VOL 19 / ISSUE 12 / 30 MARCH 2017 / £4.49

SHARES

WE MAKE INVESTING EASIER

TESCO SHAREHOLDERS: HOW TO CLAIM COMPENSATION

BRITAIN'S HEALTH CHECK

Dark days ahead as Brexit gets underway?

SHARES SPOTLIGHT
SPECIAL REPORT ON
MINING, OIL AND GAS

ALSO INSIDE: *MORE INSPIRATION FOR YOUR ISA*

Rising debt and falling mortgage approvals spells trouble

Pay close attention to important economic and consumer data points

A rise in personal debt and a fall in mortgage approvals could point towards more difficult times ahead in the UK. Investment bank Liberum says get out of retail and housebuilding stocks now.

The BBA says consumer credit is expanding at an annual rate of 6.6% with growth being fuelled by credit card spending. I'm worried that fairly robust UK retail sales figures are a result of consumers spending with their cards, not hard-earned cash.

There are limits to how far consumers can live beyond their means with spending rising faster than disposable incomes.

BACK TO NORMAL?

Some market commentators believe the slowdown in mortgage approvals is merely the market reverting back to normal levels after a bumper period in the preceding months. I wouldn't be surprised if there is also an element of lenders rejecting people because of their rising level of personal debt.

The Council of Mortgage Lenders says lending is being driven by first-time buyers and people remortgaging – activity levels are actually weak among homeowners moving to a different property and in buy-to-let.

Furthermore, I note there has been a decline in the amount of people searching online for the term 'mortgage' since mid-January 2017, according to Google Trends. This seems negative for property-related stocks.

Many of the housebuilders have seen share price rises by circa 15% so far this year, helped by robust trading statements and takeover activity in the sector. Liberum says now is the time to lock in any profit on those stocks.

The investment bank forecasts an ongoing decline in household disposable income in light of rising inflation and disappointing nominal wage growth.

WARNING SIGNS

You are certainly seeing a few cracks in the market with regards to consumer spending. For example, restaurant business **Tasty (TAST:AIM)** downgraded its profit guidance earlier this week and said it would halve the number of new openings in 2017, citing 'challenging' market conditions since the start of the year.

It's a worrying situation, but can you really deduce what will happen in the future from only a few data points? You can certainly make some assumptions and that's exactly how the stock market works.

Investors price in what they believe will happen in the future. That's why it can pay to keep a close on the key data points every month and signals from listed companies as they can help formulate the potential direction of certain parts of the stock market.

IMPORTANT ANNOUNCEMENT:
Please note a change in the normal venue for our next investor evening and earlier start time of 6pm. The event on 6 April is being held at NEX Exchange's offices next to Liverpool Street station in London. 2 Broadgate EC2M 7UR.
Click here for free tickets.

Contents

30 March 2017

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

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.

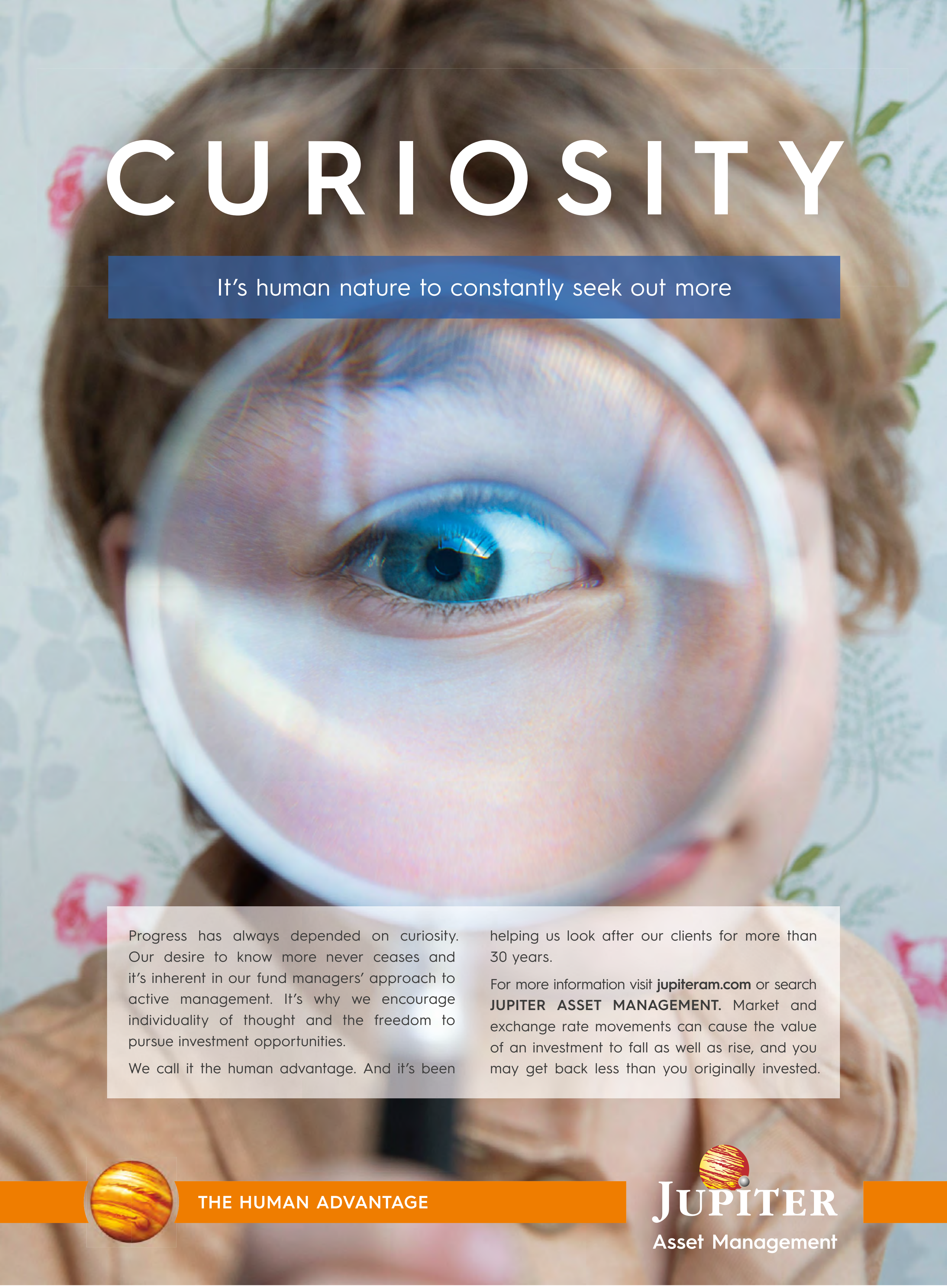
Members of staff of Shares may hold shares in companies mentioned in the magazine. This could create a conflict of interests. Where such a conflict exists it will be disclosed. Shares adheres to a strict code of conduct for reporters, as set out below.

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.


CURIOSITY
It's human nature to constantly seek out more
Progress has always depended on curiosity. Our desire to know more never ceases and it's inherent in our fund managers' approach to active management. It's why we encourage individuality of thought and the freedom to pursue investment opportunities.
We call it the human advantage. And it's been helping us look after our clients for more than 30 years.
For more information visit jupiteram.com or search JUPITER ASSET MANAGEMENT. Market and exchange rate movements can cause the value of an investment to fall as well as rise, and you may get back less than you originally invested.
THE HUMAN ADVANTAGE
JUPITER
Asset Management

Trump trade hits road block

Many UK stocks have been priced higher as likely 'Trump policy' beneficiaries. Will this now reverse?

The failure of the Trump administration to get its healthcare reforms through Congress raises serious questions over its ability to deliver on corporate tax cuts and infrastructure spending plans.

This in turn is putting pressure on the financial markets and could lead to the gains accrued during the so-called Trump rally being reversed.

The Dow Jones index in the US closed down for the eighth straight day on 27 March.

Trump's situation is relevant to investors holding UK stocks, as we now explain.

The accompanying table shows the top performing names in the FTSE 100 between Trump's shock election win on 8 November 2016 and the subsequent period running to 24 March 2017, before the healthcare defeat.

Many of these names saw their share prices rise as markets priced in likely benefits from Trump policies. Therefore many of these stocks could be vulnerable to a negative share price correction if investors lose all faith in Trump delivering on his promises.

Financial stocks rose on the hope of potential looser regulation in the US extending to the UK and the likelihood of higher interest rates.

Commodity shares were lifted by anticipated demand for raw materials to service ambitious infrastructure plans. Equipment hire business **Ashtead (AHT)** was seen as a potential beneficiary once this activity got underway.

AJ Bell investment director Russ Mould says this offers 'a timely reminder that long-term investors in stocks are better served by focusing on company cash flows and valuation than second-guessing what politicians are going to try and do'.

On 24 March Trump agreed to pull his so-called Trumpcare plans after failing to secure enough support.

If he couldn't overturn Obamacare, hated by US conservatives, it seems sensible to ask if he will be any more successful on tax cuts and infrastructure.

ETX Capital analyst Neil Wilson comments: 'Fiscal expansion might be easier to get through, or it might be harder. We just don't know yet what the Republican Party is likely to do.

'We do know that there are a number of fiscal hawks among the Republicans who are ideologically opposed to the sort of fiscal expansion Trump wants.

'That is a significant roadblock and may make progress very hard. Exploding the deficit is not going to sit well with many.' (TS)

FTSE 100 TOP RISERS BETWEEN TRUMP ELECTION AND EVE OF TRUMP SETBACK

Company	Sector	Share price gain
Antofagasta	Mining	41%
Taylor Wimpey	Housebuilding	36%
Ashtead	Construction equipment	30%
Royal Bank of Scotland	Banking	28%
Prudential	Life Insurance	27%
ITV	Media	26%
Glencore	Mining	26%
Persimmon	Housebuilding	25%
Int. Consolidated Airlines	Airlines	25%
InterContinental Hotels	Hotels	24%

Source: SharePad. Data 8 Nov 2016 market close to 24 March 2017 market close

Hard road ahead for Halfords

Pedestrian bike market among threats facing retailer

Car parts-to-bicycles retailer **Halfords (HFD)** is on a 'Road to Nowhere' according to stockbroker Peel Hunt.

It says investors should dump the stock, arguing consensus earnings estimates fail to reflect increasing headwinds and a new store format that 'doesn't move the dial'.

Peel Hunt is nervous about the retailer's cycling growth prospects. It says the replacement cycle for bikes is getting longer. Interestingly, it claims bike sales volumes in general (not Halfords-specific) have flattened despite people riding more miles.

The broker doesn't think the trend towards more cycling is played out, yet says underlying growth for bikes and kit is likely to be weak.

As for Halfords' exposure to the car market, higher oil prices means fewer miles driven and less depreciation on the value of a car. That's bad for the retailer's higher margin car maintenance revenues.

Furthermore, many people are taking out third party service packs alongside credit schemes to fund a new car – another negative for Halfords.

You also need to consider the impact of the weak pound as the retailer may have to put up prices to mitigate rising input costs.

Halfords recently paid a 10p special dividend, although Peel Hunt doesn't believe this will become a regular occurrence.

It forecasts Halfords will report an 8% drop in pre-tax profit when full year results are published on 25 May. The retailer's shares are down 2.4% to 356.6p so far this year. (JC)

Are you eligible for Tesco compensation?

Supermarket forced to give cash back to certain investors after misrepresenting its accounts

ANYONE WHO BOUGHT shares in **Tesco (TSCO)** during a certain part of summer 2014 may be able to get some money back as a compensation payment.

Tesco has agreed a settlement with the Serious Fraud Office (SFO) over accounting malpractice where it overstated profits.

The Financial Conduct Authority (FCA) has used its powers to force Tesco to deliver £85m worth of compensation to shareholders.

HOW MUCH WILL IT COST?

In total Tesco is taking an exceptional charge of £235m in respect of the SFO fine, FCA compensation scheme and related costs.

The market abuse identified by the FCA relates to a trading update on 29 August 2014 which overstated profit. This was followed by a corrective statement on 22 September 2014.

Tesco will pay 24.5p per share and interest (covering the period in the interim) based on 4% annual rate to retail bondholders who invested between 29 August and 19 September 2014.

The scheme is being run by KPMG, with oversight from the FCA, and should be established by August upon which you will have six months to make a claim. Click here for more detail.

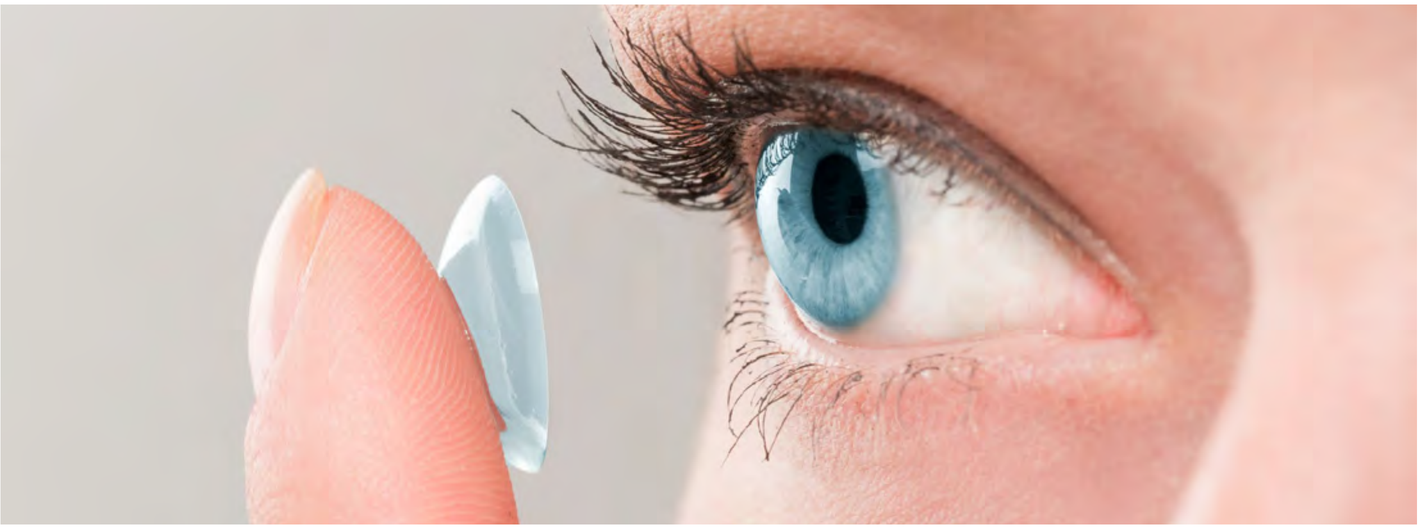
BOOKER DEAL BASHED

Tesco is also under fire from two major shareholders owning 9.5% of the company. They are trying to block its £3.7bn acquisition of wholesaler **Booker (BOK)**, implying it could destroy shareholder value.

We expect Tesco will defend the Booker deal when it reports full year results on 12 April. (TS)

Pershing eyes revival with London listing

Hedge fund has been a flop on Euronext for two years



Billionaire Bill Ackman's famous hedge fund **Pershing Square Holdings** is seeking to list on the London Stock Exchange's Main Market as it tries to distance itself from a terrible performance on Amsterdam's Euronext exchange.

As a hedge fund, Pershing is known for making concentrated bets on US companies. This high-risk strategy backfired in 2015 when Ackman urged investors to back him on Valeant Pharmaceuticals, just before its share price dropped by 80%.

He was not the only hedge fund don caught out by Valeant. John Paulson who runs hedge fund Paulson & Co also had a large stake in the company whose products range from contact lenses to dental care.

Hedge funds use what is called 'long/short' strategies. They invest heavily in companies they like and bet against companies they don't (shorting). An unsuccessful bet can have disastrous consequences, as Pershing has now discovered.

MIXED FORTUNES

Everyone makes mistakes and Pershing has enjoyed periods of good performance in the past.

The Euronext-listed fund generated a 40.9% return in 2014, according to Pershing's website.

Problems emerged in 2015 when the shares fell 20.5% in value. By the end of 2016 it was trading at 20% below net asset value and the shares had fallen a further 13.5% that year.

The performance was even worse earlier in 2016 with more than 20% share price decline in the year to November. Pershing was somewhat 'saved' by Donald Trump's election as rumours he was to privatise the mortgage sector saw US mortgage financier Fannie Mae's share price treble. That business is another major holding of Pershing.

BACK TO REALITY

One of the aims of the London listing, which it hopes to complete by May, is to narrow the discount to net asset value. The Euronext-listed shares currently trade 15% below NAV.

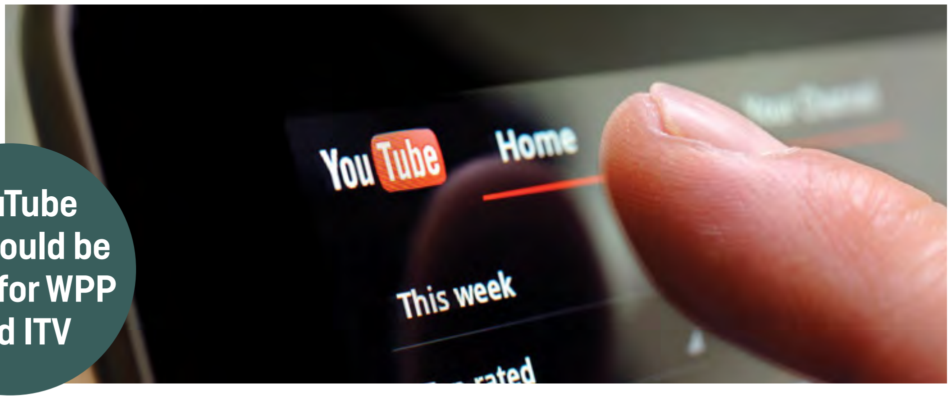
There are other ways to get exposure to hedge fund strategies if you don't want to risk your money on Pershing when it joins the London market.

Asset managers such as Schroders have a range of alternative UCITS funds that replicate hedge fund strategies but have protective measures in place which limit exposure to individual stocks.

Schroder GAIA Paulson Merger Arbitrage Fund (LU1062022659), for example, looks to play M&A situations. (DS)

Who benefits as big brands shun YouTube?

Advertising agencies and broadcasters look better placed in the wake of content crisis



YouTube row could be good for WPP and ITV

The revelation that many mainstream advertisers had seen their brands sit next to extremist content on Google-owned YouTube has sparked an exodus from the online video sharing platform.

The likes of Johnson & Johnson and AT&T in the US and **Marks & Spencer (MKS)** and **HSBC (HSBA)** in the UK have all pulled ads from the site in response to what the US Association of National Advertisers is calling a 'crisis'.

BOON FOR BROADCASTERS

There are two main beneficiaries of this debacle. Most prominently, broadcasters such as our _Top Pick for 2017_ **ITV (ITV)** could profit from a shift back to more traditional forms of advertising such as television.

TV remains a very effective means of advertisers getting a message across to consumers.

Critically it is more transparent than online advertising where there are growing fears that advertisers are, in some cases, essentially being defrauded or their message is seen alongside under-vetted content.

Liberum analyst Ian Whittaker, who has a 'buy' recommendation on ITV with a 340p price target, says there are two ways the free-to-air broadcaster can capitalise on YouTube's woes.

'Advertisers (can) shift money back towards traditional media including TV (and ITV),' he says. 'ITV can also push its online video advertising as a safe offering to clients who will know that their adverts will not appear alongside extremist material.'

AGENCIES BACK IN DEMAND

The world's largest advertising business **WPP (WPP)** is down 12% since 3 March when it published an underwhelming set of full year results and downbeat guidance for 2017.

Buy into this share price weakness as the YouTube situation adds to our positive long-term view of WPP.

Historically agencies have made a lot of money by purchasing advertising space both online, in print and on the airwaves.

There have been fears that either advertisers would cut out the middle man and deal directly with the likes of Facebook and Google or use programmatic buying, the automated purchase of unsold space on websites, to snap up ad space online.

Taking agencies and some element of quality control out of the equation clearly risks compromising the brand by associating it with extremist or offensive content.

A 2014 report by Millward Brown suggested brands account for more than 30% of the market cap of companies on the S&P 500 index of large US companies. Given the value of brands, it is not worth the risk for the really big companies to dispense with the agencies' expertise.

SHARES SAYS: ↗
Time to buy ITV at 209.1p and WPP at £16.78. (TS)

ITV. BROKER SAYS:
15 7 3

WPP. BROKER SAYS:
20 9 0

The Institutional Trader Programme

Aug 7-18, London   London Stock Exchange and Tower 42

10 Day Intensive, 3 month home learning & 12 month mentorship programme

Knightsbridge Trading Academy in partnership with London Stock Exchange Group (LSEG) Academy are proud to present an elite accredited* opportunity for aspiring traders.

The Institutional Trader Programme

- Limited to 30 places worldwide
- World renowned expert tutors
- Accredited by CISI & CPD certified
- Certificate of attendance from LSEG
- Taking place at London Stock Exchange and Tower 42
- 2-day live front office trading simulation
- Access to ITP e-learning online portal
- 3 Month online learning with help desk support
- Exclusive access to ITP alumni

Price: £10,000 + VAT**
**Payment plans available

This includes certificate of attendance from London Stock Exchange, CISI Accredited and CPD Certified
Limited - Application Only. For more information, please call +44 (0) 207 096 0253

Knightsbridge Trading Academy   INFINOX TRADING POWER   ACADEMY LONDON STOCK EXCHANGE GROUP   CISI CHARTERED INSTITUTE FOR SECURITIES & INVESTMENT

*accredited by CISI

ADVERTORIAL

Knightsbridge Trading Academy

CERTAINTY AND CONFIDENCE IN UNCERTAIN TIMES

By Trevor Neil MSTA MCSI

Trump, Brexit, Rising interest rates, North Korea, China economy – How can you cope with these and all the other dizzying fundamentals?

Trevor Neil MSTA MCSI has been and investment professional for over 40 years. He is a fund manager and his firm, BETA Group, works with leading financial institutions and corporates teaching the courses of the CISI and his speciality, technical analysis. He is an Authorised Trainer for the CISI.

Traders and investors are very nervous at the moment. Market moving fundamentals are often being tweeted at us and seem to be a stream of continuous surprises. What will Brexit actually mean? Terrorism. Fed messages. Mature long bull market. Worries about tensions in the South China Sea….. Has it ever been like this before? How can you make clear-minded investment decisions in this uncertain climate?

What about the people who have to make decisions? What about the investment professionals who must participate and make decisions about the markets. Watching with wide eyes, for them, is simply not an option. Can you learn how to deal with all these difficulties and see the wood for the trees?

What happens inside an institution at times like this? Do they know what is going to happen? How do they make plans? How can they make long-term decisions in a short-term world?

A group of traders and investors from around the world attended the first ever Institutional Traders Programme held in London in February. The course took place at London Stock Exchange Group Academy headquarters and in Tower 42 in the heart of the City.

The first two weeks of the course was face to face training offered by leading trainers from the institutional world of finance. After a week of intensive training, the participants took the Chartered Institute for Securities and Investment www.cisi.org International Introduction to Securities and Investment exam and their first steps towards becoming an Approved Person (authorised to advise and deal with consumers). The face to face course went on to answer questions like how professionals deal with uncertain environments. They were able to use the same trading simulator used by banks to test the ability of sell-side FX traders. This was very exciting and gave the attendees the realistic feel of being that side of the trading desk and making decisions under pressure.

The course will run again in August. I am honoured to be working with Knightsbridge Trading Academy and London Stock Exchange Group Academy managing this course. If you would like to know more about this exclusive experience and to see the agenda, please visit ktafx.com/lse-one

£1m

ACACIA'S DAILY HIT FROM EXPORT BAN

GOLD PRODUCER **Acacia Mining (ACA)** is losing £1m a day from the Tanzania government's export ban on unprocessed ore.

Two of Acacia's mines are now stockpiling material which would have normally been exported in concentrate form.

Last week it said talks to reach a compromise with the government hadn't got anywhere.

Investec says Acacia's balance sheet can cope with pressures short-term. 'We expect this situation to be resolved but remain concerned it will come at a cost, i.e. a greater tax grab as Acacia pays little cash tax given substantial tax assets.'

1,156M OIL COLUMN

OIL EXPLORER **Hurricane Energy (HUR:AIM)** brings its latest drilling efforts in the area of the North Sea to the West of Shetland to a successful conclusion by finding a 1,156m oil column with its Halifax well.

The company says the results support its contention that the existing Lancaster discovery and this latest find are part of the same accumulation of oil, dubbing it the Greater Lancaster Area.

On this basis chief executive Robert Trice says it would be 'the largest undeveloped discovery' in the UK North Sea.

A RARE 'BUY THE MARKET' ALERT HAS BEEN SOUNDED FOR US EQUITIES

THE 14-DAY RELATIVE strength index (RSI) for the S&P 500 index of US large cap stocks has gone above the 80 mark for the first time in 20 years. Investment bank Morgan Stanley claims this is good.

'While elevated sentiment metrics such as this may indicate increased near-term risks, history suggests it is bullish for the long-term,' it comments.

Morgan Stanley has analysed data back to 1982 and finds the median price return for the S&P has been 11.9% six months after an RSI reading above 80; and 21% over a 12-month period.

NETFLIX'S BLOCKBUSTER VALUE CREATION

THIS IS THE amount of value created by streaming movies and TV service Netflix in the 15 years since its $6.4bn IPO in 2002. Today it is worth $61.1bn.

Bear in mind the old videos rentals business Blockbuster turned down the chance to buy Netflix just months before the latter joined Nasdaq, a gobsmacking mistake costing that company the ultimate price – Blockbuster has since gone bust. (SF)

12.5%

PERCENTAGE OF LLOYDS' LOANS DEEMED 'HIGH-RISK'

Lloyds Banking Group (LLOY) is not as safe as investors may think, according to investment bank Berenberg. The latter is worried about Lloyds' increasing exposure to high-risk consumer loans and says investors should sell their shares in the bank.

Lloyds' plan to buy MBNA's UK credit card business will double its exposure to higher-risk consumer loans to approximately 12.5% of its core UK loans.

Berenberg notes that Lloyds had one of the highest loss rates in each UK lending category in the Bank of England's 2016 stress tests.

£70M

THIS IS THE total banked by family and directors behind student accommodation business **Watkin Jones (WJG:AIM)** as they sell a near-20% holding.

The company joined AIM a year ago and one of the stated reasons for going public was to 'allow incumbent shareholders to realise a proportion of value'.

Woodford Investment Management, run by famous UK fund manager Neil Woodford, picked up just over half the shares to hold in its funds.

BEST PERFORMING STOCKS IN FTSE ALL-SHARE INDEX SO FAR THIS YEAR

Company	Share price change
Carpetright	56.6%
Cape	50.2%
Macau Property Opportunities Fund	49.4%
Gulf Marine Services	40.3%
Clarkson	39.1%
Morgan Sindall	33.9%
Softcat	32.2%
Vesuvius	31.7%
Savills	30.9%
Exova	30.3%

Source: SharePad. Data to 27 March 2017

MOST POPULAR EXCHANGE-TRADED FUNDS IN MARCH 2017*

Company
iShares Core MSCI World USD Acc GBP
SPDR FTSE UK All Share ETF
UBS ETF MSCI Emerging Markets USD A Dis GBP
Vanguard S&P 500 ETF GBP
Vanguard FTSE Japan ETF GBP
Vanguard FTSE Developed Europe ex UK ETF GBP
iShares Core S&P 500 USD Acc GBP
iShares Core £ Corp Bond GBP Dist
Vanguard FTSE 250 ETF
iShares Core UK Gilts GBP Dist

*Based on top product purchases on AJ Bell Youinvest platform.
1-month to 27 March 2017
Source: AJ Bell Youinvest

WEEK AHEAD

FRIDAY 31 MARCH

RESULTS	
FINAL	
CHESNARA	CSN
MANAGEMENT RESOURCE	MRS
STARCOM	STAR
INTERIMS	
TOUCHSTONE INNOVATIONS	IVO
PANTHEON RESOURCES	PANR

MONDAY 3 APRIL

LUCECO	LUCE

FILTA (FLTA:AIM)

Deep fryer cleaner Filta (FLTA:AIM) posts its first results on 3 April since floating on the junior stock market in November last year.

The firm's revenues were $10m for 2015 and its initial public offering raised $5.38m intended to drive growth. Its shares have risen 36% since joining AIM.

TUESDAY 4 APRIL

RESULTS	
FINAL	
MIDATECH PHARMA	MTPH
NEXT FIFTEEN COMMUNICATIONS	NFC
SPRUE AEGIS	SPRP
SHIELD THERAPEUTICS	STX

WEDNESDAY 5 APRIL

RESULTS	
FINAL	
HSS HIRE	HSS
INTERIM	
IMI	IMI

NANOCO (NANO:AIM)

Cadmium-free quantum dots technology developer Nanoco (NANO:AIM) is apparently 'on the cusp of commercialisation', according to one analyst.

It's seemingly been that way for a few years yet a financial breakthrough remains elusive.

Half-year results on 4 April will continue to talk up strategic progress, even if that's not really what shareholders are now after.

THURSDAY 5 APRIL

RESULTS		
FINAL		
GULF KEYSTONE PETROLEUM		GKP
MP EVANS		MPE
ZEGONA COMMUNICATIONS		ZEG
TRADING STATEMENT		
ELECTROCOMPONENTS		ECM
EX-DIVIDEND		
AMINO TECHNOLOGIES	AMO	4.66P
ANIMALCARE	ANCR	2P
AVIVA	AV.	15.88P
BBA AVIATION	BBA	9C
BEGBIES TRAYNOR	BEG	0.6P
BERENDSEN	BRSN	22.5P
COSTAIN	COST	8.4P
4IMPRINT	FOUR	29.52P
FISHER (JAMES)	FSJ	17.6P
GKN	GKN	5.9P
IMI	IMI	24.7P

M.P. EVANS' (MPE:AIM)

Indonesian palm oil producer M.P. Evans' (MPE:AIM) full year results on 6 April are the first numbers since the rejection, by board and shareholders alike, of a takeover offer from KLK (Kuala Lumpur Kepong Berhad).

In response, M.P. Evans plans to 'increase dividends substantially'; and it is selling off minority-held Indonesian estates in favour of buying or developing its own, directly-managed new projects.

LIGHTHOUSE	LGT	0.18P
LLOYDS BANKING	LLOY	0.5P
LLOYDS BANKING	LLOY	1.7P
MONEYSUPERMARKET	MONY	7.1P
MELROSE	MRO	1.9P
NICHOLS	NICL	20.3P
PHOTO-ME	PHTM	3.09P
PADDY POWER BETFAIR	PPB	113P
PEARSON	PSON	34P
QUARTIX	QTX	9P
RIT CAPITAL	RCP	16P
ROTORK	ROR	3.15P
RENTOKIL	RTO	2.38P
ST IVES	SIV	0.65P
SMITH (DS)	SMDS	4.6P
ST JAMES'S PLACE	STJ	20.67P
ULTRA ELECTRONICS	ULE	33.6P
VIRGIN MONEY	VM.	3.5P
VESUVIUS	VSVS	11.4P
WOOD (JOHN)	WG.	23C

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

WHO WE ARE

EDITOR: Daniel Coatsworth @SharesMagDan

DEPUTY EDITOR: Tom Sieber @SharesMagTom

NEWS EDITOR: Steven Frazer @SharesMagSteve

FUNDS AND INVESTMENT TRUSTS EDITOR: James Crux @SharesMagJames

REPORTER: David Stevenson @SharesMagDavid

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.

Advertorial

BLACKROCK®

Leaner mining companies fit for growth

Evy Hambro
portfolio manager, BlackRock World Mining Trust plc

Mining had a strong 2016, but what factors will determine whether this resurgence will continue?

Share prices in the world mining sector started to pick up at the beginning of 2016. Investors had previously been worried about a potential 'hard landing' in China, whereby its economic growth grinds to a halt. There were also concerns about high levels of debt in the sector. But increased infrastructure spending by the Chinese government began to turn the tide and manufacturing improved.

The five major indicators that measure manufacturing are new orders, inventory levels, production, supplier deliveries and the employment environment and they showed improved data for the mining sector. Share prices started to rise and many mining companies were able to improve their financial position by reducing debt.

China is the most important economy for the sector because it consumes around half the world's mined commodities[i]. It means any reduction in demand from the country poses the biggest risk to the sector as a whole. However, the Chinese economy has improved from where we were at the start of 2016. Mining tends to be cyclical in terms of returns, and while past performance is no guarantee of future performance, we're expecting it to rise at a more gradual pace than we saw in 2016. Mining shares typically experience above average volatility when compared to other investments. Trends which occur within the general equity market may not be mirrored within mining securities.

We're expecting support for Chinese commodity share prices to come from supply being constrained rather than increased demand. For a company's share price to go up either supply needs to be reduced or demand for the product needs to go up.

Annual performance (%) to last quarter end (GBP)	31/12/15-31/12/16	31/12/14-31/12/15	31/12/13-31/12/14	31/12/12-31/12/13	31/12/11-31/12/12
BlackRock World Mining Trust plc Net Asset Value	92.91	-35.31	-26.42	-24.61	-5.01
Euromoney Global Mining TR USD	94.03	-36.87	-13.01	-24.07	-2.38

Past performance is not indicative of future results. Net Asset Value (NAV) performance is not the same as share price performance, and shareholders may realise returns that are lower or higher than NAV performance.

Source: BlackRock, March 2017. BlackRock performance figures are calculated on a total return basis with net income reinvested.

The Euromoney Global Mining Index performance figures are based on total returns net of taxes and dividends, with income reinvested. It is not possible to invest directly into an index. Latest performance can be found on www.blackrock.co.uk/brwm

In addition, mining companies have shown discipline by reducing spending and debt. Spending in the mining sector peaked in 2012 and since then we've seen spending fall by around two-thirds[ii]. What we're hearing from companies is that they want to continue with this financial discipline. The pain of the recent downturn is still too fresh for management teams to want to go back to old spending patterns.

BlackRock's World Mining Trust aims to provide a diversified investment in mining and metal assets worldwide, actively managed with the objective of maximising total returns. To find out more, **click here.**

i Banque Internationale A Luxembourg, April 2016
ii Jefferies data, December 2016

BlackRock have not considered the suitability of this investment against your individual needs and risk tolerance. To ensure you understand whether our product is suitable, please read the Key Features document, current Shareholder circular and the Annual and Half Yearly Reports for more information where you can find a full explanation of these type of investment techniques and more information about the risk profile of the investment. We recommend you seek independent professional advice prior to investing.

Trust specific risks: Overseas investment will be affected by movements in currency exchange rates. Emerging market investments are usually associated with higher investment risk than developed market investments. Therefore the value of these investments may be unpredictable and subject to greater variation. Investment strategies, such as borrowing, used by the Trust can result in even larger losses suffered when the value of the underlying investments fall. Mining shares typically experience above average volatility when compared to other investments. Trends which occur within the general equity market may not be mirrored within mining securities. The Company currently conducts its affairs so that its securities can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The securities are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust

Issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: 020 7743 3000. Registered in England No. 2020394. For your protection telephone calls are usually recorded. BlackRock is a trading name of BlackRock Investment Management (UK) Limited. BlackRock have not considered the suitability of this investment against your individual needs and risk tolerance. To ensure you understand whether our product is suitable, please read the Key Features document, current Shareholder circular and the Annual and Half Yearly Reports for more information where you can find a full explanation of these type of investment techniques and more information about the risk profile of the investment. We recommend you seek independent professional advice prior to investing.

The BlackRock Investment Trusts NISA and BlackRock Investment Trusts Savings Plan are managed by BlackRock Investment Management (UK) Limited. All the trusts are traded on the London Stock Exchange and dealing may only be through a member of the Exchange. The Trust has appointed BlackRock Investment Management (UK) Limited as Investment Manager. It will not invest more than 15% of its gross assets in other listed investment trusts. SEDOL™ is a trademark of the London Stock Exchange plc and is used under licence.

Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy.

This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or financial product or to adopt any investment strategy. The opinions expressed are as of March 2017 and may change as subsequent conditions vary.

Past performance is not a guide to future performance. All financial investments involve an element of risk. Therefore, the value of your investment and the income from it will vary and your initial investment amount cannot be guaranteed.

New dawn for Caspian Sunrise

Kazakh oil explorer eyes long-life production licence

Now is an opportune time to invest in the newly-renamed **Caspian Sunrise (CASP:AIM)**. An imminent deal will give it full control of the highly-prospective BNG asset in Kazakhstan.

Don't be put off by the new corporate name sounding like a garishly-coloured cocktail. The company previously known as Roxi Petroleum looks really interesting if you have an appetite for higher-risk stocks.

It has already found oil. The challenge is to get the black stuff to the surface and flowing smoothly, having previously encountered problems in this area.

Chairman Clive Carver says if it can get independent auditor Gaffney Cline to sign off on 730m barrels of reserves at BNG by June 2018 it will have a shot at getting a 49-year production licence.

Under its current appraisal licence, the company can only sell oil at a domestic price of $16 but under a full production licence it could sell 80% of its output at international prices.

WAITING FOR THE FINAL SIGNATURE

Private business Baverstock is swapping its stake in BNG in exchange for shares in Caspian. The latter's shareholders have approved the deal, although it is still to be signed off by the Kazakh authorities.

The transaction will lift Caspian Sunrise's stake in BNG from 58% to 99% and by converting outstanding borrowings of $10m into shares, it will also be debt free.

Located near the Caspian Sea and covering acreage comparable to the area bounded by the M25 in the UK, BNG has potential in both deep and shallow reservoirs.

In July 2014 when it was called Roxi Petroleum, the company sparked considerable excitement as it struck oil with its A5 well, the first to test this deeper potential.

Subsequent drilling was beset by problems created by high pressures and temperatures in the sub-surface.

It is working to address these issues and hopes to be in a position this year to run full production tests on these wells. That would be a first step towards booking reserves.

IMMINENT CATALYSTS

Results from the latest shallow well, 808, are imminent. Carver says the company plans to drill up to four more shallow wells in 2017 at a cost of around $5m as well as between one and three deeper wells.

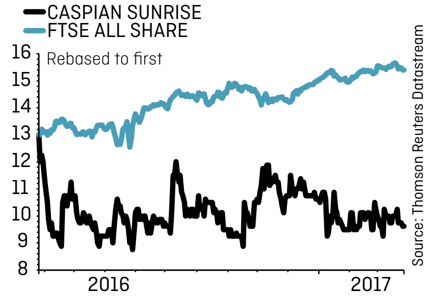
Carver says the plan is to 'prove up reserves with as little dilution as possible' but a share placing seems likely as Caspian wants to add institutions to its shareholder base which could be done via a fundraise.

House broker WH Ireland has a price target of 23.3p, implying upside of 145% at the current share price. (TS)

CASPIAN SUNRISE
BUY
(CASP:AIM) 9.5p
Stop loss: 6.6p

Market value: £86m

BROKER SAYS: 1 0 0



Four reasons why you need this Vietnamese fund

Investment collective has exciting deal flow and exposure to strong part of Asia

A 21.7% discount to net asset value (NAV) should entice adventurous investors to look at **VinaCapital Vietnam Opportunity Fund (VOF)**.

A continuation of the investment fund's strong performance as well as share buybacks offer catalysts to close the discount.

'VOF' focuses on the booming South East Asian economy with favourable demographics. Yes, GDP growth moderated from 6.7% to 6.2% in 2016 but this level of growth would be envied by most countries around the world, in our view.

High foreign direct investment, up 7% to $24.4bn in 2016, is driving manufacturing growth, productivity and employment.

This in turn is creating higher living standards and boosting retail consumption.

With urbanisation increasing, the government is spending significant sums on construction and infrastructure. VOF offers a play on these trends.

GET MORE FOR YOUR MONEY

The active stock picking of VinaCapital Investment Management differentiates the fund from exchange-traded funds that track companies on the Vietnamese stock market.

The VinaCapital fund also invests in pre-IPO and private equity deals, as well as part of the Vietnamese government's efforts to convert state-owned enterprises into public limited companies.

Its approach is to take large stakes in businesses with sound fundamentals delivering strong earnings growth and boasting dominant market positions.

'We are looking for large, profitable businesses that we can grow, take public or sell to a trade buyer,' explains Andy Ho, managing director of VinaCapital Investment Management which is the entity that runs the investment fund.

CLEAR PROOF OF SUCCESS

The formula works. During the six months to December 2016, the trust's net asset value expanded by 19.9% to 338p, driven by strong performances from the listed and private equity portfolios.

The core, capital markets portion of the book was the main performance contributor.

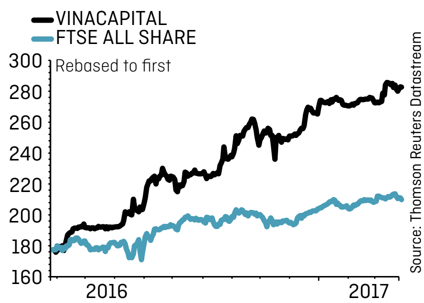
Star turns included Airports Corporation of Vietnam, whose share price appreciated 194%; and leading steel maker Hoa Phat, a beneficiary of Vietnam's construction boom. Others included property developer Novaland and food and beverage outfit Vinamilk.

VOF recently backed the highly successful IPO of VietJet Air, a low-cost carrier on a growth tear. On the private equity side in December 2016, VOF sold its 37.3% stake in frozen dim-sum style food exporter Cau Tre to Korea's CJ CheilJedang, raking in $12.4m.

It is worth considering a key risk to the Vietnamese growth story being President Trump's termination of the US' involvement with the Trans Pacific Partnership (TPP).

Vietnam was viewed as the biggest beneficiary of TPP, although bulls point out the country is party to numerous other free trade deals and is well placed to negotiate bilateral deals with other nations too. (JC)

VINACAPITAL VIETNAM OPPORTUNITY FUND
(VOF) 282p **BUY**
Market value: £571m



ADVERTORIAL

First State Investments

Andrew Greenup, Deputy Head of Global Listed Infrastructure, left a hot Australian summer to fly into a cold European winter where he spent a week researching infrastructure.

I was positively surprised by the strength of the European economies I visited, the high degree of corporate confidence despite weak governments and upcoming elections as well as the (so far) rational deployment of capital by most companies in value accretive investment decisions.

The main negative surprises were the degree of downside that persists in European integrated utilities earnings, some over-exuberance in renewables investment with too much money chasing too few assets, and a British government relying less on competitive markets and more on government-led industrial solutions.

As always, European infrastructure firm's refusal to buy back their shares remains a disappointment. However if this changes, it should provide upside potential to infrastructure equity holders.

In my last European travel diary nine months ago I wrote that these companies were in an earnings upgrade cycle. Despite Brexit and a year of difficult elections, I believe earnings upgrades will continue in 2017 for the European infrastructure sector.

We continue to invest in toll roads, airports, ports, railroads, utilities, pipelines and mobile towers. These sectors share common characteristics, like barriers to entry and pricing power that can provide investors with inflation-protected income and capital growth over the medium-term.

In the near term, we anticipate that potential headwinds to the asset class could include higher bond yields, and political or regulatory interference. We also favour mobile towers as we believe the market continues to underestimate mobile data growth, and to overestimate potential risks to free cash flows, for these strategically valuable and well-managed infrastructure companies. An underweight exposure has been maintained in interest rate sensitive utilities, especially those with lower earnings growth outlooks.

We see a number of tailwinds for the year ahead, including ongoing structural drivers (like demand for mobile data or renewable energy); and shifting asset allocation from low-yielding bonds and volatile equities towards real assets.

Andrew Greenup at the Rome Head Office of Atlantia

News on tech stocks in our Great Ideas portfolio

There's plenty going on with technology stocks that feature in our list of *Great Ideas*. We now take a look at some recent bits of news to keep you up to date with events.

Gaming engine designer **Quixant (QXT:AIM)** impressed with its full year results on 22 March. Revenue was 5% better than forecast while pre-tax profit was bang on the money at $13.8m. Analysts have lifted their 2017 estimates with pre-tax profit now expected to be $15.8m this year.

The stock's 35% gain since our original article in October 2016 clearly demonstrates investor appetite for this high-quality company.

DERAILED... BUT NOT FOR LONG

Our transport technology top pick for 2017 **Tracsis (TRCS:AIM)** has staged a decent recovery after the shock share price collapse in February.

Delayed Network Rail contracts could be happening soon given that rail franchises are starting to be awarded, as evident by **FirstGroup (FGP)** winning the South Western route earlier this week. Tracsis also used half year results (23 March) to play down traffic data pricing pressure.

We still think Tracsis is a solid investment for a long-term investor. It has the right technology tools to meet the growing need to deliver smart transport infrastructure networks in the UK and elsewhere.

DOING DEALS

Ideagen (IDEA:AIM) is investing up to £12m on document review software supplier PleaseTech. That's a nice fit into its core focus of compliance, risk and regulation markets.

The shares have made steady progress and are 37.5% ahead of our 56p entry point last summer. Broker FinnCap last week raised its target price to 98p.

Eckoh (ECK:AIM) has upped its game in the US, winning a $3.7m secure payments contract on 23 March.

Mobile marketing specialist **IMImobile (IMO:AIM)** has added extra mobile messaging expertise in the financial space thanks to its £8.2m Infracast purchase (27 Mar).

Shares in technology tester **Spirent (SPT)** have run ahead of anticipated margin improvements, as we predicted back in April 2016 at 80p. The stock is now trading at 115.5p. (SF)

A FEW TECH STOCKS IN OUR GREAT IDEAS PORTFOLIO

	ENTRY PRICE (p)	PRICE NOW (p)	GAIN/LOSS TO DATE (%)
Spirent	80	115.5	**44.4**
Ideagen	56	77	**37.5**
Quixant	285	385	**35.1**
IMImobile	158.5	174.5	**10.1**
Eckoh	39	37.5	**-3.8**
Tracsis	520	427.5	**-17.8**

Source: Shares, London Stock Exchange

RPC (RPC) 861.15p

Loss to date: 13.2%

Original entry price: 992p, 13 October 2016

MARKET SENTIMENT APPEARS to be turning against plastic packaging firm **RPC (RPC)** after an aggressive period of buying other businesses.

We think it is time to give up the shares in fear it may become a target for 'bear raiders', namely people who write negative reports on a company in order to profit from a decline in its share price.

RPC has already received criticism for falling returns on capital.

SHARES SAYS:
Cut your losses and sell at 861.15p. (TS)

BROKER SAYS 9 0 0

SAVANNAH RESOURCES
(SAV:AIM) 4.85p

Gain to date: 21.3%
Original entry point:
Buy at 4p, 3 November 2016

WE RATE **SAVANNAH Resources (SAV:AIM)** as one of the best mining stocks on AIM. It has interests in copper and mineral sands – both these commodity groups have a positive outlook in terms of pricing.

The high grade copper prospects are located in Oman. Savannah hopes to start mining later this year and produce its first concentrate in early 2018.

'It should be easy to finance,' says CEO David Archer. 'We've seen strong interest from Omani banks and we have a major Omani shareholder associated with a big family conglomerate.

'Another firm to the south of us, Alara Resources, has just signed an offtake with a copper trader and got money upfront.'

He says there is 'enormous interest' in copper concentrate from Oman because it is quite clean with low impurities and high grade metal. 'Omani material can be blended with dirty material from Chile to get a product that meets smelter requirements,' adds Archer. 'Traders really like this.'

Archer says Savannah's Mozambique mineral sands joint venture with **Rio Tinto (RIO)** will apply for a mining licence this year, even though a development decision won't be taken until 2018.

'We think this is a real company maker,' says the Savannah boss. (DC)

SHARES SAYS: ↗
Shares says: Buy at 4.85p

BROKER SAYS: 2 0 0

Next can be a retail safe haven

Cash-generative clothing seller has strengths to cope with mounting challenges

Hard-pressed clothing and homeware retailer **Next's (NXT)** full year results (23 Mar) revealed a first profit decline in eight years. Yet a big sell-off in the shares presents a buying opportunity, in our view.

No surprise following a post-Christmas profit warning, results for the year to January 2017 revealed a 3.8% decline in pre-tax profit to £790.2m. On the plus side CEO Simon Wolfson maintained his year to January 2018 profit before tax guidance range at £680m-£780m.

Results revealed a further sales decline for the core Next Retail business, with online and catalogue arm NEXT Directory remaining the key sales driver. Its sales were up 4.2% with customers continuing to shop more online. More negatively, Directory's credit customer base continued to decline, albeit at a slower rate.

BACK TO BASICS

Next is now refocusing on core essential ranges. It has previously been hurt by the omission of some 'best-selling, heartland product'. We have faith in management's ability to unlock online potential.

'Extremely cautious' about the outlook, it is worth nothing that management are concerned by a shift away from spending on clothing towards leisure, price inflation due to sterling devaluation and anaemic growth in real incomes.

CASH IN THE COFFERS

These pressures will hurt weaker rivals too and Next is fortunate to be in a strong financial position. Though total dividends are unchanged at 158p, it plans to also pay four quarterly special dividends of 45p each. Share buybacks are on hold until trading improves.

Rather ominously, Wolfson concedes it is 'legitimate to question the long term viability of retail stores and whether the possession of a retail portfolio is an asset or a liability'.

Reassuringly, the retail grandee believes 'our

stores represent a valuable asset and will continue to do so'. In the unlikely event that like-for-like retail sales continue to decline rapidly over the coming decade, the CEO reckons 'our lease structure is such that the portfolio could be managed down profitably.'

NEXT IN NUMBERS

	Sales (£m)	PBT (£m)	EPS (p)	DPS (p)*
2016 (A)	4,150	819.6	435	158
2017 (A)	4,141	783.3	428	158
2018 (F)	4,103	725	399	158
2019 (F)	4,165	735	405	158

Source: Numis Securities
* Excludes special dividends

SHARES SAYS: ↗
We're staying positive on Next, which could prove a retail safe haven due to its superb cash generation and best-in-class management team. At £41.48, a bumper 8.1% yield underpins the battered share price. (JC)

BROKER SAYS: 3 18 4

IQE's earnings upgrade cycle accelerates

Compound semiconductor technology specialist looks perfectly placed

Earnings forecasts have been raised again for compound semiconductor technology **IQE (IQE:AIM)** and the positive trend is expected to continue through 2017.

Analysts at broker Canaccord Genuity increased their 2017 revenue estimate by £6m to £144m. Number crunchers at N+1 Singer have also upped their earnings per share (EPS) estimates.

That leaves new average EPS forecasts at 3.1p to 3.2p, ahead of the previous 2.9p consensus level.

Both Canaccord and N+1 Singer upped their forecasts several times through 2016 as the company's early promise in photonics and infrared technologies emerged. *Shares* flagged the potential from IQE's photonics capabilities in September 2016 with the shares trading at 30.25p, then again in December at 35.75p. The shares are now trading at 61.25p.

Photonics was the standout performer as IQE reported overall revenues up 16% for the year to 31 December 2016. Photonics sales jumped 43% to £22.8m, compared to the 15% growth of its larger wireless division.

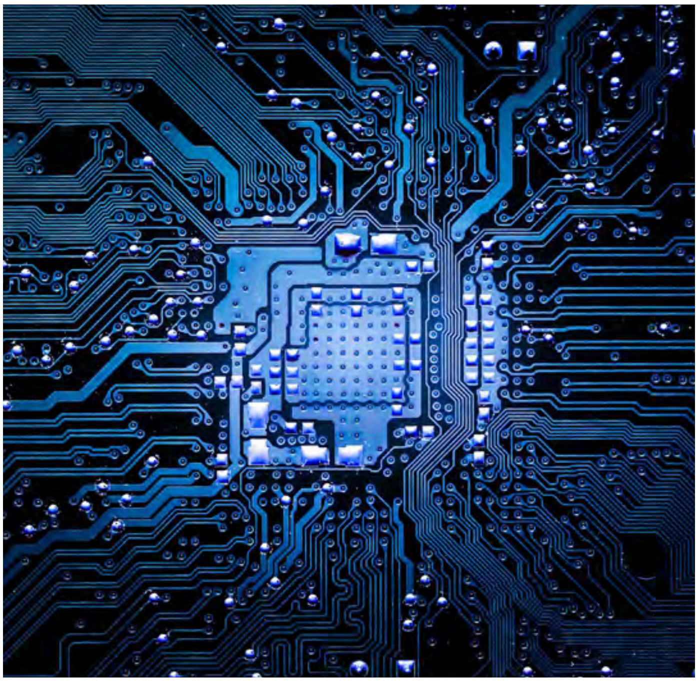
IQE aims to be in the vanguard of the world's first compound semiconductor technology cluster in South Wales. Compound semiconductors use high-tech coatings, such as Gallium Arsenide or Gallium Nitride, to create more advanced types of microchip than silicon-based processors.

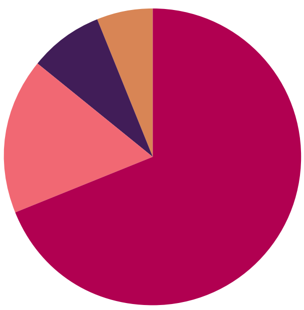
The Cardiff-based company is part-funding a specialist compound semiconductor development centre alongside Cardiff University. The project will get £50m backing from the Government plus an extra £100m could become available from Innovate UK, a body set up to develop and promote science and technology across Britain.

INVESTING FOR THE FUTURE

'We believe this level of investment confirms the growing importance of compound semiconductor technology to the electronics industry and its potential to replace silicon in many applications,' explains Canaccord analyst Paul Morland.

'This view is also supported by a number of deals during 2016, such as the acquisition of Epiworks by II-VI and the formation of a joint venture by Qualcomm and TDK, to pursue applications of advanced materials.'





IQE'S REVENUE BREAKDOWN

Wireless	69%
Photonics	17%
Infrared	8%
Other	6%

SHARES SAYS: ↗
Years of R&D are on the cusp of paying off for IQE. We continue to see value in the long-term investment. (SF)

Shares Investor Evenings are designed to showcase a number of presentations from dynamic companies.

Join us in London at the NEX Exchange offices, Broadgate Circle
REGISTER FOR YOUR COMPLIMENTARY TICKET TODAY

6 April

Sponsored by PrimaryBid NEX Exchange

Companies presenting

Burford Capital (BUR) Christopher P. Bogart, Chief Executive Officer
Litigation finance treats litigation claims as financeable assets, just like real estate or receivables. Burford's capital is used by businesses to pay legal expenses, relieve budget and P&L pressure, and monetize legal claims as the valuable assets they are. Litigation finance can also serve as an accounting tool, allowing businesses to litigate claims without impacting corporate balance sheets.

Berkeley Energia (BKY) Paul Atherley, Managing Director
Is a high impact, clean energy company focussed on its wholly owned Salamanca project in Spain. The Company's objective is to provide a reliable source of base load clean energy from the heart of the European Union. It will be able to fulfil approximately 10% of the continent's total requirement once in production.

Doriemus (DOR) David Lenigas, Executive Chairman
Doriemus is a British oil and gas company focussing on the Weald Basin in Southern England, with interests in the Horse Hill licence as well as two producing licences in Brockham and Lidsey.

Karoo Energy PLC (KEP) Noel Lyons, Chief Executive Officer
Karoo Energy PLC is involved in the exploration, development and production of unconventional gas, shale gas and coal bed methane deposits.
We adopted a strategy when applying for licences to keep our work programmes at a minimum cost so that our minimum work obligations would be relatively easy to finance.

Walls & Futures REIT PLC (WAFR) Joe McTaggart, Managing Director
Walls & Futures is a Real Estate Investment Trust committed to delivering long-term income and capital growth by investing in residential property across the UK. Our focus is on providing homes for the Supported Housing and Private Rented Sector.
To acquire assets across that we will development or refurbishment to create value and generate an income stream.

Note venue address

Why attend?

The chance to network with other private investors, wealth managers, private client brokers, fund managers and financial institutions.

For any enquiries, please contact:
Chris Williams, Spotlight Manager
chris.williams@sharesmagazine.co.uk | 0207 378 4402

Event details

Location: NEX Exchange offices
2 Broadgate Circle, London, EC2M 7UR

Registrations 17:30
Presentations to start at: 18:00
Complimentary drinks and buffet available after presentations

Register free now
www.sharesmagazine.co.uk/events

Score with Science in Sport

Sports nutrition specialist is worth a look for profit breakthrough and takeover potential

Improved earnings and increased interest by large companies in the sports nutrition market strengthen our conviction in **Science in Sport (SIS:AIM)**.

A strong pipeline of new products could help the £37m market cap sustain positive earnings momentum in the year ahead.

Full year results (reported on 23 Mar) from the sports nutrition products maker revealed 30% sales growth to £12.2m, driven by international expansion, online sales and new product development.

Science in Sport has a strong brand among fitness enthusiasts and elite athletes across a growing range of endurance sports. Chief executive Stephen Moon expects the core UK and EU business to be profitable in 2017 at the earnings before interest, tax, depreciation and amortisation (EBITDA) level.

More than half of SiS' revenue is generated online, via its own website and using third party channels. New standalone websites in the US, Italy, Germany and Holland could provide further support to earnings growth this year.

Major e-commerce and grocery suppliers are showing considerable interest in the growth attractions of the sports nutrition market. As broker Cenkos explains: 'Corporate activity remains vibrant. Grenade recently completed a second private equity deal, valued at £72m (circa eight times sales), whilst reports indicate **Associated British Foods (ABF)** is actively acquiring in the space.'

SHARES SAYS: ↗

We remain bullish on Science in Sport at 85p, buoyed by the expected core business profit breakthrough and growing consumer and corporate interest in its space. (JC)

Frontier Smart's earnings break-through

DIGITAL RADIO technology tiddler **Frontier Smart Technologies (FST:AIM)** has chalked-up its first full year profit at the earnings before interest, tax, depreciation and amortisation (EBITDA) level. The £0.7m posted for the 12 months to 31 December 2016 was well ahead of analyst expectations. Having sold its medical technology business last year Frontier hopes to build on this progress, helped by a development partnership with Google. (SF)

Profit forecasts slashed after Van Elle profit warning

ENGINEERING CONTRACTOR **Van Elle (VANL:AIM)** has issued a profit warning less than five months since floating on the stock market. It has blamed contract delays. Stockbroker FinnCap has slashed its pre-tax profit forecast by 13.4% for the financial year ending 30 April 2017 and by 24.6% for the following year. Van Elle's shares are now down 30% so far this year. (DC)

Falcon focuses on internet TV

FALCON ACQUISITIONS (FAL:AIM) has emerged from an eight month suspension as an over-the-top (OTT) broadcast technology company. The share suspension followed its takeover of Orbital Multi Media, first announced in July 2016. Falcon has also bought direct-to-consumer media technology company Teevee Networks. The shares recommenced trading on 27 March after a £4m share placing at 25p. It will soon be renamed Falcon Media House. (SF)

BRITAIN'S HEALTH CHECK

Dark days ahead as Brexit gets underway?

Investors want to know what's going to happen to the economy and the stock market now Prime Minister Theresa May has started the official process of taking the UK out of the EU.

While it is hard to know exactly how the markets will move, it is possible to make a few assumptions.

In a nutshell, the market is more likely to react to progress reports on trade negotiations and exit terms than the mere triggering of Article 50.

That means you should expect more stock market volatility later this year rather than in the immediate future.

Volatility could be exacerbated by any economic weakness, as there are already cracks showing in several key areas.

Britain has been stronger economically over the past nine months than many people expected at the time of the Brexit vote. But our analysis suggests its health is waning. We'll get back to this point later in the article.

For now, let's discuss key issues to monitor during the Brexit negotiations.

'Few people thought Brexit would happen, hence why stock markets panicked on the vote result last summer,' says Charles Newsome, a divisional director at Investec Wealth & Management, referencing the 7% decline in the FTSE 250 domestically-focused index over two trading days in June 2016.

'We knew Theresa May would trigger Article 50 at the end of March this year, so that event won't have been a surprise to the market. What we don't know is how the Brexit deal will be structured or its costs – so it's that kind of uncertainty which could be bad for the stock market.'

WHAT ARE THE POTENTIAL TROUBLE SPOTS?

The UK Government wants to negotiate a free-trade agreement with the greatest possible access to goods and services markets.

It wants to be free to strike trade deals with non-EU countries and seek a 'customs agreement' with the EU. It also wants to stop paying large amounts of money to the EU budget and avoid having a prolonged transitional agreement.

It seems to want to reach an agreement within two years and then give businesses a limited time to plan and prepare.

'The plan scored some points with markets and European politicians. It's important to remember, however, that this is still a wish list and Europe has so far largely kept its cards close to its chest,' says Hetal Mehta, European economist at Legal & General Investment Management.

'The transition agreement is helpful as it makes a harmful cliff-edge exit less likely, albeit not impossible, as May rather strikingly insisted that "no deal would be better than a bad deal". The risk of negotiations becoming bitter and acrimonious is there,' she adds.

Some commentators believe Theresa May and her team will try to avoid regular progress reports, only commenting when something solid has been agreed. With that in mind, you might expect communication to be more biased towards EU officials.

'The key question for the UK economic outlook is whether economics or populist politics dominate Brexit negotiations'

Paul Derrien, investment director at Canaccord Genuity Wealth Management, warns investors to expect negative comment from EU politicians towards the UK as the negotiations take shape.

That could potentially trigger stock market volatility as investors look for any guidance on where the negotiations might be headed.

You should expect negative comments from EU politicians about the UK during the Brexit negotiations

WHAT IS PLAN B?

'In a thinly-veiled threat, May suggested the UK could slash taxes to attract companies and investors if the UK fails to agree a positive deal with EU,' says Mehta at Legal & General.

'We do not find this very credible for two reasons: the negotiating position of the UK remains relatively weak and corporation tax in the UK is already relatively low.'

A report by BofA Merrill Lynch Global Research says equity investors are not pricing in talks breaking down. The bank implies that amicable negotiations could see investors refocus on market fundamentals and the winners/losers from trade talks at a sector level.

Shares believes that scenario is more likely in 2018 rather than this year. Nearer term, we wouldn't be surprised to see economic weakness become the dominant theme influencing the UK stock market.

'The key question for our economic outlook is whether economics or populist politics dominate negotiations,' says BofA Merrill Lynch. 'The more the latter, the more trade could lose out. We see scenarios to the upside if a transitional trade deal is agreed; and downside if talks break down early.

'Our base case remains that the UK exits the EU single market and customs union, and eventually a UK/EU free-trade deal is agreed. That would be economically costly, so we forecast weak UK growth in the coming years.'

If all those moving parts aren't enough to give you a headache, we see other reasons why the UK and European stock markets could be in for a wild ride for the rest of the year and into 2018, all driven by political events.

France and Germany have elections this year and Italy follows in 2018. Scotland's First Minister Nicola Sturgeon is pushing for another referendum. This has led people to suggest that Wales might want to hold its own independence debate, so too Northern Ireland.

The latter points could certainly stir up renewed volatility in sterling, according to Michael Wang, equity strategist at ETF Securities. He suggests investors may find better prospects in the European market on a medium term as that region's economic recovery is starting to gather pace.

'On a medium term we prefer European equities over the UK,' comments Wang. 'The outlook for the UK is weakening. Industrial manufacturing has been quite poor and real incomes for consumers are now being eroded by inflation. That suggests economic growth could be weak.'

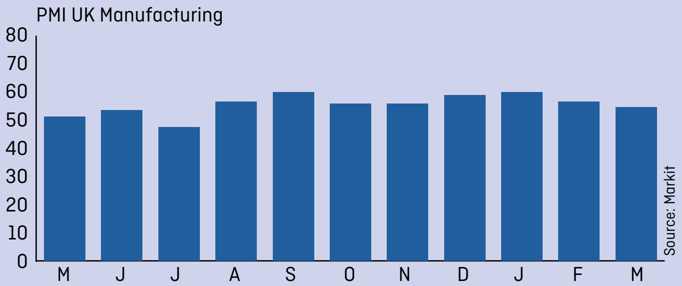
Health check

Let's now take a closer look at the key data points used to measure the UK's health.

PMI UK manufacturing

After the Brexit vote, UK manufacturing contracted to 47.6 in Markit's Purchasing Managers' Index (PMI) in July 2016.

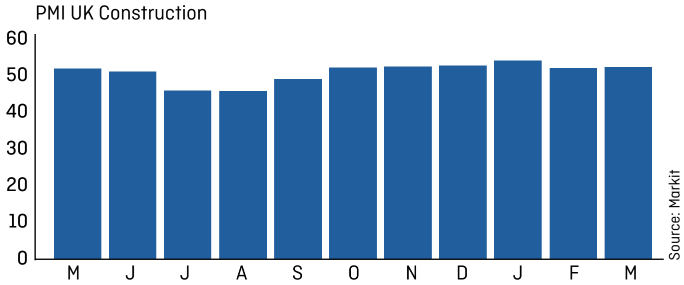
Fortunately, this didn't continue as the manufacturing sector rebounded to a 10-month high in August 2016 as the weaker pound helped supported exports.



PMI UK construction

Initially the construction sector struggled following the Brexit vote. It faced the worst UK construction data for seven years in July 2016 as the PMI index dropped to 45.9, which hit housebuilders and commercial builders on the stock market.

From September, construction output grew with the index reaching 52.5 in February 2017 as an upturn in civil engineering outweighed weaker momentum in the housebuilding sector.

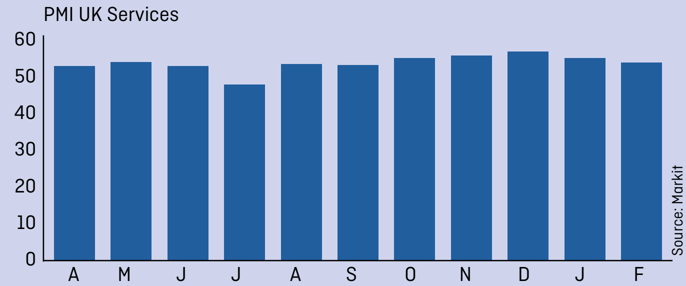


PMI UK services

The PMI index for the services sector dropped in July 2016 to 47.4. A figure below 50 is a negative situation.

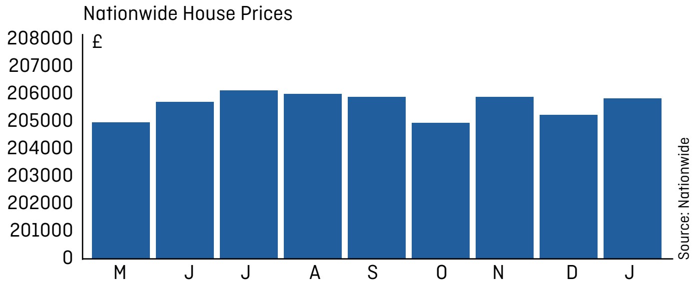
In February 2017, the index recorded a healthier 53.3, although still below its long-run level of 55.1 as consumer spending came under pressure.

According to Markit's chief business economist Chris Williamson, this implies household budgets are starting to crack under higher prices and weak wage growth.



House prices

House prices were not significantly impacted by the



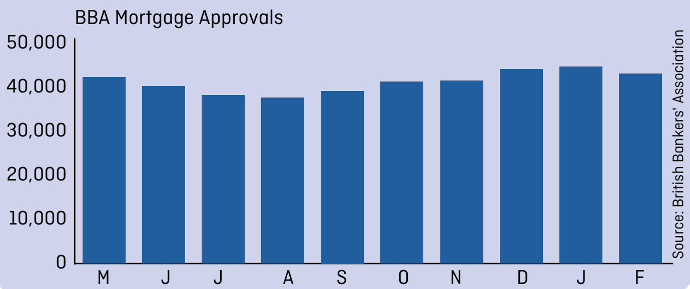
Brexit vote with average prices peaking in August and September 2016 around £206,000 before easing off to £205,846 in February 2017.

Surprisingly, this level is higher than May 2016 before the Brexit vote, although Nationwide chief economist Robert Gardner warns the economy is expected to slow through 2017 as heightened uncertainty weighs on business investment and hiring. That could hurt the property market.

Mortgage Approvals

After tailing off in the immediate aftermath of the Brexit vote the level of mortgage approvals began to recover and outpace expectations.

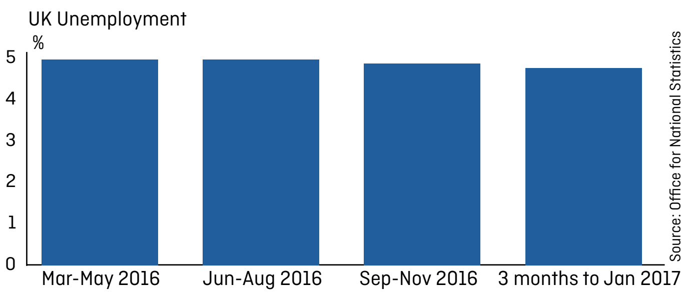
However in one of the first bits of economic data to come in significantly worse than expected since the Brexit vote, approvals for February 2017 came in at 42,600 against a forecast 44,900.



UK unemployment

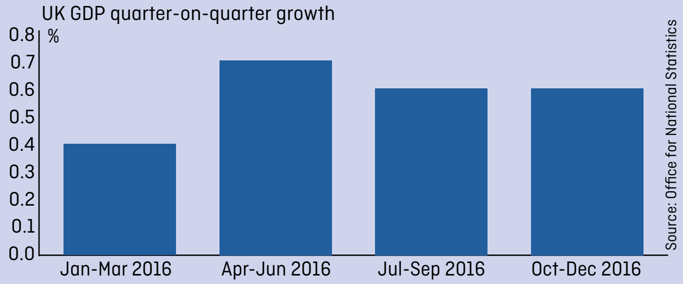
There were significant fears that voting to leave the European Union would result in significant job losses, although this nightmare scenario has failed to materialise.

In the three months to January 2017, the unemployment rate was 4.7%, down from 5.1% a year earlier – and has not been lower in more than 40 years.



UK gross domestic product (GDP)

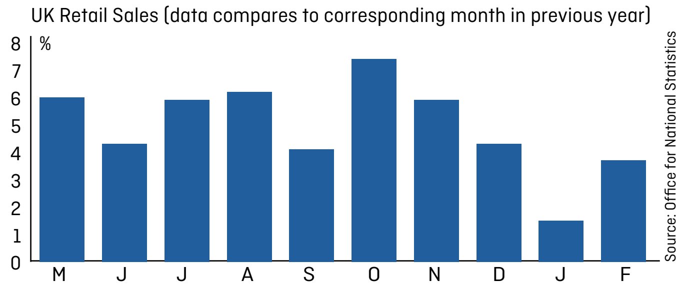
Following the Brexit vote, the UK economy grew 0.6% in the third quarter of 2016, which was substantially better than the 0.3% pencilled in by economists. The economy also grew by 0.6% in the final three months of the year.



UK retail sales

Retail sales data has been mixed over the last nine months with an average monthly increase of 5%. October was the strongest month as sales enjoyed the highest rate of growth since April 2002 at 7.4%.

After a weak reading for January, there were positive signs in February 2017 with sales up 1.4% month-on-month and 3.7% higher year-on-year.

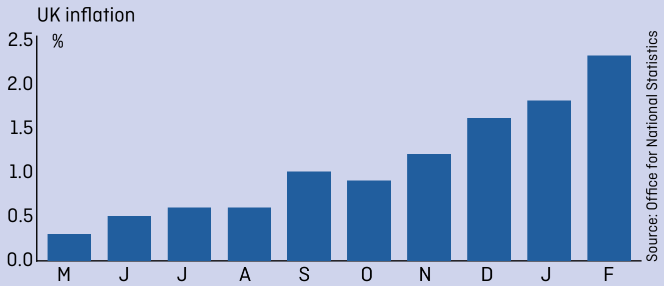


UK inflation

Inflation has been creeping higher since July 2016 thanks in part to the devaluation of sterling. The widely-followed CPI measure hit 1.8% in January 2017.

The Office for National Statistics now uses the new headline rate CPIH, which takes into account owner-occupiers' housing costs and council tax.

Under this measure, the cost of living sharply climbed by 2.3% in February as a result of rising petrol and food prices.



Where next for the UK economy?

LEAVING THE EU represents a leap into the unknown but Berenberg senior UK economist Kallum Pickering says anyone 'expecting something really dramatic over the next two years is going to be disappointed'.

Most of the action seems likely to be concentrated in the currency markets, where traders face the difficult task of pricing in so many intangible factors.

In economic terms Pickering sees Brexit as a 'demand-side issue' in the short term but a 'supply-side issue' in the long term.

Uncertainty as the UK extricates itself from the EU may impact on spending by both consumers and businesses. The lasting issues are likely to be around the supply of investment and immigrant labour.

He reckons the markets over-reacted to the Brexit vote because they neglected to focus on one of the most important elements of the UK economy – household spending.

'Around half of households voted for Brexit so they would have taken a positive view on 24 June, the idea that consumer spending would dry up overnight seemed overdone.'

Sure enough consumer spending has been a key plank behind the better than expected growth seen in the UK since the referendum result, buoyed by low unemployment, resilient house prices and rock-bottom interest rates.

Pickering says the availability of cheap credit means the impact of inflation on household purchases may not be as severe as feared. 'Consumers are already spending using debt so the impact on real earnings from rising prices might not make as much difference as people think'.

PwC chief economist John Hawksworth agrees up to a point: 'Increased borrowing may help fill the gap in the short term, but there are limits to how far UK consumers can continue to live beyond their means with spending rising faster than disposable incomes.'

> Households are still spending.... but they are increasingly using debt. This can't go on forever

RATE RISE RISKS

Pickering also sees the UK economy becoming more export driven. That would be a result of economies in the US and Europe performing better and weaker sterling makes UK exports more competitive in relative terms. More negatively, currency movements are also leading to higher input costs for manufacturers.

Pickering's base case is an interest rate rise in the second quarter of 2018 but he sees a 30% chance of a rate hike in 2017.

'A key risk is the Bank of England allows the economy to overheat and is forced to take more aggressive action'. This could create a significant economic shock given the high levels of indebtedness in the UK. (DC/TS/LMJ)

Is sterling undervalued?

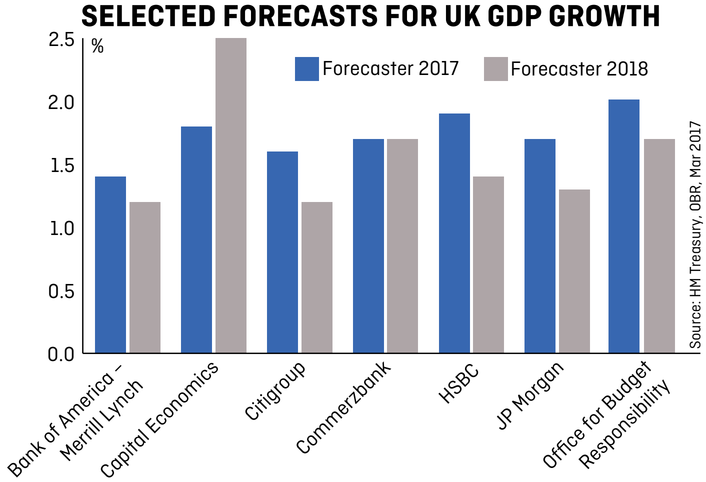
Martin Walker, UK equities fund manager at Invesco Perpetual, makes the case for sterling being undervalued, particularly relative to the dollar based on an 'academic construct' called purchasing power parity or PPP for short.

According to PPP, two currencies reach parity when a market basket of goods (taking into account the exchange rate) is priced the same in both countries.

According to Walker exchange rates tend to revert to the PPP over time and it is currently implying a 'fair value' for the sterling-dollar rate of around $1.60, against the actual level around $1.25.

Set against this argument, the complexity of an event like Brexit makes it extremely difficult for foreign exchange traders to price in.

SELECTED FORECASTS FOR UK GDP GROWTH



How to get more from investment trusts

We explain why closed-ended funds can be very attractive investments

Investment trusts are the oldest form of managed fund with some dating back more than a hundred years. They are structured as publicly listed companies with their shares quoted on the London Stock Exchange.

There are about 400 investment trusts available in the UK and they have a combined market value of around £160bn. The largest are worth more than £3bn each and include the likes of **Scottish Mortgage (SMT)** and **Foreign & Colonial (FRCL)**.

When an investment trust floats on the market it issues a set number of shares, which raises a permanent pool of capital to invest, hence the reason they are known as closed-ended funds.

Once it has listed, investors can buy or sell the shares whenever they want on the stock exchange in the same way that they would for any normal trading company.

GOVERNANCE AND PRICING

Shareholder interests are safeguarded by an independent board of directors that is charged with making decisions on their behalf and whom they can periodically vote to re-elect.

There is also a separate depositary that is responsible for the safeguarding of the company's assets, in addition to the protection afforded by the custodian.

The board has several important duties including hiring and overseeing the investment manager, with the shareholders able to vote on key issues such as whether to approve the remuneration report, which covers investment management costs as well as the directors' fees.

WHAT MOVES THE SHARE PRICE?

The price of an investment trust fluctuates with the performance of the underlying portfolio and orders to buy and sell its shares.

This means the shares can trade at either a premium or discount to their underlying net asset value (NAV).

Investors who get the timing

right can use a discount to their advantage.

If they buy when it is relatively wide and the underlying portfolio does well, the share price should catch up with the newly appreciated net asset value.

The problem is that if they get it wrong the discount could widen against them, although many boards try to reduce the risk by implementing a discount control policy.

This involves the use of share buy backs to reduce the discount when it gets to unacceptable levels.

Some of the best performing funds consistently trade at a small premium, but investors shouldn't be put off as the long-term returns are mainly driven by the skill of the manager and the underlying assets rather than changes in the discount or premium.

STRUCTURAL ADVANTAGES

The closed-ended nature of an investment trust can give it a significant advantage over an open-ended fund because the purchase or sale of the company's shares does not result in any cash flows into or out of the underlying portfolio.

This allows the managers to take a longer view and may enable them to invest in less liquid holdings that have the potential to generate higher returns.

These kinds of liquidity considerations are particularly relevant for sectors such as direct property, infrastructure and private equity.

During the short lived post-Brexit market sell-off, many open-ended funds that invest

in commercial property were unable to sell the buildings fast enough to meet client demand and had to suspend redemptions leaving investors locked in while their funds fell in value. There were no such problems with the equivalent investment trusts.

Another potential attraction is that investment trusts can borrow money to invest. This is known as gearing and in a rising market it can help to boost the returns, although it can work against shareholders when markets fall by adding to the short-term volatility.

The level of gearing varies from trust to trust, but the overall average has been quite consistent in the last couple of years and is currently 7%.

When it comes to paying dividends, investment trusts have a major structural advantage over their open-ended counterparts, as they can retain up to 15% of their annual income.

This is added to their revenue reserves, which they can use to smooth dividend payments from one year to the next to potentially generate a steadily increasing stream of income for their investors.

Open-ended funds that are domiciled in the UK have to pay out all of the income that accrues in their annual reporting period over the course of the year.

They do not have the flexibility to set any of it aside, with the result that investors could receive more variable levels of annual income.

Many investment trusts have been able to consistently raise their dividends each year for decades. According to research by the Association of Investment Companies (AIC), there are 20 trusts that have been able to do this for 20 years or more.

Three trusts have increased their dividends every year for the last five decades: **City of London (CTY)**, **Bankers Investment Trust (BNKR)** and **Alliance Trust (ATST)**.

WHAT ARE THE CHARGES AND HOW DO THEY PERFORM?

Investment trusts are required to disclose an ongoing charges figure, which is the cost of running the business as a percentage of the net assets under management.

The average for all conventional investment trusts excluding venture capital trusts (VCTs) is 1.36%. In some cases there may also be a performance fee and when this is added in the average cost rises to 1.52%.

It is important to bear in mind that some investment trusts are more expensive than others, with the most costly examples being the relatively small funds that invest in less liquid assets.

The larger investment trusts tend to be cheaper with the average ongoing charges for the global sector being 0.82%, or 0.86% once the performance fees are included.

Whenever you buy or sell an investment trust you will pay commission to your broker in the same way that you would for normal company shares.

'IT IS IMPORTANT TO BEAR IN MIND THAT SOME INVESTMENT TRUSTS ARE MORE EXPENSIVE THAN OTHERS, WITH THE MOST COSTLY EXAMPLES BEING THE RELATIVELY SMALL FUNDS THAT INVEST IN LESS LIQUID ASSETS'.

ANNUAL COSTS VARY, BUT THE AVERAGE IS 1.36%

Most brokers also levy a separate annual charge based on the total value of your holdings.

Data to the end of December 2016 shows that in most sectors, the average investment trust has outperformed the average open-ended fund over the last five and 10 years based on shareholder total returns. In many cases the excess cumulative returns over the decade were more than 40%.

It is a very different picture over the last 12 months with open-ended funds outperforming in 10 of the 16 sectors, with the biggest differences in areas such as Europe and Japan.

The returns over such a short period of time can be heavily affected by the widening or narrowing of the discounts and the impact of the gearing, although it is difficult to be more precise.

GROWTH AND INCOME APPEAL

Investment trusts have less of a cost advantage over their open-ended counterparts than they used to, but they still have much to offer.

Being closed-ended allows them to invest in less liquid assets that could generate higher long-term returns, while the ability to retain up to 15% of their income gives them a better chance of generating a gradually increasing stream of annual dividends.

This should ensure they continue to appeal to both growth and income investors.

HOW AN INVESTMENT TRUST MANAGER PICKS STOCKS

MURRAY INTERNATIONAL TRUST (MYI)

BRUCE STOAT, manager of Aberdeen's Murray International Trust, has a simple philosophy for selecting the companies in its portfolio: 'If you can understand the business, you can value it'.

He adds that he's trying to establish a relationship of trust, so that of the 4,000 companies visited each year his team particularly like ones that achieve what they said they would do.

Stout condenses his universe of 950 global equities into a 50 stock portfolio. Of the firms held in the trust, 75% have been present for over 10 years.

With an annual fee of 0.75%, not overly high for an actively managed product, Murray also rewards investors with a dividend yield of 3.95%.

Top holdings include Mexican airport operator Grupo Aeroportuario and Phillip Morris International. None can exceed 5% of the portfolio which is strictly followed. This rule can mean the trust has to reduce its holding in a company it likes, should it become too big in the portfolio.

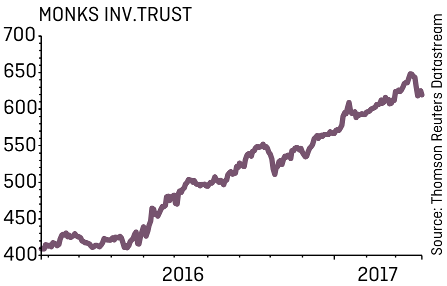
INVESTMENT TRUSTS TO PLAY DIFFERENT THEMES

USING RESEARCH FROM stockbroker Numis which identified several investment trust opportunities for 2017 we highlight a handful of trusts to fit different investment themes. All the quotes come from Numis.

GLOBAL EQUITY EXPOSURE

Monks Investment Trust (MNKS)

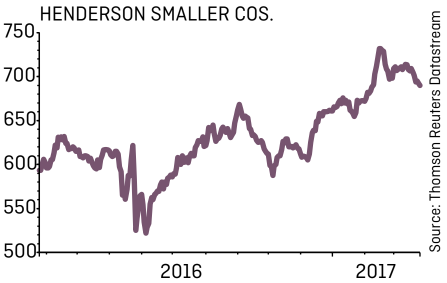
'We believe that a portfolio of Baillie Gifford's best-ideas is an attractive vehicle for investors seeking exposure to long-term growth stocks.'



UK SMALL CAPS

Henderson Smaller Companies (HSL)

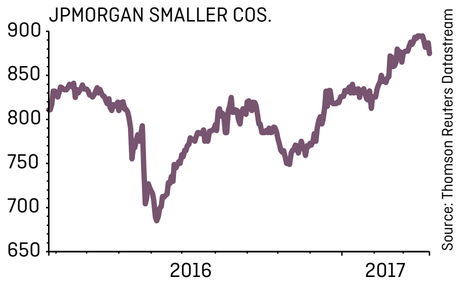
'We regard Henderson Smaller Companies as an attractive core holding for investors seeking exposure to the asset class. Neil Hermon's approach is focused on companies with good growth prospects, sound financial characteristics and strong management.'



US SMALL AND MID-CAPS

JP Morgan US Smaller Companies (JMI)

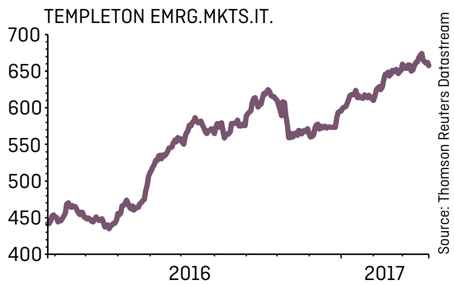
'The focus is on companies from $350m-$10bn market cap via a stock-picking approach, focused on quality businesses with durable franchises, strong management teams and stable earnings that are trading on attractive valuations.'



EMERGING MARKETS

Templeton Emerging Markets (TEM)

'Following a number of years of underperformance,

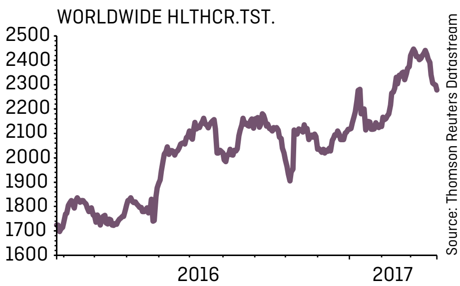


Templeton Emerging Markets has significantly outperformed since Carlos Hardenberg took over as lead manager… it is still early days to assess performance under the new manager, but he has made a very promising start.'

HEALTHCARE

Worldwide Healthcare (WWH)

'The portfolio is managed by Sam Isaly and Sven Borho of OrbiMed, a specialist healthcare fund manager based in the US with $15bn of assets under management. The fund has an excellent long-term track record with net asset value growth of 16.8% per annum over the past decade through a stock-picking approach.' (NS/TS/DS)



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

Investing in the UK: one market, three distinct approaches

British investors face an unusually tricky outlook as 2017 gets under way. The prospect of Brexit is drawing nearer but the signals coming from UK businesses are mixed: the CBI's Growth Indicator survey shows confidence remains strong whilst 58% of CEOs from the UK's 500 largest companies told an Ipsos/Mori survey that the Brexit vote was already having a negative impact on their business[1], although 96% were confident their company could adapt to life outside the European Union[2].

Whilst uncertainties remain, we continue to see strong investment opportunities in the UK and have the experience to navigate these markets.

Why investors like the UK stockmarket

Investors value UK-listed companies for their potential to increase their capital value and their commitment to paying out an attractive dividend income. Many of the companies listed in London are also active in numerous foreign markets, allowing their investors to also gain wider international exposure. As a result, the UK stockmarket contains an unusually international mix of businesses – the largest companies, which make up the FTSE 100, earn around three-quarters of their revenues outside the UK. Companies in the next-largest group, which make up the FTSE 250 Index, are more concentrated on the UK but still earn a significant amount of their revenue from outside the UK.

Our three ways to play the UK

We have three investment trusts that concentrate on different aspects of the UK stockmarket, each led by highly experienced managers with strong views on where to find the best opportunities.

Schroder Income Growth Fund plc:

Schroder Income Growth Fund aims to provide an income that rises faster than inflation by identifying larger companies capable of sustaining strong earnings and dividend growth. Its holdings are mainly focused on the FTSE 100 although it also invests in FTSE 250 companies and is allowed to invest a proportion of its money in overseas companies. This diversifies risk and lets investors gain access to dividend income from companies and sectors that are not well represented in the UK market. The fund has increased its dividend every year for the past 21 years and its inflation-beating credentials are strong: the 10.6p payout for 2016 was 66% higher than it would have been if the fund's dividend had risen only in line with inflation since 1996[3]. It's important to note that investing overseas does expose the fund to the effects of fluctuation in exchange rates and that past performance is not a guide to future performance and may not be repeated.

Schroder UK Mid Cap Fund plc

Our Mid Cap Fund specialises in the companies that make up the FTSE 250. These are generally more focused on the UK than many of their larger counterparts, although a significant proportion do generate substantial amount of sales outside the UK. The Mid Cap index also allows us broader access to a range of sectors that are not so well represented in the FTSE 100. Companies that we target have strong positions in industries with long-term growth potential, solid pricing power and high quality management teams. It is important to note that investments in smaller companies can be less liquid than investments in larger companies and price swings may therefore be greater than in larger company funds.

Schroder UK Growth Fund plc:

Finally, our UK Growth Fund looks for stocks that are attractively and assesses the relative quality, structural growth potential and how sensitive they are to the effects of the wider economy. The belief is that valuation is the key determinant of future returns: high valuations are often accompanied by higher growth expectations, resulting in a higher probability of an unsuccessful investment. The investment approach forces a constant re-evaluation of where the best combination of value and quality lies in the market. The Manager looks to avoid picking stocks that appear cheap but show little promise for the future. We apply this approach mainly to companies listed in the FTSE 100 and FTSE 250 indices, with a portfolio typically composed of 40-60 stocks.

The benefits that investment trusts bring

Unlike a unit trust, which must sell its holdings if an investor withdraws their money, investment trusts issue shares so have a fixed pool of capital. This allows the fund managers to make long-term investment decisions as they don't have to worry about outflows. In addition, investment trusts are also allowed to borrow money to invest to increase their exposure to attractive investment opportunities without having to sell their existing holdings. They are also allowed to maintain a revenue reserve that can be used to top up dividend payments during difficult times which is a useful feature for income seeking investors.

The UK is going to remain a very important stockmarket for the vast majority of UK investors but there are likely to be short-term bumps in the road as well as great opportunities. This is why we believe experienced managers employing a range of approaches will continue to provide the best way to navigate uncertain times.

Performance (%)		Q4 2015 - Q4 2016	Q4 2014 - Q4 2015	Q4 2013 - Q4 2014	Q4 2012 - Q4 2013	Q4 2011 - Q4 2012
Schroder UK Mid Cap Fund plc	Net asset value (NAV)	2.5	14.4	-2.9	46.9	31.6
	Share price	-8.2	14.0	-10.5	73.4	36.2
	Benchmark[1]	5.1	12.0	2.8	34.9	28.7
Schroder Income Growth Fund plc	Net asset value (NAV)	11.6	5.5	4.6	30.8	11.5
	Share price	13.4	0.1	4.9	27.2	19.2
	Benchmark[1]	16.8	1.0	1.2	20.8	12.3
Schroder Income Growth Fund plc	Net asset value (NAV)	13.8	3.1	-10.0	31.4	25.0
	Share price	10.5	2.1	-16.2	38.0	28.8
	Benchmark[1]	16.8	1.0	1.2	20.8	12.3

Source: Schroders, bid to bid price with net income reinvested, net of the ongoing charges and portfolio costs and, where applicable, performance fees, in GBP, as at 31 December 2016. [1]In April 2011, the FTSE 250 ex Investment Trusts replaced the FTSE All-Share ex ITs ex FTSE 100 TR. The full track record of the previous Index has been kept and chainlinked to the new one +FTSE 250 (ex Investment Trusts) total return. [2]FTSE All Share total return.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

What are the risks?

- Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them can go down as well as up and investors might not get back the amount originally invested.
- Trusts that invest in a smaller number of stocks carry more risk than funds spread across a larger number of companies.
- The trusts will invest solely in the companies of one country or region. This can carry more risk than investments spread over a number of countries or regions.
- As a result of the fees and finance costs being charged partially to capital, the distributable income of the trust may be higher, but the capital value of the trust may be eroded.
- The trusts may borrow money to invest in further investments, this is known as gearing. Gearing will increase returns if the value of the investments purchased increase in value by more than the cost of borrowing, or reduce returns if they fail to do so.

Schroders

AJ Bell's new funds offer 'instant diversification'

Provider says they would suit beginners and more experienced investors

The general public are hungry for help when it comes to investing. Many people want to put money aside for later in life but don't want, or cannot afford, to pay for financial advice. They just need someone to put them on the right path for their investment journey by providing exposure to a diverse range of asset classes in one go.

The natural solution is to invest in simple, low-cost, diversified funds. And that's exactly what ISA and self-invested personal pension (SIPP) provider AJ Bell is offering with its launch of five passive funds.

WHO ARE THE FUNDS AIMED AT?

The funds cater for different types of risk appetite and should appeal primarily to beginners; anyone owning shares seeking to add a strong diversified backbone to their portfolio; as well as individuals just looking for ideas.

They could be interesting ways to fill a pension, if you're some distance from retirement, an ISA or even a Junior ISA to help a child or grandchild in later life.

AJ Bell's new funds range from 'Cautious' to 'Adventurous' and provide access to shares, bonds, commercial property and cash.

WHAT'S INSIDE THE FUNDS?

The provider has researched the market and selected what it believes to be the cheapest and best exchange-traded funds and tracker funds to sit inside its own funds.

You'll find products from the likes of BlackRock, Vanguard and iShares inside each of AJ Bell's five funds. They will all track certain indices like the S&P 500 to get exposure to US companies or a group of global corporate bonds, with each of the funds giving a diversified portfolio across a range of assets and geographies.

What you won't find is any type of actively-managed fund or smart beta exchange-traded fund within AJ Bell's portfolios. There is no one buying and selling stocks to play certain news events or equity valuations. Instead, its funds are completely passive which helps to keep costs down.

That's an important point, particularly as one of the biggest criticisms of funds that invest in other funds is the multiple layers of fees. You pay the fund provider and the managers who run the funds that sit within the portfolio.

AJ Bell says it can offer 'fund of funds' and still keep fees low at 0.5% a year. That money covers its management fee and the running costs.

There is no transaction charge to buy them and AJ Bell is waiving its normal custody charge for holding the funds until January 2019.

HOW WERE THE FUNDS CREATED?

'We started by wanting to achieve a certain risk level over a 10 year period as we are very conscious that it's not just how much money you make but how you deliver those returns that's important to investors,' says Ryan Hughes, AJ Bell's head of fund selection.

'We worked with credit agency Moody's; as economic forecasters they make ongoing forward-looking 10-year assumptions of what returns and volatility of assets classes will be.

'They then work with our investment team to build the optimal portfolio to achieve certain levels of risk and get the best possible returns,' he adds.

ALL ABOUT VOLATILITY

Hughes says AJ Bell has created volatility-targeted funds, not returns-targeted. That may sound a bit confusing if you're not familiar with investing.

In essence, volatility is a measure of how much a share price will move around over time. We're not talking about rising 10% or 20% in value, for example. Instead, think of a share price chart. If there are wild swings in the price and the chart is very squiggly then you could assume the stock has higher volatility.

A low volatility figure means an investment's value should not fluctuate dramatically; instead, you should see changes in value at a more-steady pace over a period of time. Typically, potentially higher returning assets have higher volatility than lower returning assets; think equities versus bonds.

'Having the right asset mix should ensure we keep that volatility within the range we want,' explains Hughes. 'Our aim is to give you an investment instrument that will meet your expectations over time and doesn't give you some

nasty surprises.

'If you are a cautious investor, for example, you want funds to always behave like a cautious fund. Some fund managers suddenly change the risk profile of their fund when they see an opportunity, great if they get it right, but painful if they don't. We don't want that with our funds, we want consistency and to deliver returns in a manner that all investors are comfortable with.'

HOW MUCH MONEY COULD I MAKE?

AJ Bell has used financial models to demonstrate the possible outcomes from investing in the fund. You can see these potential outcomes on its website.

Its interactive charts show the range of likely outcomes for an investment over 20 years. The fund charge of 0.5% is included in the projections. The results are only forecasts and not guaranteed outcomes.

To give you an example, £10,000 in the Cautious fund could potentially turn into a range of £15,433 to £28,584. Admittedly that is very wide range – but it shows the most likely band of returns based on the financial model. Taking the medium, you'd potentially turn £10,000 into £20,890.

If you go higher up the risk spectrum, the forecast returns for £10,000 invested in the Adventurous fund range from £15,901 to £74,104 over 20 years. This illustrates how higher risk doesn't always equal higher returns.

Having an idea how your investment might behave during different economic conditions can provide an idea what the potential rewards of a fund might be if things are going well, and also what the potential losses could be if things go badly.

A good mix of asset classes and geographical coverage should hopefully help your portfolio withstand a wide variety of economic environments.

Hughes ultimately believes any one of the AJ Bell funds will effectively provide instant diversification through a single product. He also says the funds aren't just aimed at the complete beginner.

'We see the funds as diversified core holdings for an investment portfolio. You might then want to add some satellite holdings on top – such as an investment that plays a certain sector theme, AIM stocks or niche funds.' (DC)

Please note that Shares is published by AJ Bell Media, which is a subsidiary of AJ Bell. Shares does not endorse the funds mentioned in this article. Investors need to carry out their own research to determine if suitable for them and value can go down as well as up.

MORE INSPIRATION FOR YOUR ISA

With a new tax year just around the corner you might be wondering which investments to place in your ISA. The annual allowance is increasing to £20,000 on 6 April, giving you greater scope to put your hard-earned cash to work in a tax-efficient manner.

In last week's issue of *Shares* we gave some stock and fund ideas for people falling into three broad categories: the forward thinker, the beginner and the undecided.

This week we've gathered suggestions for another three types of investor: the cautious, the switcher and the aggressive.

The ideas are aimed at both beginner and experienced investors.

THE CAUTIOUS

MELANIE HAS A LOW APPETITE FOR RISK AND WANTS TO ACHIEVE A TOTAL RETURN OF AT LEAST 4% A YEAR.

WHEN BUILDING A portfolio, it is vital to ensure your investment selections are capable of achieving your objectives and are in line with your attitude to risk.

Even if you're a cautious investor, you don't necessarily have to limit yourself to cautious investments. Ryan Hughes, head of fund selection at AJ Bell Youinvest, says by combining lower-risk investments with slightly higher-risk ones you can benefit from diversification, which in turn lowers the overall risk of your portfolio.

Hughes says investors have to take an element of risk to achieve a 4% total return in today's market. Cash offers nowhere near 4% and the yield on 10-year government bonds is around 1.25%. The FTSE 100 is forecast to yield around 4% this year.

'As a cautious investor you're going to have to look at an element of corporate bond and equity exposure. Within that equity exposure it might be worth looking at an absolute return fund which can benefit from falling as well as rising share prices and aims to produce a positive return in all market circumstances,' says Hughes.

ASSET WEIGHTINGS

One idea to consider is equally weighting three different strategies: corporate bond, absolute return and equity income. An example of a corporate bond fund is **Royal London Short Duration Credit (GB00BD050B66)**, which focuses on bonds with less than five years to maturity. It has delivered returns of 13.2% in total since its launch in late 2013.

'For those investors who are more cautious, looking to short duration could prove to be the best way to mitigate the problems caused by rising rates,' explains Hughes.

Absolute return funds include **Henderson UK Absolute Return (GB00B5KKCX12)**. Hughes says the fund has been good at navigating volatile markets, which could prove useful as the UK starts its formal withdrawal from the EU. The fund has grown by more than 60% over the past seven years.

'With a low-risk approach to investing, this is a good option for those making their first investments in the stock market,' Hughes says.

INTERNATIONAL EXPOSURE

Someone like Melanie could try to aim for a total return in the high single digits, although this is difficult in the current environment of low interest rates and poor bond yields.

> **'WITH A LOW-RISK APPROACH TO INVESTING, HENDERSON UK ABSOLUTE RETURN IS A GOOD OPTION FOR THOSE MAKING THEIR FIRST INVESTMENTS IN THE STOCK MARKET'**

Andrew Craig, founder and author at Plain English Finance, says the 'permanent portfolio' theory, where you invest 25% each in gold, the 10-year bond of a large western government, cash and a big equity market index, is likely to result in underperformance in the world today.

Instead, he says investors might need to seek out an international and multi-faceted product or one that applies some kind of trend following to mitigate the risk of underperformance.

An example of a more international fund is **7IM AAP Moderately Adventurous (GB00B2PB2M73)**. It has a five-year annualised return of 8.3% and offers asset and geographical diversification.

FUND FOCUS

Artemis Income

5 year annualised return: 10.8%

Ongoing charge: 0.79%

One of the most consistent performers in the equity income sector over the last decade is **Artemis Income (GB00B2PLJH12)**. It is a diversified UK equity income fund which looks to produce a rising income by focusing on companies that offer dividend growth rather than just an outright high yield. It has an 85% exposure to the UK and 11% exposure to the Eurozone.

Top holdings include private equity firm **3i (III)** whose investments include Dutch discount retailer Action which has almost 35,000 employees; drugs giant **GlaxoSmithKline (GSK)** and insurer **Aviva (AV.)**.

THE SWITCHER

ANDRE HAS FUNDS INCLUDING UNIT TRUSTS BUT HE WANTS TO SWITCH TO CHEAPER EXCHANGE-TRADED FUNDS THAT PROVIDE SIMILAR EXPOSURE.

FUNDS AND EXCHANGE-TRADED funds (ETFs) pretty much do the same job in a portfolio. One fund or ETF can invest in hundreds, sometimes thousands, of stocks and/or bonds, bringing instant diversification. You don't have to keep track of every security because the fund or ETF is managed by experts who do that for you.

But there are important differences. ETFs are index-tracking investments which usually makes them cheaper than funds. Unlike funds, they don't need to employ vast teams of analysts to evaluate every company in the market.

'ETFs are also easier to monitor – when you buy an ETF, you know your return will be close to the index,' says Adam Laird, head of ETF strategy, Northern Europe at Lyxor.

Active funds can often charge 1% or more in fees. ETFs are generally much cheaper.

Research by Lyxor shows less than half (47%) of active fund managers outperformed their benchmark in 2015. Over the five years between 2010 and 2015, just 23% of managers outperformed.

'There are multiple reasons for this, but fees are clearly one important factor,' says Laird.

It's important to look at more than the headline fee quoted by ETFs. They can have large bid-offer spreads – the difference between the price at which they can be sold and bought. You should also compare the dealing and holding charges levied by your investment platform for ETFs and funds.

SWAPPING FUNDS

Peter Griffin, investment director at financial planning firm Gale and Phillipson, says that aside from costs, there is much more to consider than simply picking an ETF with a name that sounds right.

'Does your "global" ETF exclude emerging market equities? Does your emerging market ETF overlap with any more general Far Eastern holdings? For example, **HSBC MSCI Emerging Market UCITS ETF (HMEF)** is on our panel and would pair well with Far Eastern holdings in our portfolios. Research is crucial to avoid missing out on exposure you want to hold or doubling up where you don't,' says Griffin.

It's relatively easy to swap a large-cap UK or US fund for the corresponding ETF. The fees are very low because the ETFs track developed and well-known indices.

iShares FTSE 100 UCITS ETF (CUKX) and **Vanguard S&P 500 UCITS ETF (VUSD)** both have ongoing charges of just 0.07%. This is far cheaper than something like **GAM Star Capital Appreciation US Equity (IE00B5SLLT59)**, which has one of the highest charges in the North America fund sector at 1.07%.

GAM's active fund employs a huge team of people to make investment decisions. Its three-year annualised return is 12% compared with 23% for the Vanguard ETF.

You can also get ETFs offering small-cap exposure, such as **iShares MSCI UK Small Cap UCITS ETF (CUKS)**, which has an ongoing charge of 0.58%. A comparable fund is **TB Amati UK Smaller Companies (GB00B2NG4R39)**, with an ongoing charge of 0.96%.

'IT'S RELATIVELY EASY TO SWAP A LARGE-CAP UK OR US FUND FOR THE CORRESPONDING ETF (AND SAVE MONEY)'

SMALL CAP ETF VS SMALL CAP FUND

ISHARES MSCI UK SMALL CAP UCITS ETF

5 year annualised return: 13.1%
Ongoing charge: 0.58%
Top 10 holdings:
- Informa
- Micro Focus International
- Rentokil Initial
- Melrose Industries
- DS Smith
- RPC
- Rightmove
- Halma
- Spirax-Sarco Engineering
- Bellway

TB AMATI UK SMALLER COMPANIES

5 year annualised return: 15.1%
Ongoing charge: 0.96%
Top 10 holdings:
- Smart Metering Systems
- Base Resources
- Keywords Studio
- Fevertree Drinks
- OneSavings Bank
- Gear4music
- Quixant
- Bioventix
- Pan African Resources
- Accesso Technology

Instead of simply tracking an index, the Amati fund invests in companies which the managers believe have the potential to generate attractive levels of revenue and earnings growth over the long-term. It is also investing in much smaller companies than the iShares ETF.

You are paying slightly more to get active fund management. It can be worth paying a bit more if the fund manager can consistently deliver positive results better than the corresponding benchmark index.

That's an important point. Don't automatically go for ETFs just to have a lower fee. An active fund is well worth owning if the fund manager is good at their job.

EQUITY INCOME

It's even possible to get access to an equity income strategy via an ETF. Some target high-yielding stocks, such as **iShares UK Dividend UCITS ETF (IUKD)**. Griffin says a passive approach will reduce the cost, but may remove some elements of risk control present in active funds.

There aren't many funds which focus on individual sectors, which is an area where ETFs come to the fore. You can get ETFs tracking most sectors, some of which are very niche. For example, Laird says **Lyxor MSCI World Information Technology UCITS ETF (TNOW)** has been popular this year because investors like the innovative nature of IT and high tech companies.

THE AGGRESSIVE

MARTHA HAS A HIGH APPETITE FOR RISK AND WON'T NEED TO ACCESS THE MONEY FOR 10 YEARS. SHE IS UNSURE WHETHER TO OPT FOR BLUE SKY STOCKS OR STILL THINK CAREFULLY ABOUT WHAT TO BUY.

SOMEONE WITH A high risk appetite and an investment timeframe of 10 years can usually afford to weight the majority of their portfolio towards equities.

Alan Cram, head of investments at financial advice firm Ellis Bates, suggests having an equity exposure of 90% but still ensuring your portfolio is diversified.

'Regardless of a high appetite to risk, it is still essential to diversify across a range of holdings and think carefully about how exposure to risk/reward can be managed through sectors and regions that provide the potential for greater returns over the long-term,' he says.

Cram says you can add risk and potentially higher returns to your portfolio by investing in single country equity funds, such as **Jupiter India (GB00BD08NQ14)** and **Baillie Gifford Japanese Smaller Companies (GB0006014921**). He says someone like Martha could also consider emerging markets funds like **MI Somerset Emerging Markets Dividend Growth (GB00B4Q07115)**.

'These offer exposure to country-specific factors, such as the compelling demographics of India, with managers finding opportunities in less researched areas of the global stock market.' he explains.

FUND FOCUS
Baillie Gifford Japanese Smaller Companies
5 year annualised return: 24.2%
Ongoing charge: 0.63%
Baillie Gifford Japanese Smaller Companies aims to produce capital growth over the long-term by investing directly or indirectly in Japan, with an emphasis on smaller companies. Its largest sector weightings are in consumer cyclical, technology and industrials.

Top 10 holdings include @cosme beauty website istyle and childcare products specialist Pigeon.

SECTOR FOCUS

Andrew Craig at Plain English Finance reckons high risk investors should consider the tech and biotech sectors when choosing equities.

'I believe both these sectors are going to witness enormous value creation in the next decade. In the tech sector, companies who succeed in a wide range of new industries that include robotics, artificial intelligence, renewable power generation and storage, transportation, agriculture – the list goes on and on – are going to be the Apples and Googles of the next decade,' he says.

One way to play the tech theme is via investment trust **Scottish Mortgage (SMT**). It invests in a global portfolio of companies which the manager believes are at the cutting edge of new technologies.

Top 10 holdings include Amazon, Alibaba, Facebook and Google's parent company Alphabet. It has a five-year annualised return of 22.3%.

Craig likes biotech because of the significant scientific progress likely to be made over the next

few years. He believes companies could achieve multi-billion dollar market valuations on the back of breakthrough drugs and other medical technologies.

'This march of technology, married to the demographic big picture (ageing, an obesity epidemic and continued global population growth) means the addressable economic value here is enormous.

'There will continue to be superior returns for patient investors willing to get to grips with the sector and who can look through the day-to-day noise,' he explains.

FUND FOCUS
Axa Framlington Biotech
5 year annualised return: 24.6%
Ongoing charge: 0.83%
Axa Framlington Biotech targets long-term capital appreciation by investing principally in companies in the biotechnology, genomic and medical research industries.

Top 10 holdings include Celgene which specialises in cancer products; and Biogen which is developing drugs to fight multiple sclerosis.

Funds in the biotech space include **Axa Framlington Biotech (GB00BRJZVL27)** and **Biotech Growth Trust (BIOG)**. Both funds had a tough year in 2016 largely caused by concerns that Hillary Clinton would be elected US President and impose price controls on the healthcare industry.

Finally, someone like Martha might want to consider adding a fixed income element to their portfolio such as through a fund like **M&G Emerging Markets Bond (GB0031958738)** which has a five-year annualised return of 9.8%.

Cram says you can add fixed income without eliminating the potential for growth by investing in emerging market debt, which offers more attractive yields than developed economies. (EP)

DISCLAIMER: DANIEL COATSWORTH, WHO EDITED THIS ARTICLE, OWNS SHARES IN SCOTTISH MORTGAGE

ARE YOU INTERESTED IN THE OIL, GAS AND MINING SECTORS?
DON'T MISS OUR 24 PAGE SPOTLIGHT REPORT IN THIS WEEK'S ISSUE OF SHARES
CLICK HERE TO JUMP TO SPOTLIGHT
or keep reading this edition of Shares and you'll reach Spotlight on page 56
INSIDE THE NEW EDITION OF SPOTLIGHT
• A uranium company hoping to start production next year
• A coal miner with potential to have low cost production
• An oil and gas firm with interests in the North Falkland Basin and the Greater Mediterranean region
+ more corporate profiles, a beginners' guide to resources investing and essential data on commodity prices

Bright ideas to consider for ISA investments

GOLD

THE ORIGINAL HEDGE AGAINST UNCERTAINTY

Of all the precious metals, gold is the most popular as an investment. Investors can gain exposure to gold price movements through holding it physically, through derivatives such as gold futures, through exchange traded-products (which may be backed physically or through derivatives) or through holding gold mining equities (which have some correlation to gold prices).

One factor which separates gold from other commodities is that there are large above-ground stocks which can be quickly mobilised. As a result of gold's liquidity, gold often acts more like a currency than a commodity. Because mine production of gold is small relative to above-ground stocks, new supply of gold is limited. That contrasts with the supply of US Dollars or Euros or other currencies whose supply is controlled by central banks. Given these unique characteristics, gold often becomes more attractive when the supply of other currencies increases.

Gold prices tends to rise in low interest rate environments, often because of the associated fear that low rates are driven by expansion of the money supply of other currencies. Higher inflation also tends to support gold prices as investors seek a hard asset when the value of other assets is being eroded by inflation.

In general gold acts like a defensive asset, in that it helps with downside protection of a portfolio of assets. Shocks that often send equity prices lower tend to send gold prices higher. For example in the past 10 years during FTSE100's worst 10 months of performance (where on average the index has fallen 8.2%), gold prices have risen on average by 3.8% in local currency terms. So investors who hold some gold in their portfolio often benefit from this "hedge". Some investors view it like an insurance policy.

Gold prices fell by more than 40% between 2013 and 2015, before rebounding close to 30% in the first seven months of 2016. Although gold prices fell in the final few months of 2016 as cyclical assets grew in favour over defensive assets, gold is trading higher in 2017 so far as investor optimism in equities has begun to fade.

IMPORTANT INFORMATION

This communication has been issued and approved for the purpose of section 21 of the Financial Services and Markets Act 2000 by ETF Securities (UK) Limited ("ETFS UK") which is authorised and regulated by the United Kingdom Financial Conduct Authority (the "FCA").

The information contained in this communication is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities. This communication should not be used as the basis for any investment decision. Historical performance is not an indication of future performance and any investments may go down in value.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

This communication may contain independent market commentary prepared by ETFS UK based on publicly available information. Although ETFS UK endeavours to ensure the

INDUSTRIAL METALS

A LONG TERM DIVERSIFIER TO A PORTFOLIO

Industrial metals are used in a wide variety of applications including construction and manufacturing. The supply of these metals comes from both mines and recycling of scrap metals. The balance of supply and demand tends to dictate the prices of these metals.

As the demand for manufacturing and construction materials tends to rise with growing economic activity, industrial metal prices tend to be strongly correlated with global economic growth. Equities also tend to be correlated with economic growth and hence industrial metals and equities often move in the same direction. The correlation between the industrial metals and global equities over the past 10 years is almost 80%[1].

China is the largest consumer of industrial metals, accounting for more than half of global demand. Developments in China therefore are very important in assessing the industrial metals markets. Although China produces a large amount of industrial metals, with the exception of aluminium, it does not produce enough for its domestic needs and therefore is a net importer.

In terms of supply, China is the largest producer of refined metals, but the country needs to import a vast amount of ores from other countries. A disruption in the supply chain can cause spikes in metal prices. For example when Indonesia banned the exports of its nickel ore in 2014, the prices of refined nickel rose.

Prices of industrial metals were weak in the five years to 2015, due to a supply overhang, but they staged a rebound in 2016 as cuts in mining investment were seen to tighten the supply-demand balance. Given the lag in time between cuts in mining investment and changes in mine supply, it is likely supply-demand deficits in many industrial metals will persist.

[1]Bloomberg Commodities Industrial Metals Sub-Index and MSCI World All Country Index (based on annual returns)

Slash your tax bill through SEIS

Even if a company flops, higher earners could still make a profit

If you have a large tax bill to pay and a high risk tolerance, investing your money into Seed Enterprise Investment Scheme (SEIS) companies could reap significant rewards.

Like its older cousin the Enterprise Investment Scheme (EIS), the SEIS is designed to help early-stage companies raise finance by offering generous tax reliefs to investors. You can invest up to £100,000 a year into SEIS qualifying companies and get income tax relief of up to 50%, assuming you hold the shares for at least three years. If you invest the full £100,000 you'll effectively wipe £50,000 from your tax bill.

SEIS also offers 50% capital gains tax (CGT) relief. If you had a £28,000 CGT bill, contributing to SEIS could halve this bill to £14,000. The overall cost of investing £100,000 into SEIS could therefore amount to just £36,000.

THE RISKS

These generous tax breaks are available because SEIS is a high risk form of investment. Companies that qualify for the scheme must have commenced less than two years ago, have gross assets of less than £200,000 and have fewer than 25 employees. They're very early-stage businesses and the chances of them failing are high.

This shouldn't necessarily make you run for the hills. SEIS offers 'loss relief', meaning any losses can be written off against income tax or CGT.

Alex Davies, co-founder and chief executive at Wealth Club, says even if the investment was completely wiped out the maximum a 45% taxpayer could lose (assuming they had used both income tax and CGT reliefs) would be £13,500 on a £100,000 investment.

SEIS certainly isn't for everyone. Davies says unless you know the business could do amazingly well, you should only consider SEIS if you've got tax to pay.

'SEIS is most suitable for people with a large income tax bill and preferably a CGT bill too. When this is the case your investments really don't have to do very well (in fact they can do pretty badly) and you can still make an effective profit. And if it all goes wrong then the downside is really mitigated,' he explains.

Even then, experts recommend not investing more than 10% of your wealth into SEIS, EIS and venture capital trusts collectively.

HOW TO INVEST

You can invest in individual SEIS qualifying companies or in SEIS funds, which helps to spread risk. Davies says if your goal is to benefit from the tax reliefs and make a small profit it's worth trying to find the companies with the lowest risk possible.

Some of the most popular type

of SEIS funds invest in the media and entertainment sector, with 40% of those focusing on TV and film production.

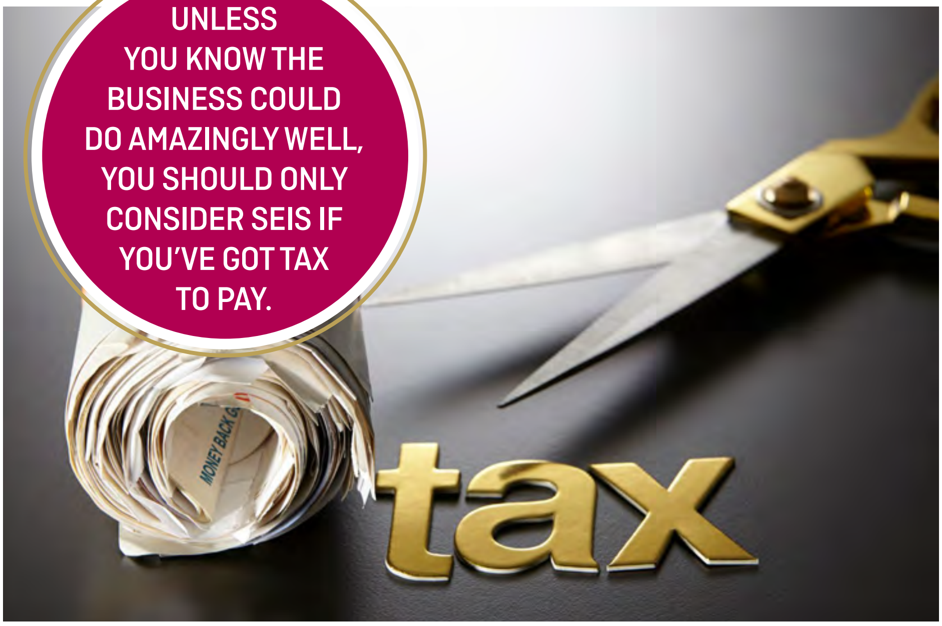
'It is a very good fit for SEIS as you can do quite a lot on a low budget and there is a huge demand for content. When people think of media they often think it is very risky and relies on production companies having a hit. This isn't true. Providing you produce the right type of content, there should be a buyer out there and you will have a good idea what they will pay for it before you spend the money developing the idea,' Davies says.

An example is Goldfinch SEIS Fund, whose successes have included TV programme 'Go-8-bit' hosted by Dara O'Briain.

There is also a music SEIS, the Amplify 5 SEIS, which invests in five recording artists. Investors get access to all the different revenue streams they generate. The bands are generally cult bands that have a good and predictable following.

'Even if no tickets are sold, the tour financiers (i.e. the SEIS company) should get half their money back. When coupled with up to 50% income tax relief under SEIS this can provide attractive downside protection,' Davies says.

UNLESS YOU KNOW THE BUSINESS COULD DO AMAZINGLY WELL, YOU SHOULD ONLY CONSIDER SEIS IF YOU'VE GOT TAX TO PAY.



DOING YOUR HOMEWORK

If you want to invest in individual companies you'll need to really do your homework. Mark Brownridge, director general of the EIS Association, suggests getting hold of the company's business plan, talking to the directors, and finding out the exit strategy.

'You need to ascertain how you'll get your money back – and hopefully some money on top of that. This will usually be through a trade sale or a liquidation of shares. Check whether the managers have had experience of exits before,' advises Brownridge.

Although you need to hold shares for at least three years to qualify for tax relief, this doesn't necessarily mean you'll get your money back that quickly. Tom Britton, co-founder of SyndicateRoom, says technology businesses can take around 10 years to exit and because SEIS companies are illiquid there won't be an opportunity to sell your shares any earlier.

'These are not get in and get out investments,' he states.

SyndicateRoom is a platform that lets you directly invest in individual companies alongside angel investors. Companies that have previously raised money through the platform include collaborative blogging platform Niume and hotel booking system Inn Style. (EP)

Tax reliefs: SEIS vs EIS

SEIS	
Maximum investment	**£100,000 p.a.**
Income tax relief	**50%**
Capital gains tax	**Potential 50% exemption**
Loss relief	**Max exposure 27.5p in the £1 for a 45% taxpayer**
IHT	**Exempt**
EIS	
Maximum investment	**£1 million p.a.**
Income tax relief	**30%**
Capital gains tax	**Unlimited deferral is possible**
Loss relief	**Max exposure of 38.5p in the £1 for a 45% taxpayer**
IHT	**Exempt**

70 could be new age for state pension

Two reviews could lead to cut in state pension and payment at an older age

People often underestimate the value of the state pension, but it remains a central plank of retirement planning for the majority of investors. The single-tier state pension pays a man around £8,000 a year from age 65 at the moment – and that payment is protected against inflation rises through the 'triple-lock'.

To buy a similar guaranteed income stream from an insurer today would require a lump sum somewhere in the region of £250,000.

However, two reviews published last week on behalf of the Government could pave the way for a cut in the value of the state pension, and a significant rise in the age at which younger people can receive it.

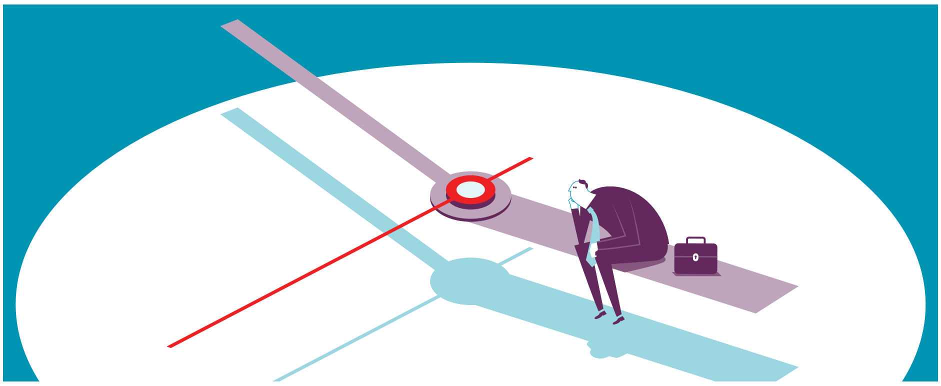
Here's my brief guide to what is happening to the state pension, and how it could affect you.

WHAT'S GOING ON?

The first review, authored by former CBI director-general John Cridland, focused on making the state pension 'affordable in the long term, fair to current and future generations of pensioners, and consistent with supporting fuller working lives'.

Its key recommendations include:

- Increasing the state pension age to 68 by 2039 (seven years sooner than current plans).



- Limiting state pension age increases to one year in any 10 year period.
- Scrapping the state pension triple-lock (which links increases in the state pension to the highest of earnings, prices or 2.5%) in favour of a link to earnings.

The second paper, published by the Government Actuary's Department, models two scenarios – one where exactly a third (33.3%) of an adult's life is spent in receipt of the state pension, and the second where this proportion is slightly lower at 32%.

WHAT DOES THIS MEAN FOR SAVERS?

Savers should brace themselves for an accelerated increase in the state pension age, with anyone under 45 today forced to wait until at least age 68 to qualify.

It could be even worse for younger people, with the second report implying anyone born after April 1986 could face a state pension age of 70.

Without reform, spending on the state pension will increase from 5.2% of GDP in 2016/17 to 6.2% of GDP in 2036/37.

As life expectancy continues to march ever higher, it was inevitable the Government would eventually look to take a grip on state pension spending.

The triple-lock looks like the lowest hanging fruit, although a Government scolded by the self-employed National Insurance debacle in this year's Budget will not want to break another manifesto pledge by scrapping it before 2020. However, the policy's shelf life now appears limited beyond this date.

All of this is part of a broader shift from the state and employers so that individuals take responsibility for their retirement provision. That means it's more important than ever to make the most of the incentives available to build a nest egg of your own.

TOM SELBY,
senior analyst, AJ Bell

PRIVATE EQUITY: JAMES DE BUNSEN ON ITS BAD RAP AND BROAD OPPORTUNITIES

Allocating that marginal pound of savings is unquestionably hard following an eight year rally in equities (let alone a 30-year bull market in bonds). It requires a firm view that the forces that have sustained that rally will remain in place for some time, or that new, beneficial, forces will replace those drivers.

If we acknowledge that record low interest rates and quantitative easing are likely a thing of the past, then we must look to stronger growth in company revenues and earnings to drive markets ever higher.

While the wider economic picture looks relatively stable, corporate earnings forecasts appear over-optimistic with 18% growth estimated for the S&P 500 index over the next 12 months.

Moreover, the starting valuation is more than 18x times those forecast earnings, well in excess of the long-term average. At these levels, we believe it makes sense to look off the beaten track for compelling investments at more attractive valuations.

LOOKING FOR OPPORTUNITIES

The Henderson Alternative Strategies Trust currently has just under one third of its assets invested in private equity, given the asset class's compelling value and fundamentals.

Private equity (PE) is an asset class that is either not well owned, given its inherent inaccessibility, or often plainly misunderstood. PE generally requires often large commitments to private funds, usually for as long as 10 years. This is beyond the scope of most

ordinary investors – but there is a large and diverse listed PE fund sector.

The misunderstanding of its nature comes from the oft-repeated claim that PE is simply about buying stakes in companies, injecting large amounts of debt and slashing costs, primarily through job cuts.

In fact, the classic private equity model is based on investing alongside management and helping them take their already successful business to another level in terms of scale and profitability. It is about alignment of interests, not asset stripping.

PE general partners take seats on the board, often have controlling positions, can make important decisions quickly, and are not hostages to the fortunes of the public markets and their slavish focus on quarterly earnings announcements. These factors all help boost long-term returns.

ATTRACTIVE ENVIRONMENT

While investors in PE have made very handsome gains over several decades, we believe that the current environment still looks particularly attractive, especially for the listed PE market.

PE investment trusts give investors access to those otherwise inaccessible funds. The universe is broad enough to encompass all areas of the PE market from venture capital (early stage financing) funds to large leveraged buyouts (using debt to fund acquisitions), and from fund-of-funds to direct investment strategies.

Since the crisis in 2008 these trusts have fallen out of favour with investors based on what we believe are misplaced concerns over issues such as the levels of debt used to purchase assets or too infrequent pricing.

More recently however investors have woken up to the opportunities and acquired a better understanding of the actual risks.

ATTRACTIVE ENTRY POINTS

Entry prices seem attractive, trading at large discounts to the value of the underlying assets that the PE fund owns, while exiting has often realised gains at a much higher price than the value of the underlying assets – sometimes more than 40%.

These attractive growth characteristics look particularly appealing to company executives who are sitting on piles of cash

James de Bunsen

SPOTLIGHT – HENDERSON ALTERNATIVE STRATEGIES TRUST

This investment trust is a fund of funds, investing in alternative and specialist assets.

Managers James de Bunsen and Ian Barrass have a number of categories within these investments, including specialist sectors such as credit or renewable energy, specialist geographies such as emerging markets, private equity, property and hedge funds.

Their investment style is based on two key features: diversification, making sure investments are spread across a wide variety of alternative investments, of which investors are likely to be less exposed to; and discipline, where they conduct extensive due diligence to try and ensure investments in only the best quality assets and the best quality portfolio management.

and are either struggling to grow organically or are too nervous/short-termist to invest in their businesses for growth further down the line. As such, we expect ongoing merger and acquisition activity to further boost PE returns.

Of course, high valuations in public markets mean that it is harder for private equity firms to put their capital to work without overpaying. The investments we have identified in the listed market tend to have fairly mature profiles – that is, they are now firmly in selling mode, harvesting the healthy valuation uplifts resulting from investments made several years ago and plenty of hard work improving those underlying businesses.

EXAMPLES OF INVESTMENTS

We have also invested in more specialist areas of the market where there is a particularly strong opportunity, theme and/or management team in place.

Riverstone Energy is a fund focused on shale oil and gas assets in North America. It listed in late 2013 and the management team have a peerless, multi-decade track record in the space. Their timing was particularly good, as they had a sizeable war chest to deploy as the oil price tumbled in 2014/5, enabling them to buy very high quality assets at very attractive prices.

Another niche opportunity is Mantra Secondary Opportunities, a fund that invests in mature private equity funds, with only a few underlying holdings yet to be exited.

Essentially Mantra acts as a liquidity provider to investors who have made a good return on their investment but would like to move on and free up their capital. Mantra buys these remaining holdings at a sizeable discount to net asset value and then further benefits from any uplift that is realised upon exit of the remaining holdings.

THIS WEEK: 24 PAGES OF BONUS CONTENT

SHARES SPOTLIGHT

Mining, Oil & Gas

- BERKELEY ENERGIA
- BMR GROUP
- CALEDONIA MINING
- GEMFIELDS
- GREATLAND GOLD
- PRAIRIE MINING
- ROCKHOPPER
- SOUND ENERGY
- TERTIARY MINERALS

INCLUDES NEWS, DATA, COMPANY PROFILES, COMMENT AND ANALYSIS

INTRODUCTION

Welcome to the latest *Spotlight*, the bonus title which accompanies your digital copy of *Shares* six times a year. This edition is concentrated exclusively on the mining, oil and gas sectors.

Investor appetite remains hungry for these sectors following last year's impressive recovery in many parts of the commodities market.

Nine companies feature in this issue of *Spotlight*. They explain how they are exploiting the opportunities and navigating the challenges inherent in the resources sector.

As a publication *Spotlight* offers small caps a platform to tell their own stories in their own words. This means businesses themselves write the company profiles, not *Shares* journalists.

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

As such, these articles should be considered as paid-for promotions rather than independent comment. While they are likely to put a positive spin on events, there is merit in reading the articles as you benefit from hearing about future plans directly from the horse's mouth.

Many firms double up their position in *Spotlight* with an appearance at our investor evenings in London and other cities, giving you the opportunity to offer feedback and quiz management teams in more detail.

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

Beginners' guide to resources investing

Investors can gain indirect exposure to commodity markets by investing in resources companies. You could benefit from demographic trends like population growth and a growing middle class in developing economies which are driving increased demand for finite amounts of energy and raw materials.

WHAT'S INCLUDED IN THE RESOURCES SECTOR: Companies which look for, extract and sell the world's major commodities. Some firms only take one of these roles, while others address all of them. The sector also includes oil and mining services providers which support these companies in their daily operations.

THE INDUSTRY: The natural resources industry is enormous and ultimately provides the materials and energy behind nearly everything we use on a day-to-day basis. It faces significant environmental and political challenges in the 21st Century.

RISK PROFILE: This is a cyclical sector and its fortunes fluctuate in line with commodity prices which are for the most part dictated by the global economy.

Fast growing economies like China, the biggest consumer of many of the world's commodities, have a particularly strong influence. There is also a risk that countries may assert ownership over the resources located within their borders – something known as resource nationalism.

WHAT'S ON OFFER FOR INVESTORS? One of the strongest cases for investing in commodities is that a growing global population will consume more of the world's limited store of resources. This is particularly relevant as consumption per head is increasing in countries like India and China.

If you are looking for exposure to crude oil, natural gas, coal, uranium or metals it could make sense to buy shares in a company engaged in the exploration and production of these resources.

As well as tracking the price of the respective commodities they exploit, the share prices of these miners and oil companies will respond to operational performance.

This offers the prospect of greater upside if a company performs well but also risks more significant downside if it encounters setbacks.

Exploration companies can see rapid share price appreciation in the event they discover new reserves of oil and gas or a new metal deposit but can also fall just as rapidly if they are unsuccessful.

THE BIG NAMES IN THIS SECTOR INCLUDE:

Royal Dutch Shell (RDSB) – Has a long-term strategy of focusing on the natural gas market
BP (BP.) – Since the Gulf of Mexico disaster in 2010 has transformed into a more streamlined operator
Rio Tinto (RIO) – Principally based in Australia and Canada, it is the world leader in the production of several commodities
Glencore (GLEN) – It has both mining assets and a commodities trading operation
BHP Billiton (BLT) – Mainly focused on mining but has some oil and gas assets, too

WHAT AFFECTS THE RESOURCES SECTOR?

- Commodity prices
- Scarcity of resources
- Consumer spending

The main factor which influences the profits and revenues generated by companies in this sector is commodity prices. These in turn are dictated by supply and demand.

On the supply side, it is becoming increasingly difficult to find oil and gas, which has led to a focus on so-called 'unconventional' resources like shale oil and shale gas.

Over the long term demand is rising as the global population increases and consumption per head builds in emerging markets.

WHAT DO COMMODITY PRICES AFFECT?

- Industrial activity
- Energy and raw material costs

If the resources sector is doing well and commodity prices are high then this can put industrial companies – which are particularly heavy consumers of energy and raw materials – under pressure.

Low commodity prices such as oil could benefit companies such as airlines and logistics firms as they would have reduced fuel costs.

NUMBERS TO WATCH OUT FOR:

Capital expenditure – how much companies plan to spend on developing new projects.
Ore grade – An ore is a type of rock that contains minerals and metals which can be extracted. The grade describes the concentration of the mineral or metal.

Operating costs per barrel – How much a company spends to produce each individual barrel of oil.
Baker Hughes Rig Count – a widely followed measure of industry activity; this is released as two separate figures showing how many drilling rigs are operating in North America and worldwide.
Reserves replacement ratio – measures the extent to which the company replaces reserves lost to production.
Proved and probable resources – reserves of oil and gas which geological analysis suggests are more likely than not to be recoverable.

Berkeley energised as it targets first uranium output in 2018

Berkeley Energia (BKY:AIM) has commenced construction of its $100m Salamanca project located in Western Spain and is aiming to be a clean energy supplier from the heart of the European Union (EU). Production will commence in 2018 and once in full production the mine will be one of the world's top ten producers of uranium.

The Salamanca mine is the only major new uranium mine under construction in the world today at a time when uranium prices are trading at decade lows and major producers Cameco and Kazakhstan are cutting production.

Salamanca has the advantage that it is able to produce uranium at costs well below the current depressed prices of around $25 per pound. The Definitive Feasibility Study published in July 2016 reported that over an initial ten year period the mine is capable of producing an average of 4.4 million pounds of uranium per year at a cost of $15 per pound.

During this ten year steady state period the mine is expected to generate an average net profit after tax of $116m per year.

ESTABLISHED INFRASTRUCTURE IN PLACE

The mine also benefits greatly from the well-established EU funded infrastructure in the region reducing initial capital cost to only $96m, low by international standards for a project of this size and given the company's strong blue chip register and cash on hand of over $30m, relatively easily funded.

THE COMMENCEMENT OF PRODUCTION WILL COINCIDE WITH A LARGE NUMBER OFEUROPEAN AND US UTILITIES LOOKING TO RECONTRACT, THE CHINESE NEW REACTOR DEMAND COMING ON LINE AND THE JAPANESE REACTOR RESTARTS WELL UNDERWAY

This world class mine is being developed in an historic mining area in Western Spain, about three hours west of Madrid and following recent ministerial approval, the company has now received all the European Union and national level approvals required for the initial development.

With operating costs almost exclusively in euros and a revenue stream in US dollars the Salamanca mine is expected to continue to benefit from the effects of deflationary pressures within the European Union.

Following an oversubscribed fundraise in November last year, the share register is dominated by London's blue chip institutions and world class mining funds, who now make up approximately 67% of the register. The funds raised are being used to accelerate the construction of the mine.

Three of London's top mining analysts Paul Smith of WH Ireland, Michael Stoner of Peel Hunt and Ben Davies of Liberum have recently published updated research reports with price targets in

excess of £1 per share. Michael Stoner wrote that this is project 'continues to offer a rare opportunity to access a tier one development project'.

Industry experts have noted that the commencement of production will coincide with a large number of European and US utilities looking to re-contract, the Chinese new reactor demand coming on line and the Japanese reactor restarts well underway.

BIG RISE IN GLOBAL DEMAND

They are of the view over that the gradual supply side destruction over the past decade is about to come to an end as it meets an unprecedented increase in global demand resulting in the largest supply/demand deficit the world has ever seen. Rob Chang from Cantor Fitzgerald has likened it to an elastic band stretched to the point when the reaction is violent.

The company's objective is to provide a reliable source of base load clean energy from the EU. According to EURATOM, the EU's nuclear supply agency, the mine will be an important contributor to the EU's security of supply. At full production the mine will be able to supply 10% of Europe's needs, thereby reducing the need to rely on Russia, Kazakhstan and Niger which currently account for around 60% of supply.

COMMUNITY FOCUS

The company's investment into the Castilla y Leon region is in line with the EU and Spanish government's desire to rejuvenate regional communities badly hit by underinvestment and enduring high levels of long term and youth unemployment.

With around 25% of the permanent residents of the nearby villages applying for jobs it is hoped that the investment will help reverse the long term population decline, reduce the high levels of intergenerational and youth unemployment which in turn will see the local primary schools stay open and other public services return to the area.

Employment is expected to exceed 150 people by mid-year, long term there will be over 450 permanently employed and indirectly it has been estimated that the investment will generate a further 2,000 badly needed jobs in the region.

As is the case with all developments of this nature, there are vocal groups who oppose the project. The mine has received to date over 90 favourable reports and permitting approvals which are reflected in the strong and growing support for the investment among a wide range of stakeholders.

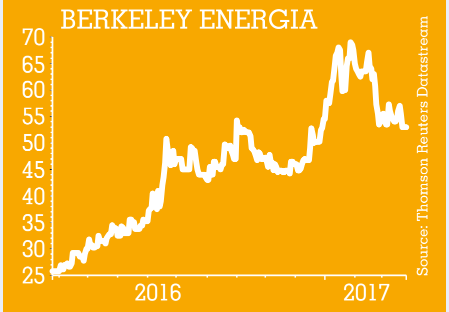
The rejuvenation of a local community and the attention to the needs of the local stakeholders will be the key to success which it is hoped will translate into long term dividends for shareholders from this important mine development.

SHARES SPOTLIGHT

BERKELEY energia

WEBSITE: www.berkeleyenergia.com

SECTOR:	MINING
SHARE PRICE:	53P
MARKET CAP:	£141M



BMR finds its focus

BMR Group (BMR:AIM) is AIM-quoted and positioned as a minerals processing company with near term production potential.

BMR's Kabwe, Zambia operations are based at the country's first ever large scale mine discovered in 1902.

For the past 24 months, the BMR directors have concentrated on re-focusing the company in order to realise value for its shareholders.

FOCUSED APPROACH

BMR has:

- JORC-compliant, lead and zinc tailings resource with a contained value at around $1 billion, gross.
- Additional non-JORC resources with an estimated contained value at around $400m, gross.
- Significant vanadium pentoxide (V2O5) potential with an indicative contained value of $1.4bn that can be recovered from the tailings.
- Ownership of the first large scale mining licence issued in Zambia.
- Successfully developed proprietary acid/brine leach treatment process for the recovery of lead and zinc from the tailings, which has been independently, peer reviewed.
- The design for a five tonne/hour tailings treatment plant completed, with construction underway.
- The plant that will be capable of producing zinc cathode, zinc sulphate heptahydrate (ZSH), lead sponge and vanadium pentoxide.
- Received clearance for plant construction to proceed from the Zambia Environmental Management Agency (ZEMA).
- Plant commissioning planned to start before the end of the current year.
- A highly qualified technical team in place to operate the planned treatment plant.
- Plans to increase production on successful commissioning of 5 tonne/hour plant.
- Signed an off-take agreement along with a $3.5m pre-payment facility against future production that can be used for the construction of the plant.

ASSET OVERVIEW

3.3m tonnes of JORC-compliant grades and volumes as established by Minerals Corporation Consultancy Pty Ltd, South Africa:

BMR's non-JORC resource comprises Imperial Smelting Furnace Slag (ISF Slag) containing 8.07% zinc and 1.87% V2O5.

Scoping metallurgical testwork has achieved a recovery of 85% zinc and 90% V2O5 when blending ISF Slag with Leach Plant Residue (LPR) feed.

Additionally there is a 1.1m tonne (non-JORC) resource of Waelz Kiln Slag (WKS). Currently there is no known treatment process available to extract economically the low residual lead and zinc grades, however the material has been used successfully when combined with sand to produce concrete for road construction.

BMR has lodged an application with ZEMA to sell this material for this purpose.

OTHER PROJECTS

BMR has concluded an Option Agreement with a local company to acquire an 80% interest in the Ester Project, a tungsten/tin prospect in Northern Portugal. BMR has signed an option agreement to acquire the Star Zinc mine in Zambia.

On 5 August 2016, BMR signed an exclusive off-take agreement. Under the agreement, BMR can draw-down up to $3.5m pre-payment facility for the company’s future production to complete the construction the plant which will now be configured as a semi-production unit.

The completed sale and purchase agreement is for the sale over a five-year period of agricultural grade zinc sulphate heptahydrate (ZSH) (500 tpm) and lead sponge (300 tpm). It also anticipates the eventual sale of LME grade zinc cathodes (300 tpm).

ENHANCED RETURNS

The directors believe that the off-take agreement for ZSH, lead sponge and vanadium pentoxide significantly enhances the returns from BMR's tailings assets over a sustained period of time for the benefit of shareholders.

The now anticipated production of V2O5 will significantly add to shareholder returns.

The directors estimate the capital expenditure for the plant as originally configured for the production of the ZSH and lead sponge in the quantities outlined in the agreement, to be approximately $2.68 million, independently, peer reviewed with an industry-standard deviation. There is likely to be an additional cost incurred for the process circuit to produce V2O5 currently being evaluated.

For the plant as originally configured the directors are satisfied that this cost can be satisfied from the current cash resources, and the off take drawdown facility.

TARGETED MARKETS

More than 80% of lead consumption is in the production of lead-acid batteries.

Zinc is the fourth most widely consumed metal in the world and half of the zinc that is produced is used in zinc galvanizing, which is the process of adding thin layers of zinc to iron or steel to prevent rusting.

Zinc sulphate heptahydrate has wide application as a fertiliser in Southern Africa and the Middle East.

STRATEGY TIME

The directors have commenced construction of the plant which they expect to start commissioning for commencement of production by the end of 2017.

BMR expects shortly to complete the acquisition of Star Zinc, a high grade zinc deposit close to its Kabwe operation.

WEBSITE: www.bmrplc.com

SECTOR:	MINING
SHARE PRICE:	7.6P
MARKET CAP:	£14.2M

WHO ARE THE DIRECTORS?

Alex Borrelli, chairman and CEO, chartered accountant with a wide range of sector experience following a career in investment banking; Jeremy Hawke, mining and operations director, chartered engineer, who has worked at the Kabwe lead and zinc and has since overseen metallurgical and tailings re-treatment projects for recovery of metals; and Antony Gardner-Hillman, solicitor, non-executive director.

Caledonia calling income investors

Caledonia Mining (CMCL:AIM) is a low cost gold producer and one of the only junior miners to pay a dividend, currently yielding around 3.8%. It also has a significant cash pile with $14.3m in cash at the end of 2016, providing relative security in a fluctuating gold price environment and enabling it to self-fund expansion. The company managed to increase its cash balance over the course of 2016 despite investing almost $20m in plant expansion and returning $3m to shareholders over the course of the year, a strong testament to the cash generating potential of the mine. The miner aims to increase production to 80,000 ounces of gold by 2021 from its Blanket mine in Zimbabwe.

STEP UP

In the financial year 2016, Caledonia increased production by 19% to 50,000 ounces. This is due to the addition of a new sub level shaft to access deeper ore, the No. 6 Winze and improved underground material tramming capabilities from the completion in June 2015 of the tramming loop 750 metres below surface. These developments led to a significant increase in underground rock handling logistical flexibility and were responsible for the increase in production. The next stage of this expansion is the central shaft that is expected to be completed by mid-2018.

This construction will aim to improve efficiency, provide access to horizontal development in two directions on two levels sub-750 metres and de-risk Blanket's current single-shaft status. Other potential sources of news over the coming year may include proving up more gold within the Blanket licence area and the continued process Caledonia is undertaking to improve the confidence level of existing resources.

The miner's activities are funded using internal cash flows and cash reserves. 'When we announced our revised investment plan in November 2014, we modelled that the $70m investment would be fully funded from internal cash flows with a $1,200 per ounce price estimate,' says the company.

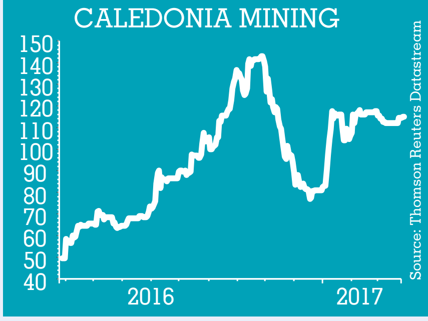
'We are approximately half way through this investment program and look forward to a declining capex profile over the next two years which will further boost the businesses cash position.'

COMFORT BLANKET

Increasing production volumes has the advantage or driving down operating costs for the operation as the fixed costs are spread over a higher number of ounces. The 18% increase in production for Blanket has seen a reduction in AISC from $1,037 per ounce in 2015 to $912 for 2016 – a decrease of 12%, operating cost per tonne milled has also

WEBSITE:
www.caledoniamining.com

SECTOR:	MINING
SHARE PRICE:	112P
MARKET CAP:	£58.7M



declined by 8% from $68.2 per tonne to $62.8 per tonne. These operating costs give the mine a substantial level of protection in the event of lower gold prices with guidance for 2017 of 60,000 ounces at an AISC of between $810 per ounce to $850 per ounce.

Caledonia expects to see a continued gradual decline in costs as the investment plan takes shape over the next five years. ‘By 2019 we expect the AISC to be below $750 per ounce. Further reductions are expected as we increase production further and we benefit from an improving grade as we increase the proportion of ore that we extract from the higher-grade areas below 750 metres.’

INCREASING PRODUCTION VOLUMES HAS THE ADVANTAGE OR DRIVING DOWN OPERATING COSTS FOR THE OPERATION AS THE FIXED COSTS ARE SPREAD OVER A HIGHER NUMBER OF OUNCES.

IMPLEMENTATION PLAN

The implementation plan for the new shaft at Blanket reflects the current and historic sinking rates and associated costs which Caledonia has achieved on its other shaft sinking projects. ‘The implementation plan should not be seen as a “stretch” budget: we have never asked the engineers to change their plans to do thinks more quickly or more cheaply.’

Caledonia says it finds operating in Zimbabwe as relatively straightforward. ‘The current government has shown pleasing signs that it is creating a pro-business environment for gold producers, as we have recently seen the royalty rate reduced from 7% to 5% and the discount on sales of gold to Fidelity (which buys our product) has been reduced from 1.5% to 1.25%. In the recent budget, the Minister of Finance announced that the royalty rate would be further reduced from 5% to 3% for incremental gold production and we have seen the implementation of an export credit incentive of 2.5% which benefits the gold mining industry.’

It has a state-supplied power and fully functional back-up diesel generators should grid-power be disturbed. The miner believes investors’ concerns with Zimbabwe are outdated. ‘We are attuned to changes in the political situation; however we see any change as an opportunity for Zimbabwe to re-rated in terms of attracting investment, especially when taking into account the fact that the environment is difficult in other African operations, the situation in neighbouring South Africa is becoming more difficult for operators, recent changes in Tanzania have caught investors by surprise and people forget the challenges that exist in other mining regions such as Egypt, Mali and the DRC so given those challenges we do feel very comfortable operating in Zimbabwe,’ Caledonia concludes.

Gemfields has sparkling prospects

Gemfields (GEM:AIM) is the leading supplier of responsibly sourced coloured gemstones and is listed on the AIM market of the LSE. It owns and operates the largest emerald mine in the world, Kagem in Zambia, and the Montepuez Ruby Mine, which is also believed to be the largest ruby mine in the world, located in Mozambique.

Since Gemfields acquired the Kagem Emerald Mine in 2009 its 'mine and market' success is reflected in increasing prices for gems. The price of emeralds, for example, has risen from $4.4 per carat in 2009 to $70.68 per carat in 2016, an increase of 1506% in just seven years.

The company's 'mine and market' strategy involves increasing the consistent supply of high quality coloured gemstones to the global market and driving international consumer demand for coloured gems through effective marketing in the luxury goods sector.

Gemfields' repositioning of coloured gemstones within the luxury goods market is enhanced by the company's ownership of, and collaboration with, Fabergé, one of the world's most recognisable jewellery brands.

A MATURING MARKET FOR COLOURED GEMSTONES

Critical to Gemfields' success is its development of a proprietary grading system and a pioneering auction and trading platform for coloured gemstones. By helping to establish industry standards for coloured gemstones the company has made it much easier for downstream customers, such as gem cutters & polishers, and jewellery designers to reliably access the gemstones they require.

Gemfields has propelled coloured gemstones into the limelight, and in the last few years emeralds, rubies and sapphires have been dominating the red carpet and shop windows around the world. This is underlined by the launch of exquisite coloured gemstone collections by a number of leading jewellery houses.

The global emerald, ruby and sapphire market has grown 213% since 2009 to $1.6bn and is expected to continue to grow at a steady pace across China, Europe, India and the USA.

ZAMBIAN ASSET

The Kagem Emerald Mine is the mine that the company was founded upon. Acquired in poor condition, Gemfields has turned Kagem into a thriving operation based on cutting edge technology and extensive geological insight.

Not only has the mine generated $459m in revenues but it is also dividend paying.

A recently updated mine plan extended the life of the open pit mine to 2040 and Gemfields has committed to increasing production from 30m carats per annum to

CRITICAL TO GEMFIELDS' SUCCESS IS ITS DEVELOPMENT OF A PROPRIETARY GRADING SYSTEM AND A PIONEERING AUCTION AND TRADING PLATFORM FOR COLOURED GEMSTONES

40m carats per annum in the next three years. The robust economics show a post-tax net present value (NPV) of $520m.

There is also a substantial exploration programme in place, using proven techniques, to further analyse the upside potential within the Kagem licence.

MOZAMBIQUE ASSET

The Montepuez Ruby Mine was acquired by Gemfields in 2011. To date seven auctions of rubies have generated revenue of $225.7m.

Discovered in 2009, the operation is located on what is considered to be the most important ruby and corundum deposit found in recent years.

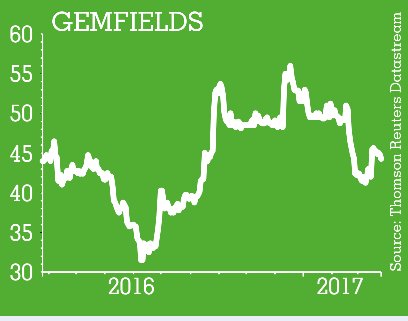
The Montepuez Ruby Mine licence area is 350 square kilometres but only 36 square kilometres has been covered by the resource statement to date. This statement gave the 36 sq kilometres a projected 21-year mine life and a post-tax NPV of $1bn.

A total production of 432m carats is expected to be produced during this period. Production is currently 10m carats a year, with plans to rise to 20m carats a year within three years.

GEMFIELDS

WEBSITE: www.gemfields.co.uk

SECTOR:	MINING
SHARE PRICE:	42P
MARKET CAP:	£227.4M



OTHER PROJECTS

Gemfields also holds a 50% interest in the Kariba amethyst mine in Zambia, as well as controlling interests in various other gemstone mining and prospecting licences in Zambia, Mozambique, Colombia, Ethiopia and Madagascar.

TELLING GEMFIELDS' STORY

Capturing the imagination of the world's luxury jewellery consumers relies on carefully crafted, skilfully executed, marketing campaigns, something at which Gemfields excels.

Recently the company's *'Ruby Stories'* and Fabergé's *'Say Yes in Colour'* campaigns, as well as partnerships with some of the world's leading actresses have restored coloured gemstones to their historic position at the forefront of contemporary glamour.

Gemfields' ownership of the Fabergé brand - an iconic brand of exceptional heritage - enables the company to optimise positioning, perception and consumer awareness of coloured gemstones, advancing the company's 'mine and market' vision.

The tangible results of Gemfields' promotion of coloured gemstones are increases in both coloured gemstone prices and volume of sales, on a global basis. Gemfields' position as the world's leading producer of such gems means it is perfectly positioned to reap the benefits of enhancing the market it is playing the leading role in creating.

Greatland Gold is driving ahead in 2017

2016 was a transformational year for AIM-listed **Greatland Gold (GGP:AIM)**. As the protracted bear market finally bottomed out and renewed investor interest drove commodity and stock prices higher, Greatland made significant progress across its portfolio of Western Australian precious and base metal exploration projects.

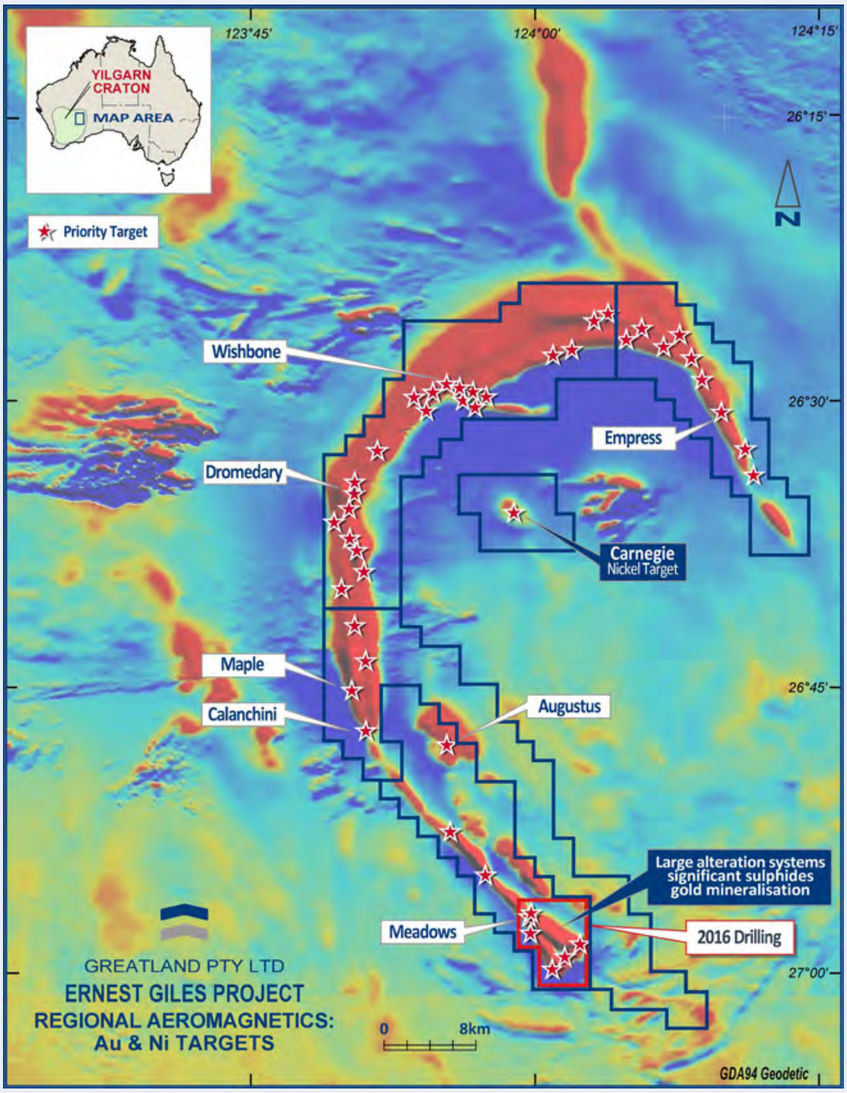
At its Ernest Giles project, Greatland completed a successful drill campaign, which outlined two new zones of gold mineralisation. At the Bromus licence area, Greatland identified several new high-priority nickel sulphide targets. In the midst of all this activity, Greatland also secured the right to purchase a 100% interest in the exciting Havieron gold project.

ERNEST GILES

At Ernest Giles, Greatland controls 1,000 square kilometres of a virtually unexplored greenstone belt, which contains multiple gold and nickel targets over 120 kilometres of strike. Located in the prolific Yilgarn Craton, Ernest Giles has the potential to yield a multi-million ounce gold discovery.

In early January, Greatland announced the results of an ambitious, wide-spaced drilling campaign at the Meadows target. The Meadows drilling programme identified two large zones of gold mineralisation. The Western Zone is 6 kilometres in length and 1.5 kilometres wide, while the Eastern zone is 2 kilometres long and 1.5 kilometres wide. Thirteen of the twenty-three holes drilled intersected gold mineralisation, with several revealing wide zones of up to 60 metres.

Subsequent testing of recovered samples confirmed the presence of gold mineralisation at relatively shallow depths (the shallowest intercept was at 119m while the average was at about 180m). Many significant gold results were returned from these intercepts up to 2g/t gold. Taken together, these results suggest Greatland has discovered an exciting new



gold province.

The company has announced that the next focus of development at Ernest Giles will be the Empress gold target. Planning began in January for the campaign with a proposed work programme that includes an estimated 5,000m of wide-spaced RC drilling at 20 drill locations. Previous sampling at Empress has identified a 3 kilometres by 1 kilometres high-grade gold-in-soil anomaly with peak soil values up to 338ppb Au, nearly five times the soil sampling values seen at the Meadows target where drilling recently outlined wide zones of gold mineralisation.

HAVIERON GOLD PROJECT

As part of its strategy to capitalise on relatively depressed valuations that it believes still exist within the gold sector, Greatland entered into an agreement in September 2016 to acquire 100% of the Havieron Project. Havieron is an exciting IOCG target with demonstrated gold and copper mineralisation that covers 135 square kilometres of the Paterson Region in Western Australia and is about 40 kilometres east of the prolific Telfer gold mine.

Australian mining giant Newcrest Mining conducted limited drilling across the Havieron license area during the 1990s. These efforts revealed the presence of wide zones of gold and copper mineralisation. Within these zones, gold grades peaked at 15.4g/t and copper grades peaked at 2.5%. The drill hole spacing was broad leading Greatland to believe that Havieron provides it with an immediate target for defining a resource.

> **TAKEN TOGETHER, THESE RESULTS SUGGEST GREATLAND HAS DISCOVERED AN EXCITING NEW GOLD PROVINCE**

Greatland is also encouraged by the increased interest in the Paterson Region from major mining companies. Once the native title agreement for Havieron is finalised, the company plans to perform extensive fieldwork, in preparation for an initial drill campaign.

BROMUS

In late summer 2016, Greatland completed a RC drilling campaign that identified substantial sulphide mineralisation at the company's 100%-owned Bromus project, which lies in the southern Yilgarn region of Western Australia. Bromus covers 93 square kilometres of under-explored greenstones and intrusive granites and Greatland believes the Bromus project is prospective for nickel sulphide mineralisation.

Following the RC drilling campaign, Greatland conducted downhole electromagnetic (DHEM) surveys at the four drill sites. These DHEM surveys were successful in identifying several highly conductive targets not intersected during drilling. Two of these targets are relatively shallow, well constrained by modelling, and are close to existing drill holes.

Greatland has shifted its attention to these two targets and recently announced it had lodged a Programme of Work application to drill the two targets from existing drill pads, a move that will significantly reduce the cost of drilling.

GREATLAND – DRIVING AHEAD IN 2017

Greatland recently raised £350,000 in order to accelerate exploration activity across its portfolio of projects. With a cash balance of approximately £850,000 and no debt, Greatland is well positioned to drive forward in 2017.

GREATLAND**GOLD**

WEBSITE:
www.greatlandgold.com

SECTOR:	MINING
SHARE PRICE:	0.32P
MARKET CAP:	£5.38M

Prairie pushing Polish coal projects

Prairie Mining Limited (PDZ) is a multi-project coking coal development company focused on the development and operation of two coal mines in Poland. Prairie's management team has well over 100 years of coal mining experience most of which is in coal mining in Poland.

COKING COAL

Coking coal is on the European Commission's 'Critical Raw Materials' list as an essential raw ingredient used in steel manufacturing.

Currently, Europe consumes around 80m tonnes of coking coal a year of which over 80% is imported from as far afield as Australia, North America and Russia. Through its two projects in Poland, Prairie's assets will intends to produce a range of coking coals on the doorstep of Europe's steelmaking industry.

Debiensko

Debiensko is a world class hard coking coal (HCC) project situated in the Upper Silesian Coal Basin in the south west of Poland. This high quality HCC project is fully permitted with a 50-year mining concession, established on-site facilities including rail, road and power infrastructure, comprehensive historical drilling data and all environmental consents.

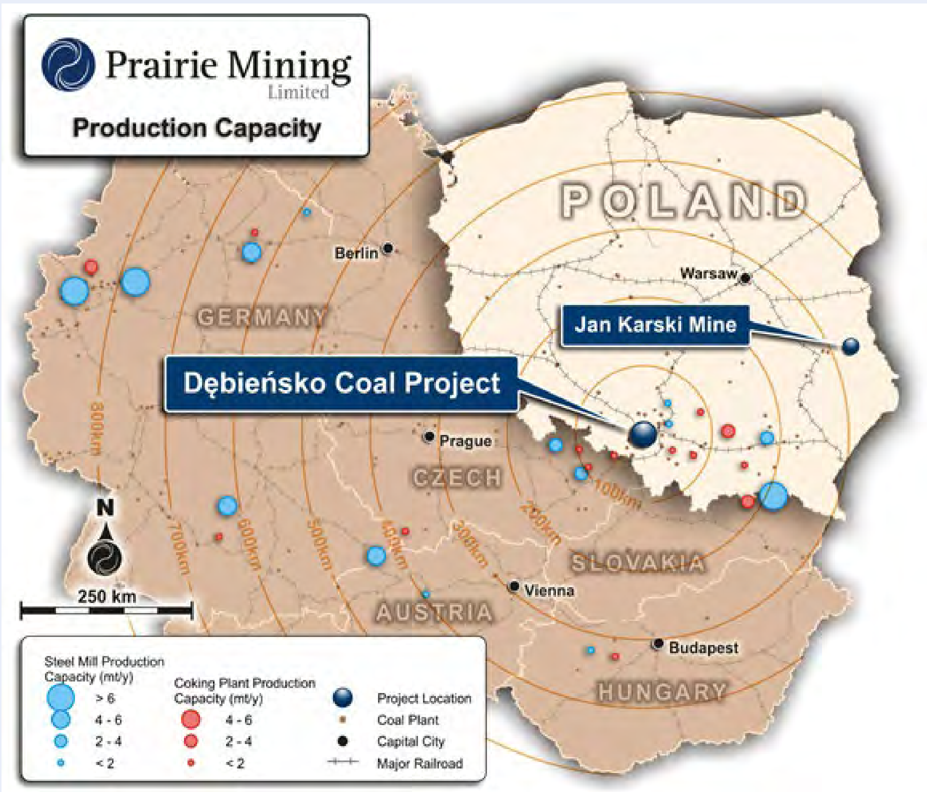
Following the acquisition of Debiensko in October 2016 for an upfront consideration of €0.5m, Prairie accelerated a development program for the brownfields project which culminated in a scoping study which was completed in March 2017.

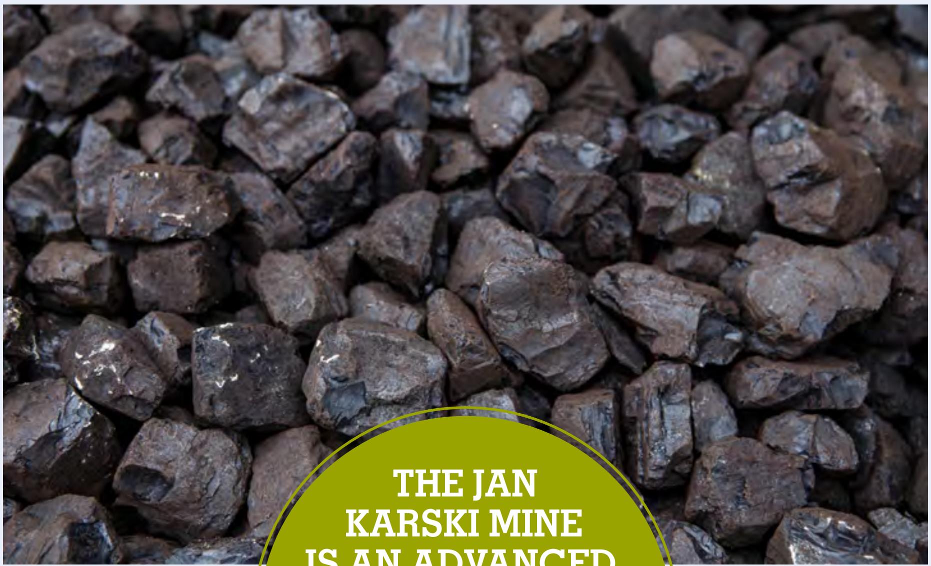
The Scoping Study for the fully permitted Debiensko mine highlights technical viability and robust economics to become a large scale, potentially lowest cost and long life premium hard coking coal supplier with a JORC Resource of 301 Mt, Debiensko has the potential to be a globally significant project.

Key Scoping Study results for Debiensko are summarised as follows:

- Hard Coking Coal Production (Steady State Ave): 2.6 Mtpa
- Total Operating Costs FOR Mine Gate (Steady State Ave): $47 per tonne
- Annual EBITDA (Steady State Ave): $282m
- Life of Mine Cumulative Free Cash Flow: $5.4bn over 26 years
- Post-tax NPV of $1.2bn

The project boasts access to well established and already connected regional rail infrastructure with underutilised bulk cargo capacity for low transportation costs within Poland to regional





THE JAN KARSKI MINE IS AN ADVANCED, LARGE SCALE PREMIUM COAL PROJECT IN SOUTH EASTERN POLAND

end users.

Leveraging off existing infrastructure at the Debiensko mine site potentially results in exceptionally low capital intensity of $197 per tonne of annual saleable production capacity compared to an industry average of over $401 per tonne for global hard coking coal mines developed in the last decade.

Jan Karski Mine

The Jan Karski Mine is an advanced, large scale premium coal project in south eastern Poland. The Project has attractive coal quality with the potential to produce semi-soft coking coal, comparable to international benchmark semi-soft coking coals.

The project is located close to well established regional rail and port infrastructure with underutilised bulk cargo capacity for low transportation costs within Poland, to regional European markets by rail, and to the seaborne export market through underutilised ports in the north of Poland.

The project has a current Coal Resource Estimate of 728m tonnes across four coal exploration concessions in south eastern Poland.

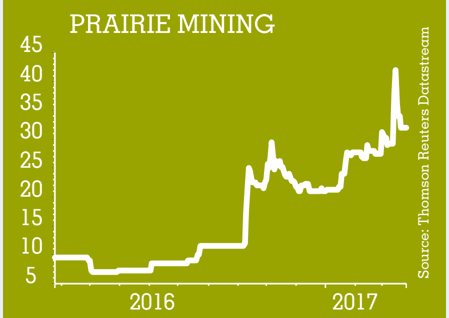
In March 2016, Prairie announced the results of a Pre-Feasibility Study for the Jan Karski Mine which confirmed robust project fundamentals including the potential to supply 6.34m tonnes of premium coal into the heartland of industrial Europe and to do so at an average cash operating cost of $24.96 per tonne - the lowest cash cost for coal delivered into Europe resulting in a post-tax NPV of $1.4bn.

In November 2016 Prairie announced the signing of a landmark Strategic Cooperation Agreement with China Coal – China's second largest coal producer and one of the world's most prolific

Prairie Mining Limited

WEBSITE:
www.pdz.com.au

SECTOR:	MINING
SHARE PRICE:	37P
MARKET CAP:	£41.7M



underground mine developers – to advance the financing and construction of the Jan Karski Mine.

Under the terms of the agreement, China Coal and Prairie intend to complete a Bankable Feasibility Study by mid-2017, which will provide the basis for an EPC contract and a construction-funding package for the Jan Karski Mine.

NEXT STEPS

Debiensko: Infill drill program and further feasibility studies with a view to restart mine operations.

Jan Karski Mine: China Coal to complete a Chinese BFS by mid 2017, gain environmental consent and grant of mining concession, and secure Chinese funding package for EPC contract to construct the mine.

Rockhopper active in Falklands and the Med

Rockhopper Exploration (RKH:AIM) is an independent, full-cycle oil & gas company with a portfolio of exploration and production assets.

Its primary focus is on two core areas of the North Falkland Basin and the Greater Mediterranean region. Through organic growth and three strategic acquisitions in as many years, Rockhopper has established a scalable platform with significant potential for material growth. The company's near-term activity will be centered on progressing the development of its giant Sea Lion project in the Falklands, as well as continuing to build a balanced portfolio of assets in its second core area.

WELL POSITIONED TO DELIVER ON STRATEGY

Rockhopper's intention is to continue pursuing its two-pronged approach to building a sizeable full-cycle E&P. The company is well funded with YE 2016 cash of $80m and no debt. The 2017 spending is estimated at $13m, leaving Rockhopper well capitalised.

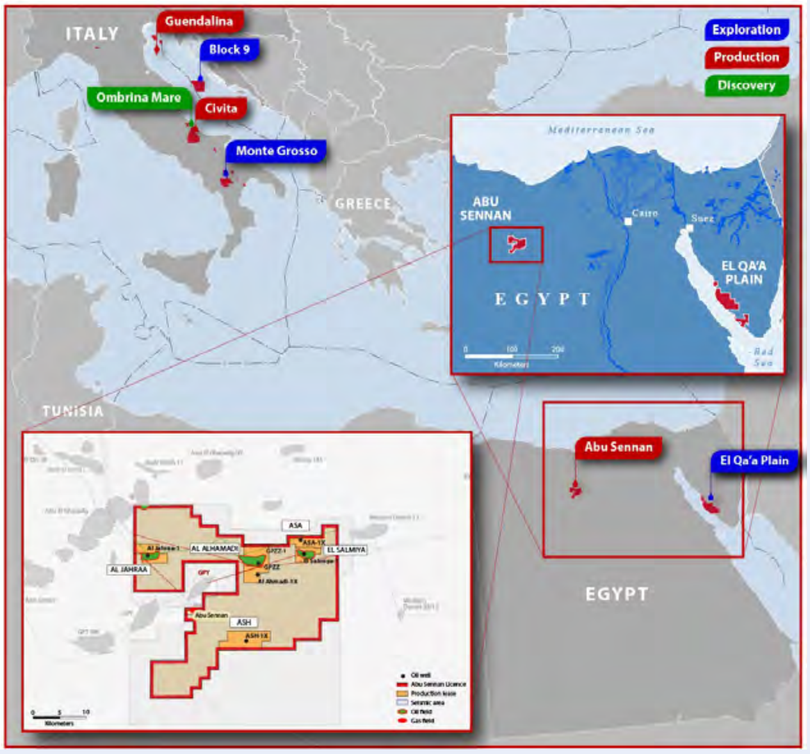
Furthermore, over the past 24 months Rockhopper has undertaken a significant corporate cost reduction programme, cutting headcount in Italy and streamlining its UK operations. These efforts delivered material savings which will continue into 2017.

The company's reduced G&A is largely funded by the revenue from Rockhopper's existing production, wholly exposing shareholders to exploration and development upside in its portfolio at negligible cost.

NORTH FALKLAND BASIN

The company has a solid track record of successful growth through targeted corporate transactions. In 2016, the combination with Falklands Oil & Gas allowed it to consolidate its North Falkland Basin position. Rockhopper made its first discovery in the North Falkland Basin in 2010 and today retains a significant equity position in the licence giving it material exposure to this 517 million barrel (gross) discovered and fully appraised prospect, where Premier (operator) holds the remaining equity. There are significant additional discovered and low risk prospective resources in Isobel-Elaine complex nearby, as well as a range of further licences providing significant near-field follow-on exploration opportunities in the future.

Rockhopper's near-term focus in the Falklands is on progressing the development of Sea Lion which entered the Front End Engineering



and Design (FEED) stage in early 2016 attracting world-class contractors. With the technical engineering phase now completed, the project economics make it viable and attractive even in the challenging market environment: life of field costs are estimated at $35 per barrel and project break-even at $45 per barrel, making it competitive in the context of its scale.

The updated draft Field Development Plan and draft Environmental Impact Statement were submitted to Falkland Islands Government last year, and the work will now shift to the commercial, fiscal and financing planning, with 2017 promising to be a busy year for Rockhopper. Rockhopper is fully funded for Phase 1 development (through funding arrangements with its partner) and the company will be working with the operator to progress the project to sanction.

GREATER MEDITERRANEAN BASIN

In the meantime, Rockhopper's Greater Mediterranean portfolio, built through the recent acquisition of Beach Egypt and the consolidation of a suite of assets from Mediterranean Oil & Gas in 2014, continues to generate revenue through steady production. The largest contributors are the Abu Sennan field in Egypt, operated Kuwait Energy, and Guendalina offshore Italy, operated by the Italian oil major Eni. Rockhopper's current production stands at approximately 1,350 boepd (barrels of oil equivalent per day), largely covering its general & administrative costs.

The Greater Mediterranean portfolio also offers several further low risk development and exploration opportunities, with an active drilling programme at Abu Sennan planned, building on the historic success rate of over 75% and full 3D seismic coverage. The Al Jahraa-SE2 exploration well is due to spud shortly targeting the AR-C reservoir in the fault block immediately to the south of the Al Jahraa SE field.

On completion of this well, the rig will move to Al Jahraa-9, which is a development well expected to spud in Q2 2017. This development well will target the AR-C reservoir at a location deeper than the current deepest oil penetration at Al Jahraa-4 aiming to prove additional reserves. The outcome of these operations will determine the activities on the licence during the second half of the year.

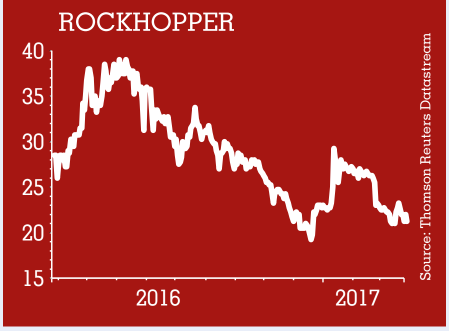
ROCKHOPPER EXPLORATION PLC

WEBSITE:
www.rockhopperexploration.co.uk

SECTOR:
OIL & GAS PRODUCERS

SHARE PRICE: 23P

MARKET CAP: £103.8M



Sound Energy is in full flow

Sound Energy (SOU:AIM) is a fast growing Mediterranean gas company, with a recent onshore Moroccan gas discovery, a supportive investor base and a strategic partnership with Schlumberger.

The company is on AIM and is up 400% over 12 months following a recent Moroccan discovery and in the words of the company is 'just getting started'......

TENDRARA IS A MULTI-TCF GAS FIELD

OPERATIONS UNDERWAY ON BADILE WELL IN ITALY

OVERVIEW

Sound is pursuing an onshore gas strategy underpinned by strong European gas fundamentals, which is proving very robust to the current oil price environment and to an increasingly carbon conscious world (where gas can be seen as a cleaner alternative to coal and oil)

The energy sector is in a period of some transition with oil prices having fallen significantly and many household-names collapsing on the back of an unsustainable debt burden and an inability to fund capital commitments.

The market is littered with strategic reviews, forced asset sales, debt re-determinations, requisitions from activist shareholders and company's defaulting on license commitments. Moreover, the general consensus is that it's unlikely to improve any time soon.

THE MARKET IS INCREASINGLY REWARDING COMPANIES WITH LOW DEBT LEVELS, STRONG MANAGEMENT, CASH ON THE BALANCE SHEET AND A BIAS FOR GAS – ALL CHARACTERISTICS WHICH SOUND ENERGY ENJOYS.

The market is increasingly rewarding companies with low debt levels, strong management, cash on the balance sheet and a bias for gas – all characteristics which Sound Energy enjoys.

Despite a challenging sector backdrop, Sound Energy sees itself as being positioned in a sweet spot - analogous to being in the peaceful eye of a violent storm with an

COMPANY IS PARTNERED WITH OIL SERVICES GIANT SCHLUMBERGER

opportunity to grow boldly and counter-cyclically whilst valuations are low and competition is limited.

ROADMAP TO GROWTH:

- Acquired an Italian onshore gas portfolio back in 2011/12;
- Secured cost covering production (back in 2013 it established Rapagnano as our first ever producing asset;
- Introduced multiple cornerstone investors to fund the business strategically;
- Acquired and introduced Schlumberger into a Moroccan onshore gas portfolio and successfully unlocked a multi tcf play

This is the foundation of Sound Energy's business.

The company has the right people, the right partners and the right portfolio.

SIGNIFICANT RECENT GAS DISCOVERY WITH MULTI-TCF GAS FIELD AT TENDRARA (ONSHORE MOROCCO).

- First well delivered 17 mmscf/d (million cubic feet per day) from 28 metres of net pay.
- Second well delivered 32mmscf/d after clean up and completed a successful Extended Well test.
- Third step out appraisal well confirmed as the Paleozoic play opener.

Badile (the company's second strategic play, also involving Schlumberger) is underway.

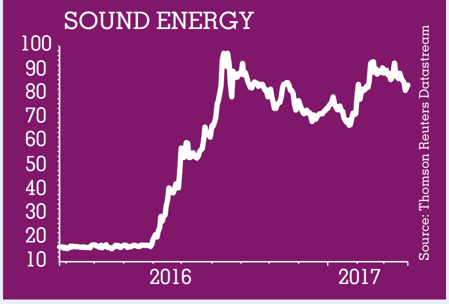
- See the recent CEO presentation to 3,000 investors at the Gherkin
- See the recent CEO video interview with analyst Malcolm Graham Wood

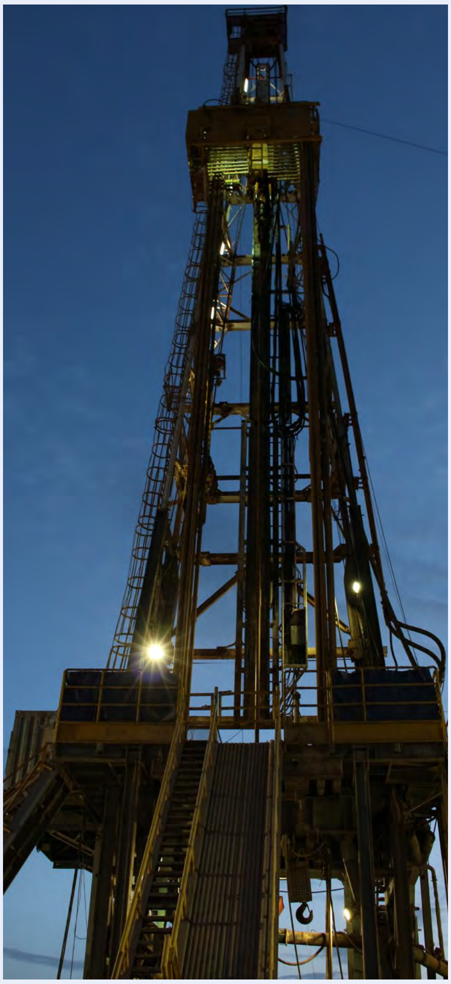
SOUND ENERGY PLC
Exploration & Production

WEBSITE:
www.soundenergyplc.com

SECTOR:
OIL & GAS PRODUCERS

SHARE PRICE:	73.5P
MARKET CAP:	£494M





Tertiary Minerals building a strategic position in fluorspar

Tertiary Minerals building a strategic position in the fluorspar market
Tertiary Minerals (TYM:AIM) is a mineral exploration and development company building a strategic position in the fluorspar sector.

COMPANY AIMS

- Become a reliable long-term and competitive supplier of fluorspar to world markets
- Revenue generating in the near term
- Add value to the Groups' mineral projects
- Discovery, acquisition and development of mineral resources

WHAT IS FLUORSPAR AND ITS PRINCIPAL APPLICATIONS?

Fluorspar is the commercial name for the mineral fluorite, composed of calcium and fluorine (CaF_2) and is the predominant commercial source of fluorine. Fluorine is the lightest of all the halogens and therefore largely irreplaceable. There are two principal commercial grades of fluorspar produced:

- Metallurgical-spar (60-96% CaF_2)
- Acid-spar (+97% CaF_2)

Metallurgical-spar - approximately 40% of the total fluorspar production with the principal applications being:

- Steel production – used as a flux to lower the melting temperature and increase the chemical reactivity to help the absorption and removal impurities in the slag
- Cement – used as a flux and enables the kiln to operate at lower temperatures

Acid-spar - accounts for approximately 60% of total fluorspar production, principal applications being:

- Aluminium production – produce aluminium fluoride (ALF3), acts as a flux lowering the bath temperature in the manufacture of aluminium
- Manufacture of hydrofluoric acid (HF) – primary source of all fluorochemicals (largest consumer), with a wide range of applications including:

- Fluorocarbons, e.g. new generation environmentally friendly refrigerant gases
- Electrical/electronic appliances
- Metallurgical industry
- Lithium batteries
- Pharmaceuticals, polymers and agrochemicals
- Petrochemical catalysts

FLUORSPAR PROJECTS

The company's projects are located in key markets, close to established infrastructure and in stable, democratic and mining friendly jurisdictions.

Storuman Fluorspar Project, Sweden
The company's 100% owned Storuman project is located in north central Sweden and strategically linked to key infrastructure, enabling the cost-effective delivery of fluorspar to the key European market.

JORC Compliant Mineral Resource

Classification	Million Tonnes (Mt)	Fluorspar (CaF_2 %)
Indicated	25.0	10.28
Inferred	2.7	9.57
Total	27.7	10.21

Source: Tertiary Minerals

The company was awarded a 25-year Exploitation (Mine) Permit in February 2016. Since the award the Permit has been appealed and following a recent change in case law with respect to Exploitation Permits, the case has been referred back to the Swedish Mining Inspectorate for re-assessment. The company remains confident of a positive outcome in this process.

MB Fluorspar Project, Nevada, USA
The MB Property comprises 146 contiguous mining claims (>2,800 acres) and is located 19km south-west of Eureka in central Nevada, USA,

one of the most attractive mining jurisdictions in the World. The USA, like Europe, is a key market currently importing 100% its fluorspar requirements.

JORC Compliant Mineral Resource		
Classification	Million Tonnes (Mt)	Fluorspar (CaF_2 %)
Indicated	6.1	10.8
Inferred	80.3	10.7
Total	86.4	10.7

Source: Tertiary Minerals

Following the successful completion of drilling (4 Phases) and large JORC Mineral Resource Estimate, the Company is in the process of modelling, optimisation, economic evaluation and early stage bench scale metallurgical testwork to provide focus for a technical and economic Scoping Study.

Lassedalen Fluorspar Project, Norway
The Lassedalen Fluorspar Project is favourably located near Kongsberg, 80km south-west of Oslo in Norway, close to key infrastructure.

JORC Compliant Mineral Resource		
Classification	Million Tonnes (Mt)	Fluorspar (CaF_2 %)
Inferred	4.0	24.60

Source: Tertiary Minerals

Due to financial market conditions in 2015/2016 and the commitments on its other fluorspar projects, further exploration at the Lassedalen project has been deferred for the time being.

FLUORSPAR – TERTIARY MINERALS STRATEGIC OPPORTUNITY

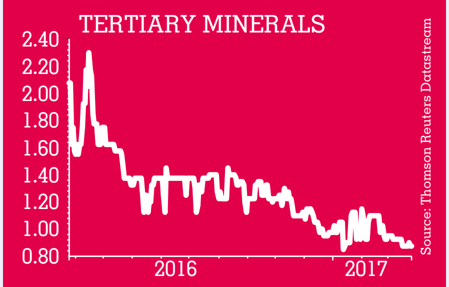
- Industry view - demand and price will increase in the medium to long-term, key drivers being:
- No large scale commercial alternative or recycling
- Refrigeration – new generation environmentally friendly refrigerants, hydrofluoroolefins (HFO's) - driven by environmental legislation
- Energy reduction - steel and aluminium manufacture
- Emerging uses – fluoropolymers in lithium batteries
- China produces >50% world's fluorspar, exports declined since 2000 – potentially a future net importer
- W.Europe and N.America - largest acid-spar consumers outside of China, importing >900,000t per year
- USA imports 100% of its fluorspar
- N.America and Europe face the potential risk of security of supply
- Fluorspar is classified as a critical raw material by the European Commission
- USA considers fluorspar as a strategic mineral

The company continues to be strategically placed to capitalise on this position in the future by developing its 100% owned large fluorspar assets, containing fluorspar resources of 13.1m tonnes, located in the USA and Europe.

Tertiary Minerals plc

WEBSITE:
www.tertiaryminerals.com

SECTOR:	MINING
SHARE PRICE:	0.92P
MARKET CAP:	£2.47M



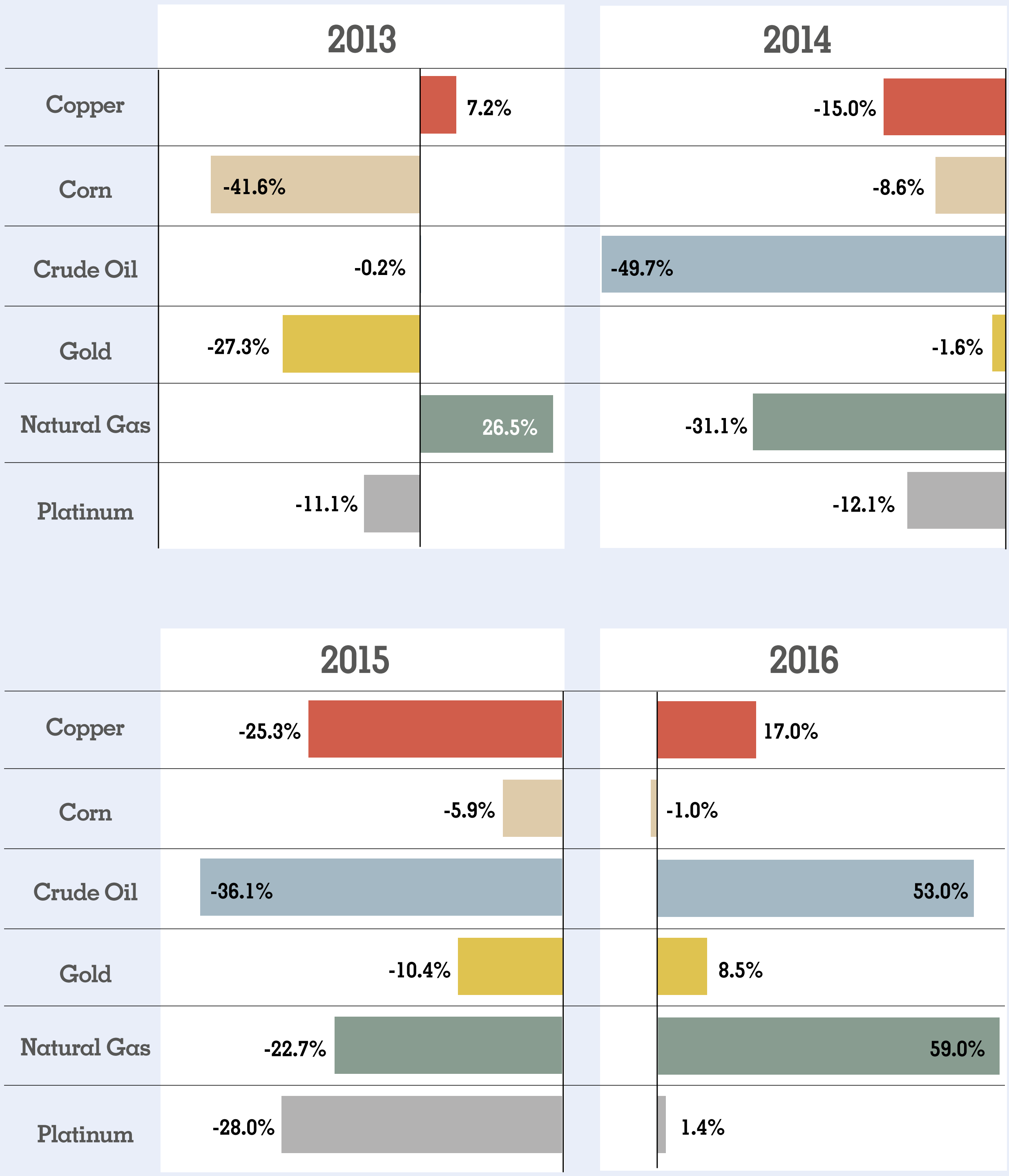
POTENTIAL NEAR-TERM REVENUE GENERATING OPPORTUNITIES

Sale of non-core gold assets
The company recently announced the sale of its two non-core gold assets in Finland to Aurion Resources. Further to the initial consideration for the sale of the two projects, Tertiary have retained a pre-production royalty and Net Smelter Returns Royalty (NSR) of 2% on all future gold production from either property.

Potential near-term news flow and milestones

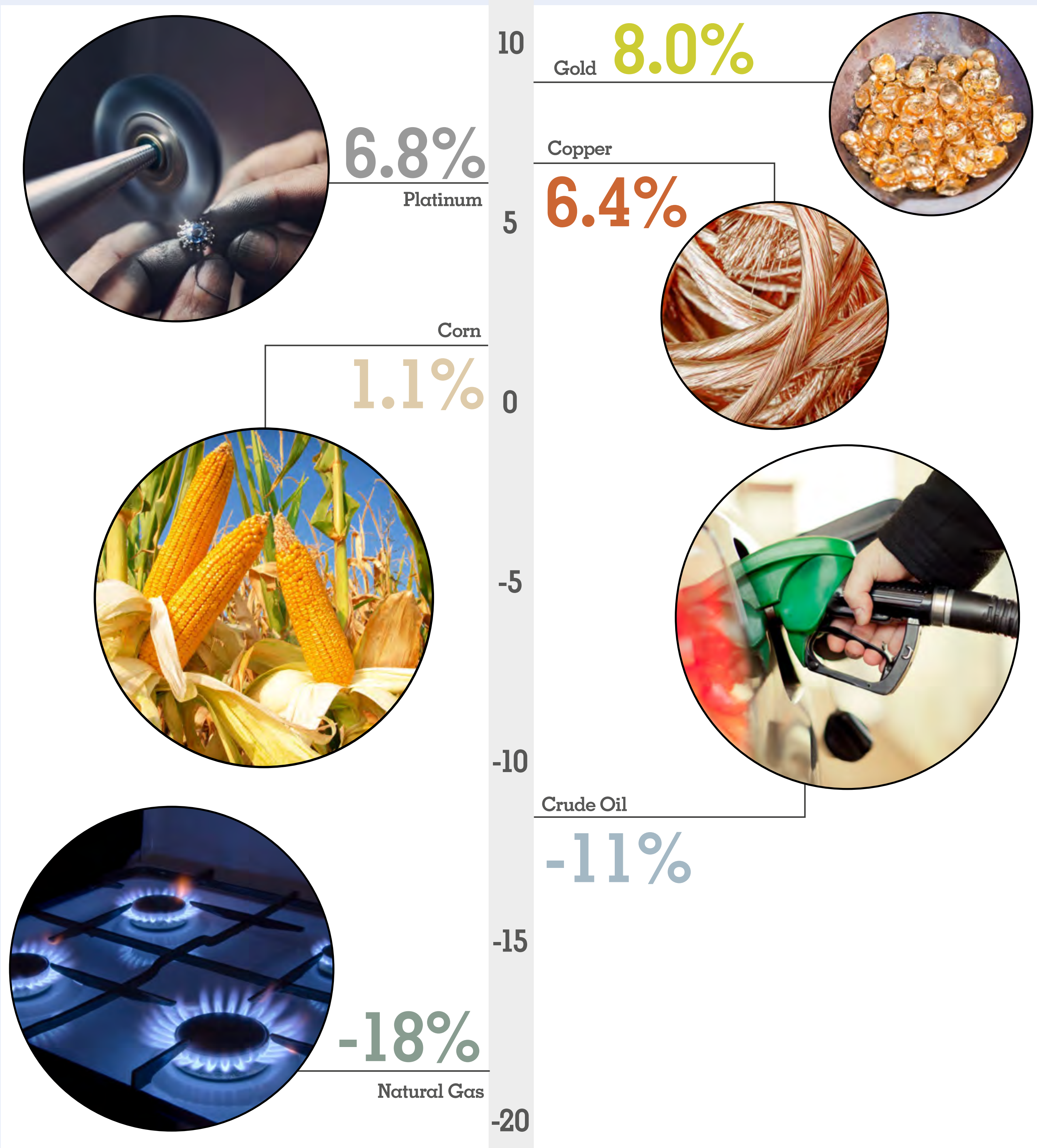
- Resolution of 25-year Exploitation (Mine) Permit in Sweden
- Scoping Study completion for the MB Fluorspar Project in Nevada, USA
- Acquisition opportunities

Commodity price performance 2013-2017



Source: *Shares*, Thomson Reuters Datastream

2017


10
5
0
-5
-10
-15
-20
Gold 8.0%
Platinum 6.8%
Copper 6.4%
Corn 1.1%
Crude Oil -11%
Natural Gas -18%

INDEX

KEY

- Main Market
- AIM
- Fund
- Investment Trust
- Exchange traded fund