STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS
VOL 18 / ISSUE 50 / 15 DECEMBER 2016 / £4.49

SHARES

WE MAKE INVESTING EASIER

FTSE 100'S NEW NAME
Everything you need to know about CONVATEC

SUPER CHARGED
Why we've turned bullish on AO WORLD

£18.5BN POTENTIAL TAKEOVER
TIME TO CASH IN **SKY** SHARES?

SOLID INCOME
Earn more than 4%

STOCKS UP TO 9.5%

ETFS UP TO 5.5%

FUNDS UP TO 7.8%

INVESTMENT TRUSTS *TO PLAY THE US MARKET RALLY*

Yield of screams

Fairpoint's move from high yield to zero yield is a wake-up call

Income is the dominant theme in this week's edition of *Shares*. We talk about what to buy, what to avoid and discuss income issues specific to people in retirement.

Dividends are one of the most important factors coveted by investors when weighing up which stocks or funds to buy. They are the reward for the risks associated with putting money in stock markets anywhere in the world.

Sadly the world of income is more complex than you might initially think. You need to be clued up on the different types of yield information available in the market and how dividends are funded in order to ascertain whether they are sustainable.

BEWARE THE NUMBERS

One of the key points in the main feature this week is the importance of not assuming dividends are guaranteed payments. A company isn't always going to pay the dividends forecast by analysts, so you need to be careful when using screening services on financial websites and not pick stocks simply because they have a high prospective yield.

We ran some numbers on the market when preparing this week's issue of *Shares*; the result included a 13% prospective yield from legal services group **Fairpoint (FRP:AIM)**. The company has subsequently issued a profit warning and said dividends are likely to be suspended.

Stock screening websites won't change their Fairpoint data until new forecasts are issued, which could take days or weeks. At the time of writing Fairpoint's share price slump had pushed up the prospective yield to 39%.

Clearly that is incorrect, but how would you know unless you saw Fairpoint's announcement last week? It is a classic example of why you should always undertake further research once you've found some investment ideas.

MORE CUTS?

The dividend cuts theme seen in 2015 is back on the agenda. **Mitie (MTO)** and **EasyJet (EZJ)** recently cut their payments. **Aberdeen Asset Management (ADN)** could be next, analysts suggest.

Glencore's (GLEN) decision to reinstate dividends from 2017 bucks the trend, but housebuilder **Berkeley (BKG)** takes the debate in a new direction.

Having promised £10 per share in dividends by September 2021, some of this money will be used instead for share buybacks. While that should improve earnings per share, it does reduce the amount of physical cash from dividends that Berkeley investors had expected to go in their pocket.

Dividends will continue to be a surprise – just not always a good one.

WHO WE ARE

EDITOR: Daniel Coatsworth @SharesMagDan

DEPUTY EDITOR: Tom Sieber @SharesMagTom

NEWS EDITOR: Steven Frazer @SharesMagSteve

COMPANIES EDITOR: William Cain @SharesMagWill

FUNDS AND INVESTMENT TRUSTS EDITOR: James Crux @SharesMagJames

JUNIOR REPORTER: Lisa-Marie Janes @SharesMagLisaMJ

CONTRIBUTERS Emily Perryman, Tom Selby, Nick Sudbury

PRODUCTION
Head of Production: Michael Duncan
Designer: Rebecca Bodi

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

MANAGING DIRECTOR Mike Boydell

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

BROKER RATINGS EXPLAINED:

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

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

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

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

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

Contents

15 December 2016

INTERACTIVE PAGES

CLICK ON PAGES NUMBERS TO JUMP TO THE RELEVANT STORY

03 Editor's View
Yield of screams

06 Big News
Let travel stocks put a smile on your face

10 Story in Numbers

12 Great Ideas
Super charged AO World

16 Talking Point
FTSE 100 dividend health check

18 Main Feature
Solid income: earn more than 4%

26 Funds
Funds for income drawdown

28 Week Ahead

29 Larger Companies
What to do with your Sky shares

30 Smaller Companies
Amino beats again

32 Under the bonnet
ConvaTec enters FTSE 100 seven weeks after IPO

34 Investment Trusts
How to play the North American markets

38 Feature
Spice up your portfolio with a VCT

42 Feature
Go east for income

46 Money Matters
The benefits of passing on your pension

49 Index

DISCLAIMER

IMPORTANT

Shares publishes information and ideas which are of interest to investors. It does not provide advice in relation to investments or any other financial matters. Comments published in Shares must not be relied upon by readers when they make their investment decisions. Investors who require advice should consult a properly qualified independent adviser. Shares, its staff and AJ Bell Media Limited do not, under any circumstances, accept liability for losses suffered by readers as a result of their investment decisions.

Members of staff of Shares may hold shares in companies mentioned in the magazine. This could create a conflict of interests. Where such a conflict exists it will be disclosed. Shares adheres to a strict code of conduct for reporters, as set out below.

1. In keeping with the existing practice, reporters who intend to write about any securities, derivatives or positions with spread betting organisations that they have an interest in should first clear their writing with the editor. If the editor agrees that the reporter can write about the interest, it should be disclosed to readers at the end of the story. Holdings by third parties including families, trusts, self-select pension funds, self select ISAs and PEPs and nominee accounts are included in such interests.

2. Reporters will inform the editor on any occasion that they transact shares, derivatives or spread betting positions. This will overcome situations when the interests they are considering might conflict with reports by other writers in the magazine. This notification should be confirmed by e-mail.

3. Reporters are required to hold a full personal interest register. The whereabouts of this register should be revealed to the editor.

4. A reporter should not have made a transaction of shares, derivatives or spread betting positions for seven working days before the publication of an article that mentions such interest. Reporters who have an interest in a company they have written about should not transact the shares within seven working days after the on-sale date of the magazine.

Let travel stocks put a smile on your face

Tour operators, airlines and transport hub retailers are looking sharp

Travel-related stocks are starting to look interesting as nearly all UK-listed tour operators and package holiday groups have reported good financial results over the past few months, despite tough market conditions.

The outlook is also good with favourable comments on trading from many parts of the sector.

Our top picks are online booking platform **On The Beach (OTB)** and low-cost airline **Wizz Air (WIZZ)**.

From a valuation perspective, we are attracted to **Thomas Cook (TCG)** and **International Consolidated Airlines (IAG)**. The former has a price to earnings (PE) ratio of 8.8 and the latter trades on a PE of 6.4, both based on current financial year earnings forecasts.

COCKTAILS AND SUN LOUNGERS

On The Beach achieved 47% pre-tax profit growth in the year to September 2016 to £21.3m. Numis forecasts this will rise to £27m in 2017 and £35.2m in 2018.

Earnings growth over the past 10 years has been almost exclusively organic.

Having made its first move into international markets with the launch of operations in Sweden in 2015, On The Beach is now expanding into Norway.

POSITIVE SIGNS

Thomas Cook is 61% sold for its winter season with bookings from UK customers up 2% and average selling prices up 1%. Jet2-owner **Dart (DTG:AIM)** and **TUI (TUI)** both say winter sales are in line with expectations. Early indications for summer 2017 sales are good from both Thomas Cook and TUI.

Wizz Air trades on a slight discount to **EasyJet (EZJ)** and **Ryanair (RYA)** yet it has proved that it can make a profit on low-fare flights. Pre-tax profit is forecast to double between 2015 and 2019.

It has less UK exposure than peers and more exposure to Central and Eastern European markets. Panmure Gordon analyst Mark Irvine-Fortescue

says Wizz Air's low-cost model is an ideal fit for the latter territory.

'The market is fragmented and often poorly served by (sometimes state backed) legacy carriers; the point-to-point network enables multiple connections; and there is a strong consumer culture of value.'

The analyst has 'sell' ratings on EasyJet, TUI and Thomas Cook, saying the market is underestimating a more challenging outlook for these companies.

Ryanair recently launched a package holiday service to directly compete against tour operators. It is likely to undercut rivals by offering rooms at hotels across Europe with the cheapest flight seats. EasyJet has tried this tactic in the past with limited success.

MARKET BENEFICIARIES

Two stocks to benefit from strong activity in the travel market are **WH Smith (SMWH)** and **SSP (SSPG)**. *Shares* has 'buy' ratings on both stocks.

Magazines-to-snacks seller WH Smith enjoys higher margins in its shops situated in airports and train stations than it does on the high street. SSP has multiple franchises to run food and drink outlets in travel hubs under such brands as *Starbucks*, *Burger King* and *Yo! Sushi*. (DC)

Takeovers, disposals and clampdowns

Investors are bombarded with significant news in a normally quiet period

A FLURRY OF corporate news is keeping investors on their toes in the run up to Christmas. Profit warnings, takeovers, regulatory crackdowns and asset sales have dominated the stock market agenda over the past few weeks.

TAKEOVER TIME

The most substantial development is the £18.5bn takeover approach from **21st Century Fox (FOX:NYSE)** for pay-TV giant **Sky (SKY)**.

Also in the media sector, the recently appointed chief executive of **Daily Mail & General Trust (DMGT)** Paul Zwillenberg has made his first big strategic move. He's reduced the newspaper publisher and business information firm's stake in **Euromoney Institutional Investor (ERM)** from 67% to 49% and netted £315m for DMGT in the process.

Investec analyst Steve Liechti sees several benefits to the deal for Euromoney: '1) Greater strategic autonomy; 2) Financial flexibility from a decoupled balance sheet; 3) Allowing an increased dividend pay-out ratio; 4) A more diversified investor base and improved liquidity in the shares.'

Commodities business **Glencore (GLEN)** has brought its own divestment programme to a close and has splashed out in partnership with Qatar's sovereign wealth fund to buy a 19.5% stake in Russian state oil firm Rosneft.

The joint venture is paying $11.3bn for the stake. Glencore is putting up €300m and offering a further €1.4bn in margin guarantees, offering protection to a consortium of lenders against a large fall in the value of the Rosneft shares.

£18.5bn
Takeover approach for Sky

£315m
proceeds from Daily Mail's Euromoney sale

$11.3bn
Glencore and Qataris paying for stake in Rosneft

1:25
Leverage limit on CFDs proposed by FCA

REGULATORY RISK

There was a harsh reminder of the risks of being invested in companies with significant exposure to regulation. Trading platforms **CMC Markets (CMCX)**, **IG (IGG)** and **Plus500 (PLUS:AIM)** saw significant share price declines after the relevant authorities in the UK and Cyprus announced a crackdown on contract for difference (CFDs) products.

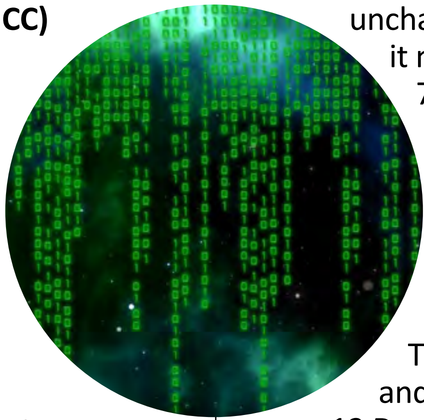
The Financial Conduct Authority (FCA) wants to impose a limit of 1:25 leverage for retail clients with less than 12 months' experience. Secondly, the regulator wants a cap of 1:50 for all clients. The FCA notes that some CFD providers offer leverage in excess of 1:200. If enacted this could have a severe negative impact on the sector's earnings.

The gambling sector is facing its own regulatory challenge after a cross-party group of MPs said maximum stakes on fixed-odds betting terminals should be cut from £100 to £2. That would have a negative impact on earnings for bookies with high street shops.

It is the latest in multiple efforts to reform the industry in recent years and this has led to a wave of consolidation. In the latest chapter in this story, reports are linking **GVC (GVC)** with a potential £3.2bn bid for **Ladbrokes Coral (LCL)**. (TS)

Over optimism dents NCC

Cyber security business admits profits shortfall too big to recover



Cyber security company **NCC (NCC)** is having to accept it was too optimistic about its ability to recover a profits shortfall from contract losses and delays in its Assurance business that sparked a shock profit warning on 20 October.

The Manchester-based company now admits that adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) for the full year to 31 May 2017 will fall within the range of £45.5m to £47.5m.

Some analysts recalculated their forecasts at the time of the warning in October but many did not and are now being forced to take the red pen to estimates. Peel Hunt has slashed its adjusted EBITDA forecasts of £52.7m and £62.7m for this year and next by 12% and 16% respectively, leaving new estimates at £46.5m and £53m.

We said in a website story on 20 October that NCC's decision to leave guidance for the full year unchanged 'seems rather unwise,' and so it now appears. The shares fell around 7% on this latest announcement to 190.5p, having collapsed by 35% on the day of the original warning.

NCC retains a largely positive view on future trading, backed by an ever-increasing number of high profile cyber security breaches.

The group's total forward order book and renewals stood at £112.8m as of 12 December, up 4% on the £108.8m level published on 20 October 2016. 'These contract cancellations do not reflect any structural change in our Assurance business,' states NCC chief executive Rob Cotton. (SF)

SHARES SAYS:
It's been a messy few months for NCC but that comes on the back of a particularly strong financial year to 31 May 2016. We continue to side with the more positive analysts.

BROKER SAYS 3 2 2

Time to shop for Sports Direct

Robust cash flow and keen prices are strengths for retailer

NEGATIVE SENTIMENT TOWARDS sportswear giant **Sports Direct International (SPD)** looks overdone at 282.5p. While the near-term outlook is challenged, Mike Ashley's charge does have some strengths.

Half year results (8 Dec) were admittedly dire, a 57% slump in pre-tax profit to £71.6m reflecting devaluation of the pound and an increase in depreciation. Unhedged going into the period, Sports Direct further downgraded earnings expectations for the year to 30 April 2017 and warned 'strategic challenges and currency headwinds' will weigh on medium term performance.

Yes, poor governance remains an issue, but don't forget Sports Direct generated £129.5m of underlying free cash in the half and remains the price leader for sporting goods. This could be helpful with an uncertain 2017 ahead for UK shoppers. It also boasts heritage brands including Dunlop, Slazenger and Everlast, has inked new deals with desirable brands Nike and Adidas and still has potential in Europe.

Based on Cantor Fitzgerald Europe's downgraded full year estimates – £120m pre-tax profit, 17.4p of earnings – the shares aren't cheap on a PE of 16.2 times. However if Sports Direct can get back on track and return to profitable growth, this could be a very good entry point. (JC)

SHARES SAYS:
Risk-tolerant investors should consider buying at a beaten down price.

BROKER SAYS 2 5 4

$51.3m

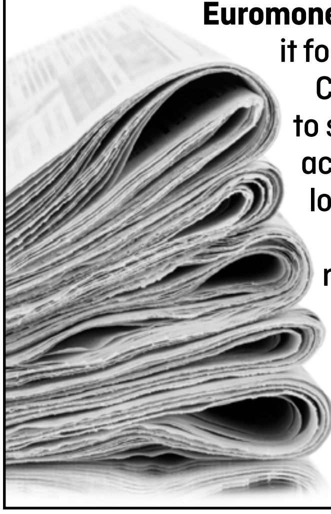
Mike Ashley's new jet

EMBATTLED RETAILER **Sports Direct International (SPD)** is lavishing $51.1m (£40.3m) on a corporate jet.

The revelation could hardly have been more poorly timed given woeful interims (8 Dec) containing further downgrades to earnings guidance and raising further questions over corporate governance.

As *Shares* explains in Big News, there are reasons to stay positive on the sporting goods seller but Mike Ashley doesn't help himself with PR clangers such as this.

49% Daily Mail's Euromoney stake



PUBLISHER **Daily Mail (DMGT)** sold 32.5m shares in **Euromoney (ERM)**, the business-to-business publisher it founded in 1969, reducing its stake to 49%.

Chief executive Paul Zwillenberg is expected to spend proceeds from the stake sale on acquisitions, according to analysts, and may look to sell more of its shares in the business.

A substantial chunk of DMGT's value remains linked to its investment in Euromoney, worth £674m at market prices, and property portal **Zoopla (ZPLA)**, in which it holds a 31% stake worth £411m. DMGT in total is valued at £2.6bn.

76% Cohort needs a second half miracle

DEFENCE BUSINESS **Cohort (CHRT:AIM)** will need to generate 76% of its earnings per share in the second half of its April 2017 financial year if it is to hit consensus forecasts.

Adjusted earnings per share (EPS) in the six months to 31 October fell 16% year-on-year to 5.99p against the 24.5p pencilled in for the full year. The company says the weak EPS number was due in part to a significant proportion of its earnings being derived from partially owned businesses.

To demonstrate its faith in a stronger second half the company upped its first half dividend by 16% to 2.2p.

PHOTO-ME KIOSKS

Photo-Me's (PHTM) eponymous vending machines now total 46,760 worldwide – helping half-year profits gain 4.3% to £31m.

Around 60% of Photo-Me's machines are its eponymous photo booths, with the remainder including washing machines and printing kiosks.

Photo-Me's booths may soon have the capability to securely submit identity documents including passports and driving licences.

Agreements have been signed in France, Ireland, Germany and Switzerland while discussions are ongoing in the UK, Belgium and Holland.

£534,000

Devro directors splash out

EXECUTIVES AND directors at sausage skin supplier **Devro (DVO)** bought more than half a million pounds' worth of shares in the company during 2016.

According to *Shares'* online director dealing tool, chief executive Peter Page, chairman Gerard Hoetmer and finance director Rutger Helbing bought £534,000 worth of shares over the past 12 months as well as two non-execs.

More than £400,000 of this buying came after a profit warning in November which pushed Devro's share price losses to 42% year-to-date.

15 Years

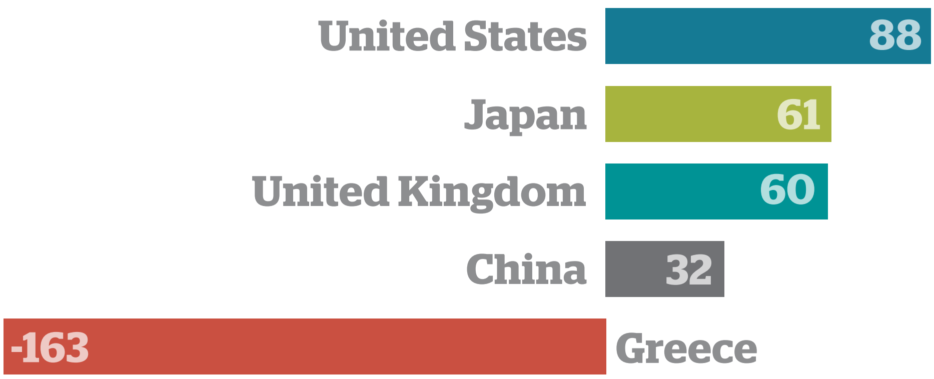
Breakthrough for oil

FOR THE FIRST time since 2001 OPEC has agreed coordinated action with non-member oil producers to support the oil price.

The deal between the production cartel and a number of other countries, including Russia, Kazakhstan and Oman, is for a production cut of 558,000 barrels of oil and helped lift the oil price to its highest level since July 2015.

The Brent benchmark traded within touching distance of $60 per barrel which is a level that both **Royal Dutch Shell (RDSB)** and **BP (BP.)** have signalled they could fund capex and dividends from organic free cash flow.

Change in 10 year government bond yields Last three months (basis points)



Source: Thomson Reuters Datastream

BEST & WORST - ASIA-PACIFIC EX JAPAN FUNDS

Fund	Year-to-date (%)
Templeton Asian Growth	41.69%
Invesco Perpetual Asian	37.16%
Legal & General Asian Income	35.41%
BlackRock Pacific ex Japan Equity	31.93%
Legal & General Pacific Index	31.27%
Matthews Asia Funds Pacific Tiger	18.16%
Baillie Gifford Pacific	17.42%
Stewart Investors Asia Pacific Leaders	16.49%
Mirae Asset Asia Sector Leader	14.99%
Mirae Asset Asia Great Consumer	7.30%

Source: Morningstar, GBP funds only, >£250m fund size
Note: Excludes different fund classes with same manager and investments

FTSE 350 IN ONE YEAR

BEST PERFORMERS

	COMPANY	(%)
1	Hochschild Mining	376.29
2	KAZ Minerals	326.20
3	Anglo American	279.73
4	Glencore	261.10
5	Evraz	220.71
6	Vedanta Resources	190.31
7	Petra Diamonds	161.05
8	Centamin	114.68
9	Acacia Mining	109.87
10	Hunting	104.49

WORST PERFORMERS

	COMPANY	(%)
1	N Brown	-39.62
2	IG Group	-40.79
3	EasyJet	-40.83
4	Restaurant Group	-47.74
5	Essentra	-49.85
6	International Personal Finance	-52.53
7	Sports Direct International	-57.48
8	Laird	-57.62
9	Countrywide	-57.84
10	Capita	-59.25

* Excluding Equity Investment Instruments, Nonequity Investment Instruments
Date to 13 December 2016
Source: Thomson Reuters Datastream

Super charged AO World

Online electrical retailer should deliver some festive cheer

Open a position in **AO World (AO.)** ahead of January's third quarter trading statement, where the online electrical retailer should report strong growth metrics following a bumper Black Friday and broader festive period.

Shares believes shoppers will have splurged on washing machines, televisions and computers ahead of well-flagged 2017 price hikes, filling the £774.7m cap's pre-Christmas coffers and sparking renewed interest in a bona fide growth stock.

PLUG-IN AND PLAY

Shares has previously adopted a sceptical stance on AO World due to its frothy valuation and fierce competition from **Amazon (AMZN:NDQ)**, John Lewis, **Dixons Carphone (DC.)** and others. Furthermore, the company lost £6.7m at the pre-tax line in the year to March and is still investing heavily to capture an immense growth opportunity in Europe.

Yet we have always acknowledged the Bolton-based retailer's compelling investment thesis; it is primed to increase market share in the electricals market as online penetration grows. This effort is supported by keen prices, a huge range and 'dedication to amazing service'. The leading major domestic appliance retailer has also expanded successfully into small domestic appliances, TVs and the computing category, with improved search engine optimisation raising brand awareness.

AO WORLD ↗ BUY
(AO.) 184.5p
Stop loss: 147.6p

Market value: £774.7m

TACTICAL TRADE

On a tactical basis, we're turning positive. For now, investors should ignore negative earnings per share since strong UK profitability is being used to fund loss-making expansion in Germany and the Netherlands.

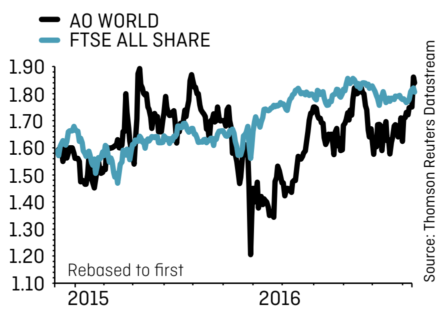
Half year results (22 Nov) revealed 23% top line growth to £324.7m, with UK AO website sales up 21% to £259.4m and Europe revenue rising 67% to £29.6m. Reflecting rising brand awareness and AO's increased buying power, gross margins improved and UK adjusted EBITDA grew 154.5% to £13.1m.

This high-growth, profitable UK core lends some underpinning to the toppy overall market tag. Meanwhile the European business is expected to break into profitability in 2020 on €250m sales and should swell AO World's market value over time.

STOCKING FILLER

We believe the opportunity to trade the stock ahead of January's Q3 update is compelling. Management has talked of 'unprecedented' price increases in electricals due to supplier price increases following the EU referendum, which may impact fourth quarter volumes. Yet panic buying by consumers keen to lock-in deals ahead of sterling-driven price hikes may have resulted in an outstanding third quarter including Christmas, confirmation of which may spark upwards momentum in the share price.

BROKER SAYS: 2 2 1



Three in a row for Experian?

Shares favourite is up 70% over last two years; we see more to come

Credit bureau **Experian (EXPN)** has featured as a *Shares* top pick for two years consecutively and we're returning the stock to our *Great Ideas* list of stocks for another 12 months.

Experian is in our view one of the UK's finest businesses. Its progress over the past two years, delivering returns of 70% including dividends, provides a good example of how investors can make money by owning good quality stocks.

Stronger than average earnings growth is a key reason for Experian's stock market performance during this period.

EARNINGS AND MULTIPLES

Earnings per share were forecast in 2014 at 56.6p for the year to 31 December 2015. This year, analysts estimate Experian will earn 91 US cents per share, or 71.7p, an increase of 26.7% from 2015.

Another key reason for Experian's stock price performance is an expansion in its earnings multiple.

Dividing Experian's estimated earnings for the 2016 financial year by its current share price of £15.00 gives a 2016 price-to-earnings ratio (PE ratio) of 20.9. Back in 2014, doing the same calculation, Experian had a PE ratio 16.2.

Over the last two years, Experian's PE ratio has expanded by around 29.0%.

EXPERIAN ↗ BUY
(EXPN) £15.00
Stop loss: None

Market value: £15.1bn

Another way of describing this is to say that Experian's earnings have increased by 1.267 times (26.7%) over the last two years and its valuation multiple has expanded 1.29 times (29.0%).

Multiply these two numbers together and you have the exact return shareholders have enjoyed from owning shares in Experian over the last two years, excluding dividends: 1.64 (64%).

Dividends added a further 6% over the two years for a total return of 70%.

CAN EXPERIAN DO IT AGAIN?

Earnings growth of nearly 30% in two years is a good result and would be difficult to repeat indefinitely into the future. Also, now that Experian trades at a higher PE ratio of 20.9, future expansion of this multiple may be less likely. But we still remain bullish on the stock.

Analyst Robin Speakman at Shore Capital says shares in Experian look expensive.

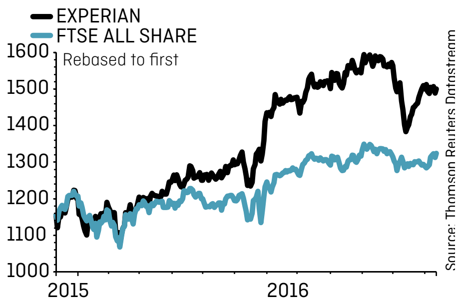
'On a cash flow valuation basis, using a discounted cash flow model, Experian is trading above our fair value level of £14.50, suggesting a market perception of a discount rate some way below ours,' wrote Speakman in a 2 November research note.

'Clearly, the share price reflects the recent strength of the US dollar to sterling; we continue to appreciate the strength of the strategic market position that Experian enjoys.

'Given what we considered to be a full valuation we retain a hold stance for the present.'

Key risks for shareholders include potential cyber attacks on customer data, increasing regulation and Experian's £3bn debt load. (WC)

BROKER SAYS: 12 4 2



GB GROUP
(GBG:AIM) 284p

Gain to date: 12.3%

Original entry point:

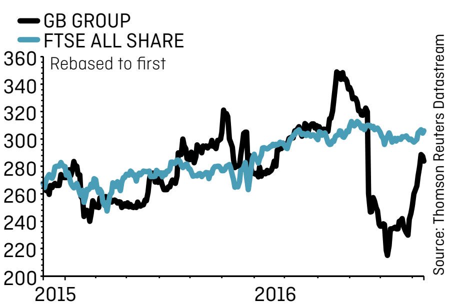
Buy at 253p, 27 Oct 2016

OUR **GB Group (GBG:AIM)** idea was always about getting in on a typically high quality company trading at an historically low valuation.

Slowing growth was the reason behind this anomaly and half year results on 29 November reflect that situation. Revenue increased 16% to £37.5m, 9% of that organically, playing through to a 15% rise in adjusted operating profit of £5.2m. You have to wonder how many other companies would be chuffed to bits with 9% organic growth but for GB this is a slow period.

Importantly, management appear very optimistic of a big second half performance recovery backed by recent changes in the US and European political landscape. These present new commercial opportunities in areas such as border control, anti-terrorism, fraud prevention and corporate data security.

It's worth noting that investment bank Berenberg recently initiated on the stock with a 340p price target, roughly in line with the 350p we originally suggested. 'We believe GB's double-digit organic growth outlook remains robust,' Berenberg's analysts say, going on to stress their view that the magnitude of the sell-off was unjustified.



This is the very argument we used and the 12% gain since then bears this out. (SF)

SHARES SAYS: ↗
Keep buying.

BROKER SAYS: 5 0 0

FYFFES
(FFY:AIM) 186p

Gain to date: 44.4%

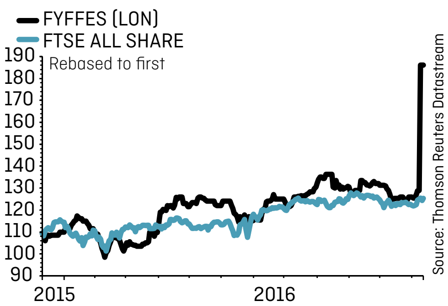
Original entry point:

Buy at 128.8p, 22 Sept 2016

READERS WHO FOLLOWED our buy call on tropical produce distributor **Fyffes (FFY:AIM)** are sitting on a tasty 44.4% profit. This follows the recommendation (9 Dec) of a €751m takeover by Japanese conglomerate Sumitomo for the Dublin-headquartered bananas, pineapples and melons marketer.

Sumitomo is offering €2.23 per share (187p at latest exchange rates) in cash to grab the world's oldest fruit brand and the fact the shares trade at or around the bid price suggests a counterbid is unlikely. As such, investors should sell in the open market in case this offer should fall through.

The offer price not only represents a juicy 49% premium to the undisturbed share price, it is also a 37% premium to Fyffes' all-time high of €1.62 reached in April.



Shareholders will receive a €0.02 dividend for the 2016 financial year, bringing the total amount to €2.25 per share. (JC)

SHARES SAYS: ↘
Investors should bank their 44.4% profit and sell in the open market.

BROKER SAYS: 2 0 0

SHARES
SPOTLIGHT
VIDEOS

WATCH THE LATEST
SHARES VIDEOS

Giles Clarke, Chairman of Kennedy Ventures (KENV)

SAMPLE VIDEOS **CLICK TO PLAY**

Peter Secker, CEO of Bacanora Minerals (BCN)

John Pattullo - Henderson Diversified Income Ltd

Visit the Shares website for the latest company presentations, market commentary, fund manager interviews and explore our extensive video archive

www.sharesmagazine.co.uk/videos

INCOME Special

FTSE 100 dividend health check

We take the temperature of blue chip payouts in 2017

AJ Bell's latest *Dividend Dashboard* report shows half the dividends from the FTSE 100 are forecast to be paid out by just seven companies in the coming 12 months.

The reliance on just a handful of big dividend payers to generate the yield from UK shares means investors need to remain watchful in 2017 to ensure they are not caught out by a cut or cancelled payout.

HIGH YIELD

The constituents of the index are forecast to pay total dividends of £78.4bn in 2017, which equates to a yield of 4.2%. This looks highly attractive in light of the modest returns available from cash on deposit but there are risks attached.

The 10 highest yielding FTSE 100 stocks all have dividends covered less than two times by earnings and just one has cover of more than 1.5 times. As a rule of thumb, cover below this threshold could suggest a dividend is under threat.

The correlation between high dividend yield and low dividend cover makes sense. A high yield is often an indication the market does not believe the dividend is sustainable. For this reason, *Shares* has consistently argued investors should focus on dividend growth not yield.

GROWTH BEATS YIELD

Strong share price performance means the yields offered by dividend growth companies may not be the most eye-catching but over time they could still prove excellent investments. The ability to consistently grow a dividend implies a stock is cash generative and shareholder-friendly.

Encouragingly AJ Bell's data shows the FTSE 100 is set to grow dividend payouts by £4.6bn in 2017.

Drilling down to the individual high yielders, Oil majors **BP (BP.)**

FTSE 100 DIVIDENDS HEAVILY RELIANT ON SEVEN COMPANIES

	Amount in billions	Proportion of FTSE 100 total
Royal Dutch Shell	£12.0	15.3%
HSBC	£7.7	9.8%
BP	£6.0	7.6%
GlaxoSmithKline	£4.0	5.0%
British American Tobacco	£3.3	4.3%
Vodafone	£3.3	4.2%
AstraZeneca	£2.8	3.6%
	£39.1	**49.8%**

Source: AJ Bell, 8 Dec 2016

HIGH YIELDS... BUT LOW COVER

	Forecast dividend yield 2017	Forecast dividend cover in 2017
Taylor Wimpey	8.2%	1.21x
Direct Line	7.4%	1.11x
Barratt Developments	7.2%	1.50x
Royal Dutch Shell	6.9%	1.00x
Admiral	6.7%	0.93x
BP	6.7%	1.03x
Pearson	6.6%	1.23x
Persimmon	6.4%	1.68x
Vodafone	6.2%	0.59x
Legal and General	6.2%	1.40x
Average		**1.17x**

Source: AJ Bell, 8 Dec 2016

and **Royal Dutch Shell (RDSB)** have struggled to cover their generous dividend payments from earnings or cash flow for some time. Yet Shell has a proud track record to defend, having not cut its dividend since the Second World War.

Mobile telecoms play **Vodafone (VOD)** is emerging from a period of heavy capital investment which has constrained earnings and made its cover look particularly skinny. We are more comfortable about its ability to pay dividends in the future, assuming capital expenditure starts to fall.

Academic publisher **Pearson (PSON)** could be vulnerable to a dividend cut as it faces a structural downturn in the US higher education market which has led to several profit warnings.

DANGER ZONE

There are 25 FTSE 100 dividend payers with cover of 1.5 times or less. Some of these names, including Pearson, could be considered in the 'danger zone' but the dividends from utilities can probably be considered safe.

These companies have excellent earnings visibility as their returns are largely regulated and therefore it is not unusual for them to have dividend cover of close to one times.

Similarly, real estate investment trusts (REITS) such as **Hammerson (HMSO)**, **British Land (BLND)** and **Land Securities (LAND)** are structured to pay out at least 90% of their taxable income to shareholders as dividends so you would expect their cover to be low.

SWEET SPOT

AJ Bell has identified 17 FTSE 100 companies which are forecast to yield more than 3% in 2017 that also have cover of two or more.

Outsourcer **Capita (CPI)** should be dismissed by any prospective income investor having this year warned on profits twice in the space of three months thanks to contract delays and trading issues.

However, names such as advertising giant **WPP (WPP)**, retailer **Next (NXT)** and software firm **Micro Focus (MCRO)** stand out thanks to their excellent track records of cash generation and dividend growth.

DIVIDEND DANGER ZONE

	Forecast dividend cover in 2017
National Grid	1.44x
Legal and General	1.40x
GlaxoSmithKline	1.36x
Standard Life	1.34x
SSE	1.33x
Centrica	1.32x
Provident Financial	1.30x
HSBC	1.30x
Severn Trent	1.29x
Land Securities	1.26x
Pearson	1.23x
Taylor Wimpey	1.21x
Hammerson	1.20x
St. James's Place	1.18x
British Land	1.18x
United Utilities	1.16x
Hargreaves Lansdown	1.11x
Direct Line	1.11x
INTU	1.08x
BP	1.03x
AstraZeneca	1.00x
Sage	1.00x
Royal Dutch Shell	1.00x
Admiral	0.93x
Vodafone	0.59x

Source: AJ Bell, 8 Dec 2016

DIVIDEND SWEET SPOT

	2017 forecast dividend cover	2107 forecast dividend yield
Capita	2.08x	5.9%
International Cons. Airlines	3.64x	4.4%
EasyJet	2.06x	4.2%
Smurfit Kappa	2.67x	4.0%
Old Mutual	2.55x	4.0%
RSA Insurance	2.09x	3.7%
WPP	2.02x	3.7%
Next	2.67x	3.4%
3i	2.93x	3.3%
Mondi	2.41x	3.3%
Babcock International	2.86x	3.2%
Informa	2.30x	3.2%
Kingfisher	2.16x	3.2%
Dixons Carphone	2.89x	3.1%
GKN	3.41x	3.0%
Micro Focus	2.22x	3.0%
Smiths	2.10x	3.0%

Source: AJ Bell, 8 Dec 2016

INCOME Special

SOLID INCOME

Earn more than 4%

A lot of people moan about how difficult it is to get a decent income from the market, but is it really that hard?

The FTSE 100 index currently yields 3.86%, so you can buy a low-cost tracker fund and get that level of income with relative ease. Getting a higher level of income is also fairly easy if you do some research.

This article discusses the stocks, ETFs and funds with the potential – but not the guarantee – to pay at least 4% a year; some paying more than 10%.

PLENTY OF CHOICE

More than 200 companies on the UK stock market have prospective dividend yields in excess of 4%, according to data from SharePad.

We'd only rate a small proportion of these stocks as good investments for a sustained source of decent income. Most either have unsustainable dividends, in our view, or have yields artificially inflated by one-off special dividends.

Some of our favourite income plays include **Phoenix Group (PHNX)** and **Card Factory (CARD)** as discussed later in this article.

We also comment on companies whose high prospective dividend yields mask fundamental problems within the business. **DX (DX.)**, **Interserve (IRV)** and **Game Digital (GMD)** are on our list of stocks which you should not buy for income, in our opinion, despite current forecasts implying yields up to 14.1%.

HOW TO CALCULATE DIVIDEND YIELD

Many financial data providers will publish yields based on the dividends paid in the last financial year.

We always prefer to use forecast dividend information, not historic. As an investor you should always be looking to the future.

Prospective dividend yields are calculated as follows:

FORECAST DIVIDEND PER SHARE FOR THE CURRENT FINANCIAL YEAR ÷ LATEST SHARE PRICE × 100

Analysts will estimate how much a company might pay out in dividends and the data providers like SharePad will take the average of all forecasts in the market. That's your forecast dividend per share figure.

The analysts will inevitably get some guidance from the company in question as to what earnings could be in the current year, so they aren't guessing blindly to produce a dividend forecast.

That said, there are plenty of occasions when a company hasn't met its earnings guidance and so the dividend has been less than expected. You must always remember that dividends are not guaranteed payments.

DON'T BE MISLED BY SPECIAL DIVIDENDS

The other issue to consider with dividend forecasts is that most financial data providers don't separate normal dividends from special dividends. For example, you might see a forecast for 5p per share for Company XYZ which equates to a 12% yield.

That would certainly be attractive, yet the yield could have been temporarily inflated by a special dividend component. Special dividends are rewards on top of normal dividends. They tend to be paid when a company sells something and gets a big chunk of cash, or when there is a higher amount of cash generated from operations than normal.

Special dividends are generally a one-off event and so the 12% headline yield in our aforementioned example wouldn't be representative of the level of income you would normally receive from the shares.

Drinks distributor **Stock Spirits (STCK)** is a relevant example. It has a 9.4% prospective yield, yet that's inflated by a special dividend declared in June as it had spare cash after deciding not to make any material acquisitions for the rest of the year. The previous year it only paid 5.8c (4.9p) per share which equates to a normalised yield of 2.8%.

OUR TOP STOCK PICKS FOR INCOME

Phoenix Group (PHNX) 711.5p
Prospective yield: 6.5%

THIS HIGHLY CASH-GENERATIVE company is Britain's largest owner of life assurance funds closed to new customers. Phoenix says this business model enables it to focus all of its energy and expertise on improving the performance of funds without being distracted by the need to win new customers.

Earlier this year, Phoenix had a target of generating £2bn cash between 2016 and 2020. More recently Phoenix unveiled plans to buy Abbey Life for £935m, a deal that will add £1.6bn in future cash flow.

CARD FACTORY (CARD) 255.2p
Prospective yield: 9.5%

CARD FACTORY COULD be one of the few stocks to pay special dividends year in, year out. That's according to Peel Hunt which has analysed the company's earnings and cash flow capabilities, together with its debt position and trading history in good and bad economic cycles.

'The cash flow remains extremely robust and we class the special dividend as set in stone. Thus, the 10% yield is not illusory, making the shares terrific value,' wrote Peel Hunt on 18 November.

Trading was a bit slow earlier this year, hence some share price weakness, but the company says things have improved since October. Card Factory thrived in the last recession and we believe it could do the same again if economic conditions deteriorate in the UK.

FIVE HIGH YIELDING STOCKS WE LIKE

COMPANY	PROSPECTIVE YIELD	WHY WE ARE POSITIVE
Card Factory (CARD)	9.5%	Makes good money despite cheap selling prices; a proven survivor
Royal Dutch Shell (RDSB)	7.0%	Brighter outlook for oil prices makes us more comfortable
Phoenix (PHNX)	6.5%	Highly cash generative, focused business
Marston's (MARS)	5.7%	Nice and steady earnings; a solid income stock
Central Asia Metals (CAML:AIM)	5.4%	One of the lowest cost copper producers on the market

HIGH YIELD STOCKS TO AVOID

DX Group (DX.) 17.375p
Prospective yield: 14.1%

THE PARCEL DELIVERY firm hit the stock market with a splash in 2014 with an eye-catching 7% dividend yield. It has not worked out well for anyone tempted by that yield. The share price has crashed from 100p at IPO to a mere 17.375p and the dividend has already been cut back.

Trading is very tough as a result of high competition and rising costs. Not even Numis – which is its broker – can stir up any enthusiasm, having downgraded earnings forecasts last month and saying it was cautious on the investment case.

Further dividend cuts look possible if earnings remain weak. Steer clear.

Interserve (IRV) 310.75p
Prospective yield: 8.2%

CONTRACT DELAYS, CONTRACT problems, the recent departure of long-standing chief executive, five consecutive years of supposedly 'one-off' items....Interserve is in a mess.

Management reckon profits can grow in 2017; analysts reckon they will fall. The dividend might be sustainable, yet the share price has further to drop in our opinion. You could end up getting 8.2% yield but the shares could easily fall by 10% or more, thus you'd have a negative total return. Avoid.

FIVE HIGH YIELDING STOCKS WE DON'T LIKE

COMPANY	PROSPECTIVE YIELD	WHY WE ARE POSITIVE
DX (DX.)	14.1%	Trading problems, high competition
Elegant Hotels (EHG:AIM)	9.7%	Multiple earnings downgrades since IPO, demand risk near-term
Interserve (IRV)	8.2%	Contract problems, trading issues, CEO shock departure
Carillion (CLLN)	7.9%	Weak margins and gloomy outlook for part of the business
Game Digital (GAME)	6.7%	Serial disappointer on earnings; faces structural market challenges

EARNING A DECENT INCOME FROM EXCHANGE-TRADED FUNDS (ETFS)

EXCHANGE-TRADED FUNDS, investment trusts and other types of funds can be great ways to access lots of dividend-paying companies through a single product.

The downside of a lot of passive dividend-themed funds – which includes many ETFs – is that they select companies to track based on their headline yield. You need to remember that a falling share price can make a dividend yield look artificially high.

Share price weakness could be a warning sign. The more a share price falls, the higher the dividend yield assuming there is no change to the dividend forecast. You need to ask why the share price is falling – it could be the market worrying about trading prospects. A reduction in earnings could eventually lead to a reduction in the dividend, so the yield will fall.

You also need to consider whether companies are using dividends to lure in investors – when actually the money could be better spent on improving the business.

iShares UK Dividend GBP Distribution (IUKD)
Trailing yield: 5.5%

This is a good example of an ETF which has polarised opinion among experts. The ETF is a good way to get exposure to the more generous dividend payers among mid and large cap stocks on the UK stock market.

The ETF aims to mirror the performance of 50 highest yielding companies in the FTSE 350 index excluding investment trusts, based on forecast one-year dividend yields.

The top holdings include **Legal & General (LGEN)**, **Royal Dutch Shell (RDSB)**, **HSBC (HSBA)** and **BP (BP.)**.

There is a 0.4% in-built fee which is really cheap compared to many mainstream income funds that might have many of the same stocks in their portfolio.

Dividends are paid every three months, so this could interest someone who needs a regular stream of cash to pay the bills.

Morningstar is not a fan of the ETF. It says the fund has lagged its peers, has a high level of volatility and doesn't check whether dividends have been maintained or raised every year by the underlying assets. It has awarded the product a 'negative' analyst rating, calling it a below-average investment proposition.

SPDR S&P UK Dividend Aristocrat ETF (UKDV)
Trailing yield: 4.5%

THE ETF PROVIDES access to the 30 highest yielding UK companies that have managed to either maintain or grow dividends for at least 10 years in a row.

This screening method means you don't get exposure to companies that have irregular dividends. The index also provides some level of futureproof protection in that it will remove any companies should they break the sustained/growing dividend rule.

Dividends are paid once every six months. The in-built fee is 0.3% each year.

The top 10 contains quite a few stocks we don't like at present including **Pearson (PSON)** and **Carillion (CLLN)**. However, we do like **BAE Systems (BA.)**, **GlaxoSmithKline (GSK)** and **Burberry (BRBY)** which also feature in the biggest holdings list.

Source FTSE RAFI UK Equity Income Physical UCITS ETF (DVUK)
Trailing yield: 4.3%

THIS IS OUR pick of the UK dividend ETFs. Source's product is relatively new on the market, having only launched in March this year. It takes into account four areas of a business: book value, value cash flow, sales and dividends. Like the other ETFs we discuss in this article, Source's ETF focuses on the UK stock market.

While its approach does partially pick stocks based on headline yield, we like the additional financial sustainability screening – looking at profitability, lack of distress and accounting quality.

We have favourable views towards 18 of the top 20 stocks in the underlying ETF portfolio. The biggest is copper and coal miner **Rio Tinto (RIO)**, representing 7.3% of the fund by weighting. Miners have been reducing debt over the past few years, streamlining operations and are now reaping the benefits of higher commodity prices – all boding well for cash generation and thus dividend capacity.

Other good names in the portfolio, in our view, include **National Grid (NG.)**, **Imperial Brands (IMB)** and **Aviva (AV.)**. The management fee is 0.35%.

TRAILING YIELDS VS PROSPECTIVE YIELDS

IT IS VIRTUALLY impossible for retail investors to get dividend forecasts for funds, investment trusts and ETFs as the main financial websites don't publish them.

Theoretically you could look at the underlying holdings – if they were all equities – and build a spreadsheet yourself using stock forecasts and weightings in the fund. But that's a real faff and underlying weightings can change without you knowing, particularly with actively-managed funds.

As such, funds and ETF data will inevitably refer to trailing yields. You take the total amount of dividends (per share) paid over the past 12 months and compare it to the current share price.

For example, let's say a fund paid 15p in two quarters and 30p in the other two quarters. That adds up to 90p per share in dividends for the whole year. The current share price is £19.60. (90/1960)*100 = 4.6% trailing yield.

Dividend forecasts are widely available for individual stocks. Prospective yields are an indication of the potential dividend income you could earn in the future.

The maths is the same as the previous example, albeit you substitute the 12 months' worth of dividends that have ALREADY been paid with the amount of dividends that are FORECAST to be paid in the next year.

EARNING A DECENT INCOME FROM INVESTMENT FUNDS

MFM Slater Income Fund P (GB00B905XJ71)
Yield: 5%

FUND MANAGER MARK Slater says his portfolio is roughly split equally into one third FTSE 100, one third mid FTSE 250 and the rest across the small cap and AIM market space. He only invests in companies with decent dividends yields, only dipping below the 4% yield when there is a high level of dividend growth on offer.

The fund screens companies on the basis of six areas: above-average yield; reliable and growing dividend stream; earnings growth prospects; cash flow; business quality; and balance sheet strength.

MFM Slater Income Fund is currently yielding circa 5% and the underlying portfolio has 6% to 7% prospective divided growth. The assets are a mix of growth style businesses, cyclical stocks and dividend stalwarts.

'We have mitigated a lot of risk with the diversified approach re: the nature of the companies we invest in,' says Mark Slater. 'We are not overly concerned with the prospect of rising interest rates as we are not particularly exposed to "bond proxies" and the yield gap offered by the fund is very significant.'

Top holdings include life insurer **Chesnara (CSN)**, shopping centre owner **NewRiver REIT (NRR)** and broadcaster **ITV (ITV)**.

JOHCM UK Dynamic Y Inc (GB00BDZRJ218)
Yield: 4.1%

JOHCM UK DYNAMIC is not marketed or designed to be an income fund, yet it offers 4.1% yield thanks in part to the way the product is run.

'Our strict discipline of only holding a stock if it pays a dividend, or is expected to do so within the next 12 months, does give the portfolio attractive yield characteristics,' says fund manager Alex Savvides.

'The companies we own in the portfolio are widely delivering on their strategies and improving their cash generation. This gives us confidence in the sustainability of the yield.'

The fund aims to profit from understanding and backing positive corporate change. It says the biggest risk to the fund's performance typically occurs from these changes taking longer than expected and poor management of the underlying companies.

Top holdings include **Vodafone (VOD)**, private equity investor **3i (III)** and **WM Morrison Supermarkets (MRW)**.

Premier Optimum Income Fund C (GB00B3DDDX03)
Yield: 7.8%

APPROXIMATELY THREE QUARTERS of the fund's income comes from equity investments, claims fund manager Chris Wright. The remainder is generated by derivatives, namely selling call options. These give the right for a counterparty to buy a particular company share from Premier at a certain price within a certain period.

Despite being able to enhance the fund's income, this strategy can act as a drag on capital growth in a strong rising market.

The fund is predominantly made up of UK equities including Royal Dutch Shell and housebuilder **Berkeley (BKG)**, although it does have a few overseas-listed stocks including Italian utility **Enel (ENEL:BIT)** and French bank **BNP Paribas (BNP:EPA)**.

Tritax Big Box REIT (BBOX)
Yield: 4.6%

REAL ESTATE INVESTMENT trusts (REITs) must distribute at least 90% of their taxable income to shareholders as dividends each year. They can be a good source of income for investors yet you still have to think about the source of the earnings.

Anyone concerned about a Brexit-induced downturn in office block property prices may wish to avoid much of the sector at present. Tritax Big Box looks a bit different to most of its peer group and potentially fairly resilient.

It is the only listed REIT giving pure exposure to the pre-let development of very large logistics facilities in the UK. Its portfolio is filled by gigantic warehouses used by well-known companies including **Amazon (AMZN:NDQ)**, **Kellogg (K:NYSE)**, **Tesco (TSCO),** Rolls Royce Motor Cars and DHL.

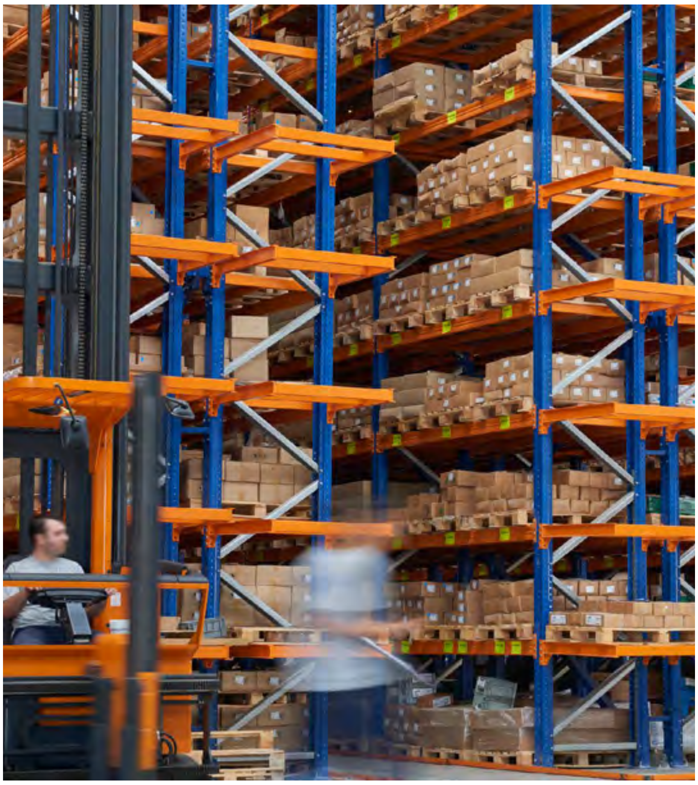
'Occupational demand continues to outweigh the supply of quality logistics buildings in the UK, particularly "Big Boxes", and we expect rental growth to remain strong,' says Colin Godfrey, fund manager of Tritax Big Box REIT.

'Our assets deliver long-term income from institutional tenants, typically on long leases which have regular upward only rent reviews providing opportunities for income growth.

'We seek to create value at acquisition through identification and negotiation of off-market deals (80% of assets acquired off-market). We also seek to deliver capital appreciation from active asset management to improve our assets and our leases.

'Supply levels of UK logistics assets are at historically low levels. There are no new or high quality Big Box assets greater than 500,000 sq ft currently available in the UK. Contrastingly, demand remains strong.'

He adds: 'Tenants typically make significant levels of investment into the bespoke fit-out and automation of these mega warehouses which, together with the long lease terms, underpins the importance of such assets to their ongoing operations.'



Threadneedle UK Equity Alpha (GB0B88P6D76)
Yield: 4.4%

THE PORTFOLIO COMBINES higher yielding investments with growth opportunities and special situations which tend to be companies trying to recover from specific setbacks or market challenges.

A good chunk of the underlying investments could see a share price re-rating if the trading recovery predicted by Threadneedle is achieved. As such, this fund could provide shareholders with a nice mix of both capital appreciation and income.

'We believe in active management and our fund is driven by stock specific fundamentals,' says fund manager Richard Colwell.

'Examples of recent successes for the portfolio include **Electrocomponents (ECM)** and WM Morrison Supermarkets, both of which have gone through management change which we engaged with. These companies have their own levers to pull and are starting from low bases, which should allow them to improve results even in an uncertain macroeconomic environment.'

Top holdings include **RSA Insurance (RSA)** and British Gas owner **Centrica (CNA)**.(DC)

INCOME Special

Funds for income drawdown

How to collect cash from the markets during retirement

People in retirement are increasingly turning to income drawdown as a means of generating an income rather than buying an annuity.

You can either draw income generated by the underlying investments such as dividend payments; or you can sell small chunks of your investments to create cash for withdrawals.

The downside with the latter method is that your investment pot is gradually shrinking, unless the underlying asset value grows fast enough to offset the chunks being withdrawn.

Therefore you should choose your investments wisely with a view to picking assets that pay decent dividends such as top-quality funds. We provide some fund ideas in this article.

MORE CONTROL, MORE RISK?

Drawdown gives people more control and creates the opportunity to grow their capital for longer, but it leaves them exposed to market risk and could mean they run out of money early.

A safer option for retirees is to invest in relatively low risk funds that pay a high enough yield to meet their income requirements.

'Income drawdown offers investors flexibility in terms of the withdrawals, but it runs the risk that the withdrawals can't be maintained in the long-term due to unsustainable income levels or adverse market conditions,' says Martin Bamford, managing director of financial planning group Informed Choice.

Asset management groups were quick to spot the opportunity and have launched a number of new funds to target the drawdown market, but the low yield environment has created real challenges and resulted in mixed performance.

UNDER THE SPOTLIGHT

A good example is **Jupiter Enhanced Distribution (GB00BZ0PF042)**, which was created in September 2015 and aims to provide a monthly income with the prospect of long-term capital growth by investing in a diversified range of assets.

It is a small fund with just £17.9m of assets under management, but has generated a total return of 5.2% in the last year and is yielding 3.6% with equal monthly distributions.

The £14.5m **Rathbone Strategic Income Portfolio (GB00BY9BSL83)** was launched around the same time. It attempts to generate a long-term total return of CPI inflation plus 3% to 5% each year as measured over a minimum period of five years, subject to a targeted minimum annual yield of 3%.

It invests in different asset classes and has produced a total return of 9% in the last 12 months with a 2.88% yield and variable monthly dividends.

INFLATION PROTECTION

David Coombs, the fund manager, says that for any sterling income investor, the largest risk at the moment is an inflation shock in the UK. 'To protect ourselves against this scenario, we are focusing on short-term bonds, which are less sensitive to changes in interest rates than the benchmark 10-year.

'Our bias to high-quality equities also helps with an inflation shock, as companies that can raise prices in-line with inflation because of their competitive position or brand offer safe harbours in inflationary times.'

Aviva Investors Multi-Strategy Target Income (GB00BQSBPF62) was launched in December 2014 and aims to generate a target annual income yield of 4% above the Bank of England base rate in all market conditions with monthly distributions.

The four-man management team also seeks to preserve capital, while keeping the volatility to less than half of that of global equities over rolling three year periods.

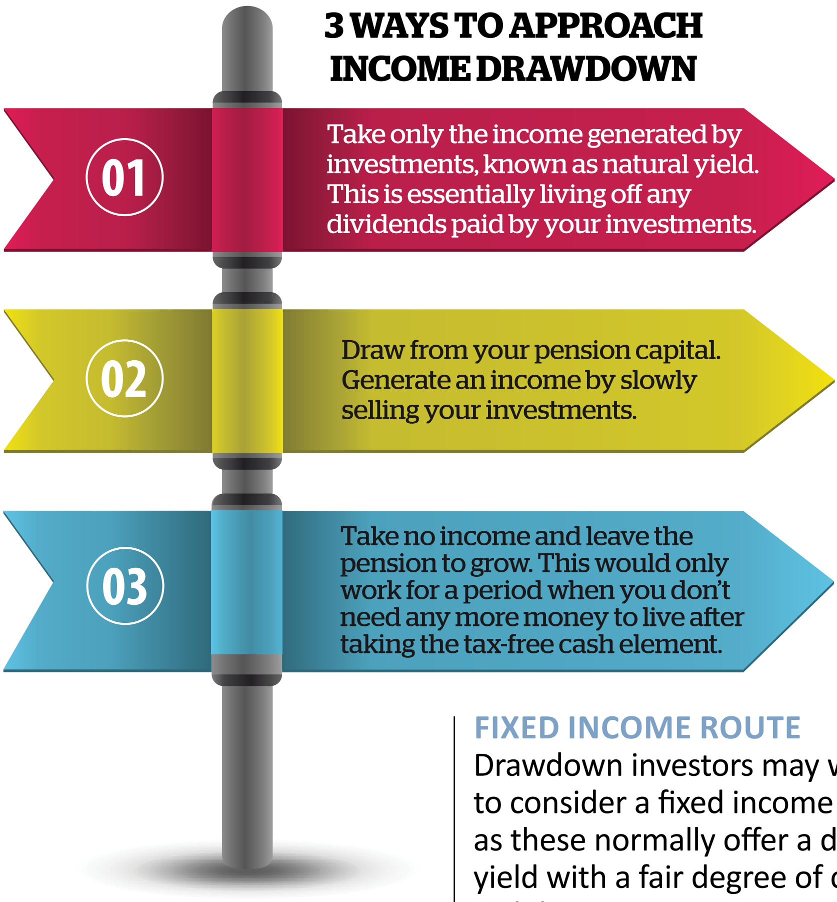
In order to achieve this threefold objective the managers use a multi-strategy approach that includes the extensive use of derivatives. The £1.7bn fund has generated an historic yield of 5% with reasonably consistent monthly distributions, but has made a small capital loss in the last 12 months.

MORE ESTABLISHED ALTERNATIVES

Adrian Lowcock, investment director at Architas, recommends **Fidelity Enhanced Income (GB00B87HPZ94)**, an equity fund that uses derivatives to boost the yield which stands at 7.76% yield, according to Morningstar.

He also likes **Troy Trojan Income (GB00B01BNW49)** which has a diversified portfolio that targets total return and inflation protection. It has a 4% yield.

'Another good option is **Newton Real Return (GB0006780323)**, where manager Iain Stewart's first objective is capital preservation, which is an important consideration for drawdown investors as any money lost cannot easily be replaced. Beyond this he looks for growth and a return above inflation.'



FIXED INCOME ROUTE

Drawdown investors may wish to consider a fixed income fund as these normally offer a decent yield with a fair degree of capital stability.

The £153m **Henderson Diversified Income (HDIV)** investment trust has a more flexible mandate than most of its peers and aims to generate a high level of income with long-term capital growth. Its net asset value is up 59.9% over the last five years and it is currently yielding 5.79% with quarterly distributions.

Fund manager John Pattullo flags a reasonably large allocation to secured loans that are senior in the event of a default and pay floating interest rates. He also likes US high yield bonds and some investment grade corporate debt, but warns of a tougher outlook for bond managers in the short-term. 'We are going to keep liquid, be sensible, and look for opportunities, but not force it.' (NS)

FRIDAY 16 DECEMBER

INTERIMS	
POLAR CAPITAL TECHNOLOGY TRUST	PCT
AGMS	
UPLAND RESOURCES	UPL
ECONOMICS	
UK	
CBI INDUSTRIAL ORDER EXPECTATIONS	
EU	
FINAL CPI	

MONDAY 19 DECEMBER

INTERIMS	
COLLAGEN SOLUTIONS	COS
AGMS	
AKERS BIOSCIENCES	AKR
PROACTIS	PHD
WORLD CAREERS NETWORK	WOR
ECONOMICS	
UK	
RIGHTMOVE HPI	
CBI REALISED SALES	

TUESDAY 20 DECEMBER

AGMS	
ARTILIUM	ARTA
GFINITY	GFIN
ECONOMICS	
UK	
PUBLIC SECTOR NET BORROWING	

WEDNESDAY 21 DECEMBER

AGMS	
SYQIC	SYQ
VINACAPITAL VIETNAM FUND	VOF
ECONOMICS	
EU	
FLASH MANUFACTURING PMI	
FLASH SERVICES PMI	
US	
FLASH MANUFACTURING PMI	
FLASH SERVICES PMI	

THURSDAY 22 DECEMBER

FIRST QUARTER RESULTS		
RAMBLER METALS AND MINING	RMM	
AGMS		
RECONSTRUCTION CAPITAL	RC2	
UVENCO UK	UVEN	
EX-DIVIDEND		
ACAL	ACL	2.45P
ALLIANCE PHARMA	APH	0.4P
BURBERRY	BRBY	10.5P
STANDARD LIFE EUROPEAN PRIVATE EQUITY TRUST	SEP	3.6P
SOLID STATE	SOLI	4P
STOBART	STOB	3P
VERTU MOTORS	VTU	0.5P
ECONOMICS		
UK		
BBA MORTGAGE APPROVALS		

FRIDAY 23 DECEMBER

ECONOMICS	
UK	
CURRENT ACCOUNT	

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

What to do with your Sky shares

Big year-to-date decline and currency moves lead to takeover approach

We aren't surprised by last Friday's (9 Dec) £10.75 per share takeover approach for **Sky (SKY)**, despite having held a bearish view towards the stock for some time.

Just over a week ago we decided internally to reappraise the stock given a 30% decline in the share price year to date.

We felt the valuation had become more attractive, despite retaining concerns about its business model longer term.

The depreciation of sterling also made the stock 15% cheaper in US dollar terms than it would have been prior to the Brexit vote.

It would have been a good call had we not been constrained by the fact the digital version of *Shares* is only published once a week.

21st Century Fox (FOX:NYSE) tabled its £18.5bn approach before we had a chance to publish our thoughts on Sky as a standalone business.

Sky's shares have jumped to 995.75p, some way off the proposed offer price as experts reckon there are many regulatory and antitrust hurdles to clear before this is a done deal.

WHAT SHOULD YOU DO?

Existing shareholders should consider taking profit; prospective investors shouldn't bother buying the stock in the hope of making a small margin.

It isn't worth holding out for an extra 80p, in our view, as there are still risks to the deal completing.

Fundamentally we still dislike the company. Competitive pressures are driving up the costs of football TV rights and there are growing pains in its core UK business. **Amazon (AMZN:NDQ)**, **Netflix (NFLX:NDQ)** and **BT (BT.A)** are becoming serious rivals.

These are just a few reasons among many as to why its share price had been weak this year.

WHY DOES FOX LIKE SKY?

Fox wants direct to access to consumers, argues investment bank Berenberg.

Sky's business model is relatively simple. It charges viewers a monthly fee for access to its television, broadband and phone services.

It has two obvious levers for growth: increase the number of subscribers and/or increase the average revenue per user by selling them more services or content.

The launch of Sky Mobile in November 2016 made the company a 'quad play' provider offering broadband, TV, fixed-line telephone and mobile services.

WHAT NEXT?

Fox must announce its firm intention to make an offer by 5pm on Friday 6 January 2017 or walk away.

A counter bid look slim as Fox already has the upper hand by owning 39% of the business.

Murdoch's News Corporation tried to buy Sky in a 700p per share deal in 2010 but the deal collapsed amid a phone hacking scandal and concerns over the undue influence of Murdoch on UK mass media.

His company split into two in 2013 – **News Corporation (NWSA:NDQ)** and 21st Century Fox – which means the entity making the approach for Sky no longer has direct control of UK newspapers. (TS)

Amino beats again

Earnings forecasts upgraded on back of excellent trading

Just two months after an upbeat trading update from **Amino Technologies (AMO:AIM)** that saw earnings forecasts upgraded, the home broadcast and connectivity kit designer says (8 Dec) it will beat those raised estimates.

Better than expected trading for the full year to 30 November is being driven by record orders in August, coupled with favourable foreign exchange rates.

FinnCap analyst Andrew Darley has lifted revenue forecasts for full year 2016 by 2.5% to £74.8m. This looks marginal on its own but adds up to an 8.4% upgrade since July's half year results.

The analyst had been anticipating £8.7m pre-tax profit post the interim figures, and now pencils in £10m implying a near 15% hike. Adjusted pre-tax profit is now set to be close on double last year's £5.1m figure.

The improved profitability is backed by cash flow, with £6.2m year end net cash comfortably exceeding FinnCap's £5.2m forecast.

This is an astonishing turnaround for the Cambridge-based company, but one that was predicted by *Shares* more than a year ago.

We flagged the rapid recovery potential on 29 October 2015 at 114p just days after Amino issued a profit warning due to a rare bout of sloppy business execution while it integrated a couple of acquisitions.

The subsequent surge of new business and soaring share price testifies to CEO Don McGarva's skill at handling that emergency. The share price is currently trading at 175p, 53.5% above the level at the time of our original feature.

FinnCap's Darley is currently resisting the temptation to alter 2017 forecasts. He's sensibly hanging on until 2016 figures are published on 7 February 2017, when we should get much more detail on new business momentum and order backlogs. N+1 Singer's Oliver Knott isn't waiting. He has upped his own 2017 adjusted pre-tax profit estimate from £9.7m to £10.4m.

Amino has proved to be a cracking contrarian play through the second half of 2016 yet the shares remain far from expensive. Based on consensus 12.3p of earnings per share for the year to November 2017, the price to earnings multiple stands at 14.2, backed by an expected free cash flow yield of 5.4% and a 3.8% dividend yield. (SF)

SHARES SAYS: ↗
We have been long-run fans, and remain so at 175p.

BROKER SAYS: 2 0 0

Tarsus goes big in the US

Largest ever acquisition helps to boost exposure across the pond

Events company **Tarsus (TRS)** looks interesting heading into a traditionally stronger 'odd' year in 2017 and after agreeing (5 Dec) the biggest takeover in its history with the $57m acquisition of US business travel orientated peer Connect Meetings.

The biennial bias to the £297m market cap's results reflects the fact its two biggest events, the Dubai Air Show and Labelexpo, both fall in odd years. House broker Investec expects the Connect deal to add 6% to earnings over the next two years.

Against this backdrop a blended price to earnings average for 2017 and 2018 (to smooth out the odd-even disparity) of 12.5 is undemanding.

Tarsus is paying an initial $44m for 80.1% of Connect with a further $12m based on a number of conditions. It is funding the acquisition through a £24m share placing and £13m of debt.

Numis analyst Gareth Davies says: 'All in, this looks a very sensible deal consistent with Tarsus stated strategy, the implied 2016 deal multiple of 8.75x looks reasonable.'

Tarsus management see four key attractions to the transaction. It increases exposure to the US economy; it addresses markets in transition; the business has a strong financial track record; and there are opportunities to launch events in new territories. (TS)

SHARES SAYS: ↗
Buy at 264p. Broker Numis has a price target of 350p.

BROKER SAYS: 4 0 0

United Cacao still looks sweet

PERU-BASED CACAO plantation play **United Cacao (CHOC:AIM)** has announced receipt of environmental certification from authorities in Lima. The soil study report approval essentially confirms its agricultural activities comply with Peruvian environmental rules and regulations. This removes uncertainty hanging over United Cacao, now at 127.5p, whose contrarian appeal we highlighted at 97.5p in June. (JC)

Big premium for ServicePower

OUT AND about workforce software supplier **ServicePower Technologies (SVR:AIM)** has received a takeover offer from private equity firm Diversis Capital worth 6p per share, a staggering 122% premium to the 2.7p levels previously. The company had previously been courted by Canadian enterprise software consolidator, Constellation Software. The stock is currently trading at 5.5p. (SF)

Hollywood Bowl beats expectations

TEN-PIN BOWLING operator **Hollywood Bowl (BOWL)** beat earnings expectations with its maiden full year results, having floated on the stock market three months ago. Investec has increased its 2017 and 2018 earnings forecasts by 1% following the results (13 Dec). The £250m cap will open a revamped site in Brighton just before Christmas. The group has a 25% market share by number of bowling lanes. (DC)

ConvaTec enters FTSE 100 seven weeks after IPO

Impressive start for newly-listed business but there are big challenges ahead

Monday 19 December will see a relatively unknown company enter the FTSE 100. Wound care technology company **ConvaTec (CTEC)** will officially join the blue chip index a mere seven weeks after floating on the UK stock market.

FTSE 100 tracker funds will be forced to buy the stock to have an accurate representation of the index. The £4.88bn company has already seen decent demand from investors as the shares have gone from 225p at IPO (initial public offering) on 31 October to now trade at 242p.

WHAT DOES IT DO?

Reading-based ConvaTec was founded in 1978 and employs around 9,000 staff across more than 100 countries.

It makes medical products, such as specialist wound care dressings, colostomy bags, catheters and skin care ware.

The company has emerged as one of the dominant suppliers in each of its specialist markets; number two and three respectively in the US and EU for Advanced Would Care and Stoma/Ostomy care products, the descriptive term for colostomy and related conditions. That's according to research by several analysts.

It is operating in a growing market driven by ageing populations which are increasingly suffering from prolonged chronic health problems. In many cases, patients that begin using its products then do so for life, creating what should be high levels of recurring revenue.

In the year to 31 December 2015, ConvaTec generated $1.65bn revenue, on which it made an adjusted operating profit of $437m. In the first six months of this year, the company had revenue of $826m.

PROS AND CONS

ConvaTec is either a turnaround story or a high-visibility, long-duration healthcare growth story, depending on your point of view.

Either way, there is a rarity element attached to the story after years of healthcare industry M&A that has created a relative scarcity of global healthcare stocks with the scale and liquidity to match.

ConvaTec was a private-equity owned enterprise prior to its IPO. Both Nordic Capital and Avista Capital remain substantial shareholders with circa 45% and 19% stakes respectively.

It seems to have suffered from

a degree of under-investment in the past. Back in 2014 analysts at investment bank UBS identified the company's 'lack of a direct-to-consumer marketing programme' for its Stoma/Ostomy lines, and flagged an apparently under-staffed sales force, presumably both factors in a history of declining market share and profit margins.

That situation started to change after new management was installed in December 2014, led by current chief executive Paul Moraviec.

An independent strategic review in March 2015 highlighted the potential to add 300 basis points, or 3%, to earnings before interest, tax, depreciation and amortisation (EBITDA) margins from 29% in 2015 to 32% by 2020.

MIP'D IN THE BUD

To achieve this goal ConvaTec plans to consolidate manufacturing from 11 plants down to eight by the end of 2017, which it says will allow for cost reduction equivalent to 3% of sales. That will presumably save about $50m a year.

Analysts predict scope for improving operational efficiency, too. For comparison, Danish peer Coloplast reported EBITDA margins of 36% in 2015, according to Peel Hunt.

Savings from the company's Margin Improvement Plan (MIP) and other operational efficencies are also expected to support cash generation.

Clear thinking and strong action will be needed to meet its cost savings targets without capping growth opportunities, while substantial sales force investment will add to costs.

CONVATEC'S MARKETS

	Market Size	Market Growth	ConvaTec FY2016 Guidance
Advanced Wound Care	$5.0bn	5-6%	6-8%
Stoma/Ostomy Care	$2.4bn	4-6%	1-3%
Continence Critical Care	$1.8bn	3-5%	3-5%
Infusion Devices	$0.5bn	5-6%	2-4%
Total Market	$9.7bn	4-6%	4%

Source: Company data, Morgan Stanley

New product lines will help growth, such as *Avelle*, a 30-day disposable wound patch aimed at the estimated $111bn a year Negative-Pressure Wound Therapy market. Its chief competitor is believed to be **Smith & Nephew's (SN.)** seven-day NPWT plaster, *Pico*.

Lastly, one of the chief reasons to float was to slash ConvaTec's mounting debt pile, which was believed to top £3.3bn last year. That's equal to an eye-watering seven-times 2015 EBITDA. Post IPO, borrowings should have been roughly cut in half thanks to raising £1.46bn at the float.

PRICING PRESSURE

Beyond internal factors there is also stiff pricing pressure across the healthcare industry – a factor that is not restricted to pharmaceutical budgets.

ConvaTec itself is guiding towards an annual negative pricing impact of 1% across each of its product franchises, while government healthcare reforms could put an even greater squeeze on the company.

Investment in the business is widely expected to drag on earnings in the year to 31 December 2016 which is reflected in the rough price to earnings (PE) multiple of close on 37.

The price to earnings ratio for 2017 currently stands at 16.4 times the consensus 14.7p of earnings per share (EPS), with implied dividend yield support of 2.2%.

SHARES SAYS:

Most analysts are relatively upbeat yet the consensus price target of 271p implies limited upside from current levels. Nordic and Avista's still large stakes could also be sold down next year, acting as a potential drag on the share price in the short to medium-term. With execution and industrial risks, we would suggest watching from the sidelines until there is better evidence that ConvaTec's strategic plans will bare fruit. (SF)

BROKER SAYS: 6 3 0

How to play the North American markets

We discuss the products offering exposure to US stocks

Contrary to the stock market collapse predicted ahead of polling, Donald Trump's election to the US Presidency has instead driven US equities to new highs in a 'Trumpflation' trade. The Dow Jones, S&P 500 and small cap Russell 2000 indices have all hit fresh highs.

Investors are hoping the implementation of pro-business tax and regulation policies, as well as increased infrastructure and defence spending, will be good for any number of companies in the US. The world's largest economy remains a leader in technological and scientific advances.

According to data provided by the AIC, the top performing investment company sector in the year to date on a share price total return basis is the commodities space with a gain of 72%.

The second top performing sector is North America with a 34% rise. This ascent not only reflects high-flying US equity markets, given a further boost by the Trump rally, but also the post EU referendum weakness in sterling, which has driven investors into the arms of overseas focused trusts.

RACING AHEAD

The AIC's communications director Annabel Brodie-Smith explains: 'Investment companies investing in the US have performed very strongly this year. The North American sector is the second best performing sector in the industry so far in 2016 up 34% and the North American Smaller Companies sector is up 20% in comparison to the average investment company, which is up 12%.

'Investment company investors benefit from the closed-ended structure which allows managers to take a long-term view of their portfolios and they also have the freedom to gear which over the long-term as markets have risen has boosted returns.'

Brodie-Smith continues: 'Investment companies also have income advantages and independent boards of directors to look after shareholder returns. After the unexpected Trump win, it appears that the American dream remains alive and well among investment company managers, with the US being the country most widely expected to outperform in 2017 and over the next five years.'

PLENTY OF CHOICE FOR UK INVESTORS

As the table shows, many UK-listed investment trusts with exposure to North America

have established strong long-term track records. They include **JPMorgan American (JAM)**, up 224.18% on a 10 year share price total return basis.

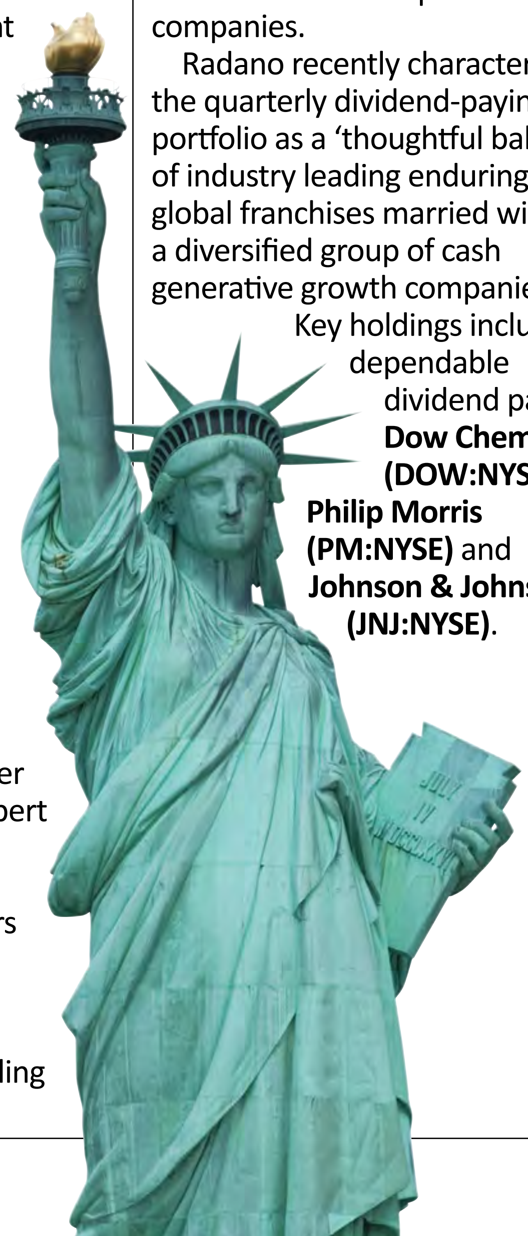
Run by fantastically-named duo Garrett T. Fish and Eytan Shapiro, the trust has a remit to achieve capital growth through investments in North American companies of all sizes, with the top 10 flush with American behemoths such as **Apple (AAPL:NDQ)**, **Microsoft (MSFT:NDQ)** and **McDonald's (MCD:NYSE)**.

Hot on its heels is **JPMorgan US Smaller Companies (JUSC)**, which despite delivering a 204.63% decade-long haul, trades at a 5.9% discount that might entice value seekers.

Managers Don San Jose and Dan Percella invest in US tiddlers that boast a sustainable competitive advantage, trade at a discount to their intrinsic value and are run by strong management teams.

Names that pass muster range from **Toro (TTC:NYSE)**, a turf and snow maintenance equipment maker, to batteries, pet supplies and electric shavers firm **Spectrum Brands (SPB:NYSE)**.

Trading at an even wider 12.1% discount is the Robert Siddles-managed **Jupiter US Smaller Companies (JUS)**. It provides investors with exposure to home care and IT companies that can play a part in reducing America's spiralling healthcare costs, plus access to other sectors.



INCOME ALLURE

For investors seeking to pep up portfolio returns through the wonders of dividend compounding, Aberdeen Asset Management-steered **The North American Income Trust (NAIT)** will appeal.

Trading at an 8.5% discount to net asset value, despite its near-30% five-year dividend growth track record, its managers Ralph Bassett and Fran Radano seek to provide investors with above average dividend income and long term capital growth through a book of S&P 500-quoted companies.

Radano recently characterised the quarterly dividend-paying portfolio as a 'thoughtful balance of industry leading enduring global franchises married with a diversified group of cash generative growth companies'.

Key holdings include dependable dividend payers **Dow Chemical (DOW:NYSE)**, **Philip Morris (PM:NYSE)** and **Johnson & Johnson (JNJ:NYSE)**.

GLOBAL ALTERNATIVE

Select investment trusts within the AIC's Global and Global Equity Income sectors also offer material exposure to North America.

They include the Tom Walker-steered **Martin Currie Global Portfolio Trust (MNP)**, the venerable **Witan Investment Trust (WTAN)** as well as the Artemis-managed **Mid Wynd International Investment Trust (MWY)**.

Another name is Baillie Gifford's **Scottish Mortgage (SMT)**, whose managers James Anderson and Tom Slater look for strong, well run businesses which offer the best potential durable growth opportunities for the future.

As the factsheet explains, 'they think in terms of owning companies rather than renting shares and are first and foremost stock pickers, selecting investments based on an individual company's fundamental characteristics.

'A long term approach is taken, as the managers believe that it is only over periods of five years or longer that durable competitive advantages and managerial excellence within companies are truly reflected in returns.'

Scottish Mortgage is a significant investor in **Amazon (AMZN:NDQ)** – the trust's top holding as at 31 October – as well as electric cars maker **Tesla Motors (TSLA:NDQ)** and social network **Facebook (FB:NDQ)**.

DISCLAIMER: Daniel Coatsworth, who helped to edit this article, owns shares in Scottish Mortgage

Spice up your portfolio with a VCT

Venture capital trusts offer significant tax and diversification benefits

If you want to add some spice to your portfolio and mitigate your tax bill it is worth looking at the current range of venture capital trust (VCT) offers.

Investing in a VCT enables you to get immediate exposure to a portfolio of small businesses which the VCT's manager reckons have significant growth potential. They might be companies that are disrupting existing sectors or ones offering opportunities in new sectors; often their performance is uncorrelated to the stock market.

VCTs offer 30% income tax relief, as long as you remain invested for at least five years. This essentially means that a £10,000 investment would cost you £7,000. If you sell your investment after five years you can reinvest the money into a different VCT (or the same VCT if a further six months have passed) and get a further 30% tax relief. You can do this as many times as you like.

There is a common belief that VCTs are the preserve of the super-wealthy, but the minimum investment required is usually £3,000 or £5,000. Most experts advise not to allocate more than 10% of your portfolio to VCTs, which means they could be suitable for someone with a £50,000 portfolio.

PENSION SUPPLEMENT

In recent times, VCTs have become a popular way to supplement traditional forms of pension planning. Once VCT investments have been held for five years, you can access your money in full without paying tax (assuming there is enough liquidity). This differs to a pension which only lets you take 25% of the pot tax-free, with the balance taxed at your marginal rate.

GOLDEN RULES FOR VCTS

Investors should buy any type of VCT direct from the fund manager or a specialist VCT broker during the offer periods to get all the tax benefits.

You can buy VCTs on the open market (also known as the secondary market) but you would lose the 30% income tax relief.

You will lose significant tax benefits by selling before five years is up, regardless of the type of VCT product originally purchased. Selling a VCT in this first five years should only be done as an action of 'last resort'.

If you do sell before the first five years is up, you would need to tell the taxman HMRC and reimburse the relevant income tax relief amount.

You can invest up to £200,000 into VCTs each year, which makes them useful vehicles for people who've reached their pension annual allowance or lifetime allowance.

'Unlike other tax-efficient investment schemes like the Enterprise Investment Scheme, the income tax relief associated with the VCT will typically be available within a few weeks of investing, hence investors can mitigate their tax liability immediately and may never need to pay the tax in the first place,' says Hugi Clarke, director at VCT manager Foresight.

VCTs are also worth considering if you want a decent income stream. Most VCTs target an annual dividend of around 5%. Some dividend targets are even higher – **Calculus (CLC)** recently launched a VCT top-up offer which aims to deliver a dividend of more than 6%, while **Triple Point Income (TPV1)** targets a 7% annual dividend.

TYPES OF VCTS

There is a misconception that the riskiness of VCTs is the same across the board, when in reality the risk varies according to the companies they invest in. It's a good idea to look at which sector(s) the VCT concentrates on and whether the companies are true start-ups or are already generating revenue or profit.

Generalist VCTs invest across a range of sectors, whereas specialist VCTs invest in a specific sector such as biotech. AIM VCTs focus on companies that are quoted on the AIM market.

Jason Rolf, business development manager at Amati Global Investors, says AIM VCTs typically invest in larger, more established companies which have reasonable liquidity.

The Amati VCTs invest in companies with a value of more than £15 million. Recent investments include remote meeting provider **LoopUp (LOOP:AIM)** and e-learning provider **Learning Technologies (LTG:AIM)**.

The vast majority of VCTs are generalist. Beringea's **ProVen Growth & Income (PGOO)** invests in over 40 companies. It predominantly focuses on the digital media industry but holdings also include a costume jewellery manufacturer and a pre-owned watch retailer.

Octopus Titan VCT (OTV2) invests in early-stage businesses, typically around two or three years old. Almost all the investments are equity-based ones. A current holding is Tails.com, a pet food delivery company.

Octopus Apollo VCT (OAP3) invests in companies that are five to seven years old which have longer track records. A current investment is Clifford Thames, which provides support services to the automotive industry. Octopus Apollo uses debt investments where possible, rather than equity.

'This gives downside protection. There is a much higher chance of getting money back if things go wrong,' says Stuart Lewis, business line manager at Octopus Investments.

SPECIALIST

Foresight Solar & Infrastructure VCT (FTSD) is a specialist VCT because it focuses on one sector. It invests in 'smart data equipment', which sends electricity and gas usage data back to the energy supplier every 30 minutes.

Foresight Solar & Infrastructure VCT is a 'limited life' or 'planned exit' VCT, which means it's designed to provide liquidity at some point in the future; in this case, in six years' time.

'You don't get the upside you would with the Foresight VCT, but because there is a planned exit it offers a more stable return. A solar park provides predictable revenue, especially if the VCT buys an existing park which has, say, two years of data. You can be fairly confident your return will be positive and there will be liquidity,' says Clarke. (EP)

VCTS AVAILABLE FOR INVESTMENT – 2016/17 TAX YEAR

Name	Type	Minimum investment	Charge before discounts*	Expected closing date
Albion (top-up)	Generalist	£6,000	3.0%	29 Sep 2017
Amati (top-up)	AIM	£3,000	3.0%	4 Apr 2017
Calculus (top-up)	Generalist	£5,000	5.0%	3 Apr 2017
Foresight Solar & Infrastructure	Limited life/ specialist	£3,000	5.5%	31 Jan 2017
Foresight (top-up)	Generalist	£3,000	5.5%	31 Dec 2016
Octopus Apollo (top-up)	Generalist	£5,000	5.5%	5 Apr 2017
Octopus Titan (top-up)	Generalist	£3,000/ £1,000 pm	5.5%	5 Apr 2017
ProVen Growth & Income (top-up)	Generalist	£5,000	5.5%	5 Apr 2017
Triple Point Income	Limited life/ specialist	£5,000	5.0%	31 Mar 2017

*Some VCTs offer 'early bird' discounts and discounts for existing investors. Charges may be subject to VAT.
Source: Clubfinance, Shares

Why Miton Global Opportunities Trust is unique

Seeking to exploit opportunities in the investment trust sector

In order to generate returns, we believe investors will increasingly need to look for alternative investments which invest in company shares and bonds. Investment trusts are one such area to explore.

The massive infrastructure expenditure mooted during Trump's election campaign has the potential to place the government bond market under severe stress.

We believe the high valuations on which global company shares, otherwise known as equity markets, currently trade is a direct result of the very low alternative returns available from bond securities.

Should bond yields continue to rise, stock markets could be undermined. Moving on from a period of unconventional monetary policy would be healthy in the long term, however, stock markets are likely to undergo a period of turmoil whilst investors adapt to the new reality.

WEALTH MANAGEMENT CHAINS

Since 2000, those investment companies that traditionally bought investment trusts have undergone a process of consolidation. Consequently, many companies have merged to form vast wealth management chains.

The impact of this consolidation has meant that a large proportion of the investment trust sector has become effectively off limits to such firms as they are unable to cope with the huge capacity and liquidity levels required by these new mega-chains whose assets under management number in the billions.

This dynamic has in effect served to

'orphan' hundreds of investment trusts, many of whom are now under-researched and increasingly illiquid as demand has naturally slowed, despite there being no critical issue with the trusts, assets or their overall strategies.

INVESTMENT OPPORTUNITY

Without demand, the share prices of these investment trusts have slowly drifted lower than the value of their underlying assets creating a significant opportunity for the diligent and specialist investor to buy.

Miton Global Opportunities Trust (MIGO) is, we believe, a unique investment proposition that specifically seeks to exploit opportunities in this part of the investment trust sector.

MIGO's patient investment approach allows it to extract the embedded value in those investment trusts that are trading at a lower price to the value of the underlying assets in order to realise gains over the medium to long term.

To provide an idea of the scale of MIGO's investment universe, there are currently over 400 investment trusts listed on the London Stock Exchange with an aggregate value of over £100 billion.

Over 300 of these investment trusts are currently less than £250 million in size, and offer exposure to a broad range of alternative asset classes from the likes of property to natural resources. MIGO is therefore able to offer significant diversification across this pool of potential opportunities.

THREE-PRONGED APPROACH

The MIGO portfolio comprises of three broad investment categories; identifying special situations, identifying and backing strong managers, and investment trusts in realisation (the process of an orderly wind-down returning the assets back to investors).

A special situation typically involves a scenario where a series of specific circumstances or factors has led to a dislocation between the market's perceptions of an investment trust versus reality. In simple terms, where the market understates or simply fails to identify the true value, MIGO looks to buy these assets at a discount to the value of the underlying assets with the aim of making up this value-gap over time.

The second category involves the identification and backing of strong investment management teams, who have often fallen victim to the same structural changes mentioned previously. Although they may have demonstrated exceptional performance, some investment managers have found themselv wes left without any natural demand on account of the small size of the investment trust they manage. MIGO looks to exploit this opportunity by accessing these specialist, high quality investment management teams at a discount with a view to generating gains over time.

The third category involves realisations. In some circumstances, shareholders can influence a trust's behaviour by exercising their rights as owners and may opt to vote to attempt to force an investment trust into realisation or liquidation, in order to realise the full value of their investment sooner. Clearly, if the shares have been bought at a significant discount to the value of the underlying assets, then this often proves to be a profitable exercise.

INCREASING SUPPLY OF OPPORTUNITIES?

We expect the continued consolidation of the wider investment community to precipitate further structural change for investment trusts under £250 million in size. Furthermore, there appears to be no let-up in the growth of alternative asset classes creating future opportunities, many with an income bias. This development should lead to an increasing supply of future opportunities going forward.

We are focused on extracting embedded value, which already exists, not trying to generate returns from trying to second guess unpredictable future share price or market movements.

As MIGO is on a discount to its underlying assets combined with the discounts that exist within the Trust we believe there is good scope for this latent value to be realised. We are excited by the opportunities and believe MIGO's research-led approach has the ability to make gains over the long-term, in a significant but under exploited segment of the UK market.

BE AWARE OF THE RISKS

The value of investments may fluctuate which will cause fund prices to fall as well as rise and investors may not get back the original amount invested. Miton does not give investment advice, if you are unsure of the suitability of this investment you should speak to a financial adviser. Investment Trust Companies such as MIGO and those in which it invests may borrow money, which can then be used to make further investments (gearing). In a rising market, this 'gearing' can enhance returns to shareholders. However, if the market falls, losses will be multiplied.

DEFINITIONS

Bond – A loan in the form of a security, either issued by a UK or overseas government (government bonds) or company (corporate bonds), which pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

Bond yield – The interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

GO EAST FOR INCOME

HENDERSON INVESTMENT TRUST OFFERS ACCESS TO ASIA PACIFIC'S RISING PAYOUT POTENTIAL

If you want to diversify your portfolio income and access the main bright spot in a sluggish global economy you could consider **Henderson Far East Income (HFEL)**.

The trust looks to provide a high level of dividends and capital appreciation over the long term, from investments traded on the Pacific, Australasian, Japanese and Indian stock markets.

It trades at a modest 1.9% premium to net asset value (NAV), reflecting consistent demand for the shares.

Run by Michael Kerley, he is a bottom-up, cash-flow focused manager with a consistent disciplined approach. Under his stewardship, 'HFEL' delivered an NAV total return of 32.1% for the year to 31 August, bolstered by improving Asia Pacific stock markets and sterling weakness post-Brexit vote. 'It was a year dominated by events and thematics,' says Kerley, 'and it helped having overseas assets and a sterling based fund.'

His confidence in Asian dividend sustainability and growth allows HFEL to increase its dividend by a healthy amount each year. In the year to August, the dividend was increased by 4.1% to 20p. HFEL should be able to continue with these progressive payouts as it has revenue reserves equivalent to 67% of that full year distribution.

STRUCTURAL GROWTH

Differentiating features of the fund include Kerley's process, which focuses on sustainable income distribution and income growth with a bias towards stocks that have real investment appeal rather than a just a high yield. The trust also has greater exposure to the Asian structural income story and less exposure to Australia than its closest peers.

Attractive valuations are key to the investment case in Asia, where a reform agenda across the region is driving improved corporate governance, shareholder friendly initiatives and record high institutional ownership. Kerley also points out that Asia's high real interest rates provide monetary flexibility, while its markets are cheap relative to earnings, their own history and ex-Asia markets.

Kerley argues the outlook for Asia is a positive one based on fundamentals, not just the region being under-owned. 'Asia looks pretty attractive as there's a degree of stability in China, earnings are improving across the region and valuations are cheap.' Kerley also believes US President-elect Donald Trump, who has accused China of being a currency manipulator, would be 'foolish' to impose trade sanctions on the Asian powerhouse. 'US companies sell more goods in China than they make in China and export back to the US,' he explains.

DOUBLE DIGIT GROWTH

'There's a strong chance of double-digit dividend growth from the portfolio this year,' stresses Kerley, who flags the fact that Asian companies have gone through change, now exhibiting lower growth but generating strong cash flow and dividends.

'Debt levels in Asia are very, very low,' explains Kerley, 'and free cash flow is going through the roof'. With capital expenditure and payout ratios both low, Kerley has great confidence in Asia's dividend growth potential.

Furthermore, he says the potential for large amounts of cash held in Asian bank accounts to move into yielding assets as interest rates fall is a very real one, replicating the dynamic that has driven asset prices in the West since the 2007/8 financial crisis.

THE A-TEAM

HFEL currently has zero exposure to consumer staples or healthcare as Kerley views these sectors as expensive. The largest country allocation is to China at around 20% and roughly 8% of the HFEL portfolio is invested in four China A-shares, each yielding over 4%. Kerley sees the Chinese A share market as 'one of the most interesting opportunities in Asia', being uncorrelated with the stock markets of China, Hong Kong or the rest of the world.

The four include Zhengzhou Yutong Bus, trading on a PE ratio of 12 times and a 6.5% dividend yield. 'More recently, it has become the largest maker of electric buses in the world, selling into the rest of Asia as well as France', says Kerley. Other A share positions include China Yangtse Power and Huayu Automotive Systems.

The sector generating the most income for the fund is financials, a big proportion coming from Chinese banks. 'We like toll roads in China,' adds Kerley, an investor in toll road operator Jiangsu Expressway.

One high-flying Chinese dividend growth stock that has appreciated strongly since purchase in February 2014 is Netease, an internet technology company which has re-rated due to the strength of its mobile gaming business and solid PC gaming franchise.

HENDERSON FAR EAST INCOME

Share price: 340.75p

Estimated NAV: 334.28p

Premium: 1.9%

Yield: 5.9%

Source: Henderson Global Investors

TOP TEN HOLDINGS (AS AT 31 OCTOBER 2016)

Netease (NTES:SI)	3.6%
Taiwan Semiconductor Manufacturing (2330:TW)	3.4%
Macquarie Korea Infrastructure Fund (088980:KS)	2.8%
Telekomunikasi Indonesia Persero (TLKMLJK)	2.7%
KB Financial (105560:KS)	2.6%
CapitaLand Mail Trust (CATL:SI)	2.4%
Spark New Zealand (SPK:NZ)	2.4%
Mapletree Greater China Commercial Trust (MAPE:SI)	2.4%
HKT Trust & HKT (6823:HK)	2.3%
Samsung Electronics (005930:KS)	2.3%

Source: Henderson Global Investors

SAMSUNG REVISITED

'We have had Japan in the portfolio but we gave up,' continues Kerley. 'Some 18% of the portfolio is in Korea,' he explains, having recently added electronics titan Samsung after an eight year portfolio absence. Though not typically a high yielding stock, Kerley believes this may be about to change, as a result of corporate restructuring involving the inclusion of heir apparent Jae Yong Lee to the board, a catalyst for more shareholder-friendly policies.

'We do have three stocks in India,' continues Kerley, referring to Infosys, Bharti Infratel and Coal India, 'but none of them are dependent on the domestic economy.'

HFEL does have just shy of 19% of its portfolio in Australia. While Kerley is not particularly positive on the country, he says 'in terms of yield you can't ignore it.' One Australia-listed holding of note is banking firm Macquarie. Its fund business could benefit from Trump's anticipated infrastructure spending in the US. (JC)

SHARES CENKOS

Growth and Innovation FORUM

YOUR CHANCE TO MEET FUTURE STOCK MARKET STARS

31 January 2017
Business Design Centre, London

Fancy discovering the next big name in the world of small cap investing? Now's your chance as registration is open for the *Shares/Cenkos Growth & Innovation Forum* to be held in London on Tuesday 31 January 2017. Tickets are FREE, but you must register in advance.

TP Group (TPG:AIM) has jumped by 86% since our previous event which was held in February 2016. **XLMedia (XLM:AIM)** is up by 41% since it presented at the event; and **Cyanconnode (CYAN:AIM)** is up by 34.5%.

CONNECTING YOU TO FUTURE WINNERS

We've already secured an appearance at the 2017 event from one of the most exciting IPOs (initial public offerings) so far this year. **LoopUp (LOOP:AIM)** has increased by 22% since it joined the stock market on 24 August 2016 and analysts reckon there is plenty more to come.

Come to the Growth & Innovation Forum to hear from LoopUp co-chief executive Steve Flavell about the company's growth prospects.

The conference call specialist impressed the

Visit www.sharesmagazine.co.uk/events and register now!

In partnership with

CENKOS

Associate sponsors

AJBell Youinvest

SHARES

SHARES CENKOS

Growth and Innovation FORUM

market on 30 September with its maiden results. It reported 38% revenue growth to £6m and said the business was profitable at the operating level.

House broker Panmure Gordon says LoopUp has an 'impressive and growing' client list including Alcatel-Lucent, Cable & Wireless and Permira. It serves more than 1,850 customers.

'LoopUp develops conference-calling SaaS (software as a service) products for remote meetings. Its patented software guarantees ease of use, and its scalable model addresses a £4.7bn market in which it has grown revenues by 36% CAGR since 2013,' says Panmure analyst Michael Donnelly.

IMPRESSIVE FORECASTS

The analyst forecast that sales will more than double from £10.1m in 2015 to £22.8m in the 2018 financial year. He also believes LoopUp will make £2.8m pre-tax profit next year, rising to £5.6m in 2018. That's very impressive – so make sure you book your ticket today in order to secure entry to our event on 31 January.

Further details can be found **here**. The event is being held at the Business Design Centre in London which is easily accessible from Angel, King's Cross St Pancras and Highbury & Islington train/tube stations.

Share price performance of some of the companies that attended the last event include:

Satellite Solutions Worldwide **+79%**
XLMedia **+46%**
Instem **+ 44%**
Cyan **+43%**
Summit Therapeutics **+32%**

The benefits of passing on your pension

Favourable tax rules allow transfer of wealth

It's hard to think of your pension as being anything other than a vehicle to fund your retirement, but it can also be a good way of passing wealth on to your children while reducing your tax bill.

In April 2015 the dreaded 55% 'death tax' on pensions was abolished, enabling pension benefits to be paid out tax-free to family members in certain circumstances.

Most people want their spouse or partner to inherit their pension in the first instance, but if you're single or your spouse doesn't need any of your pension, you can pass it directly to your children or grandchildren.

TAX RULES

If you die before age 75, the remaining funds in a drawdown pension can be paid out either as a lump sum or as continuing income without any tax deduction whatsoever.

If you die after age 75, the recipient will pay income tax at their marginal rate when they start drawing money from the pot.

There are no restrictions on how much of the pot the beneficiary can withdraw at any one time. They can take it as a single lump sum or use it to buy an annuity or adjustable income.

The beneficiary could leave their inherited pension to grow alongside their own pension to boost their income in retirement.

If they need income earlier, they could draw down as much or as little as they need from one year to another. If the beneficiary leaves the pension pot intact, it could be 'cascaded' down further generations.

As well as being a key part of estate planning, the legislation around pensions on death makes them a useful tax mitigation tool.

Steve Patterson, managing director at Intelligent Pensions, says if you have a large pension fund as well as a big personal estate with investments or cash, it might make more sense to spend your personal capital rather than your pension capital. This would lower the value of

your estate and reduce the amount that would be liable to inheritance tax (IHT).

'Take someone with a £1 million pension fund and a £1 million personal estate, including their home. The current threshold for IHT is £325,000 per spouse. Therefore, for a married couple, anything in excess of £650,000 would be taxed at 40%.

'In these circumstances, given the choice between spending personal money or pension money, it may make sense to spend the personal money (even if that depletes the capital) and allow the pension fund to grow instead. And if the personal capital is eroded to a level that becomes uncomfortable, you can then start drawing from your pension plan,' explains Patterson.

LUMP SUM

It's important to think about whether you need to withdraw your 25% tax-free lump in retirement.

Martin Tilley, director of technical services at Dentons Pension Management, points out that if the money continues to be held in a pension any growth will be tax-free.

If you withdraw it, the money will form part of your estate and could be subject to IHT. The same is true whether you take your whole tax-free portion in one go or take it in chunks.

An exception to leaving your tax-free lump sum intact is if the intended recipient is likely to be a 45% taxpayer.

Andy James, head of retirement planning at Towry, says in these circumstances paying IHT (at 40%) is a better option. However, he points out that the beneficiary could hold the pension until a later date when their tax charges might fall.

'For a 40% taxpayer the cost of either option is neutral but could still favour the pension option owing to the continued inheritability of the successor's pension outside of any estate. Where the individual is likely to pay basic rate or zero tax then keeping the funds within the pension would normally prove beneficial,' he adds.

Seek financial advice if you are unsure about inheritance tax rules

CHOOSE YOUR BENEFICIARIES

It's important to ensure your pension goes to the individual(s) you want it to.

Most pensions are set up under trust to avoid IHT, giving the trustees discretion over who receives the benefits when you die.

You can tell the trustees who should receive your pension by completing a death benefits nomination and expression of wishes form.

'It is then the duty of the trustees to take into effect the client's instructions and any other relevant information, such as a will, in the exercise of their discretion. It is therefore imperative to keep such forms up to date and reflective of changing circumstances and wishes,' says Mike Morrison, pension expert at AJ Bell.

When completing the form you mustn't take away the final discretion of the trustees in deciding on the payments. Otherwise, this could make the death benefits part of your estate and subject to IHT.

INVESTMENT CHOICES

Even if you have earmarked your pension as a pot to pass on down the generations this shouldn't dictate your decisions over which assets to invest in.

Tilley points out that circumstances change and unforeseen issues might make it necessary for you to use your pension savings for your own needs, for example if care costs escalate.

First and foremost, your pension should be viewed as something to provide an income in retirement, with any residue being passed on.

'The make-up of the investment portfolio should reflect the income needs and investment profile of that particular individual. The investment mix can be changed by the beneficiaries once they have inherited the pension if they wish to do so based on their own needs,' Morrison explains.

INCOME Special

The dangers of a drawdown hangover

Avoid being too greedy when it comes to devouring your pension

The Christmas party season is now in full swing, with workers up and down the country preparing to ask themselves that age old question: 'How much is too much?'

Clearly the booze will be flowing as the festivities get under way. But embarrass yourself in front of the boss after a few too many sherries and you could be left regretting not reining it in for months – or even years – to come.

Retirement investors similarly need to consider how the decisions they make today will affect their best-laid plans for the future. The pension freedoms introduced in April 2015 mean from age 55 you can spend and invest your retirement pot as you see fit.

CAREFUL PLANNING

While some people will still prefer the security of an annuity, an insurance policy providing a guaranteed income for life, many now use a self-invested personal pension (SIPP) to keep their money invested while taking an income through drawdown.

But how much should you take from your pot each year? Traditional theory suggests that, on average, a 65 year old should be able to draw about 4% of their pot down each year and be confident their pension will last throughout their retirement. While you shouldn't necessarily follow this to the letter, it provides a useful rule of thumb when thinking about your retirement income strategy.

Most people think of their income in terms of pounds and pence, rather than percentages. So let's take Gareth, a 65 year old retired technician. He has £100,000 left in his defined contribution pot after taking his 25% tax-free cash, a defined benefit pension worth £5,000 a year and a state pension that provides £8,000 a year. He needs £17,000 a year income, so takes £4,000 from his DC fund in year one.

However, his investments struggled terribly as uncertainty over Brexit hit his UK-heavy equity portfolio. As a result, his total pot is worth just £80,000 at the start of year two. To stay within the 4% rule Gareth must now reduce his total income by £800, withdrawing £3,200 from his DC pot. If he withdraws £4,000 again, that represents 5% of his total pot value.

This scenario could work the other way. If Gareth's portfolio rises in the early years of his retirement then his original £100,000 could still be intact – or even higher – even after he has taken his £4,000 annual income.

The watchword here is sustainability. Sustainability when it comes to drawdown is likely to be a moving feast, so keep an eye on your portfolio and think about the impact your spending decisions today will have on your quality of life tomorrow.

TOM SELBY
Senior analyst, AJ Bell

KEY

- Main Market
- AIM
- Fund
- Investment Trust
- Exchange-Traded Fund

Amino Technologies (AMO:AIM)	30
3i (III)	24
Aberdeen Asset Management (ADN)	3
AO World (AO.)	12
Aviva (AV.)	23
Aviva Investors Multi-Strategy Target Income (GB00BQSBPF62)	27
BAE Systems (BA.)	22
Berkeley (BKG)	3, 25
BP (BP.)	10, 16, 22
British Land (BLND)	17
BT (BT.A)	29
Burberry (BRBY)	22
Capita (CPI)	17
Card Factory (CARD)	18, 20
Carillion (CLLN)	21, 22
Central Asia Metals (CAML:AIM)	20
Centrica (CNA)	25
Chesnara (CSN)	24
CMC Markets (CMCX)	7
Cohort (CHRT:AIM)	10
ConvaTec (CTEC)	32
Daily Mail & General Trust (DMGT)	7, 10
Dart (DTG:AIM)	6
Devro (DVO)	11
Dixons Carphone (DC.)	12
DX (DX.)	18, 21
EasyJet (EZJ)	3, 6
Electrocomponents (ECM)	25
Elegant Hotels (EHG:AIM)	21
Euromoney Institutional Investor (ERM)	7, 10
Experian (EXPN)	13
Fairpoint (FRP:AIM)	3
Fidelity Enhanced Income (GB00B87HPZ94)	27
Fyffes (FFY:AIM)	14
Game Digital (GMD)	18, 21
GB Group (GBG:AIM)	14
GlaxoSmithKline (GSK)	22
Glencore (GLEN)	3
GVC (GVC)	7
Hammerson (HMSO)	17
Henderson Diversified Income (HDIV)	27
Henderson Far East Income (HFEL)	42
Hollywood Bowl (BOWL)	31
HSBC (HSBA)	22
IG (IGG)	7
Imperial Brands (IMB)	23
International Consolidated Airlines (IAG)	6
Interserve (IRV)	18, 21
iShares UK Dividend GBP Distribution (IUKD)	22
ITV (ITV)	24
JOHCM UK Dynamic Y Inc (GB00BDZRJ218)	24
JPMorgan American (JAM)	36
JPMorgan US Smaller Companies (JUSC)	36
Jupiter Enhanced Distribution (GB00BZ0PF042)	26
Jupiter US Smaller Companies (JUS)	36
Ladbrokes Coral (LCL)	7
Land Securities (LAND)	17
Learning Technologies (LTG:AIM)	39
Legal & General (LGEN)	22
LoopUp (LOOP:AIM)	39, 44
Marston's (MARS)	20
Martin Currie Global Portfolio Trust (MNP)	36
MFM Slater Income Fund P (GB00B905XJ71)	24
Micro Focus (MCRO)	17
Mid Wynd International Investment Trust (MWY)	36
Mitie (MTO)	3
National Grid (NG.)	23
NCC (NCC)	8
NewRiver REIT (NRR)	24
Newton Real Return (GB0006780323)	27
Next (NXT)	17
On The Beach (OTB)	6
Pearson (PSON)	17, 22
Phoenix Group (PHNX)	18, 20
Photo-Me (PHTM)	10
Plus500 (PLUS:AIM)	7
Premier Optimum Income Fund C (GB00B3DDDX03)	24
Rathbone Strategic Income Portfolio (GB00BY9BSL83)	26
Rio Tinto (RIO)	23
Royal Dutch Shell (RDSB)	10, 17, 22
RSA Insurance (RSA)	25
Ryanair (RYA)	6
Scottish Mortgage (SMT)	36
ServicePower Technologies (SVR:AIM)	31
Sky (SKY)	7, 29
Smith & Nephew (SN.)	33
Source FTSE RAFI UK Equity Income Physical UCITS ETF (DVUK)	23
SPDR S&P UK Dividend Aristocrat ETF (UKDV)	22
Sports Direct International (SPD)	8, 10
SSP (SSPG)	6
Stock Spirits (STCK)	19
Tarsus (TRS)	31
Tesco (TSCO)	25
The North American Income Trust (NAIT)	36
Thomas Cook (TCG)	6
Threadneedle UK Equity Alpha (GB0B88P6D76)	25
TP Group (TPG:AIM)	44
Tritax Big Box REIT (BBOX)	25
Troy Trojan Income (GB00B01BNW49)	27
TUI (TUI)	6
United Cacao (CHOC:AIM)	31
Vodafone (VOD)	17, 24
WH Smith (SMWH)	6
Witan Investment Trust (WTAN)	36
Wizz Air (WIZZ)	6
WM Morrison Supermarkets (MRW)	24
WPP (WPP)	17
XLMedia (XLM:AIM)	44
Zoopla (ZPLA)	10