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SHARES

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WHAT JAPAN'S
GENERAL ELECTION
RESULT MEANS FOR
UK INVESTORS

ARQIVA:
THE NEXT BIG
NAME TO JOIN THE
FTSE 100?

CAR RETAILERS
IN THE SPOTLIGHT
AFTER PENDRAGON
WARNING

HOW AND WHEN TO PICK A FINANCIAL ADVISER

We need to help more people understand money management

Parents and grandparents play an important role in helping children develop good habits when it comes to saving and spending money

More needs to be done to encourage people of all ages to save for the future and to avoid getting into financial difficulty through inappropriate use of credit cards and loans.

A new report by the Financial Conduct Authority, the City regulator, finds that millions of people are struggling with debt and only a third (35%) of people aged 45 to 54 are preparing for their retirement.

Those are disturbing statistics and will no doubt prompt the FCA to look at the credit industry and whether financial services companies can do more to encourage people to save money.

I hope that does happen; however, I also want to see more done to help people understand how to manage their money. Some initiatives are underway, yet we're still a long way away from having a complete solution.

Old Mutual Wealth believes part of the reason why people are getting into problems with debt and not saving enough is a lack of financial literacy.

Four years ago, Money Advice Service published the results of a study which concluded that parents' good and bad money habits have a significant influence over their children's habits.

The study found that by the age of seven most children have grasped how to recognise the value of money and count it out. They should have also come to understand that money can be exchanged for goods, as well as what it means to earn money and what income is.

STARTING EARLY

Money Advice Service believes parents should include children in discussions about money from age four to give them the best chance of being financially secure in later life.

It conducted some research earlier this year which found that children who weren't allowed to decide how to spend their own money were substantially less likely to save.

Children aged 12 to 17 whose parents decide how they spend their money were found to be nearly five times more likely to say that borrowing money didn't bother them.

Old Mutual Wealth's responsible business director Jane Goodland says she wants the Government to seriously consider introducing financial education onto the primary school curriculum to 'tackle the epidemic of financial illiteracy which plights families across the country'.

Sixteen savings and investment firms recently launched a project called KickStart Money which is trying to build momentum with introducing financial education into more schools.

Nearly 18,000 primary school children across 100 schools will participate in various initiatives under the KickStart banner to understand personal finance – in particular, understand the consequences of debt as well as the importance of saving and investing for the future.

Such initiatives should be applauded and I hope more children will be able to get involved in the future.

I also hope parents and grandparents take a more active role with developing children's money habits. Wrappers such as Junior ISAs and Junior SIPPs can play a valuable role in getting young people involved in money matters.

It's not only about how much money goes into those wrappers; of equal importance is encouraging children to understand how interest works; so too the stock market, and why developing a regular savings habit is so rewarding. (DC)

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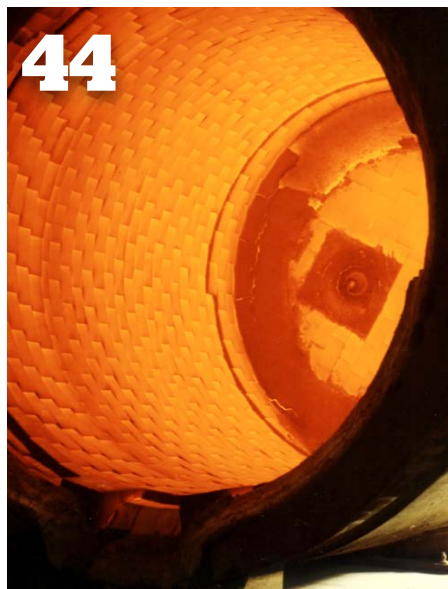
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BROKER RATINGS EXPLAINED:

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.

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Japanese equities buoyed by Abe's victory

But one investment expert implies Abe's policies aren't fixing the country's economy

Japanese prime minister Shinzo Abe's general election victory on 22 October puts him on course to be the longest serving prime minister of Japan in the modern era.

Those who question the wisdom of his 'Three Arrows' programme, dubbed Abenomics, in the past will have to get used to it as his victory means that monetary easing looks set to continue.

Abe is likely to once again use massive quantitative easing to Hoover up bonds; the Bank of Japan (BoJ) even buys exchange-traded funds to get at this asset class.

His BoJ governor Haruhiko Kuroda will presumably be told it is business as usual. With Abe and his loyal ally in place, a twin attack of monetary and fiscal policy looks certain to continue. For investors, that means exposure to Japan through funds remains an attractive option.

The easy monetary policy has had good success. Japan's main index, the Nikkei 225 is trading at a two-decade high and has risen 16.5% alone in the last six months.

Neptune Investment Management's head of Japanese equities Chris Taylor says the Japanese market is still 'undeniably cheap'.

'Japanese earnings growth has been surprisingly strong, with both earnings per share and net profits increasing by over 13% and 26% respectively for full year 2016 and the first

quarter of 2017, in turn roughly double and triple consensus expectations,' he adds.

However, there are some doubters regarding the true success of Abenomics.

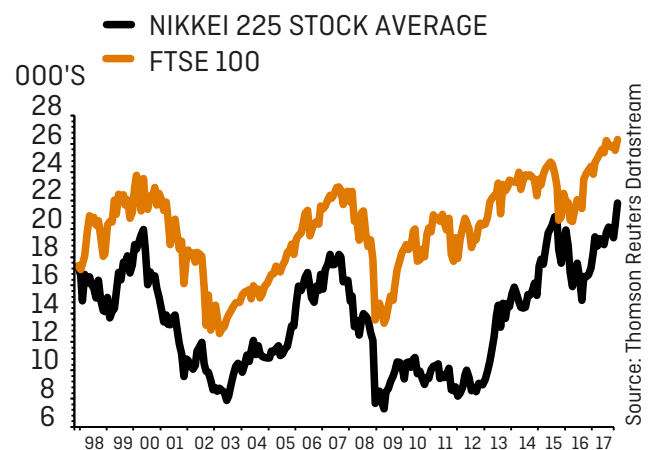
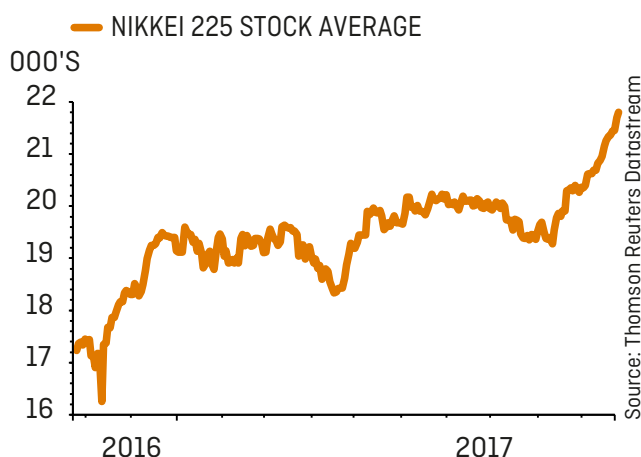
Michael Stanes, investment director at Heartwood Investment Management, says the prime minister's achievements have 'only amounted to coercing the BoJ into bankrolling an ever-rising debt mountain, thereby propping up the stock market rather than reflation the economy'.

This is a reference to the loose monetary policy employed by the BoJ; it owns around 40% of outstanding government debt.

Japan's debt to GDP ratio of 240% is 'monstrous' according to Russ Mould, investment director at AJ Bell.

He says that is the highest such figure in the world 'and it leaves Japan in the less-than-exalted company of such economic problem children as Greece, Jamaica, Lebanon and Italy'.

Steven Andrew, manager of **M&G Episode Income Fund (GB00B7FSJ224)** which has a 7% allocation to Japanese equities, says 'genuine fundamental dynamics appear to lie behind recent strength in the Japanese equity market, and it is these, rather than attempts to forecast political and policy developments, which should be the focus of investors'. (DS)



Arqiva set to be UK's largest IPO of the year... but is it worth backing?

Changing consumer habits and large debts cast a shadow over dividend and infrastructure appeal

Communication towers operator **Arqiva** has confirmed plans to float on the London Main Market in what will be the UK's largest IPO (initial public offering) so far this year.

The group is aiming to raise £1.5bn from investors in return for a rough 25% stake in a business that will command a £6bn enterprise value, including debt. The equity component – namely the market cap of the business – is expected to be valued in the region of £4bn.

The company is expected to go into the FTSE 100 soon after joining the stock market in November.

It has a fast growing mobile mast business and will pay dividends; we've heard talk of a 4% yield in time.

Yet many investors will be concerned about large debt levels, even after restructuring, and the future of its broadcast arm given that an increasing amount of audio and video is consumed over the internet.

KEEPING THE UK CONNECTED

Arqiva is a major owner of communications infrastructure in the UK with roots that go back to the BBC's first radio and television broadcasts in the 1920s and 1930s.

The Hampshire-based company runs around 1,500 terrestrial TV and radio transmission and broadcasting sites, including Emley Moor, Britain's largest free standing structure at 330m tall.

Arqiva also operates satellite uplink/downlink stations, about 8,000 mobile phone towers plus smart metering and low-powered wide area networks. It also has an exclusive agreement to install superfast 5G mobile kit onto 350,000 UK lamp posts.

The BBC, **ITV (ITV)** and **Sky (SKY)** are all customers, as are the UK's major mobile networks, such as **Vodafone (VOD)**, O2, BT-EE and Three.

HEAVY FINANCING

For the year to 30 June 2017, Arqiva reported revenues up 6.6% to £944m, or 9% higher excluding disposals.

Its main divisions; Terrestrial Broadcast (48% of revenue) and Telecoms (37% of revenue), grew sales by 6.3% and 10% respectively.

The company reported earnings before interest, tax, depreciation and amortisation (EBITDA) 10% higher at £467m, with operating cash flow of £438m.

But hefty interest payments of £237m, finance charges of £161m and other cash expenses swallowed up all of that cash flow. Net debt increased from £4.29bn to £5.18bn.

PLAN B: STOCK MARKET FLOAT

Efforts failed earlier this year to sell the company, according to reports, hence why it is now going down the stock market route.

Arqiva is currently majority-owned by Canada Pension Plan Investment Board (48%) and Australian investment bank Macquarie (25%).

The primary objective of the IPO is to tidy up a balance sheet weighed down by debt, shareholder loan notes and interest rate swaps.

The proceeds will be used to clean up its books, converting existing shareholder loans to equity, pay down some debt and cutting its interest bill by £155m a year.

Arqiva says it will pay £195m worth of dividends in the current financial year. It also says capital expenditure will be reduced from 2018. (SF)

Many investors will be concerned about large debt levels

ASOS fast approaching same size as M&S

The online retailer has soared in value over its 17 year life

Online fashion retailer **ASOS (ASC:AIM)** is now worth nearly as much as **Marks & Spencer (MKS)** – an amazing feat considering the business has only existed for 17 years. The latter has been around since 1884.

ASOS is now worth £4.63bn versus Marks & Spencer at £5.64bn. Fifteen years ago ASOS was valued at a mere £4.6m.

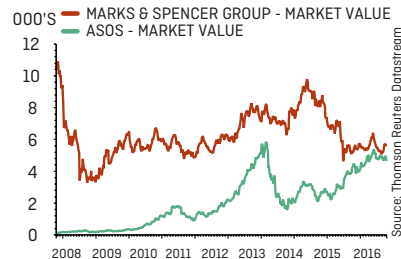
Marks & Spencer may have wished it spent more money a decade ago on the internet. Its business is now struggling from a lacklustre clothing and home proposition and too much store space.

In contrast, ASOS is now an international business whose pre-tax profit jumped by 26% to £80m in the last financial year, with sales up by a

third to £1.92bn. Overseas sales spoke for 63% of total retail sales, up from 57% last year.

Marks & Spencer is a more profitable business, nonetheless. Its last financial year saw £10.6bn revenue and £613.8m adjusted pre-tax profit.

Chief executive Steve Rowe is currently overseeing a plan for a 'simpler business, focused on customers'.



Investors are still waiting for evidence the plan is working, given the retailer's shares have gone nowhere in the past 12 months. (JC)

Car retailers in the spotlight after Pendragon warning

Motor retailer says life is getting harder... but was this really 'new' news?

CAR RETAILER **Pendragon (PDG)** has warned (23 Oct) underlying full year pre-tax profit will come in at around £60m, more than 20% down on the £75.4m made in 2016.

Pendragon anticipates a resumption of profit growth in 2018, though analysts believe this is optimistic and there is significant downgrade risk for rival automotive retailers.

Nottingham-headquartered Pendragon warned a decline in demand for new cars and consequent used car price correction had eliminated third quarter profit. It has undertaken a strategic review into its new car business and slammed the brakes on US investment.

Investment bank Canaccord Genuity has slashed its 2017 pre-tax profit estimate by 21% to £59.5m, commenting: 'That the market in Q3 has been difficult is hardly a surprise.'

'That Pendragon has not been able to navigate those conditions better is probably the point to focus on, particularly in light of **Vertu Motor's (VTU:AIM)** unchanged full year 2018 guidance.'

That's an important point of tactical difference as Vertu positioned itself for a difficult market at the start of the year.

Investment bank Liberum has downgraded its recommendation from 'buy' to 'hold', noting news of a strategic review places some

uncertainty on Pendragon's future shape. 'Disposals, alongside the cautious medium-term outlook, mean that further forecast downside risk lies ahead,' it comments. (JC)

SHARES IN MOTOR RETAILERS: REACTION TO PENDRAGON'S WARNING

Vertu Motors	+0.5%
Cambria Automobiles	+0.5%
Caffyns	0%
Motorpoint	-1%
Inchcape	-3%
BCA Marketplace	-3%
Marshall Motor	-6%
Looker	-8%
Pendragon	-25%

Source: Shares, SharePad. Data from 20 Oct 2017 market close to 24 October 2017 midday

Slowdown in Costa sales growth weighs on Whitbread's share price

Half year results poorly received by the market

Costa Coffee owner **Whitbread (WTB)** is struggling to lure in people for their caffeine boost as UK like-for-like sales growth at its coffee chain fell to 0.6% in the six months to 31 August.

That represents a significant drop from 2.3% growth over the same period last year, suggesting people are tightening their purse strings due to higher inflation, which hit 3% in September.

The half year results were poorly received by the market on 24 October with the shares falling by nearly 5% to £37.51, reversing a rally in the weeks leading up to the figures.

Morgan Stanley analyst Jamie Rollo says the

company actually beat consensus expectations of £318m underlying pre-tax profit by delivering £328m.

While like-for-like sales were weaker than expected at Costa and its Premier Inn hotels arm, Rollo argues this was offset by stronger sales from new openings and a better margin performance in the UK.

Canaccord Genuity analyst Nigel Parson flags opportunities in Germany for Premier Inn as it is 35% larger than the UK and in China for Costa thanks to the recent buyout of interests in Whitbread's joint venture partner Yueda Costa. (LMJ)

GUINNESS GLOBAL MONEY MANAGERS

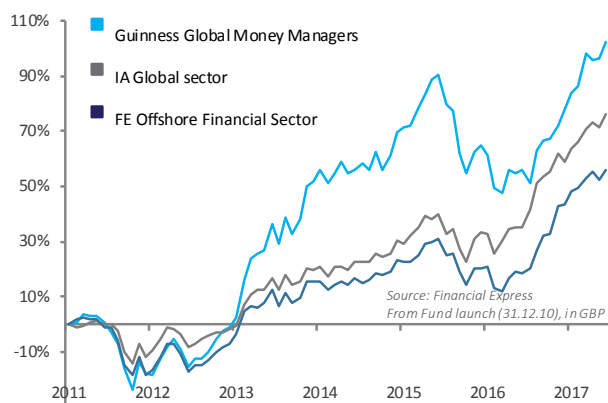
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Capturing strong
returns on capital

A play on growing
global savings

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Guinness Funds are built on an investment philosophy focusing on areas we know well and like. The global listed asset management sector is one of those areas that can offer exciting returns. Our Global Money Managers portfolio invests in asset managers around the world.



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• Above average dividend yield

The sector typically exhibits high free cashflow, which currently translates into higher dividend yields on average than the broad equity market

• Higher beta

The sector has the potential to significantly outperform the market (capture higher beta) during periods of equity market strength, however bear in mind it may underperform noticeably in weak markets

• Which investors should consider this Fund?

Those who will accept higher year-on-year volatility in return for the potential for a higher long run return; and have a long term investment time horizon

Learn more about what managers Tim Guinness and Will Riley think about the investment opportunity at guinnessfunds.com/global-money-managers-fund

Total Return, in GBP (to 30.06.17)		YTD	1 Year	3 Years	5 Years	From Launch
Fund	Return	13.6%	38.2%	31.6%	138.3%	107.0%
	Quartile	1st	1st	4th	1st	1st
	Rank in IA Sector	10/272	6/269	206/236	13/204	40/179
IA Global Sector	Return	7.1%	23.7%	43.1%	89.2%	75.6%
FE Offshore Financial Sector	Return	9.0%	37.5%	48.0%	98.2%	71.9%

Discrete years (X Class, in GBP)		Jun '13	Jun '14	Jun '15	Jun '16	Jun '17
Fund		47.8%	22.6%	13.3%	-16.0%	38.2%
IA Global Sector		21.4%	9.0%	8.4%	6.7%	23.7%
FE Offshore Financial Sector		29.6%	3.3%	12.8%	-4.6%	37.5%

Source: Financial Express

Past performance is not a guide to future returns. The value of your investments and the income received from them can fall as well as rise. You may not get back the amount you invested.

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IWG PROFIT WARNING TRIGGERS MAJOR EARNINGS DOWNGRADE

THE WORLD'S LARGEST service office group **IWG (IWG)**, previously known as Regus, saw almost a third of its value wiped off following a profit warning on 19 October.

Stockbroker Numis slashed its 2017 and 2018 earnings before interest, tax and amortisation (EBITA) forecasts by 23% to £161m and £195m respectively.

Numis says it reduced the earnings estimates due to short-term weakening in trading combined with the decision to maintain investment.

UK M&A ACTIVITY LEADS EUROPE

THE UK TOPS the table for number of mergers and acquisitions (M&A) deals in Europe year-to-date and also leads by total value of the transactions for the region.

Data from Thomson Reuters shows that the UK has notched up 2,175 deals worth a combined \$132.2bn. This represents a

23% increase on deal activity in the same time period last year.

This is more than 1,000 deals greater than second place Germany which has seen 1,096 deals so far this year. One reason for the strong UK activity is the fall in sterling's value making assets cheaper for foreign acquirers.

Shares in ConvaTec now trade below IPO price

SHARES IN FTSE 100 woundcare specialist **ConvaTec (CTEC)** have fallen below the price at which it joined the stock market exactly a year ago. At 214.4p, they now trade 4.7% below the 225p IPO (initial public offering) price.

Supply issues have 'severely impacted' ConvaTec's advanced wound and ostomy care division resulting in the company cutting its full year sales growth guidance.

Full year sales growth was cut from 4% to a range of 1% to 2%, causing the shares to drop more than 20% in value on 16 October.



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Allied Irish Banks could make you a tidy profit

The once-nationalised bank is now looking much healthier

Ireland's banking system has gone through a correction which has seen a number of players leave the market. **Allied Irish Banks (ALBK)** is now in a dominant position and is also the 'most profitable bank in the eurozone', according to investment bank Berenberg.

It holds the number one position in the Irish mortgage market and the small-to-medium size enterprise loan market. Ireland, once known as the 'Celtic tiger' due its exponential GDP growth from the mid-1990s to the mid-2000s, is a now country in recovery mode.

Berenberg views the economic backdrop to Ireland as 'positive'. It says: 'While Ireland's economic growth figures have come under scrutiny after growing real GDP by 25.6% in 2015, a look at tax receipts confirms the good economic environment.'

Banks are at the mercy of the economies in which they operate and they are cyclical stocks. A collapse in the housing market, for example, would severely impact the banking sector as it did in 2008. On the flip side, a buyout Irish market bodes well for its largest banks.

QUALITY OF ASSETS

While Allied Irish may be profitable with leading positions in certain banking sectors, it does have a non-performing exposures (NPE) ratio of 19%.

ALLIED IRISH BANKS

BUY

(ALBK) €5.00

Stop loss: €4.00

Market value: €27.31bn



Berenberg, which gives the bank a 'buy' rating and a €5.90 target, says this is too high.

An NPE could be a loan on the bank's balance sheet where the borrower is not making interest payments or repaying any of the debt.

There is upcoming banking regulation, Basel IV, which will further clarify when debts and exposures become bad or 'non-performing'.

However, Berenberg is pleased that Allied Irish agrees its NPE ratio is too high. The Irish bank intends to move this ratio down towards its European peers at around 5% by 2019. It plans to do this via a mix of restructuring and securitisation.

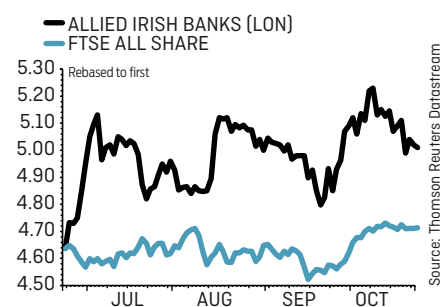
Allied Irish is forecast to have a return on assets of around 1% for the next three years. This for Berenberg makes it 'a very profitable bank'. It has a 1.0

times price-to-book ratio. We expect good dividend growth in the medium term.

A 16.6% common equity tier one (CET1) capital ratio puts Allied Irish in the top quartile of European banks in terms of capital buffers to defend against unexpected events.

Brexit uncertainties remain for the Irish economy which is a major trading partner with the UK but Allied Irish looks to set to further cement its position as Ireland's top bank. (DS)

BROKER SAYS: 5 6 0



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KEY POINTS

- A VALUE DRIVEN, MULTI-ASSET APPROACH: 'MULTI-ASSETVALUE INVESTING'
- OBJECTIVE OF CPI +6% AND DIVIDEND GROWTH AHEAD OF INFLATION
- STRONG FIVE YEAR PERFORMANCE WITH LOW VOLATILITY
- QUARTERLY DIVIDENDS, CURRENT YIELD CIRCA 3.6%¹
- GOOD LIQUIDITY



The Seneca investment team

INTRODUCTION TO THE TRUST

- We designed the Seneca Global Income & Growth Trust plc for investors seeking a quarterly income with long-term capital growth and low volatility.
- Over a typical investment cycle², we aim for the Trust to achieve a total return of at least CPI plus 6% after costs, with low volatility. In addition, we aim to grow aggregate dividends at least in line with inflation.
- The Trust employs a proprietary investing style called 'Multi-Asset Value Investing'. The core principle of value investing, buying good quality assets when they are cheap, is traditionally associated with equities. We apply a value approach to everything we do. Led by Peter Elston, our five fund managers contribute to the Trust's performance through in-depth research into asset allocation, or one of the four main asset classes we invest in.
- In the UK, we focus on mid-cap equities. In overseas equities and fixed income, we use third party funds who share our value style. In the specialist area, we focus on property, infrastructure, specialist finance and private equity. Each area contributes both to the capital return and the income generation of the Trust.

GROWTH, INCOME AND LOW VOLATILITY

- Over the five years to end September 2017, the Trust delivered an NAV return of +73.3% with volatility close to half that of major equity indices³. Details of the Trust's returns can be found in the performance tables below.
- The Trust pays quarterly dividends, offering a current yield of circa 3.6%¹. Over its last four financial years to April 2017, the Trust has grown its dividend at a compound rate of 4% per annum, ahead of CPI in every year.

SHAREHOLDER FRIENDLY APPROACH

- Last year the Board introduced a discount control mechanism to regulate the share price at very close to net asset value, and facilitate ease of trading in the Trust. Private investors may find the risk of buying shares whose rating might deteriorate, and the risk of not being able to buy and sell shares easily, off-putting. To date, our approach has materially reduced both risks. In addition, to ensure an ongoing flow of information to investors, the Board has sponsored a programme of research to provide investors with access to regular updates on the Trust.

Cumulative performance (%)	3 months	6 months	1 year	3 years	5 years
Trust share price	2.6	6.7	16.5	42.0	102.4
Trust NAV	3.7	7.1	16.0	38.9	73.3
Benchmark	2.2	3.1	4.8	12.5	20.6

Discrete annual performance (%)	30.09.2017	30.09.2016	30.09.2015	30.09.2014	30.09.2013
Trust share price	16.5	16.2	5.0	12.5	26.7
Trust NAV	16.0	15.4	3.8	3.9	20.0
Benchmark	4.8	3.6	3.6	3.5	3.5

Things you should be aware of

¹Current yield: the yield calculation is based on the latest quarterly dividend, annualised, compared against the month end share price.

²Seneca IM define a typical investment cycle as one which spans 5-10 years, and in which returns from various asset classes are generally in line with their very long term averages. There is no guarantee that a positive return will be achieved over this or any other period.

³Annualised volatility of returns over five years versus FTSE World ex-UK, FTSE UK Private Investor Balanced, AIC Flexible Investment Sector, FTSE All Share and Investment Association Mixed 40-85% shares.

Performance and dividend data sources: Seneca Investment Managers Ltd (SIML), Bloomberg & Morningstar. Share prices calculated on a total return basis with net dividends reinvested. NAV returns based on NAVs excluding income and with debt valued at par. Returns do not include current year revenue. Benchmark: LIBOR GBP 3 Months +3% to 06.07.17 thereafter CPI +6% after costs. Past performance should not be seen as an indication of future performance. The information in this article is as at 30.09.2017 unless otherwise stated. The value of investments and any income from them will fluctuate, and investors may not get back the full amount invested.

SIML does not offer advice to retail investors. If you are unsure of the suitability of this investment, take independent advice. Before investing, refer to the latest Annual Report for details of the principle risks and the trust's fees and expenses. Net Asset Value (NAV) performance may not be linked to share price performance. Shareholders could realise returns that are lower or higher. The annual investment management charge and other charges are deducted from income and capital. SIML is authorised and regulated by the Financial Conduct Authority, registered in England No. 4325961 with its registered office at Tenth Floor, Horton House, Exchange Flags, Liverpool, L2 3YL. FP17/425

Tiny building materials firm could become £1bn player

SigmaRoc is cranking up the deal flow and its shares are cheap

An under the radar building materials company is worth nearly 2.5 times its current market value, according to analysts. Now is the perfect time to invest in **SigmaRoc (SRC:AIM)** as its third acquisition proves it can find good targets at decent prices.

The company joined the stock market at the start of 2017 with the intention of buying niche businesses serving the UK and European construction industries.

Many large industry players are selling businesses as they focus on larger assets; or they are forced to sell in order to satisfy competition authorities following their own acquisition sprees. That creates opportunities for SigmaRoc.

GEOGRAPHICAL DIVERSITY

SigmaRoc is predominantly looking in the UK, France, Germany and Benelux. Its first deal was the £45m acquisition of Ronez, a hard rock quarry operator and construction materials producer based in Guernsey and Jersey. The islands are counter-cyclical to each other, so one tends to be strong and the other weaker in terms of construction activity, says the company.

We note that SigmaRoc fought off competition from £1.2bn construction group **Breedon (BREE:AIM)** to buy Ronez, according to investment bank Berenberg. The latter has

SIGMAROC BUY

(SRC:AIM) 43.25p

Stop loss: 25p

Market value: £44m

a 12-month price target for SigmaRoc of 105p, more than 140% higher than the 43.25p trading price at the time of writing.

Berenberg believes SigmaRoc could eventually become a £1bn business. That assumes it raises £180m in equity and £290m in debt and buys assets at between seven and nine times EBITDA (earnings before interest, tax, depreciation and amortisation). It also believes SigmaRoc can extract circa 20% in synergies from its acquisitions.

There is already proof it can extract value from its acquisitions. Half year results in September saw the underlying business increase profit by more than 50% year-on-year. That period included a few months' contribution from its shipping division set up in April off the back of buying a dry bulk carrier ship.

HIDDEN VALUE IN LATEST DEAL

Last week saw the £9m acquisition (plus £3.5m deferred consideration) of London and Midlands-based Allen Concrete, equating to 6.25 times EBITDA assuming the full price is paid.

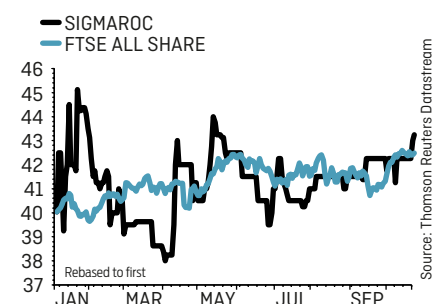


The acquisition is interesting for two reasons. First, it generates 38% EBITDA margins which is high for the construction industry. It makes products with high quality finish such as posts, paving and grass blocks.

Second, the deal includes freehold industrial land in Croydon, South London valued independently at £4.5m. SigmaRoc's chief executive Max Vermorken says half the land is used as a stock yard. 'We could use the other half for something else, or relocate the stock yard and sell the land,' he adds.

Berenberg forecasts £2.6m pre-tax profit this year for SigmaRoc, rising to £5m in 2018. (DC)

BROKER SAYS:



Four things to look for in a truly different investment manager

Every investment firm claims it is different from its competitors, yet many produce results that are anything but different.

At its heart, an active fund manager's proposition should be simple – to provide you with performance that is sustainably better than average. But how can you identify managers who can deliver this sort of performance?

There's no one answer, but we think there are four key principles to 'investing differently'.

1 INSIST ON AN ALIGNMENT OF INTERESTS

Investment managers are human, and self-interest is a natural part of human behaviour. If a manager's interests (keeping their job) conflict with yours (long-term performance), they may place their interests above yours. This makes an alignment of interests essential. Signs of good alignment include:

> OWNERSHIP STRUCTURE

Investing differently requires patience, and if your investment manager has external shareholders, patience may be in short supply. Pressure for short-term profits could conflict with a focus on your long-term results.

At Orbis, we are a privately owned company with no external pressure for short-term profits. We only focus on your long-term performance.

> CO-INVESTMENT

Fund managers should eat their own cooking. If their own fund isn't good enough for them, why should it be good enough for you?

At Orbis, our people put their own money in the same funds you do, and pay the same fees. Collectively, our employees are one of the largest investors in the Orbis Funds.

> SYMMETRICAL PERFORMANCE FEES

The bigger a manager's portfolio, the harder it is for them to invest differently from market benchmarks.

We think a manager should be paid for the *returns* of their portfolios, not the *size* of their portfolios. At Orbis, you get a fee refund if our funds don't beat their benchmarks, so our success is tied to yours.

2 THINK LIKE A LONG-TERM BUSINESS OWNER

Shares represent ownership in companies. Company fundamentals do not change constantly throughout the day. That's a simple concept, but an easy one to forget amid all the noise of financial markets.

At Orbis we look at long-term potential, not short-term buzz. Successful owners don't give up when challenges arise, and neither do we.

3 AVOID OVERCONFIDENCE AND ACCEPT UNCERTAINTY

Commonly held beliefs and intuitive assumptions often lead to overconfidence and an underestimation of the level of uncertainty. Such behaviour can be difficult to avoid, as it 'feels right'. It also leads to opportunity for those investors able to embrace uncertainty.

At Orbis we are comfortable feeling uncomfortable, and we embrace the opportunities that uncertainty provides. We don't make macro-economic bets or try to time the market. Rather, we are all about 'bottom-up stock-picking' and finding opportunities that aren't obvious.

4 OPPOSE CONSENSUS

To stand-alone is to feel vulnerable. Opposing consensus can be psychologically challenging and feels uncomfortable to many investors – but we believe it is necessary for above average long-term returns.

At Orbis we invest confidently in unpopular or ignored areas. Our funds deviate significantly from their benchmarks. We believe the best long-term investment ideas are often found in areas of the market which are out of favour with most investors.

Investing differently can be rewarding, but it isn't for everyone.

Where do you stand?



WPP

(WPP) £13.72

Loss to date: 3.1%**Original entry price:****£14.16, 31 August 2017****REVENUE IN FASTER-GROWING MARKETS**

Source: WPP

WE ADDED advertising business **WPP (WPP)** to our *Great Ideas* portfolio in August after the shares fell sharply on a profit warning alongside its first half results.

We continue to view the discount to its long-term average price-to-earnings (PE) ratio as an attractive entry point into a quality stock but acknowledge the news flow so far has not been encouraging.

In early October it emerged that partner Japanese agency ADK was looking to break ties with the company by entering private equity ownership.

Then a couple of weeks later the company was hit by a triple whammy of bad news.

Smaller rival Publicis posted third quarter sales below forecasts and pointed to a challenging market. Like-for-like sales were up 1.2% to €2.26bn against consensus forecasts for €2.34bn.

It also emerged pay-TV giant **Sky (SKY)** was launching a review of its advertising budget for the first time in 13 years. WPP has fulfilled a lot of that work over the period.

Finally, consumer goods giant **Unilever (ULVR)**, WPP's second biggest customer, reported weak third quarter organic growth of 2.6%. That missed expectations for 3.9% growth.

Management blamed poorer weather in Europe, fierce competition and the impact of the hurricanes in Florida and Texas.

Unilever's news is particularly significant given WPP largely attributed its disappointing guidance at the half year stage to cutbacks in advertising spend by consumer goods firms.

In our view WPP remains a long-term winner. It has a proven M&A strategy of avoiding large 'transformational' deals to focus on easier-to-swallow bite-sized acquisitions. This has helped position the company for a shift in advertising budgets to digital formats and has increased its exposure to faster growing emerging markets.

Next year should also be better for the company thanks to the football World Cup in Russia and the Winter Olympics in South Korea. Any guidance on these events when the company updates on third quarter trading on 31 October could be supportive to the share price.

SHARES SAYS: ↗

We said investors might need to be patient with WPP given the negative market sentiment and that has been the case.

We hope sentiment will improve as the focus begins to shift towards 2018, in turn hopefully lifting the stock from the current forward price-to-earnings ratio of 10.6 back up towards the 10-year average of 12.9. (TS)

BROKER SAYS: 17 11 2

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Capital at risk. We don't offer advice so if you're unsure please consult a financial adviser. Tax rules may change. Paying into a Lifetime ISA may affect employer pension contributions and your future entitlement to means tested benefits. You will incur a 25% government withdrawal charge on any money you withdraw before age 60 unless you are using it to buy your first home, therefore you may get back less than you paid in.

How and when to pick a financial adviser

The questions to ask and websites to look at before signing on the dotted line

Getting financial advice can be a rewarding experience that may even save you money over the long run, but to get the most out of it you need to do your homework.

The fees and type of service can vary considerably so it's a good idea to attend your initial meeting armed with information and a list of questions.

WHY SHOULD I CONSIDER GETTING ADVICE?

An adviser who specialises in investments will likely have a wealth of information, expertise and products at their disposal.

Nowadays advisers have to undergo rigorous exams and continuous professional development. They are therefore well placed to determine which investment strategy suits your individual circumstances.

Many advisers can help with other areas of your finances too, including pensions, tax, mortgages and life insurance.

Most people who get financial advice usually do so after a specific life event such as receiving an inheritance or windfall, divorce, buying a home or approaching retirement.

WHAT QUESTIONS WILL THE ADVISER ASK ME?

A financial adviser's main objective at the first meeting is to understand more about your

financial situation and ascertain whether they can help.

VouchedFor.co.uk, a financial adviser comparison site, says typical questions would include:

1. What are your main financial goals?
2. What is your family situation?
3. What is your current financial situation, including income, expenditure, investments, savings, homeowner status, mortgage and any other debts?
4. How you would like the

financial advice relationship to work? The adviser will want to ensure their style works for you and that they can help.

Being honest and open when answering the adviser's questions will ensure they have all the information necessary to draw up a financial plan.

1. WHAT ARE YOUR MAIN FINANCIAL GOALS?

2. WHAT IS YOUR FAMILY SITUATION?

3. WHAT IS YOUR CURRENT FINANCIAL SITUATION, INCLUDING INCOME, EXPENDITURE, INVESTMENTS, SAVINGS, HOMEOWNER STATUS, MORTGAGE AND ANY OTHER DEBTS?

4. HOW YOU WOULD LIKE THE FINANCIAL ADVICE RELATIONSHIP TO WORK?

ADVISER

WHAT SHOULD I ASK THE ADVISER?

Ask as many questions as you need in order to feel comfortable with the adviser and confident they are a good fit for you.

The following questions are a good place to start:

1. HOW, AND HOW MUCH, DO YOU CHARGE? An adviser is legally obligated to tell you how much they charge before you are taken on as a client. It could be a percentage of your investments or a flat fee.

2. DO YOU HAVE EXPERIENCE OF A SITUATION SIMILAR TO MY OWN? Some advisers deal only with clients that have a certain level of wealth.

3. WHAT SERVICES DO YOU PROVIDE? Some advisers can assist with all areas of financial planning while others may specialise in certain areas. Most are not stock-pickers; instead, they focus on the strategy of investing.

4. ARE YOU 'INDEPENDENT' AND ABLE TO GIVE ADVICE ON THE WHOLE OF THE MARKET, OR RESTRICTED TO PRODUCTS FROM A LIMITED RANGE OF PROVIDERS?

5. WILL I WORK SOLELY WITH YOU OR WITH A TEAM?

6. HOW OFTEN, AND VIA WHAT MEDIUM, WILL YOU COMMUNICATE?

7. WHAT IS YOUR APPROACH TO INVESTMENT? It's worth discussing the adviser's

methods to understand the process, risks involved and potential outcomes.

8. HOW REGULARLY WILL YOU ASSESS MY FINANCIAL SITUATION?

9. CAN I SEE AN EXAMPLE OF A FINANCIAL PLAN? VouchedFor.co.uk says some advisers may provide a brief overview for clients, whereas others produce an extensive piece of work complete with graphs, charts and all manner of technical lingo.

10. HOW CAN I KEEP TRACK OF MY MONEY? It could be via an app, phone calls or face-to-face meetings.

12. WHAT IS YOUR PERFORMANCE RECORD?

13. WHAT PROFESSIONAL QUALIFICATIONS DO YOU HAVE?



right to do so. You should never feel under any pressure to do something or take a particular course of action.'

HOW DO I FIND A GOOD ADVISER WHO DOESN'T OVERCHARGE?

Fees can vary considerably so it's a good idea to shop around and get several quotes before choosing your adviser.

Fees typically involve three elements: an initial consultation, which ranges from being free up to £2,000; determining the right investment strategy and setting up investments, which costs approximately 2% of your investment or an hourly charge of £100 to £300; and ongoing monitoring and reviews, costing around 0.7% a year.

Cheapest isn't always best. Check the Financial Conduct Authority's register to ensure the firm is legitimate and isn't involved in any scams.

PIMFA, a financial advice association, recommends reading promotional material and terms and conditions carefully to ensure you understand your commitments and aren't being blinded by something that's too good to be true.

Sites like VouchedFor.co.uk and Unbiased.co.uk list thousands of advisers around the UK. The former also contains 60,000 verified client reviews.

Karen Barrett, chief executive and founder of Unbiased, suggests trying to find an adviser with whom you 'click' personally.

'If they understand what makes you tick, you're far more likely to get advice that genuinely improves your life, not just your finances,' she says. (EP)

How September's inflation figure could affect your finances

There is some good news for people saving into a pension and for those already in retirement

The rise in the average price of goods and services, measured by the Consumer Prices Index (CPI), has a huge impact on savers and investors in the UK.

For example, if you buy an annuity – a retirement policy which pays a guaranteed income for life – you can choose whether or not to lock inflation-linked rises into your policy. Anyone in receipt of an annuity who doesn't have such protection will see their spending power fall as prices rise.

Equally, stock market investors – whether building up a pension pot or remaining invested in retirement through drawdown – should keep an eagle eye on rising prices when setting their investment strategy and reviewing the performance of their portfolio.

After all, with CPI inflation ticking up to 3% in September a portfolio that pays returns of 2% will be delivering a real-term loss of 1%.

Aside from the impact on investments and private pension incomes, September's inflation figure is important for a couple of other reasons.

INCREASING THE LIFETIME ALLOWANCE

The amount you can save in pensions throughout your life is restricted by the lifetime allowance. This currently stands at £1m and applies to final salary pensions, drawdown, lump sum withdrawals (also referred to as Uncrystallised Funds Lump Sums or UFPLS) and annuities.

Whenever you take money from your pension, the value of the benefits you receive is calculated as a percentage of the lifetime allowance. So if you use £100,000 of your pension to buy an annuity, for example, you will get a certificate saying you have used up 10% of your lifetime allowance.

If you have previously taken out 'protection' against previous lifetime allowance cuts you

may be able to save more than £1m without facing an extra tax charge.

From April next year, the lifetime allowance will rise in line with inflation, with the September figure of 3% used to increase the figure. That means for the 2018/19 tax year (beginning in April next year) the lifetime allowance will rise to £1,030,000.

Savers can face penalties of up to 55% on any excess above the lifetime allowance, meaning the extra £30,000 could save someone £16,500 in HMRC penalties. Similarly, the maximum lifetime tax-free cash entitlement will rise from £250,000 (25% of £1m) to £257,500.

STATE PENSION

The September inflation figure will also be used to increase state pension payments. The UK state pension is protected by the 'triple-lock', meaning it rises in line with the highest of average earnings, inflation or 2.5%.

That means the flat-rate state pension will rise from £159.55 a week (£8,296.60 a year) to £164.33 a week (£8,545.50 a year).

Tom Selby,
Senior Analyst, AJ Bell



UK SMALLER COMPANIES EXPOSURE BEYOND THE UK?

Mike Prentis, co-portfolio manager,
BlackRock Throgmorton Trust plc

More than a year on from the result of the EU referendum and the UK's economic outlook remains unclear. Unknowns relating to Brexit negotiations may have an impact on business investment decisions, and the UK consumer faces a squeeze on disposable income as rising inflation is outstripping growth in wages¹. Despite these difficulties, we believe that a trust such as the BlackRock Throgmorton Trust plc, which invests in UK small- and medium-sized companies, can offer opportunities, although, smaller company investments are often associated with greater investment risk than those of larger company shares.

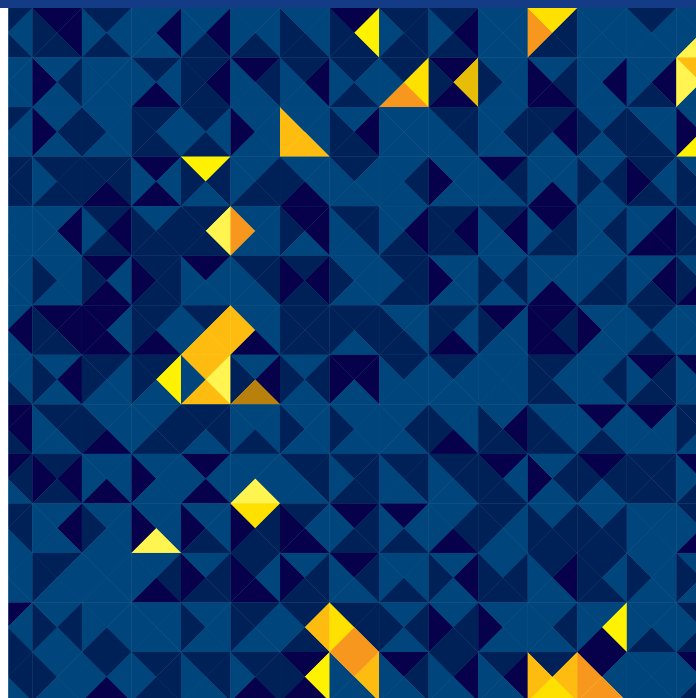
Following the Brexit referendum result, sterling plunged against all major currencies². The FTSE 100 subsequently rallied due to the larger proportion of earnings that it generates from outside of the UK³. It is important to keep in mind that small- and medium-sized companies also generate a significant proportion of revenues from overseas. The FTSE 250 for example, generates around 48% of revenues from outside of the UK⁴.

Annual performance (%) to last quarter end (GBP)	FTSE 100 (TOTAL RETURN)
30/09/12 - 30/09/13	16.74
30/09/13 - 30/09/14	6.13
30/09/14 - 30/09/15	-5.09
30/09/15 - 30/09/16	18.38
30/09/16 - 30/09/17	11.20

Source: BlackRock, as at 30 September 2017. Past performance is not an indicator of future results. It is not possible to invest directly into an index. All financial investments involve an element of risk. Therefore, the value of your investment and the income from it will vary and your initial investment amount cannot be guaranteed.

As active managers we find ample interesting and high-quality companies that derive a significant proportion of their earnings from overseas, reducing our exposure to the uncertainties facing the UK. Our third largest holding in the Trust, for example, is a supplier of marketing materials which is listed in the UK but generates all of its revenues and profits in the US. We estimate around half of the revenues across the BlackRock Throgmorton Trust are generated overseas and only two of our top 10 holdings generate their revenues solely within the UK⁵. However, overseas investment will be affected by movements in currency exchange rates. Where we are exposed to the UK we are able to be selective, for instance we invest in a veterinary group, which we consider to be less sensitive to the economic backdrop; people will always look after their pets.

These are just two examples of companies that we hold where we believe Brexit uncertainty and a weaker consumer backdrop should



have limited impact and sterling weakness can actually benefit the company's earnings. We believe investing in UK small- and medium-sized companies has the potential to offer investors exposure that goes beyond the UK.

All financial investments involve an element of risk. Therefore, the value of your investment and any income from it will vary and your initial investment amount cannot be guaranteed. The opinions and any forecast expressed here are those held by the author as at the time of publication, which are subject to change and are not to be taken as or construed as investment advice.

To find out more and to take advantage of the opportunities that smaller companies represent, please visit www.blackrock.com/uk/its

¹Trading Economics, as at 13 June 2017

²Bloomberg as at 30 June 2017. Since 23 June 2016 sterling has depreciated 11.4% vs USD

³Bloomberg as at 30 June 2017. Since 23 June 2016 FTSE100 has increased 16.8%

⁴Morgan Stanley Global Exposure Guide 2017

⁵BlackRock, July 2017

Trust specific risks: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss. Derivatives may be used substantially for complex investment strategies. These include the creation of short positions where the Investment Manager artificially sells an investment it does not physically own. Derivatives can also be used to generate exposure to investments greater than the net asset value of the fund / investment trust.

Investment managers refer to this practice as obtaining market leverage or gearing. As a result, a small positive or negative movement in stock markets will have a larger impact on the value of these derivatives than owning the physical investments. The use of derivatives in this manner may have the effect of increasing the overall risk profile of the Funds. Investment strategies, such as borrowing, used by the Trust can result in even larger losses suffered when the value of the underlying investments fall. The Trust's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Trust may not be able to realise the investment at the latest market price or at a price considered fair.

Why the drug space is looking more attractive

Shares in parts of the sector are rising and there is a rich stream of news flow in the coming months

It has been a volatile few years for the healthcare industry with several headwinds acting as a drag on performance, including the threat of drug pricing caps and healthcare reform in the US. Is life now getting better?

The NASDAQ Biotech index in early October traded at its highest level since December 2015. On the UK stock market, shares in many drug makers have been in a rising trend since late summer 2017.

Panmure Gordon has even upgraded its stance on the pharmaceuticals, biotechnology and healthcare sector to 'positive', believing the next nine months to be a strong period for UK life science company news.

'Multiple significant trial readouts are expected, companies are generally well funded and many of the headwinds seen in previous quarters are easing,' says analyst Julie Simmonds.

TRUMP TURNS ATTENTION TO TAX

Simmonds believes many headwinds that dragged on the performance of the overall sector such as the attempt to repeal the Affordable Care Act in the US and drug pricing pressures are easing.

'Healthcare reform in the US



is moving to the back burner to be replaced by tax reform, which could have a more positive outcome for the sector,' says the analyst.

The pressure on pharmaceutical companies to cut drug prices has receded as an immediate threat, but Simmonds flags companies will need to remain conscious on prices at launch and if they choose to hike prices.

This could lead to a more imaginative approach to pricing such as patients not paying if the drug is not effective within a specific time period.

WHAT'S HAPPENING WITH UK-LISTED DRUG COMPANIES?

Simmonds believes 'rapidly moving technologies' are

behind the positive performance of parts of the UK quoted healthcare sector, pointing to upcoming Phase III results from firms such as **ImmuPharma (IMM:AIM)**.

ImmuPharma is undergoing its Phase III trial for lead treatment Lupuzor with results expected in the first quarter of 2018. Lupuzor is anticipated to have blockbuster potential and is considered safer and more effective than **GlaxoSmithKline's (GSK)** Benlysta.

The drug treats lupus by modifying the behaviour of certain key cells involved in the development of the disease, which can be fatal as it causes the body to make antibodies that attack healthy tissue.

Shares in ImmuPharma have nearly doubled in price this year

to 97p as investors anticipate positive results from the study.

MORE STOCKS WITH LEGS

Pharmaceutical products developer **Silence Therapeutics (SLN:AIM)** has also had a good year thanks to moves in the RNAi sector, according to Simmonds.

RNA is short for ribonucleic acid, which is a linear molecule that can play an important role in cells such as switching genes on and off.

RNA interference (RNAi) is used to study gene function by enabling gene expression and targeting only problematic genes that cause the disease.

Simmonds flags several catalysts behind Silence's share price surge, including US listed

Alnylam's Phase III results for its patisiran to treat a rare nerve disorder and positive news on Spark Therapeutics' therapy Luxturna.

Shares in **Quantum Pharma (QP:AIM)** have had a good run this year thanks to a takeover offer by **Clinigen (CLIN:AIM)**.

WHAT NEWS WILL CONTINUE TO DRIVE A STRONG PERFORMANCE?

One of the key catalysts for any company working in the biopharma industry are trial readouts, specifically Phase III results. A strong outcome can lead to approval from healthcare authorities. These include the US Food and Drug Administration or European

Medicines Agency.

In the run up to results, investors tend to jump on the bandwagon and ride the share price momentum. There are several Phase III results expected in the next nine months, with some expected as early as the first quarter of 2018.

These include ImmuPharma, **Faron Pharmaceutical's (FARN:AIM)** Traumakine treatment for acute respiratory distress syndrome and **Shield Therapeutics' (STX:AIM)** Feraccru for treating iron deficiency anaemia.

In the first half of 2018, Phase III results are also anticipated from **Diurnal (DNL:AIM)** for its cortisol replace product Chronocort. (LMJ)

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FRIDAY 27 OCTOBER

INTERIMS

International Consolidated Airlines	IAG
Mail.Ru	MAIL
Shire	SHP

THIRD QUARTER

Royal Bank of Scotland	RBS
------------------------	-----

TRADING STATEMENTS

Elementis	ELM
Hastings	HSTG
Inchcape	INCH
Royal Bank of Scotland	RBS

AGMS

K3 Capital	K3C
------------	-----

MONDAY 30 OCTOBER

FINALS

Artium	ARTA
Lok'n Store	LOK

THIRD QUARTER

HSBC	HSBA
------	------

AGMS

Ideagen	IDEA
Mirada	MIRA



A TRIO OF the UK's largest banks are releasing quarterly results over the next week, starting with Barclays (BARC) today (26 October), Royal Bank of Scotland (RBS) on 27 October and HSBC (HSBA) on 30 October.

All the banks are faced with the prospect of UK interest rate hikes which should be beneficial although uncertainty over Basel IV rules – a new standard for banks' capital reserves – may weigh heavy as will stress tests.

Given the prospect of the UK economy slowing, HSBC investors may well be the most optimistic due to the bank's exposure to high growth Asian markets.

Among the UK banks, Royal Bank of Scotland has been the best performer this year from a share price perspective but still faces misconduct charges.

Barclays will hope to move away from its half year loss.

TUESDAY 31 OCTOBER

FINALS

Egdon Resources	EDR
GETECH	GTC

THIRD QUARTER

BP	BP.
----	-----

INTERIMS

Cohort	CHRT
Great Eastern Energy	GEEC
Ryanair	RYA

TRADING STATEMENTS

Croda International	CRDA
Just Eat	JE.
Plus500	PLUS
Weir	WEIR
WPP	WPP

AGMS

Angle	AGL
-------	-----

JP Morgan Mid Cap	
-------------------	--

Investment Trust	JMF
------------------	-----

Kodal Minerals	KOD
----------------	-----

MaxCyte	MXCT
---------	------

Terra Catalyst Fund	TCF
---------------------	-----

WEDNESDAY 1 NOVEMBER

FINALS

Smurfit Kappa	SKG
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INTERIMS

Apax Global Alpha	APAX
Millennium & Copthorne Hotels	MLC

TRADING STATEMENTS

Just Group	JUST
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Clothing and homeware colossus Next's (NXT) third quarter update on 1 November will be pored over by analysts and investors for guidance on how improved ranges are performing.

Chief executive Simon Wolfson's consumer outlook commentary will also be closely watched.

Alongside half year results (14 Sep), Next upgraded full-year profit guidance following a decent start to the third quarter and the absence of any further deterioration in the consumer environment. The company also restarted its share buyback.

Next	NXT
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Standard Chartered	STAN
--------------------	------

AGMS

Greka Drilling	GDL
----------------	-----

Stanley Gibbons	SGI
-----------------	-----

Thinksmart	TSL
------------	-----

ECONOMICS

UK

BRC Shop Price Index	
----------------------	--

Manufacturing PMI	
-------------------	--

THURSDAY 2 NOVEMBER

THIRD QUARTER

Royal Dutch Shell	RDSB
-------------------	------

INTERIMS

3i Infrastructure	3IN
-------------------	-----

BT	BT.A
----	------

Indivior	INDV
----------	------

Lancashire	LRE
------------	-----

Tate & Lyle	TATE
-------------	------

TRADING STATEMENTS

Amec Foster Wheeler	AMFW
---------------------	------

Howden Joinery	HWDN
----------------	------

WM Morrison Supermarkets	MRW
--------------------------	-----

RSA Insurance	RSA
---------------	-----

AGMS

Croda International	CRDA
---------------------	------

ECONOMICS

UK

Construction PMI	
------------------	--

Official Bank Rate	
--------------------	--

US

Unemployment Claims	
---------------------	--

Preliminary Non-Farm Productivity	
-----------------------------------	--

EX-DIVIDEND

Ashmore	ASHM	1.21p
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Crown Place VCT	CRWN	1p
-----------------	------	----

Dunedin Income Growth		
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Investment Trust	DIG	2.58p
------------------	-----	-------

Dunelm	DNLM	19.5p
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Hilton Food	HFG	5p
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Ideagen	IDEA	0.14p
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IFG	IFP	1.6p
-----	-----	------

Jupiter UK Growth		
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Investment Trust	JUKG	7p
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Just Group	JUST	1.17p
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Laird	LRD	1.13p
-------	-----	-------

Morgan Advanced		
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Materials	MGAM	4p
-----------	------	----

NWF	NWF	5p
-----	-----	----

Produce Investments	PIL	5.03p
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SThree	STHR	4.7p
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The Mission		
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Marketing Group	TMMG	0.55p
-----------------	------	-------

Warpaint London	W7L	1.4p
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Click here for complete diary
www.sharesmagazine.co.uk/market-diary

THE SCOTTISH Investment Trust



We're investing in ugly ducklings...

At the Scottish, we take a contrarian approach to global stock markets.

We are high-conviction investors and focus on stocks that are out of favour with mainstream investors, as we believe these offer the greatest potential for long-term gains. This is because popular stocks tend to be overvalued – while out-of-favour stocks are often too cheap. We aim to exploit this inefficiency for our shareholders.

The investment environment is inherently cyclical. We see cycles in industry fundamentals, corporate behaviour, analyst views and investor sentiment. These cycles are closely linked: when an industry's fundamentals have been strong for some time, management teams, analysts and investors tend to be overly optimistic about its future. This leads to irrational investment decisions. Some of our best opportunities arise at the opposite point in the cycle – when a downturn leads to excessive pessimism about a company's prospects. When this happens, we can buy stocks precisely when the profit opportunity is greatest.

An innovative investment approach

We believe investment returns are driven by a change in a company's prospects and an accompanying change in market perceptions. Often good companies are overly admired and consequently become overvalued. A company that has been badly run or is down on its luck may offer much more potential for improvement and, eventually, for outstanding returns. As contrarian investors, we see three distinct investment categories.

We categorise the first as **ugly ducklings** – unloved companies that most investors shun. These firms face fundamental challenges, and the market has become extremely pessimistic about their prospects. But we see their out-of-favour status as an opportunity.

The second category is where **change is afoot**. These companies have made significant changes to their prospects, but the improvements are not yet recognised by the market. So, while other managers continue to steer clear, we see the potential for profit.

In the third category are companies that have **more to come**. Unlike the first two categories, these companies are generally recognised as good businesses but we see an opportunity as the market does not appreciate the scope for further improvement.

A painstaking process

To identify the right opportunities, we use a qualitative and quantitative analytic framework to research companies' fundamental prospects. We carefully assess any management change and restructuring actions, and consider the likely extent of any earnings recovery.

Companies in our portfolio can move along an axis from "ugly ducklings" to "change is afoot" and then "more to come". When ugly ducklings become fully fledged swans, we're looking to sell. Until then, we keep portfolio turnover to a minimum.

For more information visit www.thescottish.co.uk

Please remember that past performance may not be repeated and is not a guide for future performance. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations. You may not get back the amount you invest.

The Scottish Investment Trust PLC has a long-term policy of borrowing money to invest in equities in the expectation that this will improve returns for shareholders. However, should markets fall these borrowings would magnify any losses on these investments. This may mean you get back nothing at all.

Investment trusts are listed on the London Stock Exchange and are not authorised or regulated by the Financial Conduct Authority.

Please note that SIT Savings Ltd is not authorised to provide advice to individual investors and nothing in this promotion should be considered to be or relied upon as constituting investment advice. If you are unsure about the suitability of an investment, you should contact your financial advisor.

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INVESTMENT TRUSTS FOR EVERY STAGE OF LIFE



Good financial planning can make a big difference between a happy life and one that is more stressful due to worries about money. We all have big events in our lives that require a cash outflow and so it really

helps to be financially prepared. Growing concern in the UK about rising consumer debt is particularly relevant. Too many people rely on credit to fund their lifestyles and too few people are saving for the future; and those who are saving may not be putting enough away.

It's time to make a change. Putting aside some money on a regular basis is paramount to funding the big events in your life such as helping your children, paying university fees and enjoying a fantastic retirement. We will now explain the ideal places in which to invest your hard-earned cash and hopefully get a decent return.

THE IDEAL DESTINATION FOR YOUR MONEY

We've decided to focus purely on investment trusts

for this article as they offer diversification and have various advantages over more traditional funds as we explain later on.

Investment trusts invest in companies, bonds, property or other assets with the aim of delivering capital returns and/or dividends. You buy them in the same way as individual company shares. They trade on a stock exchange and their price moves up and down depending on market demand and other factors such as events affecting the assets within their portfolio.

These types of investment products can invest in almost

anything, but many focus on a region, sector or investment style. You can find investment trusts offering exposure to everything from big and small companies to higher risk emerging markets.

If you're already familiar with investment trusts, just skip the following section and jump to the different age group discussions where we will highlight 11 of our favourite investment trusts and in which situations they might be suitable to buy. Otherwise keep reading and we'll explain five reasons to buy these types of funds.



FIVE REASONS TO BUY INVESTMENT TRUSTS

1 Potential to bag a bargain

You will often hear investment trusts referred to as closed-end funds. A closed-end fund has a fixed number of shares. Unlike open-end funds such as Oeics and unit trusts, new units are not created or deleted when investors buy or sell an investment trust.

Investment trusts have a fixed number of shares in issue, so when you invest in them you are buying shares from someone else on the market who is selling.

The situation means investment trusts can trade at a discount or premium to the value of their underlying assets. Although this arguably makes an investment trust a slightly more complex investment, it potentially offers you the opportunity to bag a bargain by buying a trust for less than the value of its investments.

2 Closed-end benefits

As discussed, unlike an open-end fund an investment trust does not expand or contract based on investor demand.

It does not have to sell its best investments to meet redemptions when markets are falling. Neither does it have the pressure of investing substantial flows of money when the market is enjoying a bull run.

When investors put cash into a unit trust or Oeic this money must be invested even if the manager is struggling to find attractive opportunities.

3 Wide range of information

Investment trusts are more transparent than open-end funds and can have superior corporate governance as the fund manager reports to a board of directors. The board sets and monitors the investment strategy and reviews the investment performance.

Unlike unit trusts and Oeics, which tend to jealously guard information about their holdings beyond the top 10 list, many investment trusts will publish their full portfolio at least once a year and often more frequently.

4 Easy to buy and sell

You can buy and sell investment trusts in the same way as an individual company and their prices can change throughout the day. Mutual funds (such as Oeics and unit trusts) are only priced once a day at a level which you only learn after confirmation that your trade has completed.

5 Dividend benefits

The ability to provide a regular, reliable income is a key appeal of investment trusts.

These types of funds can retain a portion of their cash generated from underlying assets each year to help smooth out dividend payments. It means they can store away some money so that dividends can still be paid in tougher market or economic conditions.

Many investment trusts have increased their dividends every single year for at least two decades. Four investment trusts have even reached the impressive milestone of 50 years or more of consecutive dividend growth. They are **City of London Investment Trust (CTY)**, **Bankers Investment Trust (BNKR)**, **Alliance Trust (ATST)** and **Caledonia Investments (CLDN)**.





SCOTTISH MORTGAGE
ENTERED THE FTSE 100 INDEX
IN MARCH 2017

THAT'S PERFECT.

When it comes to investing, imbalance can be a very good thing. **Scottish Mortgage Investment Trust** embraces the asymmetry of equity returns. It's an important fact that even in the worst case the most any stock can fall by is 100% while some may increase many, many times more than that over the long term.

So we focus on the potential upside of investment decisions rather than seeking to avoid loss. History shows that stock market returns are driven by a small group of big winners and our job is to identify such companies and then invest in them with conviction. We think we've done a good job so far. Over the last five years **Scottish Mortgage**, managed by Baillie Gifford, has delivered a total return of 222.8% compared to 117.6% for the sector*. And **Scottish Mortgage** is low-cost with an ongoing charges figure of just 0.44%†

Standardised past performance to 30 September*.

	2013	2014	2015	2016	2017
Scottish Mortgage	35.9%	27.6%	4.2%	37.0%	30.4%
AIC Global Sector Average	23.6%	12.1%	5.1%	21.8%	21.6%



Past performance is not a guide to future returns.

Please remember that changing stock market conditions and currency exchange rates will affect the value of your investment in the fund and any income from it. You may not get back the amount invested.

For a decidedly imbalanced approach, call **0800 917 2112** or visit us at **www.scottishmortgageit.com**



Long-term investment partners

*Source: Morningstar, share price, total return as at 30.09.17. †Ongoing charges as at 31.03.17. Your call may be recorded for training or monitoring purposes. Scottish Mortgage Investment Trust PLC is available through the Baillie Gifford Investment Trust Share Plan and the Investment Trust ISA, which are managed by Baillie Gifford Savings Management Limited (BGSM). BGSM is an affiliate of Baillie Gifford & Co Limited, which is the manager and secretary of Scottish Mortgage Investment Trust PLC.



35 YEAR OLD INVESTING FOR THEIR CHILDREN OR RETIREMENT

SCENARIO A:

HELPING YOUR CHILD
IN LATER LIFE



MONKS: Top holdings

Company	% of portfolio
Amazon	3.6
Prudential	3.3
Naspers	3.3
Royal Caribbean Cruises	3.1
Alphabet (Google)	2.3
Alibaba	2.3
Taiwan Semiconductor Manufacturing	2.1
Sap	2.1
AIA	2.1
Anthem	1.9

Source: AIC, Morningstar

A BIG MOTIVATION for investing is to provide a financial head-start for your children. If you've recently celebrated your child's birth, the following investment trust could be an ideal candidate to place into a Junior ISA.

The investment could accumulate tax-free gains over an 18-year period and potentially provide your offspring with a tidy sum of money when they become an adult that could be put towards their first home or help them avoid racking up large debts while at university, for example.

WE SUGGEST:

Monks Investment Trust (MNKS)

The Baillie Gifford-run investment trust has an emphasis is on global growth companies. Among the key metrics the team analyse is earnings growth which in their view is the biggest driver of share prices.

'Our approach is to focus on a range of the world's best businesses and to hold them for several years, often through political and economic cycles and uncertainties,' says the team behind the trust.

The investment could accumulate tax-free gains over an 18-year period

'The long-term revenue and profit growth potential of our investments dominates our analysis, as opposed to guesswork surrounding variations in global GDP, interest rates or politics.'

The trust is invested in super-sized companies like online retailer Amazon, insurance firm **Prudential (PRU)** and cruise operator Royal Caribbean. It has a diversified portfolio, typically containing more than 100 stocks from across the globe.

TAKE THE ROAD LESS TRAVELLED WITH SOMEBODY WHO KNOWS IT WELL.

LET'S TALK HOW.



FIDELITY ASIAN VALUES PLC

More than 17,000 listed companies make the opportunity for investment in Asia truly immense. But with such diversity, how do you ensure you are setting off on the right path?

For Nitin Bajaj, portfolio manager of Fidelity Asian Values PLC, it's about finding the smaller companies that are primed to turn into the region's winners of tomorrow. Nitin's approach is quite simple – he looks to invest in attractively-valued, quality businesses that are run by people he trusts.

It's an approach that's working. Since Nitin took over the trust in April 2015, it has delivered 39.9% – significantly ahead of the 31.7% rise in the index.

So, if you want to explore a road less travelled, then Fidelity Asian Values PLC could be just what you're looking for.

Please note that past performance is not a reliable indicator of future returns. The value of investments can go down as well as up and you may not get back the amount invested. Overseas investments are subject to currency fluctuations. Investments in small and emerging markets can be more volatile than other overseas markets. This investment trust may invest more heavily than others in smaller companies, which can carry a higher risk because their share prices may be more volatile than those of larger companies.



To find out more, go to fidelity.co.uk/asianvalues or speak to your adviser.

PAST PERFORMANCE

	Sep 12 - Sep 13	Sep 13 - Sep 14	Sep 14 - Sep 15	Sep 15 - Sep 16	Sep 16 - Sep 17
Fidelity Asian Values Net Asset Value	11.0%	13.3%	-3.7%	49.5%	11.7%
Fidelity Asian Values Share Price	15.2%	15.9%	-8.4%	53.8%	14.5%
MSCI AC Asia ex Japan	6.9%	5.8%	-6.7%	36.3%	18.8%

Source of performance: Fidelity and Morningstar as at 30 September 2017 on a bid-to-bid basis with income reinvested in GBP terms. Copyright ©2017 Morningstar Inc. All Rights Reserved.



Fidelity
INTERNATIONAL

SCENARIO B: TAKING ADVANTAGE OF FREE MONEY VIA THE LIFETIME ISA TO INVEST FOR RETIREMENT



THE LIFETIME ISA was launched earlier this year allowing you to receive up to £32,000 of free cash from the Government.

Adults under the age of 40 can open an account and pay in up to £4,000 in each tax year. The Government pays 25% bonus (i.e. up to £1,000) on those contributions annually.

The bonus is paid up to the age of 50. You can withdraw money without a penalty to help buy your first home worth up to £450,000 or if you are terminally ill. Otherwise the money is locked in the account until you reach age 60.

Withdrawals at this stage will be tax-free, making the Lifetime ISA a potentially useful vehicle for boosting your retirement funds. Someone investing with a timeframe of up to 25 years can afford to take greater risks as they have more time to ride out market volatility.

Alongside the previously-discussed Monks Investment Trust, which would also be a good fit here, we now discuss two other investment trusts which would be appropriate for someone in these circumstances.

WE SUGGEST: Scottish Mortgage (SMT)

Another Baillie Gifford-run trust, Scottish Mortgage is towards the higher end of the risk spectrum with investments

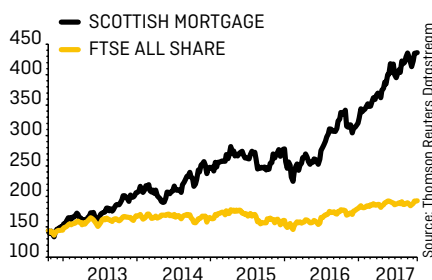
in some of the world's biggest and best performing technology stocks.

It provides exposure to such companies as retail giant Amazon, electric vehicle manufacturer Tesla, social media giant Facebook, streaming service Netflix as well as Chinese tech firms Alibaba and Baidu.

Scottish Mortgage adopts a patient approach to investment, typically holding stocks for at least five years.

The focus is on trying to find the great companies of the future which will drive the global economy. This focus on growth does sometimes lead to volatility in returns. For example, in the April 2016 financial year the share price total return was -2.1% whereas in the March 2017 financial year the return was nearly 50%.

Entering the FTSE 100 in March 2017, the trust has since cut its annual management charge from 0.3% on the first £4bn of assets under management, falling to 0.25% thereafter.



WE SUGGEST: Finsbury Growth & Income (FGT)

Investing predominately in UK-listed companies and managed by high profile investor Nick Train, this trust focuses on undervalued quality companies which he believes can deliver positive returns thanks to their ability to grow earnings and dividends over time.

Among the largest constituents of the portfolio is consumer goods giant **Unilever (ULVR)** which Train reckons is only just beginning to tap the potential for its brands in emerging markets.

Other holdings with strong brands and emerging markets-driven growth prospects include spirits maker **Diageo (DGE)** and **Burberry (BRBY)**. Beyond the UK market it is also invested in Dutch brewer Heineken and confectionery group Mondelez whose brands include *Cadbury*.

In four of the last five years the trust has delivered a double-digit return. This is a concentrated portfolio with around 30 holdings and limited churn. Train typically holds on to investments for the long-term. The shares currently trade at a 9.8% premium to NAV as investors seem happy to pay a higher price to take advantage of the fund manager's superior track record.



45 YEAR OLD INVESTING FOR THEIR CHILDREN OR RETIREMENT

SCENARIO A:

SAVING FOR UNIVERSITY FEES



THE COST OF a university education is significant but if you want your children to prosper in the jobs market a degree can be invaluable.

Based on the maximum annual tuition fee of £9,000 per year, a three-year degree course would set you back £27,000 and that's before you consider living costs and the price of any additional study.

Some of this cost can be covered by student loans but many parents will aim to help their kids as much as possible with the costs of studying.

The earlier you start saving, the better. Someone with an eight-year-old child in theory has just 10 years to build up a sufficiently large pot to help them through university.

We believe the following two investment trusts are good places to park your savings. They are at the lower end of the risk spectrum to reduce the risk of you suffering a serious dent in the university fund and

not have enough money by the time you need to pay the bills. It is important to stress that no investment trust is guaranteed to produce a positive return.

WE SUGGEST: Henderson International Income (HINT)

Investing exclusively outside of the UK, this trust is managed by Ben Lofthouse with a remit of providing a high and rising level of dividends as well as capital appreciation over the long-term.

This will be delivered by an internationally diversified portfolio of around 60 shares – most of which yield 2% or more.

The investment criteria include a focus on firms with strong barriers to entry and robust cash flow.

With roughly an even split between the Americas, continental Europe and Asia Pacific, the trust can in theory still perform even if certain geographies are in the

doldrums. No more than 50% of the portfolio can sit in any one of these three regions. The trust pays dividends quarterly and has an ongoing charge of just over 1%. We recommend you reinvest all dividends, if possible, to enjoy compounding benefits.



WE SUGGEST:
Seneca Global Income & Growth (SIGT)

This investment trust is one of a handful which adopts a multi-asset approach rather than focusing purely on equities.

Its strategy is to deliver a combination of income and capital growth while keeping volatility to a minimum.

Specifically, it looks to deliver a total return at least equivalent to the rate of inflation plus 6%.

Its UK share selections are principally focused in the mid cap space; its exposure to overseas stocks and shares is achieved through funds managed by third parties.

The trust also takes interests

in so-called specialist assets, such as infrastructure, and property which in its view offer more reliable income than shares and better capital growth than bonds.

Managed by a five-strong team, the trust has been steadily reducing its equity exposure in anticipation of a bear market.

SCENARIO B:
**BROADENING A PORTFOLIO
AHEAD OF RETIREMENT**



A 45 YEAR OLD might be around the halfway point of their working life and thinking more seriously about how to fund a comfortable retirement.

We assume they have already built a core investment portfolio, perhaps using low-cost exchange-traded funds to gain exposure to UK, US and European markets.

Now might therefore be the point at which such an investor considers adding some more niche elements to their portfolio. One way is to increase exposure to small or medium-sized companies which might grow at a faster pace than the large global firms likely to already feature in someone's core portfolio.

WE SUGGEST:
**Mercantile Investment
Trust (MRC)**

Managed by JP Morgan,

quarterly-dividend paying Mercantile trades at a 10% discount to net asset value despite a pretty decent track record.

The trust is steered by Martin Hudson, who has been at the helm since 1994, alongside Anthony Lynch and Guy Anderson who joined in 2009 and 2012 respectively.

In the last five years it has delivered a cumulative return of 123.5% and this is not just thanks to the fluke of one year of exceptional performance. Only one of those years saw the trust deliver a negative return and three of the years saw returns upwards of 25%.

The focus is on UK companies outside the FTSE 100 with established track records and significant scope for growth. Among its largest holdings are industrials firm **DS Smith (SMDS)**, housebuilder **Bellway**

(BWAY) and health and safety kit maker **Halma (HLMA)**.

'We continue to believe that UK mid and small cap companies offer good prospects for long-term capital growth and income,' says Mercantile in its most recent monthly commentary.

WE SUGGEST:
**Impax Environmental
Markets (IEM)**

Many people have historically assumed that environmental, social or governance-style funds cannot generate a sufficient investment return.

However, a research note published in March 2015 based on several academic studies saw analysts at Morgan Stanley's Institute for Sustainable Investing conclude that sustainable equity mutual funds had equal or higher median returns, and equal or

“

WISDOM IS THE DAUGHTER OF EXPERIENCE

LEONARDO DA VINCI

”



12 years experience using a multi-manager approach

For over 12 years, the Witan Investment Trust has used a multi-manager approach. By carefully selecting fund managers to run different parts of the portfolio, we can play to their individual strengths and avoid undue reliance on a single manager. This method has served our shareholders well, and the multi-manager strategy has continued to evolve, with others adopting a similar approach too. If you seek capital growth and a growing real income from global equity investments, we can help realise your financial ambitions.

Witan Investment Trust plc is an equity investment. The value of an investment and the income from it can fall as well as rise as a result of currency and market fluctuations and you may not get back the amount originally invested.

WISDOM IN A CHANGING WORLD

Witan investment trust

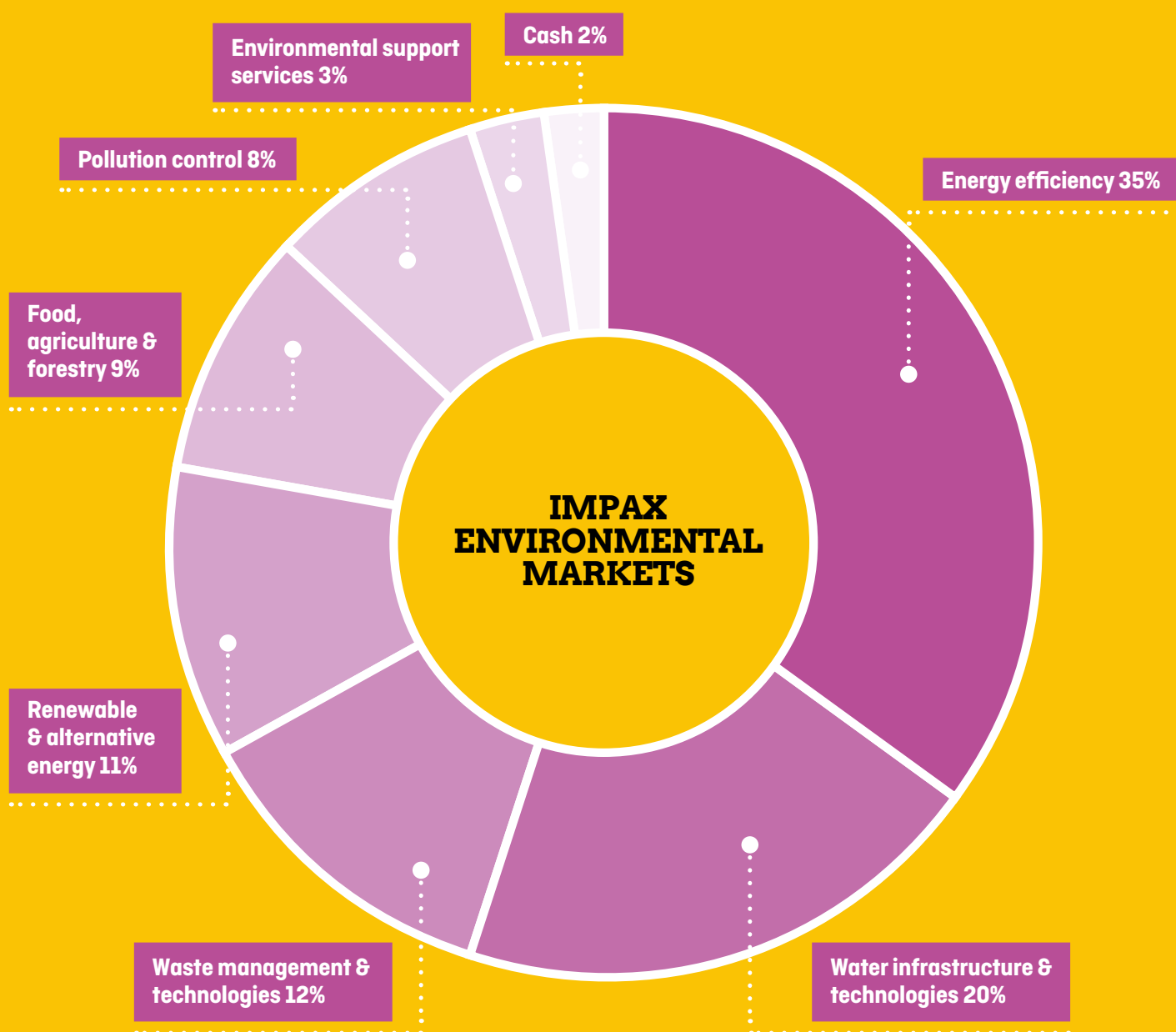
Issued and approved by Witan Investment Services Limited, which is registered in England no.5272533 of 14 Queen Anne's Gate, London SW1H 9AA. Witan Investment Services Limited provides investment products and services and is authorised and regulated by the Financial Conduct Authority.

lower volatility, than traditional funds for 64% of the periods examined.

Impact Environmental Markets sits firmly in the sustainability theme by investing in global companies which provide environmental solutions through their products and services. Morningstar calculates the investment trust has delivered 7.5% annualised returns over the past 10 years.

On a five year basis that annualised return figure jumps to 21.2%.

The top holding in the trust is EDP Renovaveis, a Spanish renewable energy provider which is the world's fourth-largest wind energy producer. Other names in the portfolio include US waste management firm Clean Harbors and Dutch environmental consultant Arcadis.



Source: Impax, Factset



55 YEAR OLD PREPARING FOR AN ACTIVE RETIREMENT

SCENARIO A: HOLIDAY OF A LIFETIME



THANKS TO improvements in healthcare and greater awareness of looking after ourselves, more people may be fortunate enough to reach retirement in good physical health.

Assuming you are already putting plenty away in a pension to take care of everyday living expenses in retirement, you might want to consider supplementing this future income with a fund for holidays and other activities you could enjoy in the early stages of your retirement.

An ISA is a logical vehicle for this strategy. The following investment trusts are examples which could help you achieve this goal without taking on undue risk. They feature a value-style approach and exposure to smaller companies, a part of the market that has historically outperformed large caps on a longer-term basis.

Both these styles can dip in and out of favour, hence why we suggest you hold them for

at least eight years or more.

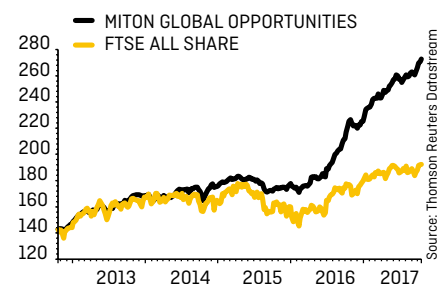
WE SUGGEST: Miton Global Opportunities (MIGO)

This investment trust invests in other closed-ended funds with the hope of bagging a bargain. Manager Nick Greenwood looks for trusts which are undervalued because they are poorly understood or sit in sectors which are out of favour.

The approach is based on Greenwood's knowledge base built up over a near 40-year career, proprietary research and frequent meetings with trusts.

The portfolio typically includes between 30 and 50 funds covering a range of global markets and asset classes. Top holdings include **Taliesin Property (TPF)**, which invests in Berlin residential property, and **India Capital Growth (IGC)** which has a patchy track record but is under new management and offers exposure to one of the world's

fastest growing markets.



WE SUGGEST: Standard Life UK Smaller Companies (SLS)

Smaller companies specialist Harry Nimmo has been running this fund since 2003. He focuses on sustainable dividend and earnings growth and financial strength to narrow the focus to the very best names in the small cap universe.

Once he has identified a potential winner he tends to run with it for the long-term so some of the constituents of the portfolio are no longer that small.

They include premium mixer company and current stock

market darling **Fevertree Drinks (FEVR:AIM)**, one of AIM's largest companies, and FTSE 100 healthcare provider **NMC Health (NMC)**.

The trust trades at a discount despite Nimmo's strong track record and downside risk is limited by a commitment to buy back shares if the discount stretches beyond 8%.



65 YEAR OLD SEEKING A COMFORTABLE RETIREMENT

SCENARIO A:

GENERATING AN INCOME
THAT BEATS INFLATION



YOU ARE LUCKY enough to retire at 65 and have reached the point when you will likely begin drawing on the savings you have accrued through the course of your career.

Therefore, you might want to consider switching your investments into products which ideally deliver a nice stream of income, with dividends growing faster than inflation, rather than those which focus heavily on capital gains.

Investment trusts are ideal for income investors thanks to their ability to smooth dividend payments and the next two examples

both have enviable dividend track records. They should also provide some element of capital growth which could be handy if you are fortunate enough to live for a long time in old age.

WE SUGGEST: Brunner Investment Trust (BUT)

The Allianz-managed trust delivers income from a concentrated portfolio of global equities. It has increased its annual dividend for 45 consecutive years.

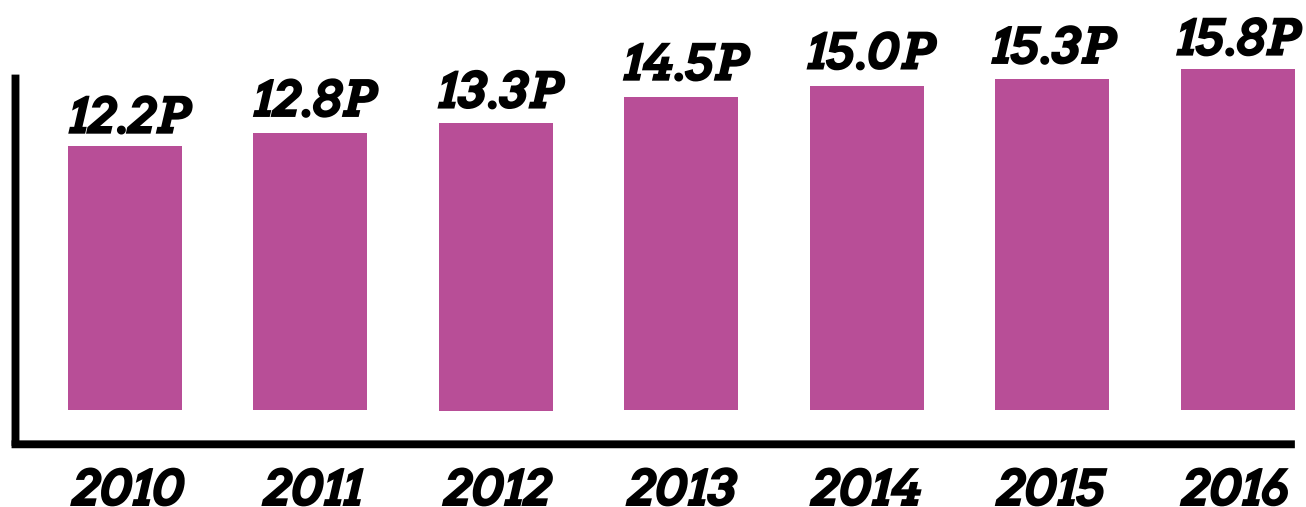
Manager Lucy Macdonald, who has run the fund since 2005, has shifted the focus

from UK income stocks to look further afield.

She has noted a growing emphasis on dividends from the technology sector and the recovering income profile of the financial sector as it moves out of crisis mode. Just over 20% of the trust is invested in financials and a little over 10% in tech firms.

Macdonald looks for 'truly quality stocks' whose value does not reflect their longer-term prospects. Among the companies she holds are **Royal Dutch Shell (RDSB)**, payments firm Visa and cosmetics giant Estee Lauder. The trust yields 2.2%.

BRUNNER: RECENT DIVIDEND HISTORY



Source: Brunner

WE SUGGEST: City of London Investment Trust (CTY)

This Janus Henderson product has an exceptional track record of dividend growth which has been maintained by Job Curtis since he took over management of the trust more than 25 years ago.

In 2017 the company increased its annual dividend

for the 51st consecutive year and currently yields 3.9% with dividends paid every quarter.

A focus on firms with strong balance sheets is aimed at dodging any disasters in the event of a market downturn.

Nearly 90% of the fund is invested in the UK and more than 70% in the FTSE 100. The portfolio is stacked with familiar

names like **British American Tobacco (BATS)**, **Vodafone (VOD)** and **GlaxoSmithKline (GSK)**. (TS)

DISCLAIMER: Editor Daniel Coatsworth owns shares in Scottish Mortgage mentioned in this article



Favourite funds to get upside Stateside

The US is the largest equity market by far. Here are three funds with different ways to play the region



When it comes to equity markets, the US is by far the largest. Despite talk of stretched valuations and the market becoming 'overheated' there are some excellent companies in the US, many of which are leaders in their respective fields.

The surprise election of President Donald Trump at the end of last year added some volatility into the mix as well but since his arrival US markets have repeatedly reached record highs.

Given the size of the US market, the number of investment funds is huge. Using AJ Bell's favourite funds list, we've found three funds that may suit those who want a piece of the American dream.

ARTEMIS US SELECT (GB00BMMV5105)

FUND SIZE
£593.33m

YIELD
0.3%

ANNUAL FEE
0.85%

TOP HOLDINGS
Comcast
The Home Depot
Alphabet

This fund is served well by its manager. Jake Moeller, head of research UK and Ireland at Thomson Reuters Lipper says:

'The recruitment of manager Cormac Weldon was a coup for Artemis as his reputation for US stocks is superlative.

'This fund searches far and wide in seeking its opportunities but a highly experienced team behind the manager as well as Cormac's pedigree provides considerable comfort.'

Weldon was joined by his team from Threadneedle (now Columbia Threadneedle) where he previously worked and they employ an identical process for stock selection at Artemis.

The portfolio holds between 40 and 60 names and while the manager can choose value and growth stocks, according to Morningstar, it has typically exhibited a bias towards growth.

Investment consultant Square Mile says the fund 'attempts to navigate its way through the machinations of the US stock market, which can be prone to short term moves in sentiment, whilst not taking on excessive levels of risk'.

Morningstar analyst Fatima Khizou says: 'This fund is a worthy option for investors seeking exposure to the US equity market.'

The product may be suitable for investors looking for solid, but longer term, exposure to the US market without being exposed to any 'overt style tilts' according to Square Mile.

ARTEMIS US SMALLER COMPANIES (GB00BMMV5766)

FUND SIZE
£181.75m

YIELD
0.05%

ANNUAL FEE
0.9%

TOP HOLDINGS
Advanced Energy Industries
Swift Transportation
Digital Globe

JP MORGAN US EQUITY INCOME (GB00B3FJQ599)

FUND SIZE
£3.7bn

YIELD
2.1%

ANNUAL FEE
0.93%

TOP HOLDINGS
Wells Fargo
Bank of America
Exxon Mobil

This Artemis fund is also run by Cormac Weldon with the same support team as the Select fund. The investee companies will have a market cap between \$1bn and \$10bn and, according to Square Mile, the fund attempts to provide good diversification.

Similar to the Select fund, this has a fairly concentrated of holdings, between 50 and 70. Moeller says: 'It is designed to dig deep into the US stock market universe for unloved "gems". The Artemis team is experienced enough to seamlessly scour a large range of stock capitalisations.'

The team like meeting companies as a source of ideas but also use broker research and look for views that are different to their own, according to Square Mile.

It seeks companies that have an upside/downside potential of 2:1 meaning for every unit of downside risk, a stock should have at least twice the upside potential.

This is 'no nonsense' equity fund with a liking for blue chip companies. Its holdings include the world's largest asset manager BlackRock, tech giant Apple and energy company Chevron.

Unlike the aforementioned Artemis funds, the JP Morgan fund has the added bonus of delivering a respectable dividend yield, one of the benefits of

having blue chip holdings.

Managed by Claire Hart, her team considers stocks on their long term prospects, looking for highly cash generative businesses with stable revenues and little debt.

Moeller says: 'Its risk rated historical performance is very strong, proving that it isn't always the boutique houses who are able to outperform in the world's most competitive equity market.'

The portfolio consists of between 80 and 110 holdings with each stock yielding above 2% at time of purchase.

Despite the income focus, the team deliberately avoid concentrating the fund in traditionally high yielding sectors such as utilities. They prefer to spread the portfolio widely across market sectors.

Given the mega-cap focus of the fund, returns may not be too dissimilar from the S&P 500 itself, although the team's stock picking skills may come to the fore during periods of market volatility. (DS)



Photo-Me: putting investors in the picture

Mid cap group is often overlooked despite being a cash generative instant service equipment innovation gem

One of the stock market's more unusual investment opportunities, yet highly profitable and awash with growth angles, is **Photo-Me International (PHTM)**.

The £644m business operates, sells and services a wide range of instant service equipment. As of 30 April, it had a staggering 47,946 units in operation in 18 countries including France, the UK, Japan and the US.

Generating 90% of its profit outside the UK, Photo-Me's Brexit-busting credentials should interest income and growth seekers.

In a recent sit-down with *Shares*, finance director Gabriel Pirona explained how Photo-Me uses the stable cash flow from its long-established photobooth operations to develop complementary products to power growth.

Yes, it operates in some mature business segments and geographic territories, yet this is a highly entrepreneurial business with myriad competitive strengths and a bright growth outlook.

COMPETITIVE STRENGTHS

Pirona stresses Photo-Me's focus on getting the best yield from its estate of unattended vending machines and highlights low fixed costs.

'We have the same engineers,

PHOTO-ME IN NUMBERS

47,946

UNITS IN OPERATION
(AS AT 30 APRIL 2017)

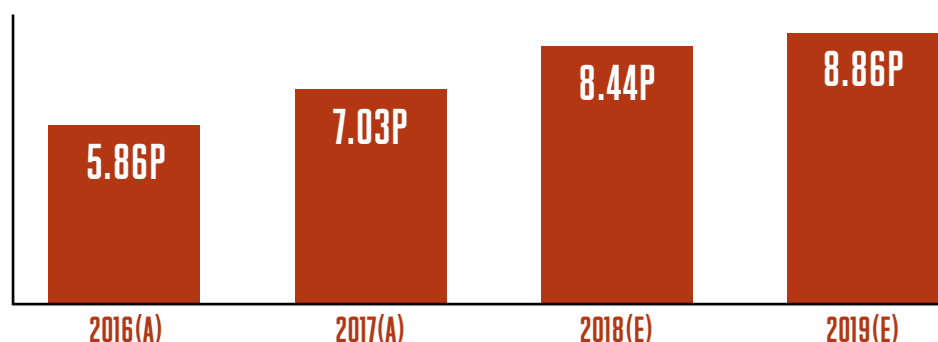
5.4%

UP FROM
2016

18

NUMBER OF
COUNTRIES

DIVIDEND PROGRESSION



Source: Company accounts/Progressive Equity Research

around 700 globally, and the customers are the same type of customers,' says Pirona. The company benefits from economies of scale with a geographical coverage that allows it to run machines with superior levels of up-time and at a lower cost than smaller rivals.

Other key competitive strengths include brand recognition – household name brands include *Photo-Me* in the UK as well as *Photomaton* and *KIS* in France – and long-term ties with retail venue/sports location/public area site owners in target markets and relentless

investment in technology and innovation.

BRIGHT GROWTH PICTURE

Pirona highlights three key areas of growth; Identification (photobooths and integrated biometric identification solutions), Laundry (unattended laundry services) and Kiosks (high-quality digital printing).

Photo-Me has pricing power, being the market leading photobooth operator in France, the UK and other Continental European countries.

'We're the number one worldwide photobooth

operator,' he explains.

'Identification (ID) standards are evolving, the booth is evolving and we're taking it up the added value chain by adding new services to the photobooth.'

Population growth, increased travel linked to GDP and increasing demand from governments for improved, digitalised security ID, given rising levels of terrorism and fraud, are long-term growth drivers for Photo-Me.

It is taking advantage of the growing market for secure applications for passports, driving licences and other forms of ID.

For instance, Photo-Me's encrypted photo ID upload technology has been adopted by the Irish government for its new online passport application service – 'we reduce the fraud rate through that' – expected to be in 300 photoboos by the end of 2017.

In France, the bulk of its estate has been upgraded to enable secure transfer of digitised photos and e-signatures to ANTS (Agence Nationale des Titres Sécurisés, a national agency linked to the French Ministry of Transport) servers for driving licence applications.

Secure transfer of photo ID and biometric data direct to government servers is also being trialled in China and progressively rolled out in Germany. Progress is slow in the latter as 'the production of passports is completely decentralised'.

Bears may point to people taking their own photos via mobile phones as heralding

the demise of the photobooth long term. For example, the UK Home Office has already started to allow certain types of photos from mobiles for passport applications.

The good news for Photo-Me is that it has proved very difficult for individuals to provide 'compliant' pictures, while the shift towards biometric security equipment rather than mere image capture plays to its technological R&D strengths.

'We are adding new services to the photobooth and we could make the booth a banking front-end,' says strategic thinker Pirona.

AWASH WITH POTENTIAL

Photo-Me's new SpeedLab digital printing kiosks are being deployed in Europe and the UK, yet it is the laundry arm that should command investors' attention.

Last year, 1,103 laundry units were deployed and Photo-Me is on track to achieve its target of 6,000 owned and operated units by 2020. It is rolling out its unmanned *Revolution*-branded laundry business in supermarket car parks and petrol forecourts across France, Belgium, Portugal, Ireland and the UK.

Burgeoning demand, competitive pricing and 'very limited competition', plus management's ability to find attractive locations, mean 'the laundry business is clearly the accelerator of our growth', says Pirona.

'A new smaller footprint unit but with the same revenue potential has just been developed. In Continental Europe this will allow more rapid

deployment as it has reduced planning requirements,' adds Progressive Equity Research.

'The group is also building on its leased laundrette business where it acquires and refurbishes laundrettes to provide a much more attractive customer offering. It recently entered the market in Japan which the group believes is the largest addressable laundrette market globally.'

HIDDEN GEM

Photo-Me's formidably strong cash position has enabled the business to move quickly on acquisitions when opportunities emerge.

Recent deals include the acquisition of the Fowler (UK) Laundry business, as well as ASDA's in-store photoboos.

Group revenue growth is accelerating and is mainly organic gains, says the finance director.

Photo-Me's pre-tax profit grew by 19.7% to a record £48m in the past financial year on sales up 16.7% to £214.7m with a helping hand from weak sterling.

Underpinned by record operating cash flow, the dividend rose 20% to 7.03p. Photo-Me finished the year flush with £39.2m in net cash and is committed to upping this year's dividend by the same percentage.

Progressive forecasts £225.3m revenue in the year to 30 April 2018 and £236.6m in 2019. Photo-Me is expected to pay 8.44p dividend for the current financial year, implying an attractive 4.9% yield. This is an essential stock to own. (JC)

Refractory giant set for UK stock market debut

RHI Magnesita could soon be a member of the FTSE 250 index



A producer of bricks to line steel and glass furnaces so they withstand extreme thermal, mechanical and chemical stress is set to join the London Stock Exchange on 27 October. We believe **RHI Magnesita** is primed to qualify for the FTSE 250 index in the near future.

Austrian group RHI generated €1.6bn revenue in 2016. Its merger with Brazilian group Magnesita finally completed this month after a year of delays and creates the world's largest maker of heat-resistant refractory materials.

The combined business is likely to use its enlarged scale to strengthen its position in the Chinese market.

Before it linked with RHI, Magnesita was the number one player in South America where it had a strong position in both the steel and cement industries. It was also number one in dolomite products in North America and Western Europe.

RHI as a standalone business generated revenue from many different parts of the world, such as 28% from Western Europe, 7% from Eastern Europe and 22% from Asia, as per its 2016 financial results.

The closest comparison to RHI Magnesita on the UK stock market is **Vesuvius (VSVS)** whose share price has doubled since February 2016. Both companies make refractory materials but the former also has mining assets.

Magnesite and dolomite are the raw materials used to make refractory products. An estimated 70% of the world's deposits for these commodities are located in three countries; China, North Korea

and Russia.

Prior to its merger, former Austrian-listed RHI obtained around 80% of its raw materials from eight group-owned sites. It has recently focused on optimising existing mines and increasing operational flexibility. In 2016 it also reduced production of fused magnesia in favour of buying material from China due to a decline in prices.

Investors may be concerned in the short term about RHI Magnesita's rising debt in proportion to its earnings as a result of the business combination, as well as the complexities of integrating two large businesses. (DC)

WHAT ARE REFRACTORY PRODUCTS?

Let's take your car as an example. It is made of steel, copper, aluminium, glass and plastics. All those materials are manufactured at extremely high temperatures.

To make steel, iron is melted in a crucible and transformed into steel using various processes at temperatures up to 2000 degrees Celcius. The interior of the crucible has to be lined so it doesn't melt too. This lining is made up of refractory products which are also used in the production of copper, aluminium, glass and plastics.

In the steel industry, refractory products generally last for a few hours to several weeks, so there is a need for constant replacement (thus repeat orders for RHI Magnesita).

Why bad weather is good news for BP Marsh

City analyst outlines why a potential hike in insurance premiums should benefit this small cap firm

Insurance companies have been in the headlines recently due to a number of destructive forces of nature wrecking havoc across the US, the Caribbean and Mexico.

BP Marsh (BPM:AIM) invests in the insurance sector so you might think it's one to avoid due to heavy payouts by the insurance sector. You'd be wrong, according to one analyst.

The company invests in insurance brokers as well as other financial intermediaries so has no exposure to underwriters who bear the burden of having to pay out on claims.

Conversely, destructive hurricanes and earthquakes can lead to an increase in premiums (in insurance speak, the market 'hardens').

Panmure Gordon analyst Barrie Cornes believes such recent events could be a boon for BP Marsh. This is because brokers receive commission on the premiums they negotiate.

Cornes says: 'We fully anticipate rates in the affected classes to start to increase whilst it is possible that the rate of decline in other classes will slow or even stop. This would, in our view, be good news for BP Marsh.'

The company's results for the six months to 31 August 2017 show it has a knack for picking the right investments. Its net asset value increased by more than £10m to £88m in the space of a year. Its post-tax profit also more than doubled to £10.2m.

The company says it is hoping to pay 3.76p



dividend per share for the current financial year and it aims to maintain this level for the next two years 'when circumstances allow'.

BP Marsh has a global footprint and recently made a decisive push into the US. It took a 25% stake in New York-based specialty lines insurance distribution company XPT in June.

Earlier this month BP Marsh acquired 30% of Mark Edward Partners, a multi-office US insurance broker.

The company had £8.6m cash available for further investments as of 31 July 2017.

Its exit strategies drove the recent impressive financial results including the sale of its 37.9% stake in Besso for £22m in cash plus loans.

Cornes says this highlights what an 'exceptional investment it had been given that the final proceeds represented an internal rate of return of 21.9% since 1995'.

The analyst gives the company a 'buy' recommendation with a target price of 289p. It presently trades at 268p. (DS)

BROKERS RECEIVE COMMISSION ON THE PREMIUMS THEY NEGOTIATE

DotDigital looks to accelerate growth

Acquisitions could be on the cards to bolster reach and functionality

Digital marketing technology supplier **DotDigital (DOTD:AIM)** is looking for acquisitions to bolster growth.

The last financial year's 19% revenue growth to £32m was achieved entirely through organic means. Pre-tax profit for the 12 months to 30 June 2017 jumped 30% to £8.1m.

The UK remains DotDigital's traditional heartland, where it earned 77% of income last year, but both the US and Asia Pacific regions offer rapid expansion promise.

Second half US sales doubled on the first six month period, assuming constant currencies.

The firm's Asia Pacific operation, which runs out of a base in Australia, has scope to reach across the south east Asian area now that it has a dedicated sales team on the ground.

DotDigital's core technology, dotmailer, provides marketers with a cloud-based single solution to design, create, personalise and monitor email marketing campaigns.

While sceptics talk down email as a communication tool, studies show the vast majority of consumers in the UK and US prefer it over text messaging, social media and other channels.

With net cash of £20.4m and highly-rated stock (the forward price earnings multiple stands at 31.8 based on an 86p share price) the company has the financial clout to acquire the right businesses.

Acquisitions could accelerate geographic reach, extend its multi-channel capabilities or provide relevant new functionality.

Analysts anticipate 25% revenue growth in the year to 30 June 2018 and a 16% rise in pre-tax profit. (SF)

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Companies presenting

Ariana Resources (AAU) Kerim Sener, MD

Ariana is an exploration and development company focused on epithermal gold-silver and porphyry copper-gold deposits in Turkey. Kiziltepe Mine (Red Rabbit JV) delivered its first gold-silver pour in March 2017, with commissioning and production ramp-up continuing through the period with full commercial production declared in July 2017.

Phoenix Global Mining (PGM) Richard Wilkins, CFO

Phoenix is a US-focused base metal explorer and developer focussed on advancing the Empire Mine in Idaho into open pit copper oxide production, with additional upside available from potential underground development. The Company intends to deliver production from the Empire Mine in two phases in order to minimise upfront capital requirement and lead-time to cash flow.

ThinCats John Mould, CEO

ThinCats are one of the pioneers of the peer-to-peer business lending industry; specialising in loans with security and linking retail and institutional investors directly with established business borrowers to provide a serious alternative to high street banks.

Vast Resources (VAST) Roy Pitchford, CEO

Vast Resources plc is an AIM listed mining and resource development company focussed on the rapid advancement of high quality brownfield projects and recommencing production at previously producing mines in Romania. Vast Resources currently own and operates the Manaila Polymetallic Mine in Romania, which was commissioned in 2015.

WideCells Group (WDC) João Andrade, CEO

WideCells is building an integrated stem cell services company, focused on making stem cell treatments accessible and affordable.

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