STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

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SHARES

WE MAKE INVESTING EASIER

NERVOUS ABOUT THE MARKET?

We look at assets that could offer some protection in choppy times

Inside: All the details on forthcoming IPOs

We scan for stocks going cheap following last week's sell-off

Have IPOs been hit by stock market volatility?

The window for new listings could still be open if markets remain calmer than early February 2018

Markets appear to have settled down at the time of writing (13 Feb) with the FTSE 100 index holding still at 7,177. Volatility, as measured by the Vix index, has also halved at 25.61 from its approximate 50 level last week.

While there is no guarantee that the latest market sell-off has reached its bottom, the return of more calm conditions is important for companies trying to get their IPOs (initial public offerings) off the ground.

This is relevant as we're told by many industry people there is a big pipeline of companies preparing to join the London Stock Exchange – either on the Main Market or AIM.

WHAT HAPPENS WHEN MARKETS ARE SHAKY?

IPOs are typically pulled when market conditions are more volatile. Institutional investors are nervous about backing companies if stock markets are experiencing wild up and down movements. They don't want to be seen putting money into a company if their investment could quickly lose value.

Several IPOs were postponed in other global markets last week amid market jitters. These included Turkish fast food chain operator TFI Tab Food Investments, Argentine biotechnology firm Bioceres and Brazilian pharma group Blau Farmaceutica.

A sharp drop in equities markets also led to several companies pricing their shares below their initial IPO ranges, including airport operator Corporation America Airports and power generator Central Puerto.

IPO WINDOW STILL OPEN?

The latest sign that markets might have passed their worst implies that the IPO window is still open. Indeed, various companies have confirmed plans to proceed with their UK stock market listings.

TruFin says it will join AIM on 21 February, having secured £70m to help support its three lending businesses. It is involved in supply chain finance, invoice finance and dynamic discounting.

The company also owns a 15% stake in consumer P2P lender Zopa – a business which may also soon be part owned by another forthcoming IPO.

Augmentum Fintech is hoping to secure up to £125m in new cash as part of a London stock market listing. The new money will be partially used to buy a portfolio of investments including a 7% stake in Zopa.

TWO INVESTMENT TRUST IPOS

Irish industrial property investor **Core Industrial REIT** is hoping to secure up to €225m via a listing on AIM. It eventually wants to pay a 6% dividend yield and deliver more than 12.5% total return to shareholders each year. **Baillie Gifford US Growth Trust** is hoping to raise £250m to invest in companies based in the US or which conduct a significant portion of their business in the country.

Other UK stock market listings in the pipeline include **Polarean Imaging**, a medical sector specialist scheduled to join AIM on 22 February.

OnTheMarket's (OTMP:AIM) IPO last week (9 Feb) was somewhat ill-timed as it got caught up in the stock market sell-off. Having only raised just over half of its original fundraise target, the property portal then saw its share price fall 10% on its stock market debut. (DC)

OTHER CONFIRMED LONDON IPOS

Chargemaster – electric vehicle charging infrastructure
IntegraFin – owner of IFA platform Transact
Fastbase – website analytics group

RUMOURED LONDON MARKET IPOS

Aston Martin – carmaker
Avast – antivirus software firm
GEMS Education – private school operator

Take the road less travelled with somebody who knows it well.

LET'S TALK HOW.

FIDELITY ASIAN VALUES PLC

More than 18,000 listed companies make the opportunity for investment in Asia truly immense. But with such diversity, how do you ensure you are setting off on the right path?

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

PAST PERFORMANCE

	Jan 13 - Jan 14	Jan 14 - Jan 15	Jan 15 - Jan 16	Jan 16 - Jan 17	Jan 17 - Jan 18
Fidelity Asian Values Net Asset Value	0.4%	24.0%	-1.8%	42.9%	9.3%
Fidelity Asian Values Share Price	1.0%	25.3%	-2.9%	54.3%	7.4%
MSCI AC Asia ex Japan	-6.3%	21.3%	-13.4%	36.7%	27.0%

Past performance is not a reliable indicator of future returns. Source: Fidelity and Morningstar as at 31 January 2018 on a bid-to-bid basis with income reinvested in GBP terms.

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

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

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

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Contents

15 February 2018

INTERACTIVE PAGES

CLICK ON PAGE NUMBERS TO JUMP TO THE RELEVANT STORY

06

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Contents

22

44

30

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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.

Tesco could go head-to-head with Aldi and Lidl on price, claims media report

Britain's biggest retailer is rumoured to be weighing up budget format launch

Britain's biggest retailer **Tesco (TSCO)** is considering a separate discount brand that would match rivals Aldi and Lidl on price and sport a more limited range than its main stores at a time when UK shoppers are finding life tough. That's according to an article in *The Sunday Times*.

The BRC-KPMG Retail Sales Monitor showed like-for-like UK retail sales creeping 0.6% higher in January. Food sales exceeded non-food.

UK inflation staying at 3% reinforces concerns that the Bank of England will hike interest rates, putting further pressure on consumer spending.

Shore Capital analyst Clive Black says he was surprised by the Tesco story, not least because the company has been trying to simplify its business,

cut its range and declutter stores.

Dave Lewis-led Tesco, whose £3.7bn acquisition of wholesaler **Booker (BOK)** was cleared by the CMA last month, grew sales by 2.6% in the 12 weeks ending 28 January, according to the latest grocery market share figures (6 Feb) from Kantar Worldpanel.

However, all of the big four supermarkets lost market share to Aldi and Lidl, whose sales shot up by 16.2% and 16.3% respectively. (JC)

Shock as highly respected small cap fund manager is pushed out

Experts now believe several River & Mercantile funds could see big outflows

SHARES IN investment trust **River & Mercantile UK Micro Cap (RMMC)** have started to recover after falling nearly 20% in the days after fund manager Philip Rodrigs was pushed out (7 Feb).

Reports suggest conduct issues relating to Rodrigs were unearthed after more stringent systems and controls were drafted in by asset manager **River & Mercantile (RIV)** following an ongoing FCA competition investigation involving R&M and other investment managers relating to IPO price fixing.

River & Mercantile said Rodrigs had left the business 'following an investigation into a professional conduct issue' although it clarified the conduct issue was unrelated to his portfolio manager responsibilities.

Rodrigs was also manager of open-ended funds **River & Mercantile UK Smaller Companies (GB00BC4DSV56)** and **R&M UK Dynamic Equity (GB00B7H1R583)**, which have subsequently seen an estimated £43m of outflows according to calculations by stockbroker Numis on 12 February.

Numis forecasts £650m of net outflows by mid-2018 in these two funds, accounting for just over half of the combined assets under management (£1.2bn) before the news.

Stockbroker AJ Bell has removed River & Mercantile UK Smaller Companies from its 'favourite funds' list on the grounds that Rodrigs was considered to be a vital part of the fund's investment process.

His departure has led to the fund being replaced by **Franklin UK Mid Cap (GB00B8K8HH50)** on AJ Bell's preferred funds list. (JC)

Sterling slides as Brexit fears resurface

There are also concerns about rising interest rates and large consumer debt piles

It has been a turbulent start to February for the pound. The currency briefly spiked above $1.40 against the dollar as the Bank of England hinted at faster increases in interest rates (8 Feb). The pound then tumbled the following day to $1.377 as concerns over the UK's Brexit strategy escalated.

Clashes between the main negotiators on both sides, the EU's Michael Barnier and Brexit secretary David Davis, led Barnier to warn that a transition agreement is 'not a given'.

This transition deal is craved by the business world as without it companies lack the clarity required to make long term decisions on spending.

Several business groups such as the CBI and TheCityUK have warned an agreement is needed within weeks to prevent an exodus of jobs, capital and investment.

The Bank of England was widely perceived to be hinting at a hike in rates in May but could be influenced by the outcome of the Brexit talks and spiralling levels of consumer debt.

A report from the Resolution Foundation identified UK household borrowings of £1.9tn. It says that while the majority will be able to handle rate increases, a minority of lower income borrowers could face 'significant difficulty'. (TS)

Analysts get behind cyber security firm Sophos

Possible buying opportunity after market's 'extraordinary' over-reaction

ANALYSTS HAVE rallied to the cause of cyber security software supplier **Sophos (SOPH)** in the wake of a big sell-off in its share price.

One analyst insists that the market reaction has been 'over-done' since the company's third quarter update on 8 February and that there is a solid buying opportunity with 40%-plus upside potentially on offer to investors.

Another supportive number cruncher has even called the market's response to the trading update as 'myopic' and 'extraordinary' even allowing for current volatility in stock markets.

Of the 11 analysts covering the stock, 10 have a 'buy' recommendation.

Sophos' trading update showed a rough $10m miss to billings expectations (it reported $194.8m for the three months). Adjusted operating profits slipped 6% year-on-year while cash generation was also on the weak side.

This was largely down to investment in the product suite, where Sophos has recently launched a new line of XG Firewall products and newly improved InterceptX, its artificial intelligence malware defence suite.

The news sparked a 17% share price drop on the day, with subsequent weakness taking the stock down to 479.6p. That means more than £500m has been wiped off the company's valuation in less than a week.

SHARES SAYS:
We see the introduction of new data protections as one of several structural growth drivers. A buying opportunity. (SF)

Which are the best and worst performing stocks following the market sell-off?

We look at the FTSE 350 stocks which have prospered or struggled since the start of February

We have run the numbers to identify the best and worst FTSE 350 performers since the market sell-off started at the beginning of February.

Financial technology business **NEX (NEX)** noted it would benefit from increased volatility (and US tax cuts) in a 1 February trading update. The company could see greater demand for its platforms as the financial markets become more actively traded.

Delivery firm **Royal Mail (RMG)** is the standout performer after it made significant progress towards a deal on pay and pensions with its staff.

Support services company **Stobart's (STOB)** shares responded as former boss Andrew Tinkler snapped up £0.6m worth of shares, while a management shake-up at asset manager **Investec (INVP)** had a positive reception.

The worst performers also principally moved on stock-specific issues. However, the negative reaction to a downbeat third quarter update from cyber security specialist **Sophos (SOPH)** may have been exacerbated by weaker market sentiment.

A more cautious outlook from investors could also explain the big fall at pharmaceuticals outfit **Vectura (VEC)** as excitement about a possible bid from **GlaxoSmithKline (GSK)** evaporated.

Oil services provider **Petrofac (PFC)** suffered as the scope of a probe into bribery, corruption and money laundering was broadened. (TS)

BEST PERFORMERS IN MARKET SELL-OFF

Company	February 2018 performance (%)
Royal Mail	14.1
NEX	11.6
Investec	9.8
Stobart	7.6
Cranswick	4.8

Source: SharePad, 13 February 2018

WORST PERFORMERS IN MARKET SELL-OFF

Company	February 2018 performance (%)
Sanne	-14.6
Drax	-15.3
Vectura	-17.0
Petrofac	-22.1
Sophos	-25.3

Source: SharePad, 13 February 2018

A LIFETIME OF RISING DIVIDENDS

WHAT LINKS GLOBAL consumer products group Proctor & Gamble and Coca-Cola, the drinks giant? Yes, their respective brands are pretty much ubiquitous around the world, but the pair have also been paying increased dividends for more than 50 years.

In the US, where both are listed on the New York stock market, they are known as 'dividend kings'.

This is important because of the power compounding has on overall returns, if that income is reinvested back into the stock.

Data shows that between 1962 and 2012 Coca-Cola's stock returns were more than four times better if dividends were used to buy more shares in the company. Or in other words, $10,000 invested in Coca-Cola in 1962 was worth around $2.25m by 2012, versus about $550,000 if dividends were not reinvested.

The UK has its own dividend kings, with investment trusts **City of London (CLIG)**, **Bankers (BNKR)** and **Alliance Trust (ATST)** among UK-quoted vehicles to raise dividends annually for at least 50 years.

Companies such as **Diageo (DGE)**, **Young & Co's Brewery (YNGA:AIM)** and industrial controls group **Spectris (SXS)** have all raised their annual payout for more than 25 years running, according to the Dividends Champion website. (SF)

GAME DIGITAL SECURES UP TO £55M SUPPORT FOR E-SPORTS TIE-UP WITH SPORTS DIRECT

VIDEO GAMES SELLER **Game Digital (GMD)** now has access to up to £55m to fund the roll-out of its physical gaming arenas and develop its BELONG competitive gaming and e-sports experience, courtesy of **Sports Direct (SPD)**.

Game Digital plans to launch arenas or concessions in select branches of Sports Direct, which acquired a 50% interest in the intellectual property of BELONG for £3.2m. The sportswear retailer will also benefit from 50% of profits from associated venues.

NEW CAR SALES IN REVERSE GEAR

NEW CAR REGISTRATIONS in January fell 6.3% according to the latest data (5 Feb) from the Society of Motor Manufacturers and Traders (SMMT), marking the tenth consecutive month of decline.

Some 163,615 cars were driven off forecourts, a 6.3% fall compared with the same month in 2017.

Consumer spending on big ticket items including cars looks fragile amid falling business and consumer confidence.

Significantly, new diesel car sales were down 25.6% in January versus the same month last year, against a backdrop of continued anti-diesel rhetoric from the Government.

Simon Benson, head of motoring services at AA Cars, says: 'This data is the first real temperature test of the overall health of the new car industry in 2018, and it paints a fairly bleak picture. With the market now in its 10th month of decline, motorists are clearly wary about purchasing a new vehicle. In fact, our own research suggests a lack of consumer confidence cost the industry an estimated £2.6bn in 2017 alone.'

FTSE 100 chemicals firm Croda is a highly desirable investment

We explain the reasons why you need to put this superb business in your portfolio

CRODA BUY
(CRDA) £43.47
Stop loss: £32.00

Market value: £5.68bn

Chemicals firm **Croda International (CRDA)** is one of the highest quality companies on the stock market.

Sales and pre-tax profit have grown nearly every year over the past decade and it generates superior return on capital employed (ROCE) roughly in the 30% field. The latter is a measure of how well a company uses all its sources of long-term financing to generate a profit. We like to see sustained ROCE above 15%.

Croda pays a dividend and an estimated £492m net debt position at the start of 2018 is less than 10% of the company's market value, so borrowings aren't a major concern to us. Gross margins in the region of 38% are highly desirable.

DESERVES PREMIUM RATING

On paper this really is a superb business and exactly what you should desire in a stock. Understandably, investors are happy to pay a premium price to access these highly attractive characteristics – and so are we.

Croda trades on 23.2 times forecast earnings for 2018 which isn't excessive if you consider how well the business is run and the superior returns it generates.

So why should you buy the shares today? We believe Croda is on track for an exciting year with a potential improvement in organic growth and possible special dividend could be on the horizon.

Berenberg analyst Rikin Patel believes the cash return news could accompany full year results on 27 February. Croda has teased it will return cash if leverage falls below 1 to 1.5 times, according to the analyst.

On his current forecasts, net debt/earnings before interest, tax, depreciation and amortisation should hit 0.9 times in the year to 31 December 2017.

We would instantly use any money from a special dividend to buy more shares in Croda.

WHAT DOES IT DO?

Croda creates and sells speciality chemicals for beauty products such as moisturisers, as well ingredients for lubricants. It also develops crop care products to help farmers achieve superior yields.

In 2016, the personal care division struggled on the back of slower export markets and lower demand, but sales growth improved in 2017.

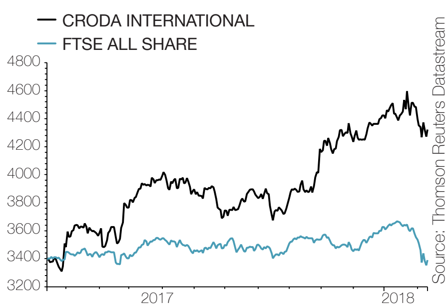
Euromonitor forecasts c4% compound annual growth in premium care products between 2016 and 2021, versus c2% for mass market products, playing to Croda's strengths.

Innovation is at the heart of Croda's strategy, evident through several technology acquisitions in January to improve skincare applications and boost the performance technologies division.

Croda is expected to report £324m pre-tax profit at the forthcoming 2017 financial results (2016: £276m), according to Berenberg forecasts.

It reckons Croda will then lift pre-tax profit to £346m in 2018 and £379m in 2019. (LMJ)

BROKER SAYS: 9 6 2



Shopping around – opportunities in retail

If you look at the share prices of conventional retailers today, you'd be forgiven for thinking that the high street is on its last legs. Meanwhile, the eye-watering valuation of Amazon's stock already reflects a very optimistic future, leaving little room for any disappointment. Amazon now trades on over 170 times 2018 earnings. In contrast, Marks & Spencer is on just 11 times and Gap 16 times.*

Does this gulf in valuations point to the extinction of the high street? We believe it's misguided to assume that online will be the only way to shop. Online transactions are here to stay, but investors shouldn't underestimate the staying power of shops.

Instead, the market's disdain for conventional retailers should be a buying signal for contrarian investors. Shopping is a major leisure activity for a great number of people – not just a necessity, but a social activity, even a hobby. The convenience of clicks can't compete with that.

Meanwhile, many bricks-and-mortar retailers are meeting the e-commerce challenge head on, by creating multi-channel offerings with mobile apps and 'click and collect'. Some are also adding other leisure services to their sites, increasing footfall and encouraging spending. And many have powerful brands that e-commerce has yet to rival. Gap and Marks & Spencer provide two good examples.

Although Gap has fallen from favour since its peak of popularity in the 1990s, a turnaround is underway. The company is refocusing on its popular Old Navy and Athleta brands, while reducing Gap branded stores and bringing products more quickly to market to capitalise on current trends. All of this should boost earnings and improve margins. So too should its drive to move away from a reliance on promotions – which has encouraged consumers only to buy when there's a sale on.

Marks & Spencer is also reducing promotions as part of its own turnaround plan. Revivals in its fortunes have been heralded before, but we believe that this time really is different. Led by veteran retailer Steve Rowe and turnaround specialist Archie Norman, the company is shedding excess stores, revitalising product lines and improving its pricing strategy. Its food division is still market-leading, and its investments in IT and infrastructure are creating a robust multi-channel offering.

We see these and many other retailers as 'ugly ducklings' – unloved shares that most investors shun. Although they have been under pressure from online competitors, they have considerable potential to defy the market's pessimistic expectations and turn their circumstances around. And while we wait for our ugly ducklings to become swans, most – like Gap and M&S – offer higher-than-average dividend yields. We believe that the depressed shares of high-street operators conceal compelling opportunities. Smart investors should look out for high street bargains.

* As at 2 February 2018.

Invest in the future with Atlantis Japan Growth

Latch onto fund's improving performance and better Japanese prospects

Investment trust **Atlantis Japan Growth Fund (AJG)** provides exposure to a broad-based portfolio of mid and small cap Japanese equities.

It is a single-country fund offering a play on Japan's improving economic backdrop and attractive corporate valuations.

The trust's discount to net asset value (NAV) has narrowed from a 12-month average of 8.9% to 3% as investors warm to a sustained period of outperformance since the latter part of 2016.

BLOSSOMING PERFORMANCE

Since her appointment as lead portfolio adviser in May 2016, Taeko Setaishi has engineered an improvement in the trust's fortunes. As Edison Investment Research points out, not only has the trust outperformed the TOPIX benchmark over one, three, five and 10 years, it is the best-performing fund over one year out of the four constituents of the AIC's Japanese Smaller Companies sector.

Rather than income, Atlantis Japan Growth's focus is on long-term capital growth. As at 31 January, risk was diversified across a portfolio of 70 holdings. Company meetings are a key part of the investment process for Setaishi, who seeks to buy undervalued, cash generative, well-managed growth companies that have clear competitive advantages.

ATLANTIS JAPAN GROWTH FUND BUY
(AJG) 118.7p
Stop loss: 184.8p

Total assets: £126.9m (source: The AIC)

Japanese equities have been particularly strong since September 2017, following the snap general election. Investors have renewed confidence that Prime Minister Abe's supportive monetary and economic policies will be maintained until 2021.

But Japanese stocks are attractively valued relative to other developed markets, notably the US. Japan's economic data continues to improve, which should drive company earnings and continue to power the equity market higher, while improving corporate governance is yet another plus point.

FUTURE-PROOFED PORTFOLIO

Edison says Setaishi is not only positive on the outlook for Japanese equities, she also 'continues to find interesting growth opportunities across a variety of sectors.'

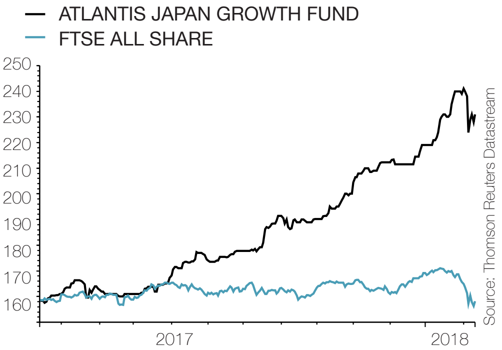
Shares likes the fact Atlantis Japan Growth, which is committed to buying back shares if its discount to NAV gets too wide, offers exposure to a number of exciting themes. These include factory automation through sensors specialist Keyence Corp and material handling systems maker Daifuku.

The fund offers a play on increasing levels of outsourcing through Benefit One, which administers welfare and employee benefit programmes for public and private companies.

Due to an ageing population, domestic demand for healthcare products and services is rising. This underpins a holding in medical devices firm Asahi Intecc.

Among the examples of a company that ticks all the boxes for Setaishi is Yamashin-Filter, a market leading producer of hydraulic filters for construction machines with operating margins of circa 10%, a return on equity of around 10% and annual earnings growth of more than 15%. (JC)

BROKER SAYS: N/A



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Our Great Ideas portfolio outperforms in choppy waters

We update on the performance of our top picks following the market sell-off

+5.1% AVERAGE GAIN

Our *Great Ideas* portfolio was hit by the recent bout of volatility, but we are still in positive territory overall and handsomely beating the wider market.

We run our list of stocks on a 12-month rolling basis and track the performance of the portfolio against the FTSE All-Share. The latest figures show our portfolio is up by 5.1% on average against a 2.7% decline for our measure of the FTSE All-Share, all excluding dividends (see 'How our portfolio works').

The only name to go through its stop loss, a mechanism which sells a stock at a specified level, is **Wey Education (WEY:AIM)**.

The online education provider had been on a stellar share price trajectory heading into the

GREAT IDEAS PORTFOLIO: WORST PERFORMING TRADES STILL RUNNING

Company	Entry date	Share price gain
Avesoro Resources**	06/08/17	-20.4%
Allergy Therapeutics	10/05/17	-18.0%
Soco International	16/11/2017	-18.0%
NCC	23/11/2017	-17.1%
Galliford Try	30/11/2017	-14.1%
Cineworld*	16/3/2017	-12.1%
PZ Cussons	16/3/2017	-11.3%
Cambian	08/10/17	-10.8%
Unilever	11/02/17	-10.1%
Quartix	25/5/2017	-9.2%

Source: *Shares*, Google Finance, 13 February
**Adjusted for January 2018 rights issue*
***Adjusted for January 2018 share consolidation*

A SELECTION OF STOCKS WHERE WE HAVE TAKEN PROFIT OVER THE PAST 12 MONTHS

Company	Entry date	Exit date	Share price gain
Distil	23/02/2017	20/04/2017	102.1%
Burford Capital	03/09/2017	10/05/2017	58.0%
Yu Group	13/04/2017	25/05/2017	52.2%
UBM	05/11/2017	25/01/2018	23.6%
Countryside Properties	25/05/2017	17/08/2017	17.9%

A SELECTION OF STOCKS WHERE OUR STOP LOSS HAS BEEN TRIGGERED OVER THE PAST 12 MONTHS

UP Global Sourcing	Accrol	Card Factory	Imperial Brands
Pantheon Resources	w Infrastructure	Ultra Electronics	

GREAT IDEAS PORTFOLIO: BEST PERFORMING TRADES STILL RUNNING

Company	Entry date	Share price gain
Bluejay Mining	13/4/2017	77.0%
Sopheon	22/6/2017	70.9%
Midwich	24/8/2017	65.8%
NMC Health	07/06/17	55.1%
Treatt	16/2/2017	54.5%
Eland Oil & Gas	27/4/2017	45.3%
XP Power	07/06/17	34.4%
Dechra Pharmaceuticals	27/7/2017	33.0%
Ramsdens	15/6/2017	30.6%
Accesso	20/7/2017	29.9%
Marlowe	23/03/17	25.7%
Impax Asset Management	21/09/17	25.6%

Source: *Shares*, Google Finance, 13 February sell-off. We still think the business has significant growth potential, but investors should watch from the side lines for now rather than seeking to take advantage of the recent weakness.

We feel the market may lose its appetite for stocks trading on very high ratings, which includes Wey trading on nearly 100 times forecast earnings.

Other small cap growth stocks in our portfolio, such as ad tech firm **Taptica (TAP:AIM)**, music products outfit **Focusrite (TUNE:AIM)** and telecoms solutions business **Gamma Communications (GAMA:AIM)**, have performed poorly in February. We retain our positive view on these names.

The two life insurance names in our list of picks, **Aviva (AV.)** and **Legal & General (LGEN)**, have also struggled as they are exposed to the performance of asset classes like stocks and bonds through their pension funds.

The fall in the oil price which accompanied the stock market sell-off proved damaging to oil producer **Soco International (SIA)**. (TS)

HOW OUR PORTFOLIO WORKS

Our hypothetical portfolio runs on a 12-month rolling basis.

We add the two featured *Great Ideas* selections each week to the list and remove the two oldest picks (unless we've already taken profit on them or the trades have hit their stop loss).

For each article we record the entry price and the index value of the FTSE All-Share at that time. We compare the performance of the FTSE All Share for the same length as which the *Great Ideas* trade is running.

Our *Great Ideas* are investment ideas for you to research further – we do not provide advice. Past performance is also no guide to future performance.

What the big Tanzanian resource upgrade means for Aminex and Solo Oil

The companies are moving closer to commercial development on an East African gas field

Shares in small cap oil and gas firms **Aminex (AEX:AIM)** and **Solo Oil (SOLO:AIM)** are riding high after a big upgrade to the estimated natural gas resources at their Ntorya development in Tanzania.

An independent audit of the asset (75%-owned by Aminex and 25% by Solo) carried out by RPS Energy identified 1.87 trillion cubic feet of gas-initially-in-place. This is up 12-fold on the previous third-party estimate and 44% more than previous in-house assessments.

It is important to understand that this gas-initially-in-place number does not reflect the amount of gas which will be produced – only some of it can be recovered from a reservoir. The proportion is known as the recovery factor.

The level of contingent resources offers a better guide and stands at 762.8 billion cubic feet. Contingent resources refer to oil or gas which is not yet ready for commercial development.

The RPS report suggests the drilling of a third well on Ntorya scheduled for later this year may be enough to deliver a viable project. There is a plan to link the field to the Madimba gas plant around 33 kilometres away through a pipeline.

Other key milestones on the horizon include the expected award of a 25-year development licence for the project. (TS)

Telematics tie-in boosts Seeing Machines

A PREVIOUS TELEMATICS deal has resulted in a big breakthrough for driver monitoring systems (DMS) designer **Seeing Machines (SEE:AIM)**, signing its first integrated agreement.

Australia-based Seeing Machines negotiated a global distribution partnership with MiX Telematics at the end of 2016, allowing MiX to embed Seeing Machines' Guardian DMS system into MiX telematics fleet vehicle packages.

This has now led to a landmark contract with Tengizchevroil, a Kazakhstan-based operating unit of oil producer Chevron. The deal will see 400 of Tengizchevroil's trucks fitted with Seeing Machines' Guardian DMS, with the potential for more installations down the line.

This deal has helped Seeing Machines' total contract value soar from A$21.5m on 30 June 2017 to A$36.4m on 31 December 2017. Total contract value is new business signed off but yet to be delivered.

This bolsters confidence in the anticipated step change in revenue this year. Forecasts are pitched at A$40.6m for the 12 months to 30 June 2018, significantly higher than last year's A$13.6m equivalent.

Growth investment means the business is unlikely to be profitable until 2020 at the earliest. Seeing Machines' share price has rallied by 75% in four months to 5.25p. (SF)

WINNING WITH INNOVATION: LOOK FOR VALUE & AVOID HYPE

Innovative companies can maintain a competitive edge which translates into superior financial and stock performance.
That's why we look for innovation as we assemble the universe of high-quality growth stocks for the Guinness Global Innovators strategy.

How do we assess innovation?
Innovation isn't just about small-cap 'tech' companies. While there are many definitions, we see innovation as the creative application of ideas – and this can be found in virtually any industry, as is shown by the diversity of stocks held in the Guinness Global Innovators Fund. Here, we look at how two very different companies have used innovation to stay ahead of their peers.

Boeing's continuous innovation

Large companies sometimes struggle to stay nimble and innovate with the necessary speed to remain a market leader. With its culture of innovation, Boeing has a proven history of adapting and improving its business.

In the years after the First World War, for example, when military orders were dramatically reduced, Boeing sustained its business by expanding beyond aircraft manufacturing and using its skills to make boats and furniture.

Boeing's continuous innovation – and R&D spend of around $3bn a year – has seen it introduce a moving production line for its 737 aircraft, a method more commonly found in car production; increase production from 31 aircraft per month in 2005 to a targeted 52 in 2018; and use carbon fibre fuselages for their superior lightness, strength and capacity for higher cabin pressure, which leaves passengers less jet-lagged.

At the same time, Boeing is a well-run, quality company with a strong balance sheet. It has been generating returns above their cost of capital for many years, showing strong cash generation and the ability to create value.

Nvidia: the disruptive technologists

Nvidia began in 1993 as a computer graphics card designer. Its graphics cards became regarded as the best available for computer gaming. A major step was Nvidia's invention of the graphical processing unit (GPU) in 1999. This charted a growth path into some of the most innovative corners of a wide range of sectors, far beyond IT. Recently, the adoption of the GPU into the automotive industry and data centres has led to further revenue streams as a direct result of product innovation.

Nvidia's product upgrade life can be as short as four years, so continuous innovation is essential to avoid a product being superseded quickly. A good comparison is the mobile phone industry; for Nokia and Blackberry, missing the rise of the smartphone was their downfall. The product cycle is similar for chip designers, and the competition is unforgiving.

Today, Nvidia spans numerous innovative themes, such as self-driving cars, augmented reality, data centres and artificial intelligence. Nvidia's innovation lies in the way it has developed quality technology infrastructure which many of the world's future products and services may require.

Importantly, Nvidia has not forgotten to innovate within its core market, the computer gaming business, winning support for its new Pascal architecture chips. The company has regularly spent more than 20% of revenues on R&D and has spent $1.5bn over the last 12 months.

Nvidia's persistent innovation at all levels has helped it deliver double digit earnings growth every quarter in 2016, with further growth seen in 2017, and the market has rewarded the company. What began from a single ground-breaking invention has led to a culture of continual innovation and a disruptive company with strong and profitable growth.

Investing in innovative companies
When selecting stocks for the Global Innovators Fund, we are not looking for the most innovative companies on the market. Rather, we want the best growth stocks where innovation is a success factor. We use a quality screen – looking for return on capital above the cost of capital, and balance sheet strength – to ensure our universe contains companies which have translated innovation into financial success. We also employ a value discipline to ensure we are not overpaying for future growth, recognising that hype can drive up valuations.

By passing these tests, Boeing and Nvidia have shown that as well as being good, innovative companies, they are also good investments.

Learn how we invest in innovative companies at
guinnessfunds.com/global-innovators-fund

Stock markets suffer as central banks take economies off life support

The next meetings from the Bank of England, Federal Reserve and European Central Bank could have a major influence over the direction of stock markets

When the credit crunch reached its zenith in 2008 the response of governments and central banks was to slash borrowing costs and introduce waves of financial stimulus to try and keep the global economy on track.

For the most part this approach worked but the process of unwinding an era of ultra-cheap credit was always likely to be a complicated one. The recent market correction was partially a reaction to this process as central bankers begin to fret about inflationary pressures.

TURNING OFF THE TAPS

The next set of central bank meetings could have a large influence on the direction of stock markets. Key dates for investors include the next meeting of US central bank the Federal Reserve on 21 March, the next European Central Bank interest rate summit on 8 March and meetings of the Bank of England's Monetary Policy Committee on 22 March.

Alongside its recent decision to keep rates on hold (8 Feb), the Bank of England dropped strong hints that it could increase rates from the current 0.5% level in May.

Strong jobs numbers in the US on 2 February led to expectations of more rapid increases in US interest rates. At the same time the massive programme of quantitative easing (QE) across the pond is tentatively being reversed through quantitative tightening (QT).

QE involves central banks buying assets, usually government bonds, from investors such as banks or pension funds with money they have created electronically.

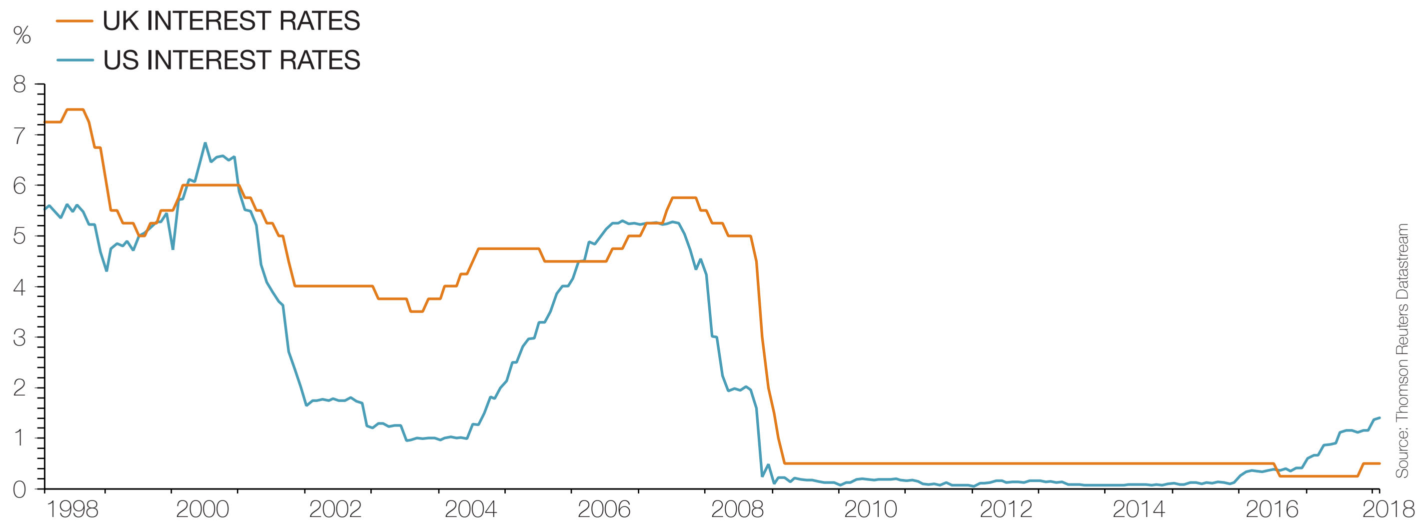
UPCOMING CENTRAL BANK MEETINGS

European Central Bank
8 March

US Federal Reserve
21 March

Bank of England
22 March

US AND UK INTEREST RATES 1998 – PRESENT



This increases the amount of money or liquidity in the financial system with the aim of stimulating economic activity.

A notable side-effect has been a flood of cash finding its way into investment assets like stocks and bonds.

MARKET SELL-OFF 'NO COINCIDENCE'

In the US the quantitative tightening process is seeing the Federal Reserve (Fed) allow purchased bonds to mature, with the intention of slowly decreasing reinvestments. The aim is to shrink the size of its balance sheet and reduce the level of stimulus for a relatively buoyant American economy and, by extension, US shares.

The implied reduction in demand for US government bonds (also known as treasuries) is a factor behind rising treasury yields which acted as a precursor for the current market volatility.

AJ Bell investment director Russ Mould comments: 'It may be no coincidence that the US stock market has just had its worst day for two years just after the Fed has doubled the size of its quantitative tightening scheme from $10bn a month to $20bn.'

In Mould's view new Fed chair Jerome Powell faces a 'tricky balancing act' with the US total debt pile, encompassing households, companies and the government coming to an eye-watering $60tn.

For this reason, the pace of rate increases is likely to be relatively gradual and the tone Powell sets with his first meeting as chair in March looks set to be closely scrutinised.

Governor of the Bank of England Mark Carney is on record as saying there is no plan to go back to the 5%-plus interest rate levels seen before the financial crisis and that we shouldn't expect rates to increase at the pace seen in previous interest rate cycles.

WHAT ABOUT EUROPE?

Having been slower to resort to QE, the European Central Bank is also behind its counterparts in the UK and US in scaling back financial stimulus. Under the direction of its chief Mario Draghi, the ECB says it will commence a moderate withdrawal of stimulus in September 2018.

However, it has left itself scope to extend QE beyond this date and even increase the level of monthly purchases from €30bn if economic conditions worsen. It also said it would keep interest rates low until well past the end of QE.

Some observers see the ECB meeting on 8 March as the point at which the central bank will pivot by revising up forecasts for the economy and changing its guidance on QE. (TS)

HOW DO RISING INTEREST RATES IMPACT MARKETS?

Higher interest rates will usually increase the value of a country's currency. The increased return on offer attracts foreign investment, inflating demand for, and the value of, the home country's currency.

As well as impacting foreign exchange rates and signalling a view on the economic backdrop, interest rates also have an impact on the spending habits of consumers and businesses, and the way different assets are valued.

Interest charges on borrowings will increase when rates move higher and this in theory can lead to spending being scaled back.

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

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

NERVOUS ABOUT THE MARKET?

We look at assets that could offer some protection in choppy times

The global stock market sell-off that started in the US on 2 February could linger for a while, judging by the way markets have behaved since that event.

There was a glimmer of hope on 7 February when the UK market, along with many other parts of the world, started to bounce back. Yet hopes have since been dashed as markets fell back into the red.

The widespread decline in share prices has understandably made investors nervous and eager to find some way to add an element of protection to their portfolios.

We'll talk through some options in this article and explain why they may be relevant given the current market backdrop.

WHY ARE MARKETS DOWN?

Markets have fallen due to concerns about economic strength accelerating the pace at which interest rates are lifted. Economic strength can lead to higher wage growth and higher selling prices which fuels inflation.

Higher interest rates push up borrowing costs for companies and individuals, potentially hurting corporate profits and curbing economic activity. Higher interest rates can also make stocks and shares less appealing versus other investment assets such as bonds.

You may think we're in a peculiar situation as surely higher economic activity is a positive sign? It is; yet you also have to consider that the market is waking up the fact that we're now coming to the end of a long period of easy monetary policy from central banks.

WHAT DOES THIS MEAN FOR INVESTORS?

Fundamentally stocks and shares remain attractive over the long-term; you'll simply need to become accustomed to more volatile market conditions. That may well see a flight to safety by a lot of investors.

Many investment experts think that current market turbulence may prove to be a 'potential opportunity to find value across a variety of assets'. So says Emiel van den Heiligenberg, head of asset allocation at Legal & General Asset Management.

'From a fundamental standpoint little seems to have changed,' echoes Steven Andrew, multi-asset fund manager at M&G Investments. 'Our predisposition would be to add equity exposure,' he says.

WHAT SHOULD NERVOUS INVESTORS DO NOW?

There are other options if you are too nervous to buy more shares. Gaining exposure to assets with typically lower correlation to stock markets is clearly one route. These assets might include gold, property, renewables or specialist capital preservation funds. We will examine these later in this feature.

Other options might be specialist funds that invest in areas like private equity, life sciences, reinsurance or money markets.

You could even take your money off the investment table entirely, although history suggests that could be a poor move. Why? Because 'remaining invested in the market has historically been the best course of action if you're a long-term investor,' wrote Daniel Coatsworth, *Shares* editor, last week.

'Stock markets have a tendency to recover faster than you think, although no one knows exactly when that recovery will happen,' he added.

Overall, we suggest nervous investors either sit tight and do nothing or consider rejigging your portfolio to have a greater weighting towards assets that are considered to have lower correlation to the markets. Read on to learn about a variety of different examples.

GLOBAL MARKET MOVEMENTS

	2018 YEAR TO DATE	2 - 12 FEB 2018*
HANG SENG (HONG KONG)	-1.5%	-9.8%
NIKKEI 225 (JAPAN)	-6.1%	-9.0%
S&P 500 (US)	-2.0%	-7.2%
NASDAQ 100 (US)	0.3%	-7.1%
CAC 40 (PARIS)	-3.0%	-5.6%
DAX XETRA (GERMANY)	-4.8%	-5.4%
S&P BSE 100 (MUMBAI)	-1.6%	-4.8%
FTSE 100 (UK)	-6.7%	-4.3%

Source: Shares, SharePad. *1 Feb market close to 12 Feb midday, UK time

RENEWABLE FUNDS

Renewable funds arguably didn't exist as a dedicated asset class five years ago yet they are now popular thanks to climate change concerns around fossil fuels.

Concentrated mainly around solar, wind and water projects, since 2013 the UK renewables investment space has raised more than £2bn from investors and added approximately 3,516 MW (megawatts) of output to the UK power grid.

Improved sentiment towards power prices helped maintain premium ratings through 2017 and despite intense competition for UK assets, share prices of renewable funds have held up remarkably well even through the teeth of stock market volatility.

Presumably, this is because of the extended investment timeframes needed to get renewable energy projects off the ground, but crucially, because of widespread government

backing including subsidy support. That insulates this niche investment space from many of the uncertainties that dog other parts of the investment universe.

WHAT'S THE OPPORTUNITY?

Since 2012, Britain has halved carbon emissions in the electricity sector making the power system the fourth cleanest in Europe and the seventh cleanest in the world.

That's led to growth in the number of renewables funds available to investors, many of which carry attractive and inflation-proof income yields.

For example, **Bluefield Solar Income Fund (BSIF)** targets 7% income yield with the intention of raising dividends each year by the level of RPI inflation.

Its share price has only eased back 1.5% since the start of the global market sell-off this year versus nearly 5% decline from the FTSE 100, for example.

Greencoat UK Wind (UKW) and **John Laing Environmental Assets (JLEN)** are other relevant examples.

GOLD

THE GOLD PRICE is often touted as an asset that holds its value during times of strife – whether it is driven by politics, war or even stock market troubles. It is also seen as a hedge against inflation.

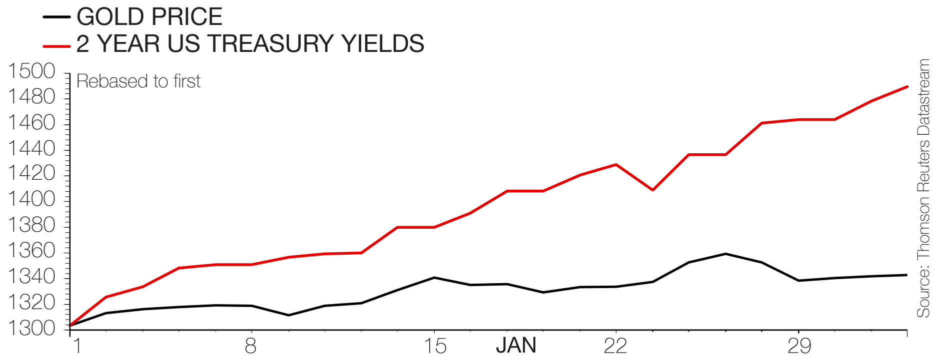
Many observers believe gold will shoot up in value during more difficult periods. We believe investors should view gold as one method of protection rather than as a source of substantial value generation.

You may argue that cash also serves the same purpose, which would be a fair point. However, inflation eats in the real returns from cash and the theme of rising inflation is central to the latest global stock market sell-off.

Gold is higher risk than cash as its price is unpredictable. You have the potential to make better returns than cash, but also the potential to lose money on gold as well. The World Gold Council calculates gold has grown by an average 10% in value annually since 1971. You need to consider that figure is an average over a long period and not the result for every single year.

FOUR REASONS TO HOLD GOLD

The World Gold Council sees four key reasons to hold gold: 'It has been a source of return for investors' portfolios. Its correlation to major asset classes has been low in both expansionary and recessionary periods. It is a mainstream asset that is as liquid as other financial securities. And it has historically improved portfolio risk-adjusted returns.'



We believe gold deserves a place in a diversified portfolio, but you shouldn't sell all your investments and only hold gold if you are nervous about the direction of the markets.

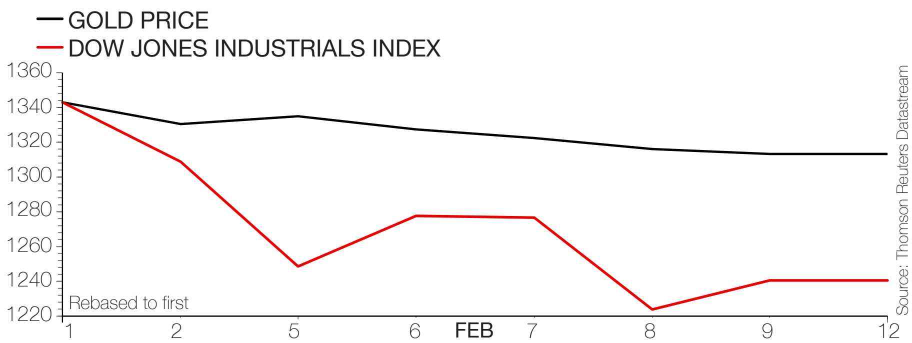
So how has the precious metal behaved during the recent global stock market sell-off? As the chart illustrates, the value of gold has barely moved since the US market triggered the global sell-off on 2 February.

Gold increased by 3% in value between the start of 2018 and 1 February, being the night before the US market slump kicked off events around the world.

Investors were clearly getting a sense of impending problems, such as the signal from rising US Treasury yields which – as we reported on 25 January – reflected waning market faith in the Trump administration and expectations for further interest rate hikes.

The two-year Treasury bond had started to yield more than the S&P 500 US stock market index which suggested in some quarters that investors may switch out of some equities.

It's interesting to note that



gold has generally been in a rising trend since a few weeks after Donald Trump was elected US president. It is up nearly 17% since mid-December 2016.

Gold has actually fallen by 2% in value since stock markets started to fall around the world at the start of February this year – essentially giving up some of 2018's earlier gains, but in no way falling by the same amount as equity markets.

For example, Hong Kong's Hang Seng index is down 9.8% over the same period (running to 12 Feb, when this article was written). Japan's Nikkei index is down 9%; and in the US, the Nasdaq 100 and S&P 500 are down by just over 7% in value.

HOW TO INVEST IN GOLD

There are various ways to invest in gold. You can buy physical metal in coins or bullion form. You can invest in an exchange-traded fund which tracks the gold price such as **Source Physical Gold P-ETC (SGLD)**. Or you can invest in a gold miner, although this is a higher risk way of playing the space as it comes with operational, financial, equity market and political risks.

PROPERTY

DIVERSIFIED EXPOSURE TO property as an asset class can be achieved by investing in listed property, construction and housebuilding firms including real estate investment trusts (REITs) and property funds.

Due to issues of liquidity which can affect open-ended property funds during periods of turmoil, a property-focused investment trust may be more appealing as you can sell these types of shares on the open market if you want to get out. In contrast, open-ended funds can be temporarily frozen in time of strife such as periods when investors panic and rush to withdraw their money.

In the case of property investment trusts, you still need to remember that a lot of people putting in sell orders in times of turmoil can depress the share price and potentially leave it trading at well below net asset value.

CAPITAL GAINS AND INCOME

Property is an investment that traditionally combines capital gains with income. Rental yields make it popular among those who invest for income, especially as REITs in particular turn this cash into generous dividends.

REITs, which face extra regulation, enjoy a tax regime that almost replicates the situation you would face if holding property directly.

The property market is driven by the scarcity of suitable properties and companies and funds are underpinned by owning tangible assets.

On the other hand, this is a cyclical sector and its fortunes will wax and wane in line with wider economic fortunes. With most property purchases funded by debt the cost of servicing interest payments can also have a significant impact.

Examples of property investment trusts on the market include **F&C UK Real Estate Investments (FCRE)** which yields 5%, trades at a 4.7% discount to net asset value and delivered a share price total return of 134.4% over the last 10 years.

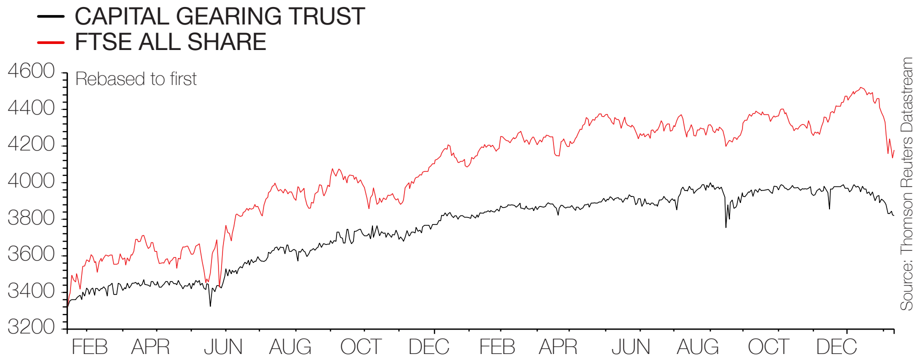
CAPITAL PRESERVATION FUNDS

THE MARKET SETBACK provides a timely reminder for investors to consider looking at capital preservation funds. These collectives have a good track record of helping investors avoid large losses and can grow your wealth too, albeit slowly.

We must stress that these vehicles can still incur losses and they aren't guaranteed to always make you money. However, their design is such that they should fall by less than the market in a downturn.

For example, **Capital Gearing Trust (CGT)** has two objectives: to preserve shareholders' real wealth and to achieve absolute total return over the medium to longer term. Its share price retreated by 1.9% in the week to 9 February 2018, less than half the decline of the FTSE 100.

Other examples include **RIT Capital Partners (RCP)**, set up to manage some of the wealth of the Rothschild family and which has a strategy to preserve shareholders' capital and deliver long-term capital growth through a multi-asset approach.

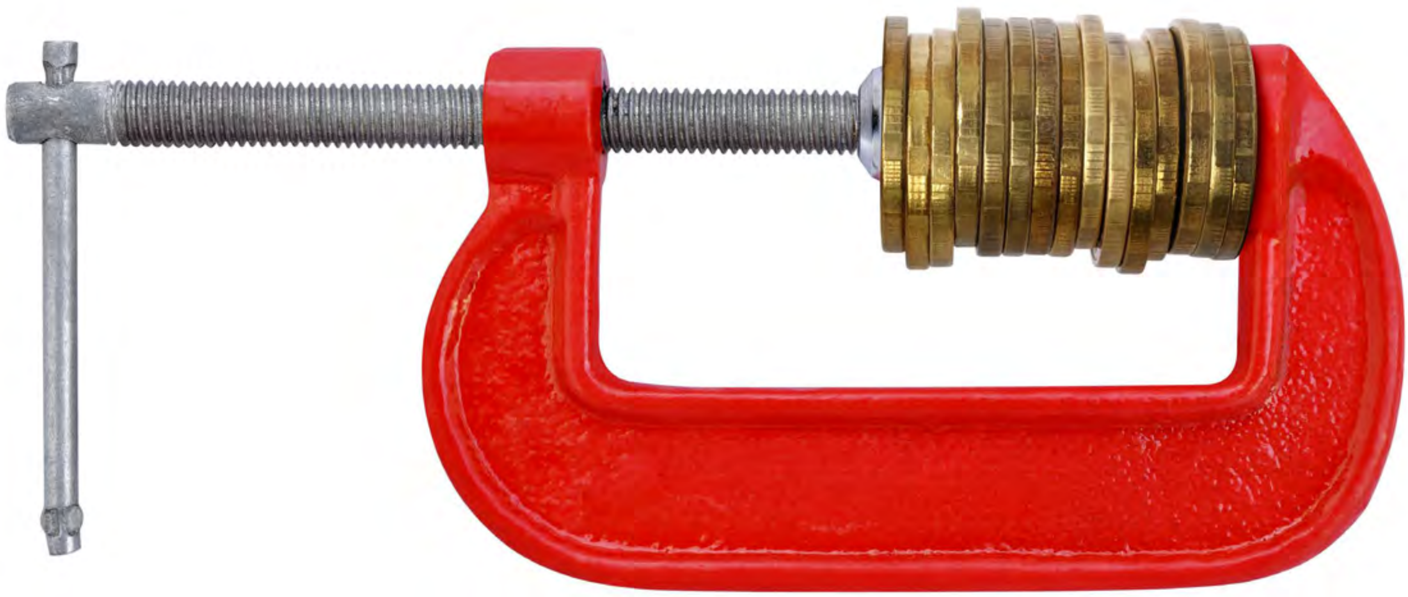


And there is also **Ruffer Investment Company (RICA)** which invests in internationally-listed shares or bonds issued by corporates, supranationals or government organisations. Its aim is to maintain returns under a range of market conditions by allocating assets towards bonds, cash, gold and equities.

OTHER OPTIONS IN THE FUNDS WORLD

Within the open-ended funds universe, Troy Asset Management, founded by Sebastian Lyon, is renowned for its distinctive method of investing that prioritises the avoidance of permanent capital losses through cautious asset allocation and the careful selection of high-quality companies.

Lyon himself manages the **Troy Trojan Fund (GB00B01BP952)**, which seeks to achieve long-term growth in capital and income in real terms; the fund offers exposure to everything from gold bullion to **British American Tobacco (BATS)** and Warren Buffett's Berkshire Hathaway. (SF/DC/TS/JC)



We expect more investors will flock to litigation financier Burford Capital

The company is particularly appealing to investors seeking assets with low correlation to markets

AIM-quoted **Burford Capital (BUR:AIM)** may interest investors seeking assets with low correlation to markets.

It is a leading operator in the nascent area of litigation finance. Essentially it provides cash to help fund lawsuits and then takes a proportion of any resulting compensation award.

It invests its own money in this activity (from cash raised in debt and equity issues as well as recycling funds secured from successful lawsuits).

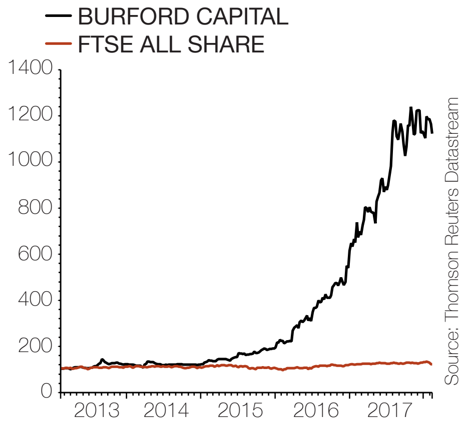
Burford also acts as an asset manager investing on behalf of third parties. Rapid growth has been recognised by the market such that the shares are up more than eight-fold in the last three years and five-and-a-half times in the last two years.

WHY WE HAVE TURNED BULLISH

We turned cautious on the stock in December 2017 on valuation grounds but after a period of weakness during the market correction, we now believe investors should give the shares another look.

The company trades on a price to earnings ratio of 14.7 and yields 1.6%, based on forecasts from stockbroker Numis.

> The "investment" in a piece of litigation is often just the costs of pursuing the claim, and no rational actor pursues a claim in litigation that does not have a value significantly above those costs
>
> Burford Capital



Its ability to deliver substantial returns which are not linked to either the performance of other asset classes or the economic backdrop could find favour in the current environment.

A FAST-GROWING INDUSTRY

Lawyers appear to be increasingly comfortable with the concept of third party financing.

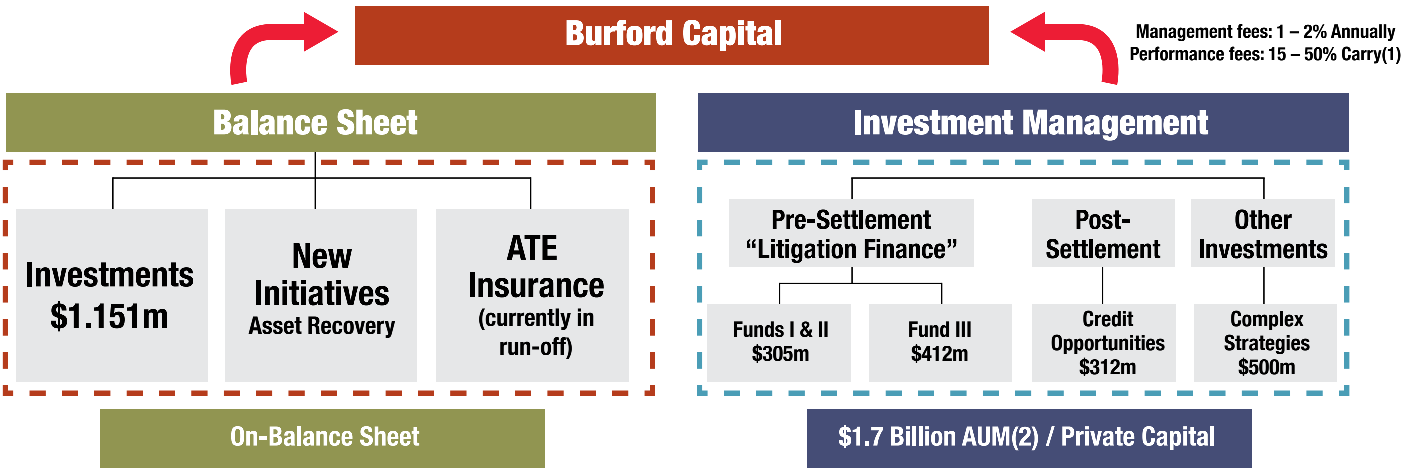
The potential of this market is reflected in the $1.34bn worth of investment Burford committed to its different areas of activity in 2017.

This is nearly as much as it had put up since its inception in 2009 through to June 2017 and, in addition, reflects a change to its business model since it acquired Gerchen Keller, a deal announced in December 2016.

This deal helped the company establish its asset management arm and as chief executive Chris Bogart tells *Shares* 'added access to a deep pool of capital' to help grow Burford.

In the future this part of the business could also deliver significant management and performance fees which could help smooth out the less predictable returns from court payments.

Numis analyst Jonathan Goslin reckons fees could total $40m a



The first $15 million of all pre-settlement investments will be allocated on a 50/50 basis between on-balance sheet capital and Fund III, with balance sheet capital taking any commitment in excess of 15 million

Note: (1) GKC funds have European structure for performance fees such that no performance fees are paid until fund investors have had their entire capital repaid. (2) SEC Regulatory AUM, including funds and sidecar vehicles. Individual fund sizes shown here do not include sidecar vehicles. Source: Company data/Numis

year based on the firm's current returns on capital.

EXCEPTIONAL RETURNS

Goslin calculates a return on invested capital (ROIC) of 52%; for context a firm delivering consistent returns on capital above 15% is usually considered a good quality business.

Burford has expanded into legal insurance and loans to law firms as well as investing in lawsuit defences in return for a pre-determined fee if successful.

For now, the company still derives most of its profit from investing its own cash. It recently raised $180m of new funds in the first dollar-denominated bond issue on London's retail bond platform ORB.

Bogart rejects the concerns over a lack of earnings visibility and limited transparency on live cases, arguing Burford is no different to any large provider of commercial finance.

The confidentiality agreements which are a standard feature in legal settlements prevent it detailing returns from every individual case. Yet the company can point to several examples to show how historic investments have played out and the average duration of cases the firm invests in is fairly limited at less than two years.

Some insight has also been provided by sales of interests in its *Petersen V Argentina* case. This concerns Spanish investment group Petersen which faced insolvency after the Argentine government summarily renationalised oil company YPF.

The sums received for these stakes to date imply the asset could be worth several multiples of Burford's initial investment of $18m.

BARRIERS TO ENTRY

The barriers to entry into this market, namely scale and reputation, are, according to Bogart, reflected in the fact that Burford's competition comes principally from established players rather than new entrants. According to Goslin at Numis, 'demand for additional capital appears to more than outstrip supply'.

Expansion into new markets like Singapore and Hong Kong offers another leg to the growth story, although Bogart explains the focus will be on English language, common law jurisdictions. 'You're not going to find us providing litigation finance in Indonesia, for example,' he says.

A key risk faced by the company is funding a lawsuit that is eventually unsuccessful, which means the time and money it invests will have gone to waste. This risk will be mitigated as Burford puts money in a greater number of cases.

Although he admits making 'bad investment decisions' is a potential hazard, Bogart says the team of 90 people adopts a selective approach, closing on just 10% of enquiries which come in. His main concern is cyber security given the company holds a lot of sensitive data in its files.

SHARES SAYS: ↗

Burford is an attractive long-term investment and one which may appeal to investors in the current climate. (TS)

BROKER SAYS: 4 1 0

CONFIDENT ABOUT THE MARKET?

HERE ARE SOME SOLD-OFF STOCKS TO BUY NOW

In a market corrections people do not tend to be discriminating in their investment decisions. Good and bad stocks are sold with little regard for their relative merits. This creates opportunities for savvy investors to potentially snap up quality stocks at lower prices than they traded only a few weeks ago.

It is worth noting that UK stocks had already been lagging the performance of other major markets before the current market sell-off.

In the 12 months to 1 February 2018 (just before the market correction began) the FTSE 100 was up just 5.4% against a 25% gain in the FTSE All-World index of developed market stocks.

Since the global sell-off began at the start of February, the FTSE All-World has fallen by 7%, and the FTSE 100 is down 4.3%.

There are numerous examples of great companies that look appealing following a recent decline in their respective share prices. We will discuss six of them later in this article.

We've only picked firms with a good record of creating shareholder value as measured by decent levels of return on capital employed and a price-to-earnings (PE) ratio below 20. We then narrowed the field by only looking at stocks which had fallen in value between the market close on 1 February to the morning of 12 February, when this article was written.

Before we discuss our six stock picks, it is worth taking a step back to consider a few important points when trying to spot potential bargains amid stock market weakness.

A SELECTIVE APPROACH

You need to be selective, even after applying strict criteria to your stock market search. For example, building products firm **Marshalls (MSLH)** ticks many of the boxes we want from a stock at present, but we would be cautious about investing in it at the moment given the poor state of the UK construction market which it serves.

You may also need to be patient. After a long period of limited volatility, seesawing markets have returned which means recoveries in share prices are unlikely to occur in a straight line. However, if you pick the right stock then you could set yourself up for strong returns in the long run.

FASHIONABLE STOCKS LOSING MOMENTUM

Investors need to be particularly careful with previously fashionable stocks, particularly in the small cap space, which were among the biggest victims in the recent market weakness.

Many of these companies continue to trade on high PE ratios even after recent weakness. The PE essentially tells you how long it will take for a company's forecast earnings to cover the price you paid for its shares.

In buoyant markets, investors can be willing to disregard the PE if they can see potential for earnings growth but when sentiment sours they will be less willing to pay for 'jam tomorrow'.

The accompanying table shows how the best performing stocks pre-market sell-off (based on one year share price rise) have performed since the markets turned at the start of February.

Many of these companies are still attractive investments. However their previous stellar share price gains makes them obvious choices for profit taking by investors wanting to lock in gains in case of another bout of share price weakness. Therefore you should be prepared for potential volatility in their share prices near-term.

WHAT IS THE VIX?

Volatility has returned to the stock market and has prompted many investors to be worried about their equity holdings (another word for stocks and shares).

You can monitor the level of volatility by looking at the CBOE Volatility Index, better known as the Vix. It is calculated and published by the Chicago Board Options Exchange. Type the ticker symbol 'VIX' into Google Finance to see the latest level.

The Vix is a shorthand gauge of investor fear, measuring the market's expectation of 30-day volatility on the S&P 500 index, as implied by the price of near-term options.

Quoted in percentage points, the current level is 29.06. The Vix predicts a probable range of movement over the next 30 days.

On 6 February 2018 the index hit 50 and in autumn 2008, at the height of the financial crisis, the Vix topped 79.

DON'T ASSUME EVERYTHING WILL TRADE AT PREVIOUS LEVELS

You should also be very wary of buying companies which previously enjoyed strong momentum.

Just because stock X traded at 100p before the sell-off there is no guarantee it will automatically return to that level.

Instead you may wish to focus on companies which generate excellent returns on capital and do not trade at excessive valuations relative to their peer group or historic averages.

You should also consider if the concerns behind the current correction, namely inflationary pressures in the US and the withdrawal of cheap credit, will impact your prospective investment.

This is particularly relevant for businesses with significant borrowings or those which would struggle to pass higher costs on to their customers through higher selling prices.

Let's now discuss the six stocks we've spotted as being attractive investments in light of recent share price weakness.

POPULAR GROWTH STOCKS: FADING MOMENTUM?

Company	Forward PE	Share price change 1 year to 1 Feb 2018	Share price change since 1 Feb 2018*
Wey Education	73.8	720%	-13.2%
Impax Asset Management	19.6	160%	-12.3%
Premier Technical Services	22.3	140%	-12.2%
Serica Energy	15.2	290%	-12.4%
Bioventix	23.6	53%	-12.1%
EKF Diagnostics	30.6	56%	-12.1%
LoopUp	79.7	95%	-10.9%
Fairfx	171.3	76%	-10.4%
Eland Oil & Gas	8.2	84%	-9.1%
Future	17.0	130%	-8.8%

Source: Shares, SharePad. *Data to 12 Feb 2018

SIX STOCKS TO BUY NOW

IMI (IMI) £12.45

Share price movement since 1 Feb (night before US market triggered global market sell-off): -6.5%
Forward PE: 19.1

Industrial engineer **IMI (IMI)** has been busy making improvements to its business since late 2014 to cope with higher organic growth and that's started to be reflected in the earnings expectations. Several analysts were upgrading earnings forecasts in late 2017, saying IMI should see the benefits of its work start to come through in 2018. Its end markets are also looking healthier.

IMI has three divisions. Its 'Critical' arm provides critical flow control solutions that enable vital energy and process industries to operate safely, cleanly, reliably and more efficiently. The focus in 'Critical' has been on value engineering, footprint consolidation and project management.

Its 'Precision' arm is the largest division by revenue and specialises in developing motion and fluid control technologies for applications where precision, speed and reliability are essential. IMI has been simplifying the supply chain and product range.

The third and smallest division by revenue is 'Hydronic' which supplies products for hydronic distribution systems which deliver optimal and energy efficient heating and cooling systems to the residential and commercial building sectors. Here, IMI has been introducing new products.

After seeing pre-tax profit fall by nearly 5% to £208m in 2016, analysts expect the figure to come in at £223m in 2017 and £249m in 2018.

Morses Club (MCL:AIM) 126.75p

Share price movement since 1 Feb (night before US market triggered global market sell-off): -6.8%
Forward PE: 11.1

The small cap specialist lender has a great track record of delivering superior returns and is now well placed to benefit from problems depressing its larger rival, **Provident Financial (PFG)**.

Return on capital employed (ROCE) was 27.7% in the year to February 2016 and 25.8% in 2017, according to stockbroker FinnCap. It forecasts Morses Club's ROCE will be 22.1% in 2018, 25.7% in 2019 and 27.7% in 2020.

Return on capital employed is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed. A figure above 15% is generally deemed to represent a great business, as long as those returns can be sustained.

Historically Morses Club has grown its loan book by acquiring books from smaller operators who are often retiring. FinnCap said last October that as the forces of technology, regulation and legislation increase, small operators will find it harder to exist in a sub-scale form. 'We believe that Morses Club is well placed to consolidate these players,' it added.

Morses Club has a policy of keeping loans to short-term durations; the average was 41 weeks at the 2017 year end. 'Shorter-duration loans carry higher cash and income yields, while also having lower impairments and consequently result in a higher return on equity,' says FinnCap.

Next (NXT) £47.65

Share price movement since 1 Feb (night before US market triggered global market sell-off): -5.7%
Forward PE: 11.5

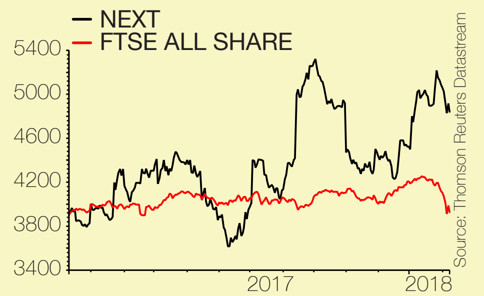
Risk-tolerant investors should buy the latest dip at cash-generative clothing-to-homewares retailer **Next (NXT)**. Sentiment towards the one-time stock market darling is gradually recovering.

Sentiment previous soured on concerns over subdued consumer demand.

However, Next last month delivered a marginal upgrade to profit guidance for the year to January 2018 with its Christmas trading update. It highlighted improved performance over the peak festive season from both the retail store and online channels.

Despite being cautious on the outlook, Next has committed to spend another £300m on share buybacks in the current financial year to January 2019, implying that it thinks its shares are cheap.

It is also worth noting that sterling's recent strengthening is a boon for Next's margins, while the Bank of England's marginal upgrade to UK economic forecasts and more bullish view on wages could also be good news, albeit rising interest rates would be unhelpful for those indebted and already hard-pressed consumers.



Redde (REDD:AIM)

Share price movement since 1 Feb (night before US market triggered global market sell-off): -6.7%
Forward PE: 14.0

Bath-headquartered **Redde (REDD:AIM)** provides a range of accident management and legal services to motorists and insurers.

Strong profitability and cash flow since a turnaround of the business that completed in 2013 have helped underpin a generous dividend policy. Based on consensus forecasts the company yields more than 7%.

By handling aspects like courtesy cars after an accident, Redde frees up time and money for its insurer partners and allows them to focus on what they do best – underwriting risk.

The company also helps maximise the potential for customers to renew their policies by offering an efficient and straightforward service.

Redde is attracting new partners and is deepening its relationship with existing clients. According to stockbroker N+1 Singer, key competitors have fallen away or are seeking other strategic goals. This should help the company sustain double-digit returns on capital in the future.

SIX STOCKS TO BUY NOW

ZPG (ZPG) 328.4p
Share price movement since 1 Feb (night before US market triggered global market sell-off): -4.9%
Forward PE: 18.3

Online property and price comparison specialist **ZPG (ZPG)** generates strong returns from its Zoopla property site which still accounts for the lion's share of its revenue.

Zoopla charges estate agents for listing properties on the site. The company achieves strong margins and healthy cash flow and has limited overheads. This drives an impressive return on capital employed of around 20%.

Estate agents have attempted to cut out the middleman through the recently-floated challenger portal **OnTheMarket (OTMP:AIM)**. We don't see it as worrying competition to Zoopla. OnTheMarket does not offer the fullest view of the inventory of homes on the market and so risks being ignored by prospective buyers and, as a result, could be of limited use to agents.

ZPG has been busy adding comparison and data services to its portfolio including utilities and money, thereby broadening its reach to a greater number of consumers.

Investment bank Liberum previously estimated the cross-selling opportunities created by this 'one-stop-shop' approach could be worth £3bn in extra revenue.

After a failed £460m bid for **GoCompare (GOCO)** last year, ZPG is gearing up for more acquisitions by issuing £200m in new debt and agreeing a £200m lending facility. Increased indebtedness is therefore a potential risk factor if borrowing costs increase.

GVC (GVC) 884.5p
Share price movement since 1 Feb (night before US market triggered global market sell-off): -3.8%
Forward PE: 15.4

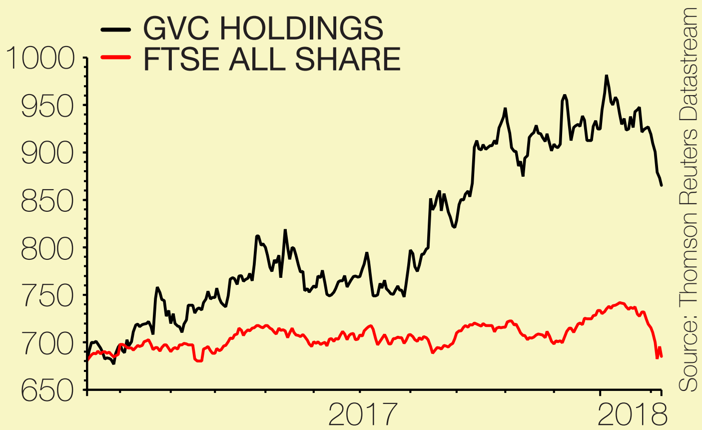
Growth and income-hungry investors should use the small pullback at gaming consolidator **GVC (GVC)** as a buying opportunity.

GVC has sealed the audacious takeover of betting shops operator **Ladbrokes Coral (LCL)** in a deal creating a merged entity big enough to enter the FTSE 100.

Isle of Man-headquartered GVC, behind the *Foxy Bingo*, *Bwin* and *Sportingbet* brands, will own 53.5% of the enlarged gambling giant, with CEO Kenneth Alexander earmarked for the hot seat.

Alexander will lead a fast-growing, diversified, international online and retail sports betting behemoth with more than 90% of its net gaming revenue generated from locally regulated/taxed markets.

Encouragingly, GVC has a strong record of creating value from acquisitions, having bought Sportingbet in 2013 and Bwin.Party in 2016. Gaming companies are seeking greater scale in an industry that is shifting online and facing rising regulatory and tax hurdles. (TS/DC/JC)



These two funds place a big emphasis on avoiding losers

We look at the winning formulas deployed by Polar Capital and EdenTree

'Most investors' results will be determined more by how many losers they have, and how bad they are, than by the greatness of their winners.'

Readers would do well to heed the wise words of the legendary Howard Marks, co-chairman of US-based Oaktree Capital Management.

Indeed, the recent global equity markets sell-off has served to remind investors that equities can go down as well as up.

Analysing the things that could go wrong with an investment is as important, if not more so, than salivating over the things that could go right.

> Analysing the things that could go wrong with an investment is as important, if not more so, than salivating over the things that could go right.

Many fund managers will only invest in a company if they've met management and seen the operations

There are two funds, in particular, which play close attention to this principle, being **Polar Capital UK Value Opportunities Fund (IE00BD81XX91)** and **EdenTree UK Equity Growth Fund (GB0008446063)**. We talked to the people behind both funds to better understand their investment process.

POLAR CAPITAL'S IMPRESSIVE FIRST YEAR

Polar Capital UK Value Opportunities has just celebrated its first anniversary (31 Jan 2018). Long-term capital growth-focused, the fund has returned 20.4% compared with the benchmark FTSE All-Share's 11.1% in that 12-month period, according to Polar Capital, achieving this return with lower volatility than the market.

Bottom-up stock pickers Georgina Hamilton and George Godber rigorously apply their detailed, consistent investment process to each company in the investment universe.

The pair used to run **Miton UK Value Opportunities (GB00B8KV0M06)**. News in April 2016 of their move to Polar Capital caused shares in parent company **Miton (MGR:AIM)** to fall by nearly 20% in a day, illustrating how well respected they are by investors. Miton's loss has clearly been Polar Capital's gain.

WHAT DO THEY LOOK FOR?

The co-managers scour the market for undervalued companies, seeking out 'Bargain Assets' or 'Cheap Value Creators'.

All stocks must pass three strict hurdles that form the investment process: valuation, sustainability of returns and strong funding position.

Their rigorous evaluation of intrinsic value involves poring over annual reports and company filings, as well as meeting management.

'We go through all the annual reports ourselves,' says Hamilton, who goes the extra mile to avoid landmines and value traps. 'We *have* to meet management teams before we invest in the shares.'

STUDYING THE NUMBERS

Godber says their skillset is picking apart balance sheets and cash flow statements. The Polar pair has a model database of 457 stocks, with the FTSE 350 fully modelled (excluding investment trusts) and the FTSE Small Cap and AIM indices fully modelled (excluding companies that fail their safety check or liquidity hurdle rate). Tellingly, the fund's focus on margin of safety leads to some resilience in down markets.

POLAR CAPITAL UK VALUE OPPORTUNITIES: TOP HOLDINGS

Bellway	2.4%
Redrow	2.4%
Forterra	2.3%
JD Sports Fashion	2.3%
Morgan Sindall	2.2%
WH Smith	2.1%
Costain	2.0%
Vesuvius	2.0%
RPC	1.9%
Hill & Smith	1.9%

Source: Polar Capital, as at 29 Dec 2017

Presently passing muster with the duo in the Polar Capital fund are the likes of infrastructure engineer **Hill & Smith (HILS)**, brick manufacturer **Forterra (FORT)**, housebuilder **Bellway (BWY)**, textile rental specialist **Johnson Service (JSG:AIM)** and package holidays operator **On The Beach (OTB)**. The latter is described by Godber as a classic disruptor which has been 'a fantastic friend to the fund'.

Hamilton and Godber view expensive shares as risky shares, echoing the words of Howard Marks: 'High quality assets can be risky and low quality assets can be safe. It's just a matter of the price paid for them.'

They'll sell stocks which have hit their target price, where their conviction has changed, or where a change in funding gives them the jitters.

In terms of the outlook, Godber says the UK market is made up of two parts: international and domestic earners.

Domestic earners are at an approximate 30% discount in valuation to the majority of overseas earners. 'This gives us a fantastic hunting ground for shares with cheap valuations but which have resilient outlooks and high profit visibility.'

For international earners, 'the challenge is to find cheap

On The Beach features in Polar Capital UK Value's portfolio valuations and we are finding these lower down the market capitalisation scale in the FTSE 250 and small cap indices'.

WEARING OUT THE SHOES

Another manager who goes above and beyond the call of duty with his due diligence is Philip Harris, who alongside Ketan Patel, steers the EdenTree UK Equity Growth Fund.

The fund has returned a cumulative 78.1% over the past five years, comfortably ahead of the 50.2% generated by the IA UK All Companies sector. It has beaten the FTSE All-Share benchmark in every year apart from two since 2011, according to Morningstar.

Harris wears out the shoe leather, roaming the UK in order to analyse the operational and financial risks facing the many businesses that he meets.

'A key part of the investment process is not only to visit companies but to do my own forecasts as well. I want to understand the companies' financials and most importantly that the forecasts from brokers are either well underpinned or will be beaten giving a positive earnings surprise. We do this for our mid and small cap holdings.'

He continues: 'We look at the growth, but also the risk of an investment. Concentrating on the risk piece is what I spend a lot of time on and I spend lots of time on the road all around the country,' says Harris. He likes management to have 'reasonable skin in the game', namely a personal investment in their employer's shares.

> **Ninety nine percent of the time, Harris (at EdenTree) will sell on a company's first profit warning, since earnings alerts typically come in threes**

LOOKING FOR WARNING SIGNS

Red flags for Harris range from profits not converting into cash, overly optimistic revenue forecasts and management guidance towards dreaded second half weightings, often a precursor to a profit warning.

EDENTREE UK EQUITY GROWTH FUND A INC: TRAILING RETURNS

1 YEAR	11.99%
3 YEARS ANNUALISED	7.79%
5 YEARS ANNUALISED	11.35%
10 YEARS ANNUALISED	10.28%

Source: Morningstar, as at 8 Feb 2018

Ninety nine percent of the time, Harris will sell on a company's first profit warning, since earnings alerts typically come in threes.

There are three silos of growth stocks in the fund. The 'dependables' are typically


Housebuilder Redrow is one of the largest holdings in the Polar Capital Fund

growing earnings at 15% and can do it relatively consistently, compounding their earnings growth over a number of years, says the fund manager.

Harris also holds select 'super-growth companies' as well as 'incubators', sub-£100m caps 'which are probably not covered by many analysts and where the management needs some handholding and advice'.

Portfolio star turns include automation software outfit **Blue Prism (PRSM:AIM)**, a British tech champion that joined AIM in March 2016 at 78p, since bid up to an astonishing £13.78.

Blue Prism provides software to take on complex but highly predictable tasks, says Harris. 'The rate of growth has been phenomenal but forecasts look conservative. Globally, there is an enormous opportunity and this is world beating software.'

> I suspect Applied Graphene will be taken over at some point
>
> Philip Harris at EdenTree UK Equity Growth Fund

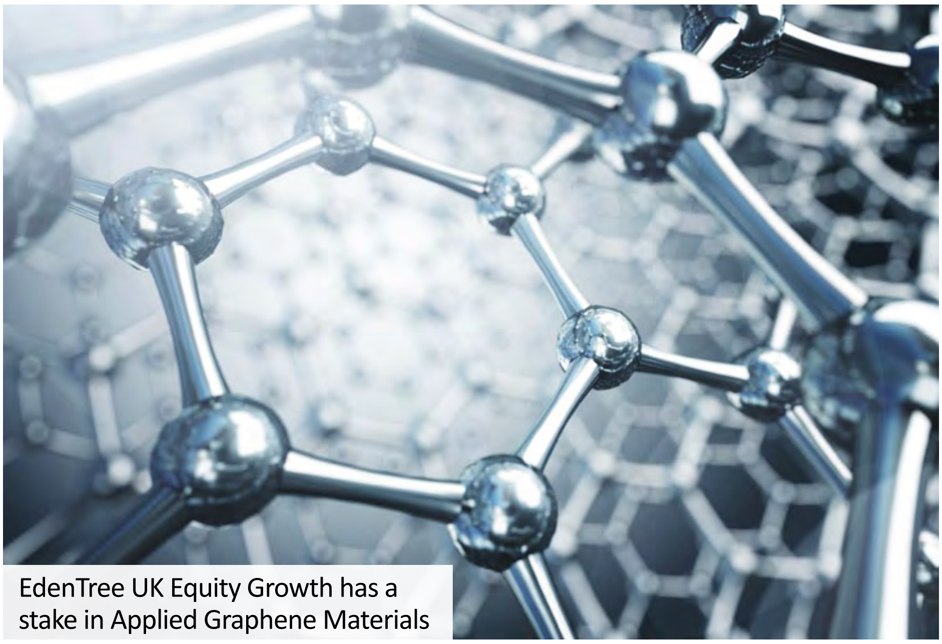
RECENT PORTFOLIO ACTIVITY

Harris has taken some profit on posh tonic water specialist **Fevertree Drinks (FEVR:AIM)**, a 'wonderful classic growth company' which recently overtook Schweppes to become the number one mixer brand by value in UK shops and supermarkets.

EdenTree UK Equity Growth participated in the IPO (initial public offering) of video games developer **Sumo (SUMO:AIM)** and has started a new position in veterinary services consolidator **CVS (CVSG:AIM)**.

One of the 'incubator' picks particularly exciting to Harris is **Applied Graphene Materials (AGM:AIM)**, a Redcar-based supplier of graphene-based products.

'Graphene is a wonder material that has been talked about for some time,' says Harris, who believes Applied Graphene is very close to signing big deals with aerospace and paint manufacturers. 'The material can be produced consistently and I suspect Applied Graphene will be taken over at some point.' (JC)



EdenTree UK Equity Growth has a stake in Applied Graphene Materials

EDENTREE UK EQUITY GROWTH FUND: TOP HOLDINGS

Bellway	4.6%
Fevertree Drinks	2.9%
Blue Prism	2.8%
Sterling	2.8%
Prudential	2.8%
Scapa	2.8%
St James's Place	2.7%
BP	2.7%
RELX	2.6%
Lloyds Banking	2.4%

Source: EdenTree, as at 31 Dec 2017

Are there any investment trusts going cheap after the market sell-off?

We reveal various trusts which are trading on a wider discount or lower premium than their 12-month average

Anyone with a long-term investment horizon should take a good look at the investment trust sector as the latest market sell-off has created plenty of opportunities.

We've spotted numerous investment trusts trading on a wider discount to net asset value than their average over the past 12 months. There are also examples of investment trusts trading on lower than average premiums to net asset value.

As a word of caution, trading below average discount or premium levels doesn't necessarily make every single investment trust a solid 'buy'. You still need to research the portfolio and be comfortable with the trust's investment process, skills and ability to generate value for shareholders.

Share prices are also constantly changing. The data for this article was correct as of 12 February, compiled by financial services group Winterflood, yet the discounts and premiums could have changed by the time you read this article.

WHY DO TRUSTS TRADE ABOVE OR BELOW NET ASSET VALUE?

Investment trusts can trade at a discount or premium to net asset value for many different reasons. Discounts often accompany trusts that invest in more illiquid assets such as small cap stocks or private equity assets where it is difficult to get an up-to-date valuation for private companies.

Premiums are common with investment trusts that have 'in vogue' assets like infrastructure.

They can also happen with trusts run by successful fund managers. Investors are often happy to pay more than the value of the underlying assets, also accounting for cash and debt, in order to benefit from certain fund managers' skills – in the hope they will make them rich in the future.

WHICH TRUSTS STAND OUT AFTER THE SELL-OFF?

Global equities-focused **Alliance Trust (ATST)** at 705p trades on a 5.8% discount to net asset value which is slightly bigger than its 5.2% average discount over the past 12 months.

Its biggest holdings are Google's parent company Alphabet and telecoms conglomerate Comcast. The portfolio has a heavy weighting towards North America at 44.9%, according to the latest factsheet.

A more pronounced movement away from the 12-month average has been seen with **Caledonia Investment Trust (CLDN)**. Trading at £27.20, its discount to net asset value now stands at 17.1% versus a 15.9% average.

Caledonia's portfolio includes a mixture of unquoted companies, quoted stocks and investments in third party funds. For example, its biggest holding is a stake in Seven Investment Management, a privately-owned asset management business.

It also has investments in unquoted leisure group Gala Bingo and a stake in care home provider Choice Care (also unquoted). Investments in companies trading on a stock market include soft drinks provider **AG Barr (BAG)**, tech firm Microsoft and helicopter services group Bristow. Fund investments include Macquarie Asia New Stars.

LOSING A PREMIUM COMPLETELY

Also among the field of global investment trusts, **Martin Currie Global Portfolio (MNP)** is now trading on a 2% discount to net asset value; over the past 12 months it has traded at par value on average.

It is among the large number of investment trusts which have a discount control mechanism, buying back shares when they trade at a discount – in order to ensure the share price trades at, or around, net asset value.

Personal Assets Trust (PNL) has on average over the last 12 months traded at a 1.2% premium to net asset value. It is now trading on a 1.4% discount.

Its investment policy is to protect and increase (in that order) the value of shareholders' funds per share over the long term.

The portfolio contains a

mixture of UK, US, Canadian and European-listed stocks, as well as gold, cash and index-linked bonds.

LINDSELL TRAIN'S 'BARGAIN' VALUATION

Lindsell Train Investment Trust (LTI) is no stranger to trading at a premium to net asset value – in fact it's often trading on the biggest premium of any investment trust. The average premium over the last 12 months was 25.5%. We can recall the shares trading in recent years at a premium in excess of 60%.

It is now trading on a 'mere' 20% premium. Long-term fans of the trust may view that as an opportunity to buy more stock given the premium is much lower than in recent memory.

Why do they trade at a premium? Some investors argue the premium is justified in the belief that the investment trust's 24.31% stake in the Lindsell Train Limited fund management business is undervalued, saying it should be valued on a multiple of earnings and not net asset value. Fund manager Nick Train is also considered to be very good at his job.

MIXED FORTUNES FOR SMALL CAPS AND JAPANESE FUNDS

Funds investing in small caps and Japanese stocks stand out from the crowd in terms of trading on wider discounts or lower premiums to net asset value than normal.

For example, **F&C Global Smaller Companies (FCS)** trades on a 2.5% discount, yet over the last 12 months it has traded on an average 1.3% premium to net asset value.

North Atlantic Smaller Companies (NAS) trades on a 21.8% discount versus a 12-month average discount of 17.7%. **Jupiter US Smaller Companies (JUSC)** has seen its discount more than double from its 12-month average of 1.7%; now standing at a 3.5% discount.

The 9% drop in Japan's benchmark index, the Nikkei, since the start of February illustrates how the Japanese equity market has been badly hit by the global market sell-off.

Relevant investment trusts caught up in the storm include **JPMorgan Japan Smaller Companies (JPS)**, whose discount now stands at 12.6% against an average of 11.5%.

However, we note that some Japanese trusts are actually trading on higher premiums or lower discounts than the past 12-month average.

For example, **Baillie Gifford Shin Nippon (BGS)** is trading on a 9.1% premium (average: 5.9%); and **JPMorgan Japanese (JFJ)** is trading on an 8.6% discount (average: 10.5%). (DC)

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We will also be joined by four investment trusts that will explain their investment propositions so you can decide if they should be part of your investment mix.

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Edinburgh Worldwide Investment Trust
A very strong performer in 2016 and again in 2017 with a total return of over 45% for the year. The Edinburgh Worldwide Investment Trust has a global portfolio of entrepreneurial companies that it believes offer long-term growth potential.

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Event details
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Experts from Shares and AJ Bell

Daniel Coatsworth
Editor – Shares Magazine
Daniel will be hosting the evening and explaining how he approaches investment trust selection.

Tom Selby
AJ Bell – Senior Analyst
Tom will be looking at the latest rules, uses and developments of ISAs and SIPPs and will explain how to take best use of the tax efficient advantages they offer.

Are you self employed? It's time to think about your retirement

We look at the savings options for people who work for themselves

There is a growing army of self-employed workers helping to drive the UK economy.

According to the latest Office for National Statistics data, the number of self-employed increased from 3.3m people (12% of the labour force) in 2001 to 4.8m (15.1% of the labour force) in 2017.

The nature of self-employment is also beginning to shift – partly driven by technology – raising concerns that some workers risk being exploited by the companies that ultimately pay their wages.

In response, the Government commissioned Matthew Taylor to conduct a review of 'modern working practices' in the UK. The review sought to assess the balance between flexibility and fairness in the nascent 'gig' economy characterised by companies like Uber.

One significant challenge facing those classified as self-employed is building a decent retirement pot.

According to the latest official figures, a shocking 45% of self-employed workers aged 35-54 have no private pension wealth, compared with around 16% of employees.

This trend continues for ages 55 and above, with the highest share of the self-employed also having no private pension wealth.

Some will expect their business to eventually pay them enough to live on through old age, while others might be using all their spare cash to grow today.

Inevitably, there will also be a group who simply haven't got round to thinking about retirement at all or are simply struggling to make ends meet.

While reforms currently being introduced by the Government mean all employees will eventually be automatically enrolled into a workplace pension – and receive a matched employer contribution of at least 3% – no such scheme exists for the self-employed.

SELF-EMPLOYED SAVING: THE OPTIONS

Despite being excluded from auto-enrolment, self-employed workers can still utilise SIPPs – and receive tax relief at their marginal rate – to save for retirement.

For a basic-rate taxpayer tax relief automatically turns an £800 contribution into £1,000 in their pension. Higher-rate taxpayers can claim back an extra £200 through their tax return, while 45% taxpayers can claim £50 on top of this.

ISAs are also a useful tax-efficient alternative, particularly as self-employed workers might be put off locking away their money until age 55 in a pension.

For those aged 18 to 39, the Lifetime ISA could also be an attractive vehicle. You can pay in up to £4,000 a year and receive a bonus of 25% – the same as basic-rate tax relief for pensions. You can keep paying in and receiving the bonus until age 50, and withdrawals are tax-free after your 60th birthday, for the purchase of a first home worth £450,000 or less, or if you become terminally ill.

You can also make withdrawals for other purposes before age 60; although you'll be hit with an early exit penalty of 25% of the funds you take out, meaning you might get back less than you originally put in.

Tom Selby, senior analyst, AJ Bell

How will working part-time after retirement age affect your pension?

From payments and contributions through to tax – we explain all the important rules

If you're one of the growing number of people who want to work part-time after retirement age, it's worth considering how the move could affect your pension payments and tax liability.

Although pension planning is about retirement, there is no actual link between not working and receiving pension income.

You can take pension benefits from a workplace pension and/or self-invested personal pension (SIPP) at any time from age 55 and continue to receive a salary as well.

The state pension is linked to your state pension age, which is dependent on your date of birth. It's paid regardless of whether you have continuing earnings.

CAN I RECEIVE A SALARY AND PENSION FROM THE SAME EMPLOYER?

There's no legal barrier to taking pension benefits while working for the company which pays your pension.

Your employer will set a 'normal retirement age' for their workplace scheme, but you're not obliged to stop work at that point unless you're unfit to carry out your duties.

However, Fiona Tait, technical director at Intelligent Pensions, says if you've opted to take your pension it's likely that your employment contract will have to be re-negotiated. 'In some cases this may include taking reduced benefits from the company pension scheme,' she says.

If you start working with another employer, this would not affect your entitlement to your existing pension.

> **Your employer will set a 'normal retirement age' for their workplace scheme, but you're not obliged to stop work at that point unless you're unfit to carry out your duties**

WHAT ARE THE TAX IMPLICATIONS?

Your total earnings, which include pension payments other than your initial 25% tax-free lump sum, are subject to income tax.

The more pension income you take on top of earnings, the more tax you'll pay. It's possible your pension payments will put you in a higher income tax threshold, which means you'll pay tax at an increased rate.

John Lawson, head of financial research at Aviva, says one way to withdraw money tax-efficiently is to take your 25% tax-free lump sum in regular amounts.

'This allows you to have a part of your income which is not taxable. For example, if your tax-free lump sum was £25,000, you could draw £500 a month for 50 months (i.e. more than four years) to supplement earned income,' he explains. It is worth noting that this flexible feature may not be available on all SIPP investment platforms.

Once you exceed the state pension age you'll no longer have National Insurance contributions deducted from your salary.

CAN I MAKE FURTHER PENSION CONTRIBUTIONS?

You can continue to make pension contributions so long as you have UK earnings, but the extent to which you'll receive tax relief could be limited.

If you're withdrawing income from a defined contribution (DC) pension plan using flexible access drawdown or via Uncrystallised Fund Pension Lump Sums, any contributions above £4,000 a year would be subject to the Money Purchase Annual Allowance (MPAA) tax charge.

'Basically this means if you withdraw income directly from a personal pension plan, SIPP or workplace pension, which is not a final salary arrangement, it is advisable to restrict any ongoing contributions to this (£4,000) level,' advises Tait.

HOW CAN I AVOID TRIGGERING THE MPAA?

You can avoid triggering the

MPAA by only withdrawing the 25% tax-free lump sum from your pension.

Additionally, if you have more than one pension plan and one of them is a final salary/defined benefit (DB) scheme, you could take your income from the DB scheme and leave your DC pension untouched until later.

'This would avoid triggering the MPAA and you would still be able to contribute up to £40,000 a year (to your DC pension) including full tax relief. This would help you to replace some of the pension income you are taking in the early stages of your retirement,' says Tait.

Some people are eligible to take their entire pension as a cash lump sum if it's worth £10,000 or less. This would not trigger the MPAA.

It's possible to take up to three pots this way with a combined value of £30,000. With each lump sum you would get 25% tax-free and the remaining 75% is taxed as income.

If you were already in 'capped drawdown' before 6 April 2015 you won't be subject to the MPAA.

HOW CAN I INVEST MORE THAN £4,000 A YEAR?

Rachel Smith, associate consultant team manager at pension specialist Mattioli Woods, says investing in ISAs is a good alternative to making pension contributions if you're worried about exceeding the MPAA.

You can invest £20,000 each year across the range of ISAs and all the income and capital gains generated will be tax-free. You can also withdraw money tax-free.

Smith says investors with a higher-risk appetite could consider investing in venture capital trusts (VCTs). New VCT offers provide 30% tax relief as long as you hold the shares for five years.

SHOULD I DEFER TAKING PENSION BENEFITS?

Apart from minimising tax and avoiding the MPAA trigger, deferring your pension income has other advantages.

Your funds can continue to grow within a tax-efficient wrapper, potentially resulting in a larger income in the future.

Smith says if someone has a fund worth £100,000 that achieves growth at 4%; that fund could support an income of £5,000 a year for 21 years. If the same fund had no income drawn from it for the first five years, it could support an income of £8,200 a year – that's a 64% difference.

If you don't exhaust your pension pot, you can pass it on to your beneficiaries free from inheritance tax. (EP)

FRIDAY 16 FEBRUARY

FINALS	
BGEO	BGEO
Segro	SGRO
ECONOMICS	
UK	
Retail Sales	

MONDAY 19 FEBRUARY

FINALS	
Fidessa	FDSA
McColl's Retail	MCLS
Reckitt Benckiser	RB.
Spectris	SXS
INTERIMS	
MJ Gleeson	GLE
Petra Diamonds	PDL
AGMS	
Elegant Hotels	EHG
ECONOMICS	
UK	
Rightmove	HPI

TUESDAY 20 FEBRUARY

FINALS	
HSBC	HSBA
InterContinental Hotels	IHG
Lighthouse	LGT
Synectics	SNX
UBM	UBM
INTERIMS	
BHP Billiton	BLT
Dunelm	DNLM
Green REIT	GRN
Springfield Properties	SPR
Tristel	TSTL
AGMS	
JP Morgan Income & Capital	JPI

HAVING LOST 823,000 UK consumer energy customers in the third quarter, all eyes are on Centrica (CNA) ahead of full year figures on 22 February.

The owner of the UK's biggest household energy supplier *British Gas* has had a difficult year, prompting a profit warning in November. That puts its dividend under serious threat.

An income yield of 9.5% based on the 12p 2017 forecast payout implies that the market does not believe the current level of dividend is sustainable. (SF)

WEDNESDAY 21 FEBRUARY

FINALS	
Capital & Counties Properties	CAPC
Glencore	GLEN
Lloyds Banking	LLOY
Unite	UTG
INTERIMS	
Barratt Developments	BDEV
Hotel Chocolat	HOTC
TRADING STATEMENTS	
FirstGroup	FGP
ECONOMICS	
UK	
Unemployment Rate	
AGMS	
The Bankers' Investment Trust	BNKR
City of London Investment Group	CLIG
Gooch & Housego	GHH
Schroder European Real Estate	SERE
Target Healthcare REIT	THRL

THURSDAY 22 FEBRUARY

FINALS	
Anglo American	AAL
BAE Systems	BA.
Barclays	BARC
British American Tobacco	BATS
Centrica	CNA
Intu Properties	INTU
Kaz Minerals	KAZ
MacFarlane	MACF
Morgan Sindall	MONY
Playtech	PTEC
Rathbone Brothers	RAT
Serco	SRP
TBC Bank	TBCG
Vitec	VTC
INTERIMS	
Go-Ahead	GOG
Hays	HAS
Safestore	SAFE
Wilmington	WIL
TRADING STATEMENTS	
Hansard Global	HSD
Safestore	SAFE
AGMS	
APC Technology	APC
Zytronic	ZYT

NEIGHBOURHOOD RETAILER McColl's (MCLS) full year results statement (19 Feb) will be keenly watched for an update on its wholesale tie-up with grocer Morrisons (MRW), which has seen it launch *Safeway* branded products exclusively in McColl's stores. The convenience stores-to-newsagents operator's pre-close trading statement flagged 19.1% total revenue growth for the year ended 26 November, annual revenue topping £1bn for the first time following the successful integration of 298 convenience stores acquired from the Co-op.

EX-DIVIDEND		
Aberdeen Private Equity Fund	APEF	2p
Diageo	DGE	24.9p
GlaxoSmithKline	GSK	23p
Heath (Samuel) & Sons	HSM	5.5p
Independent Investment Trust	IIT	4p
Independent Investment Trust	IIT	2o
Imperial Brands	IMB	59.51p
Nextenergy Solar Fund	NESF	1.605p
Oxford Instruments	OXIG	3.7p
Shoe Zone	SHOE	6.8p
Zytronic	ZYT	15.2p

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KEY

- Main Market
- AIM
- Fund
- Investment Trust
- Exchange-Traded Fund
- IPO coming soon