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SHARES

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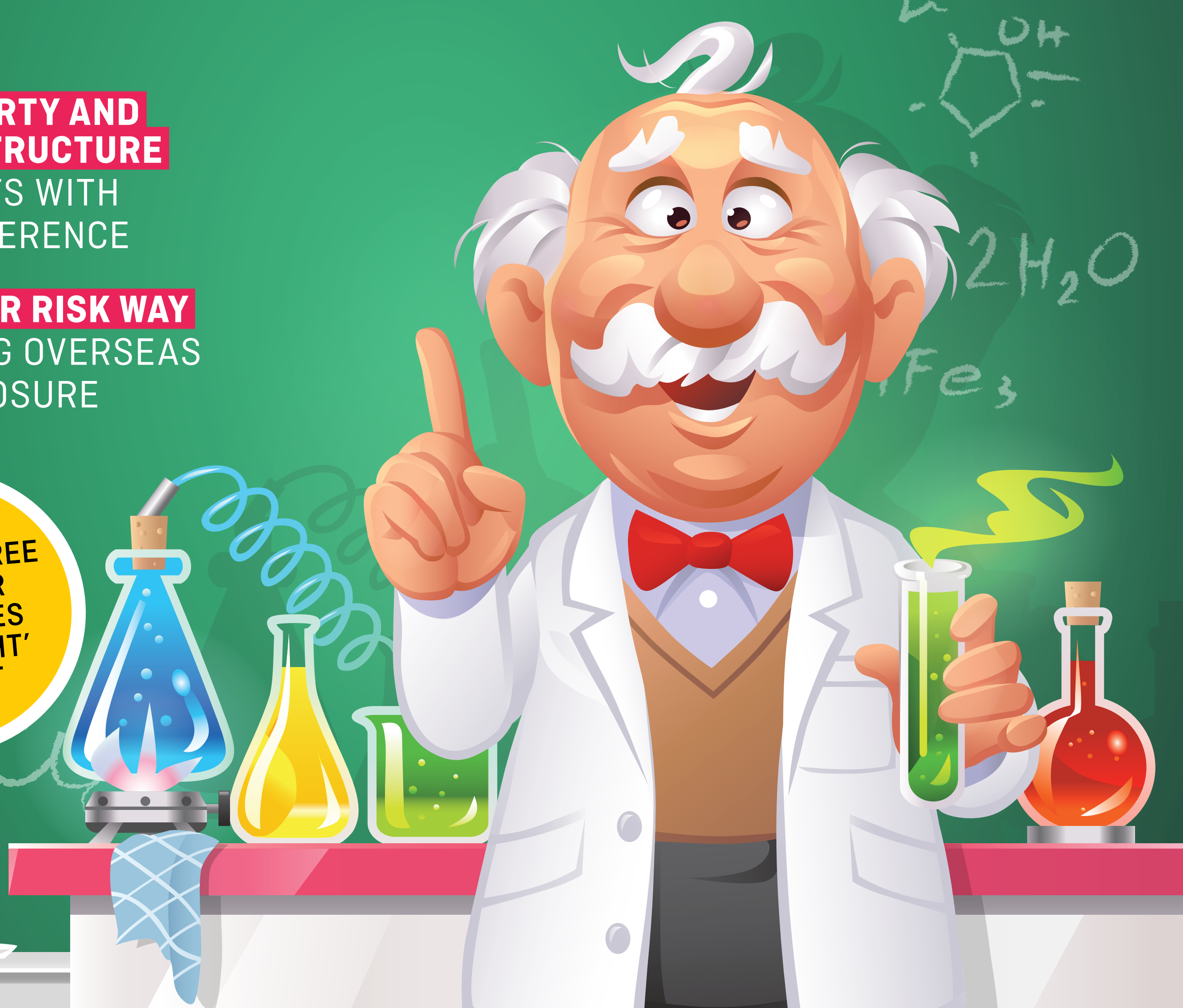

HOW TO INVEST IF YOU HAVE A FLUCTUATING INCOME

Don't rule out a UK general election in 2018

Investment bank Morgan Stanley says the risk of Labour getting into power isn't fully priced in to the market

We're approaching the point where investment experts give their predictions for big themes in the year ahead. We will publish our analysis of the key issues facing investors in 2018 in a fortnight's time (14 Dec).

Ahead of that article, it is worth touching on one issue which has the potential to be a much bigger concern for investors if Brexit negotiations don't go smoothly.

That issue is the potential for Labour to get into power and what that would mean for a large number of companies on the UK stock market. Before we explain why, it is important to stress that *Shares* is an unbiased publication when it comes to political matters.

WHY A 'RADICAL' LABOUR COULD BE A GAME-CHANGER

Morgan Stanley's chief European equity strategist Graham Secker says if he was a UK fund manager, he'd be very concerned about a potential change in government in 2018. 'It could be the biggest shake up in the domestic backdrop since the 1970s,' he adds.

Secker's point lies with how new governments over the past 30 years or more haven't really pushed through any radical policy ideas – yet the situation could soon change, judging by Labour's comments over the past year. 'You need to think about areas such as corporate tax rates going up, nationalisation and favouring labour over capital,' he says.

THREE BIG ISSUES TO CONSIDER

Labour's election manifesto in 2017 gave support to re-nationalising infrastructure-related assets such as utilities, postal services, telecoms and bus/rail. The Party wants to raise corporate taxes up to 26%. And spending priorities could shift in favour of low-income households and the public sector and away from outsourcing firms and defence companies.

Morgan Stanley believes there is more than a 50% chance of another UK general election in the second half of 2018. Secker says investors should already be aware of the Labour-related risk to parts of the UK stock market as many stocks have already had this risk discounted into their valuation. However, he doesn't believe the risk is fully discounted yet.

STOCKS AT RISK

Labour has talked about raising the minimum wage which could be bad news for businesses with low profit margins and large staff numbers such as some retailers.

In response, Morgan Stanley has analysed the UK market for companies with high domestic exposure and a combination of low margins and high number of employees and produced a list of 35 vulnerable stocks.

It says the likes of **Ocado (OCDO)**, **Sainsbury's (SBRY)**, **Serco (SRP)** and **Tesco (TSCO)** are among those could be most negatively impacted by a Labour government, even after netting off the positive impact from easier fiscal policy that could boost overall economic growth. **Royal Mail (RMG)** and **Go-Ahead (GOG)** are among the stocks most at risk from the nationalisation threat.

What happens if Brexit talks go well and there is renewed confidence in May as prime minister? Secker says that while it is feasible for the aforementioned 'at risk from Labour' stocks to bounce back, he says this may only be a short term trade.

'Without there being more of a shift in opinion polls from Labour to Conservative, how much are you really going to chase these stocks?' he concludes. We'll be watching this situation closely. (DC)

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BROKER RATINGS EXPLAINED:

We use traffic light symbols in the magazine to illustrate broker views on stocks.

Green means buy, Orange means hold, Red means sell.

The numbers refer to how many different brokers have that rating.

Eg: 4 2 1 means four brokers have buy ratings, two brokers have hold ratings and one broker has a sell rating.

The traffic light system gives an illustration of market views but isn't always a fully comprehensive list of ratings as some banks/stockbrokers don't publicly release this information.

UK banks pass latest stress tests

Lloyds performs best but Barclays and RBS are at the bottom of the class

For the fourth year in a row the Bank of England (BoE) has run its checks to see how the UK banking sector would withstand another financial crisis. For the most part investors in the sector can now breathe a sigh of relief.

For the first time since 2014 no bank needs to raise cash in the wake of the stress test although **Barclays (BARC)** and **Royal Bank of Scotland (RBS)** would have fallen below their minimum capital levels in the scenario run by the BoE, which it says is equivalent to the worst possible outcome from Brexit.

Top of the class is **Lloyds Banking (LLOY)** which would retain a sufficient capital buffer in the stressed scenario even before management action. Most shares in the sector traded modestly lower

following the results of the tests on 28 November.

AJ Bell investment director Russ Mould comments: 'The tests show RBS and Barclays have the lowest margin for error in the event the Bank of England's stress-test scenario comes to pass and this may be reflected in their relatively lowly valuations.'

Separately the BoE wants UK banks to hold an extra £6bn buffer to cover risks beyond Brexit including misconduct costs and global debt levels. (TS)

Centrica's yield could be a phantom menace

Dividends remain at serious risk of another deep rebasing cut

DIVIDEND PAYMENTS from energy supplier **Centrica (CNA)** must be considered at serious risk in the wake of the group's shocking profit warning last week (23 November).

In a third quarter trading update the *British Gas*-owner slashed earnings guidance to 12.5p per share (EPS) for 2017 after losing 823,000 UK consumer customers and facing 'significant market pressure' in North America. The EPS consensus forecast had been 15p.

The latest setback continues a multi-year EPS declining trend. For example, in 2012 the group reported 26.4p.

Centrica is caught between the rock of stiff competition and a hard place of Government intervention, savage regulation and price caps.

Its shares are down 40% this year to 139.3p. Based on current dividend forecasts, the stock offers a prospective 8.6% yield. We view that high yield as a warning sign by the market that it doesn't believe the dividend forecasts are realistic.

Centrica will presumably do everything possible to avoid having to cut the payout, as it did to devastating effect three years ago. Yet future dividends are already under pressure based on current consensus, which anticipates reduced income every year through to 2020.

That could mean further downward pressure on the share price ahead. Even more so if Centrica is eventually forced to rebase shareholder payouts, with the potential for capital losses to far exceed implied yield returns.

SHARES SAYS:
We have been long-run bears on Centrica and have been proved right time and again. We remain highly sceptical and don't believe you should own the stock. (SF)

ConvaTec and Merlin to be ejected from FTSE 100

They will be replaced by Just Eat and DS Smith among other index changes

The healthcare sector has taken a blow on news that one of its biggest London-listed stocks will be ejected from the FTSE 100 in December following the index's quarterly reshuffle.

A decline in the valuation of woundcare specialist **ConvaTec (CTEC)** means the stock will be demoted to the FTSE 250, as there are now other firms in the mid cap index with higher valuations who will be promoted.

ConvaTec has recently been in the headlines after cutting its forecast full year sales growth from 4% to between 1% and 2% as supply issues affected sales in Europe, the Middle East and Africa.

Fast food ordering platform provider **Just Eat (JE.)** has been promoted to the FTSE 100 alongside health and safety technology group **Halma (HLMA)** and packaging firm **DS Smith (SMDS)**.

The two other stocks being demoted to the FTSE 250 from the FTSE 100 are support services group **Babcock International (BAB)** and leisure expert **Merlin Entertainments (MERL)**. (LMJ)

UK engineers in demand with customers and investors

Further sector upside on the cards, according to analysts

ANALYSTS ARE becoming increasingly confident of earnings outperformance potential across the engineering sector. Investment bank UBS is among those to have picked up on the trend.

UBS believes eight out of 13 UK engineers beat expectations on organic top line growth in the third quarter of 2017 (July to September). They calculate average organic growth in the period was running at 7%.

'**Fenner (FENR)** and **Renishaw (RSW)** saw significant earnings per share upgrades and were the best performing shares,' say analysts at UBS.

Since the end of June shares in Fenner and Renishaw have rallied 42% and 48% respectively.

MORE TO COME FROM SOME

Earnings momentum is still to be fully recognised in some share prices.

'We also see full year upside potential for consensus at **Bodycote (BOY)** and **Vesuvius (VSVS)** after strong third quarter top line progression,' add the UBS team.

Shares in this latter pair have performed well since late June, although their more modest respective gains of 18% and 9.5% may imply further upside to come.

In a sector-wide research note in late October stockbroker Peel Hunt flagged a 'much stronger global trading backdrop,' being enjoyed by sector constituents.

'The fundamental outlook for broader UK industrial companies is one of enormous opportunity,' it noted. (SF)

Tri-Pillar promises 'completely different' infrastructure proposition

It is targeting new-build projects and operational ones where it can help to enhance profit

Investors looking to avoid paying a premium for infrastructure funds have until 4 December to take part in the IPO (initial public offering) offer for a new fund with a difference. We think the shares are worth buying.

Tri-Pillar Infrastructure Fund will be advised by CAMG which is run by former bosses of **John Laing Infrastructure Fund (JLIF)**.

CAMG's chief executive Andrew Charlesworth says Tri-Pillar's proposition is 'completely different' to its peer group. He believes investors could potentially make greater returns versus other infrastructure funds due to the type and location of assets being targeted.

Tri-Pillar is targeting 4.5% annual dividend (2.25% in the first year) and 8% to 10% annual total return (share price appreciation and dividend) over the long-term.

> THE UK INFRASTRUCTURE SECTOR HAS BECOME A CROWDED SPACE AS NUMEROUS FUNDS AND OTHER FINANCE HOUSES COMPETE TO BUY ASSETS WITH LONG-TERM, REGULAR CASH FLOWS

All the rival quoted infrastructure investment trusts trade at a big premium to their net asset value. For example, you would currently pay 5.8% more for John Laing Infrastructure's assets than they are worth; or a 13.2% premium for **GCP Infrastructure's (GCP)** assets, according to analysis by AIC and Morningstar.

Tri-Pillar is letting retail investors take part in its IPO; anyone interested can apply through a stockbroker such as AJ Bell Youinvest. By doing so you wouldn't pay a premium to net asset value. The fund hopes to raise up to £200m.

The UK infrastructure sector has become a crowded space as numerous funds and other finance houses compete to buy assets with long-term, regular cash flows. That's pushed up the price for assets plus there are very few available on the UK market.

Tri-Pillar is focusing on the US and Europe. It will invest in primary assets (i.e. new build projects) as well as secondary assets (projects already operational).

'We believe we can invest in primary projects and potentially see their value double once they become operational,' says Charlesworth. 'We will also find ways in which to enhance their earnings.'

Tri-Pillar is currently in talks to invest £50m in a waste recycling project with a potential 15% to 20% yield. It is also bidding for a portfolio of European assets from a private fund being wound up.

The latter features a broad mix of assets including healthcare, education, road and communications projects. While there is no guarantee it will win the bidding process, Charlesworth is confident Tri-Pillar stands a good chance of winning.

'The seller wants a competent buyer to do a deal with them. We've got lots of experience and Tri-Pillar benefits from being able to buy lots of different assets. Many other infrastructure funds have restrictions over what they can invest in.' (DC)

New European-focused fund offers tastier way to play e-commerce logistics boom

Aberdeen Standard European Logistics is hoping to generate higher yields than UK assets

A new vehicle is launching on the London Stock Exchange which will enable investors to gain access to the pan-European logistics market for the first time.

The £250m IPO (initial public offering) offer for **Aberdeen Standard European Logistics Income** is open to retail investors until 11 December. We are enthused by its proposition and rate the shares as a 'buy'.

The shares are expected to commence trading on 15 December. The investment trust will target an annual total return of 7.5% including a dividend yield of 5.5%.

According to Aberdeen Standard's global head of real estate investment research Andrew Allen, the logistics market in continental Europe is, for the most part, less developed than the UK.

This is linked to the penetration of e-commerce with Allen noting that in the UK online sales account for 15% of all retail sales but just 8% in continental Europe.

The yields on European logistics assets tend to be higher than the UK as the market is less mature. In comparison, there is strong competition for UK logistics assets, making them expensive to buy.

'You can get prime yields of perhaps 4% in the UK compared with 5% or 6% in Europe and the cost of finance is cheaper,' Allen says.

He adds that unlike the UK, rents in continental Europe tend to be automatically linked to inflation. That should give the investment trust a smoother income profile and help support the dividend.

The company has a large pipeline of assets to target and already has exclusivity on a €20m multi-let logistics facility in Germany. Allen reckons the fund will be fully invested within six to nine months.

The float of Aberdeen Standard European Logistics follows the cancellation of another property-linked IPO, although the two funds are sufficiently different for us not to worry about the former's imminent stock market float.

M7 Multi-Let REIT was set to be the largest REIT IPO in 2017, planning to raise £300m to invest in UK commercial property. Following a delay to its flotation, it subsequently said some prospective investors were interested in buying its seed portfolio privately. It also cited the high volume of recent IPOs focused on UK real estate for not pursuing its listing.

Recent real estate-linked IPOs include UK-focused logistics play **Warehouse REIT (WHR)**, social housing specialist **Triple Point Social Housing (SOHO)** and supermarket investor **Supermarket Income REIT (SUPR)**. (TS)

Uncorking a Majestic turnaround

RETURN ON INVESTMENT in **Majestic Wine's (WINE:AIM)** Naked Wines business was restored to 98% from 48% in the six months to 2 October, as the wine specialist stripped back spending on underperforming US direct mail and reduced marketing spend for acquiring new customers for its online crowdfunding arm.

Two years into CEO Rowan Gormley's turnaround plan, Majestic Wine's half year results (23 Nov) revealed an impressive swing from break-even to adjusted profit before tax of £6.8m, with Naked Wines profitable in all three geographical markets and the traditional Majestic Retail business growing profitably in a challenging market.

EUROZONE ECONOMY KNOCKING THE LIGHTS OUT

Purchasing managers' index (PMI) data on the eurozone economy shows jobs growth and manufacturing orders at 17-year-highs and suggests the economy could be growing faster than expected.

The headline PMI figure from IHS Markit came in at 57.5 (any figure above 50 implies growth) with the upturn led by the manufacturing sector.

PMI readings are considered to be reliable indicators for future economic growth because they are based on surveys of the people responsible for buying the goods and services required by a company.

SSE EYES BIG COST SAVINGS

CUTTING COMBINED OPERATING costs and overlap is the main reason why big six energy supplier **SSE (SSE)** wants to merge with rival Npower/Innogy in the UK.

So it is instructive that management predict 'greater than £100m' of cost synergies, according to analysts.

Some number crunchers think these savings could be *much* bigger. Analysts at investment bank Macquarie have a base case £140m a year, and that implies combined group free cash flow of £215m leading to £180m or so of dividends for shareholders.

Another factor to consider is the potential for improving the Npower/Innogy margins, presumably from streamlined operations and modest price increases. Investment bank Berenberg calculates that this could add another £74m to any savings.

This all depends on the deal being approved by regulators, and that simply cannot be taken for granted. We would expect negotiations with watchdog Ofgem to drag on deep into 2018.

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.

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Focusrite is in a global growth groove

Music and audio products specialist is set to make an increasingly big noise

Investors seeking a small cap with a formidable track record and global ambitions should tune in to **Focusrite (TUNE:AIM)**. The music and audio products specialist develops and markets hardware and software products used by amateur musicians and audio professionals to realise the high-quality production of recorded and live sound.

Although the shares have already done very well over the last few years, we believe the business could get much bigger. There's still significant upside from new product launches and further gains in a growing global audio production market.

FOCUSRITE BUY
(TUNE:AIM) 324p
Stop loss: 210p

Market value: £188m

BECOMING A BIG NOISE

With a reputation for innovation and disruption, Focusrite's products span everything from audio interfaces and grooveboxes to music-making apps which consistently rank in the top 10 for music creation tools on Apple's app store.

Forecast-beating full year results on 21 November revealed sales up 21.6% to £66.1m and a 33.5% surge in pre-tax profit to £9.5m.

This performance was driven by its audio recording equipment arm Focusrite as well as Novation, the brand family supplying hardware and software for creating and playing electron

Within Focusrite, the *Scarlett*, *Clarett* and *RedNet* ranges all grew, while in Novation, the growth of its *Launchpad* grid-based controllers and *Launchkey* keyboard controllers both accelerated.

'This is the first report under new chief executive Tim Carroll, an industry professional with career history at US competitor Avid,' says research group Edison. 'The strategy is evolving to emphasise actions to grow the customer base, increase lifetime value of customers, and expand into new markets.'

Focusrite is growing everywhere from the US (its largest market) to Europe and China, supported by an e-commerce website delivering products internationally.

Stockbroker Panmure Gordon believes the high potential markets of China, Japan, rest of Asia and Latin America are particularly ripe for Focusrite to exploit further.

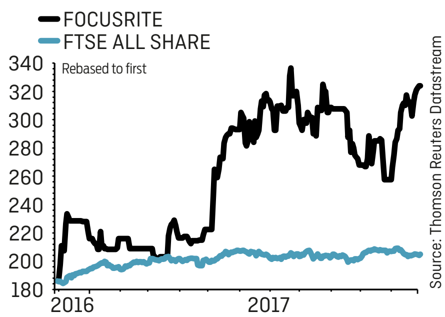
AMP-LE FIREPOWER

Focusrite finished the year armed with £14.2m net cash, underpinning a 38% hike in the full year dividend to 2.7p.

This means the AIM-quoted company has ample balance sheet firepower to increase market share through the penetration of existing products and through expansion into adjacent products categories, both organically and through selective acquisitions.

Edison forecasts pre-tax profit to hit £10m in the year to August 2018 and £10.6m in 2019. It estimates 3p dividend next year and 3.3p in 2019. (JC)

BROKER SAYS: 1 0 0



Snap up Galliford Try as its shares look oversold

Market is not giving credit for ambitious expansion plans following Construction division setback earlier this year

We think shares in housebuilding, construction and regeneration business **Galliford Try (GFRD)** are being unfairly dogged by a hit from legacy contracts earlier this year.

This creates an opportunity to invest at an attractive price in a business with credible plans to boost profit more than 60% out to 2021.

Galliford has three divisions: housebuilder Linden Homes accounts for about a third of group revenue; Partnerships & Regeneration makes up nearly 12%; and Construction which accounts for the remainder.

Linden contributed the bulk of profit for the financial year ending 30 June 2017 as Construction slipped into a loss after a £98m hit from problems on legacy contracts announced in May.

The hangover from this setback has dogged the stock with the company lagging housebuilding peers by nearly 50% year-to-date. This is despite the write-down only being worth around 8% of its market value at the time it was announced.

Galliford is now the cheapest housebuilder in terms of price-to-earnings, on a multiple of 6.4 times, and the shares trade at just a small premium to its rivals on a price-to-book basis.

Liberum analyst Charlie Campbell says: 'The shares used to trade at a significant premium from about 2012 onwards, correctly reflecting Galliford Try's leading return on equity, driven by the high returns from its Construction and Partnerships & Regeneration businesses, as well as its capital structure.'

GALLIFORD TRY ↗ BUY
(GFRD) £11.51
Stop loss: £9.21

Market value: £952.8m

LIMITED RISK OF FURTHER CONSTRUCTION WARNINGS

The risk of further warnings on the construction side now looks limited. This is the first such write-down for the business since 2001 and no further deterioration has been announced in the three updates which have followed the initial warning.

The company is also no longer bidding on large scale, fixed price infrastructure contracts like the ones on which it ran into trouble.

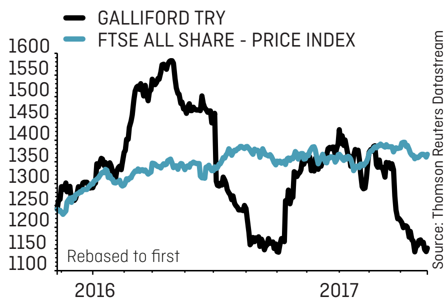
The plan to grow pre-tax profit will be delivered by increasing volumes at Linden by around 10% a year and boosting margins from 18.2% in the 2017 financial year to around 19% to 20%.

The Partnerships & Regeneration business is expected to benefit from growing demand as Housing Associations look to develop social and private homes.

The prospects for this division may also be helped by the £1.1bn of new money announced in the Government's latest Budget (22 Nov) to support private developers in developing regeneration projects.

Galliford could be hit by the uncertain economic environment in the UK but the diversified nature of its three businesses, which operate in different markets with different customers and different funding sources, should help it remain resilient. (TS)

BROKER SAYS: 4 3 0



TRACSIS

(TRCS:AIM) 575p

Gain to date: 10.6%

Original entry point:

Buy at 520p, 22 December 2016

LEEDS-BASED **Tracsis (TRCS:AIM)** has bounced back following a year to forget, in share price terms. Having spent most of 2017 in negative territory following its inclusion in our list of best ideas for the year, the stock is back showing a modest profit.

The smart transport analytics and infrastructure company was left deeply frustrated by its failure to pull off a value-enhancing acquisition in its last financial year (to 31 July), a fundamental part of its buy-and-build strategy. We believe that will be corrected in the current 12 month period, with perhaps more than one deal on the cards.

Management is upbeat about deal opportunities going forward. And July's enterprise software contract win, worth potentially several million pounds, shows the inherent opportunities in the underlying business.

It's also worth noting that Tracsis has more than £5m of deferred earn out payments sat on the balance sheet. This relates largely to previous acquisition Ontrac. If the company does pay most of that money out it would surely imply very strong trading from that business. That's something to look out for in half year results around March or April 2018.

SHARES SAYS:

We anticipate a renewed spell of share price momentum that suggests Tracsis shares remain worth owning, for now and beyond. (SF)

BROKER SAYS: 1 0 0

RAMSDENS

(RFX:AIM) 188p

Gain to date: 32.4%

Original entry point:

Buy at 142p, 15 June 2017

OUR POSITIVE STANCE on pawnbroker **Ramsdens (RFX:AIM)** continues to pay off as the group has revealed a very strong set of first half results (27 Nov).

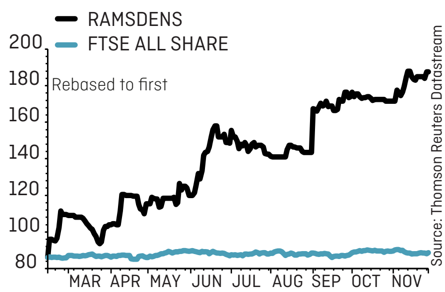
Particularly impressive was the contribution by its retail jewellery and foreign currency businesses where gross profit was up 30% and 35% respectively. For the wider group, pre-tax profit grew by 63% year-on-year to £5.2m.

Investment bank Liberum has subsequently upgraded its earnings per share (EPS) forecast by 6% to 16.2p for the year to March 2018 and its 2019 EPS by 2% to 16.4p.

The one fly in the ointment for analyst Justin Bates is the future direction of the gold price with assumptions for the precious metal trimmed by 6% for the 2019 financial year.

Since joining the stock market in February 2017 the market has rewarded Ramsden's strong performance and future potential. The shares are now up by 118.6% on the 86p issue price and are also comfortably ahead of the levels we flagged them at in June.

Despite the stellar share price performance, the valuation does not look overly demanding at 11.6 times forward earnings. For comparison, rival **H&T (HAT:AIM)** is on an earnings multiple of 11.9.



SHARES SAYS:

Keep buying. (TS)

BROKER SAYS: 1 0 0

IMIMOBILE
(IMO:AIM) 201.5p

Gain to date: 27.1%

Original entry point:
Buy at 158.5p, 8 December 2016

TO MAINTAIN double-digit organic growth is no mean feat in the current economic environment and **IMImobile (IMO:AIM)** deserves credit.

The company's software helps businesses to engage and communicate with their customers online.

It reported 12% organic revenue growth in its half year results to 30 September, with headline revenue jumping 48% to £53.1m, aided by the acquisition of Infracast.

That deal should enhance its position in the financial services space and create notable cross-selling opportunities. Cash generation was typically stronge at £5.7m. This could nudge the company a little closer to making a dividend decision in the not too distant future.

The one concern is pressure on profit margins, which continue to get squeezed. This is unwelcome, if not unsurprising, given ongoing demands to refresh and develop the product suite in what is still a fairly nascent industry.

Management remain very confident of hitting forecast full year earnings before interest, tax, depreciation and amortisation of £12.4m. That only implies 8% growth. We think there is a reasonable chance IMImobile can beat guidance.

SHARES SAYS: ↗
Still a buy. (SF)

BROKER SAYS: 1 0 0

AGGREKO
(AGK) 860p

Loss to date: 12.8%

Original entry point:
Buy at 987p, 12 January 2017

THE TEMPORARY power solutions provider is enduring a torrid 2017, as reflected in a weak performance for the shares since we highlighted their appeal in January.

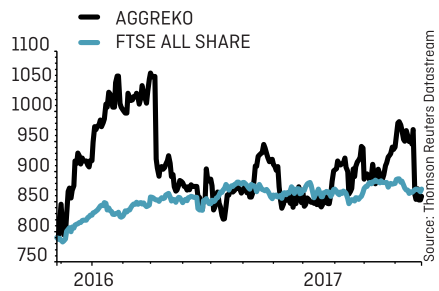
Our original hope was that Aggreko would enjoy a good recovery this year; sadly that's not been the case.

The latest shock came on 21 November when it revealed the early termination of a contract in Japan, a trimmed order in Zimbabwe, continuing weakness in its Argentinian business and disappointing order intake.

The shares suffered an intraday fall of more than 10% on the third quarter statement as Aggreko observed its pipeline of potential contracts was 'taking longer to convert than last year'.

Peel Hunt analyst Andrew Nussey puts the company's woes down to 'oil price volatility, emerging market uncertainty, new technology and unpredictable competitor behaviour'.

Panmure Gordon analyst Michael Donnelly is concerned that guidance for a return on capital employed (ROCE) of 20% cannot be maintained despite assurances from the company.



He notes consensus earnings estimates have fallen by 20% over the last 12 months on a 'growing asset base'.

SHARES SAYS: ↘
Time to cut our losses. We close our trade at 860p.

BROKER SAYS: 4 7 6

Ocado's major breakthrough... but at what price?

The company seems to be bearing more costs than expected with licensing deal

Online grocer **Ocado (OCDO)** has finally struck a major deal to power an overseas supermarket with its technology. This is a major breakthrough for the business as the desire to strike a major international partnership has been touted by the company for a very long time.

While the shares surged by 20% on the news (28 Nov), are investors getting ahead of themselves? A closer look at the finer details shows that Ocado won't make any money on the agreement with French supermarkets operator Groupe Casino in the near future.

Most licencing deals involve a third party paying money to use an established platform. Theoretically the intellectual property owner sits back and lets the cash roll in; or perhaps more realistically it slots in a proven system and a partnership can hit the ground running.

The new deal suggests Ocado will have to bear a larger chunk of costs than one might have initially expected. Therefore the market will continue to pay close attention to the company's cash burn going forward.

Ocado will provide its OSP (Ocado Smart Platform) system to build and drive Casino's online food business in France. That encompasses everything from robots that pick groceries to software that routes delivery vans.

The odd bit, in terms of a traditional licencing deal, involves a lengthy period to set up the partnership. The two companies will spend at least two years building a customer fulfilment centre to serve the Greater Paris area, as well as the Normandie and Hauts de France regions.

The pair will also consider further development of other customer fulfilment centres close to other large urban areas.

The partnership will have minimal impact on Ocado's earnings in the current financial year to 3 December and will be 'earnings neutral' next year, since the fees earned will be offset by the costs of establishing the partnership.

'In full year 2019 and beyond,' promises Ocado, 'the profitability of Ocado Solutions is likely to grow as the fees from the transaction increase and as other deals are signed'.

Chief executive Tim Steiner, whose first overseas deal with a mystery regional European retailer in June disappointed some investors, says he expects the Casino deal to be the first of numerous collaborations with retailers around the world.

We imagine there will be numerous analyst research notes in the coming days reappraising the Ocado investment case with the assumption that if a major international food retailer has endorsed the UK business' technology, so too will others.

We will write a more detailed analysis of the stock in the New Year once more information is available on the Casino deal and from the analyst community. (JC)

FRIDAY 1 DECEMBER

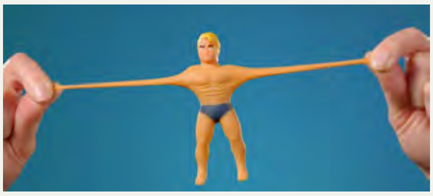
AGMS	
Aberdeen Asian Smaller Companies Investment Trust	AAS
DFS Furniture	DFS
Green REIT	GRN
Haydale Graphene	HAYD
James Halstead	JHD
PureCircle	PURE
Ruffer Investment Company	RICA
Starvest	SVE

MONDAY 4 DECEMBER

FINALS	
Character Group	CCT
MXC Capital	MXCP
INTERIMS	
RhythmOne	RTHM
AGMS	
IG Seismic Services	1GSS
MySale	MYSL
Taptica International	TAP
UK Mortgages	UKML
ECONOMICS	
UK	
Construction	PMI

TUESDAY 5 DECEMBER

FINALS	
Victrex	VCT
INTERIMS	
Collagen Solutions	COS
Consort Medical	CSRT
Iomart	IOM
Tatton Asset Management	TAM
Vianet	VNET
WYG	WYG
TRADING STATEMENTS	
Allied Irish Banks	ALBK
Ferguson	FERG
IG	IGG
AGMS	
London Finance & Investment	LFI
ECONOMICS	
UK	
Services	PMI

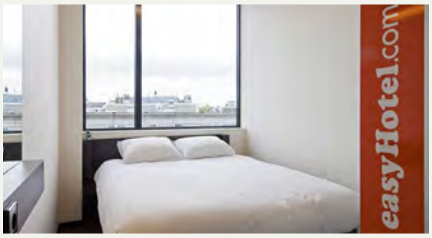


FULL YEAR RESULTS (4 Dec) from Character Group (CCT:AIM) provide the first opportunity to check on trading trends since the toy distributor's recent profit warning (11 Oct).

The company's *Stretch Armstrong* and *Laser X* toys are expected to be among the bestsellers this Christmas, in the opinion of an array of retailers.

WEDNESDAY 6 DECEMBER

FINALS	
EasyHotel	EZH
Numis	NUM
Oxford Metrics	OMG
Redhall	RHL
RWS	RWS
Schroder European Real Estate Investment Trust	SERE
INTERIMS	
Mercia Technologies	MERC
Plastics Capital	PLA
Stagecoach	SGC
SysGroup	SYS
Tricorn	TCN
TRADING STATEMENTS	
Carillion	CLLN
AGMS	
Billing Services	BILL
Ceres Power	CWR
Gattaca	GATC
YouGov	YOU
ECONOMICS	
BRC Shop Price Index	



THERE ARE HIGH expectations for EasyHotel's (EZH:AIM) full year results on 6 December given that it said in October that second half trading was ahead of the board's expectations.

The company has already told the market that total system sales grew by 39% to £29.7m in the 12 months to 30 September and that its owned hotels had significantly outperformed rivals, according to analysis by analytics firm STR Global.

Investors will now want income details and guidance on the company's expansion plan as well as an update on how its newer hotels are performing.

THURSDAY 7 DECEMBER

FINALS		
CareTech	CTH	
INTERIMS		
Clipper Logistics	CLG	
Mulberry	MUL	
DS Smith	SMDS	
AGMS		
Abcam	ABC	
Aeorema Communications	AEO	
Fidelity Asian Values	FAS	
Frontier IP	FIPP	
Foresight Solar VCT	FTSV	
MJ Gleeson	GLE	
Hemogenyx Pharmaceuticals	HEMO	
Henderson International Income Trust	HINT	
The Investment Company	INV	
Sanditon Investment Trust	SIT	
EX-DIVIDEND		
Debenhams	DEB	2.4p
DFS Furniture	DFS	7.5p
JP Morgan Global Growth Income	JPGI	3.04p
Netcall	NET	1.16p
Next	NXT	53p
Orchard Funding	ORCH	2p
Palace Capital	PCA	9.5p
Town Centre Securities	TOWN	1.25p
Town Centre Securities	TOWN	7p
Vertu Motors	VTU	0.55p
ECONOMICS		
UK		
RICS House Price Balance		
Industrial Production		
Manufacturing Production		
Construction Production		

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

GLOBAL PACKAGING industry leader DS Smith (SMDS) continues to enjoy firm end demand as consumers increasingly buy products online. It reports half year results on 7 December.

The company makes the robust, corrugated cardboard protective wrapping used by many popular internet retailers.

DS Smith has been recently talking up particularly strong markets in Germany, France, parts of Eastern Europe and Spain.

Pay close attention to input costs at the forthcoming results and the company's ability to pass them on to customers.

HOW EXPERTS FIND THE BEST COMPANIES

WE EXPLAIN HOW TO FILTER THE MARKET USING A WELL-ESTABLISHED FORMULA

A prospective investor should judge a company and its management on the ability to deliver shareholder value. But what do we mean by this term?

You might be tempted to look at growth in metrics such as pre-tax profit or earnings per share. A more refined measure, often employed by investment analysts and fund managers, is provided by return on capital employed (ROCE).

Investors can use this well-established formula to find the best companies on the stock market.

In this article we look at how to calculate ROCE, why it matters and we explain situations when a high ROCE can be bad. We also highlight four examples of companies which we believe can offer a sustainably high ROCE over the long-term.

THE IMPORTANCE OF 'WACC'

To truly generate shareholder value a company needs to be generating a return on capital employed which is consistently ahead of its weighted average cost of capital (WACC).

In a nutshell, it means making a larger return on the money spent to improve the business than the average cost of funding for that investment.

Fund manager Terry Smith is on record as saying he looks for a ROCE of at least 15% when deciding if a company is a suitable investment for his roster of collectives which includes the £10bn **Fundsmith Equity (GB00B41YBW71)** fund.

HOW TO CALCULATE ROCE

To fully define and outline how to calculate ROCE we should break it down into its two constituent parts: the return and the capital employed.

The return is usually defined as operating profit. The capital employed represents the amount of money required for a business to function. A widely used measure of this is shareholders' funds plus debt liabilities.

Shareholders' funds will typically be equivalent to a company's total assets, which could be everything from factory equipment to a global brand, minus liabilities. Helpfully all these numbers can be found in a company's accounts.

Let's use **Tesco's (TSCO)** accounts from the February 2017 financial year as an example. Shareholders' funds could also be described as shareholders' equity or in Tesco's case, total equity.

CALCULATE THE RETURN

Operating profit = £1.28bn

CALCULATE CAPITAL EMPLOYED

Total equity = £6.41bn

Non-current liabilities = £20.03bn

Total equity + non-current liabilities = £26.44bn

PUT IT ALL TOGETHER

£1.28bn/£26.44bn = 0.048 x 100 = 4.8%

ROCE = 4.8%

We've used the unadjusted operating profit figure for our calculations; other people like to strip out one-off items. Furthermore there are other ways in which to adjust the calculation methodology.

For example, Tesco's website says its ROCE figure should be much higher at 8.1%. That's partially because it calculates the figure by dividing return by the average of opening and closing capital employed.

Even if we do take 8.1% as the 'true' figure, it is still below the 15% ROCE figure desired by many investors. Tesco's ROCE has actually been poor for some time. It fell from 14.5% in 2013 to 4% in 2015.

Tesco operates in a mature and highly competitive market with slim profit margins and has plenty of capital tied up in areas like supermarkets, stock and logistic facilities.

WHICH STOCKS HAVE HIGH ROCE?

Firms with high ROCE will often include those with limited capital requirements to fund their future growth.

Good examples include an internet-based firm like **Rightmove (RMV)** or businesses like **Domino's Pizza (DOM)** which see franchisees bear a significant brunt of the capital burden.

They often trade on high valuations but these are typically justified by the long-term returns enjoyed by shareholders.

WHEN HIGH ROCE IS A BAD SIGN

There are times when a high ROCE can be a worry. In a recent conversation with *Shares*, James Milne at Crux Asset Management said a ROCE out of step with the long-term average for a stock was a potential red flag.

A rising ROCE tells you two things about a company. Either the return is increasing faster than capital employed or the capital employed is being reduced.

The former might be achieved by a successful shift in strategy or entry into a new market. The latter can only really be achieved by cost cutting or, at the very least, scaling back investment in the business.

BlackRock fund manager Stuart Reeve, who helps look after the asset manager's global income fund, comments: 'A rising ROCE can be a bad sign if that rising ROCE is unstainable. This occurs when a company is growing returns on capital employed without reinvesting in the business.

'The rising ROCE will only continue for so long, until heavy reinvestment is required, and the associated high costs consume free cash flow and can overwhelm dividend growth,' adds Reeve.

'For example, a company may be reducing costs to boost ROCE, but this cost reduction may be unsustainable, and heavy reinvestment may be required at some point in order to maintain competitive position or keep up with an evolving industry.'

LOOK FOR COMMON CHARACTERISTICS

Even if a company is generating strong ROCE thanks to a rising return, this can attract competition as others look to get a piece of the action. It can put pressure on the price a company charges for its products and services as it reacts to the competitive threat.

To deliver sustainably high returns a business needs to operate in a market with strong barriers to entry or enjoy specific advantages like scale, a strong brand or patented technology.

Retailer **WH Smith (SMWH)** generates a high ROCE. According to financial information provider SharePad the 10-year average is 54.2% and in the latest financial year it posted a ROCE of 59.4%.

Although these numbers are inflated by the fact the company leases a lot of its stores, these are exceptionally high figures for a company operating in a competitive industry like retail.

When you adjust for leases, the average ROCE over the past 10 years for WH Smith is much lower at 11.9%.

The company has recently been slashing costs in its high street operation as management have looked to manage a steady decline in sales.

In the last financial year, £12m worth of costs were taken out of the high street division and a further £18m of savings are targeted over the coming three years.

This reduced investment has had an impact. WH Smith has placed in the bottom five of the annual poll of best and worst shops by consumer champion *Which?* in each one of the last eight years.

Fans of the company would argue this is mitigated by the success of its travel division which benefits from its position in train stations and airports across the country. The division is also expanding internationally and its sales overtook the high street division for the first time in the year to 31 August 2017.

However, if the underinvested high street offering starts to damage the travel brand or if demand in this side of the business tails off for some over reason, then the company's returns could come under threat.

IT IS NOT GOOD ENOUGH THAT A COMPANY HAS HISTORICALLY MADE HIGH ROCE; WE NEED CONFIDENCE THAT THE COMPANY IS REINVESTING THAT RETURN BACK INTO ITS HIGH RETURN AREAS, IN ORDER TO SUSTAIN THOSE RETURNS AND THEIR GROWTH.

HOW TO USE ROCE – AN EXPERT'S VIEW

By Stuart Reeve, portfolio manager,
BlackRock Global Income Fund (GB00B3L7Q242)

ROCE can be a useful metric in telling us about the company's historic profitability and can give us some idea of how efficient they have been with their capital. However, a high ROCE alone is not enough for us to consider a company for investment in the BlackRock Global Income Fund.

We focus on the high-quality companies of the future, not on backward looking screens. Therefore, we are looking for companies with high and sustainable return on incremental capital employed.

It is not good enough that a company has historically made high ROCE; we need confidence that the company is reinvesting that return back into its high return areas, in order to sustain those returns and their growth.

This is where the focus on incremental capital, the next dollar spent, comes in. ROCE does not tell us anything about this incremental spend.

ROCE tells us how much investment a company required to achieve the operating profits they have delivered. Therefore it is a useful signal of how efficient the company has been in deploying capital.

Comparison on ROCE between companies can reveal companies who have required high levels of investment in order to achieve the same level of return.

If such high levels of investment are required to achieve these returns, it might suggest that the returns are not sustainable and therefore lead us to avoid the company.

A high ROCE in isolation is not sufficient to indicate that a company can sustain high returns, and additionally a low historical ROCE in isolation is not sufficient to indicate that a company will always generate low returns. We must also consider the existing asset base of the business, and the returns on the incremental dollar spent.

A high or rising ROCE is also attractive to competitors or new entrants to an industry. Therefore, we also focus on barriers to entry and the competitive advantages of a business to understand that these high returns are sustainable.

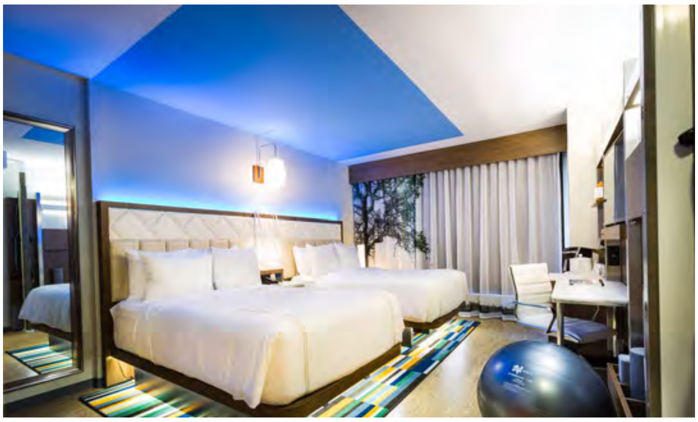
Otherwise, a high ROCE is risky from a competitive standpoint as growth will become increasingly costly.

DISCLAIMER: Editor Daniel Coatsmith has a personal investment in Fundsmith Equity Fund referenced in this article

4 STOCKS WITH HIGH ROCE

InterContinental Hotels Group (IHG)

10-year average lease-adjusted ROCE: 22%



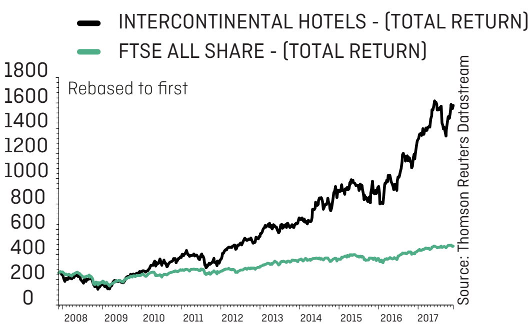
What does the company do?
Operates upwards of 5,200 hotels across the globe under several well-known brands including *Holiday Inn* and *Crowne Plaza*.

How does it achieve consistently high returns?
InterContinental only owns a handful of hotels and focuses instead on franchising and managing premises.

As well as generating premium margins, the asset light model also enables it to grow quickly with limited capital investment and to focus on building preferred brands based on guests' needs, and on strong delivery systems, such as its branded hotel websites and call centres.

The company also has a strategy of developing its pipeline of new hotels from high growth markets.

Why are the high returns sustainable?
The strength of its brands should help protect its robust returns. Holidaymakers and business travellers will often opt for a brand they know and trust. The diversified nature of its portfolio running from high end resorts to its budget *Holiday Inn Express* offering should also provide some resilience.



Micro Focus International (MCRO)

10-year average lease-adjusted ROCE: 32.4%

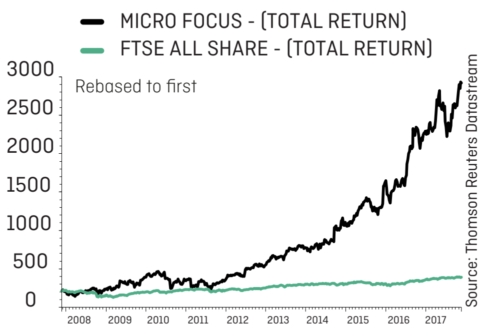
What does the company do?
It helps companies refresh and update their IT systems, often bringing out-of-date infrastructure up to speed to cope with challenges like cloud computing, e-commerce and mobile applications.

How does it achieve consistently high returns?
Micro Focus is very efficient at managing its portfolio of products, bringing in new lines and boosting operating efficiency.

The company has a large installed base of customers whose subscription payments account for more than 40% of revenue, with upwards of 50% coming from subsequent maintenance fees.

Why are the high returns sustainable?
It has a wealth of experience and expertise in core computing languages like COBOL, Linux and open source SUSE.

Management have taken on a big challenge with the $8.8bn merger of Hewlett Packard Enterprise Services and will be looking to bring margins for this business in the low to mid-20s up to speed with the mid-40s consistently achieved by Micro Focus.



4 STOCKS WITH HIGH ROCE

Spirax-Sarco Engineering (SPX)

10-year average lease-adjusted ROCE: 23.4%

What does the company do?

Spirax has two divisions: its steam specialities business (75%) and WatsonMarlow unit (25%). The former manufactures steam control products and serves industries as diverse as food and oil. The latter is a leader in the supply of peristaltic pumps.

How does it achieve consistently high returns?

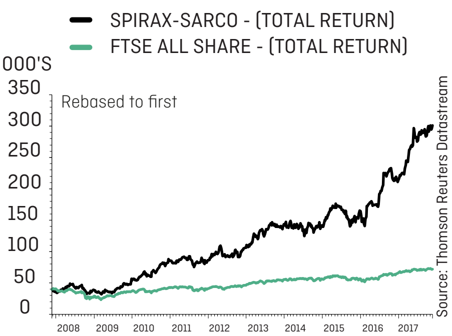
The company invests heavily in product development and employs more than 1,500 sales and service engineers with strong expertise.

Although it manufactures leading products, steam at high temperatures and high pressure means products often have to be replaced. Spirax sells a significant volume of replacements on its large installed base of equipment. Around 50% of its sales come from this avenue.

Why are the high returns sustainable?

The company has a high-quality earnings profile. No one industry represents more than 20% of its sales and no individual customer accounts for more than 1% of sales.

There is a good balance between higher growth markets and those which are more defensive. The 'spares and repairs' element of the business should also help protect its returns going forward.



Victrex (VCT)

10-year average lease-adjusted ROCE: 29.1%

What does the company do?

It is a specialty chemical company with a 70% market share in the supply of polyether ether ketone or PEEK resin.

This super-strong, heat resistant and lightweight plastic is used as an alternative or replacement for metal in areas like transport, the industrial sector, electronics and medical devices.

How does it achieve consistently high returns?

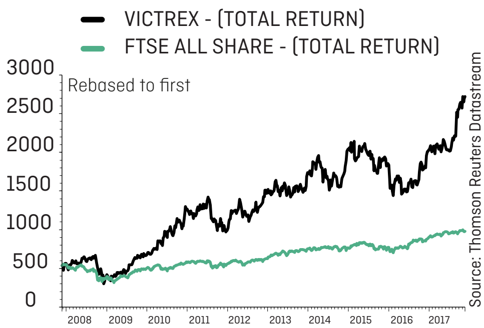
The firm not only makes PEEK resin, it also has the capability of manufacturing finished and semi-finished products for its customers.

This added value allows it to charge a premium price, particularly given its materials and products often deliver higher performance and greater efficiency than the alternatives.

Why are the high returns sustainable?

Internal estimates suggest if producers of materials running from medical implants to oil equipment substituted its materials with PEEK in their supply chain its market would increase seven-fold.

The company has already invested heavily in extra production capacity and product innovation. It now 'faces an end-market environment that is near universally positive for volumes', according to investment bank Berenberg. (TS)



A safer way to get international exposure

The London stock market benefits from higher standards of corporate governance and transparency

There's a neat trick investors can use to gain exposure to international earnings without buying a single overseas-listed stock. The US, Europe, China, India plus emerging markets in Latin America, Asia, Africa and the Middle East are all accessible from the relative comfort of the London stock market.

Companies in the FTSE 100 collectively earn far more from overseas markets than they do from the UK. Estimates typically range from anywhere between two-thirds to around three-quarters of sales.

Take **Vodafone (VOD)** for example, which has large mobile phone operations in India, Africa and across parts of Europe. Drinks firm **Diageo (DGE)** sells more Guinness in Nigeria than it does in Ireland, while banking group **Standard Chartered (STAN)** has its headquarters in the UK but generates 95% of profit in Asia, Africa and the Middle East.

Investing via investment trusts is one of the easiest ways to get exposure to multiple FTSE 100 stocks in one go.

REGULATIONS PROVIDE A SAFETY NET

The real bonus for UK-based investors is that companies listed in London must conform to some of the most stringent corporate governance rules in the world.

'These often benefit from stronger corporate governance standards than other jurisdictions,' says Lucy Macdonald, fund manager at **Brunner Investment Trust (BUT)**.

That makes investing on the London stock market a significantly safer bet than China or Russia, for example where the financial sector and state governance are widely considered to be less robust.

Just look at the uproar from the investment community when the UK's chief markets watchdog the Financial Conduct Authority (FCA) proposed changes to listing rules. The potential changes are designed to beat New York to a possible London flotation of Saudi Aramco, the world's largest oil producer and controlled by the Saudi royal family.

EXAMPLES OF INVESTMENT TRUSTS HOLDING LONDON-LISTED STOCKS WITH LARGE OVERSEAS OPERATIONS
FIDELITY SPECIAL VALUES
HENDERSON OPPORTUNITIES
INVESCO PERPETUAL SELECT UK EQUITY
JPMORGAN MIDCAP
KEYSTONE INVESTMENT TRUST
MERCANTILE INVESTMENT TRUST
SANDITON INVESTMENT TRUST
SCHRODER UK GROWTH
SCHRODER UK MID CAP

Source: Shares

Aramco, the world's largest oil producer

FINANCIAL CONTROVERSIES

This is not to suggest that the London stock market is without its controversies. The £671m fine handed out to aerospace group **Rolls-Royce (RR.)** over bribery claims at the start of this year is a good example. As is **BT's (BT.A)** discovery of a £530m accounting black hole at its Italian business, which wiped nearly £8bn off the group's market value.

Even so, there are arguably no better stock market regulations anywhere in the world.

'UK companies allow investors access to overseas growth while enjoying our high level of legal protections and corporate governance rules,' says Simon Gergel, manager of **Merchants Trust (MRCH)**.

Merchants was set up in 1889 and has increased dividend payouts annually for 34 consecutive years. It concentrates on UK-based companies, mainly in the FTSE 100 index.

Dividends sit front and centre of the investment trust's investment policy.

SOLID FUNDAMENTALS

Beyond income attractions, Gergel says he looks for companies with strong cash flows and good fundamentals. 'I look at their balance sheets and management and I also look to pay a reasonable price for the shares,' he adds.

His top picks at the moment include oil produces **BP (BP.)** and **Royal Dutch Shell (RDSB)**, and banking group **HSBC (HSBA)**.

But it is not just multi-billion pound UK companies that offer exposure to overseas growth. Many AIM companies are also truly international. Richard Power, head of quoted smaller companies at Octopus Investments, has previously flagged his support for the likes of biotech research tools supplier **Abcam (ABC:AIM)**, adhesive products manufacturer **Scapa (SCPA:AIM)**, and **RWS (RWS:AIM)**, which sells its intellectual property services all over the world.

> IT IS IMPORTANT THAT INVESTORS SPREAD RISK AND THE BEST WAY TO ACHIEVE THIS IS TO INVEST GLOBALLY

BP, a top pick for Simon Gergel

AIM'S GLOBAL APPEAL

James Halstead (JHD:AIM), **Advanced Medical Solutions (AMS:AIM)**, **Clinigen (CLIN:AIM)**, **Craneware (CRW:AIM)** and **Gooch & Housego (GHH:AIM)** are other AIM companies with worldwide reach identified by Power.

'It is important that investors spread risk and the best way to achieve this is to invest globally,' says Patrick Connolly of independent financial adviser Chase De Vere.

'The cheapest way to do this is through a diversified investment trust, such as the **Witan Investment Trust (WTAN)** or a low-cost tracker fund such as the **L&G Global 100 Index (GB00BG0QP265)**,' he adds.

Witan has about a third of its assets invested directly in the UK, with the rest spread across the globe, with stakes in firms with international horizons like **RELX (REL)** and **Unilever (ULVR)**. (SF)

Navigate emerging market risk with funds

We look at how to gain access to these high growth markets using AJ Bell Youinvest's 'favourite funds'

You need considerable skill and experience to invest successfully in emerging markets given the political, economic and currency risks involved.

Although it is possible to gain exposure to this space through low-cost exchange-traded funds which track indices like the MSCI Emerging Market Index, there is a strong argument for paying sligthtly more to benefit from a fund manager's stock picking expertise.

Even the best managers can get caught out by volatility in these markets in the short term, but several funds have performed well in the long-term and particularly in the last 18 months as sentiment towards emerging markets has improved.

Using investment platform AJ Bell Youinvest's 'favourite fund' list we now discuss three relevant funds.

FIDELITY EMERGING MARKET FUND (GB00B9SMK778)

- **Fund size** £2.1bn
- **Yield** 0.8%
- **Annual fee** 0.99%
- **Top Holdings** Naspers, Taiwan Semiconductor, HDFV Bank
- **5-years annualised returns** 13.06%

Fidelity Emerging Market is managed by Nick Price who aims to outperform the MSCI Emerging Market Index by 2% a year. Fund consultant Square Mile says: '[Price] is happy to construct a portfolio that looks very different to the benchmark and there are few formal risk constraints on the portfolio.'

Jake Moeller, head of UK and Ireland research at Thomson Reuters Lipper, says: 'Nick Price has established a strong reputation at Fidelity and is a well-regarded fund manager with a steady track record of outperformance to his name'.

The portfolio tends to be made up of mid to large cap names and will typically consist of 75 holdings although the number can range between 60 and 120 at any one time. Price and his team look for companies that can withstand competitive pressures and are able to compound attractive earnings growth throughout the economic cycle.

This is a truly global fund, with three regional portfolio managers. Amit Goel is responsible for emerging Asia, Angel Ortiz for Latin America and Greg Konstantinidis for Europe, Middle East and Africa stocks.

Simon Dorricott, associate director of Morningstar, notes the growth style fell out of favour in 2016 and as a result the fund saw a period of relative weakness. However, he adds in the longer term 'investors have been well rewarded'.

LAZARD EMERGING MARKETS (GB00B24F1G74)

- **Fund size** £1.1bn
- **Yield** 1.7%
- **Annual fee** 1.06%
- **Top Holdings** China Construction Bank, Sberbank of Russia, Taiwan Semiconductor
- **5-years annualised returns** 8.25%

Lazard Emerging Markets is run from New York by James Donald who Moeller describes as 'an emerging markets veteran who is able to navigate the often choppy waters of this region'.

The investment team aim to identify companies that are trading on favourable valuations or in other words priced cheaply relative to their financial strength. They will also consider companies with improving financial returns.

Square Mile says: 'Their fundamental research discipline has worked well in uncovering valuation anomalies and helped isolate the managers from the swings in sentiment that can dominate these markets from time to time.'

Moeller agrees, saying that as the portfolio uses Lazard's 'forensic' accounting approach to pick stocks it will generally have lower volatility against the benchmark.

This fund also uses bond analysts to help the bottom-up stock pickers with information on the macro situations of countries within the region. Bond prices and yields are often a good indicator of a country's economic health so is a useful tool to have in reserve.

Potential investors should note that Lazard has periodically closed this fund to new investors as the manager runs considerable assets in emerging assets. Also, liquidity is a consideration for the investment team which limits the potential for investing in smaller but potentially fast-growing companies.

JP MORGAN EMERGING MARKET INCOME (GB00B5N1BC33)

- **Fund size** £294.55m
- **Yield** 3.8%
- **Annual Fee** 0.93%
- **Top holdings** Taiwan Semiconductor, Moscow Exchange, China Mobile
- **5-years annualised returns** 8.49%

JP Morgan Emerging Market Income has three managers; Omar Negual, Amit Mehta and Jeffrey Roskell. It is the odd one of the trio with a focus on income although the managers will not sacrifice growth for the income according to Square Mile.

Moeller says: 'The concept of sustainable dividends in this region may be difficult for many investors to appreciate and justifiably so.' However, he adds that the team can find companies prepared to fund dividends out of strong cash flow.

'In a market where investors are looking for yield, it is an attractive proposition but the broader risk of emerging markets investing still applies,' Moeller says.

Square Mile thinks the fund's well-defined philosophy and process it follows regardless of market conditions is one of the fund's best attributes.

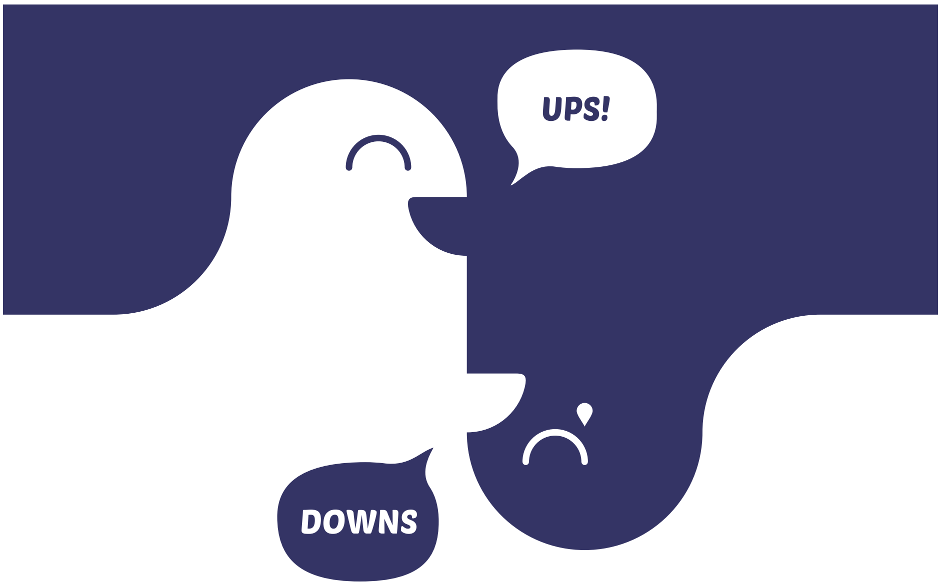
The fund's management saw a major change in 2015 when its former lead manager Richard Titherington left for Hong Kong to become chief investment officer of JP Morgan's Emerging Markets and Asia Pacific Equities team. However, Square Mile doesn't see this development as a significant change in terms of the fund's long-term strategy.

How to invest if you have a fluctuating income

It's possible to keep your finances flexible yet still invest for your future

If your income varies from one month to the next it can be difficult to determine your investment strategy. You might decide to put £200 a month into a diversified portfolio but find this plan is scuppered when your income drops and expenses increase.

There are several ways you can ensure your finances stay flexible while building up a nest egg for your future.



CREATE AN EMERGENCY FUND

Having an emergency fund is crucial if you have a fluctuating income. You need enough money to pay day-to-day living costs as well as unexpected bills.

Keeping the fund as cash will enable you to access your money quickly and avoid having to sell investments that have dropped in value.

It's generally advisable to have around six months of outgoings saved up in an emergency fund.

'Riding the wave of fluctuating income can be very stressful but having a sizeable emergency fund gives security and peace of mind, even in those weeks or months when income can suddenly fall at a moment's notice,' says Tom Selby, senior analyst at AJ Bell.

FIGURE OUT HOW MUCH TO INVEST

Having a cash buffer is important, but in an era of paltry interest rates it won't help you build up a nest egg for your future. If you've got extra income left over, investing it in the stock market offers the greatest chance of long-term growth.

The first step is to work out what your investment objectives are – it could be saving up for your kids' university fees, a house deposit or a comfortable retirement.

This will help you to determine how much money you need to save overall. You can then try to marry this with your fluctuating earnings.

Selby suggests investing a fixed percentage of your monthly income. This could be calculated by looking at your previous six or 12 months' earnings. If after several months it seems too high or too low, you can alter the percentage.

One approach is to invest every month a fixed percentage of your average earnings over the past six or 12 months

You can set up a regular monthly investment scheme through your investment platform. Some providers can be very flexible; for example, AJ Bell Youinvest lets you amend your investment instructions up to 11.59pm on the night before the deal.

Selby recommends setting up a different bank account to invest from (as opposed to your current account) as the trade simply won't be placed if the cash isn't in your account. This is helpful if your earnings have dropped.

DECIDE WHAT TO INVEST IN

You might be tempted to invest in the highest dividend-paying investments in an effort to boost your monthly income, but that might not be the wisest move.

Patrick Connolly, head of communications at Chase de Vere, says the investment principles of using tax-efficient wrappers and an asset allocation strategy that meets your objectives and attitude to risk apply whether you have a fluctuating or a fixed income.

In fact, he says most working people shouldn't be using investments to supplement their income unless they're approaching retirement and phasing down their workload. 'They should be focused on building assets to help cater for their later years,' he adds.

Putting your money into dividend-yielding investments could be helpful if you've already built up a large portfolio.

'If you have capital and are looking to stabilise your income then this is a good option. However it might not be best advised if you are looking to make regular ongoing savings into a plan as you may just end up recycling income from one investment to another,' says Oliver Smyth, wealth management consultant at Walker Crips.

DON'T FORGET YOUR PENSION

If you're self-employed you won't be automatically placed in a company pension scheme. This means you don't benefit from employer contributions and are completely responsible for setting up your own pension.

Many self-employed people consider their business to be their pension, but this can be risky.

'A self-employed person who relies on growing their business to fund their retirement is essentially putting all their eggs in one basket,' warns Selby.

'If the business fails, they will have nothing to fall back on in old age, other than whatever state pension entitlements they have built up.'

Although you don't get employer contributions, pensions are still a valuable way of saving for your retirement. You get tax relief on contributions and your money grows free from tax. When you withdraw money after age 55, one quarter of the pension can be taken as tax-free cash and the remainder is taxed at your marginal rate.

BE CAREFUL IF YOU'RE A HIGHER EARNER

Most people's annual pension allowance is equivalent to their earnings, up to a maximum of £40,000.

But this is restricted for people with taxable income in excess of £110,000. You have to calculate your 'adjusted income' (income plus pension contributions) and for every £2 that is over £150,000, your pension allowance is reduced by £1.

Dan Brent, consultant at Thomas Miller Investment, warns people with fluctuating incomes could accidentally pay too much into pensions one year and subsequently incur charges. If you're unsure, speak to a financial adviser.

Pensions aren't the only way to save for retirement. You can invest up to £20,000 a year into ISAs, enabling your money to grow free from income tax and capital gains tax. (EP)

How the Budget affects you

Stability for savers and a boost for first-time buyers

Chancellor Philip Hammond's first post-election Budget delivered some welcome – if slightly unexpected – stability for savers.

The build-up to the set-piece was dominated by rumours the Treasury would take the axe to pension tax relief in order to raise some much-needed cash.

In the event a crippling combination of worsening growth forecasts, a slim majority in the House of Commons and the all-consuming process of Brexit left a hamstrung Hammond unable to pursue such controversial reform.

The only minor changes were confirmation of an increase in the lifetime allowance to £1,030,000 and the Junior ISA allowance to £4,260.

Both rises were in line with Consumer Price Index (CPI) inflation, meaning both will stay the same in real terms. All other pension and ISA savings allowances were unchanged.

A RABBIT OF SORTS

Hammond's big announcement centred on stamp duty and was targeted squarely at the young voters who gave the Conservatives a bloody nose at the general election.

The Chancellor has scrapped stamp duty altogether for first-time buyers on properties worth £300,000 or less. For properties costing up to £500,000, no stamp duty will be paid on the first £300,000.

The move, when combined with the Lifetime ISA, could provide a serious boost if you're under 40 years old and saving for your first home.

As a reminder, savers aged 18-39 can pay up to £4,000 a year into a Lifetime ISA and receive a 25% Government bonus.

Withdrawals are tax-free for the purchase of a first home (provided it is worth £450,000 or less), after your 60th birthday or if you become terminally ill. Early withdrawals for any other reason incur an exit penalty which means you could get back less than you put in.

Under the old system, a first-time buyer who bought a house worth £300,000 would pay £5,000 in stamp duty, bringing the total cost to £305,000.

Someone who saves the maximum of £4,000 a year in a Lifetime ISA for 10 years could end up with a total fund value, including Government bonus and investment growth, of £66,000 (assuming post-charges growth of 5% per year).

The combination of the £26,000 Government bonus and investment growth via the Lifetime ISA and the £5,000 stamp duty saving means the house would cost £274,000 – essentially a 10% reduction.

And while clearly for many young people saving enough for a deposit will remain a serious challenge, a 10% discount on a £300,000 purchase is not to be sniffed at.

Tom Selby,
Senior Analyst, AJ Bell

	Average first time buyer house price*	Previous stamp duty charge	New stamp duty charge	Saving
UK	£207,693	£1,654	£0	£1,654
London	£409,795	£10,490	£5,490	£5,000
South East	£276,773	£3,839	£0	£3,839
North	£125,591	£12	£0	£12

*Source: Halifax First Time Buyer Review

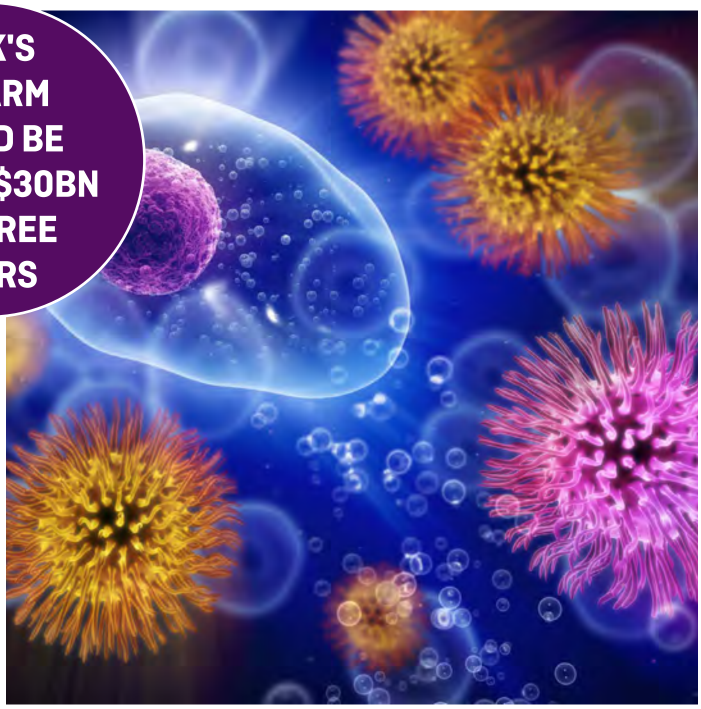
Why GlaxoSmithKline's HIV division could nearly double in value by 2020

Analyst believes new drug approval could drive value in HIV business

Pharma giant **GlaxoSmithKline's (GSK)** drug Juluca should help to drive value in its HIV-focused ViiV business after being approved by the US Food & Drug Administration (FDA).

HIV is a virus that damages cells in the immune system, making it more difficult for people to fight off infections and disease.

GSK'S HIV ARM COULD BE WORTH $30BN IN THREE YEARS



MARKET IS 'UNDERVALUING' HIV BUSINESS

Juluca is the first treatment for HIV-1 that contains just two drugs, dolutegravir and rilpivirine, instead of three to help reduce toxicity in patients.

HSBC analyst Steve McGarry values the ViiV division at $16bn today and forecasts sales of approximately $8.1bn in 2023. He believes the market is undervaluing the business. Based on the analyst's 2020 forecasts, the ViiV business could be worth closer to $30bn. Glaxo's total market cap in dollars is currently around $86bn.

McGarry says operating margins will 'comfortably exceed 50%' once several large clinical studies are completed.

This is despite potential competition from US-listed Gilead's HIV drug bictegravir, commercialisation of which could be delayed if GlaxoSmithKline takes legal action. McGarry believes this is a possibility due to the 'striking similarity of both drugs and how they act'.

DIVIDEND CONCERNS ON POTENTIAL M&A

GlaxoSmithKline's share price has fallen by 16.9% to £12.98 so far this year.

One of the biggest concerns weighing on the stock is a potential dividend cut following speculation the drugs giant might buy US-listed Pfizer's consumer division.

Beaufort Securities analyst Ben Maitland says 2018 could be an expensive year for the firm if it goes ahead with the Pfizer deal and also buys Novartis's minority stake in Glaxo's consumer joint venture.

He estimates the total cost could be $24bn, which might result in a dividend cut, as the ratio between net debt and earnings would be a demanding 3.5 times if these transactions were funded entirely by debt.

Another threat is a potential generic version of GlaxoSmithKline's multi-billion asthma treatment Advair Diskus, which could drag on Glaxo's earnings growth in the longer term if rivals gain regulatory approval. Its competitors in this area **Hikma (HIK)** and US-listed Mylan have failed so far.

These headwinds look like they might already be reflected in the price as GlaxoSmithKline offers a generous dividend yield of 6.1% and trades on an undemanding forecast 11.9 times earnings per share in the year to 31 December 2018. (LMJ)

Go for the premium end of the pubs industry for hearty returns

Young's and Fuller's shine in a difficult market and they're now joined on the stock market by City Pub Group

Premium-end pub companies say they are managing to grow sales in a difficult market as a result of ongoing investment in their estate and benefits such as being able to respond quickly to changes in food costs.

Young's (YNGA:AIM) and **Fuller, Smith & Turner (FSTA)** have both reported strong results over the past few weeks, citing the aforementioned reasons for their success.

High-quality interiors, good customer service and the appeal of freshly-made food are also cited as key contributors to rising profit.

Young's adjusted pre-tax profit grew by 11.2% to £24.9m in the six months to 2 October. Fuller's adjusted pre-tax profit grew by 4% to £23.8m in the six months to 30 September. The latter attributes its success to investment in the business resulting in higher volume of sales and the ability to push up prices without damaging demand.

Food menus for both Young's and Fuller's are printed by each of their pubs rather than a standard menu for all their estate. 'If something has suddenly gone up in price like venison, we can say to pub managers "when you run out of venison, take it off the menu and replace it with something else",' says Young's chief executive Patrick Dardis. 'That gives us the flexibility to adapt to price changes.'

Fuller's has extended trading areas and invested in staff training which has helped to boost sales, says its chief executive Simon Emeny. The company is also in the middle of a multi-million pound IT-upgrade for its brewery; and investment in accommodation will see 100 bedrooms added to its existing portfolio of 724 bedrooms over the next two years.

Investors should note the recent addition of another premium pub group to the stock market. **City Pub (CPC:AIM)** joined AIM on 23 November and operates 34 premium pubs across southern England.

The £102m company features the same team who built up former AIM-quoted Capital Pub Company and sold it to **Greene King (GNK)** for £93m in 2011.

City Pub intends to double the size of its estate over the next three to four years. It likes to buy pubs which are already trading well. It benefits by switching supply contracts to the group's centralised platform which it says helps to quickly improve operating margins.

SHARES SAYS:

We are fans of all three businesses. Young's and Fuller's are good long-term holdings offering a mixture of capital appreciation and dividend yields in the region of 1.5% to 2%.

City Pub plans to pay dividends although we expect shareholder returns to be dominated by capital gains in the near term given the demand on its surplus cash to support expansion plans.

Buy Young's at £13.44, Fuller's at 951p and City Pub at 180.99p. (DC)

Shares in bathroom firm look like a real bargain

Norcros is looking very attractive after £60m Irish acquisition

Bathroom fit-out firm **Norcos (NXR)** continues to look undervalued as it progresses a plan to become a 'one-stop-shop' for bathroom fittings and accessories.

The Cheshire-based company, best known for its leading Triton shower brand in the UK, recently completed the £60m acquisition of profitable Irish shower screens business Merlyn. The deal was financed by a £31.4m share placing and a new £120m debt facility.

Chief executive Nick Kelsall tells *Shares* the company is looking at further deals to broaden its bathroom product offering.

Results for the six months to 30 September were resilient despite rising input costs in the UK and political instability in its other main market, South Africa.

Kelsall notes the latter has gone from being a 'problem child' for the business to a strong contributor to group profit.

The stock trades on a mere six times forecast earnings per share of 30.1p for the year ending 31 March 2019 and offers a prospective yield of more than 4.5%, based on Numis' forecasts.

Notably these estimates have not yet been updated in the wake of the Merlyn deal which Numis advised on.

The main risks to weigh include a £52.1m pension deficit and its exposure to a slightly uncertain UK economic environment.

SHARES SAYS: ↗
The shares look cheap; buy at 180p.

BROKER SAYS: 2 0 0

Cloud group Sanderson acquires like-minded peer

Cloud software supplier **Sanderson (SND:AIM)** appears to be trying to accelerate growth without sacrificing its cautious reputation.

The retail and manufacturing markets specialist is buying owner-managed industry peer Anisa, another 'steady-eddie' according to one analyst, for an enterprise value of £12m in cash and shares.

The deal should bolster growth potential, revenue and cash flow. Sanderson's shares rallied 12% to 71p on the news (24 Nov). (SF)

Shares in Empresaria hit one-year low

SHARES IN STAFFING specialist **Empresaria (EMR)** fell to a one-year low of 100p (24 Nov) after it announced that full year pre-tax profit would be below market expectations.

The company has blamed historic issues for the disappointing trading update, flagging reduced margins in Germany following legislation changes, the impact of which has been felt earlier than anticipated.

A weak market in the Middle East has also persisted, creating extra costs to resize the business. (LMJ)

Beeks gets AIM IPO away

NICHE CLOUD SERVICES supplier **Beeks Financial Cloud (BKS:AIM)** has joined AIM after raising £7m from investors.

The £24.5m company provides communication and data storage to foreign currency and derivatives trading organisations. Growth plans include geographic expansion and adding equity trading capabilities, the latter most likely to come through acquisitions.

Beeks recorded a 48% jump in revenue for the year to 30 June to £4m, although it pluged into a pre-tax loss of £761,000. (SF)

NOW IS THE TIME TO FOCUS ON YOUR INVESTMENT PORTFOLIO

Come and join Shares and AJ Bell Media at their evening event in London on Thursday 14 December 2017 and meet the directors from **Echo Energy (ECHO)**, **ThinCats** and **Vipera (VIP)** with more to be announced.

London - Thursday 14 Dec 2017

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Companies presenting

Echo Energy (ECHO)

Echo Energy plc is a UK listed South and Central American focused mid-cap gas company in the making. The Company is pursuing a high value piped onshore gas strategy across South and Central America, which includes a Multi Tcf potential Bolivian exploration portfolio as well as the recently announced farm in to substantial assets in Argentina.

The Company is led by a team and Cornerstone Investor with strong regional connections and an indisputable track record in building mid cap AIM listed gas businesses with sustainable value growth for Private Investors. The Echo team builds its businesses around three strategic Pillars : Portfolio, People and Partnerships.

ThinCats Stewart Cazier, Head of Retail

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. The company was founded in the aftermath of the global financial crisis, with the aim offering loans to UK businesses struggling to access funding through traditional channels, whilst providing investors with attractive rates of interest unavailable through conventional investment portfolios.

Vipera (VIP) Martin Perrin, CFO

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

REGISTER FOR YOUR COMPLIMENTARY TICKET TODAY

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

- **Discover new investment opportunities**
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- **Talk with the company directors**

Event details

Location: Novotel Tower Bridge, London EC3N 2NR

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

Contact

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

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INDEX

KEY

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

THIS WEEK: 15 PAGES OF BONUS CONTENT

SHARES SPOTLIGHT

Growth & Innovation

INCLUDES COMPANY PROFILES, COMMENT AND ANALYSIS

NOVEMBER 2017

Introduction

Small companies have the capacity to deliver substantial growth, albeit at a higher level of risk, and in this edition of *Spotlight* our editorial feature looks at how the AIM index has outperformed the FTSE 100 and FTSE 250 since junior market stocks became eligible for ISAs five years ago.

Some of the top AIM performers over this period are also covered in the article.

We publish *Spotlight* on a regular basis as a forum for smaller cap companies to tell their stories in their own words.

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

They pay a fee to get their message across to both existing shareholders and prospective investors. The articles therefore cannot be treated as independent comment.

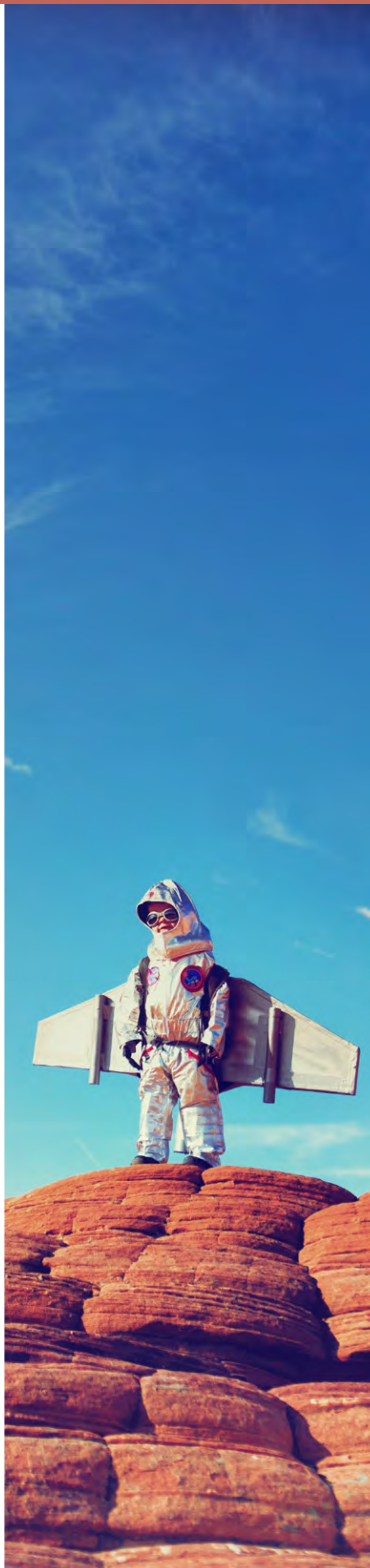
However, they can help you better understand a story before you do your own research.

The firms you can find out more about in this issue include an aircraft leasing outfit, cutting edge marketing play and skin health specialist among several others.

Many of the firms appearing in *Spotlight* will also appear at our investor evenings in London and other cities, giving you the opportunity to grill management on the finer details of their stories.

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

Previous issues of *Spotlight* are available on our website.



AIM's long-term boost from ISA change

We look at the top performers in the four years since tax wrapper eligibility gave the market a boost

It is a little over four years since AIM stocks became eligible for inclusion in an ISA (individual savings account). In August 2013, in an effort to encourage investment in growth companies, the authorities gave the green light to including junior market shares in these tax wrappers.

Previously this had only been possible in cases where a company had a listing on another exchange. The evidence, at least in terms of share price performance, suggests the move has made a tangible difference.

The FTSE AIM All-Share index is up 39.6% since AIM stocks have been allowed in ISAs. The FTSE AIM 100, containing the 100 largest firms on the exchange, is up by an even more impressive 54.2%. This compares with the FTSE 100 up by 11.9% and FTSE 250 up by 30.8%.

AIM stocks underperformed in the four years preceding the change. The FTSE AIM 100 gained 37% against the FTSE 100 up 42% and FTSE 250 up 84% over the four years to August 2013.

We now look at some of the top performing shares currently in the AIM 100 since August 2013 to see where ISA investors might have made the most significant gains.

STARS OF AIM

Company	Share performance since 5 August 2013 (%)
UK Oil & Gas Investments	7110
Victoria	1670
Keywords Studios	953
Burford Capital	891
IG Design	837
Hutchinson China Meditech	824
Frontier Developments	769
IQE	618
Plus500	602
CVS	519

Source: SharePad, 20 November 2017

UK Oil & Gas Investments (UKOG:AIM)

As with many small cap oil and gas explorers, it has been a volatile ride with this stock but ultimately the shares have gushed higher as excitement builds over the potential of Horse Hill asset near Gatwick Airport.

The company recently secured £10m financing to fund drilling and testing activity on the development. Risks include navigating growing opposition to oil and gas activity onshore UK.

Victoria (VCP:AIM)
Under executive chairman Geoff Wilding cash generative flooring specialist Victoria has achieved scale in carpet manufacturing through acquisitions.

Wilding is now turning his attentions to growing the hard flooring business. The company has a track record of strong growth in earnings and cash flow.

Well-run flooring makers like Victoria tend to generate plenty of cash due to attractive supplier terms, quality debtors and the long life of their manufacturing assets.

Keywords Studios (KWS:AIM)
Like Victoria, the video game services provider has been a consolidator. In October 2017 it completed its biggest acquisition to date. It swooped for VMC Consulting and Volt Canada in a combined deal from Volt Information Scientists, paying around $66.4m (£50.4m approx) for the pair.

The company serves a fast-growing industry and has 23 of the top 25 video game producers on its client roster.

Burford Capital (BUR:AIM)
The market has really picked up on the litigation service provider's potential since 2016.

Burford is the leading operator in this niche space, providing funding for law suits in return for a share of any compensation award.

Of late it has crystallised value by selling some of its interest in these cases. For example, in June the company sold a 15% interest in case involving Spanish investment group and Argentine state oil firm YPF for $66m having initially invested just $18m in the litigation at the outset.

IG Design (IGR:AIM)
The gift packaging-to-creative play products maker has enjoyed strong growth in recent years and its products are now sold in more than 200,000 stores across in excess of 80 countries.

It traded with 10,000+ customers and sold over 500m units in the year to 31 March 2017, which saw underlying pre-tax profit shoot up 51% to £16.3m.

> IN AN EFFORT TO ENCOURAGE INVESTMENT IN GROWTH COMPANIES, THE AUTHORITIES GAVE THE GREEN LIGHT TO INCLUDING JUNIOR MARKET SHARES IN THESE TAX WRAPPERS

Hutchinson China Meditech (HCM:AIM)
This biopharmaceutical company is aiming to become a global leader in therapies for oncology and immunological diseases.

Known as 'Chi-Med' it has a strong and growing clinical pipeline and is backed by billionaire Li Ka-shing's CK Hutchinson group.

In October 2017 the company raised £172.6m to invest in its drug pipeline.

Frontier Developments (FDEV:AIM)
The video games creator has gathered momentum in 2017 in particular thanks to Chinese internet business Tencent taking a 9% stake, potentially boosting exposure to a huge market in China, and agreeing a licensing deal for a game linked to the hugely successful *Jurassic World* film franchise.

AND THE REST…

Cardiff-based **IQE (IQE:AIM)** designs semiconductor materials for mobile phones. It has been lifted by unconfirmed rumours its tech is in the latest iPhones from Apple.

Spread betting outfit **Plus500 (PLUS:AIM)** has seen its shares move sharply higher in 2017 as it doubled first half profit and announced full year results would beat expectations.

Veterinary practice operator **CVS (CVSG:AIM)** announced the launch of another potential avenue for growth with a pet insurance product in October 2017.

avation PLC

Avation is gaining altitude

Website: www.avation.net

Avation (AVAP) is an aircraft leasing company managing a fleet of commercial passenger aircraft, which are leased to airlines globally. Avation's customers include EVA Air, Philippine Airlines, **easyJet (EZJ)**, Mandarin Airlines, Air France, Air India Regional, Condor, Fiji Airways, **Flybe (FLYB)**, **Thomas Cook (TCG)**, Vietjet Air and Virgin Australia.

The group's fleet includes widebody and narrowbody jets, ATR 72 turboprop aircraft and Fokker 100 jets. The average age of Avation's fleet is 3.0 years while the average lease term remaining is 7.7 years (as at 31 December 2017).

Avation operates from its headquarters in Singapore where it is tax resident and a beneficiary of the Singapore Aircraft Leasing Scheme tax incentive.

Avation's management team has extensive experience in aviation and has the expertise to select and acquire aircraft that will achieve strong operational performance for our customers and generate stable returns for our shareholders.

COMPANY HIGHLIGHTS 2017

- Twelfth year as a public company.
- Added EVA Air, Philippine Airlines, Mandarin Airlines and EasyJet as new airline customers.
- Acquired first widebody jets with the acquisition of Airbus A330-300 and Boeing 777-300ER.
- Avation's long term issuer default rating at B+(stable) by Fitch and S&P.

Aircraft Type	Fleet
Boeing 777-300ER	1
Airbus A330-300	1
Airbus A321-200	8
Airbus A320-200	3
Fokker 100	5
ATR 72-600	13
ATR 72-500	6
Total	37

Avation will continue to grow its fleet and earnings in the coming year targeting both narrowbody and widebody jets, ATR 72-600s from the manufacturer, and the possibility to add second-hand aircraft on an ad-hoc basis. Older aircraft are sold when opportunities arise.

FY 2017 RESULTS:

Lease Revenue: **32% Growth**
FY2017: **$94.2m**
FY2016: **$71.2m**

EBIT: **32% Growth**
FY2017: **$60.2m**;
FY2016: **$45.6m**

Total Assets: **8% Growth**
FY2017: **$901.1m**;
FY2016: **$831.8m**

Profit after tax: **16% Growth**
FY2017: **$21.3m**;
FY2016: **$18.3m**

Operating Cashflow:
20% Growth
FY2017: **$63.0m**;
FY2016: **$52.5m**

EPS: **6% Growth**
FY2017: **36.3 cents**;
FY2016: **34.4 cents**

WHO IS AVATION? A LEADER IN PROVIDING LEASING SOLUTIONS TO AIRLINES AROUND THE WORLD.

THINCATS

Thincats offers an alternative

Website: www.thincats.com

Alternative assets typically offer returns which are not directly affected by the volatility of financial markets, providing a great way of diversifying an investment portfolio, at the same time as potentially earning attractive returns, both for those who are saving and those who are looking to obtain a regular income.

One of the few leading alternative lenders offering investors the choice of which loans to invest in, ThinCats gives access to full loan information packs and a calculated risk grading to help investors make an informed decision.

ThinCats loans are backed by security and subject to a formal credit review prior to being listed on the platform, and all loans support established, growing businesses from a variety of sectors and geographies, helping to drive the UK economy.

The history of **ThinCats**

November 2009

Kevin Caley and Peter Brown formed the idea for a company offering fixed term secured loans to businesses, with lower risk than equity, providing a regular income for investors – the idea for the world's first peer to business lender.

February 2010

Business Loan Network Ltd was established to operate the ThinCats platform; so called to underline the major differences from the stereotyped 'fat cat bankers'.

January 2011

The ThinCats online peer to peer lending platform was launched; one of the very first, and the only one to specialise in secured loans that were all vetted by experienced financial experts.

November 2012

Steadily growing, with 350 active lenders and an average loan size of £170,000, ThinCats was ready to take on loans above £1million. This would require significant underwriting, and potential investors were sought.

July 2013

ThinCats joined as a member of the Peer to Peer Finance Association (P2PFA).

June 2014

ThinCats launches Australian venture.

December 2015

ESF Capital acquired a 73.4% stake in ThinCats, with plans to significantly invest in infrastructure, resources and personnel to further improve the experience for borrowers, Sponsors and investors across the board.

April 2016

Europe's largest non-property P2P loan, £3.5 million for insurance group LAMP, was listed on the ThinCats platform.[1]

August 2016

Loan grading was introduced, to further help investors evaluate loans to support their investment decisions, and the growing team at ThinCats took up residence in new, larger offices in Ashby de la Zouch.

October 2016

Milestone of £200 million worth of loans arranged through ThinCats platform.

November 2016

ThinCats became proud patrons of NACFB, the National Association of Commercial Finance Brokers, and received the highest rating of 5 Star Rating from Defaqto, the industry standard for assessing the quality of financial products.

December 2016

Big Society Capital, government backed financial institution 'with a social mission', partnered with ThinCats to offer Social Investment loans with £2million worth of match funding.

WHO IS THINCATS? A LEADING ALTERNATIVE FINANCE PROVIDER, DEDICATED TO FUNDING GROWING AND AMBITIOUS SMES, AND OFFERING INVESTORS THE OPPORTUNITY TO INVEST DIRECTLY IN ALTERNATIVE ASSETS

ANGLE – Simple, Easy and Flexible

Website: www.angleplc.com

ANGLE's (AIM:AGL OTCQX:ANPCY) Parsortix™ system can harvest cancer cells from patient blood even when there is only one cancer cell in amongst one billion blood cells. These 'circulating tumour cells' (CTCs) are travelling in the blood as part of the process known as metastasis, and are the cause of secondary cancer in other parts of the body where the cells settle. Analysis of the CTCs has the potential to transform the way cancer is treated through the selection of therapies targeted to the patient's individual cancer and by the early detection of cancer in high risk groups.

DETECTION OF OVARIAN CANCER, THE SILENT KILLER

Earlier this year, ANGLE completed two large scale clinical studies each of 200 patients assessing the potential to detect ovarian cancer using ANGLE's Parsortix™ system. These studies demonstrated the potential of the Parsortix™ system to out-perform current standard of care in the detection of ovarian cancer in women having surgery for an abnormal pelvic mass. The Parsortix™ assay demonstrated high sensitivity, correctly identifying women with ovarian cancer so that they can receive the care of a specialist cancer surgeon, ensuring optimum outcome. Crucially the Parsortix™ assay also demonstrated high specificity correctly identifying women with a benign condition so that they can be treated by a general surgeon in their local hospital, most likely with key-hole surgery.

Buoyed by these excellent results, ANGLE is currently optimising its ovarian test and will be progressing a validation study over the next 18 months aimed at securing FDA and CE mark regulatory clearance so that its test can be sold in the United States and Europe addressing a targeted market valued at in more than £300m per annum.

WHO IS ANGLE?

World-leading liquid biopsy company ANGLE's (AIM:AGL OTCQX:ANPCY) liquid biopsy device is becoming the de facto standard amongst leading cancer research centres around the world.

REPLACING THE INVASIVE METASTATIC BIOPSY IN BREAST CANCER

ANGLE is seeking to be the first company ever to receive FDA clearance (United States regulatory approval) for a product harvesting cancer cells from patient blood for analysis. The number one cancer centre in the United States, MD Anderson is leading ANGLE's FDA clinical studies.

Patient enrolment in ANGLE's pivotal breast cancer study will start once ethical approvals are in place. 200 metastatic breast cancer patients together with 200 healthy volunteers will be enrolled in a trial designed to demonstrate the success of ANGLE's Parsortix™ system in harvesting cancer cells from breast cancer patients and that the harvested cells can be successfully analysed to provide key medical information using multiple different established downstream analysis techniques. ANGLE's target is to complete its FDA clinical and analytical studies by 30 June 2018.

In women with breast cancer that has spread to secondary cancer sites, the standard of care in the

United States is to undertake surgery to cut out cells from the secondary cancer site for investigation to help guide the ongoing treatment decisions. This is highly invasive and often the patient is too weak for the operation. It would be far better to offer the patient a blood test instead. The University of Southern California has already demonstrated in a 22 patient pilot study that the same information can be obtained from a simple blood test using ANGLE's Parsortix™ system.

The market potential for a liquid biopsy in breast cancer has been estimated as in excess of £1bn per annum.

WIDESPREAD ADOPTION IN MULTIPLE CANCER TYPES

ANGLE's Parsortix™ system can be used without modification in all solid tumour types for a wide range of applications. ANGLE's key opinion leaders and research use customers are working with the Parsortix™ system in 20 different cancer types.

Another advanced area of investigation is in prostate cancer where Barts Cancer Institute in London has been pioneering the use of the Parsortix™ system in the detection of prostatecancer and in the assessment of its aggressiveness. The latter point is particularly important in prostate cancer where the cancer may range from very slow developing to highly aggressive.

In a 40 patient pilot study, Barts showed that the Parsortix™ system could be used to separate patients into high risk and low risk groups. In a 20-month follow-up, Barts showed that the high risk patients were ten times more likely to die than the low risk patients. A blood test enabling this distinction has benefits for both groups: high risk patients can have accelerated treatment rather than waiting for their disease progression and low risk patients can minimise and/or avoid unnecessary invasive and toxic treatment.

ANGLE's strategy to ensure widespread adoption of its Parsortix™ technology is to partner with many large-scale corporates that have existing downstream analysis techniques for solid biopsy offering them the ability via Parsortix™ to harvest cells from blood for analysis.

ANGLE is aiming for Parsortix™ to become the accepted standard for obtaining these very rare cells for analysis. The first such partnership has recently been announced as a co-marketing agreement with QIAGEN, one of the world's leading molecular testing companies with 500,000 customers and revenue of $1.3bn per annum.

CAPITALISING ON THE POTENTIAL

ANGLE has further strengthened its leading position in the emerging liquid biopsy market by acquiring a downstream analysis technology of its own, Axela. The Axela platform enables ANGLE to not only harvest cancer cells for analysis but also to analyse those cells to provide the key gene expression information that is needed. Following the acquisition, ANGLE will now be able to offer a full "sample to answer" solution.

ANGLE has recently raised £15m of funding to complete its regulatory clearance studies and bring its revolutionary products into use treating patients.

		Solid tissue biopsy		Liquid biopsy	
Source		Primary tumour	Metastatic site	CTCs[1]	CNA (cfDNA[2])
Sample type		Intact cells	Intact cells	Intact cells	Fragmented DNA
Procedure		Invasive	Invasive	Non-invasive[3]	Non-invasive[3]
Sample accessibility		Not always accessible	Less accessible	**Accessible using Parsortix[4]**	Accessible
Patient recovery time		Varies	Longer	None	None
Test costs		Varies	Higher	Lower	Lower
Test turnaround time		Varies	Longer	Shorter	Shorter
Repeatability		Varies – difficult	Very difficult	Easy	Easy
Molecular analysis	DNA	Yes	Yes	Yes	Yes
	RNA	Yes	Yes	Yes	Difficult
	Protein	Yes	Yes	Yes	No
Live cells	Cell culture	Yes	Yes	Yes	No
	Xenograft	Yes	Yes	Yes	No
Standard of care		Proven	Proven	Not yet proven	Not yet proven

JAYWING

Jaywing an exciting opportunity in data science

Website: www.jaywingplc.com

Jaywing **(AIM:JWNG)** is a data science-led agency and consultancy business with a marketing technology division and the beginnings of an international footprint. It employs over 650 people in the UK and Australia with 1 in 10 being an experienced data scientist. It operates a highly collaborative business model that has resulted in one in three of its top 50 blue chip clients buying multiple service lines.

Investment in marketing tech

Recently it has developed cutting edge technology, using artificial intelligence and virtual reality. Branded Jaywing Intelligence, it delivers unique data and insights, as well as time saving automation, across a range of marketing applications.

Jaywing Intelligence will generate high quality licence revenues as well as creating differentiation. It is already being used by more than 15 clients, including Sky, ITV, Anytime Fitness Australia and KPMG.

Underpinned by an established agency and consulting business

Beyond this, Jaywing's core business generates high levels of recurring revenues, two thirds of which is visible six months in advance. Consequently, it enjoys strong cash generation and working across a number of industry sectors, its concentration risk is low.

The agency has two core propositions: performance marketing, where clients rely on Jaywing to generate

WHO IS JAYWING?
JAYWING IS A DATA SCIENCE-LED AGENCY AND CONSULTANCY BUSINESS WITH A MARKETING TECHNOLOGY DIVISION AND THE BEGINNINGS OF AN INTERNATIONAL FOOTPRINT

sales using search marketing, programmatic display advertising and email; and brand-led marketing, where clients such as Pepsi and Castrol have switched from traditional channels, in favour of using high quality content in social media and other digital channels to engage specific audiences.

The consulting business helps clients do smart things with their data for marketing or risk.

The marketing practice manages and combines on and offline data. It uses it to build and execute highly personalised customer experiences and help clients understand more about their customers and how their marketing activities are performing.

The risk practice works closely with lenders to build statistical models, often to satisfy banking regulation, such as calculating capital requirements. This is a very specialist field generating high margins.

Jaywing is well placed to help clients undertake digital transformation programmes as the big management consultancies often don't have the breadth of creative and practical marketing skills to bring to the table and agencies tend to lack the credibility to handle large-scale business and technical transformation programmes.

Positioned to be a winner in a period of disruption

In a tech-based economy, with ever increasing digital analytics, the marketing profession has changed immeasurably from its 'Mad Men' days. These days, the world's top media owners are the likes of Google and Facebook, with the traditional TV companies losing market share (of eyeballs and advertising revenue). Navigating this world of digital media requires deep expertise from specialist agencies.

According to eMarketer, digital media spend in the UK now outweighs the combined offline media spend. This digital media spend has come under scrutiny during 2017 and there is a call from advertisers for their network agencies to provide them with a more transparent cost model. It is possible that some large advertisers will look to disintermediate their media buying from such generalist agencies and buy media themselves, but more likely they will turn to specialist agencies with transparent cost models.

On the consumer side, the proliferation of social media channels and digital devices (smartphones, smart TV) is totally changing the ability of marketers to look for targeted and effective return on investment for their marketing dollars. There is simply more raw data to analyse and far greater need for data science.

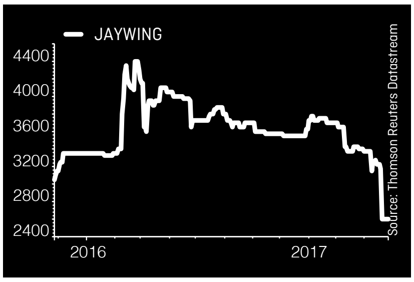
However, right now consumer-led businesses in the UK are currently grappling with difficult trading conditions. In common with previous periods where there has been a squeeze on consumer spending and more general economic uncertainty, the first action for many has been to cut costs, including some marketing costs. If things continue to follow the same cycle then we can expect the remaining marketing spend to move towards the most accountable and cost effective digital marketing channels and then see spend start to recover on the back of improved marketing performance. So as a specialist in data science led digital marketing, Jaywing is expected to benefit from this in the medium term.

A strong team with an ambitious goal

The company has a tight and experienced management team that has been in place since 2012 and includes some high-profile industry practitioners.

Their goal is for Jaywing to be the number one challenger brand in each of its markets, disrupting through the innovative application of data science and its collaborative "One Jaywing" operating model, centred around client need rather than organisational structure. Its strategic collaboration with the Data Science Institute at Imperial College London is helping to fuel its innovation.

Whilst the company has historically been focused in the UK, going forward the management team has a desire to scale the business internationally through the distribution of its marketing technology and the acquisition of complementary businesses. As with its very successful acquisition in Australia, this will provide Jaywing with access to faster growth and will improve its overall margin as central costs will remain the same.



SkinBioTherapeutics

Get under the skin of SkinBio

Website: www.skinbiotherapeutics.com

SkinBioTherapeutics (SBTX:AIM) CEO, Cath O'Neill, is one of the founders of the company and discovered the proprietary technology platform, SkinBiotix. Based on its potential across skin health, anti-infection and skin repair, the company was spun-out of Manchester University, attracted investors and was listed on AIM earlier this year. Since then, the team has been making significant advances in developing the technology and product programmes further. Early talks with commercial partners have started.

The premise behind SkinBioTherapeutics' technology is the human microbiome which comprises over 100 trillion microbes living in a number of different niches on or in the body.

In the last ten years, there has been a substantial increase in both the understanding and global interest of how the microbiome interacts with a human's own cells, with the University of Manchester's skin health research team playing a central role.

The vast majority of academic research and investment (over $1bn since 2014) has been into the gut microbiome and treatments for local conditions to the gut. However, less than 5% of published research has been on the skin microbiome, although this is starting to change.

The company's proprietary platform technology was discovered by CEO Dr. Cath O'Neill and Professor Andrew McBain. They observed, and later proved, that when specific 'friendly' probiotic bacteria were taken from the gut and the cells were ruptured, the resulting 'lysate' had beneficial effects on human skin samples.

> LESS THAN 5% OF PUBLISHED RESEARCH HAS BEEN ON THE SKIN MICROBIOME

Specifically, the lysate could improve the barrier effect of skin by reducing water loss, protect skin from infection and help the skin repair itself.

The nascent, SkinBioTherapeutics received seed funding from the Tech Transfer Office of the University of Manchester for the discovery of SkinBiotix. The Company was subsequently spun out of the University of Manchester in March 2016 and was funded by OptiBiotix (AIM: OPTI). It then joined AIM in April 2017 and raised £4.5m.

COMPANY STRATEGY

The strategy of the company is to develop products in three specific areas: cosmetics, infection control and eczema. These areas represent a combined annual global market of over $100 billion and the Company's initial focus is a cosmetic application for sensitive skin.

The aim is to partner with established, global players, which will enable the Company to target a greater share of the market than if it acted alone. It also serves to derisk the company, as marketing and scaling up costs associated with these markets are negated.

WHO IS **SKINBIOTHERAPEUTICS?**

Manchester-based SkinBioTherapeutics is a life sciences company developing products for skin health based on the skin microbiome.

The management of SkinBioTherapeutics has significant experience working with such major organisations to commercialise products. CEO, Dr. Cath O'Neill, in particular, has worked with major FMCG companies as part of her role with the University of Manchester.

Since IPO, SkinBioTherapeutics has been focused on developing the science further and fulfilling the promises made upon listing.

In Q3 2017, the company updated the market with news that the SkinBiotix platform had passed third party cellular toxicity tests for its SkinBiotix technology, confirming previous in-house observations on its safety and applicability to skin cells. The studies were conducted by Charles River Laboratories, a contract research organisation, thereby providing third party validation of the test results. The positive result was a key milestone for the company.

At the same time, the company also provided an update on other progress which encompassed the initiation of manufacture scale-up, pilot scale formulation (to produce a version of the lysate that could be incorporated into a cream and/or gel)

Further work had also been performed around the anti-infection properties of the platform against the most common skin infection bacteria, Staphylococcus aureus. Studies confirmed that SkinBiotix was effective for up to five hours, suggesting a future application rate of 3-4 times a day. These data were presented at a conference organized by the prestigious Wellcome Trust on *Host Microbiome Interactions in Health and Disease*.

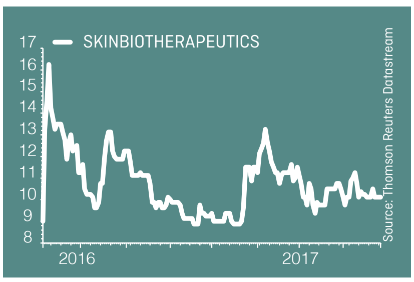
RECORD OF ACHIEVEMENT

Other studies have been investigating the right dosage of SkinBiotix for all three different applications (cosmetic, anti-infection and eczema) and the mechanism of action of the technology.

The achievements of this company in such relatively short period of time can be summed up by CEO, Cath O'Neill at the maiden full year results:

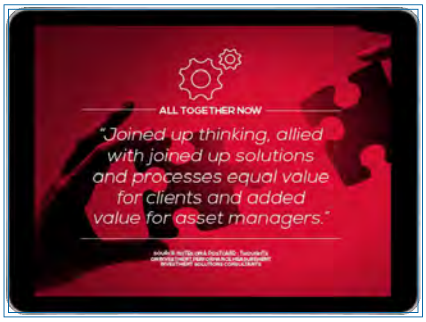
'This has been a significant year for the company; from creating the infrastructure and team to support the growth and development of the Company, to the scientific progress around our proprietary skin platform, SkinBiotix.

'During the year, we have demonstrated three significant properties – barrier improvement, anti-infection and repair – which form the foundations of our three development programmes. We are making good scientific headway and are starting initial discussions with partners.'



StatPro – the revolution continues

Website: www.statpro.com



StatPro believes software should be simple. Simple to implement, simple to operate and simple for our clients to achieve their business goals. StatPro provides the analysis that helps the global financial markets tick. Super sophisticated risk and performance analysis and the proper management of the sort of complex financial assets that caused the global financial crisis are our bread and butter. Equity and bond managers rely on our analysis, reports and output to make their day job manageable. The world has $160 trillion of assets under management and about $40 trillion of that goes through various StatPro systems. StatPro has invested massively in cloud-based technology and as a result it is far ahead of its rivals in terms of efficiency and cost effectiveness. As asset managers feel the double whammy of lower fees and higher regulation, they need to adopt better technology and StatPro is central to their requirements.

The company's flagship product is StatPro Revolution. Launched in 2011, it has grown rapidly with over 300 clients across 36 countries using the platform. Revolution is a cloud-based Software as a Service (SaaS) solution and was developed to exploit fully the advantages of the cloud computing delivery model. Importantly, it was designed to offer nearly limitless on-demand computing power along with modern data and application services. When companies build and operate applications in this way, they bring new ideas to market faster and respond sooner to customer demands.

StatPro employs 330 people across 10 countries, many of whom are professors in maths or physics – we even have an actual rocket scientist. It is the quality of the people we employ as much as the technology we produce that sets StatPro apart. Combining this industry experience with the latest technology has resulted in StatPro Revolution, the first performance and risk analytics solution specifically designed for the cloud.

WHO IS STATPRO?

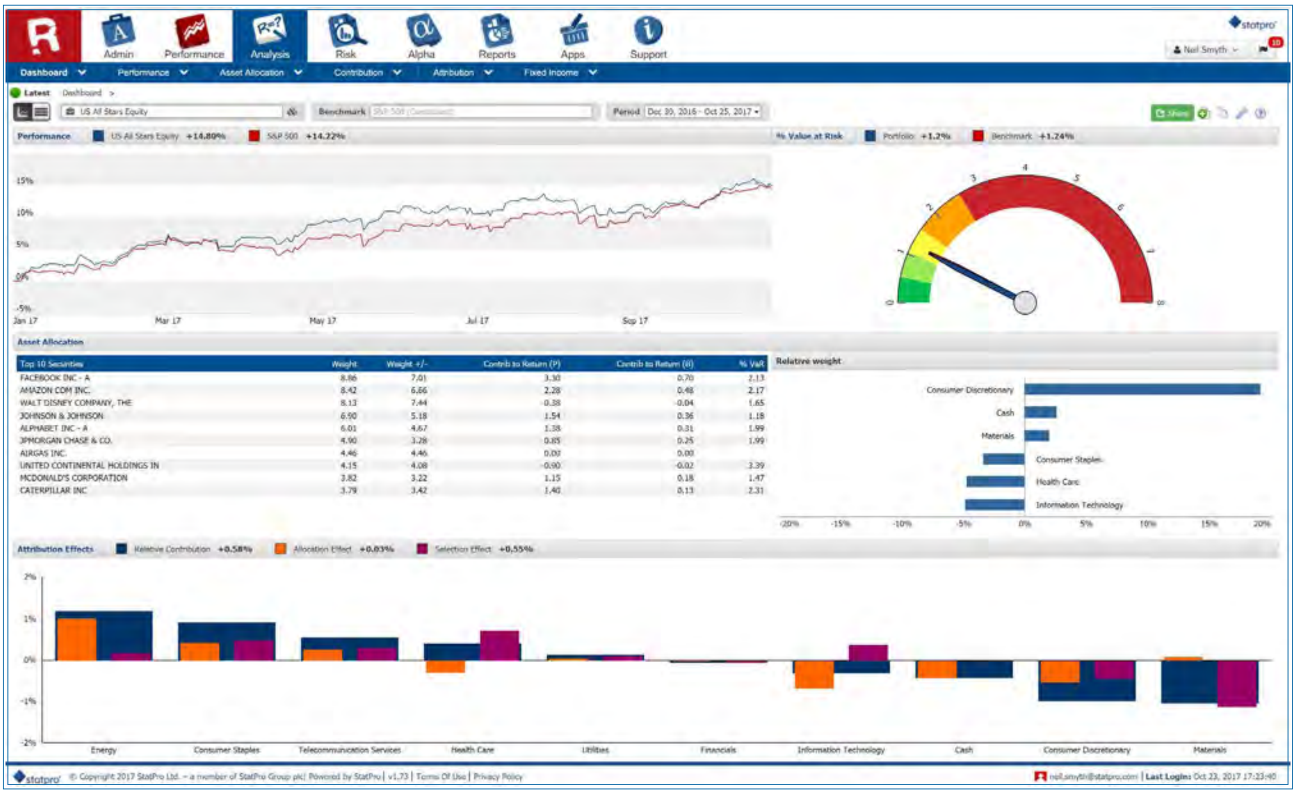
SUPER SOPHISTICATED RISK AND PERFORMANCE ANALYSIS AND THE PROPER MANAGEMENT OF THE SORT OF COMPLEX FINANCIAL ASSETS THAT CAUSED THE GLOBAL FINANCIAL CRISIS ARE THIS SOFTWARE FIRM'S BREAD AND BUTTER

StatPro's business model is to rent our software for long term subscriptions providing us with very high visibility on our revenues. Our Annualised Recurring Revenues from present contracts are now £53 million per annum as at 30th September 2017, up 35% from 31st December 2016 and 59% from 31st December 2015.

In our mission to replace our legacy software with cloud solutions, cloud-based revenue has increased from 68% at the end of December 2015 to 82% as at 30th September 2017. We believe that we will more or less complete the conversion of clients to the cloud by end of 2020.

Company update – November 2017

As we announced earlier in the year, StatPro has acquired the award-winning UBS Delta risk and performance service from UBS (Union Bank of Switzerland). The combination of UBS Delta with StatPro



Revolution will result in one of the most comprehensive portfolio analytics platforms on the market. StatPro Revolution already offers a broad range of performance and risk services, but it is largely focused on the middle office of asset managers, providing reporting, monitoring and sales support. On the other hand, UBS Delta has grown out of the front office needs of asset managers, supplying decision support and highly accurate risk analysis, especially for fixed income assets. Both systems are fully multi-asset and there is some overlap of functions, but the specific capabilities of each hugely complements the other.

Integration of the Delta team into StatPro's software development operations has already started with a unified London based team working on developing the Delta functionality into the cloud-based Revolution platform. StatPro's goal is to release the functionality of Delta into Revolution over the next three years while remaining fully committed to supporting the existing Delta platform for the next five years. This is to allow for a smooth migration of all Delta clients over a manageable time period while new features are being released.

STATPRO REVOLUTION ALLOWS CLIENTS TO CONSOLIDATE SYSTEMS

Changing technology landscapes and staying flexible

Many of StatPro's clients are undergoing technology transformations as asset managers look to become more efficient in light of margin pressure and increased regulation. This was highlighted by the CTO of Schroders, Stewart Carmichael in a recent interview, "It's the need for change that drives innovation, and a combination of factors is driving change in asset management. We're all aware of the margin pressures and burdens from regulation, which is creating a need for greater operating efficiency—technology innovation is the obvious answer to finding those efficiencies." As old technology is replaced, the industry is looking to scalable and flexible solutions that allow them to consolidate and simplify their operations. StatPro is at the heart of this.

Many asset managers have old technology running their performance and risk analysis operations. Most have multiple systems doing similar tasks, each creating data in their own way, each

needing separate databases and all the IT costs that go along with that. Trying to piece together all that data together to create meaningful analysis and reports is very hard, time consuming and expensive. The industry has recognised this and is starting to replace old technology with new solutions. Cloud-based platforms like StatPro Revolution allow clients to consolidate systems and reduce the complexity in their operations. Instead of several systems all creating data and duplication of effort, they can now manage their portfolios performance and risk analytics for all their investment types and all their portfolios in one place.

No one system can provide everything an asset manager needs across their business. Software systems need to work with each other to bring data together for further reporting. Managing the data across multiple systems is one of the hardest challenges our clients face. Old technology relies on file transfers and restrictive file formats. This creates complexity and risk in the process and wastes a lot of people time. StatPro understands that its cloud-based Revolution system will need to provide data to other systems within the client. StatPro has invested in Web API technology (Application Programming Interface) which allows the client to easily extract data and move it around where it is needed. This intelligent 'plumbing' is much more efficient than managing multiple files and data sources and is a central part of many asset managers new data management strategies.

Many departments within an asset manager want portfolio analysis information. After all, managing investment portfolios is what they do as a business. Making sure this analysis is correct and in the right format is the job of the Middle Office. Their role is split into two main areas. Production of analysis and distribution of analysis. It's the distribution of portfolio analysis that is one area the industry is looking to improve through new technology. The issue today is that each department wants to see this information in slightly different ways. Sales and marketing need different information to the investment risk team and they too are different from the fund managers themselves. The Middle Office often struggle to keep up with the constant demand for ad-hoc analysis and reports, and when reports are delayed and in formats such as PDF files, they are often of little value. Asset managers are now looking to innovate with better digital distribution of this vital analysis. StatPro Revolution allows clients to create custom views of analysis that can be tailored down to an individual user. The Middle Office remains fully in control, but they can provide a 'self-service' platform that other departments can use online to get the information as and when they need it. This leads to a more efficient Middle Office and ultimately, competitive advantage for the client.

StatPro continues to work with clients to understand the challenges they face and continues to develop cloud-based solutions with the Revolution platform. Data management, scalable analytics and flexible interfaces are central components to these solutions and through our industry expertise and technology, we continue to lead the way in portfolio analytics. The Revolution will continue.