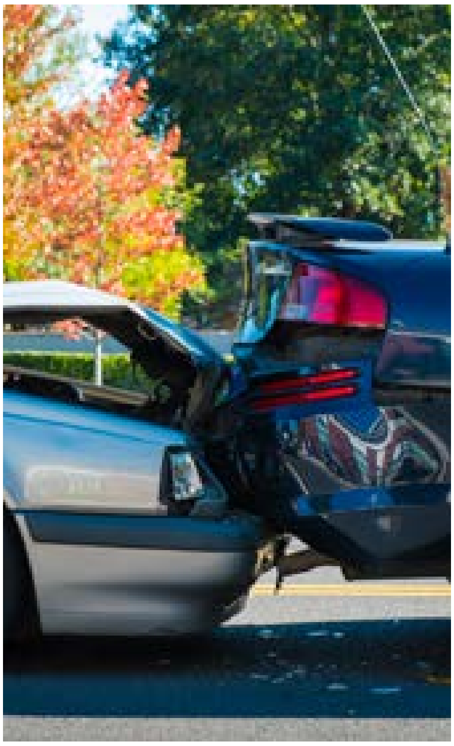
COMPETITIVE MARKETS

Comparison sites tend to operate across several 'verticals' like insurance, utilities and financial products.

GoCompare is heavily concentrated in a very competitive insurance vertical. Its earnings are arguably lower quality than those of Moneysupermarket which has a more even spread across different verticals.

GOCOMPARE ↗ BUY
(GOCO) 62p
Stop loss: 49.6p

Market value: £259m



However, the ability to leverage a strong brand into markets in which it is currently under-represented means it has better growth potential. Non-insurance revenue was up 79% in the first half, albeit from a low base.

GROWTH PROSPECTS

When the business was still part of Esure, management had a target of increasing EBITDA (earnings before interest, tax, depreciation and amortisation) to £50m by 2019.

Achieving this goal would represent a doubling of 2015 earnings and make the shares at their current level a very attractive proposition.

GoCompare charges a fee to financial product providers if anyone compares insurance policies or other products and subsequently buys them through its website.

Its revenue per interaction dropped from £4.78 in 2013 to £4.30 in the first half of 2016 as low value products like travel insurance made a greater contribution to the mix. However there are signs of recovery in the higher value motor insurance market.

Chief executive Matthew Crummock has pedigree in the digital space having run lastminute.com between 2011 and 2015.

RISK FACTORS

Although comparison sites are asset-light they require considerable investment in marketing. Esure boosted marketing spend on GoCompare by 26.1% in the first half of 2016 as part of its plan to increase operating profit by 20% to 30% in 2016.

To cover demerger costs and a departing dividend to Esure, GoCompare has taken on £75m of debt. That is three times 2015 EBITDA, but the company does have a reassuringly good track record of cash generation. (TS)

BROKER SAYS: 0 0 0

Northgate top pick in M&A frenzy

Lavendon, Speedy Hire and HSS also in play

Activist investor fund Crystal Amber has a knack of getting its own way.

Last week publisher **Johnston Press (JPG)** announced it was considering selling off assets, a move that may have been prompted by stake building from Crystal Amber.

But it is the investor's 4% holding in van hire outfit **Northgate (NTG)** which has caught our eye.

Crystal Amber's investment in the UK market leader – which it upped in October 2016 – looks like a valuable ticket to what has become a merger and acquisitions (M&A) frenzy in the equipment hire sector.

M&A ACTION KICKS OFF

The starting gun fired on Tuesday 22 November when two companies in the sector separately announced M&A activity.

Ashtead (AHT), by far the largest London-listed equipment hire group with a market value of £7.2bn, bought Hewden out of administration for £29m.

On the same day **Lavendon (LVD)**, Europe's biggest provider of aerial platforms, surged 42% after rejecting a 205p a share takeover from Belgium's **Thermote & Vanhalst (TVH)** which valued the business at £351m.

Activist investor Toscafund is also pursuing corporate activity in the sector by trying to cajole board members at **Speedy Hire (SDY)**, the UK's biggest tool rental business, to make a bid for rival **HSS Hire (HSS)**.

PUBLIC PRESSURE

Northgate (NTG), while not in direct competition with tool hire sector businesses like Speedy and HSS or heavy equipment plays Ashtead and Lavendon, is already under public pressure from Crystal Amber to sell some or all of its assets.

Private equity investors might see value in the business, in our view, after a long period of debt reduction which saw net debt to earnings before interest, tax, depreciation and amortisation (net debt to EBITDA) hit just 1.3 in the year to 30 April 2016.

Gearing, defined by Northgate as net debt to tangible assets, was 67%, compared to figures as high as 670% in the mid 2000s.

And the stock trades at an enterprise value to EBITDA ratio of just 3.6, according to our calculations.

PARTIAL SALE

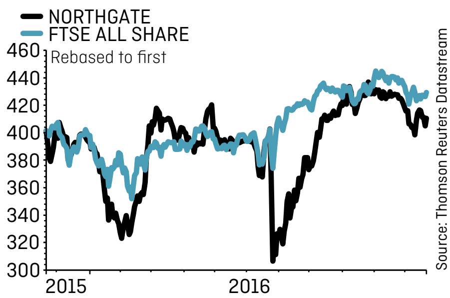
A partial sale is another option. Northgate's Spanish unit could prove attractive to a bidder given a pick-up in the economy on the continent. A sale of the Spain business would have the added benefit of allowing management to focus efforts on improving performance in the UK.

While we don't view a takeover as key to the investment case at Northgate – the business is well run in our view – Crystal Amber's stake and a buoyant market for deal-making could underpin the share price in the months ahead. Key risks include failure to complete a deal, unexpectedly poor operating performance and the cyclical nature of van hire in relation to economic activity. (WC)

NORTHGATE ↗ BUY
(NTG) 411p
Stop loss: None

Market value: £548m
Prospective PE Apr 2017: 9.0
Dividend yield Apr 2017: 4.1%

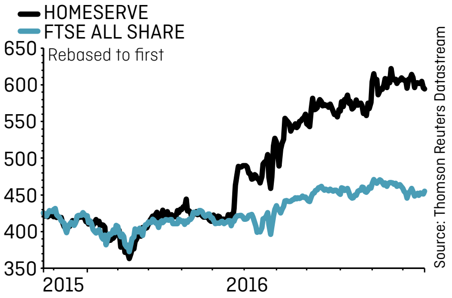
BROKER SAYS: 4 1 0



HOMESERVE
(HSV) 591p

Gain to date: 40%
Original entry point:
Buy at 421p, 3 December 2015

THE HOME EMERGENCY, repair and heating installation group has delivered a superb result for investors over the past year – and we see a continuation of this trend going into 2017.



The shares are up 40% since we said to buy in early December 2015. That's more than four times the 8.2% return from the FTSE All-Share index over the same period.

Half year results on 22 November 2016 showed a 20% rise in sales to £314.3m and adjusted pre-tax profit up 9% to £28.7m.

Total customer numbers increased by 14% to 7.5m in the six months to 30 September year-on-year. Overseas operations have been the real driver with UK customer numbers 'only' up 2%.

Retention rates slipped in the UK from 83% to 80%. In contrast, it maintained retention in France at 89% and only saw a minor dip in the US from 82% to 81%. The US now accounts for more than a third of Homeserve's customers.

The investment case is centred on Homeserve replicating its UK success in other parts of the world. It is fair to say the company is doing an excellent job, in our opinion. Management hope to eventually operate in 15 countries.

SHARES SAYS: ↗

We remain positive on the stock despite the UK retention slippage. This is a highly cash generative company with a proven business model that it can roll out globally. (DC)

BROKER SAYS: 4 3 0

ROTORK
(ROR) 221p

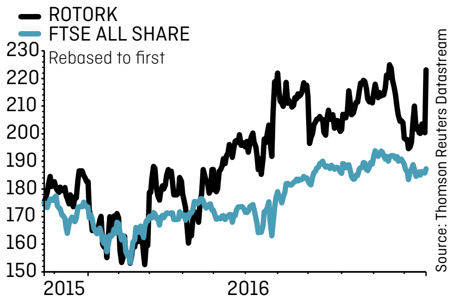
Gain to date: 40.8%
Original entry point:
Buy at 157p, 11 February 2016

ENGINEER **Rotork (ROR)** has been energised by a bullish trading update (22 Nov) which guides for 2016 results at the top end of market expectations despite challenging markets.

Reuters has revenue expectations running the gamut from £527.3m to £587m. A currency tailwind is providing significant support to the numbers – at current exchange rates it is expected to deliver a 10% benefit to both full year revenue and profit.

We added the company to our portfolio of key picks earlier this year in the expectation it would profit from a turn in fortunes for the oil and gas industry.

In the latest statement Rotork notes: 'Certain sectors of the oil and gas market showed signs of increased activity levels in the third quarter, notably in the Middle East, Asia and North America.'



Investment in key infrastructure including IT is expected to boost operational performance, building on the foundations provided by market-leading products, strong customer relationships and a robust balance sheet.

Net debt as at 30 October totalled £70m. Full year results are scheduled to be published on 27 February 2017.

SHARES SAYS: ↗

We remain positive on Rotork at 221p ahead of a more meaningful recovery in oil and gas spending. (TS)

BROKER SAYS: 4 8 6

QUALITY VS GROWTH

IS IT TIME TO RETHINK YOUR INVESTMENTS AS MARKETS START TO ROTATE FROM DEFENSIVE TO CYCLICAL COMPANIES?

Earnings in the US bucked a six quarter trend of declines in the three months to 30 September 2016 and there is increasing optimism about corporate profitability in Europe too.

Buoyed by an improving earnings outlook and now an increasingly pro-growth agenda for government spending in a number of countries, including the US under Donald Trump, investors have started to change tactics.

THIS IS RELEVANT TO THE UK MARKET

Defensive stocks on high price-to-earnings ratios, typically considered less 'risky', are being sold on many markets around the world including the UK.

For example, *Marmite* maker **Unilever (ULVR)** is down 11% in the past month. Money is instead being ploughed into low price-to-earnings ratio companies with more cyclical earnings.

Put simply, investors are betting that earnings for cyclical stocks could start to rise under more favourable economic conditions.

While the trend has only been apparent for a few weeks, it's worth asking whether this theme makes sense – or if investors are making a big mistake.

EARNINGS ARE IMPORTANT

Investors are unlikely to make decent gains in the stock market unless they invest in companies which can grow their earnings over time.

Earnings growth over the past couple of years has been negligible and returns in many stock markets around the world have been poor as a result.

Now there are signs that situation is changing. Third quarter earnings showed growth of 2.9% in the US: their first gain since early 2015.

In Europe, earnings in the three months between July and September declined marginally across stock market-listed companies, though there is now optimism around prospects for the years ahead.

All of this happened before the US elected Donald Trump as president.

Big moves in stock markets, particularly an apparent shift from defensive stocks to companies with more cyclical earnings, have been explained partly by Trump's commitment to infrastructure investment.

Improving third quarter earnings in the US and Europe indicate broad-based growth may have been on the way even before Trump's victory.

IMPROVING PROFITABILITY

Earnings are now starting to stabilise among public companies in the US and Europe after two years of declines.

Commodity prices began to experience a nasty tumble in 2014, dragging down the earnings of companies in the mining and oil and gas sectors.

Share prices of natural resources producers and many support services and industrial engineering companies declined as a result, weighing on the rest of the market.

Miners and oil producers represent a big share of the overall stock market. It's hard for the FTSE 100 to increase, for example, if the share prices of large constituents like **Royal Dutch Shell (RDSB)** are declining.

Prices of key commodities like oil, iron ore and copper have started to improve more recently and it is expected profitability at mining and oil companies will stabilise or even start to improve in the years ahead.

Shares in Shell, for example, have gained as a result: up 35% in 2016, helping the FTSE 100 to gains of around 9%.

FAVOURABLE MIX

Combining better performance in mining, oil and gas and support services with reasonable profit growth elsewhere could, if sustained, lead to a decent pick-up in stock market fortunes over the years ahead.

More aggressive government spending in a number of developed countries might even accelerate these signs of underlying progress.

WHY CYCLICALS COULD BEAT DEFENSIVES

If investors can buy cyclical stocks at 10 times earnings, that can grow earnings dramatically in an economic upturn, the argument for holding low growth defensive stocks at 20 times earnings becomes less appealing.

Investors appear to be rotating from defensives into cyclicals. We'll now give some examples and ask, on a stock-by-stock basis, whether recent market moves make sense.

WHAT IS A DEFENSIVE STOCK?

This is typically defined as a business whose goods or services are required in both good and bad economic conditions. For example, it might be someone who makes toothpaste. We all have to clean our teeth regardless of what's happening in the world.

WHAT IS A CYCLICAL STOCK?

This is generally a business whose goods or services are leveraged to economic conditions. For example, it might be a recruitment company. It will be busy placing candidates in jobs when economic conditions are good; it will be twiddling its thumbs when economic conditions deteriorate and companies are cutting jobs. This 'feast or famine' can result in pronounced swings in earnings – and therefore its share price will also be very volatile.

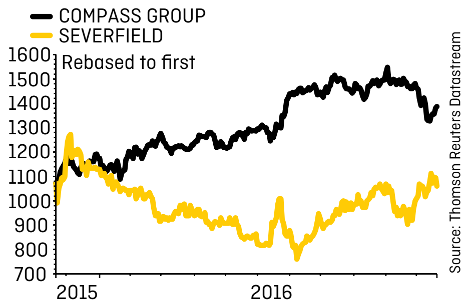
SCENARIO 1: COMPASS VS SEVERFIELD

STOCKS ARE RARELY as high quality as **Compass (CPG)**. The catering business has delivered earnings per share (EPS) growth every year for at least the past nine years.

Quality like that comes at a price. Food and support services specialist Compass trades at 19.7 times forecast EPS of 61p and is expected to deliver growth of around 12% year-on-year in 2016.

Severfield (SFR), the UK's market leading structural steel provider, is a different type of company entirely. Trading at just 13.8 times earnings, EPS is nevertheless expected to increase 35% from a year earlier.

So does it makes to ditch the expensive defensive Compass and back a rising tide at cyclical Severfield?



COMPASS PE: 19.7

SEVERFIELD PE: 13.8

POSITIVE SIGNS FOR SEVERFIELD

There are some early signs markets are starting to price an improvement in global economic activity through 2016 and 2017, an environment in which cyclical stocks like Severfield could benefit.

Combined with infrastructure projects proposed by the UK Government, companies like Severfield will potentially enjoy a boost to their end-markets.

In the mid-2000s, for example, in a buoyant economy and helped by projects like Heathrow Terminal Five, Severfield's share price gained from 300p to above £22 in only a few years.

Profit growth was also spectacular. Operating profit exceeded £45m in 2008 versus £8m in 2002.

Companies which are sensitive to the economic environment potentially offer significant upside in certain economic conditions.

The upside at Severfield is exciting and plausible in light of current investor optimism towards cyclical stocks. However, it must be tempered to an extent.

There remain a number of economic uncertainties in the UK in particular, despite markets appearing to price in better economic conditions. Recession in 2008 ultimately destroyed almost all the value Severfield was able to create in the mid-2000s. After going from 300p in the mid-2000s to £22 a share in 2007, Severfield traded as low as 40p in 2013. It now trades at 68.75p.

SEVERFIELD IS CLASSIC EXAMPLE OF HOW CYCLICAL STOCKS CAN SOAR WHEN ECONOMIC CONDITIONS IMPROVE

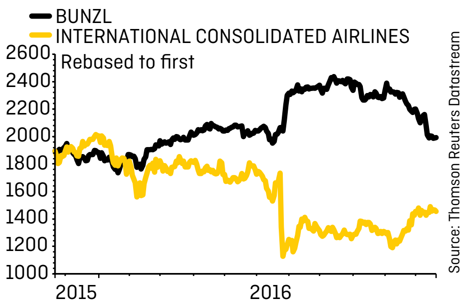
The rise and fall of stocks like Severfield is a good illustration of the risks investors run when investing in super-cyclical companies, even if chief executive Ian Lawson has taken steps to improve the business' through-the-cycle performance and balance sheet in recent years.

So it would be a brave investor that ditched shares in a quality business like food and support services outfit Compass to buy Severfield's stock. But investors should certainly keep an eagle eye out for signs of runaway growth over the coming years.

SHARES SAYS: Severfield is an improving business but at this stage we would still favour Compass over the long term. (WC)

SCENARIO 2:
BUNZL VS INTERNATIONAL CONSOLIDATED AIRLINES

FTSE 100 DISTRIBUTOR **Bunzl (BNZL)** has delivered significant returns for shareholders over the years. It supplies goods companies need in order to do business every day. For example, it provides takeaway coffee cups, disposable gloves for hospitals and cleaning products for offices.



These are not goods that are sold to the end customer; instead, they are essential items that a company requires simply to exist as a business. Therefore Bunzl is considered to be very defensive as its services are in demand in both good and bad economic conditions.

Investors understandably have to pay a premium for this defensive characteristic and excellent track record of generating high returns. It presently trades on 20.2 times forecast earnings for 2017 and is expected to deliver 11% pre-tax profit growth in that year.

In contrast, British Airways-owner **International Consolidated Airlines (IAG)** trades on a mere six times 2017 earnings.

The airline sector has struggled with significant headwinds this year and is in the middle of a downgrade cycle for earnings.

International Consolidated Airlines is forecast to see 13.5% decline in net profit in 2017 and for the dividend to be cut by 16.5%. So is the airline a bargain or in bargepole territory?

BUNZL
PE: 20.2

INTERNATIONAL CONSOLIDATED AIRLINES
PE: 6

BEST TIMES TO BUY AIRLINES ARE WHEN THEY'RE OUT OF FAVOUR… WHICH IS NOW

PRIORITY INVESTMENT

Bunzl's organic revenue growth has exceeded GDP growth in its key markets for nine of the past 11 years. Therefore it should theoretically benefit from improvement in global economies.

We have been long-run fans of Bunzl and still think it is an excellent long-term investment. Our gut feeling is that Bunzl could soon be a lot cheaper to buy as the market rotates from defensives to cyclicals, so hold off buying at the moment if you don't already own the shares.

International Consolidated Airlines looks an absolute bargain at current prices and we'd prioritise that stock as an investment versus Bunzl at present.

Near-term earnings weakness is fully priced in to the stock, in our view. The airline's net profit is forecast to bounce back strongly in 2018.

You should note that Middle Eastern group Qatar Airways has been building a stake and now owns 20.01% of the group. The rules state EU airlines must be majority owned by EU shareholders so a takeover by Qatar Airways is out of the question. International Consolidated Airlines is registered in Spain, so it would theoretically still be an EU airline post-Brexit.

SHARES SAYS: Airlines are typically stocks to 'rent'. You buy when sentiment towards the sector is poor and sell when it all looks good. The industry is highly cyclical, so earnings can collapse fast and also grow equally as fast. Now is the time to buy International Consolidated Airlines. (DC)

SCENARIO 3: RELX VS TRINITY MIRROR

BOTH **RELX (REL)** and **Trinity Mirror (TNI)** occupy the media sector but they are worlds apart as businesses. This is reflected in their valuation.

Professional information and events-organiser RELX trades on 16.6 times 2017 earnings while newspaper publisher Trinity Mirror trades on a forward PE of just 2.3.

We continue to see a place for RELX in a long-term investment portfolio but a short-term switch from 'expensive defensives' to cyclical stocks means the scope for upside is significantly higher at its lower quality counterpart Trinity Mirror.

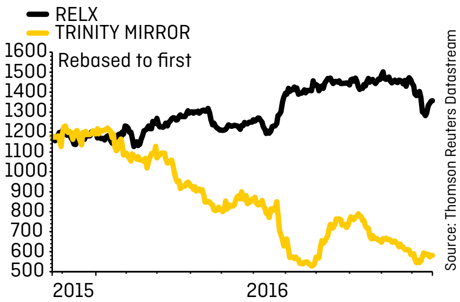
At current levels Trinity is more or less being priced to go bust which we do not see as a realistic near-term prospect. The company is carrying a limited amount of debt bar its substantial pension liabilities.

Advertising spend is very sensitive to the fortunes of the wider economy. Trinity Mirror could benefit if there is a return to earnings growth.

TRINITY MIRROR'S SHARES COULD MORE THAN TRIPLE IN PRICE, SAYS BROKER

TRINITY HAS REASSURED THE MARKET

The company recently updated the market to say full year numbers would hit expectations despite revenue falling 9% year-on-year in the third quarter.



Trinity has been implementing a number of strategic initiatives which will deliver cost savings of some £20m in 2016, some £5m ahead of its initial target.

Liberum analyst Ian Whittaker reckons there is some £600m worth of costs in the business and sees scope for further streamlining.

RELX PE: 16.6

TRINITY MIRROR PE: 2.3

The stock could re-rate if the decline in print advertising revenues slows and there is growth in digital advertising income.

Liberum has a share price target of 275p, implying 244% upside. Even at this price the stock would trade on a PE of just 7.9.

RELX SHINES ON SEVERAL FRONTS

RELX's (previously called Reed Elsevier) shares are up 15% year-to-date despite a recent wobble.

The company has an excellent track record of earnings and dividend growth. It has a number of defensive attributes as well as being a significant dollar earner and therefore a beneficiary of sterling weakness.

It is a publisher and provider of information solutions for professionals; made up of the following divisions: Scientific, Technical & Medical; Legal; Risk Solutions; and Exhibitions.

Investment bank Berenberg, which has a 'buy' recommendation and £17 price target on the stock, comments: 'The company has demonstrated the ability, on an underlying basis, to deliver around 3% top-line growth, 5% operating profit growth and 7-8% earnings per share growth in recent years.'

These levels of growth may not be sufficient to hold the market's attention in an environment where investors are flocking to higher risk, cheaply-priced cyclical stocks.

SHARES SAYS: There is significant upside potential for Trinity Mirror, making it our preferred pick of the two stocks. Buy at 80.5p. (TS)

DEFENSIVES VS CYCLICALS

SCENARIO 4: HALMA VS TT ELECTRONICS

YEAR AFTER YEAR of incremental revenue, profit, cash flow and dividend growth gives some indication as to why the market ascribes a premium rating to health and safety kit supplier **Halma (HLMA)**.

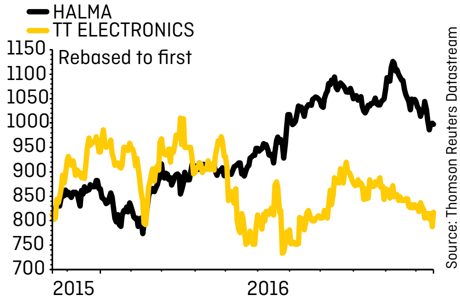
The near-£3.8bn company trades on 25.5 times forecast earnings for the year to March 2017 as it possesses a reputation for nearly always delivering the goods.

That's in stark contrast to **TT Electronics (TTG)**. The electronic components supplier has been locked in recovery mode for the past seven years or so.

Trading at 136p, TT's shares are today barely half what they were 10 years ago. They peaked at 260p in late 2006.

TT has battled gamely against multiple challenges, taking its sensors and other electronic components to new aerospace, industrial and medical markets alongside its core automotive interests.

Operating cost challenges, steep pricing pressure from very large original equipment manufacturing (OEM) clients and largely damp demand held sway until recently.



HALMA PE: 25.5
TT ELECTRONICS PE: 11

REASONS TO BE POSITIVE

Are we at a turning point? We note a return to organic growth in the four months between 1 July and 31 October this year, albeit it by an unspecified rate and after stripping away currency, acquisition and disposal factors.

Positive cash generation so far since July will also take a chunk off net debt, stated at £71m as of mid-2016. Those are promising signs.

TT still trades on a fairly low rating for its sector at a mere 11 times forecast earnings for 2017. It has a 4% prospective dividend yield which is nearly twice the sector average.

The current 136p price is certainly an attractive level at which to buy for a decent income and obtain part ownership of a company whose equity is ripe for a re-rating.

RETURN TO CAUTIOUS GROWTH

TT's relatively new management seem to have done a good job at steadying the ship. Now it needs to rekindle the growth spark.

The astute acquisition of Aero Stanrew, acquired in December 2015 for £42.2m, will help. So will a gradually rebuilt order book.

As for Halma, its sales have grown in 40 of the last 42 years. It has increased the dividend by more than 5% every year since 1979 which is a staggering achievement.

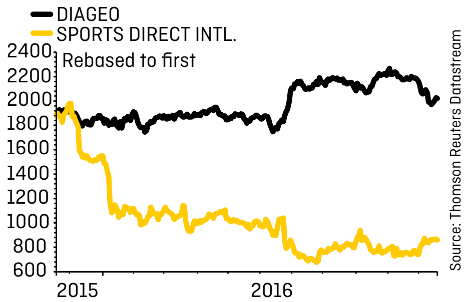
Halma is a stock investors can tuck away for the longer-term without much worry, in our opinion.

TT ELECTRONICS IS SHOWING SIGNS OF A TRADING RECOVERY – BUT HAVE WE HEARD THIS BEFORE?

The flipside is that you have to pay a high rating for Halma and the stock has already enjoyed a big rally in the last 12 months.

SHARES SAYS: Halma is a fantastic safety-first investment option despite its rich valuation. Bigger returns could be made near-term from TT if its recovery story can be sustained. It is much higher risk so nervous investors should tread carefully. (SF)

SCENARIO 5: DIAGEO VS SPORTS DIRECT



ALCOHOLIC DRINKS giant **Diageo's (DGE)** share price has retreated amid rotation out of expensive quality stocks and into cyclical businesses.

This poses the question: should you ditch this branded premium spirits giant with an unbreachable economic moat and recycle profits into an out-of-favour consumer cyclical, such as bombed-out **Sports Direct International (SPD)**.

Shares in the sportswear purveyor have taken a hammering following disappointing results, profit warnings and a spat with politicians surrounding working practices at its Shirebrook warehouse in Derbyshire.

Controlled by unconventional billionaire Mike Ashley, Sports Direct has seen weaker trading across its core sports retail businesses and taken a negative hit from sterling's drop versus the dollar, with the market anticipating further currency-driven downgrades.

SPORTS DIRECT'S PE LOOKS RICH NOW – BUT IT IS MUCH CHEAPER THAN HISTORIC LEVELS

For the year to 30 April 2017, Cantor Fitzgerald Europe forecasts a slump in pre-tax profit to £150m (2016: £275.1m), ahead of recovery to £175m thereafter.

Based on the broker's downgraded 19.8p earnings forecast, Sports Direct trades on a forward PE ratio of 16.1 falling to 14 times based on 2018's 22.8p forecast.

Those ratings are cheap relative to Sport Direct's history though not bargain basement valuations as the earnings forecasts have come down dramatically.

Nevertheless, there is scope for a significant re-rating should trading pick up and investor confidence in the story be restored.

DIAGEO PE: 19.7

SPORTS DIRECT: 16.1

QUALITY WINS HERE

Despite trading on a much higher rating, we'd use the pullback at Diageo as an opportunity to buy shares cheaper, rather than speculate on an uncertain Sports Direct recovery.

Strong intangible assets and a cost advantage lie at the heart of Diageo's economic moat.

Its brand portfolio is outstanding, spanning *Bell's* and, *Johnnie Walker* whisky, *Smirnoff* vodka, global stout *Guinness* and *Captain Morgan* rum. These brands engender loyalty among consumers and represent a high, costly entry barrier for would-be rivals.

And in contrast to Sports Direct, Diageo is a beneficiary of sterling weakness, being a major whisky exporter and deriving a significant amount of sales overseas.

Earnings are geographically diversified and the drinks maker throws off copious free cash with which to invest in competitive advantage, acquisitions and progressive dividends.

Key growth drivers for Diageo include scotch, the US spirits business and India, while the £51bn cap offers a compelling play on the 'premiumisation' trend in emerging markets too.

SHARES SAYS: Sports Direct is cheap on a PE basis relative to history, though we'd rather hunker down in a lower risk, dividend paying defensive such as Diageo. Buy at £20.24. (JC)

Festive season key for Royal Mail

Holiday trading is make or break after patchy first half

Half-year results at **Royal Mail (RMG)** were a little softer than expected but the UK's market-leading mail service still looks like a winner to us.

Adjusted operating profit, a measure of Royal Mail's underlying business profitability, fell 5% to £262m in the six months to 25 September as revenues declined in its higher margin though declining UK letters business.

Analysts have left earnings estimates unchanged because profitability at Royal Mail is typically higher over the busy Christmas mailing period.

Royal Mail should be able to deliver earnings per share (EPS) growth of 5% a year out to 31 March 2019, according to estimates by Investec analyst Sam Bland. Current estimates for the year ending March 2017 are for EPS of 39.8p, meaning shares in Royal Mail trade on a price-to-earnings ratio of 11.6. Dividends are estimated at 22.4p for a forecast dividend yield of 4.8%.

Provided these estimates prove accurate, Royal Mail looks like a bargain. But a weaker economic outlook in the UK means Allan Smylie, analyst at investment bank Davy, is not convinced.

BELOW EXPECTATIONS

'Royal Mail has delivered first half results modestly below our expectations,' wrote Smylie following the publication of results on 17 November.

'Within the mix, UK parcels are tracking better, while letters are weaker on lower marketing mail volumes, reflecting the poorer macroeconomic backdrop. The company has increased its three-year cost avoidance target by a material £100m to £600m by 2017/2018. We do not expect this to fully flow through to earnings given the weakening UK economy.'

Earnings and the economy are not the only risks at Royal Mail. Negotiations over its defined benefit employee pension plan are ongoing and remain the biggest near-term headwind to the company's prospects.

Maintaining current defined benefit pension scheme promises to employees is becoming more expensive because low interest rates mean pension plan assets generate lower investment returns.

That means more money must be set aside upfront to fund future pension payments.

According to estimates produced at the end of September 2016, Royal Mail and its employees would need to contribute £1.4bn annually to maintain the scheme versus around £500m currently.

Dividends paid to shareholders totalled £213m in 2016 and Royal Mail's adjusted profit after tax was £420m. (WC)

SHARES SAYS: ↗
Royal Mail is a good business and assuming a sensible outcome to pension talks offers good value.

BROKER SAYS: 5 7 3

Cerillion combines growth and income

Tech business is putting its strong cash generation to shareholders' benefit

Telecoms billing and customer relationship management (CRM) software supplier **Cerillion (CER:AIM)** looks set to pay roughly 60% of earnings to shareholders through dividends when it reports full year results (28 November). This makes the company an interesting growth and income option for prospective investors.

Analyst Peter McNally at broker Shore Capital expects the £36m business to announce a 3.9p per share payout on rough 7.55p earnings per share (EPS). Revenue and earnings before interest, tax, depreciation and amortisation (EBITDA) should come in up 6% and 8% to £14.8m and £3.1m respectively, for an impressive 21% EBITDA margin.

It will be interesting to see if the company is capable of incrementally lifting the implied profitability rate as well as driving the top line. What will help with the latter, and maybe the former, is new business wins such as the $2.4 million contract with an existing customer in the US announced in March, plus a major win in EMEA (Europe, the Middle East and Africa) in July.

SHARES SAYS: ↗
The stock has jumped 61% since its 76p IPO on 18 March to 122.5p. It is at an early stage in its client industry upgrade cycle. (SF)

BROKER SAYS: 1 0 0

Bonmarche on recovery footing

ACTIONS TO DELIVERY recovery are underway at embattled women's value fashion retailer **Bonmarche (BON)**, where new CEO Helen Connolly has revisited the strategy and sees growth resuming during the 2018 financial year. Woeful interims (21 Nov) showed a steep profits decline due to weak clothing market conditions, unhelpful weather and poor execution. (JC)

Seismic upgrade for Thalassa

MARINE SEISMIC SPECIALIST **Thalassa (THAL:AIM)** has increased guidance for full year revenue and pre-tax profit from $10.5m to $13.9m and from $1.1m to $1.6m respectively. This is thanks to $2m of late data sales (10 Oct) and strong cost control. The company says profit could be boosted by a further $1.5m if its 'very conservative' provisions for increased costs prove too conservative. (TS)

ThinkSmart plugs into AIM

A PROVIDER OF lease finance for TVs and computers to **Dixons Carphone (DC.)** customers is to switch its stock market listing from Australia to the UK. **ThinkSmart** is hoping to float on AIM on 2 December. It has an exclusive contract with Dixons for certain products where its technology system can enable credit decisions to be made at the shop counter. (DC)

Woodford and Barnett on navigating tough markets

Two famous fund managers give their views on stocks to buy and sell in the current environment

Two of the UK's most famous fund managers have insisted there are plenty of opportunities for stock pickers despite major challenges ahead.

Making a rare public appearance, Neil Woodford told a room of financial advisers last week that he was more concerned about political risk in Europe than what could happen under a Donald Trump presidency.

He cited the numerous elections across Europe over the coming year including big events in Italy, Germany and France.

'If investors doubt the sustainability of the euro, it could be quite a moment for the markets,' said Woodford, who was talking at AJ Bell's *Investival* conference on 17 November 2016.

Also appearing at the event was Mark Barnett who manages funds including **Invesco UK Equity Income (LU1064479774)**. He seemed worried a rise in inflation could hit non-discretionary spend although he didn't believe the UK would end up in recession.

SIDING WITH CLINTON

Neil Woodford's two funds are **CF Woodford Equity Income (GB00BLRZQ620)** and **Woodford Patient Capital Trust (WPCT)**.

The latter has a bias towards healthcare, a sector that has been hit over the past year as markets worried that Hillary Clinton could impose price caps on drugs had she won the US election.

'The most attractive valuation opportunities I see are in early stage science-based companies. They are profoundly undervalued,' said Woodford at *Investival*. 'I supported what Clinton said about price gouging. She said innovation should be rewarded and that's what we are backing (in the Woodford funds).'

EXPENSIVE MARKET

Mark Barnett told the audience that global events had resulted in several good investment opportunities from a valuation perspective despite the UK equity market starting to look expensive versus historical levels.

He cited pharmaceutical companies including **AstraZeneca (AZN)** and tobacco manufacturers such as **Imperial Brands (IMB)** as favourite stocks to buy at present.

'Returns (in the UK) this year have been good, largely led by the FTSE 100,' he commented. 'We've had a fantastic re-rating

of the UK equity market over the last five years. If you strip out the dotcom bubble, we are at the upper end of the long-term range (in valuation terms).'

The fact equities are no longer cheap means that stocks are vulnerable to a downwards correction on the slightest bit of bad news.

EARNINGS GROWTH LAGS SHARE PRICE GROWTH

One of the most interesting points Barnett made during his presentation was the observation that the equity re-rating over the past five years has not been accompanied by earnings growth.

'Every year analysts have been too optimistic with their earnings forecasts,' said Barnett. 'At the end of the year, the earnings number is a lot less than what was expected at the start of the year.'

He added: 'I believe earnings should improve this year and a bit more next year.'

His comments echo a theme central to the main feature in *Shares* this week, namely the first signs of an improvement in corporate profitability.

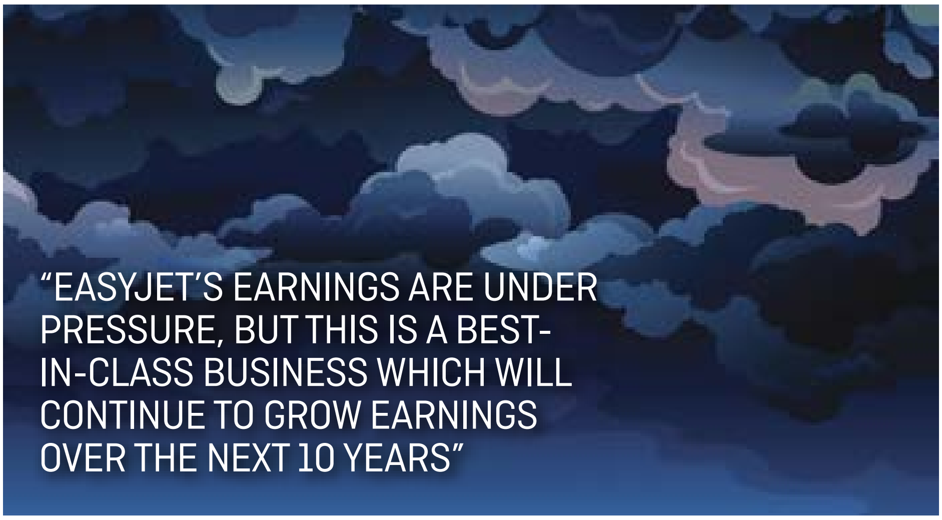
We believe that shift could prompt investors to begin to favour more cyclical stocks and, in doing so, start to become less interested in stodgy defensive stocks where earnings growth is slower.

NEIL WOODFORD PREDICTS THERE WILL BE MORE **DIVIDEND CUTS** IN THE OIL SECTOR

FISHING FOR BARGAINS

Barnett said he had started to take some profit in UK stocks with foreign earnings that had benefited from the weak pound. He's reinvested the proceeds in UK domestic businesses.

He has identified four companies that should navigate short-term challenges and which are trading at relatively low valuations. Investors with an appetite for risk could benefit from buying at these depressed levels should these stocks eventually see a recovery in earnings.



On his list of interesting stocks are services group **Babcock (BAB)** whose share price has been drifting down and recent profit warning offender **Capita (CPI)**. 'Capita has a fantastic core base of earnings and has de-rated to eight times earnings. The shares have fallen a lot further than the earnings (downgrades) imply. It has been oversold,' he said.

Elsewhere, Barnett has been buying **EasyJet (EZJ)**. He said the airline had been hit by events outside of its control, namely currency weakness and terrorism. 'Earnings are under pressure, but this is a best-in-class business which will continue to grow earnings over the next 10 years. You can buy it now on five times earnings and get a decent yield,' said the fund manager.

He's also been investing more money in fashion retailer **Next (NXT)** which issued a profit warning earlier this year. Like EasyJet, Barnett believes Next is a 'best-in-class business' which is trading on too low a rating. 'It is trading on ten times earnings with a 5% yield. That's too cheap.'

WHY WOODFORD HATES BANKS

Numerous fund managers presenting at the AJ Bell conference said they were buying banking stocks. Woodford has the opposite view, saying they are 'unappealing investments'.

'Lots of people are excited about some sort of inflection point in the global economy,' he said. 'More inflation, higher bond yields; that expands bank margins. I don't think Trump can wave a magic wand and deliver higher growth. The market hasn't thought through what can be achieved.'

Woodford concluded: 'Life will remain difficult for banks to earn attractive returns.' (DC)

THIS WEEK: 22 PAGES OF BONUS CONTENT

SHARES SPOTLIGHT

Growth & Innovation

THIS WEEK'S SHARES CONTINUES AFTER SPOTLIGHT. **CLICK HERE** TO CARRY ON READING

INCLUDES NEWS, DATA, COMPANY PROFILES, COMMENT AND ANALYSIS

INTRODUCTION

Welcome to *Spotlight*, a bonus magazine which appears six times a year alongside your digital copy of *Shares*.

The product, previously distributed as a standalone publication, provides small caps with a platform to tell their stories in their own words.

The company profiles are written by the businesses themselves rather than by *Shares* journalists.

They pay a fee to get their message across to both existing shareholders and prospective investors.

These profiles are paid-for promotions and are not independent comment. As such, they cannot be considered unbiased. Equally, you are getting the inside track from the people who should best know the company and its strategy.

Some of the firms profiled in *Spotlight* will appear at our investor evenings in London and other cities where you get to hear from management first hand.

Click here for details of upcoming events and how to register for free tickets. Previous issues of *Spotlight* are available on our website.

Growth companies can deliver

Uncertain economic prospects do not impact all small cap firms equally

Smaller companies are often seen as a victim of economic weakness. In an environment of lower growth, they may struggle to raise capital, are more likely to see cash flow problems and more vulnerable to the weakness of an individual product. It is this view that has seen smaller companies underperform their larger peers this year and, in particular, since the Brexit vote, as investors have assumed that a flailing UK economy will see them struggle.

NOT THE WHOLE STORY

Is this a fair analysis? Certainly, smaller companies tend to be more domestic in focus and as such, may suffer if Brexit derails the UK economy. They may also be exposed to weakness in specific areas, such as retail and leisure. However, this is not the whole story. In some instances, being small may be a positive advantage in a weakening economy.

Dan Nickols, manager of the **Old Mutual UK Smaller Companies (GB00B1XG9599)** fund, points out that while companies in the FTSE 100 index are often seen as more international, small companies are diverse and plenty are generating revenues internationally. He adds: 'While the FTSE 100 is around 80/20 international to domestic earnings, the Numis Smaller Companies index is around 40/60. There is a lot we can do to identify internationally oriented businesses.'

He has swung his portfolio from around 65/35 domestic to international earnings before the Brexit vote, to around 50/50 today, adding: 'We don't expect the UK to contract, but it will be quite dependent on the economic data and we have to focus on the political momentum as well.'

GLOBAL HORIZONS

Nickols has invested in companies such as **Eco Animal Health (EAH:AIM)**, which develops medicines for livestock and operates in over 50 companies worldwide, adding: 'Its fortunes are not linked to what is happening in the UK and it is already sufficiently global for Brexit not to hold it back.'

Smaller companies are more likely to be operating in under-the-radar niche areas, too small to attract the attention of larger companies, but that nevertheless exhibit good growth. Richard Bullas, co-manager on the **Franklin UK Smaller Companies (GB00B7FFF708)** fund gives the example of **Restore (RST:AIM)**: 'This is a company that provides document management and records storage to UK companies. Its end market is growing at around 6% and it should do well regardless of the economic outlook.'

NICHE FOCUS

Will Lough, assistant manager on the **River and Mercantile UK Long-Term Recovery GB00B614J053)** fund and director of research, makes a similar case for **Somero (SOM:AIM)**. The group specialises in the automatic levelling of concrete and has a significant business in the US. As such, it should be a beneficiary of any infrastructure boom as governments increasingly prioritise fiscal spending over monetary policy to boost their economies.

He adds: 'The group also sells a lot to groups building up warehouses, such as **Amazon (AMZN:NDQ)**, who need their concrete completely flat to ensure that machinery can manoeuvre properly. Somero can benefit from growth in that market as well.'

“People tend to think of small caps as immature businesses, but in many cases they are well-established with experienced management teams, used to dealing with crises.”

CREATING NEW MARKETS

Some smaller companies are also creating new markets. Arguably, this is easier for a smaller business without a significant bank of business to protect and it is less likely to attract competitors, at least in the early stages. Nickols points to companies such as online takeaway service **Just-Eat (JE.)** or upmarket tonic maker **Fever Tree (FEVR:AIM)**, that are developing new categories. This structural growth is present whatever the economic weather.

Lough believes that market effects tend to be magnified in smaller companies. In a weakening market, most see this as a problem: if a company is exposed to a single market, and that market weakens,

the company doesn’t have other revenue streams to fall back on. On the other hand, it can be a real advantage when it works the other way. He says: 'Jim Slater once said “elephants don’t gallop” and this seems apt. Smaller companies can grow faster. If they are delivering a new product and growing market share, it has more impact in a smaller company. They may be creating a whole new addressable market.'

In theory, smaller companies should be more nimble. Equally, their earnings are not diluted by other lower growth areas. If they are in the right market, the exposure is purer.

NIMBLE RECOVERIES

There is also an argument that smaller companies are more able to turn their business around quicker in the event of problems. Lough says: 'It takes a long time to turn around a super-tanker. In a recovery situation, the management teams at a smaller company tend to play an outsized role; they can exert greater influence and implement change far quicker. The turnaround is generally less complex because there are fewer layers.'

It also means that investors must be reassured that they are investing in a competent and experienced management team, but here too, Bullas says, smaller companies are not at the disadvantage many believe. He points out that people tend to think of small caps as immature businesses, but in many cases they are well-established with experienced management teams, used to dealing with crises.

This lack of complexity may also mean that merger and acquisition activity is less complex and ‘more of a game changer’, says Lough: 'It is easier for smaller companies to do bolt-on acquisitions. There tends to be less competition for deals. They may be buying from a family business, rather than at an auction and so pricing may be better.'

A DISCRIMINATING APPROACH

However, it should be said that the market is not immune to the difference between individual smaller companies. Although most smaller companies have underperformed their larger company peers for the year to date, the market has discriminated. Nickols says: 'Larger companies are up around 11-12% for the year to date, while smaller companies are up around 5%. Within that, UK-exposed companies have underperformed quite materially, particularly those where earnings are more sensitive to the economy. In contrast, companies with more predictable growth have performed quite well. It has been a rational response.'

BREXIT FEARS OVERDONE?

With this in mind, the other question for potential investors in smaller companies is whether the premise that the UK is weakening really holds. Bullas says: 'The UK economic is doing OK, even with the Brexit vote. Certainly, the growth trajectory of the UK economy is a step or two lower, but it is still delivering reasonable growth.' If this continues, it would suggest that a number of companies that have been sold down – notably in the retail and leisure sectors – might be due for a re-evaluation.

Bullas points to companies such as **Topps Tiles (TPT)** and **DFS (DFS)**. Both have been sold off significantly in the wake of the Brexit vote. He says: 'Topps Tiles has fell very hard in June and July – it is linked to the housing market as well. Yet in its last update, it saw like-for-like sales growth of 3-4%. It hasn't seen any Brexit impact yet. DFS is also trading at a very depressed rating.

'Both these stocks are market leaders and both have been through difficult periods before. They are well-managed. We believe that if the market does become difficult, it will be the independent businesses that are more likely to go out of business and these two companies should be able to come through in better shape.'

VULNERABLE AREAS

Undoubtedly, parts of the smaller companies market are vulnerable. As seen during the financial crisis, those with excessive debt are exposed to a contraction in bank lending, cash flow can be a problem and poor business models will be found out. However, that should not blind investors to the very real opportunities among smaller companies. (CR)

AB Dynamics motoring on

AB DYNAMICS
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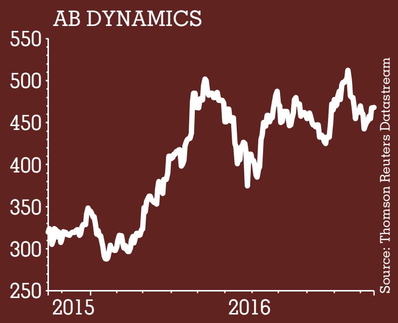
VITAL STATS

SECTOR:
INDUSTRIAL ENGINEERING

SHARE PRICE:	452.5P
MARKET CAP:	£80.4M



AB Dynamics was established in 1982 and 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.

The company has grown rapidly in the past six years with over 95% of sales to export. The group's products are used for research, development and production quality control. Being both profitable and highly cash generative, directors believe that since its listing on AIM in May 2013 the Group has become 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.

The company's products help the car companies make vehicles that are more pleasant and safer to drive.

Tim Rogers

GLOBAL BUSINESS.

The automotive companies operate in a very diverse space and in global markets. In the past eight years R&D spending has grown steadily with existing car manufacturers based in the mature markets of Europe, Japan and North America. Indeed, the top six highest spending automotive companies still come from these markets. However, more recently, Asian countries notably China, have shown the most rapid increase in R&D spending. In 2007, R&D spending by automotive companies in China made up just 4% of total automotive R&D outlays. In 2015, China's share had risen to 11%.

Automotive companies now spend far more of their R&D budgets outside of their headquartered countries than in the past. While domestic R&D spending went up by 11% from 2007 through 2015, exported R&D increased by a dramatic 42%. That's significantly more than the increase in the other two largest sectors, computing and electronics and healthcare.

DRIVERS FOR AUTOMOTIVE R&D

The car makers, facing an ever-growing demand for cars that are better and safer to drive, are employing new and increasingly more sophisticated technologies; this is the most innovative time in automotive history. Today's cars more than just transportation. They are likely to deploy the most complicated and advanced technology owned by most consumers—and with every new day, vehicles are becoming more advanced.

In the field of car safety for example, automakers historically have focused on engineering vehicles to enhance occupant protection in the event of a crash. That is why automobiles today have a range of airbags – front, rear, side and even curtains – as well as a long list of safety enhancements, including structural reinforcements to the passenger compartments and advanced safety belts.

The future of vehicle safety has expanded into technologies that help prevent or mitigate crashes. Crash avoidance, or 'driver assist' technologies employ sophisticated software to interpret data from sensors, cameras, and radar based technologies that allow vehicles to sense the environment around them and assist drivers by alerting them to impending dangers.

The industry is constantly looking for faster and more efficient ways to design new vehicles. Greater use of computer aided design and modelling has emphasized the need to acquire more accurate and reliable vehicle data on which mathematical car models can be based. More use of "virtual" prototyping and simulation is leading the way for newer ways of testing and evaluation, shortening the time to market.

OUR CAPABILITIES:

From our facilities in Bradford on Avon, UK, the Group designs and manufactures specialised testing systems for its customers to:

- Develop Suspension, Brake, Chassis and Steering systems.
- Evaluate Vehicle Dynamics and safety systems on the track.
- Employ Driver in Loop Simulation for rapid prototyping.
- Develop and evaluate the next generation of advanced safety system in vehicles (ADAS).
- Test and evaluate the technology for use in future driverless cars/ autonomous vehicles.
- Carry out sophisticated end-of-line Noise/ Vibration (NVH) testing of power train assemblies.

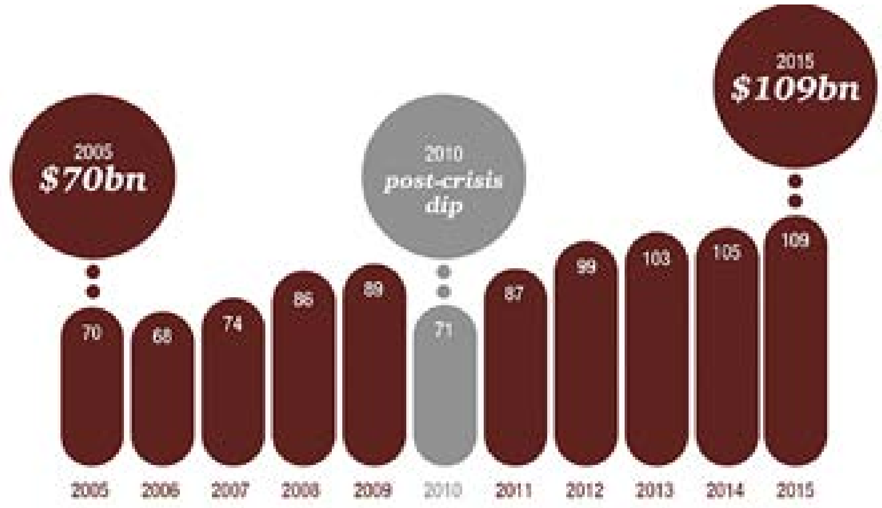
The company's key strength is its ability to rapidly deploy in-house knowledge and knowhow in Mechanical, Electrical and Software design and to blend these disciplines to create unique and novel products for the automotive testing industry.

By supplying testing equipment which allows customers to have whole cars tested in realistic conditions/scenarios, our products can provide repeatable, accurate and reliable vehicle data on which mathematical car models can be based. Many key customers see the Company as being capable of providing a synergy of solutions to assist them in their product development.

SECTOR OVERVIEW

Automotive R&D spending is very diverse in its nature and to keep pace with ever-growing demands for new technologies recent studies show automakers spend more than $100 billion annually on R&D. 'Strategy&' found auto industry R&D spending grew by 4.5% from 2014 to 2015.

The Automotive industry ranks third in the percentage of the total R&D spend for all sectors at 16.1%, behind computing and electronics 24.5% and Health care 21.3%. Of the top 20 companies ranked by spending on R&D six are automotive companies.



Sources: Strategy& 2015 Global Innovation 1000 analysis, Bloomberg data, Capital IQ data

IMPROVED PRODUCTS AND GREATER GLOBAL REACH

AB Dynamics has become a recognised leader in the supply of whole car solutions for vehicle testing. The Company has spent more on research and development than in previous years and has seen the performance, quality and reputation of its products lead to steady growth in their uptake.

Further expansion of its global network of distributors and regional offices has included the establishment of a Commercial Director based in Germany to create better links with the German OEMs and a global remit to work with the company's distributor network to improve its commercial offer to key customers world-wide.

To build on the company's reputation for good customer service and to reflect the fact that more systems are out in the field than ever before, it has also established a customer support team, consisting of engineers located in the UK, Germany and Japan, ready to give local and direct support to distributors and customers alike.

Evgen delivering after IPO

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(EVG:AIM)

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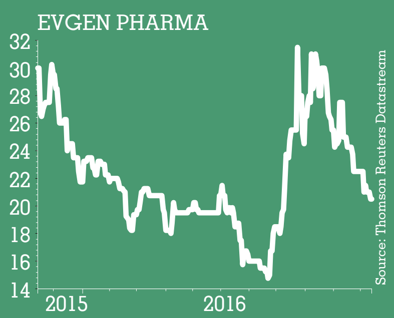
VITAL STATS

SECTOR:
PHARMACEUTICALS & BIOTECHNOLOGY

SHARE PRICE:	21p
MARKET CAP:	£15.3m



Evgen Pharma, a Liverpool-based biotech company, joined the AIM market just over a year ago. Its shares started trading on 21 October 2015 and since that time the company has made rapid progress in delivering on the pledges made at the time of the IPO.

Dr Stephen Franklin, Evgen Pharma's CEO, says: 'We raised £7m in the IPO and we were very specific about how the money would be spent in advancing our clinical and preclinical programmes. So far, we have ticked all the boxes we set ourselves, which has put the company in an exciting position for the future.'


Dr Stephen Franklin

DRUG DEVELOPMENT PIPELINE

Evgen Pharma's drug development pipeline is based on a naturally occurring molecule, sulforaphane, which is itself derived from another naturally occurring molecule, glucoraphanin. Glucoraphanin is found in broccoli and other brassicas, with a particularly high level found in the sprouts of these vegetables. Its role in these plants is thought to be a protective one, helping the plants to survive when attacked by grazing animals or other predators.

When consumed by people or animals, glucoraphanin is broken down into sulforaphane, a molecule that has attracted a huge amount of scientific interest. Academic work has highlighted sulforaphane's potential in multiple diseases including cancers, stroke, autism, multiple sclerosis, Parkinson's, Alzheimer's and many other conditions. This academic work has revealed two modes of action for the molecule, explaining why it has potential in such a broad range of diseases.

Patent protection is at the heart of the drug development industry and this is where Evgen Pharma has a very strong position for the commercialisation of sulforaphane-based medicines. Naturally occurring sulforaphane is highly unstable, which has prevented its use in medicines, but Evgen Pharma has overcome this instability by creating a synthetic version and stabilising it within a sugar lattice. This versatile technology, called Sulforadex, has for the first time opened up the commercialisation of sulforaphane-based drugs.

CLINICAL FOCUS

Dr Franklin says: 'Sulforaphane has been shown to act at a cellular level in two quite different ways. It has the ability to activate the major antioxidant transcription factor, Nrf2, which protects against the oxidative stress associated with many neurological conditions. Furthermore, it also inhibits the Wnt pathway, and thus targets cancer stem cells – a resilient population of cells in a tumour that drives resistance to the mainstream therapies.

'We have had to be very focused in our clinical development plans given the very broad range of conditions that our Sulforadex technology could potentially address. When we joined AIM last year we were very clear that we would use the IPO proceeds to focus on clinical trials in breast cancer and in a form of stroke, subarachnoid haemorrhage. We have also carried out preclinical work in multiple sclerosis and begun to evaluate some other potential disease areas.'

Phase II studies are now underway with SFX-01, the codename of the company's lead Sulforadex-based product, in breast cancer and subarachnoid haemorrhage (SAH), representing a considerable achievement for the company in the first year of its listing.

Evgen Pharma's work in breast cancer is particularly interesting because it focuses on the relatively new area of cancer stem cells and their role in causing resistance to hormone-based breast cancer therapies. In August this year, the company's Phase II study of SFX-01 in breast cancer received approval to commence from the UK regulatory agency and the first patient in the trial is expected to be dosed imminently.

BREAST CANCER TRIAL

The trial, named STEM (SFX-01 in the Treatment and Evaluation of Metastatic Breast Cancer), will investigate SFX-01 in combination with hormone-based therapies, such as tamoxifen, in 60 metastatic breast cancer patients whose cancer cells are estrogen-receptor positive (ER+).

Up to 75% of breast cancers are ER+ and these cancers frequently develop resistance to hormonal therapies. This resistance has been attributed to breast cancer stem cells, which are not killed off by hormone therapy and are therefore able to develop into new cancer cells. Preclinical work by the company has shown that SFX-01 has the ability to reduce the number of cancer stem

cells, a mode of action that will be investigated in breast cancer patients for the first time in the STEM trial.

The STEM trial will be led by Chief Investigator Dr Sacha Howell at Manchester's Christie NHS Foundation Trust and include several other sites across Europe.

Dr Franklin says: 'SFX-01's role in mopping up cancer stem cells is particularly exciting because when used in combination with existing breast cancer drugs it creates the potential for improving the efficacy and the longevity of a broad range of drugs used in cancer treatment.'

As mentioned earlier, SAH is a condition that affects a relatively small number of people and it is therefore described as a rare disease. In August this year, Evgen Pharma was granted orphan drug designation for SFX-01 in SAH from the US Food & Drug Administration, marking an important corporate and commercial milestone for the company.

ORPHAN STATUS

Orphan designation gives SFX-01 the potential for US market exclusivity for seven years from the date of marketing approval. SFX-01 represents a completely new approach to the treatment of SAH, a devastating disease for which there has been no significant clinical advance for 20 years.

The first patient was dosed in Evgen Pharma's Phase II safety and efficacy trial of SFX-01 in SAH in May this year. The Chief Investigator for the study is Mr Diederik Bulters, Consultant Neurosurgeon and Honorary Senior Clinical Lecturer, at the Wessex Neurological Centre in Southampton. The results of the trial are expected in Q2 2018.

In addition to the progress in its clinical studies, Evgen Pharma has delivered positive preclinical results from its comparison of SFX-01 and dimethyl fumarate in various models of the relapsing remitting form of multiple sclerosis (MS). Dimethyl fumarate is the active principle in BG-12, a highly successful MS drug marketed under the brand name Tecfidera, which has annualised sales of approximately $4bn.

SFX-01 was shown to demonstrate superior neurological recovery in the chronic stage after relapse and was described by academic researchers as a promising drug candidate in MS.

Dr Franklin says: 'The data from these preclinical studies was very encouraging. We are currently conducting a commercial appraisal of the potential of SFX-01 in MS and will update the market in due course.'

Under the skin of Futura

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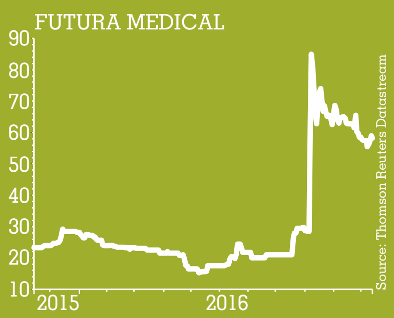
VITAL STATS

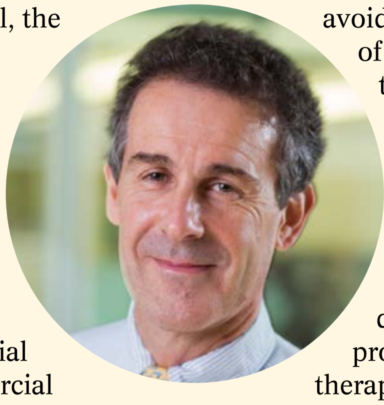
SECTOR:
PHARMACEUTICALS & BIOTECHNOLOGY

SHARE PRICE: 56p

MARKET CAP: £55.6 m



Futura Medical, the AIM-quoted healthcare company focused on drug delivery through the skin, has had a successful 12 months. The company has announced positive trial results, signed commercial agreements and added another highly experienced GlaxoSmithKline executive to its board. Just recently, Futura has announced a £12m fundraising, which sets the company up for delivering further positive newsflow in the months ahead.



James Barder, chief executive

BIG-HITTING BOARD

For a smaller company, Futura has a big-hitting board. Its chairman is John Clarke, the former global head of GSK's consumer healthcare business, which had sales last year of £6bn. In March this year, Ken James, the former head of R&D at GSK, joined Futura's board as a non-executive in an appointment that further endorses the potential of the company's product portfolio.

James Barder, Futura's Chief Executive, says: 'The company is very fortunate in being able to draw on the huge experience of these two pharmaceutical industry executives. Their guidance in the development of our commercial strategy, in our product development and in many other areas continues to be invaluable.'

Futura's core scientific expertise is in knowledge of the skin and in the formulation of drugs so they can be delivered transdermally. There are compelling advantages to delivering drugs in this way, particularly in avoiding the side effects of drugs taken orally as tablets or capsules.

Futura's expertise in transdermal delivery has enabled the company, which has extensive patent protection, to develop a pipeline of products focused on two therapeutic areas: sexual healthcare and pain relief.

Both of these areas are very suited to transdermal delivery where the objective is rapid and targeted delivery to the site of pain or of sexual dysfunction.

PROGRESS REPORT

Futura has made considerable progress across its product portfolio in the past 12 months but a major highlight was the outcome of a major clinical study of MED2002, the company's novel treatment for erectile dysfunction (ED).

MED2002 is a gel that contains glyceryl trinitrate (GTN) as its active ingredient. GTN has the effect of widening blood vessels – known as vasodilation – and is a generic drug widely used in the treatment of angina. In the case of MED2002, GTN improves penile blood flow thereby improving erectile function. The company's use of generic drugs is an important part of Futura's risk management as it significantly reduces the likelihood of clinical trial failure.

The clinical study of MED2002 included 232 patients and produced some excellent clinically proven results, showing strong efficacy, an excellent safety profile and a faster onset of action than currently approved products. These products are predominantly orally

taken medications such as Viagra, Cialis and Levitra, also known as PDE5 inhibitors.

The speed of onset of MED2002 is a direct benefit of its delivery through the skin and is potentially a major differentiator as the orally taken medications take much longer to work. In the study, more than 80 per cent of patients reported an onset of action within 10 minutes and over 50% of patients in less than five minutes. The instructions for Viagra, for example, require the patient to take the medication one hour before sexual activity. This planning requirement ahead of sexual activity is broadly the same for all currently approved PDE5 inhibitors. MED2002 has the potential to bring spontaneity back into sexual activity with its rapid speed of onset.

BREAKTHROUGH PRODUCT

James Barder says: 'The results from the study showed that we have a breakthrough product in ED. Not only is it effective and safe but it also offers the world's fastest speed of onset for an ED treatment. We see huge potential for this product in the wider ED market but initially we are focusing on an area of significant unmet need: those patients who are unable to take PDE5 inhibitors such as Viagra owing to other drugs that they're already taking.'

Futura is currently working on the remaining development work to obtain regulatory approval for MED2002, the potential of which has prompted analysts to upgrade their view on the attractiveness of the company. N+1 Singer, Futura's broker, recently increased its valuation of the company's shares from 56p to 113p to reflect the potential of MED2002.

Futura's second product in sexual health is CSD500, the codename for the company's novel condom which benefits from three clinically proven claims: it helps maintain a firmer erection, it maximises penile size and it gives female partners a longer lasting sexual experience.

The commercialisation of this product is well advanced – it has been out-licensed on a territorial basis around the world to international and regional businesses including Church & Dwight, the major US consumer healthcare business whose brands include Trojan. Church & Dwight holds the rights to CSD500 in North America and in key countries in Europe.

LICENSING OPPORTUNITIES

Earlier this year Futura signed two new territorial out-licensing deals – one with TTK Protective Devices, which will market the product in India, and one with Milsing for Southeast Europe. Deals have also been signed covering the Middle East and parts of Asia.

Pain relief might seem a very different area to sexual health but they both benefit from drug delivery through the skin. In pain relief, the rapid and improved delivery of the pain relieving drugs through the skin as a result of Futura's technology brings multiple potential benefits including faster and longer lasting pain relief.

Futura's pain relief portfolio comprises two products both of which are based on non-steroidal anti-inflammatory drugs - TPR100 uses diclofenac and TIB200 uses ibruprofen. A clinical study in 2015 demonstrated statistically significant results in both programmes.

The pain relief portfolio has attracted considerable commercial interest from potential licensing partners, which it is expected will lead to the first out-licensing deal in the near term with further deals expected in 2017.

The progress during the year across Futura's portfolio enabled the company to raise £12 million by way of a placing of shares announced on 27 October 2016. This cash will allow the company to increase the momentum of its product development, both in sexual healthcare and pain relief.

The cash will be used to fund further clinical development work on MED2002, TPR100 and TIB200 with the objective of accelerating their commercialisation to add value to the company.

Inspiration Healthcare: a breath of fresh air

INSPIRATION HEALTHCARE (IHC:AIM)

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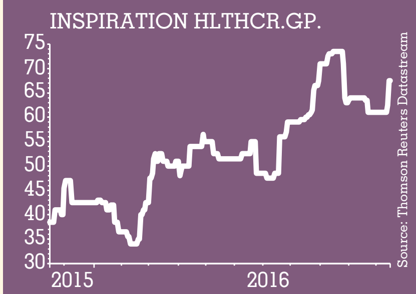
VITAL STATS

SECTOR:
HEALTH CARE EQUIPMENT & SERVICES

SHARE PRICE:	61P
MARKET CAP:	£18.7M



Inspiration Healthcare Group is a global supplier of medical technology for critical care, operating theatre and niche homecare applications. Its mission is to provide high quality products that help to improve patient outcomes and efficiencies of healthcare organisations, supported by patient focused customer service and technical support.

Inspiration Healthcare's philosophy is to put the patient first: its range of outcome changing products and services are geared toward assisting clinicians in treating patients whenever they need it with 24/7 customer service, technical and clinical support, and emergency hire of key equipment.

COMMITMENT TO IMPROVED OUTCOMES

Founded in the UK in 2003, Inspiration Healthcare came onto the London Stock Exchange through a reverse acquisition of Inditherm in June 2015 after 11 years of unbroken growth. This track record has been built on research driven innovation, excellent customer service and an inherent commitment to improving the quality of life of patients.

Through working in close collaboration with key opinion leaders and stakeholders in its fields, the company has developed a range of products that not only offer improved outcomes, but represent value for money for healthcare providers. Inspiration Healthcare's key products fall into three segments:

- **Critical Care:** generating approximately 70% of revenue, this segment comprises an exciting portfolio of products mainly for Neonatal Intensive Care worldwide, complemented by distributed products for paediatric and adult intensive care in the UK and Ireland.
- **Operating Theatre:** The mainstay of its products used in the Operating Theatre is a range of warming equipment for maintaining patient temperature before, during and after surgery. As with Critical Care, this is complemented by distributed products in the UK and Ireland with specialist ventilators, cardiac surgery perfusion products and pain management systems.
- **Home Healthcare:** It provides a niche range of products mainly for parenteral feeding for both adults and children.


Neil Campbell, CEO of Inspiration Healthcare

Inspiration Healthcare is well positioned to realise its potential with a newly restructured sales team and a pipeline of products through a prioritised R&D programme. The company believes the market is right for the products Inspiration has developed, especially with its comprehensive neonatal offering where it can help affect the outcome of babies from before the first breath of life.

The main focus in the coming months will be to maximise the potential from a new range of products for neonatal resuscitation. The Inspire rPAP system, for example, allows doctors to give resuscitation breaths to babies in a more physiologically neutral way and is complemented by Inspiration's LifeStart platform to allow the medical team to determine when the most optimal time is to clamp a baby's umbilicus.

RECURRING REVENUE

The company also has strong recurring revenue through an extensive range of disposable products mainly sold into critical care and homecare: this accounts for approximately two-thirds of revenue. Additionally, its Technical Support contracts offer strong opportunities for recurring revenues both in service and spare parts: this mix of products and service ensures Inspiration Healthcare offers a comprehensive range to the NHS with outstanding Customer Service. Also the UK market can be unpredictable for capital purchases by the NHS, hence Inspiration offers managed service contracts to remove the reliance on capital budgets. This enables the NHS to access technology such as patient warming systems for surgery sooner than they may have thought possible.

KEY FACTS

- **Revenue up year-on-year**
- **Operating profit increased**
- **Growth in all geographies and segments**
- **Two major long term distribution contracts signed**
- **Largest ever export order to Saudi Arabia in 2015**

TURNING INSPIRATION INTO INNOVATION

The most visible step of an ongoing plan to grow the Inspiration brand, change outcomes and improve patient experience came late in 2016 with the recently unveiled Inspire rPAP – an innovative product to streamline the resuscitation of newborns and reduce the burden of breathing on their infant lungs. This revolutionary system has been CE-marked and is already on clinical trial.

Commenting on the Inspire rPAP, Neil Campbell, CEO says: 'This is the first product we have developed from start to finish as a disposable medical device which has been given a CE mark. It fits perfectly with our LifeStart neonatal resuscitation unit and will help the sickest and most fragile babies from the moment they are born.'

Inspiration Healthcare's strategy focuses on adding new products through R&D to strengthen the brand in the marketplace, gaining regulatory clearance for more products in more countries, and the ongoing development and improvement of existing products. In the future Inspiration Healthcare plans to continue working with leading academics to develop new ideas, to drive ongoing investment in R&D and invest in sales and marketing support to strengthen its own product offering worldwide.


Inspire rPAP

ValiRx on hunt for breakthrough

VALIRX
(VAL:AIM)

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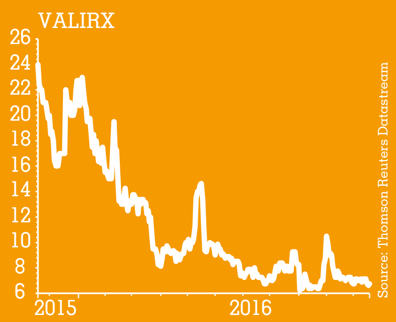
VITAL STATS

SECTOR:
PHARMACEUTICALS & BIOTECHNOLOGY

SHARE PRICE: 7.12p

MARKET CAP: 5.27m



SHARES: DR SATU VAINIKKA, PLEASE COULD YOU GIVE US AN OVERVIEW OF WHAT VALIRX DOES?

ValiRx is a clinical stage biotechnology company specialising in the development of novel and personalised treatments for cancer and in the development of associated biomarkers. The company aims to make a significant contribution in "precision" medicine and science, namely to engineer a breakthrough into human health and well-being, through the early detection of cancer and its therapeutic intervention.

ValiRx has three classes of drugs in development, two of which are in the clinic and have demonstrated potential for addressing unmet medical needs. All our technologies have worldwide patent coverage and exclusive commercial rights.

SHARES: CAN YOU SAY SOME MORE ABOUT YOUR COMPOUNDS IN CLINICAL TRIALS?

Our Phase I/II clinical trial of ValiRx's lead compound, VAL201, in patients with hormone resistant prostate cancer is currently being conducted by University College London Hospital and the trial is being expanded to include other trial centres for part of the trial and to accelerate dose escalation.

The company's second drug currently in a clinical trial is VAL401, which is a reformulated drug with an established safety record derived from clinical studies and years of use in other medical areas. This drug has recently entered the clinic having demonstrated encouraging pre-clinical data as far as lung and pancreatic tumours are concerned. ValiRx subsidiary, ValiSeek, is conducting the clinical trial of VAL401 in Tbilisi, Georgia in a Phase IIB trial on subjects with advanced non-small cell lung cancer. The company has recently commenced the dosing of patients and is pleased to report that those patients are tolerating the treatment well.

SHARES: COULD YOU ELABORATE ON YOUR NEW INDICATION?

Yes, of course. Our review of the pre-clinical data obtained with VAL201 has also revealed a major

gynaecological indication for the compound, namely Endometriosis. This is a medical condition in which cells from the lining of the uterus appear and flourish outside the uterine cavity. Endometriosis is excessively debilitating and it represents one of the major causes of female infertility.

The condition is not adequately served with current medications as they are frequently poorly tolerated and can impair fertility during treatment. VAL201's reformulation, which has been named VAL301, should show that the compound is completely devoid of these complications and that it also shows signs of maintaining fertility and bone density while treating this chronic condition.

SHARES: WHAT'S YOUR BUSINESS MODEL?

The company's business model focuses on in-licensing early stage drugs and technologies from World-leading academic institutions, such as Cancer Research UK and Imperial College and maturing them to the point where they can be out-licensed to pharmaceutical partners and taken to market. Biotechnology companies like ValiRx act as a bridge between World-class academic science and big pharma. The group is already in licensing discussions with major players in the oncology field.

SHARES: AND APPROACHING MILESTONES?

The dosing of a first patient with VAL401 represented a major milestone for ValiRx as the Company now has both Phase I/II and Phase II clinical trials underway. We intend to complete recruitment of patients for VAL401 by the end of February and complete the dosing phase of the protocol in the Summer next year, with the full trial and reporting to be concluded by the year-end 2017. As this trial has an open label design, results from it are emerging all the time and ValiRx would hope to be able to comment on these as they emerge.

Turning to VAL201, we are pleased with the results to date, which have shown that VAL201 is a safe and well-tolerated drug candidate. Management are furthermore also pleased to have seen highly promising signs of efficacy evidenced by stable, if not reduced PSA levels in four patient cohorts. ValiRx will continue to monitor safety in the next cohort of patients, who will receive a higher dose of VAL201, so as to clearly establish if we have a more effective therapy for prostate cancer.

Unfortunately, remissions with current therapies are generally of limited duration and most patients show progressive disease (hormone-refractory or androgen-independent prostate cancer) within 12 to 18 months. There is, therefore, a need not only for more effective and well-tolerated therapies, but potentially more aggressive therapies to extend survival. Management look forward to progressing the study throughout 2017.

Regarding ValiRx's new gynaecological indication for VAL201, namely Endometriosis, management are very excited by the opportunity this indication presents and they look forward to completing their pre-clinical work on VAL301 throughout 2017.

SHARES: THE FUTURE?

The directors of ValiRx believe that the successful completion of these trials would render the treatments eminently licensable to potential big-pharma partners. Meanwhile, the company continues to look to expand its intellectual property as its development programmes move forward and we remain open to technology acquisition opportunities and ways in which we can both deliver shareholder value and grow our oncology drug portfolio.

Details about the trials can be found on the website www.clinicaltrials.gov.

Versarien's material progress

VERSARIEN
(VRS:AIM)

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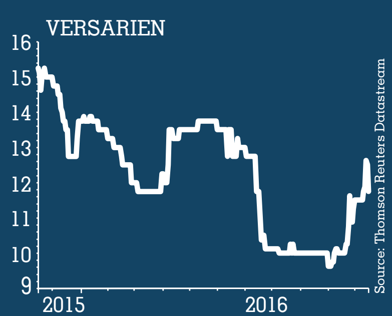
VITAL STATS

SECTOR:
CHEMICALS: SPECIALTY CHEMICALS

SHARE PRICE:	11.88p
MARKET CAP:	£13.8m



It has been a transformative year for advanced materials group Versarien. Its vision to identify, acquire, develop and commercialise disruptive intellectual property in advanced materials is well on track as it builds a portfolio of innovative engineering solutions that are each capable of having a game-changing impact in a broad range of industries.

Neill Ricketts
CEO and Founder

Following the acquisition of plastics manufacturing business AAC Cyroma in October 2016, Versarien now consists of two technology businesses and two mature businesses. Its graphene technology business is allied to the plastics business and the thermal technology business to the hard wear parts business, both either through application or production capabilities.

LEADING GRAPHENE PLAY

Through its 85% ownership of University of Manchester spin-out 2-DTech, Versarien is firmly established as one of the leaders in the global race to monetise graphene, and could soon be the first company to be manufacturing graphene enhanced carbon fibre composites and plastics.

Dubbed as a 'wonder material', graphene can make products, such as polymers and composites, stronger, lighter and conductive. The division is developing applications for graphene using its own proprietary manufacturing technology as well as other available techniques.

Given the wide potential of graphene, Versarien is targeting industries where there is fast adoption of new high performance materials or immediately identifiable commercial need for the properties that graphene brings. This includes aerospace, automotive, 3D printing materials, carbon fibre for sports equipment, and improving the charge-carrying capacity of batteries for the electronics market.

CLOSE COLLABORATIONS

Its close partnership with the National Graphene Institute (NGI) puts Versarien at the heart of graphene research and discovery.

Recently, the company announced the completion of a grant funded project with the NGI to demonstrate how graphene can strengthen carbon fibre composites significantly. The positive results from these tests has led to the NGI and Versarien working on a project with a major UK OEM, with a view to commercial products being available within the next six months.

To penetrate its targeted markets faster, by sharing resources and expertise, the company has formed several strategic collaborations with other leading scientific institutions, businesses and organisations including:

- Absolute Engineering to develop graphene enhanced composites targeting the 3D printing industry.
- CT Engineering to produce

graphene enhanced components for the aerospace industry.

- Bromley Technologies to provide graphene enhanced sleds for use by Team GB at the 2018 Winter Olympics.
- Warwick Manufacturing Group, to explore the production of power storage devices such as batteries and supercapacitors using Versarien's graphene nano platelets.

FIRST GRAPHENE ORDERS

In recent months the company has secured its first commercial orders research and development market. For its OEM project with the NGI, Versarien is supplying a significant quantity of graphene nano-platelets from its production facility in Cheltenham. The company is also the approved supplier of graphene to a major UK biomedical project exploring how 2-dimensional materials can assist in the treatment of cancer, diabetes and dementia.

STRATEGIC ACQUISITIONS

Since its inception in 2011 the company has completed four acquisitions. Every acquisition is carefully considered based upon the synergies and opportunities it can bring to the wider group, whether it is new technology, has existing revenues from mature products which can benefit from an injection of new technology, or provides manufacturing and distribution facilities.

The recent and transformative acquisition of plastics manufacturing business, ACC Cryoma, offers the opportunity to produce graphene enhanced plastics products for an established domestic and international customer base, including leading automotive OEMs and fast moving consumer goods manufacturers. The deal also provides a dedicated facility from which to conduct research and manufacture graphene enhanced plastics on an industrial scale, making the combined operation the first graphene enhanced plastic producing factory in existence.

COMPLEMENTARY PORTFOLIO

In addition to graphene, the management has been careful to offer investors exposure to a wider range of advanced materials and underpin the business with cash flow from more mature businesses.

The thermal products division holds exclusive rights to a patent-protected process for microporous copper foam heat sinks used for thermal management. The heat sinks are used in a variety of industry sectors including consumer electronics, automotive transportation, medical thermal management and industrial lighting. Following a small acquisition in 2015 of a dedicated heat sink business, the division has since secured its first international order with electronics supplier Mouser, established distribution channels in Europe and the US and has launched a new range of products using its own technology.

Versarien also develops and manufactures bespoke sintered tungsten carbide parts and hard-wear tooling. Traditionally supplying the oil and gas industry the management has been broadening its exposure to other markets while commodity prices in the oil and gas sector have seen a prolonged slump. With new manufacturing facilities in Oxfordshire, the business is well-placed to benefit from any uplift from their main customer base which includes Renishaw, John Crane and Schlumberger.

A TRANSFORMATIVE YEAR

Versarien is starting to see the benefits of its strategy: to build a sustainable business with the enormous potential that graphene may bring; the early establishment of its own production capability and sales channels allows the business to determine its own direction, gives its technologies faster routes to market and underpins research and development costs.

Group revenues for the year ended 31 March 2016 were £4.4m, before the acquisition of ACC Cryoma which posted sales of £4.3m in 2015. The company also successfully raised £1.1m in a placing in July 2016.

CEO Neill Ricketts commented: ‘I firmly believe that we are taking the right approach by acquiring sales revenues and harnessing existing relationships to support our mission to make graphene enhanced products widely available. We have some exciting times ahead of us.’

Waterman targets dividend yield and growth

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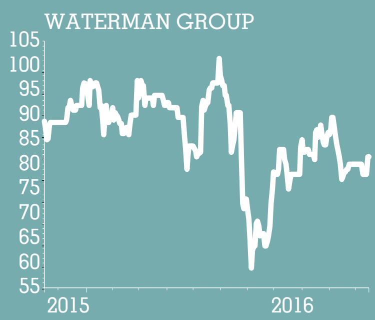
VITAL STATS

SECTOR:	SUPPORT SERVICES
SHARE PRICE:	81.5p
MARKET CAP:	£25.1m



Source: Thomson Reuters Datastream

Waterman Group is on the FTSE small cap index on the London Stock Exchange and is primarily involved in the engineering and environmental design of property development and infrastructure. Nearly 90% of its revenue is generated from the UK with the remainder generated from Australia and Ireland.

WELL RESPECTED

Waterman is a well respected consultant with four service lines offered to its clients, each providing approximately a quarter of its revenue:

- Structures Consulting
- Building Services Consulting
- Infrastructure & Environment Consulting
- Highways & Transportation Outsourcing

The group has an established and loyal blue chip client base and is a trusted advisor to all of the large property companies such as Hammerson, British Land, Land Securities, Intu, Berkeley and Canary Wharf Group. The Highways & Transportation Outsourcing business provides highly skilled engineers on long term secondment to over fifty Councils, Local Authorities and Highways Departments throughout the UK.

Waterman generates over 80% of its revenue from repeat business. The group has a diverse range of clients with the largest development client contributing 2% of revenue and the top twenty clients contributing 23% of revenue in the last financial year.

The group successfully re-organised in 2013, delivering results which exceeded its previously declared objectives over the three year period to 30 June 2016 of:

- Tripling adjusted annual profit before tax to £3.3m. Delivered £3.6m.
- Increasing Return on Capital Employed to over 20%. Delivered 47%.

The board's aspiration to June 2019 is to increase the group's adjusted operating profit margin towards 6.0% from the current level of 4.0%.

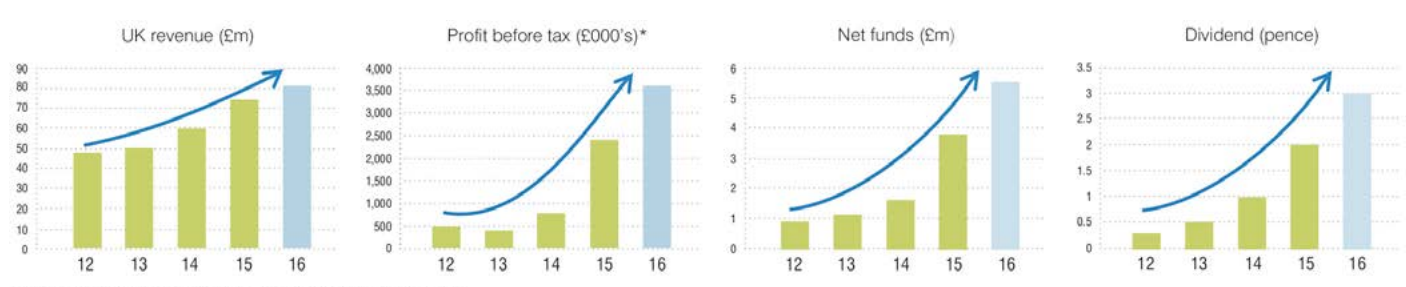
Waterman is financially strong with net funds of £5.5m at 30 June 2016. Dividend has increased for five consecutive years. In the last financial year, the annual dividend was 3.0 pence per share, covered 2.5 times by adjusted earnings per share. The board's aspiration is to continue to increase dividends payable to shareholders in future years consistent with the cash generative nature of the business.

SIGNIFICANT COMMISSIONS

The group has been providing engineering and environmental consulting advice since 1952 on many of the larger developments throughout the UK.

Current commissions include:

- Westgate, Oxford, 90,000m2 of retail and residential development for the Crown Estate and Land Securities, this is the largest retail development currently under construction in the UK.
- Capital Dock, Dublin, 60,000m2 of commercial and residential development for Kennedy Wilson, this is the tallest and largest building project in the centre of Dublin.
- Brent Cross, London, 90,000m2 of retail and leisure development for Hammerson and Standard



* Profit before tax for 2013 includes a £0.5m loss from discountinued operations.

Life which is currently proceeding towards planning.

- Teddington Film Studios and Mortlake Stag Brewery in West London, two residential developments in prime riverside locations extending in total to over 26.5 acres.
- Canary Wharf, London, over 200,000m2 of mixed use buildings for the Canary Wharf Group assisting them with their plans for a further phase of the overall Canary Wharf development.
- MOD Army Basing Programme (ABP), where over the next four years new and enhanced garrison facilities will be completed at Bulford, Tidworth, Perham Down, Larkhill and Aldershot for 130 new buildings and over 2,600 additional bed spaces for single soldiers will be created.

Waterman's year end order book stood at £130m and the company had secured over 55% of its revenue at the start of the financial year which is similar to previous years. The group can provide consulting services to its clients from the start to the end of a project cycle from the planning phase all the way through to the completion of the detailed design and preparation of tender and construction information. Revenue is generated from all phases in the diagram shown below.

EXPERTISE TO DELIVER

If a client requires a single discipline or a multi-discipline service, Waterman has the expertise to deliver. The comprehensive balance of engineering and environmental disciplines offered by Waterman to its clients provides diversity so that the company is not solely reliant on any one sector or any one service to deliver the group strategy for growth and enhanced shareholder value.

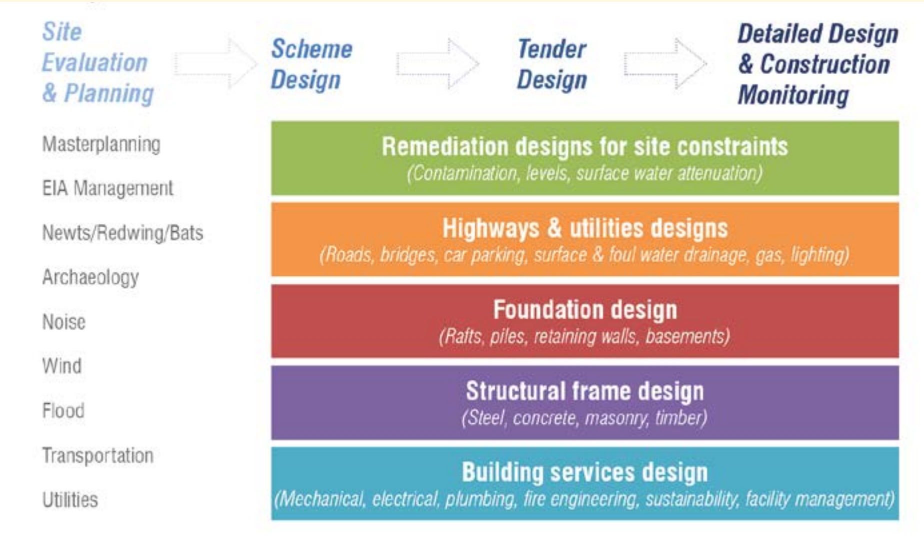
Waterman has over 400 highways and transportation engineers seconded into the offices of public sector clients. These engineers provide technical support on highway alterations, new construction and strategic advice to clients throughout the UK. Waterman receives a margin above cost for each hour worked by the engineers on secondment and over the last year its Outsourcing business revenue has increased by 21%. The Government's renewed focus on infrastructure projects, particularly in the highways market, may create a skills shortage in the future which would increase the demand for Waterman's engineers, helping to increase secondee numbers and profit margin.

GROWTH OPPORTUNITIES

There are many opportunities for Waterman to continue to grow revenue, profit and margin. The group's diverse business model and lack of an over reliance on any one market or any one client provides a strength and confidence for future prospects.

Waterman has a significant opportunity to increase its revenue through the cross selling of its services. Currently approximately only 10% of its revenue involves the cross selling of more than one of its engineering and environmental services.

Over the last five years, the UK Consulting engineering sector has experienced significant consolidation. Waterman believes this trend may continue and that they are ideally placed to benefit from this activity as their client relationships will enable them to reinforce their position as an optimum sized consultant delivering a trusted service to their clients.



High yielding AIM stocks*

Company	EPIC	Prospective yield (%)
Elegant Hotels	EHG	9.8
SacOil	SAC	8.9
Polar Capital	POLR	8.8
NAHL	NAH	8.5
Gattaca	GATC	7.5
NetPlay TV	NPT	7.5
Cenkos Securities	CNKS	7.5
Entu (UK)	ENTU	7.3
RTC	RTC	7.1
Epwin	EPWN	7.0
M Winkworth	WINK	6.8
Alternative Networks	AN.	6.6
Netcall	NET	6.5
IBEX Global Solutions	IBEX	6.5
Highland Gold Mining	HGM	6.4
Redde	REDD	6.2
Randall & Quilter Investment	RQIH	6.2
Central Asia Metals	CAML	6.1
Shoe Zone	SHOE	6.1
SafeCharge International	SCH	6.0

Source: SharePad as at 17 November 2016

*Does not include dividend yields above 10%

Low PE AIM stocks*

Company	EPIC	Prospective PE
Produce Investments	PIL	6.1
Impellam	IPEL	6.2
Elegant Hotels	EHG	6.4
Vertu Motors	VTU	6.6
United Carpets	UCG	6.6
RTC	RTC	6.8
Epwin	EPWN	6.9
Jaywing	JWNG	7.1
Abbey	ABBY	7.1
Digital Globe Services	DGS	7.3
Caledonia Mining	CMCL	7.4
Molins	MLIN	7.4
Entu (UK)	ENTU	7.6
NAHL	NAH	7.6
TLA Worldwide	TLA	7.8
Zambeef Products	ZAM	7.8
Gattaca	GATC	7.9
Staffline Recruitment	STAF	7.9
IndigoVision	IND	8.0
Scientific Digital Imaging	SDI	8.1

Source: SharePad as at 17 November 2016

*Does not include shares on a price-to-earnings ratio below 6

Best AIM performers year-to-date

Company	EPIC	YTD performance (%)
SolGold	SOLG	1120
Jersey Oil and Gas	JOG	1070
Public Service Properties Investments	PSPI	869
Ironridge Resources	IRR	807
Altitude	ALT	763
Aurum Mining	AUR	724
Mercom Capital	MCC	663
GCM Resources	GCM	604
Ienergizer	IBPO	556
Base Resources	BSE	456
Wishbone Gold	WSBN	450
Anglo Asian Mining	AAZ	445
88 Energy	88E	423
Tejoori	TJI	409
ASA Resources	ASA	407
Finnaust Mining	FAM	398
Sopheon	SPE	391
Mariana Resources	MARL	377
Landore Resources	LND	375
New Trend Lifestyle	NTLG	375

Source: SharePad as at 17 November 2016

*Does not include yields above 10%

Worse AIM performers year-to-date

Company	EPIC	YTD performance (%)
Vast Resources	VAST	-78.8
Microsaic Systems	MSYS	-82.1
Atlas African Industries	AAI	-82.7
City of London	CIN	-84.8
Avanti Communications	AVN	-85.2
365 Agile	365	-85.4
ECR Minerals	ECR	-85.5
People's Operator	TPOP	-86.9
HaloSource	HALO	-86.9
African Potash	AFPO	-87.1
Frontera Resources	FRR	-87.2
Stanley Gibbons	SGI	-87.9
Origo Partners	OPP	-88.3
Independent Resources	IRG	-88.5
Xtract Resources	XTR	-89.4
Xcite Energy	XEL	-89.7
Andalas Energy and Power	ADL	-89.7
Tower Resources	TRP	-91.0
Snoozebox	ZZZ	-92.7
Strat Aero	AERO	-93.6

Source: SharePad as at 17 November 2016

*Does not include yields above 10%

Are concentrated portfolios good or bad?

We look at the risks and rewards from investing in portfolios with 50 holdings or less

One of the advantages of buying a fund like an investment trust is that it offers a diversified exposure, but recent analysis suggests a large number of managers like to maintain a relatively concentrated portfolio.

A concentrated approach is likely to lead to more volatile returns relative to the benchmark, especially over shorter time periods.

This is because these types of funds typically have a higher 'active share', which refers to the percentage of the portfolio that is different to the benchmark.

WHAT SORT OF NUMBERS ARE WE TALKING ABOUT?

Research by trade body AIC (Association of Investment Companies) found a third of investment trusts operating in the different equity sectors had 50 or fewer stocks in their fund.

The practice is particularly prevalent in the UK Equity Income and Global sectors with the examples including: **Finsbury Growth & Income (FGT)**, **The Merchants Trust (MRCH)** and **EP Global Opportunities (EPG)**.

A concentrated portfolio can lead to more volatile returns

WHAT'S THE APPEAL OF CONCENTRATED PORTFOLIOS?

Investors who buy these types of funds can be sure they are getting true active management and are not being overcharged for a closet tracker.

They are getting the manager's highest conviction ideas and the opportunity to substantially outperform the market.

Simon Gergel, the manager of The Merchants Trust, says his team undertakes a significant amount of background research into the companies being considered for the portfolio.

'We are seeking situations where our assessment of the investment case is markedly superior to that which is discounted by the stock market. Having conviction allows us to concentrate the portfolio into these ideas without a tail of lower conviction holdings diluting the longer term returns,' he says.

'We are seeking situations where our assessment of the investment case is markedly superior to that which is discounted by the stock market. Having conviction allows us

to concentrate the portfolio into these ideas without a tail of lower conviction holdings diluting the longer term returns.'

He uses a fundamentally driven, bottom up investment approach and accepts the active stock selection strategy won't outperform the market all the time, but is confident it will work over the long-term.

Steve Davies, the manager of **Jupiter UK Growth Trust (JUKG)**, says his portfolio typically has around 35 holdings. These consist of a mixture of growth and recovery stocks with each of the shares falling into one of four themes: UK banks, UK domestic, global brands and travel, and 'the connected world'.

'I believe that by running a concentrated portfolio that differs significantly from the benchmark weightings, combined with the active use of gearing, the fund's strategy offers the potential to achieve more differentiated future performance versus the benchmark, which is a key advantage of a concentrated portfolio.'

HIGHER OR LOWER RISK?

Traditional portfolio theory says the more assets in your portfolio, the lower the overall level of risk because the gains in one area will offset losses in another.

This has been challenged by legendary investors like Peter Lynch and Warren Buffett who think that portfolio concentration reduces risk as it allows you to focus on the businesses you really understand.

Gergel says the risk of underperforming the benchmark is higher with a concentrated portfolio, but it allows a sharper and more detailed focus on each investment.

'We spend a significant amount of time understanding the business, financial and valuation risks of the investments we make. We believe this focus allows us to identify situations where the risk-reward profile in absolute terms is highly attractive.'

DIG DEEP

When a manager only invests in a relatively small number of stocks it is essential that they carry out sufficient research so they can be confident the portfolio will deliver decent returns and is unlikely to suffer a sharp sell-off.

FINSBURY GROWTH & INCOME	
Number of holdings:	25
Top 3 positions:	Diageo, RELX, Unilever

EP GLOBAL OPPORTUNITIES TRUST	
Number of holdings:	40
Top 3 positions:	Royal Dutch Shell, Novartis, Galaxy Entertainment

THE MERCHANTS TRUST	
Number of holdings:	45
Top 3 positions:	Royal Dutch Shell, GlaxoSmithKline, BP

Source: Latest company factsheets

With recovery stocks, Davies at Jupiter looks for a catalyst that will turn things around and models the future profit forecasts to identify instances where his projections are substantially different to the consensus forecasts.

For growth stocks, he runs a monthly screen to identify companies with long-term sustainable growth characteristics and sufficiently predictable revenues that allow him to build detailed financial models.

'For both types of stock, meeting management is a key part of assessing a potential investment and the associated risks, and I will usually meet with a company before undertaking detailed modelling work,' he says.

RELIANT ON FUND MANAGER SKILL

There is no evidence that running a concentrated portfolio automatically guarantees better returns, but it makes you more dependent on the skill of the manager as bad selections could really hurt the performance.

'When constructing the portfolio we pay close attention to the risks in each stock, including: operational risk, concerned with the business dynamics; financial risk, regarding the level of debt and strength of cash flow; and valuation risk, reflecting whether the shares could be vulnerable to a de-rating,' says Gergel at The Merchants Trust.

'We aim to have smaller positions in riskier stocks and the largest investments in the less risky stocks.' (NS)

HOW THE EXPERTS PICK SMALL CAP STOCKS

WE TALK TO THREE FUND MANAGEMENT GROUPS TO LEARN THE SECRETS OF THEIR SUCCESS

We are big fans of smaller companies and that is reflected by the generous space given to this area of the market in our weekly digital magazine and across our website.

Many investors welcome the challenge of sifting through the large number of junior companies on the market. We certainly help with this journey by highlighting what we believe are the best opportunities, as well as companies we don't think are capable of meeting the grade.

Not every investor has the time or inclination to do the heavy lifting research needed to sensibly invest in smaller companies. In which case, a better way might be to get exposure via the small cap fund route.

The detailed digging is handled on your behalf by investment experts and your risk is spread over a portfolio of stocks, in exchange for a small annual management fee.

SECRETS OF THEIR SUCCESS

We've spoken to several small company investment professionals to get their unique view on the space.

This should be of interest to anyone considering the funds route, as well as DIY investors who want to emulate the successful strategies of fund managers or simply pinch some of their ideas.

This week we talk to Amati, Liontrust and Miton. Next week we will reveal how the experts at JPMorgan, Henderson and Unicorn pick their small cap stocks.

THERE ARE DIFFERENT VIEWS AS TO WHAT CONSTITUTES A 'SMALL CAP' STOCK. WE'D SAY £400M OR LESS; SOME INVESTORS MIGHT THINK SMALL CAP IS BELOW £100M; OTHERS SAY ANYTHING BELOW £1BN

VICTORIA STEVENS & MATT TONGE, CO-MANAGERS OF LIONTRUST UK MICRO CAP (GB00BDFYHP14)

'A fundamental principle of competitive markets is that profits regress to the mean,' say the Liontrust pair.

'We believe the secret to successful investing is to identify those few companies that have a durable "Economic Advantage" that allows them to defy this principle and sustain a higher than average level of profitability for longer than expected. This surprises the market and leads to strong share price appreciation.

'This "Economic Advantage" investment process is the collection of distinctive characteristics of a company that competitors struggle to reproduce, even if those competitors have understood the benefits arising from those characteristics.

'In our experience the hardest to replicate of these particular characteristics fall into three categories of intangible assets: intellectual property, strong distribution channels, and significant recurring business.

'Other less powerful but nonetheless important intangible strengths include: franchises and licences; extraction rights; good customer databases and relationships; effective procedures and formats; strong brands and company culture.'

LIONTRUST UK MICRO CAP'S BIGGEST POSITION IS **YOUGOV**

CLEAR CRITERIA

Liontrust believes that only distinctive and hard to replicate intangible assets can form the basis of a sustainable competitive advantage.

The asset manager says these assets deliver pricing power, protect margins, and thus drive sustained profitability. It says the market rewards excess profitability, particularly when it is higher than consensus expectations.

'When implementing this into investment, we evaluate companies in the UK stock market for their possession of durable "Economic Advantages" by screening and scoring companies,' explain the fund managers.

'To pass our test, a company must demonstrate it has intellectual property, a distribution channel or repeat business. A higher score is given for these assets than other intangible assets. This initial screen gives us our universe of potential investments.'

The team expects slightly more from smaller companies. The pair remark: 'We believe that "Economic Advantage" in smaller companies is created and maintained by talented individuals.

'Research demonstrates that equity ownership motivates key employees, helps to secure a company's competitive edge and leads to better corporate performance.

'Equity ownership aligns the interests of employees with outside shareholders. 'An "owner-manager" culture creates a more conservative attitude towards acquisitions and gearing. Every smaller company held in the portfolios has at least 3% of its equity held by main board directors. Companies are also assessed for employee ownership below the board. Changes in equity ownership are monitored,' explain Stevens and Tonge.

WHAT IS THE MOST EXCITING STOCK IN YOUR PORTFOLIO?

The largest position in the Liontrust UK Micro Cap Fund is market research group **YouGov (YOU:AIM)**.

The company has built up a consumer panel of nearly 5m members globally from which it collects data on a broad range of subjects.

'We find the company's "Economic Advantage" primarily in a data-driven distribution network. YouGov's brand tracking, customer profiling and market information expertise can quickly become ingrained within their own customers' workflows, making the offering extremely sticky.

'The company also has significant intellectual property within the vast bank of proprietary data collected from its panel over time, as well as the software used to manage this data.

'In moving the company's revenue streams increasingly towards data-driven products and services (as opposed to one-off custom research projects), YouGov is not only strengthening its margins but also building its recurring and repeating revenue streams, improving visibility and quality of earnings,' say the Liontrust fund managers.

Finely crafted investments

Amati
Global Investors

TB Amati UK Smaller Companies Fund

CITYWIRE AAA

FE CROWN FUND RATING

Amati is an independently owned UK Smaller Companies boutique with a manager track record for the TB Amati UK Smaller Companies fund since 2000. Amati also manages two AIM VCTs and an AIM IHT Portfolio Service.

TB Amati UK Smaller Companies Fund is administered by T Bailey Fund Managers. Before investing you should view the Key Investor Information Document (KIID). To request these or to speak to one of the team, please contact us on 0131 503 9100 or email us at: info@amatiglobal.com

Calendar Years to 30 September 2016

TB Amati Decile Ranking	1 Year	2 Years	3 Years
	1st	1st	1st

Ranking against IA UK Smaller Companies Sector

***TB Amati UK Smaller Companies Fund (B Class) performance since Paul Jourdan take-on of fund**
****Benchmark Index: Numis Smaller Companies (plus AIM, ex Investment Companies), Total Return**

Source: Amati Global Investors as at 30 September 2016. Past performance is not a reliable indicator to future performance

Risk Warning

This advert is a financial promotion issued by Amati Global Investors Ltd, authorised and regulated by the Financial Conduct Authority. The value of your investment is not guaranteed and may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the markets in which the Fund invests. You should regard your investments as long term. A dilution levy may be applied to the share price whenever the Fund is expanding or contracting. Should you buy when the Fund is expanding and sell when the Fund is contracting, this will have an adverse impact on the return from your investments. Full details of the TB Amati UK Smaller Companies Fund, including costs and risk warnings, are published in the Prospectus of the TB Amati Investment Funds. This leaflet does not provide you with all the facts that you need to make an informed decision about investing in the Fund. You need to read the associated Key Investor Information Document (KIID) and the Supplementary Information Document (SID) and decide whether to contact an authorised intermediary. If you do not already have a copy of these two documents, please contact T. Bailey on 0115 988 8275 (www.tbailey.co.uk/amati). The SID details your cancellation rights (if any) and the KIID shows you how charges and expenses might affect your investment. Tax rates, as well as the treatment of OEICs, could change at any time.

DOUGLAS LAWSON, CO-MANAGER OF **TB AMATI UK SMALLER COMPANIES (GB00B2NG4R39)**

Amati is a well-known investor in smaller companies via both venture capital trusts and its small cap equity fund.

'We are essentially growth investors, so we look for companies that have the potential to generate attractive levels of revenue and earnings expansion over the long-term,' says fund manager Douglas Lawson.

'Normally, these companies are operating in nascent markets or are offering something novel in established markets. Sometimes these companies are the driving forces of structural changes in their industries.'

AMATI UK SMALLER COMPANIES IS VERY EXCITED ABOUT **KEYWORDS STUDIOS**

DESIRED CHARACTERISTICS

Lawson looks for companies that are operating in large markets with a distinctive offering that provides a competitor advantage, pricing power and barriers to entry.

'At the same time, we are looking for a good profit to cash conversion ratio,' he adds.

WHAT IS THE MOST EXCITING STOCK IN YOUR PORTFOLIO?

The one holding Lawson is most excited about is **Keywords Studios (KWS:AIM)**, a provider of technical services to the video games industry.

He says the provision of these services to video games publishers is a fast growing market as the publishers continue to outsource non-core activities.

'It is a very fragmented market, yet the publishers would rather deal with as few service providers as possible. Keywords has been solving this problem for publishers through the acquisitions of specialist service providers throughout the world, to take the group closer to being a global one-stop shop.'

GERVAIS WILLIAMS, FUND MANAGER FOR **CF MITON UK SMALLER COMPANIES (GB00B8JWZP29)** AND **MITON UK MICROCAP TRUST (MINI)**

Gervais Williams is a well-known name in the small cap space and is also managing director of asset manager **Miton Group (MGR:AIM)**.

'I continue to look for companies with ongoing turnover growth and sustained margins because ideally we need to find companies where they will generate an attractive cash payback on their capex, etc. over time,' says Williams, concerned about the risk of margin pressure.

'Corporate margins have doubled during the boom years, and we fear we are now embarking on the other side of that time.'

CLEAR RETURNS

Williams says he is looking for companies that invest for cash paybacks in three or less years.

'Given productivity is flat lining at present, the more we can find companies that are generating productivity improvement the better their ability to take advantage of the lack of investment in others.

'If there is more margin pressure going forward those with outstanding customer service have the best opportunity to sustain their margins.'

WHAT HAS THE FUND MANAGER BEEN BUYING?

Recent purchases include some oversold stocks set for a recovery, claims Williams. 'We have also supported some recent IPOs like **Autins (AUTG:AIM)** and **Van Elle (VANL:AIM)**.

'Generally, the worries about Brexit have left many of the stocks outside the mainstream out in the cold. So their valuations relative to mainstream stocks are looking unusually cheap.'

MITON'S SMALL CAP FUNDS RECENTLY TOOK PART IN TWO IPOS — **AUTINS** AND **VAN ELLE**.

Williams continues to favour companies that can find ways of growing independently of the underlying markets in which they operate.

'With world growth stagnating, we believe investors will need to widen their investment universe beyond the FTSE 350 to participate in stocks that will continue to generate attractive returns.'

Fighting back against the fraudsters

Pensions freedoms have encouraged share scams

George Osborne's pensions freedom reforms have spurred a positive revolution in UK retirement saving. People are no longer shovelled into the locked box of an often poor-value annuity contract, and instead have near-total flexibility over how they spend and invest their hard-earned pension pot.

There is, however, a darker side to the new rules. Fraudsters are increasingly targeting elderly, often vulnerable savers through scams which often leave the victims penniless. AJ Bell analysis of City of London Policy pension fraud figures shows that, in the six months after the freedoms were launched, some £13.3m of fraud losses were reported.

LOSSES TREBLE

To put that in context, that's almost three times the £5.4m losses recorded during the same period a year earlier.

It's worth remembering that these figures don't include investment scams, with some estimates suggesting the true figure for pension-linked scam losses runs into the hundreds of millions.

The Government has recognised this as a problem and will legislate to ban cold-calling for pensions – something AJ Bell has been campaigning for this year.

In addition, policymakers plan to make it harder for scammers to set up fraudulent vehicles in the first place, and hand pension providers greater power to protect members by blocking transfers to dodgy schemes.

These reforms will be disruptive but won't put an end to pension fraud, so you still need to be on guard when deciding how to spend and invest your retirement pot.

TOP TIPS

Here are my top tips to avoid falling victim to a scam:

• If it sounds too good to be true, it probably is
Most scams attempt to lure savers in with investments offering outlandish, sometimes 'guaranteed', investment returns. This should set off immediate alarm bells. Common investment 'opportunities' to be wary of include storage pods, car parking spaces and exotic offshore projects which may never materialise.

• If someone says you can access your pension before age 55, they're lying!
Government rules only allow you to access your pension from age 55 unless you are in ill-health. If you access your money early in any other circumstances, it will be treated as an unauthorised payment and you'll be hit with a huge 55% tax charge from HMRC.

• Do your due diligence
If you are determined to go ahead with a high risk investment, do your homework first. Is the company offering the investment regulated by the FCA? Who are the directors? How can they justify the returns they promise? If you're in any doubt at all steer clear or, at the very least, speak to a regulated financial adviser.

TOM SELBY
SENIOR ANALYST AJ BELL

Why are some ETFs priced so high?

Buying a slice of a fund could be the solution for retail investors

Despite being billed as a cost-effective way to invest, the manner in which some exchange-traded funds (ETFs) are priced makes them prohibitive to all but the wealthiest individuals.

Many ETFs cost in excess of £100 for just one share, making it extremely difficult for smaller investors to try to build a diversified portfolio. This is leading some platforms to consider allowing investors hold small 'portions' of these products.

If you wanted to buy **iShares FTSE 100 UCITS ETF (Acc) (CUKX)** you'd have to shell out £96.94 to buy one share, for example. Similarly, **iShares MSCI UK Large Cap UCITS ETF (CUKL)** would cost you £108.28 for one share (as of 14 November).

SKEWED ALLOCATION

Adam Laird, head of ETF strategy, Northern Europe at Lyxor, says this isn't an issue for someone with a large lump sum to invest because the price and number of shares you receive is just arithmetic. It mainly becomes a problem when someone has small amounts to invest.

SOME ETFS COST OVER £100 EACH

If you have £500 for a portfolio and the ETF you want to buy is priced at £100, your allocation to the ETF would be 20% of your portfolio, making it very concentrated. Problems also arise if you want to do regular dealing.

'If you're dripping a few hundred pounds a month into a portfolio, large share prices can make it difficult to invest precisely in the proportions you want,' says Laird.

For those who invest via a model portfolio you could find yourself with a large allocation to cash and skewed asset weightings. If an ETF costs £80 and you have £100 to invest, you'd be left over with £20 sitting in cash. That's why you often see minimum investment limits

of £400 or more with ETF-led model portfolios.

IS THERE AN INDUSTRY RETHINK ON PRICING?

Unfortunately, the unit price of ETFs is unlikely to change because it is set at an institutional level where the participants are making trades worth millions of pounds each.

'ETFs were created for institutions to move large amounts of money very quickly. It is a way for them to gain exposure to a large number of securities in one trade.

'They don't want dribs and drabs; they want one big block of shares because otherwise it would be unwieldy and inefficient,' explains Mark Fitzgerald, head of product, Europe at Vanguard.

THE US IS MORE ADVANCED THAN THE UK IN OFFERING FRACTIONAL DEALING IN ETFS

FRACTIONAL SHARES

It is down to the 'secondary market' – i.e. platforms selling ETFs to individual investors – to make ETFs more accessible. Over the past year, some platforms have begun developing the technology to enable people to buy 'fractional' shares – essentially a portion of an ETF rather than the whole share.

Fractional shares have existed in the US for some time and this year they arrived in the UK. A robo-advice platform launched fractional dealing in March 2016, allowing investors to hold small slices of shares in their portfolio. If an ETF is valued at £50, the robo-advice platform could buy half the share for £25 or a hundredth of the share for 50p.

In July, Winterflood Business Services, which provides dealing services to platforms, launched a fractional dealing service which allows the trading of ETFs to four decimal places. Platforms can adopt the solution and configure it onto their in-house systems for an annual fee.

In the financial adviser space, software platform Hubwise recently launched its own fractional dealing service.

These are positive developments, yet we don't foresee mainstream DIY investment platforms offering fractional dealing in ETFs in the near term. It's a wait and see situation.

BENEFITS OF FRACTIONAL DEALING

Fractional dealing would be useful if you are low on cash or don't want to spend a lot of money on a trade, but want exposure to an ETF that has a high price per share.

It would also enable you to invest all your available cash at once. For example, if you have £110 to invest and want to buy an ETF priced at £100, you'd be left over with £10 cash if fractional dealing isn't available. If it is, you could buy 1.1 shares of the ETF in one trade, with no cash left sitting around.

Motif, a platform in the US which enables fractional dealing, is set up so that its customers don't need to do any complicated maths when deciding how many fractional shares they can trade. They simply input the dollar amount for each trade and the platform figures out the rest.

The UK is streets behind the US and an industry-wide solution looks a long way off.

A forum was set up by the Tax Incentivised Savings Association to look into fractional trading, but ETF providers and share registrars weren't able to come to an agreement on how to overcome the operational challenges, according to Dan Hughes, dealing and trade support manager at Ascentric, a platform for financial advisers.

At the moment, the decision to provide fractional shares sits with each individual investment platform. 'The technology is now available, and it is down to the platforms to adopt it,' says Joe Parkin, head of UK wealth and retail sales at iShares. (EP)

BEGINNER'S GUIDE TO FOREX

WHAT IS A CURRENCY PAIR AND WHY ARE THE FOREIGN EXCHANGE MARKETS SO POPULAR WITH TRADERS?

Trading the world's currency markets was once the exclusive preserve of international banks and hedge funds. All that has changed over the past 20 years and now it is very straightforward for you to speculate on the direction of the likes of the pound, euro or yen.

Forex trading can still be a daunting prospect for those undertaking it for their first time as it is full of unfamiliar jargon and terminology. To help you, we now talk through the first steps you need to take to being a successful currencies trader.

STEP ONE: UNDERSTAND 'PAIRS'

Currencies trade in pairs. If we hear talk of one currency being strong or weak, it is not happening in isolation. It will be rising or falling when compared to another country's currency.

So when trading, for example, the pound/US dollar exchange rate (GBP/USD) you are taking a view on whether the pound will strengthen or weaken against the dollar over your particular time frame.

STEP TWO: HOW IT WORKS

We can look at events in the summer of 2016 to illustrate this idea. After the UK voted to leave the European Union the pound fell heavily against many world currencies. The GBP/USD rate had been 1.5000 on the day of the vote.

When the result came in, the currency pair ended the day at 1.3700. The day before, the pound had bought one dollar and 50 cents – but now it was only worth one dollar and 37 cents.

That is a sizeable drop and a very extreme move by historical standards but it does demonstrate how the value of one currency is measured against its counterpart from another country.

STEP THREE: UNDERSTAND THE MAIN PAIRS

Traders will try and take advantage of movements in exchange rates by trading forex pairs.

In theory, any currency can be traded against another – but most traders will tend to stick to what is known as the major currency pairs.

These would typically include the pound/US dollar (GBP/USD), euro/US dollar (EUR/USD), US dollar/Japanese yen (USD/JPY), US dollar/Swiss

franc (USD/CHF) and Australian dollar/US dollar (AUD/USD).

What may be surprising to those from a traditional share investing background is that currencies can be traded in both directions.

It is just as easy to sell short and try to profit from a fall as it is to buy if you think an exchange rate will increase.

STEP FOUR: UNDERSTAND THE COSTS

The cost of doing business in the forex markets is relatively low compared to other markets.

The bid/offer spread (the price you sell at/the price you buy at) is usually very narrow, and there is typically no extra commission to pay.

This situation, coupled with the day to day volatility – the swings in the market – has made forex an incredibly popular market with short-term traders.

STEP FIVE: HOW TO ACCESS THE MARKETS

There are various ways that a private investor can access the forex market.

In the UK, spread betting is a very popular approach but there are also dedicated brokers who will let you trade contracts on the world's forex pairs.

STEP SIX: UNDERSTAND THE TERM 'POINT'

It is important to understand what a one point movement means when trading forex and the value of that move.

For example, if the GBP/USD exchange rate moves from 1.2700 to 1.2800 that doesn't sound that significant as it only means the pound buys an extra US cent. But in forex trading terms, that is a move of 100 points.

Even on quiet days, many forex pairs will move at least 50 points and this adds to the appeal of this global market.

STEP SEVEN: UNDERSTAND THE RISKS

If someone thought the GBP/USD rate was going to rise, they may decide to try and profit from this by spread betting and buying '£1 per point'.

Alternatively they might use a forex broker and buy a contract where each one point move in the currency is worth £1 – it is important to know the size of contract you are trading so you are fully aware of the risk.

In both examples, for every point (or 'pip', to use some forex terminology) the exchange rate moves in their favour, they would make £1 profit.

Our trader may buy GBP/USD at 1.2700 and see the price rise to 1.2750 to sell. The market has moved 50 points in their favour so the trade could be closed in this example for £50 profit.

Markets can move very quickly against you as well and this is particularly true in the often volatile world of forex.

New traders should start small to get a feel for how these markets move and use appropriate risk management tools such as stop losses. (DJ)

FRIDAY 25 NOVEMBER

INTERIMS

Pennon	PNN

AGMS

Pan African Resources	PAF
Range Resources	RRL

MONDAY 28 NOVEMBER

FINALS

Aberdeen Asset Management	ADN

ABERDEEN ASSET MANGEMENT (ADN)
Investors are likely to be focused on Aberdeen Asset Management's acquisition plans and the performance of its emerging markets assets when it announces full year results on 28 November. The company recently walked away from a bid for Italian-owned rival Pioneer Global Asset Management citing the hefty price tag.

INTERIMS

Capital & Counties Properties	CAPC

TRADING STATEMENTS

Kainos	KNOS
Trakm8	TRAK

TUESDAY 29 NOVEMBER

FINALS

Patisserie	CAKE
Countryside Properties	CSP
Easyhotel	EZH
Shaftesbury	SHB
SSP	SSPG
Topps Tiles	TPT

TOPPS TILES (TPT)
The focus will be on current trading and the outlook when Topps Tiles posts full year results (29 Nov). Sold down heavily on concerns Brexit will crimp consumer spending, the tile specialist's Q4 trading was below expectations.

INTERIMS

Acal	ACL
Cranswick	CWK
Digital Barriers	DGB
Eckoh	ECK
GB Group	GBG
Hogg Robinson	HRG
IG Design	IGR
KCOM	KCOM
Motorpoint	MOTR
Park Group	PKG
Torotrak	TRK

AGMS

CAP-XX	CPX
Mysale	MYSL
Scotgold Resources	SGZ
Sabien Technology	SNT
Wolf Minerals	WLFE

WEDNESDAY 30 NOVEMBER

FINALS

Brewin Dolphin	BRW
Britvic	BVIC

BRITVIC (BVIC)
Out-of-favour branded beverages giant Britvic's full year results (30 Nov) will be watched for commentary on market conditions and the impact of currency on the Robinsons-to-Tango seller. Since the Brexit vote investors have been pricing in pressures placed on input costs from the fall in sterling. Third quarter results (21 Jul) showed a 0.7% organic sales decline to £326.5m amid challenging UK soft drinks market conditions and wet weather in June.

Sage	SGE
Sanderson	SND

INTERIMS

Abzena	ABZA
BCA Marketplace	BCA
Findel	FDL
LondonMetric Property	LMP
RPC	RPC
TCS	TCSA

TRADING STATEMENTS

IG Group	IGG

AGMS

Picton Property Income	PCTN
Ruffer Investment Company	RICA
Salt Lake Potash	SO4

THURSDAY 1 DECEMBER

FINALS

Greencore	GNC
Grainger	GRI
Impax Asset Management	IPX
Premier Asset Management	PAM

INTERIMS

Market Tech	MKT

AGMS

ASOS	ASC
Hotel Chocolat	HOTC
Ibex Global Solutions	IBEX
The Brighton Pier Group	PIER
PureCircle	PURE
Revolution Bars	RBG
Rambler Metals and Mining	RMM

EX-DIVIDEND

Alpha Real Trust	ARTL	0.6p
AVIVA	AV.A	4.38p
Bellway	BWY	74p
Creston	CRE	1.42p
Electrocomponents	ECM	5p
Establishment Investment Trust	ET.	2.5p
Fuller Smith & Turner	FSTA	7.25p
Greencore	GNC	4.1p
Headlam	HEAD	6.7p
International Consolidated Airlines	IAG	€0.11
Intermediate Capital Group	ICP	7.5p
Investec	INVR	7.12p
JD Sports Fashion	JD.	1.25p
James Halstead	JHDA	2.75p
Land Securities Group	LAND	8.95p
Origin Enterprises	OGN	€0.18
Premier Energy & Water Trust	PEW	1.9p
Perpetual Income and Growth Investment Trust	PLI	3p
Personal Assets Trust	PNL	140p
REA Holdings	RE.B	4.5p
Record	REC	0.82p
Sqn Asset Finance Income Funds	SQN	
Town Centre Securities	TOWN	4p
Town Centre Securities	TOWN	3.9p
Tarsus	TRS	2.7p
Utilico Emerging Markets	UEM	1.62p
Utilico Investments	UTL	1.87p
Volta Finance	VTA	€0.16
YouGov	YOU	1.4p

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KEY

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