STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

VOL 20 / ISSUE 21 / 31 MAY 2018 / £4.49

SHARES

WE MAKE INVESTING EASIER

THIS WEEK
MOTHERCARE
ROYAL MAIL
ELECTROCOMPONENTS
AND MORE

FTSE HEALTH CHECK
CAN IT GO HIGHER?

Your checklist to assess the state of the market

ITALIAN FEARS
COULD THE COUNTRY EXIT THE EURO?

RUSSIA IN FOCUS
FUNDS TO PLAY MARKET AHEAD OF WORLD CUP KICK OFF

INFLATION-BUSTING INCOME
NATIONAL GRID MAKES DIVIDEND PLEDGE

SPOTLIGHT: *BUMPER REPORT ON SMALLER COMPANIES*

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What Apple's latest earnings release can tell you about quality companies

Having a large installed base from which you derive recurring revenue can be a marker of a strong business

Shares in the company behind the iPhone and iPad, US consumer electronics giant Apple, are back in fashion after its quarterly earnings release on 1 May. The shares are up nearly 15% since the update.

This revealed that in the three months to 31 March, the company's services division, encompassing its app store, AppleCare, ApplePay plus more, saw revenue leap 31% to $9.2bn.

This helps counter arguments that the saturation of the smartphone market means Apple can no longer offer growth.

And this growth is highly profitable. Although Apple doesn't reveal the margin performance of individual divisions most observers reckon the services arm delivers margins in excess of 50%.

A lesson investors can draw from this, which is applicable to other businesses, is the benefit of having a large installed base from which you can derive recurring ancillary revenue.

In Apple's case the installed base is principally represented by the more than a billion iPhones it has sold. But an installed base could be anything from kit in a piece of machinery or a popular software programme.

Shares in Apple are up 15%

SPARES AND REPAIRS

Typically the company which installed the kit or software will agree an aftermarket contract to provide spares and repairs or software upgrades to its customer.

This provides lots of repeat revenue and offers the market good visibility on future profit and cash flow. This visibility, plus the big returns associated with this type of activity, is often rewarded with a high share price rating.

It is one of the reasons we are confident in Warren East's turnaround project at engineering firm **Rolls-Royce (RR.)**. The former ARM-boss took over as chief executive in 2015 after a troubled spell which saw a series of profit warnings and a damaging corruption scandal.

Rolls designs and manufactures jet engines and one in two passenger planes are powered by its engines. These are critical components in an industry where safety is paramount.

As such, new parts and repair work would be extremely difficult to source elsewhere, giving the company both strong visibility on future revenue and significant pricing power.

But, as Rolls' difficult period between 2013 and 2016 shows, these advantages are no guarantee of success and can be undermined by poor management or external factors. (TS)

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31 May 2018

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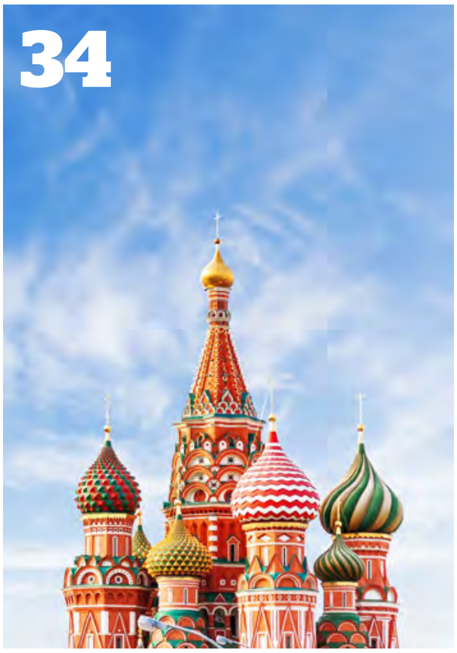

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BROKER RATINGS EXPLAINED:

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.

National Grid recommits to dividend growth promise

Shares in utility could help you beat inflation

Britain's largest utility supplier **National Grid (NG.)** has renewed its commitment to grow its dividend to match RPI (retail price index) inflation or better 'for the foreseeable future.'

This is welcome news for investors looking for reliable and attractive income for two reasons. First is an increasingly dovish Bank of England. Rising interest rates work against income equity as the risk premium narrows.

That's the difference between implied investor returns from higher risk assets like shares versus the relative safety of Government bonds (Gilts) or keeping your money in the bank.

A weak pound and fading consumer spending have combined to cap inflationary pressures, making a rate rise much less likely in the short-term.

Second, National Grid arguably remains the UK utility company least threatened by possible stiffer regulatory climate in future. UK energy suppliers, such as British Gas-owner **Centrica (CNA)**, are facing the introduction of tariff price caps which could limit dividend growth in future.

UK water companies have also been dogged by political and regulatory issues. Ofwat is tightening the way it works out allowable returns sector companies can make for the next five year price review period, which runs from 2019.

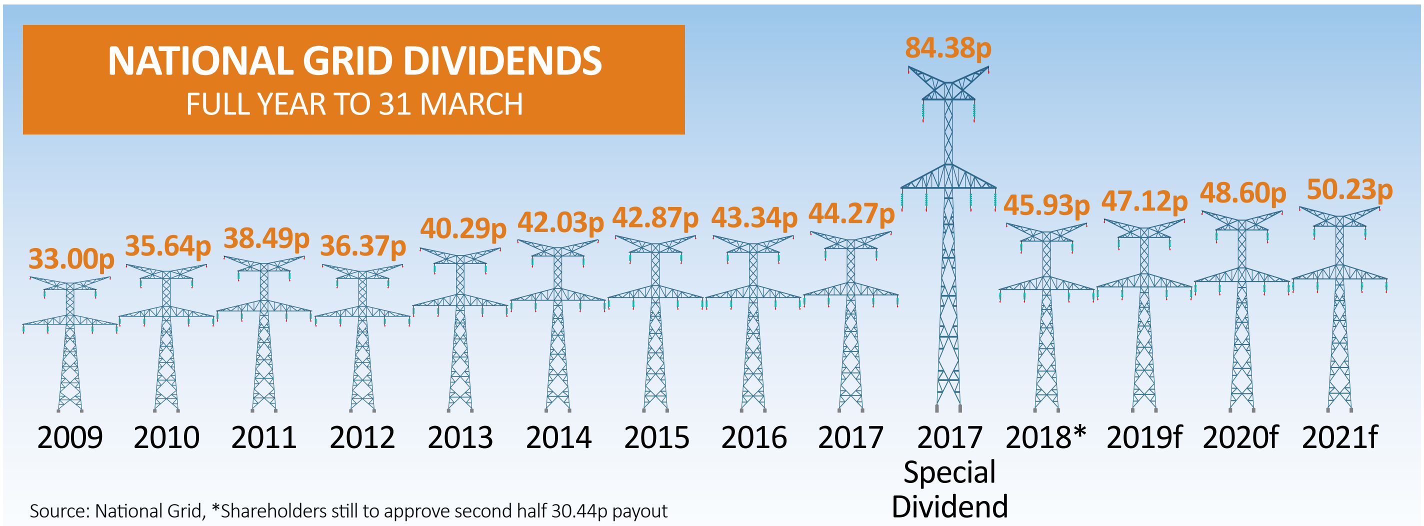
HIGH MARGIN OF SAFETY

National Grid faces its own watchdog probe, with Ofgem due to examine whether the company has breached rules relating to the operation of its UK transmission business. But many analysts anticipate that the investigation will result in little meaningful impact.

National Grid has a long track record of steadily increasing dividends, dating beyond the 2002 merger with Lattice, which formed an electricity and gas transmission national champion. It has missed its payout growth target just once in the past 10 years (2012).

The rough £30bn FTSE 100 company proposed a 30.44p power share second half dividend alongside full year results to 31 March 2018, announced on 17 May. If shareholders approve that payout it will put the full year income at 45.93p per share, and mean a sixth straight year of dividend growth.

Future dividends of 47.12p, 48.6p and 50.23p are anticipated for the 2019, 2020 and 2021 full years, according to consensus forecasts, implying average annual growth of 3%. UK inflation was recently reported at 2.4% CPI for April, with National Grid's RPI benchmark running at 2.2% in April. At 879.8p, the income yield this year is an implied 5.4%. (SF)



Source: National Grid, *Shareholders still to approve second half 30.44p payout

Why Homebase sale is such good news for Kingfisher

Aussie retail conglomerate's DIY disaster is supportive for Kingfisher

Australian conglomerate Wesfarmers is selling Homebase for a nominal £1 to turnaround specialist Hilco Capital just two years after buying the business from Home Retail for £340m.

The Aussie firm wrongly assumed it could replicate the success of its Bunnings brand down under in the UK. Wesfarmers's DIY disaster is supportive for hard-pressed **Kingfisher (KGF)**, the over-spaced owner of the rival B&Q chain, whose unloved shares reacted positively to the news (25 May).

Wesfarmers' ill-fated acquisition of Homebase has been bungled and Hilco is now taking the 255 store DIY specialist off its hands; 24 pilot Bunnings stores will revert back to the Homebase brand.

Even if Hilco intends to turn round Homebase rather than engineer a breakup, stores are expected to close, Homebase will now miss Bunnings' buying clout in Asia (with implications for pricing) and support from key branded suppliers could soften under the new ownership structure.

Jefferies therefore argues the sale constitutes 'very good news for Kingfisher. Ultimately, the risk ahead of today was that Wesfarmers would be irrational and back a significant investment to rebrand Homebase stores into Bunnings.

'Today's news should see B&Q's biggest competitor (and arguably the only alternative to retail customers in the UK large-sheds DIY market, given Wickes' squarely more trade oriented offering) become much more sensitive to short, and mid term, margin and cashflow challenges.'

The sale comes at a crucial time for Kingfisher, whose poor first quarter figures (24 May) reflected tough UK and French home improvement market conditions and dire weather in February and March, with like-for-like sales slumping by 4%. (JC)

Europe hit by renewed political instability

Political turmoil in Italy heightens euro break up fears

THE MARKET may have felt it had cleared the major political threats facing Europe in 2017 when the result of German and, in particular, French elections helped restore some confidence to the European project.

However, the issue of Italy has returned to haunt investors and with it the renewed threat of a break-up of the eurozone.

Italian two-year bond yield above 1% for first time since 2014

The turmoil in Italy, where efforts by populist parties to form a coalition government have collapsed, raises the spectre of a repeat election which could be fought on an anti-EU, anti-EU platform and ultimately become a referendum on membership of the euro.

This has put pressure on the single currency and sent yields on Italian government bonds spiralling higher.

At the same time Spanish prime minister Mariano Rajoy is facing a vote of no confidence in his leadership on 1 June, threatening further instability. (TS)

Royal Mail analyst fears are overdone

Broker Berenberg paints a pessimistic picture – but we are not convinced

Regulatory risks and intense competition are clouding parcel delivery service **Royal Mail's (RMG)** outlook according to broker Berenberg as it slashes earnings forecasts.

Despite this negative analyst comment we are confident that Royal Mail remains an interesting contrarian play. Productivity improvements and cost-cutting measures, as well as overseas growth offsets any risks.

Berenberg analyst Joel Spungin has reduced his earnings per share estimates by 14% to 38p in the year to 26 March 2019 and by 12% to 38.4p in 2020.

He says uncertainty over how to comply with General Data Protection Regulation (GDPR) will prompt firms to rein in 'unsolicited marketing.' The analyst believes volume decline at the upper end of 4% to 6% in 2019 is likely to be a 'best case scenario.'

Spungin estimates marketing mail accounts for between 10% and 20% of addressed mail volumes, speculating a 7% drop in volumes would hit overall letter volumes by 1% (£50m).

This is not the only risk to growth as competitors offering same-day and Sunday deliveries are problematic for Royal Mail, which does not provide these services. This could compound pricing pressures.

During the IPO in 2013, approximately 10% of shares in Royal Mail were given to full-time employees who will be able to sell their free shares tax-free in October, potentially hitting the stock in the short-term.

WHAT IS THE BULL CASE FOR ROYAL MAIL?

While GDPR is causing uncertainty and confusion, it is questionable whether companies would cut marketing instead of seeking advice prior to the regulations, which are now in place.

Shares in Royal Mail have enjoyed a 14.2% rally since the start of 2018, driven by a breakthrough in its pensions and pay troubles and robust full year results.

In the year to 25 March, operating profit before

transformation costs rose 1% to £694m, beating consensus forecasts at £656m.

The strong performance was supported by consistent growth at overseas division GLS thanks to organic sales growth and acquisitions.

Investec analyst Alex Paterson says Royal Mail's outlook has been transformed as it unlocks potential productivity improvements, flagging anticipated benefits from automation.

We remain confident in Royal Mail, which currently pays a generous dividend yield of 4.4%, and believe it can continue to recover despite the potential headwinds identified by Berenberg. (LMJ)

Former CEO looks to topple Stobart chairman

FORMER **STOBART (STOB)** CEO Andrew Tinkler will voting at the company's AGM on 28 June against the re-election of chairman Iain Ferguson. Tinkler is joined by two shareholders who are also against the re-election of Ferguson who together hold 25.5% of the share capital. One of whom is thought to be Neil Woodford. (DS)

89.2%

MOTHERCARE'S MISSED OPPORTUNITY

SHARES IN embattled mother and baby products retailer **Mothercare (MTC)**, currently in a perilous financial condition, are now trading at a lowly 32.5p, almost 90% below the 300p per share offer it received and rejected from US peer Destination Maternity in 2014.

Hindsight is a wonderful thing and Mothercare should have bitten Destination Maternity's hands off to accept its second and increased offer, pitched at a 29% premium and valuing the target at £266m, four years ago. At the time, the board argued the bid 'significantly undervalued Mothercare and its attractive prospects' and chose to press on with its recovery strategy. Destination Maternity, which has itself been targeted by activists, withdrew its bid, Mothercare having refused to let it pore over the books. Ouch.

YOUNG'S ENJOYS SOARING COCKTAIL SALES

IF YOU thought pubs were about a pint of weak lager and a packet of crisps, think again.

Pub company **Young & Co's Brewery (YNGA:AIM)** says it enjoyed runaway success with Aperol Spritz, selling 140,000 drinks last summer. It says cocktail sales overall have grown strongly over the past year, so too craft beer and gin.

Chief executive Patrick Dardis says: 'The more different products you put on the bar, the more people want to explore the tastes.'

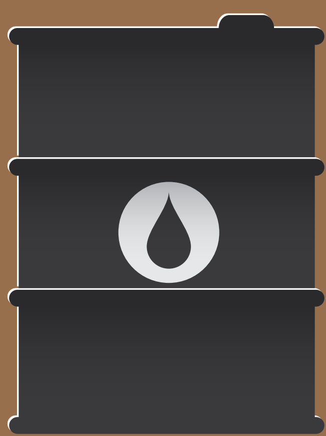
The revelation coincides with news that Young's has announced its 21st consecutive year of dividend growth.

OIL SECTOR GUSHING WITH CASH

RESEARCH BY analysts at Barclays suggests the European integrated oil and gas space, which encompasses the likes of **BP (BP.)** and **Royal Dutch Shell (RDSB)**, is set to deliver excess free cash flow for the first time in 10 years.

This follows a rapid advance for the oil price in recent months, which despite a recent pullback still trades in touching distance of $80 per barrel.

A strong cash performance from the sector could see shareholders enjoy a windfall in the form of higher, more sustainable dividends and share buybacks.



Electrocomponents is raising the bar

First acquisition in two decades reflects the increasing confidence of management

ELECTROCOMPONENTS
BUY
(ECM) 705p
Stop loss: 564p

Market value: £3.15bn

We like Oxford-based **Electrocomponents (ECM)**, the largest distributor of electrical goods in the UK. The company recently announced its first acquisition for two decades, in a marked demonstration of management's confidence.

IESA, bought for £88m, is a maintenance, repair and operations marketplace for services, including sourcing, transaction processing and stores management. The company is UK-focused and given the global reach of Electrocomponents, it should be able to help with the latter's international ambitions.

WHAT IT DOES

Electrocomponents distributes electronic goods to engineering companies, it sources products from over 2,500 suppliers including hard to find items but it also has its own range of goods. Its RS Pro range is described as 'competitively priced' by the company and is suitable for clients not interested in brand names.

The company ships around 50,000 products daily to over one million global customers and has no minimum order. The products range from tools and safety equipment to semiconductors and its customers are based all across the world.

To try and keep costs under control CEO Lindsley Ruth instigated his Performance Improvement Plan in 2016, the first phase of which is now over. This has made the business more efficient by delivering £30m of cost savings.

Stage II of the plan has now underway with the target of making £12m annualised savings from this year until the first half of 2021.

Making the business model simpler is one of the hallmarks of this plan. Ruth wants to separate the business model into just three regions, Europe. Middle East and Africa (EMEA), Asia Pacific and the Americas.

EXPENSIVE

One element of Electrocomponents that may not seem attractive is its valuation, it trades on 20.4-times 2019's earnings using Numis's forecasts. This is at a premium to its peer group according to data from Reuters, the average price to earnings being 17-times.

We feel this lofty valuation is justified. The company makes it easier for customers to do business, has a very broad range of products and a wealth of sector-specific knowledge.

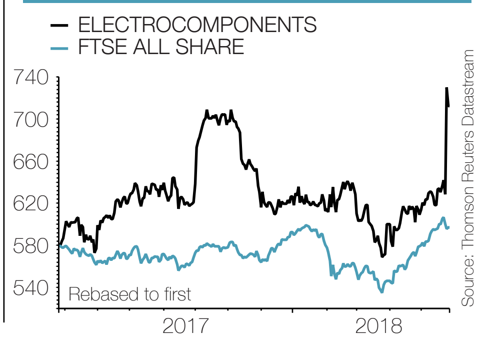
These factors add up to a strong competitive advantage which in our view should help Electrocomponents stay ahead of the pack.

Results for the year to 31 March, released on 24 May, reflected the momentum in the business. Adjusted pre-tax profit of £173.1m was slightly ahead of guidance which itself had only been upgraded weeks before.

RISKS TO THE SHARE PRICE

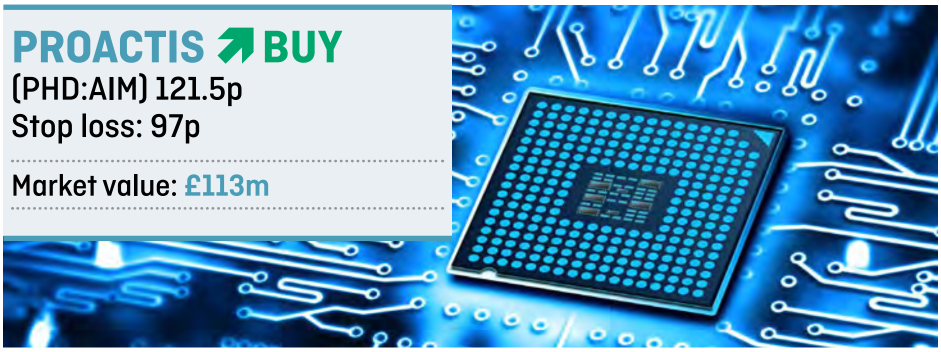
The main risk to a distribution business would be a global economic slowdown as companies might delay or cancel orders for the goods Electrocomponents supplies. (DS)

BROKER SAYS: 5 5 1



Why Buffett might appreciate Proactis value

Procurement and analytics platform has impressive underlying charms



PROACTIS ↗ BUY
(PHD:AIM) 121.5p
Stop loss: 97p

Market value: £113m

Being bold when others are fearful is a mantra championed by many of the world's best investors, including the *sage of Omaha* himself, Warren Buffett.

We believe that **Proactis (PHD:AIM)** is a value opportunity very much along those lines, one that could deliver 65% share price upside over the next 12 to 18 months, perhaps more.

Technology is typically most successful when it allows organisations to operate faster, cheaper and better. That's just what the e-procurement and spend analytics platform run by Proactis does.

Through a suite of software applications, organisations are able to implement spending controls to extract best value from a streamlined procurement process.

This includes automated workflow, requisition authorisation, ordering, invoicing and stock control, with full visibility of costs through the buying pipeline.

The business has always been acquisitive, but in July 2017 it completed a very significant purchase of US-based Perfect Commerce for £99m, a deal that will more than double profits in future.

The company reported £5.1m of pre-tax profit last year to 31 July 2017. The equivalent figure this year is expected to be £11.7m, according to analysts at FinnCap, the company's broker, and £14.7m next year to 2019.

CHALLENGES FROM A PERFECT DEAL

The scale of the Perfect Commerce acquisition implied challenges and like the characters in the *Lemony Snicket* books, Proactis has been struck down by a 'series of unfortunate events,' as one analyst puts it.

This largely stems from the surprise loss of four large accounts and the delayed delivery of synergy cost savings from the Perfect acquisition, although a stronger pound versus the dollar and euro hasn't helped either. Analysts calculate that 56% of earnings before interest, tax, depreciation and amortisation (EBITDA) is non-sterling.

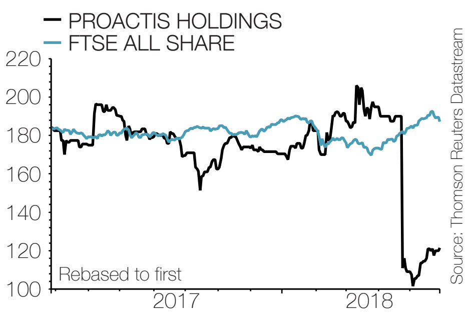
This spooked the market and led to the share price to drop from 190p in April.

Yet underlying key performance indicators remain encouraging. The company added 35 new customers accounts during the first half, keeping it on track with full year 70 targets, and most of those (31) are on a subscription basis, which typically are more sticky.

Proactis is also upselling impressively, getting existing clients to spend more over the platform. The company reported 46 in the first half this year, versus its 100 a year goal. It has £47.8m of forward orders backed up.

This gives us confidence that management can affect a rapid operating improvement as the company moves forward, and that should become reflected in the share price as investor confidence returns. FinnCap retains its 250p 12-month target for the stock. (SF)

BROKER SAYS: 1 0 0



QUIXANT
(QXT:AIM) 447.5p

Gain to date: 2.3%

Original entry point:

Buy at 437.5p, 25 Jan2018

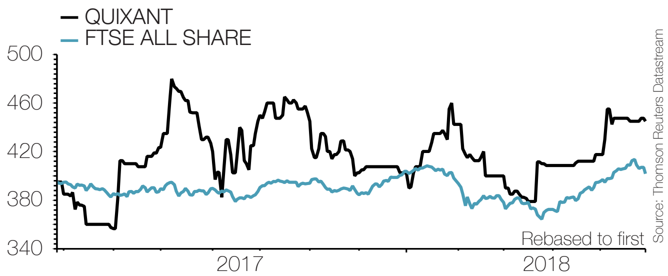
ANALYSTS AT BERENBERG have recalculated expectations through to 2020 for gaming technology supplier **Quixant (QXT:AIM)**, resulting in earnings per share (EPS) forecast hikes of up to 20%.

EPS estimates for this year to 31 December 2018 have increased from $0.2224 to $0.2434, with equivalent forecasts for 2019 and 2020 now pitched at $0.2823 and $0.30.61 respectively.

Yet the investment bank's number crunchers still believe that even these raised estimates remain 'conservative.' This implies that there is still scope for the company to outperform over the medium-term, and increases the stock's chances of hitting 600p analyst targets.

The Cambridge-based business design logic box technology that controls pay-to-play digital gaming machines – one arm bandits, quizzes, bingo and casino games. Quixant's outsourced solution is becoming increasingly popular among gaming terminal manufacturers, and law changes in places like the US, Japan and potentially Brazil, are also freeing new markets from restrictive legislation.

Berenberg is also encouraged by emerging revenue streams, from high-specification displays and button decks that player use to operate game machines. The investment bank's analysts estimate that Quixant had just an 11% market share in 2017, the first time revenue broke through $100m .



SHARES SAYS: ↗

Now showing a modest paper profit after the equity market sell-off earlier this year, we remain positive on this investment story. (SF)

BROKER SAYS: 2 0 0

RESTORE
(RST:AIM) 510p

Gain to date: 0.6%

Original entry point:

Buy at 507p, 29 Mar 2018

THE GAINS FROM our 'buy' stance on document management group **Restore (RST:AIM)** have been more or less erased after a mixed update on 21 May.

The company noted that trading had started 'satisfactorily' in 2018 and that its expectations for the full year remained unchanged, despite pressure on its shredding unit. However, the market clearly felt there was a risk the problems in this part of the business could see it miss estimates.

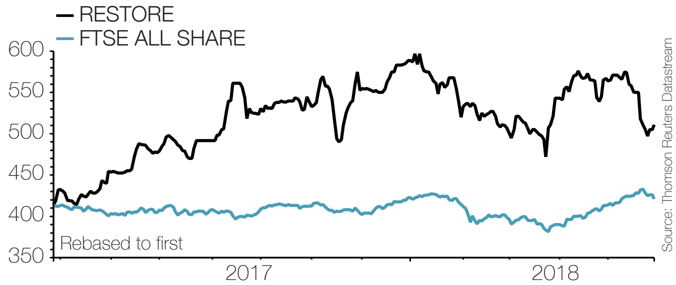
Restore Datashred, the shredding business, delivered lower operating margins than budgeted in the first quarter and steps have been taken to improve margins in the second quarter.

More positively, and ahead of this announcement, Liberum initiated on the stock with a 600p price target.

Analysts Rahim Karim and Joe Brent reckon there is still scope for significant upside at the firm. They argue: 'A combination of organic growth and acquisitions has built the leading provider of outsourced office services in the UK.

'However, with a market share of just 11.5%, we believe the existing strategy still has the potential to drive significant growth.

'This top-line dynamic, combined with significant margin upside, means the potential to once again transform the scale of the business remains.'



SHARES SAYS: ↗

Keep buying. (TS)

BROKER SAYS: 5 0 0

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

Registration contact
Corinne Bailey
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EVENT CHAIR

Tom Sieber
Deputy editor
– Shares Magazine

Tom will be presenting on how income can help unlock the wealth generating potential of the markets.

DIXONS CARPHONE

(DC.) 192.65p

SUPERB STOCKS FOR 2018 UPDATE

Gain to date: 1.2%

Original entry point:

Buy at 190.35p, 21 Dec2017

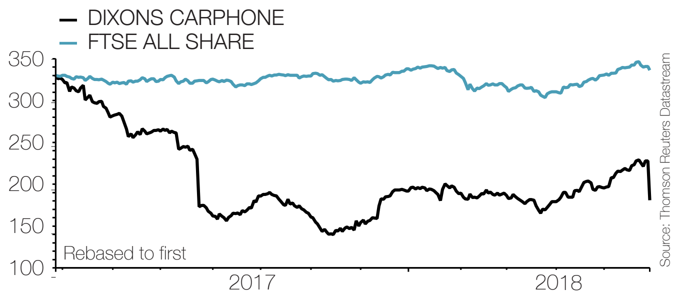
OUR BULLISH CALL on retailer **Dixons Carphone (DC.)** remains modestly in the black despite a punishing profit warning (29 May) which called a halt to a recent rally in the name.

In his first trading update, new CEO Alex Baldock carried out a classic kitchen sinking exercise, grounding expectations as he sets about injecting fresh impetus into the business.

While headline pre-tax profit of around £382m for the year ended 28 April will meet market expectations, the result will be well down on last year's £501m.

The *Currys PC World-to-Carphone Warehouse* owner also warned profits for the current financial year will fall to roughly £300m, well short of previous expectations amid cost increases, problems in the mobile phone business and 'further contraction' in the UK electricals market.

Fourth quarter (Q4) UK & Ireland like-for-like sales growth was negligible, softer computing market conditions a headwind, although Dixons Carphone also reported Q4 like-for-like growth of 8% and 10% for the Nordics and Greece respectively and plans to maintain the full year dividend at 11.25p.



SHARES SAYS:

While we're disappointed by the downgrades and share price reaction, Baldock has gotten the bad news out of the way. We still have high hopes the digital specialist can inject fresh impetus into the Dixons Carphone story. (JC)

BROKER SAYS: 8 6 1

IBSTOCK

(IBST) 281p

Loss to date: -6%

Original entry point:

Buy at 299.4p, 10 May 2018

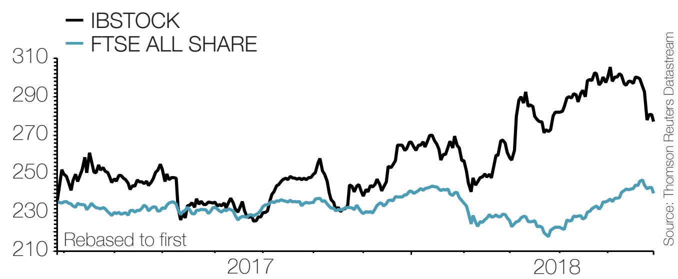
A DOWNBEAT TRADING update from brick manufacturer **Ibstock (IBST)** means our positive call on the company is off to a shaky start.

Ahead of its AGM on 24 May the company reported that it got off to a slow start in 2018 thanks, for the most part, to what it describes as an 'extended winter season'. This tallied with reports from at least some of the names in the housebuilding sector. The net result, with higher energy prices also a factor, is a second half weighting to its 2018 numbers.

Although trading has improved, this creates a risk of missing earnings expectations if the shortfall cannot be made up.

More positively, the company also confirmed that the commissioning of its new factory in Leicester is on track. Irish stockbroker Davy says: 'The tone of Ibstock's trading update is subdued after a slower-than-expected start to the year (largely weather related).

'No financial figures have been disclosed but despite the slow start another year of progress is anticipated, albeit H2 weighted. Our initial sense is that there will be little change to full year forecasts, although the weighting towards the second half introduces some possible downside risk.'



SHARES SAYS:

We retain the faith for now on the basis this represents a blip rather than a pronounced downturn in performance. (TS)

BROKER SAYS: 3 1 0

FTSE HEALTH CHECK
CAN IT GO HIGHER?

Your checklist to assess the state of the market

Just as the FTSE 100 was looking poised to break the 8,000 barrier, Italian political turmoil and US-China trade tensions are putting stocks on the backfoot. This recent pullback provides a good opportunity to take the temperature of the market.

Given the index had added more than 1,000 points since late March, many investors had even begun to ask how long before it could break the 10,000 barrier.

And there are still reasons to think the FTSE could again turn higher.

Companies and large investors like private equity are flush with cash and there is a view that the recent spurt of takeovers is only just the start of a wave of M&A. That could be a strong driver for the market, as well as the fact that equity valuations aren't overly expensive in large parts of the UK market. Equity (or equities) is another term to mean stocks and shares.

Stocks in the FTSE 350 with large exposure to the UK economy are certainly trading on undemanding valuations, so are many stocks with overseas interests.

LACK OF EUPHORIA IS GOOD

It is impossible to accurately predict where the market will head next, yet you could argue that we haven't seen the mass euphoria stage which normally accompanies the end of a bull market.

Think how bitcoin was mentioned on every news channel and was the talking point in pubs, taxis and at work – that's the kind of euphoria which suggests bubble territory.

Yet the state of the stock market arguably isn't a hot topic for office workers chat around the water cooler on their lunch break. And have you been offered stock tips by taxi drivers and hotel bellboys? Probably not, which suggests the euphoria stage is still to come.

Hitting 8,000, 9,000 or even 10,000 would be great news for the UK's army of investors who have turned to the markets to obtain a greater return than is currently available on cash.

It would also be a fantastic achievement in the face of obvious worries about Brexit negotiations, an indecisive Bank of England and modest UK economic growth.

WHAT YOU WILL GET FROM THIS ARTICLE

This article will take a closer look at the current state of the market and provide a checklist of important points which can help you ascertain whether it's going to be boom-time for a lot longer, or whether there are a few cracks appearing which could lead to more serious concerns in due course.

We believe the market can regain momentum, but we also recognise there are some warning signs bubbling away. This suggests you should keep some money in cash in case there is another market correction in the near-term, so you have some firepower to pick up stocks amid any price weakness.

WHY HAS THE FTSE ACHIEVED NEW RECORD HIGHS THIS YEAR?

INVESTMENT EXPERTS SAY a weaker pound and a surging oil price have played a big part in the recent stock market rally, among other factors.

Around two-thirds of the FTSE 100 index's earnings come from overseas, so the lower the pound goes, the more those foreign earnings are worth when they are translated into sterling.

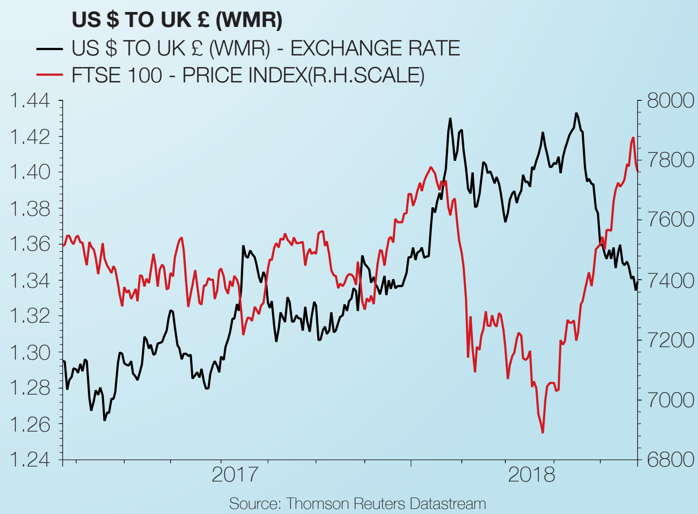
'This explains why the FTSE 100 did so well in 2016 and early 2017, as the pound fell in the aftermath of the EU referendum vote,' says Russ Mould, AJ Bell investment director.

The Bank of England's failure to tighten monetary policy earlier in May by keeping interest rates wedged at 0.5% has clearly given the FTSE 100 another push. Sterling has also been weak recently amid disappointing UK economic data.

Brent Crude's rough 75% rally since June last year is another big plus for the UK's blue-chip index.

Sector heavyweights **BP (BP.)** and **Royal Dutch Shell (RDSB)** are the second and third largest ranked companies in the FTSE 100, by market value, and between them represent 25% of total FTSE 100 sales, 14% of profits and 20% of dividends for 2018, according to consensus analyst forecasts.

It is easy to forget that the FTSE 100 had a very poor start to the year, leaving the UK market at its 'largest price to book discount to the S&P 500 in at least 18 years,' according to Charles Montanaro, manager of the **Montanaro UK Income Fund (IE00BYSRYZ31)**.



This presumably helps explain the rampant run of mergers and acquisitions targeting UK businesses recently. FTSE 100 members **Shire (SHP)**, **Sky (SKY)** and **Smurfit Kappa (SKG)** have all been on the receiving end of takeover interest this year.

Patrick Thomas, investment manager, Canaccord Genuity Wealth Management, believes the 'mood music' is changing. 'What we saw in that first quarter was we saw more money going into equities than we'd ever seen, and with the tax cuts in the US and the share buybacks, there was an added ferocity to that inflow.

'But for all of that, the markets ended the quarter on a weak note, and as we've seen, this was despite the fact that US profits rose by some 15% year-on-year, almost the strongest sequential numbers ever.'

HOW HAS THE FTSE 100 PERFORMED COMPARED TO OTHER MAJOR INDICES?

INDEX	YEAR-TO-DATE	LAST 12 MONTHS
Hang Seng (Hong Kong)	2.8%	21%
Dow Jones Industrial (US)	0.2%	17.4%
Nikkei 225 (Japan)	-1.4%	13.6%
S&P 500 (US)	1.5%	12.9%
CAC 40 (France)	4.1%	3.6%
SSE Composite (China)	-4.2%	3.4%
FTSE 100	**0.5%**	**2.8%**
DAX Xetra (Germany)	-0.8%	1.4%

Source: SharePad, as of 24 May 2018

Stock markets in many parts of the world have enjoyed a strong recovery so far in the second quarter of the year. However, on a broad basis, the FTSE 100 has lagged global peers in terms of performance, says Martin Newson, chief executive officer at Optimus Capital.

'As we get closer to the UK leaving the European Union, we think there is scope for the FTSE 100 to outperform UK smaller companies, which are usually more sensitive to the domestic environment.'

Not everyone is bullish on the market outlook. For example, Peter Garnry, head of equity strategy at Saxo Bank, believes the recent market drivers will lose their thrust over the coming months. He is negative on UK equities on a short-term view.

Inflation remains a key threat to further stock market gains. It could lead to higher interest rates, reducing consumer spending power while upping corporate operating costs.

'The jump in the oil price has started to hit petrol pumps, pushing up costs for UK consumers and businesses alike, which will ultimately filter through to UK consumers in the coming months,' cautions AJ Bell's Russ Mould.

April's 2.4% rise in the CPI measure of UK inflation was softer than the 2.5% expected but the rising cost of living pace could easily 'pick up in the next couple of months,' believes Andrew Sentance, senior economic adviser at PwC.

'The general direction [of interest rates] remains upwards, given negative real interest rates; it is more a question of timing,' says the UK equity team at OLIM Investment Managers.

CHECKLIST:	
POSITIVES	M&A could boost markets; equity valuations aren't excessive; and interest rates are unlikely to rise fast and hard in the UK.
NEGATIVES	Higher oil price could fuel inflation.

WHY YOU NEED TO CARE ABOUT US TREASURY YIELDS

EARLIER THIS YEAR the yield on US Treasuries (aka US government bonds) exceeded 3% for the first time in four years.

Heightened expectations for inflation in the US spooked holders of bonds as rising prices erode the value of the fixed coupon payments they get from the bond. This put negative pressure on prices and pushed yields higher.

When interest rates are increased as monetary policymakers respond to inflation, the yield on shorter term debt also goes up.

Eventually the point at which the yield on the two-year Treasury exceeds that of the 10-year has historically signalled a looming recession.

At the time of writing the two-year yield stood at 2.55% and the 10-year yield was 3.01%.

Higher bond yields have negative implications for equities. Higher borrowing costs for companies can result in less cash to invest for the future and to return to shareholders through dividends, or potentially result in firms going bust if they can't service their debt.

CHECKLIST:	
POSITIVES	Treasury yields aren't in the major danger zone (yet?).
NEGATIVES	However, there are plenty of warning signs from the current behaviour of Treasury yields. You need to watch this area very closely.

> There are probably three prices that really matter to global investors – the dollar, oil and the 10-year Treasury yield

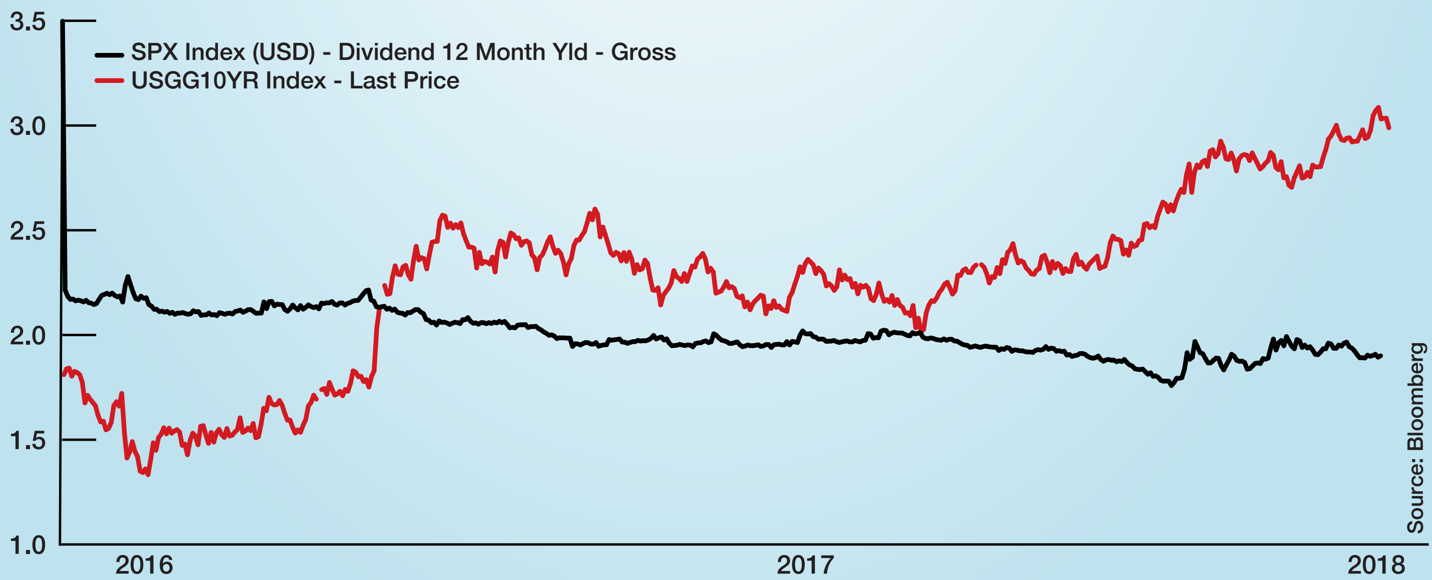
The higher yield available on low-risk bonds can also draw capital out of higher-risk equities. The yield on the S&P 500 is currently less than 2%.

Patrick Thomas, investment manager at Canaccord Genuity Wealth Management, says: 'There are probably three prices that really matter to global investors – the dollar, oil and the 10-year Treasury yield.

'Surging dollar and oil prices along with Treasury yields popping have been fairly ominous signs for UK investors in the past.

'Think 1973-1975, 1979-80, 1989-90, 1999-2000 and 2006-2007. The UK cannot be insulated from rises in global funding costs.'

10 TREASURY YIELDS VS S&P YIELD



OIL – THE GLOBAL GROWTH ENGINE

OIL IS ONE of the key engines of economic growth and as such prices are closely linked to the fortunes of the global economy.

Although big claims have been made for an electrical vehicle revolution, it is products derived from crude oil which fuel most of world's transportation. Oil is also used for power generation and the manufacture of plastics and other products.

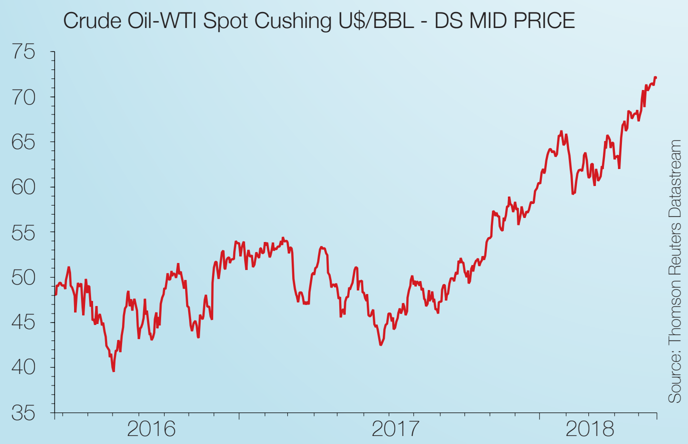
Geopolitics, including recently tensions over Iran and instability in Venezuela, has had an impact on oil prices as traders react to the impact on supply, helping drive the global benchmark Brent to $80 per barrel. This recent surge might begin to undermine demand.

The International Energy Agency recently commented: 'As the International Monetary Fund noted recently, the global economy is doing well. Therefore, we remain confident that underlying demand growth remains strong around the world, which has been an important factor in the rise in oil prices.

'Still, the fact is that crude oil prices have risen by nearly 75% since June 2017. It would be extraordinary if such a large jump did not affect demand growth, especially as end-user subsidies have been reduced or cut in several emerging economies in recent years.'

Copper is also a good barometer of the world economic picture, to such an extent that the term 'Dr Copper' has been coined. This is largely due to its ubiquity. The metal is a critical component in the manufacturing of electronics, homes and infrastructure.

Copper prices have risen by 22% since June 2017 to $6,867 per tonne; and they've increased by 52% since June 2016.



CHECKLIST:	
POSITIVES	A strong oil price is beneficial for the large oil companies which populate the upper end of the FTSE 100 index – and so their fortunes can act as support for the market.
NEGATIVES	There is a sense that oil prices could find it harder to keep rising from current levels, plus a higher oil prices pushes up costs for companies and individuals which can help a negative economic effect in time.

HOW EXPENSIVE ARE EQUITIES AT THE MOMENT?

MARKET VALUATIONS	
INDEX	FORWARD PE (1 YEAR)
S&P 500	21.73
Dow Jones	16.32
FTSE 100	14.81
CAC 40	14.64
DAX	13.04
Source: Reuters	

MANY INVESTORS LIKE to use Robert Schiller's cyclically-adjusted price-to-earnings (CAPE) ratio to gauge whether a market is cheap or expensive.

It is the share price divided by the average of 10-20 years of earnings which in theory should help smooth out the impact of peaks and troughs in the business cycle.

Unfortunately this ratio may not be entirely suitable to assess whether the market has got ahead of itself.

Phillip Hoffman, investment director of Pzena Investments says the CAPE ratio has definitely been screaming over-valued for some time. However, he makes the point the Schiller's original work was only ever meant as an indicator of long term returns for the market. 'I don't think it was ever meant to be a short-term market timing tool,' he comments.

Duncan Lamont, head of research and analytics at Schroders, last year said when the Shiller PE was high, subsequent long term returns were typically poor. 'One drawback is that it is a dreadful predictor of turning points in markets. The US has been expensively valued on this basis for many years but that has not been any hindrance to it becoming ever more expensive.'

CHECKLIST:	
POSITIVES	Current valuations metrics don't imply the UK market is overly expensive and stocks are certainly cheap relative to the US. A 3.8% prospective dividend yield from the FTSE 100 is also a decent reward for the extra risks of investing in the stock market versus cash in the bank where rates are very poor and generally below the current level of inflation.
NEGATIVES	Higher than average equity ratings increases the risks that shares fall on the slightest bit of bad news.

Perhaps a better way to gauge the market's valuation is to look at forward PE ratios, namely how current share price match against earnings forecasts for the next one and two years.

The FTSE 100 is currently trading on 14.09 times the current financial year's earnings estimates versus an approximate average of 13-times over the past 15 years.

In comparison, the S&P 500 in the US currently trades on 17.01-times versus a historical average of 15-times.

HOW CONFIDENT IS THE UK CONSUMER AND WHY DOES THAT MATTER TO INVESTORS?

UK living standards are starting to rise again in a boon for consumer confidence, although rising petrol prices mean disposable incomes remain pressured and retail sales data is volatile at best.

GfK's Consumer Confidence Index highlights confidence remains fragile with the index decreasing by two points to -9 in April for a 28th consecutive month without a positive overall index score.

However, retail sales rose by a better-than-expected 1.6% in April as consumers resumed spending following a long period of unseasonably cold weather. In March, sales had fallen by 1.8% and recorded their biggest quarterly fall in seven years, according to figures from the Office for National Statistics.

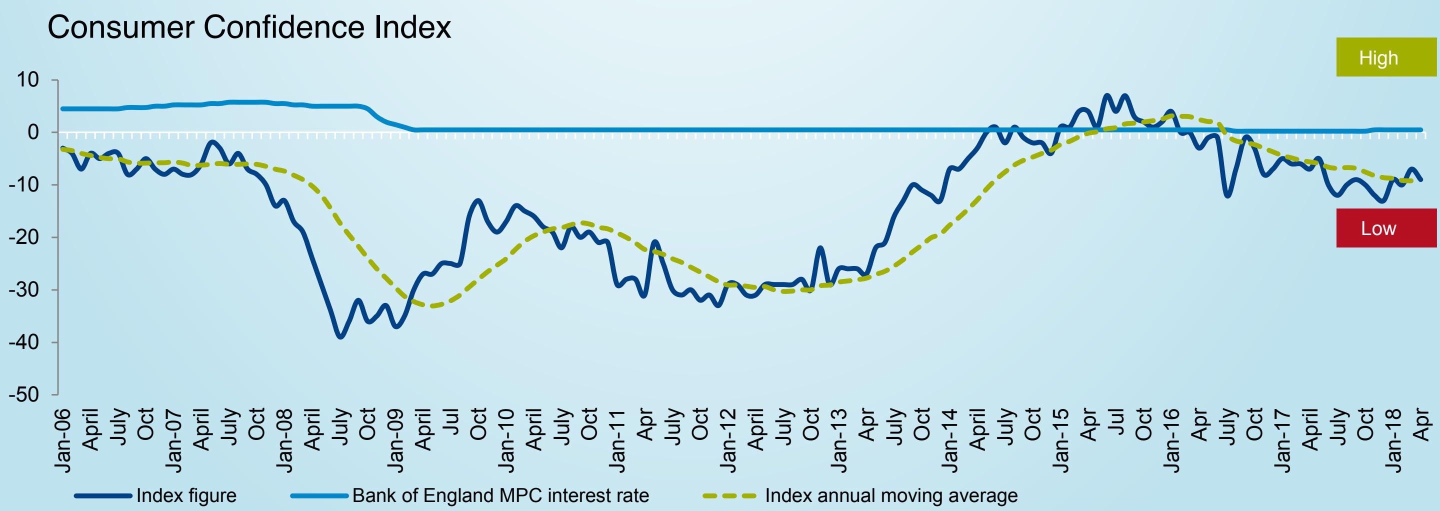
Mike Bell, global market strategist at JP Morgan Asset Management, says retail sales are highly correlated with consumer confidence and wider consumption which makes up a significant part of UK GDP.

For those investing in the FTSE 100, Bell stresses that global growth matters more as the majority of revenues for the largest UK companies come from abroad.

But if you own shares in UK domestic businesses, the state of the UK economy and consumer confidence levels are extremely important to your investments.

Put simply, more jobs and higher pay feed through to increased spending which should boost corporate earnings – the latter is a key driver of share prices. In contrast, a weak economy and worried consumers can lead to reduce spending which hurts corporate earnings.

CHECKLIST:	
POSITIVES	An optimist's view would be that consumer confidence isn't getting dramatically worse. Signs of rising wages could help to improve the situation as the year progresses, although ongoing uncertainty over how Brexit will play out could keep consumers nervous.
NEGATIVES	GfK's Consumer Confidence index has been weak for a long time, yet the stock market has been racing ahead – so is it really an accurate lead indicator for equities? We do believe it is very important to watch consumer confidence and to get a general feel for how the public is thinking.



The Index Score is calculated using the results of five questions (1,2,3,4, and 8). The mean score from each of these five questions is combined and the Index Score is the average.

Why investors will be hoping transport stocks pick up steam in the second half of 2018

Various transportation indices can tell you a lot about the state of the world

By Russ Mould, investment director, AJ Bell

The details are far from clear, but it does seem as if America and China may be stepping back from the brink of a trade war and mutual exchange of tariffs from which only losers, not winners were likely to emerge, whatever President Trump may argue.

So far the only detail to emerge is China's move to cut tariffs on imported US cars. It is to be hoped that this olive branch leads to a more comprehensive and formal agreement to avert a clash that investors and financial markets in general fear would do no one any good.

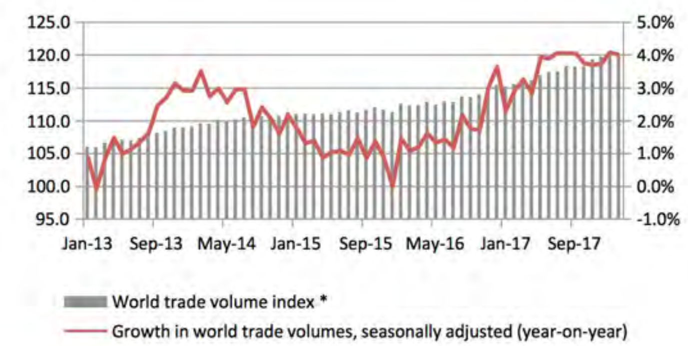
An upturn in global trade activity has been a notable feature of the last 12 to 18 months and therefore presumably has been a key contributor to the narrative of a 'synchronised global recovery' which has done so much to lift wider risk appetite and equity valuations in particular in 2017 and 2018.

Data from the CPB Netherlands Bureau for Economic Analysis' *World Trade Monitor* provides some factual basis to the story.

However, it does seem as if growth rates are stalling, to offer some support to the 'as good as it gets' thesis which is nipping away at wider appetite for risk and global stock markets (despite the latest all-time highs in the FTSE 100).

This will be an indicator to watch going forward. Further strength could offer some reassurance on global growth while any slippage could warn of potentially tougher times ahead.

WORLD TRADE FLOWS ARE STILL GROWING ALTHOUGH THE RATE OF INCREASE MAY BE STALLING



Source: Thomson Reuters Datastream

TIME FOR DOW THEORY

Unfortunately this valuable CPB world trade data arrives with a lag of a couple of months and it is backward-looking.

This is a problem for investors who are dealing with asset allocation decisions in financial markets that are by their very definition forward-looking discounting mechanism where – in the short term at least – perception of the future drives prices (even if profits and cash flow ultimately determine value over the long run).

This leaves investors looking for alternative means of testing the economic and market waters.

Regular readers will know that one of this column's favourite indicators which marry markets with economics are transportation stock indices, notably the Dow Jones Industrial Transportation benchmark in the US and the FTSE All-Share Industrial Transportation index in the UK.

This predilection is largely based upon the late Richard Russell's Dow Theory.

Logic suggests good news if the share prices of the firms moving goods around the world by road, rail, sea or air are doing well. If something is sold, it has to be shipped.

Equally, weakness in the shares of transport companies could imply inventories are piling up on shelves and forecourts, leading to production cuts and a potential downturn in industrial activity, economic output, corporate earnings and potentially stock market valuations.

ROUND THE WORLD TOUR

Throughout 2017 the Dow Jones Transportation index led the better-known Dow Jones Industrials higher in classic 'bull market' fashion.

The Transports have lost a little momentum since, in keeping with the 'as good as it gets' theory.

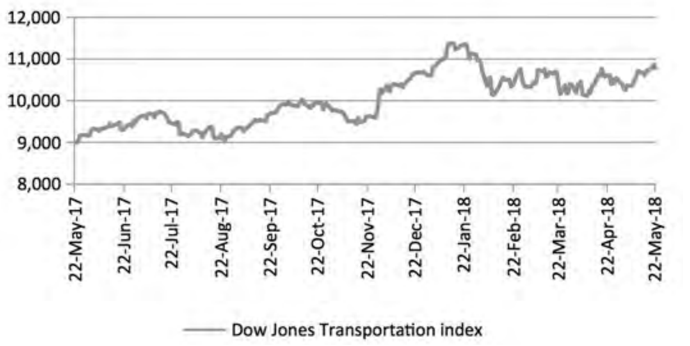
However, American trucking, rail, shipping and air stocks have begun to make fresh ground of late so it will be interesting to see if the Dow Jones Transportation index can start to set new highs as that could be a good sign for the Dow Jones Industrials, S&P 500 or NASDAQ Composite, if history is any guide.

Europe's transportation indices also seem to be losing a little steam. The picture in the UK is more encouraging, although the presence of **Royal Mail (RMG)** in that particular benchmark may confuse matters a little, as it is unclear whether the group offers a good reflection on economic activity, despite the power of its parcels business.

An eight-quarter GDP growth streak in Japan has just come to an end, breaking the best run for the thick end of two decades.

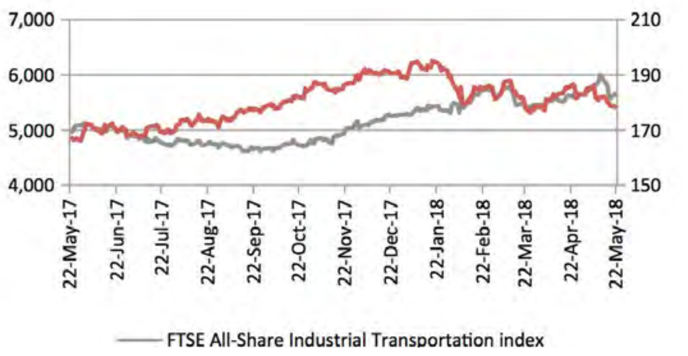
A cooling in the transport indices would therefore make sense, although the divergence between land and air is interesting, as it suggests the domestic economy is solid and that exports may be an issue. That said April export growth reaccelerated to 7.8% year-on-year from 2.1% in March, in volume terms.

BULLS WILL WANT TO SEE FRESH MOMENTUM FROM THE DOW JONES TRANSPORTATION INDEX



Source: Thomson Reuters Datastream

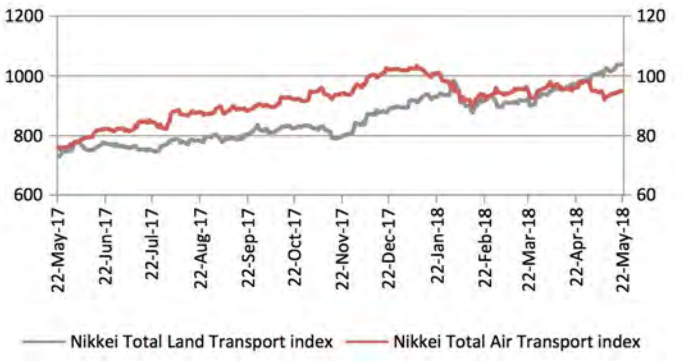
THE UK TRANSPORT INDEX LOOKS MORE ROBUST, ITS EUROPEAN EQUIVALENT LESS SO



Source: Thomson Reuters Datastream

Royal Mail dominates UK transportation index

JAPAN'S AIR AND LAND TRANSPORT INDICES ARE SHOWING MIXED FORTUNES



Source: Thomson Reuters Datastream

China helped to keep the global economy on the road last year as the benefits of the 2016 fiscal and monetary stimulus programmes worked their way through, but now the 19th Communist Party Congress is out of the way President Xi Jingping is again focusing on debt and shadow banking and asset bubbles, even as he targets another year of 6.5% to 7% GDP growth.

This may explain why Chinese freight indices are sagging. This is turn raises the question of whether Chinese (and potentially global) growth relies too much on stimulus and debt with the result it may not be sustainable.

CHINESE FREIGHT INDICES ARE MOVING LOWER

Source: Thomson Reuters Datastream

SHIPPING FORECAST

If following all of these different benchmarks is too much for time-pressed investors then perhaps one stock will do.

This firm is the Copenhagen-quoted AP Møller Maersk, the world's largest container shipping company, a status which may make it a decent proxy for global growth.

Intriguingly, a longstanding relationship with the FTSE All-World index has broken down.

AP MØLLER MAERSK'S SINKING SHARE PRICE COULD BE A WARNING SIGN

Source: Thomson Reuters Datastream

This may reflect dissatisfaction among Danish investors with chief executive Soren Skou's decision to break up the firm and sell its energy operations. Alternatively, it could suggest that financial markets are too optimistic about the global growth outlook.

Investors will doubtless be hoping it is the former and not the latter.

Maersk a proxy for global growth?

EasyJet vs Ryanair: Which shares could have made you richer?

We explore EasyJet and Ryanair's latest trading as they pursue different growth strategies

Low-cost airline **EasyJet (EZJ)** has surprised the market by delivering a pre-tax profit of £8m over the traditionally loss-making winter period and revealed an interesting new growth strategy.

The airline sector is embroiled in a price war that contributed to the demise of rivals Monarch and Air Berlin last year, while rising oil prices have increased fuel costs.

EasyJet's upbeat half year results in May paint a stark picture compared to fierce rival **Ryanair (RYA)**, which warned investors a series of headwinds and higher costs will impact earnings.

The conflicting outlook between EasyJet and Ryanair begs the question – which would an investor have made more money from and is EasyJet's strong trading expected to continue?

Since EasyJet floated on the stock market in November 2000, it has rewarded investors generously with a 716% total return.

Over the same period, Ryanair has delivered a more modest but still impressive 599% total return.

In the six months to 31 March, EasyJet revealed a record number of passengers at 37 million and strong ancillary sales helped drive revenue 19.5% higher to £2.18bn.

The airline has also been able to more efficiently fill its flights as its load factor rose from 90.2% to 91.1% over the same period.

TOTAL RETURN SINCE NOVEMBER 2000

Source: SharePad

> EasyJet will be able to take advantage of its well-known brand

TARGETING THE THRIFTY AND LOYAL

Under a new strategy, EasyJet will increase its investment in EasyJet Holidays to tap a greater share of the market and plans to introduce a loyalty programme to encourage customers to fly again.

EasyJet Holidays aims to make it easier for its customers to book a package holiday without breaking the bank and will be led by the newly appointed Garry Wilson.

Customer loyalty is important for EasyJet as 46% of customers only fly with the airline once a year – and returning customers tend to book twice as many flights.

By bringing in a new loyalty scheme, EasyJet hopes to drive passenger and ancillary sales by using more data and investing in technology to improve its offering and cut costs.

AJ Bell investment director Russ Mould is intrigued by the new strategy but warns the holiday market it is a competitive space to break into.

Despite this reservation, Mould believes EasyJet will be able to take advantage of its well-known brand.

'Getting them to add accommodation in the same transaction could be an easy win for the group as long as the price is right,' comments Mould.

Ryanair is focusing on growing its aircraft to nearly 600 in an attempt to hit 200m passengers per year by 2024.

UPBEAT GUIDANCE

In the year to 30 September 2018, EasyJet forecasts a headline pre-tax profit of between £530m to £580m excluding the impact of a headline loss from integrating its new base at German Airport Tegel, this was ahead of previous consensus expectations of £505m.

Looking ahead, pre-tax profit is anticipated to increase to £645.8m in 2019 and £660.5m in 2020.

Last year the picture was rather less positive as the company was forced to cut its proposed dividend by 24% to 40.9p amid lower ticket prices, currency headwinds and higher costs hit profits.

Wikimedia Commons

The airline has a dividend payout ratio of 50% of headline profit after tax and expects to deliver dividend growth in 2018.

WHY IS RYANAIR STRUGGLING?

Like EasyJet, Ryanair struggled last year. It was hit by strike threats, widespread disruption and flight cancellations following pilot rostering issues.

In order to appease unhappy pilots, the budget airline decided to boost pay and is planning to invest an additional €200m for higher pay and to attract new talent.

Further costs of more than €400m are expected as oil prices continue to rise, resulting in Ryanair issuing a profit range guidance of €1.25bn to €1.45bn in the year to 31 March 2019. At the lower end this falls short of analyst consensus of €1.37bn.

Pre-tax profit is forecast to hit €1.55bn in 2020 and jump further to €1.71bn, according to Reuters data.

WHAT DO THE ANALYSTS THINK?

Broker Cantor Fitzgerald analyst Robin Byde expects estimates for EasyJet to rise 'by at least £50m' on the back of the strong half year results.

Byde says the issue for investors is how much of the good news is priced in the stock as the shares have rallied 14.4% to £17.18 (24 May) since the start of 2018.

Despite Ryanair's lower guidance, Canaccord Genuity's Gert Zonneveld is confident it has much to offer going forward with its sustainable unit costs advantage, superior margins and long-term growth prospects.

While fares are expected to be broadly flat this year for Ryanair amid high European capacity growth, broker Numis says industry consolidation could provide a catalyst. (LMJ)

Delivering something different for investors

Investment trust offers exposure to a range of diverse asset classes in one neat package

Housed within the AIC's Flexible Investment sector, **Henderson Alternative Strategies Trust (HAST)** exploits global opportunities not usually readily accessible in one vehicle to provide shareholders with long-term growth. The trust trades at a 17.3% discount to net asset value (NAV).

Managed by Janus Henderson Investors duo Ian Barras and James de Bunsen, the trust offers shareholders a diversified international multi-strategy portfolio and access to an array of specialist funds including hedge and private equity.

'It is all about alternative and specialist strategies,' says co-manager de Bunsen. 'We are unique in the listed trust world in that we're a one-stop shop for alternatives and less mainstream assets and strategies. We can and will take a top down view to allocate and de-allocate away from areas depending on what the market looks like.'

During the six months to 31 March, global equity markets rallied strongly, before falling back due to concerns over rising rates, the increased risk of more protectionist global trade policies and heightened geo-political tensions.

Against this volatile backdrop, HAST generated an NAV total return of -0.5%, a modest shortfall versus the 0.3% return for the benchmark FTSE World Total Return Index. A disappointing share price total return of -5.2% mainly reflected a widening of the discount from 12.5% at 30 September 2017 to 17.4% as at 31 March 2018.

DIVERSIFICATION IS YOUR BEST DEFENCE

The global equities sell-off seen during February and March served to remind any complacent investors valuations are at historically high levels and are vulnerable to concerns over global growth, while the global economy is moving into a rising interest rate environment.

Against this backdrop, HAST's investment strategy provides investors with a valuable source of diversification through exposure to a well-managed, good-quality portfolio of alternative asset and specialist funds.

IDIOSYNCRATIC OPPORTUNITY

Barras retires on 30 June 2018, although co-manager de Bunsen continues in his role and will be joined by Peter Webster, who has worked alongside the pair for the past four years. De Bunsen believes this highly diversified portfolio offers a range of good NAV growth opportunities, a number of them idiosyncratic in nature and not dependent on bull market conditions to deliver their returns.

'We think that valuations are stretched in mainstream asset classes – equities and bonds are expensive,' says de Bunsen. 'Everything looks fairly fully valued and the environment is going to get riskier. We're at the end of QE, interest rates are going up and that is a headwind for equities.'

The positive news for HAST shareholders is that 'our portfolio is full of things that we think can withstand or thrive in that kind of environment, such as hedge funds, which tend to be long/short.

'Some of them really like volatility and their managers are finding lots of interesting short ideas out there.'

HAST has a high conviction portfolio of around 30 core, longer-term holdings that represent 94% of NAV, a segment of the portfolio unlikely to see significant stock turnover. HAST is reducing its annual management fee from 0.7% of net chargeable assets to 0.6% on the first £250m of assets and 0.55% thereafter and there is no performance fee payable.

KEEPING THEIR DISCIPLINE

'You just want to find the best hedge fund managers you can,' says De Bunsen, who puts an onus on their past performance. 'Have they navigated trickier times in the past? We prefer managers who've demonstrated their skills and have a track record going back ten years or so.'

In terms of keeping their discipline, de Bunsen says it is 'just about focusing on quality all the time. We ensure the managers are of the highest quality and the assets are of the highest quality'. Such discipline has also enabled HAST to successfully avoid the peer to peer lending space – 'that's been a disaster'.

SPECIAL SITS & CATALYSTS

'We've tried to skew the portfolio towards special situations or investments that have a specific catalyst,' says the manager. One new core investment is a stock, namely **Sigma Capital (SGM:AIM)**, a developer of private rental sector (PRS) housing in UK areas requiring regeneration and also the fund manager of closed-end fund **PRS REIT (PRSR)**.

Given high demand for competitively priced, good-quality rental accommodation in the UK, de Bunsen expects PRS REIT 'to grow significantly over the next few years which will, in turn, benefit Sigma.' The investment in Sigma, whose bottom line benefits each time the REIT raises money, has already 'generated an attractive gain in just a few months.'

HAST has topped up its holding in Safeguard Scientifics, a US listed direct private equity investor with an undervalued portfolio of healthcare, financial services and digital media firms and helps them grow.

Safeguard recently announced it would be selling its entire investment portfolio, not carried at air value due to US equity accounting rules, whose market cap is at a 40% discount to estimated fair value.

A standout performer in HAST's specialist geography space has been KLS Sloane Robinson, a long only emerging markets equity fund that 'has done extremely well', boasting a strong track record in protecting capital during difficult markets whilst taking part in the upside.

Addressing the discount, de Bunsen says 'we would love it to be nearer to NAV, but it seems to us that there is always a discount applied to anything that is illiquid', such as private equity assets. (JC)

HENDERSON ALTERNATIVE STRATEGIES TRUST (HAST)

MANAGEMENT GROUP: JANUS HENDERSON INVESTORS	**LAUNCH DATE:** 01/08/1991
AIC SECTOR: FLEXIBLE INVESTMENT	**SHARE PRICE:** 281P
BENCHMARK: FTSE WORLD INDEX	**NAV:** 339.58P
	DISCOUNT: 17.3%
	DIVIDEND YIELD: 1.7%

Source: AIC/Morningstar/Janus Henderson Investors

GEOGRAPHICAL FOCUS
AS AT 31 MARCH

33%	Western Europe
31%	North America
8%	BRICS (ex Russia)
5%	Japan, Australia, New Zealand
5%	Frontier
5%	Miscellaneous
5%	Russia
3%	Cash
3%	Eastern Europe
2%	Asia Emerging

TOP TEN HOLDINGS
AS AT 31 MARCH

5.8%	BlackRock European Hedge Fund
5.4%	CEIBA Investments
5.2%	Mantra Secondary Opportunities
4.5%	KLS Sloane Robinson Emerging Market Equity Fund
4.5%	Schroder Gaia Indus PacifiChoice Asia Fund
4.5%	Baring Vostok Investments
4.3%	Majedie Asset Management Tortoise Fund
4.3%	Riverstone Energy
4.1%	Summit Germany
3.8%	Polar Capital Global Financials Trust

Source: Janus Henderson Investors

There are more attractions to Russia this year than the World Cup

While it may not win popularity contests, there are some great fundamentals in its markets

All eyes will be on Russia next month as the football World Cup kicks off so it is a good time to consider the merits and methods of investing in the country.

To tackle the elephant in the room straight off, Russia has recently been the subject of economic sanctions from the US which, according to Mattias Siller, manager of **Barings Emerging Europe (BEE)**, were done with an 'ulterior motive' other than to ruin Russia's economy.

Artjun Divecha, head of asset manager GMO's emerging market equity team, agrees. He says if the intent was to hurt Russia economically, sanctioning companies like Sberbank and Gazprom would have had a much more 'profound impact'.

WHAT ARE RUSSIA'S FUNDAMENTALS

While there are several political issues which obscure the Russian investment case, on a valuation level at least it's extremely cheap, trading on at an average price-to-earnings of around 7-times while offering a yield of about 5%. The economy is dominated by the resources sector, Barings Emerging Europe having a large holding in Lukoil.

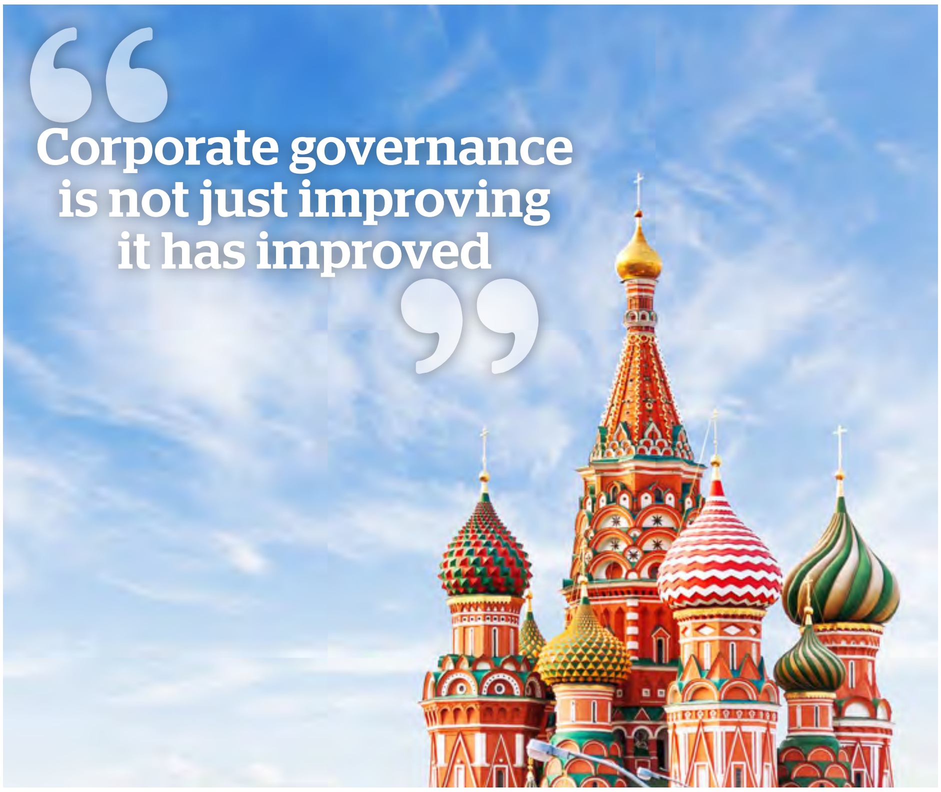
Siller explains with a 'double whammy' of a cheap currency and rising oil prices these sorts of companies' revenues are climbing while their cost base is coming down. This is also increasing the levels of free cash flow these energy companies which he adds is important as the companies are carrying much debt.

'It's a jackpot with the currency,' says Siller.

Barings Emerging Europe is highly exposed to Russia with over 60% exposure. Siller says one attraction to the country's equity markets is what he describes as the 'de-synchronised business cycle'.

He explains while most large markets are in a late cyclical growth stage, Russia is on the 'cusp' of an early stage recovery which along with attractive valuations is another' pull' to the country.

One of the largest of Baring's trust's positions is in Sberbank which has had to be reduced to coincide with the trust's diversification rules.



"Corporate governance is not just improving it has improved"

PROGRESS ON CORPORATE GOVERNANCE

One element of Russia's draw for investors may surprise; it's progress on corporate governance, albeit from a low base. 'The main reason I'm confident on Russia Inc. is that corporate governance is not just improving it has improved' according to Siller.

He says this is true of both state-owned and private organisations and a good example of progress is the level of dividends being paid out. He says that Russian companies distribute a third of their earnings as dividends and expects a higher payout ratio going forward.

JPMorgan Russian Securities (JRS) is a pure Russia-focused trust managed by Oleg Biryulyov and did fall foul of the US sanctions introduced by the US on 6 April. While Barings trust hold's Sberbank, the bank has limited dealings with companies the US imposed sanctions on.

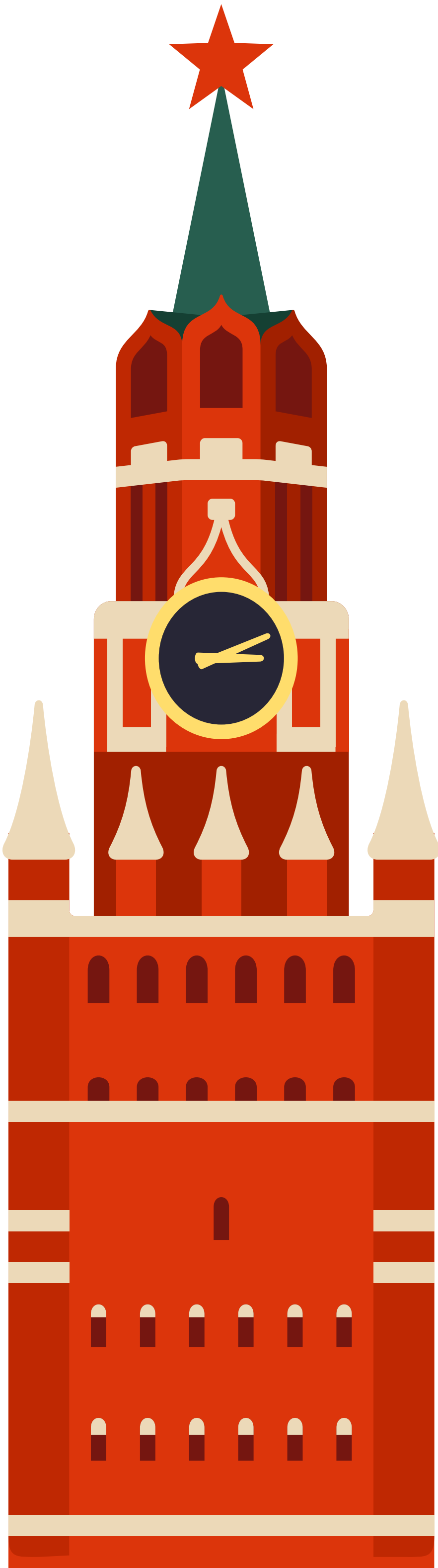
By contrast the JPMorgan trust had around a 1% exposure to Rusal which was directly subject to US sanctions.

This contributed to its net asset value briefly dipping by 7.5% in April.

Unlike Siller, Biryulyov is less convinced of Russia's corporate governance pedigree. According to a note from broker Numis, the manager has concerns over the running of companies like transport firm Transneft and VTB Bank.

Both Siller and Biryulyov share positive views of the economic state of Russia though. The latter has invested in some large cyclical stocks to play the recovery theme. The valuation metrics of energy giant Gazprom too tempting for either to ignore, trading on a price to earnings of just 4-times while paying a dividend yield of around 6%.

Both managers are skilled stock pickers believing this the best way to play a volatile market such as Russia, especially as the political issues show no sign of abating quickly.



> "Russia's relationship with the world is now approaching truly awful"

RUSSIAN RISKS

Russia was the best performing country in the MSCI Emerging Markets index in the first quarter of this year before the US intervention.

The issue with geo-political tensions is that there can be a disconnect between the issues and the economic environment. Siller says that 'political risk is uncorrelated' and Nicholas Mason, Invesco Perpetual's emerging market equities fund manager says the rise in political tensions will not 'detract us from investing in fundamentally strong Russian companies'.

The recent spike in political tensions nonetheless had negative impacts on funds that had holdings in Russia. JPMorgan Russian Securities is trading on a 16.28% discount with Barings Emerging Europe on a 12.59% discount.

GMO's Arjun Divecha observes: 'We've always said that you make more money when things go from truly awful to merely bad than when they go from good to great. Russia's relationship with the world is now approaching truly awful'. (DS)

RETIREMENT money show

13 June 2018
12:30 - 17:30

Produced by AJBell Media

ARE YOU RETIREMENT READY?

Come to the **Retirement Money Show** at America Square, London, EC3N 2LB to find out more about retirement planning.

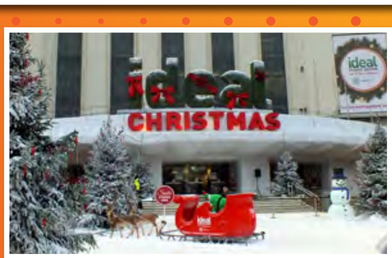
All attendees will receive a goody bag that includes:

REGISTER NOW

A Mag-Lite Solitaire Incandescent Torch in a presentation box

The new DIY Investor ebook written by Andy Bell, CEO of AJ Bell (RRP £17.99)

PLUS all attendees will be entered into free prize draws for: Two tickets to the Windsor Enclosure at Royal Ascot, Two weekend tickets to the Ideal Home Show at Christmas and Two tickets to the RHS Hampton Court Flower Show.



It's no fun getting old when you're worried about running out of money, so do you have a financial plan for the possibility of living to be 100? Did you know that the current average retirement age is 64 years old and the average life expectancy is now 81 years old? To put this into perspective you might have to plan your retirement pot to last 17 years.

Come along to the **Retirement Money Show**, the London-based afternoon event run by Shares and AJ Bell Media which takes place on 13 June 2018 and features expert pension and financial speakers who will help investors better understand pensions and savings.

Register for free today and receive your **Retirement Money Show** goody bag when you arrive!

Discover more about the most important retirement issues and how best to manage your hard-earned money. The show is suitable for people still in employment and wanting to better **understand financial planning**, as well as those already in retirement looking to get the most from their pension and other assets.

Our speakers will be covering topics that are relevant to both those already in retirement and those who are still in work.

Knowing how to manage your pension pot either in preparation for later life or during retirement is one of the big challenges facing millions of people today and a central theme to the free-to-attend **Retirement Money Show**. It is one of a number of topics that we will discuss during the afternoon, so come along to the event armed with questions as there will be a wide range of people happy to talk to you.

You will have the opportunity to ask questions to most of the speakers and to **interact with specialists in savings, income, funds, ISAs and pensions/SIPPs** on the exhibition stands.

If you are new to the world of investing and pensions, don't think this event is only for financially-savvy people with years of experience in buying stocks, shares and funds. We purposely created an event that will serve the needs of both amateurs and experienced investors.

The **Retirement Money Show** is free to attend; you simply need to register in advance to secure your ticket. The afternoon event is being held on 13 June 2018 between 12.30 and 17.30 at the America Square Conference Centre, 1 America Square, 17 Crosswall, London, EC3N 2LB. The venue is well served by public transport with several tube stations on its doorstep.

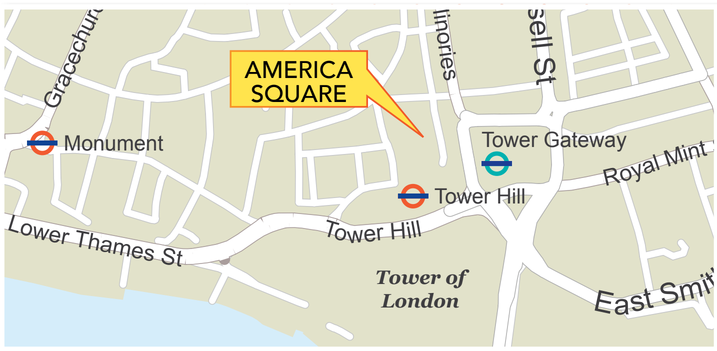
Learn about:

- Managing cash flow & liquidity in retirement
- Balancing competing near and long-term financial demands
- Living your life during retirement years
- Making sure you retire on the best income
- Personal pensions – your guide to managed or self-investing
- ISAs – an alternative to pensions
- Long term managed income through Funds and Investment Trusts

If these are some of the many retirement planning issues that apply to you, then you need to join us at the **Retirement Money Show**.

Hear from:

Mike Boydell, Managing Director – Shares
Dan Brocklebank, Director – Orbis Access
John Carnegie – Monks Investment Trust
Stewart Cazier, Head of Retail – ThinCats
Nick Brind, Fund Manager – Polar Capital Financials Trust
Paul Mahoney, MD & Founder – Nova Financial
Tom Selby, Senior Analyst – AJ Bell
Paul Stallard, Commercial Director – The House Crowd
Presenter TBC – J.P. Morgan Asset Management
Presenter TBC – Close Brothers Asset Management



AT AMERICA SQUARE, LONDON EC3N 2LB

To find out more and register
www.retirementmoneyshow.com
dimple.patel@sharesmagazine.co.uk
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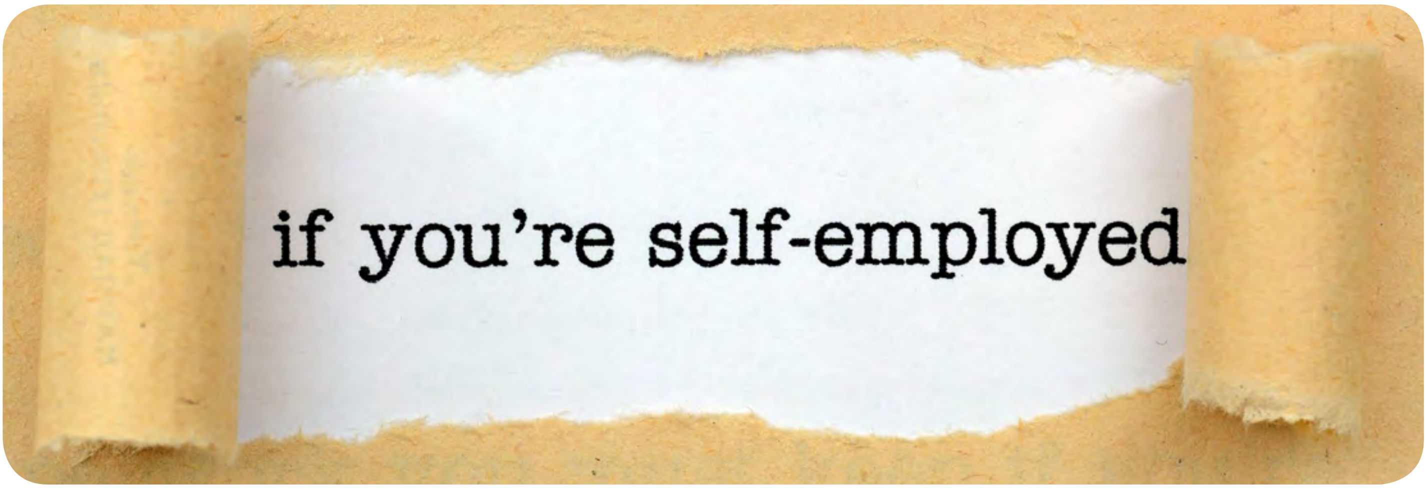
Sponsors and featured companies

Pension tips for the self-employed

From choosing a pension to making contributions, we reveal how to prepare for retirement



Building up a decent-sized pension pot can be a lot more challenging if you're self-employed as oppose to employed.

Employed people not only get a nudge to save into a pension through auto-enrolment, they also benefit from employer-matched pension contributions.

If you're self-employed, you're essentially on your own. And if you do nothing, you might have to rely solely on the state pension, which currently pays a maximum of just £164.95 a week.

It's not all doom and gloom though. Pensions are a lot more flexible than they were in the past, which means it's easier to build up a nest egg in the way that best suits your individual circumstances.

WHERE DO I START?

There are lots of different schemes you could opt for if you're self-employed and saving for retirement.

The main pension providers, like Aviva and Standard Life, offer personal pensions which let you invest into a range of funds that suit your retirement goals and attitude to risk.

Other providers include PensionBee, which helps people to locate and transfer pensions into one place. You can then invest them into one of three plans: a low-cost global tracker, a managed fund, and a 'green' fund.

The government scheme NEST (National Employment Savings Trust) is also open to self-employed people, but it's more expensive and offers less choice than other pensions.

A self-invested personal pension (SIPP) offers the most investment choice and flexibility. You can open one up within minutes via an investment platform.

'SIPPs are good option if you want control over how you invest your money. They allow you to invest in a wide variety of stocks, bonds and funds at low-cost,' explains Tom Selby, senior analyst at AJ Bell.

'Different SIPPs offer different levels of choice and service, and charge you different amounts, so it's worth shopping around providers to make sure you get the best possible deal.'

Even if you don't want to pick investments, that doesn't preclude you from opening a SIPP.

Several SIPP providers offer 'model portfolios' – baskets of investments designed to meet your appetite for risk.

AJ Bell, for example, offers five funds ranging from 'Cautious' to 'Adventurous' with charges capped at 0.5%.

'What really matters, though, is not how you invest your pension pot, but contributing as much as you possibly can to build a large pot of money for later life,' says Martin Bamford, managing director at Informed Choice.

HOW MUCH DO I NEED TO SAVE?

If you don't receive employer contributions, you'll typically need to save more into a pension than your employed peers do.

According to AJ Bell, if someone earning £30,000 a year is auto-enrolled at the minimum level, their £959 of personal contributions over the year will be increased to £1,918 through a combination of the 3% employer match (£719) and tax relief (£240).

If they're self-employed, the same contribution will only be boosted by tax relief to £1,199.

But it's still important to ensure your pension contributions are affordable.

'Any savings made will not be accessible until at least 10 years before state pension age from a personal arrangement and a refund of contributions won't generally be given before that,' warns Matthew Coppin, manager, financial advice at Castlefield Advisory Partners.

'So it is crucial that this forms part of a well-organised overall savings plan with other more liquid and available assets being there if needed in the short term – perhaps bank deposits or cash ISAs.'

HOW CAN I BALANCE REGULAR SAVING WITH A FLUCTUATING INCOME?

Saving money every month might be difficult if you've got a fluctuating income.

Coppin suggests working out your average earnings and then generating a savings budget from that.

If you haven't been self-employed for long enough to know your average income, you could make contributions in bulk or top up your savings towards the end of the tax year.

Selby recommends saving a percentage of the income you get rather than a fixed amount.

'So, for example, if you set yourself a target of saving 10% of whatever you earn each month, you'll automatically reduce saving during lean months and increase saving during better months,' he explains. 'By doing this, you can save for tomorrow while ensuring you don't end up cash-strapped today.'

If you're really stretched, it's worth realising that saving just small amounts of money is worth it in the long run.

'Regular long term savings will build up over time and make the task of saving enough to fund your retirement much easier to swallow,' says Fiona Tait, technical director at Intelligent Pensions.

'You can then top up your savings with a lump sum at the end of your business year when you know what your profits are likely to be.'

HOW DO I BOOST MY CHANCES OF A COMFORTABLE RETIREMENT?

The best thing you can do is start saving as much as you can afford as soon as possible.

'The longer your pension contributions are invested, the more they can benefit from compounded investment returns,' explains Bamford.

It's also worth focusing on your end goal to ensure you don't end up spending your money rather than saving it.

'If you want to have a comfortable old age, and be able to choose when and how you spend your savings, then you must save now,' Tait says.

Don't forget to review your pension, investment selection and contribution levels at least once a year to make sure they're still appropriate. (EP)

FTSE 100 pension schemes move into surplus

But are members of defined benefit schemes safer?

Bring out the bunting! Just days after Prince Harry and American actress Meghan Markle, now the Duchess of Sussex, were married in Windsor, members of defined benefit (DB) schemes might also have been tempted to pop open the champagne in celebration.

Well maybe champagne is going a bit far, but certainly a drop of Buck's Fizz. Because according to Lane Clarke & Peacock (LCP), a London-based pensions consultancy, FTSE 100 DB schemes ended 2017 in surplus – meaning they had more than enough assets on their aggregate balance sheets to pay off their estimated liabilities (that is the amount they expect to pay out in pensions).

Specifically, the firm reckons the UK's biggest companies swung from a deficit of £31bn at the end of 2016 to a £4bn surplus at the end of last year.

It is the first time since 2007 – before the financial crash hit – that FTSE 100-sponsored schemes have recorded a year-end net surplus.

So why has this happened? And what does it mean for those who rely on DB schemes to pay out their pensions?

LCP cites three primary reasons for the improving of DB funding positions during 2017:

- Companies contributed a staggering £13bn towards the schemes over the course of the year – almost double the cost of the extra pension benefits members earned
- Many schemes were boosted by the stock market bull run, increasing the value of the assets on their balance sheet
- Some firms tweaked their life expectancy assumptions to reflect recent data suggesting improvements in life expectancy in the UK are slowing.

While this last point may seem at face value relatively insignificant, even tiny changes in the figures used to calculate life expectancy can wipe billions off the accounting value of a company's DB liabilities.

WHAT SHOULD DB MEMBERS DO?

Just as scheme members shouldn't be overly concerned by headlines saying DB deficits are ballooning, it's also wise to take any claims that schemes are now swimming in pension cash with a pinch of salt.

As you can see from the graph, the funding position of schemes is extremely volatile and even the slightest shift in interest rates – or any other assumption for that matter - could add or remove tens of billions from the reported figure.

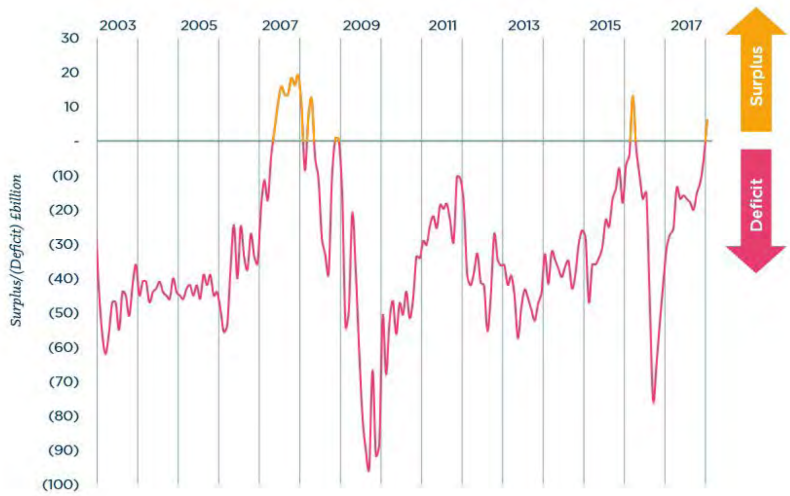
Rather than assessing aggregate figures, you should focus on the deficit (or surplus) of the scheme you are in and assess the strength of the employer responsible for paying pensions.

Even if you are worried about this, in most cases you would be well advised to stay where you are because, even if the worst does happen and the scheme sponsor fails, the Pension Protection Fund (PPF) exists as a valuable lifeboat for members.

You can read more about the protection provided by the PPF and DB transfers in general here.

Tom Selby, senior analyst, AJ Bell

Estimated IAS19 position for UK schemes of FTSE 100 companies



Source: Lane, Clarke & Peacock Accounting for Pensions Spring 2018 update

What Intertek's revenue rally means for its premium rating

This global quality assurance company passes a lot of tests but does it fall down on valuation?

FTSE 100 multinational inspection, testing and certification company **Intertek (ITRK)** started life on the markets as a marine surveying business in the 1890s but is now so much more.

The company is among other things the largest tester of consumer products in the world, with over a 1.000 laboratories in a 100 countries.

Because these services are often driven by regulation, revenue and in turn profit and cash flow is relatively predictable. This has helped underpin a consistent track record of dividend growth.

The company recently released an update for the four months to 30 April to tell investors how things have been going so far this year.

CEO Andre Lacroix seems upbeat on his firm's 4% organic growth rate during the time frame. Analysts, some of whom have been quite sceptical of the company's recent results, seem to share his enthusiasm.

Shore Capital analyst Ben McSkelly says the statement seems to confirm full year guidance 'hinting at the top range'.

McSkelly had previously questioned whether some of the charges the company had written off as 'exceptional' were in fact one offs or actually ongoing business improvement costs.

The company is targeting moderate margin expansion and strong cash conversation so bringing in revenue of £861.2m in the first four months is a decent start.

However, half year results on 7 August may get a more sceptical hearing if the company has again included a load of exceptional charges.

ADDRESSABLE MARKET

The global quality assurance market is worth $250bn and Intertek is a big player in it, with the company's main rivals situated overseas. However, this strong market positioning is already reflected in a premium valuation. Based on forecasts from JP Morgan Cazenove the stock is on a 2019

price-to-earnings ratio of 26.3-times.

Reuters peer group average trades on 16.4-times so maybe this is why the company has so many analysts sitting on the fence. Only two buy recommendations versus 10 holds says something about how the market views the stock.

A premium is not justified simply because it might be the only company working in this exact sector in the UK. Fund managers have access to stocks in markets all around the world.

Intertek does have a record of upping its dividend payment every year, it has done so for the last decade. The company is targeting a 50% payout ratio for 2018 and JP Morgan has taken them at their word and factored this in to estimates although it notes 'our forecast is well above consensus'. (DS)

Hollywood Bowl is proving to be a superb investment

Performance has been flawless since it joined the stock market in 2016

Tenpin bowling UK market leader **Hollywood Bowl (BOWL)** is a fantastic opportunity for anyone seeking a high quality small cap investment.

Shares in the £350m business have increased by 47% to 235p since listing in 2016 and we believe they should keep rising.

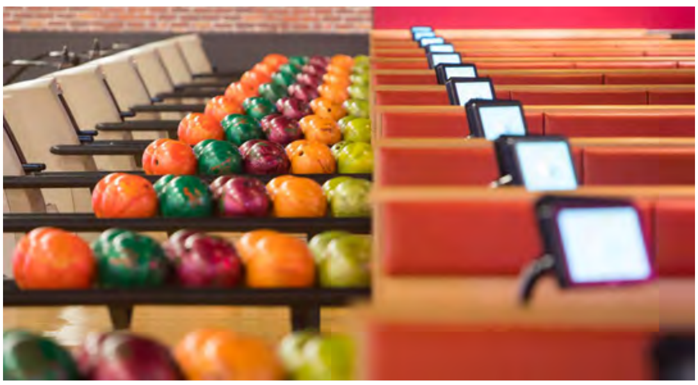
We're really impressed by the way management are testing ways in which to drive up revenue. They are being very methodical to see if initiatives work before rolling them out on a wider scale.

This cautious approach should be applauded as it means the company isn't taking bold bets on initiatives that may not work, thus isn't wasting lots of money.

Hollywood Bowl has successfully tested different pricing models and found ways to drive up the volume of people bowling and the amount of money people spend in its sites, as well as having more efficient operations.

An incredible 6.9m bowling games were played at its sites in the six months to 31 March 2018, up 3.6% year-on-year. The average spend per game increased by 5.5% to £9.20; and the average number of games played on a lane before equipment developed a fault increased by 21% to 431.

A dynamic pricing model has seen Hollywood Bowl test ways in which it can charge customers more money depending on how far in advance they book and the time of day at which they would like to play.



It has added £1 to the price of a game and then applies discounts based on various factors. The next phase of this pricing model is to work out how it can avoid losing interested customers if they want to book at times when lanes are full.

'We are going to test ways in which to convince someone who wants to play at 2pm on a Saturday, for example, to come at 10am instead,' says chief financial officer Laurence Keen.

The company is benefiting from higher lane utilisation thanks to a more efficient booking process, plus initiatives such as letting customers wear their own shoes (no time wasted queuing up for bowling shoes) and taking orders for food and drink during games, so the refreshments are ready as soon as the game ends.

Bowling only accounts for 51% of its revenue so keeping customers interested in other activities is vital for earnings growth. As well as revamped diners and more efficient ordering, Hollywood Bowl is testing the use of cashless amusement arcades which has shown to boost the average spend per amusement machine.

SHARES SAYS: ↗
This is a well-run business generating lots of cash that can be reinvested in its estate and returned to shareholders via ordinary and special dividends. Buy. (DC)

BROKER SAYS: 5 1 0

INDEX

KEY

- Main Market
- AIM
- Fund
- Investment Trust

ARE YOU LOOKING FOR 'WEEK AHEAD' INFORMATION?

Full details regarding dates for financial results, trading updates, AGMs, economic announcements and ex-dividends can be found on *Shares*' website at

www.sharesmagazine.co.uk/market-diary

DIURNAL

EVGEN PHARMA

HEALTHPERM

IMPAX ASSET MANAGEMENT

PRIMARYBID

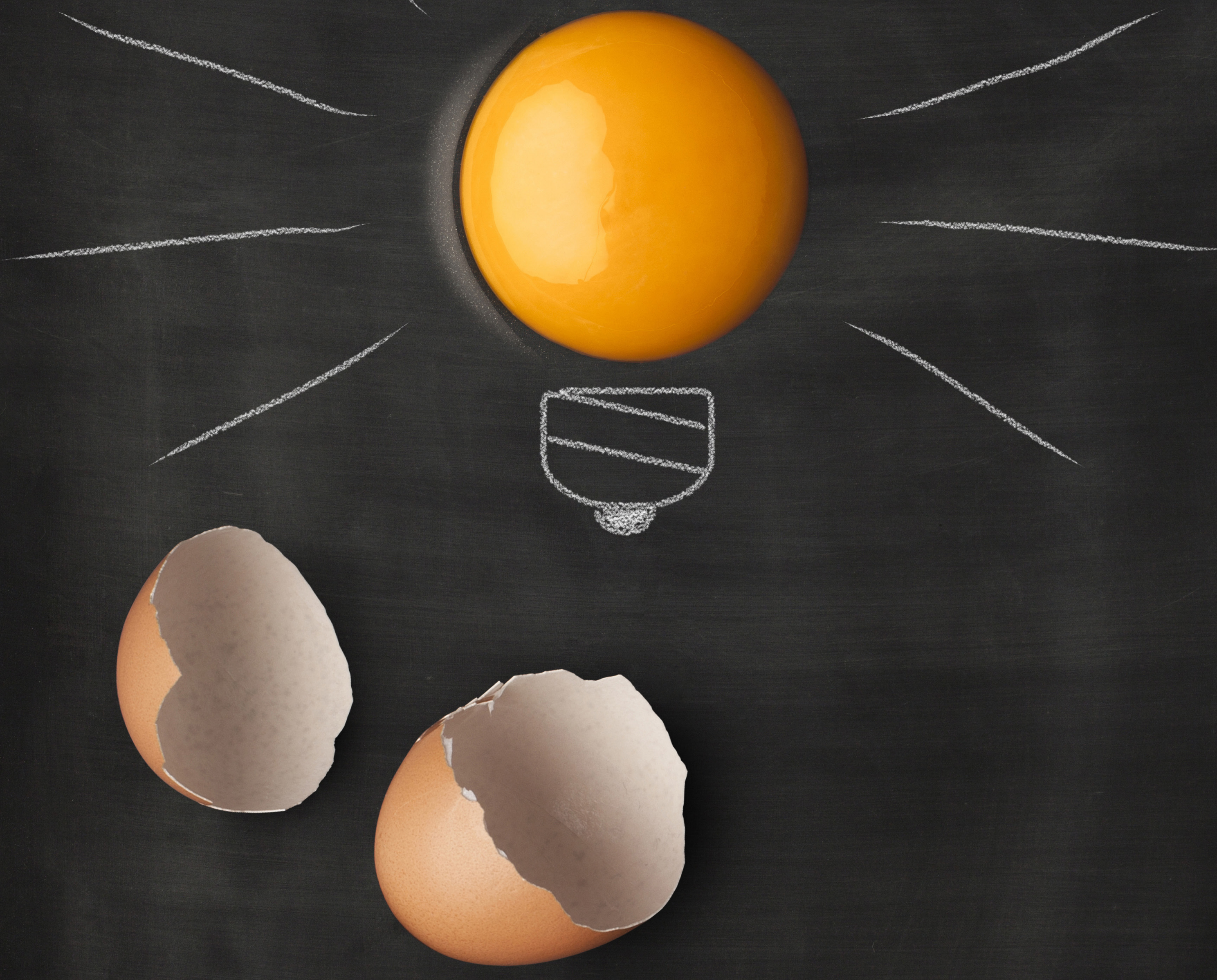
SEEING MACHINES

SHARESOC

STATPRO

SHARES SPOTLIGHT

Growth & Innovation



INCLUDES COMPANY PROFILES, COMMENT AND ANALYSIS

MAY 2018

Introduction

Welcome to *Spotlight*, a bonus magazine which is distributed eight times a year alongside your digital copy of *Shares*.

It provides small caps with a platform to tell their stories in their own words.

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

They pay a fee to get their message across to both existing shareholders and prospective investors.

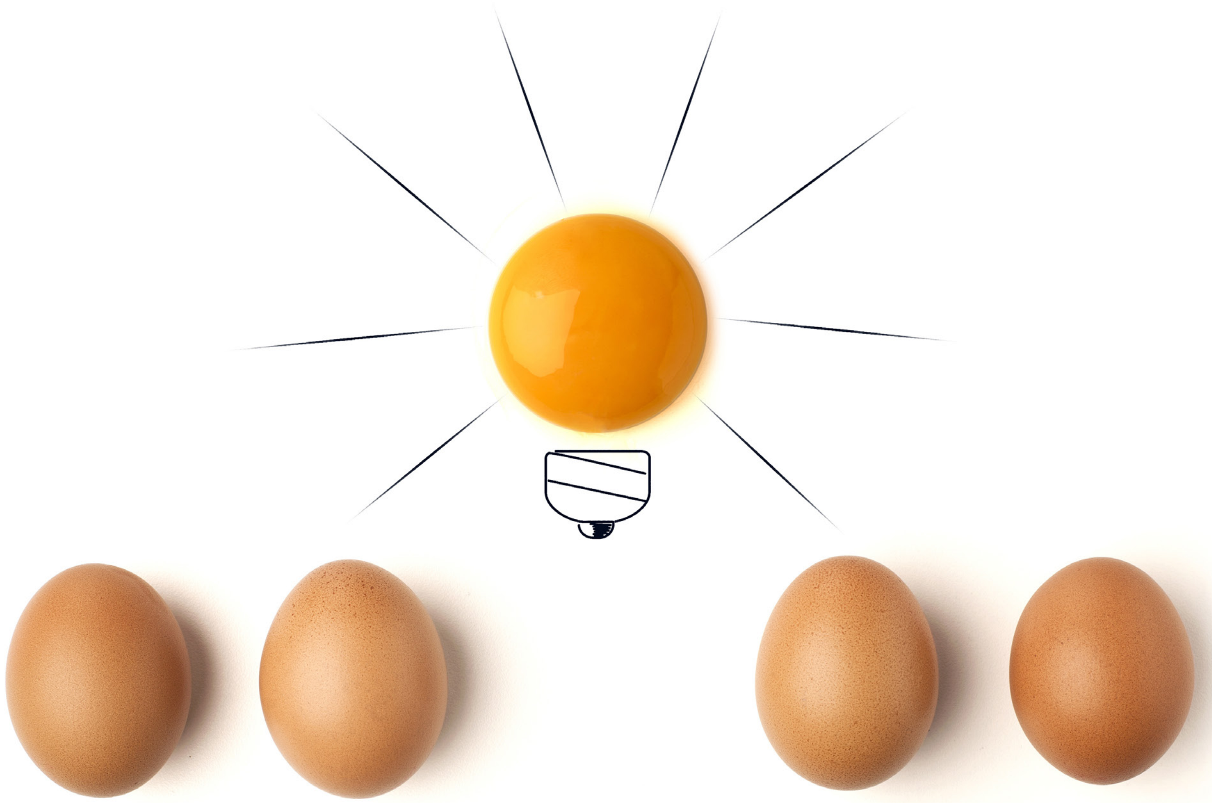
These profiles are paid-for promotions and are not independent comment. As such, they cannot be considered unbiased.

Equally, you are getting the inside track from the people who should best know the company and its strategy.

Some of the firms profiled in *Spotlight* will appear at our investor evenings in London and other cities where you get to hear from management first hand.

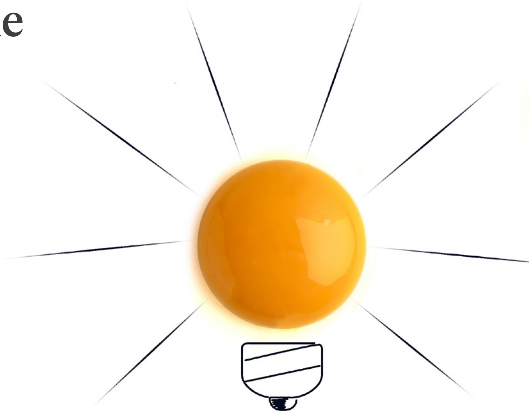
Click here for details of upcoming events and how to register for free tickets.

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



The clever way to analyse companies on the stock market

Applying a growth, risk and quality framework can help you sort out the winners from the losers



Knowing exactly what to look for in an investment is not easy but 'growth, risk and quality' is a useful framework which can help you separate the potential winners from the losers on the stock market.

GROWTH

Growth is important and will help dictate how a business is valued by the market. Quite often investors will focus on earnings growth to the exclusion of all other factors but this can be a mistake because it is possible to inflate earnings in the short-term through clever accounting.

It therefore makes sense to also look at growth in cash flow. The latter is the life blood of the business and is what a company uses to service any debt, invest in staff, equipment and technology and, in some cases, pay dividends.

Some early-stage companies will not yet be generating cash flow or earnings. If a company remains loss-making it is worth looking at its current net cash position in relation to its cash burn (the pace at which it consumes its cash) and determine if it can get to break-even point with its current resources. If it can't the company may have to issue new shares to raise funds and thereby dilute existing shareholders.

It is also important to understand where a company's growth is coming from. Is the growth organic (i.e. generated by the existing business) or is it driven by takeovers?

If the latter is true you need to consider if the company is successfully managing the risks associated with acquisitions. Namely that it might overpay or struggle to integrate the acquired entity successfully. Earnings might also be growing because a company is cutting costs – but that will only be a temporary catalyst.

RISK

Pursuing growth indiscriminately leads to an increase in risk. There are three main types of risk to consider:

- **Business risk.** How risky are the profits and cash flows of the company?
- **Financial risk.** How much debt does the company have? Can it easily service this?
- **Reputation or governance risk**. Is the company well managed and acting in your interests?

In terms of significantly reducing risk it is important a company with high business risk does not compound this situation by having high financial or governance risk as well. Combining two of these risks increases the dangers exponentially.

QUALITY

A third factor to consider when looking at a company is its quality of earnings, which is a combination of:

- **Predictability**. Are profits sustainable? How easy is it to forecast prices, volumes and costs?
- **Control.** What can management influence? Is there an ability to influence prices or just manage costs?
- **Real performance.** Are the earnings being derived from the core business, and not from one-off factors? Are they backed by cash flow?

By applying the three elements of growth, risk and quality you will have a much more comprehensive view of how the company is performing and what it is worth. In particular you will be well equipped to work out if the balance between risk and potential reward is one that suits your investment goals.

Remember the competitive position of a company is ultimately what drives its growth. This is where the firm sits in the pecking order of a market relative to its peers.

The firms with the best growth prospects will have a strong competitive position based on qualities such as strong brands, excellent operational performance or technical expertise.

These attributes could be considered 'barriers to entry' for competitors. If a company is producing or doing something which cannot easily be replicated by others it should be well positioned for growth. It will also have pricing power – the ability to increase the price of its goods and services without unduly affecting demand.

Investment guru Warren Buffett colourfully explains what pricing power, and its absence, means for a business: 'If you've got the power to raise prices without losing business to a competitor, you've got a very good business. And if you have to have a prayer session before raising the price by 10%, then you've got a terrible business.'

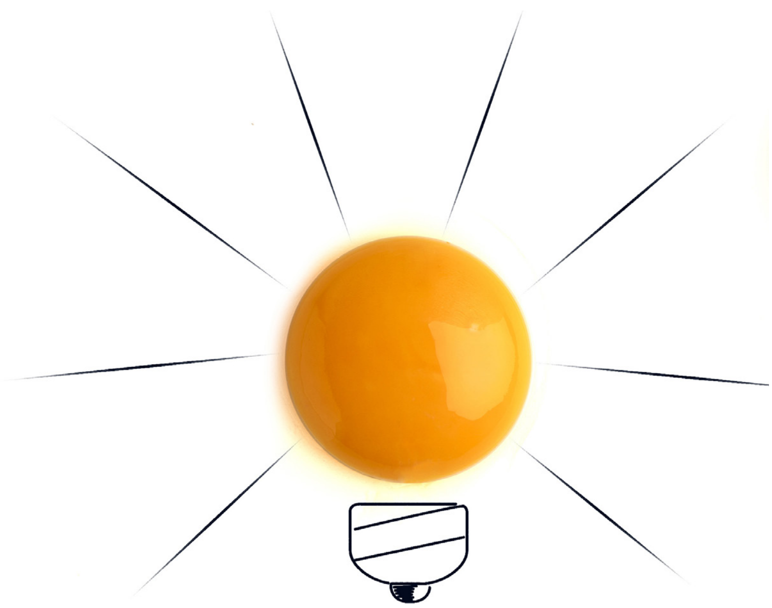
MEASURING YOUR RETURN

A 'share' is just what its name implies – by buying one you are taking part ownership of a business.

Online trading can delude you into thinking a share is just numbers and letters on a screen but it is not. By investing in a company's shares you are entitled to a slice of revenues, earnings and ultimately cash flows generated by said company.

There are two ways we can get a return from a stock: capital gains, realised when we sell after they have appreciated in value; or income, from those shares which pay a regular dividend.

Though many small cap companies pay a dividend a lot of growth companies prefer to invest their cash in the development of their business rather than return it to shareholders – potentially making capital gain a more relevant consideration.



PrimaryBid pushes private investors towards the front of the funding queue

Website: www.primarybid.com

PrimaryBid provides private investors access to new share placings from listed companies, at the same discount as institutions, delivering open access regardless of the size of their investment.

Conceived in 2015, this innovative regulated platform includes a website and smartphone app, which automates the aggregation of retail demand, allowing the large and active pool of private investors to be connected with companies seeking to raise capital.

Fundraises for listed companies have typically only been accessible by institutional investors. This has long been a frustration for private investors, compounded by missing out on the typical discounted prices offered for such transactions.

Listed companies want to engage their private investor shareholders, however, they are often frustrated by the lack of an efficient method to do so.

Retail investors play an important role in the market. Compared to institutional investors, they tend to hold their stocks for longer which can dampen price volatility.

The management team behind PrimaryBid has a combination of capital markets, technology and marketing experience, gathered across roles at companies including Credit Suisse, Bank of America, Citi, Ernst & Young, Yahoo, Amazon and the BBC.

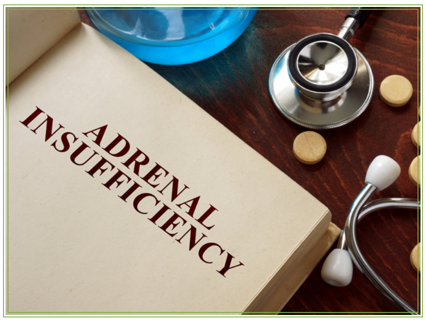
This breadth of knowledge and expertise has enabled the team to transform the traditional fundraising process, harnessing technology to put the investor at the heart of a streamlined, highly efficient, digital platform while maintaining a regulatory robust compliant framework, necessary in the highly-regulated capital markets environment.

Over the past three years the business has grown from early beta stage through to a dynamic, award winning investment platform. More than £56m has been sourced via the platform and recent offers have closed within hours, with offers being promoted to hundreds of thousands of private investors.

It's free to join, with no commission payable, just visit **www.primarybid.com** and create your account.

Diurnal

Diurnal enjoying transformational year as it generates first commercial revenues



Website: www.diurnal.co.uk

Diurnal Group (DNL:AIM) has ambitions to become a world-leading specialty pharmaceutical company in endocrinology. The company is targeting treatments in certain underserved chronic hormonal diseases that, combined, represent a $10bn market opportunity.

Diurnal's near-term focus is on the development of its pipeline of products for the treatment of diseases of cortisol deficiency in Europe and the US, focusing on the treatment of the rare genetic condition congenital adrenal hyperplasia (CAH), a market opportunity of approximately $0.5bn, and the treatment of adrenal insufficiency (AI), a market opportunity of approximately $2.8bn. Longer-term, Diurnal's earlier stage pipeline potentially addresses endocrinological disorders with a combined market size of over $6.6 billion.

Executing on this strategy, in just over two years after Diurnal's initial public offering, the Company received its first regulatory approval in February 2018: Alkindi (hydrocortisone granules in capsules for opening) was subsequently launched in Germany on 15 May 2018.

Diurnal is one of the few UK biotechnology companies that have successfully taken a product from concept through to commercialisation. Diurnal expects to generate its first commercial revenues during 2018.

INTRODUCING... DIURNAL

A UK-BASED SPECIALTY PHARMACEUTICAL COMPANY DEDICATED TO DEVELOPING HIGH-QUALITY HORMONE THERAPEUTICS TO AID LIFELONG TREATMENT FOR RARE AND CHRONIC ENDOCRINE CONDITIONS.

SIGNIFICANT VALUE INFLECTION POINTS EXPECTED IN 2018

Alkindi receives European marketing authorisation (paediatric AI, including CAH)	Q1 2018	✓
Alkindi launch in Germany	Q2 2018	✓
Generation of first commercial revenues	Q2 2018	
Alkindi launch in UK	Q2 2018	
Chronocort European Phase III clinical trial to complete (CAH)	Q3 2018	
Alkindi US Phase III clinical programme to complete (paediatric AI, including CAH)	H2 2018	
Chronocort US Phase III clinical study to commence (CAH)	Q3 2018	
Chronocort US Phase II clinical study to commence (AI)	End of 2018	

CREATING A STRONG EUROPEAN COMMERCIALISATION CAPABILITY

The endocrine disorders Diurnal is targeting are typically managed by specialist physicians based in major hospitals. Given this concentrated prescribing base, and in an effort to maximise the economic value it extracts from its products, Diurnal intends to directly commercialise in the European market.

Diurnal has established the commercial infrastructure required to support a successful launch of its first product, Alkindi, and intends to use the same commercial organisation and supply chain for the planned future European launch of its second drug candidate, currently in late stage development, Chronocort (modified release hydrocortisone), which is anticipated to receive market authorisation in 2020. Diurnal believes the work done to support the launch of Alkindi substantially de-risks the planned launch of Chronocort.

Diurnal also believes that its European commercial infrastructure is a valuable asset that can ensure it not only retains the full economic value of its in-house products in major European territories, but also makes the company an attractive partner for companies seeking to commercialise endocrinology focused products in Europe.

In the US, Diurnal's current strategy is to capitalise on the interest in its programmes and seek a US partner for commercialisation of its late-stage pipeline products at an appropriate time to ensure that market access is optimised for a successful product launch.

BUILDING VALUE IN LATE-STAGE CORTISOL DEFICIENCY PIPELINE

Deficiency of the essential hormone cortisol results in fatigue, depression and may cause death through adrenal crisis. Through Alkindi and Chronocort, Diurnal is building a life-long 'adrenal franchise'. Alkindi is the first product specifically designed for children suffering from AI, and the related condition CAH, and aims to address the need for a product that is licensed, effective, safe and

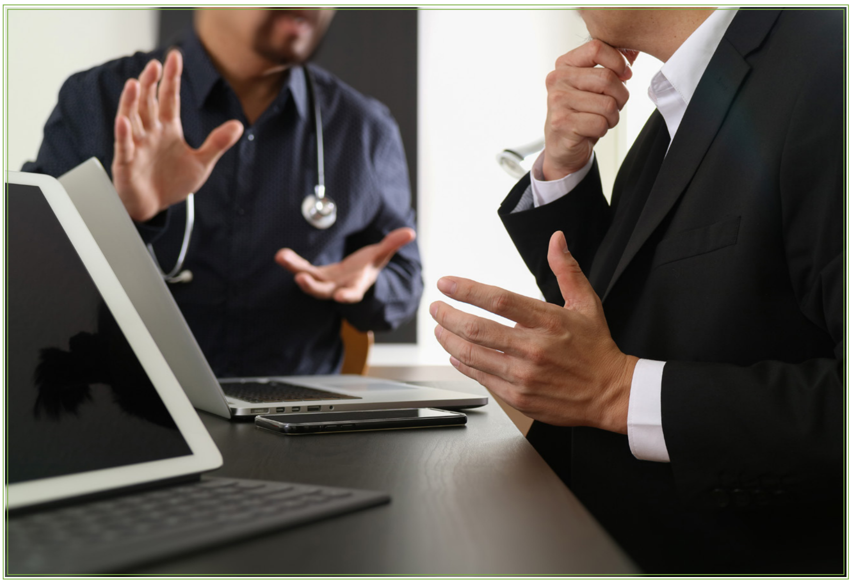
easy to administer.

Chronocort provides a drug release profile that the company believes mimics the body's natural cortisol circadian rhythm, which current therapy is unable to replicate, and is designed to improve disease control for adults with CAH. Diurnal is also assessing the utility of Chronocort in adults in the AI market.

For Alkindi in the US, following discussion with the US Food and Drug Administration (FDA), the company has assembled a package of studies alongside the existing European Phase III study data that it believes will support a regulatory submission for approval in paediatric AI. The company does not believe that further clinical studies will be required for US registration and intends to submit its regulatory package for Alkindi to the FDA in 2018.

For Chronocort, the Company expects a significant value inflection point following the report of headline data from its European Phase III study of Chronocort in CAH patients, which is expected in Q4 2018. In the US, following discussion with the FDA, Diurnal has designed a Phase III registration package for Chronocort and intends to commence this programme during Q3 2018. Diurnal also plans to enter the AI market with Chronocort, commencing a Phase II study in US centres around the end of 2018.

Diurnal's pipeline of product candidates for cortisol deficiency are protected by an extensive patent portfolio, benefitting from several granted or pending patents in key jurisdictions, along with strong protection through orphan drug designations, extending commercial exclusivity until 2034.



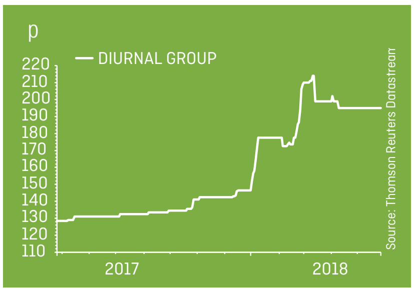
MAXIMISING PIPELINE POTENTIAL OUTSIDE OF CORE MARKETS

Outside Diurnal's core territories in Europe and the US, the company will seek to maximise income from Alkindi and Chronocort by entering into local distribution agreements with experienced partners, which they have already done in Israel, Australia and New Zealand. Typically, the Company will seek to access territories where there is the potential for a price which reflects the innovation for its products and which can use the European regulatory dossier as the basis for local regulatory submissions.

BUILDING AN EARLIER-STAGE PIPELINE

Whilst Diurnal's current primary focus is on bringing its late-stage cortisol deficiency pipeline to the market in Europe and the US, the company's longer-term plan is to expand into endocrine disease areas, such as those associated with the thyroid, gonads and pituitary. Earlier-stage candidates currently include a native oral testosterone for the treatment of male hypogonadism, which is currently being assessed in a Phase I/II clinical study expected to complete during 2018.

The company also has earlier-stage development activities assessing a modified-release T3 replacement therapy for hypothyroidism and an siRNA therapy for Cushing's disease, a condition characterised by an excess of cortisol. In addition, Diurnal regularly assesses third party products for chronic endocrine disorders that fit within its strategic vision.



Evgen poised for pivotal year

Website: www.evgen.com

Steve Franklin: Evgen Pharma CEO

2018 is a key year in the development of **Evgen Pharma (EVG:AIM)**, the Cheshire-based business which has made rapid progress since joining AIM.

It now has two Phase II clinical trials underway, one in advanced breast cancer and one in a type of stroke known as subarachnoid haemorrhage (SAH).

During June 2018, the company will announce its first-ever Phase II clinical data. The data will be the interim read-out from the breast cancer trial. The company is on track to announce the final read-outs from both trials around the end of 2018.

Steve Franklin, Evgen's CEO, says: 'This is a tremendously exciting year for us as we are on track to announce a substantial amount of clinical trial data, which is what we have been working towards since joining AIM in October 2015.'

LAYING THE FOUNDATIONS

Evgen was founded in 2007 to have a lower risk profile than many in its peer group. Its drug pipeline is based on sulforaphane, a naturally occurring molecule originating in brassicas such as broccoli. A huge amount of academic research has been published on sulforaphane, highlighting its potential in medical conditions ranging from solid tumour cancers through multiple sclerosis, Parkinson's disease and autism.

Whilst compelling, this academic work has yet to be translated into a marketed medicine because of the difficulties of creating a sulforaphane-based drug. Evgen has overcome these challenges; its patent-protected Sulforadex platform enables the manufacture of proprietary, synthetic and stable sulforaphane-based drugs. Since IPO, the company has been building out its patent estate in relation to sulforaphane with a view to establishing a dominant worldwide position in sulforaphane-based drugs and related compounds.

SFX-01, the company's lead product, is the first of these synthetic drugs and is currently being investigated in Phase II trials in both advanced breast cancer and SAH. SFX-01 represents the first of an aspiring new class of pharmaceuticals, underlining its commercial value and its potential to have a major impact on patient outcomes.

SFX-01 is being used as a potential treatment in two very different therapeutic areas because of its ability to influence two contrasting biochemical disease pathways, one in cancer and the other in neurological diseases. Product lines containing SFX-01 can be differentiated by both dose and/or formulation.

INTRODUCING... EVGEN PHARMA

A BIOTECH COMPANY FOCUSED ON THE TREATMENT OF CANCER AND NEUROLOGICAL DISEASES.

POTENTIAL CANCER TREATMENT

In cancer, SFX-01 has the ability to inhibit the target STAT3 thereby preventing the biochemical sequence that results in the generation of cancer stem cells and tumour metastases. In neurological diseases, SFX-01 activates the target Nrf2 thereby stimulating production of cytoprotective proteins to combat oxidative stress and inflammation.

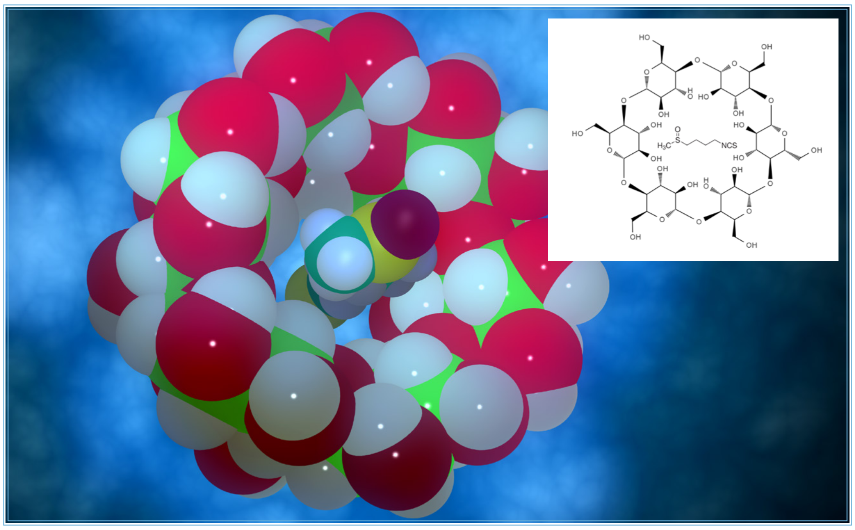
Dr Franklin says: 'Mechanistic studies have shown that SFX-01 targets cancer stem cells in both early and metastatic breast cancers and has the potential to overcome hormone resistance in ER+ breast cancers. This mechanistic work continues via collaborations with Imperial College London and the University of Manchester.'

Evgen Pharma's STEM (SFX-01 in the Treatment and Evaluation of Metastatic Breast Cancer) trial is a multi-centre, Phase IIa clinical trial recruiting a total of 60 patients from multiple sites in the UK, Belgium, France and Spain and led from the Christie Hospital in Manchester. STEM patients have ER+ metastatic breast cancer and have been on hormone treatment.

Patients who join the trial have responded to hormone therapy for at least six months but then show hormone resistance via tumour growth. Once on the trial, patients continue to receive their failing hormone therapy in addition to SFX-01 and have regular scans through to week 24, leaving the trial immediately on confirmed tumour growth or symptomatic clinical progression.

The trial had an important milestone in June last year when a compassionate use programme was initiated after the first patient reached week 24 without disease progression; the programme enables such patients to receive SFX-01 on an on-going basis.

Dr Franklin says: 'The patients in our first exploratory trial have become resistant to hormone therapies and have progressive disease, with little other treatment options. In this salvage setting, which is the highest efficacy challenge there is for any new drug, clinicians will be looking to see if SFX-01 is safe, well-tolerated and can halt progression. We are informed by our clinical advisors that if 20% or more of patients have their tumour growth halted for the entire six months, which is a non-trivial challenge in this patient group, then we have an interesting drug on our hands.'



Stable structure: SFX-01 is a synthetic version of sulforaphane stabilised in a sugar lattice

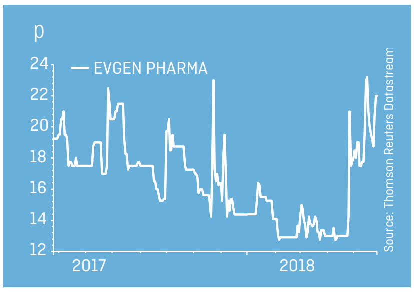
ON THE THRESHOLD

Breast cancer affects a very large number of people whereas the company's other Phase II trial, in SAH, is studying a relatively rare condition, accounting for around only 5% of all strokes. SAH is the form of stroke recently suffered by Sir Alex Ferguson, the former Manchester United manager.

There has been no new drug for SAH since the launch in the 1980s of nimodipine, the current standard of care. Whilst affecting a relatively small number of people, SAH is an attractive niche market awaiting a new treatment option.

Evgen Pharma's Phase II trial of SFX-01 in SAH is a double-blind, placebo-controlled study of 90 patients; 45 of them receiving nimodipine and placebo and 45 receiving nimodipine and SFX-01. This trial is also on track to read out at around the end of this calendar year.

Dr Franklin says: 'Evgen Pharma is an exciting company on the threshold of its first Phase II trial data. The wealth of existing scientific data on sulforaphane gives us confidence as we pursue our strategy of leading the development of this new class of drugs and taking ownership in all key commercial markets of the intellectual property surrounding sulforaphane-based medicine.'



Healthperm is moving forward

Website: www.healthperm.com

The NHS is currently facing the biggest challenge in its 70-year history with signs of the strain the system is under in areas such as hospital care, A&E and GP services. The reasons for the service reaching this crisis point are complex and multi-dimensional, but there are some clear contributory factors:

- An ageing population
- Lifestyle factors
- The change in public expectations
- Accident and Emergency departments capacity
- Rising costs of services, energy and supplies
- Innovations and technological breakthroughs that require more investment – along with higher numbers of people to cater for
- Staffing issues

Staffing shortages and the challenges that brings the NHS were highlighted recently in some detail by the Kings fund which states that the number of nurses and health visitors employed by the NHS has fallen for the first time on a year by year basis since April 2013.

Director of policy, Richard Murray, highlighted that there were fewer NHS nurses and health visitors in post in April this year compared to the previous April. The fall continued in May and June, with 282,603 nurses and health visitors in post in June, 1,071 fewer than in June 2016.

The key factors in the fall have been a significant reduction in the number of nurses from the EU joining the UK nursing register since the EU referendum and changes to language testing requirements. The number of staff leaving the NHS as a result of ill-health and work-life balance has also increased sharply over the past few years. There are now 40,000 vacancies for nurses in the UK.

The fall in nurse numbers raises questions about the NHS's continuing ability to ensure patient safety.

Richard Murray has said: 'There is good evidence that having enough nurses is essential for delivering safe care, and so it is worrying that the number of nurses and health visitors is going down at a time when services are already overstretched and the demand for care is rising.

'Workforce planning has been neglected for too long in the NHS, and the fact that the EU referendum result appears to have tipped the balance highlights how fragile the workforce situation has become. A new workforce strategy is desperately needed.'

NHS England have recently published and are consulting on a draft workforce strategy to address the shortfalls highlighted above but the immediate and long term need is to create and ensure a long term supply of well trained Language qualified overseas nurses and other professional staff.

INTRODUCING… HEALTHPERM

A HEALTHCARE RECRUITMENT BUSINESS, WHICH HAS BEEN ESTABLISHED TO ADDRESS THE SIGNIFICANT SHORTFALLS IN HEALTHCARE PROFESSIONALS IN THE UK AND MIDDLE EAST.

CLEAR NEED FOR HEALTHCARE PROFESSIONALS

Healthperm's (HPR:NEX) goal is to become the largest provider of permanent experienced nurses and other healthcare professionals, initially from Philippines into the UK and the Gulf Co-operation Council (GCC) countries.

The founders started this business in the knowledge the NHS is chronically short of nurses and will not be able to meet their full-time headcount requirements from the UK market alone for a number of years, particularly given the current 40,000 vacancies for nurses.

Hospitals have to use locum-agencies to fill their short-term headcount needs – which is very expensive for the NHS and doesn't contribute to a stable workforce.

Healthperm also recognizes that international nurses aspire to work in UK's national health service and that once they arrive nurses tend to stay in the NHS for the long term.

Healthperm essentially has two customers – the hospital and the candidate. Both are equally important to the Organisation.

The business focuses on both the NHS and the private healthcare sector in the UK and GCC.

OPERATING INTERNATIONALLY BUT THINKING LOCALLY

The Healthperm business model has five steps:

- Win mandates from hospitals/employers.
- Find good candidates from the Philippines and other international locations.
- Manage the interview and deployment process with or for the hospital.
- Help the candidate and the hospital with the on-boarding procedure and administration of coming to the UK or GCC.
- Help the candidates settle into their new work environment.
- Healthperm supports both employers and candidates through this process in order to ensure higher deployment rates compared to competitor agencies.

The company helps the hospital recruitment teams by managing the interview sessions with or for them as well as managing the candidate's administration from interview to arriving in the hospital for their first day of work.

Its candidates have usually never been to the UK before and need help and advice on coming here. The on-boarding administration can take up to nine months from initial interview so Healthperm work closely with the candidates to help them through the admin.

When the candidates arrive in the UK, the company meets them at the airport, helps arrange their first month's accommodation, works with NHS Trust on induction and introduction to the local community and also supplies the candidates with a food parcel for their first few days and provides mobile SIM card. This 'pastoral care' approach reflects Healthperms Values in caring for clients and candidates.

After arriving in the UK nurses need to pass a test of competency called OSCE. The national pass rate is 58%. The pass rate for Healthperm deployed nurses is 100% and provides a real differentiator to other agencies. Healthperm believes the post deployment support makes the difference.

RECRUITMENT OFFICES

Unlike many other recruitment agencies in the healthcare space, Healthperm has its own recruitment subsidiaries in both the Philippines and also in Dubai. The teams in these offices recruit candidates for roles in the UK and in the GCC.

When setting up the business the company immediately realised that to win trust and confidence from the candidates, it had to have its own dedicated recruitment people in-country attracting and managing the candidates through the recruitment journey. Having the recruitment teams in the local countries is a unique point-of-difference when working with NHS hospitals on their recruitment programs. This integrated approach provides a wholly owned organisation that covers all the steps in the candidate journey with no need to subcontract to third parties, unlike competitor agencies.

VISA SPONSORSHIP AND LANGUAGE TESTS

For the candidate to be granted an employment visa from their NHS Trust they need to first pass either the International English Language Test (IELT's) or Occupational English Test (OET) in their local country before coming to the UK. The test is a requirement for the UK visa applications and shows a candidate's commitment to the recruitment process.

Healthperm realised in 2016 that candidates with the IELTS qualification are serious about coming to the UK and are unlikely to drop-out of the on-boarding cycle. The Healthperm business model now only interviews candidates that have already passed the IELTS / OET. This approach provides another differentiator to other agencies.

LAUNCHING AN INTERNAL COURSE

With the importance of the IELTS qualification to its business model Healthperm opened its own dedicated IELTS/OET training centre in UAE. 'Healthperm Training Centre FZ-LLC', focuses on international nurses, including those from the Philippines, currently working in GCC states but who have an intention to move to the United Kingdom. Healthperm is the only nurse recruitment company with this offering in the United Arab Emirates. In addition, Healthperm continuous to partner with IELTS centres both in the Philippines and other countries in the Middle East to provide a wider network to source candidates.

RECENT NEWS

Earlier this year Healthperm published a trading update showing revenue of £250,000 in 2017. To date well over 2,200 interviews have been conducted with more than 1,200 job offers been made. More than 350 candidates have now taken up new posts including almost 100 nurses in UK. The first graduates of the Healthperm own language school are now qualified and are in the deployment process thereby proving this element of the business model.

The company has moved to larger offices in the UK and Manila and expects to open a new office in Cebu in the Philippines thereby increasing its geographical coverage for candidate sourcing.

In April the organisation achieved ISO9001 accreditation and is now the only recruitment agency which is an associate member of the NHS Employers Group.

WHAT NEXT?

During May Healthperm commenced recruitment for seven newly signed hospitals within the UK and this follows on from commencement of a pilot project for a large hospitals group in Saudi plus a new contract for a major hospital in Kuwait. The international infrastructure build is now complete with proof of concept established. The focus is now on winning new mandates and deploying candidates for the respective employers.

Impax Asset Management
Investing in the transition to a more sustainable economy

THE QUEEN'S AWARDS FOR ENTERPRISE: SUSTAINABLE DEVELOPMENT 2014

Website: www.impaxam.com

Impax Asset Management's (IPX) investment philosophy is based on the premise that capital markets will be shaped profoundly by global sustainability challenges. These powerful drivers of global growth include climate change, pollution and essential investments in human capital, infrastructure and resource efficiency.

Impax is a holder of a Queen's Award for Enterprise: Sustainable Development, and has been awarded numerous other prestigious investment industry accolades for innovation, thought leadership and fund performance.

FINANCIAL OVERVIEW

With a scalable business model, Impax's strong growth in assets under management (AUM) in recent years has driven significant enhancement in the Company's financial performance.

In 2017, Impax saw its strongest growth since inception. AUM increased 61% following record inflows from new and existing clients, particularly from investors in North America and Continental Europe. Impax also reported excellent progress against all its key performance indicators, including increases in profitability and earnings per share.

The company is committed to a progressive dividend policy as a demonstration of its commitment to increasing shareholder value and has grown the dividend every year since 2008.

INTRODUCING IMPAX ASSET MANAGEMENT

Founded in 1998, and with current assets under management or advice (AUM) of approximately £11.2bn for clients around the world, Impax is one of the world's leading investment managers focused on the transition to a more sustainable global economy. The company has 130 staff and is headquartered in London with offices in Hong Kong, New York, Portland - Oregon and Portsmouth - New Hampshire.

INVESTMENT APPROACH

Impax was one of the first investment managers to identify the compelling opportunities arising from the transition to a more sustainable economy. Back in the late 1990s, environmental markets were relatively small and often represented quite risky investments. Two decades later, Impax's investment expertise is yielding insights across large swathes of private sector activity.

The company's long track record and large, experienced investment team have proved very attractive for asset owners seeking to gain exposure to these markets - which include companies that are helping to solve the world's environmental challenges through their products and services.

The company offers its clients around the world a broad range of funds spanning equities, bonds and private equity. By December 2017 all Impax's major listed equity strategies out-performed the MSCI All Country World Index benchmark over one, three and five years.

In the UK Impax is perhaps best known as the manager of **Impax Environmental Markets (IEM)**. This was the first environmental investment trust at launch in 2002. Sixteen years on it has delivered strong returns for investors and grown to over £500m of total net assets.

The company also manages one of the largest water funds, a sustainable food and agriculture fund and a 'women's' fund that invests in the highest-rated companies in the world for advancing women's leadership.

Impax engages with the management of its investee companies and reports on stewardship activities to clients. Where possible, Impax also measures and reports on non-financial metrics in addition to investment performance. This reporting enables clients to understand the positive environmental impact of their investments and their alignment with the United Nation's Sustainable Development Goals.

RECENT US EXPANSION

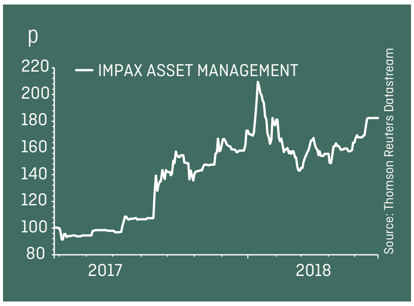
In January 2018 Impax acquired **Pax World Management LLC (Pax)**, a specialist US investment manager with business values and objectives that are very closely aligned with those of Impax. Integration of the companies is designed to preserve and enhance client service.

Impax and Pax have strong shared business cultures and formed a partnership in 2007 to launch and manage the **Pax Global Environmental Markets Fund (GEM)**. As a result of the successful long-term collaboration between the two companies, today GEM has AUM in excess of $600m.

This acquisition gives Impax a significantly expanded footprint in the US and will enable the company to offer clients a broader range of investment strategies. It is an exciting new chapter in a decade-long partnership and the acquisition is expected to make a significant earnings contribution to the business from 2018.

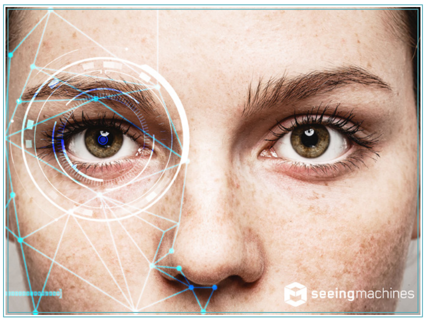
PROSPECTS FOR CONTINUING GROWTH

Impax sees intensifying interest in its funds from asset owners seeking exposure to the rapidly growing markets in which the company invests. There is strong demand for specialist investment managers offering clearly differentiated products and services and Impax is well placed to deliver long term growth in this environment.



Seeing Machines is driving safety

Website: www.seeingmachines.com



According to the World Health Organisation, over 1.3m people are killed on road accidents every year. Ninety-four percent of those fatal accidents are caused by human error.

Seeing Machines (SEE:AIM) is world leader in driver monitoring technology that enhances safety in real time. Their technology has the know-how to deliver real-time understanding of drivers and operators through tracking of heads, faces and eyes for Driver Monitoring Systems (DMS), which monitor operator attention state across multiple transport sectors.

Listed on London's Alternative Investment Market, the company operates from a base in Australia. It has been researching and developing its technology since 2000, and has fielded thousands of Driver Safety Systems into off-road heavy mining vehicles working with exclusive global partner, Caterpillar, and was the first to go to full OEM automotive production with its driver monitoring solution in the SAE (Society of Automotive Engineers) Level 2 autonomy Cadillac CT6 Super Cruise system from US car giant General Motors.

The company also announced last year that it had secured platforms at two German OEM automakers for production in 2020 and 2021 and is successfully continuing the drive toward more automotive OEM wins in Europe, the US and Japan.

Seeing Machines has been working in their highly successful commercial fleet business for just over three years. Their fleet solution, Guardian, also uses a driver-facing camera to detect driver fatigue and distraction events, and pairs it with a forward-facing camera to monitor the road ahead and capture event video.

Guardian has demonstrated it can achieve over 90% reduction in fatigue and distraction-related driver events based on studies of worldwide deployment experience. The solution, now deployed in over 240 fleets worldwide, provides real-time, in-cabin alerts when fatigue or distraction is detected by the system and is further connected to a 24/7 monitoring centre and cloud analytics engine that gives fleet owners a variety of customisable intervention and analytics programs to complement their driver training and wellness initiatives.

Seeing Machines is also taking its core driver monitoring technology and expanding its use in other areas of the transport market, such as rail and aviation. Any type of transport that requires a driver, engineer, pilot or operator to be engaged in the task of controlling the vehicle in some way will be a target of this technology.

INTRODUCING... SEEING MACHINES

A SPECIALIST IN COMPUTER VISION ALGORITHMS THAT PRECISELY TRACK EYE GAZE, HEAD POSITION AND PUPIL SIZE, AND USING STATE-OF THE-ART ARTIFICIAL INTELLIGENCE (AI) TECHNOLOGY ANALYSES THE DATA TO QUICKLY AND ACCURATELY DETECT DRIVER DROWSINESS, DISTRACTION AND MICROSLEEP EVENTS.

The GM Cadillac features our technology

DRIVER MONITORING – A KEY ELEMENT FOR INTELLIGENT VEHICLES

Driver monitoring technology is fast becoming a core element in the next generation of intelligent vehicles to augment drivers, enabling better and safer driving, as well as underpinning the safe migration to Highly Autonomous Vehicles (HAV).

Automotive and transport regulatory, rating and investigative bodies around the world have begun to issue new recommendations for DMS as an integral part of new vehicle designs including those with Advanced Driver Assistance Systems (ADAS). These bodies are recommending deployment of advancing DMS technology to deal with the deadly threat of driver distraction and fatigue, as well as mitigation of the risks associated with the migration toward automated driving and is a key way to ensure that drivers remain sufficiently engaged and/or ready to re-assume control as and when required.

REGULATORY TRENDS CONTINUE TO ADD WEIGHT TO THE DRIVER MONITORING PROPOSITION

In September 2017, Euro NCAP (European body responsible for vehicle safety ratings and testing) unveiled its 'In Pursuit of Vision Zero' Roadmap 2025, with the goal of zero automotive accidents.

It identified driver monitoring as a primary safety feature, targeted by 2020 for new on-road vehicles. Euro NCAP 'envisages an incentive for driver monitoring systems that effectively detect impaired and distracted driving and give appropriate warning and take effective action'.

Also last year, the US National Transportation Safety Board (NTSB) published its investigation report on a fatal accident involving a leading semi-autonomous vehicle with "Autopilot" mode engaged, which concluded that overreliance on the feature and prolonged driver disengagement from the driving task contributed to the accident.

Several specific safety recommendations were issued in the report, and included a specific safety recommendation to manufacturers of Level 2 capable vehicles to: 'Develop applications to more effectively sense the driver's level of engagement and alert the driver when engagement is lacking while automated vehicle control systems are in use.'

More recently, this month (May 2018) the European Commission issued "Europe on the Move: Commission completes its agenda for safe, clean and connected mobility". "Europe on the Move" recommends that all new cars, vans, trucks and buses sold in Europe be fitted, as standard, with drowsiness and distraction monitoring, among 11 key safety features.

These recommendations represent the most direct and effective measures the EU has in order to further reduce road deaths and injuries.

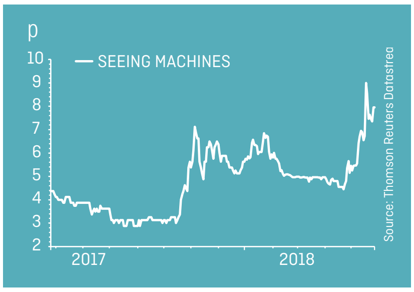
If driver monitoring in new vehicles is a requirement in the near future, this is a game changer for companies like Seeing Machines, one of only a few technology companies which is already reliably supplying, automotive grade DMS.

LOOKING AHEAD

Seeing Machines continues to innovate their software stack with further advances in Driver Drowsiness Level and Driver Engagement Level driven by its world class Human Factors research team. These experts in human psychology, and physiology, design and implement data gathering and analysis methods, that drive Seeing Machines' software and algorithm developments.

Seeing Machines is definitely not just another software company. It has the experience of developing and deploying real-time and real world transport driver monitoring technology onto the market, with the expertise of a variety of different, but complementary, facets of research and engineering that continues to enable them to stay ahead of their competition and enhance safety across the worlds' roads, railways and airways.

According to the World Health Organisation, over 1.3m people are killed on road accidents every year. Ninety-four percent of those fatal accidents are caused by human error.



ShareSoc: a voice for small shareholders

Website: www.sharesoc.org

Who represents the interests of individual shareholders in the UK? ShareSoc, the UK Individual Shareholders Society, a not-for-profit organisation created by investors, for investors, does just that.

Individual direct investors currently own around 12% of the stock market and face myriad challenges, from poor shareholder democracy to onerous government regulation and taxation.

In an ever-changing environment, ShareSoc acts as an educational resource and as a sort of 'trade union' for investors, running campaigns targeted at problem companies and errant financial intermediaries, organising educational events and regular company seminars and publishing a monthly newsletter with exclusive content for its members.

MAKING A DIFFERENCE

A recent example of ShareSoc making a difference is its campaign to set up a shareholder committee within **RBS (RBS)**. After a long battle with the bank, the society has managed to requisition a special resolution on the agenda for this year's AGM. The committee, if implemented, would see retail investors gain more influence over the banking group, which also includes the NatWest and Ulster Bank brands. Should shareholders vote in favour of the resolution, RBS would be the first UK company to establish a formal shareholder committee.

ADDRESSING CORPORATE FAILINGS

Many of the recent investment disasters, such as Carillion's liquidation and the Aviva Preference Shares debacle, could potentially have been predicted and avoided if these companies had adopted Shareholder Committees.

INTRODUCING... SHARESOC

SHARESOC BRINGS INDIVIDUAL SHAREHOLDERS TOGETHER TO MONITOR CORPORATE GOVERNANCE AND REGULATORY ISSUES AROUND INVESTING, AND TO BETTER EDUCATE AND INFORM THE SMALL INVESTOR.

ShareSoc actively lobbied regulators and government on both of these issues and many similar matters, such as the misstatement of accounts at Blancco and Redcentric, on behalf of all individual shareholders.

DEFENDING YOUR RIGHTS

The use of nominee accounts has eroded many of the rights associated with share ownership, and this, in turn, has diminished the influence of company owners over their boards of directors.

ShareSoc has put considerable effort in the last few years into a campaign on 'shareholder rights' to tackle the nominee account issue and ensure that all investors can vote at General Meetings and get information from companies in which they are invested.

Anyone unfortunate enough to have an account with the recently failed Beaufort Securities will be painfully aware how the nominee system can also prevent investors from accessing their shares in a timely fashion. ShareSoc aims to remove this problem so that individual investors can continue to trade.

ADDRESSING THE LACK OF INVESTOR EDUCATION

There is a significant absence of investor education in this country, which is at odds with the significance of the UK as a financial market.

To address this issue, ShareSoc has created a body of educational material which it refers to as its Investor Academy. This resource is freely available on the society's website and comprises a selection of own content, third-party articles, book lists, educational videos and webcasts. This represents an essential toolkit for beginners and experienced investors alike.

ShareSoc also runs Masterclass events, showcasing a mix of investment experts and professionals, highlighting best practice and identifying the usual pitfalls and myths.

NETWORKING

ShareSoc is a one member, one vote company incorporated as a company 'limited by guarantee' with not-for-profit articles. One of the strengths of being a member-based organisation is that it is easy for members to talk to, and learn from, each other. ShareSoc actively promotes the exchange of views between members and facilitates this through its company events, masterclasses, blog and member forum.

Investment should be enjoyable as well as financially rewarding, and the society actively encourages community spirit and the sharing of knowledge to enrich its membership experience.

HELPFUL ADVICE

Sometimes investors just want information or clarification, which ShareSoc can provide as one of the few independent bodies that can give general advice.

ShareSoc also offers assistance to shareholders when investee companies get into difficulties, misbehave or fail to act in shareholders' best interests. It is only by joining together that shareholders can efficiently address such matters.

MEMBERSHIP BENEFITS

The society offers two tiers of membership - one of which is free.

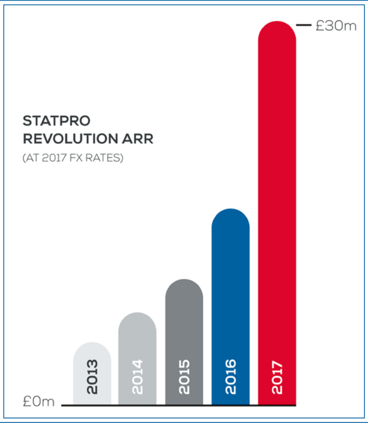
Full membership costs just £45 per year. For that, members get a regular newsletter packed with exclusive features and articles on investing, including information on investment opportunities. ShareSoc has also negotiated discounts with many providers, including a 25% discount off Stockopedia subscriptions.

Additionally, ShareSoc organises regular meetings and seminars with presentations from engaging speakers and the opportunity to meet managers of investee companies and to network with other investors. Full members benefit from free, priority, access to its seminars.

By joining ShareSoc today, investors can enhance their insight into the investment world while enjoying a vibrant and valuable way to access peer support. Find details of how to join here statpro®

StatPro continues the Revolution

Website: www.statpro.com



StatPro believes software should be simple. Simple to implement, simple to operate and simple for their clients to achieve its business goals.

StatPro provides the analysis that helps the global financial markets tick. Sophisticated risk and performance analysis with the proper management of complex financial assets. The world has $160 trillion of assets under management and about $40 trillion of that goes through various StatPro systems.

BIG INVESTMENT

StatPro has invested significantly in cloud-based technology. As asset managers feel the double-whammy of lower fees and higher regulation, they need to adopt better technology and StatPro is central to their requirements.

The company's flagship product StatPro Revolution, launched in 2011, has grown rapidly with over 300 clients across 39 countries using the platform. Revolution is a cloud native Software as a Service (SaaS) solution and was developed to exploit fully the advantages of the cloud computing delivery model. Importantly, it was designed to offer nearly limitless on-demand computing power along with modern data and application services. When companies build and operate applications in this way, they bring new ideas to market faster and respond sooner to customer demands.

STATPRO REVOLUTION ARR GROWTH	GROWTH IN AVERAGE ARR PER REVOLUTION CLIENT
100%	**67%**
2016: **93%**	2016: **54%**

ARR BY CLIENT TYPE

59%	ASSET MANAGERS
17%	THIRD PARTY ADMINISTRATORS
8%	OTHER
7%	PENSION FUNDS
6%	PRIVATE WEALTH
3%	INSURANCE COMPANY

StatPro employs 350 people across 10 countries, many of whom are professors in maths or physics – it even has an actual rocket scientist. StatPro believes it is the quality of the people it employs as much as the technology it produces that sets StatPro apart.

INTRODUCING... STATPRO

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

Combining this industry experience with the latest technology has resulted in StatPro Revolution, the first performance and risk analytics solution specifically designed for the cloud.

THE BUSINESS MODEL

StatPro's business model is to rent out its software for long-term subscriptions providing it with high visibility on its revenues. Its annualised recurring revenue from present contracts is now £53m per annum as at 31 December 2017, up 35% from 31 December 2016 and 59% from 31 December 2015.

Its mission is to replace its legacy software with cloud-based solutions by end of 2020. StatPro Revolution's annual recurring revenue now stands at £30m, up 100% from 2016.

StatPro continues to make enhancements to the Revolution platform, two major releases have already been made live to all clients this year. One area that has received particular attention is the extension of the self-service capabilities the company provide to clients. StatPro Revolution helps clients create controlled self-service platforms where people can log-in and see portfolio analysis that is tailored to their role.

A key new feature of 2018, available to all clients, allows them to create personal configurable dashboards for anyone in their account. This means instead of creating dozens of static PDF reports every day, users can simply log-in to Revolution and see daily interactive analysis and distribute this to internal and external stakeholders. It also means a reduction of ad-hoc report requests that need to be managed and improves the client's productivity, helping them enhance their service levels.

This fundamental shift from reporting to online self-service is like the transformation seen in online entertainment. Netflix has created the ultimate self-service platform for TV entertainment. They can see what content you've viewed, and they can recommend new content based on your viewing history. This approach can also work with the distribution of portfolio analytics.

Blockbuster Video is a good example of the old school method of static PDF reporting. The distribution is difficult to analyze. It's difficult to know which reports are good, and which ones nobody even looks at. With an online self-service platform an asset manager has greater visibility of important portfolio analysis and therefore improved investment decision-making and risk control.

CHANGING TECHNOLOGY LANDSCAPES AND STAYING FLEXIBLE

Many of StatPro's clients are undergoing technology transformations as asset managers look to become more efficient in light of margin pressure and increased regulation.

This was highlighted by the chief technology officer of Schroders, Stewart Carmichael in a recent interview, 'It's the need for change that drives innovation, and a combination of factors is driving change in asset management. We're all aware of the margin pressures and burdens from regulation, which is creating a need for greater operating efficiency—technology innovation is the obvious answer to finding those efficiencies.'.

As old technology is replaced, the industry is looking to scalable and flexible solutions that allow them to consolidate and simplify their operations. StatPro is at the heart of this.

Many asset managers have old technology running their performance and risk analysis operations. Most have multiple systems doing similar tasks, each creating data in their own way, each needing separate databases and all the IT costs that go along with that.

Cloud-based platforms like StatPro Revolution allow clients to consolidate systems and reduce the complexity in their operations, allowing clients to manage their portfolios performance and risk analytics for all their investment types and portfolios in one place.

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