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SHARES

WE MAKE INVESTING EASIER

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THE INVESTMENTS FILLING YOUR POCKETS WITH CASH

CARNIVAL, SAGA, MIND GYM, AVAST, PPHE HOTEL & MORE

ARE BIG INVESTORS BECOMING **MORE CONFIDENT** IN UK EQUITIES AGAIN?

SEVEN ESSENTIAL POINTS TO GET THE MOST OUT OF **LIFETIME ISAS**

THIS WEEK: *FREE BONUS REPORT ON MINING, OIL AND GAS*

Should you panic if there is a profit warning soon after a stock market listing?

Footasylum's share price slump puts the spotlight on this topic

Many investors feel deflated if one of their holdings issues a profit warning soon after their IPO (initial public offering). It can feel like a double whammy: you're disappointed by an investment not going well, plus you feel let down by a company recently making a splash with its stock market debut, full of promise for greater things ahead.

A 57% share price decline in retailer **Footasylum (FOOT:AIM)** since its profit warning on 19 June is a good example of the scale of the punishment for newly-listed companies messing up.

All companies are susceptible to bad news whether they've been on the stock market for seven months or seven years. Yet it is fair to say that investors can have elevated expectations for newly-listed businesses.

Investors often believe these companies shouldn't experience any pains soon after listing as lawyers and other experts would have gone through the business case with a fine tooth comb to produce documents to support the stock market flotation. Any nasties should have been clearly labelled in those documents.

DON'T RUSH IN?

Some commentators say you should steer clear of newly-listed companies until they've had time to prove themselves on the market.

Directors often underestimate how much time they have to spend with shareholders and analysts to keep them updated on events, and they become distracted and can't focus on the day-to-day running of the business. Other directors don't like how their every move is scrutinised by the markets.

Ultimately these are tests of leadership strength and also whether a business model lives up to the hype created at the IPO. A flaky business will quickly get found out.

I can recall 10 companies which have issued profit warnings in recent memory within 12 months of joining the stock market. A good number suffered setbacks because of external factors out of their control; but others were clearly a result of a weak business being exposed.

For example, 10 months after its IPO, **Comptoir (COM:AIM)** said its new restaurants were taking years rather than months to mature as it had to educate the public about Middle Eastern food. Two months later it issued a nasty profit warning.

Footasylum's shares recently slumped because the company backtracked on its growth targets. Having floated last year as a fast growth business, it now says more money must be spent on the business, prompting one analyst to say that wasn't what investors signed up for at the IPO.

PATIENCE IS REQUIRED

While there are plenty more examples of corporate disappointment, it is important to look at the facts in hand and not jump to conclusions.

Just consider that two of AIM's most successful stocks both issued profit warnings within a year of listing and have since soared in value.

BooHoo.com (BOO:AIM) fell by 40% to 21.7p in January 2015 after a marketing push failed to increase sales, plus it suffered from the wrong kind of weather. Today the shares trade nearly 10 times higher at 204.8p as the business regained momentum.

Keywords Studios (KWS:AIM) issued a profit warning two months after it floated in 2013, blamed on the delay of a new Xbox games console launch which forced publishers to push back the release of many new games. That in turn saw delayed translation work for Keywords – an annoyance but only a short-term issue.

The business has since flourished and its shares today trade 17 times higher at £18.08. (DC)

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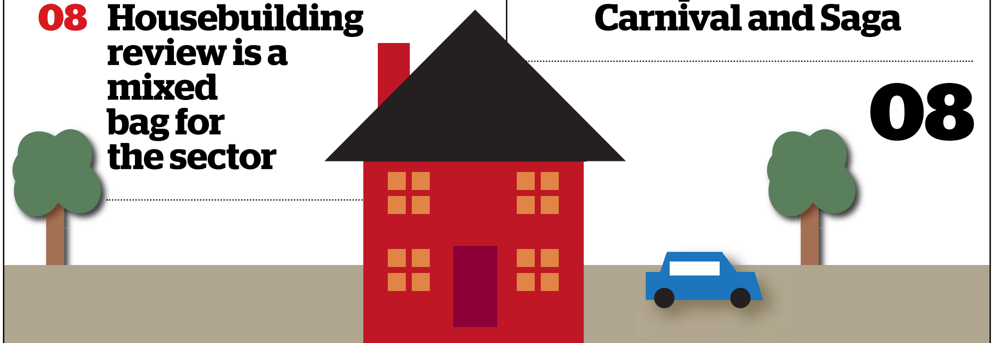

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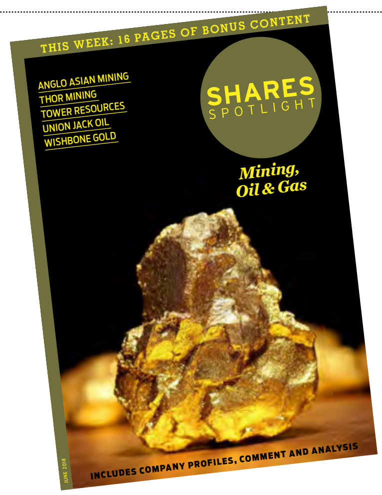

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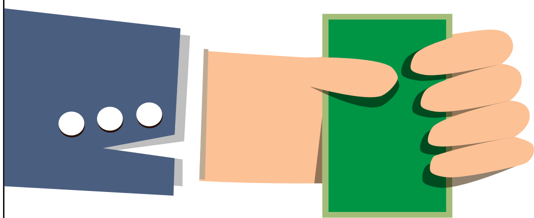

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BROKER RATINGS EXPLAINED:

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

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

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

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

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

What could more liberal cannabis laws mean for investors?

As Canada pushes towards legalisation of the drug, the investment potential is beginning to be recognised

Businesses and investors are beginning to acknowledge the impact of more liberal laws in some Western countries on the purchase and use of cannabis.

Recently Canada paved the way for the legalisation of the drug; Durham police chief Mike Barton has called for a similar move in the UK; and two high profile cases involving British children who apparently benefit from medicinal cannabis have shone a spotlight on the issue.

Canaccord Genuity's Cannabis index has generated a 257% return relative to a composite S&P/TSX Venture benchmark in the last 12 months. Canaccord's market cap-weighted index contains key cannabis companies that trade on various stock exchanges in Canada.

The broker notes there is not great political traction for the idea in the UK yet but adds 'there is evidence that a global trend to legalise cannabis is starting to gain momentum and this is attracting the attention of big alcohol, big tobacco and big pharma'.

Canaccord Genuity's Cannabis index +257% relative to composite S&P/TSX Venture index

Makers of alcoholic drinks have warned of an impact on demand from legalisation while some brewers and tobacco manufacturers are making initial investments in the space.

Constellation Brands, the company behind Corona lager, recently took a 9.9% stake in cannabis firm Canopy Growth; and Philip Morris invested $20m in a cannabis inhaler outfit.

There are limited ways for investors to gain exposure via the UK stock market at present, should they want to, although it is worth keeping tabs on the issue and how it might impact other sectors.

Medicinal cannabis investment vehicle **Sativa Investments (SATI:NEX)** is listed on the NEX Exchange and has broadened its strategy to look beyond Canada in anticipation of regulatory change in Europe, including the UK. (TS)

Could post-Brexit M&A rules deter foreign investment?

University study suggests greater Government intervention could scupper some takeover activity

A STUDY by researchers at the University of East Anglia (UEA) suggests foreign companies could be deterred from investing in the UK by greater political scrutiny of mergers and acquisitions.

As part of the Brexit process, the UK Government is planning to become more closely involved in the examination of mergers and acquisitions ostensibly on national security grounds.

The UEA's David Reader says the green paper on national security and infrastructure investment makes 'all the right noises' on providing investor certainty.

Yet he says there could be a perception of an assessment of deals based on boosting a new industry strategy rather than protecting national security. (TS)

Mind Gym could be the next fast growth company to take the stock market by storm

The learning and development company's IPO offer was significantly over-subscribed

Newly-floated staff training company **Mind Gym (MIND:AIM)** offers investors a chance to capitalise on growing pressure for companies to improve the way they do business and engage, motivate and treat staff.

Mind Gym uses behavioural science to build training programmes which it delivers to a wide variety of companies including 62% of FTSE 100 and 59% of S&P 100 index constituents.

The business has grown revenue annually by more than 20% over the last few years and pre-tax profit has increased by an even greater amount.

It intends to pay a small dividend but chief executive Octavius Black says fund managers who have taken part in the IPO (initial public offering) offer have principally been attracted for potential capital gains rather than income.

Black says the training market is very competitive but doesn't see that as a problem. 'I'm told there are more training and HR companies in the UK than there are hairdressers. What we do is very different to other companies in our space,' he remarks.

PROS

Mind Gym's products and services tap into a number of high profile social issues which companies are under pressure to address. These include identifying and coping with mental health issues at work, the gender pay gap and bullying and harassment in the workplace.

The IPO could help to raise its profile and potentially led to greater sales enquiries. The business has a net cash position and product research and development is funded out of profits.

Black tells *Shares* that the business didn't suffer during the last economic downturn as it was in strong demand to help companies address morale and performance issues in difficult times.

It is geographically diverse with operations in 29 countries, although the majority of income comes from the UK and US.

CONS

We get the impression it has a soft approach to sales and marketing. Black says the business likes to produce discussion papers on specific topics which it then hopes will stir interest among companies so that they come knocking on Mind Gym's door for help.

The CEO says there is a shortage of senior-level occupational psychologists, thus raising concerns about whether Mind Gym can find the right type of people to help support growth.

The business isn't raising any new money at IPO; instead existing shareholders including many of the senior directors are using the listing to sell a combined £50.8m of stock.

SHARES SAYS:
We have a feeling this float could do really well, but we would like to see more information on earnings potential and current valuations before making a decision on whether the shares are worth buying. (DC)

Housebuilding review is a mixed bag for the sector

There is potential risk of major action to shake up the housing market later in 2018

The latest update on the Letwin Review into practices in the new build housing market contains both good news and potential bad news for housebuilders.

As expected, Sir Oliver Letwin has dismissed arguments that the industry is hoarding land to drive up prices. However, he argues developers should widen the choice of design, size and tenure of new homes and thereby increase the rate at which houses are built and sold.

This could create concern that measures will be taken to address these issues when the review's action statement is published, likely alongside the Budget in November.

Arguably housebuilders have benefited from very supportive conditions for some time and tighter regulation could add to the margin pressure created by a stalling housing market.

High end operator **Berkeley (BKG)** recently repeated its warning that profits at the company have peaked (20 Jun).

Several of its peers are scheduled to update the market in the coming weeks, including **Persimmon (PSN)** on 5 July, **Barratt Developments (BDEV)** on 11 July and **Taylor Wimpey (TW.)** on 31 July.

Referring to the Letwin Review, Shore Capital analyst Robin Hardy says: 'Overall, not the full pardon the housebuilders had expected and there are likely to be actions recommended that are disadvantageous to the large housebuilders when it is published.' (TS)

Are investors underestimating Costa's growth prospects in China?

Whitbread's subsidiary wants to benefit from Asia's growing desire for coffee

INVESTORS COULD be overlooking value at Costa Coffee to the tune of £248m according to Davy Research analyst Joseph Quinn.

Costa owner **Whitbread (WTB)** plans to demerge the coffee chain from its Premier Inn operations within the next two years.

Quinn says Costa Coffee China could be worth up to £248m, but many investors attribute no value to the business. He argues this value could be better understood by the market following likely disclosures under the spin-off process.

The analyst is confident Costa can become a top player despite main rival Starbucks stepping up its expansion in the country.

China is expected to be a key growth driver for Costa with a target of 1,200 new store openings around shopping centres by 2022 thanks to a buyout of two joint venture partners.

There is substantial room for growth as consumption in China is only 0.4 cups of coffee per capita every year compared to 300 in the US. (LMJ)

RETAIL WOES PUT A LARGE DENT IN PROPERTY INVESTOR

RETAIL PROPERTY investor **Stewart & Wight (STE)** has suffered a dramatic 12.1% drop in the value of its estate over the last year. It has blamed falling rental values and, in its own words, 'little prospect of re-letting at current rental levels' when leases expire on shops in its portfolio.

It has tried and so far failed to buy non retail properties to boost the company's portfolio, plus it has stopped buying new retail sites.

It now plans to leave the stock market by holding a tender offer to buy back all shares at 590p, a 12.4% premium to the price at which the shares last traded before the big news. Its share listing will be cancelled if and when the tender offer completes.

FLOOD OF NEW SHARES FROM ALLIANZ TECHNOLOGY TO MEET DEMAND

STRONG DEMAND has prompted **Allianz Technology Trust (ATT)** to ask shareholders for permission to issue a flood of new shares just weeks after sealing a similar agreement.

At its annual general meeting on 25 April the trust was granted approval to issue 2.9m new shares, and within two months more than half are now trading on the stock market.

It is worried that all of these new shares will be issued in the near future and that ongoing demand warrants authority to issue a further 10% of its issued share capital.

Allianz Technology's share price has jumped 22% to £14.22 since the start of 2018.

Is Ocado really the 'Microsoft of Retail'?

STOCKBROKER PEEL HUNT has upgraded its price target for **Ocado (OCDO)** from 610p to £17, a stunning increase of 180%, in a hyper-bullish research note on the e-commerce tech platform entitled 'The Microsoft of Retail'.

Ocado has rocketed into the FTSE 100 ranks after inking deals for access to its Ocado Smart Platform with retailers including US groceries giant Kroger, France's Groupe Casino and Canada's Sobeys.

Reiterating its 'buy' rating, Peel Hunt enthuses: 'It doesn't happen very often, but we believe Ocado Solutions has potential to become the "standard" platform for retail logistics across all sectors as the operating system of retail', mirroring the market dominance of Microsoft's Windows operating system.

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	FY 2016	€438m	€45m	€19m

For further information please visit www.monacoresources.com

Safety expert Marlowe is red hot thanks to legislative drivers

The support services group is enjoying great success and is ready to expand its interests

Corporate awareness of the need for fire protection is at an all-time high, says Alex Dacre, chief executive of **Marlowe (MRL:AIM)**, a support services business enjoying rapid growth.

Increasing health and safety awareness results in stricter legislation and puts more pressure on organisations to make sure the occupants of their buildings are safe.

That's driving earnings growth at Marlowe which installs, tests, inspects and certifies complex fire systems to make sure they are working and comply with legislation. It does the same with water and ventilation systems.

Insurers increasingly demand businesses use specialists like Marlowe to do the safety checks.

It's no wonder that Marlowe is a) doing so well and b) eager to expand its business further with more acquisitions. Full year results on 25 June showed 72% increase in revenue to £80.6m and 74% rise in adjusted pre-tax profit to £5.8m. We think this is a superb stock to own, so buy now.

IMPROVING MARGINS

Marlowe's operating profit growth lagged revenue growth in its fire and security arm in the past financial year as it bought some companies with lower margins compared to Marlowe's existing business. Dacre says these margins are now picking up thanks to better operational efficiencies.

A move into the ventilation industry has already proved to be a good move with lots of existing fire and water service customers also handing ventilation work to Marlowe.

This desire to cross-sell services to the same customer base is likely to take the group into new markets. Dacre hints that refrigeration and air conditioning could be the next areas of interest. 'Air conditioning is a critical service for many organisations such as hospitals, food producers and hotels. Regulation is driving the need for services,' he comments.

Other potential areas of expansion include risk management, asbestos surveying and testing for hazardous materials. Following investigations, Marlowe has now ruled out entering the lift maintenance market, saying the margins weren't good enough.

MARLOWE BUY
(MRL:AIM) 426p
Stop loss: 330p

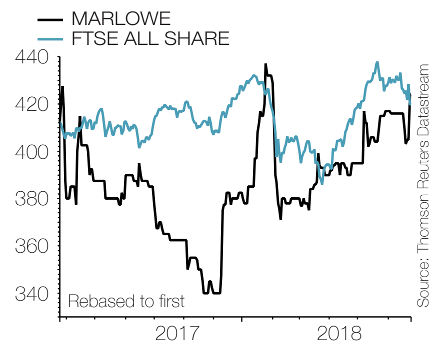
Market value: £149m

Net debt is currently £4.5m after accounting for two acquisitions post year-end. Finance director Mark Adams says the business has £18m of debt facilities, meaning there is scope to fund more bolt-on acquisitions without raising cash by issuing shares.

This story isn't all about acquisitive growth. Marlow achieved 4.5% organic growth in the year to 31 March 2018; of this 1.5% came from cross-selling, a figure which it expects to be higher in the new financial year.

The shares trade on 26 times current year forecasts, dropping to 22.3-times next year. We're comfortable with a high share rating given the defensive nature of its business and scope for decent earnings growth as it mops up smaller rivals, improves their margins and cross-sells services to clients. (DC)

BROKER SAYS: 2 0 0



Pounce on PPHE Hotel which has hidden value

One analysts believes the stated net asset value in its accounts undervalues the business

Investors could benefit from a valuation anomaly on offer at hotel developer **PPHE Hotel (PPH)**.

Despite an impressive long-term share price performance, the company trades materially below its estimated net asset value (NAV).

PPHE benefits from an exclusive licence from one of the world's largest hotel groups, Radisson, to develop and operate the Park Plaza hotel chain in Europe, the Middle East and Africa.

It also owns the culture-focused, contemporary art'otel brand and has a 52% stake in Arena Hospitality, a collection of hotels, apartment complexes and campsite locations near beaches in Croatia.

TRADING AT A DISCOUNT

PPHE's stated NAV at the end of 2017 was £343.3m. In February this year, FinnCap analyst Guy Hewett said he believed that figure should rise to £362.3m at the end of 2018.

He then said the figure should be adjusted to show fair values, taking the NAV to £926.3m. However, that figure would fall to £813.5m when factoring in tax on the fair value adjustment, or £19.37 per share.

Hewett then applied a 30% discount to this NAV figure in order to calculate a rough £13.50 price target for the shares.

PPHE HOTEL BUY
(PPH) £14.10
Stop loss: £11.28

Market value: £599m

On 14 June the analyst revisited his calculations and said the 30% discount should be removed, citing a clear opportunity to generate more value in Croatia, the continued potential in other parts of the group and management's proven track record to spot and execute on significant opportunities.

On that basis, the price target now sits at £19.37 which implies 37% upside for the share price over the next 12 months.

CREATING MORE VALUE

Under its growth strategy, PPHE is refurbishing some of its hotels to improve its offering and bring in more guests, plus it is prioritising redevelopment of its Croatian campsites.

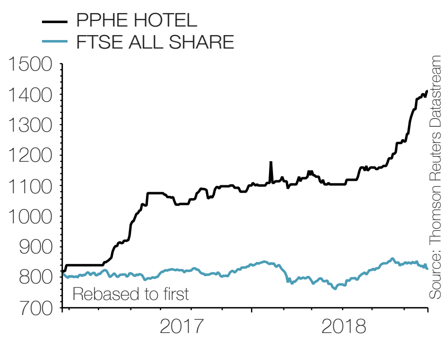
PPHE plans to open two new art'otel hotels in Shoreditch and Battersea in 2022, the latter of which is being set around the historic Battersea Power Station.

The company is also exploring opportunities at key locations including Spain, Rome and Barcelona, by looking for property that is distressed, which would then be refurbished to generate good yields.

Chief financial officer Daniel Kos says the company has approximately £200m to spend on acquisition-based growth, but is happy to take the time to pursue the right deal.

PPHE is forecast to deliver adjusted pre-tax profit of £39.7m in 2018 (2017: £32.1m), rising to £43.5m in 2019 and £46.6m in 2020. (LMJ)

BROKER SAYS: 2 0 0



CARNIVAL

(CCL) £43.95

Loss to date: 12.5%

Original entry point:

Buy at £50.33, 19 October 2017

SHARES IN CRUISE operator **Carnival (CCL)** are under pressure after its forecast earnings per share (EPS) has fallen to reflect higher fuel prices and the stronger US dollar.

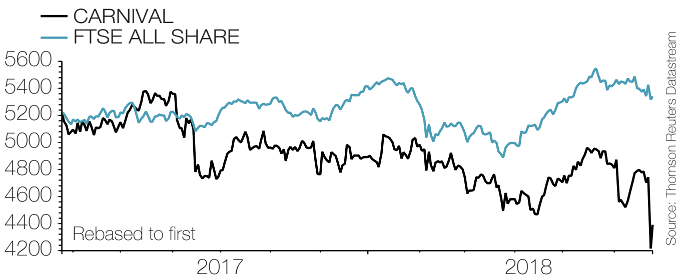
Over the last year, the price of Brent Crude oil has soared 66.4% to approximately $75 per barrel, representing a significant headwind and driving costs higher for Carnival.

The cruise operator expects EPS to hit $4.15 to $4.25 in the year to 30 November, which is lower than the previously anticipated range of $4.20 to $4.40.

Shares in Carnival suffered approximately a 10% drop as investors overlooked 4.8% net revenue yield growth, beating guidance given in March for growth of between 2.5% and 3.5%.

Shore Capital's Greg Johnson argues a key part of Carnival's appeal is revenue yield growth, flagging over 5% was added in 2019 and 2020 ahead of anticipated industry capacity growth.

Johnson questions whether Carnival can deliver sales growth of 2% per year amid this capacity growth, but is encouraged that cumulative bookings for 2019 are 'slightly ahead and at higher prices.'



SHARES SAYS: ↗

We believe Carnival has good growth prospects and is managing the things it can control well even if higher oil prices are a clear negative. On a long-term view, we are happy to stick with the shares. (LMJ)

BROKER SAYS: 6 3 0

SAGA

(SAGA) 125.2p

Loss to date: 1.6%

Original entry point:

Buy at 127.2p, 19 April 2018

A reassuring update (21 Jun) from over-50s insurer-to-travel provider **Saga (SAGA)** helps underpin our positive view on the company.

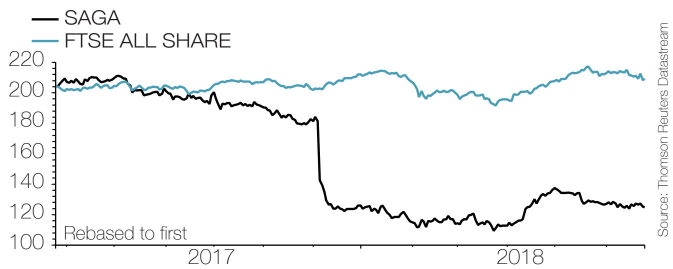
Trading met expectations for the first four months of its January 2019 financial year. The company reported 'good momentum' across both its insurance and travel business.

There wasn't a lot to excite investors in the statement but after a profit warning in December 2017 the absence of any real negatives is undoubtedly a step forward.

What was encouraging was the 740,000 people it now has signed up for its 'Possibilities' membership scheme compared to 500,000 in April.

Eighty percent of Saga's group profit is generated by one fifth of its customer base. It has spent a long time understanding how this segment came to become so loyal, so that it can a) try and sell more relevant products to them and b) see which other customers have similar characteristics.

The Possibilities scheme is part of this broader drive to have greater engagement with its customers.



SHARES SAYS: ↗

We see nothing to detract from our favourable outlook on the shares. (TS)

BROKER SAYS: 3 5 0

STOCKS AND FUNDS THAT KEEP GIVING YOU MORE

THE INVESTMENTS FILLING YOUR POCKETS WITH CASH

Whether you are new to investing or have been active in the markets for years it is important to keep in mind there are two ways an investor can profit from the financial markets.

These encompass a capital gain if, as you hope, the value of your investment goes up. You can also earn an income from many shares and funds paying you dividends or bonds paying you coupons.

Key to unlocking the money-making power of the markets is to understand that these two types of return are not mutually exclusive.

Instead they can complement each other to an eye-catching extent. If you reinvest the income from your investments, then the amount of money you make could go up significantly. This is thanks to the power of compounding – described by Albert Einstein as the eighth wonder of the world.

How does this work? Let's look at the simple example of a bank account. If you put £1,000 into an account which pays interest of 3% you'll have £1,030 after one year. Next year, you'll be earning 3% on the £1,030 rather than just the original £1,000.

In the same way, by putting money into an investment that delivers a consistent income and reinvesting that cash as and when it is received, you capture the returns on your reinvested profits as well as from your original investment.

The effect is even more powerful with dividends because, as you increase your holdings of a particular stock or fund, you also boost the amount of dividend income you receive, with the level of payment dependent on the number of shares or fund units you own. Compounding can be further enhanced if the income stream itself is also growing.

If you had invested £100 in UK equities at the end of 1945 and not reinvested your income the real value of your investment today, factoring in the impact of inflation, would be just £288, and the nominal or absolute value would be £10,933. With income reinvested these totals are transformed to £6,294.26 and £238,690.07 respectively, says the latest Barclays Equity Gilt study.

To put that into perspective the inflation-adjusted figure with income reinvested is a factor of more than 21 times greater than the equivalent figure if the income is not ploughed back into buying more shares or fund units.

This article will look at some strategies for creating a dividend reinvestment portfolio, with investment ideas offering robust income streams which can be reinvested for compounded returns over the long-term.

DIVIDEND REINVESTMENT MADE EASY

Most investment platforms offer dividend reinvestment services which will automatically reinvest income for you.

You can typically choose to have dividends reinvested for one or more specific shares you hold, or you can choose to have all eligible dividends reinvested for all shares you hold now and any eligible shares you buy in the future.

Investments included in a dividend reinvestment service include most shares, investment trusts and tracker funds or ETFs.

For funds, the easiest way to reinvest income is to buy the 'acc' version which automatically rolls up dividend payments so you end up owning more fund units.

IF YOU INVESTED £100 IN 1945 AND...

	DID NOT REINVEST	DID REINVEST
REAL VALUE NOW	£288	£10,933
NOMINAL VALUE	£6,294.26	£238,690.07

> **The inflation-adjusted figure with income reinvested is a factor of more than 21 times greater than the equivalent figure if the income is not ploughed back into buying more shares or fund units**

THE IMPORTANCE OF DIVIDEND GROWTH

For dividend reinvestment to work to its maximum effect you need payments to be consistent and hopefully growing.

For this reason, dividend growth is more important than a high initial yield, particularly if there is a track record of year-on-year improvement in the level of cash paid to shareholders. High yields (such as 6%+) are often signs that dividends are unsustainable (more on this later).

Dividend growth signals the board's confidence in the company's long-term cash generation capabilities. You can draw the conclusion that the board sees scope for value accretion in the business over the coming years and therefore you could hopefully see a rising share price plus a steady increase in dividends.

Strong share price performance can mean the yields offered by dividend growth companies aren't the most eye-catching but over time they could still prove to be excellent investments. The ability to consistently grow a dividend implies a stock is cash generative and shareholder-friendly.

GROWTH CAN BE BETTER THAN YIELD

Inexperienced investors might find it hard to comprehend why income growth can be better than income yield, particularly if a dividend growth stock is offering a current yield circa 2% and a high yield stock offers 10%, for example.

However, high dividend yields are often the result of a falling share price, as we also explain in more detail later on in the section on ETFs. It can be a warning sign that something is wrong with the company or its end markets and therefore dividends may not be sustainable.

Occasionally the market gets it wrong and that can represent a material value opportunity. But the market is generally right, and you may get hit with double whammy of the loss of income from a slashed or even cancelled dividend and a significant fall in the value of the shares if investors are presented with negative news. For dividend 'reinvestors' this would undermine your compounded gains.

For example, in April 2018 shares in struggling department store **Debenhams (DEB)** tumbled as it cut its dividend in half alongside a sorry set of first half results.

As AJ Bell investment director Russ Mould noted at the time, prior to the cut and assuming no change in the full year dividend, Debenhams was trading on a yield of nearly 15%. If a yield looks too good to true, then it usually is.

WHEN A DIVIDEND CUT CAN BE GOOD NEWS

It would be wrong to say a company should never cut its dividend. If the finances of a business become stretched for some reason then it should not use debt to maintain dividend payments as this is ultimately unsustainable.

In 2016 research was published by Morgan Stanley analysing more than 350 instances of dividend cuts in Europe over the preceding 10 years. It concluded that a dividend cut 'typically represents a positive inflection point for share prices', flagging that the average stock outperformed the market by 11% in the year after a cut is announced.

You just need to consider that the share price is likely to have been very weak for a company in the run-up to cutting a dividend if there were clear financial presures.

WHAT MARKS OUT DIVIDEND GROWERS?

Companies delivering dividend growth over the long-term have several attributes in common. Typically, they are cash generative, shareholder-friendly and enjoy consistent track records. These qualities are likely to be underpinned by a strong competitive position and pricing power.

In the words of investment bank Goldman Sachs: 'Good companies pay dividends. Great companies grow dividends.'

In January 2018 asset manager Royal London changed the name of its UK growth fund to **Royal London Dividend Growth (GB00B63DTG61)**.

Fund managers Niko De Walden and Richard Marwood sum up their approach: 'The fund is not being positioned for any single macroeconomic scenario, and is instead looking to invest in a range of companies which we believe are in control of their own destinies, irrespective of market conditions.

> "Good companies pay dividends. Great companies grow dividend"

'We look for companies with strong business models, robust cash flows and appropriate balance sheets, all traits which should allow long-term dividend growth. Additionally, we are not afraid to buy into these businesses when they are out of favour and their share prices weak.'

Past performance is not necessarily a guide to future performance but the companies in the accompanying table have increased their dividends every year for the last decade or more at an annualised rate of at least 10%. As such they could be a good starting point for someone looking for stocks to research further in order to build a dividend reinvestment portfolio.

Of the names on the list, advertising giant **WPP (WPP)** is perhaps most at risk of breaking its streak of dividend growth after a spell of disappointing trading and the recent departure of long-running chief executive Martin Sorrell.

Analysts' consensus estimate is for a very slight increase this year on the 60p paid for 2017

STRONG DIVIDEND GROWERS	
COMPANY	ANNUALISED 10-YEAR DIVIDEND GROWTH
ST JAMES'S PLACE	25.9%
CRODA	17.4%
WPP	16.1%
DIPLOMA	15.6%
INTERTEK	14.8%
4IMPRINT	13.5%
DECHRA PHARMACEUTICALS	12.2%
MEARS	11.6%

but we wouldn't be surprised to see dividend estimates change if trading doesn't improve in the near-term.

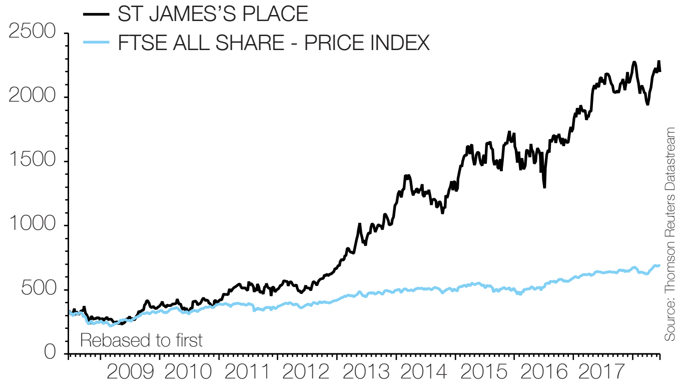
Others like **Diploma (DPLM)** and **Intertek (ITRK)** have their dividend growth underpinned by supplying products and services that are essential to companies' day-to-day operations, plus they operate in markets with regulatory drivers.

Reflecting the confidence the market has in these payouts, Diploma yields 2.1% and Intertek 1.5%.

At the very top of the leaderboard is **St James's Place (STJ)**. It benefits from being in an asset management industry underpinned by a need for more people to prepare for their own retirement.

Backed by a successful strategy of investing its typically wealthy clients' cash through a network of international fund managers, we reckon the company looks well placed to continue growing the dividend.

Its share price can be prone to volatility if there are wild swings in the stock market but historically many dips have proven to be decent buying opportunities.



USING ETFS AS A WAY OF EARNING AN INCOME

SPDR S&P UK Dividend Aristocrat ETF (UKDV) provides access to the 30 highest yielding UK-quoted companies that have managed to either maintain or grow dividends for at least 10 years in a row.

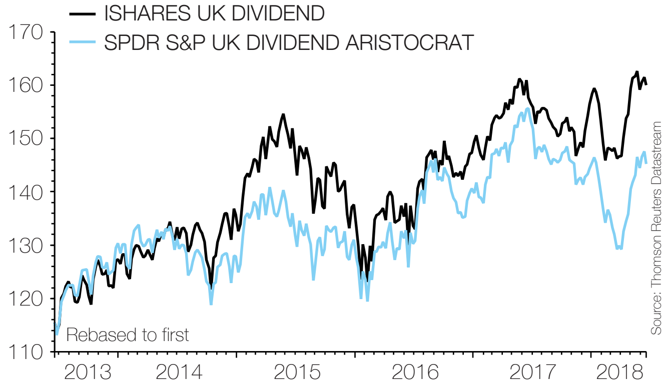
This screening method means you don't get exposure to companies that have irregular dividends. The index will remove any companies that cut their dividend.

Morningstar has previously argued this ETF could be better for your portfolio than another popular ETF, **iShares UK Dividend (IUKD)**. The latter may seem more attractive with a higher yield, currently 5% versus UKDV's 4.2%, yet it exposes investors to the dangers of dividend traps, says Morningstar.

'(The iShares ETF's) portfolio is made up of the 50 highest-yielding UK stocks. However, the index that this ETF tracks simply ranks stocks by promised yield. No measures are taken to evaluate the companies' debt levels or to ensure that they are likely to remain profitable.'

Morningstar says the iShares ETF could provide exposure to a company that is promising a dividend it cannot afford to pay.

Just remember that a lot of companies have high yields as result of a falling share price – that's the market's way of saying the dividend



is unsustainable. If the market is correct and bad news is on its way, there is a high chance that the dividend could soon be cut, as we've recently seen with the likes of **TalkTalk (TALK)** and **Connect (CNCT)**, both trading on high yields before saying dividends would have to be reduced.

'Our analysis showed that the companies in SPDR UK Dividend Aristocrats' portfolio have better profitability characteristics and lower debt. But consistency usually comes at the expense of a lower yield. Nevertheless, in our view, this is a superior investment strategy,' it concludes.

WHY INVESTMENT TRUSTS MAY BE ANOTHER SOLUTION TO YOUR INCOME NEEDS

When it comes to paying dividends, investment trusts have a major structural advantage over traditional open-ended funds (e.g. unit trusts and Oeics), as they can retain up to 15% of their annual income for rainy days.

This is added to their revenue reserves, from which they can draw upon to smooth dividend payments from one year to the next to potentially generate a steadily increasing stream of income for their investors.

In contrast, open-ended funds domiciled in the UK have to pay out all of the income that accrues in their annual reporting period over the course of the year.

They do not have the flexibility to set any of it aside, with the result that investors could receive more variable levels of annual income.

Many investment trusts have been able to consistently raise their dividends each year for decades. According to research by the Association of Investment Companies (AIC), 21 trusts have been able to do this for 20 years or more, classified as 'dividend heroes'.

Some of these trusts will be loath to lose their reputation for income growth, even if their investments aren't delivering on the dividend front. They will use their revenue reserve to help deliver fairly piecemeal increases in the dividend.

In order to distinguish those which have delivered meaningful dividend growth, and are therefore good candidates for a dividend reinvestment portfolio, the accompanying table shows the AIC's dividend heroes ranked according to their level of annualised dividend growth over the last decade.

At the top of the list is **Alliance Trust (ATST)** with 20.7% annualised dividend growth over the past 10 years. It has a similar multi-manager strategy to **Witan Investment Trust (WTAN)** which is fourth on the list with 7.8% annualised dividend growth.

DIVIDEND GROWTH – DO THE SUMS ADD UP?

A quick and straightforward way of checking a company's ability to grow the dividend and provide plenty of income to reinvest is to look at how many times the dividend is covered by earnings per share.

However, to be really sure you need to go further as dividends are not paid out of earnings but from a company's free cash flow. Essentially this is all the cash it has left after it has paid tax, covered the cost of borrowing and ladled out its capital expenditure (capex).

To work it out, find net cash from operations in a company's results statement, add dividends received from joint venture companies (if there are any), take away capex, interest paid to lenders, dividends paid to any preferred shareholders and add back any interest income from money in the bank.

To work out a per share number, take the free cash flow figure and divide it by the number of shares in issue – which you can find on the London Stock Exchange website.

Dividing free cash flow per share by dividend per share would help determine how sustainable the payout is. Any figure less than one would imply the company is funding its dividend through debt or retained earnings which is ultimately unsustainable.

You mustn't presume that higher dividend growth leads to greater total shareholder gains over time. For example, looking at the total return performance (capital gain plus dividends reinvested), Witan has outperformed its peer with 226.6% gain versus 203.9% from Alliance Trust.

Bankers Investment Trust's (BNKR) 204.7% total return over 10 years is greater than Alliance Trust's, despite its annualised dividend growth being much lower (6.2%).

It is also important to consider that past performance data overall isn't an indicator of how well an investment trust (or stock or fund) will perform in the future.

It can help you establish what's possible from a product, but you also have to consider that market conditions could be very different over the next decade to what we've seen over the past 10 years.

Taking the top six investment trusts ranked by dividend growth, the best performer on a total return basis is **F&C Global Smaller Companies (FCS)** with 319.9% gain, according to data from Thomson Reuters.

We aren't surprised as smaller companies have historically outperformed large caps. However, you must also consider that smaller companies are higher risk, so you should demand a higher return as compensation for the risk of putting your money into this part of the market. (TS)

INVESTMENT TRUSTS: AIC DIVIDEND HEROES RANKED BY DIVIDEND GROWTH

INVESTMENT TRUST	10-YEAR ANNUALISED DIVIDEND GROWTH (%)
ALLIANCE TRUST	20.7
F&C GLOBAL SMALLER COMPANIES	10.1
SCOTTISH INVESTMENT TRUST	8.2
WITAN	7.8
BANKERS	6.2
FOREIGN & COLONIAL INVESTMENT TRUST	5.9
CALEDONIA INVESTMENTS	5.8
JPMORGAN CLAVERHOUSE	5.4
CITY OF LONDON	5.0
BRUNNER	4.4
VALUE & INCOME TRUST	4.4
SCOTTISH MORTGAGE	4.1
F&C CAPITAL AND INCOME	3.7
SCHRODER INCOME GROWTH FUND	3.3
INVESCO INCOME GROWTH	3.2
TEMPLE BAR	3.2
MURRAY INCOME	3.1
SCOTTISH AMERICAN	3.0
BRITISH & AMERICAN	3.0
MERCHANTS TRUST	1.4

What Brexit means for UK financial assets – two years after the vote

We look at the performance of UK stocks versus other parts of the world

By Russ Mould, investment director, AJ Bell

It is two years since the British public had its say in the EU referendum of June 2016 and while many voters and Leavers are unlikely to be in the least bit concerned, it can be argued that financial markets continue to approach March 2019 with a degree of trepidation.

This is not to say the markets are right to be cautious about what Brexit may bring to the UK and EU economies – this column is going to steer clear of the politics and will like to stress now that the following comments are based purely on analysis of the data and nothing more.

But three clear trends suggest that investors would at the very least like greater clarity on what sort of deal the UK will get – or, if there is no deal at all, what that might mean.

UK STOCKS LAG THE WORLD

At first glance, a 30% total return from the FTSE All-Share (including dividend reinvestment) since the EU vote two years ago does not look bad at all. However, anyone who fled the UK's financial markets as soon as the vote result became known in the early hours of 24 June would have been quite justified in doing so, as UK equities have markedly underperformed their global peers since 23 June 2016.

It is possible that investors may wait to see what deal is struck – if there is one at all – before committing more firmly to the UK on an asset allocation basis, although it is possible to argue that such wider reticence could be creating a valuation opportunity, especially as economists continue to argue the pound looks cheap on a purchasing power parity (PPP) basis.

UK STOCKS HAVE LAGGED THEIR GLOBAL PEERS SINCE EU VOTE

	Performance since 23 June 2016 (total return in £)
Asia-Pacific	56.8%
Japan	54.2%
USA	53.0%
Eastern Europe	44.7%
Western Europe	35.4%
Middle East & Africa	32.0%
Latin America	31.2%
UK	29.7%

Source: Thomson Reuters Datastream

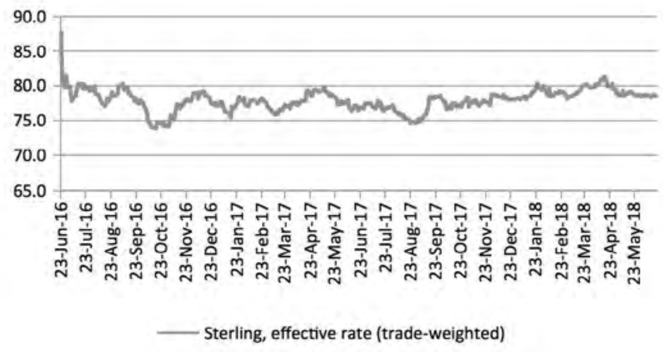
STERLING'S SLIDE

With the Bank of England seeking to influence borrowing costs – and thus bond yields – by cutting interest rates to a record low of 0.25% in August 2016 and reintroducing quantitative easing (QE) – financial markets have not been able to express their hopes and fears through the usual channel of Government bonds and the interest rate they demand in return for lending money to the UK.

Instead, the pound has become the main lightning conductor for market sentiment and in general a 'hard' Brexit or 'no deal' have been greeted with dismay by sterling and the prospect of a 'soft' Brexit has tended to receive a warmer welcome from the currency markets, although Bank of England reticence to increase interest rates has not helped here, either.

The pound is still nearly 11% lower than where it was before the EU referendum, according to the Bank of England's own trade-weighted basket.

STERLING HAS YET TO REGAIN ALL OF THE GROUND LOST AFTER EU VOTE



Source: Thomson Reuters Datastream, Bank of England

This could simply mean the pound is cheap and that British assets are cheap as a result, even if some investors seem reluctant to commit hard cash right now.

SECTOR AND STOCK PERFORMANCE

At least that weak pound has helped provide some support to the UK stock market, even if the FTSE All-Share has lagged its international peers.

Three clear trends can be seen within UK equities since 23 June 2016, even if it would be wrong to attribute every development in the benchmark indices over the past two years to Brexit.

- Overseas earners and exporters have done well, helped by the pound's decline but also hopes for a globally synchronised economic recovery. This helps to explain the strong performance of the mining, industrial engineering, electronic/electrical equipment and forestry/paper sectors, among others.

- Weakness in sterling has helped to draw predators to the UK, who have sought to snap up British assets on the cheap. Successful – or even failed – bids from overseas parties have helped to fuel the performance of sectors such as technology hardware, where Softbank of Japan swooped for ARM within a month of the referendum vote.

- Anyone seeking safety in defensive sectors would have struggled, underperforming the wider UK stock market, which has itself done poorly on the world stage.

Not everything can be laid at the door of Brexit. The EU vote has surely had little bearing on the sale of orcs, trolls and fantasy gaming products at **Games Workshop (GAW)**, a key component of the leisure goods sector.

Food and drug retailers have confounded the bears, despite the pressure put on the cost of imported products owing to the weaker pound, thanks to cost-cutting programmes, industry consolidation, improved operational performance and the rise (and rise) of **Ocado (OCDO)**.

But the ongoing debate over what Brexit may or may not mean once it comes into force after March 2019 (or December 2020) could continue to help shape sentiment towards British financial assets for some time to come.

BEST AND WORST-PERFORMING FTSE ALL SHARE SECTORS SINCE EU REFERENDUM VOTE

BEST INDEX PERFORMANCE		WORST INDEX PERFORMANCE	
Industrial Metals & Mining	289.2%	Food Producers	(1.2%)
Leisure Goods	102.9%	Household Goods/Home Construction	(1.9%)
Mining	91.3%	Real Estate Investment Trusts	(3.2%)
Auto & Parts	64.8%	Oil Equipment & Services	(5.4%)
Industrial Engineering	62.8%	General Retailers	(9.4%)
Tech Hardware	60.6%	Electricity	(12.6%)
Food & Drug Retailers	56.3%	Mobile Telecoms	(15.5%)
Forestry & Paper	54.5%	Gas, Water and Multi-Utilities	(18.2%)
Electronic/Electrical Equipment	53.5%	Tobacco	(18.6%)
Chemicals	47.3%	Fixed Line Telecoms	(51.0%)
FTSE All-Share	**20.4%**		

Are big investors becoming more confident in UK equities again?

We talk to four fund managers about why London-listed shares still have a solid future

The main UK stock market indices have struggled this year and many of the biggest investors rank UK stocks as the most unpopular asset class. Is now the time to go against the grain and increase exposure, buying when others are uninterested? We believe it is.

A survey by Bank of America Merrill Lynch of 235 fund managers overseeing $684bn of assets of under management found that institutional investors were flocking to US equities, saying that part of the market has the best corporate profit outlook.

However a closer look at the survey published earlier in June also revealed that this group of fund managers had made their biggest monthly increase in allocation to UK equities since before the Brexit vote.

We spoke to four managers with large exposure to UK equities to understand why they remain committed to the space.

AREN'T THERE OBVIOUS CONCERNS ABOUT THE UK?

Neil Hermon, director of UK equities at Janus Henderson Investors and manager of **Henderson Smaller Companies Investment Trust (HSL)**, says at first glance there are several reasons why investors may be cautious on UK equities, such as lacklustre GDP growth, consumers under pressure, higher inflation, the FTSE 100 having a high weighting to resources stocks, and unresolved Brexit issues.

However, he argues that the UK is a trusted global brand, the easiest place to do business in Europe and perhaps most importantly the revenues of many FTSE All-Share constituents are geographically diverse.

For example, FTSE 100 constituents generate more than 70% of their revenue outside the UK and the FTSE 250 just under half.

He adds that on a 12 month forward price-to-earnings (PE) basis, UK equities are great value, trading at an average of just 14.1-times. Only Japan trades on a cheaper PE among developed nations.

Cheap valuations plus favourable foreign exchange rates have stirred takeover interest in UK equities over the past few years, particularly from overseas companies looking to expand. Hermon believes small cap stocks, in particular, are sought-after targets.

REGAINING CONFIDENCE

Georgina Brittain, manager of **JPMorgan Mid Cap Investment Trust (JMF)**, says she shifted her portfolio when the result of the Brexit vote came in and reduced exposure to consumer stocks. She was also worried that companies would stop investing following the shock result.

Brittain says many companies are now reviving growth projects which she believes 'bodes well for the outlook'.

The fund manager is incredibly bullish on the FTSE 250, saying it has produced some of the best returns 'in the world'. She argues that mid cap companies are in an earlier part of their life cycle and have great scope for growth.

Brittain says that FTSE 250 companies are great challengers to their FTSE 100 peers. For instance she cites discount retailer **B&M European Value Retail (BME)** as being a great alternative to **Tesco (TSCO)**; and **Wizz Air (WIZZ)** is less encumbered than **International Consolidated Airlines (IAG)**.

UNDERAPPRECIATED OPPORTUNITIES

Brittain and Hermon at Janus Henderson make the point that small caps and some mid-caps have fewer analysts covering the stocks than large caps which can lead to investors having very limited information on earnings potential for many companies.

This creates an opportunity for savvy stock pickers to pounce on certain stocks where the opportunity is underappreciated by the market.

This resonates with **The Mercantile Investment Trust's (MRC)** strategy which is most interested in UK companies outside the FTSE 100 that have significant room for growth and are not recognised by other investors.

While small and mid-sized firms are perceived to have more Brexit-related risk than the blue chips, Mercantile's co-fund manager Guy Anderson stresses: 'When we look at our universe, yes it is more domestic than the FTSE 100, but actually from a revenue perspective, it is about 50% from the UK and 50% international.'

Mercantile also has a firm focus on valuation. 'We look at a range of metrics but the key thing we look at is the cash the business generates because that should be the ultimate arbiter of what it is worth,' says Anderson, seeking firms with solid fundamentals.

'We meet about 300 management teams a year – asking them what they think are the prospects for the business and how they allocate capital.'

The fund manager looks to identify positive change, such as a management-led restructuring, a cyclical turning point or a company with underappreciated growth momentum.

> **We meet about 300 management teams a year – asking them what they think are the prospects for the business and how they allocate capital**

Despite the prolonged bull market for equities in many parts of the world, Anderson is still finding new opportunities in the UK-listed space for Mercantile, such as new stock market entrants providing a stream of new ideas.

LARGE CAPS CAN STILL BE A GOOD HUNTING GROUND

The appeal of UK equities isn't restricted to the middle and lower end of the market. The large cap FTSE 100 also contains many attractive companies from an investment perspective.

And sometimes the companies don't have to be entirely healthy to warrant buying the shares as long as there is a catalyst to help drive a recovery back to good health.

Alastair Mundy, manager of **Temple Bar Investment Trust (TMPL)**, is among the institutional investors who look for recovery situations which are present in FTSE 100.

'I sometimes buy truly terrible companies. My goal is to take them from truly awful to merely bad, then from merely bad to good, then good to great,' says Mundy.

Although he jokes about looking through dustbins for awful companies he actually employs a sophisticated system to figure out if a company can recover or is a dreaded value trap.

He particularly likes so-called 'fallen angels', namely companies once at the top of their game which could return. Examples include **Tesco (TSCO)**, **EasyJet (EZJ)** and **Next (NXT)**. (DS/JC)

New managers with old habits should keep Scottish American moving forward

The Baillie Gifford-run investment trust has a great dividend growth track record

The relatively new management team at global income investment trust **Scottish American Investment Company (SCAM)** have high standards to meet given its impressive 38 years straight of dividend growth.

Baillie Gifford's James Dow and Toby Ross took over management from Dominic Neary less than a year ago (August 2017). Our suspicion is that it should be a smooth transition. The pair have spent their entire careers immersed in Baillie Gifford's unique culture and have been part of the Scottish American's investment decision-making process since 2013.

Scottish American's approach is long-term and concentrates on identifying cash generative companies capable of paying dependable and growing dividends that will beat inflation. Yet the trust – also known as SAINTS – stands apart from many other income funds by being prepared to be different, straying from typical global equity income benchmark names in favour of better opportunities.

The trust aims to deliver total returns of 8% annually over the investment cycle, roughly split as 5% from capital and 3% from dividends.

SCOTTISH AMERICAN: TOTAL RETURNS

5 year annualised: **14.27%**

10 year annualised: **10.62%**

Source: Morningstar

Performance over the past five years has been significantly better than that target, with Scottish American's share price rallying from 232.5p to 372.5p now. That averages out at 12% a year capital gains, which can be added to the 2.5% a year average income increase since 2012.

Net asset value (NAV) has grown more than 60% since 2014 which is a very decent performance.

FUNDAMENTALS REMAIN THE FOUNDATIONS

As is common to all Baillie Gifford funds, investment decisions are research-based. The managers are also able to draw on the deep well of shared experience and expertise across the Baillie Gifford team which means drawing from the best in-house ideas.

This includes opportunistic, if limited, fixed income assets and strategic UK property investments, the latter outsourced to specialist investment manager Olim.

But bonds and property are really just a sideline to the main global equities approach, where German stock exchange operator Deutsche Borse, Coca Cola and insurer **Prudential (PRU)** are key holdings at present.

Ongoing charges of 0.8% are competitive while the annual dividend, paid in quarterly chunks, yields 3% on an historic measure.

A reliable income growth track record and Baillie Gifford's stock picking skills make Scottish American 'an attractive option for investors seeking a dependable source of growing income', according to Winterflood. Its analysts say the real performance test will be in more difficult market conditions. (SF)

Six ways to play the UK's squeezed middle earners

The UK's middle income earners are feeling the pinch. Consumer price inflation remained flat at 2.4% at the last reading but higher petrol prices and planned energy price rises point to inflation coming back with a vengeance.

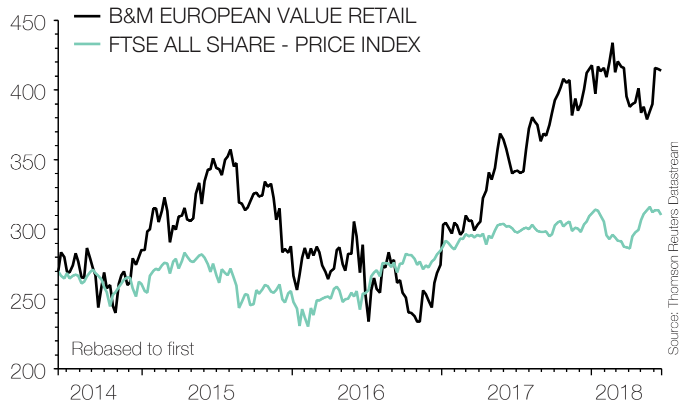
Meanwhile wage growth unexpectedly softened to 2.5% in the three months to April, meaning real incomes are coming under pressure once more.

The other threat to middle earners' financial stability and spending power is increasing automation, which could make some jobs obsolete – a recent PwC survey found that 37% of workers were worried about losing their jobs to robots.

Against this backdrop, consumers in the squeezed middle bracket might be looking for ways to make their money go further. For investors, there are a number of ways to play the theme.

TRADING DOWN

Iain Wells, co-manager of **Kames UK Equity Income Fund (GB00B4ZMYG27)**, suggests discount retailer **B&M European Value Retail (BME)** might be popular among consumers who want to trade down from the mainstream supermarkets but still keep buying their favourite brands, such as Heinz tomato soup which is 27% more expensive in Tesco than B&M.



'B&M is a beneficiary of that trend. Like-for-like numbers are positive but not significant relative to history so they are not showing a wholesale switch to B&M. But what it does have strongly in its favour is positive space growth, the fact its stores mature quickly, and the management being quite disciplined in how they invest,' he says.

THE JOYS OF PUB FOOD

Paul Mumford, manager of **Cavendish Opportunities Fund (GB00B9F9Z985)**, suggests pubs could do well as consumers look for cheaper food options.

'If I was looking for value I'd look for areas that have been less adversely affected (by the squeeze on consumers), such as pub companies, especially **Marstons (MARS)**.

'It is on a single digit PE (price-to-earnings) ratio, a high yield, and it is trading well. I have met the management and they are confident, but the share price is bumbling along the bottom of its 12-month range.

'The fine weather helps these companies, and the World Cup will help too. Competition has increased among restaurants – people could be drifting towards lower cost meals.'

Marstons operates more than 2,000 pubs in the

UK, and its half year results in May showed a 3% rise in like-for-like sales in its taverns.

The fund manager also points to **Debenhams (DEB)** as a contrarian bet which could benefit from the closure of a number of House of Fraser stores, despite management never quite getting things right in the past.

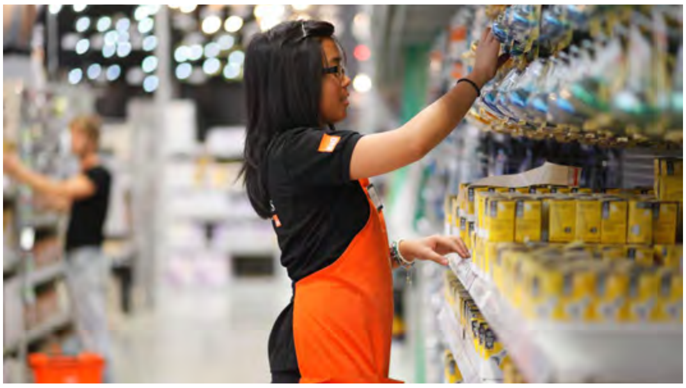
The shares are down 82% over three years and are trading at a mere 16.68p following a series of profit warnings.

Mumford says: 'Hedge funds are shorting a lot of retail names. Crispin Odey, for example, has a huge short position in Debenhams. But you could find that with House of Fraser downsizing and Poundworld having problems, a generalist company like Debenhams could start to do better.'

RETURN OF DIY?

Adrian Lowcock, investment director at Architas, suggests B&Q owner **Kingfisher (KGF)** as a stock idea. A recent trading update showed a 4% drop in like-for-like sales due to snow-related store closures.

The shares are at 301.8p which compares to a one-year high of 362.5p (February 2018). 'As incomes are squeezed and especially if interest rates start to rise then we could see people revert to DIY over replacing bathrooms and kitchens or even moving house, especially if house prices start to fall,' says Lowcock.



AJ Bell's investment director Russ Mould names **IG Design (IGR:AIM)**, which supplies gift wrap and greeting cards to big chains and supermarkets. Shares in the £300m market cap company are trading at 485p and have risen more than 300% in three years. 'They've got state of the art equipment, they are providing their products in a price competitive fashion and the stock has done really well over the last couple of years,' says Mould.

For investors interested in fixed income, bonds issued by frozen food chain Iceland Foods could be an interesting option for playing the squeezed middle class theme.

Iceland has a 15% share of the UK's frozen food market, second only to Tesco. Jonathan Harris, investment director in Schroders' fixed income team, says: 'Middle UK earners' incomes are likely to get squeezed over time due to efficiencies in production and automation that is threatening jobs.

'Iceland chief executive Malcolm Walker knows his market and customer inside out. The shops themselves have no frills to them but he has tried to differentiate the products by having aspirational, good quality frozen food.

'It's a very easy business model to run; it is capital efficient; and, given the pressure on incomes, there is a resilient market for Iceland's food and there may be a trading down effect from people who are earning less over time.'

HOW DO YOU GET EXPOSURE?

Listed on the Luxembourg stock exchange, Iceland's bonds are available on AJ Bell YouInvest platform in a minimum denomination of £100,000 so this is perhaps an option only for the very wealthy.

The other way to get exposure is through **Schroder High Yield Opportunities Fund (GB00B5143284)** which yields 6.2% and where the Iceland bond is the second largest holding, albeit still only representing 1.5% of assets.

It is worth noting this is a fixed income investment, so you don't share in the upside if Iceland experiences a boost in trading like you would do if you owned equity. However, stronger trading would provide piece of mind that this is a solid business and is able to keep paying the bond coupons. (HS)

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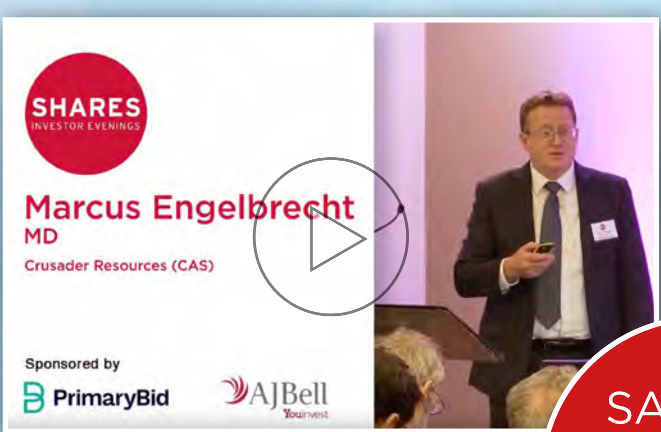

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Seven essential points to get the most out of Lifetime ISAs

This important guide will help you avoid making mistakes with the property and retirement savings wrapper

Those using the new Lifetime ISA to save for their first home or retirement need to make sure they aren't caught out by complicated small print that could lead to delays, admin headaches and potentially their home purchase being stalled.

The Lifetime ISA was launched last year, and allows those aged 18 to 39 to open an account, where they can save up to £4,000 a year. The Government will top up any contributions by 25%, up to a maximum of £1,000 each year.

Thousands of first-time buyers have rushed to open the account, and use the valuable Government boost to top-up their deposit savings.

However, AJ Bell has identified seven small print quirks with the Lifetime ISA that account holders need to be aware of.

1

YOU NEED TO PUT MONEY IN YOUR LIFETIME ISA BEFORE YOUR 40TH BIRTHDAY, OR YOU MISS OUT

Lifetime ISAs can be opened by anyone over the age of 18 before their 40th birthday. However, just opening an account is not enough. HMRC does not deem the account to be officially opened until money is put in – even if that's only £1.

This means that anyone rushing to open the account before their 40th birthday needs to leave enough time to open the account and make their first deposit, bearing in mind bank transfers can also take a number of days to complete. If money isn't deposited in time, then HMRC states the account must be closed.

2

YOU NEED TO DEPOSIT MONEY IN THE SAME TAX YEAR YOU OPENED THE LIFETIME ISA

In a similar vein to the previous quirk, you need to make sure you have deposited money into the account in the same tax year you opened it.

For example, someone who opened an account in March 2018 had to make a payment before 5 April this year for it to be officially opened. If not, HMRC rules state the account has to be closed by the provider and you will have to reapply.

This rule is not the case with other ISA or SIPP accounts and so investors could understandably assume this was not the case. It seems unfair to create a product that doesn't act as people would naturally expect it to do, because of the limitations of HMRC computer systems.

3

YOU CAN'T CLAIM THE BONUS IF YOUR DETAILS DON'T MATCH HMRC'S

The Government pays a 25% bonus on all contributions to a Lifetime ISA, up to £4,000 a year. When your Lifetime ISA provider claims your 25% Government bonus, it submits all the details it has on you and HMRC checks that this tallies with the information it holds on you before it will pay out the bonus. If there are any discrepancies in this information, HMRC will not pay up.

The most likely instance is where someone has changed their name, particularly after marriage, and has not updated this with HMRC, or where they have made an error on their forms.

It may seem like a small issue, but it's affected hundreds of cases AJ Bell has seen, where there has been a mismatch in details, meaning the bonus couldn't be paid as quickly as it should.

4

YOU HAVE TO OPEN AND FUND THE ACCOUNT 12 MONTHS BEFORE YOU BUY A PROPERTY

If you plan to buy a property in the next 12 months, the Lifetime ISA is not the product for you. The Lifetime ISA rules dictate that you must have the account open for 12 months before you can use it for a property purchase. And remember, that's 12 months from the first payment in, not just opening the account.

The 12-month rule is intended to stop people paying money in, immediately claiming the lucrative Government bonus and then withdrawing the money, but 12 months feels like a very long time. Six months, or even three months could be more reasonable.

5

YOU CAN'T PAY INTO A CASH LIFETIME ISA AND A STOCKS AND SHARES LIFETIME ISA IN THE SAME TAX YEAR

Unlike conventional ISAs, where you can open and pay into one cash ISA and one stocks and shares ISA in each tax year, you can only open one Lifetime ISA each year. If you have opened two Lifetime ISAs, the second one to be opened will be closed and the money returned, regardless of how much is in there.

You could have paid £10 into the first Lifetime ISA and £3,990 into the second, but the second one will still be closed.

This is a particularly important to remember if you are transferring from one Lifetime ISA you've opened earlier in that tax year to another – this is possible, but the first payment into the new Lifetime ISA must be the full transfer from the original Lifetime ISA.

6

IF YOU TRANSFER MONEY FROM AN ISA IT COUNTS TOWARDS YOUR £4,000 LIMIT

You can contribute up to £4,000 into a Lifetime ISA each year. If you transfer money in from another ISA, it will count towards this limit.

There was an exception to this rule for the first year of Lifetime ISAs, where you could transfer your entire Help to Buy ISA, regardless of the value, and it didn't count towards your £4,000 annual limit. However, this has now ended.

The only exception is where you are transferring from one Lifetime ISA to another Lifetime ISA (see quirk #5).

7

YOU COULD WAIT UP TO EIGHT WEEKS FOR YOUR BONUS MONEY

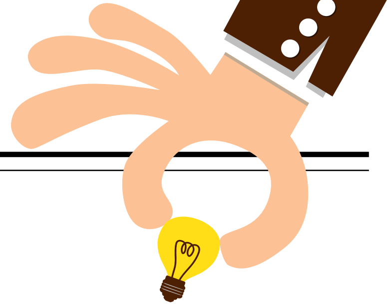
For the first year the 25% Government bonus on the Lifetime ISA was paid after the end of the year, but now it is paid monthly. However, HMRC only allows your Lifetime ISA provider to apply for the bonus money once a month. It can take up to 14 days to pay the bonus from this date.

For HMRC's purposes, each month runs from 6th of the month to the 5th of the following month. Your provider can then apply for the bonus from the 19th of that month, and get the bonus paid up to 14 days from this point (although in reality, so far, it has been paid sooner).

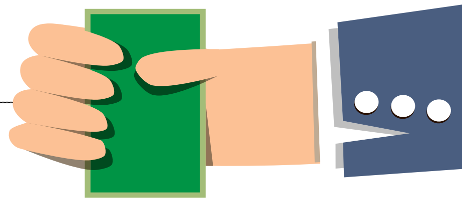
Someone who paid the money in on the 6 June, for example, will not see the bonus for at least six weeks, and it could be as much as eight weeks.

This is only a problem for those who are at the stage of buying a house, and had banked on the latest month's bonus money to go towards their house purchase.

Laura Suter, personal finance analyst, AJ Bell



Should I pay for expert financial advice on my pension?



We look at how the advice process might work and the potential costs

Is it worth paying for financial advice? I was asked this very important question several times after presenting at the recent Retirement Money Show event in London, with many people unsure how best to make use of the pension freedoms. The answer depends on your own personal circumstances and preferences.

Many *Shares* readers will feel perfectly capable of devising a retirement income and investment strategy without engaging the help of a professional. Others might baulk at the charges involved or feel their portfolio is simply too small to warrant financial advice.

Whatever your situation, it makes sense to know the benefits of advice and what your options are before deciding whether or not it is right for you.

HOW MUCH WILL IT COST?

Most advisers will offer you an initial consultation for free – think of this as a test run to see if advice could be the right option for you.

If you decide to go ahead, you'll likely pay two different charges – 'initial' and 'ongoing'. The initial charge will be for a distinct service, such as creating a financial plan or assessing the merits of a defined benefit pension transfer.

The ongoing charge pays for the adviser to continue reviewing your investments and retirement strategy into the future.

Some advisers will charge you a fixed fee while others ask you to pay by the hour. The most common method, however, remains percentage-based charging.

According to the Financial Conduct Authority, the UK regulator, average (median) charges as a percentage of investment value for initial advice were reported by firms as between 1% and 3% in 2017, while ongoing charges were between 0.5% and 1%.

The difference these charges could make to the final value of your pot could be huge, particularly in the case of ongoing fees which will increase as your pot gets larger. However, in most cases these costs are dwarfed by the value and peace of mind offered by an adviser.

WHAT WILL I GET FOR MY MONEY?

A good adviser will assess your individual circumstances and financial goals and come up with a plan to achieve those goals. They will also help manage your tax affairs and navigate the complex quagmire of rules governing areas like pensions, investments and inheritance.

Furthermore, in recommending solutions to meet your personal circumstances advisers accept responsibility for those recommendations.

This means if something goes wrong or you feel the advice wasn't in your best interests, you can complain to the Financial Ombudsman Service (FOS) or the Pensions Ombudsman.

INDEPENDENT VERSUS RESTRICTED

There are two broad categories of adviser you should be aware of: independent and restricted.

Independent advisers will search the whole market to find a totally unbiased solution that meets your needs.

Restricted advisers can still provide a valuable service, but their recommendations may be limited to a particular type of product or to funds from a specific company.

Neither is inherently better or worse, but it's worth finding out any limitations your adviser might have before parting with your hard-earned cash.

Tom Selby, senior analyst, AJ Bell

The pros and cons of investing in the same things every month

Regular investing can result in you buying when prices are both high and low

Investors often have the best intentions when it comes to their portfolios but topping up an ISA or other investment account can easily slip down your list of priorities. Fortunately, setting up a regular investment plan can get you into good habits with none of the hassle.

Investment websites usually offer the option to save small, regular amounts into your portfolio. The associated fee is typically £1.50 per investment which is much lower than a normal dealing charge in the region of £9.95.

AJ Bell Youinvest, for example, lets you save as little as £25 a month into a range of stocks, funds, ETFs and investment trusts via its regular investing service. You select the required products in which you would like to invest each month, and state how much you would like to invest.

You need to make sure you have enough cash in your account to pay for the regular investments each month, otherwise the transactions won't complete. Most stockbrokers and investment platform providers will process the deals on the same day each month.

Fees are typically lower than you may pay for a one-off trade because investors' money is pooled by the provider to reduce trading costs.

You could set up a direct debit to fund your investment account so the cash arrives each month ahead of the regular investment being processed.

Starting small might not seem worthwhile but these regular amounts soon build up. But if you opt for the minimum monetary amount of £25, just remember that your dealing fee works out as 6% of your investment each month. You may be better off putting a greater amount of money, such as £100 or more, if you can afford it, as the fees would be a much smaller percentage of your investment.

REGULAR SAVING BENEFITS

Patrick Connolly, certified financial planner at Chase de Vere, says: 'Many people use regular savings to help meet long-term financial goals such as putting money into a pension or saving for children.

'One major advantage is you might not notice small, regular amounts automatically taken out of your payslip or bank account so will likely maintain them over time.'

Investing in this way has other benefits too. Investors are prone to buying at the top and selling at the bottom of the market – it's easy to become confident when a fund has had a good run and to get spooked if it has a

period of underperformance.

But regular saving takes the emotion out of investing because you don't have to make an active decision about when to put your money into a fund.

As a result, many regular investors may find they fare better than those who put in ad-hoc lump sums. This is because they benefit from something known as pound cost averaging where you end up buying more units or shares when they are priced cheap and fewer when they are expensive, and you keep investing through the bad times as well as the good.

Connolly adds: 'Regular saving is often the best way for novice or cautious investors to put money into the stock market as it negates the risk of market timing and hopefully allows them to sleep easier at night.

'If there are significant market falls then people simply buy their investments cheaper the following month, thereby reducing their overall average buying cost.'

For this reason, the strategy can be particularly useful when investing in volatile assets or regions which may be prone to sharp swings up and down, which can make many people nervous.

> **It's worth bearing in mind that, while trading charges for regular investors are low, they can add up**

DOWNSIDES TO THIS APPROACH

Those able to invest their entire ISA allowance at the beginning of the tax year, for example, may do better than those who drip-feed it into the market over 12 months simply because the money has more time in the market to grow.

For example, if you invested a lump sum of £10,000 and it grew at 5% a year for 10 years, you would end up with £16,470. By contrast, if you invested £83.33 a month for a decade and it grew at 5% a year, you would only end up with £12,940.

However, if markets fell significantly the regular saver could be better off – which may mean this is a good strategy for more nervous investors.

But it's worth bearing in mind that, while trading charges for regular investors are low, they can add up. If you have 10 stocks in your portfolio and it costs £1.50 a month to save into each one, that is £15 a month and £180 a year. Lump sum investors will only be charged once, although for the same portfolio they could pay £9.95 multiplied by 10 which is £99.50.

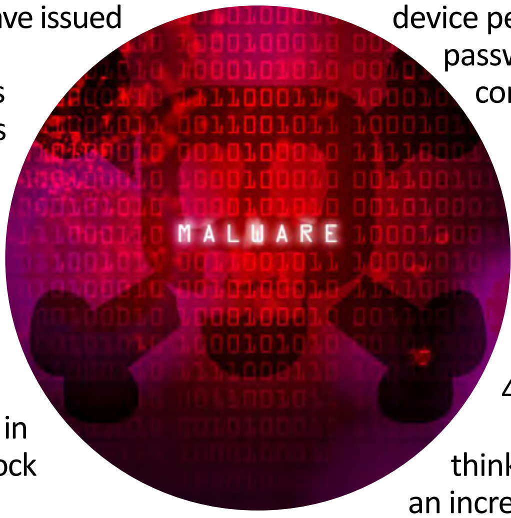
And, while it is convenient to set up your regular investment plan and forget about it, there is the risk you forget about it for too long and end up with an unbalanced portfolio or one that is no longer appropriate for your aims and risk appetite.

Alistair Cunningham, director at Wingate financial planning, argues: 'The benefits of regular investing are discipline and reducing the risk of 'buying high' but if you expect investments to rise over time – and if you don't then why invest? – it is generally best to use your allowances as soon as the tax year starts.' (HB)

Cyber flop Avast has scope to rally nearly 50% if analysts have their sums right

Anti-virus firm has so far been anti-investor returns too

Analysts at broker Jefferies have issued a rallying call to investors to back cyber security business **Avast (AVST)** with what they see as 'significant scope for the shares to re-rate'. Jefferies' Vijay Anand has slapped a 320p target on the share price, implying 48% upside from the current price.



The Czech Republic-based consumer antivirus provider has struggled to build investor support in the wake of its admission to the stock market on 15 May this year.

Avast had its stock priced initially at 250p per share when it joined the market giving the company a £2.38bn valuation, making it one of London's largest technology company flotations in recent years. Since then the share price has sagged badly, now trading at 216p.

This has spurred Jefferies' analysts into action, saying the 'combination of robust top line growth, strong cash generation and an attractive dividend policy makes Avast an appealing investment opportunity'.

The company mainly sells direct to consumers, both under its own banner and through its popular AVG suite of antivirus tools, which it bought in 2016.

It also supplies various endpoint protection, device performance and privacy tools, password management and parental control solutions.

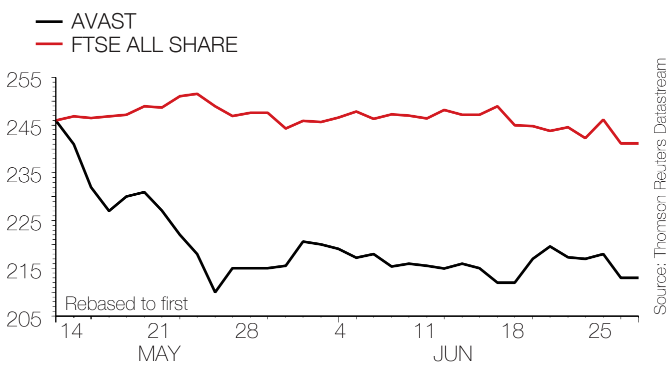
Around 435m people worldwide use Avast solutions to protect PCs, laptops and smartphones from malware and computer viruses. Most of those users take the free version of basic tools, with just 4% paying subscribers.

Part of Jefferies' investment thinking is based on Avast convincing an increasing number of its users that paying for the full bells and whistles version provides more security from hacking attacks and malware.

About two-thirds of 2017's $779.5m adjusted revenue came from desktop users. We presume most of those subscriptions are agreed as an upsell when consumers purchase a new PC or laptop device.

While paid-for penetration rates vary across countries and regions, the so-called 'freemium' model – where basic services are given away for free in anticipation that users will upgrade down the line – is a proven and powerful marketing tool. That implies there is 'significant cross-sell and upsell potential', according to Jefferies.

Bolstering its investment case, the broker calculates that the stock is currently trading at a 50% discount to the European software sector average and 'circa 40% discount to its UK peer **Sophos (SOPH)**', the UK market's alternative cyber security specialist of scale. Jefferies calculates a full year 2019 free cash flow yield of around 9%.



BROKER SAYS: 5 0 0

First Property's big Polish investment

Business park in Krakow looks an interesting addition to the portfolio

Real estate investor **First Property (FPO:AIM)** is adding to its portfolio in Poland, building on a strategy of investing in undervalued markets.

The company uses a yield gap strategy to make money. This is the difference between the interest rate it can borrow money at and the yield it can earn on renting out properties.

Shares in First Property have gathered momentum after it secured a big new Polish investment on 13 June, rising 34% to 63.5p.

It acquired control of the companies that own most of the buildings in Krakow Business Park. The €47m of bank loans secured against these properties were in default.

First Property has successfully restructured this debt and has secured backing from several institutional investors to invest €33m in the assets.

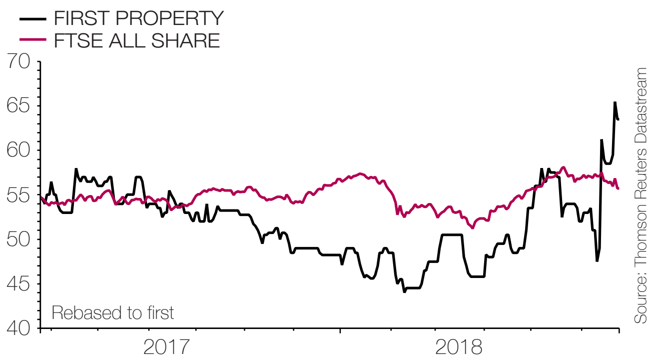
These included Willis Towers Watson Partners Fund; Christ Church, Oxford; St Catherine's College, Oxford; and Christ's College, Cambridge. First Property retains a 23.4% stake in the business park.

The park, which is set to be renamed Eximius Park, is situated close to Krakow International Airport and is served by its own railway station.

FIRST PROPERTY ADOPTS A YIELD GAP STRATEGY – INVESTING FOR A YIELD GREATER THAN THE COST OF BORROWING

TALE OF TWO PLACES

The company's is move into Polish property a decade ago looks shrewd, although the bias is now shifting back towards the UK. Looking at the company's most recent results, £390m of the company's assets are based in the UK, or 62.3% of the total.



This also includes assets held by third parties in several of its funds managed by First Property Asset Management although these funds will also have money from First Property included as well.

The company manages 53 properties in the UK versus 17 in Poland although directly owns more in the latter. It also has a small number of properties in Romania, a market of interest to chief executive Ben Habib who tells *Shares* the Romanian banking system is becoming easier to work with.

First Property trades on 13.8-times 2019's forecast earnings and offers a prospective dividend yield of 2.7%. (DS)

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MAXCYTE (MXCT)
Doug Doerfler, President & CEO
MaxCyte is a US-based global company driving the acceleration of the discovery, development, manufacturing and commercialisation of next-generation, cell-based medicines.

MEREO BIOPHARMA (MPH)
Speaker TBA
Mereo BioPharma is a biopharmaceutical company focused on developing and commercialising innovative therapeutics for patients with rare diseases with its two lead programs targeting brittle bone disease and respiratory disease.

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ANGLO ASIAN MINING

THOR MINING

TOWER RESOURCES

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Mining, Oil & Gas

JUNE 2018

INCLUDES COMPANY PROFILES, COMMENT AND ANALYSIS

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 and this edition is dedicated to the natural resources space.

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.

This edition is focused on companies from the resources sector.

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.

Africa's resources hotspots

Africa is extremely rich in natural resources. Alongside the big industry players, many entrepreneurial small cap mining and oil and gas companies are attempting to share in this mineral wealth by investing in exploration and development assets.

In this article we look at some of the hot spots and reveal the challenges and opportunities of operating on this vast continent.

NAMIBIA

The recent entry by oil industry giants like ExxonMobil, Total and India's ONGC into oil exploration offshore Namibia is creating excitement around the potential for the West African country.

Mid cap **Tullow Oil (TLW)** is poised to drill in this location in the second half of 2018 alongside small cap] **Chariot Oil & Gas (CHAR:AIM)**.

Chariot endured drilling disappointment in Namibia way back in 2012. Following another failure in Morocco earlier this year its fortunes are heavily tied to the upcoming well on Prospect S.

Another company with acreage here is **Eco (Atlantic) Oil & Gas (ECO:AIM)**. Although it does not have plans to drill itself in 2018, it could enjoy a tangential benefit if either Tullow or Chariot are successful this time round.

TANZANIA

Stricter resources laws in Tanzania, including a ban on the export of unprocessed ore from the country, present a challenge for gold miners **Acacia Mining (ACA)** and **Shanta Gold (SHG:AIM)** but the negotiations conducted by Acacia's major shareholder Barrick Gold are hinting at a breakthrough.

Nonetheless, Acacia has said it may sell a stake in its operations to Chinese buyers.

Shanta, which is at an earlier stage, is looking to deliver a big uplift in profit in 2018 driven by its New Luika mine in the south west of the country. An ongoing exploration effort at a second project, Singida, has made an encouraging start.

DEMOCRATIC REPUBLIC OF CONGO

Several larger operators in the country have been calling for the Democratic Republic of Congo to revise a new and less generous industry code.

However, small cap operators are unlikely to be deterred from the country given its wealth of natural resources. Among the smaller firms active in the country are **African Battery Metals (ABM:AIM)** which recently completed soil sampling at its Kisinka permit in the Katanga province, with results expected in the near-term.

The company is operating in an area which is recognised as being highly prospective with seven producing copper/cobalt mines within 30 kilometres.

ARC Minerals (ARCM:AIM) (formerly Ortac Resources) owns the Akyanga gold deposit in DRC and unveiled encouraging drilling results in January 2018.

ANGLO ASIAN MINING PLC

Increasing production, decreasing debt and a maiden dividend on the horizon

Website: www.angloasianmining.com

Being a trail-blazer can have its risks, as the board of **Anglo Asian Mining (AAZ:AIM)** would have reported had you asked them in 2015. But fast-forward three years and Anglo Asian, which started producing gold in 2009 from the first commercial gold mine in Azerbaijan in modern times, has recently achieved an operational and financial turnaround.

With a steadily improving production profile, net debt being reduced by 43% in Q1 2018 alone and coupled with a solid financial performance, including total revenues of $71.8m and a profit before tax of $5.7m last year, Anglo Asian is now growing again. The shares are now trading at ten times their level in January 2016.

A GROWING PORTFOLIO

Anglo Asian has a growing portfolio of mining and exploration assets – ranging from mature operations to newly producing mines, together with a pipeline of highly prospective new mining targets. The board and management have demonstrated their ability to quickly transition prospects from exploration to production. This was most recently evidenced at the company's Ugur open pit mine which was advanced from first discovery to production in under 12 months.

Bringing Ugur into production together with other initiatives is expected to increase Anglo Asian's total production to between 78,000-84,000 gold equivalent ounces in 2018, but with ambitions to be a mid-tier producer in the near-term, the company is not resting on its laurels.

In Q1 2018, the company launched a wide ranging geological exploration and evaluation programme to both extend current mine life and increase production. This is the first year of a three-year rolling programme of geological exploration of near mine, brownfield and greenfield areas with the objective of replacing mined ounces, extending the current mine life of its main Gedabek operation to a 10-year minimum, increasing the company's inventory of resources and discovering new mineral deposits similar to Ugur.

FUNDED FROM INTERNAL CASH FLOW

A total of around 43,500 metres of surface and underground drilling is planned and $6m of capital has been budgeted for 2018, all of which will be funded from internal cash flow.

The work programmes over the coming three years will focus on Anglo Asian's three

INTRODUCING... ANGLO ASIAN MINING

A MINING BUSINESS WITH A PORTFOLIO OF GOLD, COPPER AND SILVER PRODUCTION AND EXPLORATION ASSETS IN AZERBAIJAN.

operating contract areas in Azerbaijan: the Gedabek gold, copper and silver contract area in western Azerbaijan, which is the location of the Gedabek and Ugur open pit mines and the Gadir underground mine; the Gosha contract area, which is located 50 kilometres from Gedabek; and the Ordubad contract area, which is located in Nakhichevan, South West Azerbaijan.

Supporting this production growth are the company's core processing facilities at Gedabek. These facilities, which employ both leaching and flotation technology, have been designed to be tailored to the evolving ore being delivered to it – and have been an important tool in the company's arsenal.

In addition to gold and silver, due to the polymetallic nature of the ore and the range of processing available, Anglo Asian is now producing increasingly meaningful amounts of copper. To increase the overall utilisation of the company's processing facilities, a dedicated independent crusher line for the flotation plant is currently being commissioned and is expected to augment Anglo Asian's production from the end of Q2 2018 onwards.

This will enable the two main processing plants to operate independently of each other and will increase both the flexibility and capacity of the company's processing facilities.

INFRASTRUCTURE BOOST

In addition to boosting production, the company is also focused on investing in infrastructure and plant to reduce costs and improve both the efficiency and sustainability of its operations. A water treatment plant was built last year, which uses the latest reverse osmosis technology, and is now producing around 200,000 litres of purified water per day which is being used in Gedabek's processing facilities. The Gedabek site is also now connected to the national electricity power grid, which directly reduced net fuel and electricity spend by $2m in 2017 compared to the previous year.

In the nine years since production first commenced at Gedabek, Anglo Asian certainly has come a long way. However, one aspect of the business which hasn't altered is its excellent relationship with the Government of Azerbaijan and its associated production sharing agreement, which remains unchanged and is transparent. This is a point which the board of Anglo Asian argues differentiates it from natural resource businesses operating in other countries within the former Soviet Union.

DIVIDEND PLANS IN THE WORKS

With an established platform for profitable production and a strategy in place to further increase ounces produced and lower costs, the board of Anglo Asian now have the confidence to start discussing dividend payments.

News on the dividend is expected within three months, and further updates relating to the company's expansion and production optimisation plans are due regularly, so 2018 is set to be punctuated with regular news flow.

THOR MINING PLC

Thor thunders ahead in the US and Down Under

Website: www.thormining.com

Thor Mining (THR:AIM) holds 100% of the advanced Molyhil tungsten project in the Northern Territory of Australia, for which an updated feasibility study in 2015 suggested attractive returns. Thor also holds 100% of the Pilot Mountain tungsten project in Nevada USA which has a JORC 2012 Indicated and Inferred Resources Estimate on two of the four known deposits.

Thor is also acquiring up to a 60% interest Australian copper development company Environmental Copper Recovery SA Pty Ltd, which in turn holds rights to earn up to a 75% interest in the mineral rights and claims over the portion of the historic Kapunda copper mine in South Australia recoverable by way of in situ recovery.

Project: Molyhil Tungsten & Molybdenum Project (100% Thor)

Molyhil is located in the Northern Territory of Australia, 220 kilometres north-east of Alice Springs (320km by road). The project is permitted for development.

A definitive feasibility study (DFS) in 2015, demonstrated attractive returns, however subsequent weakening of the global tungsten price made project finance difficult. Subsequently, improved processing outcomes have resulted in a larger ore reserve, and extended project life. An updated DFS, reflecting these improvements, is nearing completion, and it is anticipated that with recent much stronger market conditions for tungsten, that project finance could be secured during 2018.

In addition the company has recently secured access to nearby outcropping tungsten deposits which are expected to enhance project life and economic outcomes

On receipt of project finance the development period for the mine and processing facilities is approximately 12 months.

The proposed operation at Molyhil will comprise low cost open pit mining, followed by standard flotation recovery techniques

INTRODUCING... THOR MINING

A RESOURCES COMPANY QUOTED ON THE AIM MARKET OF THE LONDON STOCK EXCHANGE AND ON ASX IN AUSTRALIA.

SUMMARY OF MOLYHIL MINERAL RESOURCE ESTIMATE
(REPORTED 30 JANUARY 2014)

Classification	Resource	WO_3		Mo		Fe
	'000 tonnes	Grade %	Tonnes	Grade %	Tonnes	Grade %
Indicated	3,820	0.29	10,900	0.13	4,970	18.8
Inferred	890	0.25	2,200	0.14	1,250	15.2
Total	**4,710**	**0.28**	**13,100**	**0.13**	**6,220**	**18.1**

*Mineral Resource reported at 0.1% combined Mo + WO3 Cut-off and above 200mRL only.

MOLYHIL OPEN CUT ORE RESERVE STATEMENT (REPORTED 8 JANUARY 2018)					
Classification	**Resource**	**WO_3**		**Mo**	
	'000 tonnes	Grade %	Tonnes	Grade %	Tonnes
Probable	3,500	0.29	10,200	0.12	4,300
Total	**3,500**	**0.29**	**10,200**	**0.12**	**4,300**

*The reserve estimate extends to a maximum depth below surface of 185 metres.

Project: Pilot Mountain Tungsten Project (100% Thor)
Pilot Mountain is located 200km south of Reno in Nevada USA.

The project consists of four outcropping deposits containing tungsten, copper, zinc, and silver mineralisation, all in potentially economic quantities.

A project scoping exercise is in process, and a 2nd stage of metallurgical testwork has been commissioned to provide PFS standard specifications.

Tungsten is classified as a 'Critical Commodity' by the US Department of the Interior.

Project: Kapunda Copper Project (Thor earning 45% & Control)
Kapunda is located 90km north of Adelaide South Australia.

The historic tungsten copper mine produced high grade copper ore during the late 1800's. While it is no longer a conventional mining proposition, it is seen as having significant potential as an in-situ recovery copper development project.

Mineralisation is well understood with substantial quantities of oxidised copper in the top 100 metres of the deposit.

Copper has naturally leached into mine groundwater indicating likely potential of the in-situ recovery technique.

PILOT MOUNTAIN RESOURCE ESTIMATE (REPORTED 22 MAY 2017)								
		Resource	**WO_3**		**Ag**		**Cu**	
		MT	Grade %	Contained metal (t)	Grade g/t	Contained metal (t)	Grade %	Contained metal (t)
Desert Scheelite	Indicated	8.41	0.27	22,700	21.3	179	0.14	11,800
	Inferred	1.49	0.23	3,400	9.1	113	0.17	2,500
	Sub-Total	**9.9**	**0.26**	**26,100**	**19.4**	**192**	**0.14**	**14,300**
Garnet	Indicated	**0**	0	0				
	Inferred	**1.83**	0.36	6,600				
	Sub-Total	**1.83**	**0.36**	**6,600**				
Summary	Indicated	**8.41**	0.27	22,700				
	Inferred	**3.32**	0.3	10,000				
Total Pilot Mountain		**11.73**	**0.28**	**32,700**				

Tower Resources is planning for first oil in Cameroon

Website: www.towerresources.co.uk

Jeremy Asher

Oil business **Tower Resources (TRP:AIM)** operates the Thali license in Cameroon, where Total drilled three discovery wells a few years ago, encountering oil and gas in shallow reservoirs.

Tower also operates two early stage exploration blocks in Zambia, and the company also has a 50% interest in the Algoa-Gamtoos licence offshore South Africa, operated by NewAge, and holds royalty interests in three exploration blocks in the SADR, as well as having licences under negotiation in Namibia where the company previously partnered with Repsol to drill a deep-water well in 2014.

THE PEOPLE BEHIND TOWER

The company has a small board of directors who collectively own some 15% of the company and have invested considerable amounts of their own money in it.

Led by Jeremy Asher, who started his career over 35 years ago in refining and trading, including as co-head of the global oil products business at Marc Rich & Co, and who has been working and investing in E&P for the last fifteen years, the board also includes Peter Taylor, founder of Dana Petroleum, Planet Oil (reversed into Hardman Resources), and Global Petroleum; Graeme Thomson, former CFO and CEO of Sterling Energy; and David M Thomas, whose career took him through Occidental, Tenneco, a spell as International chief geologist for Kuwait Petroleum, and Medoil.

The company's general manager in Cameroon, Honore Mbouombouo Dairou, has worked in G&G for both CIME and Gaz de Cameroon, rising to Managing Director of the latter. The company's main G&G capability is provided through a long-term strategic partnership with EPI in the UK, which gives the company access to all the different disciplines and technology of EPI, on whatever scale the company may need from time to time.

INTRODUCING... TOWER RESOURCES

Tower Resources is an AIM-quoted oil and gas company with a focus on Sub-Saharan Africa.

THE COMPANY'S STRATEGY

The company's short-term priority is to appraise and develop its Thali license in Cameroon, where Total's exploration, nearly a decade ago, discovered some 7m to 15m barrels of recoverable oil in shallow reservoirs on the Njonji structure.

Now is the perfect time to get this oil into production, while drilling costs are still low and rig availability good, and to identify which of the shallow reservoirs in the surrounding structures are also oil or gas bearing.

With cash flow established from Thali, the company can then explore the deeper, more speculative targets in the block, knowing that this cost is reimbursable, and can also allocate some cash to developing production elsewhere.

Outside of areas where the company already has production, the company aims to exploit its exploration opportunities with partners to provide the financial and technical resources and reduce the risk. And the company intends to adopt a disciplined financial strategy, always remembering that profits belong to shareholders and any reinvestment needs to be justified.

GETTING TO FIRST OIL IN CAMEROON

The company plans to drill its first well in the Njonji structure between the two wells that Total already drilled, with a view to production. Provided an initial flow test is successful, the company envisages putting this first well onto long-term test, while drilling additional wells in the same and adjacent fault blocks that have already been identified as oil bearing.

> THE COMPANY HOPES TO GET THIS FIRST WELL DRILLED IN EARLY 2019 AND IS ALREADY LOOKING INTO BARGE OR PLATFORM-BASED EARLY PRODUCTION SOLUTIONS

This is to have a good starting point for more permanent production operations, and also to identify more clearly the extent and parameters of these first two fault blocks, and the quality of the reservoir and the micro-faulting within it.

The company hopes to get this first well drilled early in 2019, and is already looking into barge or platform-based solutions both for an extended well test and also for longer-term production.

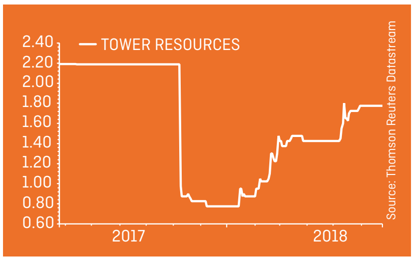
THE INVESTMENT CASE: A POTENTIAL TRANSFORMATION POINT

Today, Tower's estimate of recoverable oil on Thali is being valued by the stock market in the region of $1 per barrel. Oilfield International is currently preparing an independent Reserves Report, which will review and categorise the contingent resources in Njonji, and the prospective resources in both Njonji's undrilled fault blocks and elsewhere on the block, and will provide investors with a better estimate of their risked net present value.

The next well on Njonji could cost $10m or so to drill and test, and inevitably this will result in some dilution to shareholders' interest, and therefore the expected net present value per share, whether through bringing in a partner or issuing more shares or a combination.

But a successful flow test will also remove the remaining risk from much of the contingent resources, and move them into the category of proven reserves. This would increase their value in total, and open up other non-dilutive financing options to take the company through to full production.

Cash flow from an extended well test, and ultimately from production, should both transform the way the company is valued, and also provide the means to explore the rest of the shallow and deep targets on the Thali block, at minimum risk to shareholders but with potentially even greater rewards.



Union Jack flies flag for onshore UK oil and gas

Website: www.unionjackoil.com

The directors of **Union Jack Oil (UJO:AIM)** see the United Kingdom onshore arena as being an attractive target for investment in hydrocarbon projects where the company is active in a reasonably low-cost operating environment and where the licensing regime is fully transparent.

The board of directors, David Bramhill, Joe O'Farrell, Graham Bull and Ray Godson are all very experienced in the UK oil sector and have been involved for decades in the development and corporate activity in respect of several energy companies.

Union Jack has adopted a low cost, non-operating business model, typically acquiring minority interests in late stage projects, thus minimising risk and cost exposure to individual wells which are considered to have excellent scope with the drill bit for future discoveries, the Wressle-1 discovery in which Union Jack holds an 27.5% interest being a prime example.

ASSET OVERVIEW

The company has acquired interests in twelve licences located in the East Midlands and the Weald Basins, both being established hydrocarbon producing provinces.

- **PEDL180** and **PEDL182** Wressle and Broughton North 27.5% interest
- **PEDL005(R)** Keddington oilfield 20% interest
- **EXL294** Fiskerton Airfield oilfield 20% interest
- **PEDL181** Humber Basin 12.5% interest
- **PEDL143** Holmwood 7.5% interest
- **PEDL253** Biscathorpe 22% interest
- **PEDL241** North Kelsey 20% interest
- **PEDL201** Widmerpool Gulf 26.25% interest
- **PEDL209** Laughton 10% interest
- **PEDL118** Dukes Wood 16.67% interest
- **PEDL203** Kirklington 16.67% interest

INTRODUCING... UNION JACK OIL

AN AIM-QUOTED OIL AND GAS PRODUCTION AND EXPLORATION COMPANY WITH A FOCUS ON OPPORTUNITIES WITHIN THE UNITED KINGDOM ONSHORE HYDROCARBON SECTOR.

The East Midlands and Weald Basins are proven to have all the elements of commercial systems, a source rock with sufficient organic content, maturity, a viable migration path, a reservoir and trap formation.

During late 2017 and early 2018 the company was on the acquisition trail and interests in additional and existing projects were purchased including, the Fiskerton Airfield oilfield, Wressle, Dukes Wood and Kirklington.

WRESSLE-1 DISCOVERY

The Wressle-1 discovery straddles **PEDL180** and **PEDL182** on the western margin of the Humber Basin on trend with the producing Crosby Warren oilfield and the Brigg-1 oil discovery.

The Wressle-1 well was drilled in 2014 and was successfully production tested in 2015 flowing an aggregate of 710 barrels of oil equivalent per day from four tests in three conventional sandstones.

Wressle is expected, within months, to become a producer from the Ashover Grit reservoir at a controlled rate of 500 barrels of oil per day gross. Union Jack's income from this development will have a material impact on the company's cash flow generation and will contribute to financing other projects within the portfolio.

The Wressle-1 discovery has significantly reduced the geological risk over **PEDL180** and **PEDL182** and the acquisition of the remainder of **PEDL182** including Broughton North will benefit the company going forward in any add on development decisions which may follow once Wressle is in commercial production, which is dependent on a successful planning application due to be submitted in late June 2018.

FISKERTON AIRFIELD OILFIELD

A 20% interest in the Fiskerton Airfield oilfield was acquired in late 2017 and following two workovers production is increasing to 30 barrels a day of good quality oil, a significant increase in the pre-workover rate of 16 barrels of oil per day.

Union Jack's initial review of historic 3D seismic data suggests there is upside potential in the oil resources at Fiskerton. The company are funding a 3D re-processing exercise over an area surrounding Fiskerton to identify further production opportunities from the reservoir.

KEDDINGTON OILFIELD

Union Jack holds a 20% interest in the Keddington oilfield including the associated infrastructure and production facilities.

PEDL005(R), located in Lincolnshire also contains the drill-ready Louth and North Somercotes prospects.

The purchase of an interest in the Keddington oilfield balances the company's portfolio and additionally impacts upon shareholder perception and supports management's objectives of creating value and helps towards reaching the point at which Union Jack is self-sustaining.

THE YEAR AHEAD AND BEYOND

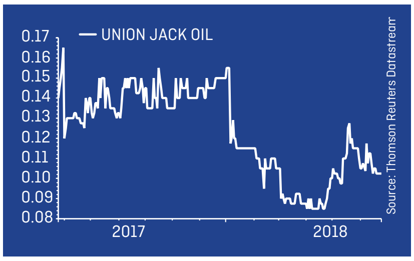
The company has a well balanced portfolio of production, development and drill-ready projects, one of which includes the Biscathorpe-2 conventional well planned to be drilled in the coming months.

Administrative and general costs are low and the company remains debt free and has in excess of £2 million in cash.

The company's strategy of focusing on conventional relatively low risk and low cost onshore production, development and exploration drilling, avoiding early stage and frontier projects is already showing signs of coming to fruition.

The company says that this 'allows an opportunity for investors to become involved at the end of the exploration and beginning of development cycles in a company with guaranteed news flow during the remainder of 2018 and throughout 2019'.

Union Jack's newly formed, "Commercial Alliance" with **Humber Oil & Gas Limited** is also intriguing.



Wishbone Gold pursues a new approach to precious metals

www.wishbonegold.com

Quoted on the AIM and NEX exchanges, **Wishbone Gold (WSBN:AIM)** offers an interesting investment proposition in the small cap arena by offering dual exposure to the gold market from artisanal mining and exploration to trading on a global scale.

The group uses reverse integration to secure gold supplies from artisanal and small-scale mines (ASM). Globally ASMs produce roughly 20% of the world's gold, but they still lack finance and proper equipment, resulting in poor yields. Wishbone's strategy addresses this directly and looks to improve returns.

SEVERAL BENEFITS TO THE MODEL

The company sees several benefits to this approach. It says: 'First off, there's revenue for Wishbone. But more importantly for the company's long-term prospects of on-ground trading and supply contracts, the respective local governments are always happy if existing supply comes into the proper legal and fiscal framework.

'Not only can the authorities then collect taxes on mines that were previously operating under the radar, they can also then aggregate that output into GDP numbers.'

In return for providing investment, managerial support, equipment and staff training, Wishbone receives the output of gold from the artisan mines. Once purified, the gold is sold through Dubai to the markets in India and China.

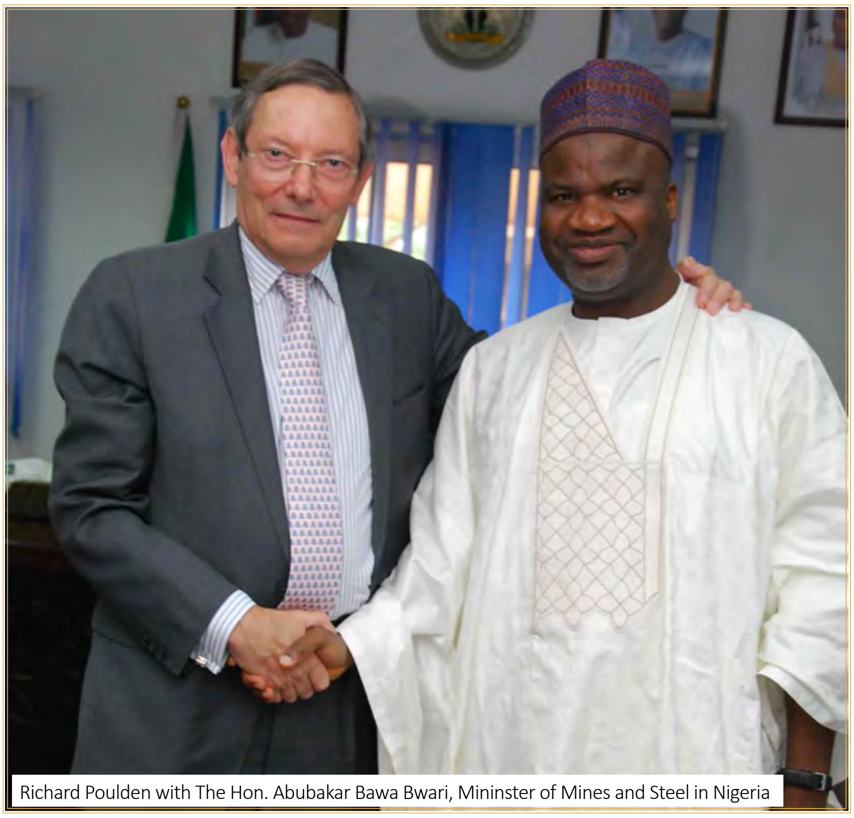
Wishbone's model allows ASMs to develop, improving working conditions while also dramatically increasing production. Extensive due diligence means that all potential partner mines are producing or have the potential to produce suitable volume.

It's still early days, but this reverse integration strategy being rolled out globally is showing potential. From Central America, Africa and in Asia, work has already started. The team has

INTRODUCING... WISHBONE GOLD

FROM ITS HEADQUARTERS IN DUBAI IT OPERATES GLOBALLY IN THE PRECIOUS METALS MARKET, WITH WHOLLY OWNED SUBSIDIARIES IN HONDURAS, AUSTRALIA AND THAILAND TOGETHER WITH A LICENSED BULLION TRADING SUBSIDIARY, BLACK SAND FZE.

> A STANDARD ARTISANAL MINING OPERATION COULD GO FROM PRODUCING HALF A KILO OF GOLD A WEEK TO PERHAPS FIVE KILOS



Richard Poulden with The Hon. Abubakar Bawa Bwari, Mininster of Mines and Steel in Nigeria

recently visited Nigeria, Uganda and Tanzania and see opportunities in all these countries.

OPPORTUNITIES IN AFRICA

After identifying significant opportunities across Africa, the board of directors have been working to strengthen the company's position to instigate further models across the continent. ASMs in Africa are estimated to directly employ over 8m people and produce 5% of all global gold.

The company already has a footprint in Mali, and Uganda, and has just announced the appointment of journalist and regional fixer Oliver Poole as a consultant in Uganda to develop opportunities there.

In major oil producing countries such as Nigeria, minerals other than oil have very much taken a back seat. However, the fall in the oil price from the highs of several years ago and the world moving away from unlimited hydrocarbon consumption means oil producers are starting to look at other forms of natural resources. With the gold price still above $1,300 per ounce, the fundamental outlook is underpinned.

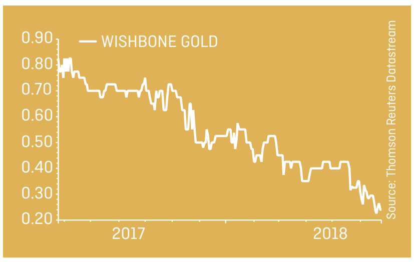
FAST RESULTS IN THAILAND

In its newest territory, in Thailand, Wishbone is seeing fast results. In Thailand, a new entity, Asian Commerce and Commodities Trading (ACCT), was set up earlier this year as a joint venture between Wishbone and the local Thai partner with connections to the royal family.

Early in February ACCT sent a shipment of gold from Thailand to the Wishbone centre of trading operations in Dubai and the volume of shipments is set to rise.

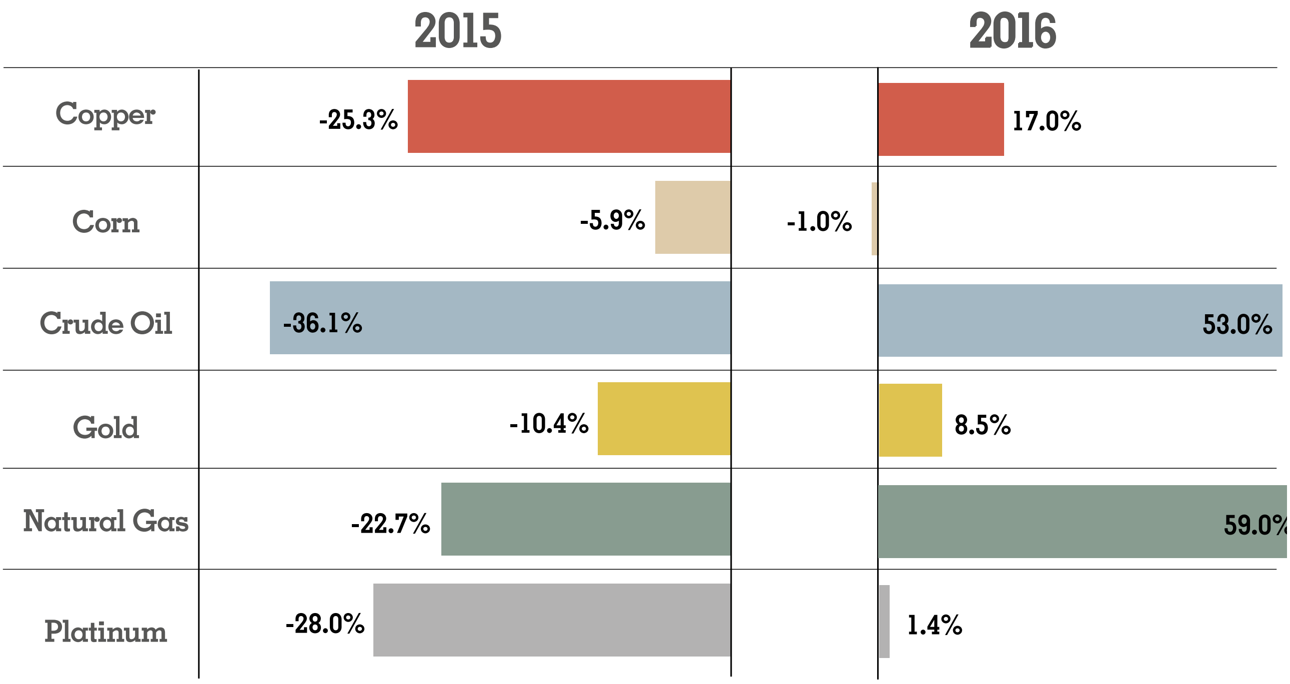
The company says: 'The commercial element is of course the real drive behind Wishbone's strategy, but by providing equipment and know-how to artisans, a standard artisanal mining operation could go from producing half a kilo of gold a week to perhaps five kilos.'

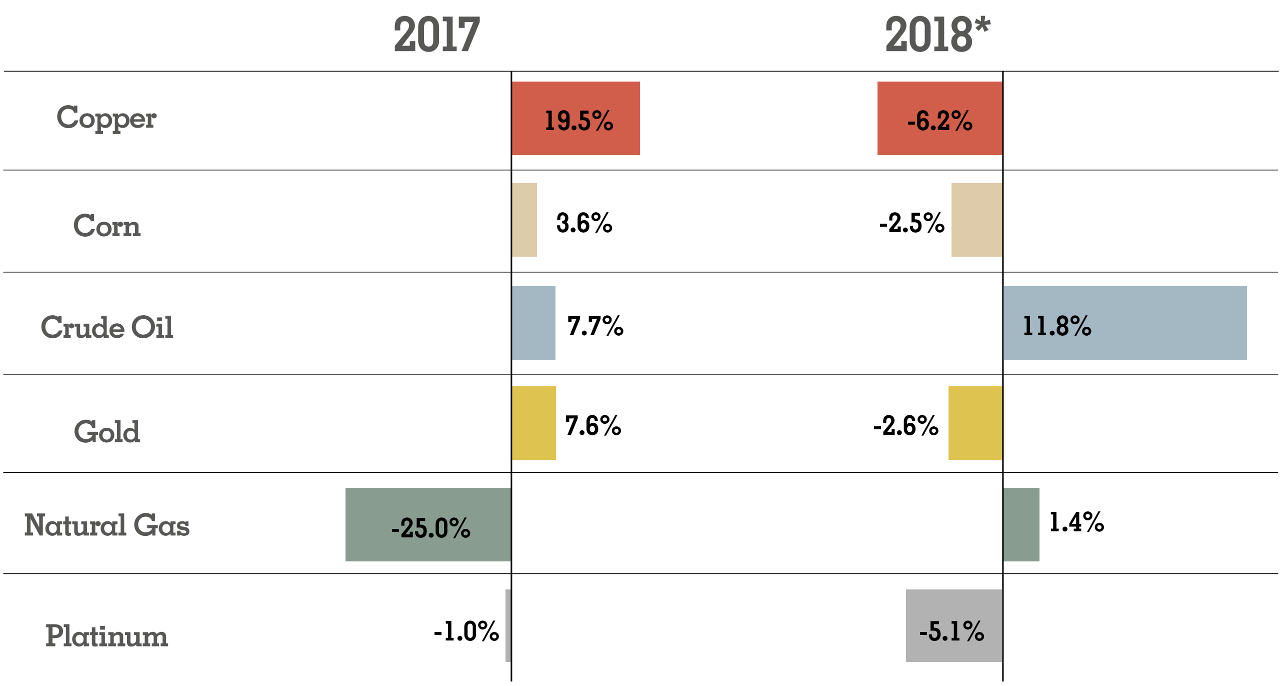
'The program also has a major environmental impact as the use of mercury is excluded when Wishbone is involved and also proper land management programs are introduced.'



Web address: www.wishbonegold.com

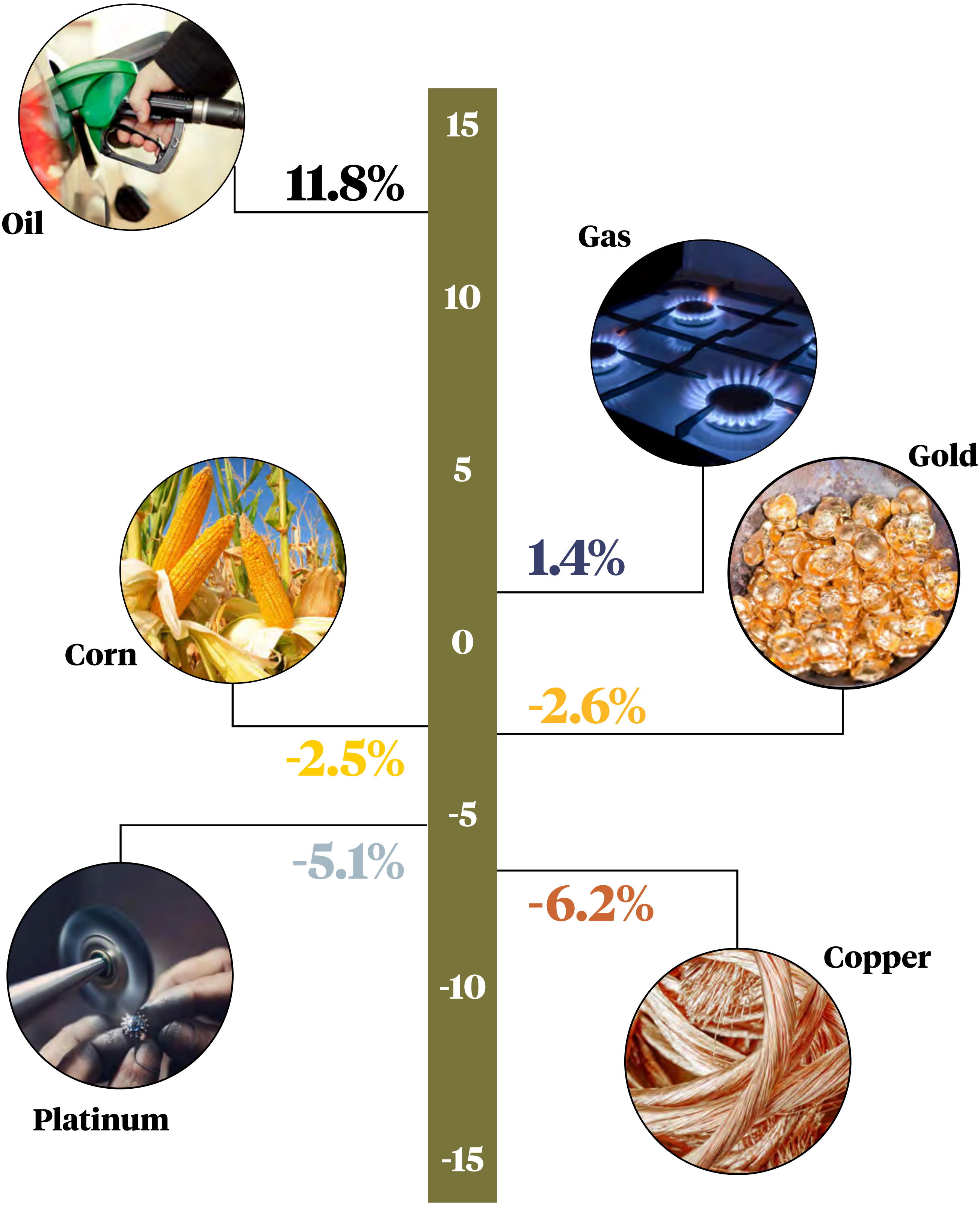
Databank – Commodity price performance 2015-2018





Source: *Shares*, Thomson Reuters Datastream
*Year to date (25 June 2018)

Databank – Gain / loss so far in 2018



Source: Thomson Reuters Datastream.