STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

VOL 19 / ISSUE 44 / 09 NOVEMBER 2017 / £4.49

SHARES

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RETAIL INVESTORS LOSE OUT BIG TIME WITH IPOS

SCOTTISH MORTGAGE PLEADS FOR PATIENCE

INTEREST RATE HIKE: WHY EXPERTS DON'T EXPECT ANOTHER ONE SOON

TO KNOW LOCAL COMPANIES, KEEP LOCAL COMPANY.

LET'S TALK HOW.

FIDELITY CHINA SPECIAL SITUATIONS PLC

China is changing, presenting significant investment opportunities for those who know where to look.

Why? Well, the spending power of a growing and affluent middle class is increasingly driving the economy. And government reforms support this shift to a focus on the new consumer.

In such a vast and complex market, you need on-the-ground expertise to take full advantage of these changes and the resulting undervaluations, particularly of small and medium-sized companies, which can occur.

PAST PERFORMANCE

	Sep 12 – Sep 13	Sep 13 – Sep 14	Sep 14 – Sep 15	Sep 15 – Sep 16	Sep 16 – Sep 17
Fidelity China Special Situations Net Asset Value	**36.8%**	**25.9%**	**6.9%**	**50.3%**	**21.6%**
Fidelity China Special Situations Share Price	**35.0%**	**22.7%**	**2.6%**	**49.0%**	**25.1%**
MSCI China	**12.4%**	**4.5%**	**1.6%**	**31.7%**	**28.8%**

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. The comparative index of the investment trust is MSCI China.

That's why Dale Nicholls, manager of Fidelity China Special Situations, and his team of researchers are based in Hong Kong and Shanghai. Their local knowledge and connections make them well-placed to identify and benefit from valuation anomalies as they arise.

MONEY OBSERVER RATED FUND 2017

So, if you're looking for local knowledge-based investment in a market that's too big to ignore, take a closer look at the UK's largest China investment trust.

Please note that past performance is not a guide to the future. 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.

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

Fidelity™ INTERNATIONAL

Why you should look beyond 'the story' with stocks

A good company doesn't always equate to a good investment if the price is wrong

One of the golden rules of investing is to never overpay for stocks. There are plenty of good companies on the stock market, yet that doesn't mean they are all good investments.

Overpaying for a stock greatly reduces the chances of the investment working out well. Over time a pricey company will revert back to a more normal valuation if its earnings, margins, opportunities and market position are average rather than superior.

You should only pay a premium valuation for a company that displays exceptional characteristics such as sustainable growth, consistent high levels of return on capital employed or a market position with considerable barriers to entry.

I appreciate many readers won't be experts when it comes to valuing stocks. That's why we regularly point out in *Shares* articles if something looks cheap, fair value or expensive. We also comment on whether a stock deserves a premium valuation or not.

LOOK BEYOND 'THE STORY'

Making a judgment on valuation is crucial when researching investments. Quite often I'll hear about someone buying a stock because it made a profit last year and is forecast to make a bit more profit this year. Their 'buy case' may also be justified by the company operating in a trendy part of the market.

Sadly those two factors do not necessarily mean such a company is a good investment if it is already trading at a high valuation and doesn't possess the aforementioned characteristics to justify a premium rating.

A relevant example is **TT Electronics (TTG)** which I met last week. At first glance it looked really interesting, particularly the promise of its emergence as a higher margin business now it has sold the transportation division which was the weaker part of the group.

TT's management says the company has fixed some of the problems which have depressed performance in the past and it is now focused on opportunities in areas such as robotics, aerospace, medical devices and electrical items in the home.

'This is a different business to what it was three to four years ago,' says chief executive Richard Tyson. 'It used to be an automotive play; not now. We're an electrical component supplier, investing in future technology and enjoying a stronger balance sheet.'

IS TT WORTH BUYING?

The £366m business is certainly very interesting. However, Tyson's revelation that margins are low and that TT is only in the top three to five market positions for its sectors (rather than a dominant player), together with analysis of financial ratios, makes me question whether it is worth buying at present.

The CEO says more work is needed to make the business a higher margin one. Stockbroker Peel Hunt forecasts TT will post a mere 6.4% operating margin in 2017 rising next year to 6.9%.

The stock trades on 20 times forecast earnings for 2018. That looks rich given the low margins – however, pre-tax profit is forecast to increase by 17% next year which is a positive, so too is a £57m estimated net cash position.

TT's shares have done well in 2017 after going nowhere for years, reflecting the turnaround efforts. I'll be watching this one closely to see how the company spends its cash and what those actions do for margins. For now, the price looks up with events. (DC)

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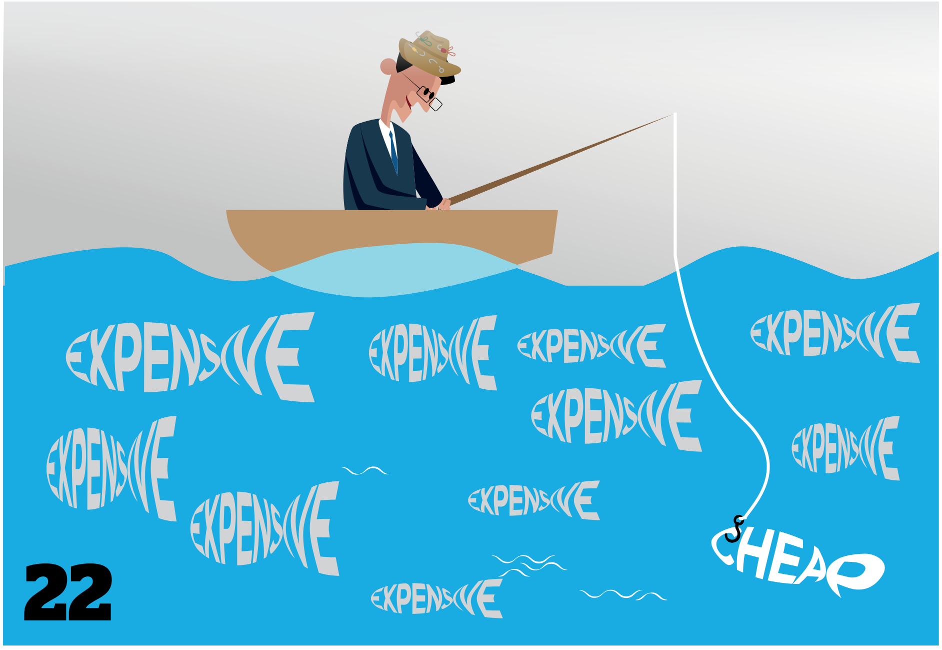

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Shares magazine is published weekly every Thursday (50 times per year) by AJ Bell Media Limited, 49 Southwark Bridge Road, London, SE1 9HH. Company Registration No: 3733852.

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.

The fall-out from first rate rise in a decade

Sterling and bank bulls disappointed as pace of future increases to be gradual

The market is taking the first interest rate hike in more than 10 years in its stride. At its 2 November meeting, the Bank of England's Monetary Policy Committee (MPC) voted by a majority of 7-2 to increase rates from 0.25% to 0.5%.

Failure to act would have implied governor Mark Carney and his colleagues had suffered a severe loss of confidence in the UK economy and would have probably resulted in a negative reaction from investors.

The expected rally in the pound and financial stocks did not materialise amid indications there may only be two more rate rises in the next three years.

This also helps explain why the housebuilding sector, which could in theory be negatively impacted by higher rates if homebuyers are put off by more expensive mortgages, has largely shrugged off an initial negative response.

Ratings agency Fitch reckons the Bank of England is unlikely to approve a rate rise in the next 12 months due to the impact of Brexit uncertainty.

There has been some speculation the Bank of England is simply giving itself some leeway to cut rates again if UK economic conditions deteriorate.

WHAT ARE THE EXPERTS SAYING?

Sanlam investment analyst Matthew Brittain comments: 'The UK has not seen an increase in its base rate for over 10 years, so while the hike doesn't come as a surprise, it marks a significant moment.

BANKS FAIL TO FIRE ON RATE RISE

Company	Share price move since rate hike (%)
Barclays	-1.1
HSBC	0.03
Lloyds Banking	-1.2
Royal Bank of Scotland	-2.5

Source: SharePad as at close on 6 Nov

'The UK remains in a precarious economic position with high levels of consumer debt and the Brexit negotiations delaying investment decisions, so we think that low interest rates are helpful in keeping the economy strong.

'Assuming the inflation outlook stabilises, we think this is the first, and last, interest rate hike we will see for a while.'

Strategists at investment bank UBS reckon the Bank of England may have erred by increasing rates at this point given they expect the economy to 'slow persistently through 2018 as the Brexit process weighs increasingly heavily on sentiment and confidence'.

'We now think the hike – which, in our view, is not without risk – may come to be seen as a mistake unless a range of important data indicators start to improve soon,' they add. (TS)

HOUSEBUILDERS RESILIENT AFTER BANK OF ENGLAND'S MOVE

Company	Share price move since rate hike (%)
Barratt Developments	-0.23
Bellway	0.14
Berkeley	0.35
Bovis Homes	-0.99
Persimmon	0.42
Taylor Wimpey	0.60

Source: SharePad as at close on 6 Nov

Scottish Mortgage pleads for patience

Investment trust may have to dip into reserves to maintain dividend track record

One of the UK's largest investment trusts, **Scottish Mortgage (SMT)**, has sounded a downbeat tone about market conditions and questioning the future upside from the tech giants which have fired its performance so far in 2017.

The £6.4bn Baillie Gifford fund, run by James Anderson and Tom Slater, has substantial holdings in the likes of Amazon, Facebook, Google-owner Alphabet and Chinese internet giants Alibaba, Baidu and Tencent.

In comments accompanying first half results (3 Nov), the investment trust says Anderson and Slater 'have been considering the future prospects for all six of these companies, asking if they still have the potential to become a multiple of their current size'.

There was also a commitment to stick to a long-term investment approach even if its investments were to fall out of favour and a suggestion that any market volatility may well be used as a buying opportunity for existing stocks in the portfolio.

Amazon top holding at 7.7% of the fund

The emphasis of the fund is on capital growth but the dividend has nonetheless been increased for the last 34 years. It was acknowledged that continuing this track record for the March 2018 financial year would likely require the company to dip into its revenue reserves. (TS)

DISCLAIMER: Editor Daniel Coatsworth has a personal investment in Scottish Mortgage

Loss of confidence in UK IPO market

FOOD PROVIDER **Bakkavor** has pulled its planned Main Market IPO. It cited 'current volatility' in the new issues market which overrode 'sufficient institutional demand' to cover the offering from the supplier of pizzas and desserts to **Tesco (TSCO)**, **Marks & Spencer (MKS)** and Waitrose. Bakkavor was joined by communication towers operator **Arqiva**, which has also postponed its float, promising to 'revisit the listing once IPO market conditions improve'. (JC)

UK challenger bank in £1.1bn takeover

FINANCIAL SERVICES group **Aldermore (ALD)** has agreed the terms of a £1.1bn takeover offer by South Africa's FirstRand.

The deal values the bank at 313p per share and is priced at a 22% premium to the price on the day before takeover talks were revealed on 12 October.

Since the confirmation on 6 November, Aldermore's shares have crept up and at time of writing are near FirstRand's offer price. (DS)

Is GVC clearing the decks for Ladbrokes bid?

GAMING FIRM **GVC (GVC)** is selling its Turkish operations as part of an exit from unregulated markets. There is speculation that this move, announced on 2 November, is aimed at paving the way for the company to launch a formal bid for **Ladbrokes Coral (LCL)**.

Reports suggest previous bid talks stalled over GVC's involvement in so-called 'grey' unregulated markets. Ladbrokes' shares are up 8% since GVC announced the disposal. (TS)

Merry Christmas for Morrisons

Drift at supermarkets group is a gift-wrapped buying opportunity

A downwards drift at **WM Morrison Supermarket (MRW)** presents a buying opportunity before the grocer unwraps its Christmas trading update (9 Jan 2018). Chief executive David Potts' charge has reported an eighth consecutive quarter of like-for-like sales growth, up 2.5% (ex-fuel) in the third quarter to 29 October.

Though representing a modest slowdown on the prior quarter, Shore Capital believes Morrisons 'enters the forthcoming "peak" trading period in good shape and on the front foot'. Shielding cash-strapped shoppers from the impact of lower sterling, Morrisons' *Price Crunch* and *Way Down* promotions are pulling in consumers and its *Best* premium own label range has been dramatically expanded in time for Christmas.

Vertically integrated, the grocer is building out its wholesale business with Amazon UK and forecourts operator Rontec, while preparing to supply neighbourhood retailer **McColl's (MCLS)** from January 2018 in a deal that revives the *Safeway* label.

Eighth consecutive quarter of like-for-like sales growth

Forecasting a rise in pre-tax profit to £365m (2017: £337m) this year ahead of £407m next, Shore stresses Morrisons is 'a business with a strong financial constitution'. Year-end net debt will have fallen below £1bn for a comfortable leverage ratio of 1.1 times, Morrisons has a strong balance sheet with freehold backing, not to mention a progressive dividend and a pension surplus.

SHARES SAYS: ↗
Buy at 217.8p. (JC)

BROKER SAYS: 3 8 7

Sweet and sour from ABF

Uneven picture for diversified food, ingredients and retail conglomerate

FOODS-TO-FASHION conglomerate **Associated British Foods' (ABF)** saw its shares fall 3.7% to £32.20 despite the delivery of better-than-expected full year results on 7 November, with adjusted pre-tax profit ticking 22% higher to £1.31bn.

Investors were underwhelmed as ABF confirmed it will reduce the size of three Primark stores in the US and added that higher volumes and lower costs 'will only partially mitigate the effect of much lower EU (sugar) prices'.

Impressive annual figures reflected a strong recovery in sugar profits, growth at *Twinings Ovaltine*, not to mention market share gains from discount fashion chain Primark.

But the retailer's muted 1% like-for-like growth and news Primark's first half margins will be squeezed by the pound's weakness versus the US dollar, took the shine off the numbers.

Primark's operating margin this year should be similar to last year's levels, despite the weaker sterling/US dollar exchange rate, as the recent strengthening of the euro against the greenback has a beneficial transaction effect on eurozone margins.

Liberum Capital argues that 'ABF offers investors compelling exposure to secular growth trends in retail over the next 10 years' and 'margins should continue to expand from full year 2018 onwards as the FX impact abates and the group benefits from maturing stores and operating leverage.' (JC)

Why Indivior's opioid addiction treatment is likely to be approved this month

Injectable treatment RBP-6000 has blockbuster potential

Pharmaceutical firm **Indivior (INDV)** is optimistic its drug to help fight opioid addiction will be approved by the US Food and Drug Administration (FDA) on 30 November.

On 31 October the majority of the FDA's Advisory Committee supported the approval of the RBP-6000 drug, which bodes well for approval as the FDA tends to agree with committee decisions.

If approved, RBP-6000 could become the largest revenue generating product at Indivior. It has peak sales potential of $1bn, according to broker Numis.

Opioid addiction is a huge issue in the US as more than 33,000 people were killed through opioid abuse in 2015 according to Centers for Disease Control and Prevention.

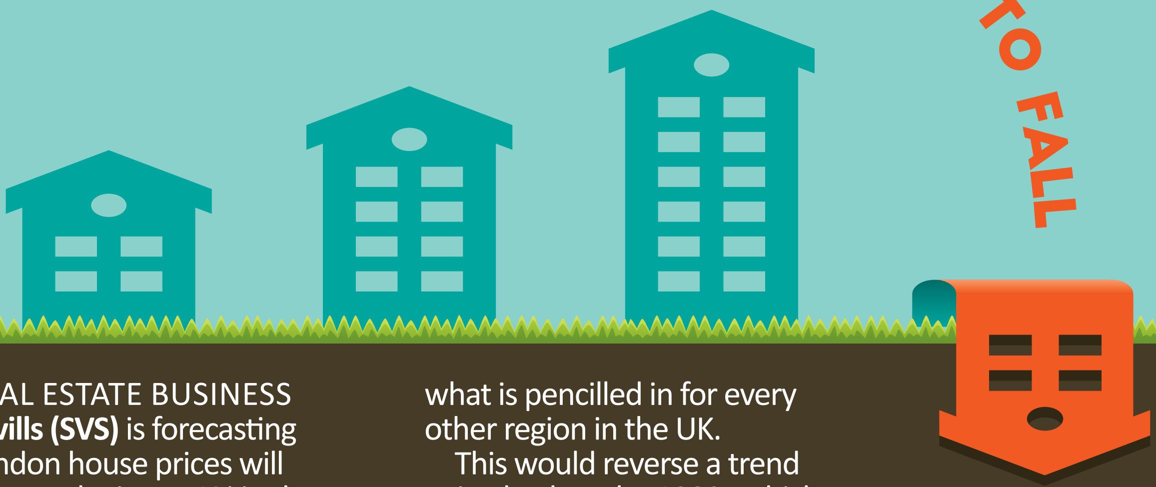
A positive outcome for Indivior could help it win back investors' favour after a difficult period for the business.

Indivior is currently appealing against a court ruling that a proposed generic drug by Dr Reddy's did not infringe the patent of Indivior's Suboxone product, its best-selling existing therapy for opioid addiction.

The launch of a generic rival could see its Suboxone product lose up to 80% of its market share within a matter of months, warned Indivior in September.

Numis analyst Paul Cuddon expects RBP-6000 to be launched in the first quarter of 2018 if approved and anticipates a settlement with Dr Reddy's. (LMJ)

'REAL' LONDON HOUSE PRICES TO FALL



REAL ESTATE BUSINESS **Savills (SVS)** is forecasting London house prices will increase by just 7.1% in the next five years.

This is materially short of the expected rate of inflation out to 2022 (9.5%) and well below what is pencilled in for every other region in the UK.

This would reverse a trend going back to the 1980s which saw the Capital experience higher growth. In the last five years, for example, London house prices have advanced by 56%.

RETAIL INVESTORS BLOCKED FROM FUNDSMITH'S THIRD FUND LAUNCH

RETAIL INVESTORS won't be allowed to invest in Fundsmith's latest fund despite the asset manager's previous two products being big hits with the general public.

Fundsmith has launched its third product called Fundsmith Sustainable Equity Fund. It will only be available to institutional investors such as pension funds and they will each need to invest at least £5m under rules stipulated by the asset manager.

The fund will feature the same portfolio as one run by Fundsmith for charity Comic Relief over the past three years.

INTERNATIONAL CONSOLIDATED AIRLINES SET TO INCREASE CAPEX BY 24%

BRITISH AIRWAYS owner **International Consolidated Airlines (IAG)** is to increase annual capital expenditure by 24% to €2.1bn.

The leisure giant says the new spending plan will run from 2018 until 2022. Its previous capex guidance was an average of €1.7bn annually between 2016 and 2020.

Turkish Domino's looks tastier than the UK operator

Why DP Eurasia is more attractive than UK-focused Domino's Pizza Group

Investors wanting exposure to the leisure sector without the risks of an over-supplied market like the UK should consider the company running the Turkish and Russian operations of Domino's Pizza, namely **DP Eurasia (DPEU)**.

The business is displaying similar characteristics previously seen with the UK and US versions of Domino's, namely a shifting point with online sales.

Selim Kender, chief strategy officer at DP Eurasia, says other Domino's master franchise owners saw like-for-like sales take off once the online channel represented 50% of overall delivery orders. DP's Turkish business is close to hitting this magic metric.

'We've found customers who order online do so more frequently and there is a higher ticket price,' comments Kender.

DP Eurasia has 490 Domino's Pizza stores in Turkey; of which 355 are owned and operated by sub-franchisees. The remaining 135 sites are corporate-owned and located in Turkey's main cities.

Kender says corporate stores are more profitable and benefit from DP Eurasia's control over how they are run and having direct access to the consumer, thereby enabling it to closely monitor customer preferences and trends.

He also states that DP Eurasia has 51% market share of the TRY 1.2bn (£237m) Turkish fast food pizza delivery market. 'The sector has grown by 16% to 17% a year over the last few years and this trend is expected to continue,' he adds.

DP EURASIA
BUY
(DPEU) 230p
Stop loss: 150p

Market value: £334m

Stockbroker Peel Hunt says the company's long-term target is 900 stores which would take 13 years to achieve at a rate of 30 new sites a year.

'Management develops clusters of stores, "castles", which provide very fast delivery times to local households and, critically, make the areas around clusters unattractive to competitors,' says Peel Hunt analyst Ivor Jones.

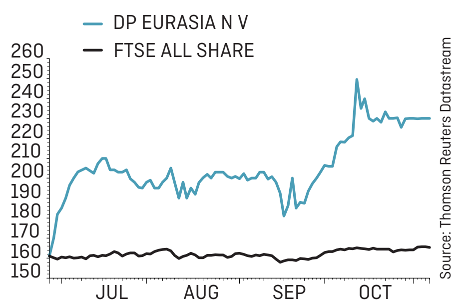
Four years ago DP Eurasia won the master franchise for Russia, replacing someone else who had only managed to open 13 stores in 17 years, all in Moscow. It quickly fixed the operations and now has more than 100 stores in the Greater Moscow region.

Its first Russian sub-franchisee opened a store in late 2016 and it now has nine sub-franchisee stores. The long-term target for Russian corporate and sub-franchisee is 1,500 stores.

Moscow often has bad traffic which isn't good for fast food delivery firms. DP Eurasia has replicated its Turkish 'castle' strategy in Russia and only serves postcodes where it knows it can deliver in less than 30 minutes, thereby giving it a competitive advantage over rivals. The company will commence Russian expansion beyond Greater Moscow by the end of 2017.

Peel Hunt forecasts TRY 43.2m pre-tax profit in 2017 versus TRY 29.4m in 2016. Pre-tax profit is expected to hit TRY 60.1m in 2018 and TRY 86.8m in 2019, illustrating how this is truly a rapid growth story. (DC)

BROKER SAYS: 2 0 0



Harwood Wealth Management prospers through consolidation

The small cap is in the middle of a rapid buy-and-build strategy

Hampshire-based **Harwood Wealth Management (HW.:AIM)** is a highly acquisitive business in the financial planning and discretionary wealth management space.

It has acquired over 53 businesses to date, including four in the first half of 2017 and two more recently. The four businesses bought in the first half period cost an average of £2.1m each and added an extra £1bn in assets under influence (AUI) to the firm.

This method of increasing the size of a business is also employed by Harwood's much larger peer **St James's Place (STJ)**. However non-executive chairman Peter Mann differentiates his business from those similar to wealth managers like St James's Place.

Mann says those businesses which join up with the Harwood brand are free to operate in their own way. There are significant advantages to using the company's infrastructure including its back office functions for reporting purposes but they are not mandated to do so.

Harwood is making hay as the IFA market consolidates due to rising costs of doing business. Drivers include staying regulatory compliant on top of further legislation in the financial advice space.

HARWARD WEALTH MANAGEMENT BUY
(HW.:AIM) 155p
Stop loss: 124p

Market value: £95.9m

THE TIME IS NOW

Mann says it's a good time to be in financial services as people need advice about pension freedom.

Since the Government announced its pension freedom policy in the 2014 budget, more people have needed to seek advice on what to do with their pension.

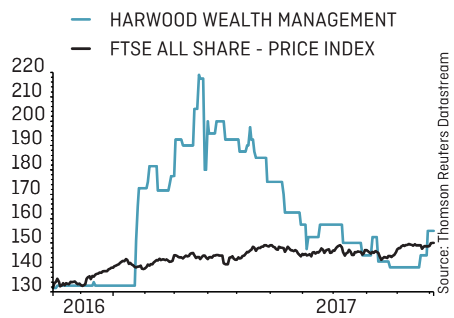
According to the company, post pension reform, it receives fee revenue from customers into their 70s. Previously, Harwood would stop receiving revenue when clients were age 65.

N+1 Singer analyst Andrew Watson says Harwood is 'profitable and highly cash generative'. He estimates the company will end 2017 with £18.1m net cash position.

Watson forecasts 3.2p dividend per share for 2018. Despite Mann describing the company as a 'growth' stock, the dividend figure implies a yield of 2.1% so investing in Harwood can provide some income as well.

We believe Harwood will continue to create value by consolidating the IFA market, having raised £10m via a share placing in March to add to the company's fire power.

The company's share price has increased by 91% since its stock market flotation in March 2016 and Watson sees 'intrinsic value north of 230p a share'. (DS)



BROKER SAYS: 1 0 0

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MIDWICH
(MIDW:AIM) 527p

Gain to date: 41%

Original entry point:

Buy at 375p, 24 August 2017

AUDIO VISUAL (AV) distributor **Midwich (MIDW:AIM)** expects the global AV market to reach $230bn by 2022, it said at a capital markets day in October.

That equates to a compound annual growth rate (CAGR) of 5%.

The European AV market is expected to hit $53.5bn by 2022, good news for a company with exposure to France, Germany, Ireland and Spain to name a few of its end markets.

The company also says the use of digital advertising boards over print posters is one driver of the sector as well as the growth of touch screen displays in shops, schools and workspaces.

Another factor behind the company's success is the need for new technology to replace outdated equipment. This could include replacing screens to handle 4K definition.

Midwich is targeting new areas such as lighting and professional audio markets. This year's acquisition of Earpro in Spain and Gebroeders van Domburg in the Netherlands is a clear sign of intent to exploit these new sectors.

Perhaps the biggest driver of the AV market's success and by association Midwich's own, is the widespread adoption of flat panel displays to replace projectors.

The company estimates the flat panel display market is expected to exhibit a CAGR of 15% from this year until 2022.

SHARES SAYS: ↗

The market backdrop is encouraging, keep buying. (DS)

BROKER SAYS: 1 0 0

SCISYS
(SSY:AIM) 126p

Gain to date: 14%

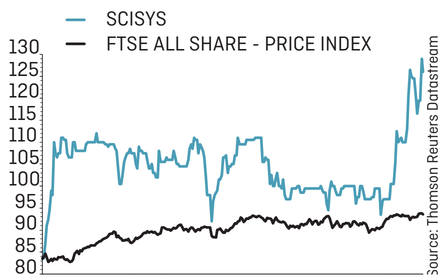
Original entry point:

By at 110.5p, 6 April 2017

SIX MONTHS AGO investors were being spooked by reports that Brexit could scupper European Space Agency (ESA) work for **SciSys (SSY:AIM)**.

How wrong that now looks in the face of the recent €18m deal to supply ground station control and communications technology on an ESA satellites mission.

Finally the market appears to be waking up to the positive re-rating potential here. For example, at the current 124.5p the company trades on an enterprise value to earnings before interest, tax, depreciation and amortisation (EBITDA) of 7.5-times, about half the government software peer group average, according to analysts.



SHARES SAYS: ↗

At FinnCap's 155p target the stock would still trade on a rough 40% sector discount.
Still a buy. (SF)

BROKER SAYS: 1 0 0

ELEMENTIS

(ELM) 281.3p

Gain to date: 20%

Original entry point:

Buy at 234.5p, 10 November 2016

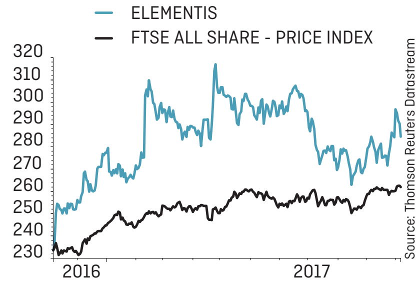
SPECIALTY CHEMICALS business **Elementis (ELM)** is set to grow operating profit across the board despite unplanned production outages in its chromium division and raw material cost inflation.

Earlier this year, we were impressed by Elementis' $360m acquisition of antiperspirant ingredients manufacturer SummitReheis. In the last 12 months Elementis has rallied 20%, partially driven by the acquisition as it helped to boost sales by 26% to $334.1m in the first half of 2017.

The integration of SummitReheis is on track and the company is undertaking pricing actions to tackle higher raw material costs that have curbed profit growth in the speciality products division.

Elementis also plans to sell the underperforming surfactants business early next year.

N+1 Singer analyst James Tetley says Elementis is on track to meet full year expectations and is 'well positioned to deliver another year of good growth in 2018' through organic growth and M&A.



SHARES SAYS: ↗

Elementis has a promising growth outlook and trades on 13.6 times forecast earnings per share for 2018. (LMJ)

BROKER SAYS: 6 4 0

WEEK AHEAD

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Tlou Energy	TLOU
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Taylor Wimpey	TW.

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Global Petroleum	GBP
A & J Mucklow	MKLW
Smiths	SMIN
ECONOMICS	
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PPI	

INVESTORS IN luxury goods leader **Burberry (BRBY)** have been rocked by news that chief creative officer Christopher Bailey will leave the company at the end of 2018, having been recently been replaced as CEO by Marco Gobbetti.

Half year results on 9 November will mark the first official appearance of Burberry's new boss.

Investment bank Berenberg sees Burberry as one of the most exciting restructuring stories in the luxury goods sector.

WEDNESDAY 15 NOVEMBER

FINALS	
Avon Rubber	AVON
Fenner	FENR
Game Digital	GMD
Zambeef	ZAM
INTERIMS	
Celtic	CCP
Experian	EXPN
Great Portland Estates	GPOR
Helical Bar	HLCL
Premier Foods	PFD
TalkTalk	TALK
TRADING STATEMENTS	
Barratt Developments	BDEV
AGMS	
Barratt Developments	BDEV
Hays	HAS
Jupiter UK Growth Investment Trust	JUKG
ECONOMICS	
UK	
Unemployment Rate	

IN THE FACE of virtual saturation of telecoms and broadband in the UK, it's becoming increasingly difficult to see the levers **TalkTalk (TALK)** can pull to drive profitable earnings growth.

Flat forecast dividends and limited hope of a buyer emerging paint a bleak picture considering half year results on 15 November are expected to show a 70% decline in pre-tax profit to £12m.

THURSDAY 16 NOVEMBER

INTERIMS		
Assura	AGR	
British Land	BLND	
Dart	DTG	
3i	III	
Investec	INVP	
Mediclinic International	MDC	
QinetiQ	QQ.	
Royal Mail	RMG	
TBC Bank	TBCG	
Young & Co's Brewery	YNGA	
TRADING STATEMENTS		
Coats	COA	
Keller	KLR	
Norcros	NXR	
Premier Oil	PMO	
Regional REIT	RGL	
Safestore	SAFE	
AGMS		
Close Brothers	CBG	
Genus	GNS	
Prairie Mining	PDZ	
EX-DIVIDEND		
Abcam	ABC	7.36p
Anpario	ANP	2p
Bunzl	BNZL	14p
Diversified Gas & Oil	DGOC	$0.02
M J Gleeson	GLE	17.5p
Genus	GNS	16.2p
Jupiter European Opportunities Trust	JEO	6.5p
New Star Investment Trust	NSI	0.8p
Rotala	ROL	0.85p
Raven Russia	RUSP	3p
Sanditon Investment Trust	SIT	0.9p
Spire Healthcare	SPI	1.3p
Swallowfield	SWL	3.5p
Tristel	TSTL	2.63p
ECONOMICS		
UK		
Retail Sales		

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SARACEN
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ALIGNED WITH
OUR INVESTORS

Seeking the best equity opportunities, globally

AT SARACEN FUND MANAGERS, WE ALIGN OUR INTERESTS WITH THOSE OF INVESTORS – WE ARE EMPLOYEE OWNED AND HAVE SIGNIFICANT PORTIONS OF OUR PERSONAL ASSETS INVESTED INTO OUR FUNDS.

WE AIM TO IDENTIFY LEADING GLOBAL BUSINESSES WHERE WE EXPECT PROFITS AND DIVIDENDS TO GROW OVER THE NEXT 10 YEARS.

The TB Saracen Global Income and Growth Fund, co-managed by Graham Campbell and David Keir, aims to grow both capital and income over the long-term by investing in market leading businesses at attractive valuations and supportive dividend yields.

The most important part of any investment decision is the price you pay. We aim to identify and invest in 40-60 leading global businesses which we believe will be able to grow profits and increase dividends over the long-term.

The fund is independently rated by RSM and "A" rated by Square Mile Research. TB Saracen Global Income and Growth Fund has an active share of over 90%.

The fund has been ranked first quartile over one year and second quartile over five years.

The historic dividend yield is 2.6%[1], which rose 8% year on year[2]. There is an annual management fee of 0.75% and annual charges of 0.99% (B Shares). There are no entry or exit fees and no performance fees. We offer Income and Accumulation shares.

Saracen Fund Managers has a rigorous investment process. We have a long-term investment horizon and we focus on factors that drive returns, namely: cash and growth. Many investors require income and capital to fund their aspirations. Banks and government bonds offer very low levels of return for savers. In comparison, equities still appear attractive and with signs that economic growth is strengthening, we believe we have identified a portfolio of quality businesses that offer value and will benefit from the persistence of global economic growth.

Click **here** to find out more information

[1] Based on 4.27p per share on Income shares for 2016

[2] HI 2017 rate was 3.94p per share.

Fund Performance since inception (from 06/11 – 09/17)

Source: Financial Express

Total Return, Bid to Bid, GBP terms. Past performance is not a reliable indicator of future results. The value of your investment and the income derived from it can go down as well as up and you may not get back the money you invested.

Fund has been selected as part of the **AJ Bell Favourite Fund List 2017**

AJ BELL FAVOURITE FUND LIST 2017

Cumulative Performance after all ongoing charges to 29th September 2017

	1 month	6 months	1 year	3 years	5 years	Since launch[1]
TB SGIG B Acc	+0.4%	+2.2%	+19.1%	+44.8%	+91.7%	+104.5%
Sector Average	-1.3%	+1.4%	+12.3%	+36.2%	+73.8%	+81.6%
Quartile Ranking	1	2	1	2	1	1

[1]Source: Financial Express; launch date 07 June 2011
Sector: IA Sector (Global Equity Income)

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Retail investors miss out on large gains from IPO offers

We calculate that institutional investors have made nearly six times as much on flotations than the general public

AVERAGE GAIN MADE ON IPOS IN 2017

Institutional investors who bought at IPO offer price:

11.8%

Retail investors who bought at market open on first day of dealings:

2.0%

Retail investors are missing out on significant gains enjoyed by institutional investors who are able to take part in IPOs (initial public offerings), according to analysis by *Shares* and AJ Bell.

We've calculated the share price performance of every IPO this year and compared the gains between buying at the IPO offer price and buying at the first available price in the market on day one.

The difference is astonishing. Institutional investors, such as actively-managed funds and pension funds, would have made an average 11.8% gain if they'd bought all of the 77 companies floating on the London Stock Exchange this year. The data assumes they paid the IPO offer price.

In contrast, retail investors would have only made 2% average gain if they'd bought at the first possible chance, being the market open on the first day of dealings.

WHY ARE RETAIL INVESTORS TREATED DIFFERENTLY?

The majority of IPOs offers are not open to the general public. The people running stock market flotations such as brokers and banks find it easier to call round a small group of people who can potentially put up large amounts of cash to support an IPO.

Involving thousands of retail investors is much more of an effort given lots of paperwork and promotional work; hence why the general public tends to have to wait until a stock is trading before they can buy.

So why have retail investors only be able to enjoy a fraction of the returns generated for institutional investors in this analysis? The answer is simple. Many stocks have started trading at a much higher price than their IPO offer.

Strong demand for stock pushes up the price ahead of the market open, so the first trades are settled at large premiums to the price made by the institutional investors in the offer period.

DISCOUNTED STARTING PRICE

One view among City experts is that IPOs are generally priced at a 10% to 20% discount to their theoretical value. So a company worth 100p per share would normally float at 80p or 90p.

Pricing the shares in such a way makes them attractive to institutional investors and in theory suggests the shares are more likely to rise once they float, as the value adjusts to more normal levels.

We calculate that retail investors on average have this year paid 9.8% premium to buy IPOs compared to institutional investors buying at the IPO offer price.

WHICH STOCKS TRADED AT THE BIGGEST PREMIUM?

This year's biggest difference between the market opening price on the first day of dealings and the IPO offer price was **SkinBioTherapeutics (SBTX:AIM)** with a 47.2% premium. The Manchester University spin-out priced its IPO at 9p, started trading at 13.25p and peaked at 16.25p in April.

Retail investors had to pay a 34.5% premium to institutional investors who took part in the IPO of kettle controls specialist **Strix (KETL:AIM)**.

The lure of a 7% dividend yield (based on the IPO price) and cheap valuation made Strix seem a no-brainer for many investors, hence why so many people were happy to pay up when the shares started trading. However, we'd say Strix was an exception to normal IPOs.

The business was the last holding in a private equity fund trying to wind itself up, so the owner was effectively happy to get rid of Strix at a discounted price, according to Chris White, a fund manager at Premier Asset Management.

Alfa Financial Software (ALFA) started trading on the stock market 29.2% above its IPO price at 420p and now trades at 489.9p.

Retail investors should always think about what a company is worth before buying the shares.

Never race to buy IPOs simply for fear of missing out on the post-listing rally. Inevitably most new stock market listings go up, then back down slightly (as early birds take profit) before heading back up. That gives you plenty of time to research a stock and decide at what price you'd be happy to buy, if at all. (DC)

BIGGEST DIFFERENCE BETWEEN MARKET OPEN PRICE ON FIRST DAY OF DEALINGS AND IPO PRICE

SKINBIOTHERAPEUTICS	47.2%
STRIX	34.5%
BASKERVILLE CAPITAL	30.0%
SAFFRON ENERGY	30.0%
ALFA FINANCIAL SOFTWARE	29.2%
MEDICA	27.6%
SOSANDAR	25.8%
STRANGER HOLDINGS	25.0%
FANDANGO HOLDINGS	25.0%
EMMERSON	25.0%

Source: Shares, AJ Bell, MoneyAM. Data taken 3 November. Cover all IPOs so far in 2017 and excludes Introductions

BEST PERFORMING IPOS IN 2017: COMPARING CURRENT PRICE TO IPO PRICE	
ALPHA FX	142.3%
TOUCHSTONE EXPLORATION	106.9%
RAMSDENS	106.4%
K3 CAPITAL	66.3%
MEDICA	64.4%

BEST PERFORMING IPOS IN 2017: COMPARING CURRENT PRICE TO MARKET OPEN PRICE ON FIRST DAY OF DEALINGS	
ALPHA FX	118.9%
RAMSDENS	96.1%
TOUCHSTONE EXPLORATION	76.5%
K3 CAPITAL	55.7%
RAINBOW RARE EARTHS	37.2%

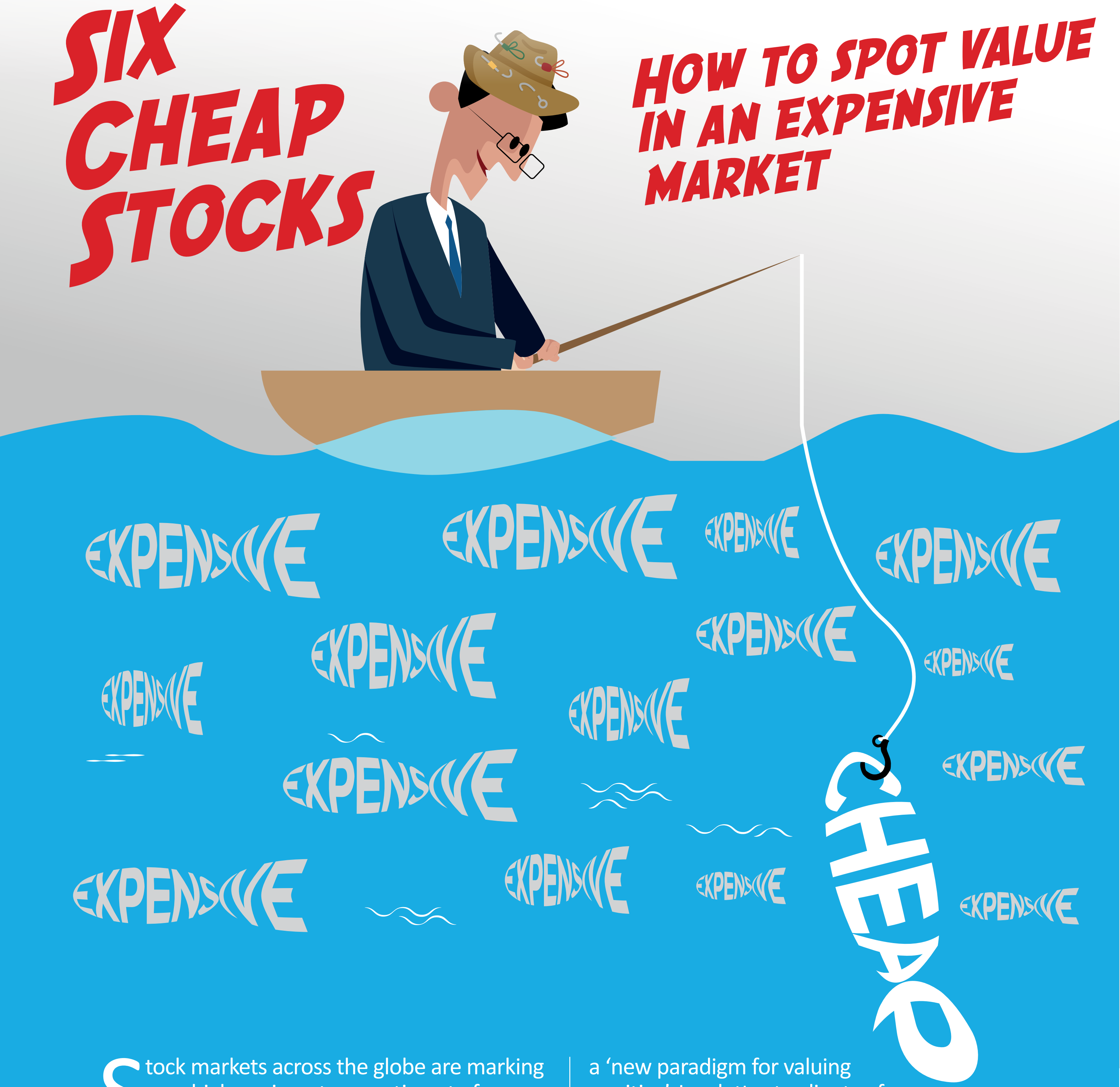
WORST PERFORMING IPOS IN 2017: COMPARING CURRENT PRICE TO IPO PRICE	
INTEGUMEN	-45.6%
UP GLOBAL SOURCING	-31.3%
GLOBAL PORTS	-31.1%
ANGLO AFRICAN OIL & GAS	-28.8%
HEMOGENYX PHARMA	-25.1%

WORST PERFORMING IPOS IN 2017: COMPARING CURRENT PRICE TO MARKET OPEN PRICE ON FIRST DAY OF DEALINGS	
INTEGUMEN	-50.5%
UP GLOBAL SOURCING	-40.9%
EMMERSON	-40.0%
ANGLO AFRICAN OIL & GAS	-39.4%
PATH INVESTMENTS	-33.6%

Source: Shares, AJ Bell, MoneyAM. Data taken 3 November.
Cover all IPOs so far in 2017 and excludes Introductions

SIX CHEAP STOCKS

HOW TO SPOT VALUE IN AN EXPENSIVE MARKET



Stock markets across the globe are marking new highs as investors continue to focus more on how fast earnings are growing rather than how these earnings are being valued.

'Growth' and 'value' investing are typically seen as being in opposition to each other and growth is on a winning streak. The US Russell 1000 Value Index has returned 9.7% in 2017 against 24% for the US Russell 1000 Growth Index. That trend is being replicated on this side of the Atlantic too.

Hedge fund manager David Einhorn – a noted value investor – has even questioned if there is a 'new paradigm for valuing equities'. In a letter to clients of his Greenlight Capital fund, reported by *Bloomberg*, he wrote: 'The persistence of this dynamic leads to questions regarding whether value investing is a viable strategy.'

AJ Bell's investment director Russ Mould says one fund manager recently moaned to him that there is no value in momentum stocks at present – and no momentum in value stocks.

We're in a difficult time for markets despite the headline indices racing ahead. Nevertheless keep reading as we do have some good news.

HOW TO FIND VALUE

Value investing may be out of fashion but *Shares* still believes in considering valuation when it comes to judging an investment.

Just look at the fate of leisure group **Merlin Entertainments (MERL)** which fell nearly 20% in the wake of a recent profit warning (17 Oct). The news undermined its growth credentials and shined an unfavourable light on its high price-to-earnings (PE) ratio in excess of 20-times.

Investing in undervalued companies provides what is often described as a 'margin of safety' which can help you avoid those kinds of sharp losses.

> **EXPENSIVE MARKETS ARE MAKING IT TRICKY TO FIND VALUE**

Expensive markets are making it tricky to find value – but it is not impossible.

Data from Capital Economics suggests the FTSE All-Share is trading at around a 50% premium to its long-run average PE ratio; and the US S&P 500 trades on an earnings multiple of 17.9 against a 10-year average of 14.1.

Buried within the market is a pocket of value stocks. To find them, we've decided to look beyond the standard PE figure and use a range of alternative metrics. We've accessed three filters offered by Stockopedia's screening service partly inspired by the processes deployed by legendary investors.

Recognising a stock can be cheap for a reason; we have also applied the knowledge of the *Shares* team to filter out the bad stuff and arrived at a list of six stocks which we believe offer winning value.

WHAT ARE VALUE STOCKS?

Value stocks ares ones which trade on lowly valuations relative to the market or their sector and/or their intrinsic worth.

WHAT ARE GROWTH STOCKS?

A 'growth' stock is usually defined as a company whose earnings are expected to grow at an above-average rate either for its industry or the overall market. A 'growth' investor will buy such a stock even if it appears to be expensive based on metrics such as the PE ratio.

CONTRARIAN VALUE

This stock screen applies the approach of US fund manager Bill Miller to find companies which are trading below their intrinsic value and which have the potential to rebound.

The process includes looking at the share price relative to free cash flow, sales and earnings growth. Miller had a track record of beating the market for 15 straight years at former employer Legg Mason between 1991 and 2005.

THE PROCESS INCLUDES:

1. Price to free cash flow of less than 3
2. Free cash flow greater than a year ago
3. Sales growth
4. Price to earnings growth ratio below 1.5

CHEAP STOCK #1

VIRGIN MONEY (VM.) 288.6p
Virgin Money's shares are very cheap and we don't expect them to stay so for long.

The stock was previously weighed down by concerns over its capital – yet the mortgage lender recently reassured the market with guidance that its CET1 ratio (a measure to see if the balance sheet can withstand economic shocks) will be 13.5% at the end of the year. That's above the 12% level at which management thinks is appropriate for the business.

'We continue to regard Virgin as a well-managed, low risk bank with strong growth that is not constrained by capital or market size,' says Investec analyst Ian Gordon.

Virgin's ratio of cost to income has continually fallen since 2012 thanks to rapid loan growth and operational efficiencies. Further improvement is expected for two reasons. First, there is a plan to launch a digital banking service. This will start in late 2018 and efficiency gains are expected from 2019 onwards.

Analysts also think Virgin will soon announce plans to close more physical branches in light of the incoming digital proposition and the fact that leases are starting to lapse for branches inherited from the Northern Rock acquisition in 2012.

Virgin currently trades on 0.9 times price to 2018's forecast tangible net asset value per share; and 6.9 times forecast earnings for 2018. Those are very cheap ratios.

It ticks many other boxes on our contrarian value screen including price to earnings growth ratio below 1.5 (it is 1.46 for 2017, according to Stockopedia). Revenue is in a strong rising trend, so too pre-tax profit. (DC)

CHEAP STOCK #2

Aviva (AV.) 514p

After a difficult few years in the wake of the financial crisis, chief executive Mark Wilson has helped steady the ship at this large insurance business.

Summarising last year's results Wilson said: 'Aviva's results are simple and clear cut: more operating profit, more capital, more cash, more dividend. And there is more to come.'

Wilson took over as CEO in January 2013 and has since divested an interest in Dutch insurer Delta Lloyd, exited markets such as France, Russia, the US and Malaysia and acquired Friends Life in a £5.6bn deal.

The aim has been to build a more streamlined operation which can generate plenty of cash with a focus on offering UK customers a one-stop shop for all their insurance needs (including life, accident and health) alongside asset management. Wilson appears to have gone a long way to achieving this goal.

A shift to managing insurance and savings online could help the company in its efforts to cross-sell products across its customer base going forward.

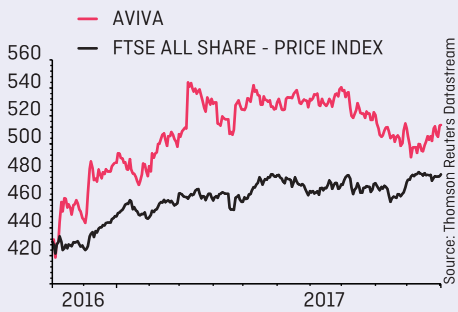
The company's presence in our value screen suggests the market is not giving full credit for Aviva's transformation despite a reasonably strong run for the shares.

Given the strategy of narrowing the focus on the UK, we admit the fate of Brexit negotiations is a potential risk facing the business.

However, the fact that ratings agency Moody's recently upgraded Aviva's credit rating is very important. It noted the company had £11.4bn of surplus capital at the end of June based on European Solvency II rules governing how much cash insurers need to hold against the risk of financial shocks.

This surplus capital can be used for shareholder returns, to buy back shares for acquisitions and to re-invest in the business, potentially boosting organic growth.

Investment bank UBS has a 'buy' recommendation and 580p price target. It comments: 'While the transformation strategy is in progress, we believe Aviva can be a sector leading risk-adjusted dividend and capital return story under Solvency II.' (TS)



DEEP VALUE CHECKLIST

Benjamin Graham was a legendary figure known as the 'father of value investing' and was a mentor to Warren Buffett. The following stock screen applies Graham's 10-point checklist of valuation and financial measures. Devised not long before his death in 1976 this approach was more systematic than his other value investing strategies.

Interestingly this screen threw up several housebuilders. We discussed our reservations on housebuilders in last week's *Editor's View* column and this is an indication of why you need to take other factors into account when determining if a stock is genuinely undervalued.

THE THREE MOST IMPORTANT RATIOS ACCORDING TO GRAHAM

Earnings yield =
earnings per share divided by share price

Dividend yield =
dividend per share divided by share price

Debt less than book value

CHEAP STOCK #3

Centamin (CEY) 140.5p

All the big spending on mine development has been completed at Centamin's flagship project, meaning it should now have an attractive stream of cash to help fund handsome dividends.

The gold miner is forecast to pay 10.9c (8.2p) dividend in 2018 which equates to a 5.8% yield on the current share price.

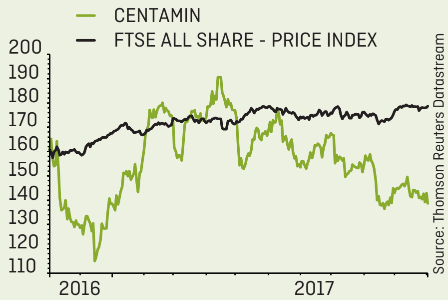
Its Sukari project in Egypt is one of the top-quality gold mines in the world. It benefits from having high grades of gold, so costs are lower than many other miners.

In the third quarter of 2017 Centamin's all-in costs were $732 per ounce of gold produced. It sold gold for an average price of $1,283 per ounce.

Rather than pay any taxes in Egypt, Centamin instead has a profit share agreement with the government, to whom it currently pays 40% of free cash flow after costs. That figure gradually rises to 50% by 2020.

Gold is produced via an open pit and underground at Sukari. Work is underway to develop a new underground section called Cleopatra which the miner is confident will become another source of production, thereby lifting group gold output and further boosting cash generation.

Analysts think the shares are worth 180p based on the consensus view, implying nearly 30% upside over the next year. Add in the near-6% dividend yield and you're potentially looking at tasty returns. (DC)



CHEAP STOCK #4

Moss Bros (MOSB) 92.6p

A downwards drift from 120p in the summer to 92.6p presents a buying opportunity at Moss Bros. The retailer's strong balance sheet and high dividend yield provide a margin of safety and should limit further downside.

Based on the 6.2p dividend forecast by Cantor Fitzgerald for the financial year to January 2018, Moss Bros' plump 6.7% dividend yield (as well as recent share price weakness) indicates the market is worried about further earnings downgrades.

We believe the progressive payout will be secure given it has a £21.5m net cash position. That cash pile is approximately one fifth of its market value.

Headwinds facing the self-styled 'first choice for men's tailoring' include competition, rising labour and currency costs and the squeeze on consumer incomes.

This year's hire sales were hit by the later timing of Easter, which traditionally signals the start of the wedding season, and a trend towards lounge suits rather than traditional morning dress.

More grooms are choosing to buy rather than hire their wedding suits, which is at least beneficial for Moss Bros' retail business and *Tailor Me* personalisation service.

Nevertheless, Moss Bros' half year results (28 Sep) were strong with pre-tax profit up by 16% to £4.2m.

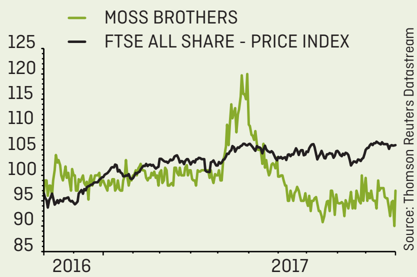
Retail like-for-like sales grew 5.1% thanks to investment in staffing, stores and product ranges and this positive momentum carried over into the opening eight weeks of the second half period.

Encouragingly, Moss Bros is making progress with numerous online and store initiatives, while online expansion offers an exciting overseas growth opportunity.

'Despite the short-term headwinds, we continue to see scope for profits to double from the current base over the medium term', writes Cantor Fitzgerald, a buyer whose 130p price target suggests 40% potential upside.

For the current year, the broker forecasts pre-tax profit improvement from £6.9m to £7.2m for earnings of 5.6p per share, ahead of £7.3m and 5.7p respectively in 2019.

Moss Bros trades on a mere 5.1 times EV/EBITDA (enterprise value to earnings before interest, tax, depreciation and amortisation) which is too cheap, in our view. It currently boasts 18.4% return on capital employed, according to Stockopedia, which is a very healthy figure. (JC)



FREE CASH FLOW COWS

Inspired by investment writer Jae Jun, Stockopedia's 'free cash flow cows' stock screen looks for companies which are cheap relative to the amount of free cash flow they generate.

Unlike earnings, cash cannot be manipulated through clever accounting and should therefore offer a true picture of how a company is performing.

WHAT THIS APPROACH CONSIDERS:

Enterprise value (market cap plus any liabilities) to free cash flow

Free cash flow to long-term debt

Free cash flow growth

CHEAP STOCK #5

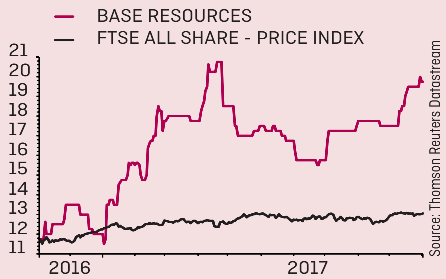
Base Resources (BSE:AIM) 19.75p
An improvement in the price of mineral sands since 2016 has helped miner Base Resources to generate a large amount of cash and dramatically reduce its debt. Some analysts think it could be completely debt free by the end of 2018.

The company owns 100% of the Kwale minerals sands operation in Kenya. It has been producing from a high-grade section since December 2013 and plans to move to a lower-grade section in 2020.

Approximately 80% of the value of its production comes from ilmenite and rutile with zircon accounting for the rest. They are used to help make paint, plastics and ceramic tiles among other applications.

Base's shares are incredibly cheap, trading on a mere 3.1 times EV/EBITDA (enterprise value to earnings before interest, tax, depreciation and amortisation). That's at least half the level at which we'd expect someone to pay for a miner of its calibre in a takeover situation.

Broker RFC Ambrian has a A$0.54 price target which equates to 31p at current exchange rates. In comparison, stockbroker Numis has a 30p price target. Both imply you could make at least 50% return in 12 months. (DC)



CHEAP STOCK #6

Portmeirion (PMP:AIM) 930p
Ceramic homewares manufacturer Portmeirion's shares continue to recover in the wake of a severe 2016 profit warning, triggered by a period of subdued Asian demand in India and South Korea, Portmeirion's third biggest market.

We see good reason to buy at the current price, particularly as the stock is very cheap based on certain metrics. In fact, it passes all seven of the measures that constitute Stockopedia's Free Cash Flow Cows screen.

Portmeirion boasts well-invested manufacturing assets and heritage British brands – *Portmeirion*, *Spode*, *Royal Worcester*, *Pimpernel* – the latter providing a durable competitive advantage.

Geographically diversified, the ceramics maker's half year results (3 Aug) revealed 18% improvement in pre-tax profit to £1.6m on sales up 16% to £33.1m. The integration of scented candles-to-reed diffusers seller Wax Lyrical is on track, with new collections and co-branded home fragrance products having been successfully launched.

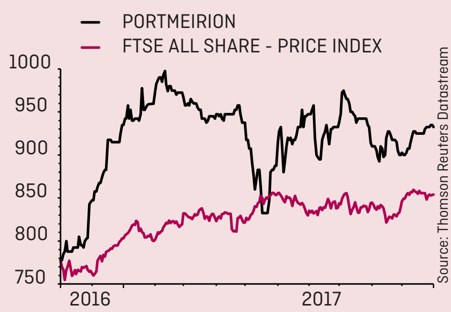
This augurs well with the seasonally important second half underway. A positive trading update in January could provide a catalyst for a re-rating. Sterling weakness also provides a boon for exports to Europe, where Portmeirion remains under-represented.

Prodigiously cash generative, Portmeirion increased the interim dividend by 5.7% to 7.4p, continuing its record of never having cut or withheld the dividend since its 1988 stock market debut, while net debt was reduced by £8m to £1.7m.

Cantor Fitzgerald analyst Mark Photiades has a 'buy' rating and £12 price target for Portmeirion, implying potential upside of 29%.

For calendar 2017, the analyst forecasts pre-tax profit recovery to £8.7m (2016: £7.8m), ahead of £9.6m and £10m respectively for fiscal years 2018 and 2019.

Portmeirion is trading on 9.3 times price to free cash flow. On that basis, Stockopedia ranks the company as top out of nine stocks in the household goods sector. (JC)



The appeal of looking beyond the UK for dividends

We explain how Henderson International Income Trust finds opportunities in overseas markets

The Bank of England's recent move to raise UK interest rates from 0.25% to 0.5% reflects a determination to get a grip on inflation, often dubbed the 'cruellest tax', since it erodes savers' purchasing power.

Those investors concerned by inflation and the impact of Brexit on domestic earnings may wish to consider some exposure to rising dividends generated away from the UK's shores. One relevant product is investment trust **Henderson International Income Trust (HINT)**.

The global equity income universe continues to be in good health and it is possible to find companies offering real dividend growth. Despite many overseas markets scaling new heights, equities still look attractively valued relative to bonds.

Dividend-income diversifier Henderson International Income Trust seeks to provide a high and rising level of dividends as well as capital appreciation over the medium to long term.

Ben Lofthouse has managed the trust since launch in 2011. A dividend seeking, valuation driven investor, Lofthouse looks for companies that have strong fundamentals, good balance sheets and attractive cash flow characteristics that can support growing dividends, tending to focus on companies that yield above 2%.

DIVERSIFYING YOUR DIVIDENDS

Importantly, Henderson International Income Trust looks to find these companies from across the globe but not the UK, offering investors the chance to diversify from any UK investments they may have, and in particular UK-based income generating stocks.

As at 30 September 2017, the portfolio's exposure to the Americas, Europe and Asia Pacific stood at 34.4%, 40.2% and 26.5% respectively.

This is significant, as investors who focus solely on UK-listed firms, or the funds that invest in them, run the risk of significant income concentration.

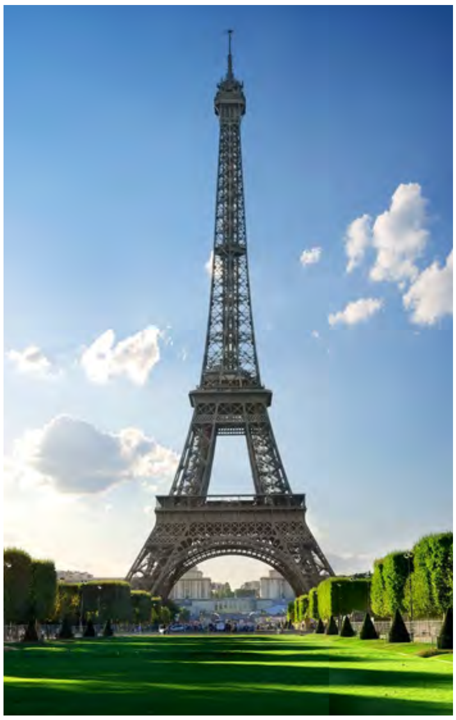
'More than 70% of the UK's income as a market comes from the top 20 stocks,' says Lofthouse. 'We've undertaken never to own UK names, so we offer diversification,' continues Lofthouse, who remarks that this alarming concentration of UK equity income hasn't reduced in the years since Henderson International Income Trust's launch. 'If anything, it has gone the other way,' he explains.

PAYOUT PROGRESS

In the financial year to 31 August 2017, Henderson International Income Trust generated a total return of 18.8% in net asset value (NAV), including dividends of 4.9p per share, up a healthy 5.4% year-on-year. While that is a good performance, investors should not assume future returns will be the same. The value of investments can go down as well as up, so you could get back less than you invested.

The quarterly dividend payer's ongoing charges figure (OCF), currently 0.88%, has reduced from 1.39% in the year of its launch as a result of asset growth and a reduction in fees in April last year.

The trust has also grown significantly since launch; net assets nearly doubling in size to around £200m in 2016 after combining assets with Henderson Global Trust and



through the issuance of shares to boost liquidity, broaden wealth manager demand and lower charges.

'Dividend growth has been good in the portfolio and widely spread across sectors and regions,' says Lofthouse, addressing last year's performance.

The investment trust's valuation discipline often leads Lofthouse to invest in out-of-favour sectors and regions. Europe has been the largest regional exposure in the portfolio for some time, and an economic recovery has seen strong performance over the past year from a number of European stocks.

Some of last year's largest dividend increases came from the likes of Dutch bank Van Lanschot, and French banks Natixis and BNP Paribas.

Stronger balance sheets and clearer regulatory requirements regarding capital levels enabled those names to pay larger distributions.

GEOGRAPHICAL FOCUS

Country	%
United States	32.2
France	8.9
China	8.4
Germany	7.2
Netherlands	5.8
Switzerland	4.8
Australia	4.5
Norway	3.8
South Korea	3.2
Italy	2.8

Source: Janus Henderson Investors.
Data as of 30 September 2017

ANNUAL PERFORMANCE (WITH INCOME) (%)

DISCRETE YEAR PERFORMANCE % CHANGE	PRICE	NAV
30/09/2016 to 29/09/2017	15.8	16.3
30/09/2015 to 30/09/2016	28.4	29.4
30/09/2014 to 30/09/2015	8.5	2.5
30/09/2013 to 30/09/2014	-0.1	7.5
28/09/2012 to 30/09/2013	13.7	17.3

All performance, cumulative growth and annual growth data is sourced from Morningstar.
Past performance is not a guide to future performance.

Driven by earnings growth, others to materially increase their shareholder rewards included smartphones leader Samsung, logistics leviathan Deutsche Post and soft drinks distributor Coca-Cola European Partners.

AVOIDING VALUE TRAPS

Not averse to a turnaround tale, Lofthouse seeks to avoid value traps by 'focusing on free cash flow', a factor in the trust's outperformance of peers since launch as 'it is one way to avoid balance sheet problems'.

Another way of eschewing stock market disasters is 'not reaching for too much yield'; since optically high yields are often a red flag for impending dividend cuts.

Lofthouse prefers to put investors' money to work with industry leaders which benefit from economies of scale, diversification of earnings streams and also pricing power.

Exemplars in the portfolio include Samsung, offering a compelling combination of free cash flow growth, increased diversification and rising shareholder returns, software giant Microsoft and Best Buy, the number one US consumer electronics retailer.

'We look for businesses that have consolidated,' he says of the latter, a successful turnaround tale and dividend growth stock which has 30% market share, 'and where there has already been a lot of pain.'

EMERGING MARKETS INTEREST

Last year's most significant change in portfolio composition was the increase in emerging markets exposure. This was mainly driven by new Chinese investments such as food manufacturer Dali and sportswear manufacturer/retailer Anta Sports.

'Buying reasonably attractive income stocks through time has generally outperformed,' insists Lofthouse, arguing his strategy has the potential to provide good returns to investors in a variety of market conditions.

'It takes you away from bubbles, so you avoid excessive valuations,' says Lofthouse, while even in a down market, dividends provide downside protection for patient portfolio builders. (JC)

New evidence in passive vs active investment debate

UBS looks at the performance of funds in Europe over a 20 year period

There is new evidence that firmly supports actively managed funds in the passive versus active debate.

Investment bank UBS has analysed the performance of more than 27,000 mutual funds in Europe over the past 20 years. It found active managers have collectively outperformed their benchmark after fees by average 0.42% per year since 2000.

That figure rises to 0.78% outperformance per year when comparing after-fee returns to their passive competition rather than benchmark. We'll explain what all those terms mean in a second.

A REMINDER ABOUT THE DEBATE

A dispute has raged for years over which type of investment delivers the better overall returns for investors: active or passive?

Passive investment means buying a vehicle such as a tracker fund or exchange-traded fund (ETF) which mirrors the performance of a broad cross section of the market or perhaps a specific industry or geography. Good examples include a FTSE 100 tracker fund or an emerging markets-based ETF.

Active investment involves a fund manager hand-picking stocks, bonds, property or other assets; with portfolio weightings that match their investment objectives. The most ubiquitous styles of active management include value, quality and momentum.

The aim of active management is to outperform a benchmark such as a specific stock market index.

FEES, FEES, FEES

One of the biggest criticisms of active management is the higher fees compared to passive investments. Subsequently, there is widespread belief that passive investments equal lower costs and better performance.

Global passive assets are set to more than double from $14trn in 2016 to $37trn by 2025, according to a recent report from professional services firm PwC, emphasising their growing popularity.

Some industry observers have even speculated on the demise of active portfolio management completely.

Analysts at UBS beg to differ, saying the belief that active funds underperform benchmarks 'is a myth... even after fees'.

THE REAL DISCUSSION

The debate really boils down to market efficiency. In essence, it might be described as the degree to which all publicly available information is already reflected in a security's price.

In theory, the more efficient a given market is, the harder it is to outperform the simple strategy of holding a passive basket of all the securities in it.

But while the market may be completely efficient some of the time, and reasonably efficient most of the time, it isn't completely efficient all of

ACTIVE OUTPERFORMANCE ISN'T UNIVERSAL

When it comes to outperformance, not every strategy is equal. For example, UBS found that European actively-managed funds focused on US and global investment strategies (about one third of the total assets under management) have underperformed their benchmark and the performance of passive products since the financial crisis.

the time as market structure and participant supply/demand characteristics change.

It is on these sometime inefficiencies that active managers hope to capitalise. One way of doing this is to specialise and become a relative expert in a niche. Many fund managers do this by concentrating on a particular sector, geography or style.

Private investors often do this too, typically concentrating on smaller companies, where professional research is limited. Some stocks are priced incorrectly because most investors don't know these companies exist or don't properly understand the story.

The UBS report comments: 'We found more focused and specialised funds are more likely, as a group, to generate alpha.' Alpha describes the excess returns of a fund relative to the return of a benchmark index.

MOVING THE DISCUSSION ON

On the surface, it would seem that investors are migrating toward passive strategies. Yet investors are increasingly using both active and passive products as tactical bets. This might be to provide hedging, gain from sector rotation strategies or boost a portfolio's exposure to emerging markets, for example.

'It is important to remember that in a rising market passive returns are very attractive at low cost but that inevitable market corrections will bring a continued appreciation for the value of active investments,' says PwC's Olwyn Alexander, leader of its global asset and wealth management team.

'Both will be key building blocks in balanced portfolios to meet specific investor outcomes.'

We don't expect arguments over passive or active investment to stop anytime soon. But perhaps a more productive debate for investors would be deciding how much of your optimal portfolio should be in active or passive investments. (SF)

WHY PASSIVE FUNDS CAN UNDERPERFORM A BENCHMARK

1 They experience tracking error as they cannot perfectly match the performance of the benchmark. This tracking error is greatest in periods where constituents are added and/or removed from a benchmark.

2 Passive funds charge fees to cover the administration of the fund's assets, transactional costs and management fees. As a result, in a perfect world, where there is no tracking error, passive funds will always underperform their benchmark due to these costs.

Source: UBS

On The Beach is a superb growth stock

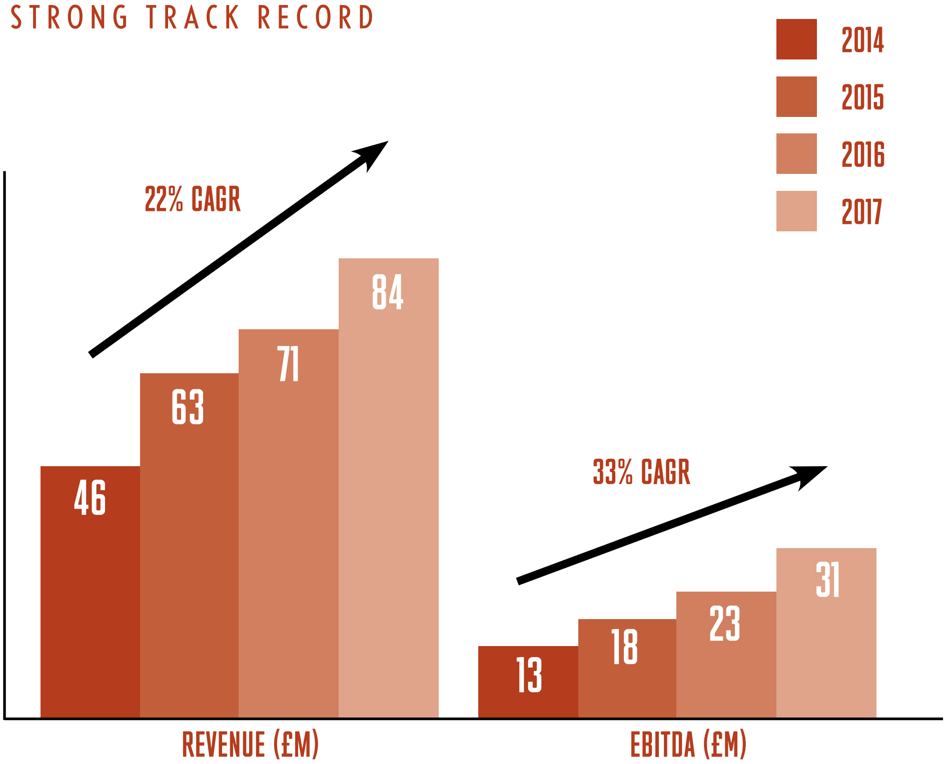
The holiday retailer's shares have doubled in the past two years and still have further to travel

Approximately 12m people book short-haul packages every year, a trend on which holiday seller **On The Beach (OTB)** plans to capitalise by investing in technology to drive sales.

On The Beach is an online retailer of short-haul beach holidays. Its platform allows people to custom-build their own vacation by choosing their own flights, hotels and extra services.

Its shares are highly rated, yet we think that's justified given the business is going through a period of rapid growth.

STRONG TRACK RECORD



Source: Company & Numis Securities Research. CAGR = Compound annual growth rate

Numis says: Since listing in September 2015, On The Beach shares have more than doubled, materially outperforming peers such as Thomas Cook, TUI, Expedia and Priceline. On The Beach has proven the robustness of its business model over the last two years, with revenue and EBITDA growing by a compound annual growth rate of 22% and 33% respectively.

EARNINGS PROFILE

Pre-tax profit is expected to have jumped by 31% to £28m in the year to September 2017. Panmure Gordon analyst Mark Irvine-Fortescue forecasts £36.9m pre-tax profit in 2018, rising to £45.1m in 2019.

The recent performance has been boosted by the £12m acquisition of Sunshine.co.uk in May. That deal is earnings enhancing and provides access to an additional 200,000 customers, which the company believes will drive higher margins.

Based on the latest share price of 411.75p, On The Beach is trading on 18.1 times forecast earnings for 2018. Yes, that is a high rating – however you have to consider that analysts expect 29% compound annual growth in earnings per share out to 2019. How many other highly profitable companies do you know are growing at that pace?

RECENT TRADING STRENGTH

Irvine-Fortescue says the company experienced significant growth for the majority of the key summer trading period and has strong forward momentum going into the new financial year.

On The Beach has also been gaining traction overseas with full year revenue growth of 48% in its international markets (Sweden and Norway), according to a recent trading update. That progress has given it the confidence to launch in Denmark early next year.

COMPANY STRATEGY

On The Beach has a slightly

different business model compared to many traditional travel agents. It does not own any planes or shops, resulting in lower costs and flexibility in how it pursues growth.

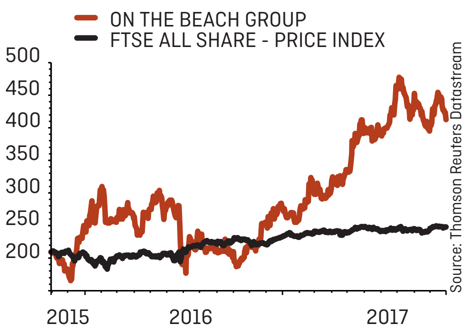
The company plans to make its website more personalised and provide more choices such as airports and hotels for a set price, which could improve conversion rates. Its goal is to encourage visitors to buy something when visiting its website, instead of simply browsing.

Numis analyst Richard Stuber is impressed by On The Beach's ability to drive online traffic, citing an impressive 70m unique visitors to its website.

'Rich content, intuitive platform design and personalisation encourages conversion; and its unique relationships with beach hotels coupled with volume, means it can secure exclusive terms to further drive margins,' says Stuber.

Investec analyst Karl Burns agrees that focusing on innovation is the way forward, arguing that significant margin upside can be achieved from higher sales per booking via improved hotel content.

'For a 2.7% per booking increase, we estimate that earnings before interest, tax, depreciation and amortisation (EBITDA) will increase by £2.3m,' says Burns.



Another potential strategy for growth is entering the long-haul beach market, which management could achieve through acquisitions or organic growth.

IMPACT OF TERRORIST ATTACKS

According to On The Beach's chief executive Simon Cooper, terrorist attacks are not deterring people from travelling abroad with demand particularly strong for destinations such as the Balearic Islands, the Algarve and Greek islands.

While he concedes the recent terrorist attack in Barcelona affected people's willingness to travel, there was no 'general lull'.

Cooper also believes that people are generally resilient to cutting spending on holidays thanks to On The Beach's flexible payment model, which is helpful when inflation is on the rise.

COPING WITH AIRLINE SECTOR WOES

It has been a tough year for the airline sector, with Monarch entering into administration earlier this year and **Ryanair (RYA)** cancelling thousands of flights due to pilot rostering issues.

Following Monarch's fall, On The Beach announced a one-off exceptional cash cost to help customers organise alternative travel arrangements if they booked a flight with Monarch.

Most of the costs, estimated at £2m by Numis, will be covered by insurance and therefore is not expected to significantly impact the company's outlook.

Investec says lost capacity from Monarch and Ryanair will be scooped up by other low-cost carriers, leaving seat pricing falling year-on-year, which will positively impact On The Beach as it makes travelling cheaper.

SHARES SAYS: ↗

We are optimistic that On The Beach can continue to draw in sun seeking travellers through its innovative platform and, in doing so, richly reward shareholders. Buy at 411.75p. (LMJ)

Investment and pension planning when you remarry

Preparation is even more crucial the second time around

If you're embarking on a second or subsequent marriage there are lots of important financial considerations to think about.

You've probably built up more assets and you might have children from previous relationships, making your circumstances more complicated than they were the first time around.

WHERE DO I START?

A good starting point is to discuss your existing investments, pensions, income and property. You should also explain to your partner any ongoing financial commitments from previous relationships, such as child maintenance.

Once everything is laid out on the table you can decide how to move forward with your money. Try to estimate what your day-to-day income and expenditure is likely to be and then agree on who will pay for what.

It's important to discuss your long-term financial goals, such as saving for your children's university fees and planning for retirement. This will influence how you invest as a couple.

SHOULD WE COMBINE OUR INVESTMENT ASSETS?

Deciding whether to manage your investments separately or amalgamate them can be difficult.

It will depend on factors such as whether the value of your assets is evenly split or not and your wider family circumstances.

Keeping assets separate will usually be the better option if there is a big age gap between you. In general, the level of risk someone can afford to take decreases as they get older and their investment time horizon shortens.

'Time horizon is one of the crucial determinants of an appropriate investment strategy and so this becomes very relevant if there is a big age gap between the couple,' says Charlie Musson, spokesperson for AJ Bell Youinvest.

'If one person has a time horizon of 20 years and the other plans to access their money in two years, this is likely to have a significant impact on the way the money is invested.

'As a result, where there is a significant age gap couples might decide to look at their investments separately so they can adopt strategies to suit the differing needs of both parties.'

HOW DOES REMARRYING AFFECT MY PENSION?

Pension planning can become very complicated when there is more than one spouse and family to consider.

Fiona Tait, technical director at Intelligent Pensions, says if you have been divorced you might have given up some of your pension benefits to your ex-spouse as part of the financial settlement.

It's important to review your remaining pension and do what you can to replace the lost benefits. You should also ensure your pensions are working efficiently.

'All of your financial assets, including pensions relating to previous employments, should have been assessed during the divorce process. Now may be a good time to consider whether you need to consolidate some or all of them within a single plan and whether your investment choices need to be reviewed,' says Tait.

If you have a final salary scheme, check whether your new spouse is eligible to receive spouse's benefits. The trustees of some schemes reduce the value or even disqualify a spouse from receiving death benefits for very recent marriages.

If your pensions are already in payment, analyse whether the decisions made are still appropriate to ensure you both have sustainable income to last for the rest of your lives.

Make sure you update your death benefit nomination form with the name of your new spouse. You can also choose whether you want your pension to go to your natural children or to both natural and step (or adopted) children.

PLANNING FOR THE WORST

If you've been through a divorce before, you'll know how stressful the process is, particularly when it comes to sorting out finances and assets. Ensure you do all you can to avoid this stress a second time around.

Patrick Connolly, head of communications at Chase de Vere, suggests agreeing at the outset what will happen to your pensions, investments and property in the future and how your finances will be structured.

You might want to consider a pre-nuptial agreement setting out what you'd like to happen if the marriage breaks down. The agreements aren't legally binding but they are seen as influential by the courts.

It is vital to get a new will, particularly if you have children from a previous relationship. When you remarry, any existing will you have becomes null and void.

Alex Brown, wealth management director at Mattioli Woods, says ensuring assets go to the right person on death is one of the biggest concerns among couples who have children and then remarry.

'The natural concern is that leaving total assets to the surviving spouse could see their children subsequently cut out of future inheritance, but equally they don't want to see their surviving spouse struggle due to half the wealth being directed straight to the children instead,' says Brown.

One option is to place your inheritance in a trust. Trusts can be structured to distribute money to your spouse and children in the amounts you specify; ensuring everyone you care about is treated fairly.

'ENSURING ASSETS GO TO THE RIGHT PERSON ON DEATH IS ONE OF THE BIGGEST CONCERNS AMONG COUPLES WHO HAVE CHILDREN AND THEN REMARRY'

DON'T FORGET TAX AND INSURANCE

When you remarry it's worth reviewing your tax arrangements. You might be able to make use of the tax allowances given to married couples and move assets from one person to the other to reduce your tax bill.

It's also important to ensure policies like life insurance are updated to show your new partner as the beneficiary. (EP)

HMRC repays £262m pension 'super tax' – how do I make a claim?

We explain the different forms to complete and how the system works

If you're looking to make the most out of the pension freedoms, managing withdrawals so you pay as little tax as possible is absolutely critical.

A quarter of your pension pot can usually be withdrawn tax-free, with the remaining 75% taxed in the same way as income.

This should be the case whether you buy a guaranteed income stream (an annuity), keep your money invested and draw a regular income (drawdown), or take an ad-hoc 'uncrystallised funds lump sum' (UFPLS).

HEALTH WARNING

The UFPLS option comes with a health warning. If you're planning to make a single UFPLS withdrawal from your fund you risk being hit with a hefty 'emergency' tax bill from HM Revenue & Customs (HMRC).

Rather than treating this as a single payment, the taxman assumes you are going to keep taking money out of your fund for the rest of the year.

Take someone who makes a UFPLS withdrawal of £10,000 in April – the start of the tax year – and has no other income. Given that the personal allowance is currently £11,500, they would understandably expect to pay no tax on the money.

Because an emergency tax code is applied, HMRC divides the personal allowance by 12, meaning only £958.33 of the withdrawal is tax-free. The next £2,791.67 (£33,500 divided by 12) is taxed at 20%, with the remaining £6,250 taxed at 40%. After all that, our saver gets back £6,941 – which is £3,059 less than they expected.

> RELYING ON THE EFFICIENCY OF HMRC TO SORT OUT YOUR FINANCES ISN'T A GREAT STRATEGY

GETTING YOUR MONEY BACK

If you have been overtaxed on your pension, you need to fill out one of three forms:

- P53Z: If you have cashed in your entire pension and have one or more other sources of income
- P50Z: If you have cashed in your entire pension and have no other sources of income
- P55: If you have cashed in part of your pension and don't intend to make any further withdrawals

Once you've sent off the form you should get your money back within 30 days.

According to HMRC, a whopping £262m has been repaid to savers who have been overtaxed since the pension freedoms launched.

However, this is probably the tip of the iceberg because it only covers those who have completed the official forms.

While 107,000 of these forms have been sent to HMRC since April 2015, we reckon somewhere in the region of half a million withdrawals that risk being overtaxed were made during that period. That leaves hundreds of thousands of savers who have done nothing to get their cash back.

Clearly relying on the efficiency of HMRC to sort out your finances isn't a great strategy, so the only way to guarantee you aren't short-changed is to sort it yourself by filling out the correct tax reclaim form.

Tom Selby, senior analyst, AJ Bell

Stobart has attractive dividends and plenty of growth

The firm has issues with its biomass energy division but that looks temporary

If you're interested in a profitable company paying a decent dividend, take a look at **Stobart (STOB)**. The diversified infrastructure, energy and aviation business believes it has plenty of avenues for growth, meaning its recent share price rally may have much further to go.

Warwick Brady, who took over from founder and major shareholder Andrew Tinkler as chief executive in June, has ambitious hopes for the company.

He wants to turn it into a £2bn market cap business by 2022. It's currently worth just shy of £1bn. Revenue is forecast to jump from £129.4m in the year to February 2017, to hit £265.5m in 2018 and £354.9m in 2019.

HOPING TO FLY HIGH

Stobart has many divisions but it is Brady's background as chief operating officer of **EasyJet (EZJ)** that suggests where a good chunk of growth will be generated. Stobart owns and runs Southend airport and Brady believes it could become a major London transport hub.

The company has already increased passenger numbers by 25% in the first half of the year to 610,000 customers and is looking to boost that figure to 5m by 2022.

It has also invested £2.6m on set-up and marketing costs for 11 new **Flybe (FLYB)** routes launched in May and the airline along with EasyJet has committed to basing a further three planes at the airport.

This could add an additional 520,000 passengers per year and the company is in discussions with other airlines to increase capacity over the next two years.

Cenkos analyst Sandy Chen says: 'We expect that Southend's top customer satisfaction ratings and peak time slot availability will continue to attract more aircraft/route allocations.'

GOODBYE DEBT, HELLO DIVIDENDS

Stobart's recent £124m sale of part of its stake in trucking company **Eddie Stobart Logistics (ESL:AIM)** has helped to clear its debts. Net debt stood at £121m last year, it now has a net cash position of £2.9m. It retains 12.5% of ESL worth around £70m.

This stronger balance sheet should mean more cash in shareholders' pockets in the form of dividends. Investment bank Stifel forecast 18p per share this financial year, equal to a 6.2% yield on the latest share price of 288.5p.

Stifel expects the dividend to go up to 18.5p in 2019 and 19.1p in 2020.

The company recently had some setbacks with it biomass energy division due to delays with commissioning at six plants. But these deals to supply fuel are locked in with contracts so it's only a timing issue. Once all the plants are operational this will be yet another long-term revenue stream for the business. (DS)

SHARES SAYS: ↗
Buy at 288.5p

Footasylum shares off to an impressive start

Trainers and t-shirt seller bucks the negative trend among retail stocks

Shares in branded footwear and clothing retailer **Footasylum (FOOT:AIM)** have risen by nearly 25% on their IPO (initial public offering) price in less than a week. Investors are clearly banking on the retailer being the next big thing, helped by having support from several well-known names in the retail sector.

Footasylum was established in 2005 by David Makin, one of the two co-founders of the **JD Sports (JD.)** chain. JD Sports' other co-founder John Wardle joined Footasylum as chief executive in 2008; and now hold the executive chairman role.

Barry Bown – JD Sports' CEO between 2000 and 2014 – will become chairman next summer when Wardle retires.

The retailer operates 61 UK stores in prime high street locations, retail parks and malls, and sees potential for 'at least 150' stores, targeting eight to 10 new sites per year.

Footasylum sells 'on-trend' branded footwear and apparel aimed at fashion-conscious 16-to-24 year-olds.

While the UK consumer is under pressure, management argue this demographic 'typically has limited or no dependants' and a tendency to prioritise discretionary spend on cool-looking clothing and footwear.

That's good news for Footasylum, which sells well-known third party brands including *Adidas*, *Nike* and *The North Face*, although one risk factor to note is the relationship between Footasylum and suppliers and brand partners are not in all cases governed by signed written agreements.

Encouragingly, Footasylum plans to build global recognition for own brands including *Kings Will Dream*, sold under a global wholesale distribution contract with **ASOS (ASC:AIM)**, as well as *Glorious Gangsta*, *Condemned Nation* and *Alessandro Zavetti.*

The company's core fascia is Footasylum, which spoke for 97% of last year's revenue. Each store is fitted out in a distinctive style tailored to the local market and making use of video, music and photography to create a lively youth-friendly environment.

Footasylum also has a fast-growing e-commerce platform and a wholesale arm for distributing its own brands through a network of partners.

In the financial year to February 2017, sales rose from £110.4m to £147m with EBITDA (earnings before interest, tax, depreciation and amortisation) growing from £6.1m to £11.2m.

Business remains brisk. Sales shot up an impressive 36% to £83.2m in the six months to 26 August 2017.

Footasylum operates in a crowded market and won't offer dividends short-term. It raised £43.4m before expenses at the IPO. It will spend £18.7m redeeming preference shares and £3.9m to repay a loan made to the company by the current chairman.

The rest of the IPO cash will support growth efforts which include upgrading IT systems and opening new stores. (JC)

Lok'n Store set for big expansion

Broker implies there is potential to make handsome gains on the stock over the long term

Storage space provider **Lok'n Store (LOK:AIM)** looks an attractive prospect as it gears up for the most significant period of expansion in its history.

With a pipeline of 11 new locations set to be opened (mainly in retail locations) out to 2020, the group is positioning itself to take advantage of strong industry dynamics in an undersupplied market.

Chief executive Andrew Jacobs tells *Shares* that cash available for distribution – basically how much cash can be paid in dividends minus any capital expenditure – and earnings before interest, tax, depreciation and amortisation (EBITDA) are more relevant metrics for Lok'n Store than pre-tax profit.

The profit figure is impacted by the depreciation of its self-storage sites. Broker FinnCap describes that as an 'accounting quirk' linked to the group completing its accounts as if it was a trading entity rather than a property firm.

Arguing for the continued growth potential of this niche, Jacobs notes the more mature US market has eight square foot of self-storage space per person against just half a square foot per person in the UK.

FinnCap believes cash available for distribution could increase from 18p in the financial year to July 2017 to 51p in 10 years' time.

FinnCap thinks the shares could hit £10

Applying a 5% yield to the implied dividend at this point generates a long-term share price target of £10.08. That implies the shares could go up by 162% over the period, equal to an average 16.2% annual gain (excluding dividends).

SHARES SAYS: ↗
Buy at 385p.

Is it time to look at Distil again?

A pullback from 3.725p in August to 2.3p at premium drinks brand owner **Distil (DIS:AIM)** may interest investors looking for opportunities in stocks which have previously enjoyed strong rallies.

Distil saw its share price more than triple in value between the start of 2017 and late summer.

The micro-cap behind *RedLeg Spiced Rum*, *Blavod Black Vodka* and *Blackwoods Gin and Vodka* recently reported (24 Oct) continuing growth across its brands. (JC)

Elektron is on the comeback trail

Shares in tiny electronics engineer **Elektron Technology (EKT:AIM)** jumped 14% to 19.5p on 2 November after a surprisingly strong third quarter trading update.

Sales in the three month period increased by 34% year-on-year, principally thanks to success in Elektron's specialist connector arm Bulgin.

Last year Elektron saw group revenue crash by 29%, spinning the company into the red. (SF)

Nighthawk soars on farm-out deal

Shares in small cap oil and gas play **Nighthawk Energy (HAWK:AIM)** have risen to 0.35p after it secured a new partner on its Monarch project.

A Denver-based privately held firm is set to take up to 80% of the project in return for meeting the drill and production test costs of a well and making a separate payment of $160,000.

The company's shares fell sharply earlier in 2017 as its financial position came under scrutiny. (TS)

KEY

- **Main Market**
- **AIM**
- **Investment Trust**