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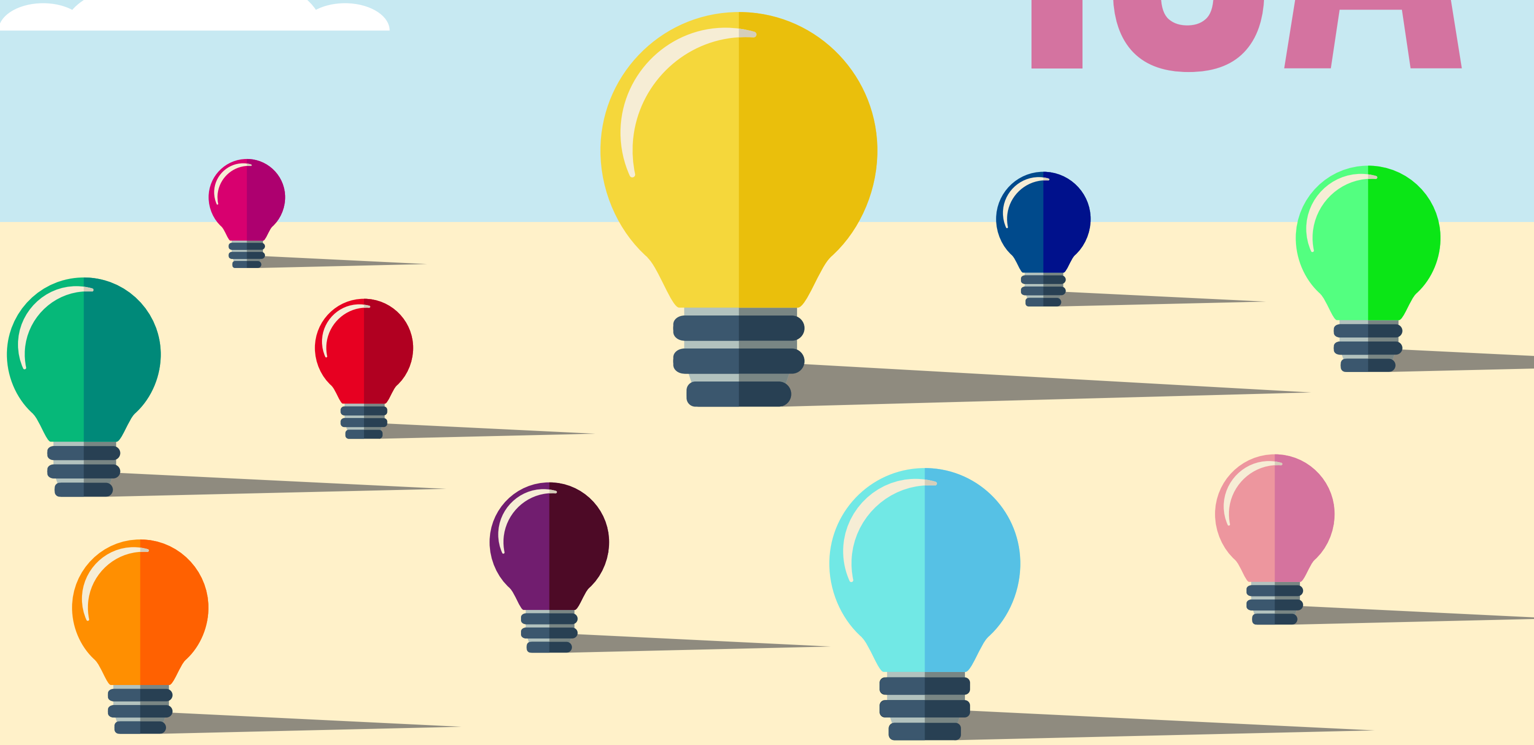
10 STOCKS FOR YOUR ISA



- HOW TO PICK AN INVESTMENT TRUST
- DEALING WITH PROFIT WARNINGS
- THE FUTURE OF UK POWER SUPPLY

- AVIVA PREFERENCE SHARE UPROAR
- CRUNCH TIME FOR GKN
- THREE FUNDS TO PLAY JAPAN

How to deal with profit warnings

Most people are likely to experience setbacks with parts of their portfolio at some point in their investing life

The number of UK-listed companies issuing a profit warning hit a two year high in the final quarter of 2017 with 81 offenders, according to consultant EY. And the profit warnings keep coming in 2018.

Investors must accept that profit warnings come with the territory when putting money into equities. You'll probably experience the pain associated with them at some point in your investing life.

The best advice is not to panic and to try and work out if problems can be fixed. If they can't, you may have to consider selling out, even if it means incurring a loss.

NOT ALWAYS PREDICTABLE

Sometimes you'll get hints that life isn't going well, effectively laying the ground work for a profit warning. Other times they come out of the blue and can cause serious pain to the share price.

Restaurateur **Fulham Shore (FUL:AIM)** last week issued a profit warning which said fewer people were coming to its suburban London sites. Its shares had already been in a falling trend for more than a month before the warning as other restaurant operators experienced problems.

More shocking was the 8 March warning from drinks distributor-to-retailer **Conviviality (CVR:AIM)**. A material error in its financial forecasting accounted for £5.2m of a £14m EBITDA guided downgrade. It also suffered weak margins in its wholesale business.

The former was caused by a spreadsheet error, according to its nominated adviser Investec. That's a huge embarrassment for the business. The other problem was thought to be linked to Conviviality's decision to give too much margin away in listing fees and promotional offers.

Investec says the warning has highlighted process and control issues in the business, which management believes it has now addressed.

It is hard in such a situation to trust the management until there is evidence that controls have been tightened. If you were to wait for more positive signs, it would mean holding on to the shares during a period of uncertainty which could potentially exacerbate any losses if the stock keeps falling in value.

Indeed, the company's shares were suspended on 14 March after it found another problem. Conviviality had failed to include a £30m tax payment in its cash flow projections.

INSIGHTFUL RESEARCH

Financial data provider Stockopedia in 2016 analysed three years' worth of smaller company profit warnings on the UK stock market. On average it found prices began falling by 6% in the six months before the warning; they fell by 19.2% on the day of the warning; and there was further share price weakness for two to three months after the warning. It found no significant reversal in the price decline 12 months after a warning.

Many investors will hold on to shares in a troubled company in the hope they will recoup some of their losses. Some observers say that's a bad strategy as there are elevated risks of owning a company that has issued a profit warning – i.e. will there be another warning?

AIM superstars **BooHoo.com (BOO:AIM)** and **Keywords Studios (KWS:AIM)** both issued profit warnings soon after joining the stock market. However if you'd sold those stocks after the warnings, you would have missed out on 718% and 1,275% gains respectively since the closing price on the day of each warning.

There isn't a one-size-fits-all approach to dealing with profit warnings. But the worst thing to do is to ignore them and hope everything will turn out fine. (DC)

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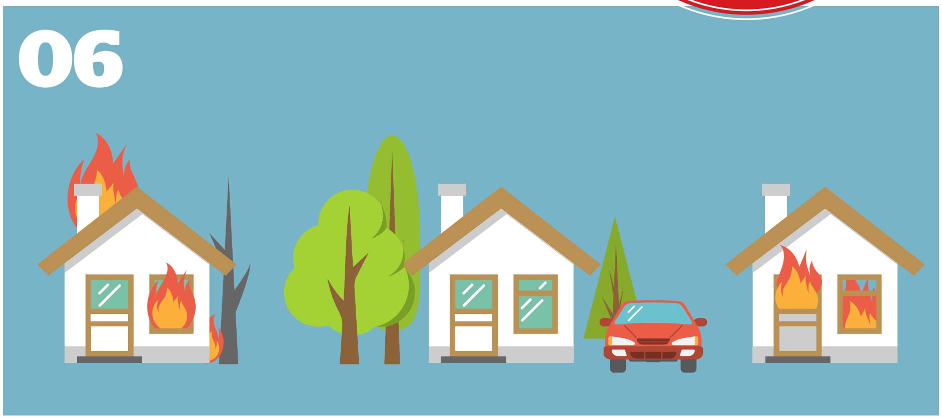

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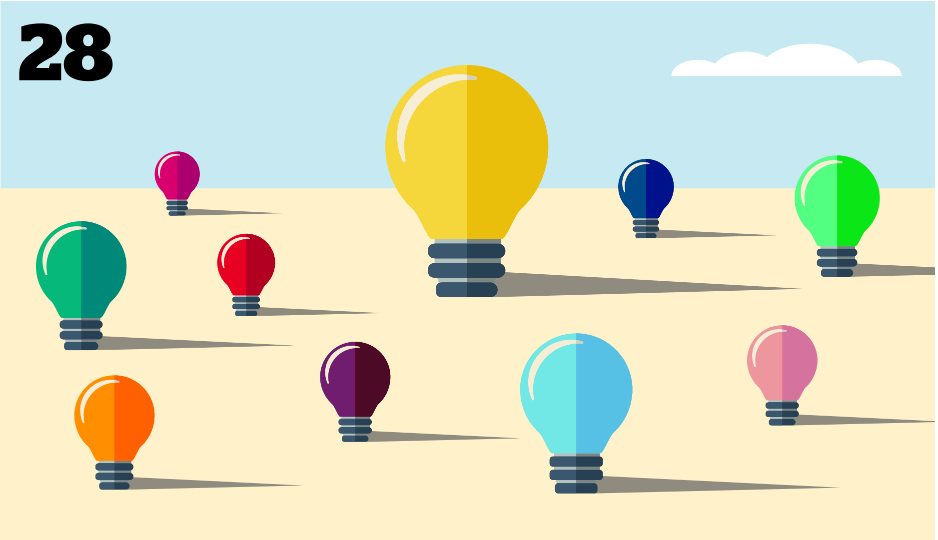

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BROKER RATINGS EXPLAINED:

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

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

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

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

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

Aviva under fire for plan to cancel high-yielding shares

Insurance firm says move could help it return more cash to ordinary shareholders

Insurance firm **Aviva (AV.)** has attracted sharp criticism for a proposal to cancel preference shares worth £450m, news that also led to a big sell-off in preference shares from other issuers.

Aviva is planning to cancel its three outstanding issues of shares at par value despite the fact their high yields of between 7.875% and 8.875% had seen them trade at significant premiums.

Ordinary shareholders are expected to be asked to vote on the move. This has also been criticised as these shareholders are in line to benefit from increased income if Aviva doesn't have to pay the fixed dividend on its preference shares.

Insurer Ecclesiastical Insurance Office and building society Nationwide have both said they will not be following Aviva's lead and cancelling their preference shares.

Referring to Aviva's governance statement which includes a pledge on 'building trust', Ecclesiastical, which itself has non-material holdings in the Aviva shares, says it 'trusts that Aviva will follow the principles set out in that statement when considering whether to pursue this course of action'. (TS)

What are preference shares?

PREFERENCE SHARES ARE a type of equity which pays out a fixed dividend, usually twice a year.

The name 'preference' comes from the fact that they rank above ordinary shares when it comes to the payment of dividends and return of capital.

An ordinary dividend can't be paid until preferred shareholders have been paid.

Investors have a choice of convertible preference shares, which convert into ordinary shares, and redeemable preference shares, where the initial investment is repaid.

Big fall in London house prices

Which stocks could be affected by weak property market in the capital?

PROPERTY PRICES IN parts of London are down as much as 15% in the past 12 months and overall are down 2.6% according to data from estate agent Your Move.

This represents the steepest rate of annual decline since August 2009, in the wake of the financial crisis.

As such it could be bad news for real estate stocks with heavy exposure to the capital like housebuilder **Berkeley (BKG)** and property and lettings agent **Foxtons (FOXT)**.

In contrast some parts of the north west of England have seen double-digit increases in average property prices. (TS)

Spring Statement reveals (slightly) improved economic picture

UK growth figures upgraded modestly but no significant new policies announced

The Spring Statement delivered precious little in the way of new policy with any substantive measures set to wait until the Budget in November.

There was a slight increase in the Office for Budget Responsibility's (OBR) economic growth forecast for 2018 from 1.4% to 1.5%. The OBR's borrowing forecast is down from £49.9bn to £45.2bn – although this drop was somewhat less than had been anticipated – and the body also trimmed its inflation forecasts.

Chancellor Philip Hammond announced more than £1.5bn of the £3bn allocated for Brexit preparation had been allocated to departments and devolved administrations for 2018/2019.

The next business rates revaluation is to be brought forward from 2022 to 2021. Government consultations are set to take place on how to use the tax system to encourage responsible use of plastic and on the future of digital payments and cash in the economy.

The Federation of Small Businesses welcomed a pledge to help smaller companies deal with late payments.

Hetal Mehta, senior European economist at Legal & General Investment Management, says that despite the improved GDP figures 'we don't expect Hammond to go on a spending splurge in the Autumn Budget. 'He will likely save the extra room for manoeuvre ahead of the next election and to cushion any downside risks emerging from the UK's departure from the EU.' (TS)

Labour strike risk could lead to higher copper price

KEEP A CLOSE eye on the copper price as experts predict supply disruptions which could push up the value of the metal. Investment bank Jefferies says Chile miner strikes could be imminent which could affect output from some of the world's biggest copper producers.

It also flags risks such as declining copper grades, geological and geopolitical issues (especially in the DRC).

KAZ Minerals (KAZ), **Antofagasta (ANTO)** and **Glencore (GLEN)** are highly leveraged to the copper price. (DC)

Gem Diamonds is on a roll with high quality discoveries

GEM DIAMONDS (GEMD) has already found seven high quality diamonds greater than 100 carats this year which is very good considering it only found seven in total during 2017.

This provides a welcome reminder about the capabilities of its Letseng mine in Lesotho, although it is pure luck as to when more high quality diamonds will be found.

The recent discoveries have helped to revive Gem's share price, up 31.5% year-to-date, although some analysts still think the stock is too cheap. (DC)

An increasing number of investment trust dividend heroes

TWENTY ONE INVESTMENT trusts have now increased their dividends every year for the past 20 years or more, according to the Association of Investment Companies (AIC).

City of London Investment Trust (CTY), **Bankers Investment Trust (BNKR)** and **Alliance Trust (ATST)** have increased their dividends every year for 51 years.

Caledonia Investments (CLDN) is close behind with a 50-year track record of consistent dividend growth. (JC)

Time is running out for GKN shareholders to vote on Melrose takeover offer

Investors have two weeks left to vote on Melrose's proposal or wait until later this year to vote on a tie-up with Dana

Shareholders in FTSE 100 engineer **GKN (GKN)** have until 29 March to decide whether to accept a takeover offer from turnaround specialist **Melrose Industries (MRO)**. One alternative is to support a deal to merge GKN's Driveline automotive arm with US engineering group Dana.

Melrose originally offered 405p per share in cash and shares on 8 January. That was rejected by the board and triggered Melrose to increase its offer to a deal worth 430.1p per share on 17 January.

A third and final offer was pitched on 12 March at 467p per share, split into 81p cash and 1.69 new Melrose shares for each GKN share. The offer works out as 460.7p per share if you exclude GKN's final dividend announced in February.

The Dana proposal would see GKN shareholders receive 47.3% of the share capital of the enlarged Dana. GKN would also get \$1.6bn (£1.15bn) cash. The enlarged Dana group would be listed on the New York Stock Exchange.

Melrose shareholders have already voted in favour of buying GKN. However, GKN's board prefers the Dana deal, having rejected all three of Melrose's proposals on the ground they 'fundamentally undervalue' the business.

'Melrose is not the right owner of GKN,' says GKN chairman Mike Turner. 'Its management lacks relevant experience and its short term business model is inappropriate for GKN's customers and its investors. Winning new business in our markets would be more difficult if customers were uncertain as to the identity of their future long term partners.'

The bid battle has been a bitter battle of words between management, unions and politicians for the hearts and minds of GKN shareholders.

GKN's pension fund trustees and union

representatives have spoken out over future scheme funding and workers job security under Melrose ownership.

Complicating matters further is a Parliamentary Select Committee investigation into the hostile takeover, with questions posed to the management teams of both Melrose and GKN on 7 March. This was sparked by perceived concerns over UK national security because of the sensitive nature of some of GKN's defence contracts.

The Select Committee has the power to scupper the deal entirely, regardless of whether Melrose gets majority backing from GKN investors.

A timetable for voting on the Dana proposal has yet to be published although the current guidance is for shareholder votes to be held in the early part of the fourth quarter this year. Both Dana's and GKN's shareholders would need to vote on the deal. (SF)

Why is the dollar struggling?

High yields on US treasuries are not translating into currency strength

The dollar is performing in a strange manner as it is failing to conform to tradition and appreciate in value when the yields of US government debt are rising.

The increased return on offer, particularly relative to that available from the debt of other governments, would usually attract foreign investment. This, in turn, would inflate demand for, and the value of, the home country's currency.

But according to data from exchange-traded fund provider PowerShares the US dollar index, which measures the performance of the dollar against several other major currencies, is down 12% since it peaked at the end of 2016.

PowerShares' head of multi-asset research Paul Jackson reckons explanations for the weakness, including the deficit, the unpredictability of Donald Trump and better economic conditions outside the US, are unconvincing.

He says: 'Leaving aside the effects of a full-blown trade war, which we think would be dollar negative, we believe the dollar is in line with long term norms and that in the short term it may adjust upwards to "re-converge" with yield spreads.'

Jackson notes this would be positive for non-US equities and negative for dollar-denominated commodities.

UK-listed companies with substantial US sales which would see the most benefit from dollar strength include equipment hire firm **Ashtead (AHT)** and plumbing products business **Ferguson (FERG)**. (TS)

AJ Bell customers given priority access to company's IPO share offer

Investment platform provider says it is considering a stock market listing later this year or early in 2019

Investment platform **AJ Bell** is considering a stock market flotation either in late 2018 or early 2019. Retail investors will be allowed to take part in the IPO (initial public offering) offer as long as they are AJ Bell customers.

This exclusivity is very different to how most retail share offers work. Traditionally retail offers would be available on most of the major stockbroking platforms. AJ Bell says it is restricting access in order to reward its 172,000 customers.

'It is important for me that our customers are able to participate in our IPO,' says Andy Bell, chief executive at AJ Bell.

'They are the reason we are here and I want them to have the opportunity to share in our success by ensuring a proportion of the share offer is ring-fenced exclusively for AJ Bell customers.

'That is why we are announcing our intentions earlier than would normally be expected. It gives people time to join us on the journey through our interim and then full year results before making a decision whether to invest.

'The terms of the retail offer have not yet been finalised, but we want to be as inclusive as is possible,' he adds. Further details of the IPO will be announced in due course.

The company is considering a stock market listing in order to raise its profile. It doesn't plan to raise any new money at the IPO as the business is already in a strong financial position.

AJ Bell Youinvest is the company's consumer-facing operation. It offers ISAs, SIPPs (self-invested personal pensions) and dealing accounts so individuals can invest in a wide range of assets including stocks, funds and bonds.

The company's other interests include AJ Bell Investcentre which is an investment platform for financial advisers. AJ Bell is also a fund provider and owns *Shares* magazine.

The largest shareholder pre-IPO is asset manager Invesco Perpetual with a 44% stake. Chief executive Andy Bell owns 28%, Seneca Investment Managers owns 3%; and the remaining 25% is held by management and former members of staff.

Woodford Investment Management recently sold its 8% state in the business for an undisclosed amount. It originally invested £21m in AJ Bell in June 2015; approximately two thirds was held by its **CF Woodford Equity Income Fund (GB00BLRZQ737)** and the rest by **Woodford Patient Capital Trust (WPCT)**.

AJ Bell is profitable, pays a dividend, has a debt-free balance sheet and has enjoyed consistent growth in earnings and new customers for many years.

Pre-tax profit increased by 29% to £21.7m for the year to 30 September. Assets under administration grew by 25% in the financial year to £39.8bn; and it lifted the dividend by 10% to 28.25p per share. (DC)

ZERO

Biffa loses valuable source of income amid ongoing Chinese issue

Waste management company **Biffa (BIFF)** has been hit with earnings downgrades as restrictions on the export of paper recyclables to China continues to cause issues for the UK-listed business.

It used to get £70 a tonne for exporting mixed paper to China; now it gets next to nothing. Analysts had expected the problem to be temporary, yet Biffa now expects the headwinds to persist.

Stockbroker Numis adjusted the company's earnings before interest tax depreciation and amortisation (EBITDA) for 2019 down by 6% or £5.1m to £81.9m. (DS)

+90%

AGRI-SERVICES COMPANY **Origin Enterprises (OGN:AIM)** typically generates over 90% of its earnings in the seasonally-vital second half of its financial year.

It was therefore encouraging to see underlying operating profit grow 12.6% to €2.3m in the six months to 31 January 2018, its first-half period. That could give Origin a solid foundation ahead of its peak trading period.

Providing agronomy services to farmers and supplying crop technologies and inputs including fertiliser, Origin is a deal-hungry business. Recent acquisitions include Bunn Fertiliser and Belgium-based fertiliser-to-nutrition business Pillaert-Mekoson.

£145m profit gap at building materials group SIG

FULL YEAR RESULTS from building materials specialist **SIG (SHI)** for 2017 looked good at first glance with underlying operating profit slightly ahead of expectations at £94m.

However, the company actually reported a statutory loss of £51.2m. The £145.2m gap mainly reflected several exceptional items relating to a restructuring process under new chief executive Meinie Oldersma.

This, plus a warning on the outlook for the business in the UK, may explain why the shares rose and then fell rapidly on the day the numbers were announced (9 Mar), as investors had time to digest the results.

The easy way to invest in the thriving world of robotics and automation

Now's the time to buy this specialist exchange-traded fund

You may have seen the recent news that Flippy the burger-flipping robot was taken offline one day into its job at a burger restaurant because it wasn't fast enough.

On one hand it acted as a wake-up call that the robotics industry is susceptible to setbacks just like traditional businesses. However, it also reminded the world that the concept of robots in the workplace is now a reality. That presents a significant opportunity for investors.

HOW TO GET EXPOSURE

Robotics technology is becoming more advanced and costs for certain applications are coming down which should drive greater adoption. Although something like Flippy may need an upgrade to work faster, such a task shouldn't be impossible.

The whole field of robotics is a learning field and, thanks to the way data can easily be collected and analysed electronically, companies are quickly finding ways to make improvements.

One of the best ways to play the space is exchange-traded fund **ROBO Global Robotics and Automation ETF (ROBG)**. It provides diverse exposure to an actively-managed list of robotics experts or companies embracing robotics to improve their business.

ROBO GLOBAL ROBOTICS AND AUTOMATION ETF
BUY
(ROBG) £12.35
Stop loss: 988p

The ETF tracks an index of 88 companies involved in robotics and automation. Forty per cent of the index consists of companies whose majority of business has to related to robotics and automation (the 'bellwether' stocks); and the remaining 60% of companies with a 'distinct portion' of business in this area (the 'non-bellwether' stocks).

The index provider, ROBO Global Indices, reweights the index once a quarter so each constituent only represents a maximum 2% holding if they are bellwethers or 1% if they are non-bellwethers.

'Many people don't realise how companies are collecting data from robotics and applying this knowledge to their business,' says ROBO Global chief executive Richard Lightbound. 'It makes companies more valuable.'

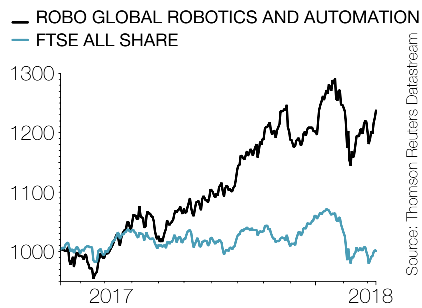
The world of robotics is broad and touches a wide range of industries from healthcare and logistics to security and manufacturing.

Examples include tractor giant John Deere using facial recognition technology to identify plants and determine how much water and fertiliser each one needs, potentially resulting in enormous cost savings and increased crop yields. The technology is contained in equipment pulled by a tractor driving at normal speed.

INTERESTING PORTFOLIO

Stocks being tracked by the ETF include iRobot. Its robot vacuum cleaners take the stress out of housekeeping. They build maps of your home and learn the best way to clean, such as identifying spots that often have more mess than other places.

Another relevant stock is Japan's Fanuc which makes robots for factories. It delivers labour and operational cost savings as its technology can predict breakdowns long before they can lead to downtime. (DC)



RM Secured Direct Lending

Attractive, stable returns

Diversified portfolio

Strong security packages

Direct lending

Established UK corporates

6.50p* Target Dividend

Secured, direct lending to UK corporates

RM Secured Direct Lending aims to generate attractive returns through a diversified, high quality portfolio of direct loans, supported by strong security packages, made to UK established businesses. Typical debt investments range from £2-10m, for a period of 3-15 years and are secured over real assets such as plant, property and equipment. Where possible, the manager seeks a degree of interest and inflation protection through floating and index-linked investments.

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About the Investment Manager

RM Funds specialises in credit sales & trading, foreign exchange, capital markets and advisory, and direct lending. Founded in 2010, it has transacted in excess of £50 billion of bonds and loans since its inception. It is authorised and regulated in the UK by the Financial Conduct Authority with offices in London and Edinburgh. In 2017, RM Funds was named Alt-Fi's Alternative Credit Fund Manager of the Year for its management of RM Secured Direct Lending.

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A copy of the prospectus can be found at the following website address: https://rmdl.co.uk/investor-centre/investor-relations/

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RMCapital

Time to buy small cap beauty Swallowfield

Swoop on personal care-to-beauty products play for growth and income

This is an opportune moment for growth and income investors to swoop on personal care and beauty products supplier **Swallowfield (SWL:AIM)** at 335p.

Chief executive Chris How is leaving after five years and will be replaced by Tim Perman on 1 July. He is expected to continue executing on a successful strategy and perhaps inject fresh ideas into furthering the growth of the £56.5m cap's enviable owned brands portfolio.

Somerset-headquartered Swallowfield is a long-established market leader in the development, formulation, and supply of personal care and beauty products.

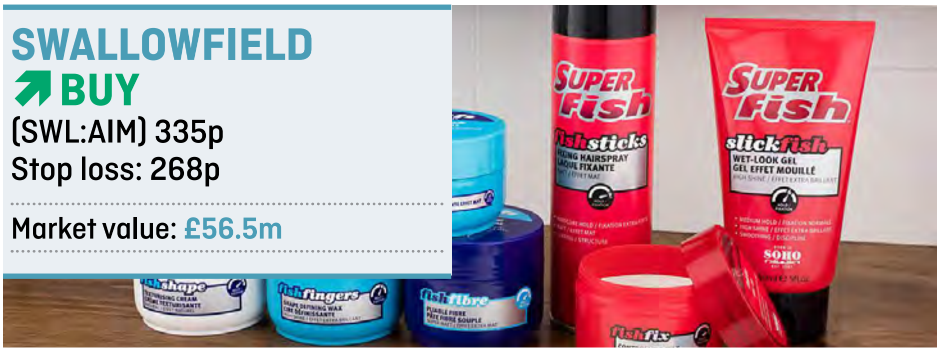
Customers include many of the world's leading brands and it boasts a growing portfolio of acquired and organically developed owned brands. These include *The Real Shaving Company*, *Bagsy* and *Tru*.

First half results (27 Feb) revealed an 18.3% surge in adjusted pre-tax profit to £2.9m. Group sales increased modestly to £40m (2017: £39.7m), driven by 25% growth in owned brands, boosted by a successful festive gifting season and with the acquired *Dirty Works*, *Dr. Salts* and *SuperFacialist* brands proving to be star performers.

Swallowfield's subdued revenue growth was constrained by a 6% decline in its

SWALLOWFIELD
BUY
(SWL:AIM) 335p
Stop loss: 268p

Market value: £56.5m



manufacturing arm which spans plastic aerosols and cosmetic pencils to hot pour products. It traded against some tough comparatives.

These demanding comparatives concealed a positive underlying trend with the division's other customers. Its plastic aerosol products are about to be extended to a second brand, while Swallowfield's innovation has helped it bag first orders with a new US global consumer group.

TRIED & TESTED

Perman is experienced in beauty brands and marketing and will join from **PZ Cussons (PZC)**. He looks well-equipped to deliver on Chris How's tried-and-tested strategy and also inherits men's haircare brand *Fish*, a £3m, earnings enhancing acquisition that looks another excellent addition to the portfolio.

Currently sold in Boots, Superdrug, **Tesco (TSCO)** and Waitrose, *Fish* is highly complementary to Swallowfield's other male grooming brands.

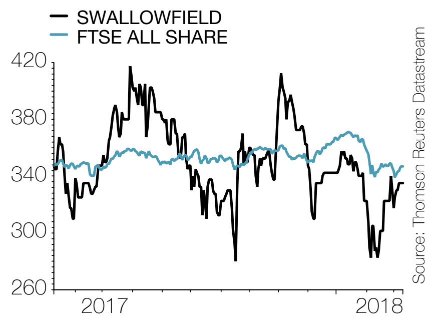
In 2017, *Fish* generated £1.7m revenue and £400,000 of EBITDA, equivalent to an EBITDA margin of 23%.

Stockbroker N+1 Singer believes that 'under Swallowfield's ownership, *Fish* has the potential to be a circa £5m brand with circa 25% EBITDA margins', reflecting the opportunity to expand with new and existing retailer customers.

For the current year to June, N+1 Singer forecasts £5.2m adjusted pre-tax profit (2017: £3.6m) ahead of £6.1m for the 2019 financial year.

A 6.2p dividend is on the cards this year ahead of 7.1p next, and the payout is comfortably covered by estimated earnings of 24p and 28.7p respectively. (JC)

BROKER SAYS: N/A



LEGAL & GENERAL (LGEN) 262.2p

Gain to date: 2.4%

Original entry point:

Buy at 256p, 28 September 2017

LIFE INSURER **LEGAL & General's (LGEM)** full year results on 7 March made for pleasing reading for investors. The company's operating profit rose 32% to £2.1bn for 2017 after the release of 'mortality' reserves. Without the release of these reserves, the profit increase would have still been an impressive 12%.

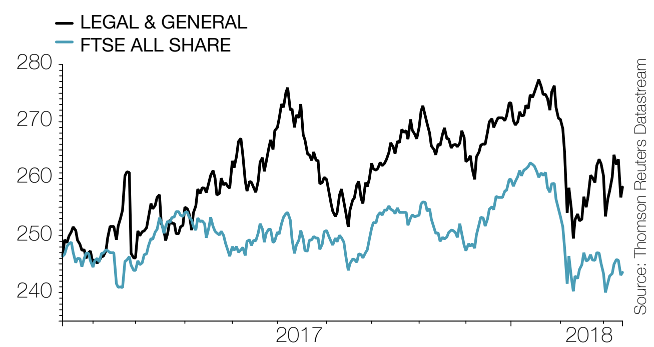
While it may appear morbid, worsening life expectancy rates are driving the company's profits higher. Life expectancy has stalled its century long ascent due to factors such as bad diet.

This means Legal & General has to set aside less cash to pay pensions.

In 2017, the company released £332m of reserves it had previously held back to pay customers. If this trend continues, it suggests the company will have more cash to return to shareholders, increasing its income credentials.

The company boosted its 2017 full year dividend by 7% to 15.35p per share.

Legal & General is positive on the outlook for the bulk annuity market, in which insurers take on pension guarantees from corporate schemes or other insurers.



SHARES SAYS: ↗

We remain positive. (DS)

BROKER SAYS: 9 6 6

ALFA FINANCIAL SOFTWARE (ALFA) 358p

Loss to date: 20% (stopped out)

Original entry point:

Buy at 482.75p, 3 August 2017

A HIGH VALUATION left our positive call on software firm **Alfa Financial Software (ALFA)** vulnerable to disappointing news and this was reflected in a big sell-off for the shares in response to its 2017 results (8 Mar).

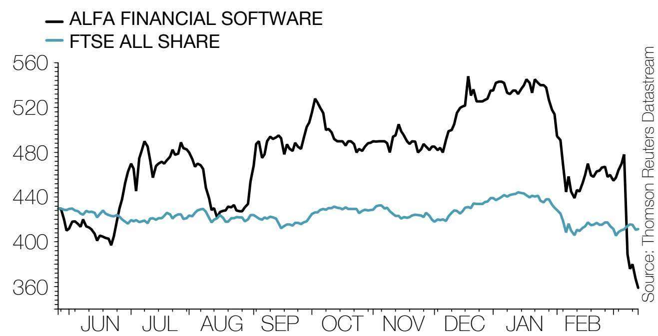
More specifically investors were concerned about the timing of new contracts after the company said revenue growth would be weighted to the second half of this year.

The takeaway seemed to be that several new large contract implementations would take longer than initially expected and this could pressure profitability in 2018.

The subsequent 20%+ drop in the share price seemed to be out of kilter with the scale of resulting downgrades. For example, stockbroker Numis cut its earnings forecast for 2018 by less than 5%.

One explanation behind the large drop was the fact that the shares were trading on a very high rating of nearly 40-times earnings.

Companies on such high ratings tend to fall fast on the slightest bit of bad news.



SHARES SAYS: ↗

We see the correction as overdone but Alfa will need to get back on track quickly if the shares are to recover. (TS)

BROKER SAYS: 2 1 0

THE OUTLOOK IS BRIGHT

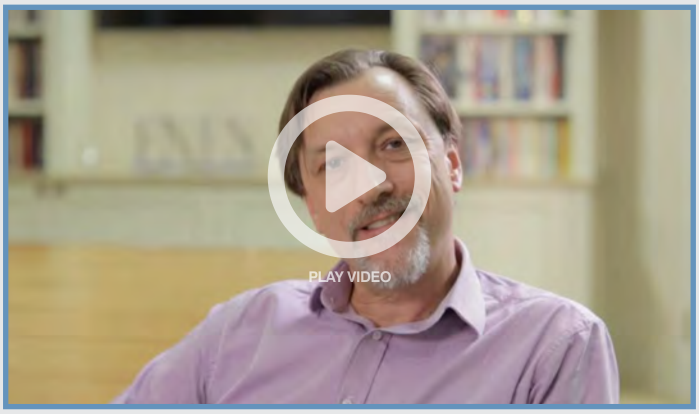
Finsbury Growth & Income Trust (FGT) added a new holding in the Summer of 2017, the first for a couple of years. The company was Manchester United. There were several reasons we made this investment. The most topical being our conviction that the value of compelling TV entertainment that appeals globally is just going to carry on going up. But Manchester United also fits another even more important criterion for getting into the portfolio: it's a rare and beautiful thing (although perhaps that does depend on your tribal loyalties). It goes without saying – there is only one Man Utd and there is also no denying that the franchise has a heritage and glamour about it that, at the least, advertisers and sponsors want to bask in.

As much as we can we want FGT's portfolio to comprise such "rare and beautiful things". The reason, candidly, is that we have no idea what is going to happen next in the world. The politics, the economics, the technology disruption all bewilder us. Given that uncertainty we hope that by making really long term commitments to companies with enduring and hard to replicate brands or franchises we'll be able to meet our shareholders' expectations over time.

Of course beauty is in the eye of the beholder, but can I provide you a list of key brands or franchises in FGT that we think fit the description? This is more or less alphabetical. Barr's IRN-BRU, Burberry, Celtic FC, the Daily Mail, Diageo's Guinness and Johnnie Walker, Dr Pepper, Euromoney's the Bank Credit Analyst, Fidessa's equity trading platform, Fuller's London Pride, Hargreaves Lansdown, Heineken, the London Stock Exchange, Oreos and Cadbury in Mondelez, Pearson's Mylabs online learning platform, Rathbone, Elsevier scientific publishing, Remy Martin cognac, Sage's millions of small company customers, Schroders and Cazenove, Unilever's Magnum Ice cream and Dove soap, Youngs pubs.

Some of these have done well as businesses and shares over the last few years. Some less so. I couldn't tell you what the next year is going to bring for any of them. But I will say that I have been adding to my own holding of FGT in recent weeks. I have done so because I see the portfolio as a collection of more or less unique companies with enduring worth and most with credible opportunities to grow that worth into the future. For most investors and certainly me that really should be enough.

Finsbury Growth & Income Trust PLC is a £1.2bn UK-listed investment trust, which invests in the share of predominantly UK-listed companies, with the objective of achieving capital and income growth.



IMPORTANT INFORMATION:
Finsbury Growth & Income Trust PLC (the "Company") is a UK investment trust listed on the London Stock Exchange and is a member of the Association of Investment Companies. As this Company may implement a gearing policy investors should be aware that the shareprice movement may be more volatile than movements in the price of underlying investments. Past performance is not a guide to future performance. The value of investments and the income from them may fall as well as rise and is not guaranteed. An investor may not get back the original amount invested. There can be no assurance that the Company's investment objective will be achieved and investment results may vary substantially over me. This document is for information purposes only and does not constitute an offer or invitation to purchase shares in the Company and has not been prepared in connection with any such offer or invitation. Investment Trust share prices may not fully reflect underlying net asset values. There may be a divergence between the prices at which you may purchase ("the offer price") or sell ("the bid price") a share on the stock market which is known as "bid-offer" or "dealing "spread". This is set by the market makers and varies from share to share. This spread typically averages 1-2% each way on the mid-market price (the price halfway between the bid and offer prices), and can fluctuate and at times be higher than average. Net Asset Value per share is calculated in accordance with the guidelines of the Association of Investment Companies. Net assets are stated inclusive of income received. Any opinions on individual stocks are those of the Company's Portfolio Manager and no reliance should be given on any such views. Any research in this document has been procured and may have been acted upon by Lindsell Train Limited for its own purposes. The results are being made available to you only incidentally. The views expressed herein do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of Frostrow Capital LLP and no assurances are made as to their accuracy. This is issued by Frostrow Capital LLP which is authorised and regulated by the Financial Conduct Authority ("FCA"). Before investing in an investment trust referred to in this advertorial, you should satisfy yourself as to its suitability and the risks involved, and you may wish to consult a financial adviser.

Major turning point for Rolls-Royce as its earnings start to improve

Former engineering champion is back on track under CEO Warren East

If there is one FTSE 100 company that epitomises the rough and tumble of the stock market in recent years it has to be **Rolls-Royce (RR.)**.

The £15bn company makes engines and huge gas turbines that power planes, trains and ships. It has enjoyed prolonged spells of growth over the years.

However, it has also been struck down by a corruption scandal and multiple profit warnings in recent years that nearly saw the company fold, according to its current chief executive Warren East.

In the decade since the global financial crisis the share price has traded through a sweeping range of lows worth 258.5p and highs of £12.71, a record for the stock.

The latest set of full year results (published on 7 March) appear to underscore the positive effects of a recovery plan put in place by chief executive Warren East about two years ago.

Rolls-Royce's shares notched up the biggest gain on the FTSE 100, jumping 11.5% on the day to 924p, with those results (covering the 2017 financial year) showing every division performing better than analysts had forecast.

Underlying pre-tax profit topped £1bn, well ahead of analysts' forecasts and up 25% on 2016 equivalent figures.

That makes 2017 the first year of profit growth since 2013. There was also a significantly improved cash performance, churning out nearly £1.3bn of free cash flow versus the £490m cash burn in 2016.

East is now pressing ahead with the next phase of his strategy to repair the tarnished reputation of this former UK engineering champion. Success could mean significant returns for shareholders, while further failures could potentially see the group broken-up and sold off piecemeal.

REBUILDING FREE CASH FLOW

2010	2011	2012	2013	2014	2015	2016	2017
£982m	£1.03bn	£761m	£887m	£233m	£723m	-£490m	£1.29bn

Source: AJ Bell, Rolls-Royce

PLANES, TRAINS, SHIPS… NOT CARS

Let's be clear, we are not talking about luxury Rolls-Royce cars. Those fancy autos are made by BMW and have been for years.

The UK-listed company is an engine specialist and its business model is fairly simple to understand.

It designs and builds aircraft engines for Boeing, Airbus and the Eurofighter Typhoon; it provides propulsion systems for the Royal Navy's nuclear submarines and new aircraft carriers; plus engines for trains and commercial shipping.

It makes very slim profit on average on the actual sale of engines. Some are even sold below cost as a loss-leader. The profits come from parts and servicing contracts over typical 25-year engine lifecycles.

As you might expect, this ramps up with age. A new engine doesn't require much fixing in the early years, but once they hit about five years old wear and tear begin to take their toll, giving Rolls-Royce about 20 years of premium profit and cash flow.

CIVIL AIRCRAFT DUOPOLY

Commercial aircraft is by far its most important segment where it is half of an effective global duopoly with General Electric.

One in two passenger planes are powered by Rolls-Royce engines, and it has recently been taking incremental market share from its US rival. A little more than half of revenues come from civil aviation contracts.

East took the top job in 2015 and, after a spell getting to know the company's operating ins and outs, set out a programme to improve efficiency and sharpen the company's focus on execution.

The decision to put the commercial marine business up for sale and shrink the number of divisions from five to three is the latest move to simplify the company.

FUTURE PROSPECTS

	2017 underlying revenue	2018 outlook
Civil Aerospace	£6.61bn	High single-digit growth
Defence	£3.18bn	Stable
Power Systems	£3.10bn	High single-digit growth
Other	£779m	
Group	£13.68bn	Mid single-digit growth

Source: Rolls-Royce

Going forward operations will be based around civil aerospace, defence and power systems.

Particularly interesting are plans to development hybrid-electric engines. This will come partly through a strategic partnership with German engineering group Siemens, with hopes of having a test aircraft ready to fly by 2020.

But Rolls-Royce can also lean on its existing electric expertise developed in the rail industry.

WINNING BACK MARKET TRUST

The potential to bear fruit has started to win over City analysts and investors. We recently attended a presentation by Ramesh Narayanaswamy, an investment analyst at Veritas Asset Management, who explained the extensive and long-winded analysis process prior to the asset manager's stock purchase. Veritas now owns 2.7% of Rolls-Royce.

The Veritas team had tracked Rolls-Royce since before 2013, but only pulled the trigger and bought stock after a corruption scandal fall-out saw the share price plunge towards the 500p levels.

The asset manager took the view that the long-run nature of Rolls Royce's servicing contracts underpinned its future, and that free cash flow holes could be plugged relatively rapidly. It is an opinion that more of the market is now embracing.

In December 2016, for example, 13 of the 25 analysts who followed Rolls-Royce had a 'sell' rating on the stock. Just two optimists flagged the shares as a 'buy' while the rest sat on the fence with 'hold' calls.

Today the number of 'buy' recommendations has doubled while 'sell' ratings have fallen to six.

There is clearly much more work for East and his team to do, both operationally and in rebuilding confidence in the market, but there are more positive signs now than over the past few years.

We're big fans of the company and believe the shares are well worth buying if you have a long-term investment horizon. (SF)

BROKER SAYS 4 11 6

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d this

How secure is the UK's power and what does this mean for shares in UK-listed energy companies?

We look at the stocks which could be affected as the issue of energy security comes to the fore

When the 'Beast from the East' was at its height, sweeping through the British Isles and bringing freezing temperatures and heavy snow showers, electricity and gas transmission utility **National Grid (NG.)** warned the UK was running out of gas. There was a genuine risk of industrial users seeing their supply disrupted.

Wholesale gas prices surged 74% on the day as the freezing temperatures led to a big spike in demand. This episode was the latest in a series of recent events to shine a light on the issue of the UK's energy security – a situation which could get more complicated when the UK completes its exit from the European Union.

Recent data from the Office for National Statistics shows the UK fuel deficit swelled from £3.1bn to £5.4bn in the three months to January 2018 after the shutdown of the North Sea's Forties oil pipeline in December 2017.

Problems with other key infrastructure have also had an impact of late. The Rough gas storage facility off the Yorkshire coast, the largest of its kind in the UK which could hold up to nine days of gas supply, was closed by British Gas owner **Centrica (CNA)** in August 2017 after it was determined it had reached the end of its useful life.

A more long-term trend has seen the amount of oil and gas produced from fields in the UK North Sea fall from the heights seen at the turn of the century.

WHERE DO WE CURRENTLY GET OUR ENERGY?

Around 50% of Britain's gas supply comes from North Sea fields with the remainder coming from pipelines linking us with Europe and imports of liquefied natural gas.

Demand for electricity in the UK is currently met by a range of sources including interconnectors which are physical links which allow electricity to be transferred across borders. This is useful if demand spikes or there is an outage elsewhere in the network or when power prices are higher in the UK than in other countries.

Britain is currently linked in this way with France, Republic of Ireland, Northern Ireland and the Netherlands.

HOW WILL BREXIT AFFECT SUPPLY?

As part of the European Union, the UK is a member of the Internal Energy Market. The UK Government has said it

UK ELECTRICITY SUPPLIED BY GENERATION SOURCE

Coal	9%
Gas	42%
Nuclear	19%
Renewables	23%
Interconnectors	5%
Other sources	2%

Source: BEIS Energy Trends, 2016

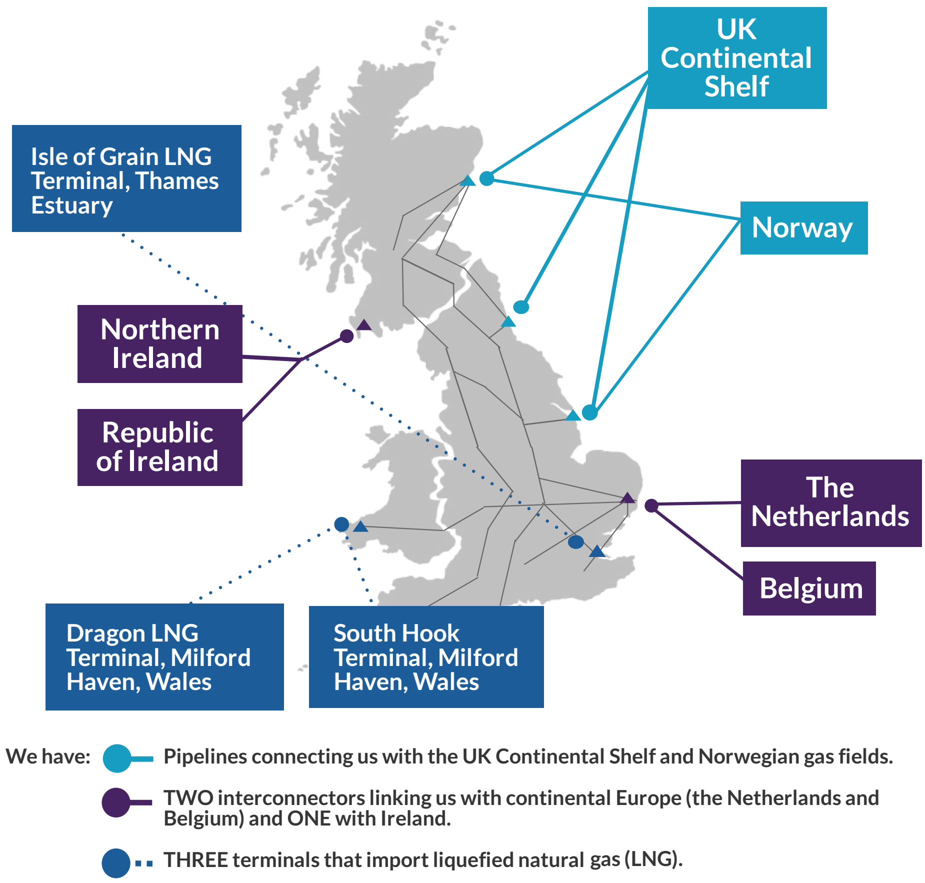
wants to ensure Brexit results in as little change to the current energy relationship with the EU as possible.

However, a recent House of Lords report concluded that it 'remains unclear how this can be achieved without remaining in the single market, IEM and the other bodies that develop and implement the EU's energy policy'.

It cited conclusions from the Durham Energy Institute that: 'Whatever the final detail of the EU exit terms the UK is likely to be more peripheral to EU energy markets which will mean higher prices and more unreliable supply.

'Also supply risks will increase around issues such as importing gas through subsea pipelines or electrical interconnectors linking the UK to other EU countries.'

GAS SECURITY OF SUPPLY



Source: ofgem

WHAT DOES THIS MEAN FOR NATIONAL GRID?

In theory the investment case for National Grid, which also has infrastructure in the US, should be relatively unaffected by changes to the energy market. It is paid a regulated price by energy suppliers based on the size of its asset base and not on the price or volume of electricity or gas.

In practice the shifting energy situation in the UK could have some impact after the end of the current regulatory period in 2021 and shareholders should keep close tabs on how this develops.

Due to the predictability of its returns and its generous dividend yield of 6%, National Grid is a constituent of many income focused funds.

WHO COULD BENEFIT?

Brexit could increase the onus on the UK to further develop its own sources of energy. This could mean more generous incentives and sympathetic regulations for the development of oil and gas assets both offshore and onshore the UK.

This could be positive for shale gas operators like **iGas (IGAS:AIM)** and **Egdon Resources (EDR:AIM)**, although it is important to bear in mind that these companies also face material technical challenges in exploiting these resources.

Infrastrata (INFA:AIM) is the only UK-listed company active in gas storage. It is attempting to develop a gas storage facility in a salt cavern at Islandmagee in Northern Ireland but requires external funding to meet the significant capital costs of such a development.

Investors may be sceptical as it previously struggled to advance a plan to build huge natural gas storage chambers in Dorset. Then known as Portland Gas, its ambitions were thwarted thanks to a lack of project finance.

Another name on the junior market linked to energy security issues is **Plutus PowerGen (PPG:AIM)**. The company is looking to develop a portfolio of 20 megawatt power sites which can be switched-on rapidly in response to peaks in demand. It currently has six sites in operation and is in talk to roll out more. (TS)

WHY INVESTORS SHOULD CONSIDER MAKING THE MOST OF ISA TAX SHELTERS NOW: with effect from April 6, 2018, the amount of tax-free income investors are allowed to receive from shares and stock market funds will be slashed by 60% from £5,000 a year to just £2,000 a year.

But every adult will still be allowed to shelter shares and other assets, including investment trusts, from tax by placing them in an ISA. There is no capital gains tax (CGT) or any further income tax to pay on any profits or income taken out of an ISA.

The annual ISA allowance is £20,000 per person and all J.P. Morgan investment trusts are eligible for the ISA tax shelter, wherever in the world they seek income or growth or a mixture of both. So it is well worth considering the range of tax-free opportunities available today without unnecessary delay.

HOW TO OBTAIN INCOME TODAY WHEN INTEREST RATES ARE NEAR HISTORIC LOWS

Income is a priority for many investors while interest rates remain near historic lows. The Bank of England raised its base rate for the first time in more than a decade last year, when it increased to 0.5% in November, 2017 (1). Yield – or the income paid by an asset, expressed as a percentage of its purchase price - has also been depressed in many cases by low interest rates.

However, we believe it may be dangerous for stock market investors to 'chase yield' – or buy shares offering high dividends – as these income payments can be cancelled or cut without warning. A high yield can be a sign that the market expects dividends to be cut or cancelled or some other form of trouble to come.

Investment trusts enjoy a unique advantage over other forms of pooled funds - which aim to diminish the risk of stock markets by diversification - because they can enhance dividend payments to their shareholders. Investment trusts can do this by supplementing income from their underlying portfolios of assets with capital gains realised by selling some of those assets at a profit. This facility is variously known as enhanced dividends, enhanced income or enhanced yield.

INCOME AND GROWTH OR A MIXTURE OF BOTH

Investment returns come in two forms; capital gains, generated by increases in the price of an asset, and income payments - such as dividends. This fact is reflected by HM Revenue & Customs imposing two different levies – primarily income tax and capital gains tax. There are also two different sets of annual allowances, or amounts of income and capital gains that can be received each year before tax must be paid.

Similarly, many different types of investment trust seek different forms of return - as often indicated by the word 'income' or 'growth' in their title. Some, such as **JPMorgan Global Growth & Income plc** aim for a mixture of both. Whether you are an experienced investor or an absolute beginner, J.P. Morgan Asset Management's website is a good place to start considering which - if any - might suit you. Whether you are building up a nest egg or considering using new freedoms to do what you like with your pension this website may help you identify financial solutions that meet your needs.

ENHANCED DIVIDENDS

Since 2012 investment trusts have been allowed to enhance or increase dividends or the income they pay to their shareholders by realising gains on some of these pooled funds' underlying portfolios of assets. This can make these trusts more attractive to investors whose priority is income - for example, people who must live off their savings to some degree, such as pensioners using income drawdown. Some other people who have no immediate need for an income from their investments also place a high priority on what is sometimes called the 'discipline of dividend investing' because dreams of capital gains can prove illusory but dividend income payments are a regular and tangible test of failure or success. They either turn up on time or they don't.

With interest rates near historic lows and many bank or building society accounts failing to pay sufficient interest to match the rate at which inflation is eroding the real value or purchasing power of money, income is a priority for many investors. However, shares in some geographical sectors – such as Asia – do not have the same history as UK shares of paying substantial dividends or offering an attractive yield. The enhanced income facility introduced in 2016 at **JPMorgan Asian Investment Trust plc** enables an enhanced dividend to be paid, at the discretion of this trust's independent board of directors, while the fund managers can continue to seek to maximise total returns from a sector where these have traditionally come from capital gains.

DISCOUNTS AND A DECENT DIVIDEND

Enhanced dividends can prove attractive, increasing the volume of buyers of an investment trust and decreasing its discount – or the difference between the share price of many investment trusts and their net asset value (NAV); or the total value of their underlying portfolios of other companies' shares. For example, independent research by the stockbroker Winterflood Securities found that after **JPMorgan Asian Investment Trust plc** and **JPMorgan Global Growth & Income plc** investment trusts introduced enhanced dividend policies, both trusts' discounts narrowed significantly*. In the case of the latter fund, the discount halved. All other things being equal, this trend should increase the return to shareholders.

Another potential advantage of enhanced dividends is that it can reduce the risk that managers will likely 'chase yield' or buy assets that offer to pay substantial income but where total returns may be low or even negative. Such assets are sometimes known as 'value traps' where the price of high income today is capital erosion or loss tomorrow. However, it is important to understand that enhanced dividend policies are not a panacea and could accelerate a decline in NAV when prices are falling.

IMPORTANT SAFEGUARDS, CHECKS AND BALANCES

One risk of an investment trust selling some of its underlying assets to generate gains in order to enhance dividend payments to its shareholders is that it might end up 'eating next year's seed corn'. Shares that are sold to boost dividends today cannot generate any returns to the existing holder in future. That is why important safeguards have been put in place to reduce the risk of enhanced dividend policies creating unintended effects.

For example, the independent board of directors at **JPMorgan Asian Investment Trust plc** review their enhanced dividend policy every three months to ensure it remains in the best interests of all this trust's shareholders. Similarly, **JPMorgan Global Growth & Income plc's** independent board of directors review this trust's enhanced dividend policy once a year. The intention in both cases is to ensure that enhanced income pay outs do not reduce total returns but deliver these to shareholders in the most effective way, increasing the attractiveness of these trusts and improving the prices at which they trade on the stock market.

MAXIMIZING INCOME AND GROWTH, TODAY AND TOMORROW

Enhanced dividend policies can potentially enable investment trusts to meet many investors' need for income today while balancing this with other shareholders' requirement for growth tomorrow. They can do so by realising capital gains, by selling some of the assets in their underlying portfolios at a profit, to supplement dividend distributions to shareholders without the need for fund managers to 'chase yield' or take unnecessary risks.

However, it is important to understand that enhanced dividends are not a panacea. There is a risk that the price of higher income today might be lower total returns tomorrow. If too much income is taken by realising gains, there is a risk of investors 'eating their seed corn'. This is why investment trusts' independent boards of directors regularly review whether enhanced dividend policies remain in the best interests of all shareholders.

Investors should remember that share prices can fall without warning and they may get back less than invested. However, investment trusts seek to diminish the risk inherent in stock markets by diversification and professional fund management. There are hundreds of investment trusts to choose from. For more details see the Association of Investment Companies.

RELATED PRODUCTS

JPMorgan Global Growth & Income plc

JPMorgan Asian Investment Trust plc

JPMorgan European Investment Trust plc - Income Shares

JPMorgan Global Emerging Markets Income Trust plc

Note 1: Bank of England, November 2017
https://www.bankofengland.co.uk/boeapps/iadb/Repo.asp
*Source: Winterfloods Annual Report 2017

10 STOCKS FOR YOUR ISA

The end of the tax year is fast approaching which means investors across the country are being urged to make the most of any unused ISA allowance.

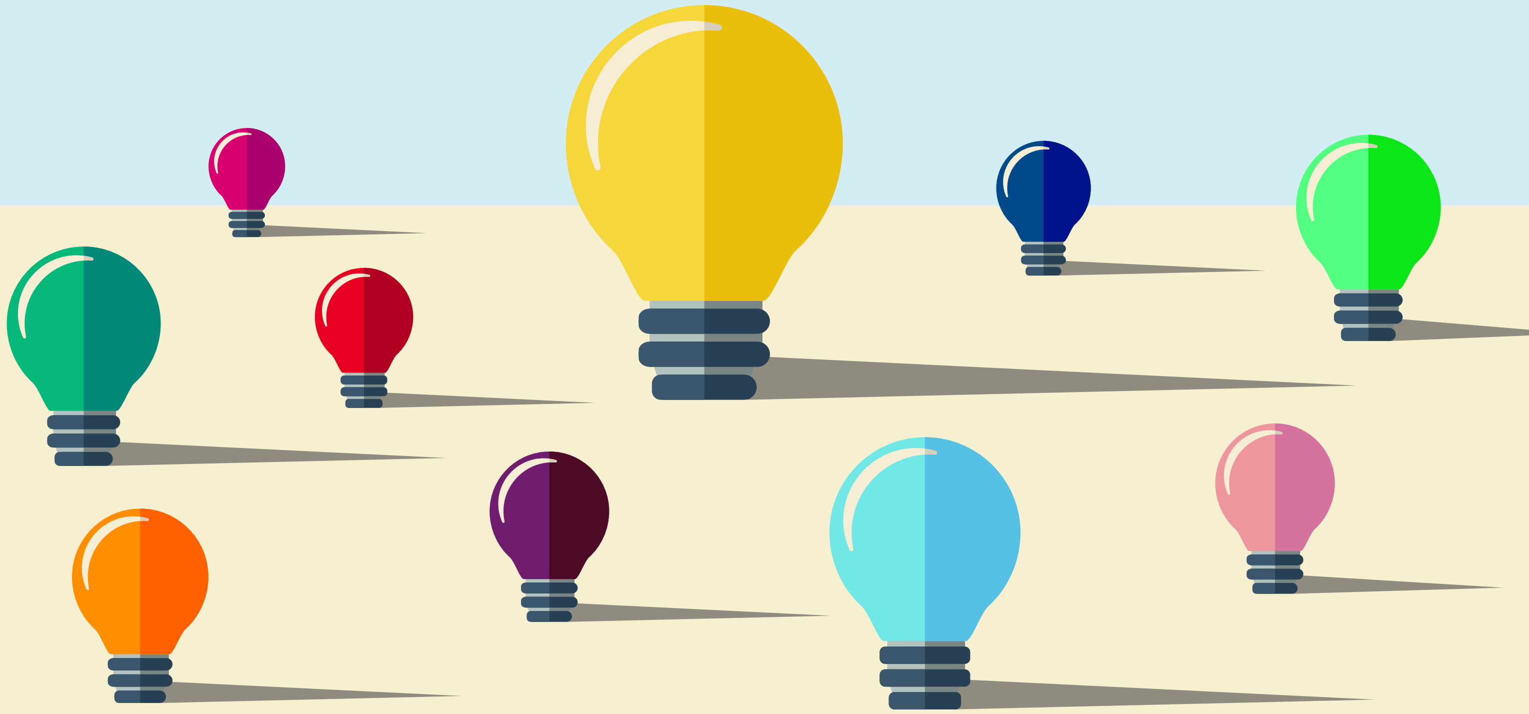
You've only got three weeks left to add up to £20,000 across the range of ISAs. This is the maximum amount of cash you can place in the tax wrapper each year for making investments. The deadline is 11.59pm on 5 April.

You don't have to pay any tax on capital gains and dividend income if your investments are held inside an ISA wrapper. If you're serious about investing, using as much of your ISA allowance as possible each year must be a priority.

IDEAS FOR YOUR ISA

We recently published a list of 10 fund ideas to give you inspiration for potential ISA investments. This new article features 10 stock ideas and we'll publish 10 investment trust ideas in *Shares* on 29 March.

Our stock ideas are aimed at long-term investors. We've looked for companies with a track record of profit growth and which haven't issued profit warnings over the last few years.



CRH (CRH) £24.22

FTSE 100 building materials business **CRH (CRH)** provides everything from foundations to frames, roofing and interiors to the construction industry. It has operations in 32 countries and employs some 85,000 people across 3,600 locations.

The Dublin-headquartered company's business model involves continually looking to see how existing businesses can be improved and making select acquisitions. CRH aims to be diversified across different products, geographies and end-uses to mitigate fluctuating demand at different points of the business cycle.

In recent years the company has achieved a material improvement in its profitability and returns. Analysts at stockbroker Davy estimate return on net assets, a metric which measures how well a business utilises its asset base to generate profit, has doubled since 2013.

The company's strong cash generation should allow it to participate in further M&A activity. Despite spending €1.9bn on acquisitions in 2017, net debt fell slightly through the course of the year to €5.8bn or 1.8 times earnings before interest, tax, depreciation and amortisation.

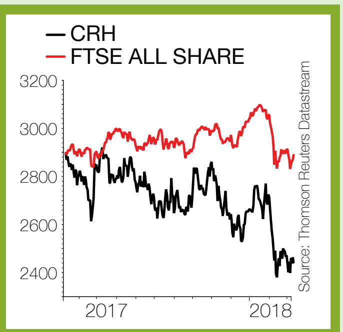
The shares trade on a 2018 price to earnings ratio of 14.1-times and yield 2.6%. Davy analyst Robert Gardiner comments: 'With a balance sheet and cash generating capability that will continue to support the growth strategy, the stock looks undervalued on both a short-term and long-term basis.' (TS)

MARKET CAP:
£20.65BN

FORWARD PE:
14.1

TOTAL RETURN OVER PAST 12 MONTHS:
-12.6%

Source: Sharepad, Reuters



BROKER SAYS: 6 2 0

NMC HEALTH (NMC) £33.00

NMC Health (NMC) is the largest healthcare provider in the United Arab Emirates (UAE) and is set to benefit from the country's growing healthcare market.

The FTSE 100 constituent owns and manages over 135 healthcare facilities in 12 countries under its Healthcare division. It also distributes pharmaceutical products, medical equipment and devices, as well as veterinary products via its Trading division.

Berenberg analyst Charles Weston says an ageing population suffering from more diseases is expected to boost the UAE healthcare market in the low double digits.

In the year to 31 December 2017, NMC's net profit soared 38.2% to $209.2m and sales jumped 31.3% to $1.6bn. Sales growth was roughly split 50:50 in terms of organic means and acquisitions.

NMC recently acquired a 70% stake in cosmetic clinic CosmeSurge for $250m to tap into its high margin, double-digit growth business.

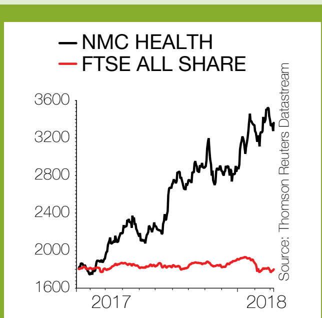
In a bid to expand its foothold in Saudi Arabia, the company also bought an 80% stake in Al Salam Medical for $37m. And it consolidated its position as the second largest player in the global fertility market by snapping up the remaining 49% stake in Fakir IVF. We expect further M&A in the future. (LMJ)

MARKET CAP:
£7.17BN

FORWARD PE:
34.4

TOTAL RETURN OVER PAST 12 MONTHS:
89.2%

Source: Sharepad, Reuters



BROKER SAYS:
8 1 0

FERGUSON (FERG) £53.20

Building materials support service company **Ferguson (FERG)** has a rich history and more importantly a potentially lucrative future.

Ferguson changed its name from Wolseley in July last year to reflect the dominance of its US division. It has come a long way since being founded in 1887 as The Wolseley Sheep Shearing Machine Company, putting it mildly.

The company distributes plumbing and heating products throughout the US, the UK, Canada and Central Europe. Its main profits come from the US, almost 90%.

Liberum analyst Charlie Campbell says 'there's much to like at Ferguson' including market share gains and margin momentum.

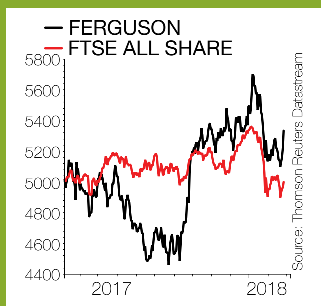
Management come across as conservative

MARKET CAP:
£13.22BN

FORWARD PE:
16.4

TOTAL RETURN OVER PAST 12 MONTHS:
8.6%

Source: Sharepad, Reuters



BROKER SAYS:
14 13 1

There have been some investor concerns about increased competition from Amazon which is a risk to consider, particularly from a market sentiment perspective

when commenting on the outlook, which is something we like.

There have been some investor concerns about increased competition from Amazon which is a risk to consider, particularly from a market sentiment perspective.

However, we note that half of Ferguson's sales in the US are for bid work, according to Investec. It says tradesmen work hand-in-hand with Ferguson before submitting a bid for a project. That type of close relationship arguably gives Ferguson a market advantage over Amazon. (DS)

DS SMITH (SMDS) 514.6P

There's a lot of takeover activity in the packaging sector at present as companies seek to build scale against a buoyant industry backdrop. Demand is soaring thanks to the e-commerce boom and an improving global economic outlook.

One company helping to consolidate the industry is **DS Smith (SMDS)**. It produces, collects and recycles packaging and works with some of the biggest names in the consumer goods industry such as **Unilever (ULVR)**, Nestle and Procter & Gamble.

Having made several acquisitions in Europe, DS Smith recently shifted its attention to the US. It has been able to do big deals by leveraging its own scale and borrowing capacity in the knowledge that debt can be rapidly paid down from its own reliably large cash flow.

Last year it bought Interstate Resources for £722m which was immediately earnings-enhancing. The deal helps DS Smith to expand its international fibre-based packaging business in the US.

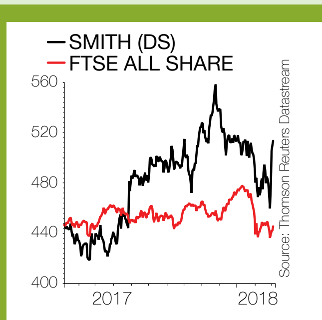
A recent trading update highlighted strong volume demand. It's worth noting that paper prices went up a lot in 2017 and companies like DS Smith are unlikely to have passed these extra costs on to customers immediately. This is a market issue, not a company-specific problem, and DS Smith has a good track record of dealing with such cost pressures. (DC)

MARKET CAP:
£5.44BN

FORWARD PE:
14.9

TOTAL RETURN OVER PAST 12 MONTHS:
17.7%

Source: Sharepad, Reuters



BROKER SAYS:
6 7 0

SSP (SSPG) 625P

We like **SSP (SSPG)** because it serves a captive audience. It has franchise or licence agreements to operate at airports and train stations under many well-known brands including M&S Food, Starbucks, Burger King and Yo! Sushi. Its own brands include Upper Crust and Caffe Ritazza.

Many people waiting for their plane or train may not have the time to go to the high street to find cheaper food or drink, so their only alternative is to use the airport or station facilities typically dominated by SSP or have nothing.

The shares have done well since it floated in 2014

> The shares aren't cheap, however, we think SSP deserves a premium rating thanks to its impressive growth rates and market position

and we believe they've got further to travel. SSP is expanding globally, having already cracked Europe where it has more than 30% market share.

Investec analyst Karl Burns calculates that it only has 7% market share in North America, implying scope for significant future gains if it can replicate the European success. 'Over the last three years, SSP's North American interests have grown revenue by 30% compound annual growth rate.'

He also reckons there is scope to improve margins in North America and its 'rest of the world' territories (these include Asia and Africa and exclude Europe) as they currently sit below the group average.

The shares aren't cheap, trading on 25 times forecast earnings for year to 30 September 2019. However, we think SSP deserves a premium rating thanks to its impressive growth rates and market position.

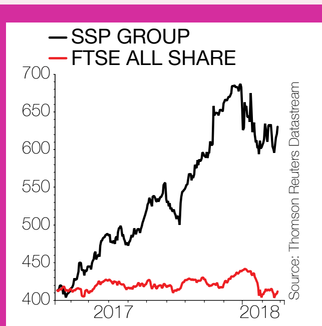
It doesn't look expensive on the EV/EBITDA valuation metric, being 10.9-times. A predator would have to pay a lot more than that level to buy a company of SSP's position. (DC)

MARKET CAP:
£3BN

FORWARD PE:
25

TOTAL RETURN OVER PAST 12 MONTHS:
53.5%

Source: Sharepad, Reuters



BROKER SAYS: 6 4 7

SOFTCAT (SCT) 620P

Softcat (SCT) may sound like cartoon character but in reality it is an important supplier of IT to help organisations run their day-to-day business. It also provides third party enterprise software applications such as customer support, billing, accounting and network security.

Such activities are largely inflation-proof since prices increases are built in to contracts to reflect rising costs.

With limited need for capital it means a large portion of Softcat's cash flows are returned to shareholders through ordinary and special dividends.

In the two full years since joining the stock market, the company has paid out 27.7p in special dividends, with another 10p to 15p anticipated this year. It has also paid 14.3p in ordinary dividends and is forecast to pay another 9.8p this year.

Forecasts out to 2020 imply compound annual growth of high single-digits in both revenue and pre-tax profit. Analysts at Berenberg believe there is scope to beat these estimates as demand rises.

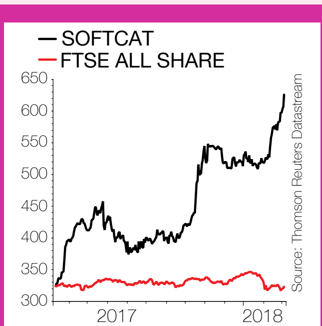
The investment bank reckons a 20%-plus total return is likely for shareholders on a 12-month view. (SF)

MARKET CAP:
£1.28BN

FORWARD PE:
27.1

TOTAL RETURN OVER PAST 12 MONTHS:
103%

Source: Sharepad, Reuters



BROKER SAYS: 3 2 0

DIPLOMA (DPLM) £10.89

FTSE 250 distribution expert **Diploma (DPLM)** is a fairly resilient business thanks to operating in different types of industries.

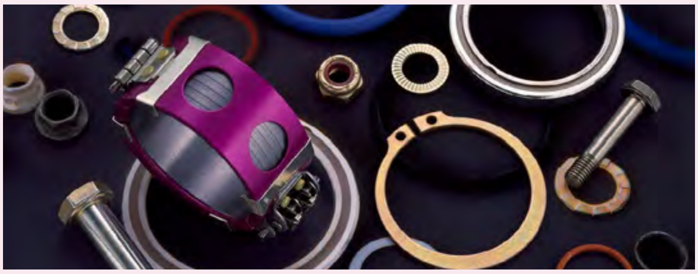
Spanning healthcare equipment to hydraulic seals, the business is diverse and global. While its seals business may be cyclical at the mercy of industrial production, its healthcare business provides some defensive downside protection.

It focuses on supplying essential products that are paid out of a customer's operating budget (as opposed to capital budget) which results in a high degree of recurring revenues.

Diploma's recent performance reinforces why this stock should be included in your ISA. For 2017, the company enjoyed 18% revenue growth to £451.9m and 24% pre-tax profit growth to £66.8m.

The company is highly acquisitive and with a strong cash position, £21.9m at 31 December 2017, it has plenty of fire power to bolt on additional companies. Investment bank Berenberg believes future acquisitions could add circa 6% annually to earnings per share between 2018 and 2020.

Some investors criticise companies like Diploma for being overly reliant on acquisitions. However, we believe Diploma's organic growth record is truly underappreciated. Berenberg last September worked out that its organic growth had averaged 5% since 2006 and 7% since 2010. (DS)

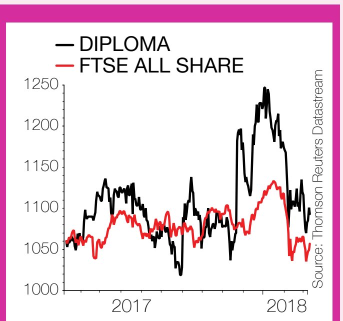


MARKET CAP:
£1.24BN

FORWARD PE:
20.4

TOTAL RETURN OVER PAST 12 MONTHS:
5.7%

Source: Sharepad, Reuters



BROKER SAYS: 4 3 0

TED BAKER (TED) £30.94

Investors seeking a high-quality and cash-generative ISA pick should snap up premium lifestyle brand **Ted Baker (TED)**.

Rather than a mere retailer, Ted Baker is a quintessentially British brand with a quirky fashion offering which has barely scratched the surface of its international growth opportunity.

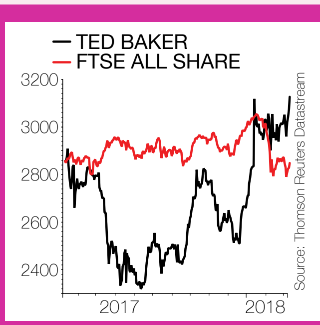
Boasting a terrific long-term track record, Ted Baker's Christmas performance confirmed the ongoing resonance of the brand with consumers. Retail sales growth accelerated to 9% in the eight weeks to 6 January with e-commerce revenue rocketing 35% higher.

MARKET CAP:
£1.43BN

FORWARD PE:
24.8

TOTAL RETURN OVER PAST 12 MONTHS:
14%

Source: Sharepad, Reuters



BROKER SAYS:
6 4 0

We feel comfortable with Ted Baker's punchy forward multiple – the shares trade on almost 22 times prospective earnings – given the brand's healthy scope for long-term growth in the outperforming affordable luxury segments of the global clothing market.

Ted Baker is expanding internationally in measured fashion, successfully using e-commerce to enter new markets. It has taken ownership of the bulk of its wholesale relationships and boasts a profitable and growing licence business.

Liberum forecasts growth in adjusted pre-tax profit to £83.4m (2018: £73.6m) for the year to 31 January 2019, ahead of £94.6m for the 2020 financial year. The broker also projects a 66.5p dividend for the current financial year, rising to 75.4p in the following year. (JC)

SMALL CAPS

4IMPRINT (FOUR) £18.40

Small cap media business **4imprint (FOUR)** sells promotional products like mugs, dongles and pens to companies. It generates 97% of its revenue from the US. The company has a habit of under-promising and over-delivering and generates lots of cash flow.

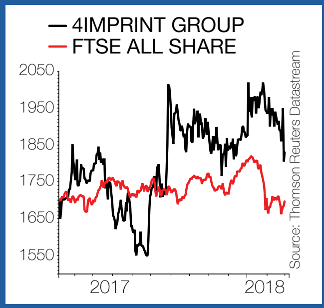
Earnings are expected to be constrained in 2018 as the company invests $7m in brand awareness to boost its market share. Don't let

MARKET CAP:
£511M

FORWARD PE:
21.2

TOTAL RETURN OVER PAST 12 MONTHS:
11%

Source: Sharepad, Reuters



BROKER SAYS:
5 0 0

that put you off the stock.

Despite being a leading operator, the company only has a very modest share of a highly fragmented $27bn market across the Atlantic.

The company has invested in technology and has a proprietary order processing platform and uses database analytics to drive efficient marketing to clients. It also outsources the supply of the promotional products which reduces demand for working capital.

The valuation isn't cheap at 21.2 times 2018 earnings, but this does not seem out of line with the long-term average of around 20 times. Investors who were put off by a multiple of 18 times five years ago, for example, would have missed out on a subsequent 300% advance in the share price.

You need to keep tabs on the performance of the US economy as 4imprint has tended to be closely tied to movements in US GDP. (TS)

ZOTEFOAMS (ZTF) 495P

Materials technology specialist **Zotefoams (ZTF)** is a terrific growth story that is not fully understood by the market.

Zotefoams manufactures lightweight, high-quality polyolefin foams that are durable and strong. These foams can be used in various sectors, including sports, construction and medical, for a range of applications. The company also licenses its MuCell technology to provide stronger and more cost-effective packaging.

It recently formed a partnership with Nike to develop footwear technology and supply materials for its products.

Canaccord Genuity analyst Alex Brooks says overall production capacity will nearly double between the end of 2017 and December 2019. That's very important given that Zotefoams has previously been limited by production capacity; in 2017 it was largely sold out.

Two expansion projects in the US and UK create big opportunities for the group. The latter involves new autoclaves in Croydon which are expected to mostly produce Zotefoam's highest-value, highest-margin product.

Brooks estimates pre-tax profit will jump 89% over the next three years, which is well ahead of market consensus.

If the analyst is correct about the rapid growth then Zotefoams definitely deserves its current high rating, trading on 27 times 2018's forecast earnings.

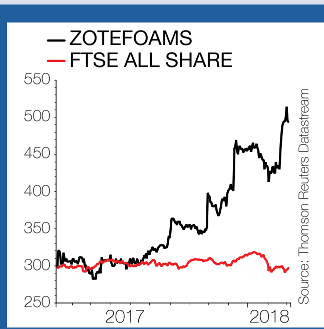
Admittedly you are being asked to pay now for future growth, but we're convinced this business is going places and could even become a takeover target. (LMJ)

MARKET CAP:
£211M

FORWARD PE:
27

TOTAL RETURN OVER PAST 12 MONTHS:
57.6%

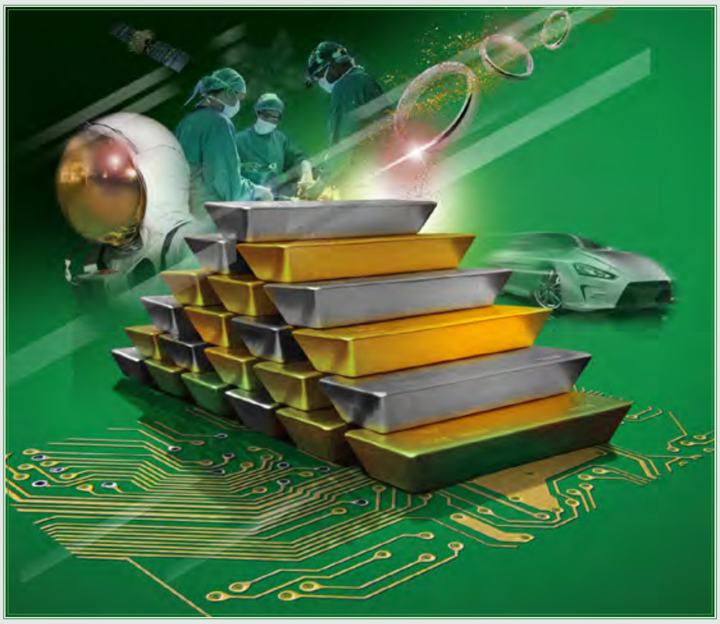
Source: Sharepad, Reuters



BROKER SAYS: 4 1 0

> **Brooks estimates pre-tax profit will jump 89% over the next three years, which is well ahead of market consensus**

INVESTING IN THE FACE OF INFLATION



For a saver, the past decade has been fraught with difficulties. Interest rates have been stuck at historical lows, the value of sterling has plummeted against major currencies like the Euro and the US dollar, and now rising inflation is a real prospect.

Inflation is the rise in prices for goods and services that slowly, but steadily, erodes the value of money. Even at innocuous-looking levels of between 1-4% per year, over time, this has a dramatic effect on purchasing power. A study by insurance company Aviva showed that the £1 coin, introduced in 1983, is now worth only 32p in 1983 terms.[1]

Over the past five years, with inflation at unusually low rates – even falling below 1% in 2015 – it's been easy to forget about its effect on capital. From 2013 - 2016, inflation seemed almost stubbornly low. The Bank of England held interest rates down, partly in an effort to boost inflation towards the target 2% rate.[2]

However, since 2017, the picture has changed. Sterling values are low, Brexit and the threat of increased prices are on the horizon, and inflation has begun to move upwards. It currently stands at 3%, a level not seen since 2012, so the Bank of England is now expected to raise interest rates to contain any further rise.[3]

WEALTH EROSION

Higher inflation spells bad news for savers. Deposit accounts holding cash currently pay little more than 1.5% in savings rates. If inflation runs at 3% then, by the end of a year, a saver has lost 1.5% of the real value of their money. The effect worsens with every year, as inflation is like compound interest working in reverse. In the highly unlikely scenario that inflation remained at 3% for 25 continuous years, £209.38 would be needed to buy things that cost £100 at the start of the period. So, money in an account on a low interest rate may be in a safe place, but it's falling in value.

It's also worth noting that wealthier households tend to be harder hit by inflation rises because basic necessities tend to rise stubbornly, whereas added extras, such as school fees and holidays, become more expensive more quickly.

DEFENSIVE MEASURES

So, what's the best way to invest or protect your investments in an inflationary environment? The aim here is to take a look at the case for investing in precious metals. Holding gold and other precious metals has been a traditional way to protect against inflation and now, the modern exchange-traded product (ETP) makes this kind of investment straightforward.

SOLID GOLD VALUES

Gold is the precious metal best known to investors.

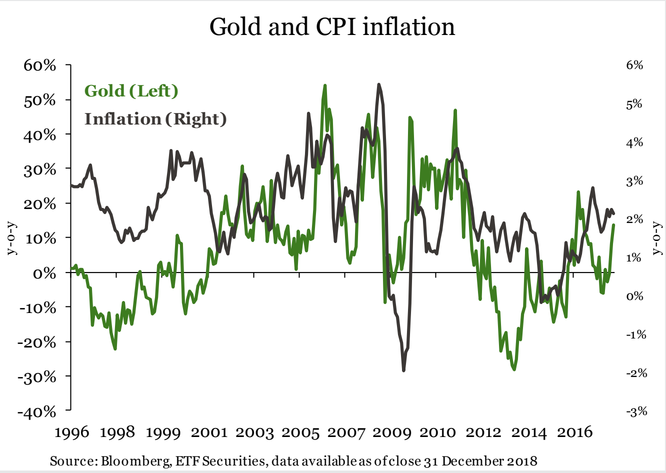
Historically, gold has often provided an effective hedge against inflation, often viewed as the ultimate 'store of value' and that unlike some other investment types, the gold price can withstand persistent periods of high inflation. Theory suggests that when inflation is trending higher and the value of money is being eroded, investors favour 'hard assets' such as gold, which are considered to have intrinsic value due to finite supplies. In fact, historic analysis shows that gold and other commodities have typically

[1] Aviva, Analysis of the relative purchasing power of one pound, based on official ONS 'composite price index 1800 to 2016', March 2017
[2] Office for National Statistics, CPI time series database, Feb 2018
[3] Statista, Forecasted RPI inflation in the UK from 2017 - 2023

outperformed other asset classes during periods of inflation, measuring by the Consumer Pricing Index (CPI) and rising interest rates.

Historical performance is not an indication of future performance and any investments may go down in value.

When inflation rises, gold typically rises in value too. Currently, gold is sitting at a value below the highs it achieved in 2011, but if inflation continues to move upwards, it may grow further in value (although rising interest rates are likely to limit returns).



BRIGHTER WAYS TO SHINE

Other precious metals, such as silver, platinum and palladium, could also have an important role to play in diversifying a portfolio with the aim to protect it against inflation. A diversified allocation to a variety of precious metals could be a better way to hedge against inflation, because it brings exposure to non-cyclical metals like gold as well as cyclical ones used in industry, such as platinum, silver and palladium.

The benefit of these metals is that they can do well in an economic downturn, as they're perceived to be stores of value; they can also perform well during times of economic upswing, as platinum, silver and palladium also have industrial uses – in electrical devices, batteries and phones, for example. Another reason for historically good performance during a downturn is that mining investment may fall, meaning that supplies typically tighten, and precious metal prices can continue to rise.

There is considerable academic research showing that a diversified portfolio of different asset classes will suffer less volatility if the asset classes don't respond in similar ways to economic or market events. Commodities, including precious metals, tend to have low correlation to equities and bonds, which means they tend not to react in the same way as these asset classes. So, holding a variety of precious metals in a portfolio should provide a proven source of diversification.

METAL INVESTING MADE SIMPLE

For an investor, the question is often how to invest in diversifying assets such as precious metals in a straightforward way. Buying and holding the physical metals would require storage and insurance costs, while buying equities linked to mining prices may not track the metal-price movements closely enough.

An ETP product, backed with the physical metal, can be a convenient choice. A gold or precious metal ETP is easily bought and sold on an exchange, just like shares, and gives exposure to the assets, closely tracking their price, without the complications of owning the metal. A physically backed ETP will hold the metals it is tracking, storing precious metals in secure vaults.

For more information, visit www.etfsecurities.com/isa

Five easy steps to picking the best investment trusts

We explain how to quickly sift through hundreds of different products to find the best ones suited to your needs

With 404 investment trusts trading on the UK stock market, investors wanting to put their money into this space are spoiled for choice. The hard part is boiling down the selection to a more manageable number so you can undertake more in-depth research.

This article will talk you through some of the ways to filter the market and find the best investment trust(s) for your needs.

1 STAGE ONE: DEFINE YOUR PERSONAL SITUATION

What is your investment goal, your time horizon and appetite for risk? You need to establish these parameters in order to work out the types of investments that could achieve your goal.

For example, if you want to save money in order to make a large purchase in five years' time, you don't really want to invest in high risk assets. However, if you have more time on your side, you may be more comfortable to take higher risks.

If you need to hit a specific monetary target such as £50,000 in 10 years, you would need to work out how much you can afford to save on a regular basis and then work out the level of annual return you'd need to hit your goal.

For example, you'd have to save £345 per month and achieve 4.5% annual growth to hit the £50,000 target, assuming 0.75% annual fees. If you can only afford £300 a month, you would have to achieve 7.5% annual growth to hit the £50,000 target in 10 years. That would mean you would have to seek higher risk investment trusts.

2 STAGE TWO: INCOME, GROWTH OR BOTH?

Investment returns come in two forms: capital returns which is the gain on the value of your shares; or income in the form of dividends.

An estimated 85% of investment trusts pay a dividend. Most will try to grow the value of capital each year as well. Infrastructure funds, for example, will probably have much lower capital growth than something like a smaller companies investment trust.

The Association of Investment Companies (AIC) has a good filter on its website – www.theaic.co.uk/aic/find-compare-investment-companies – which lets you screen the investment trust universe by 'growth', 'growth and income' or 'income'.

3 STAGE THREE: SECTOR, GEOGRAPHY OR ASSET FOCUS

There truly is something for everyone in the investment trust space, meaning you can either buy shares in a broad-based product or one with a niche focus.

For example, you can search by sector such as private equity, property or infrastructure. You can search by geographic focus such as emerging markets, Europe or North America. Or you can select investment trusts that invest in equities (stocks and shares), bonds or even debt.

Some investment trusts position themselves in different ways.

For example, they start off by saying they can invest anywhere in the world and then reduce their investable universe by having strict criteria such as only investing in high quality companies or innovative ones disrupting markets.

You'll need to manually search for these types of trusts as online filtering systems such as the one from the AIC only have broad search criteria. We'll tell you how to spot the more focused trusts in a second.

4 STAGE FOUR: HOW TO NARROW YOUR LONG LIST

By now you should have built a long list of investment trusts which match your criteria, albeit hopefully a much shorter list than the initial starting point of 404 trusts.

At this point in the research we like to visit individual investment trust websites and financial websites like sharesmagazine.co.uk and Morningstar.

You should look for five specific pieces of information: investment process, fund manager track record, clarity of communication, discount or premium to net asset value (NAV) and past performance.

The investment process is essentially what a fund manager wants to achieve with their fund and how they will do so. Examples of processes include:

- Backing young companies which have the potential to be much bigger in the future and which could disrupt traditional markets.
- Finding companies which generate high returns on the money they invest in their business.
- Building a portfolio of companies tied into thematic investment topics such as profiting from an ageing population.

A good investment trust should clearly display this information on their website. For example, under its 'about' section on asset manager Artemis' website, **Mid-Wynd International Investment Trust (MWY)** says its strategy is to 'grow real wealth by investing in high-quality stocks worldwide'. It then provides five points which summarise its investment approach.

It also has articles about the investment trust where you can learn about portfolio decisions and how the manager thinks.

In contrast, someone like **Rights & Issues Investment Trust (RIII)** is the complete opposite end of the spectrum. We couldn't find a dedicated website for the trust, although fund service provider Maitland has a small section on its website about Rights & Issues detailing the investment policy albeit this isn't communicated in any depth.

IS THE TRUST CHEAP OR EXPENSIVE?

It is important to ascertain whether you are buying exposure to assets for more or less than they are worth. Investment trusts can trade at a premium or discount to their net asset value (NAV).

London Stock Exchange's website publishes the latest NAVs for trusts, often on a daily basis, although that varies from trust to trust.

If we take Mid-Wynd as an example, its shares were trading at 489p on 8 March and its NAV was 475.97p. So anyone buying the shares on that day would have paid 2.7% more than the value of its assets.

HOW HAVE TRUSTS PERFORMED IN THE PAST?

We're regularly told that past performance does not equal future performance. However, it is worth taking a look to see how trusts have performed historically versus the broader stock market. After all, many investors wouldn't want to invest in something that has a tendency to underperform.

However, you also have to consider that a trust's investment

strategy may have been out of favour for certain periods. For example, a value-led strategy may have lagged one that chases growth stocks when momentum is the winning investment style.

Morningstar publishes annual returns data on its website for each investment trust. You can compare how a share price has performed versus net asset value and the benchmark.

Many investment trusts think they've done a good job if they've beaten the benchmark, even though that may still have resulted in losing money for an investor.

If the index falls 10% in a year and an investment trust falls 5%, strictly speaking the latter has outperformed. But is that a good outcome for the investor? We prefer fund managers who do their best to avoid a capital loss and are focused on delivering long-term positive returns rather than simply measuring their performance against a benchmark.

SOURCE OF INFORMED COMMENT

We find it is useful to read various research notes or expert comment on trusts before considering an investment. The general public has access to a wide range of information on trusts, far more than you'll get for open-ended funds like unit trusts and Oeics.

Kepler, QuotedData, Edison, FundCalibre and Morningstar are all good sources of informed comment. You will probably have to set up accounts with each provider to read their research notes and analyst comment but access should be free of charge.

Their information may range from brief comment on an investment trust to an in-depth review of a portfolio and the fund manager.

Shares is also a good source of material as we have a weekly investment trust section in our digital magazine. We regularly interview fund managers and analyse the broader investment trust space. We also have privileged access to industry experts and are able to include some of their analysis in our articles.

Our comment is 100% independent whereas some of the aforementioned sources will have been commissioned by certain investment trusts to produce reports. Nonetheless, most of the reports are still worth reading to gain valuable insight into the trusts.

> ***Shares* is also a good source of material as we have a weekly investment trust section in our digital magazine**

5 STAGE FIVE: OTHER POINTS TO CONSIDER

You should have now slimmed down your list to a more manageable number. There are still a few more points to consider before you make your final selection.

Costs can vary widely across the investment trust space. While you may think paying 0.5% or 1.5% is neither here nor there; costs can add up over time and eat into your investment returns. Therefore you need to look closely at all costs associated with the product and see if they are justified based on historical performance.

Another figure to check is gearing which represents the amount of debt to equity. Investment trusts can use debt to invest in more companies or other assets and boost the value of a portfolio. It creates a bigger pool from which to earn dividends and/or generate capital gains.

While this can be a useful tool by which to enhance returns, trusts with a lot of debt can underperform in a falling market due to the magnifying effects of gearing.

Finally, it is worth looking at the board of directors as they have the power to sack the fund manager or change the mandate of the investment trust. Check to see if board members have suitable skills and experience for the job. Ideally the board should also own some shares so they have got the same vested interest as you. (DC)

Three funds to play a stronger Japanese market

Growing GDP, new corporate governance rules and earnings growth have put this large market back on investors' radar

Finding decent returns in developed markets can be tricky, especially for the risk-averse investor unwilling to enter into the volatile realm of emerging markets.

However, we think Japan looks interesting after a long period left in the cold due in part to unwieldy corporate structures of its companies.

Prime minister Shinzo Abe and his monetary policy, the eponymously dubbed Abenomics, is widely credited for the turnaround in corporate Japan.

Essentially, Abe and the governor of the Bank of Japan Haruhiko Kuroda put through policies that benefited Japanese companies such as devaluing the yen. This boosts the exporters' earnings.

Other impingements to investing in Japan are also being addressed such as the corporate structure of Japanese companies which has historically been a major barrier for investing in Japan.

MAKING CLEAR PROGRESS

Nicholas Weindling, fund manager of **JP Morgan Japan (GB00B235RG08)**, comments: 'We believe corporate governance improvements are the biggest, clearest area of success for Abenomics, at least from a market perspective.'

The reforms are aimed at unwinding a cross-shareholding of companies and revamping their ownership structures.

The ownership structure, called 'keiretsu', was essentially insider capitalism that incentivised bad economic decision making.

Banks would lend to their linked companies to maintain relationships rather than on economic merit. Unsurprisingly, this led to zero pricing power or competitive diversification as companies depended on the conglomerates and banks that own them.

SOLID INVESTMENT RETURNS

Last year the average fund in the Investment Association's Japan sector was up by 17.9% in value, the best performing developed market.

With GDP growing and the green shoots of inflation starting to show, now is the time to think about adding some Japanese exposure to your portfolio.

British Empire Trust (BTEM)

Joe Bauernfreund, manager of **British Empire Trust (BTEM)**, last year rejigged the investment trust's portfolio to include a large holding of Japanese equities.

He says that while corporate reforms are high on Abe and Kuroda's agenda, corporate relationships built on cross-shareholding are part of 'decades of Japanese culture and slow to unwind'.

Bauernfreund has Japan Special Situations as the top holding within the trust, a basket of companies selected due to the large amounts of cash they hold, among other factors.

The basket has outperformed the Tokyo Stock Price Index (TOPIX) by 16% since inclusion. Although Bauernfreund hopes these companies will return excess cash to shareholders, he says the outperformance has been generated by earnings growth.

The companies in the Japan Special Situations basket all trade on cheap valuations from a variety of sectors. Kato Sangyo, a food wholesale business, trades at a 23% discount while steel manufacturer Yamato Kogyo trades on a 42% discount to net asset value.

JP Morgan Japan C Fund (GB00B235RG08)

This fund invests in large cap Japanese companies. Top holding electronics manufacturer Keyence has returned 42% in a year. The second largest holding, cosmetics firm Shiseido, has returned 119% over the same period.

At the fund level it has returned 17.8% on a five year annualised basis, more than three times the return of the TOPIX index.

Fund manager Nicholas Weindling says more companies are doing share buybacks and are including metrics such as return on equity as part of their targets.

He says the market has rewarded the companies with improving governance policies overall, including shareholder returns, internal controls and disclosure, and that the trend is likely to continue.

Morningstar gives this fund a risk rating of six, with the highest risk being seven. While equity investing carries a degree of risk, Weindling says that Japan has tended to exhibit 'high beta characteristics and this is what we are currently observing'.

Beta is a measure of volatility; a company with a beta of more than one is more volatile than the underlying market.

More broadly, Weindling says the biggest risk remains a return to a deflationary environment 'but a more likely scenario is a mildly positive inflation figure below the government's 2% target'.

Baillie Gifford Japanese Smaller Companies (GB0006014921)

Co-manager Felecia Hjertman says Japan has its own 'market idiosyncrasies that are quite different to other major markets' adding that this makes it an 'interesting place' to look for investment returns.

The fund's top holding, payment processing company GMO Payment Gateway, has returned 83% in a year. Its second largest, an internet home delivery firm called Yume No Machi Souzou Iinkai Co, has returned 144% in a year.

The stock picking capabilities of the fund managers working in Japan should not be underestimated and success not just attributed to macro-economic drivers.

Japanese equities aren't expensive with the TOPIX index trading on 13.7 times forecast earnings for 2018, the same as the FTSE 100 index in the UK. In comparison, the S&P index in the US trades on a forward multiple of 17.6. (DS)

The Government finally gets tough on pension scams

But you still need your wits about you, as we now explain

Tuesday 6 March was a good day for retirement savers in the UK. After years of prevarication, the Government finally confirmed a ban on pensions cold-calling will be in place by June 2018.

This is an important step forward in the fight against fraudsters who target retirement savers. Most pension scams begin with a cold-call, so making this illegal should act as a serious deterrent.

For those who break the law, the Information Commissioner's Office (ICO) will have the power to levy a fine of up to £500,000.

> If you do get a call from someone you don't know about your pension, **you should hang up the phone and report it to the ICO**

WHAT WILL THIS MEAN FOR YOU?

With a bit of luck – and provided the Government presses ahead on the timetable it has indicated – the number of nuisance calls, texts and emails should reduce.

If you do get a call from someone you don't know about your pension, you should hang up the phone and report it to the ICO.

While the cold-calling ban will hopefully put a stop to UK-based businesses targeting you in this way, we know some firms have already relocated abroad in order to circumvent the clampdown.

There is also the possibility that the sort of people who attempt to con savers out of their hard-earned retirement savings might simply flout the ban.

Furthermore, in the current low interest rate, low return environment retirement investors could still be tempted by investment 'opportunities' they find via the internet that might not be all they seem.

WHAT THE SCAMS MAY OFFER

Scams will often promise outlandish 'guaranteed' investment returns of 10% or more in order to lure you in. No investment returns are guaranteed, so this is a sure sign something isn't right.

These schemes will usually be unregulated so anyone investing will be entering a world without the standards or protections enforced by the Financial Conduct Authority (FCA) in the UK.

Most non-advised SIPP providers won't let you invest due to the risks involved, so you'll have to strip your fund out and pay tax charges at your marginal rate of income tax.

Even if the investment is legitimate, you'd need returns of thousands of pounds just to get back to where you started.

It's always worth bearing in mind the old maxim 'if it sounds too good to be true, it probably is' when deciding how to invest your pension money. If you're in any doubt about what to do, speak to a regulated financial adviser or consult the Government's free Pension Wise retirement guidance service before taking any decisions.

TOM SELBY, senior analyst, AJ Bell

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How to pick an Innovative Finance ISA

Four essential points to consider when choosing this form of tax wrapper

The past year has seen the launch of an array of Innovative Finance ISAs (IFISAs) that enable people to invest in peer-to-peer (P2P) loans in a tax-efficient way.

There are almost 40 IFISAs currently available and they vary significantly in the returns offered, types of borrowers you're lending to and level of diversification provided.

There are four main features to look out for when deciding which IFISA best suits your needs.

1. THE RATE OF RETURN

There is a huge gap between the lowest and highest rates advertised by P2P lenders, from less than 4% to as much as 15%.

It's tempting to opt for the product with the highest rate, but bear in mind that higher rates usually mean higher risk.

Landbay, for example, is currently advertising an expected return of 3.54% on its fixed rate IFISA. It's lower risk than other IFISAs because investments are secured against buy-to-let British property. Your money is diversified across several mortgages.

In contrast, Ablrate is advertising rates of between 10% and 15%. Instead of automatically spreading your money across loans, you choose which business borrower to lend to. Examples include a modular building company, an air freight business and a company that is acquiring shares in fishing boats.

2. THE TYPE OF LENDING

There are three main types of loans you can invest in: consumer, business and property.

Experts suggest diversifying your money across different loan types, although this is difficult with IFISAs because you're only allowed to open one IFISA in each tax year.

Andrew Lawson, chief product officer at Zopa, which provides unsecured consumer loans, claims lending to consumers is a pretty stable investment.

'We were lending during the financial crisis and investors were still getting returns,' he says.

'We provide average loans of £8,000 which means we can diversify investors' money across a large number of borrowers. If you invest in a P2P lender offering £2m commercial property loans you won't get the same level of diversification.'

Zopa is currently advertising target returns of 4% for ISA Core and 4.6% for ISA Plus, which is slightly higher risk.

The advantage of property loans is they are, by their nature, secured on property. However, the level of risk within property lending can vary significantly.

'Development finance lending is very different to residential mortgages,' says John Goodall, chief executive of Landbay. 'Buy-to-let lending is relatively low risk compared with other types of property lending – even during 2007 to 2009 the levels of arrears and losses in the market were very low.'

Business loans can be either secured or unsecured. Stuart Law, chief executive of Assetz Capital, a business P2P lender, claims its IFISA is relatively low risk despite offering returns of up to 15%.

'Our rates our high because the banks are too cautious to lend to the borrowers we accept. There is far less rate competition than in the consumer lending market,' says Law. 'We're lending to businesses with a slightly higher risk of default – possibly because they made a loss last year – but all our loans are secured with an average loan-to-value of 60%.'

Some platforms offer a mixture of loans. RateSetter, for example, provides consumer, business and property loans and automatically spreads your money across them. Rates average between 3% and 6% a year.

3. AUTOMATED OR MANUAL LENDING

Platforms like Zopa and RateSetter offer automated lending – you pay in money and it is automatically spread across a range of loans. Others let you choose which borrowers you lend to.

Typically, people who choose loans should be fairly experienced investors who have enough time on their hands to research the borrower and understand the loan terms.

Nick Faulkner, founder of P2P comparison site 4th Way, says: 'If you go for automated options, you need to work to understand the risks at the P2P lending site, as well as understand how much diversification you can expect.

'If you want to select loans yourself, you need to understand all the above, plus what makes a good individual loan. Please don't make the mistake that lots of investors make, which is to think that because they're choosing loans themselves, they can concentrate their money on a small number of them. That is not how good, safe lending works.'

4. THE PLATFORM'S TRACK RECORD

Most experts recommend choosing a platform that has been around for a few years so you can assess its track record.

P2P platforms are fairly transparent about their level of defaults, lending performance and credit criteria, especially if they're a member of the Peer-to-Peer Finance Association.

For consumer loans, it's preferable that borrowers have a good credit score, are over 21, have few outstanding debts and are earning over a sensible minimum.

For buy-to-let mortgage lending, check whether the platform focuses on experienced landlords, with a maximum loan-to-value of around 75%, and average rent of more than 1.5 times the monthly mortgage payments.

It's also a good idea to assess the platform's level of experience.

'For unsecured personal and business loans you want to see they have credit risk experts as well as experienced underwriters, specifically in the types of loan the platform offers,' says Faulkner.

'For property and secured business loans you want to see a lot of experience in loan origination and preferably experience in chasing and collecting bad debts too.' (EP)

Savannah's Nigeria deal to deliver dividends

Deal should provide cash flow for shareholder returns and to accelerate development in Niger

AIM-quoted oil and gas play **Savannah Petroleum (SAVP:AIM)** is poised to complete a deal which will give it access to significant natural gas production in Nigeria. This is expected to provide it with plenty of cash flow to develop its assets in Niger and potentially pay dividends.

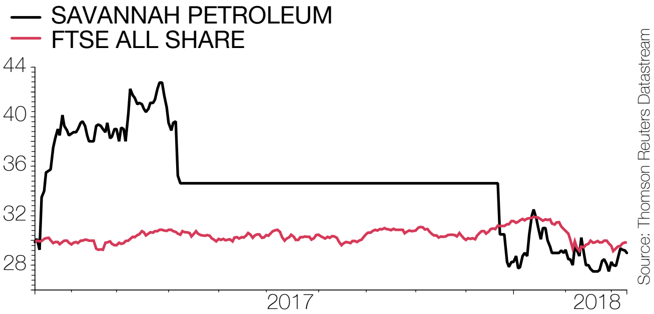
Savannah is acquiring assets held by financially distressed operator Seven Energy in a $280m reverse takeover and it expects the transaction to go through in April 2018.

In December 2017 the company completed a $125m fundraise to help finance the deal and to underpin future spending on both the projects in Nigeria and Niger.

WHAT IS SAVANNAH BUYING?

The Seven Energy assets consist of the Uquo and Stubb Creek fields and a 20% interest in the Accugas pipeline business in south east Nigeria – with leading African private equity infrastructure investor Africa Infrastructure Investment Managers taking the other 80%.

An independent audit suggests this portfolio should generate free cash flow of $88m per year between 2018 and 2022. The company plans to pay out $12.5m in dividends from this cash flow in 2018.



Problems with an oil pipeline and with getting paid for its gas meant Seven Energy was unable to service its debt or fund capital expenditure.

Savannah chief executive Andrew Knott tells *Shares* this enabled his firm to acquire fields where all the heavy lifting had already been done at an attractive price (calculated as $3.10 per barrel of oil equivalent).

He says the oil business which was hit by infrastructure issues is not being acquired as part of the deal, and the company has a World Bank guarantee on the gas it provides to its main customer, the Calabar power station.

Knott adds that the company will consider other opportunities to acquire assets in Nigeria, which he says is blessed with an established industry, strong historic cash returns and where major oil companies are selling assets and other operators are financially distressed.

WHAT IS HAPPENING IN NIGER?

The company is about to commence a three well drilling programme on its R3 licence in Niger with Knott noting the net present value of each well could boost the company's valuation by £100m in a success case.

The wells are expected to take around a month to drill with 10 to 15 days to move the rig between each drilling location. (TS)

Kazera Global to remain secretive on tantulum earnings potential

Imminent half year results may disappoint investors hoping to get a handle on production value and tonnage shipped

Interim results later this month from **Kazera Global (KZG:AIM)** will be the first time investors get a chance to see the revenue from selling tantalum to a mystery North American customer. However, the results are unlikely to give a steer on selling prices and tonnage shipped.

The £11.6m company has been secretive since signing an offtake deal last July, merely announcing shipments without giving any financial information.

The tantalum industry is opaque with prices kept a secret. Kazera won't disclose key details like prices and volumes as its customer wouldn't want rivals knowing what it pays for tantalum.

Kazera has so far made four shipments from its mine in Namibia, three of which fall into the six month financial period about to be reported.

There have been delays to publishing a JORC resource statement on Kazera's project which would give an estimate using Western mining standards as to how much tantalum is in a specific part of its licence area. There is no guidance as to when the JORC will come out.

The lack of such vital information has made it impossible to value the business properly.

Kennedy, which recently changed its name from Kennedy Ventures, also has lithium in its licence area. Chief executive Larry Johnson says while lithium is important to the company, the focus for now is tantalum, ramping up production and having a better understanding of the ore body. (DC)

Will Sports Direct make a takeover offer for Findel?

Deepening ties with sporting goods colossus augur well for the small cap retailer

ONLINE VALUE RETAIL-TO-EDUCATION business **Findel (FDL)**, geared into the channel switch to the web, has momentum at its heels.

Extending its commercial ties with biggest shareholder **Sports Direct International (SPD)** could turbocharge its revenue and may even pave the way for an eventual takeover bid.

In a trading update on 6 March, Findel said it was exploring the possibility of further developing joint commercial opportunities between direct mail order arm Express Gifts, a seller of discount clothing, toys and gifts, and Sports Direct.

Mike Ashley's sporting goods colossus owns 29.9% of Findel, just under the threshold that would necessitate a formal takeover offer.

Commercial tests of Sports Direct-licensed clothing brands on Express Gifts' Studio.co.uk website have apparently proved successful with the products resonating with value-conscious consumers.

Express Gifts is becoming an online value retailer of real scale, as demonstrated by a record Christmas sales performance and strong Black Friday campaign, with the active customer base growing at a steady clip.

We also note an encouraging turnaround underway at the Findel Education business, now more price competitive thanks to increased Far East product sourcing, while the group's end of December net debt of £76.7m was down £5.1m from the previous year. (JC)

FRIDAY 16 MARCH

INTERIMS	
JD Wetherspoon	JDW
TRADING STATEMENTS	
Berkeley	BKG
Investec	INVP
Mitie	MTO
AGMS	
Spitfire Oil	SRO

MONDAY 19 MARCH

FINALS	
Tissue Regenix	TRX
INTERIMS	
Finsbury Food	FIF
ECONOMICS	
UK	
Rightmove HPI	

TUESDAY 20 MARCH

FINALS	
888	888
DP Eurasia	DPEU
EnQuest	ENQ
Gym Group	GYM
Hansteen	HSTN
IQE	IQE
Judges Scientific	JDG
Jackpotjoy	JPJ
Mears	MER
Wood Group	WG.
INTERIMS	
Bellway	BWY
Ceres Power	CWR
TRADING STATEMENTS	
Ocado	OCDO
ECONOMICS	
UK	
HPI	
PPI	
CPI	

WEDNESDAY 21 MARCH

FINALS	
IFG	IFP
Kingfisher	KGF
Premier Technical Services	PTSG
Ten Entertainment	TEG
Vectura	VEC
Xaar	XAR
ECONOMICS	
UK	
Unemployment Rate	

THURSDAY 22 MARCH

FINALS	
Allied Minds	ALM
Genel Energy	GENL
India Capital Growth Fund	IGC
Inspired Energy	INSE
Safestyle	SFE
Sopheon	SPE
Ted Baker	TED
TRADING STATEMENTS	
Halma	HLMA
IG	IGG

HOME IMPROVEMENT GIANT **Kingfisher's (KGF)** full year results on 21 March give investors an opportunity to check up on fourth quarter and current trading trends as well as progress with its ONE Kingfisher transformation plan.

Kingfisher's third quarter update (21 Nov) revealed a 0.5% decline in like-for-like sales. Strong performances from Poland and *Screwfix* was more than offset by disappointing turns from B&Q UK & Ireland and ongoing weakness at its *Castorama* and *Brico Depot* chains across the channel.

HOUSEBUILDER **BERKELEY (BKG)** is set to update the market on trading on 16 March. As well as insight into the company's recent performance, investors may be looking for its response to the housing plans announced in a speech by Prime Minister Theresa May on 5 March.

In December chairman Tony Pidgley, who has a good record of calling the housing market, predicted the current financial year would see profit reach its peak level.

STRUGGLING OUTSOURCING COMPANY **Mitie (MTO)** is to update on trading on 16 March ahead of issuing full year results in June.

The company has been undergoing major restructuring under the stewardship of chief executive Phil Bentley who took over last year.

Investors will be eager to get a steer on the company's health given the demise of sector peer Carillion earlier this year.

EX-DIVIDEND		
AIB	AIBG	€0.12
British American Tobacco	BATS	48.8p
BlackRock World Mining Trust	BRWM	6.6p
Centamin	CEY	$0.1
Clinigen	CLIN	1.76p
The Diverse Income Trust	DIVI	0.8p
Dunelm	DNLM	7p
Eco Animal Health	EAH	3.2p
Kingspan	KGP	€0.26
Low & Bonar	LWB	2p
Meggitt	MGGT	10.8p
Nichols	NICL	23.4p
NWF	NWF	1p
Revolution Bars	RBG	1.65p
Randgold Resources	RRS	$2
Schroders	SDR	79p
Schroder European Real Estate Investment Trust	SERE	€0.02
Segro	SGRO	11.35p
Sky	SKY	13.06p
Tristel	TSTL	1.6p
Utilico Emerging Markets	UEM	1.8p
ECONOMICS		
UK		
Retail Sales		
Official Bank Rate		

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KEY

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