STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

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SHARES

WE MAKE INVESTING EASIER

mundane marvels

YOU DON'T NEED TO FIND THE NEXT BIG THING TO MAKE MONEY

NEW THREAT
OnTheMarket aims to topple Rightmove and Zoopla

TECH BUBBLE 2.0?
Fund managers dismiss fears

NEW FRONTIER
Games developer flush with Chinese money

PENSION DEBATE
Why you might cash in final salary scheme

RENEWABLE INCOME: *GETTING A GENEROUS YIELD FROM WIND AND SOLAR*

Black Monday two years on

What to do if there is another stock market panic

The two-year anniversary of Black Monday (24 Aug 2015), when global stock markets endured their biggest one day fall since 2008, is fast approaching.

The significant and widespread sell-off began 10 trading days earlier, when the FTSE 100 was around the 6,700 mark, and was prompted by fears over the health of the Chinese economy.

Those nagging concerns persisted into the early weeks of 2016 and ultimately the FTSE 100 slumped to 5,700 by February that year. Since that low the index has recovered to hit new record levels above 7,500.

TRADERS ON THE BEACH

It is no coincidence this extreme volatility occurred during the summer months. Just like everyone else, stock market traders and institutional investors tend to take their holidays in July and August.

Volumes thin out when these market professionals are away and it can take a small number of trades by less experienced counterparts, who have not necessarily been through the ups and downs of the financial markets and the economy, to move shares in either direction.

The mounting debt bubble in China was a large contributor to the market panic in 2015 and it has still not gone away. Harvard economics professor Ken Rogoff recently warned China's reliance on debt will eventually trigger a market shock and also warned of the potential risks to the economy posed by the Trump administration.

SO WHAT SHOULD YOU DO IF THERE IS A SIMILAR SELL-OFF TO TWO YEARS AGO IN THE NEAR FUTURE?

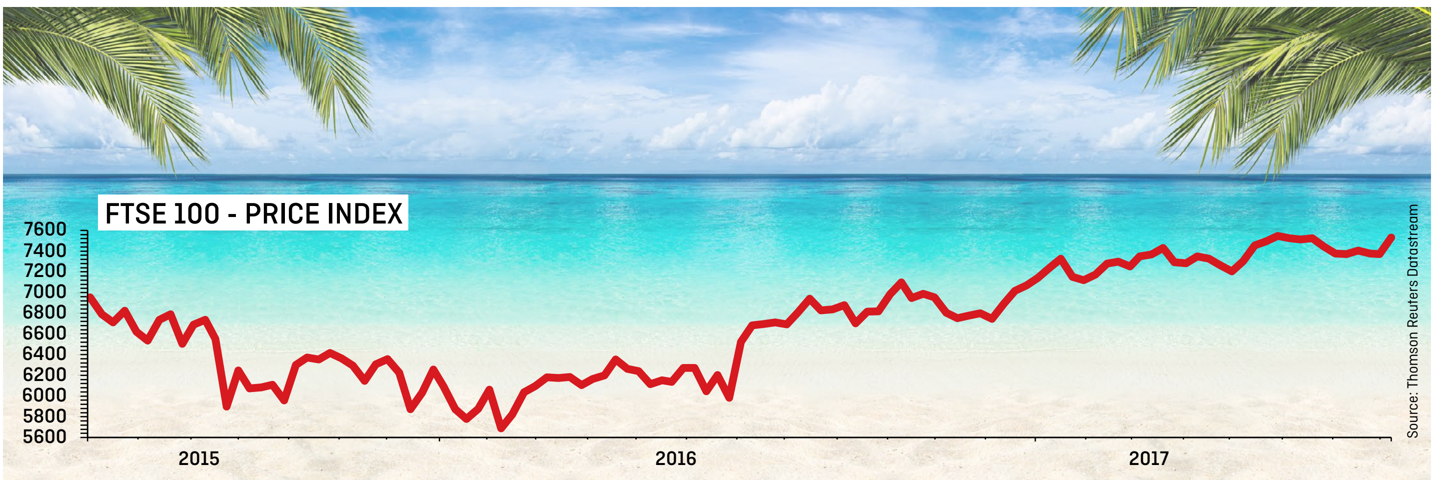
For most of us the answer is absolutely nothing. Research produced by asset manager BlackRock shows if you missed just the best five days on the FTSE All-Share between 1995 and 2015 you would have reduced your final pot from an initial investment of £10,000 from £45,519 to £31,316.

If you missed out on the best 15 days you would have halved your paper profit. Missing the best 25 days left you with just £13,506 – scant reward for more than two decades of putting your money at risk in the stock market.

BEST FOLLOWS WORST

As illustrated by the trading patterns which followed the China-inspired meltdown of late 2015 and early 2016, some of the best days can follow the worst as bargain hunters take advantage of depressed valuations. If you sell when the market is in free-fall you crystallise your losses and miss out on the chance to participate in rebounds.

As such, having some cash ready to take advantage of any market wobbles could prove a wise move. (TS)



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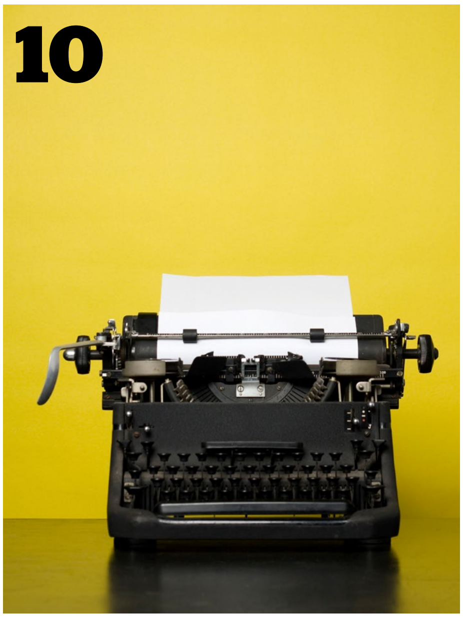

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BROKER RATINGS EXPLAINED:

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.

Could RBS return to the dividend list in 2018?

RBS is back in the black after posting a series of losses. Will it last?

High street lender **Royal Bank of Scotland (RBS)** is back into net profit in the second quarter to 30 June. This beat analyst forecasts, coming in at £680m compared to the consensus estimate of £343m.

State-owned RBS also had to take a £342m charge for conduct issues and considering the bank posted a £1.1bn loss a year ago, the level of second quarter profitability represents some turnaround.

Philip Hammond, chancellor of the exchequer, is making noises about selling the government's stake in the bank which equates to 71% of its equity. This would likely crystallise a large loss for the government as it bought shares in the bank for 502p each during the 2008 financial crisis. RBS' current price is 263.4p.

The bank says that total income for the second quarter was £3.6bn as it continues to focus on mortgage lending. Its retail banking division produced an adjusted return on equity of 32.4% in the first half partly due to its expanded mortgage lending programme. However, if these loans turn bad it could have a material negative impact on the bank.

NO ALARMS AND NO SURPRISES

RBS has been in recovery mode for some time and it has been on an active restructuring drive. RBS says it has taken out £495m in costs from the bank already although its target for the year is £750m. It has also pledged to cut costs by over £2bn over four years.

Cutting costs by around £1bn a year for the last three years may already have eaten into the central business warns Neil Wilson, senior market analyst at ETX Capital. While this strategy has been working for now, 'a chronic lack of profits in the last nine years has hurt RBS's ability to invest in new platforms and IT,' says Wilson.

The level of capital held by RBS has also beaten market forecasts, its common equity tier one (CET1) is 0.4% ahead of Jefferies estimate, coming at 14.8%. CET1 is basically the size of the bank's cash reserves against its loans to account for its riskier assets such as unsecured lending. The RBS reading is on par with that of Europe's largest bank **HSBC (HSBA)** which stands at 14.7%.

With no dividend foreseeable for this year but some predicting a return for the divi next year, RBS has enjoyed a change in fortunes. A major uncertainty ahead is the US' Department of Justice pursuing the bank for mis-selling mortgage-backed securities, which could result in a hefty fine. (DS)

Telit hammered again

Time may be right for connectivity kit supplier to seek buyer

Company curently holding $9m net debt

Connectivity kit designer **Telit Communications (TCM:AIM)** saw its share price smashed on a half year plunge into the red, cuts to growth targets and an axed dividend. That disappointment sent the stock crashing from 257.5p on 7 August to 150p, bouncing to 172.5p the following day.

Delays in getting appropriate certifications for new products in the US, a spike in research, development and working capital costs and hints that large scale deployments may be delayed did the damage.

Squeezed cash leaves the company with $9m of net debt versus net cash expectations. This comes just two months after the company raised $50m of new funding at 340p per share. Analysts at Canaccord believe previous acquisition plans will now have to be out on hold.

We believe serious questions about the company's future as an independent are now likely to be asked. Telit sees its growth future in supplying high margin services to the potentially enormous internet of things connected environment. Yet around 90% of its revenue still comes from mobile, wi-fi and narrowband wireless hardware sales, according to the respected technology website TechMarketView, where sales cycles can be long and unpredictable.

Almost every large mobile network operator, telecoms supplier and IT services companies all jockeying for market share in the internet of things space, Telit may find its future may be as part of a much bigger and financially powerful organisation. (SF)

BlackRock fund can thrive against all backdrops

Portfolio's high-quality picks drive above-average income level and long-term capital growth

Income-starved investors fretting over meagre interest rates, savings-eroding inflation and Brexit's impact on the domestic economy need not limit themselves to UK listed equities.

A savvy way to gain exposure to some of the best overseas-based dividend yielders is to invest in **BlackRock Global Income Fund (GB00B3R9X560)** which yields 2.6%, according to Morningstar.

The £159m unit trust aims to grow its income well ahead of inflation without sacrificing long term capital growth. The portfolio of roughly 50 companies is skewed towards large caps and dividend-rich sectors such as consumer staples, health care and industrials.

Managers Stuart Reeve, James Bristow and Andrew Wheatley-Hubbard only own high quality stocks able to thrive in any economic weather whilst offering attractive capital returns – 'strength, resilience and cash returns, they've got to have all three' – which they plan to own long term.

'We're giving people exposure to a concentrated portfolio of high quality stocks,' Wheatley-Hubbard tells *Shares*.

Holdings including cigarette giant Philip Morris International, Finland-based elevators concern Kone, parcels handler Deutsche Post and US auto parts distributor Genuine Parts Co.

'One of the explicit objectives of the fund is to provide lower volatility than the market,' stresses Wheatley-Hubbard, a salient point to note with markets close to or testing new highs. (JC)

How to become a successful DIY investor

New edition of bestselling guide to investing could be the ticket to achieving long-term wealth

'WHAT PUTS OFF most people from looking after their own finances is fear'. This powerful statement from Andy Bell's book *The DIY Investor* underlines the hurdle that an increasing number of people in the UK will have to clear if they want to have a financially-secure retirement.

Developing a regular savings habit is vital if you want to build up a pot of money that will support you in later life. Equally as important is what to do with your money and how to let it grow in value.

The latter part is perhaps the hardest challenge for many individuals. Most of us will know that banks and building societies are paying abysmal rates on cash deposit accounts, which inevitably prompts the question: where can I get a better rate of return?

Investing in the markets is the logical choice for many people and with that comes various challenges. You need to understand the process of investing, the range of products and the rules around tax benefits and charges.

Fortunately, *The DIY Investor* contains a wealth of information which should put you on the right path to making money from investing. An updated version has now been published and includes a wealth of additional material aimed at helping people get the most from investing.

In particular, it explains how to build an investment portfolio and discusses various investment strategies such as what to do if you need to live off the income from your investments.

NOT A GET RICH QUICK BOOK

Bell is chief executive of investment platform provider AJ Bell – also the owner of *Shares* magazine. It's important to stress that he hasn't written a get rich quick book. Neither does he provide a list of funds and stocks for you to buy. Instead, Bell talks about how to get started in investing and plan for a financially secure future.

By grasping the basics, you should find it easier to research products suitable to help achieve your investment goals, taking into account appetite for risk and time horizon.

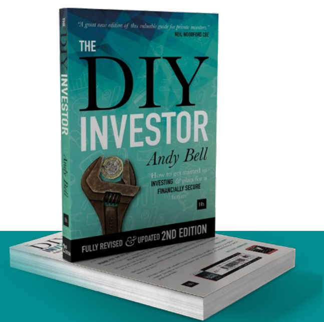
The content is relevant to a wide range of individuals. For example, that might include someone at the start of their career who wants to develop a good savings habit, as well as appealing to someone who has depended on third parties to manage their money but now wants to go it alone.

TALKING IN PLAIN ENGLISH

The book explains how to choose and use the different types of ISAs. It explains how to run your own pension through a SIPP (self-invested personal pension). It even runs through the range of tax benefits and charges, including all the topics and allowances relevant to the 2017/2018 tax year.

'For the DIY investor, minimising tax is about the smart use of reliefs and allowances that the government has designed to incentivise us to save for our futures,' writes Bell.

In our view, *The DIY Investor* is an essential companion for anyone who is serious about generating long-term wealth.



FANCY A FREE COPY OF THE BOOK?

We've got five copies up for grabs. To enter the prize draw, email *yourviews@sharesmagazine.co.uk* with the words 'DIY Investor book competition' in the subject line.

Please include your full name and postal address. The competition closes on 22 August 2017.

DID YOU FOLLOW OUR RECOMMENDATION TO BUY THE SHARES WHEN THEY WERE REALLY CHEAP?

INVESTORS WHO followed our 'buy' tip on **Paysafe (PAYS)** six years ago would now be sitting on a 942% paper profit, thanks to a £2.96bn takeover offer by Blackstone and CVC.

We said to buy the shares at 56.6p in December 2011 when the business had just changed its name from Neovia Financial to Optimal Payments.

At the time we noted how the group traded on a tiny fraction of the typical earnings multiples for takeovers in the payments sector, saying its cheap valuation was a key reason to buy.

72%

PUBLISHING BUSINESS CUTS DIVIDEND BY NEARLY THREE QUARTERS

ACADEMIC PUBLISHER **Pearson (PSON)** has slashed its first half dividend by 72% from 18p to 5p as it launches a new wave of restructuring.

The stock has historically been a favourite holding for income funds but no longer fits the bill based on investment bank Liberum Capital's forecast full year dividend of between 14p and 15p.

This implies a modest yield of just 2.2% based on a share price of 647p. Scope to grow the payout is limited thanks to net debt of £1.63bn.

10%

GOLD DEMAND DECLINE

GLOBAL GOLD demand fell by 10% to 953 tonnes in the second quarter of 2017 versus the same period last year. The World Gold Council attributed the drop to a slowdown in investors putting money into gold-related exchange traded funds.

Central banks continue to buy gold, albeit at a more modest pace than in recent years, adds the industry body. Demand from central banks increased by 20% to 94 tonnes.

Stock market flotation in doubt for music royalties investor

INVESTMENT TRUST **Hipgnosis Songs Fund** has delayed its IPO (initial public offering) for the third time while it waits for potential cornerstone investors to complete due diligence.

In a slightly odd move, the music royalties-focused Hipgnosis says it will also introduce a clause whereby it can buy back every single share in the investment trust one year after floating on the stock market.

That sounds like potential investors re seeking protection and a clear exit if the investment trust isn't successful within 12 months, assuming it floats at all.

SIX EMERGING SMART MICRO GRIDS

GLOBAL MICRO SMART grid electricity generation capacity is expected to jump six-fold by 2021, according to research by investment bank Berenberg.

Micro smart grids are small networks of electricity generation and battery storage run separately from a nation's main power grid.

They are particularly useful in places where there is little centralised network infrastructure such as India and parts of Africa; or where nature shocks regularly happen, such as hurricanes or earthquakes.

Berenberg's study suggests 265 smart micro grid projects are either operational or in development globally currently.

SMART MICRO GRID PROJECTS – WHERE ARE THEY?

US - 136
Canada - 30
UK - 4
Portugal - 6
Spain - 6
Denmark - 8
Germany - 2
Greece - 4
India - 20
China - 25
Japan - 12
Australia - 12

$592BN

SMART BETA ETFS BREAK NEW RECORD

THE AMOUNT OF assets held in smart beta equity exchange-traded funds (ETF) has reached $592bn, a record number. The figures provided by ETF consultancy ETFGI says there are 1,255 smart beta equity ETFs in 32 countries.

The bulk of the assets have exposure to the US market at 76%, with BlackRock's ETF division iShares dominating the market followed by Vanguard. Both these providers are more widely known for providing plain vanillla ETFs such as those tracking sovereign bonds such as US Treasuries and indices like the FTSE 100.

MOST POPULAR FUNDS TO BUY OVER PAST MONTH*

Fundsmith Equity I Acc
VT AJ Bell Passive Adventurous I Acc
CF Woodford Equity Income C Sterling Acc
Vanguard LifeStrategy 80% Equity A Acc
Lindsell Train Global Equity B
VT AJ Bell Passive Moderately Adv I Acc
VT AJ Bell Passive Balanced I Acc
Vanguard LifeStrategy 100% Equity A Acc
Jupiter India I Acc
Vanguard LifeStrategy 60% Equity A Acc

*Based on number of deals on AJ Bell Youinvest platform in the month to 4 August 2017

MOST POPULAR INVESTMENT TRUSTS TO BUY OVER PAST MONTH*

Scottish Mortgage
Empiric Student Property
Edinburgh Investment
HICL Infrastructure
Finsbury Growth & Income
BlackRock World Mining Trust
Woodford Patient Capital
RIT Capital Partners
City of London
Worldwide Healthcare

*Based on number of deals on AJ Bell Youinvest platform in the month to 4 August 2017

Threads maker Coats is a superb investment

The re-rating of this FTSE 250 stock has only just begun

We're confident the re-rating at industrial threads and consumer textile crafts firm **Coats (COA)** still has legs, so buy at 76.1p.

Sorting out a major pension problem and joining the FTSE 250 index have helped to propel the share price by three-fold in the past 18 months. The focus is now on driving up margins and driving down debt.

WHAT DOES IT DO?

Coats is embedded in millions of people's lives, even though they don't know it. It provides the threads used to stitch shoes; its zips are used in trousers, jackets and dresses. It even provides threads and strings used in tea bags and also materials for vehicle seat belts.

This is a superb company growing profit each year and delivering a superior return on the money it invests in the business.

Return on capital employed has progressed from 24% in 2014 to 39% two years later. That's well ahead of the 15% minimum level that many investors desire from a good business.

Its customers include Nike, Adidas, Ikea, Levi's and Michelin. Coats has around 20,000 staff working across 60 countries.

Operating margins have been lifted from c7% to 11% and could reach even higher, according to investment bank Berenberg. It believes Coats could benefit from increased manufacturing automation, greater performance material thread sales and various self-help measures such as better procurement.

Berenberg believes Coats could sell its crochet-to-knitting yards Crafts division for potentially \$80m to \$120m. The division generates approximately 7% of group earnings before interest and tax and is viewed by the investment bank as non-core to the group.

We presume any proceeds from a sale, should it happen, could potentially be used for acquisitions or given back to shareholders.

WHAT'S THE DEAL WITH THE PENSION?

Coats earlier this year recommenced the payment of dividends after a five-year absence predominantly enforced by the UK Pensions Regulator.

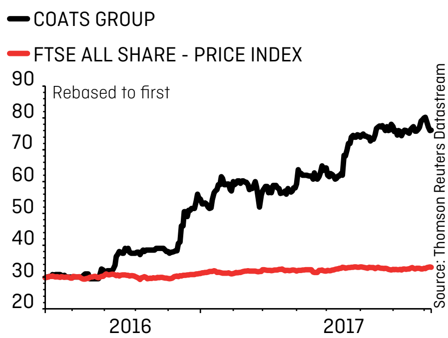
The latter had concerns about Coats' ability to fund its pension schemes and prevented it from returning capital to shareholders until a settlement had been made with the schemes. That's now been sorted out, effectively drawing a line under one of the biggest distractions for management.

Operations are going well. Half year results published on 31 July were slightly ahead of forecasts at the pre-tax profit level. Notable strong performers were the apparel/footwear and performance materials divisions.

'Coats continues to trade on an undemanding 8.5 times enterprise value to earnings before interest, tax, depreciation and amortisation (EV/EBITDA), which we do not believe reflects the potential in the business,' says Berenberg. (DC)

COATS
BUY
(COA) 76.1p
Stop loss: 50p

BROKER SAYS: 3 0 0



Why Cambian has exciting earnings potential

The company's decision to sell off its adult division has left it debt-free and focused on the future

Healthcare provider **Cambian (CMBN)** is anticipated to double earnings before interest, tax, depreciation and amortisation (EBITDA) to £40m by 2021 according to broker Liberum.

This step change in earnings is likely to be rewarded by the market and we believe it is worth taking advantage.

The company has become the leading provider of specialist behavioural healthcare services for children in the UK after selling its mature adult division for £366m to Cygnet Health Care.

Shares in Cambian have rallied by nearly 75% to 214.9p since the start of 2017, although we believe the share price has further to run as the business undergoes a transformation.

Liberum analyst Graham Doyle's bullish earnings forecasts are underpinned by a de-leveraged balance sheet and simplified strategy following the sale of Cambian's adult division.

CAMBIAN
(CMBN) 214.9p
Stop loss: 171.9p

Market cap: £396m

'Our base case for the current Cambian business assumes that by 2021, occupancy is at 82.5% and the group margin is 16.5%' says Doyle.

WISE DECISION

In our view, it was a wise decision to sell the adult business as it wiped off all existing debt and gives Cambian the opportunity to pursue a more focused growth strategy.

The children's services market is currently worth £7bn and is growing between 2% and 3% annually, according to Doyle.

The analyst says there are high barriers to entry and it is becoming increasingly outsourced as the private sector is now worth £3bn.

Cambian can take advantage of this market by using its impressive net cash of £116.7m to pursue acquisitions in a market that is not only hard to enter, but is also fragmented.

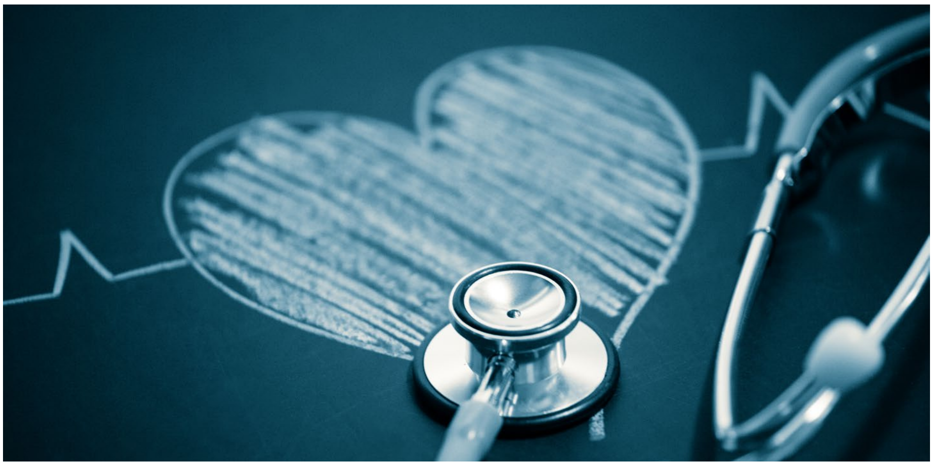
While £50m is earmarked for a special dividend this year, Cambian will still be left with more than £60m to fund future acquisitions.

As a market leader with a 10% to 12% chunk of the sector and debt-free, it looks well placed.

In the past, the company struggled after it was over ambitious in its expansion. It significantly increased organic investment resulting in higher development losses and a profit warning in October 2015.

And while Cambian is on the up for now, investors should be aware of risks that could stall its growth as Liberum's bull case depends on several factors.

These include further outsourcing from local authorities, and an improvement in occupancy and margins. Cambian also needs to ensure it does not repeat previous mistakes by growing too quickly as this could lead to further hiccups in financial and operational performance. (LMJ)



BROKER SAYS: 2 1 0

DEVRO

(DVO) 233.85p

Gain to date: 41.3%

Original entry point:

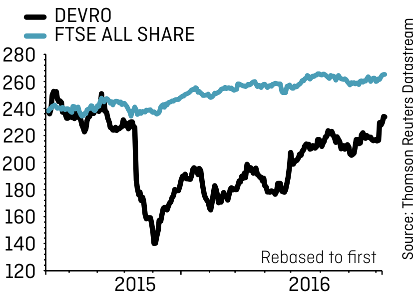
Buy at 165,5p, 22 December 2016

SAUSAGE SKIN MANUFACTURER **Devro (DVO)**, one of our *Top Ten for 2017* selections, has rewarded our faith with a tasty 41.3% gain. We're staying positive on the food industry collagen products purveyor following encouraging half year results (2 Aug).

These revealed sales up 11% to £125.2m. The sales improvement reflected favourable currency moves and volume growth in China, where Devro's new plant is building custom, South East Asia and Russia. While Devro is encountering pricing pressure in China, the country accounts for 40% of global collagen casings consumption and represents an exciting growth market.

CEO Peter Page also reported progress with the Devro 100 programme, running ahead of plan with £6m of cost savings expected this year, ahead of previous guidance of £3m-to-£4m. Page is confident about reducing Devro's net debt levels over time – robust cash flows enabled Devro to hold the first half dividend at 2.7p - and is excited about a pipeline of new product launches.

Investec Securities' Nicola Mallard has upgraded her price target from 236p to 278p. For calendar 2017, the analyst looks for improved adjusted pre-tax profit of £31.5m (2016: £31.2m) and a 9p dividend (2016: 8.8p), ahead of £38m and 9.2p in 2018.



SHARES SAYS: ↗

We're sticking with cash-generative Devro at 233.85p with the Devro 100 plan evidently working and a 3.8% yield on offer. (JC)

BROKER SAYS: 1 5 0

XP POWER

(XPP) £26.87

Gain to date: 11.4%

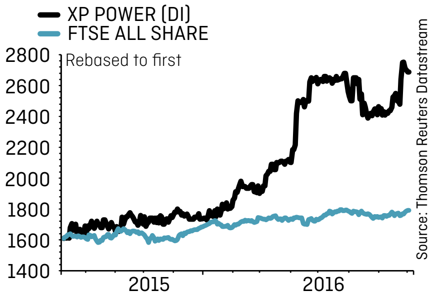
Original entry point:

Buy at £24.11, 6 July 2017

INVESTORS THAT SWOOPED on **XP Power (XPP)** following our feature should rightly feel a bit chuffed. Barely a month later and the share price is ahead by modest double-digits and our suggestion that the company 'has potential to beat earnings forecasts' immediately looks sound.

Typically robust half year results from the power switching solutions designer beat previous estimates by around 6% and 7% respectively on the profit and revenue lines, say Investec analysts. Particularly encouraging is 18% sales growth, and that's after stripping out favourable currencies, while the order backlog was 20% higher than at 31 December 2016. XP Power reports good demand from all end markets and geographies.

Cue a series of estimate upgrades for this year and next by about 7% or 8%, depending on which analyst you speak to. This implies around 140p of earnings per share next year to 31 December 2018, after this year's anticipated 132p to 135p range, according to analysts.



That puts the 2018 price to earnings multiple at 19.2, with further forecast upgrade potential to come.

SHARES SAYS: ↗

Investec raised its price target to £31.00, and don't forget the 77p and 82p per share of dividends this year and next. Still a buy. (SF)

BROKER SAYS: 3 0 0

NOW IS THE TIME TO FOCUS ON YOUR INVESTMENT PORTFOLIO

Looking for new companies to invest in? Come and join Shares and AJ Bell Media at their evening event in London on Thursday 7 September 2017 and meet directors from Jaywing, Sound Energy and Vipera plus more companies to be announced.

London - Thursday 7 Sept 2017

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Companies presenting

Jaywing Martin Boddy, Chief Executive
Jaywing is an agency specialising in the application of data science in digital marketing, risk and customer servicing. It employs approximately 600 people in the UK and Australia, one of ten of which is an experienced data scientist. It has a blue chip client base with unusually high levels of recurring revenues.
Increasingly, its focus is on developing data-led products to provide differentiation, fuel growth and increase margin. Its ambition is to distribute its products internationally allowing it to gain access to faster growing and less competitive markets whilst continuing to grow its UK agency business.

Sound Energy (SOU) James Parsons, CEO
Sound Energy is a well-funded African and European upstream gas company, with a recent significant discovery in Morocco, a cornerstone investor, a strategic partnership with Schlumberger (one of the largest companies in the sector) and a potentially transformational drill programme. James Parsons, CEO will provide an update on their licence areas and their move towards gas production.

Vipera (VIP) Martin Perrin, CFO
Vipera is a leading provider of mobile financial services platforms. The Vipera platform provides the easiest, fastest, most cost-effective way to develop and operate mobile data services. Solutions powered by Vipera run today on more than 500,000 phones, on hundreds of mobile networks in many countries. Founded in 2005, Vipera has offices in Zurich, Milan and London.

Plus more to be announced

Shares will be taking their Spotlight investor evenings to MANCHESTER on October 12 and EDINBURGH on September 21.

Follow this link www.sharesmagazine.co.uk/events for full details.

REGISTER FOR YOUR COMPLIMENTARY TICKET TODAY

During the event and afterwards over drinks, investors will have the chance to:

Discover new investment opportunities

Get to know the companies better

Talk with the company directors

Event details

Location: Novotel Tower Bridge, London EC3N 2NR

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

Contact

Chris Williams, Spotlight Manager
chris.williams@sharesmagazine.co.uk
0207 378 4402

Register free now

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FRIDAY 11 AUGUST	
INTERIMS	
OLD MUTUAL	OML
AGMS	
ADAMAS FINANCE ASIA	ADAM
IENERGIZER	IBPO
MONDAY 14 AUGUST	
AGMS	
VEDANTA RESOURCES	VED
ECONOMICS	
UK	
RIGHTMOVE HOUSE PRICE INDEX	
TUESDAY 15 AUGUST	
FINALS	
HARGREAVES LANSDOWN	HL.
INTERIMS	
H&T	HAT
JACKPOTJOY	JPJ
AGMS	
ACORN INCOME FUND	AIF
ECONOMICS	
UK	
PPI	
CPI	
RPI	
WEDNESDAY 16 AUGUST	
INTERIMS	
ADMIRAL	ADM
BALFOUR BEATTY	BBY
CLS	CLI
LOOKERS	LOOK
AGMS	
JOHN LAING ENVIRONMENTAL ASSETS	JLEN
REABOLD RESOURCES	RBD
ECONOMICS	
UK	
UNEMPLOYMENT RATE	
THURSDAY 17 AUGUST	
FINALS	
RANK	RNK
INTERIMS	
APAX GLOBAL ALPHA	APAX
FRUTAROM INDUSTRIES	FRUT
HIKMA PHARMACEUTICALS	HIK
INDIA CAPITAL GROWTH FUND	IGC

FTSE 250 stock **Hikma Pharmaceuticals (HIK)** has had a difficult year after the launch of its generic version of **GlaxoSmithKline's (GSK)** Advair Diskus was delayed and full year earnings guidance was downgraded in May.

Investors should look for updates about when the launch could happen and whether the traditional oral generics business is improving when Hikma reports half year results on 17 August.

Online gaming group **Jackpotjoy (JPJ)** will report its first half results on 15 August. We already know that the first quarter period saw an 11% increase in gaming revenue and 11% decline in adjusted net income, as reported on 16 May.

The world's largest online bingo-led operator, which targets a female audience and whose brands include *Botemania*, Starspins and Vera&John, moved its listing from Toronto to London in January.

Investors will be hoping for a continuation of positive trading momentum reported in March when pawnbroker **H&T (HAT:AIM)** releases its half year results on 15 August.

Its 2016 financial results were given a shot in the arm by a higher gold price. The price of gold so far in 2017 has not reached its 2016 high of $1,368 per ounce, yet has remained fairly stable with a $1,156 to $1,295 per ounce trading range.

KAZ MINERALS	KAZ	
MARSHALLS	MSLH	
OXFORD BIOMEDICA	OXB	
TRADING STATEMENTS		
KINGFISHER	KGF	
EX-DIVIDEND		
ASHTEAD	AHT	22.75P
HENDERSON OPPORTUNITIES TRUST	HOT	6P
IMPERIAL BRANDS	IMB	25.85P
LINDSELL TRAIN INVESTMENT TRUST	LTI	15.45P
LONDON & ASSOCIATED PROPERTIES	LAS	0.17P
SEVERFIELD	SFR	1.6P
ECONOMICS		
UK		
RETAIL SALES		

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OnTheMarket plots IPO amid new fight against Rightmove and Zoopla

Third property portal set to join the UK stock market

The scene is set for another battle for market share in the high margin property listing website space as estate agent-owned **OnTheMarket** prepares to float on the UK stock market in the very near future.

The incumbents in this area are **Rightmove (RMV)** and Zoopla, owned by **ZPG (ZPG)**.

Both businesses make money from subscriptions paid by estate agents for listing properties on their respective websites.

Strong earnings visibility, high margins and healthy cash flows have been rewarded by the market with premium equity valuations. Rightmove trades on a 2017 price-to-earnings (PE) ratio of 27.2 times and ZPG on a PE of 26.

COMPETITIVE THREAT

Agents' Mutual launched OnTheMarket in January 2015 to try and break up Rightmove's and Zoopla's duopoly. Estate agents using its site were initially only allowed to list with one other site, namely Rightmove or Zoopla – but not both.

For the most part agencies appeared to opt for Rightmove, arguably strengthening its position at the expense of Zoopla.

OnTheMarket now plans to drop the 'one other property portal' rule and use the targeted £50m raised at the forthcoming AIM listing for a big marketing push.

This decision is a little surprising after the UK's competition tribunal recently found OnTheMarket's actions weren't breaking competition rules. However, the firm believes that dropping the listing restriction will attract substantially more agents previously put off by the rule.

IMPACT ON RIVALS

Zoopla suffered at the hands of OntheMarket after its launch with an almost immediate 11% year-on-year slump in agent numbers.

Membership figures started to grow again in May 2015 and there have been 750 returners from OnTheMarket over the intervening two years according to investment bank Liberum.

Zoopla has also added to its offering through acquisitions such as buying the uSwitch price

VIEW OF CURRENT HOUSING INVENTORY

Source: Panmure Gordon

comparison site and a property software business.

ONE-STOP-SHOP

Alex Chesterman, founder and chief executive of Zoopla, has talked about creating a one-stop-shop for consumers to 'research, find and manage their homes'. He argues the enhanced engagement with users will 'create a unique advantage' for advertisers.

Panmure Gordon analyst Jonathan Helliwell reckons the OnTheMarket threat for Zoopla and its parent company ZPG will fade over time.

'We make no changes to our ZPG estimates, and would see near term weakness as a potential opportunity to get into a group which continues to have a very strong long term investment story – including the eventual recovery of lost market share from OnTheMarket.'

We share this view and would be cautious with regards to investing in OnTheMarket when it lists.

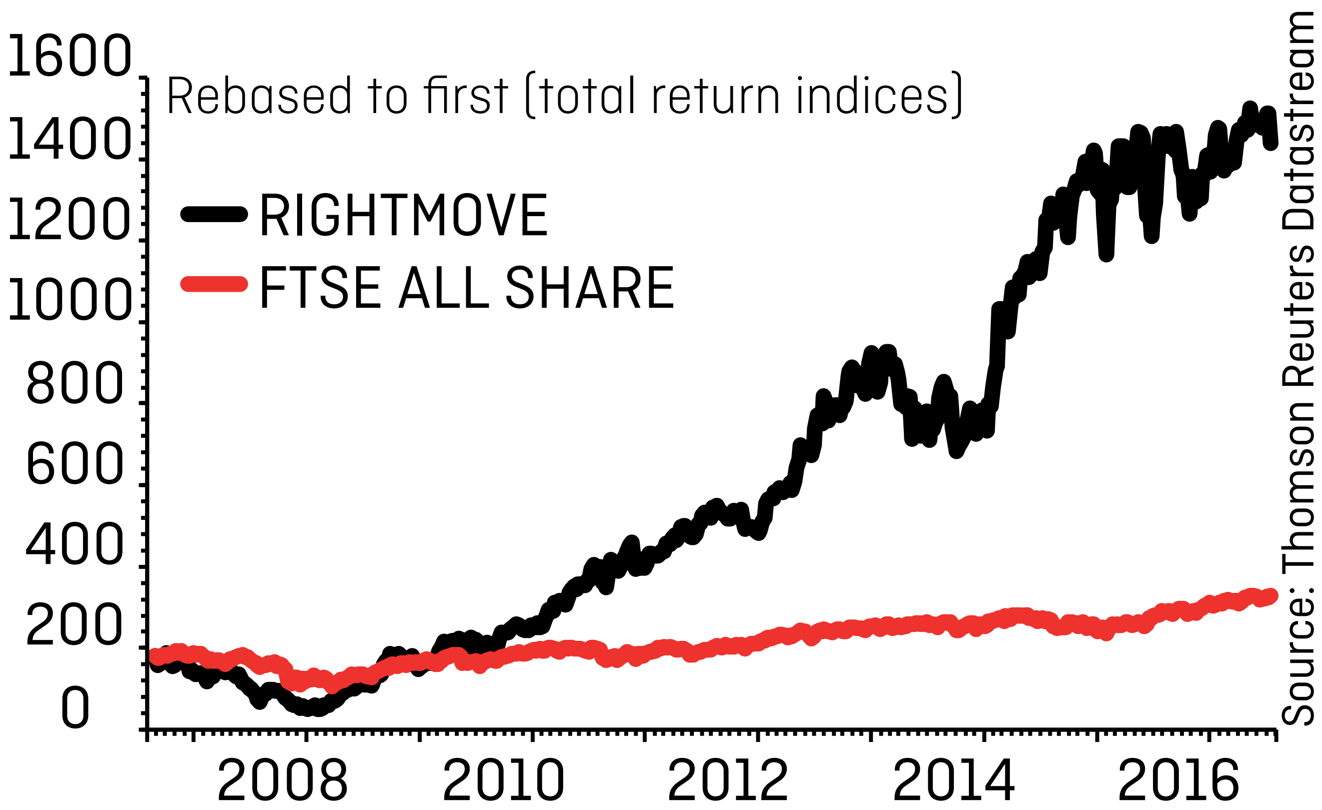
The key to being a successful property listing site is offering the fullest view of the inventory of homes currently on the market. Otherwise you are likely to be ignored by prospective buyers and therefore of little use to an estate agent.

As the accompanying graphic shows, OnTheMarket falls short on this basis. Spending more money on marketing might provide a boost in sales, yet we believe Rightmove and Zoopla remain the superior choices when it comes to investing. (TS)

5,700

NUMBER OF ESTATE AGENT BRANCHES LISTING THEIR PROPERTIES VIA THE ONTHEMARKET PORTAL

A £10,000 INVESTMENT IN RIGHTMOVE 10 YEARS AGO IS NOW WORTH £79,952 (ASSUMING ALL DIVIDENDS REINVESTED)



Seeds of recovery for Standard Chartered

Should investors get over dividend disappointment?

Although the lack of a dividend initially disappointed the market did first half results (3 Aug) from emerging markets focused **Standard Chartered (STAN)** offer some signs of a more tangible recovery?

Pre-tax profit increased 93% year-on-year to $1.9bn but the shares were down 6.6% on the day of the results. They have since regained most of those losses and are up 26% over the last 12 months as a whole at 804.6p.

STANDARD CHARTERED'S REVENUE DECLINED BY $5BN BETWEEN 2012 AND 2016.

THE BULL CASE

Emerging markets were in the doldrums for some time, the whipping boy of improving developed market economies and Standard Chartered's revenue declined by $5bn or 26% between 2012 and 2016.

However, according to statistics from the Institute of International Finance, the regions are staging a major comeback, with non-domestic investment into the markets expected to reach almost $1trn by the end of this year.

If emerging markets continue to power on, Standard Chartered could do well as it runs banks in up and coming countries like Indonesia.

The strategic focus for this major bank leads Raul Sinha, analyst at JP Morgan Cazenove, to say 'we consider StanChart to be a growth stock rather than an income stock given its unique and entirely emerging markets focused footprint'.

JP Morgan's Sinha has reduced his earnings per share forecast for 2017 by 1% to 19p and for 2018 by 3% to 12.2p.

He estimates 5% revenue growth for the 2018 financial year based on a 6% quarter-on-quarter (q/q) growth in cash management, 3% q/q growth in wealth and 4% q/q in retail.

Chief executive Bill Winters is full of fighting talk. 'We are stronger, leaner and becoming more efficient. We go into the second half of the year confident in our resilience and in our ability to generate better value for our clients and shareholders,' he says.

THE BEAR CASE

Investec's Ian Gordon is not as optimistic on Standard's chances, saying 'we continue to believe that the revenue run-rate is far too low to generate the scale and pace of recovery that consensus appears to expect'. He recommends investors to sell the stock with a target price of 690p.

Standard trades on a forecast price to net asset value of 0.9 times for 2018. (DS)

Frontier Developments has further to fly

Tencent stake and third game release to drive further upside at video games developer

Independent video games creator **Frontier Developments' (FDEV:AIM)** earnings upgrade cycle has further to travel, in our opinion.

While the video games industry has lumpy earnings linked to hardware and software release cycles, Frontier's tie-up with Chinese internet giant Tencent and an exciting third games franchise could send earnings rocketing higher.

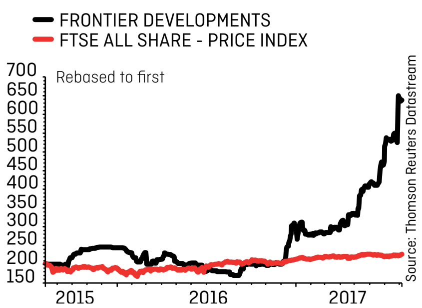
TENCENT TAKES AN INTEREST

Founded in 1994 by CEO and 45.6% shareholder David Braben, co-author of the seminal *Elite* game, Cambridge-based Frontier's first game franchise, space epic *Elite Dangerous*, is performing well. In a seismic development, China-based internet and interactive entertainment titan Tencent has taken (28 Jul) a 9% stake in Frontier. This transformational tie-up will 'accelerate and improve' Frontier's access to the growing Chinese market, already proving fertile ground for its second franchise, *Planet Coaster*.

Tencent is the market leader in China's online games industry and the operator of a premium PC games distribution platform, 'WeGame'. It has invested £17.7m in Frontier, subscribing for new shares at 523.2p.

Frontier will use these funds to accelerate the scale-up of existing operations and franchises. If Frontier's games prove a big hit in China, its muscular new shareholder Tencent could up its stake or even potentially launch a full bid in time.

FinnCap analyst Harold Evans believes 'this latest investment by Tencent speaks volumes about how highly Frontier is regarded in the industry', and also 'provides compelling validation of Frontier's strategy and ability to execute'.



MOMENTUM PLAY

Armed with a plump cash pile, Frontier Developments also has a third franchise waiting in the wings which could prove its biggest hit yet.

Based on 'an enduring Hollywood movie IP of global renown' in the words of Braben, the game is scheduled for release in calendar 2018.

We believe the release of further details about the project later this year will act as an additional catalyst for Frontier's soaring share price which is already up 120% this year to 650p.

FinnCap has a 690p price target. It forecasts £29.8m in sales for the year to 31 May 2018, rising to £57m a year later. Pre-tax profit is forecast to be £0.9m in 2018 and £14.8m in 2019.

SHARES SAYS: ↗
We believe the high-flying shares have further to travel. Buy Frontier Developments at 650p. (JC)

BROKER SAYS: 1 0 0

Adept taps fresh growth firepower

Recurring income and cross-selling bolstered by important acquisition

Outsourced IT and communications supplier **Adept Telecom (ADT:AIM)** has secured the £12m acquisition of IT managed services supplier Atomwide, its biggest to date.

This looks like a smart bit of business that will substantially bolster revenue and profit. It should strengthen its recurring revenue managed services income stream. The deal also brings cross selling opportunities to 4,000 schools and circa 2m end-users.

Buying Atomwide could be the first of several increasingly large acquisitions by Adept as it tries to carve a place in the IT and communications solutions supply market for small to medium-sized enterprises.

We previously flagged the near-£80m company's emerging ambition in February 2017, when Adept negotiated a new line of credit with banks worth £30m, twice the size of its previous borrowing cap.

With £7.3m of the Atomwide funding provided by the Business Growth Fund in return for convertible loan stock (at 393p per share), Adept still has plenty of financial firepower.

'We estimate that the acquisition will increase Adept's full year 2018 earnings before interest, tax, depreciation and amortisation by 15% to £9.6m, and in 2019 by 22% to £10.5m,' calculate analysts at Northland Capital.

That implies a 4% and 9% increase in earnings per share estimates this financial year (to 31 March 2018) and next respectively, putting the stock on a forward price to earnings multiple of 12.5, falling to 11.6, based on a 322.5p share price.

SHARES SAYS: ↗

Adept is an inexpensive and interesting growth story. (SF)

BROKER SAYS: 1 0 0

Gattaca, too good to be true?

SPECIALIST STAFFER **Gattaca (GATC:AIM)** recent trading update gave the market mixed messages. Brian Wilkinson CEO says that Brexit is unlikely to lead to an increase 'in customer demand' at the same time says that the company's specialised staff should mitigate the effects of 'business uncertainty'.

The company has a dividend yield of about 8% which would usually be a warning that the market thinks this level of dividend is unsustainable. Approach with caution. (DS)

Netcall buys low-code software group MatsSoft

CONTACT CENTRE SOFTWARE supplier **Netcall (NET:AIM)** is launching into the applications development space with the £13.4m purchase of UK-based MatsSoft.

The target provides visual design tools that mean new applications can be implemented with a minimum of hard coding and upfront investment. Matssoft last year grew its revenue by 22% to £5.5m. (SF)

Real Good Food leaves sour taste

CAKE DECORATION-to-premium bakery products play **Real Good Food (RGD:AIM)** needs to rebuild investor confidence after materially downgrading year to March 2017 and 2018 earnings estimates.

The warning comes hot on the heels of a £15.5m placing and a reassuring trading update in late June.

Management blamed accounting issues and softer first quarter trading conditions for the alert. (JC)

mundane marvels

YOU DON'T NEED TO FIND THE NEXT BIG THING TO MAKE MONEY

A mistake investors frequently repeat is chasing in-vogue, go-go-growth shares and shunning the 'steady eddies' of the stock market.

It is easy to understand how electric car maker Tesla captures the imagination, even as it burns through cash, while online fashion retailers including Amazon and **ASOS (ASC:AIM)** may be disrupting industries and grabbing market share, but their gravity-defying ratings leave scant room for disappointment.

As a result, some of the London market's marvellous, if more mundane, money-making stocks are often overlooked by analysts, fund managers and private investors alike.

However, investing is as much about keeping your money safe as it is making a return on it, which means the best long-term picks can often be the dull ones. Fundamentally sound companies, whose activities are less glamorous yet generate sustainable cash flows and profitable growth, are often shunned. We think that's a mistake.

The stock market is home to what some may regard as 'boring' businesses whose compelling fundamentals and ability to compound earnings and dividends are simply not well-known to private investors. The good news is that investors prepared to go against the crowd and invest in less sexy areas of the market have a good chance to making decent money.

As legendary US investor John Neff once

> JUDGEMENT SINGLES OUT OPPORTUNITIES, FORTITUDE ENABLES YOU TO LIVE WITH THIS WHILE THE REST OF THE WORLD SCRAMBLES IN ANOTHER DIRECTION....TO US, UGLY STOCKS WERE OFTEN BEAUTIFUL
>
> - JOHN NEFF -

remarked: 'Judgement singles out opportunities, fortitude enables you to live with this while the rest of the world scrambles in another direction.... To us, ugly stocks were often beautiful.'

Mindful of the old adage that 'where there's muck, there's brass', *Shares* has sifted through the market to shine a light on companies whose activities may be dull but the returns they deliver delightful.

Most are predicated on the provision of essential services or everyday items that customers cannot do without whatever the economic backdrop.

Our picks may lack the investment excitement of a **Blue Prism (PRSM:AIM)**, the robotic automation process tech designer, or of premium mixers brand marvel **Fevertree Drinks (FEVR:AIM)** or online fashion business **Boohoo.com (BOO:AIM)**.

But we're happy to highlight the loot generating potential of loo roll maker **Accrol (ACRL:AIM)**, the dependable returns on offer via disposable gloves and cleaning products distributor **Bunzl (BNZL)** and reckon investors can clean up with textile rental play **Johnson Service (JSG:AIM)**. We also flag the growth and income attractions of family-run flooring firm **James Halstead (JHD:AIM)**.

WHERE THERE'S MUCK, THERE'S BRASS

Waste companies are often considered by many retail investors as being safe and reliable investments. After all, millions of people are consuming items and throwing away packaging, unwanted items or bits of food every single day. Waste firms, you might imagine, have a steady stream of work and therefore generate lots of money. In reality, these types of businesses can experience volatile market conditions with unpredictable waste volumes. As such, you shouldn't consider this to be a low risk sector.

London-listed waste companies range from bin collection group **Biffa (BIFF)** to hazardous waste expert **Augean (AUG:AIM)**. The former looks to be the most interesting stock among the UK-quoted waste firms, in our opinion.

A better bet among the market's boring but brilliant firms is FTSE 100 business supplies distributor Bunzl, which supplies the things other companies need in order to do business; everything from disposable coffee cups to food wrap for supermarkets as well as safety equipment and syringes for hospitals.

Another dull-but-worthy enterprise is **Rentokil Initial (RTO)**, whose growth engine is the grimy area that is pest control; the removal of rodents, flying and crawling insects and snakes (in South Africa) isn't work for the squeamish, but it is an essential service required by businesses and homeowners globally.

Elsewhere, we'd also highlight that the textiles specialist **Berendsen (BRSN)**, a provider of laundry services for hotels and hospitals, is being taken over by French rival Elis for £2.17bn, a princely 44% premium to the share price before Elis lodged its bid.

This offers a positive read-across for UK rival Johnson Service, a workwear and linen provider whose resilience stems from its focus on renting essential clothing to hotels, restaurants and caterers. (JC/DC)

Rentokil Initial

The Scottish Investment Trust's view

PEST CONTROL, PROVIDING and laundering workwear and uniforms and providing feminine hygiene units and floor protection mats are rather grimy endeavours, yet they are also essential areas of spend customers can't cut back on. This is good news for investors in leading proponent Rentokil Initial, whose backers include **The Scottish Investment Trust (SCIN)**, managed with a contrarian ethos by a team led by Alasdair McKinnon, whose thoughts on Rentokil we provide below:

What is it?

'Rentokil Initial is a UK quoted provider of business services and residential support services including pest control services (56% of sales), hygiene products and services (25%) and workwear (19%). Rentokil is the world number 1 in the, highly-fragmented, pest control market – though only number 3 in the US behind Terminix (ServiceMaster) and Rollins.'

Why is it unloved?

'Historically, Rentokil grew with a succession of relatively scattergun acquisitions and endured a very difficult period which was characterised by a succession of new CEOs, profit warnings and asset disposals. Current CEO, Andy Ransom, took over after the previous incumbent failed to turn around the group's fortunes. The problematic City Link parcel delivery business was sold for just £1 before eventually going bust. Rentokil is still unfairly judged on its past challenges by backwards-looking investors.'

What's changed?

'Having disposed of non-core assets, the group is now focused on its core area of pest control. A growing, stable market which is driven by increasing regulation around the world and rising wealth as well as higher hygiene standards in emerging markets. Customers tend to be sticky as you are unlikely to risk changing your pest controller if they are doing their job. Rentokil is consolidating the fragmented pest control market by acquiring smaller local competitors in attractive regions. This approach has significant operating leverage as customer density increases along existing service routes which in turn boosts margins; rising turnover and margins has a geared effect on profits.'

Potential takeover?

'Despite the shares having rerated, the valuation (22x FY18 PE after today's move) is at a significant discount to peers such as Rollins (44x FY18 PE). This could make the company an attractive takeover candidate.'

Shares'

key boring-but-brilliant picks

ACCROL (ACRL:AIM)

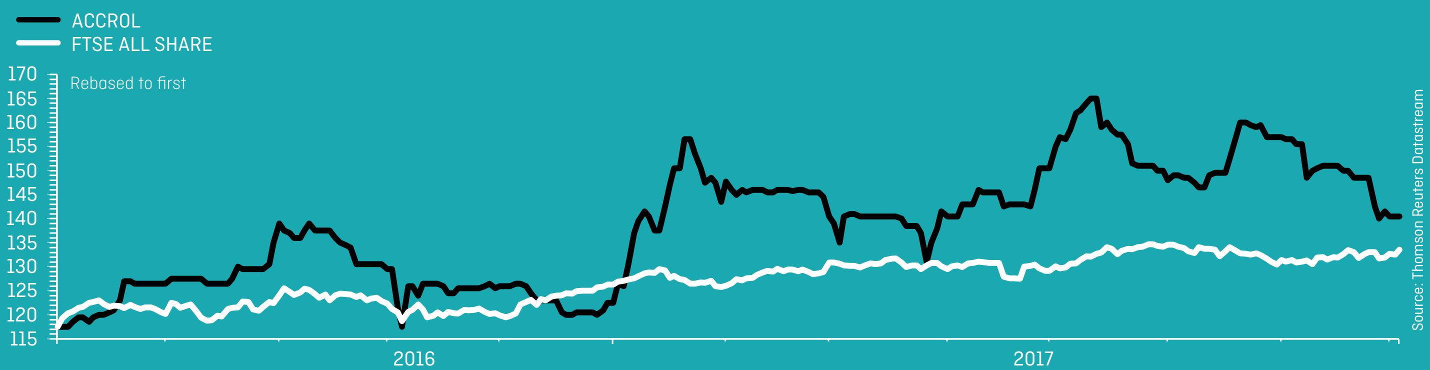
Share price: 138.5p | **Market value:** £130.7m

IN TERMS OF activities, the manufacture of toilet rolls, kitchen towels and industrial wipes is about as unglamorous as it comes, although this should not dissuade investors from putting money to work with cash generative **Accrol (ACRL:AIM)**.

One of *Shares'* running *Great Ideas* selections, the Lancashire-based business supplies customers including **Booker (BOK)**, **B&M European Value Retail (BME)**, Wilkinson, Aldi, Lidl and **Tesco (TSCO)** and is geared into the structural shifts towards the discounters and cheaper own-label products.

We like Accrol's relatively capital light, flexible model. The £130.7m cap buys in 100% of its parent reels (paper) and doesn't have any capital tied into paper mills, giving it the flexibility to take advantage of an over-supplied industry.

Results for the year to 30 April 2017 revealed a 58% surge in adjusted pre-tax profit to £13m on sales up 14.2% to £135.1m, with net debt reduced by £41.7m to £19m. For the current financial, Liberum forecasts pre-tax profit of £14.6m for earnings of 12.5p (2017: 11.8p) and a hike in the dividend from 6p to 7.5p, leaving Accrol on a modest prospective price-to-earnings (PE) multiple of 11.1 implying re-rating scope, whilst offering a bumper prospective yield of 5.4%. (JC)



Shares'

key boring-but-brilliant picks

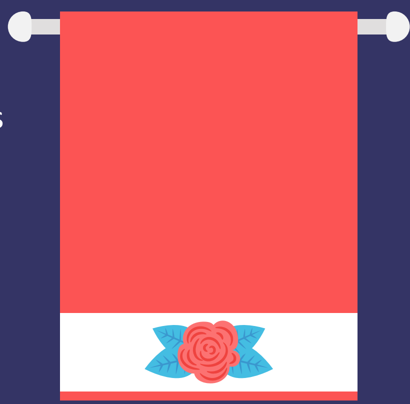
JOHNSON SERVICE (JSG:AIM)

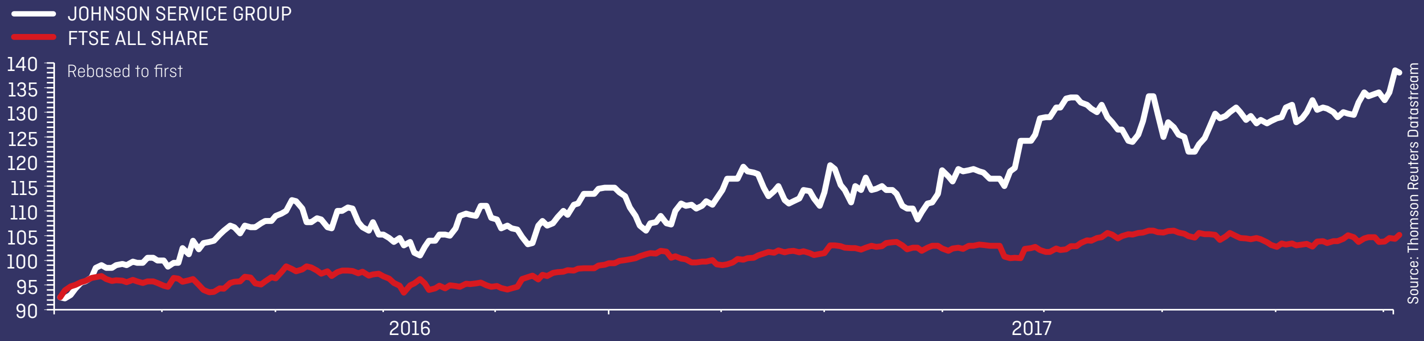
Share price: 138.25p | **Market value:** £507.6m

TEXTILE RENTAL MAY not quicken the pulse but **Johnson Service (JSG:AIM)** is wearing well as a dependable growth and income pick and interim results (4 Sep) could spark further share price appreciation.

Having sold its lower margin Drycleaning business in January, Cheshire-headquartered Johnson is consolidating the higher margin, fragmented and resilient textile rental sub-sectors.

Already the UK's leading workwear and protective wear supplier through its *Apparelmaster* brand, through its *Stalbridge*, *London Linen*, *Bourne* and *Afonwen* brands, the £507.6m cap also provides premium linen services for the hotel, catering and hospitality markets. Johnson Service has a strong five-year track record of top-line, operating profit, earnings per share and dividend growth and is trading strongly. Chief executive Chris Sander remains focused on driving the cost benefits from last year's successful acquisitions – Afonwen, Chester and Zip Textiles – and is now considering 'further opportunities'. Following an upbeat pre-close update (4 Jul), Investec Securities upgraded its full year earnings forecast by 2% to 8.1p, reiterating its 'buy' rating and 160p price target which implies 15.7% upside. For the current year to December, the broker forecasts improved normalised pre-tax profit £36.6m (2016: £33.8m), building to £37.4m and £39.3m in 2018 and 2019 respectively. Reassuringly, this year's forecast dividend payment of 2.7p (2016: 2.5p) is covered three times by forecast earnings of 8.1p (2016: 7.6p). (JC)

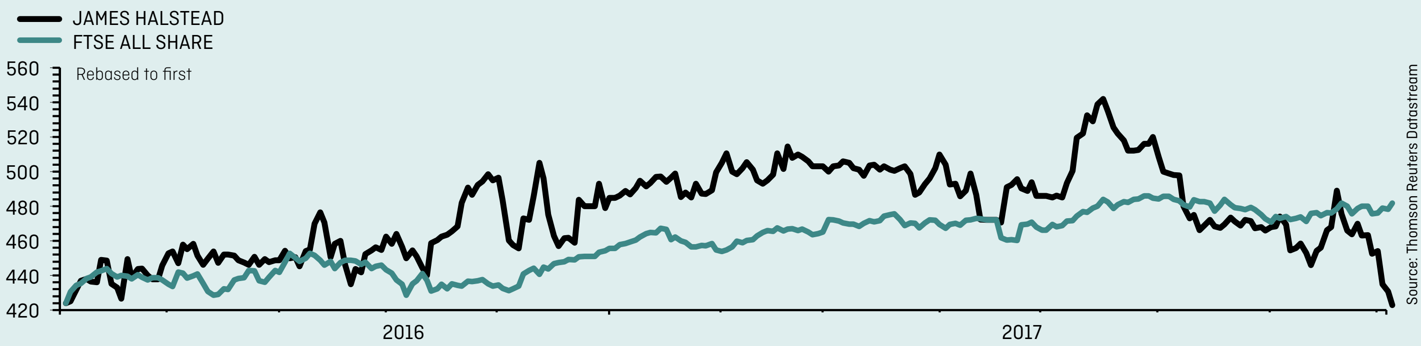




Shares'
key boring-but-brilliant picks

JAMES HALSTEAD (JHD:AIM)

Share price: 423.71p | **Market value:** £895.8m

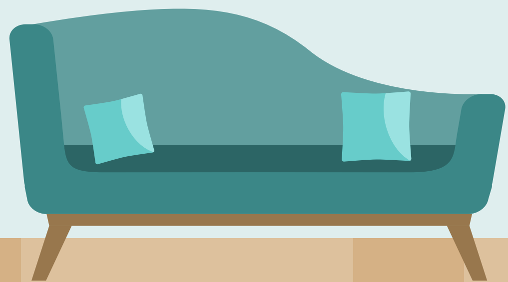


RECENT SHARE PRICE weakness offers a buying opportunity in Manchester-based commercial flooring products maker and distributor **James Halstead (JHD:AIM)**, whose long sales, profit and dividend growth history puts most businesses to shame. James Halstead's total shareholder return from 1 January 2001 to 31 December 2016 is over 4,700%, which compares favourably to the FTSE All Share index (124%) and FTSE AIM All Share index (-31%). The Halstead family continues to guide the £895.8m cap, Geoffrey Halstead in the chair and Mark Halstead ias chief executive. Admittedly commercial flooring isn't an activity that'll get the blood pumping but patient portfolio builders won't mind as Halstead continues to grind out superb returns.

Despite a UK market slowdown and adverse price pressure on raw materials, Halstead is on course to once again report record turnover and profits for the year to June 2017 and will likely hike its dividend for the 41st consecutive year.

Despite this dependability, the business is anything but a dullard in terms of its customer mix and range; its wares are found everywhere from 'Thalia' book stores throughout Germany and the Freedom of the Seas, the world's largest cruise ship, to the Machu Picchu Railway in Peru. Halstead's flooring is also in use at Scott Base in Antarctica and in the Svalbard Hotel on the edge of the Polar Icecap.

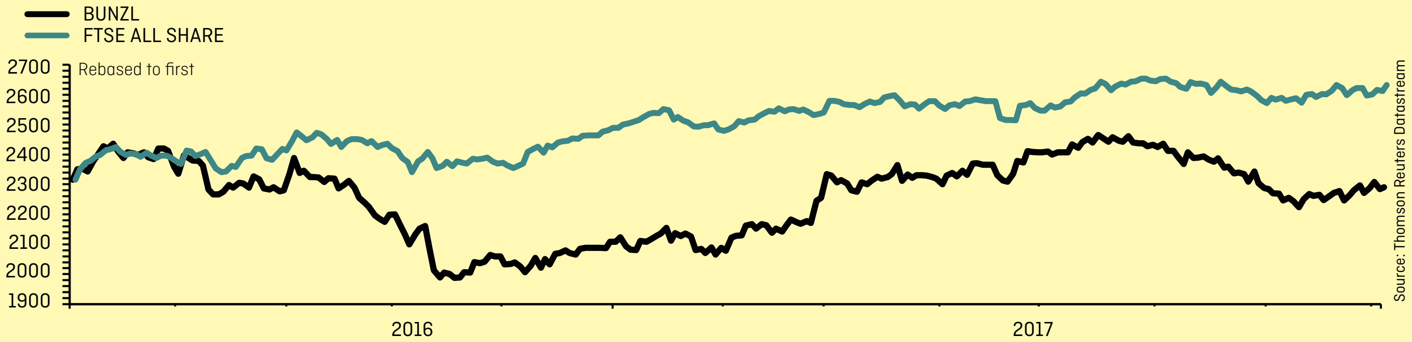
Tellingly, James Halstead, which has pedigree in paying special dividends, is a holding for the **CFP SDL UK Buffettology Fund (GB00B3QQFJ66)**. Its well-followed manager Keith Ashworth-Lord backs strong operating franchises and experienced management teams. His other positions include the less-than-glamorous bonding materials specialist **Scapa (SCPA:AIM)** and industrial fastenings engineer **Trifast (TRI)**. (JC)



Shares'
key boring-but-brilliant picks

BUNZL (BNZL)

Share price: £22.91 | **Market value:** £7.67bn



FOR A COMPANY operating in the not too glamorous world of coffee cup and toilet paper supply, distribution and outsourcing group **Bunzl (BNZL)** is actually a brilliant investment. It operates globally, offering essentials to hospitals, schools, offices and more including disposable gloves and cleaning products. Bunzl supplements organic growth with bolt-on acquisitions – nothing too big, nothing too transformational or risky – then improves the performance of the purchases, leading to increased profitability and cash flow with all of the deals self-funded. Bunzl is one of just 27 FTSE 100 firms to have increased its dividend for each of the last 10 years consecutively and its streak of increases in fact stretches back 24 years. Bunzl recently announced (27 Jun) that revenue is expected to increase by 7% in the six months to 30 June 2017, benefitting from improved underlying growth as well as a boost from acquisitions. Recent bolt-on deals include two businesses in Canada, AMFAS and Western Safety, which together have annualised revenues of C$16m. It has also bulked up its Spanish offering with the acquisition of Technopacking; made an offer for a group of businesses in France; and bought UK digital signage sector play Pixel Inspiration. (DS)

The pros and cons of cashing in a

FINAL SALARY PENSION

Looking beyond the high valuation is crucial

If you're a member of a final salary pension scheme you might have received a tempting offer to cash in your benefits. There are a whole host of factors you should weigh up when deciding whether to take the plunge.

WHY IS THE SUBJECT SO TOPICAL?

The number of people choosing to transfer out of final salary pension schemes has been increasing since the pension freedom reforms were introduced in 2015.

The reforms have given savers much greater control over their defined contribution (DC) pensions. Instead of being forced to buy an annuity, you can access your pension pot at age 55 and choose whether to take a 25% lump sum, go into income drawdown, buy an annuity or a mixture of these routes.

AJ Bell's head of platform marketing Mike Morrison explains why this is leading people to exit final salary pensions.

'In April 2015, the introduction of the pension freedoms allowed people in defined contribution schemes a lot more flexibility in terms of how they access their pensions and how their pensions are distributed on death. The pension freedoms did not apply to defined benefit (DB) schemes, however, so many wanted to transfer their funds from their DB schemes to DC schemes in order to take advantage of the new freedoms.'

WHY ARE COMPANIES OFFERING SUCH HIGH VALUATIONS?

The transfer values being offered by final salary schemes have increased significantly in recent years. The value can sometimes be more than

> YOU CAN ACCESS YOUR PENSION POT AT AGE 55 AND CHOOSE WHETHER TO TAKE A LUMP SUM, GO INTO INCOME DRAWDOWN OR BUY AN ANNUITY

30 times the individual's income, which is well above the historic average.

Charles Calkin, financial planner at James Hambro & Co, says this is because pension fund actuaries are heavily focused on meeting their liabilities. They want to know how long they will be responsible for paying a pension and what they need to put aside to fulfil that obligation.

'This is largely based on the returns offered by Government bonds. When these are as low as they are now then the costs rise significantly, which has a knock-on effect on transfer values – the amount they'll give you to take the liability off their books,' explains Calkin.

The cost of providing DB pensions has also increased with the rise in longevity. Nowadays schemes are paying pensions for considerably longer than they used to do in the past.

Transfer values are calculated by the pension fund's trustees. They are responsible for offering members fair value, taking into account the current economic circumstances.

WHAT ARE THE ADVANTAGES OF TRANSFERRING?

There are lots of pros and cons of cashing in a DB pension, and the decision will depend on your individual circumstances.

Cashing in the pension would allow you to manage the pot yourself. You'd get greater flexibility over how much money you draw each year, which could help you manage your tax liabilities.

If you transfer to a flexi-access drawdown scheme, any money still in your pension pot when you die can be passed to your beneficiaries free of inheritance tax (IHT).

If you die before age 75 your beneficiaries can draw benefits tax-free. If you die over 75 your beneficiaries can draw benefits subject to their own income tax rate.

Calkin says this makes pensions a valuable IHT planning tool. 'Many of our clients now draw on their non-tax-wrapped savings first and ISAs second, leaving their pension savings until later in life to help reduce any IHT liabilities on their estate,' he says.

If you're in poor health you might want to cash in your benefits so that you can make the most of them before you die. DB schemes tend to base annual income on a post-retirement life expectancy of 20 years.

Another factor that might encourage you to transfer is if you think the pension scheme is at the risk of becoming insolvent.

WHAT ARE THE DISADVANTAGES OF TRANSFERRING?

A key benefit of a final salary pension scheme is it offers you a guaranteed income for the rest of your life. The income often increases in line with inflation. This can offer peace of mind, particularly for those who are risk-averse.

If you transfer to a flexi-access drawdown scheme you will be taking over the investment responsibility for what could be an enormous sum of money. That money may need to last for 30 to 40 years.

Most DB pension schemes enable your spouse to receive half or more of the pension income on your death for the rest of their life. The benefits may even extend to dependant children.

The regulator, the Financial Conduct Authority,

says in most cases you are likely to be worse off if you transfer out of a DB scheme, even if your employer gives you an incentive to leave.

'We agree with the FCA that the default position should be that you remain in the final salary pension scheme but there will be situations where it is worth considering transferring out,' says Calkin.

Martin Hooper, associate at Barnett Waddingham, says some schemes let members take part of the benefits as a transfer value leaving behind a 'core' level of benefit in the scheme.

'This allows the member to retain a level of guaranteed income whilst being able to make use of the more flexible regime for money purchase benefits with the remainder,' he explains.

AN INDIVIDUAL MAY BE ABLE TO ACHIEVE BETTER OUTCOME

IF THEY HAVE DIFFERENT OBJECTIVES

OR ARE ABLE TO TOLERATE HIGHER LEVELS OF RISK

COULD MY INVESTMENT SKILLS BE BETTER THAN A PENSION FUND?

It's possible for someone to have the skills to invest in a way that better suits their needs than the final salary pension scheme.

Hooper points out that a pension fund will be invested on a collective basis in order to provide a defined level of benefit.

'An individual may be able to achieve a better outcome if they have different objectives, or are able to tolerate higher levels of risk,' he says.

However, it's unlikely you'll be able to access as wide a range of investments as the pension fund and you'll probably have to pay higher charges.

Alistair McQueen, head of savings and retirement at Zurich, says studies suggest most people in Britain aren't confident about their investment skills and usually underestimate how long they'll live.

He warns that looking after your pension is a constant responsibility and not a one-off act.

AJ Bell's Morrison underlines this: 'For many people, the pension fund is the biggest asset they will have, and it might need to last in excess of 30 years, providing resource not only for them but for their spouse and family as well.

'The investor should therefore consider whether they are confident enough in their skills and risk levels when it comes to investing for such important long-term goals.'

> IT'S CRUCIAL PEOPLE LOOK BEYOND THAT ATTRACTIVE MONETARY FIGURE AND CONSIDER THE LONGER-TERM FINANCIAL NEEDS FOR THEM AND THEIR FAMILY – ADVISERS WILL HELP PEOPLE DO THIS

HOW DO I FIGURE OUT IF THE TRANSFER VALUE IS GENEROUS?

You could be offered a huge sum of money but it won't necessarily be good value. Calkin suggests assessing the 'hurdle rate' of return your money would have to provide to generate the same return on offer in a final salary scheme.

Broadly, the higher the multiple of your annual pension, the lower the hurdle rate.

'A 40x transfer gives 60% more capital than a 25x transfer and relatively reduces the transaction risk. A low hurdle rate might encourage you to take the deal, but the calculations and considerations make this a very complex question,' says Calkin.

It would be wrong to try to divide the transfer value by your life expectancy. Hooper says life expectancy varies widely, for example across different locations and income groups. In addition, the transfer value will normally make allowance for survivors' benefits and pension increases, which are not reflected in a simple life expectancy figure.

HOW IMPORTANT IS FINANCIAL ADVICE?

It is a legal requirement to obtain financial advice if the transfer value exceeds £30,000. Many pension companies require everyone to get advice, even if the value is less than £30,000.

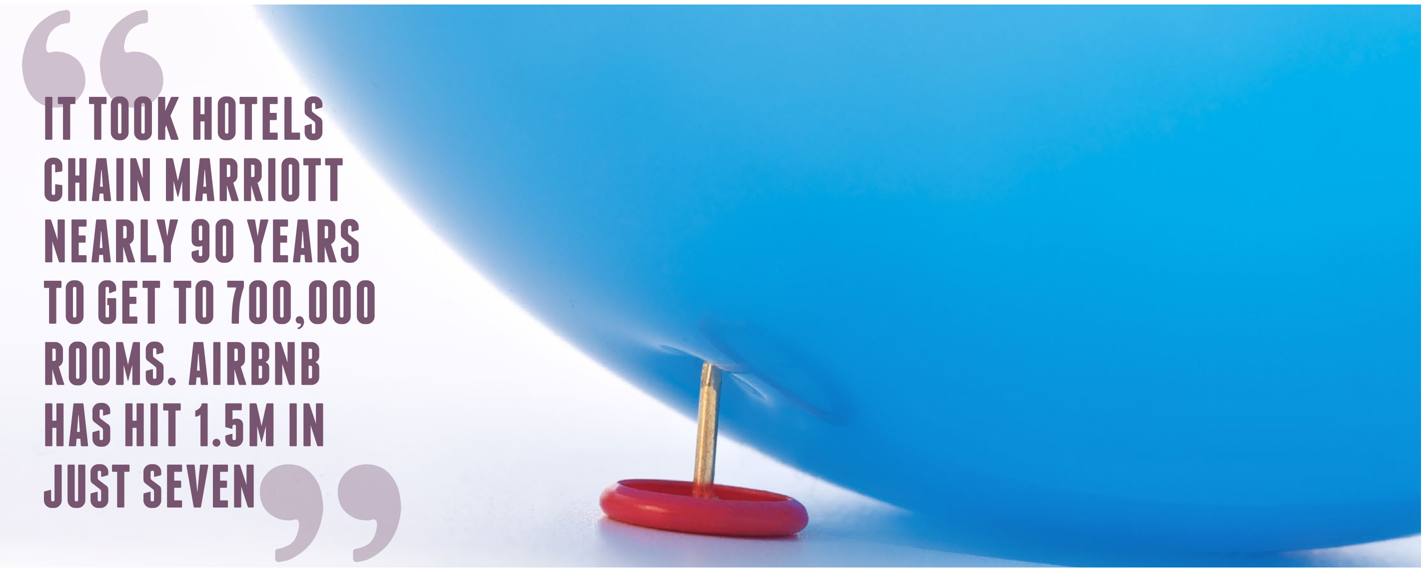
Andrew Tully, pensions technical director at Retirement Advantage, says a key part of the advice process is working out the value of the benefits being given up and how that can be matched or exceeded in an alternative pension arrangement.

> A 40X TRANSFER GIVES 60% MORE CAPITAL THAN A 25X TRANSFER

'Pension transfers are an emotive subject with very considerable amounts being offered to many people,' he says. 'It's crucial people look beyond that attractive monetary figure and consider the longer-term financial needs for them and their family – advisers will help people do this.' (EP)

Fund managers dismiss tech bubble fears

Experts point to big differences compared to late 1990s crash



> IT TOOK HOTELS CHAIN MARRIOTT NEARLY 90 YEARS TO GET TO 700,000 ROOMS. AIRBNB HAS HIT 1.5M IN JUST SEVEN

Record-setting share prices this year are sparking renewed fears of a technology sector sell-off of potentially epic proportions. Share prices in industry giants including Amazon, Apple, Facebook and Google-parent Alphabet have rallied strongly through 2017 to trade at historic levels.

The S&P 500 tech sector has been one of this year's top performing sub-sectors gaining around 25%, while the S&P 500 benchmark, the technology-specific Nasdaq, and the small-cap Russell 2000 indices have also all set new closing records in 2017.

But technology facing investment trusts managers dismiss any notion that we are heading for tech collapse 2.0, in other words a repeat of the massive crash of 2000 to 2003.

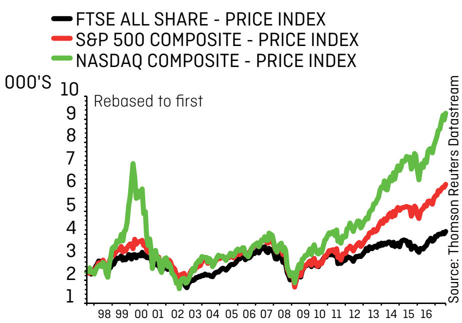
'It is perhaps understandable that investors are nervous,' says Walter Price, who runs the **Allianz Technology Trust (ATT)**. He admits that some valuations look hugely expensive at face value, online shopping colossus Amazon on 145-times forward earnings, for example, based on Reuters Eikon data.

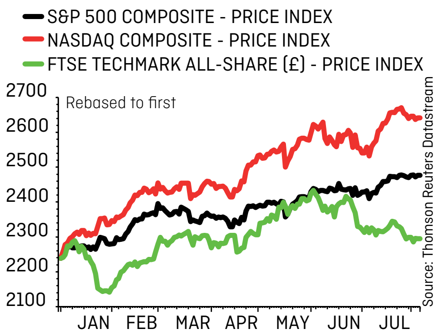
> ALPHABET HAS SEEN ITS EARNINGS PER SHARE INCREASE 23-FOLD WHILE ITS STOCK HAS INCREASED 12-FOLD SINCE ITS IPO

EARNINGS SUPPORT

Yet there is a major difference between current ambitious investment multiples versus those of the late 1990s – real earnings.

'In the technology bubble of the late 1990s, there were no earnings and stock market valuations were based on clicks or eyeballs, or any variety of unusual valuation metrics,' Price says. This time round technology share prices are rising with earnings hikes that are outstripping an otherwise low growth environment.





'While valuations have trended higher, the investment backdrop remains favourable and the prevailing inflation rate remains broadly supportive of current equity valuations,' says **Polar Capital Technology Trust (PCT)** manager, Ben Rogoff. 'Fortunately, the US is experiencing its fastest pace of earnings growth in five years with S&P 500 earnings forecast to increase 10% this year, with potentially more to come in 2018 if the new administration delivers on its tax reform pledge.'

Recent trading updates from many of the global technology industry heavyweights appear to support the positive view. South Korean electronics giant Samsung set a record for net profit in a single quarter to 30 June, making it the world's most profitable company.

Facebook's second quarter revenue beat market expectations, increasing 45% year-on-year to $9.3bn, while Apple's third quarter (2 August) impressed investors enough to set a new share price record of $157.14. Net cash grew to a record $262bn.

UNDERLYING VALUATIONS

Apple shares are currently trading on a forward price to earnings (PE) multiple of less than 15, according to Reuters Eikon, Facebook, Alphabet and Microsoft are all on PEs in the 20s. That's a far cry from the euphoric ratings of 18 years ago, when Microsoft was valued at nearly 50-times earnings, and Intel and Oracle sported three-digit PEs.

'Alphabet has seen its earnings per share increase 23-fold while its stock has increased 12-fold since its IPO,' explains Polar's Rogoff.

'In our opinion, the technology environment is better than it has been for a decade,' says Allianz's Price. 'People are spending money, corporate projects are getting funding, and manufacturing equipment is being upgraded. It appears that companies are feeling better about the future than they have been since the recession of 2007.'

But perhaps the biggest difference between tech markets then and now is the internet, and the massive business growth it is enabling. Tom Stevenson, investment director with Fidelity International, believes easy web access today, and the convenience of connected smartphones and fast connections makes all the difference. Where maybe 300m people used the internet in the late 1990s, the number is 10-times that today.

This makes genuine business disruption on a scale never seen before possible. It took hotels chain Marriott nearly 90 years to get to 700,000 rooms. AirBnB has hit 1.5m in just seven. (SF)

ALLIANZ TECHNOLOGY TRUST TOP 10

Company	% of fund
Amazon	6.8
Apple	6.3
Micron Technology	4.1
Samsung Electronics	4.0
Facebook	4.0
Workday	3.7
Proofpoint	3.2
Square	3.0
DXC Technology	2.9
Microsoft	2.8

Source: Allianz Global Investors

POLAR CAPITAL TECHNOLOGY TRUST TOP 10

Company	% of fund
Alphabet	7.5
Apple	7.0
Microsoft	5.7
Facebook	5.4
Samsung Electronics	3.9
Tencent	2.9
Amazon	2.8
Alibaba	2.7
TSMC	1.8
Advanced Micro Devices	1.7

Source: Polar Capital

THE ASIAN FINANCIAL CRISIS 20 YEARS ON: SHRUGGING-OFF THE SINS OF ITS PAST

In the four years between 1993 and 1996 the tiger economies of Asia led the world in terms of gross domestic product (GDP) growth and stock market returns as foreign and local investors piled in and embraced the opportunity. But trouble was brewing and Thailand was the canary in the coal mine. Strong growth was being funded by ever increasing levels of debt and with offshore interest rates far more attractive than those available at home, US dollars became the funding currency of choice.

While currencies remained pegged to the US dollar risks were minimal but as a growing trade and current account deficit and rising inflation led to increasing overvaluation of the Thai Baht, speculation grew and short-term money started to move out of the Thai currency.

In July 1997, after a futile attempt to stem the outflow, the Thai central bank removed the peg triggering an immediate 25% fall in the currency - by the end of the year it had lost half of its value. The impact on the economy was devastating. Interest rates initially spiked making dollar debt signficantly more expensive. Loans started defaulting, peaking at almost 50% of total loans in 1999. The figures reflect the severity of the downturn: GDP took five years to return to pre-crisis levels, consumption – the use of good and services by households - was four years, and private sector loan growth only returned to positive territory in 2002.

Mike Kerley is Fund Manager of Henderson Far East Income Ltd and Director of Pan Asian Equities at Janus Henderson Investors

Although Thailand was the trigger, the ticking time bomb of unhedged foreign currency debt[1] and a prolonged period of over-exuberance prevailed across all of South East Asia. The Philippines and Malaysia were also significantly impacted but the most significant downturn occurred in Indonesia, which, although running a current account deficit only half the size of Thailand, saw its currency go from 2000 rupiah to the US dollar to 16000, and bank loan books fill up with defaulting loans.

Contagion and a severe lack of confidence dented the whole region and although Hong Kong managed to hold on to its peg to the US dollar, a prolonged period of high interest rates and slower growth resulted in a 40% fall in

residential property prices and a deflationary period that took many years to recover from. Even South Korea, which was the 11th largest global economy at the time, had to call in the International Monetary Fund (IMF) as interest rates ballooned and the currency weakened.

The recovery, which on average took more than 5 years, was supervised by stringent IMF requirements and has put Asian economies on a much firmer footing. With a few exceptions Asian currencies are free floating – meaning their value is determined by the foreign exchange (forex) markets through supply and demand - and as a result they have much more flexibility to reflect domestic economic cycles ensuring that pressures don't build. Current and trade accounts, with the exception of India and Indonesia, are now in surplus, with the practice of unhedged foreign borrowing all but ended. Short term foreign debt in ASEAN (the Association of South East Asian Nations) nations has dramatically dropped from 160% to now less than 30%.

The Global Financial Crisis (GFC) in 2008 was borne out of exuberance in the West but not in the East and although Asian economies were impacted by the slowdown in global growth, Asian economic credibility was never called into question.

The only economy that is showing a slightly worrying trend is China. A credit boom following the GFC has seen debt-to-GDP balloon from 160% in 2008 to 260% in 2017. The nature of this debt however is different from that accrued by South East Asian Countries in the late 1990's. Firstly, most of the debt lies with state owned enterprises (SOEs) and is hence backed by the >$3tn worth of foreign exchange reserves, and most of it is denominated in renminbi. Secondly, although China operates a managed exchange rate regime against a basket of trading currencies, the capital account is closed which restricts the amount of speculative flows. Finally, a lot of the debt is owned by domestic institutions and is long term in nature which reduces the likelihood of enforced withdrawal leading to a liquidity crisis.

The impact of the Asian crisis lives long in the memory of Asian corporates. The days of rapid expansion and growth for the sake of growth have gone and been replaced by conservatism and a focus on cash flow and profitability. Corporate debt levels are at all-time lows while cashflow compares favourably to any other region of the world. Interestingly it is developed economies that are now showing the stresses Asia encountered and recovered from 20 years ago; Asia in comparison looks favourable.

[1]Debt can be issued in a various currencies and because the value of these can shift around, hedging is process of protecting yourself against adverse movements, usually through the use of derivatives.

How much capital should I sell in retirement?

Following the 4% annual withdrawal 'rule' is no longer sustainable

For many years investors were advised to spend investment income in retirement and leave their capital untouched. But longer life expectancy and low interest rates mean this is no longer possible for many people.

In some instances, selling capital could be more advantageous than withdrawing money from dividend-yielding assets, particularly from a tax perspective.

The difficulty is figuring out how much capital you should sell so that you can fund a comfortable retirement without running out of money.

WHY IS THE 4% RULE NO LONGER RELEVANT?

In the 1990s a study in America suggested that withdrawing an annual income equivalent to 4% of your portfolio would ensure your money lasted throughout your retirement.

This theory has now been thrown out by many experts. Government figures show life expectancy at birth has increased by an average of 13.1 weeks a year for men and 9.5 weeks a year for women since 1980. Your retirement could last a lot longer than your parents' and grandparents', so your money also needs to last longer.

Another problem with the 4% rule is that in the 1990s US interest rates ranged between 3% and 7%. In the UK today, interest rates are at rock bottom which has reduced the yield available from cash and bonds. This has increased the demand for higher-yielding assets, which in turn has led to an increase in prices.

It is much harder to generate the level of investment return that was assumed by the 4% rule without taking on a lot more risk.

Figures from AJ Bell Youinvest show that if you had a £1m pension pot which only grew by 2% a year and you withdrew 4% each year, after 25 years it would be worth £359,394. If the annual return was 6%, the £1m pot would be worth just under £2.1m after 25 years. The figures assume a consistent annual return, which is somewhat unrealistic, but they give a rough idea.

Even if you think the 4% rule is good in theory, it is unlikely to be suitable for everyone.

In fact, Simon Andrews, a financial planner at financial advice firm 1825, says most people don't want to be restricted to withdrawing a certain amount each year.

'They want flexibility to use their money when they choose; maybe to pay for a child's wedding, to put down a deposit on a property or to go on the trip of a lifetime. It will be different for everyone, and that's why people need a personal plan,' says Andrews.

THE BENEFITS OF SELLING CAPITAL

A willingness to sell capital in retirement can provide flexibility. Even if you can generate enough income from dividends to cover your essential expenditure, there could be occasions when this is insufficient.

If you sell capital assets within a pension plan or ISA they won't be subject to capital gains tax (CGT).

Outside of a pension or ISA, taxable capital can be a lot more efficient than taxable income. Income is taxed at 20% if you're a basic rate taxpayer and 40% if you're a higher rate taxpayer. CGT is 10% and 20% respectively.

Everyone is entitled to an

THE IMPACT OF WITHDRAWING 4% A YEAR FROM A £1 MILLION PENSION

Value of pension

0%	2%	4%	6%	8%	10%
Year 0	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000
Year 15	£654,132	£1,000,000	£1,465,519	£2,086,085	£2,906,349
Year 25	£359,394	£1,000,000	£2,097,290	£3,924,238	£6,900,824

Source: AJ Bell Youinvest

annual CGT allowance of £11,300, regardless of your income tax band. It's possible to carry forward reported capital losses from previous tax years to reduce your capital gain.

The biggest drawback of selling capital is if the investments have dropped in value you'll end up crystallising your losses. It could be extremely difficult for your portfolio to recover.

HIGH YIELDING INVESTMENTS

It may be possible to generate a sufficient income in retirement by investing in high-yielding stocks, rather than selling capital.

The challenge is to find these stocks. During times of low interest rates the increased demand for high-yielding stocks can make them expensive. There's also a risk that they won't stay high yielding forever.

David Thurlow, wealth management director at financial advice firm Mattioli Woods, says investors need to watch out for high yielders where the dividend is in jeopardy and be prepared to sell the capital.

On the flip side, if a yield is sustainable, then the high yielder could become a lower yielder purely by virtue of the share price rising. 'Eventually, it makes sense to sell out of that share and reinvest in something else that will deliver a higher income. It's a bit more work, but can reap high rewards,' he says.

A downside of focusing on high-yielding stocks is you reduce your investment choice. Douglas Kearney, investment director at Intelligent Pensions, says many attractive investment opportunities are focused on growth and choose not to pay a dividend or income return.

'The critical element is to avoid selling any component at a loss as that creates a huge hill for the portfolio to climb. Diversification within the portfolio should mitigate this risk significantly,' he says.

IS THERE A NEW WITHDRAWAL 'RULE'?

Instead of having a hard and fast rule advisers suggest being flexible.

Simon Andrews of 1825 says one way of figuring out how much money you need is to look at your goals, rather than automatically resigning yourself to 20 or 30 years of 4% withdrawals.

Often people want to spend more at the start of their retirement when they're likely to be more active. Spending may take a dip in mid-retirement when things start to slow down. In later life you may have increased outgoings if you need to pay for care.

'The 4% rule doesn't allow for this, and so doesn't really stack up for real-life retirement,' says Andrews. (EP)

THE IMPACT OF WITHDRAWING 4% A YEAR FROM A £1M PENSION

Value of pension

	0%	2%	4%	6%	8%	10%
Year 0	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000
Year 1	£960,000	£980,000	£1,000,000	£1,020,000	£1,040,000	£1,060,000
Year 2	£920,000	£959,600	£1,000,000	£1,041,200	£1,083,200	£1,126,000
Year 3	£880,000	£938,792	£1,000,000	£1,063,672	£1,129,856	£1,198,600
Year 4	£840,000	£917,568	£1,000,000	£1,087,492	£1,180,244	£1,278,460
Year 5	£800,000	£895,919	£1,000,000	£1,112,742	£1,234,664	£1,366,306
Year 6	£760,000	£873,838	£1,000,000	£1,139,506	£1,293,437	£1,462,937
Year 7	£720,000	£851,314	£1,000,000	£1,167,877	£1,356,912	£1,569,230
Year 8	£680,000	£828,341	£1,000,000	£1,197,949	£1,425,465	£1,686,153
Year 9	£640,000	£804,907	£1,000,000	£1,229,826	£1,499,502	£1,814,769
Year 10	£600,000	£781,006	£1,000,000	£1,263,616	£1,579,462	£1,956,245
Year 11	£560,000	£756,626	£1,000,000	£1,299,433	£1,665,819	£2,111,870
Year 12	£520,000	£731,758	£1,000,000	£1,337,399	£1,759,085	£2,283,057
Year 13	£480,000	£706,393	£1,000,000	£1,377,643	£1,859,812	£2,471,363
Year 14	£440,000	£680,521	£1,000,000	£1,420,301	£1,968,597	£2,678,499
Year 15	£400,000	£654,132	£1,000,000	£1,465,519	£2,086,085	£2,906,349
Year 16	£360,000	£627,214	£1,000,000	£1,513,451	£2,212,971	£3,156,984
Year 17	£320,000	£599,759	£1,000,000	£1,564,258	£2,350,009	£3,432,682
Year 18	£280,000	£571,754	£1,000,000	£1,618,113	£2,498,010	£3,735,950
Year 19	£240,000	£543,189	£1,000,000	£1,675,200	£2,657,851	£4,069,545
Year 20	£200,000	£514,053	£1,000,000	£1,735,712	£2,830,479	£4,436,500
Year 21	£160,000	£484,334	£1,000,000	£1,799,855	£3,016,917	£4,840,150
Year 22	£120,000	£454,020	£1,000,000	£1,867,846	£3,218,270	£5,284,165
Year 23	£80,000	£423,101	£1,000,000	£1,939,917	£3,435,732	£5,772,581
Year 24	£40,000	£391,563	£1,000,000	£2,016,312	£3,670,590	£6,309,840
Year 25	£0	£359,394	£1,000,000	£2,097,290	£3,924,238	£6,900,824

Source: AJ Bell Youinvest

Is pension tax relief back under the microscope?

Media reports suggest the Government is taking another look at pension tax perks

We don't even know the date of the Chancellor's first post-election Budget and already the knives are out for pension tax relief.

The Sunday Times' political editor Tim Shipman reports early stage talks are being held by Treasury officials about ways to save money, with pension tax perks once again at the top of the agenda.

So how could Chancellor Philip Hammond look to reduce tax relief? And what can you do to protect your hard-earned savings?

RECAP: HOW TAX RELIEF WORKS AT THE MOMENT

The way pension tax relief operates for basic rate taxpayers (at the moment anyone earning below £45,000) is relatively straightforward.

For every £80 you pay into your SIPP, the Government will automatically top it up with £20 in tax relief. Put another way, your original £80 investment delivers a 25% return before you've even invested the money.

Tax relief will be added by your employer or pension provider without you having to do anything.

You can pay up to 100% of your earnings into your pension in any given tax year up to a maximum of £40,000. Those with no UK earnings can pay up to £3,600 into a pension inclusive of tax relief.

The annual allowance is much lower, being £4,000 for anyone who has accessed taxable income from their pension from age 55.

Because tax relief is granted at your marginal rate of income tax, higher and additional-rate taxpayers can claim an extra top-up through their self-assessment tax return.

COMPLEXITIES FOR HIGHER EARNERS

Higher earners need to think about a few points. Firstly, there is the fiendishly complicated annual allowance 'taper'. This reduces the amount you can pay into a pension and receive tax relief by £1 for every £2 of income above £150,000.

As a result, anyone with income above £210,000 has their annual allowance lowered to £10,000.

The final piece of the puzzle is the lifetime allowance, currently set at £1m. This restricts the amount of money you can have invested across all of your pensions. If you breach this limit you have two options – take it as a lump sum and be taxed at 55% or keep the excess in your fund and pay 25% tax on it.

It's worth speaking to a regulated financial adviser if you're unsure about how these limits might affect you.

£1

TAX RELIEF FOR EVERY £2 OF INCOME ABOVE £150,000

£10,000

ANNUAL ALLOWANCE IF INCOME ABOVE £210,000

100%

OF YOUR EARNINGS CAN BE PAID INTO YOUR PENSION IN ANY GIVEN TAX YEAR UP TO A MAXIMUM OF £40,000

£4,000

ANNUAL ALLOWANCE FOR ANYONE WHO HAS ACCESSED TAXABLE INCOME FROM THEIR PENSION FROM AGE 55

HOW IT COULD CHANGE

Here are some of the things that, in theory, the Government could do to reduce tax relief for higher earners:

SCRAP HIGHER-RATE PENSION TAX RELIEF

This nuclear option would mean everyone, regardless of earnings, only gets tax relief at the basic-rate of 20% (equivalent to a 25% bonus on money saved in a pension).

This would save the Treasury billions but would also be a tax grab on anyone earning above £45,000, so may not be politically palatable.

Alternatively, a flat rate of relief could be introduced somewhere between 20% and 40%, although this would potentially be complicated to administer for employers.

TINKER WITH EXISTING ANNUAL AND/OR LIFETIME ALLOWANCES

A simpler option (politically at least) would be to lower the existing limits. This would likely create additional complexity as there would need to be new protections put in place for those who risk breaching a new, lower lifetime limit.

ADJUST THE ANNUAL ALLOWANCE 'TAPER'

The Treasury could shift the taper so the annual allowance drops from an earlier level of earnings than the current £150,000 starting point.
This would mean more people would be subject to a lower annual allowance, although the number would depend on where the income level was set.

Tom Selby,
Senior Analyst, AJ Bell

WHAT SHOULD YOU DO?

While political uncertainty is extremely unhelpful, it makes little sense to take long-term savings and investment decisions based on second guessing what the Government may or may not do on pensions.

One important point to note is that changes to pension policy should only affect contributions you make in the future – there is no talk, for example, of the 25% tax-free lump sum being removed. Furthermore, pensions remain the most tax advantaged retirement savings vehicle for most people.

However, if you are concerned tax perks might be reduced further down the line, you could review your contributions and consider whether you could pay more in today to take advantage of the incentives on offer.

High yields via renewable energy funds

We look at four products focused on solar and wind

Investing in renewable energy does not mean sacrificing gains to ease one's conscience. It's a growing sector that appeals as much to the red blooded capitalist as it does to the hardened environmentalist.

While the ESG (environmental, social and governance) tag gets bandied around quite often lest not forget that one of the reasons to invest is to make money. These funds are great for income investors as they pay a regular dividend.

With certain international agreements like Kyoto Protocol and the recent Paris Climate accord, countries are putting more emphasis on renewable sources of energy.

On 8 June this year, over 50% of the UK's energy supply was generated from renewable sources. The largest renewable power suppliers in the UK are solar and wind which both have their merits as well as disadvantages.

Bluefield Solar Income Fund (BSIL)
Price: 113.5p
Target dividend per share: 7.18p
Implied yield: 6.3%

As Bluefield partner James Armstrong says, this investment is 'not for someone looking for something sexy, just long term earning capabilities'.

While its target dividend is 7.18p per share, Armstrong says the board has given guidance that it aims to pay out 7.25p, the same as last two years. He adds that the fund's track record shows it can produce such a dividend.

A popular trust, Bluefield's shares have rallied this year by around 10%. Solar power is the second cheapest form of energy behind onshore wind but less expensive than new coal, gas, nuclear and offshore wind according to analysis by Bloomberg New Energy Finance.

In terms of adding assets to the fund's portfolio, Armstrong thinks valuations have become a bit stretched. Also the fund operates a full payout model, meaning there is little equity to invest in new assets anyway.

In April this year, the UK Government decided that subsidies would not be given to new solar projects. This suggests there may not be any new solar farms coming online, further driving up the price of solar assets.

Bluefield's solar fund is sterling dominated unlike some rivals, so it will not go abroad to look for assets to boost earnings potential due to currency risk.

John Laing Environmental Assets (JLEN)
Price: 107.75p
Target dividend per share: 6.31p
Implied yield: 5.9%

JLEN is a diversified fund of renewable assets including both solar and wind.

Chris Tanner, investment director at JLEN, says the benefit of having a diversified

portfolio allows the fund to be more opportunistic and 'take up attractive investment opportunities that fall outside the remit of the many pure solar funds'.

He adds that when acquiring assets, the time online or producing energy is taken into account and doesn't believe that one technology is inheritantly superior to another. One charge laid against wind assets, especially those offshore, is that due to them having more moving parts such as gears they can go wrong. This could take them offline and cost money to repair.

'Things can change, and sometimes the sun doesn't shine when you expect it to, or perhaps there can be a change in regulation or tax for example, and it is at those times that the benefits of having a more balanced portfolio become pronounced,' says Tanner.

Regarding the rising cost of assets, JLEN has a first offer agreement with infrastructure group **John Laing (JLG)**, which offers the fund visibility of assets outside of an auction environment.

> THIS INVESTMENT IS 'NOT FOR SOMEONE LOOKING FOR SOMETHING SEXY, JUST LONG TERM EARNING CAPABILITIES.

The changes to the subsidy rules has also not impacted the fund as it invests in assets that have already established the level of their subsidies underpinned by the principle of 'grandfathering' set out by the UK Government. This states that once a generating asset has been accredited to receive a subsidy at a certain level, that level will remain unchanged.

NextEnergy Solar Fund
Price: 114p
Target dividend per share: 6.42p
Implied yield: 5.6%

The largest listed solar fund both by market cap and energy produced, NextEnergy Solar is also a highly acquisitive fund. In June, it increased its portfolio with the purchase of three plants adding an extra 14.9 megawatts of energy to its offering.

These plants were already operating but the fund also acquired four development projects with a combined output of 59.8 megawatts.

The issue of not receiving subsidies is not a problem according to the fund's investment adviser. This is because they expect subsidy-free solar plants to become financially viable in the UK over the next 12 to 24 month period as investment values and operating costs continue to decline. NextEnergy is at present working with suppliers to drive investment values and operating costs down to sustainable levels.

The Renewable Infrastructure Group (TRIG)
Price: 109.6p
Target dividend per share: 6.4p
Implied yield: 5.8%

TRIG is another diversified fund, with its portfolio containing both wind and solar assets. The fund is the odd one out of the group in this article as it contains assets across Northern Europe thus not limited to the UK.

Both its solar and wind assets are split between the UK and Europe which makes sense as weather conditions will vary from country to country.

One issue regarding having continental European assets is that a tight control must be maintained on foreign currency fluctuations and the fund also employs interest rate hedging strategies. (DS)

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