STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

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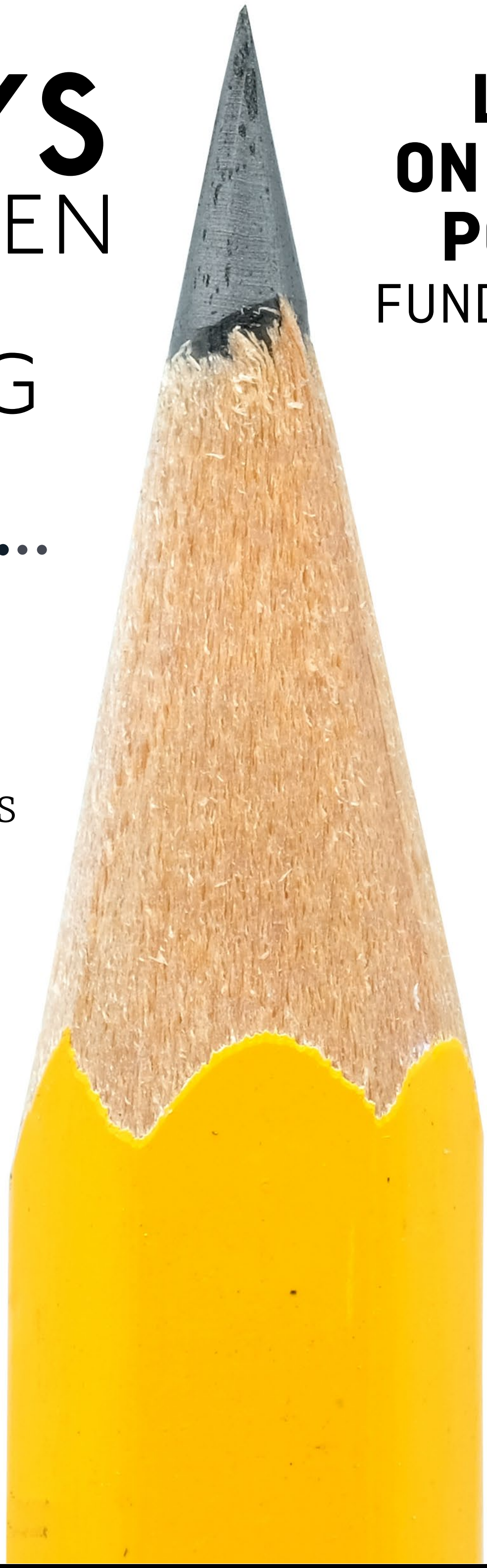
SHARES

WE MAKE INVESTING EASIER



6 WAYS TO SHARPEN YOUR INVESTING SKILLS

Following these simple steps could boost your wealth and minimise losses

LIFTING THE LID ON THE UK'S MOST POPULAR FUNDS

FUNDSMITH, WOODFORD EQUITY INCOME, LINDSELL TRAIN & MORE

TWO IMMINENT IPOS

TO EXCITE SMALL CAP INVESTORS

WHY HAVE UK LARGE CAPS SEEN **UNUSUAL SHARE PRICE MOVEMENTS?**

BUMPER EDITION: *SMALLER COMPANY 'SPOTLIGHT' REPORT INSIDE*

Focus on sector data to get the investing edge

Headline market data doesn't give you the full picture for true performance

The majority of stock market commentary in the mainstream media focuses on the performance of the FTSE 100 or the FTSE All-Share. In order to better understand what's going on, we believe it is worth drilling down to the sector level to see which industries are faring well and which are struggling.

Our analysis finds a very wide spread between the best and worst performing sectors among the 350 biggest companies on the UK Main Market, illustrating why it pays to study markets more closely when seeking investment opportunities.

We've studied the FTSE 350 sector data on SharePad's screening system. Industrial Metals is revealed to be the best performing sector, up 56.5% so far this year. In contrast, the worst sector is Oil Equipment, Services and Distribution which is down 34% year to date.

It's worth putting those figures in context of the wider market. The FTSE All-Share is up 5.1%. That index is considered by many people to represent the market as a whole as it consists of all the companies in the FTSE 100, FTSE 250 and FTSE Small Cap index, adding up to 638 stocks in total.

The FTSE 350 index is up 4.9% so far in 2017. The FTSE 250 index is up 9.1% and the FTSE 100 is 4.1% ahead.

The Industrial Metals sector will have benefited from a recovery in commodity prices and efforts over the past few years among mining companies to strip out costs and have leaner operations.

On closer inspection, we see that the sector only contains two constituents, being aluminium specialist **Evraz (EVR)** which is up 33%; and iron ore producer **Ferrexpo (FXPO)** whose share price is up 118% year to date.

There are a few other sectors whose performance isn't really indicative of a broad selection of companies – merely the fortunes of a handful. The FTSE 350 Forestry & Paper sector only has a single member, being **Mondi (MNDI)**. So when you see 27.1% sector gain year to date, you know that's only the share price performance of Mondi.

Most industries on the stock market have a much broader range of companies whose collective performance dictates sector gains or losses.

For example, the FTSE 350 General Retailers sector currently has 17 constituents. The sector overall is down 7.3% so far this year. Within that group, the best performer is **N Brown (BWNG)** with a 43.6% gain; and the worst performer is **Dixons Carphone (DC.)** with a 47.5% loss.

We plan to launch a new series later this year analysing sectors so you can better understand how industries work, which companies on the market operate in certain areas and the stocks, funds, investment trusts and exchange-traded funds to gain exposure. (DC)

BEST PERFORMING SECTORS

Sector	Year to date
Industrial Metals	56.5%
Personal Goods	32.7%
Forestry & Paper	27.1%
Beverages	23.9%
Electronic & Electrical Equipment	21.3%

Based on FTSE 350 Sector indices. Source: SharePad, 25 August 2017

WORST PERFORMING SECTORS

Sector	Year to date
Oil Equipment, Services & Distribution	-34.0%
Fixed Line Telecommunications	-19.6%
Electricity	-9.9%
Oil & Gas Producers	-8.5%
General Retailers	-7.3%

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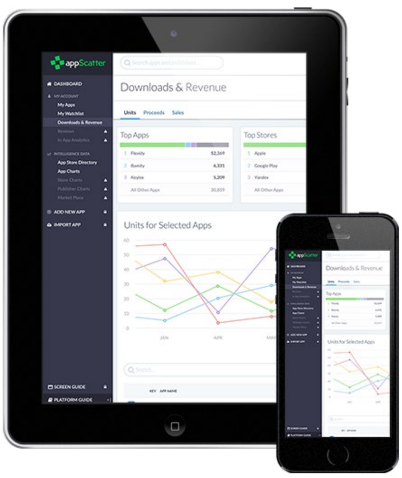

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BROKER RATINGS EXPLAINED:

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.

When will developed economies be removed from life support?

There were few clues at key central bankers' summit

Overshadowed by the devastation wrought by Hurricane Harvey in Texas and North Korea firing a missile over Japan, the Jackson Hole meeting of central bankers in Wyoming in late August is interesting for what was not said as much as what was said.

The action of North Korea in launching an intercontinental ballistic missile over Japanese territory has stoked fears of conflict between the US and the communist state. It has helped drive gold prices through $1,300 as investors head for safe havens.

But in the long-term the decisions taken by the attendees of the Jackson Hole meeting might have more bearing on the performance of stocks. That's because the summit has become increasingly important for investors in recent years.

In 2014 the current head of the European Central Bank, Mario Draghi, gave hints of the financial stimulus he would later launch to rescue eurozone economies which had been buffeted by several sovereign debt crises.

In 2010 the-then chair of the Federal Reserve, Ben Bernanke, made his own commitment to so-called quantitative easing (QE) in the wake of the global financial crisis.

The ECB has extended its own QE until the end of 2017

LACK OF CLARITY

This year it was hoped that current Fed chair Janet Yellen and Draghi would use their respective speeches at Jackson Hole to discuss how they would take the world's developed economies off life support by scaling back QE and returning interest rates to more normal levels. Both disappointed the market.

The US is further along in the process. It started raising interest rates in December 2016 and halted its QE programme in October 2014 whereas the ECB has extended its own QE until the end of 2017.

When rates move higher (and stimulus is removed) there will be less money in the system and interest charges on borrowings will increase. This can lead to spending being scaled back.

If people are buying fewer products and services or if investment within businesses declines then estimated cash flows for most listed companies will likely fall. This situation will typically result in lower share prices.

An increase in rates should also boost the return from assets such as cash and bonds which are typically seen as being lower risk than shares. In these circumstances investors may choose to take their money out of the stock market.

WHAT NEXT?

The markets will be watching Draghi and Yellen closely when they next update the market on their plans on 7 September and 20 September respectively. (TS)

What is quantitative easing?

Central banks buy bonds or other assets with money created electronically to pump cash into the financial system. By making more money available it hopes to encourage institutions to lend more to businesses and individuals and stimulate economic activity.

Chemring can benefit from Trump's Afghanistan push

Its focus is on products which are required for land-based warfare

US President Donald Trump's impassioned speech to troops at Fort Myer military base in Arlington Virginia on 21 August is potentially encouraging for investors in munitions manufacturer **Chemring (CHG)**.

His promise to ensure his troops 'have every weapon to apply swift, decisive and overwhelming force' could boost demand for the company's products.

Sanjay Jha, analyst at Panmure Gordon, says: 'Chemring should be the biggest beneficiary from a protracted war in Afghanistan and Pakistan involving increasing numbers of troops.'

CHEMRING'S OFFERING

A 'short cycle war', as Jha dubs the US's new strategy in Afghanistan, should play to Chemring's strengths. Its countermeasures, improvised explosive device defences and pyrotechnics fit well with this style of warfare.

The company also produces some highly effective munitions including 40mm grenades as well as mortar shells which are suitable for land-based warfare.

The company's chief executive Michael Flowers took over three years ago and the company has recovered from a period of multiple profit warnings. Jha says under the new management the company has been reducing its reliance on short cycle product.

But the countermeasures and energetic systems divisions still accounted for almost 80% of group sales last year and Jha says that a drawn out conflict 'could lead to a sudden boost in volumes and margins'.

Jha gives Chemring a target price of 216p, implying 22% upside at the current price of 177p. (DS)

Economic impact of Hurricane Harvey

AS WELL AS leading to between $1bn and $2bn in insured property losses in Texas, Hurricane Harvey is expected to have a material impact on the US economy.

Investment bank UBS says initial claims for unemployment benefits from the affected region 'could soar'.

The energy sector which dominates the Lone Star State is also heavily impacted with production and exports as well as refining and drilling activity curtailed. (TS)

CentralNic's Slovak profit boost

ANALYSTS CALCULATE **CentralNic's (CNIC:AIM)** latest acquisition could boost its earnings before interest, tax, depreciation and amortisation (EBITDA) run rate by 33%. CentralNic manages and sells top level domain names such as the .com or .co.uk part of website addresses.

The €21.3m deal to buy SK-NIC, the manager of Slovakia's country code .sk, is also expected to create additional operational synergies. (SF)

Another bid for M.P. Evans?

M.P. EVANS (MPE:AIM) has invested in a new Indonesian oil-palm project in East Kalimantan which more than replaces the share of planted land lost through January's US$100m Agro Muko disposal. The acquisition (29 Aug) brings young palms with strong future crop growth into the M.P. Evans fold and only increases its strategic attractions.

VSA Capital believes former suitor KLK might table another takeover bid for the company once its restrictions are lifted in four months' time. (JC)

High hopes for imminent Appscatter IPO

Will retail investors be as enthusiastic as institutional investors when tech firm floats on 5 September?

Analytics firm **Appscatter** could prove a big hit when it joins the stock market on 5 September if significant institutional demand to take part in its IPO fundraising is anything to go by.

The app distribution platform originally set out to raise £5m at its AIM listing but has now secured £9m due to better than expected interest from asset managers. Octopus and Legal & General are among the institutions backing the firm. The IPO price will be 65p and its EPIC code is APPS.

Appscatter lets companies distribute and monitor their apps across app stores around the world. The firm has been generating revenue since the start of 2017 and is expected to break even in the first half of 2018, according to chief executive Philip Marcella. He hopes to have 1m subscribers within three years.

The investment case is fairly easy to understand. Most people think apps are only made available via Apple iTunes or Google Play. In reality, this is not the case – particularly in places like China where they only account for 24% of downloads or 62% for the top five countries in the European Union, according to Appscatter.

WHAT DOES IT DO?

Appscatter helps companies to reach a wide range of app stores as well as monitor what competitors are doing through these channels. Furthermore, it helps clients with a range of apps to ensure the right ones are being distributed in the correct countries for marketing or regulatory purposes.

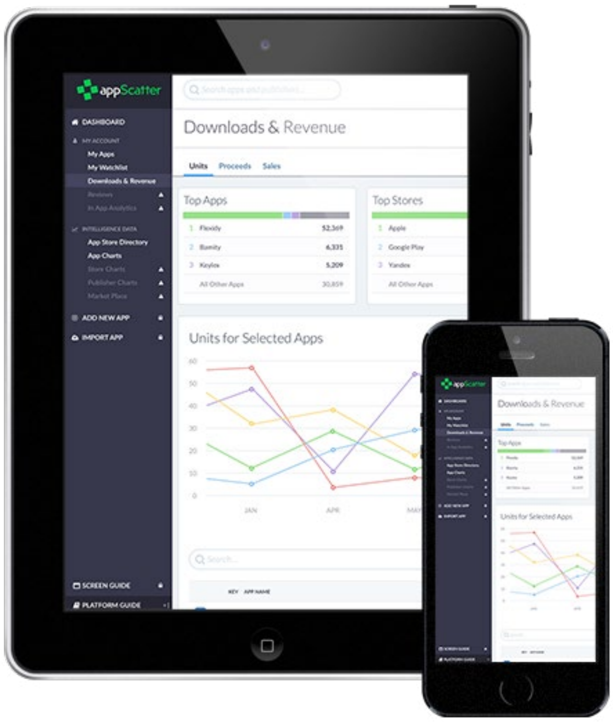
The company will be valued at £41m when it floats on AIM. As of 31 July 2017, the company was generating revenue from more than 800 paying users. Clients include banks, gambling firms, aviation companies and automotive firms.

Marcella says the IPO valuation was based on a mixture of the company's technology investment to date, revenue generating credentials and, in particular, its rich amount of data. It claims to have billions of data points on apps which it has been collecting since 2014.

The company says no other firm others its full suite of tools, although there are firms which offer some of them. It doesn't have patent protection but is looking at applying for some to cover activities such as specific search algorithms and technology for collecting and managing data.

The IPO fundraising will provide Appscatter with £7.8m after fees. The money will be used for sales and marketing, launching a new marketplace and working capital. Marcella says the higher than expected cash raise will also enable the firm to bring forward some expansion plans.

It will open an office in Germany which it claims to be the second largest app developer country in Europe. It will also establish a presence in China, particularly with the aim of helping Chinese publishers to get their apps on stores in other countries. (DC)



Computacenter comes good on cash return promise

Robust first half results spark £100m shareholder windfall

IT services business **Computacenter (CCC)** has unveiled plans to return approximately £100m to shareholders before Christmas. The pledge will see shareholders receive approximately 83p per share on top of the 23.6p ordinary dividend forecast for the year to 31 December 2017.

A payment of this scale was predicted by analysts nearly a year ago, as reported by *Shares* on 27 October 2016.

Computacenter, which supplies and manages PCs, laptops and IT applications for hundreds of businesses in the UK and Europe, has made the gesture after bumper half year results.

The figures for the six months to 30 June show a 9% increase in revenue to £1.7bn and pre-tax profit more than doubling to £47.5m, before one-off costs.

The results also show a welcome return to growth for its UK arm, which has struggled to make progress for several years.

Positive free cash flow of £2m also shows a substantial improvement after absorbing £9m in the first half of last year, leaving a mammoth £137m of net cash on the books.

'We have never been more optimistic about the market's potential, as customers invest capital, digitalise their businesses and require support to reduce their long-term operating costs,' explains chief executive officer Mike Norris.

'The second half looks to continue the momentum, although growth rates won't be as strong, given a tougher comparable period,' cautions Indraneel Arampatta, analyst at IT consultant Megabuyte. (SF)

UK bucks the rising dividend trend

$447.5bn

ASSET MANAGER Janus Henderson reports a record $447.5bn for second quarter dividends but dividend payments from UK companies fell by 3.5% in the quarter to $32.5bn on a headline basis. This was due to weaker pound, which has been pressured by Brexit.

Once the weak pound, special dividends and the loss of some UK companies from the index are taken into account, UK dividends rose 6.1% ON underlying basis.

£1m

REAL GOOD FOOD INVESTORS BURNED AGAIN

IN-STORE BAKERY operator and food manufacturer **Real Good Food (RGD:AIM)** has disappointed shareholders for the second time in a month after flagging another hit to earnings.

The company says following a review, earnings before interest, tax, depreciation and amortisation (EBITDA) for the year to 31 March 2017 will now be £1m which is half its previous estimate.

Real Good Food issued a profit warning on 1 August saying it had to adjust financial estimates due to accounting issues.

63%

Cash accounts for nearly two thirds of news company's market cap

LIKE MANY of its rivals, Irish newspaper publisher **Independent News & Media (INM)** is facing declining revenues but the business is also notably sitting on net cash of €95.7m. This represents 63% of its current market value.

The company does not plan to pay a dividend for 2017 and stockbroker Davy comments: 'With external M&A on hold, the question for shareholders is whether or not the group is more inclined to return excess cash to shareholders.'

SPORTECH SHAREHOLDERS COULD WIN MAJOR CASH PRIZE

GAMBLING FIRM **Sportech (SPO)** may soon pay shareholders cash equal to nearly one third (29%) of its current market value, according to investment bank Investec. It believes the small cap could pay out up to 29p per share. The stock currently trades at 98p.

Investors may get even more cash in the near future if Sportech wins a legal battle to receive compound interest on a £97m VAT repayment claim, rather than 'simple interest', says Investec.

The bank believes a positive outcome could be worth between £150m and £250m, which equates to 81p and 135p per Sportech share.

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Creo's Speedboat device approved in 49 days

CREO MEDICAL (CREO:AIM) is aiming to bring forward its US commercial launch plans after its medical device Speedboat RS2 was approved by the US Food and Drug Administration in only 49 days.

The approval for the disposable device for the treatment of colorectal cancer is six months ahead of schedule and could bode well for future product launches. (LMJ)

BEST
PERFORMING FTSE 100 STOCKS THIS YEAR

Stock	Gain
Worldpay	54.5%
Antofagasta	51.0%
Coca-Cola HBC	48.5%
Persimmon	47.9%
Intertek	43.9%
International Consolidated Airlines	36.7%
Rolls-Royce	36.1%
London Stock Exchange	35.9%
3i	35.4%
Bonmarche (BON)	8

Source: SharePad 30 August 2017

WORST
PERFORMING FTSE 100 STOCKS THIS YEAR

Stock	Gain
Provident Financial	-68.4%
Pearson	-25.4%
ITV	-23.0%
Paddy Power Betfair	-22.4%
WPP	-21.8%
BT	-21.3%
Shire	-20.2%
Next	-18.4%
Centrica	-16.9%
Kingfisher	-15.8%

Source: SharePad 30 August 2017

Is Xafinity the ultimate defensive stock?

Pensions service provider is in demand regardless of economic conditions

Anyone concerned about low growth in the UK economy may wish to increase exposure to defensive stocks, namely companies which should keep making money even in tougher economic times.

One of our top defensive picks is **Xafinity (XAF)**. The bulk of its earnings are generated by ongoing services to support defined benefit (DB) pension schemes.

It helps pension trustees to check they have enough money to pay members; it assists with annual reports, record keeping and member communication; and it makes sure the right pension cash is paid to the right people.

All these activities have to be done on a regular basis regardless of whether the UK economy is doing well or badly. Xafinity gets paid out of pension scheme assets and its fees are linked to inflation.

XAFINITY ↗ BUY
(XAF) 163p
Stop loss: 114p

Market cap: £221m

MISCONCEPTIONS ABOUT EARNINGS

You may have read about some people being offered generous cash sums to transfer out of a DB pension as trustees are eager to reduce their long-term liabilities. Xafinity insists its income hasn't been significantly affected by this trend as it costs broadly the same to service 1,000 members in a DB pension scheme versus 900.

The reduction in DB pension members actually creates an opportunity for Xafinity as it has a platform called National Pension Trust (NPT) which can be used to hold the members' assets during retirement.

It is encouraging DB trustees to promote NPT as a suitable destination for departing members who don't have the financial expertise to manage their own money via a SIPP (self-invested personal pension).

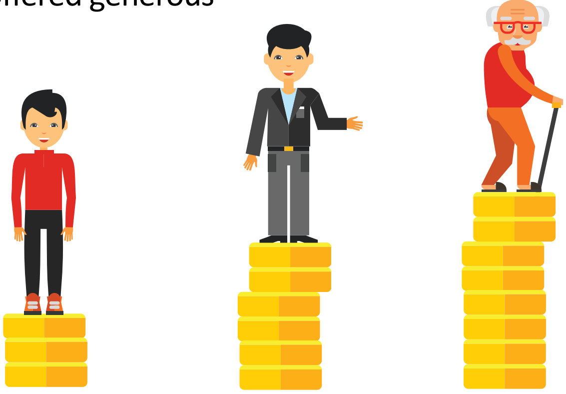
At the same time, demand is growing for NPT as a vehicle for individuals with a defined contribution (DC) pension, better known as a workplace pension. Xafinity says employers have a duty to make sure employees are given appropriate information for how to access their pension assets once they retire.

A HELPING HAND

More flexible pension rules mean retirees can now stay invested in the market instead of buying an annuity, but a lot of people don't know what to do. NPT can be used as a decumulation vehicle. The infrastructure is run by Xafinity and an independent panel of trustees selects the underlying assets.

Investment bank Liberum says regulatory changes in the future should provide additional demand for Xafinity's advisory services.

Liberum forecasts £10m pre-tax profit in 2017 and £16m next year. Net debt is forecast to be £31m this year and £22m in 2018. An estimated 6p dividend in 2018 equates to a 3.7% yield. (DC)



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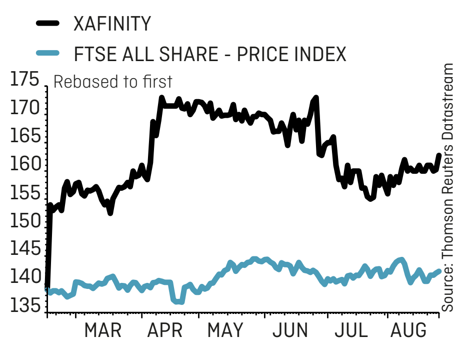


Time to snap up WPP on price weakness

Chance to buy high quality stock at discounted valuation

Global advertising giant **WPP (WPP)** is trading at a 15% discount to its long-term average price-to-earnings (PE) ratio of 12.9 after a disappointing first six months of 2017.

In our view a PE of 10.9 represents an excellent opportunity to buy a quality company which is one of the leading players in its sector. However, investors must take a long-term view given market sentiment is currently weak towards WPP.

DOWNGRADES DISAPPOINTING BUT NOT TERMINAL

The company's recent struggles do not represent a fundamental shift within its industry as some observers fear.

We expect net new business wins to drive an improved second half with major sporting events to come in 2018 which could help lift performance.

Share buybacks should also provide some support to the shares which are further underpinned by a 4.5% dividend yield.

WHY IS SENTIMENT POOR?

On 23 August WPP downgraded its growth guidance for the second time this year buffeted by pressure on client spending 'particularly in the fast moving consumer goods or packaged goods sector'.

WPP BUY
(WPP) £14.16
Stop loss: £11.33

Market cap: £18.3bn

Also blaming growing economic uncertainty amid a rise in populism in the UK and US and 'bumpy' growth in Brazil, Russia and China, WPP now expects sales growth of 0% to 1% compared with previous forecasts of 2% at the first quarter stage and 3% at the beginning of 2017.

Even this muted performance relies on a recovery from a 0.9% decline in like-for-like sales year-to-date.

Investors must take a long-term view given market sentiment is currently weak towards WPP

BETTER TO COME FROM THE COMPANY?

WPP has tough comparative figures to beat this year. Its 2016 results were underpinned by the Rio Olympics and the US elections. There are no such major events this year but next year is likely to be a different story with the football World Cup in Russia and the Winter Olympics in South Korea.

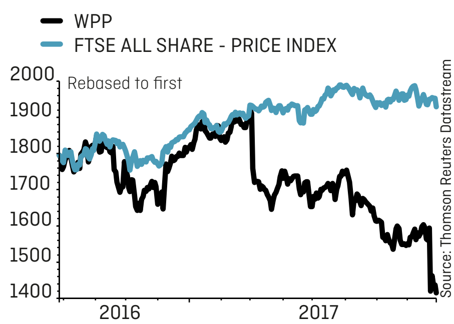
Estimated net new business billings of $4.2bn were won in the first half of 2017 against $2.99bn in the same period last year.

This shows the amount of new business from existing and new clients minus any business lost. The performance should bode well for the required second half recovery.

Comments from **Unilever (ULVR)** alongside first half results suggested fears companies are less committed to advertising spend are overdone.

The consumer goods business, WPP's second biggest client, guided for a year-on-year increase in marketing spend in the second half after scaling back in the first six months of year. This may also have the effect of forcing competitors to react in turn, leading to a more widespread boost in advertising spend. (TS)

BROKER SAYS: 18 9 2



GLAXOSMITHKLINE
(GSK) £15.24

Loss to date: -0.3%

Original entry point:
Buy at £15.30, 1 December 2016

PHARMACEUTICALS GIANT **GlaxoSmithKline (GSK)** is emerging stronger after surviving competitive threats against its asthma and HIV treatments from rivals **Hikma (HIK)**, Gilead Sciences and Mylan.

Several companies have been attempting to develop a generic version of GlaxoSmithKline's off-patent asthma medicine Advair Diskus – and all have failed to gain the necessary regulatory approval so far.

Earlier this year, the US Food and Drug Administration blocked the launch of Mylan's Wixela Inhub in its current form and delayed the launch of Hikma's VR315.

This is reassuring as sales of GlaxoSmithKline's Advair/Seretide fell in the US in the first quarter of 2017. If Hikma or Mylan had succeeded, the decline could have been worse.

GlaxoSmithKline also faces competition from Gilead's HIV treatment Bictegravir, but the latest clinical studies revealed it was only equally as good, rather than superior. This is important as the HIV division has been one of the biggest growth drivers for Glaxo over recent years.

Beaufort Securities analyst Ben Maitland says these developments highlight the strength of company's drug portfolio and intellectual property, which makes it harder for its rivals to make superior products.

He believes this is true for other parts of the company's portfolio and flags the potential for acquisition-based growth thanks to a healthy net cash position of around £1bn.

GlaxoSmithKline currently trades on an undemanding forecast 12.2 times earnings per share for the year to 31 December 2018.

SHARES SAYS: ↗
Keep buying at £15.24. (LMJ)

BROKER SAYS: 1 0 0

SOPHEON
(SPE:AIM) 337.5p

Gain to date: 2.3%

Original entry point:
Buy at 330p, 22 June 2017

HALF YEAR RESULTS continue the solid organic progress at enterprise innovation management software specialist **Sopheon (SPE:AIM)**.

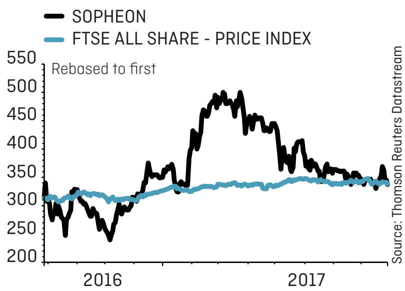
Another eight new licences were sold in the latter part of the six month period, taking the total to 28 versus 20 this time last year.

Importantly, future revenue expectations are increasingly being de-risked with visibility on $20.3m of income for the full year to 31 December 2017.

This is an improvement on the $17.5m when we first flagged this stock idea on 22 June at 330p, with $10.5m of that figure under recurring sales contracts.

While the share price may not have moved much since our original article, nothing has changed in terms of the investment case.

The shares currently trade on 14 times this year's anticipated 24p per share of earnings, based on FinnCap forecasts. The broker has stuck to its 620p share price target, implying more than 80% upside on a 12 month view.



SHARES SAYS: ↗
Keep buying the shares. (SF)

BROKER SAYS: 1 0 0

Why the big moves in large cap share prices?

FTSE 100 companies have seen unusual share price movements

This summer has seen unprecedented share price movements among large cap stocks on the London market with 10%, 15% and even 66% changes for a single stock in a day.

As a rule of thumb, a 5% move in either direction is significant for a FTSE 100 stock which will typically be less volatile than its smaller counterparts.

You also have to think that a 5% rise in a large cap company actually equates to a chunky increase in the value of the business.

For example, a 5% rise in a £4bn company means something has happened to push up its value by £200m. In contrast, a significant bit of news can easily push up the value of a small cap by 25% or more.

WHY HAVE SHARE PRICES BEHAVED DIFFERENTLY THIS SUMMER?

Due to the size of large caps, any setback or breakthrough has to be very material to move the dial by more than 5%, in our opinion.

And yet this summer we have seen pharmaceutical giant **AstraZeneca (AZN)** endure its worst ever one-day share price performance (down 15%) on the failure of a key drugs trial (27 Jul).

Advertising giant **WPP (WPP)** sank 10% on 23 August after warning it may deliver no growth in 2017.

> “TRADERS AND FUND MANAGERS WERE SUNNING THEMSELVES ON THE BEACH”

Doorstep lender **Provident Financial (PFG)** lost two thirds of its market value on 22 August after a massive profit warning.

So why have we seen such pronounced share price moves? Stocks on high price-to-earnings ratios are typically more prone to big share price falls if they disappoint as the market has typically already reflected future growth in their share price.

With the FTSE 100 not far from record high levels, perhaps there is a case for saying the valuation of the market as a whole is a bit stretched.

Another possible cause is the thinner volumes typically seen in the summer months when some of the more experienced traders and fund managers were sunning themselves on the beach.

IS THERE ANY LOGIC BEHIND THE SHARE PRICE MOVES?

Although not a FTSE 100 stock, **Dixons Carphone (DC.)** fell 23% on 24 August as it warned of a negative impact as consumers delay replacing their old phones, put off by the impact of sterling weakness on the cost of new models.

The share price decline might look hefty but it’s actually not far short of the scale of the downgrade to 2017 pre-tax profit guidance which, based on the top of the previous forecast of £485m to £490m and the bottom of the revised numbers of £360m to £440m, is more than 26%.

The market perhaps prudently is holding fire a little ahead of two key factors which will impact the future performance of the business, namely the launch of the new iPhone 8 this autumn and trading during the key Christmas period. (TS)

AJBell FIT Awards2017

Voting is open for the AJ Bell
Fund & Investment Trust (FIT) Awards!


You are invited to have your say on who *you* believe to be the best investment funds and trusts in the UK marketplace.

An expert panel of investment professionals have already narrowed down the choices available to create a final shortlist of 6 investment funds or trusts in 15 award categories.

The award categories have been chosen to reflect how you, as investors, typically look for an investment, therefore cover all major regions, sectors and markets.

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SIX WAYS TO SHARPEN YOUR INVESTING SKILLS

By Daniel Coatsworth and Tom Sieber

FOLLOWING THESE SIMPLE STEPS COULD BOOST YOUR WEALTH AND MINIMISE LOSSES

Investing is a continuous learning process. We're passionate about helping individuals to better understand how the market works and how to spot opportunities and avoid mistakes.

This article details six ways in which you can sharpen your investing skills and get an edge over many other investors. We've included lots of topical examples to help you better understand how certain scenarios are playing out in markets at the moment.

DEALING WITH A PROFIT WARNING FROM ONE OF YOUR INVESTMENTS

KEEPING A LEVEL head and remaining calm is vital when discovering one of the stocks in your portfolio has issued a profit warning and its share price has collapsed.

A profit warning is a broad term to describe a situation when a company is forced to downgrade its earnings guidance. It might have lost a contract, suffered higher than expected costs or experienced a difficult trading period, to name three examples.

WHAT TO THINK ABOUT

Understanding the cause of the profit warning is paramount for deciding whether to keep hold of the shares or to get out quickly in case the shares fall further.

One would assume the problem is either the fault of the company such as mismanagement; financial pressures; contract problems caused by a customer; something changing in its industry; or an external event out of its hands such as economic weakness or weather disruption.

Ideally you want to be able to judge whether the problem can be fixed in a reasonable amount of time and what's required to fix the problem. Equally, you want to know if the risk of owning the shares has increased – specifically, have the chances of permanently losing money increased?

Even if a problem can be fixed quickly, has the company adequate financial power to survive a short-term hit to profit and cash flow? We discuss the problems associated with debt later in this article; for now, think about whether a reduction in cash flow might cause problems paying monthly debt repayments which could put the company in real trouble.

WHY PROVIDENT'S PROBLEMS ARE RELEVANT

There are plenty of examples of companies which have issued patchy trading updates which hinted at problems that later manifested themselves in the form of profit warnings. Quite often the clues are laid out well ahead of the share price collapse.

Doorstep lender **Provident Financial (PFG)** saw its share price fall by two thirds last week after issuing its second profit warning in three months. The first warning was

caused by operational changes disrupting the normal flow of business.

Analysts started to question if the dividend would be cut as the company had suffered quite a hit to its earnings. The share price fell nearly 18% on the day to £23.61. At that time, we were told earnings would be lower than previously expected. The company reassured shareholders that it was confident problems would be fixed.

Based on that evidence, you could have taken the view that the dividend may have to be temporarily cut – an outcome that would be bad for the share price on the day such an announcement was made.

Investment bank Liberum raised concerns at the time that operational changes could result in long-term damage to the business. It was also worried about rising impairments, the threat of regulatory intervention to Provident's industry and the company being over-optimistic with regards to fixing its problems.

With that in mind, it seemed clear (at least in our opinion) that Provident was a 'sell' at £23.61 in June. If you'd shared that opinion and exited after the first warning, you would have avoided significant losses in the process as the shares now trade at a mere 900p, following the second profit warning on 22 August which caused its shares to fall 66% in value on the day.

In hindsight there were plenty of clues not to own Provident shares before the big slump last week.

EXAMINING THE FACTS

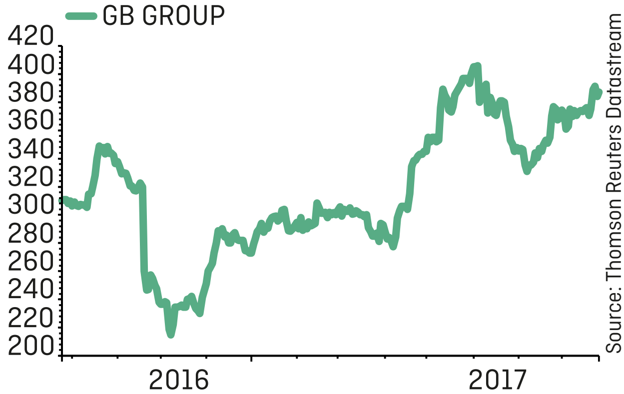
Sometimes it's not always easy to spot the severity of the problems without subsequent trading updates to show how a company is dealing with issues.

Other times you might be able to make a judgement with relative ease with regards to the state of affairs. For example, **GB Group (GBG:AIM)** issued a profit warning last year amid a contract delay.

GB Group said the roll-out of a Government project had been slower than expected. Its share price fell by 26% to 254p on the day.

In reality, analysts hadn't expected the Verify project (which validates citizens for online interaction with Government services) to make a big contribution to earnings for a while.

Stockbroker FinnCap said at the time that it expected little impact to group profit in either 2017 or 2018 as a result of the delay. Therefore the 26% share price decline was totally unjustified, in our view. As such, we didn't believe investors should get rid of the shares; in fact, we said at the time to take advantage of the price weakness and buy more stock. That proved the correct call as today they trade much higher at 398.5p.



UNDERSTAND THE MATHS

IT'S ALWAYS A relief when a share price starts to recover from a bad period. Investors should be happy that any losses are being narrowed and hopefully the share price will claw back all the lost territory.

Unfortunately a lot of people underestimate how far a share price needs to travel in order for you to get back to the level it traded before the bad period.

For example, let's say a share price fell 30% on a profit warning, dropping from 100p to 70p. You would be wrong to assume it needs to rise by the same amount, namely 30%, in order to get back to 100p. That would only take you to 91p.

In fact, that share will need to rise by 43% in order to hit the 100p original price.

The greater the fall, the bigger the recovery required. For example, imagine a share price halved from 100p to 50p, equal to a 50% decline. You would need the share to double, or increase by 100%, in order to get back to 100p.

With this in mind, try not to get overexcited when a share price starts to recover. You may have to wait longer than you think in order to get back on track.

For those investors who incurred a 66% loss on Provident Financial on 22 August when it issued a profit warning, you will need the share price to recover by 196% in order to get back to the £17.45 trading price on the eve of the bad news.

"TRY NOT TO GET OVEREXCITED WHEN A SHARE PRICE STARTS TO RECOVER. YOU MAY HAVE TO WAIT LONGER THAN YOU THINK IN ORDER TO GET BACK ON TRACK"

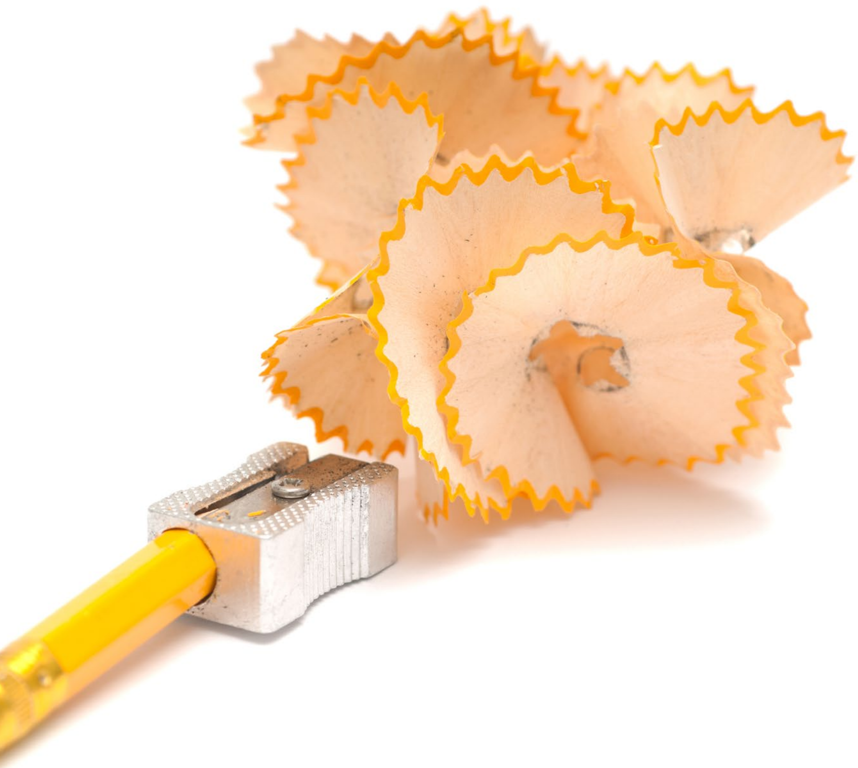
THE WARNING SIGNS TO LOOK FOR IN COMPANY ACCOUNTS

INVESTORS WOULD normally expect the financial results from their investee companies to be trustworthy. Unfortunately, short of outright fraud, there are several measures companies can take to present their financial results and make them look better than they actually are.

Investment bank Liberum has identified 13 accounting red flags in order to spot companies which might have problems now or in the future. Spotting red flags could help you identify companies which are heading towards a profit warning, and enable to get out before disaster hits the value of your investment.

Having previously run this checklist against FTSE 100 companies, analysts Sebastian Jory and James Ashley are now using the flags to examine mid-caps, after dicovering the worst offenders in the FTSE 100 list have consistently underperformed in each of the last three years.

> THE WORST OFFENDERS IN THE FTSE 100 LIST HAVE CONSISTENTLY UNDERPERFORMED IN EACH OF THE LAST THREE YEARS



Applying this practically, oil services business **Wood Group (WG.)** triggers five of the 13 red flags. It has seen a build-up in short-term and long-term receivables days and cash dividend cover is down significantly on its five-year average of 2 times at 0.2.

Capital expenditure is a long way behind depreciation and if operating leases were capitalised it would prompt a material increase in its net debt to earnings ratio.

We now present a guide to 13 of the most important red flags and what they mean.

13 RED FLAGS

Exceptionals: Constantly adjusting earnings
Sometimes a business faces genuine unique one-off items which would otherwise obscure its underlying performance. However, if earnings are consistently being adjusted it implies management are trying to flatter performance.

Doubtful debtors: Screening for material changes
Doubtful debtors are parties which owe money to a company and are likely to default on their loans. You should look for signs the level of doubtful debtors has increased markedly.

Revenue recognition: Receivables
An increase in the amount of receivable days (calculated by dividing average receivables by revenue and multiplying by 365) implies parties which owe money to a company are taking longer to settle their bills. Or it could be that the company is recognising revenue very early to boost their results in the near-term.

Revenue recognition: Long-term receivables and contract accounting
This involves booking revenue from business where the company will not see the cash for at least one year. New accounting standards due in 2018 could limit companies' ability to use this revenue recognition technique.

Revenue recognition: Deferred revenue
Cash received for business not yet carried out should be classed as deferred revenue but this is not always the case. You should look for material reductions in deferred revenue.

Working capital: Inventory
Increases in 'inventory' could imply a company has mismanaged its stock and may have to write off its value if business slumps.

Working capital: Payables
Screen for increases in 'payables' or how long it takes a company to pay its bills.

Debt for dividends: Cash dividend cover
Look for companies which cannot cover their dividend with internally generated funds.

Capex: Free cash flow flattery/ ageing asset portfolio
Identify firms which have cut spending to boost cash flow in the near term which could leave them with ageing and/or outdated equipment.

Bankruptcy and manipulation models
Use the Beneish M-score and Altman Z-score academic models to identify stocks which are manipulating earnings or are at risk of going bust.

Operating leases: Accounting policy changes
An operating lease is a contract which allows for a company's use of an asset. For example, for a retailer this could be a shop. New rules coming in 2019 will require these to be recognised along with other liabilities. This could have an impact on bank lending facilities which include stipulations on the proportion of earnings to debt, known as debt covenants.

Governance: Board independence
Look at how long senior management have been in place. Check if the chairman and chief executive role is combined (generally deemed a bad thing) and the percentage of the board which are non-executives.

Size of CEO remuneration
Check not just how much a chief executive is paid but also if they are paid in such a way which would incentivise them to flatter earnings.

Source: Liberum, Shares

BE DISCIPLINED

HAVING DECIDED your goals and limits do not be tempted to abandon them at the first sign of success or failure.

Do not be afraid to sell an investment if it has generated a far higher return than you originally expected, even if it continues to rise in value.

Many people believe a good principle is to 'run your winners'. We often prefer to lock in a profit on an individual stock when times are good. After all, no one ever lost money from cashing in a profit – but plenty of investors have lost out when they held a stock for too long and it subsequently fell back in value.

Equally if an investment is not working out then you should be prepared to walk away rather than hold out in the forlorn hope of a turnaround in fortunes.

Emotion is the enemy of successful investment. This means you should not keep buying your favourite share in the expectation it will rise indefinitely but nor should you sell at the first sign of trouble. Always take time to weigh up the pros and cons before you transact.

A TOPICAL EXAMPLE

When housing and social care provider **Mears (MER)** warned the Grenfell Tower tragedy would delay some contracts as clients review safety practices (15 Aug) it prompted a share price decline which has seen the stock fall some 10% to 430p. Yes, this news is a setback but don't forget Mears has a strong record of generating healthy total returns from capital gains and dividends over the long-term.

According to SharePad the total return over the last two decades is 4,570%. It also announced a 5% increase in its first half dividend at the same time as delivering its warnings which suggests management are confident on the longer-term outlook.

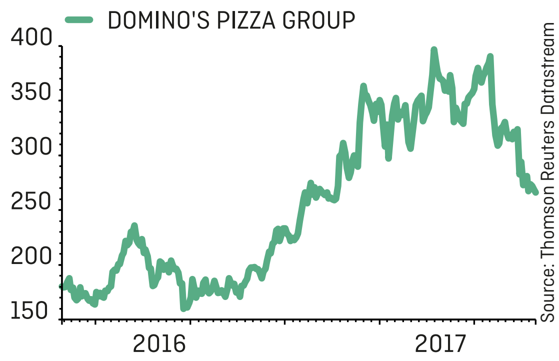
Analysts at Liberum share this confidence pointing to increased pressure for better funding for social housing and adding the long-term drivers for the sector including lack of supply and increasing regulation on the private sector remain intact.

LOSING FANS FAST

Another example is takeaway franchise **Domino's Pizza (DOM)** which has endured a more dramatic sell-off.

Its shares have lost a quarter of their value since the beginning of 2017 to trade at 267p. This broke a three-year run of steady gains in the share price.

The market seems to be increasingly fearful that the company has reached saturation point as sales in the UK start to slow. A prized growth stock which can no longer deliver growth is susceptible to a lower equity rating and thus its share price could fall. In such a situation you should question why the shares are now worth owning.



DON'T UNDERESTIMATE THE DANGERS OF DEBT

> IN THE VERY WORST CASES A COMPANY COULD EVEN GO BUST AND THEN SHAREHOLDERS ARE RIGHT AT THE BACK OF THE QUEUE WHEN IT COMES TO GETTING MONEY BACK

MOST LISTED companies will use debt at some point either to invest in expanding their business or perhaps in acquiring a rival. There is nothing wrong with debt per se but too much of it can be extremely damaging for a company and can leave shareholders counting heavy losses.

We're in the middle of a bull run for many stock markets around the world including the main ones in the UK. It's precisely at times like these that investors often forget to think about how a company could survive in tougher times. Debt can be a killer for corporates.

Essentially when a company is borrowing money it is assuming the return from investing that cash will outweigh the cost of servicing the debt.

When earnings are rising, debt can help boost growth and keep a company from either having to dilute shareholders by issuing more shares or alternatively allowing it to retain more of its capital to return through dividends.

If earnings and cash flow come under pressure for some reason then the situation can get ugly fast for a company which has been tempted to add substantially to its borrowings in the good times.

It can lead to breaches of debt covenants (an agreement between a lender and a company on the ratio between earnings and debt) and/or for a company to fall behind on interest payments.

In this scenario, the company may end up being run in the interests of creditors rather than shareholders as debts are paid down.

In the very worst cases a company could even go bust and then shareholders are right at the back of the queue when it comes to getting money back.

THE DOWNSIDE OF COMING OUT OF PRIVATE EQUITY OWNERSHIP

Companies which have been owned by private equity and subsequently join the stock market often carry significant debt. Roadside assistance and insurance provider **AA (AA.)** is a great example. It listed in June 2014 with debt of £3.4bn, although this has since been reduced £2.8bn and the company has reduced its interest payments substantially.

High levels of debt can only, in our view, be justified at companies with very reliable and consistent earnings – but even they are not immune from problems in harder economic times.

Obvious companies which are better placed to cope with higher debt include utility providers where the level of earnings is effectively controlled by a regulator. Another example is funeral specialist **Dignity (DTY)** where demand for its services is unlikely to fluctuate too wildly.

As for AA, investors need to decide if its earnings are consistent enough to justify its high level of borrowings. Yes, it enjoys recurring revenue from membership subscriptions, but trading hasn't been entirely smooth since it joined the stock market.

LESSON LEARNED FROM COMMODITIES CYCLE

Miners took on lots of debt when metals and energy prices were rising five to 10 years ago. They have subsequently been hit very hard after a slump in commodity prices put their earnings and cash flow, and thus their ability to service debt, under pressure.

Once a member of the FTSE 100, platinum miner Lonmin has breached its debt covenants numerous times and launched many rescue share placings this decade. It is now a small cap company with a market cap of less than £250m.

Oil explorer **Tullow Oil (TLW)** was a constituent of the FTSE 100 until early 2015. Tullow's big debt pile has meant its fortunes are highly correlated to the oil price and since prices began to crater in mid-2014 it has lost more than 80% of its market value and its prized FTSE 100 status. Despite a $750m rights issue in April net debt still totals $3.8bn.

AS FOR AA, INVESTORS NEED TO DECIDE IF ITS EARNINGS ARE CONSISTENT ENOUGH TO JUSTIFY ITS HIGH LEVEL OF BORROWINGS

BE CAREFUL WHAT YOU READ... IT MAY NOT BE TRUE OR IT COULD BE MISLEADING

SOCIAL MEDIA services like Twitter and a variety of investment-focused internet bulletin boards can help you gauge the market mood about certain stocks. They can throw up investment ideas and help you engage in a network of like-minded individuals who are interested in getting a good return from stocks, funds, bonds and more.

As much as they are useful, it is also worth pointing out these online communities can also be dangerous places, principally because the information being disseminated isn't always factually correct. It is more likely to be opinion and often ill-informed.

The accompanying graphic includes a selection of comments (based on our experience of using Twitter and bulletin boards) which illustrate the type of remarks that should trigger alarm bells.

Essentially we'd be very dubious about anyone saying they've heard news is about to be announced; that a certain stock is guaranteed to make you money; or that a company is a surefire takeover candidate.

A company is bound by listing rules to publish price-sensitive information as soon as they have it, so why would a random person on Twitter know about it first? No stock is guaranteed to make you money. Finally, takeover potential is pure speculation.

We suggest you build a list of reputable commentators on Twitter or online message boards based on their previous remarks and analysis, rather than trust the word of anyone discussing a stock or fund in which you might have a shared interest.

'News is coming on Monday... the price will SOAR'

'All the sell orders are actually buys – EVERYONE IS SCRAMBLING for this stock'

'I've just bought £200,000 worth of stock and will buy MORE NEXT WEEK.'

'Bargain price today. Buy now as it is guaranteed to go up 20% TOMORROW'

'My prediction is we will get to £1bn MARKET CAP in 2-3 years'

(Says a person talking about a micro-cap stock)

'I've heard the directors are MOPPING UP all the stock that's being sold in the market'

CYBG could pay dividend after profit breakthrough

Bank's fortunes are tied to the UK economy

Banking group **CYBG (CYBG)** in 2016 achieved its first statutory profit in five years. Its ambition to pay an inaugural dividend for the September 2017 financial year now seems increasingly likely to be realised.

The bank's share price has risen by more than 50% since the company was floated by previous owner National Australia Bank in February 2016. We see scope for further upside from the stock.

Initially two separate entities, Clydesdale and Yorkshire bank, the combined company has a UK regional focus, including in Scotland where it trades under its Clydesdale name.

It has around 2m current account holders, which CYBG's chief financial officer Ian Smith says gives it a strong base to lend. Its mortgage loan book is growing steadily, up 5.8% in the nine months to 30 June.

Guy Stebbings, analyst at investment bank Exane BNP Paribas, says a combination of 'encouraging mortgage volume trends, solid margin dynamics and ahead-of-plan cost take out is supporting a more attractive near term earnings story'.

Its mortgage loan book is growing steadily

COMPETING WITH THE BIG BOYS

'We're in a unique position in the true definition of the word; we're one of the smaller players allowing us to be more agile,' says Smith.

CYBG looked set at one point to buy **Royal Bank of Scotland's (RBS)** Williams & Glyn business, which would have added 300 branches to its stable, before the deal collapsed.

The bank still has to address similar problems to those faced by its larger FTSE 100 peers such as payment protection insurance (PPI) claims.

Equity research firm CLSA says it is 'cautious over the conduct issues' (like PPI) but nonetheless 'remains optimistic'.

PROXY FOR UK ECONOMY

'We do well if the UK does well. We're a microcosm of the UK economy,' says Smith. Prospective investors therefore need to take a view on the impact Brexit might have on economic conditions.

Exane's Stebbings warns the bank's ambition of achieving a double digit return on equity by 2019 is 'unlikely' although he also adds the current trajectory 'looks promising' for eventually achieving this aim.

The bank trades on price to book ratio of one. Some may consider this expensive relative to peers. **Barclays (BARC)** trades on a ratio of 0.7 times, for example. CYBG's rating reflects its growth potential as a smaller player in the UK market.

> WE DO WELL IF THE UK DOES WELL. WE'RE A MICROCOSM OF THE UK ECONOMY

SHARES SAYS:
While it may take time for CYBG to establish itself as a solid dividend payer, its cost cutting underpins increasing profitability. Its reliance on the fortunes of the UK economy may be a risk but we believe the shares are worth buying at 290.3p. (DS)

BROKER SAYS: 2 5 8

Destiny to float on AIM and fight antibiotic resistance

The biotech company believes its lead candidate XF-73 could kill bacteria within 15 minutes

Destiny Pharma plans to raise approximately £10m when it floats on AIM on 4 September. The money will help it complete a study for its drug XF-73 which aims to tackle the global challenge of antibiotic resistance.

XF-73 is designed to rapidly bind to bacterial membrane and make it porous, forcing the bacteria to leak out, which kills it within 15 minutes.

Chief executive officer Neil Clark believes XF-73's mechanism and speed of action means the bacteria does not have enough time to reproduce or mutate, but further data is needed to confirm the findings.

The clinical stage biotech firm is targeting launch between 2020 and 2021. Investors should be aware this is subject to the outcome of clinical studies and regulation.

The financial injection at IPO (initial public offering) will also be used to develop other programmes in the pipeline and to potentially license out the technology for future income.

BLOCKBUSTER POTENTIAL

Sales expectations for XF-73 are very high. Clark estimates the treatment could hit $1bn in the US alone. Destiny Pharma also plans to launch the product in Europe and Asia.

Clark is keen to stress the company's strong intellectual property with 'global coverage' in major territories and 94 granted patents.

WHY IS ANTIBIOTIC RESISTANCE DANGEROUS?

Antibiotic resistance is a growing threat because it reduces the effectiveness of drugs and cannot prevent bacteria from surviving and multiplying.

According to the US Centers for Disease Control and Prevention, at least 2m people in the US every year become infected with bacteria that are resistant to antibiotics.

Approximately 23,000 people die every year in the country as a direct result of these infections. By tackling this issue, lives can be saved and hospitals can cut costs treating those affected.

RAPID ACTION AND LOW RESISTANCE

XF-73 is believed to be significantly de-risked as five successful Phase I/II clinical trials have been completed, showing rapid antibacterial action and a low resistance profile.

The most important upcoming event for Destiny Pharma is the Phase IIb study that is anticipated to start next year with results expected in 2019.

While the company is floating with no debt and a drug with less risk compared to untested drugs, there is still a chance the clinical development of XF-73 could fail despite the success of earlier trials.

As with all IPOs, we urge investors to read the admission document before considering an investment in the shares. (LMJ)

Lifting the lid on the UK's most popular funds

We explain why funds from the likes of Fundsmith, Lindsell Train and Woodford are best sellers and how they work

Unless you are an expert, it can be very hard to know which actively-managed funds from a group of 1,000+ are best suited to your needs. Inevitably many investors will simply pick the ones other people are buying, assuming these are popular for good reason.

As such, a good chunk of investors across the UK are likely to own one or more of the same funds such as Woodford's equity income product or Fundsmith's flagship fund. But do they really know what makes each of these popular funds different from the rest and how their investment process works?

To answer this question, we've taken a sample of the best-selling funds from various investment platforms in order to clarify their strategy, reason for being popular and suggest to whom they might be best suited.

IN THIS ARTICLE YOU CAN READ MORE ABOUT:

FUND	INVESTMENT STYLE
FUNDSMITH EQUITY	Buy and hold approach, targeting quality companies
WOODFORD EQUITY INCOME	Fund manager has contrarian approach, looking for growth and income
JUPITER INDIA	Small and mid cap preference with focus on capital growth
LINDSELL TRAIN GLOBAL EQUITY	Concentrated portfolio of high quality companies
BAILLIE GIFFORD GLOBAL ALPHA GROWTH	Likes cyclical stocks, established players that deter competition and younger, fast-growing companies

FUNDSMITH EQUITY I ACC (GB00B41YBW71)

£11.76BN
SIZE

0.8%
YIELD

22.3%
5 YEAR ANNUALISED RETURN

AMADEUS IT, PAYPAL, CR BARD
TOP HOLDINGS

Run by industry veteran Terry Smith, Fundsmith Equity invests in companies across the globe with an aim to achieve long term growth in value. It has a concentrated portfolio of between 20 and 30 companies which are large liquid stocks.

Research group Square Mile says one of the draws of this fund is that 'the types of companies held are those that many investors can relate to, for most will be household brands providing every day goods and services'.

For example, Fundsmith has stakes in *KitKat*-to-*Nescafe* manufacturer Nestle and baby powder-to-skincare products giant Johnson & Johnson.

This fund chooses stocks for the long haul and doesn't use short term trading strategies. This also helps to keep costs down as transaction fees, i.e. when a manager re-jigs their portfolio, ultimately costs the investor money.

The fund manager's 'buy and hold' policy means the fund's turnover rate, or the percentage of portfolio adjustments, is very low. Smith uses filters to bring his investment universe of 60,000 down to under 100, seeking out companies with enduring profitability, attractive free cash yields and low levels of debt.

The fund shies away from companies in cyclically sensitive parts of the market such as banks, airlines and commodity-related stocks. It doesn't like companies that rely on debt to generate returns, preferring instead companies which are likely to grow from reinvestment of their cash flows at a high rate of return.

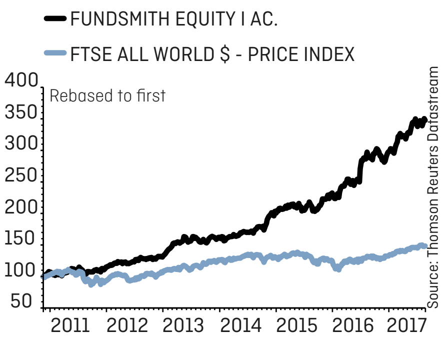
There is a bias towards healthcare and consumer goods companies as well as those with a loyal fan base. It also favours those whose market advantages are difficult for other companies to copy.

It has delivered 22.3% annualised return over the past five years. That's essentially an average return each year over the five year period – although 'annualised' is a calculation to show what an investor would return over a period of time if the annual return was compounded.

While that's very impressive, you do have to consider that the past five years have been a bumper time for quality-style companies. At some point value-style investing will come back into fashion and Fundsmith may not produce such good returns. However, on a long term basis we still believe the fund has the right credentials to richly reward investors.

Financial data expert Morningstar says Fundsmith Equity 'is one of the strongest options for investors seeking exposure to high quality global equities'.

We consider the fund to be an ideal holding for someone with at least 10 years to go until retirement who wants to increase the value of capital in their portfolio.



WOODFORD EQUITY INCOME C INC (GB00BLRZQ620)

£9.8BN
SIZE

3.4%
YIELD

7.9%
3 YEAR ANNUALISED RETURN*

ASTRAZENECA, LEGAL & GENERAL, IMPERIAL BRANDS
TOP HOLDINGS

Run by one of the UK's most famous fund managers, Neil Woodford, this fund aims for capital growth and the added incentive of some decent income as well.

Woodford made a lot of money for investors over the years when he worked for asset manager Invesco Perpetual. Therefore it seemed inevitable he would get a favourable response when setting up his own fund management business three years ago. Woodford Equity Income was his first fund launch (2 June 2014) and it has now grown to nearly £10bn in size.

Woodford Equity Income's focus is primarily on UK listed stocks, although the fund can also invest in unlisted companies as well as overseas stocks. An unlisted company is one that doesn't trade on a stock exchange and thus it is privately owned.

Square Mile describes Neil Woodford as a 'contrarian and long term investor by nature, believing that the market is inherently inefficient'. That is to say share prices are often not a true indication of a company's value.

Woodford Equity Income is 'benchmark agnostic' or in other words doesn't have any regard to an underlying index such as the FTSE 100.

It typically has around 100 holdings, although assets tend to be concentrated in the top 10, which can account for up to 60% of the portfolio. This high conviction style of investing can pay off but due to fame of the manager, if one of his picks goes wrong it can be headline news.

Remember, Woodford is in it for the long term and has recently shrugged off huge hits to his portfolio including doorstep lender **Provident Financial's (PFG)** cataclysmic problems.

Another dividend-paying fund was launched in April this year called **Woodford Income Focus (GB00BD9X6V34)**. Its aim is to deliver a higher level of regular and sustainable income than Equity Income.

Woodford Income Focus differs from Woodford Equity Income in that it only invests in listed companies and has more capacity to invest overseas. The fund has so far grown to £712m in size and the fact that it has only been around for four months means there is no long term performance data to analyse.

The target is 5% annual yield which makes it attractive to anyone looking to use investments to pay household bills, such as someone in retirement.

Alternative income funds to consider, according to AJ Bell Youinvest's favourite funds list, include **Evenlode Income (GB00B40Y5R17)** which has a 3.3% yield; **Fidelity Enhanced Income (GB00B7FB6W02)** with 6.8% yield; and **River & Mercantile UK Equity Income (GB00B3KQG447)** which yields 3.9%.

* The rest of the article uses 5 year data to get a better picture of performance. Woodford Equity Income has been going for less than five years, hence we feature 3 year performance data.

JUPITER INDIA I ACC (GB00B4TZHH95)

£1.08BN	**0.3%**	**20.8%**	**GODFREY PHILLIPS INDIA, BIOCON, HINDUSTAN PETROLEUM**
SIZE	YIELD	5 YEAR ANNUALISED RETURN	TOP HOLDINGS

Managed by Avinash Vazirani, who has over 20 years' experience investing in Indian equities, this fund has proved popular for investors since launching in 2008.

From a macro level it's easy to see why investors want to own it. India is growing fast; last year its GDP grew by 7.1%. To put that into context, the US only grew by 1.6%. Accessing this growth market is difficult hence the use of funds to gain exposure to a thriving economy.

The fund's aim is to deliver long term capital growth by investing in companies which operate in India. It can also invest in stocks based in Pakistan, Sri Lanka and Bangladesh or companies that derive a large part of their business from India.

Vazirani has a preference for small and mid-cap firms that have the potential for value growth and have been overlooked by the market (hence cheaper).

Being a single country focused fund, it is susceptible to volatility, especially as India is an emerging market. But India's prime minister Narendra Modi has brought through many reforms which have helped the country be more stable, including a dramatic reform of the banking system. Corporate governance, one of India's main weaknesses from an investment viewpoint, is also said to have improved greatly.

'We continue to have a high opinion of the investment manager and approach used on this fund,' says Morningstar.

Like Fundsmith Equity, we believe the Jupiter India fund would sit nicely in a diversified investment portfolio for someone still in the wealth accumulation phase.

The fund's approach can be best described as 'growth at a reasonable price'. Its priority is capital preservation.

The fund manager likes high quality companies with strong fundamentals including:

- Appropriate balance sheets
- Sustainable competitive advantages
- Good corporate governance

Cash exposure can be significant, especially in down markets.

SOURCE: Morningstar

LINDSELL TRAIN GLOBAL EQUITY (IE00B3NS4D25)

£2.97BN

1%

YIELD

21.1%

5 YEAR ANNUALISED RETURN

UNILEVER, DIAGEO, HEINEKEN

TOP HOLDINGS

Managed by the firm's founders Michael Lindsell and Nick Train, this fund is made up of a concentrated portfolio of high quality companies.

It only has between 20 and 35 holdings although these are predominately well-known names including Disney and Pepsico.

The performance has been really good with 21.1% annualised returns over the past five years, according to Morningstar.

Similarly to Smith and Woodford, the Lindsell Train fund managers do not change the portfolio often, even if companies seem to be falling out of favour. They look for companies that can have sustainable cash and profit generation from a global pool of large, highly liquid stocks.

As is becoming more common, both managers have 'skin in the game' which is to say they have their own money invested in the funds. That should reassure investors that the managers are keen to look after their own interests and their paying clients.

According to Square Mile the investment philosophy of Lindsell Train is that 'truly exceptional businesses are undervalued by the market'.

These businesses tend to enjoy return on capital and reinvesting profits back into the businesses may lead to impressive returns over the long term.

The managers also run a UK version of the fund called **CF Lindsell Train UK Equity Fund (GB00B18B9X76)** which is larger in size at over £4bn and has higher yield at 1.9%, yet has an identical investment philosophy.

Square Mile says: 'This fund may best suit investors who have little interest in the month-to-month and year-to-year performance of their investments but seek attractive returns over very long time periods.'

Given the similarities in investment process, we'd say that comment also applies to the Global Equity fund as well.

BAILLIE GIFFORD GLOBAL ALPHA GROWTH B ACC (GB00B61DJ021)

£951M
SIZE

0.5%
YIELD

18.4%
5 YEAR ANNUALISED RETURN

NASPERS, AMAZON, PRUDENTIAL
TOP HOLDINGS

Nearly £1bn in size, this fund is made up of around 100 holdings so it has a degree of diversification. The fund managers Charles Plowden, Malcolm MacColl and Spencer Adair like cyclical stocks as they can present good growth opportunities.

The fund isn't restricted to just cyclical stocks. It also invests in established firms with durable growth and younger, more rapidly growing businesses.

Square Mile remarks: 'Baillie Gifford believe that share prices follow earnings and that attractive opportunities can be found in companies that offer above average sustainable growth in earnings and cash flow'.

The managers look for established, growing companies with businesses models that deter new competitors. This has led to having stakes in retailer Amazon and Google's parent company Alphabet.

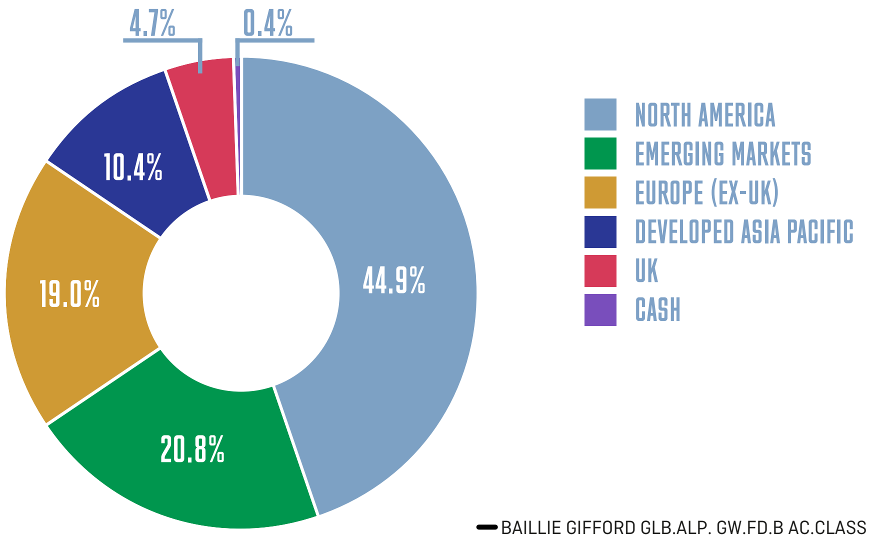
Morningstar says the fund is a 'worthy option' for investors seeking global equity exposure. We also like the fund and believe it would particularly suit someone in their thirties or forties who has plenty of appetite for risk and is happy to lock away their investment for at least 10 years.

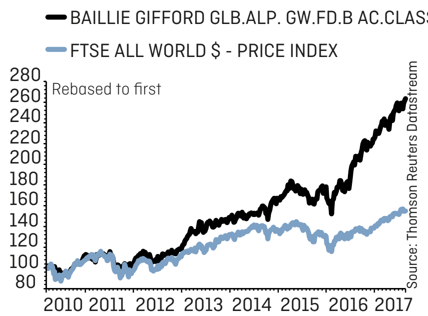
'A fund such as this should do best at times when the market steadily advances and it is likely to lag when the market gets ahead of the fundamentals or if the market sells off heavily,' says Square Mile.

'This is a long term strategy and holders should bear in mind that often the most attractive opportunities present themselves during periods of market distress. This could exacerbate short term losses and holders should not expect smooth quarter on quarter returns,' it warns. (DS)

DISCLAIMER: Editor Daniel Coatsworth has a personal investment in Fundsmith Equity and Evenlode Income referenced in this article.

GEOGRAPHIC ANALYSIS OF TOTAL ASSETS





SOURCE: Baillie Gifford

SIPPs versus personal pensions

Charges and investment choice vary greatly from one vehicle to another

One of the biggest decisions to make when you're saving for retirement is which type of pension you should use.

The main choice is whether to opt for a traditional personal pension, offered by the likes of Aviva and Standard Life, or a self-invested personal pension (SIPP), provided by DIY investment platforms and bespoke SIPP providers.

Historically, a lot of traditional personal pensions have contained a selection of the provider's own funds, but nowadays you can get personal pensions offering access to a wider range of investments.

This has blurred the line somewhat between personal pensions and SIPPs, which have traditionally offered more flexibility over which assets you can invest in.

THE ADVANTAGES OF SIPPS

Although newer personal pensions offer more choice than older versions, SIPPs still provide the greatest range of investment options. They let you invest directly into listed shares – and in some cases unlisted shares.

The most flexible type of SIPP is a 'full SIPP', which allows for bespoke investments like commercial property. A full SIPP can borrow money to buy some investments – for example, raise a mortgage to part-fund the purchase of a property.

If you choose a SIPP through a DIY investment platform these bespoke investment options are unlikely to be available, so the difference in the investment choice that the SIPP and personal pension allow is less noticeable.

The crucial difference is that standard personal pensions do not allow for self-investment. You have to hand over money and control to the pension company who will manage the funds.

Mike Morrison, pensions expert at AJ Bell, says the advantage of a platform SIPP is that it provides access to all of the investments that can be automatically traded on the platform. You benefit from the flexibility and online access that the platform offers.

'The wide range of investment options they provide enables people to build portfolios that are tailored to their specific needs and risk profile. These portfolios can usually be monitored easily online and

changes to the portfolio can be made with a few clicks of a mouse,' says Morrison.

TAKING ON RESPONSIBILITY

A DIY SIPP gives you the most control over what goes into your pension and how it is run. Whether you find this prospect exciting or intimidating will depend on your risk appetite and investment experience.

Tim Bennet, head of education at financial services group Killik, says anyone tempted to be a DIY investor via a SIPP should remember a key fact. They are taking on personal responsibility for the investment of vital funds that will affect the quality of their retirement.

'This is not a decision to be taken lightly,' he says.

If you want a SIPP without any investment responsibility you could use a financial adviser, but this will bring added cost.

IF YOU WANT A SIPP WITHOUT ANY INVESTMENT RESPONSIBILITY YOU COULD USE A FINANCIAL ADVISER, BUT THIS WILL BRING ADDED COST

COMPARING THE CHARGES

SIPPs have traditionally been more expensive to run than standard personal pensions because of the extra flexibility they deliver.

Full SIPPs are still an expensive option because there is lots of administration involved in bespoke investments like commercial property.

The proliferation of cheaper DIY online SIPPs means the price gap between SIPPs and personal pensions has narrowed. Some platform SIPPs have annual charges of just 0.25%.

Bennet says if you have a relatively small amount to save and don't value the extra flexibility offered by a SIPP the overall charges could outweigh the benefits.

This is because in addition to the platform fee you have to pay for the investments you put into your SIPP. There will be dealing charges for buying and selling investments, plus the underlying fees levied by fund managers, which can vary considerably.

Someone who uses their SIPP to create a portfolio of esoteric investments and trades frequently will pay far higher fees than someone who creates a portfolio of low-cost exchange-traded funds (ETFs) with minimal trading.

Morrison says many SIPPs have adopted a tiered approach which lets you start with a simple range of investments and then upgrade to a wider range if required, with charges increasing in line with the greater complexity of administration.

WHO ARE SIPPS SUITABLE FOR?

If you want to invest relatively small amounts of money on a low-cost basis without any financial responsibility, a traditional personal pension may suffice.

Bennet says a SIPP will usually be a better fit for someone who wants to take control over their money and enjoy greater freedom over where it is put to work.

SIPPs can be useful vehicles for consolidating lots of workplace pensions but check whether your existing schemes have high exit charges.

You can even ask your employer to pay pension contributions into your SIPP.

HOW TO CHOOSE A SIPP

Don't take the terms 'full SIPP' and 'platform SIPP' at face value when deciding which provider to use.

Neil MacGillivray, head of technical support at financial services group James Hay, says each SIPP provider will allow or disallow particular investments based on the business model they have adopted and the risks they're prepared to take.

'This means that the investments allowed in a full SIPP from one provider can differ greatly from those of another.

'A similar argument could be applied to platform SIPPs, with some providers offering the choice of OEICs, ETFs, investment trusts and UK and overseas shares, and others only offering the choice of collectives from a restricted panel,' says MacGillivray.

You can usually find out which investments a SIPP allows by looking at the provider's website.

Another key thing to look at is charges, which differ from one provider to another. (EP)

A brief guide to pensions and divorce

We explain the three main ways that your retirement savings can be divided

Approximately one third of UK marriages recorded in 1998 subsequently ended in divorce by the fifteenth anniversary, according to the Office for National Statistics. Someone's pension could be the most valuable asset they own, so what happens to it in the case of divorce?

There are three ways a pension can be divided on divorce: offsetting, earmarking and sharing.

OFFSETTING

Pension offsetting provides a clean break between those involved in the divorce or dissolution of a civil partnership. In simple terms, it involves working out the value of your pension and then allocating assets of the same or similar value to your ex-spouse or civil partner.

For example, if in the divorce of a husband and wife the marital home and the husband's pension are both valued at exactly £200,000, under an offsetting arrangement the wife might get the house and the husband would keep his entire pension pot.

EARMARKING

Pension earmarking (sometimes referred to as 'attachment') orders redirect part or all of a person's pension benefits to the ex-spouse or civil partner when it starts being paid. If you go down this route, all of your assets and those of your ex-spouse or partner are taken into consideration.

The rules are slightly different depending on where you live. In England, Wales and Northern Ireland the payments can be made from the individual's pension income and/or their 25% tax-free cash. In Scotland, they can only be taken from tax-free cash – so the income portion cannot be touched.

While straightforward in theory, there are a number of things you need to be aware of:

- If you die before you reach retirement, your ex-spouse or partner may receive nothing;
- Your ex-spouse or partner does not receive anything until retirement benefits are drawn;
- If you retire early or stop contributing to pensions, your ex-spouse or partner may receive less than expected
- If you die after you have started drawing retirement benefits, any income due to your ex-spouse or partner will stop.

SHARING

Pension sharing is currently the most common way to split pension benefits. Under this option, a fixed percentage of an individual's fund – referred to as the pension credit – is awarded to the ex-spouse or partner.

The advantage of this option over earmarking is that the pension allocated to the ex-spouse can be transferred to a different scheme before any benefits have been taken, although you need to be careful you don't lose any existing protections if you have a very large pot. You can also divide the pot if the pension is in payment.

Tom Selby,
Senior Analyst, AJ Bell

FRIDAY 1 SEPTEMBER

ECONOMICS	
UK	
MANUFACTURING PMI	
US	
NON-FARM EMPLOYMENT CHANGE	
UNEMPLOYMENT RATE	

MONDAY 4 SEPTEMBER

INTERIMS	
CURTIS BANKS	CBP
JOHNSON SERVICE GROUP	JSG
AGMS	
REDCENTRIC	RCN
ECONOMICS	
UK	
CONSTRUCTION PMI	

TUESDAY 5 SEPTEMBER

FINALS	
ALUMASC GROUP	ALU
MUCKLOW (A & J)	MKLW
MATTIOLI WOODS	MTW
INTERIMS	
ALPHA FX	AFX
CAIRN HOMES	CRN
DALATA HOTEL	DAL
IQE	IQE
VIPERA	VIP
TRADING STATEMENTS	
MATTIOLI WOODS	MTW
AGMS	
888 HOLDINGS	888
ECONOMICS	
UK	
BRC RETAIL SALES	
SERVICES PMI	

It has been a difficult year for pharmaceuticals firm **Vectura (VEC)**. Since May, the company's share price has plummeted by 25% after the US Food and Drug Administration temporarily blocked the launch of **Hikma's (HIK)** generic asthma treatment VR315.

This had a negative read-across for Vectura as VR315 is based on its dry powder inhaler tech so investors will be keen for updates on a potential launch when the firm reports its interim results on 6 September. (LMJ)

WEDNESDAY 6 SEPTEMBER

FINALS	
DIURNAL	DNL
INTERIMS	
FARON PHARMACEUTICALS	FARN
GAMA AVIATION	GMAA
HARWORTH GROUP	HWG
PPHE HOTEL	PPH
VECTURA	VEC
WANDISCO	WAND
AGMS	
FUNDING CIRCLE SME INCOME FUND	FCIF
THE FULHAM SHORE	FUL
HORNBY	HRN
INSPIRIT ENERGY	INSP
ONEVIEW GROUP	ONEV
SEVERFIELD	SFR
SPORTS DIRECT	SPD
TRAKM8 HOLDINGS	TRAK
ECONOMICS	
UK	
BRC SHOP PRICE INDEX	

THURSDAY 7 SEPTEMBER

FINALS		
FRONTIER DEVELOPMENTS	FDEV	
INTERIMS		
BRADY	BRY	
INTERNATIONAL PUBLIC PARTNERSHIP	INPP	
MOLINS	MLIN	
AGMS		
ALPHA REAL TRUST	ARTL	
IMAGINATIK	IMTK	
SOPHOS	SOPH	
EX-DIVIDEND		
ADMIRAL	ADM	56P
AGGREKO	AGK	9.38P
BEST OF THE BEST	BOTB	1.4P
CAPITAL & COUNTIES PROPERTIES	CAPC	0.5P
CAPITAL DRILLING	CAPD	$0.01
COLEFAX	CFX	2.5P
CLARKSON	CKN	23P
CLIPPER LOGISTICS	CLG	4.8P
CONVATEC	CTEC	1.06P
T CLARKE	CTO	0.6P
CONVIVIALITY RETAIL	CVR	8.4P
EUROCELL	ECEL	3P
ELEMENTIS	ELM	2.05P
FLETCHER KING	FLK	3P
GLENCORE	GLEN	$0.04
GREGGS	GRG	10.3P
GATELEY	GTLY	4.4P
H&T	HAT	4.3P
HENDERSON SMALLER COMPANIES INVESTMENT TRUST	HSL	13P
INTERNATIONAL PERSONAL FINANCE	IPF	4.6P
IWG	IWF	1.75P
JP MORGAN GLOBAL GROWTH INCOME	JPGI	3.04P
LAND SECURITIES	LAND	9.85P
MEGGITT	MGGT	5.05P
PAGEGROUP	PAGE	3.9P
PAGEGROUP	PAGE	12.73P
PLUS500	PLUS	$0.24
PORTMEIRION	PMP	7.4P
RATHBONE BROTHERS	RAT	22P
RSA INSURANCE	RSA	6.6P
SHIRE	SHP	3.85P
STANDARD LIFE	SL.	7P
SAVILLS	SVS	4.65P
TEMPLE BAR INVESTMENT TRUST	TMPL	8.33P
TRINITY MIRROR	TNI	2.25P
UBM	UBM	5.5P
UTILICO INVESTMENTS	UTL	1.88P
WYG	WYG	1.2P
ECONOMICS		
UK		
HALIFAX		HPI

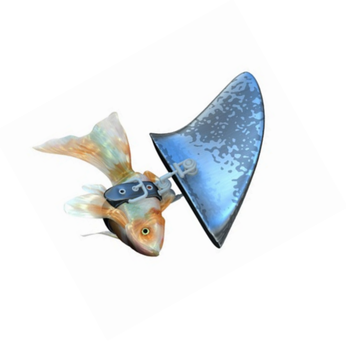
Click here for complete diary
www.sharesmagazine.co.uk/market-diary

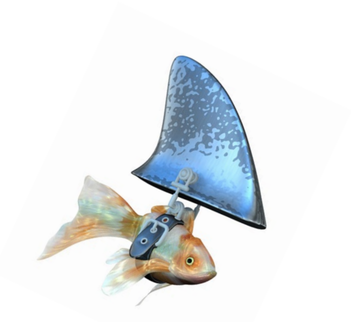
Speculation semiconductor wafers designer **IQE (IQE:AIM)** could be supplying technology to the soon-to-launch iPhone 8 has helped its shares nearly double this summer.

Confirmation may have to wait until the launch of the hotly-anticipated smartphone on 12 September but a week earlier on 5 September the company is set to report its first half results. Investors are likely to be hungry for more details.

KEY

- Main Market
- AIM
- Fund
- IPO Coming soon





YOU'RE NOT FINISHED YET

OUR FREE 19 PAGE SPOTLIGHT REPORT CONTINUES ON THE NEXT PAGE

THIS WEEK: 19 PAGES OF BONUS CONTENT

- AVACTA
- COINSILIUM
- CORERO
- PARK GROUP
- PRIMARYBID
- SAFESTYLE
- SHARESOC
- VENTURE LIFE

SHARES SPOTLIGHT

Growth & Innovation

INCLUDES COMPANY PROFILES, COMMENT AND ANALYSIS

AUGUST 2017

INTRODUCTION

Welcome to *Spotlight*, a bonus magazine which is distributed eight times a year alongside your digital copy of *Shares*.

It provides small caps with a platform to tell their stories in their own words.

The company profiles are written by the businesses themselves rather than by *Shares* journalists.

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

These profiles are paid-for promotions and are not independent comment. As such, they cannot be considered unbiased. Equally, you are getting the inside track from the people who should best know the company and its strategy.

Some of the firms profiled in *Spotlight* will appear at our investor evenings in London and other cities where you get to hear from management first hand.

Click here for details of upcoming events and how to register for free tickets.

Previous issues of Spotlight are available on our website.

DISCLAIMER

IMPORTANT

Shares Spotlight is a mix of articles, written by *Shares* magazine's team of journalists, and company profiles. The latter are commercial presentations and, as such, are written by the companies in question and reproduced in good faith.

Members of staff may hold shares in some of the securities written about in this publication. This could create a conflict of interest. Where such a conflict exists, it will be disclosed. This publication contains information and ideas which are of interest to investors. It does not provide advice in relation to investments or any other financial matters. Comments in this publication must not be relied upon by readers when they make their investment decisions. Investors who require advice should consult a properly qualified independent adviser. This publication, its staff and AJ Bell Media do not, under any circumstances, accept liability for losses suffered by readers as a result of their investment decisions.

How to conduct a small cap health check

The key elements to look for in a results statement

Vetting companies on the stock market to ensure they measure up to the highest standards is a good way of avoiding the pitfalls of investing, particularly when it comes to higher risk small companies.

We now discuss five key tests which you can run over prospective small cap investments. Few will tick all of these boxes but measuring them against these criteria is a good way of avoiding disaster.

MANAGEMENT

An experienced management team with a clear plan for how to grow the business

Good management is essential if a company is going to be successful in the long-term and the best chief executive officers (CEOs), chief financial officers and chief operating officers should run their businesses with the aim of creating value for shareholders.

Longevity can be an indicator of good leadership. If someone has been at the helm of a company for a long time you can make a fair assumption they have successfully led the firm through several business cycles.

What to look for: Although good management is hard to quantify in a results statement, commentary from a CEO which includes references to 'creating shareholder value' is a good sign.

Management commentary which is purely focused on growth in earnings per share could be a warning signal as that is typically the metric on which their bonus scheme is structured.

Look back at the track record of the person leading the company and how previous companies they've led have fared.

PRICING POWER

This is the ability of a company to increase the prices for its goods and services without unduly impacting demand – often reliant on the strength of its brand or brands.

Investment guru Warren Buffett once said: 'The single most important decision in evaluating a business is pricing power. If you've got the power to raise prices without losing business to a competitor, you've got a very good business. And if you have to have a prayer session before raising the price by 10%, then you've got a terrible business.'

Pricing power essentially means a company can pass on an increase in its costs to customers and still avoid being hit by a decline in sales. This could be because it has a great brand or because it operates in a market with significant barriers to entry, enjoying technological prowess or high-level expertise.

What to look for: If a company is exposed to raw material costs, for example, look for evidence or commentary in its financial results that it has been able to pass these on to customers.

MARGINS

High operating margins (the proportion of revenues retained as profit).

Pricing power is usually represented in a company's profit margin and if a company has consistently maintained or grown its margin over time, it should be capable of generating strong profit.

What to look for: The margin is fairly easy to work out, as it is essentially the company's profit divided by its revenue. Most large firms will report their margin performance explicitly although sometimes this will be referred to as 'return on sales'.

CASH FLOW

Strong cash flow to fund the business and pay dividends

Cash is fundamental to any business as without it a company cannot pay its staff or its bills.

A firm which generates lots of cash should also be able to invest for future growth – building a new factory to sell more of its product in different markets, for example – and reward its shareholders with a growing stream of dividend payments.

What to look for: In a results statement look for the 'consolidated cash flow statement' which offers a detailed breakdown of cash flows.

BALANCE SHEET

A sound balance sheet

A weak balance sheet is one with significant debt relative to the size of the company. A strong balance sheet means a firm has plenty of cash at its disposal, ensuring that the firm does not go bust and has a free hand to potentially expand through acquisitions or invest in its existing business in order to achieve organic growth.

Most companies have at least some debt and a gearing ratio (the percentage of capital that is financed by loans, in relation to that part of capital funded by equity) below 40% usually means that the balance sheet is in good order.

If a company's gearing is above 60%, investors should be looking for evidence that management are seeking to reduce borrowings.

What to look for: Net cash represents the group's cash balances minus any liabilities such as debt and can be found in the section of a group's results headlined 'consolidated balance sheet'.

THE RIGHT PRICE

Even the perfect stock could be a poor investment if purchased at the wrong price.

A widely used measure of value on the stock market is the price/earnings (PE) ratio.

Derived by dividing the historic or forecast earnings per share by the share price, a high ratio (of approximately 20 or higher depending on the industry it operates in) leaves little margin for error and if a company with a chunky PE even slightly disappoints the market, its shares can fall significantly.

ShareSoc can fight for your rights

There has been a long-term decline in direct holdings of shares in the UK. The growth of collective investment vehicles has resulted in high management charges and the corruption of shareholder democracy and the need for individual shareholders to find a common voice.

Individual direct investors currently own around 12% of the stock market, but the community is often overlooked by government, by regulators and by the investee companies themselves. Many of the rights associated with share ownership have been eroded by the use of nominee accounts, and this, in turn, has diminished the influence of company owners over their boards of directors.

ShareSoc (UK Individual Shareholders Society) is a not-for-profit organisation, created by investors for investors. The society exists to promote the interests of individual shareholders primarily by informing, educating, campaigning and networking.

The society's objects focus on improving the investment experience of its members, on promoting direct investment in the stock market, and on improving and monitoring corporate governance.

To achieve these objects, ShareSoc offers a range of educational and informational services, and represents the interests of individual shareholders to government. The society also offers assistance to shareholders when companies they invest in misbehave and fail to act in shareholders' best interests. It is only by joining together that shareholders can campaign effectively on such matters.

INFORMING

ShareSoc actively monitors corporate activity and news, and brings relevant matters to its members attention through its lively blog and through its monthly newsletter. The society does not provide

investment advice, but does express its views on events and developments, while welcoming and sharing member views and comments. This often results in lively debate, underlining the wealth of knowledge, experience and opinion represented by individual shareholders.

The society also organises company seminars around the UK. These include single company investor presentation, single company dinner events, and multi-company seminars with buffet and networking on top. Events are held at various locations around the UK, and provide direct access at CEO / FD level. They are an excellent opportunity to ask detailed questions of management and then review the responses with fellow investors.

EDUCATING

There is a fundamental lack of investor education in the UK, which is at odds with the importance of the country as a financial market. ShareSoc believes that this needs to be addressed by government, by schools, by universities and by regulators.

For its own part, ShareSoc has created, and continues to develop, a body of educational material which it refers to as its Investor Academy. This is freely available on the society's website, and comprises a selection of own material, third party articles, book lists, educational videos and webcasts. This represents an essential toolkit for beginners and experienced investors alike.

ShareSoc also arranges Masterclass events, showcasing a mix of investment experts and professionals, highlighting best practice and identifying classic pitfalls and myths.

CAMPAIGNING

It is vital that the government and regulatory agencies are aware of the needs and concerns of investors. ShareSoc is engaged with BEIS, FCA, FRC, CMA, LSE and a range of similar bodies to ensure that the individual investor's voice is heard and understood.

Major decisions affecting the framework of investment legislation and regulation are preceded by consultation processes, and ShareSoc provides comprehensive responses to each of these, focusing on the impact to individual shareholders.

The Society lobbies for change where necessary, and is currently running active policy campaigns to improve shareholder rights, to promote the use of shareholder committees and to improve the supervision of the AIM market.

Sometimes, rather too frequently, individual companies misbehave to the detriment of shareholders.

ShareSoc
UK Individual Shareholders Society

WEBSITE:
WWW.SHARESOC.ORG

Here, ShareSoc engages directly with the management of the company with a view to improving the outcome for individual shareholders. This may involve mediation, media campaigns and ultimately legal action in certain cases. Current company campaigns include RBS, Redcentric, and several VCTs.

NETWORKING

ShareSoc actively promotes exchange of views between members and facilitates this through its company events, masterclasses, blog and member forum. Investment should be enjoyable as well as financially rewarding, and the society actively encourages community spirit and the sharing of experience to enrich its membership experience.

JOIN NOW!

ShareSoc provides a vibrant and valuable way for individual investors to access peer support and encouragement and enhances their insight into the investment world. The Society offers two tiers of membership – one of which is free, so join today at *www.sharesoc.org/membership-shares-magazine*

PrimaryBid – fair access to share placings

The inability of individual investors to access and participate in new share placings for listed companies, has long been a frustration for both high net worth and smaller investors. This frustration is compounded by often missing out on the typical discounted placing prices offered for such transactions.

Especially on AIM, where private investors account for over 60% of secondary investments in the secondary market, there is a clear need for a solution that levels the playing field for *all* investors.

Listed companies themselves also have a desire to engage with constituents from across their entire share register and not just to focus on institutional investors when raising funds. They are, however, often frustrated by the lack of an efficient method to engage with these important stakeholders.

The solution to this problem is PrimaryBid, a platform open to all investors, giving access to primary fundraises of listed companies, but more importantly supported by the broking community. PrimaryBid uses technology to allow private investors to participate in a way that regulation and market structure has made difficult in the past.

Since its conception in 2015, PrimaryBid has delivered twenty-five separate transactions, totalling over £40m raised from its users. With a rapidly growing user base on the platform via its website and a smartphone app, PrimaryBid is accelerating the evolution of capital raising for listed companies – giving access to all, as well as simplifying the process.

DIGITAL TRANSFORMATION OF EQUITY FUNDRAISING

The management team behind PrimaryBid has a combination of capital markets, technology and marketing experience, gathered across roles at companies including Credit Suisse, Bank of America, Citi, Ernst & Young, Yahoo and Amazon.

This breadth of knowledge and expertise has enabled the team to transform the traditional fundraising process by harnessing modern crowdfunding methodologies alongside the backdrop of a highly-regulated capital markets environment. The team's key focus was to put the investor at the heart of a streamlined, highly efficient, digital platform while maintaining a regulatory robust compliant framework.

Therefore, the user experience was a key driver for the development of this unique platform, ensuring that new users can sign up quickly and participate easily. The PrimaryBid team worked with a leading design agency and experienced web developer to bring this vision to life resulting in a multi-platform FinTech solution, giving investors the choice to access the platform from their PC, tablet or via a smartphone app.

GOING MOBILE

From day one the website used responsive web design, ensuring a clean mobile browser experience - essential as almost 30% of all traffic to the platform visiting was from a mobile device. As one of the core goals of PrimaryBid is to improve access and communication with investors, a dedicated smartphone app was a logical step. Developed for the two most common smartphones, Apple and Android, the app launched in late 2016. Use of the app has grown and the company says that up to 50% of all subscriptions to an offer are subscribed and paid via a phone or tablet.

This speed of access is a key differentiator for PrimaryBid and one which is at the core of unlocking previously untapped equity fundraisings. Investors can be contacted via email or by push notifications to the PrimaryBid app, visit the site and subscribe to an offer within minutes. Automated systems register and verify new users, allowing them to pay immediately for their investment with a debit card, even at the weekend.

> *Especially on AIM, where private investors account for over 60% of secondary investments in the secondary market, there is a clear need for a solution that levels the playing field for **all** investors.*

FLEXIBLE TRANSACTION MODELS

Working with companies and brokers, PrimaryBid has developed several different transaction models that complement existing fundraising efforts and add incremental demand. The most common model utilises publicly available offers, taking place outside of market hours. The majority now happen over a weekend, but occasionally will run midweek.

In 2017, nine offers have run on the platform, raising over £9m for companies in a range of sectors from Resources, Business Services to Food Products. The Company has received very positive feedback from both its investors and the companies raising funds. A significant percentage of existing users have already invested in multiple offers and several companies have raised funds on more than one occasion, demonstrating the long-term value of the platform for recurring business.

Typically offers on PrimaryBid are at a discount to the market price of the shares, but always on the same economic terms as institutions. In 2017, the average offer price has been at a 27% discount to market and this attracted strong investor support, resulting in the offers being oversubscribed on average by 19%.

PRIMARYBID IN 2017 AND BEYOND

PrimaryBid looks set to enjoy continuing success for the remainder of 2017, driven by a growing user base and the extension of offers from its original focus on AIM companies, to now include Main Market companies.

Avacta targets shortcomings of antibodies

London AIM-quoted **Avacta Group (AVCT:AIM)** is a pre-clinical biotech that has developed a proprietary, engineered alternative to antibodies to disrupt some very large life sciences markets.

Over the past few decades antibodies have come to dominate the therapeutic, diagnostics and life sciences research markets because they are able to capture a specific target molecule so that it can be detected or its function affected. These combined antibody markets are worth well in excess of $100bn, three quarters of that coming from antibody therapeutics which now represent about one third of drugs in development. This market domination is, however, despite some serious limitations.

Antibodies are large, complex molecules that are relatively difficult to modify for specific tasks, difficult and expensive to manufacture and unsuitable for some applications because they can be easily degraded. As market interest shifts to more sophisticated diagnostic and therapeutic applications there has become an urgent need for other technologies to work alongside antibodies in some areas, compete in others and open up new applications where antibodies struggle.

UNIVERSITY SPIN OFF

Over the past five years Avacta has developed an alternative to antibodies based on intellectual property that arose from academic research carried out at Cambridge and Leeds Universities and which the company acquired in 2012. This technology has been given the commercial name 'Affimer'. Affimer technology, based on a protein ten times smaller than an antibody, is robust and easy to produce even when built into the complex structures needed to address high value applications. Creating new Affimers that will capture a target is quick and simple and, unlike the generation of new antibodies, does not involve the use of animals, relying instead on the screening of huge libraries of 'pre-made' Affimer structures. Affimers have now been generated against hundreds of targets and have been shown to work in numerous diagnostic, therapeutic and research applications some of which have been the focus of unsuccessful antibody development efforts for many years. Affimer technology works, and works well. The primary challenge now is commercialising this powerful new technology and delivering value to shareholders.

Avacta's strategy has two themes: building a profitable Affimer reagents business by licensing Affimer molecules to developers of diagnostics and research tools; and generating a pipeline of valuable therapeutic Affimer candidates for licensing to large pharma.

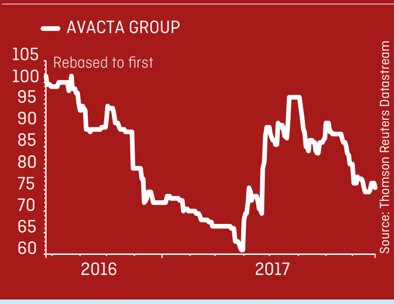
Avacta®

WEBSITE:
WWW.AVACTA.COM

SECTOR:
PHARMACEUTICALS & BIOTECHNOLOGY

SHARE PRICE: 88P

MARKET CAP: £60.2M



BUILDING A REVENUE STREAM

The company has, over the past eighteen months, built its early revenue stream based on paid-for evaluations of the technology for research and diagnostics applications. Numerous Affimer reagents have been provided to customers for in-house research use, and recently a technical evaluation of the Affimer technology by a global diagnostic developer resulted in them taking exclusive rights to certain Affimers for an undisclosed diagnostics application. A good pipeline of such technical evaluations is ongoing and constantly being added to. As with any new technology, securing these first few licensing deals creates references points that support business development and accelerate revenue growth so these are key milestones in the coming year.

Avacta has also made enormous progress in its therapeutics programme that was initiated in late 2015 after the company raised £21m for this activity. Avacta is focussed on immuno-oncology which is about harnessing the body's immune system to fight cancer. There are key technical benefits of Affimer proteins compared with antibodies, such as their small size and the ease with which they can be built into more complex structures, that make the technology ideal for immuno-oncology therapies and will allow Avacta to focus on developing best-in-class as well as first-in-class therapies. The company has a focussed in-house drug pipeline and has established collaborations with partners in other areas, most notably in gene delivery with Moderna Therapeutics which is a hugely well funded Boston based biotech.

Recently the efficacy of the company's lead Affimer was demonstrated in an animal model – the first such in-vivo results for the Affimer platform – which showed a significant reduction in tumor growth rate in animals treated with a PD-L1 Affimer blockade. The safety, or immunogenicity, of Affimer proteins in human samples has now also been demonstrated, showing that the Affimer platform is fundamentally not immunogenic. The major pieces of the therapeutic jigsaw have now been put in place and what remains is for the company to develop its in-house drug pipeline to create assets for future licensing. There is no shortage of commercial interest in the immuno-oncology space which has seen more than $10bn worth of licensing deals and acquisitions since 2015.

UPCOMING NEWSFLOW

Avacta is consistently delivering on its goals and the Affimer technology has been considerably de-risked in the past twelve months. The relatively low-risk reagents business underpins the current valuation and great excitement is building around the potential valuation of a successful Affimer therapeutics pipeline. The market is waking up to the opportunity, and there is strong commercial and technical development news flow to come.

Corero offers SmartWall protection

Corero is rapidly making a name for itself as a disruptive provider of solutions to protect against Distributed Denial of Service (DDoS) attacks i.e. where data traffic from multiple sources is used to overwhelm and disable networks.

DDoS attacks are increasing in frequency and complexity, creating a significant opportunity for Corero's flagship SmartWall Threat Defense System. Sales of SmartWall to service and hosting providers are growing strongly (up 62% in 2016), providing strong validation of the company's innovative IP and highlighting the market opportunity.

COMPANY OVERVIEW

Corero's core competency is blocking disruptive DDoS attacks. These cyber attacks aim to disable networks by overwhelming them with data traffic. These attacks also act as a distraction mechanism for more invasive attacks such as data exfiltration, malware or ransomware attacks.

$40,000 per hour is the cost of a DDoS attack

The company's innovative SmartWall solution is optimised for service/hosting providers and digital or on-line enterprises by providing real-time, automatic detection and mitigation, removing DDoS attack packets, while allowing the good user traffic to flow as intended. In contrast to legacy approaches to DDoS mitigation which often require tens of minutes to detect and react, SmartWall can block DDoS attack traffic in seconds eliminating critical service latency and downtime. With this innovative technology in place, organisations are protected against service outages, brand damage, financial loss and this helps ensure customer satisfaction and retention.

85% of enterprise end users want their Internet Service Providers to offer more comprehensive DDoS protectionas-a-Service

Corero has invested significantly in its technology and IP with the launch in first half of 2017 of its SmartWall 100G product and the development a virtual version of the SmartWall 10G product which will open up OEM licensing and re-sale opportunities.

DDOS ATTACKS ARE ACCELERATING IN COMPLEXITY, SCALE AND FREQUENCY

2016 marked a turning point for DDoS as attacks reached new heights in terms of both size and complexity. Our entire digital economy depends upon access to the internet, and so organisations will need to think carefully about business continuity in the wake of such events. The only proper defence is to use an automatic, always-on DDoS mitigation system, which can monitor all traffic in real-time, negate the flood of attack traffic at the internet edge, eliminate service outages and allow security personnel to focus on uncovering any subsequent malicious activity, such as data breaches or malware deposits.

This type of always-on protection can come in various forms – either on-premises, or purchased as a security service from an upstream provider. It is only through deploying these real-time solutions such as SmartWall that organisations will be able to identify and mitigate the most serious DDoS attacks on their networks in the years ahead.

STRONG MARKET DRIVERS

Underlying market demand is being driven by the increasing number and severity of DDoS attacks.

In Q1 2017: Corero customers experienced an average of 124 attacks per month, an increase of 9% compared to Q4 2016.

The average size of these attacks increased, with a

55% increase in attacks over 10Gbps.

71% of DDoS attacks lasted less than 10 minutes (with attackers targeting short duration damaging attacks to avoid traditional detection methods).

Corero is targeting a high growth security market; the market for DDoS prevention appliances is forecast by IHS Technology, a leading industry analyst, to reach more than $1.4bn by 2021 with a CAGR (compound annual growth rate) of 15.5% in the period 2016 to 2021. This growth is driven by a growing awareness of the threat of DDoS attacks and the increased focus and resourcing of governments (most notably in the US and UK) on national security strategies and policies on cyber security.

71%
10 Minutes or Less

SMARTWALL SALES GROWING STRONGLY

Sales of the flagship SmartWall product are growing strongly – up 62% in 2016 – on the back of a growing number of material contract wins in the last 18 months. These include deals with hosting, cloud services and network providers in the US and Europe and global on-line or digital enterprises. Recurring revenue is also growing due to increasing sales of the company's SmartProtect DDoS protection as-a-service offering with a SaaS or revenue share commercial model.

53%
of attacked organisations suffered a breach as a result of a DDoS attack

INVESTMENT CASE AND OUTLOOK

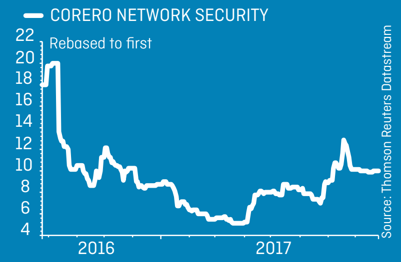
Corero is well positioned to be a major disrupter in the DDoS protection market. It has innovative, award winning IP (validated by over 100 installations and a leading independent third party testing company), a strong go-to-market model and growing recurring revenues. Underlying market demand is being driven by the increasing number and severity of DDoS attacks and increasing awareness of the threat of cyber attacks as a result of high profile attacks such as the crippling DDoS attack on TalkTalk in 2015 and recent WannaCry ransomware attacks.

Corero has strengthened its sales leadership with the appointment of Andrew Lloyd as EVP Sales & Marketing, a proven sales leader with over 25 years' experience in the IT software industry, and is recruiting strategic go-to-market partners, such as the recent announced partnership with Juniper Networks, to accelerate sales growth.

A recent placing to raise £5.6m was well supported and provides the necessary funds to build on strong SmartWall sales momentum, help the business achieve critical mass and allow it to become self-funding.

WEBSITE:
WWW.CORERO.COM

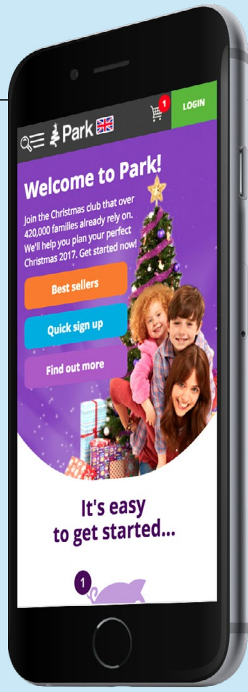
SECTOR:	SOFTWARE & COMPUTER SERVICES
SHARE PRICE:	10.5P
MARKET CAP:	£33.1M



'MAJOR CLOUD, HOSTING, SERVICE PROVIDERS AND MAJOR INTERNET BRANDS CONTINUE TO INVEST IN HIGH-PERFORMANCE DDOS MITIGATION TO PROTECT THEIR DATA CENTRES FROM ESCALATING ATTACKS AND DELIVER CUSTOMIZED SOLUTIONS TO THEIR HOSTING AND CLOUD CUSTOMERS.'

Source: IHS Technology Research: DDoS Prevention Appliances Biannual Worldwide and Regional Market Share and Forecast

Park offers investors a combination of income and growth



Park Group (PKG:AIM) continues to reap the rewards of its successful strategy to use the latest in digital, internet and mobile technologies to modernise its business, grow its customer base and open up new markets.

In its now distant past, Park was a traditional Christmas savings and hampers provider. Today it is a sophisticated financial services business with technology innovation at its heart. Park is the UK's largest provider of reward and incentivisation products for the corporate market and a leading provider of prepaid cards, vouchers and e-codes to the consumer gift and Christmas savings market.

The majority of Park's business is now conducted online and via mobile devices, with social media playing an increasing role, providing low cost, highly efficient marketing channels. Park's wide range of savings, gift and reward products is accepted at an extensive network of partner high street retailers and e-tailers.

The 51-year-old company's transition began in 2010 with the creation of flexecash, its self-designed, built and owned prepaid card platform, which to date, has seen more than £500m of value loaded onto it. Since then, Park's in-house development teams have continuously enhanced existing products and services and developed new ones to better serve customers' needs.

THE PROOF OF THE PUDDING…

Maintaining a five-year growth trend, in the year to 31 March 2017, the group generated billings of £404.5m, up 5.1% on the previous year and delivered a 4.2% increase in PBT to £12.4m. Total dividend for the year was proposed at 2.90p, an increase in 5.5% on the previous year, representing a yield of around 3.6% at an 80p share price. The total dividend has grown 45% since 2012.

Park holds customers' prepayments during the year before delivering their products during the run-up to Christmas. Therefore total cash balances at peak are another key indicator of group performance, which in 2017 reached £217m, an increase of 5.3% on the previous year.

The group remains cash generative and debt free.

THE CORPORATE BUSINESS

Via its brand 'Love2shop Business Services', Park provides reward and incentivisation solutions and online programme management systems to over 31,000 client companies. Joining as clients during 2017 were organisations such as Akzo Nobel, EDF, Royal & Sun Alliance and Scottish Power. Client retention rates reached an impressive 86% in 2017, with some clients using Park for one-off promotions, but most retaining the services year-on-year.

Billings in the corporate business increased 6.3% to £187.7m in 2017, whilst Operating Profit grew 20.6% to £7.2m.

In October 2016, Park acquired **Fisher Moy International (FMI)** for an undisclosed fee. FMI is a brand engagement specialist with a long track record and existing customers including Close Brothers, Huawei, Logitech and LV. The acquisition adds complementary capabilities and is a good strategic fit with Park's corporate business. Integration is complete and the acquisition is already leading to new business opportunities.

In 2016, Park launched 'Evolve' a digital rewards and incentives platform which can be branded and adapted to each individual corporate client. In its first year, 165 UK businesses adopted 'Evolve', with brands such as Travis Perkins and Vodafone using the platform.

The company added an international capability to 'Evolve' in May 2017, creating 'Love2shop Worldwide.' The new offering allows digital reward codes to be exchanged by recipients for a vast array of country-specific reward products. 'Love2shop Worldwide' will be offered to Park's UK clients who have employees or customers overseas, before meeting market demand and being marketed to businesses in other territories.

THE CONSUMER BUSINESS

Park offers a stress-free and secure way for consumers to prepare for Christmas. Customers pay for products over many months, smoothing out the cost, then receive them in time for the festive season.

In 2017, the consumer business helped 431,000 people across the UK budget for the festive season, with an average customer order of £508. Billings in the division increased 4.0% to £216.8m, however Operating Profit reduced 5.3% to £6.5m due to changes in product mix, continued investment in products and services, as well as increased voucher print costs.

To deliver even more redemption options to customers, Park previously worked with a third party to offer 'Your Choice' prepaid cards, which are accepted anywhere that accepts Mastercards, not just within Park's retailer network. During the first half of 2017, Park took this concept further, gaining a Mastercard issuing licence. The licence allows Park to bring the capability in-house, dramatically shortening response times, thereby better servicing the customer whilst also reducing Park's costs.

In its now distant past, Park was a traditional Christmas savings and hampers provider. Today it is a sophisticated financial services business with technology innovation at its heart.

In January 2017, Park launched a mobile app for its Christmas savings customers, reflecting their feedback and preferences. The app has been very well received and is already generating new business.

OUTLOOK

Park has proven its capacity to undertake the right acquisitions when they meet sensible and strict strategic criteria, but the majority of the management's focus is expected to remain on organic growth, driven by high customer service levels and an ongoing commitment to the enhancement and development of products and services.

Park Group plc

WEBSITE: WWW.PARKGROUP.CO.UK

SECTOR:	FINANCIAL SERVICES
SHARE PRICE:	80.1P
MARKET CAP:	£147.7M

Window on Safestyle's journey to market leader

Safestyle UK (SFE:AIM) is the leading retailer, manufacturer and installer of replacement windows and doors for the UK homeowner market. Safestyle came from very humble beginnings, the company was founded in 1992 with just a £2,000 investment and a single office building based in Bradford, West Yorkshire. Through a unique understanding of the market and offering high quality products and service the company has gone from strength to strength and now has a turnover of £163m, carrying out almost 63,000 installations in the year 2016.

Despite a national presence Safestyle has remained loyal to its Yorkshire roots with the company's head office still based in Bradford and their 165,000 square feet manufacturing facility located in Barnsley. They employ over 750 members of staff and have an additional thirty six sales branches and fourteen installation depots located throughout the country.

The company is run by CEO Steve Birmingham, who has been with Safestyle since 1999 and has served as managing director since 2007 and subsequently became CEO on the company’s IPO in 2013. He is confident in the company's ability to remain in a sector leading position due to a successful business strategy which focuses exclusively on the homeowner market.

> IN 2016 SAFESTYLE'S MARKET SHARE INCREASED FOR THE TWELFTH CONSECUTIVE YEAR TO 10.2% (FROM 9.5% IN 2015)

Birmingham believes that it is Safestyle's commitment to its customers and investment in high quality advanced technology that allows the company to enjoy continued growth. He explains ‘We believe that our broad range of energy efficient products, attractive promotional consumer finance options and low-cost value proposition are compelling differentiators in a highly fragmented market and will continue to separate Safestyle from its competitors.’

WHAT MAKES SAFESTYLE THE MARKET LEADER?

The success of Safestyle even in recent uncertain markets may be down to their simple business model that puts the company in control at every stage of their process. Safestyle have recently invested over £8m in their UK production facilities and machinery at their manufacturing facility which occupies over 18 acres. They are able to offer an attractive customer package due their control over manufacturing, cost and customer service. The investment in production enables Safestyle to comfortably and efficiently meet demand and provide the customer with a superior, high performing product at an affordable price.

According to recent customer survey, Safestyle are able to offer prices that are on average 15% cheaper than the rest of the market and in particular are at least 20% cheaper than their two major national competitors. The company believes that this is a true market advantage that many of their competitors cannot match.

Safestyle's business model

focuses on generating enquiries from lower cost digital media and direct response channels. The company has a strong television presence which cements their position as the UK market leader but they are also active in a wide range of marketing activities. Traditional door canvassing remains an important part of the marketing mix and allows marketing costs to remain low while still generating a high amount of new business.

A SIMPLE BUSINESS MODEL – WITH A TRACK RECORD OF SUCCESS

The business model is based upon 25 years of commitment and experience and involves a simple five step process consisting of sell, survey, make, fit and service, with a comprehensive 10 year warranty coming as standard on all products.

When Safestyle's growth made the company the UK's number one for replacement windows and doors in 2012 it was a landmark achievement that shows the their dedication to the homeowner double-glazing market. In 2012 Safestyle's market share was 7.5%, continued growth and investment has allowed their market share to increase to 10.2% in 2016. Despite difficult market conditions Safestyle have increased their order intake for the first half of this year and continue to focus on significantly growing their market share.

With the UK market being uncertain post Brexit, Safestyle are taking vital steps to ensure they remain in the double-glazing market leading position. CEO Steve Birmingham says: 'In anticipation of a continuation of the recent weaker trading environment we have take firm action to reduce our operating costs in the second half. Having successfully completed the investment in our enhanced production facility on time and on budget, we are well positioned to take advantage in the upturn in demand when it occurs.'

Safestyle's chairman Steve Halbert is also confident in the company's market share advantage with the group delivering record revenue and profit in 2016. Revenue increased 9.5% to £163.1m, delivering profit before tax of £19.3m, up 9.7% from the previous year. Safestyle is looking forward to the future and plans to continue to increase their market share through brand development, marketing effectiveness and the improved quality of their products and customer services.

WEBSITE: WWW.SAFESTYLEUKPLC.CO.UK

SECTOR:	GENERAL RETAILERS
SHARE PRICE:	226.25P
MARKET CAP:	£190.9M

Venture Life has solutions for an ageing population

Founded in late 2010, **Venture Life (VLG:AIM)** has grown from zero to over £14 million of revenues by 2016 with increasing profitability. With a range of its branded products, and supplemented by a range of unbranded products, the business accesses the global pharmacy market for over-the-counter self care products. In the UK, its products are sold direct to the retail pharmacy and supermarket chains, whilst internationally the Group utilises experienced marketing and distribution partners to sell the products, with the partner bearing all local marketing and distribution costs. Its products cover areas such as nail fungus, elevated LDL (bad) cholesterol, cognitive function, oral care, proctology and women's health. Innovation is key to the Group's product offering, as well as the support of independent clinical data proving efficacy. The Group protects its products through as wide a set of intellectual property protection as soon as possible.

The Group has achieved compound annual revenue growth of 57% over the last two years; this growth has come from both organic revenue growth and through acquisitions.

The group has achieved compound annual revenue growth of 57% over the last two years

The Group's main focus is in the rapidly growing demographic of the ageing population. By 2050 the population over 60 years old is expected to exceed 2 billion people globally, from 800 million in 2010. This demographic group has the biggest need for healthcare, and this growth is putting a significant strain on the resources of governments and healthcare providers globally. This is requiring patients to take more responsibility for their own healthcare, both in terms of self medication and the financial cost of the treatments.

The greatest areas of recent growth, and expected in the future, is the Group's branded portfolio which includes some core products:

- **Benecol®[1]:** A food supplement for the reduction of LDL cholesterol. The product includes the unique and patented Plant Stanol ester ingredient, which is clinically proven (more than 70 published clinical studies) to reduce the (bad) LDL cholesterol by 10% in 2-3 weeks. The product was developed in-house and is presented as capsules and as a 'once a day' liquid sachet. Product sales are in their early days in a number of territories.

- **UltraDEX:** A series of oral care products primarily indicated for the treatment of halitosis (bad breath), but also provides relief for patients with sensitive teeth. Backed by 9 clinical studies and presented in a series of oral rinses, toothpastes and other dental accessories, this range has been sold in the UK retail pharmacy channel for more than 20 years. Currently sold through Boots, Superdrug and leading supermarkets, we have now begun (since we acquired the brand in 2016) to internationalise this range and have partnered in nine countries to date and expect some more partnering deals to be announced going forward. With international patent protection over the Sensitive range, the UltraDEX brand has a significant price advantage coupled with compliance benefits over its competitors.

- **NeuroAge:** A food supplement for the treatment of age related memory loss and cognitive function. Partnered in nine countries at present, this product is presented as a capsule and contains a number of components that gives the products' mode of action. There is significant proprietary clinical data over the key ingredients in the product for this indication, and a patent application pending.

- **Myco-clear:** A topical liquid for the treatment of fungal nail infections. Developed in-house by the Venture Life Group in 2016, this product was first launched to partners in late Q2 2017 after recently receiving CE approval as a Class IIa medical device. The product is subject of a patent application and utilises a novel mode of action to treat both the aesthetics of the condition aswell as the underlying infection. Currently we are conducting human studies to supplement the existing evidence base for this product.

The Group has a number of other key products, all developed in-house, which will continue to be partnered widely on a global basis to drive revenue. The Group has significant capacity in its current manufacturing facility, aswell as the opportunity to expand this facility on the current footprint.

The future for the Group will see continued organic revenue growth from its exciting portfolio, as partners grow revenues and new partners are appointed around the globe, with most of its cost base fixed so the majority of the incremental gross margin from this growth will be driven to the bottom line, accelerating profitability. This will be supplemented through selective acquisitions of assets that we will be able to integrate seamlessly into the Group's operating and sales structure – the Group has already successfully completed three acquisitions in its lifetime, all of which have added to bottom line profitability.

[1] Benecol is a registered Trademark of the Raisio Nutrition Group plc

SHARES SPOTLIGHT

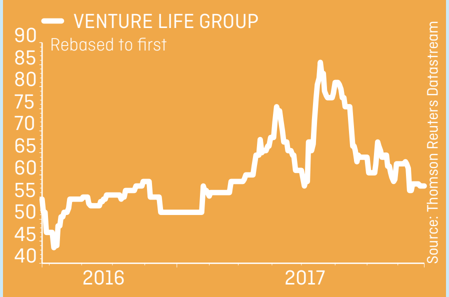
Venture Life
Emerge anew

WEBSITE: WWW.VENTURE-LIFE.COM

SECTOR: FOOD PRODUCERS

SHARE PRICE: 58.0P

MARKET CAP: £21.4M



Coinsilium laying foundations for blockchain tech startups to thrive

Coinsilium (COIN:NEX) is an accelerator that finances and manages the development of early-stage blockchain technology companies. Based in London, Coinsilium's focus is on driving innovation in fintech and blockchain and enabling businesses to take advantage of growth opportunities.

PORTFOLIO OF INTERESTS

Over the past three years, Coinsilium has built a portfolio of interests in fast-growing blockchain companies from around the world, including Factom, RSK Labs, Minebox and Indorse. Coinsilium was originally set up to offer investors exposure to opportunities in the fast-growing blockchain industry through a recognized stock exchange (NEX Exchange). The company recently announced an exit on one of its seed investments, SatoshiPay after less than two years with an uplift of the stake's valuation of 362%.

TOKEN ECONOMY

Blockchain technology is now labelled a 'foundational technology' and new blockchain protocols are emerging with features and applications far beyond the initial vision of digital currencies for payment purposes. As the growth in digital asset offerings gathers pace, smart contracts and 'tokenization' models could play a key role in the development of this market and Coinsilium has partnered with some of the leaders in this sector.

2017 has been the year of the token economy, with the equivalent of $1bn raised by blockchain companies via the sale of digital tokens. Multi-million-dollar hedge funds, such as HyperChain Capital, with whom Coinsilium has signed a co-investing MoU, have recently emerged with the sole objective of acquiring and trading these blockchain-based tokens.

The new token economy offers innovative entrepreneurs the opportunity to create game-changing models and disrupt multi-billion-dollar industries such as social media as is the case of Coinsilium's latest addition to its portfolio of investments, Singapore-based Indorse: a decentralised social network for professionals. Indorse will also allow its members to profit from sharing their skills and activities on the platform via reward tokens.

FIRST MOVER ADVANTAGE

Through its early investments in leaders in blockchain and smart contract technologies, Coinsilium is positioned to take advantage of the commercial opportunities that lie ahead and could potentially generate asymmetric returns for its investors.

WEBSITE: WWW.COINSILIUM.COM

SECTOR:	FINANCIAL SERVICES
SHARE PRICE:	3.75P
MARKET CAP:	£4.2M