STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

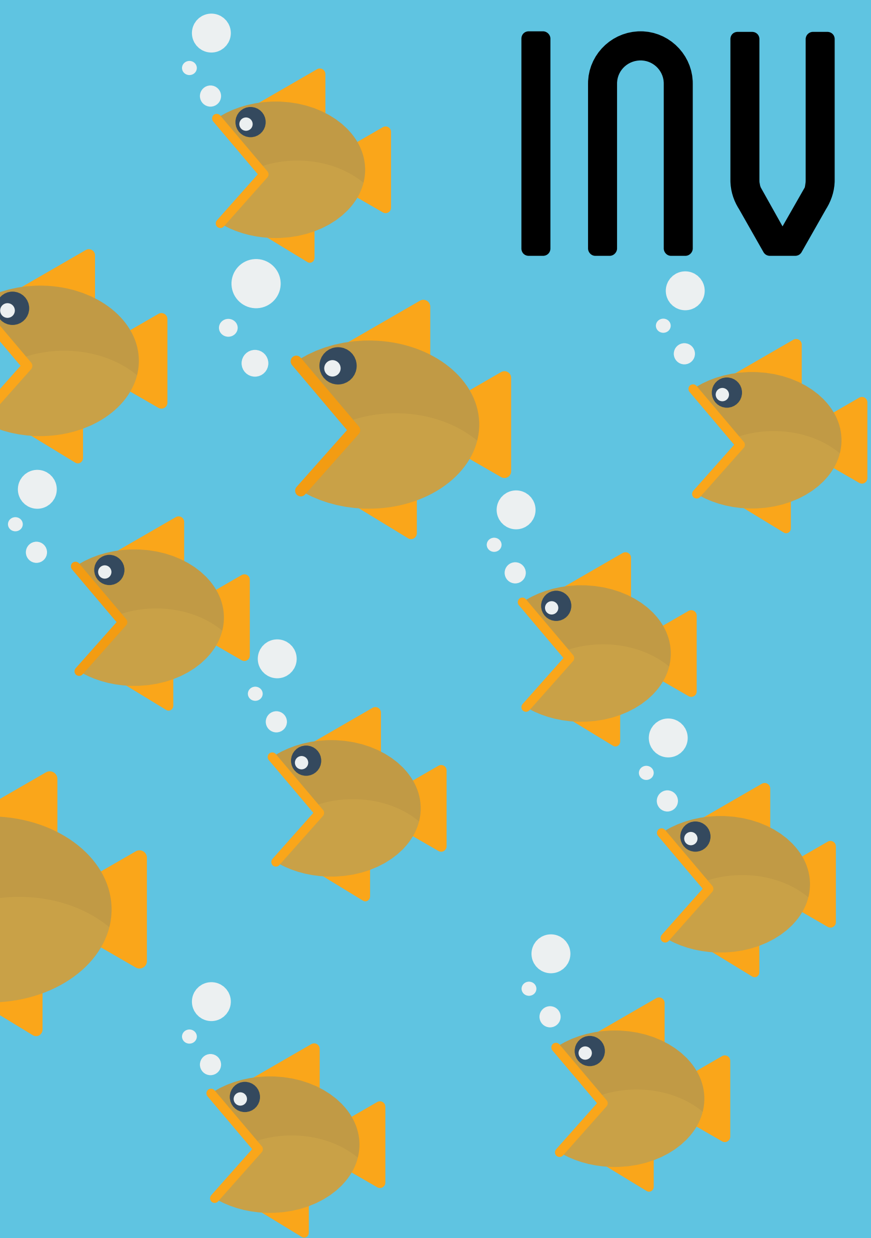
VOL 19 / ISSUE 24 / 22 JUNE 2017 / £4.49

SHARES

WE MAKE INVESTING EASIER

WHAT **AMAZON'S WHOLE FOODS** DEAL MEANS FOR GROCERS

THE CONTRARIAN INVESTOR



WHY IT CAN PAY TO TAKE THE OPPOSITE VIEW FROM THE MARKET

HOW BAD IS BARCLAYS' TROUBLE WITH THE SFO?

NEW SOUTH AFRICAN RULES TO HIT MINERS' EARNINGS

WHY NEW DATA REGULATION WILL AFFECT ALL STOCKS

WILL BREXIT HIT MY PENSION *IF I MOVE ABROAD?*

Is this the last hurrah for private equity?

The industry is paying a higher price for new investments

The private equity sector is awash with cash as funds offload holdings in investee companies and investors enthusiastically put up new money in the hope of getting exposure to the next big thing. That suggests to me that we are in the final bull phase for private equity.

You can't move for headlines about funds selling stakes in business via IPOs (initial public offerings) or raising billions of dollars to make new investments.

For example, CVC Capital last month set a new European fundraising record after attracting €16bn from investors wanting to put money into leveraged buyouts. In plain English, that means buying a controlling stake in a company using a large amount of borrowed money.

Private equity firms often like to pay for acquisitions using as much debt as possible. Their ultimate goal is to buy a company which generates more free cash flow than the cost of debt; thereby they use that cash stream to repay the money borrowed to make the acquisition.

US private equity firm KKR recently raised $9.3bn for an Asian-focused fund; Goldman Sachs raised $7bn last week for its new private equity fund. Eclipsing both of those events is the $93bn raised by Japan's SoftBank to back tech firms.

WHY ARE INVESTORS EAGER TO BACK THE SECTOR?

Put simply, the returns have been good. For example, on the UK market **Pantheon International (PIN)** has delivered 58% total return in the past three years; and **Electra Private Equity (ELTA)** has 107% total return over the same period, according to SharePad.

In contrast, the FTSE 100's total return over those three years is 23.6%; and 25.9% from the FTSE All-Share.

Richard Hickman, director of investment and operations at HarbourVest, says it has been a seller's market for private equity assets over the past few years.

HarbourVest Global Private Equity (HVPE), which has delivered an 89% total return over the past three years, reported a 'substantial' pace of realisations for the 12 months to 31 January 2017 – namely a string of disposals.

Electra Private Equity has also been exiting a lot of its investments, either via trade sales or floating businesses as a way of selling down its holdings – such as seen with **Hollywood Bowl (BOWL)** on the UK stock market.

PRICE TO PAY FOR SUCCESS

The downside of the sector having so much cash is that new investments are more expensive, as competition for new opportunities is driving up the price.

That could dampen future return on investment, suggesting the next cycle for the private equity industry may not be as lucrative as the current one. Time will tell.

For now, Hickman at HarbourVest argues that currently paying a 12-times earnings multiple is not excessive if it means buying a good business that could act as an industry consolidator, subsequently snapping up rivals on a six-times multiple.

As for the listed private equity funds, there is no denying they are quite 'expensive' in relative terms. All eight investment trusts which are private equity fund of funds are trading at a significantly lower discount to net asset value than their 12-month average, according to data from Winterflood.

I certainly see merit in having private equity exposure as part of a diversified portfolio. Just don't expect future performance to maintain its superior upwards trajectory for years to come. The sector is vulnerable to pullbacks, just like the rest of the market.

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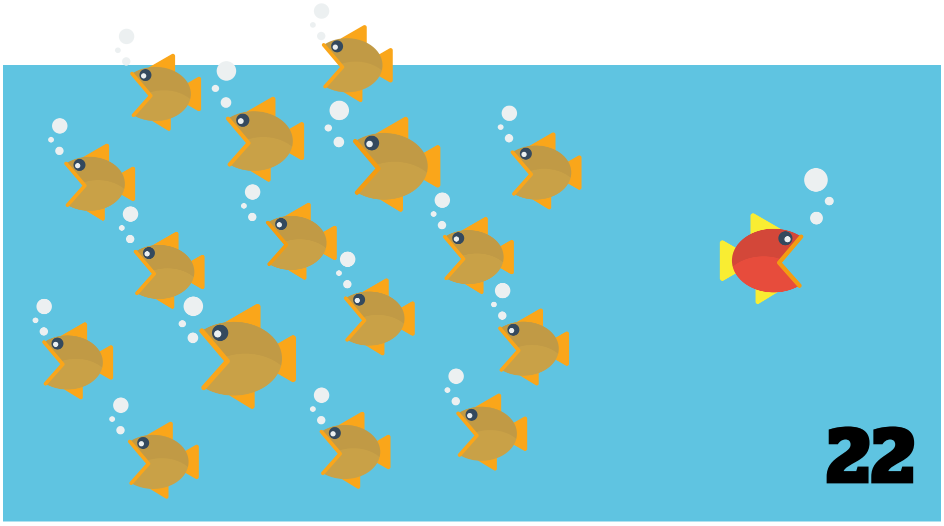

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BROKER RATINGS EXPLAINED:

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.

What Amazon's Whole Foods deal means for UK grocers

We make sense of the online disruptor's seismic acquisition

A shock $13.7bn (£10.8bn) swoop (16 Jun) on organic grocer Whole Foods Market by Amazon has caused jitters among UK-listed grocers. Shares in **Tesco (TSCO)**, **Marks & Spencer (MKS)** and **Sainsbury's (SBRY)** swooned on the news, as the putative Amazon-Whole Foods tie-up demonstrates the tech firm is betting big on groceries. Given Amazon's charge's scale and technological prowess, the acquisition has negative implications for grocers' already-squeezed margins.

The e-commerce retail juggernaut's takeover of Whole Foods, which operates 456 US stores but only nine in the UK, takes Amazon deeper into the food space.

A big concern is that Amazon, which has a wholesale tie-up with **WM Morrison Supermarkets (MRW)** and launched Amazon Fresh in the UK last summer, will use its vast buying power to subsidise the food category to get customers to shop for groceries on its website.

SUPERMARKETS SET TO BE 'SANDWICHED'

Markets have form in overreacting when corporate giants crash into new markets and Amazon's move demonstrates that food retailing is incredibly tricky for purely online players. But as Morgan Stanley explains: 'It will likely translate into the listed grocers being further "sandwiched" between privately-owned discounters and online operators. Given the low growth of the industry, likely lack of capacity rationalisation in Europe's main national markets in the foreseeable future, as well as lack of consolidation (at a pan European or national level), this will likely lead to flat earnings growth in the medium term.'

WHO'S IN PLAY?

Partly supplying the Amazon's existing food offering in the UK, Morrisons' shares were marked up on the day on bid hopes. Alongside **Ocado (OCDO)**, Morrisons is viewed as the most likely takeover target should a wave of defensive mergers begin.

Ocado will see greater competition in its core UK business if Amazon steps-up its assault on the British market, yet the move has positive implications for the strategic value of its online grocery business platform. Even if Ocado isn't Amazon's next takeover target, the probability of a partnership has increased.

The Whole Foods acquisition clobbered shares in Tesco, planning a £3.7bn takeover of wholesaler **Booker (BOK)**. The positive sentiment stoked by Tesco's strong first quarter update (16 Jun) quickly dissipated on the news. Meanwhile, Sainsbury's move to acquire convenience chain Nisa is another defensive move. The grocer is keen to expand its convenience business with discounters Aldi and Lidl gorging on UK market share. (JC)

New South African rules to hit miners' earnings

Anglo American, Glencore and South32 among affected UK stocks

A new mining charter in South Africa is more onerous than expected and implies that companies could have a reduced share of profit and suffer higher costs.

Miners have 12 months to ensure a black economic empowerment (BEE) group owns at least 30% of their mining assets in South Africa, up from the previous 26% rule. Miners must also pay 1% of turnover from local assets to the BEE partner, as a way of putting money back into the community.

Anglo American (AAL) is most exposed of the large diversified miners, but investment bank UBS also flags **South32 (S32)** and **Glencore (GLEN)** as having projects where black ownership is well below the required level.

Miners must now procure 80% of services and 70% of goods, as a minimum, from black-owned local suppliers. That could push up costs compared to benefits of buying from more competitively-priced overseas operators.

New prospecting rights require 50% black ownership which could deter many companies from undertaking exploration in the country.

'Apart from the new 1% royalty, the value destruction is hard to quantify and the uncertainty will persist,' says Liberum analyst Ben Davis. 'What is certain is that South Africa continues to be a terrible destination for mining investment.'

Other UK-quoted miners with assets in South Africa include **Lonmin (LMI)**, **Tharisa (THS)**, **Petra Diamonds (PDL)**, **Pan African Resources (PAF:AIM)** and **Ironveld (IRON:AIM)**. (DC)

How bad is Barclays' trouble with the SFO?

Analysts relaxed despite shock charges against the bank

BARCLAYS (BARC) AND some of its former executives are being charged with fraud by the Serious Fraud Office (SFO) over deals struck with Qatar during emergency cash calls to avoid entering state ownership at the height of the financial crisis in 2008.

This is the first time that criminal charges have been filed against a UK bank relating to activities during the financial crisis. Does this make Barclays a no-go area for investors?

Ian Gordon, analyst at Investec, maintains his 'buy' rating for Barclays with a target price of 245p, suggesting a potential upside of 20% on the current 204.15p price which has been relatively unaffected by the news.

His view is that as Barclays 'has yet to see an indictment or statement of facts' it should not impact the bank during the second quarter of this year. He suspects 'this saga could run for years'.

However, investment bank Berenberg says Barclays may plead guilty to the SFO investigation into the 2008 rights issue. Berenberg says the direct impact of a guilty plea, probably resulting in a fine of around £200m, should be manageable.

However, a guilty plea may open the door for other actions related to the case. This may lead to further uncertainties and costs. The market may be relaxed about this for now but this is something to follow closely. (DS)

Get 6% dividend yield from new renewables fund

Clean energy operator plans to pay attractive income

Investors are being given the opportunity to back clean energy demand growth and get a 6% dividend yield thanks to the imminent stock market listing of **Greencoat Renewables**.

The newly-incorporated investment business is hoping to raise up to €250m (£220m) ahead of floating on AIM in mid-July.

Greencoat Renewables has been set-up to build a portfolio of clean energy generating projects in Ireland. It will be run by Greencoat Capital, a European renewable investment manager with £1.8bn of assets under management across various funds including **Greencoat UK Wind (UKW)**.

Onshore wind power industry asset consolidation across the Emerald Isle will be the initial focus for Greencoat Renewables. The business has plans to bulk up over the longer-term, such as expansion into other European Union territories.

Greencoat acquired its first two wind energy projects in March, purchased from Brookfield Renewables Ireland. These are the 100 megawatt capacity Knockacummer wind farm in County Cork and Killhills wind farm in County Tipperary, taking total output to 137 megawatts.

Operating in the EU and reporting in euros will mean UK investors will face possible currency risk based on the future value of sterling and the euro. (SF)

Huge IQE upside if Apple talk is true

Laser technology rumoured to feature in latest iPhone

THERE IS EMERGING speculation that technology designed by compound wafer company **IQE (IQE:AIM)** could feature in the new Apple smartphone, the iPhone 8. If true, this could have substantial earnings implications for the company, and possibly see the share price more than double from current 87.25p levels to 185p, according to broker Peel Hunt.

Cardiff-based IQE designs advanced semiconductor wafers used in many emerging applications, from infrared sensing to laser-based photonics. Rumours imply that the iPhone 8, expected to launch sometime in the autumn, will feature 3D sensing and gesture recognition functionality based on vertical cavity surface-emitting laser technology (VCSEL), in which IQE is believed to be a world leader.

If proven and 'the upcoming iPhone launch is successful, it is also highly likely that we would upgrade our forecasts substantially,' states Andrew Shepherd-Barron, an analyst at Peel Hunt.

In 2016 Apple sold 211.9m iPhones and it has shifted another 129.1m handsets year-to-date, according to data supplied by Statista.

Having worked through several scenarios, Shepherd-Barron believes his year to 31 December 2018 earnings per share (EPS) estimate of 3.4p could soar as high as 15.4p on a best case basis. His mid-point forecast is 6.2p, on which the 2018 price to earnings (PE) multiple would stand at 14.1, or 16.1-times based on the analyst's 100p target price.

At the time of writing IQE was unable to confirm or deny the speculation. (SF)

21%

MULBERRY'S GOT MOMENTUM

This is the annual increase in pre-tax profit reported (14 Jun) by English luxury brand **Mulberry (MUL:AIM)**, demonstrating its turnaround under CEO Thierry Andretta is on track.

The fashion bags-to-footwear retailer generated its £7.5m haul on sales up 8% to £168.1m in the year to March 2017. New products launched under the direction of creative whirlwind Johnny Coca are chiming with well-heeled shoppers, although we concede Mulberry's current trading statement was rather mellow. (JC)

BP HAS 200P PER SHARE OF 'HIDDEN VALUE'

BP's (BP.) underappreciated downstream business could add 200p to the company's current 470.35p share price if the operations were valued in line with peers, according to investment bank Canaccord Genuity.

The term 'downstream' is used to describe BP's refining, marketing and distribution interests.

Canaccord Genuity believes the market currently values these operations at $50bn. It reckons they should be valued at more than twice that amount.

BP said on 14 June that its downstream operations should generate $10bn of free cash flow by 2021 which would be sufficient to cover the company's current dividend on its own.

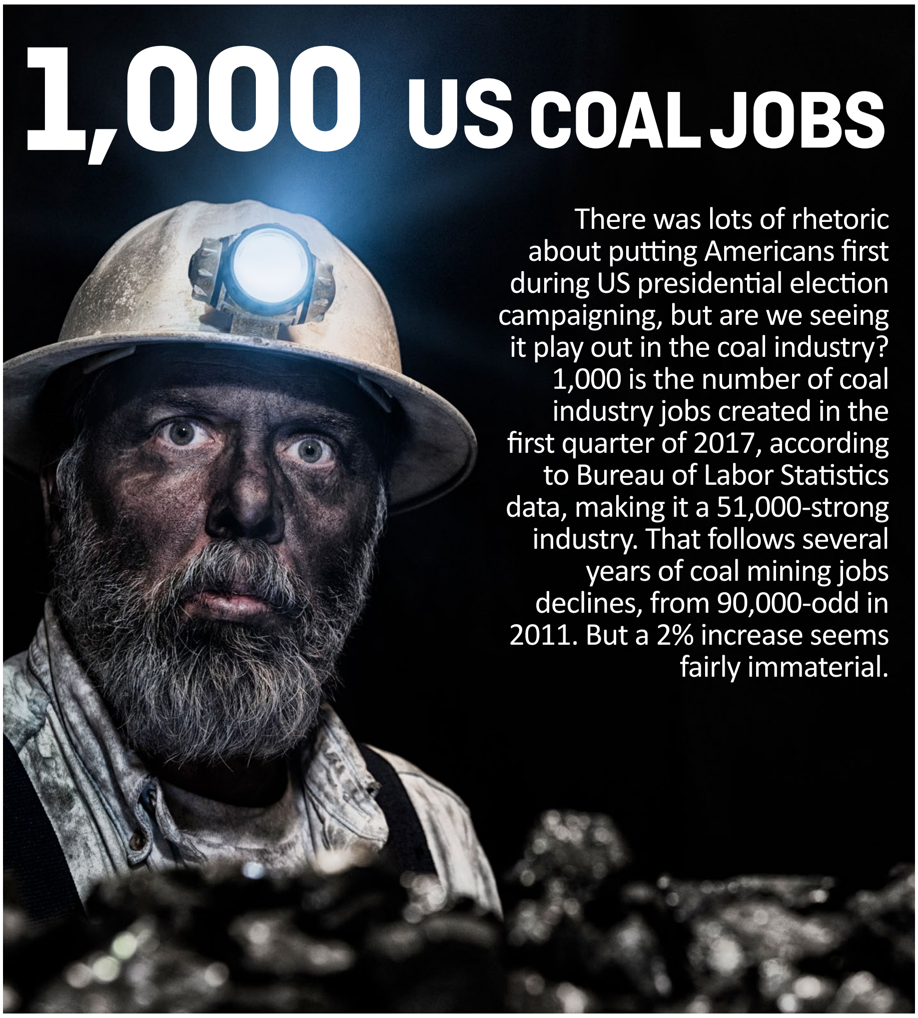
£46m

TELECOM PLUS REELS BACK SHARE PURCHASE PLAN

GIVEN THE POLITICAL, economic and regulatory uncertainties at large, it seems pretty reasonable that **Telecom Plus (TEP)** is picking balance sheet strength over short-term shareholder generosity. Opportunities and threats will likely emerge during the coming months and the multi-utility supplier will want the financial muscle to face them head on, so it has slashed the size of its planned share tender offer from £71m to £25m. The cash pile had been earned from the sale of its business energy business Opus, sold to **Drax (DRX)** for... you've guessed it, £71m. (SF)

1.2%

Retail sales fell 1.2% month-on-month in May, according to the latest data (15 Jun) from the Office for National Statistics (ONS), following strong growth seen in April. Volumes were up 0.9% year-on-year, though this was in fact the lowest monthly growth performance since April 2013. Imported inflation, falling real wages and faltering consumer confidence are conspiring to squeeze the nation's shopkeepers. The data was released on the same day made-to-order sofas seller **DFS Furniture (DFS)** issued a damaging profit warning that triggered a sector-wide sell-off.



1,000 US COAL JOBS

There was lots of rhetoric about putting Americans first during US presidential election campaigning, but are we seeing it play out in the coal industry? 1,000 is the number of coal industry jobs created in the first quarter of 2017, according to Bureau of Labor Statistics data, making it a 51,000-strong industry. That follows several years of coal mining jobs declines, from 90,000-odd in 2011. But a 2% increase seems fairly immaterial.

£90,000

NHS to offer Roche's cancer drug

The NHS will now offer a £90,000 breast cancer drug from Switzerland-listed pharmaceutical giant Roche, having previously considered the product to be too expensive.

Kadcyla is used to treat HER2-positive breast cancer that has spread to other parts of the body, which cannot be surgically removed and has stopped responding to initial treatment.

Shares in Roche have increased by 63% to CHF255.70 over the past five years.

BEST PERFORMING SECTORS YEAR-TO-DATE: FTSE 350 STOCKS

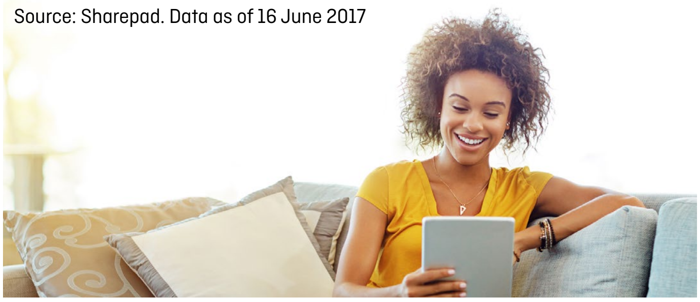
Personal Goods	23%
Forestry & Paper	23%
Electronic & Electrical Equipment	22%
Household Goods & Home Construction	16%
Tobacco	15%
Aerospace & Defense	14%
Industrial Engineering	14%
Financial Services	13%
Health Care Equipment & Services	13%
Real Estate Investment & Services	12%

Source: Sharepad. Data as of 16 June 2017

WORST PERFORMING SECTORS YEAR-TO-DATE: AIM STOCKS

General Retailers	2.5%
Industrial Transportation	1.3%
Mining	1.0%
Media	0.1%
Industrial Metals	-2.7%
Food & Drug Retailers	-3.8%
Oil & Gas Producers	-5.7%
Oil Equipment, Services & Distribution	-7.1%
Electricity	-7.1%
Fixed Line Telecommunications	-15.0%

Source: Sharepad. Data as of 16 June 2017



More upside left in Sopheon's lifecycle

Market is still playing catch up with innovation software firm

Surrey-based **Sopheon (SPE:AIM)** is transforming. It supplies software that streamlines the research and development process for clients and provides product lifecycle management tools.

The company used to be a provider of process automation products but has emerged as an innovation management solutions provider that helps enterprises manage all aspects of their new product development lifecycle. This means making smarter business decisions about which products to develop and how to bring them to market faster.

Sopheon has 200 customers

Sopheon has more than 200 customers with 60,000 users across 50 countries, including blue chip organisations such as NASA, Merck and BASF.

Results for 2016 showed pre-tax profit of $2.7m on revenue up 11% to $23.2m, including a 21% increase in recurring revenue to $9.9m. More recurring income is crucial since it helps smooth traditional lumpy one-off licences.

Licences are still important but recent wins appear to suggest more in number, but of lower value, again making the company less exposed to single wins. It revealed 20 licence wins as of 8 June versus 14 a year ago, with recurring revenue up to $17.5m. In other words, it has two thirds of this year's expected $26m sales bagged with more than half the year still to run.

SOPHEON
BUY
(SPE:AIM) 330p
Stop loss: 231p

Market cap: £24.4m

BEYOND ITS BACKYARD

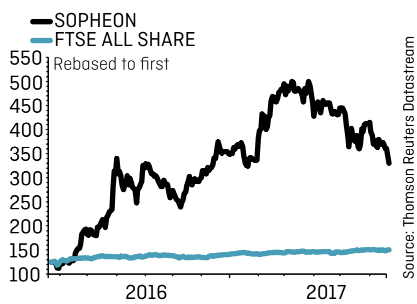
Sopheon is also gaining some success in expanding beyond its traditional industrial engineering-type space, particularly in areas like consumer goods, food/drink and technology. It is also looking closely at insurance, automotive and other industries.

The share price move has been nothing short of astonishing, soaring from 62.5p in March 2016. It set a new record at 502.9p on 24 March this year. But forecasts have risen to match. A year ago FinnCap was anticipating pre-tax profit of $2.3m this year to 31 December 2017. The current estimate is $3m, so 30% higher.

Having eased back since March, the stock is now trading on a 2017 price to earnings multiple of 13.5, falling to 10.7 in 2018. FinnCap has a 620p target price, implying 88% upside for the shares over the next year.

FinnCap has a 620p price target

Non-executive director Stuart Silcock, who has a stake worth more than £900,000 in the business, bought another £9,500 worth of shares on 13 June. That's an encouraging sign. (SF)



Make hay from currency fluctuations with Record

Chance to invest in a company that pays a great dividend and typically does well in turbulent times

Would you like to own shares in a company that is sitting on piles of cash, is prepared to return it you at regular intervals and has also been growing at a fair lick?

We give you Windsor-based **Record (REC)**. The company helps large institutional investors such as pension funds reduce the risk of losing money due to changes in the values of currencies.

The largest part of the business, passive hedging, seeks to eliminate the impact of currency movements when a firm's revenue is dominated in foreign currencies.

MODEL GAINING CURRENCY

Record's multi-product strategy combines currency hedging with forex trades in an attempt to generate returns for the client.

It also offers dynamic hedging, or active currency management, where the firm decides if a currency movement is going to result in a loss for its client or not.

The company's chief executive James Wood-Collins says 'the business thrives on turbulence, uncertainty and political change which all impact the currency markets'.

But you don't need to know the intricacies of how currency markets work to realise that Record is good investment; it's clear in the numbers.

RECORD
BUY
(REC) 46.12p
Stop loss: 31P

Market cap: £102m

Business thrives on political upheaval

Record's results for year ending March 31 2017 show a business on the up and up. Its assets under management equivalent hit a record high £46.6bn. 'Equivalent' because unlike other asset managers, it doesn't hold any physical securities for its clients like stocks and bonds.

RECORD IS A CASH COW

It's a problem we'd all like to have, what do I do with all my excess money? There's no point leaving it in a bank with very low interest rates so Record has various options, all potentially good ones for investors.

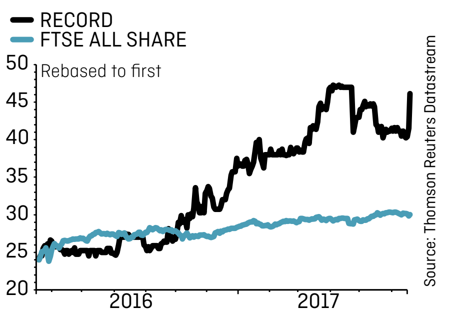
The company is sitting on cash of £29.2m of which all it needs to satisfy regulatory requirements is around £9m.

Record is paying out a £2m special dividend for its last financial year, or 0.9p a share. The 2p ordinary share is up 20% from 2016 and the company says this is not a one off.

It is aiming to return to shareholders any excess of earnings over the sum of ordinary dividends in the form of special dividends.

So you have an income which could reach a yield near to 6% if Cenkos analyst Rae Maile is correct in his projections and a company with a not too racy 12.9 times forecast earnings ratio for the year ending March 2018. (DS)

BROKER SAYS: 1 0 0



PURPLEBRICKS
(PURP:AIM) 386p

Gain to date: 187.4%
Original entry point:
Buy at 134.31p, 22 September 2016

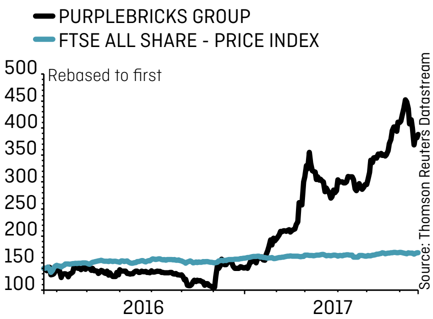
SOME OF THE MOMENTUM seems to be draining out of the **Purplebricks (PURP:AIM)** story. As such, we're now going to take profit, particularly as market sentiment is turning and several directors have recently sold stock themselves.

In early June, the shares hit a record level at 460p, more than four-and-a-half times the 100p issue price from the December 2015 stock market flotation.

The challenger to traditional estate agents faces the difficult task of applying its model in the US.

The company announced on 14 June that California will be the location for the company's initial launch in the US, planned for the second half of 2017.

It is an $80bn market and stockbroker Peel Hunt has noted that capturing just a small fraction of this geography would see US profit exceed the combined figure from the UK and Australia – its other operating locations – by 2022.



SHARES SAYS: ↘
After a great run we call time on our Purplebricks trade. (TS)

BROKER SAYS: 3 0 0

MARLOWE
(MRL:AIM) 405p

Gain to date: 30.6%
Original entry point:
Buy at 310p, 23 March 2017

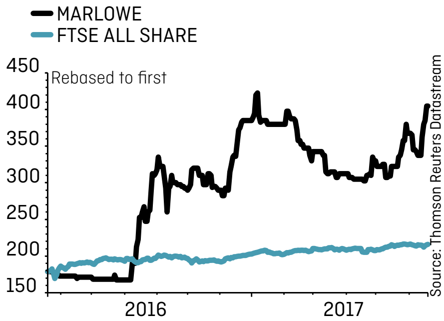
A 30%+ SHARE PRICE gain in three months is a great start for our trade on support services group **Marlowe (MRL:AIM)**. We think there is much more to come from the fire and water services expert, particularly as it has just made an interesting acquisition and imminent full year results could remind the market of its achievements and future potential.

As a reminder, Marlowe is buying small businesses that serve heavily-regulated markets. Its activities include checking fire detection and fire alarm systems, as well as making sure hotels and offices have clean water.

It had £2.7m net cash as of 31 March 2017. A month later Marlowe increased it debt facility by £5m to £17.5m, giving it greater firepower to make acquisitions.

On 16 June it paid £1.9m for Advance Environmental which provides water treatment and hygiene services to sectors including healthcare, education and leisure.

Full year results are expected to be published at the end of June. We expect an update from the company on how it is managing to increase operating margins across its acquired businesses.



SHARES SAYS: ↗
Keep buying at 405p. (DC)

SAVANNAH RESOURCES

(SAV:AIM) 5.16p

Gain to date: 29%

Original entry point:

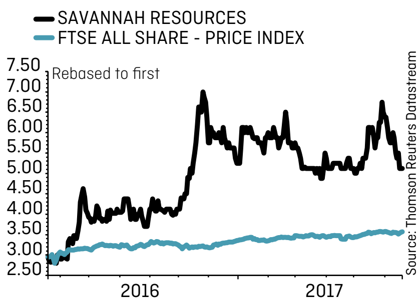
Buy at 4p, 3 November 2016

INVESTORS COULD MORE than double their money over the next 12 months by investing in **Savannah Resources (SAV:AIM)** today, says stockbroker FinnCap. It has published an extensive research note on the company which includes an 11p price target.

It says Savannah provides exposure to a wide range of mining assets including minerals sands, lithium and copper, most of which are relatively advanced projects.

FinnCap believes the minerals sands project in Mozambique is the most valuable at the moment, underpinned by having FTSE 100 miner **Rio Tinto (RIO)** as the joint venture partner.

'However, the Portuguese project hosts what could be a substantial resource of lithium; this could rapidly add value to the portfolio,' says analyst Martin Potts.



SHARES SAYS:

We think lithium as a commodity has been over-hyped and, as such, we believe Savannah's recent acquisition of assets in Portugal was not a good move.

We would have preferred management to stay focused on expanding copper interests in Oman and proving up the mineral sands asset.

We will stick with the shares for now, but will consider taking profit on the next big upwards spike or if there are signs that the lithium project is taking up too much of management's time. (DC)

CARETECH

(CTH:AIM) 440p

Gain to date: 85.3%

Original entry point:

Buy at 237.5p, 14 July 2016

SOCIAL CARE SERVICES provider **CareTech (CTH: AIM)** continues to grow with its acquisition of residential care provider Selborne Care for £16.9m, boosting its services in the Midlands.

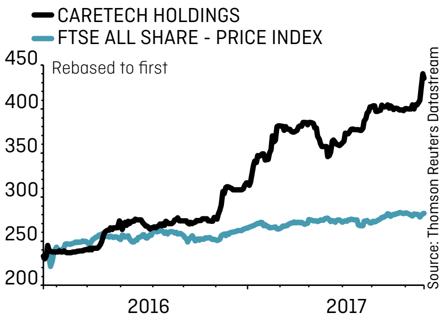
The company has also paid £3.8m for children's education facility Beacon Reach.

FinnCap analyst Mark Brewer is optimistic about CareTech's outlook as the latest acquisitions are 'strategically relevant, offering geographic and future organic expansion', in his words.

Brewer has upgraded his adjusted earnings per share forecasts for the financial year ending September 2018 by 4% to 36.6p and the target price by 9% to 465p thanks to the strategic nature of its acquisitions after CareTech raised £37m in March.

Panmure Gordon analyst Julie Simmonds expects CareTech to improve its margins over the 12-18 month period following the acquisition of Selborne.

'We expect Selborne Care to be the first of several acquisitions over the next 18 months as CareTech applies the £37m raised (net) in the recent fundraising and the further £11m released through the deferral of loan payments. The company also has a further £30m available if particularly compelling opportunities arise.'



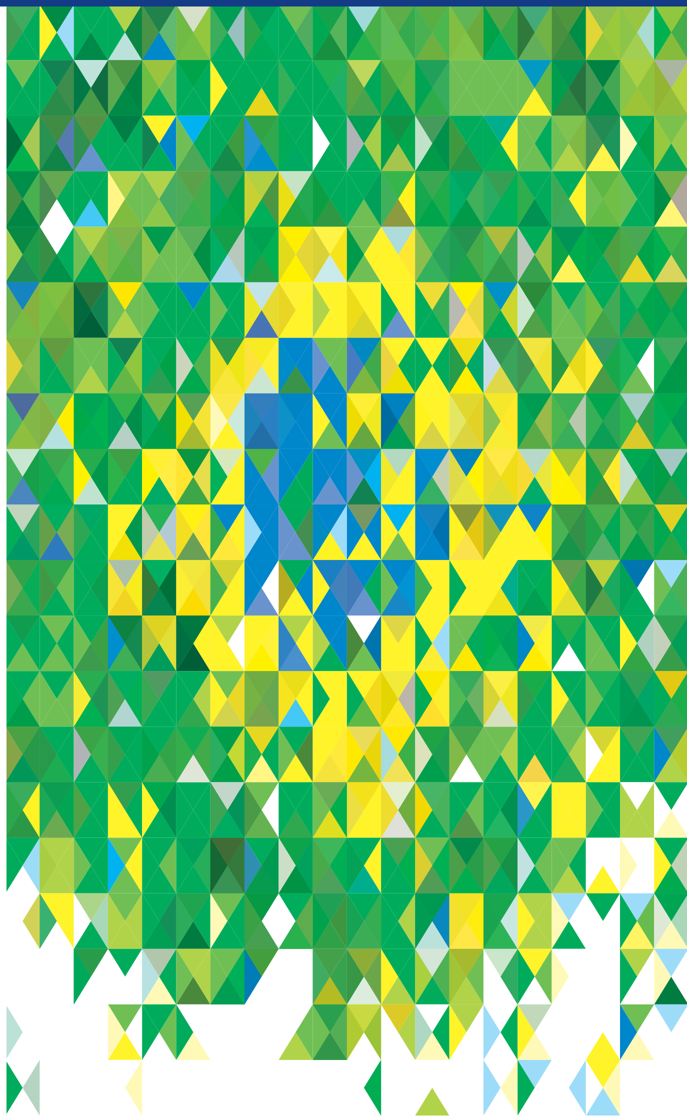
SHARES SAYS:

Keep buying. (LMJ)

BROKER SAYS: 2 0 0

BLACKROCK®

KEEP UP
THE GOOD WORK



Economic reform continues to dominate the investment agenda in Latin America, says BlackRock portfolio manager **Will Landers**.

Latin America is an interesting market. Several governments have moved to the centre right, which we believe tends to create a better political climate in terms of economic growth. Economic policies are also helping to bring down interest rates and inflation, which should drive growth in the country.

Further political change also seems likely. There are upcoming presidential elections in Chile (November 2017), Colombia (May 2018), Mexico (July 2018) and Brazil (October 2018). There are also mid-term elections in Argentina this summer. We need to keep a close eye on what happens, but assuming economic reforms continue to bring down inflation and curb interest rates, investing becomes more about the performance of each company and less about the politics.

Company performance mattered less last year when there was so much political upheaval. We are not fully back to normal yet but Brazil, Argentina and Peru are a long way into economic reform. The US election is behind us, too, but we need to see what will happen in US trade negotiations with Mexico.

In Brazil, we believe the most important thing for short-term economic performance is the Central Bank of Brazil accelerating its programme to encourage economic growth, which should provide a good boost for the region.

After posting a 46% return in 2016[1] , and, given our expectations for better gross domestic product (GDP) across most of the region, we expect economic growth to continue.

To find out more, **visit here.**

Annual performance (%) to last quarter end (GBP)	**31/03/16 - 31/03/17**	**31/03/15 - 31/03/16**	**31/03/14 - 31/03/15**	**31/03/13 - 31/03/14**	**31/03/12 - 31/03/13**
BlackRock Latin American Investment Trust plc Net Asset Value	42.19	-9.02	-8.48	-20.95	3.15
MSCI EM Latin America GR USD	42.12	-5.87	-10.93	-21.32	0.86

[1] BlackRock, as at 31 December 2016

Why new data regulation will affect all stocks

Everything investors need to know about GDPR (…it is very important)

Many investors may feel they are drowning in an already vast sea of acronyms but GDPR is one you really need to know about. The General Data Protection Regulation is set to be enforced from May 2018, and these new rules have huge ramifications for every company listed on the stock market, and beyond.

GDPR is a new set of laws designed to instil greater accountability and transparency over the collection and use of personal data of EU citizens. The rules protect data such as name, location, identifying numbers, IP addresses, cookies, and RFID (radio frequency identity) tags, as well as sensitive personal data such as health information, genetic and biometric data, race, ethnicity, political opinions and sexual orientation.

WHY IT MATTERS TO INVESTORS

Outside of the obvious preference for some personal data to remain secure, there are also massive financial implications for organisations because of the stiff financial penalties of non-compliance. Fines could hit 4% of revenue, sums that have the potential to do serious damage to a company's earnings and therefore damage their share price and the value of shareholders' portfolios.

An illustrative example is **TalkTalk (TALK)**. The broadband and phones business was targeted by hackers in October 2015 and its response was widely criticised as a case study in what not to do.

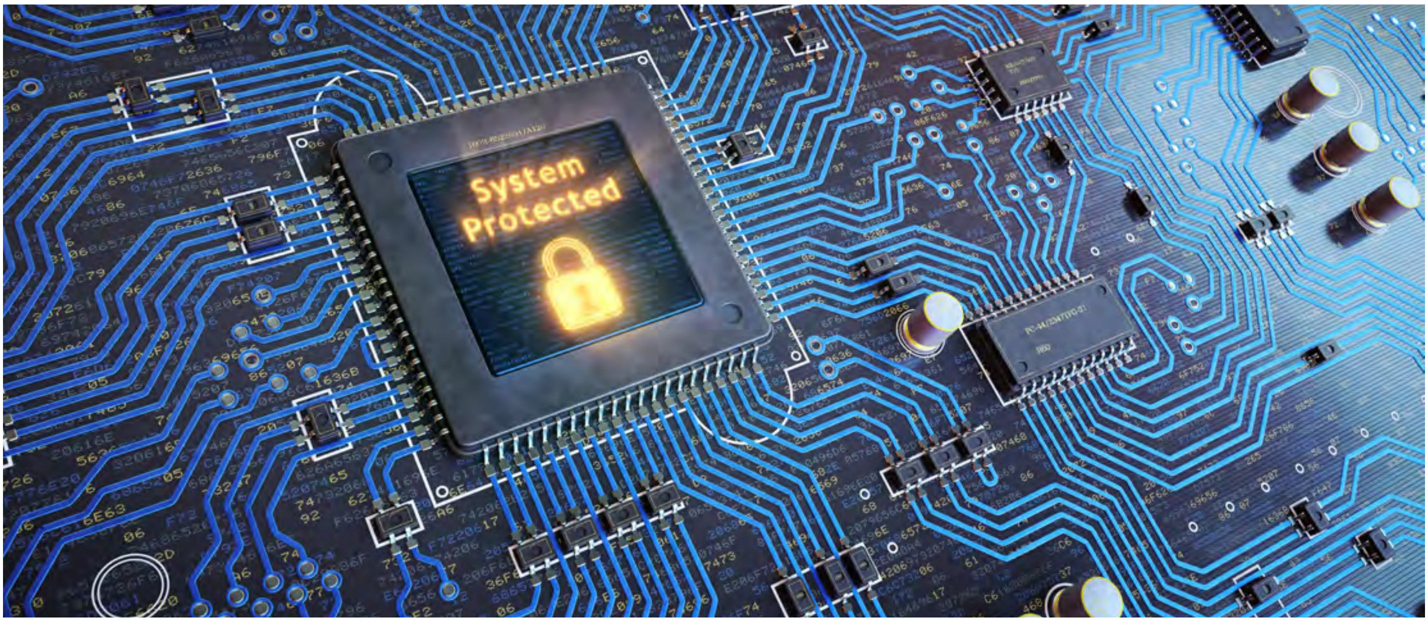
When clients ask how to respond to a hacking attack, Ian Mann, chief executive of cyber security consultancy **ECSC (ECSC:AIM)**, says he tells them to 'do the opposite of what TalkTalk did.'

COSTLY RAMIFICATIONS

In the wake of the attack TalkTalk was reported to have lost around 100,000 customers and incurred substantial brand damage. Shareholders were dealt the additional blow of watching more than £650m wiped off the value of TalkTalk shares in the following weeks.

The company was fined £400,000 because of internal failures, but it could have been much worse had GDPR rules been in place then. Manchester-based IT security consultancy **NCC (NCC)** estimates that a GDPR-based fine would have come in £36m, a figure that would have wiped out the company's £14m pre-tax profit reported for the full year to 31 March 2016 twice over.

Fines handed out to UK companies by the Information Commissioner's Office (the UK's data watchdog) in 2016 totalled £881,000. NCC estimates that under GDPR that figure would



FINES HANDED OUT TO UK COMPANIES BY THE INFORMATION COMMISSIONER'S OFFICE (THE UK'S DATA WATCHDOG) IN 2016 TOTALLED £881,000. NCC ESTIMATES THAT UNDER GDPR THAT FIGURE WOULD HAVE HIT

£69m

have hit £69m.

NCC boss Rob Cotton is one of many industry voices to have been calling for organisations to take cyber security more seriously for years. So has Peter Yapp, a deputy director of the UK's National Cyber Security Centre (NCSC), a government advisory organisation. 'Board level buy-in' has been one of the biggest impediments to businesses adopting *Cyber Essentials*, a government-sponsored badge system to help organisations assess their cyber hygiene. Implementing *Cyber Essentials* 'will stop 80% of attacks,' says the NCSC's Yapp.

BREXIT WON'T AFFECT GDPR, FOR NOW

The timing of GDPR might appear odd given the start of Brexit talks with EU partners this week, which may call into question its relevance in the UK for the long haul.

'Our research shows that many companies remain significantly unprepared for GDPR,' explains Peter Roe, analyst at the TechMarketViews website. Many UK businesses are thought to have put GDPR planning on the back burner, mistakenly believing it would no longer apply to them once the UK left the EU. In reality, the UK will remain part of the EU for some time beyond GDPR's implantation.

Many organisations are now in a race against time to meet the May 2018 deadline, and many complex problems will need to be solved, with 'customer data spread among many disparate databases,' says Roe.

'Institutions will find it very difficult, and expensive, to coordinate all this data and to be able to guarantee its integrity, security and, if required, its complete deletion. Much work still needs to be done, in less than 12 months, to provide the necessary systems and governance.'

For investors, assessing a company's GDPR-readiness and compliance is yet another important consideration when judging a company as a potential or ongoing investment. (SF)

WHY DIVIDENDS *MATTER*

Matthew Page, portfolio manager of the Guinness Global Equity Income Fund, explains the rationale for investing in well-managed, high cash flow generating companies with dividend growth strategies

Historical Perspective

Over the long term, dividends have been a very major contributor to total return in equity investment. Figure 1 illustrates this point by looking back at the S&P500 returns since 1940. In this period dividends and dividend reinvestments accounted for over 90% of the index total return.

S&P500 price and total returns

$100 invested, 31.12.1940 to 31.12.2011

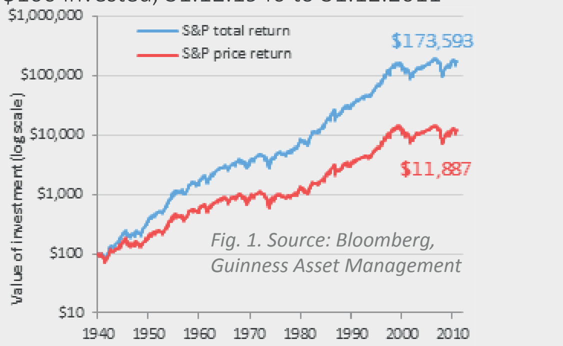


Fig. 1. Source: Bloomberg, Guinness Asset Management

Dividend payers outperform

Paying a dividend is a signal that a company cares about delivering shareholder returns. The decision to pay a dividend also imposes discipline on copmpany management. No "creative accounting" can manipulate a cash payment to an investor. Setting aside a portion of the company's free cash flow reduces the potential for vanity projects or unwise investment. Steady and growing dividends are a good indicator of effective capital allocation and cash flow management. And historical data shows a strong relationship between paying a dividend and total return performance.

> ...dividend returns and reinvestments since 1940 have accounted for over 90% of the S&P 500 total return.

Dividend growers have outperformed particularly well

By categorising all the companies in the S&P500 by their approach to dividends, we can see not only that dividend payers have outperformed the broad market but that dividend growers have outperformed even more.

Annualised total return of rising and falling dividend stocks (S&P500 categorised by dividend history, average annual total return, 1972-2010)

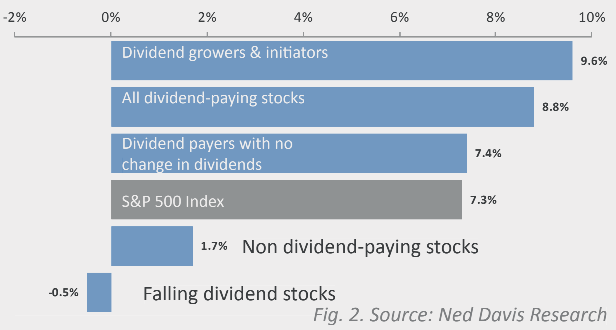


Fig. 2. Source: Ned Davis Research

Dividends hold up better in difficult markets

Companies with a dividend grower philosophy try not to cut their dividends dramatically – but seek instead to set it at a level that is sustainable. This can provide the investor with a cushion during recessionary or low-growth periods.

Re-investing dividends and compounding

Re-investing dividends can also allow long-term investors to take advantage of short-term periods of low stock prices – if they re-invest their dividends through the business cycle and take advantage of lower share prices. By doing this, the investor gets to buy more shares for their account per dollar they are re-investing.

Dividends as an inflation hedge

Looking at the correlation of dividend growth inflation over rolling ten year periods as shown in figure 3, we can see that investing in dividend paying companies can, over the long term, provide an inflation hedge, in the sense that the income received in the form of dividends grows in line with inflation (and often faster). Since the 1940s, the average growth in S&P500 dividends has been 6% pa, while CPI in the US was 4% pa.

Rolling 10-year growth in inflation (CPI) and S&P500 dividends per share

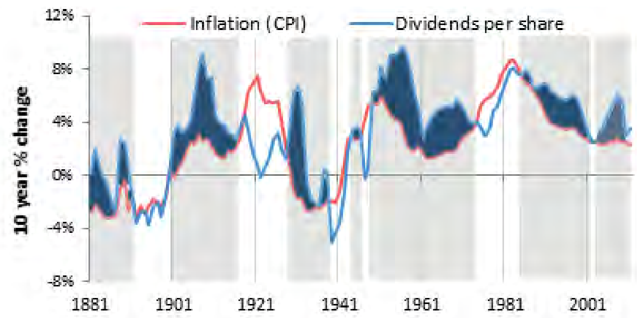


Fig. 3. Source: Robert J. Shiller, stock market data used in "Irrational Exuberance", Princeton University Press, Guinness Asset Management

In conclusion

As shown above over the long term, dividends' contribution to total real return can be very substantial. The key to securing these benefits is an appropriate investment approach:

1. Invest for the long term
2. Invest in quality companies with good and growing cash flows
3. Invest in companies that believe in the discipline of maintaining and growing their dividend.

The Guinness Global Equity Income Fund seeks do do just that.
Find out more at www.guinnessfunds.com

Guinness Global Equity Income Fund is an equity fund. The value of your investments and income received from the can fall as well as rise. You may not get back the amount you invested. Guinness Asset Management is authorised and regulated by the Financial Conduct Authority. www.guinnessfunds.com / 0845 519 2161

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THE SMALL CAP WHOSE SHARE PRICE COULD RISE 75%

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WILL BREXIT HIT MY PENSION IF I MOVE ABROAD?

PAGE 43

THE CONTRARIAN INVESTOR

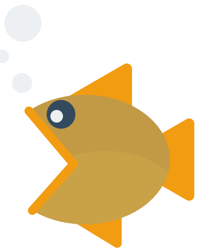
By Tom Sieber, Daniel Coatsworth, James Crux and Steven Frazer

A contrarian investor can be categorised as someone who does the opposite to everyone else. In general, they are looking to buy shares when no one else is interested in a certain stock; and sell when a stock is racing ahead and everyone is buying it with no thought to valuation or risk.

Knowing what to buy or sell isn't always simple. You shouldn't just buy the shares which have fallen the most; or sell what's gone up the most. You still have to undertake thorough analysis to work out what's really going on with a business.

That's why we believe all investors should be open-minded, even after you've either bought or sold. Read on and we'll explain why.

In this article we run through six examples of stocks where it might be worth looking at the bad points if a stock has raced ahead; or look for good points if market sentiment is negative towards a particular company.



CHALLENGE THE PERCEIVED WISDOM

Once you have taken a view on a stock, whether positive or negative, it can be difficult to shift your thinking.

Behavioural finance experts call this 'anchoring'. In other words, becoming fixed on previous information and using that information to make investment decisions that are no longer appropriate.

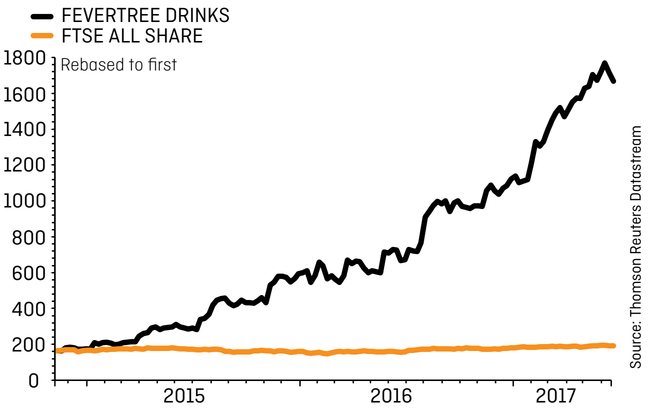
A good example might be continuing to buy a company which has historically delivered earnings upgrades through difficult economic conditions. What's to say that trend will always be sustained?

If possible, you should regularly look at investments in your portfolio and ask the question; 'would I invest in this today at the current price and given current circumstances?'

If the answer is no, or you are unsure, then you should give serious thought to exiting your position and finding a more attractive investment to replace it.

WHEN THE MARKET TURNS ON ITS DARLINGS

When a company which was previously popular with investors hits difficulties the consequences for



the share price can be significant.

So-called 'market darlings' can suffer big share price falls when they fail to deliver, because up until that point valuation may well have been ignored amid the focus on future growth potential. If doubts suddenly emerge about a continuation of growth at superior levels then valuation comes back into focus.

For example, mobile payments firm **Monetise (MONI:AIM)** was valued by the market at more than £1bn at its peak in early 2014 but agreed to a takeover at just £70m in June 2017 after the departure of major client Visa contributed to a devastating dive in its share price.

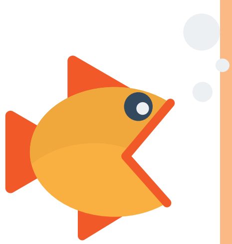
Equally when the market has lost patience with a company and sentiment towards a stock is very poor, the slightest bit of good (or not as bad as feared) news can prompt a big upwards share price movement.

On 14 June marketing services business **St Ives (SIV)** surprised the market following a string of earlier profit warnings. Its shares rose nearly 40% as the company's core strategic marketing division saw like-for-like revenue growth of 7% compared to the previous financial year.

TAKING A FRESH LOOK

In the remainder of this feature we take a fresh look at some of the most loved and hated London-listed stocks.

For the 'loved' shares, some of which *Shares* itself has been a long-running fan, we consider some of the key negative points about the business and for their 'hated' counterparts we look the underappreciated positive points. The aim is to stimulate debate and get you thinking in a different way. A good investor is someone who can weigh up both sides of the argument and not solely be influenced by how the market feels towards a particular stock.



FEVERTREE (FEVR:AIM) £16.05

CURRENT MARKET STATUS: LOVED

Fevertree's tonic water is increasingly the gin lover's mixer of choice as it is considered a high quality product.

The company has succeeded in getting its products stocked in a wide range of places, from supermarkets and restaurants to airlines and pubs.

Fevertree has an asset-light, outsourced production model that means it is very cash generative and able to pay a progressive dividend.

Its share price has risen 12-fold in value since joining the stock market in 2014. It has developed a reputation for providing conservative earnings guidance to analysts and subsequently over-delivering when financial numbers are reported. That has led to a continuous stream of earnings upgrades which have fuelled significant share price gains.

WHAT ARE THE NEGATIVE POINTS FOR THE INVESTMENT CASE?

1. Could struggle to crack dark spirit market

It is betting on a repeat of its tonic water success in the dark spirit mixers category. We think that's a tall order. The market could punish the share price if the company cannot crack this market to same degree as it has done with light spirit mixers.

Gin (a light spirit) and tonic is a refreshing drink where consumers clearly want high quality from both the spirit and the mixer, hence why Fevertree has done so well. However, dark spirits tend to be drunk neat, such as brandy, bourbon and whisky, so no need for fancy mixers.

A mixer could cover up

the true taste of whisky, for example, which defeats the object of enjoying that type of spirit. Water or ice would be acceptable mixers for whisky, but you don't need a Fevertree-branded product.

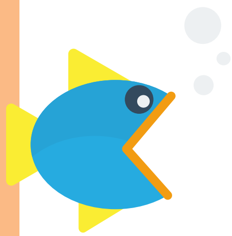
As for something like whisky and cola, surely that is the preferred drink of someone who is going after quantity over quality?

Fevertree is now selling *Madagascan Cola*, which it claims to enhance 'the complex flavours' of the finest rums, whiskies and bourbons. Convincing shophisticated whisky drinkers to start adding cola to their favourite tipple will be a hard sell, in our opinion.

2. Is the business really worth £1.8bn?
We note that Charles Rolls, one of the company's founders and deputy chairman, last month sold £73.1m worth of shares. He cashed in £17.3m worth of shares when the company floated three years ago, plus earned £648,000 from Fevertree in pay and bonuses in 2016 alone – so hardly short of cash. Selling a large chunk now sends a negative signal to the market about the company's future prospects.

3. Main Market plans
We've heard talk that Fevertree is going to move to London's Main Market. The company's advisers say there are no plans at present, but we see this as a short-term risk to the share price if it does happen. The stock is a popular choice for investors wanting AIM shares that qualify for inheritance tax benefits. IHT portfolio managers would be forced to sell if Fevertree went to the Main Market as the shares would no longer qualify for the tax benefits.

THE COMPANY'S NEW FINANCE DIRECTOR **ZAFAR KHAN** IS COMMITTED TO GETTING BORROWINGS UNDER CONTROL



CARILLION (CLLN) 199.7P
CURRENT MARKET STATUS: HATED

Carillion is the most shorted stock on the UK market, meaning a large number of investors are betting on the shares falling in value upon which they will make a profit.

Investors with a negative viewpoint are generally looking for weaknesses not yet fully priced in by the market.

In Carillion's case the main issues are patchy accounting, a strained balance sheet and a difficult macro-economic backdrop.

A £150m convertible bond launched in December 2016 was perceived as an expensive way of securing new capital and there are fears of a dilutive fundraising in the near future.

At the same time the company's work maintaining railways, roads and military bases has been hit by delays in government spending in the wake of the Brexit vote, a situation which may be exacerbated by the current political uncertainty. Its Middle East business was also hit by the downturn in oil prices a few years ago.

WHAT ARE THE POSITIVE POINTS FOR THE INVESTMENT CASE?

1. Determination to tackle balance sheet issues
The company's new finance director Zafar Khan, appointed last August, is committed to getting borrowings under control.

Average net debt in 2016 was £587m, the pension deficit was £663m and there was an early payment facility for suppliers of £498m.

Management are incentivised to reduce year end net debt of £219m by up to £50m, which is likely to be achieved by cost cutting, and new means are being sought to handle the £50m annual payment towards the pension deficit.

2. Earnings are still expected to grow
Although the company is operating in a tough market environment, the consensus among

analysts is for earnings to still grow in 2018 and 2019. Unlike many of its quoted peers, Carillion hasn't actually been plagued by profit warnings over the past few years.

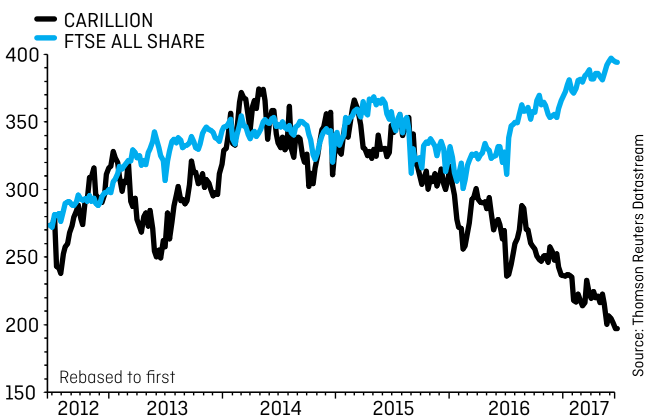
The company demonstrated some confidence in the outlook by recently hiking the dividend 1%. Also, despite its recent troubles, the business has a strong position in UK facilities management and is the leading player in this space.

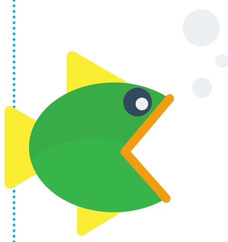
The current forward price-to-earnings ratio of 5.6 times arguably fails to reflect this position. Instead, this very low rating implies Carillion is a business in serious trouble. Perhaps the market is being too pessimistic?

3. Orders are picking up

In a trading update ahead of its AGM in May the company said it had made 'an encouraging start to the year in terms of winning new business'.

New orders and probable orders worth around £1.3bn had increased visibility on expected 2017 revenue to more than 85%. The company says it will also be more selective to focus on markets and contracts which offer 'good quality earnings and cash flow'. Notably it exited its construction operation in the Caribbean in December 2016 citing a lack of opportunities which met its criteria.





OCADO (OCDO) 269.2P

CURRENT MARKET STATUS: LOVED AND HATED IN EQUAL MEASURE

The food delivery group is loved by customers thanks to superior customer service and a great range of high quality products. The share price, however, is very volatile. Bulls ignore a sky-high valuation and say it has the potential to be a global player. Bears says the valuation is too high and progress with international expansion has been too slow.

WHY DO SOME PEOPLE LOVE THE STOCK?

Online grocery facilitator and distributor **Ocado (OCDO)** has at long last delivered a deal with an overseas retailer to use its 'Smart Platform'.

A play on channel shift, Ocado runs online delivery services for **WM Morrison Supermarkets (MRW)** and Waitrose, but its priced-for-perfection rating reflects excitement over the potential for further international tie-ups.

Also at play are reheated bid rumours with Amazon, John Lewis or even Morrisons touted as potential predators.

WHAT ARE THE NEGATIVE POINTS FOR THE INVESTMENT CASE?

1. Frothy valuation

Ocado's valuation is ludicrously high; the shares at 269.2p trade on more than 190 times Numis' 1.4p earnings per share forecast for the year to November 2017.

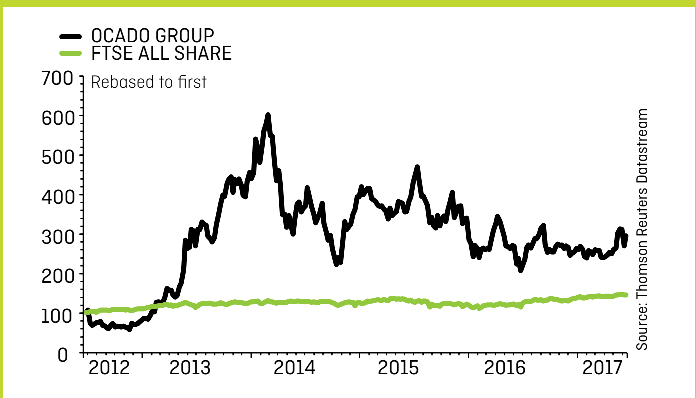
As for pricing in takeover potential, it is worth pointing out that Jeff Bezos' Amazon (seen as the most logical buyer) has had ample opportunity to acquire Ocado to date, with no evidence of actual interest.

2. Lack of transparency with new contract win
Disappointingly, Ocado's first international deal is with an unnamed regional European retailer rather than a global grocery giant.

There's also a hint of 'jam tomorrow' about the tie-up; earnings and cash neutral in the 2017 and 2018 financial years, then 'increasingly accretive thereafter'.

3. Poor shareholder returns
To paraphrase Shore Capital, Ocado is a shopper friendly business, not a shareholder friendly one.

Sub-scale as a standalone grocer, Ocado has become a pure-play picker, packer and deliverer of groceries for other supermarkets. Indebted, spending heavily and generating skinny margins, Ocado trades without dividend and operates in an industry where competition is cut-throat.



C&C (CCR) €3.33
CURRENT MARKET STATUS: HATED

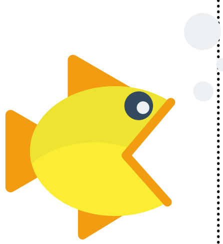
Best known as the maker of *Magners* cider, C&C seems to be a bit confused about its future direction at present. The shares are down 16% over the past year and down 3% over the past five years.

The beer, cider, wine and soft drinks manufacturer and distributor is rubbish at making acquisitions. It tried and failed to buy pubs company Spirit three years ago; previous deals that it did make have resulted in minimal value creation for shareholders.

Irish Independent sums up the situation nicely: 'Having spent more than half a billion euro – most of which it has since written off – on acquisitions over the past decade and failed to grow either profits or sales, drinks manufacturer C&C is going around in circles.'

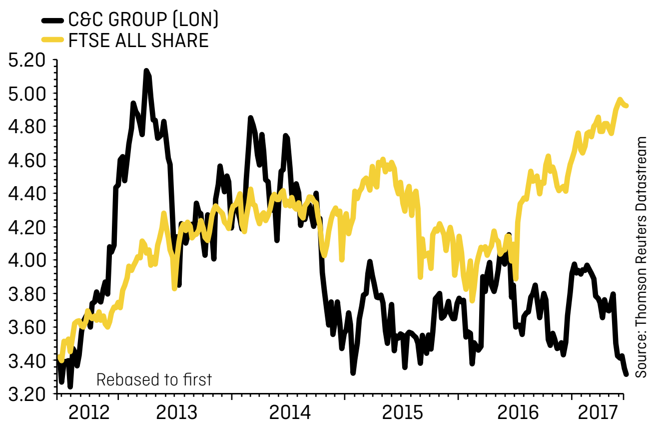
Increased competition in the cider and craft categories have also weighed on the share price.

But is the market overlooking something? Let's take a look at the bull case.



WHAT ARE THE POSITIVE POINTS FOR THE INVESTMENT CASE?

1. Cash generative stock
The premium drinks play is highly



cash generative and returns capital via dividends and share buybacks. A strong balance sheet also gives C&C the firepower to invest in its production assets and brands.

2. Brand strength
Many of us will have consumed C&C's tipples including leading Irish cider brand *Bulmers*, the aforementioned premium international cider brand *Magners*, Scottish beer brand *Tennent's* and US craft cider offering *Woodchuck*, at some point. C&C also distributes AB InBev beers, among them *Corona*, in Scotland, Ireland and Northern Ireland.

3. Growth potential
C&C is a resilient business whose strong local brands have stood the test of time. It also has a growing premium and craft portfolio. In *Magners*, it has a truly international cider asset growing in territories as diverse as Russia, Spain and Thailand, while *Tennent's* is another export champion.

C&C IS A RESILIENT BUSINESS WHOSE STRONG LOCAL BRANDS HAVE STOOD THE TEST OF TIME

VODAFONE (VOD) 220.35P
CURRENT MARKET STATUS: LOVED

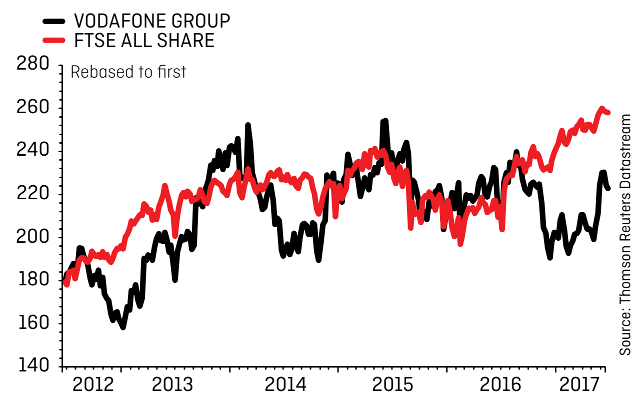
Vodafone (VOD) is a staple stock for many investors thanks to its 5.9% dividend yield, the seventh biggest on the FTSE 100. The fan base has expanded recently thanks to improving organic service revenues and better cash flow metrics, the latter point easing future income affordability worries. It has also found a solution in India, a big past concern.

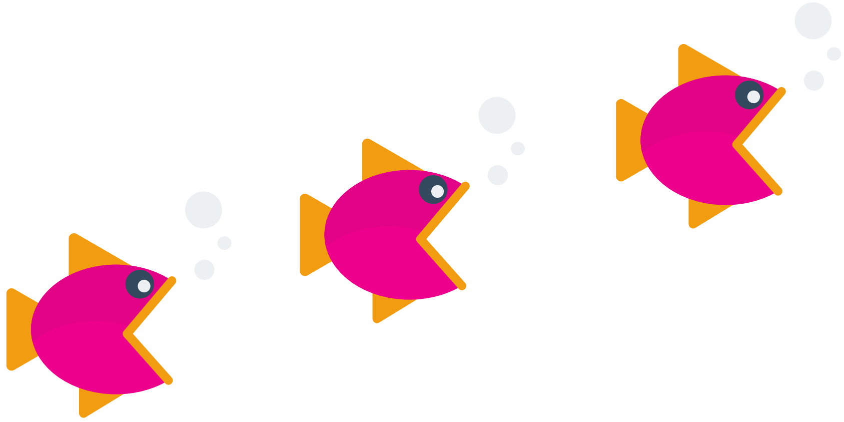
WHAT ARE THE NEGATIVE POINTS FOR THE INVESTMENT CASE?

1. Stiff competition
Very stiff competition acts as an anchor to profit growth. Europe represents close to two-thirds of Vodafone profit and the emergence of Iliad in Italy could lead to a cut-throat price war. The UK is also stubbornly refusing to get better with service revenue again falling last year.

2. Cash flow concerns remain
Cash flow concerns may have eased but they have not disappeared. Much of last year's impressive €4.1bn free cash flow was thanks to big cuts in investment spending. Fewer promotions amid a weak handset market could constrain any recovery in service revenue. If so there might be implications for the payout longer-term.

3. Lack of fibre access
Lack of fibre access for broadband is still a big problem in the UK and in parts of Europe, hence the excitement of any merger with Virgin Media-owner Liberty Global such is speculated. Limited fibre caps Vodafone's multi-play package sales proposition and makes improved service revenue gains far harder to come by.





PETS AT HOME (PETS)

155.51P

CURRENT MARKET STATUS: HATED

Specialist retailer **Pets at Home (PETS)** has seen its share price fall by 37% over the past year. Analysts keep downgrading earnings forecasts amid poor trading.

Like-for-like merchandise sales have been persistently soggy, costs are rising and the consumer outlook is getting worse. Pets at Home also faces increased competition from online rivals and from the value-focused general merchandisers with physical stores.

Given the shares have been weak for some time, now might be a good point to take a contrarian view and look at the positive attributes.

PETS AT HOME ALSO FACES INCREASED COMPETITION FROM ONLINE RIVALS AND FROM THE VALUE-FOCUSED GENERAL MERCHANDISERS WITH PHYSICAL STORES

WHAT ARE THE POSITIVE POINTS FOR THE INVESTMENT CASE?

1. Market leadership

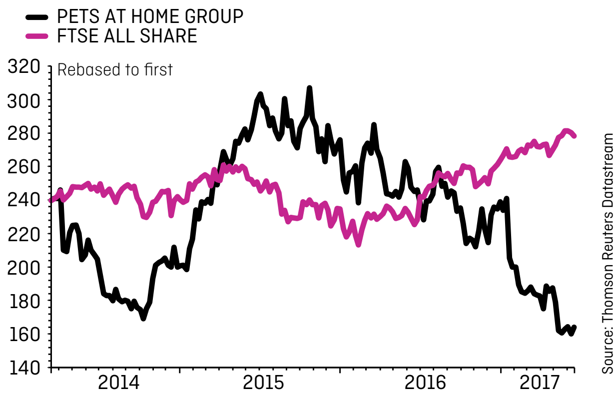
Pets at Home is the largest UK omni-channel specialist pet care retailer with a network of over 400 stores and market leadership in merchandise categories. Its services division, offering vet and grooming services, is the growth engine with a strong long-term opportunity in a fragmented market.

2. Resilient industry

The £821.5m cap operates in a resilient market that grew throughout the recession. Pets at Home has a loyal, growing customer base that is also emotionally engaged. Pet owners will prioritise spending on their canine, feline and other furry friends, one factor behind the retailer's reliably strong cash generation.

3. Retail park presence

Pets at Home has high exposure to UK retail parks, which are seeing stronger footfall than high streets and shopping centres. At the same time, online merchandise sales are growing and Pets at Home is also enjoying growth in active VIP loyalty scheme membership.



FRIDAY 23 JUNE

AGMS	
BH MACRO	BHMG
GRIFFIN MINING	GFM
ORACLE COALFIELDS	ORCP
TRINITY EXPLORATION & PRODUCTION	TRIN

MONDAY 26 JUNE

AGMS	
BH GLOBAL	BHGG
EDENVILLE ENERGY	EDL
EXILLON ENERGY	EXI
HYDRO INTERNATIONAL	HYD
W RESOURCES	WRES

Expect massive losses but also substantial growth from **Blue Prism's (PRSM:AIM)** half year results on 27 June. Last year the robotic automation process technology designer did a little more than 40% of its £9.6m full year revenue in the first six months, implying about £8m sales in these figures. Cash burn is also worth watching, given Investec's anticipated £4.5m outflow for the year to 31 October 2017. It will be years before Blue Prism makes a profit but, for now, the market doesn't seem to mind such is its apparent potential for growth, reflected in a staggering share price run.

TUESDAY 27 JUNE

FINALS	
BCA MARKETPLACE	BCA
FINDEL	FDL
IG DESIGN	IGR
POLAR CAPITAL	POLR
INTERIMS	
LAKEHOUSE	LAKE
AGMS	
DEFENX	DFX
ECHO ENERGY	ECHO
GAMING REALMS	GMR
HYDRODEC	HYR
MEREO BIOPHARMA	MPH
REGAL PETROLEUM	RPT
INTERIMS	
LAKEHOUSE	LAKE

WEDNESDAY 28 JUNE

FINALS	
IMIMOBILE	IMO
NEXTENERGY SOLAR FUND	NESF
XAFINITY	XAF
AGMS	
AIR PARTNER	AIR
BNN TECHNOLOGY	BNN
EJV INVESTMENTS	EJFI
KATORO GOLD MINING	KAT
MEDICA	MGP
PRESIDENT ENERGY	PPC

THURSDAY 29 JUNE

FINALS	
COHORT	CHRT
PURPLEBRICKS	PURP
RENEURON	RENE
AGMS	
STRAT AERO	AERO
ANPARIO	ANP
BEOWULF MINING	BEM
BLUR GROUP	BLUR
ELAND OIL & GAS	ELA
EUROPEAN REAL ESTATE INVESTMENT TRUST	ERET
INDEPENDENT OIL & GAS	IOG
JD SPORTS FASHION	JD.
NAUTILUS MARINE SERVICES	NAUT
P2P GLOBAL INVESTMENTS	P2P
ROCKROSE ENERGY	RRE
STRATEGIC MINERALS	SML
SERICA ENERGY	SQZ
STOBART GROUP	STOB
TIZIANA LIFE SCIENCES	TILS
VOLVERE	VLE
WESTMINSTER GROUP	WSG

Polar Capital (POLR) is releasing its final results on 27 June and will be hoping to keep up with its peers in the sector. Fellow asset manager **Liontrust (LIO)** released its results on 15 June and smashed the expectations of analysts. Will Polar be able to do the same? The firm's had a good run this year so is definitely one to watch.

As foreshadowed in a March trading update, gift wrap, Christmas crackers and stationery products maker **IG Design's (IGR:AIM)** full year results (27 Jun) will show sales topping £300m for the first time and a cracking cash performance. Expect a positive update on IG Design's global sales into an array of retailers and in particular, on progress in the US, where organic growth and acquired giftware-to-calendars specialist Lang provides IG Design with good earnings momentum.

EX-DIVIDEND		
ANGLO PACIFIC GROUP	APF	3P
BABCOCK INTERNATIONAL	BAB	21.65P
BLACKROCK SMALLER COMPANIES TRUST	BD96	3.88P
BRITISH LAND	BLND	7.3P
BRAEMAR SHIPPING SERVICES	BMS	5P
BP MARSH & PARTNERS	BPM	3.76P
COCA-COLA HBC	CCH	€0.44
CRANSWICK	CWK	31P
THE DIVERSE INCOME TRUST	DIVI	0.8P
DE LA RUE	DLAR	16.7P
GAMA AVIATION	GMAA	2.6P
GAME DIGITAL	GMD	1P
HOGG ROBINSON	HRG	1.93P
INTERNATIONAL CONSOLIDATED AIRLINES	IAG	€0.125
LOWLAND INVESTMENT COMPANY	LWI	12P
MARTIN CURRIE GLOBAL PORTFOLIO INVESTMENT TRUST	MNP	0.9P
NEXT FIFTEEN COMMUNICATIONS	NFC	3.75P
NORTHERN INVESTORS COMPANY	NRI	30P
NEX GROUP	NXG	27P
PREMIER TECHNICAL SERVICES	PTSG	0.7P

Click here for complete diary

Four funds for mainland Europe exposure

European equities are looking attractive at the moment, so take a look at these four products

It's no wonder European equities are in demand. Other parts of the world have major issues to resolve. The US is beset by political turmoil in the shape of its maverick president Donald Trump, the UK is facing the fall-out from the general election and the start of Brexit negotiations and Chinese growth fears remain prominent.

With valuations for Continental Europe-focused funds looking undemanding, we highlight four collectives that could capitalise from this pick-up in European markets.

Jake Moeller, head of UK and Ireland research at fund rating company Lipper, describes our selection: 'These are four very good funds each characterised by skilful managers, conviction positions and a robust pedigree,' he says.

Artemis European Opportunities (GB00B6WFCR53)

Fund size	£305.9m
Yield	1.4%
Annual fee	0.85%
Top holdings	*Bayer, Novaris, SAP*

This fund has a long-term, flexible approach to investing. Its preference is for quality companies with good prospects that are attractively priced. The managers, Mark Page and Laurent Millet, have an investment universe of around 700 stocks for the fund, determined by liquidity requirements or in other words the ability of the managers to enter and exit a position.

Investment research outfit Square Mile describes this fund as 'pragmatically run' with an aim to generate consistent 'though not aggressive' outperformance of the market. It adds that 'though the managers would perhaps ideally like to always purchase high quality growth businesses, they appreciate that there will be times when these look overvalued'.

Samuel Meakin, analyst at Morningstar, says Artemis' fund benefits from experienced management and consistency of process. The managers have worked together for nearly 10 years and Meakin says they have formed a strong partnership during that time.

Barings Europe Select Trust (GB00B7NB1W76)

Fund size	£1.68bn
Yield	0.9%
Annual fee	0.81%
Top holdings	*Temenos, Recordati, ASM International*

This fund looks at small and mid cap European stocks, investing in companies with less than €5bn in market cap. As this market cap limit would result in over 5,000 stocks across Europe, fund manager Nick Williams uses various screens to reduce this number to a more manageable level.

Its aim is to achieve long term capital growth and generate a return of 3% a year above the index it tracks (Euromoney Smaller European Companies ex UK).

Square Mile says the outcome is achievable in the long term; over shorter periods of time the fund can experience sharp fluctuation in performance.

Moeller says Williams has 'strong contrarian convictions that has consistently added value'.

BlackRock European Dynamic (GB00BCZRNN30)

Fund size	£2.1bn
Yield	0.7%
Annual fee	0.92%
Top holdings	*Cie Financiere Richemont, RELX, ING Groep*

This fund can take significant positions away from the benchmark it tracks, the FTSE World Europe ex UK Index, hoping to outperform in a variety of market conditions. This also allows for greater exposure to smaller sized companies. The fund favours growth and value stocks based on the market outlook.

The portfolio will typically consist of 35 to 65 holdings chosen across the entire market cap spectrum.

The fund benefits from a closely knit investment team put in place by veteran investor Nigel Bolton who joined BlackRock from Scottish Widows Investment Partnership, as did fund manager Alistair Hibert. The team has a disciplined approach to investing combined with looking at the global outlook as well as looking in detail at each company.

Square Mile thinks highly of manager Hibert, saying he is an 'experienced and skilled investor'.

FP Crux European Special Situations (GB00BTJRQ064)

Fund size	£1.42bn
Yield	1.6%
Annual fee	0.86%
Top holdings	*ISS, Aurelius Equity Opportunities, Bureau Veritas*

This fund focuses on the small and mid cap part of the European equities market, although it may include some large cap stocks. The fund invests in companies with low capital requirements, meaning that only a low level of funding is required to produce a good product or service.

These businesses should be able to generate a high return on their capital expenditure and may have excess cash on their balance sheets to return to shareholders via extra dividends.

Lipper's Moeller says: 'Richard Pease [fund manager] is a long-term investor in stocks. Low portfolio turnover and durable investment stories are thoroughly considered.'

Pease and his co-manager James Milner look for shares that are conservatively valued versus their peers and the market. Square Mile says this philosophy means there could be periods when the strategy may struggle, such as if markets are chasing a certain theme. However, it adds, 'over a cycle, we believe the fund should continue to be a standout performer'. (DS)

FAVOURITE FUNDS

The four funds in this article all feature in AJ Bell's 'Favourite Funds' list. This is a list of 72 active and passive funds chosen by research group Square Mile using a range of criteria such as value for money, proven track record and strength of management team. Click here to see the full list.

Funds to hitch a ride on the FTSE 250 rally

...but watch out for growing risks

Britain's mid cap companies have been on a scorching run since investors stopped panicking about the Brexit vote in June 2016.

The FTSE 250 index has soared by more than 30% in the past 12 months, chalking-up a new record along the way – closing at 20,024.92 on 26 May 2017.

Yet recent events suggest that this may be a sensible time to re-evaluate the space.

On 12 June data from Visa showed UK consumer spending declined for the first time in nearly four years.

Furniture seller **DFS (DFS)** issued a profit warning on 15 June, compounding weak UK retail sales in general for May. There was also poor data from the Coffer-Peach tracker survey of UK pubs and restaurants.

'There is a very long list of small and mid cap companies that would be exposed to a broader economic slowdown in the UK,' point out analysts at investment bank Berenberg in a note on the UK mid cap cross-sector note published earlier in June.

READING BETWEEN THE LINES

There has also been negative commentary recently from the UK home renovation, maintenance and improvement space. Double-glazing firm **Safestyle (SFE:AIM)** has flagged weak installations data, while **Topps Tiles (TPT)** posted poor like-for-like numbers on 23 May. They showed first half sales declines of 1.9%, and a 5.8% contraction over the seven weeks to 20 May 2017.

Neither of these companies are FTSE 250 members, but many constituents of that index are exposed to the domestic market. That is in contrast with the FTSE 100, for example, which generates about 70% of its average revenue overseas.

Importantly, many investors will have exposure to mid cap companies and the FTSE 250, perhaps through pensions, trackers funds or specific stocks directly owned.

While most will not specifically home in on this part of the stock market, there are investment trusts options for those that want it.

The challenge for fund managers is to now find the most resilient companies to outperform a tougher market backdrop.

FTSE 250 specialists include **Schroder UK Mid Cap (SCP)** and **JPMorgan Mid Cap Investment Trust (JMF)**, which both benchmark versus the FTSE 250. There is also the **Mercantile Investment Trust (MRC)** and although it has a wider investment remit and benchmark's against the FTSE All Share index, the mid caps space is meaningful in its portfolio. All of its top 10 biggest holdings are FTSE 250 companies.

PORTFOLIO DIVERSITY

What is interesting about these three trusts is the wide variation of stocks in each of their top 10 lists. Meals delivery website **Just Eat (JE.)**, specialist asset manager

MID CAPS PERFORMANCE TABLE

Total return %	1m	3m	6m	1yr	3yr	5yr	10yr
JP Morgan Mid Cap IT	-0.05	9.8	15.2	4.9	47.9	210.9	101.2
Mercantile Investment Trust	2.2	10.1	20.8	17.8	40.6	145.1	100.4
Schroder UK Mid Cap	4.4	13.8	27.2	22.1	19.7	148.7	152.2
FTSE 250 (ex IT)	2.0	7.8	15.5	17.9	33.6	119.9	124.5

Source: Index : FE

TOP 10 STAKES

Schroder UK Mid Cap	
SSP	3.1%
Dechra Pharmaceuticals	3.0%
HomeServe	2.9%
Grainger	2.6%
Redrow	2.6%
Rightmove	2.5%
Northgate	2.5%
Renishaw	2.4%
Kennedy Wilson Europe Real Estate	2.3%
Diploma	2.1%

JPMorgan Mid Cap Investment Trust	
JD Sports Fashion	6.1%
Ashtead	4.6%
Micro Focus	3.6%
OneSavings Bank	3.2%
Electrocomponents	2.8%
BGEO	2.6%
Just Eat	2.3%
Intermediate Capital	2.3%
Rightmove	2.3%
DS Smith	2.2%

Mercantile Investment Trust	
Spirax-Sarco Engineering	2.2%
DS Smith	2.2%
Segro	2.0%
Inchcape	2.0%
Just Eat	2.0%
Auto Trader	1.9%
G4S	1.9%
Bellway	1.8%
Intermediate Capital	1.8%
Halma	1.8%

Intermediate Capital (ICP) and packaging company **DS Smith (SMDS)** – which *Shares* looked at in detail on 27 April – are shared by JPMorgan Mid Cap and Mercantile. Both are managed by JPMorgan Asset Management, although the portfolios are run by different fund managers.

JPMorgan Mid Cap also shares an interest in property website **Rightmove (RMV)** with Schroder UK Mid Cap, but there is limited duplication overall. This implies that the management teams of each trust have different ideas about investment themes and opportunities.

PERFORMANCE TESTS

This difference is borne out by the relative performances of each trust over different time frames. All three trusts have managed to outperform the FTSE 250's return over the past three months, but beyond that, performance varies, which implies vagaries within the stock selection process. JPMorgan Mid Cap, for example, compares poorly against the FTSE 250 on a one year view, yet has been the best of the bunch over three and five year periods.

Long-term returns (over 10 years) show Schroder UK Mid Cap knocking the ball out of the park; JPMorgan Mid Cap does the same over five years.

Shares in Schroder UK Mid Cap, at 503.5p, are currently trading at a 15.6% discount to net asset value (NAV). Mercantile Investment Trust's equivalent discount stands at 12.8%, based on a £19.21 share price, while JPMorgan Mid Cap's discount is the narrowest of the trio at 9.96%, on a £10.38 share price. (SF)

Rolls Royce emerges through turbulence

Engineer looks like it may be back to winning ways after years of turmoil

Aerospace and defence giant **Roll Royce (RR.)** is motoring again after a string of profit warnings starting in 2014.

Its shares are up 50% in 12 months, hitting 909p. Yet, as the world moves out of austerity making an increase in global spend likely, Rolls may have further to run.

FLYING TIME

The company's statement on 16 June says its businesses are performing in line with expectations and a recent broker note describes visiting some of the company's sites and coming away impressed. Celine Fornaro, analyst at UBS, says she 'could fully appreciate some of the cultural changes and shifts within the organisation in terms of manufacturing, supply chain and costs'.

This bodes well for Rolls. A focus on increased production as well as more efficient operations could well have a positive effect on profit margins and aid its bottom line going forward. The company operates in a number of fields but its central activity is the design and manufacture of engines for planes.

UBS reports the use of Rolls Royce powered Boeing 787s has picked up substantially. The company also builds the engines for the European Airbus A350 which the latest available data from April shows an average flying time of 12.9 hours a day, more than the levels achieved by 787s. These numbers confirm for UBS's Fornaro that the A350 could be a key driver for the company's future cash generation and profit.

12.9
HOURS PER DAY FLYING TIME FOR A350

WHAT ARE THE DOWNSIDES?

Rami Myerson, an analyst at Investec, is not a fan of Rolls, recommending to sell back in May with a bearish price target of 575p. The argument is that Rolls will get itself into trouble if it signs a deal with Boeing to produce engines for mid-size planes, dubbed the 797.

Myerson says if Rolls is selected to build the engine, it could be a 'material headwind' for the company's goal of delivering £1bn in free cash flow by 2020. This is due to expected development costs of over $10bn, with a return on investment only evident by the 2030s at the earliest according to the analyst.

Ultimately we like Rolls Royce as we believe the company is now being well run by Warren East, who became chief executive in 2015 and drove through major restructuring including thousands of job cuts. (DS)

SHARES SAYS: ↗
Buy at 909p

BROKER SAYS: 5 5 12

Moss Bros is measuring up for growth

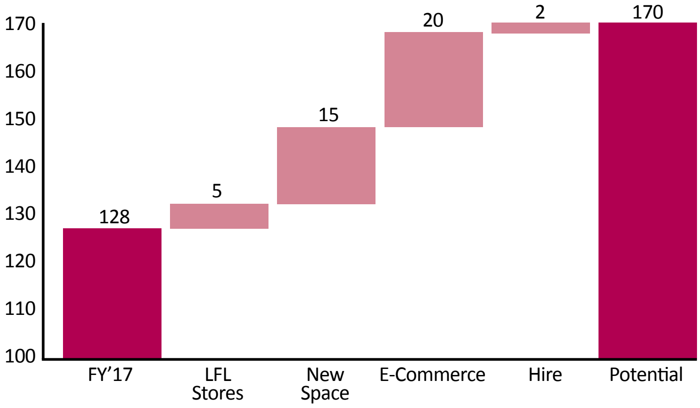
Sector sentiment is poor, yet the men's suits specialist looks tailor-made for profitable progress

Despite worsening sentiment towards domestic retailers some select names continue to look set for growth.

Among them is **Moss Bros (MOSB)**, the men's tailoring specialist. The business has a number of growth initiatives underway. Cantor Fitzgerald analyst Mark Photiades has a 'buy' rating and 130p price target for Moss, implying 27% upside.

The analyst sees scope for Moss Bros to add more than £40m of incremental sales over the medium term and 'potential for profit to nearly double from current levels'.

Incremental Sales Potential (£m)



Source: Company Data, CFE Estimates

TAILOR-MADE FOR GROWTH

The £107m cap's solid AGM update (19 May) revealed 5.5% retail like-for-like sales growth for the 15 weeks to 13 May, impressive given a strong performance in the same period last year.

Moss is opening new, profitable stores, while its store refit programme and suit personalisation service Tailor Me should continue to drive growth. Moss Bros' new season's ranges are performing well, albeit gross margins came under pressure in the 15 weeks due to the reintroduction of a mid-season sales in April amid tougher clothing market conditions.

Like-for-like hire sales were down 14.2%, reflecting a late start to this year's wedding season

(due to a late Easter) and a change in the way Moss takes deposits, one designed to put pressure on the competition. The good news is many of the main hire events are yet to come, including the summer wedding season and school prom season.

ONLINE AND OVERSEAS

Moss Bros has two trial stores in the UAE, although management sees online expansion as the more significant international opportunity short term; the offering should resonate with overseas customers given Moss Bros heritage and the world renowned reputation of British tailoring.

For the year to January 2018, Cantor forecasts 4.3% pre-tax profit growth to £7.2m (2016: £6.9m), rising to £7.6m then £8.3m thereafter. Though the shares trade on a punchy 18.3 times forecast earnings of 5.6p, Moss offers a 6% yield based on a forecast dividend of 6.2p (2017: 5.9p). Its shareholder reward is underpinned by a net cash balance sheet.

SHARES SAYS:
Moss Bros is cash rich and has growth initiatives underway. Buy at 102.5p. (JC)

BROKER SAYS: 3 0 0

The small cap whose share price could rise 75%

Shares in showers and taps specialist Norcros are cheap and offer an attractive dividend yield

4.5% PROSPECTIVE DIVIDEND YIELD

Shares in bathroom fit-out specialist **Norcros (NXR)** look cheap despite the company delivering an eighth consecutive year of revenue growth in the 12 months to 31 March 2017.

At 173p, the shares trade on 6.1 times stockbroker Numis' forecast earnings per share (EPS) of 28.5p for the year to March 2018. They also offer a prospective yield of 4.5%. The expected dividend payment is covered just over 3.6 times by forecast EPS, which is a very healthy ratio.

The discounted valuation suggests the market believes earnings forecasts cannot be achieved in the current macro-economic environment as well as concern about pension liabilities.

Chief executive Nick Kelsall tells *Shares* managing the pension liability, which fell from £97.8m to £62.7m in the second half of the latest financial year, does not impede day-to-day running of the business.

He is reassuring about management's ability to achieve growth even in uncertain times as the company tries to increase market share.

Norcros' best-known brand is probably the Triton range of showers. It is focused on the UK and South Africa. The South African operation, which Kelsall says was once a 'problem child' for the group, delivered 8% revenue growth at constant currency in the year to 31 March 2017.

SHARES SAYS: ↗

The stock is attractively valued. Numis has a price target of 300p, implying nearly 75% upside for investors over the next year. (TS)

Fashion retailer Quiz heading for stock market

WOMENSWEAR RETAILER QUIZ intends to float on AIM in July with a speculated £200m valuation. Its chairman Peter Cowgill is best known for his leadership of **JD Sports Fashion (JD.)**.

The Scottish business focuses on occasion wear and dressy casual wear for 16-to-35 year olds. It has a similar 'test and repeat' model to **BooHoo.com (BOO:AIM)**. (JC)

Debt deal sends Avanti soaring

SATELLITES OPERATOR **AVANTI Communications (AVN:AIM)** saw its share price rocket 22% to 9.7p on 16 June after securing a $100m debt deal.

The agreement incurs interest at 7.5% annually. It will allow Avanti pay off a more expensive 10% interest rate, $50m loan facility. The rest will be spent on the launch of Avanti's HYLAS 4 satellite.

The balance sheet still remains stretched with $788.5m (£616.26m) of debt as of 31 March 2017, versus a current market cap of $20.8m (£16.3m). (SF)

Severfield profit almost doubles

STRUCTURAL STEEL BUSINESS **Severfield (SFR)** is riding high after a strong set of full year results (published on 14 June).

In the 12 months to 31 March 2017, pre-tax profit advanced 88.5% to £18.1m after the company carried out 110 projects including a roof for Wimbledon's Number 1 tennis court and a new stadium for Tottenham Hotspur.

An Indian joint venture has moved to profit for the first time.

Severfield's shares are up 51% over the past year to 81p. (TS)

Smith & Nephew repairs wounds after tough year

The medical devices manufacturer plans to launch exciting products and boost pricing power

The future looks exciting for **Smith & Nephew (SN.)** with several products in its pipeline and plans to drive growth through emerging markets and acquisitions.

In 2016, Smith & Nephew had a tough year as there was a slowdown in government spending in China and too much stock to shift.

Weak oil prices also made trading difficult in the Gulf States.

THE HISTORY

Smith & Nephew started out as a pharmaceutical business founded by Thomas James Smith and his nephew Horatio Nelson Smith.

The partnership developed a method for refining cod liver oil, but it wasn't until the outbreak of World War I that the firm found its true path when it supplied field dressings to the French army.

Smith & Nephew now develops wound management products and devices, hip and knee implants, advanced wound devices and technology for keyhole surgery.

It sells its products directly and through distributors to healthcare procurement groups, patients, surgeons, physicians and hospitals.

WHAT DOES SMITH & NEPHEW FOCUS ON?

One of the medical equipment manufacturer's strongest areas is its wound management division, currently holding the second highest global market share (circa 14% to 18%) behind private medical device firm Acelity.

Its UK competitor **ConvaTec (CTEC)** holds an estimated 5% to 9% of the global market.

Smith & Nephew specialises in dressings that treat acute and chronic wounds such as burns and post-operative wounds. Its PICO wound therapy device creates a vacuum over a wound to remove pus to reduce the risk of an infection.

PICO is around the size of a phone so it can be carried around discreetly, is easy to apply and use. The device can be used in various healthcare settings and frees up time for busy nurses – a priority as the NHS is struggling with budget cuts.

Hip and knee implants are another important division of Smith & Nephew. The implants are made using its Oxinium technology which is very strong, creating a surface that is 4,900 times more wear-resistant than cobalt chrome. The technology is combined with highly cross-linked polyethylene to make the implants even more durable.

Smith & Nephew's fastest growing division is sports medicine with a global market share of 20% to 24%. The market leader is private medical device company Arthrex, which holds approximately a third of the market.

Smith & Nephew's sports medicine division sells instrumentation such as sutures and fluid management systems to help surgeons perform surgery for sports-related injuries.

INTRIGUING PRODUCT PIPELINE

Over the summer, the Smith & Nephew will launch Journey II XR, a device that provides more mobility after a whole knee is replaced.

The company will also launch the highly anticipated NAVIO robotic surgical system for total knee replacement this quarter, which is around 80% of the market. NAVIO already offers robotics assistance in partial knee replacement surgery.

Over the last year, Smith & Nephew launched its Werewolf coblation technology that removes tissues in the knee with minimal damage to untargeted tissue.

This isn't the only area that Smith & Nephew aims to make life easier for healthcare professionals. Last year, it launched the LENS surgical imaging system comprising a console, camera head and iPad app to capture pictures and provide limited control of the camera within articular cavities.

DRIVING GROWTH THROUGH EMERGING MARKETS

In a bid to stimulate a 3% to 4% underlying sales growth rate in 2017, the company is restructuring the business by cutting the number of managing directors, driving better pricing and launching new products.

Historically, Smith & Nephew has managed to grow at a rate of between 2% and 4%.

The company also wants to improve sales of its wound dressings by showing the value of its premium-priced products, which helps get people out of hospital faster.

It appears this strategy is paying off as Smith & Nephew reported a return to double-digit growth in emerging markets with China growing by 14% in the first quarter of 2017.

There also appear to be positive signs for the Gulf States with trauma and extremities-related product sales up by 5%.

IS SMITH & NEPHEW'S GROWTH TARGET ACHIEVABLE?

For Edison analyst Linda Pomeroy, emerging markets are important in helping Smith & Nephew hit its sales growth target so improved trading in this division is reassuring.

Advanced wound devices are one of the key revenue drivers for the company, although Pomeroy highlights 5% growth in trauma and extremities during the first quarter of 2017 as 'significant.'

Last year, the trauma and extremities business was 'one of the worst performers' as weakness in China, the UK and Germany weighed on sales.

While the analyst is confident about improving sales and profit margins through its product pipeline, Pomeroy flags currency movements and pricing as potential headwinds.

Some brokers are more negative, with Citi analyst Patrick Wood recently initiating coverage on the stock with a 'sell' recommendation.

While Wood concedes that Smith & Nephew dealt with price pressures well, he is 'perplexed' at consensus expectations of an earnings per share growth of 8% to 10% from 2018 onwards.

He flags a key risk from medical technology outfit Medtronic's entry into the hip and knee market, which could hit Smith & Nephew's annual earnings by between 2% and 3% as it would have to cut prices to compete.

SHARES SAYS: ↗

In our opinion, the company is heading in the right direction with a strong turnaround strategy. Buy at £13.35. (LMJ)

BROKER SAYS: 8 7 1

Will Brexit hit my pension if I move abroad?

We answer the important questions regarding pensions entitlement

Investors are concerned about the impact of Brexit on their pension entitlements should they move to another country.

In particular, there are major concerns from EU nationals who have worked in the UK for a number of years and built up substantial private and state pension entitlements.

They are worried about losing some or all of the pensions they have built up, should they be forced to leave the UK following Brexit.

DON'T PANIC

The indications from the main political parties and their European negotiating counterparts suggest EU citizens who currently live and work in the UK will not be forced to leave.

PRIVATE PENSIONS:

WHATEVER YOU HAVE BUILT UP BELONGS TO YOU. MOVING TO A DIFFERENT COUNTRY SHOULD HAVE NO BEARING ON YOUR RETIREMENT POT

And when it comes to private pensions, whatever you have built up belongs to you and therefore whether or not you move to a different country should have no bearing on your retirement pot.

If you have a defined benefit or 'final salary' pension plan – providing a guaranteed annual income based on your salary and years of employment – the contract is between you and your employer.

Provided the company sponsoring the scheme continues trading, you will receive your pension in exactly the same way regardless of where you live.

If it is a defined contribution scheme, the pot of money belongs to you and you can decide what to do with it. If you do move to another country you could leave the money invested in your UK plan or, if you're aged 55 or over, you could start taking an income.

Provided you move to a country which has a 'double tax treaty' with the UK, your money will only be taxed once in the country where you reside. The UK has 130 such deals with countries around the world. You will also maintain your entitlement to 25% tax-free cash from age 55.

PAYING OUT YOUR PRIVATE PENSION

Whether you have a defined benefit or defined contribution pension – or both – you'll need to check whether your employer or provider will pay the money directly into an overseas bank account, and if any extra charges will apply.

Alternatively, you could ask for your pension to be paid into a UK bank account and then withdraw your money with a debit card abroad, or transfer the money yourself into a foreign account.

If you want to alleviate the risk of currency movements creating volatility in your pension payments you might want to consider moving your UK defined contribution pension into a Qualifying Recognised Overseas Pension Scheme, or QROPS.

The tax rules governing these schemes are quite complicated and the charges can be high, however, so speak to an FCA regulated financial adviser first.

WHAT ABOUT THE STATE PENSION?

Just as your private pension entitlement belongs to you, so does your state pension entitlement as long as you have 10 years or more of qualifying National Insurance contributions.

The actual amount you receive will depend on both your number of qualifying years and whether or not you 'contracted out' of the State Earnings Related Pension (SERPS) or State Second Pension (S2P).

You can choose to have your state pension paid either into an existing UK bank account or an account in the country to which you have moved.

ONE GREY AREA

The one current area of real uncertainty surrounding your state pension relates to future increases in the amount paid.

In the UK, the state pension rises in line with the highest of average earnings, inflation or 2.5%, known as the 'triple lock'. This may well be scaled back in the near future, but it will still likely benefit from a 'double lock' to earnings or inflation.

Membership of the EU means at the moment anyone who retires to the continent continues to benefit from the 'triple lock'.

However, it remains unclear whether this will continue to be the case after Brexit – although the Government has strongly hinted it expects to reach a deal on social security payments, including pensions.

There is no doubting we are living through a period of huge political and economic volatility. And while pensions are not immune to these challenges, you can at least be confident the savings entitlements you have already built up will still be there when you reach retirement.

Tom Selby,
Senior Analyst, AJ Bell

Investment strategies for the out-of-work

Reviewing your financial plan is essential when unemployment or illness strikes

If you're unexpectedly off work for a lengthy period of time because of redundancy or illness your investment strategy could be thrown into disarray. The key is not to panic and cash in all your investments, but to evaluate your finances and determine a sensible plan for your changed circumstances.

COUNT UP YOUR CASH

Ideally, you'll already have some money available in cash savings to cater for any emergencies or short-term requirements. Drawing on these funds will avoid you having to take out a loan or sell your investments at the wrong time – i.e. when your shares have fallen in value.

An important first step is to review your current living costs and see if they can be reduced. You could also look at any other assets you have which could be accessed if needed.

REVIEW YOUR INVESTMENT PORTFOLIO

Whenever there is a major event in your life it's worth reviewing your investment portfolio. Ryan Hughes, head of fund selection at AJ Bell Youinvest, says the important thing is to look at is whether your risk profile has changed.

'For pension assets, assuming that you still have a number of years to go until retirement, it is likely that the investment strategy will not need to be altered,' he says.

When it comes to your ISA and any other investments outside of a pension, think about whether you'll need the assets to cover your living expenses.

Patrick Connolly, head of communications at financial advice firm Chase de Vere, explains: 'The overriding questions are likely to be whether you will be relying on your investments more to help meet your living costs and whether you may need to access them sooner than you originally thought. If the answer to either of these questions is yes, then it is likely you'll need to reduce the level of risk you are taking.'

If part of your portfolio is invested in high dividend-paying stocks or equity income-type funds, these investments could help provide some income while you are off work.

EVALUATE YOUR REGULAR INVESTMENTS

It's highly likely you won't have the sufficient funds to keep up your regular investments when you're out of work. In fact, trying to keep up these payments could prove to be the wrong way forward.

Neil Adams, head of pension planning at financial advice firm Drewberry Wealth, says it makes no sense to regularly lock away cash in long-term investments if you might soon need to liquidate them again to meet living expenses.

'Continuing to make regular share purchases while you have no income is especially risky in this respect. It could be disastrous if you need to access the cash a few weeks later and markets have declined,' he warns.

If you've been making regular pension contributions you might be forced to cut these down. Under HMRC rules, non-earners are limited to annual pension contributions of £2,880 (which is grossed up to £3,600 with tax relief).

Most modern pension plans allow you to stop and restart contributions without applying charges or penalties, but this might not be the case for some older policies.

LONG-TERM VS SHORT-TERM NEEDS

In an ideal world you would continue to focus on your long-term financial goals, but this isn't always possible. Short-term objectives, like paying the bills, will take priority.

Connolly recommends keeping your finances as flexible as possible. 'This means that long-term savings might have to be put on hold until you are working again. When you are back working you may then need to give your long-term savings an extra boost to make up for any shortfalls, especially if you've used some of them to pay for short-term costs,' he says.

Most experts advise having at least three months' salary in cash to cover emergencies. 'Only when this buffer is in place should attention turn to investing for the long term,' states Hughes.

Interest rates on bank accounts and Cash ISAs are currently very low, but you could consider opening a high-interest current account. Some banks offer interest of between 3% and 5%. This rate could decrease after 12 months and there might be strings attached, such as having to pay a certain number of direct debits each month.

'In the right circumstances these accounts can offer a home for regular contributions that will pay a return while remaining highly liquid with minimal risk,' says Adams at Drewberry Wealth.

DON'T PANIC

Keeping a cool head is a must. If you do need to release cash from your investment portfolio think carefully about which investments you sell.

Adams says: 'Selling high-yielding investments might fetch a good price today, but you'll lose that income forever. Can you afford that in the long run?'

He suggests looking at the maturity dates of fixed term investments. If the period to maturity is short, waiting could be better than selling today.

If you've invested outside of an ISA, pension or other tax-efficient investment wrapper, sales of shares will likely attract capital gains tax (CGT) if they've increased in value since you bought them.

'Planning is essential, as you can potentially offset capital gains with capital losses from current or previous tax years,' says Adams.

Basic-rate taxpayers pay CGT at 10% whereas higher and additional-rate taxpayers pay CGT at 28% on residential property gains and 20% on all other chargeable assets. If you were previously a higher or additional-rate taxpayer, it might be better to liquidate your assets (assuming you have no other choice) in a year where your unemployment means you're only a basic-rate taxpayer. (EP)

KEY

- Main Market
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