STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

VOL 19 / ISSUE 26 / 06 JULY 2017 / £4.49

SHARES

WE MAKE INVESTING EASIER

RETAILERS' EARNINGS START TO DISAPPOINT AND THEIR SHARE PRICES START TO FALL

CONSUMERS SPENDING LESS

ALSO INSIDE
3 HIGH QUALITY DIVIDEND STOCKS

RETAILERS FEEL THE BREXIT PINCH

FUNDS THAT PAY DIVIDENDS MONTHLY

WHY LOGISTICS WAREHOUSES ARE PRIME REAL ESTATE

***WHAT TO DO** IF YOU INHERIT A STOCKS AND SHARES ISA*

Mercia Technologies going cheap after sector sell-off

IP commercialisation industry has fallen out of favour with investors... but for how long?

It can sometimes only take a single company to cause ripples across an entire sector. That's evident in the IP (intellectual property) commercialisation sector which has gone from regularly trading at a premium to now languishing at a discount to net asset value or par.

While that will be disappointing for investors already holding shares of sector constituents, it does also present an opportunity to buy a few companies in the sector (or increase existing holdings) fairly cheaply.

WHAT WENT WRONG?

The sector sell-off has primarily been caused by **Allied Minds' (ALM)** significant write-down of assets earlier this year.

The US business saw its share price fall by 70% between January and June this year; first as a result of the shock departure of the company's founder, and then on the write-down news as it stopped funding seven investee companies.

Investors started to worry there would be write-downs from other IP commercial firms, hence shares in the likes of **IP Group (IPO)**, **Touchstone Innovations (IVO:AIM)** and **Mercia Technologies (MERC:AIM)** have all been in a downwards trend.

IP Group used this weakness as an opportunity to make a takeover bid for Touchstone. The latter is presently trading at a 7% discount to net asset value. Even cheaper is Mercia whose shares are trading at 17% below net asset value (NAV).

HOW DOES THE COMPANY JUDGE SUCCESS?

Mercia's chief executive Mark Payton says his board is focused on NAV per share growth – which in Mercia's case grew from 37.5p in the year to 31 March 2016 to 40p in 2017.

Payton claims Mercia is less reliant on one or two investments in its portfolio compared to its peers and says the business hasn't incurred major write-downs like Allied Minds.

I note that two companies represent 40% of the entire value of Mercia's direct investments and its latest results (3 July) did include two write-downs.

Its investments in virtual reality gaming group nDreams and e-procurement firm Science Warehouse are worth a combined £20.89m versus a total portfolio worth £52m.

With regards to the write-downs, it has reduced the value of its holding in Science Warehouse by 25% in recognition of a decline in peer group valuation multiples. It has halved the value of its stake in digital trading card platform VirtTrade amid slower market progress for the company than expected.

However, the £4m combined reduction in these equity valuations is nothing compared to Allied Mind's $146.6m (£113.4m) write-down announced in April.

MULTIPLE SOURCES OF VALUE GENERATION

Also in Mercia's defence is the fact that its business is much broader than simply having equity investments in a portfolio of early-stage companies.

Mercia also runs a fund management business which predominantly uses third party money to back up-and-coming firms which could potentially create lots of jobs in the future.

This is essentially a breeding ground for Mercia from which it cherry-picks the best businesses once they are more mature. Cash on the plc balance sheet is subsequently used to invest in these firms.

Progress includes its maiden trade sale. Mercia made an 88.4% profit on all the money it invested in Allinea Software which was bought last December by ARM, the former FTSE 100 technology group.

Ultimately investing in Mercia requires significant patience. Anyone looking to deploy cash in the markets should definitely consider this stock, in my opinion, particularly in light of the current valuation anomaly. (DC)

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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.

Three UK stocks grab place on 'high quality dividend' list

Two financial companies and a packaging firm picked by UBS

Three UK-quoted companies make a global list of 47 'high quality dividend stocks,' according to research by investment bank UBS.

These are financials sector blue-chips **Prudential (PRU)** and **Schroders (SDR)**, together with packaging group **Mondi (MNDI)**.

The UK trio currently trade on 12-month forward yields of 2.57%, 3.28% and 2.79% respectively.

We note that the list excludes the most popular stocks among retail investors for dividends, such as **BP (BP.)**, **Vodafone (VOD)** and **HSBC (HSBA)**.

SO HOW DID THE TRIO GET PICKED?

Analysts at UBS tapped into their quantitative research models to identify stocks which are high quality compared to their peers, which pay a dividend and which are unlikely to cut the dividend payment in the foreseeable future.

Companies listed outside of the UK on the UBS dividend list include *Viagra*-maker Pfizer, computer chips titan Intel and Proctor & Gamble, the US consumer products giant.

UBS claims that income yields are currently trending within historic norms, when compared with price to book valuations. The report also concludes that payouts in Japan and Europe (including the UK) 'appear cheapest'.

The research also flags up areas where dividens cuts look most likely. In Europe, energy, telecoms and utility sector yields are perceived to be most at risk. Technology companies in Europe are ranked least likely to peg back dividends. (SF)

FTSE 100 stocks with superior dividend growth

We reveal four stocks that have rewarded shareholders handsomely over the past 10 years

Construction equipment group **Ashtead (AHT)**, software business **Micro Focus (MCRO)**, investment platform provider **Hargreaves Lansdown (HL.)** and wealth manager **St James's Place (STJ)** have delivered more than 20% compound annual growth in dividends over the past decade. That's according to new research by AJ Bell Youinvest.

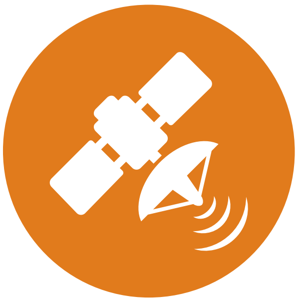
Of those four stocks, Ashtead, Micro Focus and Hargreaves all recorded more than a 500% share price gain over the 10 year period.

The returns are even greater when you run the numbers assuming all dividends were reinvested, demonstrating the benefits of compounding.

Micro Focus' 773.2% share price gain is turned into a 1,096.5% total return with dividends reinvested. Ashtead's performance is even better with 906.3% share price increase being elevated to a 1,152.3% total return with dividends reinvested. (DC)

Inmarsat sweats on satellites battle

Approximately $100m profit may hang in balance of US spectrum scuffle



A US communications spectrum battle could have dire consequences for FTSE 250 UK satellites operator **Inmarsat (ISAT)**.

Ligado Networks (formerly LightSquared) is in conflict with rival Iridium over a proposed terrestrial wireless network. Iridium claims the spectrum bandwidth Ligado plans to use could interfere with its own network, which broadcasts over adjacent spectrum.

Iridium has called on the US Federal Communications Commission (FCC) to step in, although Lidago believes it has satisfied regulatory concerns.

This matters to Inmarsat because it has a spectrum sharing agreement with Lidago. If Ligado's strategy is blocked it could affect that partnership, worth more than $100m in annual payments to Inmarsat. The majority of that revenue is turned into profit.

Last year Inmarsat reported pre-tax profit of $299.2m and analysts anticipate that figure falling to $245.5m in 2017.

'If Ligado does not get FCC approval by 2019 then these payments may stop,' comments investment bank Berenberg. 'This would obviously have negative impacts on both (Inmarsat's) earnings and valuation, but could also have a material detrimental effect on leverage and thus dividend policy.'

Shares in Inmarsat enjoyed a strong rally from 605p at the start of February to 850p at the end of March. They've since started to fall back amid Ligado-related concerns. The stock currently trades at 733p. (SF)

Fire safety expert Marlowe reports surge in interest

Grenfell Tower tragedy prompts local authorities and businesses to review fire safety compliance

FIRE PROTECTION services group tells *Shares* that it has received an increase in new business enquiries since the Grenfell Tower fire tragedy in London in mid-June.

Chief executive Alex Dacre says enquiries have included both local authorities and commercial businesses. 'The clearly terrible events have reiterated the critical importance of fire protection. Compliance is at the forefront of people's minds,' he adds.

Marlowe owns a variety of businesses which install and service fire systems and products including alarms, extinguishers, sprinklers, emerging lighting and wire testing.

The company on 29 June reported its maiden full year pre-tax profit, generating £0.7m in the year to 31 March. On an adjusted basis, it made £3.5m profit which nearly all came from the fire division.

The small cap has started to gain traction in the water safety market and says it is looking to further broaden its interests, retaining a focus on markets with stringent regulation and legislation and which provide recurring revenue.

'We want to go into other sectors which share the same channels to market and which provide cross-selling opportunities,' explains Dacre. 'We've looked at ventilation hygiene, lift maintenance and electrical compliance. We remain interested in all these markets.'

SHARES SAYS: ↗
We're big fans of Marlowe. Buy at 380p. (DC)

Significant development in US sports betting market

William Hill ready and waiting for potential law change stateside

Visibility for UK-focused gambling companies including **Ladbrokes Coral (LCL)** and **William Hill (WMH)** is currently clouded by looming regulatory risk, yet the quoted bookmakers will be gazing excitedly across the pond.

In a momentous decision, the US Supreme Court has agreed (27 Jun) to hear arguments on whether sports betting should be legalised in New Jersey and by extension, elsewhere in the US.

New Jersey governor Chris Christie is bidding to revive a state statute legalising sports betting.

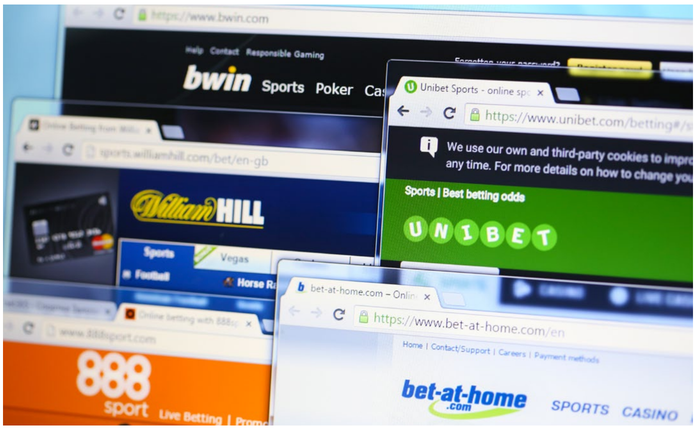
A decision is due in the court's next term, which starts in October. Christie reportedly hopes fans may be betting on NFL games 'certainly in time for the Super Bowl' in February 2018.

The opening up of a vast US sports betting market is relevant for anyone invested in William Hill.

The £2.2bn cap is already Nevada's leading sports betting company. William Hill US was created through the 2012 acquisition of three small sports book operators in Nevada.

William Hill US has almost 30% of the state's sports betting revenue, offering bets on everything from football and basketball to baseball and horse racing.

Presently, the US gambling market is dominated by physical casinos and lotteries, with online gaming largely illegal. Only Delaware, New Jersey and Nevada are able to provide certain online gaming products. (JC)



Takeover bid for FTSE 100 stock Worldpay

FTSE 100 PAYMENT processor **Worldpay (WPG)** has received a takeover bid from US rival Vantiv.

The offer is structured as a mix of cash and shares worth approximately 368p per Worldpay share at the time of writing.

Worldpay used to be owned by **Royal Bank of Scotland (RBS)** before it was acquired by private equity.

The company floated in London in 2015 at 240p per share. (DS)

AA refinances debt to cut annual charges

ROADSIDE ASSISTANCE FIRM **AA (AA.)** is refinancing its borrowings to reduce the cost of servicing its debt. The company is issuing new bonds and replacing an existing debt facility. It is also extending the maturity of debt.

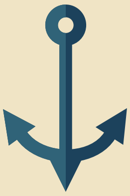
These actions will provide annual interest cost savings, so it has more free cash flow to pay down overall debt – which is central to the investment case. (DS)

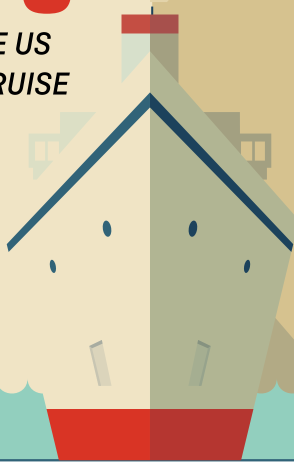
21 investment trusts now considered 'dividend heroes'

Invesco Income Growth Trust (IVI) has become the latest investment trust to increase its dividend every year for at least the past 20 years. The Association of Investment Companies says there are now 21 qualifying investment trusts, four of which have lifted their dividend for 50 consecutive years. These include **City of London Investment Trust (CTY)**, **Bankers Investment Trust (BNKR)** and **Alliance Trust (ATST)**. (DC)

23%

OF PEOPLE IN THE US WANT TO TAKE A CRUISE





A LARGE JUMP in the number of people in the US saying they want to go on a cruise over the next year bodes well for UK-quoted cruise ship operator **Carnival (CCL)**.

The positive trend should also benefit recently-floated business **Global Ports (GPH)** which owns 14 cruise ports.

Investment bank UBS says 23% of people taking part in its latest leisure survey want to holiday at sea. That compares with 16% in the same survey a year earlier.

More people from the UK also want to take a cruise, namely 15% of respondents from that country versus 10% a year earlier.

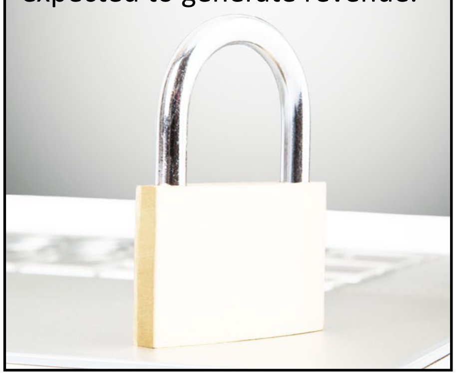
29%

price target

A SLOWDOWN in work at cyber security group **ECSC (ECSC:AIM)** has forced broker Stockdale to reverse its recently-upgraded price target for the stock.

Stockdale had raised its price target from 360p to 600p at the end of May. It has now cut the target back to 425p after a gloomy trading update that prompted a 31% slump in ESCS's share price on 30 June.

ECSC says its pipeline of new work is taking longer than expected to generate revenue.



70%

THE UK IS to lose a massive chunk of its gas storage capacity after **Centrica (CNA)** said it would permanently close its Rough storage facility off the east coast of England.

Centrica previously said it wouldn't add any more gas until April 2018. It now says the facility cannot be operated safely due to ageing wells and isn't economic to refurbish.

The facility has been operating since 1985. It accounts for more than 70% of the UK's gas storage capacity, acting as a supply cushion during the peak winter months.

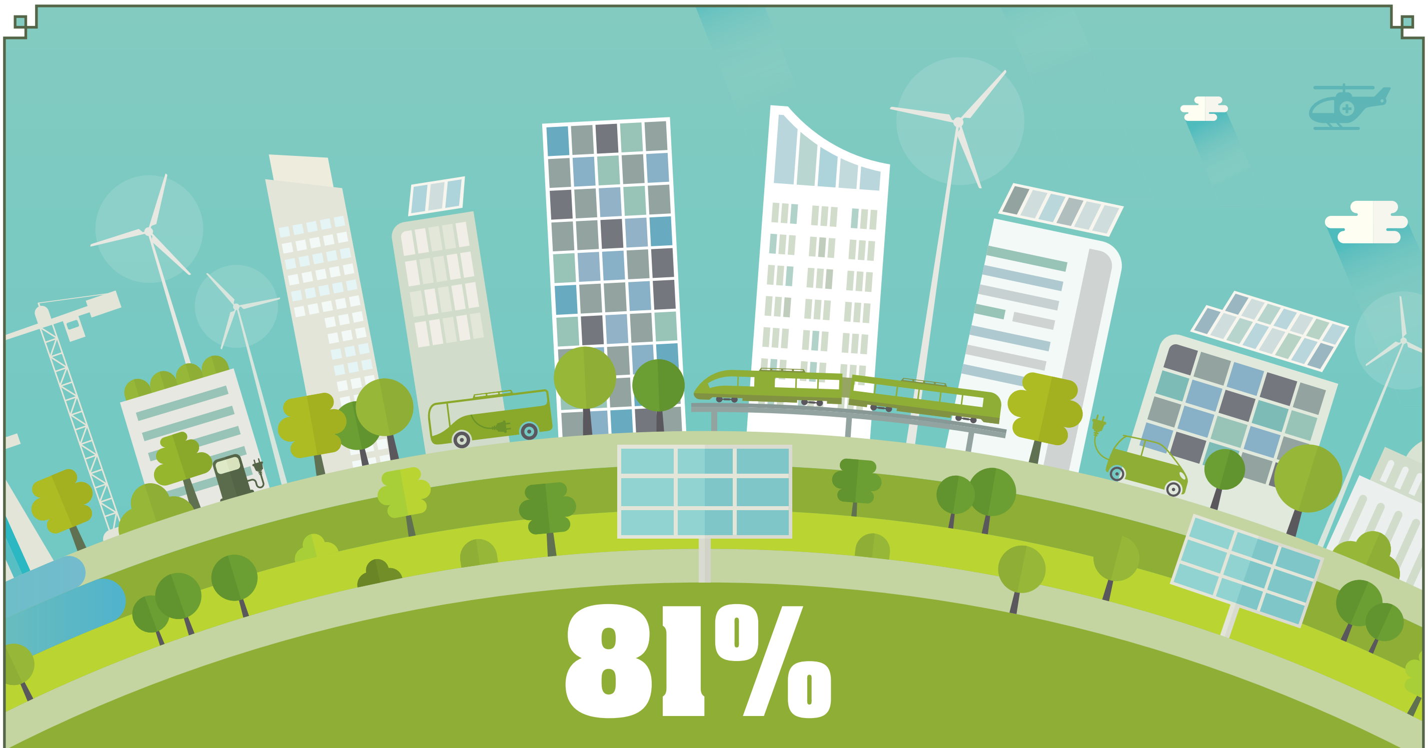
200,000

GIFT PACKAGING-to-creative play products manufacturer **IG Design's (IGR:AIM)** products are now sold in over 200,000 stores spanning more than 80 countries.

That illustrates the continued geographic and customer diversification of the business.

The cards, bags and Christmas cracker maker traded with 10,000+ customers and sold over 500m units in the year to 31 March 2017, which saw underlying pre-tax profit shoot up 51% to £16.3m. The business finished the year debt free.

Customers include Action, Amazon, CVS Pharmacy, Dollar General and a growing band of regional retailers in the US.



81%

SHARES IN ENERGY broker **Utilitywise (UTW:AIM)** have fallen by 81% in value to 69.25p over the past three years amid growing concerns about its accounting policies.

Those concerns proved correct at the end of June when the company revealed it would have to refund £7.6m worth of commission payments to an energy provider.

Utilitywise gets commission from utility companies for finding new customers; its fee is based on forecast energy consumption.

The small cap has historically booked revenue in its accounts for commission payments despite the cash often not actually arriving in its bank account for several years.

It now turns out that several clients for whom it secured new energy deals are consuming far less energy than expected – thus it has to give some cash back.

Utilitywise's largest shareholder at 28.9% is the Neil Woodford-run **CF Woodford Income Focus Fund (GB00BD9X6V34)**.

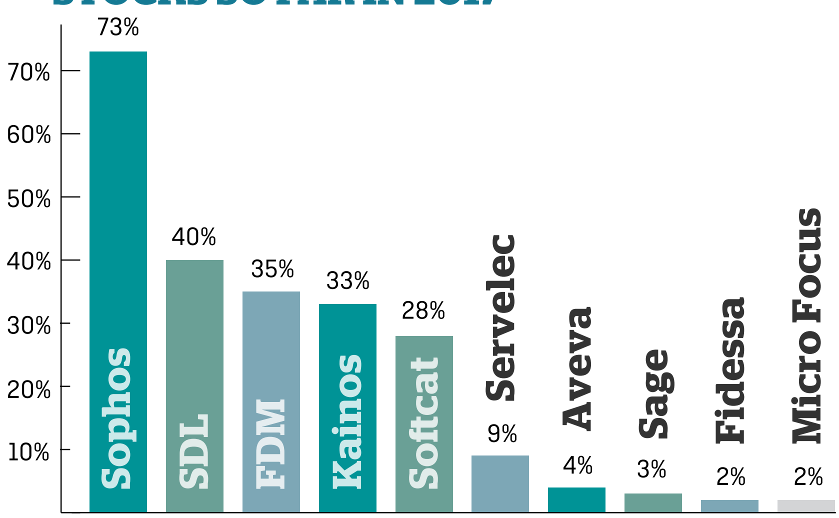
BEST PERFORMING TECH HARDWARE STOCKS SO FAR IN 2017*
(by share price gain)

1	Renishaw	43%
2	XP Power	40%
3	Oxford Instruments	39%
4	Dialight	32%
5	Halma	22%
6	Luceco	22%
7	Spirent	19%
8	TT Electronics	15%
9	Spectris	10%

Source: SharePad. Data to 3 July 2017

*FTSE All Share Electronic & Electrical Equipment + Technology Hardware & Equipment sectors

BEST PERFORMING TECH SOFTWARE STOCKS SO FAR IN 2017*



*FTSE All Share Software & Computer Services sector

Source: SharePad. Data to 3 July 2017

POURING CONCRETE AT THE BOTTOM OF THE URANIUM PRICE CYCLE

In 2006 we saw the most explosive bull market in a lifetime when the uranium price ran from US$8 to US$135 per pound. Even some of the worst performing uranium stocks went up 22 times.

10 years later, the uranium price is once again on the floor having been flattened by the Fukushima disaster in 2010, which lead to all of Japan's 57 reactors being turned off and Germany announcing it would shut down its nuclear fleet.

The uranium price has fallen so low that almost every mine in the world is struggling and no new ones are being built. The world's biggest producers, Cameco and Kazatomprom, are closing mines and reducing production.

Berkeley Energia **(BKY:AIM)** has commenced construction of the Salamanca mine and will come on stream as a top ten producer just as the competition for new uranium supply will be taking off between China and the USA.

THE ANSWER LIES IN THE FUTURE DEMAND

Whilst the uranium spot market may be over-supplied today, by the time Salamanca comes into production, European and US utilities will be returning to the market to recontract, and will be competing with demand from the Chinese, who have 25 reactors under construction and will be commissioning 6 new reactors a year for the next decade.

Since Fukushima electricity prices have gone through the roof and Japan has become one of the worst fossil fuel burners amongst the developed nations. As a result, restoring its nuclear fleet is now a priority and it will be restarting 5 reactors every year until 2022.

Although Germany may be closing down its nuclear fleet, it is importing nuclear generated electricity from France.

Around the world there are currently 65 reactors under Construction, which, together with renewables, will provide a zero carbon base load of clean energy.

No one ever made money investing at the top of the cycle and it's no surprise that Berkeley Energia is now owned by some of the UK's most well-known institutions and some of the world's most successful mining funds.

WORTH CONSIDERING FOR YOUR SHARE ISA

Contact us on info@berkeleyenergia.com or subscribe to our updates on our website www.berkeleyenergia.com

BERKELEY energia

XP Power has potential to beat earnings forecasts

Super income and capital growth commands investment respect

We believe **XP Power (XPP)** is an under-appreciated growth story. It has a super income track record with plenty of scope for capital returns.

The £464m power switching components supplier has paid out 444p per share in dividends over the past 10 years, including 2016's 71p payout, up from 66p in 2015.

Over that decade, the share price has soared from 411p at the start of 2007 to now trade at £24.11.

XP POWER BUY
(XPP) £24.11
Stop loss: £19.29

Market value: £464m

WHAT DOES IT DO?

XP has clawed its way up the value chain over the years by developing its own in-house intellectual property (IP). This is complex, science-based kit designed for when off-the-shelf solutions can't do the job.

Many power systems require custom output voltage combinations, unique control or status signals and specific mechanical packaging for optimal performance and systems integration.

This is where XP's engineering tries to stand out. The company has a stated aim to have the most comprehensive and up-to-date product range in its target markets, particularly in defence/aerospace, healthcare, rail and a few other custom power niches. XP estimates these add up to a combined £1.5bn target market.

It has developed a stringent five-step sales cycle process designed to leverage its engineering expertise into operating and financial performance.

IMPROVING MARKETS

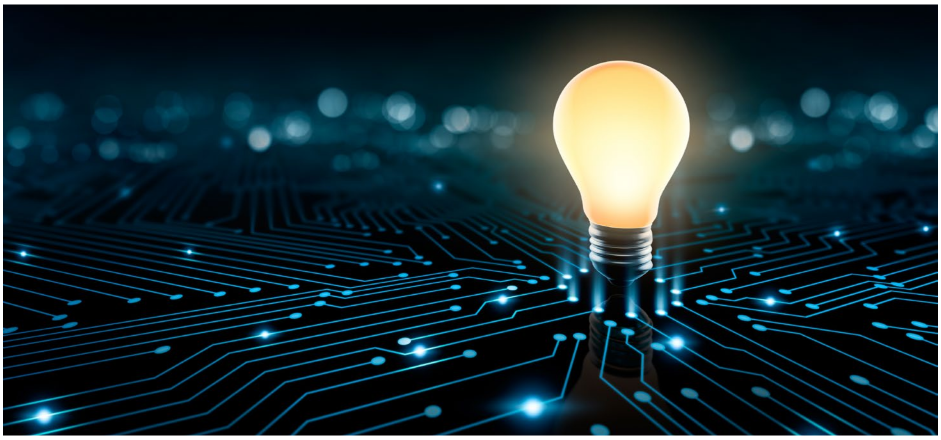
Pre-tax profit has progress from £20.2m in 2012 to £27.8m in 2016. If this looks a little pedestrian, consider that this has been achieved in a fairly plodding trading environment.

That looks to be changing. There have been accelerating trends in the last quarter of 2016 and first quarter of 2017. In particular, we note that XP said on 11 April that trading so far this year had been strong.

Recent director share sales worth £14.5m may have shaken some investors. However, those directors still own substantial stakes in the business, worth more than £43.5m between them.

Investment bank Investec forecasts mid-single digit growth in pre-tax profit this year to £30.4m and £32.1m in 2018. Yet its analysts admit they are being 'cautious.'

This implies scope to not just meet, but beat expectations, creating further positive market sentiment around the stock. (SF)



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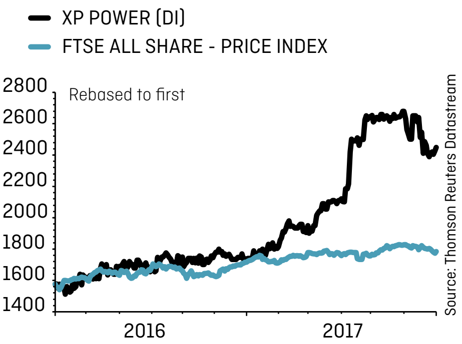


The healthcare firm poised to boot Royal Mail out of the FTSE 100

NMC Health is a strong contender to join the blue chip index in the near future

Relatively unknown £4.3bn cap **NMC Health (NMC)** could potentially knock postal service **Royal Mail (RMG)** out of the FTSE 100 at the next reshuffle in September.

NMC, which is the largest private healthcare provider in the United Arab Emirates (UAE), is now worth more than Royal Mail (£4.2bn).

Furthermore, it is only £240m away from being valued as one of the top 100 firms on the London market (which qualify for inclusion in a FTSE index).

At the current rate, we believe it is a strong contender to enter the FTSE 100 in the very near future.

NMC HEALTH BUY
(NMC) £21.03
Stop loss: £16.82p

Market value: £4.3bn

WHAT'S BEEN GOING ON?

NMC's shares have risen by 36% since the start of 2017, helped by publishing a strong set of full year results in March and favourable regulatory changes in April.

The latter refers to the Abu Dhabi government saying it would no longer charge individuals extra to use private healthcare, thereby making the system more appealing to the public.

NMC believes the change will help to drive its earnings before interest, tax, depreciation and amortisation (EBITDA) towards the top end of a $335m to $350m range in the year to 31 December 2017.

Deutsche Bank analyst Mark Hammoud expects NMC to beat these expectations, pencilling in $356m for EBITDA.

He highlights the firm's 'outstanding growth profile' and 'aggressive acquisition strategy' and anticipates that NMC will continue to outperform its regional peers such as **Mediclinic (MDC)**.

'Growth is still driven by a mix of organic expansion, improving profitability and M&A activity in the home care business,' says Hammoud.

MAKING STRATEGIC PLANS

NMC has already expanded into new territories including Oman and Saudi Arabia.

In August 2016, management announced plans to expand into Saudi Arabia through a new initiative that would more than double capacity in the long-term care market.

Across the group, NMC plans to increase bed capacity from 680 to 1,450 beds over the next three years.

The private healthcare company is also targeting specialist and higher margin services such as in-vitro fertilisation (IVF) and long-term care.

Investec analyst Cora McCallum is confident that NMC will continue to perform well. Estimated economic growth of 2.3% in the UAE this year, further roll-out of services and realising the benefits of recent hospital acquisitions are likely catalysts for the share price, as well as potentially getting a place in the lauded FTSE 100 index. (LMJ)

AGGREKO
(AGK) 910.5p

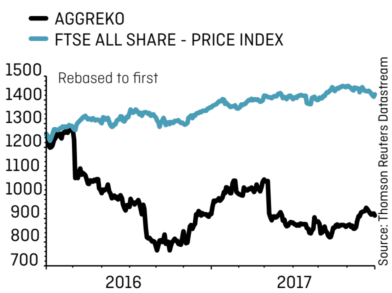
Loss to date: 7.8%
Original entry point:
Buy at 987p, 12 Jan 2017

GLASGOW-BASED temporary power solutions provider **Aggreko (AGK)** has started to make some interesting acquisitions, albeit relatively small compared to its £2.3bn market cap.

Last month it bought Indonesia-based power rental firm KBT, allowing Aggreko to cement its position with local utility firm PLN. KBT had 200MW of diesel and gas contracts with PLN which will add to the 140MW that Aggreko had already contracted with the provider.

The company has also spent £40m acquiring Younicos, a smart energy firm that uses battery storage.

Younicos is based in Germany and the US and made an operating loss of £15m last year. However, there is growing interest in energy storage, hence why we feel this acquisition is not simply a small bolt-on deal.



Aggreko expects the company to remain loss making in the short term and therefore dilute earnings.

Aggreko's chief executive Chris Weston says the acquisition 'will allow us to open up new markets and provide our customers around the world with a reliable, cheaper and cleaner source of energy.'

SHARES SAYS: ↗
We remain bullish on the investment case, despite a profit warning in March. (DS)

BROKER SAYS 3 9 5

FISHING REPUBLIC
(FISH:AIM) 44.5p

Gain to date: 14.1%
Original entry point:
Buy at 39p, 18 May 2017

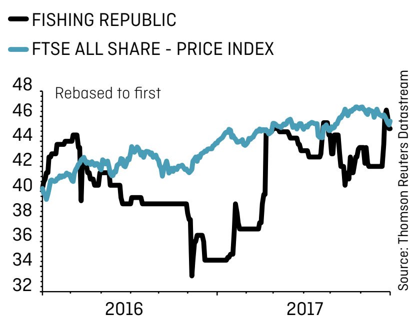
OUR BULLISH CALL on **Fishing Republic (FISH:AIM)** is 14.1% in the money and we believe it could go higher, particularly as it will soon have a rival business on the stock market.

That could help raise interest in the sector and encourage investors to take a deeper look at Fishing Republic and its growth potential.

Angling Direct is scheduled to join AIM on 13 July, valued at £27.4m. In comparison, Fishing Republic is valued at £16.8m.

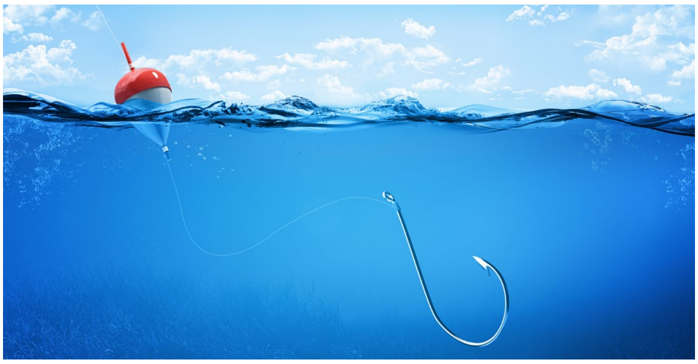
Angling Direct is the UK's largest specialist fishing tackle retailer, trading via 15 stores and its own website. It has raised £7.4m of new money to further its store roll-out and boost online sales.

Fishing Republic's full year results (24 Apr) showed 32% growth in profit before tax to £403,000 on sales up 41% to £5.8m, with higher margin own website sales growing fast.



SHARES SAYS: ↗
Given its debt free balance sheet, Fishing Republic is in a strong position to fund further growth. Northland Capital remains a buyer with a 53p price target, implying 19.1% upside. (JC)

BROKER SAYS: 1 0 0



CINEWORLD

(CINE) 700p

Gain to date: 10.8%

Original entry point:

Buy at 632p, 16 March 2017

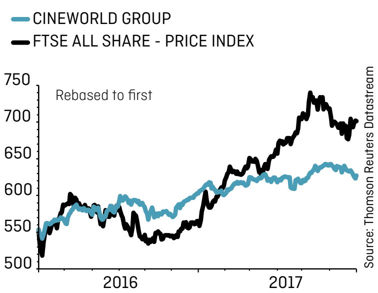
DON'T BE PUT OFF by poor cinema box office takings over May and June in the UK when **Cineworld (CINE)** next reports on trading. Our positive view on Cineworld's shares is based on its strong position in the UK market and considerable growth opportunities overseas. You shouldn't judge its fortunes simply off two months' trading.

Admission figures are likely to be poor for May and June, in our opinion. A lot of the big releases such as *The Mummy* and *Baywatch* haven't done particularly well at the box office. A prolonged spell of sunny weather won't have helped with admissions, either.

Wonder Woman is the only true big hit of the summer so far, although on a broader basis Cineworld will have benefited from strong takings from *Beauty and the Beast* and *Guardians of the Galaxy Vol 2* earlier in the year.

What's important is that all this information is arguably already in the public domain as box office figures are published weekly – hence why you've seen weakness in Cineworld's share price since May.

Investment bank Investec last month said Cineworld might have the capacity to pay a special dividend next year if it couldn't find any suitable acquisitions.



It has an 825p price target on the stock, implying 18% potential share price upside over the next 12 months.

SHARES SAYS:

We view Cineworld as a high quality business and an essential stock for a diversified portfolio. Keep buying. (DC).

The growing appeal of investing in logistics facilities

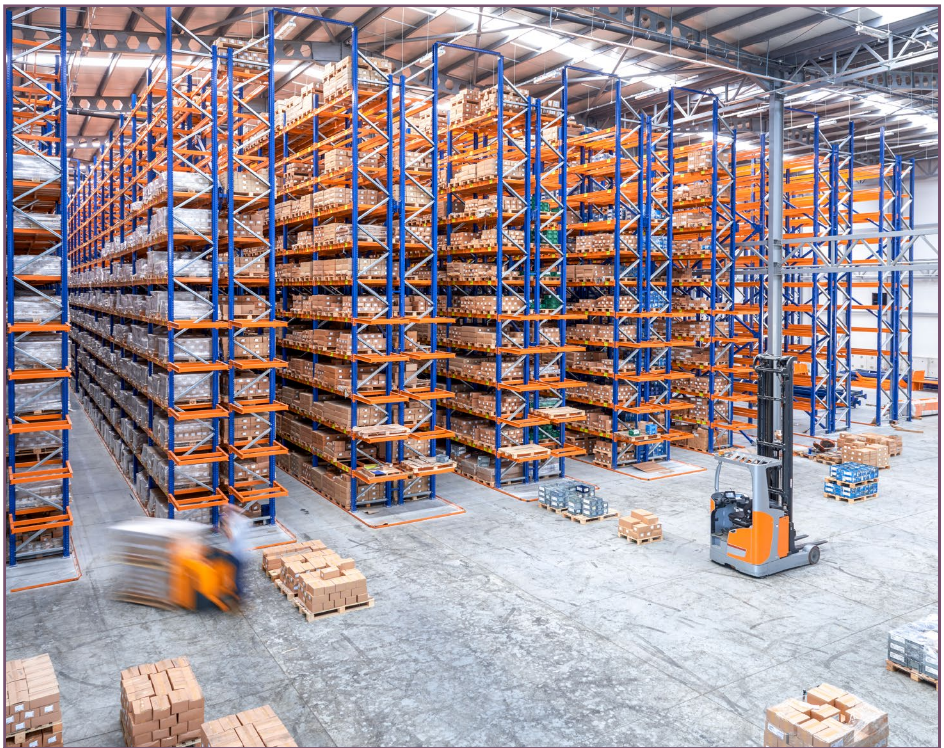
We look at three ways to profit from the infrastructure behind online shopping

'Logistics is the new retail,' claims Andrew Jones, chief executive of real estate investor **LondonMetric Property (LMP)**.

The significant growth in consumers shopping via the internet has led to the rise in specialist real estate, namely large warehouses that act as distribution centres for online orders.

That in turn has created a growing number of property companies, investment trusts and funds offering exposure to a vibrant industry.

We look at three London-listed products in this article, being LondonMetric, **Tritax Big Box REIT (BBOX)** and **Pacific Industrial Logistics REIT (PILR:AIM)**.



ATTRACTIVE DIVIDENDS

COMPANY/FUND	PROSPECTIVE DIVIDEND YIELD
Pacific Industrial Logistics REIT	6.3%
Tritax Big Box REIT	4.5%
LondonMetric Property	4.5%

Source: Shares, analyst forecasts

NEED FOR EFFICIENT DISTRIBUTION CENTRES

The amount spent online accounted for 15.9% of all retail spending in May 2017 against just 5.8% in May 2009, according to the Office for National Statistics.

As a result, retailers face challenges associated with orders being placed via smartphones, tablets and computers as well as physical stores.

The consumer can choose to pick up the online-ordered goods in store (known as Click and Collect) or have them sent in the post, which means retailers need to be good at moving goods around different locations.

Further complicating matters is increasing expectation by consumers that the retailer will offer an efficient returns systems, should they not want to keep the ordered goods.

All this means having plenty of warehouse space from which to sort and distribute products.

Warehouse assets tend to be leased, not owned by retailers. That's good news for investors who can put money into a range of funds or investment trusts which own the warehouses.

These assets are particularly appealing from an income perspective as tenants tend to strike long-term rental agreements which are often linked to inflation.

THE IMPORTANCE OF LAST MILE HUBS

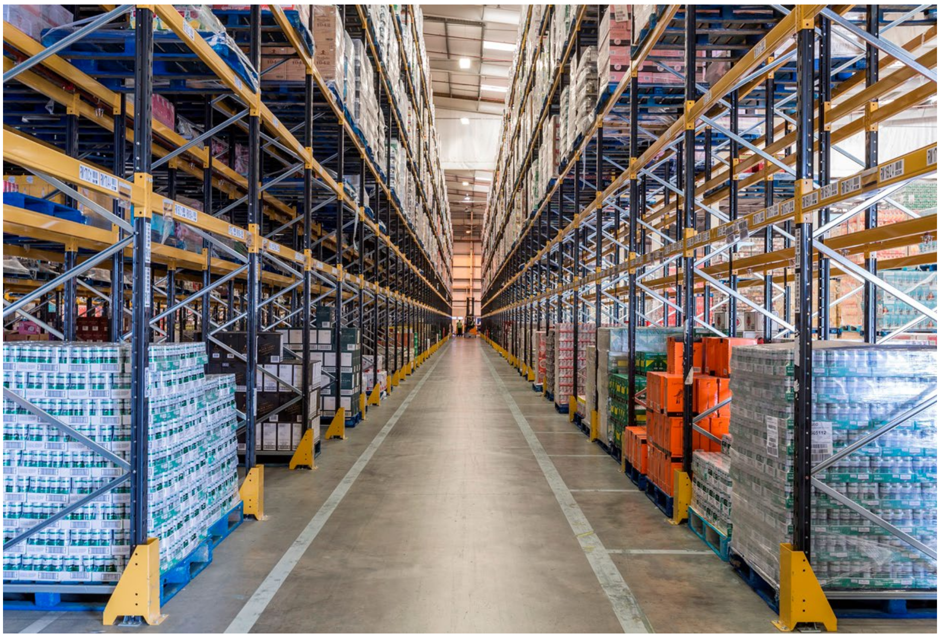
The growing complexity of online retail and the demand for ever-faster deliveries have led to the establishment of huge central facilities and so-called 'last mile' hubs which serve the last line of the supply chain. Locations tend to be close to road and rail infrastructure.

LondonMetric's Jones breaks down his company's interests in this burgeoning space into three categories: big box or mega distribution facilities which are upwards of 500,000 square feet; regional distribution units which are between 100,000 to 500,000 square feet; and last mile or urban logistics which tend to be 100,000 square feet and below.

Fellow real estate investment trust Tritax Big Box REIT specialises in investing in the very large big box logistics facilities in the UK.

Tritax launched in December 2013, raising £200m and promising a 6% yield and total returns of 9% a year. Its market value is now nearly £2bn. It has raised money on several occasions since joining the stock market including £350m in an oversubscribed placing at 136p in May 2017. This takes the total raised since it listed to £1.4bn.

Proceeds from the latest fundraise are expected to be used within six months to acquire further logistics centres to diversify its tenant base and geographical exposure.



"WAREHOUSE ASSETS TEND TO BE LEASED, NOT OWNED BY RETAILERS. THAT'S GOOD NEWS FOR INVESTORS WHO CAN PUT MONEY INTO A RANGE OF FUNDS OR INVESTMENT TRUSTS WHICH OWN THE WAREHOUSES."

RISING DEMAND, CONSTRAINED SUPPLY

Tritax focuses on big boxes because in its own words: 'Demand from tenants is strong because big boxes offer them significant economies of scale and cost savings not available from smaller, older buildings.' It also notes supply of this type of facility is constrained.

As of 31 December 2016 Tritax had 16.5m square foot of built logistics and a further 1.8m square foot under construction. At the last count it had 38 facilities on the books and tenants include **Tesco (TSCO)**, **Sainsbury's (SBRY)**, Argos, Amazon and **Dixons Carphone (DC.)**.

Its most recent acquisition (8 Jun) was the £92.3m purchase of a **WM Morrison Supermarkets (MRW)** and **Ocado (OCDO)** distribution facility near Birmingham. The deal offers a net initial yield of 5.25%.

At 147.4p and up nearly 50% on its IPO (initial public offering) price of 100p, the shares now yield 4.5% and trade at a premium to the net asset value (NAV) per share of 130.57p.

THE LESSER KNOWN INVESTMENT TRUST

At the other end of the spectrum is micro-cap **Pacific Industrial Logistics REIT (PILR:AIM)** which is focused on 'smaller single let industrial and logistics properties in key geographical locations'.

Its stock market flotation on April 2016 raised £12.2m at 100p and it raised a further £11.1m in November 2016.

The shares yield 6.3% based on the current share price of 122p and a forecast March 2018 dividend per share of 7.5p. They trade at a slight premium to a NAV per share of 118.26p.

Only one of its properties, The National Distribution Centre in Chesterfield occupied by *Butterkist* popcorn supplier Tangerine Confectionery, is larger than 100,000 square feet. To date the company has acquired 13 sites for a combined purchase price of £39.5m.

CHANGE IN FOCUS

LondonMetric Property, which has shifted its focus so that around two thirds of its portfolio is in logistics, provides broader exposure to the space than Tritax or Pacific.

It offers a yield of 4.5% and trades at more than a 15% premium to its NAV per share of 146.4p.

Around 45% of its logistics rental income derives from mega distribution assets, 32% from regional distribution assets and the remainder from urban logistics.

The plan is for logistics as a whole to make up 70% of the portfolio in the future. On 30 May, the company announced the acquisition of a 51,000 square foot warehouse near Gatwick in Crawley, a 90,000 square foot warehouse adjacent to Coventry Airport and a 120,000 square foot facility in Huyton on the M62/M57 intersection for a combined £23.9m.

LondonMetric revealed the sale of its last remaining office asset in Marlow for £68.5m on 27 June.

> **'TRITAX'S FULLY-LET PORTFOLIO CONTINUES TO EXHIBIT ZERO VACANCY, ALTHOUGH TESCO WILL VACATE 500,000 SQUARE FOOT IN THE 2017 FINANCIAL YEAR. TRITAX PURCHASED THIS ASSET IN ANTICIPATION OF TESCO VACATING THE BUILDING. THERE REMAINS THREE YEARS TO RUN ON THE LEASE AND THEY VIEW GOOD POTENTIAL TO REFURBISH AND RE-LET IT.'**
> **– LIBERUM, MARCH 2017**

GETTING MORE EXPENSIVE

Jones at LondonMetric says the logistics market is getting more expensive. 'When we were first looking in 2013 this sector was unloved and there was a lot less competition,' he explains.

In its financial year ending 31 March 2017, LondonMetric acquired its distribution investments at an average yield of 6.2%.

In the March 2014 year, its acquisitions in this area had an average yield of 7.2% and one of the assets, a **Travis Perkins (TPK)** distribution centre, had a net initial yield of 8.8%. (TS)

RETAILERS FEEL THE BREXIT PINCH

A variety of negative factors caused by last year's Brexit vote are starting to take a bite out of retailers.

Sterling weakness is driving up the cost of goods which means consumers have less money in their pocket after paying for essential items.

Some retailers now say they won't hit earnings forecasts and share prices are taking a tumble in many parts of the quoted retail sector. Adding to these pressures are higher labour costs and higher business rates.

Ultimately, we're at a major turning point for retail stocks from an investment perspective.

WHAT SHOULD INVESTORS DO?

Many retail stocks have rewarded investors handsomely for substantial parts of the last decade.

Given the change in market backdrop, should you now sell out or buy more at lower prices with a view that current market pains are only temporary?

Let's take a closer look at the evidence and attempt to spot the likely winners and losers in retail.

WHAT'S HAPPENED SO FAR?

DFS Furniture (DFS), **Next (NXT)**, **Debenhams (DEB)**, **Game Digital (GAME)** and **JD Sports Fashion (JD.)** are among the quoted retailers to have recently spooked investors with news of trading weakness or pressure on profit margins.

In contrast, **Dixons Carphone (DC.)**, **Ted Baker (TED)** and **SuperGroup (SGP)** are among the companies which have bucked the trend with decent trading updates.

Sitting in the 'good and bad' camp are **BooHoo.com (BOO:AIM)**, which has been enjoying strong revenue growth but gross margins are falling; and **N Brown (BWNG)** which is also driving up revenue, albeit having to close some loss-making stores.

DATA POINTS TO TROUBLE AHEAD

UK economic news flow may have defied the doomsday predictions of 'Project Fear' since the EU referendum, yet heading into the second half of calendar 2017, 'volatile' is the word that best characterises the UK retail environment.

The latest Office for National Statistics (ONS) inflation reading of 2.9%, a four-year high, shows the household squeeze is intensifying.

Britons in the first three months of 2017 saved a smaller proportion of their income than at any time since records began in 1963, according to ONS.

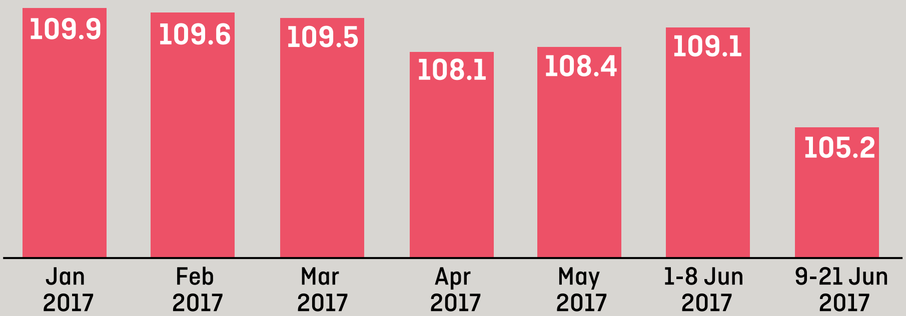
The volume of retail sales fell 1.2% month-on-month in May, according to the latest ONS data (15 Jun), following strong growth seen in April.

'There's no getting away from the fact that life is getting tougher, with retailers clearly cautious over the near-term outlook,' says Anna Leach, CBI's head of economic intelligence.

Pollster YouGov has reported a steep fall in consumer confidence following the indecisive result of the general election.

> "THERE'S NO GETTING AWAY FROM THE FACT THAT LIFE IS GETTING TOUGHER, WITH RETAILERS CLEARLY CAUTIOUS OVER THE NEAR-TERM OUTLOOK"

CONSUMER CONFIDENCE HAS RECENTLY FALLEN SHARPLY



Source: YouGov/Cebt Household Economic Activity Tracker data, June 2017

Consumer spending has fallen on an annual basis for the first time in almost four years, as higher prices tighten their squeeze on British households, according to a report by Visa.

Adjusting for inflation, real consumer spending by British consumers on Visa debit, credit and prepaid cards in May 2017 was 0.8% lower than in the same month last year. Visa said that seasonally adjusted spending was 1.8% lower in May compared to April.

The data are based on a survey of money spent on Visa debit, credit or prepayment cards in Britain, which are used in almost 10bn transactions every year.

BEST PERFORMING RETAIL STOCKS IN JUNE 2017

Name	EPIC	Latest share price*	Share price % change year to date	Share price % gain in June 2017
Koovs	KOOV	42.5p	-5.0	25.0
N Brown	BWNG	309.75p	39.2	10.0
Boohoo.com	BOO	233.25p	73.1	10.0
Joules	JOUL	298p	35.5	8.4
MySale	MYSL	116p	5.0	7.9
Jimmy Choo	CHOO	208.875p	49.2	4.3
Pets at Home	PETS	163.1p	-31.8	1.2
French Connection	FCCN	37.75p	9.0	1.0

Source: SharePad. *Prices taken 30 June 2017

WORST PERFORMING RETAIL STOCKS IN JUNE 2017

Name	EPIC	Latest share price*	Share price % change year to date	Share price % gain in June 2017
GAME Digital	GMD	22p	-62.7	-49.4
DFS Furniture	DFS	205.25p	-9.6	-25.2
JD Sports Fashion	JD.	348.1p	9.5	-23.2
AO World	AO.	116p	-36.1	-18.3
Debenhams	DEB	43.125p	-24.7	-15.2
Majestic Wine	WINE	324.25p	2.9	-14.7
Dixons Carphone	DC.	283.7p	-20.0	-13.4
Marks & Spencer	MKS	336.85p	-3.8	-12.9
Card Factory	CARD	297.65p	17.6	-12.0
Carpetright	CPR	189p	25.2	-10.0
Moss Bros	MOSB	101.625p	2.7	-11.6
SCS	SCS	154.125p	-10.1	-11.0
Next	NXT	£39.08	-21.6	-10.8
Laura Ashley	ALY	11.5p	-42.5	-10.7
ASOS	ASC	£57.51	15.8	-9.7
Halfords	HFD	342.2p	-6.4	-8.3
Shoe Zone	SHOE	171.5p	-2.3	-8.3
B&M European Value	BME	338.35p	21.7	-8.1
Topps Tiles	TPT	82.875p	-5.3	-7.9
Kingfisher	KGF	302.65p	-13.6	-6.6

Source: SharePad. *Prices taken 30 June 2017

CLUES IN THE PROPERTY SECTOR

Investors should look at the property sector for further evidence of pain among retailers.

Significantly, the number of empty stores is rising as retailers focus on prime sites. And it seems demand for non-prime sites is weakening, as reflected by a negative shift in rental pricing.

Property group Colliers' latest report on the state of the retail sector found the number of shops with falling rent more than doubled from 5% to 12% in the year to 30 April 2017.

'The latest jump to 12% echoes the accelerating amount of stubbornly vacant property and suggests we are seeing another step change in the market,' says Dan Simms, head of retail agency (south) at Colliers.

The report also found the proportion of all shops that have been empty for more than two years had risen from 3% to 3.6%. Colliers implies these locations might never be used as retail outlets again.

Alternative occupiers could be hard to find – interestingly, Colliers said that only about one third of BHS stores outside London had found a new tenant in the 15 months since 160+ large BHS sites were put on the market.

Meanwhile, warehouses used by retailers to ship online orders now pay higher rental yields 'than all but the best trophy retail assets', according to the report.

CHANGING MARKET DYNAMICS

Investment bank Berenberg says retail stores are closing as some adapt to the shift to online sales; and others are forced out of the market.

'Combined with increased product and price

> “WE BELIEVE THE OUTLOOK FOR OVER-SPACED UK RETAILERS REMAINS NEGATIVE, WHILE RETAILERS WITH LOW FIXED COSTS AND FEWER STORES THAT OFFER A BETTER AND A STRONG ONLINE PROPOSITION, WILL CONTINUE TO BE THE WINNERS IN THE SPACE”

transparency, incremental cost of delivery and returns, technology and marketing, we believe the outlook for over-spaced UK retailers remains negative, while retailers with low fixed costs and fewer stores that offer a better, differentiated experience, together with a strong online proposition, will continue to be the winners in the space,' says Berenberg.

BIG TICKET FIRST TO BE HIT

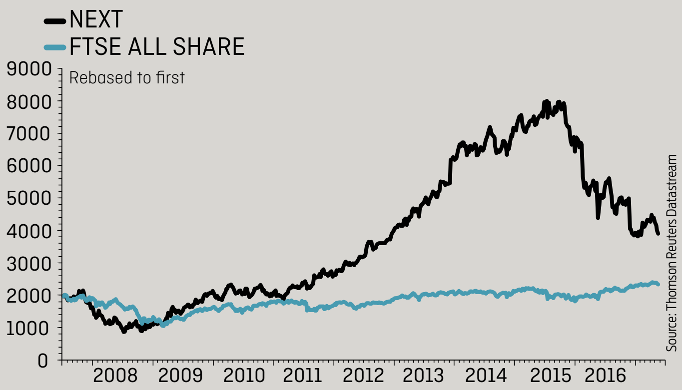
Political uncertainty is undeniably hurting non-food retailers, notably those that sell big ticket items. If you're feeling the pinch from rising inflation, cutting back on expensive purchases like a

sofa would be the first thing you'd do to manage your finances.

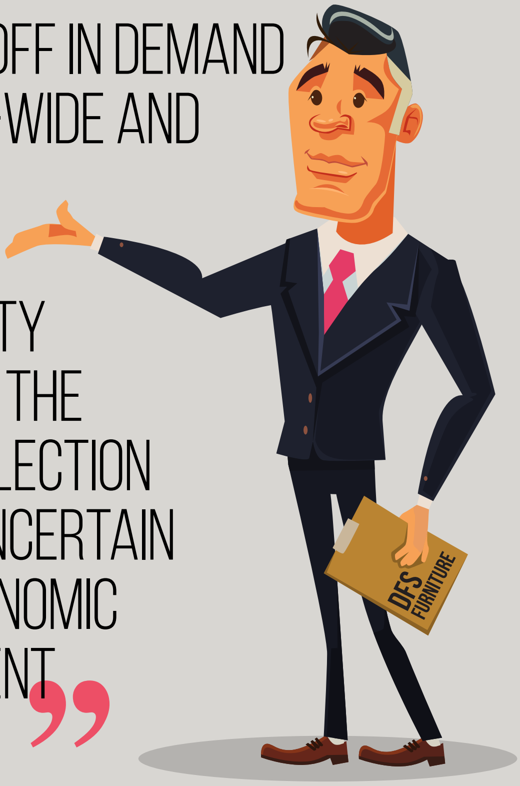
Indeed, we weren't surprised by DFS Furniture's profit warning on 15 June given the current landscape.

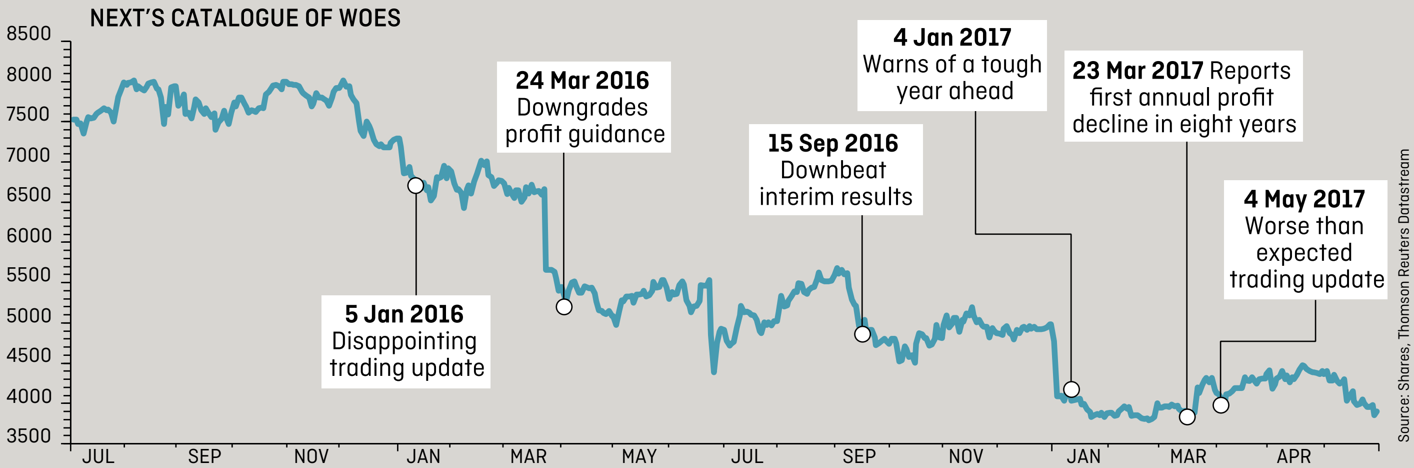
The Doncaster-headquartered firm warned recent trading had 'weakened beyond our expectation' since it previously updated the market on 30 March.

Chief executive Ian Filby believes the drop-off in demand is market-wide rather than DFS-specific and 'linked to customer uncertainty regarding the general election and the uncertain macroeconomic environment'.



"THE DROP-OFF IN DEMAND IS MARKET-WIDE AND 'LINKED TO CUSTOMER UNCERTAINTY REGARDING THE GENERAL ELECTION AND THE UNCERTAIN MACROECONOMIC ENVIRONMENT"





A SHIFT IN SPENDING HABITS

Apparel and footwear retailers are now also starting to feel the pain with UK shoppers choosing to prioritise spending on leisure and entertainment rather than clothing.

Bearing the brunt of the high street's challenges among the traditional apparel players is one-time retail sector darling Next.

Shares in the Leicester-headquartered clothing-to-homewares giant languish at £39.80, half the level at which they traded two years ago.

The latest round of earnings downgrades followed news (4 May) of a worse-than-expected 8.1% slump in first quarter retail sales.

Chief executive Simon Wolfson spooked investors with the revelation that even the downbeat outlook issued in March, when Next reported a first profit decline in eight years, had been overly optimistic.

'The UK consumer environment remains challenging, particularly in the clothing and homeware markets, and real wage growth is now close to zero,' lamented Wolfson.

Shore Capital analyst George Mensah recently downgraded his pre-tax profit and earnings per share estimates for the current year from £716.7m to £705.9m and from 413.1p to 382.5p respectively.

That means Next's shares are trading on a budget price-to-earnings ratio of 10.4 – a rare chance to buy a top-notch company on a low rating.

> "THE UK CONSUMER ENVIRONMENT REMAINS CHALLENGING, PARTICULARLY IN THE CLOTHING AND HOMEWARE MARKETS, AND REAL WAGE GROWTH IS NOW CLOSE TO ZERO"

Next has a best-in-class management team led by retail grandee Wolfson, possibly the ideal executive to navigate Next through the current choppy waters. Cash flow remains strong and Next has impeccable capital returns pedigree.

Cheap rating, run by a retail expert, a highly cash generative business... surely Next is a takeover target at these levels? It would certainly be a target if the shares experience another downwards leg, in our opinion.

Mensah believes there is more downside

NEXT'S SHARE PRICE IS DOWN 50% IN THE PAST 2 YEARS

than upside risk to full year revenue and profit expectations given the current state of trading and has reiterated his 'sell' rating on the shares.

We're big fans of the company and believe the market has already priced in a weak trading environment. Buy now, but only if you can stomach share price volatility as we wouldn't rule out further gloomy trading updates near-term.

EXPERIENCES VERSUS MATERIAL GOODS

Another issue to consider is the concept of 'peak stuff'. More and more people, particularly millennials, are buying fewer material goods as they have no storage space or money to fund lots of purchases, preferring to save their cash to spend on experiences instead.

'Peak stuff' has negative implications for cash-generative homewares retailer **Dunelm (DNLM)**, whose shares are currently in the doldrums too.

As an aside, the likes of Next, Dunelm and over-spaced babywear purveyor **Mothercare (MTC)**, not forgetting Primark (owned by **Associated British Foods (ABF)**), would all welcome a rebound in the value of sterling, which would ease sourcing costs and enable them to maintain keen prices.

JD SPORTS SHARES DOWN 12% IN 2 DAYS

STRUGGLING FOR A LONG TIME

Marks & Spencer (MKS) continues to find life hard on the clothing side, although that might be self-inflicted due to its unimaginative choice of stock.

Halfords' (HFD) chief executive Jill McDonald has been hired to revive Marks & Spencer's fashion and homeware arm and she clearly has her work cut out when she starts the new job later this year.

Perennially struggling department store Debenhams warned (27 Jun) full year profit before tax could be towards the lower end of the forecast range 'should current market volatility continue'.

Elsewhere on the UK high street, subdued first half results and a downbeat outlook statement (7 Jun) from cut-price shoes, boots and handbags seller **Shoe Zone (SHOE:AIM)** prompted analysts to downgrade their earnings forecasts for the company.

The good news is the cash-generative business continues to haggle down its rent bill, expand its larger store format and grow online sales at pace.

Many investors have made lots of money owning shares in JD Sports Fashion over the past few years. The company has been on a long winning streak of like-for-like sales growth and earnings upgrades, riding a boom in athletic inspired footwear and clothing.

Sadly that makes it vulnerable to large share price declines upon the slightest bit of disappointing news. We saw that exact situation last week when it flagged margin pressure, causing the shares to fall circa 12% over two days.

WHICH RETAILERS ARE STILL TRADING WELL?

Bucking the gloomy trend is a merry band of fashion and lifestyle brands with growing traction internationally.

They include the likes of quirky global lifestyle brand Ted Baker, whose retail sales rose an impressive 14.3% in the 19 weeks to 10 June.

Superdry brand owner SuperGroup's retail, wholesale and e-commerce channels are all in growth.

Joules (JOUL:AIM), the premium British lifestyle brand whose wares span clothing, bedding and wellington boots, said on 6 June that its full year pre-tax profit for the year to 28 May 2017 would be 'comfortably ahead' of previous expectations.

BRAVE TIME TO HOLD A RETAIL IPO

We're intrigued by womenswear retailer **Quiz's** decision to join the stock market at a time when retail stocks are losing favour. It plans to list on AIM in July and has appointed seasoned retailer Peter Cowgill as chairman, best known for his leadership of JD Sports Fashion.

Online and international are the fastest-growing channels for Quiz, whose standalone stores and concessions are helping to drive sales and market the Quiz brand.

> "IF YOU'RE WORRIED ABOUT THE STATE OF THE UK RETAIL SECTOR, LOOK FOR COMPANIES WHICH BENEFIT FROM HAVING INTERNATIONAL OPERATIONS"

The one area that really looks interesting from an investment perspective is Quiz's claim to have one of the fastest supply chains in the UK fashion industry.

It has a test and repeat model, similar to the one used by BooHoo with great success.

One of the biggest problems for retailers is having the appropriate stock for the latest weather and fashion trends – which means planning far in advance to get the items made and in the shops.

If trends change quickly (or the weather isn't as predicted) then retailers can be left holding unwanted stock which they must then flog at discounted prices to make way for new items,

Quiz is about to join the stock market

WHAT DO THE ANALYSTS LIKE AND HATE?

NUMIS SECURITIES PREFERS 'proven growth plays' – principally beneficiaries of the online category shift, and those rolling out profitable space growth of 5% or more.

It is increasingly wary of mature retailers.

Numis likes ASOS, **B&M European Value Retail (BME)** and **AO World (AO.)**.

The broker dislikes *B&Q*-owner **Kingfisher (KGF)**, Marks & Spencer, Halfords and **WH Smith (SMWH)**.

hurting profit margins.

A test and repeat model avoids this situation as it involves a very short manufacturing run in order to see if customers like new products. The retailer will only make a larger order if the first lot sold well. In essence, it avoids having unwanted stock.

TAKE COMFORT IN COMPANIES WITH OVERSEAS EXPOSURE

If you're worried about the state of the UK retail sector, look for companies which benefit from having international operations. For example, fashion and beauty behemoth **ASOS (ASC:AIM)** generates nearly two thirds of its sales outside the UK.

Boohoo.com's meteoric rise reflects similar trends, its upgrade cycle continuing to spin with stellar growth being delivered at home and overseas, including in the notoriously tough-to-crack US market.

One of Dixons' shops in Greece

Also hitting the right notes is online musical instruments retailer **Gear4music (G4M:AIM)** thanks to international markets driving group sales.

WHO ELSE IS WORTH A LOOK?

We think plus-size fashion purveyor N Brown is a good investment, despite news it is closing some loss-making stores.

N Brown is predominantly an online retailer with healthy prospects in the plus-size and over-50s female fashion niches. Its transformation plan under chief executive Angela Spindler is evidently working and overseas prospects are rosy too.

N Brown's first quarter update (20 Jun) highlighted a fifth consecutive quarterly improvement in performance. It delivered forecast-busting 10.2% growth in product revenue over the 13 weeks to 3 June.

WHAT ABOUT DIXONS?

We like Dixons Carphone's market leadership position and highlighted the deep value attractions of the specialist electrical-to-telecommunications retailer in May.

Chief executive Seb James argues the business is 'well positioned to flourish in the years ahead', having improved its cost base, invested in its digital business and with a stronger recurring revenue base than in the last downturn.

It is also worth noting Dixons Carphone is an international play, benefiting as sales in the Nordics, Greece and Spain are translated back into weaker sterling.

Dixons Carphone's Connected World services arm, which includes tablet-based sales platform Honeybee, is also on a growth tear. (JC)

Funds that pay dividends every month

We reveal a selection of bond, equity, property and multi-asset funds that provide a regular income to investors

There are approximately 450 open-ended funds that pay dividends monthly. The majority invest in short-term money market instruments or different types of bonds, but there are also plenty of multi-asset mandates, as well as property and equity funds.

Given the wide degree of choice, it is perfectly feasible to put together a diversified portfolio in which all of the constituents pay a monthly dividend. This can be tailored to suit your income and risk preferences.

BOND FUNDS

Monthly income funds are available in most of the different bond sectors. These types of securities are ideal for this sort of mandate as the timing and level of the income accruing in the fund is much more predictable than for other asset classes.

The level of yield gives a good idea of the risk. For example, at the upper end of the spectrum there are funds like **JPM Global High Yield Bond (GB00B235R159)** which yields 6.01%, while at the other end there are products like **Fidelity MoneyBuilder Income (GB00B3Z9PT62)**, a UK corporate bond fund paying 3.39%.

Darius McDermott, managing director of Chelsea Financial Services, recommends **Invesco Perpetual Monthly Income Plus (GB00BJ04K265)** which is yielding 5.43%. It is unusual for a bond fund in that it can invest up to 20% in UK equities to enhance the income and capital returns.

'Invesco is widely considered to be one of the UK's elite bond houses and this fund is their flagship fixed income product. It has a flexible mandate and is designed to offer investors broad exposure to the UK fixed income market and provide a high level of income,' says McDermott.

Patrick Connolly, a certified financial planner at Chase de Vere Independent Financial Advisers, prefers **Fidelity Extra Income (GB0005314926)**. He claims the fund is managed by a strong fixed interest team led by a very experienced manager in Ian Spreadbury.

'It typically invests 60% in investment grade bonds and 40% in high yield bonds, has an

SMOOTH OR LUMPY: IT MATTERS!

It's important to check if the income paid out of the fund is smoothed or lumpy, particularly if you want to rely on the monthly income to pay household bills. Some funds don't pay exactly the same amount of money each month – hence the term 'lumpy'. A smoothed payment involves the fund manager trying to pay out the income in equal monthly instalments. That tends to involve holding some income back in case there is a bad month, which can subsequently see a bigger payment towards the end of the year if there is excess cash to be handed back.

A SELECTION OF OPEN-ENDED MONTHLY INCOME FUNDS

Name	1 year total return	3 year annualised total return	5 year annualised total return	Dividend Yield*
Fidelity Enhanced Income	12.78%	n/a	n/a	6.46%
JPM Global High Yield Bond	25.86%	13.17%	10.00%	6.01%
Invesco Perpetual Monthly Income Plus	8.93%	4.20%	7.98%	5.43%
Premier Multi Asset Monthly Income	12.52%	7.32%	10.91%	4.48%
Threadneedle UK Monthly Income	14.16%	7.70%	13.01%	4.07%
Artemis Monthly Distribution	21.25%	10.73%	13.84%	3.90%
Fidelity Extra Income	9.95%	5.68%	7.42%	3.20%
Fidelity MoneyBuilder income	8.89%	6.49%	6.64%	2.97%
Fidelity Global Dividend	26.31%	n/a	n/a	2.87%

*12 Month Historic Yield. Source: *MorningStar*.

excellent long-term record and pays a competitive yield, which is currently 3.2%,' says Connolly.

MULTI-ASSET FUNDS

A multi-asset fund might interest someone who prefers a more diversified option with a greater emphasis on long-term capital growth. These normally pay a lower starting level of income than a bond fund, but aim to increase the distributions over time.

Connolly suggests **Artemis Monthly Distribution (GB00B6TK3R06)**, yielding 3.9%. This invests in both bonds and equities from the UK and around the world.

'It combines the talents of two highly rated managers; Jacob de Tusch-Lec, who runs the equity part which is usually 40% of the fund, and James Foster who looks after the fixed interest. They combined forces five years ago and the performance since then has been very impressive.'

McDermott recommends **Premier Multi Asset Monthly Income (GB00B7GGPC79)**; a fund-of-funds which he says is designed to produce a high sustainable income and strong absolute and relative growth through robust risk management.

'It aims to provide equity-like returns with less volatility through a multi-asset structure and is yielding 4.48%.'

Simon Evan-Cook, multi-asset manager at Premier Asset Management, says the monthly income requirement means his team have a preference for underlying funds that pay out more frequently than once a year so they receive a fairly smooth flow of distributions. Above all, it's the quality of the fund that is paramount.

'There are two major ways that we guard against the risk of being unable to maintain our dividend. The first is an in-depth analysis of the fund we're buying, and the second is to diversify across plenty of funds, markets and asset classes.'

OTHER ASSET CLASSES

There are various other monthly income funds that provide exposure to areas such as UK or overseas equities and commercial property. A good example is **Threadneedle UK Monthly Income (HN0001529568),** a UK equity income fund yielding 4.07%.

An even greater level of income can be found with **Fidelity Enhanced Income (GB00B7FB6W02)**, yielding 6.46%. The fund invests in UK dividend-paying shares and uses covered call options to enhance the yield.

A more conservative option is **Fidelity Global Dividend (GB00B7FQHK03)** that is available as a monthly income share class and is yielding 2.87%.

McDermott describes it as a core global income fund with a value bias that aims to pay a regular and growing income while preserving capital.

Caroline Pearce, investment director at Fidelity International, says the fund manager demands certain characteristics from each of the companies in which he

> **'IF YOU ARE LOOKING FOR MONTHLY INCOME, YOU MIGHT PREFER TO GO FOR A FUND THAT DEDUCTS THE CHARGES FROM CAPITAL INSTEAD OF INCOME SO AS TO MAXIMISE THE DISTRIBUTIONS'**

invests. These include: a strong balance sheet; a predictable, resilient return profile; strong cash conversion and transparent financial statements.

'All of these attributes help to identify those companies that can support a sustainable dividend yield and also provide the potential for dividend growth in the future.'

INCOME CONSIDERATIONS

Open-ended funds have to pay out all of the income that accrues in the fund over their accounting year (the accumulation units allow you to roll it up in the fund). You need to invest in the monthly income units to receive it in the form of monthly cash payments.

McDermott says it's important to check if the income paid out of the fund is smoothed or lumpy. 'This may or may not matter, depending on your circumstances, but if you are using the monthly income to pay bills for example, a smoothed payment is likely to be more attractive.'

He also suggests looking to see where the fund charges are paid from. If you are looking for monthly income, you might prefer to go for a fund that deducts the charges from capital instead of income so as to maximise the distributions.

Open-ended funds are only allowed to distribute income once it has been earned and it can then be carried forward from month to month, but not beyond the fiscal year end.

'In light of this, our policy is to pay out slightly more "modest" payments for most of the monthly payments, then sweep up any extras for the interim and final payments,' explains Evan-Cook at Premier Asset Management.

INVESTMENT TRUSTS

UK domiciled investment trusts have more flexibility as they can transfer up to 15% of their annual income to their revenue reserves, a bit like a rainy day pot of money.

They can then use this money to smooth future dividends so that investors should be able to enjoy a consistent or rising level of annual income, even in tough market conditions.

We've identified five investment trusts that pay a monthly income. **F&C Commercial Property Trust (FCPT)** and **Ediston Property (EPIC)** both invest in commercial property and are yielding 4.1% and 5% respectively with equal monthly distributions.

The other three are all high yielding asset-backed debt funds. **Fair Oaks Income (FAIR)**, **TwentyFour Select Monthly Income (SMIF)**, and **SQN Asset Finance Income (SQN)** are yielding 12.7%, 7%, and 6.8% respectively.

To earn these high yields entails a fair degree of risk. That was recently evidenced by a 10% fall in the share price of SQN when it announced that a solar cell company to whom it had provided finance had entered Chapter 11 bankruptcy protection. (NS)

What to do if you inherit a stocks and shares ISA

The assets might not necessarily be appropriate for your individual risk profile

Inheriting a stocks and shares ISA could make your financial situation a lot more secure. But there's a high chance the assets you inherit will be unsuitable for your own individual circumstances.

If you've never owned shares but your dearly departed was a keen and experienced trader with an appetite for high risk businesses, it's possible the portfolio will be too risky for you.

In contrast, if you've inherited lots of cautious, income-producing funds but you're young and have a high risk tolerance, the portfolio won't necessarily provide the long-term growth you need.

Ensuring the assets are right for you is incredibly important.

WHAT AM I INHERITING?

An ISA is simply a tax wrapper. It's the investments that are held inside the ISA which are important.

A stocks and shares ISA can contain a wide range of investments, including shares, funds, corporate bonds and investment trusts, all of which will have varying degrees of risk.

If you inherit these assets, you should carefully assess each of the holdings to ensure they're appropriate for you.

'What was right for your partner, or for you both when they were bought, may not be right now,' says Charles Calkin, a financial planner at James Hambro & Co.

Reviewing the assets is especially important if the deceased was responsible for making the investment decisions.

Carl Lamb, managing director at Almary Green Investments, says you need to determine your attitude to risk, capacity for loss and financial goals.

Your attitude to risk is your subjective view of investment risk. Your capacity for loss is how much money you could afford to lose.

'Your investment choices should also depend on your objectives and timescales. Any short-term objectives (within five years) are best saved in cash.

'With longer-term objectives (five or more years) investing provides the potential to provide returns in excess of inflation, but also carries the risk of losing money,' says Lamb.

I'VE INHERITED SHARES BUT I'M A NOVICE

If you've inherited lots of shares but you've never traded before it can be pretty daunting. A portfolio consisting entirely of shares is likely to sit near the top of the risk spectrum. Shares provide the opportunity for higher growth over the long term, but they also carry the risk of larger losses.

'Some companies have long, positive histories and their shareholders have been rewarded for their loyalty, but there are also many that have folded, so it pays to monitor the strength of the firm,' says Calkin. 'I'd be particularly wary if someone had a lot of money in one particular company's shares.'

Ryan Hughes, head of fund selection at AJ Bell Youinvest, says you effectively have three choices if you inherit individual stocks: brush up on your knowledge and manage the shares yourself; change the holdings into something you're comfortable with; or appoint an expert to look after the shares for you.

'Ultimately, if holding direct equities is outside of your risk tolerance, then these should be changed into something you are more comfortable with,' he adds. Equities is another word for stocks and shares.

> YOUR ATTITUDE TO RISK IS YOUR SUBJECTIVE VIEW OF INVESTMENT RISK. YOUR CAPACITY FOR LOSS IS HOW MUCH MONEY YOU COULD AFFORD TO LOSE.

THE ASSETS ARE TOO CAUTIOUS

If the deceased was old and retired, it's likely their portfolio consisted of cautious, income-producing assets.

If you're young you can afford to take on more risk because you have a long enough investment time horizon to ride out stock market volatility.

Growth assets are more likely to be suitable for someone who

THE ISA INHERITANCE RULES

You can inherit the assets in an ISA if they're left to you in the deceased's will. There are different rules depending on whether the deceased was your spouse or not.

I'M THEIR SPOUSE

Since April 2015, a surviving spouse or civil partner can inherit the value of the deceased's ISA investments without losing the tax benefits.

The surviving partner is entitled to an Additional Permitted Subscription (APS). This is a one-off additional ISA subscription on top of your normal annual ISA allowance. The APS is equivalent to the value of the deceased's ISA(s) at the date of their death.

These rules don't entitle the surviving spouse to the underlying assets – you'll only get the assets if they were left to you in the will. Either way, you can still claim the additional ISA subscription.

I'M NOT THEIR SPOUSE

If you're the child of the deceased, or any other person named in the will, the ISA wrapper will fall away and any income will be subject to normal tax rules.

If you sell the assets, they'll be subject to capital gains tax from the valuation at the date of death.

This means the sooner you can move the assets into your own ISA, the better.

is still working, whereas a retiree might need dividend-paying assets.

Hughes says there's no point holding assets that are outside your investment strategy because they could unbalance your overall portfolio.

'If it means that changes need to be made, these should be taken sooner rather than later. However, it is always important to research the investments carefully and ensure that you are making a considered judgement,' explains Hughes.

HOW DO I MINIMISE TRANSACTION COSTS?

Transaction costs are an important consideration when changing investments because they can eat into your overall returns.

Moving your assets to an online platform will make it easier to trade, monitor the performance of your portfolio and help to reduce costs.

If you're able to retain the ISA wrapper you can make changes free of capital gains tax.

Platforms charge for buying and selling investments. For shares it's usually around £10 per trade whereas for funds it's around £1.50 or in some instances free.

Hughes says transaction costs shouldn't prevent you from changing your investments.

'If the investments are not appropriate for you, this is a bigger issue than trying to save a few pounds in transaction costs,' he adds. (EP)

> "DON'T DECIDE TO KEEP ASSETS SIMPLY TO AVOID DEALING COSTS IF YOU SOLD. IT IS MUCH MORE IMPORTANT TO HAVE INVESTMENTS APPROPRIATE TO YOUR RISK PROFILE THAN TRY TO SAVE A BIT OF MONEY ON FEES."

AN EXAMPLE OF AN INHERITED INVESTMENT ISA

Inheriting investments is exciting... but what's relevant to one person might not be relevant to someone else.

Let's say you inherited a portfolio of oil and gas stocks, meaning you own high risk individual companies. This sector can be very volatile in terms of share price performance. It is really difficult to forecast earnings for this sector and oil prices have historically seen wild swings up and down.

If you're 50, for example, and want to bolster your retirement savings, you may prefer to sell the oil stocks and reinvest in companies operating in more reliable industries and which have a good record of dividend growth.

By reinvesting all dividends you can enjoy compounding benefits, so hopefully the inherited portfolio will have grown in value by a decent amount by the time you retire and provide welcome financial support once you leave full time work.

The alternative is to risk keeping the oil stocks and pray that oil prices don't experience another sell-off like the one we saw a few years ago.

Should I take all my pension tax-free cash at 55?

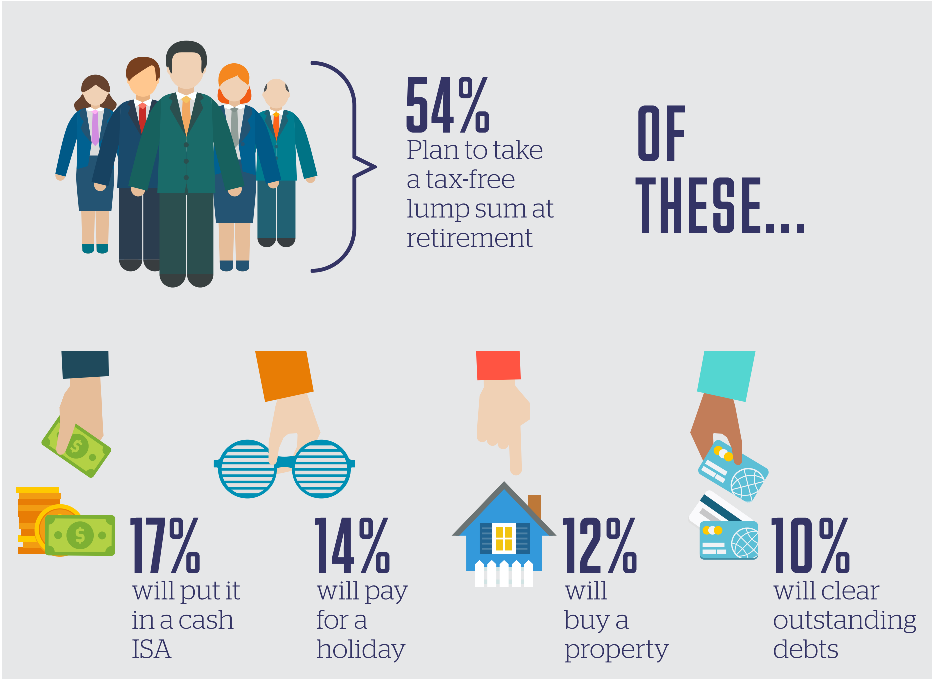
Think about your longer term requirements before going on a spending spree

For many investors, the ability to take quarter of their pot tax-free at age 55 is one of the great attractions of pension saving.

Indeed, just over half (54%) plan to take a tax-free lump sum at retirement, according to a recent survey by insurance company Aegon.

Before you rush into withdrawing your tax-free cash straight away, you should think about what you're going to do with the money.

Aegon's survey suggests of those planning to take their tax-free cash, some 17% will put it in a cash ISA, 15% in a bank account, 14% use it to pay for a holiday, 12% are considering buying a property and 10% plan to clear outstanding debts.



CLEAR DEBT OR BUY A HOUSE?

Using some of your tax-free lump cash to clear debts, particularly where the interest on these debts is mounting up, may well be a sensible course of action. You should consider your overall retirement strategy before doing this, nonetheless.

Property can be an attractive and worthwhile long-term investment, but remember you'll need to pay for legal fees and possibly mortgage costs, as well as stamp duty land tax on homes worth more than £125,000.

There's also legal and surveyor's fees to consider, all of which can run into thousands of pounds. Furthermore, like any investment, its value can go down as well as up and if it's a buy-to-let property there is the risk of being unable to find a tenant.

WHAT ABOUT CASH IN THE BANK?

If you're planning to put some or all of your tax-free cash straight into a bank account paying low or no interest, beware the corrosive impact of inflation over the long-term. Inflation currently stands at 2.9% and is expected by many to rise further – if it does, your spending power will be steadily eroded.

Equally, many cash ISAs are offering paltry returns of 1% or less, meaning that if prices continue to increase by more than that level you will be locking in real-terms losses.

Alternatively, you could hold off taking your tax-free cash and leave it invested in your pension wrapper. The tax-free cash on a £100,000 pot (so £25,000) could be worth £37,000 if left in a pension for 10 years, assuming 4% investment growth after charges. This compares to just £27,617 in a cash ISA paying 1% interest.

Ultimately it's worth considering all your options and the implications before taking money out of your retirement fund.

Tom Selby,
Senior Analyst, AJ Bell

Is a potential shift to electric cars bad for Johnson Matthey?

One analyst believes the market is too negative over the FTSE 100 firm's future

There have been growing concerns about the impact of consumers shifting from diesel to electric cars on **Johnson Matthey's (JMAT)** sales.

Johnson Matthey manufactures emission control catalysts to control the amount of harmful pollutants emitted from diesel or petrol cars. These catalysts aren't required in electric cars.

Around 20% of Johnson Matthey's group sales came from the European diesel market in its financial year ending 31 March 2017, according to Morgan Stanley. Therefore the rise of electric cars is important to the FTSE 100 firm's investment case.

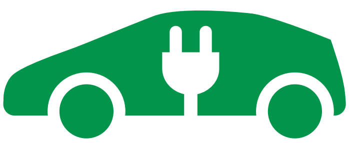
IS THE MARKET OVERLOOKING JOHNSON MATTHEY'S POTENTIAL?

Morgan Stanley analyst Charles Webb thinks the market is overlooking value in Johnson Matthey's automotive arm which includes a battery business.

He has an 'overweight' rating on the shares which is essentially a 'buy' rating.

Webb says investors 'look past' competitor Umicore's catalyst exposure in favour of its battery materials division. Unfortunately for Johnson Matthey, investors appear to only focus on its catalysis products.

Through Morgan Stanley's analysis, Webb argues the market is valuing Umicore's automotive battery business at approximately €3bn on an enterprise value basis (market cap plus debt), while Johnson Matthey's business is being ascribed 'virtually zero' value.



HOW IS JOHNSON MATTHEY PREPARING FOR FUTURE TRENDS?

Johnson Matthey is developing its technology in nickel-manganese-cobalt (NMC) cathode materials which can be used in electric car batteries.

'In less than a year, the company has accelerated its technological competence in NMC cathode materials to a level it believes is comparable with leading market peers,' says Webb.

The analyst has raised his Johnson Matthey pre-tax profit forecast for each of the next four years including roughly 8% improvement for the years to March 2019 and 2020 (to £555m and £589m respectively). The biggest upgrade goes to 2021 figures, up 9.7% to £640m.

Johnson Matthey's emission control technologies division is expected to grow thanks to more gasoline use, further regulations on emissions in Asia and an improved outlook for US Class 8 trucks.

In the best case scenario, Morgan Stanley has a target price of £40 if earnings growth and returns from the firm accelerate and diesel penetration falls slower than expected. Johnson Matthey currently trades at £28.83.

The bullish performance would require other catalysts including a recovery in Class 8 truck volumes, which would drive diesel demand, and emission work particularly in Asia in order to boost growth.

SHARES SAYS: ↗
Johnson Matthey has unappreciated growth potential. Buy at £28.83 as a long-term holding. (LMJ)

BROKER SAYS: 11 6 2

Is Lakehouse worth another look?

Troubled support services business is starting to look more interesting, say two stockbrokers

Social housing maintenance group **Lakehouse (LAKE:AIM)** is a classic turnaround story, according to Stockdale analyst Alastair Stewart.

He believes demand for group's services should be driven by a growing focus on health and safety compliance, together with the Government's renewed commitment to social housing.

Its core divisions of compliance, energy solutions and construction are profitable; but it is still trying to revive its loss-making property services arm.

TARNISHED REPUTATION AMONG INVESTORS

The company has not had an easy ride since joining the stock market at 89p in March 2015. Its share price is less than half that level now at 41.25p following a series of profit warnings and boardroom battles.

Bringing in a seasoned pro like Bob Holt as executive chairman bodes well for Lakehouse. He is best known as chairman for another social housing services provider, **Mears (MER)**.

Holt is heavily incentivised to get Lakehouse's share price back up towards 90p. 'If, by the end of January 2019, the shares reach between 58.6p and 98.4p (less any accumulated dividends from 1 October 2016) he stands to be awarded up to £4.3m,' says Stewart at Stockdale.

The analyst believes greater prospects for compliance-related work should help to offset issues within its property services arm which has been dragged down by legacy contract problems.

Its energy division may well benefit from the Scottish Parliament's commitment to cut carbon emissions and reduce fuel poverty. Furthermore, it was recently awarded extra work for Scottish Power to install smart meters across Scotland, Wales and England.

WHAT'S THE EARNINGS OUTLOOK?

Peel Hunt Andrew Nussey forecasts 4.2p earnings per share for the financial year ending 30 September 2017, rising to 5.9p in 2018 and 7.1p in 2019.

He also forecasts steady growth in the dividend, moving from 2p in 2017 to 2.5p in 2018 and 3p in 2019. Against the current 41.25p share price, Nussey's forecasts imply a dividend yield of 4.8% this year, moving to 6.1% next year and 7.3% in the year after.

The Peel Hunt analyst reckons the shares could rise to 50p over the next year. Stockdale's Stewart is more bullish as he has a 75p price target, implying 82% potential upside.

That's despite Stewart now expecting the property services arm to lose money in both 2017 and 2018 versus previous forecasts of a small positive contribution to earnings. (DS)

Small cap surprises with profit surge and dividend

Personal care-to-beauty brands developer Creightons looks very interesting

Personal care-to-beauty products developer **Creightons (CRL)** is an little known growth stock that merits further attention. Growing in a consolidating market, the £19.8m cap has form in profitably developing and selling brands to rivals.

Peterborough-based Creightons creates and manufactures toiletries and fragrances made from natural products which are sold to retailers.

Its brands include shampoo and conditioner offering *Frizz No More*, skin moisturizer *Argan Body* and tanning product *Bronze Ambition*.

In recent years, the profitable disposals of a 55% stake in the *Twisted Sista* brand and The Real Shaving Company business have demonstrated management's ability to create and develop brands which then enhance shareholder value.

Results for the year to 31 March 2017 revealed a 46% rise in sales to £30.6m and operating profit up 171% to more than £1.5m. Operating margin improved to 4.9% (2016: 2.7%).

Closing the year with more than £2m net cash, Creightons is also paying a dividend worth 0.23p per share.

February 2016's acquisition of assets of Broad Oak Toiletries from the administrators increased production capacity and is enabling Creightons to expand into premium areas of the market.

Although the company's private label ranges are facing price pressure from big brands and discounters, branded sales are in growth mode with exports building strongly.

Raw material costs have spiked due to the fall in the pound, although product re-engineering and efficiency initiatives are helping Creightons cope.

SHARES SAYS: ↗
Buy at 31.95p. (JC)

CityFibre's new growth funding tap

GIGABIT CITY fibre networks operator **CityFibre Infrastructure (CITY:AIM)** could gain access to part of a new £400m Government growth fund. The cash is being made available to drive faster adoption of 'fibre to the premises', the superfast fibre optic networks to individual homes and businesses. Alongside private capital the Government hopes to unlock £1bn of extra funding. (SF)

D4T4 impresses the market with 21% profit growth

ANALYSTS ARE IMPRESSED with **D4T4 Solutions' (D4T4:AIM)** switch to data analytics. The old IS Solutions business reported forecast-beating adjusted pre-tax profit of £4.2m for the year to 31 March 2017, up 21%. Recurring revenue is expected to improve this year after a hiatus although analysts also hope for better cash conversion of profit down the line. (SF)

Jangada outlines low cost route to metals production

BRAZIL-BASED **Jangada Mines (JAN:AIM)** believes it can have a platinum group metals (PGMs) mine in production within the next 12 to 18 months.

It says a trial mining set-up may only cost up to $1.5m to build. A full 30,000 ounce operation will cost between $20m and $30m.

The ultimate plan is to produce 100,000 ounces annually of PGMs. Jangada floated on AIM on 29 June. (DC)

Porvair is high quality... but is the price wrong?

We explain why a superb business may not be a good investment if the rating is too high

Critics might argue that **Porvair (PRV)** is an old economy engineering business trading on a technology sector-inflated rating.

That's a harsh way to describe the company and its share price, but it does pose some interesting questions for investors. These are three of the most important ones:

1. Are revenue and profit predictable?

2. What happens when the next economic shock comes?

3. Does a price to earnings (PE) multiple in excess of 28, and income yield of 0.8%, strike the right balance of risk and reward?

WHAT DOES THE COMPANY DO?

Porvair has its roots in engineering, putting its expertise into developing filters used in several highly regulated industrial markets.

The company splits into two separate divisions; Microfiltration and Metals Filtration. The latter provides filters used in aluminium casting and super alloy manufacturing.

Microfiltration filters are typically used in aviation fuel and cooling supply systems and energy industry gasification equipment (turning fossil fuel or biomass into gas). Laboratory analysis is involved in areas like testing for chemicals in water supply systems, for example.

Both sides of the business supply relatively inexpensive filters. Yet they are vital consumable components for the smooth running of some very expensive capital equipment, costing millions or billions of pounds.

For example, it would cost an aluminium smelting business millions of pounds in a shutdown. It would be a similarly expensive for an airline forced to ground planes because they do not have the right fuel system filters.

COMPETITIVE ADVANTAGE

Metals Filtration components are often patent protected, while Microfiltration defends its market position with bespoke

PORVAIR'S GROWTH STRATEGY SNAPSHOT

filtration designs specific to customer and product requirements.

That makes it an expensive and long-winded process for an existing customer to go elsewhere because they would need an entirely new filter component designed.

As such, Porvair enjoys lots of repeat business on long lifecycle kit. Finance director Chris Tyler reckons about 80% of annual revenue can recur the following year. That makes revenue relatively predictable year-on-year, although it doesn't entirely discount an element of lumpiness in sales.

That is illustrated by a track record of solid, if unspectacular, growth. Revenue, pre-tax profit and earnings have growth consistently since 2008.

The Microfiltration arm even managed to sail unscathed through the fallout of the 2008/2009 financial crisis. Metals Filtration did not, falling to a £1.6m operating loss that forced some divisional cutbacks.

HOW MUCH DOES IT CURRENTLY MAKE?

Full year results to 30 November 2016 showed revenue up 14% to £109.4m, or 8% ahead on a constant currency basis. That led to a respectable 10% increase in pre-tax profit.

Half year results to 31 May 2017 chalked up £4.86m pre-tax profit on £55.5m of sales, up 9% and 7% respectively year-on-year.

Like many engineering component suppliers, Porvair's operating profit margins remain relatively thin at 9.4%, although that is still significantly better than other industries.

It's worth noting that Microfiltration operating margins are far better at 14.2%, although Metals Filtration's 4.2% margin is currently being depressed by investment in new production facilities in China.

WHAT'S HAPPENING IN ASIA?

Chinese expansion is a big step for the company – the country is by far the world's biggest aluminium producer, churning out 31m tonnes during 2016, according to the US Geological Survey. That's nearly 10-times more than the next biggest, being Russia.

Key challenges are moving the Chinese industry from cost conscious quantity to quality, when better filtration will be needed and opportunities for Porvair will gather scale.

The company has clearly sensed this change coming although it may come in increments over several years. This is acting as a slight drag on near-term profit but the longer-term payback should make it worthwhile.

MANAGEMENT EXPERTISE

Investors could hardly ask for more experienced hands to judge the balance between business investment and operating performance.

Chief executive Ben Stocks has been running the show since 1998 and remains the chief architect of strategy.

Backing him up are finance chief Tyler and non-executive chairman Charles Matthews, both with on the board for more than a decade.

Porvair is sometimes called a company built for bull and bear markets, capable of delivering steady returns in operating and financial performance, and paying more and more dividends.

> **INVESTORS COULD HARDLY ASK FOR MORE EXPERIENCED HANDS**

In the teeth of business downturns it will get squeezed, but it appears well placed to manage those periods better than most.

Unfortunately Porvair is no longer flying under investment radars. In five years the share price has cut a path from 125p to the current 549p.

That's a stunning 340% five-year return that has driven the PE from 12.6 to 28.4 times, the latter based on Peel Hunt's 19.3p of earnings per share (EPS) for the year to 30 November 2018. A PE ratio of 28.4 is too high for such a business, in our view.

A likely 4.5p per share dividend implies a 0.8% income yield, low enough to be almost meaningless in valuation terms.

SHARES SAYS: ↘

Porvair is clearly a class business, but we are hard pushed to justify such a premium rating given the reasonably pedestrian growth. (SF)

BROKER SAYS: 8 5 0

FRIDAY 7 JULY

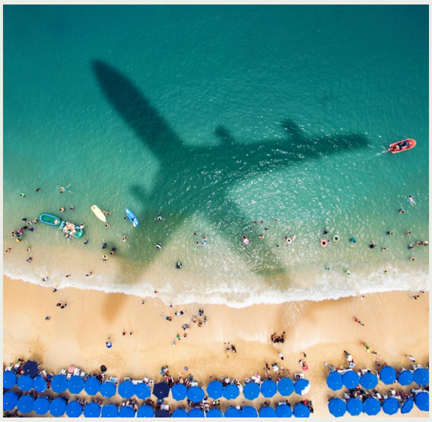
TRADING STATEMENTS	
DUNELM	DNLM
AGMS	
AVEVA	AVV
GREAT PORTLAND ESTATES	GPOR
ECONOMICS	
UK	
HALIFAX HOUSE PRICE INDEX	
MANUFACTURING PRODUCTION	
CONSTRUCTION OUTPUT	
INDUSTRIAL PRODUCTION	
US	
NON-FARM EMPLOYMENT CHANGE	
UNEMPLOYMENT RATE	

MONDAY 10 JULY

FINALS	
FALANX	FLX

TUESDAY 11 JULY

FINALS	
BEGBIES TRAYNOR	BEG
COLLAGEN SOLUTIONS	COS
ILIKA	IKA
POLAR CAPITAL TECHNOLOGY TRUST	PCT



Investors will be keen to find out how well Jet2 owner **Dart (DTG:AIM)** has performed when it reveals full year results on 13 July. The leisure travel firm reported in April that underlying pre-tax profit was anticipated to beat market expectations.

The current consensus forecast is £98m pre-tax profit for the full year, according to Reuters.

The business has been investing in new aircraft to support future anticipated growth and to replace some of its existing fleet.

While UK consumers are pulling in their horns, web-based fashion seller **ASOS' (ASC:AIM)** third quarter trading update (13 Jul) could confirm continuing strong growth in all global regions.

Increasing its differentiation in the rapidly growing online retail channel and benefiting from a currency tailwind, ASOS upgraded sales growth guidance in April.

However, retail gross margins fell by 40 basis points (0.4%), as it cuts prices in a more promotional market.

INTERIMS	
AMINO TECHNOLOGIES	AMO
LOW & BONAR	LWB
TRADING STATEMENTS	
CARILLION	CLLN
GALLIFORD TRY	GFRD
GOCOMPARE.COM	GOCO
MARKS & SPENCER	MKS
PAGEGROUP	PAGE
ECONOMICS	
UK	
BRC RETAIL SALES	

WEDNESDAY 12 JULY

FINALS	
MICRO FOCUS INTERNATIONAL	MCRO
INTERIMS	
BANKERS' INVESTMENT TRUST	BNKR
TRADING STATEMENTS	
BARRATT DEVELOPMENTS	BDEV
BURBERRY	BRBY
HOCHSCHILD MINING	HOC
JD WETHERSPOON	JDW
OPHIR ENERGY	OPHR
SOLID STATE	SSP

Two of the UK's largest quoted recruitment firms, **PageGroup (PAGE)** and **Hays (HAS)**, will next week tell investors about the state of the global jobs market.

Both companies are issuing quarterly trading updates; PageGroup reports on 11 July and Hays updates three days later.

Importantly for investors worried about potential economic weakness in the UK, both companies have diverse international exposure.

THURSDAY 13 JULY

FINALS		
ADEPT TELECOM	ADT	
DART GROUP	DTG	
TRADING STATEMENTS		
ASOS	ASC	
BABCOCK INTERNATIONAL	BAB	
PREMIER OIL	PMO	
AGMS		
ATALAYA MINING	ATYM	
BABCOCK INTERNATIONAL	BAB	
LAND SECURITIES	LAND	
REDT ENERGY	RED	
EX-DIVIDEND		
ANPARIO	ANP	5.5P
AUTINS	AUTG	0.4P
CASTINGS	CGS	10.59P
ESTABLISHMENT INVESTMENT TRUST	ET.	3.2P
ESTABLISHMENT INVESTMENT TRUST	ET.	4.3P
F&C GLOBAL SMALLER COMPANIES	FCS	8.25P
HALMA	HLMA	8.38P
MOUNTVIEW ESTATE	MTVW	100P
NETCALL	NET	1.05P
SAFESTORE	SAFE	2.1P
WH SMITH	SMWH	14.6P
MISSION MARKETING	TMMG	1P
PALACE CAPITAL	PCA	9.5P

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KEY

- Main Market
- AIM
- Fund
- Investment Trust
- IPO Coming Soon