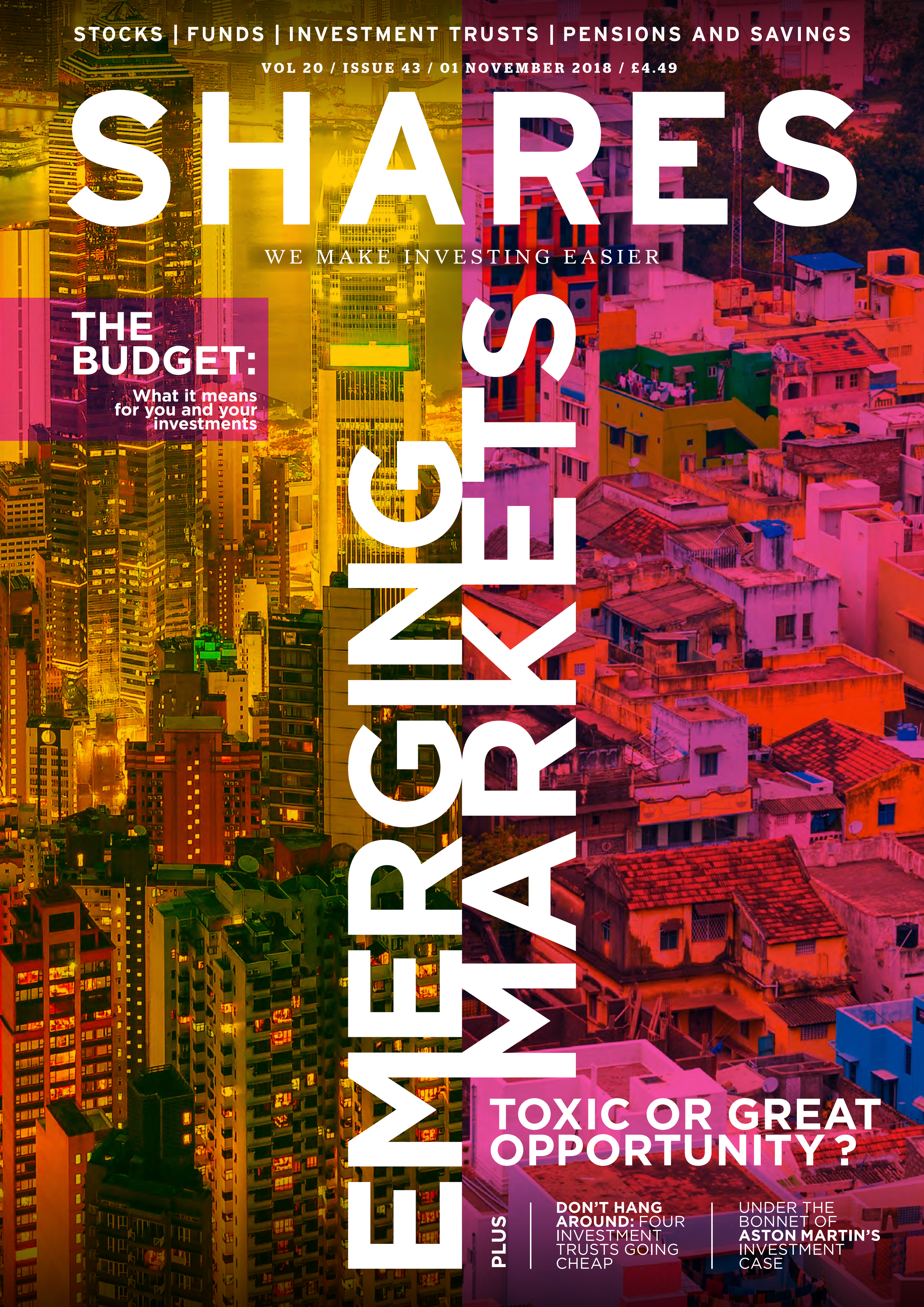

STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

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SHARES

WE MAKE INVESTING EASIER

THE BUDGET:

What it means for you and your investments

EMERGING MARKETS

TOXIC OR GREAT OPPORTUNITY?

PLUS

DON'T HANG AROUND: FOUR INVESTMENT TRUSTS GOING CHEAP

UNDER THE BONNET OF **ASTON MARTIN'S** INVESTMENT CASE

Should CEOs be forced to buy company shares when they get the top job?

BT wants its new CEO to invest 300% of their salary in stock – does that set a new precedent?

Imagine starting a new job and being told you are expected to invest 300% of your basic salary in company shares. That's exactly what's happened with the new chief executive (CEO) of **BT (BT.A)**, Philip Jansen.

He has already committed to investing £2m of his own money by late November, plus he is being granted nearly £1m of BT shares as compensation for having to forfeit stock on leaving his current employer, payments group **Worldpay (WPY)**.

One could argue the scale of Jansen's investment expectations by the BT board is not representative of every CEO of a plc company. After all, he is taking the hot seat at one of the country's biggest businesses and receiving an annual pay packet, including bonuses and incentives, worth £3.9m.

It certainly looks like he can afford the investment, particularly as he owns a lot of shares in Worldpay and would have benefited financially from its flotation in 2015 and its subsequent takeover by Vantiv last year.

However, it does raise the question whether new laws should be introduced that force a chief executive to invest their own money in company stock if a business is above a certain size. That might not be a bad idea.

SKIN IN THE GAME

Director share ownership is known as 'skin in the game' and means their interests are aligned with shareholders'. Theoretically, if a CEO has a lot of their own money tied up in stock, they may not make reckless decisions which could endanger the business. They enjoy the rewards of good business performance and are punished – alongside normal shareholders – if events turn sour.

It is fairly traditional for CEOs to amass personal wealth through share options or shares as part of bonus payments, rather than buying stock in the market. These awards can be triggered by hitting certain performance targets such as a rise in earnings per share – which can be easily manipulated through accounting trickery.

Buying shares upfront would mean a director shares the rewards and pain from day one.

Director dealings can be sporadic. Profit warnings or extended periods of price weakness often trigger buying by directors as a show of support; other occasions may include directors taking part in a company share placing to raise new cash, or directors buying off the back of very good financial results.

Many investors watch these transactions closely, in the belief that directors know a business inside out and wouldn't be buying unless they were convinced the company's prospects were good. The same applies to directors selling, where investors assume that's a sign of bad things to come.

Chief executives are still human beings and may have situations in their life such as paying for their parents' care, or funding a messy divorce, which mean they may not have spare cash to invest in stock when they start a new job.

In these circumstances, and assuming CEOs were forced to invest at the point of their appointment, one could imagine them making a pledge to buy stock over a certain time period rather than all upfront, perhaps committing a certain percentage of their monthly salary.

Being the boss of a listed company comes with great responsibility and so it makes sense they are on a level pegging with other shareholders. (DC)

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The stocks and sectors affected by the Budget

We dive into the market response to the last Budget before Brexit

Chancellor Philip Hammond's last Budget before Brexit is being sold in some quarters as the biggest giveaway from the Treasury since 2010.

The financial market response to Hammond's apparent spending splurge was modest, perhaps reflecting a view this could all be subject to change in the event of a no-deal Brexit.

Arguably the door was left open for this potential situation by the announcement that the Spring statement could be upgraded to a 'full fiscal event' if necessary – in effect an emergency Budget.

Official growth figures were slightly upgraded for the years ahead but still look skinny compared with pre-financial crisis levels. However, borrowing forecasts do show a substantially improved picture thanks to stronger than expected tax revenue.

Government borrowing forecast for 2018/19 reduced from £37bn to £25bn

On a sector-specific view there were some important new details for investors to chew over.

RETAIL AND LEISURE

In a potential boost to consumer spending the individual personal allowance will rise from £11,850 to £12,500 from next April, a year earlier than previously scheduled. Similarly, the threshold for higher-rate income tax will rise to £50,000 as of next April.

The increase in fuel duty has also been frozen for another year, saving car drivers an estimated £1,000 and van drivers an estimated £2,500 since the duty was frozen.

There was also a range of initiatives designed

to help the UK embattled bricks-and-mortar retailers such as **Debenhams (DEB)** and **Marks & Spencer (MKS)**.

In line with leaked figures there will be a £675m Future High Streets Fund to underwrite strategies to re-invigorate the traditional retailers and to finance the actual physical infrastructure including local transport.

The aim is to increase footfall on the high street which has fallen continuously over the last couple of years according to analysis from the British Retail Consortium, BDO and Springboard.

This initiative is coupled with a digital sales tax aimed at global retail platforms which in the Chancellor's words 'create value in the UK' but aren't paying their share of taxes.

The tax is projected to raise £275m in its first year, starting in April 2020, rising to £400m per year by 2023-24.

The Budget report confirms the affected industries as 'search engines, social media platforms and online marketplaces' – or Google, Facebook and Amazon in other words.

Pub operators should be pleased that duty on beer and spirits is being frozen. They should also benefit from news that the Government is looking to reduce 'unnecessary red tape' and lower the cost of wedding venues. Reports suggests this means making it easier to holding weddings in pubs, hotels and restaurants.

Remote gaming duty will increase from 15% to 21% to compensate for the loss of tax revenue from fixed odds betting terminals where stakes are being cut to £2. That is less severe than the 25% rate some people had feared, and some gambling stocks managed modest rallies in relief on 30 October as shareholders digested the news.

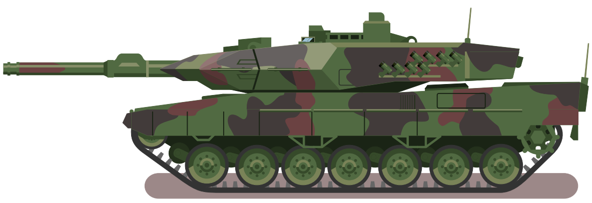
OUTSOURCING, CONSTRUCTION, INFRASTRUCTURE AND HOUSEBUILDING

A pledge to abandon the use of PFI contracts was arguably an easy one to make as there were none in the offing. The share prices of outsourcing groups **Capita (CPI), Serco (SRP)** and **G4S (GFS)** seemed largely unaffected by an end to austerity which theoretically implies there could be more work available from the public sector.

A boost in infrastructure spending on areas like roads and rail had been leaked in advance and had already given a lift to shares in construction-linked firms like **Balfour Beatty (BBY)**, **Costain (COST)** and **CRH (CRH)** ahead of the Budget.

Kier (KIE) kept rising after the Budget thanks to its exposure to spending on broadband and its role as a key partner to local authorities across the UK with pothole repairs – where an extra £420m was earmarked.

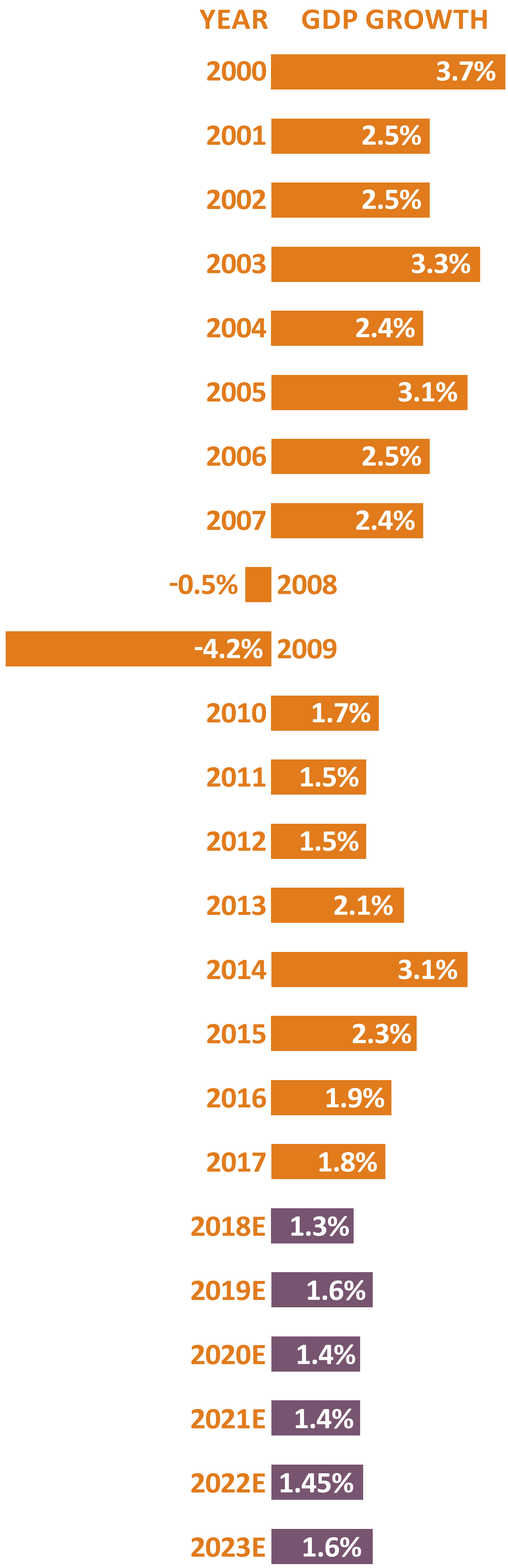
Kier also has a housebuilding division so like peers such as **Barratt Developments (BDEV)** and **Persimmon (PSN)** there may have been some relief at the two-year extension of the Help to Buy scheme out to 2023. (TS)



DEFENCE IN DEMAND

Other potential beneficiaries of the Budget include cyber security stocks and defence experts amid news that the Government will give the Ministry of Defence an extra £1bn to boost cyber capabilities and at-sea deterrents, among other activities.

UK GROWTH FORECASTS IN CONTEXT



Source: Office for National Statistics, Office for Budget Responsibility

The key takeaways for retirement investors in the Budget

Tom Selby reports on pensions-related news

For retirement investors Chancellor Hammond's big Budget statement was something of a damp squib – and that is no bad thing.

This is probably exactly how 'Spreadsheet Phil' wanted it, with all focus on his big decision to increase the personal allowance to £12,500 and the higher-rate income tax threshold to £50,000 from April 2019 – a year earlier than previously planned.

On pensions the big story was what Hammond didn't say. The build-up to Monday's statement was dominated by feverish speculation the Treasury was cooking up plans to overhaul pension tax relief.

At one end of the spectrum some suggested a radical overhaul was on the cards, while others expected further incremental change through tweaks to the £40,000 annual allowance.

However, with the Chancellor reporting stronger-than-expected financial numbers – around £13bn better to be precise – he was able to avoid any controversial attacks on savers.

While this stability of sorts is to be welcomed, there was something grimly predictable about the speculation preceding the event.

Once again the Treasury floated the idea it was planning to take the axe to pension tax relief, setting off the inevitable rumour mill around how far it could go and in the process creating the kind of uncertainty that damages people's confidence in pensions.

LACK OF A LONG-TERM STRATEGY

Ironically, this also costs the Treasury money as savers fearful of a cut to pension tax relief understandably shovel money in ahead of the Budget statement.

Unfortunately the Treasury has yet again failed to set out a long-term strategy for retirement saving incentives and it seems inevitable speculation will persist into the future.

Elsewhere, the Government has hinted the 0.75% automatic enrolment charge cap could be increased next year, pledging to consult 'to ensure it does not unduly restrict the use of performance fees within default pension schemes'.

While details are thin on the ground at this stage, it may be that the Chancellor feels the existing charge cap potentially blocks schemes off from investing in the riskier next generation companies he expects to drive growth in the future.

Any shifting of the charge cap will need to ensure it doesn't reduce value-for-money for automatic enrolment scheme members.

Increases in the lifetime allowance and Junior ISA allowance – to £1,055,000 and £4,368 respectively – for 2019/20 were also confirmed, while the Government is also edging closer to implementing a long-delayed ban on pensions cold-calling.

This ban should help drive home the message that anyone who receives a call out of the blue about their retirement savings should hang up immediately.

Rating (and slating) the banks

We discuss how the individual sector constituents fared with their Q3 updates

As the third quarter reporting season for the banks draws to a close there is room for some optimism over the prospects of a sector which has been out of favour in 2018.

The updates from **Barclays (BARC)**, **Lloyds Banking (LLOY)** and **HSBC (HSBA)**, in particular, were well received, with **Royal Bank of Scotland (RBS)** faring rather less well.

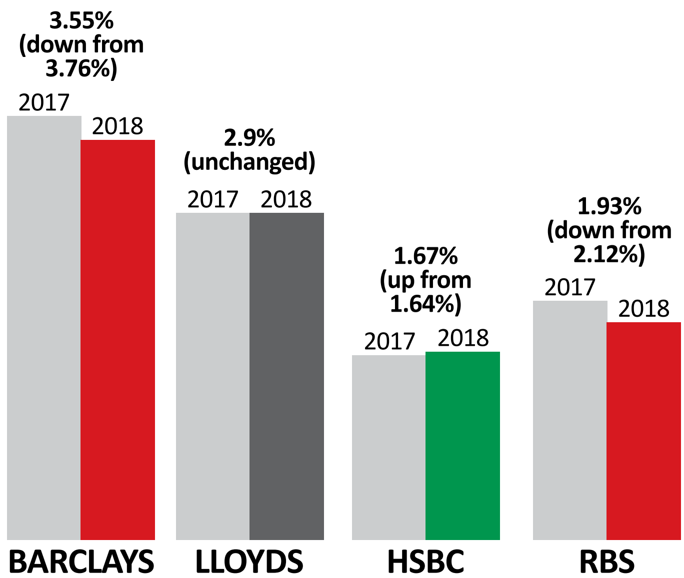
The question of why banks have underperformed – despite an increase in interest rates which should have supported the industry – has been partially answered by this set of releases which reveal how strong competition in the mortgage market is pressuring rates.

Mainstream banks have retreated from riskier areas of banking and mortgages have been seen as an increasingly attractive way of making money, while several challengers have emerged in this market too.

Barclays' numbers looked robust, mainly thanks to a big reduction in impairments. Lloyds' results saw quarterly earnings beat expectations at £1.82bn, benefiting from areas like credit cards, insurance and wealth management.

Neither firm increased their provision for PPI claims – unlike RBS which increased its provision in this area by £200m and, also in a departure from its peers, earmarked £100m to deal with the impact of Brexit.

Q3 NET INTEREST MARGIN (BANK PROFITABILITY)



In share price terms HSBC was the star performer after showing as it was set to put negative jaws – comparing income to operating expense growth trends – behind it. However, its figures were flattered by the absence of big restructuring costs incurred in 2017. (TS)

Market volatility comes back to haunt investors

Spike in the VIX as several factors continue to dog sentiment

MARKET VOLATILITY has spiked again with the indices in the US and China serving up 3% intra-day declines in the past week.

This is reflected in the VIX (Chicago Board Options Exchange Volatility Index) which measures market expectations of short-term volatility by looking at the prices of a wide range of options on the S&P 500.

This key measure of volatility hit 25.23 on 24 October, its highest level since earlier sell-offs in February and March 2018.

The concerns driving the big swings in the market remain broadly the same with investors fretting over rising interest rates, the Chinese economy and a trade war between China and the US. (TS)

Is Restaurant Group paying too much for Wagamama?

Many analysts and investors are worried the Frankie & Benny's owner is making the wrong move

Shares in Frankie & Benny's operator **Restaurant Group (RTN)** fell nearly 14% on 30 October amid concerns it is overpaying for the acquisition of Asian fusion chain Wagamama, plus dilution relating to a rights issue to help fund the deal.

The £559m price equates to 13.3 times EV/EBITDA (enterprise value to earnings before interest, tax, depreciation and amortisation), far higher than one would expect from a casual dining business.

The deal price drops to 8.7 times EV/EBITDA once you include cost and site conversion synergies, says broker Canaccord Genuity.

Wagamama has 'significantly outperformed' the core UK market and benefits from demand for its healthy dishes, speed of service and delivery, argues Restaurant Group.

Shareholders need to question whether the transformational deal is the right move, given the difficult environment for casual dining restaurants.

Investment bank Citi is cautious about future growth at Wagamama, which delivered an average of 9.6% like-for-like growth over the last four years, but limited profit growth.

Broker Peel Hunt is also concerned, saying Restaurant Group will have additional debt obligations. It notes that current trading from the acquirer's existing estate has experienced a slowdown in like-for-like sales growth at 1.4% for the past 14 weeks versus 2.4% gain in the first six weeks of this period.

Like-for-like sales are now down 2.2% year-to-date, which is behind market expectations. (LMJ)

The rug has been pulled from under carpets group Victoria

Price cuts are hurting profit margins, causing the share price to collapse

HIGH-FLYING FLOOR coverings maker **Victoria (VCP:AIM)** has shocked the market with a very negative trading update which has triggered a 31% slump in its share price to 418p.

Operating margins at the carpets distributor-to-flooring underlay group are tracking below expectations as it cuts prices to capture share in a challenging market.

The company has also flagged pricing pressures in hard flooring and a slowdown in Australia, speaking for just shy of 20% of overall sales.

Chairman Geoff Wilding still expects margins to 'significantly exceed the prior year due to organic growth and product mix effects from previous acquisitions' and also plans to recover the margin investment in stages over the next 12 months.

We're told by the company's advisers that analysts won't publish any new earnings forecasts until a financing initiative has completed. Victoria intends to offer €450m in senior secured notes to repay its existing senior bank facility.

Invest with the best: why Brunner is a must-have fund

Discover the three key reasons why you should buy this investment trust today

There are three reasons why **Brunner Investment Trust (BUT)** deserves a place in your portfolio.

First, it has an experienced management team in Lucy Macdonald, chief investment officer of global equities at Allianz Global Investors (AGI), and Matthew Tillett, UK portfolio manager at AGI.

The trust's brief is to provide a mix of growth in capital value and dividends by investing in global and UK securities, and thanks to the team's stock-picking skills shares in the trust have beaten their benchmark consistently over three and five years.

Second, the trust's ability to invest globally has been boosted by changing to a 70/30 split between global and UK stocks instead of the historic 50/50 split.

The list of holdings is fairly concentrated with fewer than 70 stocks at the end of September. The trust holds some UK heavyweights for dividend growth such as **BP (BP.)**, **GlaxoSmithKline (GSK)** and **Royal Dutch Shell (RDSB)**.

BRUNNER BUY
(BUT) 724p
Stop loss: 575p

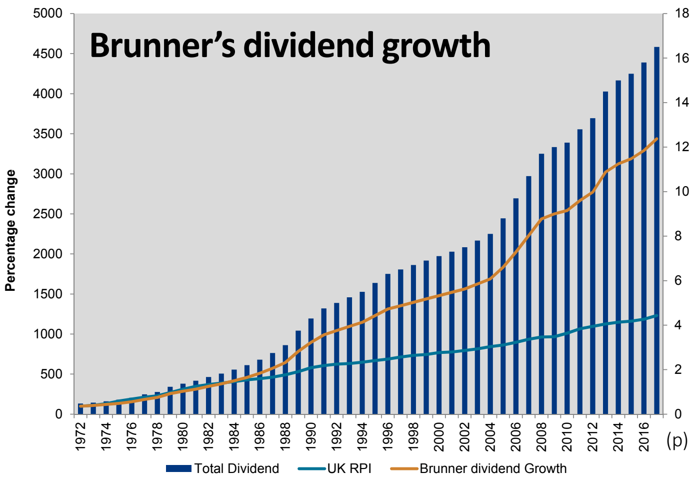
Consistent with its aim the tilt is more towards growth with holdings in global technology stocks such as Apple, Microsoft and Taiwan Semiconductor, and financial stocks such as Visa.

A great example of the selling discipline is Chinese internet sensation Tencent. After a huge run in the shares from 2012 the trust began reducing its stake last summer on concerns over valuation.

Now that the Chinese authorities are regulating gaming and online media companies more heavily, concerns have spread to Tencent's growth prospects as well as its valuation and the shares have erased much of their gains.

Cumulative Total Returns			
	1 Year	3 Years	5 Years
Share Price	11.7%	63.4%	82.9%
Net Asset Value	6.8%	58.2%	66.3%
Benchmark	12.1%	58.5%	72.5%

Source: Brunner Investment Trust, Refinitiv.
Benchmark is a blend of 70% FTSE World ex-UK Index, 30 FTSE All-Share index.
Date as of 30 September 2018.



The third attraction is the recent change in Brunner's capital structure which not only lowers the trust's funding costs but also underpins future dividend payments.

Over the summer it issued £25m of debt at a fixed rate of 2.84% for 30 years and repaid its outstanding debentures which carried an interest rate of 9.25%.

This will improve the trust's returns because it doesn't have the 'drag' of paying out a high rate of interest on old debt. It also means that reserves per share are higher so there is more scope for dividend growth.

It's worth flagging that as well as having one of the highest yields in the sector at 2.3%, Brunner has the distinction of having raised its dividend consecutively for 46 years. (IC)

Keystone Law's profit soars on high-flying recruits

Legal firm is the 'shooting star' of an emerging sector

The legal sector is very much 'of the moment' in market terms with **Anexo (ANX:AIM)** and **Knights Group (KGH:AIM)** floating this summer and DWF hoping to join the market later this year.

Added to this is a flurry of takeover activity with Knights acquiring rival Spearing Waite last month and **Gordon Dadds (GOR:AIM)** announcing this week it has bought Ince & Co, making it the UK's largest listed law firm by revenues.

The sector's shooting star though is **Keystone Law (KEYS:AIM)**. Floated in November 2017, the company's shares had almost trebled by September thanks to a succession of better than expected results.

AN ATTRACTIVE ENTRY OPPORTUNITY

After the recent stock market sell-off the price has come back to more attractive levels and we think it's time to buy this Top 100 challenger.

Keystone is an out-and-out growth stock. Revenue for the first half to July was up 30% to £20m while profit before tax and amortisation advanced 40% to £2.3m. Moreover all of this growth is organic and not fuelled by takeovers.

Given that the firm has more lawyers on its books and billings will be higher than in the first half, we suspect it will beat full-year forecasts of £40.5m in sales and £4.1m in pre-tax profit according to the consensus compiled by Refinitiv.

KEYSTONE LAW BUY
(KEYS:AIM) 356p
Stop loss: 284.8p

Market cap: £109.3m

The secret to Keystone's success is its platform model which allows lawyers to work more flexibly than traditional law firms with the full backing of its advanced support network.

This makes it attractive for legal eagles with top-flight clients to join. As of the end of July it had close to 300 senior lawyers on its books and in the last month alone a dozen more partner-level professionals have joined the firm.

Customers include financial firms like Nationwide and **Royal Bank of Scotland (RBS)**, charities like Cancer Research and non-governmental organisations like the V&A Museum.

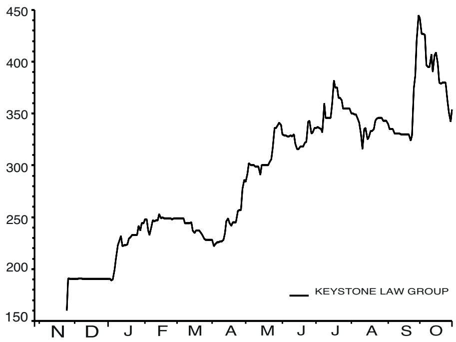
BUILDING ON ITS EARLY MOVE ADVANTAGE

As well as flexibility, another key advantage of the 'networked' model is the ability for lawyers to refer work internally beyond their area of expertise and to support team-based projects within the firm.

This drives up revenues from existing clients at marginal cost and cross-selling on the platform now accounts for around 30% of billings.

Rival firms are catching onto Keystone's approach but its continuous investment in technology and branding has enabled it to keep its first-mover advantage and continue to attract the best talent.

It pays a small dividend, forecast by broker Arden to be 7.6p in the year to 31 January 2019 which equates to a 2.1% prospective yield. Investors should expect the bulk of their returns to come from capital gains. (IC)



LOK'N STORE
(LOK:AIM) 414p

Gain to date: 1.4%
Original entry point:
Buy at 405p, 26 April 2018

A VERY STRONG set of full year results (29 Oct) has cast our positive call on self-storage play **Lok'N Store (LOK:AIM)** in a more flattering light.

The shares gained 10% in the wake of its publication of numbers covering the 12 months to 31 July. These showed net asset value per share up 15.3% to 480p, earnings before interest, tax, depreciation and amortisation (EBITDA) up 12.3%, and the annual dividend up 10% to 11p.

Chief executive Andrew Jacobs, who founded the business more than 20 years ago, says the dynamics behind the industry remain strong as the company outlines plans to increase the number of stores by 13 units to 42 in the coming years.

FinnCap analyst Guy Hewett reiterated his 'buy' recommendation and upped his price target from 521p to 609p.

He says: 'Self-storage peers are valued at a 37% premium to latest historic net asset value (NAV). Lok'nStore is valued at a 22% discount to its July 2018 NAV and a 10% discount to 2017.

'Alongside our forecast of faster EBITDA growth than its peers, we view this as a very attractive buying opportunity.'

SHARES SAYS:
The discount to its peer group looks unwarranted given the growth potential so investors should keep buying. (TS)

HASTINGS AND YU GROUP

TWO OF OUR *Great Ideas* have been hit by recent negative news and exit the portfolio after trading below our stop loss.

Insurer **Hastings (HSTG)** delivered poor third quarter numbers (25 Oct) which revealed premiums failing to keep pace with claims and a failure to grow the volume of customers.

Shore Capital Analyst Paul De'Ath pithily summed up the negative outlook for the stock, noting: 'There is little in this trading update to indicate a turnaround in fortunes in the short-term.'

Much more alarming was the update from small cap energy firm **Yu Group (YU.:AIM)**. The company shocked the market by revealing a £10m hole in its accounts in an unwelcome echo of the accounting scandal at **Patisserie (CAKE:AIM)**. The shares lost more than 80% of their value on the news (24 Oct). Though this development is embarrassing for *Shares* given we added the business to our list of *Great Ideas* as recently as August, it is worth noting that we, like other investors, were working off numbers which have subsequently proven to be faulty. (TS)

Correction
In the 18 October issue of *Shares* we incorrectly attributed a dividend yield of 19% to **Ashtead (AHT)**. This should have read 1.9%. We apologise for any confusion.

WORLDPAY
(WPY) £67.95

Loss to date: 9.1%
Original entry point:
Buy at £74.72, 13 September 2018

A COUPLE OF new developments have emerged since we added payment processing firm **Worldpay (WPY)** to our *Great Ideas* portfolio in September, although the weak performance of the shares is probably more closely linked to wider market volatility.

Co-chief executive Philip Jansen has been hired to run **BT (BT.A)** – although we note he was already due to leave Worldpay in December.

A referral arrangement with **Royal Bank of Scotland (RBS)** is set to come to an end in 2019. Guidance for 2018 is unchanged and there are not expected to be any changes to future revenue expectations as a result.

Worldpay used to be owned by Royal Bank of Scotland until a majority stake was sold to private equity in 2010.

MITON UK MICROCAP TRUST PLC

The power of small

Over the decades of globalisation, plentiful growth with low-cost debt came to be regarded as the norm. In a world of easy credit and gigantism, smallness didn't get much of a look in.

However, since 2008, ultra-low interest rates have led to a stagnation of global productivity. As this has come through in supressed wage growth, electoral attitudes have hardened against the previous status quo.

Miton fund managers Gervais Williams and Martin Turner believe market trends are at a multi-decade turning point. In future, investors will become more discriminating in their choices, and prioritise capital allocation into assets generating productivity improvement.

The investment strategy of Miton UK MicroCap Trust plc has been crafted in anticipation of these changing market trends.

Two features define micro cap companies, the smallest of small listed company shares - their access to capital and management agility. When markets are unsettled, these factors tend to enhance the return of micro caps.

A differentiated Trust

The closed-ended structure of the Trust, where there is a fixed number of shares in issue, means the managers can take a long-term view. There are over 1,000 companies listed on the FTSE Small Cap, FTSE Fledgling and FTSE AIM Indices.

So, the opportunities for active managers to select under-researched companies are plentiful. This helps ensure investors capture the illiquidity premium[1] that comes with micro cap companies.

As managers Gervais Williams and Martin Turner commented: "Like others, we love spotting overlooked companies with vibrancy and urgency. The advantage of micro caps is that there aren't many others looking to pick these out."

In contrast to many existing smaller company funds or investment trusts, this Trust is genuinely invested in micro cap holdings.

"With world growth stalling, there's renewed interest in self-help assets that can buck the economic slowdown, and sustain ongoing growth. We are not just looking for stocks that survive the changing agenda. We're looking to back those that can really thrive."

"Alongside, the returns of the Miton UK Micro Cap Trust tend to be less correlated with mainstream indices, because the portfolio invests across such a wide range of industry sectors."

[1] The shares of smaller UK listed companies tend to be more difficult to buy or sell, and hence their share prices often move more abruptly, although this negative can offset higher long-term returns. This effect is known as the illiquidity premium.

Miton

www.mitongroup.com/micro

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The value of investments can fall as well as rise and investors may not get back the full amount invested.

The Company may borrow money which can then be used to make further investments (gearing). In a rising market, this 'gearing' can magnify the gains or in a falling market, the losses on your investment.

Past performance and forecasts are not reliable indicators of future returns.

Investment in the securities of smaller and/or medium sized companies can involve greater risk than may be associated with investment in larger, more established companies. The market for securities in smaller companies may be less liquid than securities in larger companies. This can mean that the Investment Manager may not always be able to buy and sell securities in smaller and/or medium size companies.

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MFP 18/341.

The skew phenomenon: how a handful of stocks can drive the entire market

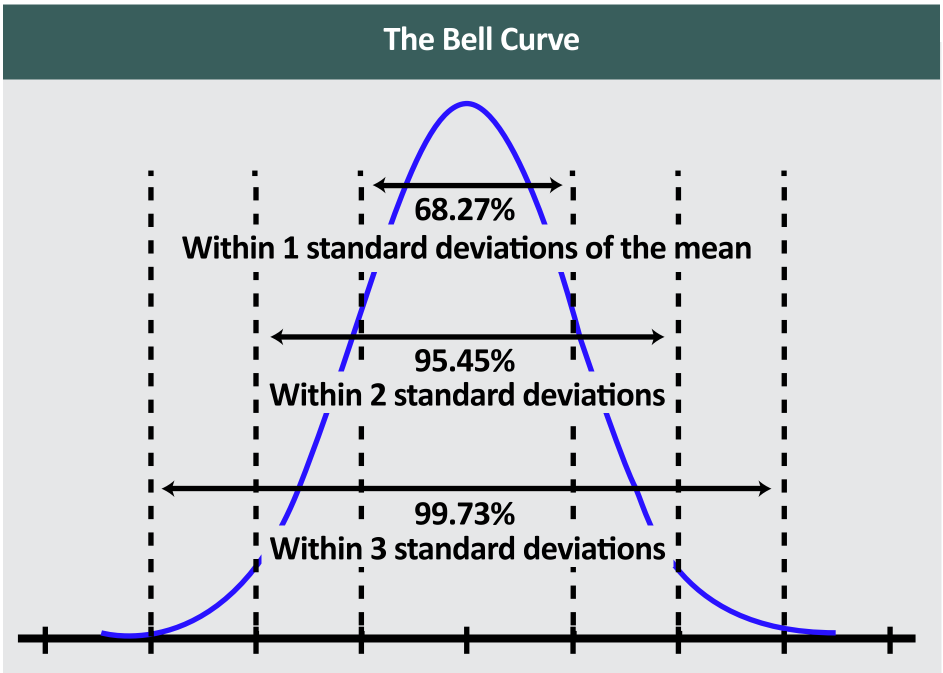
Amazon and Apple account for nearly half of all the S&P's gains this year

In mathematics, 'skew' means a slant or an oblique angle. In everyday use, skew means some type of bias or tendency away from normal distribution.

Many of us should be familiar with the 80/20 rule which says that 80% of your results come from 20% of your effort.

Business coaches claim that 80% of sales come from 20% of customers. And most of us probably spend 80% or more of our time watching fewer than 20% of the available channels on television.

This is all relevant to investing, as we now explain.



THE VITAL FEW VERSUS THE TRIVIAL MANY

Italian economist Vilfredo Pareto came up with the idea in the late 1800s while studying Italian wealth and society.

His theory, known as the 'Pareto Principle', was that 80% of the nation's wealth was controlled by 20% of the population or 'the vital few' as he called them.

The remaining 20% was spread among 80% of the population, called 'the trivial many'.

If the skew in Italian wealth in the 1890s seems high, the skew in financial markets between the 'vital few' stocks in a portfolio or an index which deliver most of the gains and the 'trivial many' can be even greater.

A recent research paper by Hendrik Bessembinder of W.P. Carey School of Business suggests that almost all of the out-performance of stocks over bonds in the US over the last century is accounted for by less than 5% of stocks.

So while the *average* stock has beaten the bond market, in reality *all* of that excess return has been generated by a very small number of stocks.

This is counter to most people's expectations and to the normal distribution of returns.

GOING 'OUT THE CURVE' IN SEARCH OF RETURNS

The accompanying chart is called a 'bell curve' because of its shape. It shows what the normal distributions of returns should be if the stock market is 'efficient' (i.e. all available news is priced in).

The top of the bell is the index average, or mean, and either side are dotted standard deviation bands.

It stands to reason that the average stock will produce an average return, or one in line with the index, and most stocks (68%) will produce a return within one standard deviation of the average.

US stocks	Gain year-to-date	% of the index gain
Amazon	57%	24%
Apple	31%	23%
Microsoft	29%	18%
Netflix	90%	6%
Pfizer	23%	5%

UK stocks	Gain year-to-date	% of the index gain
GlaxoSmithKline	13%	8%
AstraZeneca	14%	8%
Royal Dutch Shell	2%	8%
BP	7%	7%
SKY	71%	5%

Source: Bloomberg, Shares

WHAT DOES THE DATA MEAN?

The table shows the percentage gain of an index in value terms created by the rise in a particular share price. For example, 24% of the rise in the S&P 500 in value terms has solely come from the rise in the value of Amazon.

Bessembinder's study suggests that *all* of the excess returns from investing in stocks have come from the extreme right-hand side of the curve (between the second and third deviation bands) or less than 5% of stocks.

This means that any fund manager wanting to beat the index *has* to own this tiny group of stocks, assuming they can identify them in advance.

FOCUSED FUNDS MAY BE MISSING THE POINT

This research may be new but the concept of only investing in a small number of stocks in order to capture excess returns is far from new.

There is any number of 'focused' or 'growth' funds, typically with fewer than 50 stocks, which claim to capitalise on their manager's superior stock-picking ability to beat the market.

However what quickly becomes apparent is that a great many of these funds own the same stocks, often in the same proportions.

It could be that the managers all use the same investment approach, or they could all use different approaches, but they still end up with the same stocks.

Either way, if one gets it right they all get it right, but if they're all wrong they are all on the hook.

This is the downside of skew, which investors experienced recently with the sharp sell-off in technology stocks.

US RETURNS ARE THE MOST HEAVILY SKEWED

You only have to look at the top five stocks in the US in terms of contribution to the rise in S&P 500 to see the scale of the skew towards the technology sector (see table).

What this reveals is that if a fund manager didn't have at least the same weighting as the index in just three out of 500 stocks – Amazon, Apple and Microsoft – they would have missed out on almost two thirds of the index's gains this year.

The skew in the UK is less notable, but even so if you didn't have at least a market weighting in the big pharmaceutical stocks **AstraZeneca (AZN)** and **GlaxoSmithKline (GSK)**, and the big oil stocks **BP (BP.)** and **Royal Dutch Shell (RDSB)**, you would have struggled to beat the FTSE 100.

As always an element of luck helps, and owning three FTSE 100 stocks in takeover situations this year – GKN, **Shire (SHP)** and **SKY (SKY)** – wouldn't have done any harm, but they still wouldn't have made up for the returns lost by being underweight the large oil and pharmaceutical stocks.

SKEW AT STOCK LEVEL COULD REFLECT SKEW IN CAPITAL RETURNS

One of the arguments put forward for the skew in returns in the US is that there is a large skew in returns on capital.

Technology has given firms such as Amazon, Apple, Google and Microsoft a huge advantage.

In the past there would be a 'trickle-down' effect as technology and know-how spread through the economy to other companies.

This is no longer happening because companies are keeping their technology to themselves in order to eventually create dominant market positions where all the profits accrue to them.

Identifying this trend and investing in these companies has generated fabulous returns, but as the recent sell-off has shown, they aren't immune. (IC)

EMERGING MARKETS

TOXIC OR GREAT OPPORTUNITY?

Emerging markets haven't been good to investors in 2018. Their meltdown has reflected a mounting trade war between the world's two biggest economies, America and China, higher US interest rates and a strengthening of the dollar. Compounding the situation have been the currency crises and economic problems that have befallen Turkey and Argentina.

However, where there is a problem, there can be an opportunity. Prices and valuations in emerging markets are at rock-bottom levels, which makes them interesting for investors who can stomach ongoing volatility and whom already have a solid portfolio to cushion any blows should this part of the investment universe continue to have issues.

In this article we delve into the issues facing emerging markets and highlight two funds which we believe are the best ways to play this theme for those willing to take the plunge. Our top choices are **MI Somerset Emerging Markets Dividend Growth (B4Q0711)** and investment trust **Templeton Emerging Markets (TEM)**.

THE BULL AND BEAR CASE

The term 'emerging markets' is used to describe the globe's developing economies. They include some of the most populous nations including China, India, Brazil and Russia, as well as other countries including Mexico, Saudi Arabia and South Africa.

These rapidly growing regions are key contributors to global growth and could be the leading economic powerhouses of tomorrow. As such, they cannot be overlooked by serious-minded growth investors.

Although they are diverse, they typically exhibit attractive demographics and a burgeoning middle class, which are spearheading their economic growth.

Political and economic reforms in emerging markets have helped build stronger and more stable economies, with some constituents having lower debt and larger reserves. Far more companies in these regions now pay dividends to shareholders, meaning emerging markets are attractive for income seekers too.

When emerging markets are going gangbusters, bulls champion their rapid GDP growth, burgeoning middle class populations and the inexorable rise of the consumer classes.

Yet emerging markets in freefall provide fodder for the bears, who rubbish them as un-investable basket cases, with many constituents suffering weak currencies and onerous debt piles.

Equity valuations in this part of the investment universe are currently looking attractive relative to long-term averages, as emerging markets have had a torrid 2018. Bulls argue the fundamentals remain compelling.

WHY HAVE EMERGING MARKETS SOLD OFF?

It is fair to say that 2016 and 2017 were superb years for emerging markets, with the MSCI Emerging Markets index rocketing higher and emerging market currencies surging north too. Indeed, the MSCI Emerging Currency index reached its strongest level on record versus the US dollar at the beginning of this year.

Sadly rising interest rates in the US plus the escalation in trade tensions have now led to risk-off sentiment towards emerging markets.

The tide began to turn with the prospect of rising US interest rates and a strong US dollar driving currency crises in Argentina, Turkey and South Africa, not to mention Indonesia, where the rupiah plunged in part due to the country's widening current account deficit.

Contagion has swept through emerging market currency, bond and stock markets in 2018, leaving many to fear the emerging markets bubble has burst.

Chinese shares are in bear market territory, with growth in the Peoples' Republic slowing. Soft guidance from several high-profile US companies with China exposure has also heightened concerns over the US-China spat, threatening to morph into a full-blown trade war.

As if all this weren't enough, Latin American countries have been rocked by economic and political tumult. A series of adverse events have weighed on sentiment towards Latin American leviathan Brazil, where voters have been to the polls to decide a controversial presidential election which has hobbled this vast nation's economic momentum.

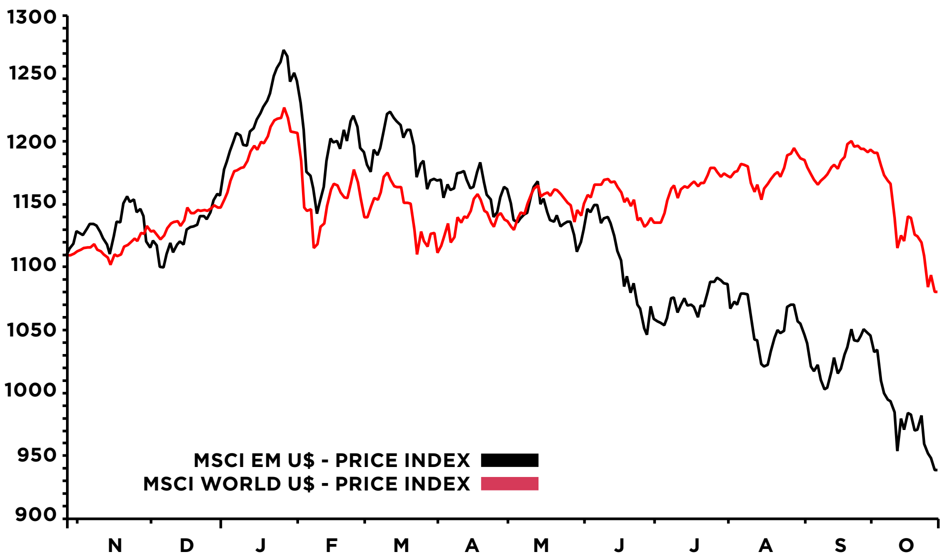
DOES MISPRICING PRESENT AN OPPORTUNITY?

Significantly, the skittishness surrounding Turkey and subsequent elevated worries over the China slowdown and Sino-US trade war have been extrapolated by the market across a broad, highly diverse emerging markets universe of more than 70 countries.

This is one key reason why emerging markets bulls argue these markets are mispriced, and the sell-off presents a not-to-be-missed attractive entry point for risk-tolerant investors.

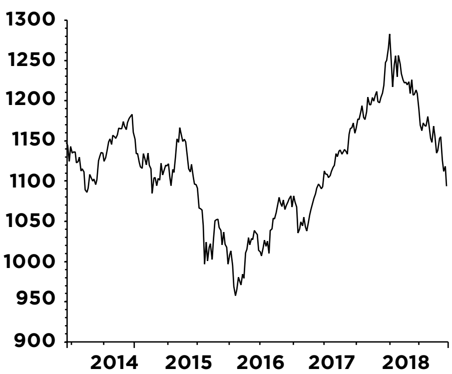
They argue the Asian baby

EMERGING MARKETS VS A GLOBAL BASKET OF STOCKS



MSCI EM U$ - 1-YEAR PRICE INDEX

MSCI EM U$ - 5-YEAR PRICE INDEX



WHY THE GREENBACK MATTERS

A strong US currency is usually bad news for emerging markets as it makes life difficult for borrowers with dollar-denominated debt, which becomes more expensive to service, while simultaneously encouraging a flight back to safety in the US.

Higher US rates and appreciation of the greenback have long been catalysts for capital flooding out of emerging markets. Counties with large current account deficits and high external debt – namely South Africa, Turkey, Brazil and Indonesia – have borne the brunt of the pain, as has Argentina, only promoted to emerging market status in June after nearly a decade as a 'frontier market'.

ARGENTINE PESO VS $US

was thrown out with the Turkish bathwater in 2018, a stronger dollar, weaker commodity prices and Istanbul's foreign borrowing woes weighing indiscriminately on all emerging markets.

Tellingly, long-term China sceptic Austin Forey, a fund manager at **JPMorgan Emerging Markets Investment Trust (JMG)**, has become a bull.

'Historically, Forey was cautious about China due to the high levels of non-performing loans in the country's banks which he felt could result in a financial crisis,' notes investment bank Stifel. 'Having spent significant time in the country, he has now reconsidered his views.

'He is enthused about the level of entrepreneurial activity in the economy and how companies are leveraging technology. He is particularly positive about businesses in the service sector, where some are earning high returns on capital,' adds Stifel.

Meanwhile, *Bloomberg* has reported (21 Oct) that India's top hedge fund has stopped hoarding cash and started buying shares again in anticipation of a bounce in the populous South Asian nation's stock market.

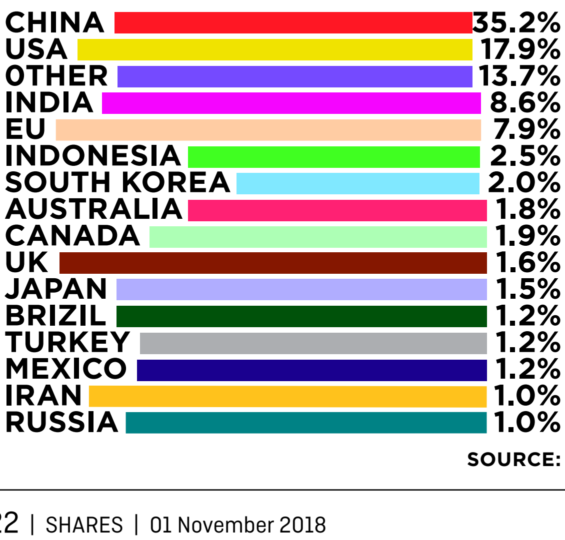
The Avendus Capital Alternate Strategies' Absolute Return Fund is increasing investments after benchmark indices slumped due to surging oil prices, higher borrowing costs and defaults at a local shadow lender. Andrew Holland, CEO at Avendus, is quoted as saying 'we have turned the most bullish in at least the past six months'.

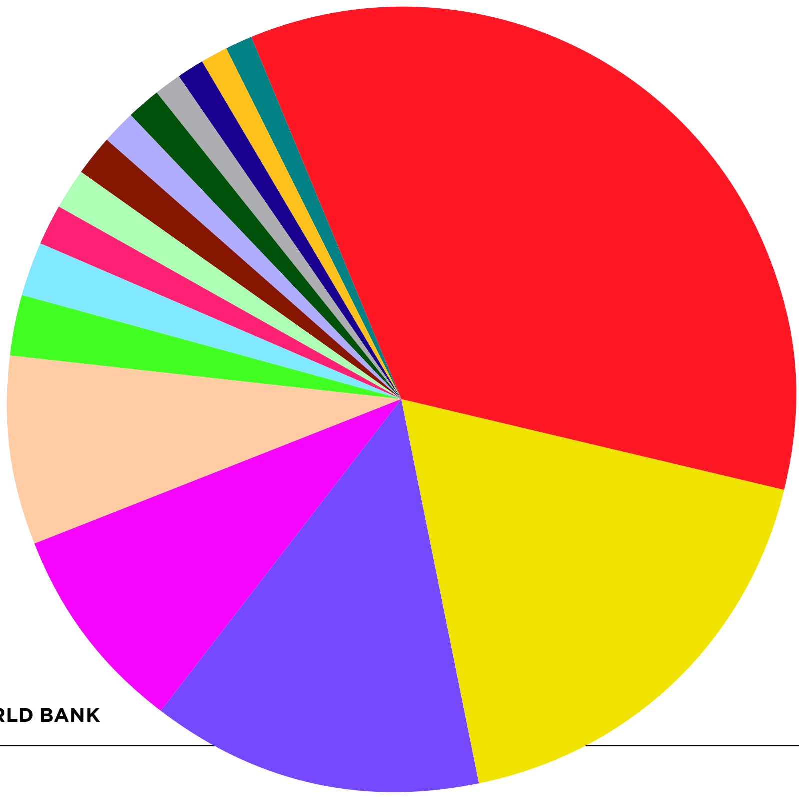
WHAT ARE THE RISKS AND POTENTIAL REWARDS?

The earnings risk associated with trade wars, depreciating currencies and rising bond yields are reasons

WHERE IS GLOBAL GROWTH HAPPENING?

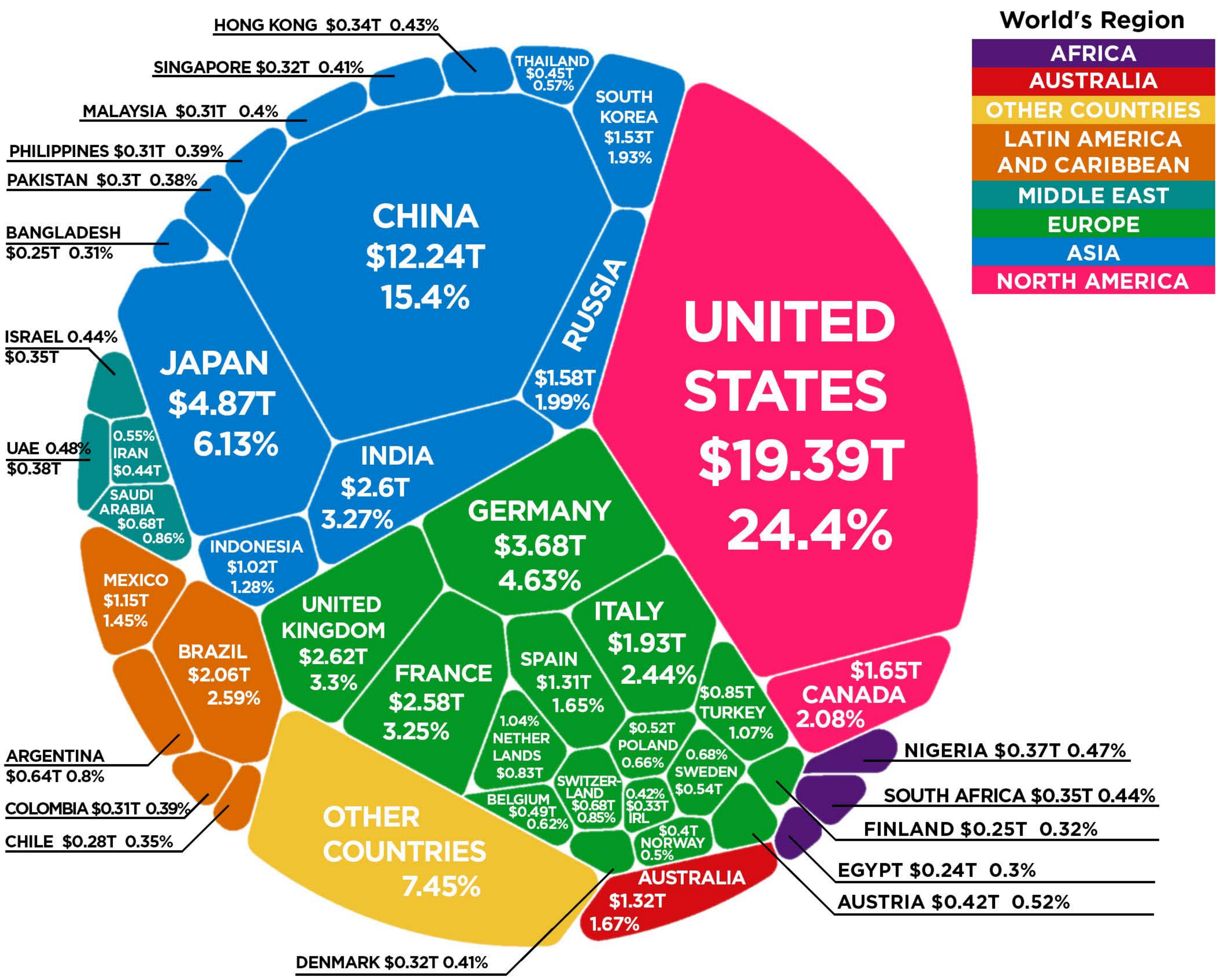
PERCENTAGE OF ESTIMATED (2017-2019) GLOBAL GROWTH IN REAL GDP





SOURCE: WORLD BANK

THE WORLD ECONOMY: GDP BY COUNTRY 2017



SOURCE: HOWMUCH.NET/WORLD BANK
https://howmuch.net/articles/the-world-economy-2017

the risk-averse might choose to sit on the side lines for now. There has always been something to worry about with emerging markets, where volatility is par for the course.

Weakened currencies make it more difficult for emerging markets firms to keep up with hard currency interest payments but they also offer more attractive prices for overseas investors.

However, it is also worth bearing in mind that not all emerging markets are equally vulnerable to the dollar. Many have overhauled their economies and reduced their foreign debt piles, and as such, would argue they've been unfairly caught up in the sell-off.

Omar Negyal, portfolio manager of **JP Morgan Global Emerging Markets Income Trust (JEMI)**, insists: 'Despite recent volatility in emerging markets, valuations are currently neutral which partly reflects an overall improvement in fundamentals following a challenging few years for emerging market economies and companies.

'On a multi-year view we think profitability for the asset class has the potential to rise further from here. This should, ultimately, help to drive up dividends and share prices.'

Negyal continues: 'We have a positive outlook about the long-term prospects for dividend generation. While movements in sterling may impact on the value of dividend payments, the above average quality of the companies and superior profitability of the portfolio versus the market remains high and consistent.'

“WE ARE IN THE MIDDLE RATHER THAN THE END OF A CORRECTION”

– EDWARD LAM, SOMERSET CAPITAL FUND MANAGER

He adds: ‘In the near term we’re mindful that uncertainty prevails, given the impact of rising bond yields and the risk of “trade wars” which have paused the improving earnings momentum of emerging markets companies.

‘However, we remain focused on investing in sound businesses, run by strong management, with good prospects that have the potential to deliver income and growth.’

Edward Lam, who manages the MI Somerset Emerging Markets Dividend Growth fund alongside Edward Robertson, cautions ‘we are in the middle rather than the end of a correction’. Yet he concurs that ‘the situation on the ground is actually better than people might expect in certain emerging markets’.

THE GODFATHER OF EM INVESTING

Carlos Hardenberg, one of the trio of founders of Mobius Capital Partners, who manages the recently launched **Mobius Investment Trust (MMIT)** alongside the ‘godfather’ of emerging markets investing Mark Mobius and Greg Konieczny, insists now is the time to revisit this pare of the investment universe. Populations and living standards have ballooned, creating enormous middle classes with growing consumption levels.

As he opines on the Mobius Capital Partners website: ‘Governance has improved significantly, with shareholder engagement and activism not just supported but actively encouraged by companies and governments alike. Most crucially, emerging markets now offer a dramatically more attractive set of companies. These businesses and management teams no longer follow – they lead.’

Hardenberg also explains that both private and public debt levels in most emerging markets are far lower than in past debt-driven crises. This mitigates concerns about the rising cost of hard currency interest payments.

‘Even in the case of companies with high levels of debt, active investors can carefully run through individual company balance sheets and talk to management to identify firms that are able to protect themselves,’ he thunders.

‘In China, technology “unicorns” are being born with increasing frequency, without ever leaving the domestic market.

‘In Indonesia, entire sectors (such as banking) remain undeveloped, offering numerous multi-billion-dollar markets to tap into for South East Asian companies that can combine cultural and domain expertise.

‘These sorts of domestic and regional growth opportunities, regardless of what happens in developed markets, offer resilience at a time when many are concerned about fallout from the ongoing trade war.’

HAVE MARKETS OVER-REACTED?

Chetan Sehgal, lead portfolio manager of the pioneering Templeton Emerging Markets, says emerging markets have faced 'a perfect storm' year-to-date, referring to higher rates and weaker currencies.

Yet Sehgal is keen to stress the strength of the balance sheets of many firms in his investable universe. 'The typical corporate in emerging markets is not on a borrowing spree. Stocks have sold off on expectations of a far worse outcome than the reality is.'

In terms of turning the tide of negative sentiment, any resolution of the US/China trade war would be an obvious catalyst, to his mind. 'We are hoping that they come to a compromise,' says Sehgal. 'And if China was to make a large investment in physical infrastructure in the US that would help.'

Medha Samant, investment director at **Fidelity Asian Values (FAS)**, says the key short-term risk for investors is trade wars and their impact on supply chains in Asia, principally China, but also Korea and Taiwan.

'Trade protectionism is never good in the long term and investors are worried about the earnings side,' concedes the analyst.

Managed by Nitin Bajaj, Fidelity Asian Values seeks to achieve long term capital growth through investments in the Asian region excluding Japan. Samant explains that 'most of the correction is being seen in the cyclical names. Large cap names have held up better than small and mid-cap,

and the selling has been in the low quality, cyclical names.'

Across the emerging markets universe, Samant says 'a lot of the opportunities are coming from China' – Bajaj has added China Mobile to the portfolio – 'and we've found some really good quality names in Indonesia.

'India has been a source of funding for some of these names,' she explains, noting that the South Asian powerhouse being 'less impacted by trade wars and benefiting from domestic investor support'.

Fidelity Asian Values continues to have high conviction in India's HDFC Bank, 'an all-weather stock that is best in class, taking share from the traditional lenders and has a good growth profile', and has also been buying a water utility in the Philippines, namely Manila Water.

WAYS TO GAIN EXPOSURE

Before even considering emerging markets, investors should already boast a well-diversified portfolio and make sure they wade into these choppy waters with their eyes wide open, in the expectation of further volatility.

There are numerous funds offering exposure to this part of the investment universe. Examples include **Hermes Global Emerging Markets (B3DJ5K9)**, **Baillie Gifford Emerging Markets (0602064)**, **Neptune Emerging Markets (B8J6SV1)** and **Invesco Global Emerging Markets (BDJ0CC7)**.

Emerging markets funds may offer broad exposure to the full range of countries or they may specialise in just a few countries. It is important to do thorough research and fully understand each fund's investment focus and process before you hand over any money.

OUR CHOICE OF FUNDS

We like the MI Somerset Emerging Markets Dividend Growth fund. It has a concentrated portfolio of around 40 quality conviction ideas and invests in companies which demonstrate prospects for long-term cash flow and dividend growth.

Leading portfolio positions include SK Hynix, a lately unloved, Korea-based dynamic random access memory (DRAM) producer and seller; Samsung Electronics; Brazil-based car insurer Porto Seguro; and **Coca Cola HBC (CCH)**,

TEMPLETON EMERGING MARKETS INVESTMENT TRUST

Year	2013	2014	2015	2016	2017	2018
Price%	-8.9	5.0	-24.0	47.9	32.9	-6.8
NAV%	-9.0	7.0	-23.1	49.2	30.8	-5.5

MI SOMERSET EMERGING MARKETS DIVIDEND GROWTH

Year	2013	2014	2015	2016	2017	2018
Return %	-3.2	8.4	-6.4	26.8	21.8	-11.3

SOURCE: MORNINGSTAR

the emerging markets-focused coke bottling behemoth with opportunities in markets ranging from Russia to Nigeria.

Speaking to *Shares*, fund manager Edward Lam highlights a deliberate underweight to China, reflecting a lack of single stock ideas as well as his concerns over the Chinese banking sector. That said, a relatively new holding for the fund is Chinese oil producer CNOOC, a beneficiary of higher oil prices whose production growth and cost efficiency initiatives are back on track under new management.

MI Somerset Emerging Markets Dividend Growth has also been making some in-roads into the domestic Indian market. 'We've been adding to India on the sell-off, somewhat opportunistically,' explains Lam, who has put money to work with Maruti Suzuki, the motor car maker and 'great franchise' which has been increasing market share and deepening its competitive position.

For those preferring to own investment trusts, the average discount to net asset value in the AIC's Global Emerging Markets sector stands at 10.7% compared with an average discount of 3.6% for all UK investment trusts.

It is quite normal for emerging markets-focused trusts to trade at a wider discount because underlying holdings are often considered higher risk and potentially more illiquid versus stocks from developed markets.

Examples of single country investment trusts that fall under the emerging markets banner include **India Capital Growth Fund (IGC)**; **VinaCapital Vietnam Opportunity Fund (VOF)**; **Fidelity China Special Situations (FCSS)**; and **BlackRock Latin American Investment Trust (BRLA)**.

Broader trusts with greater country-level diversification included the newly-launched Mobius Investment Trust and **Fundsmith Emerging Equities Trust (FEET)**.

'STABLE MANAGEMENT TEAM'

Investment bank Stifel views JPMorgan Emerging Markets as the best trust through which to gain exposure to the theme.

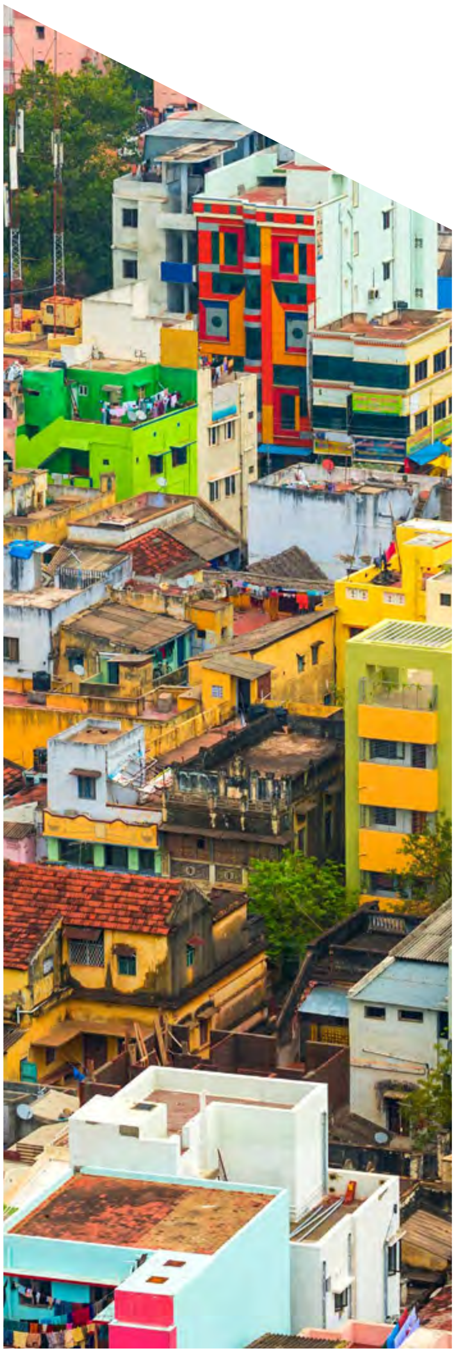
'It is the only generalist emerging markets trust that we cover that has had a stable management team in recent years,' says its investment trust research team.

'The manager, Austin Forey, has led the trust for over 20 years and proved his ability to deliver good levels of outperformance. The portfolio is comprised of quality growth companies, many of which are global in nature and operate outside of the areas impacted by the trade wars.'

We see upside potential at Templeton Emerging Markets, whose 11% share price discount to NAV might entice value investors.

Fund manager Chetan Sehgal seeks long-term capital appreciation through investment in companies listed in, or deriving a significant chunk of their revenues from, emerging markets.

As at 30 September, the investment trust's top 10 holdings include South Korean electronics giant Samsung Electronics, best known for its Galaxy smartphones and flash TVs; Cape Town headquartered internet-to-entertainment giant Naspers; and BMW car seller Brilliance China Automotive. **(JC)**



Quality of FTSE 100 earnings improves even as the index struggles

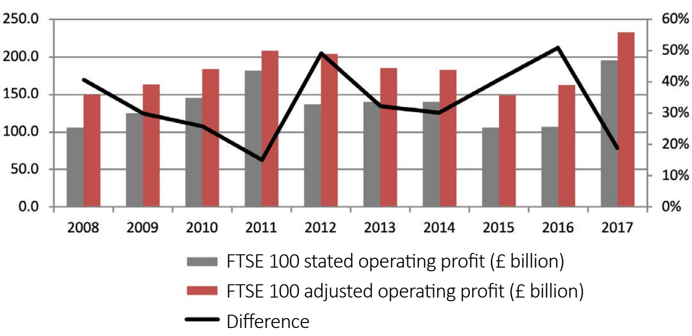
The checks you can do to see if company accounts are giving you a true picture

As the FTSE 100 remains in the grip of a global bout of 'risk-off' sentiment, investors can at least draw some reassurance from how the quantity *and* quality of UK plc's earnings seem to be improving.

Two weeks ago this column noted how aggregate pre-tax profit forecasts for the FTSE 100 have continued to rise. Pre-tax profit forecasts for 2018 now stand at total of £225.8bn, some 6% higher than they were a year ago, while estimates for 2019 are also showing positive momentum with a second straight increase to £242.9bn.

The gap between statutory earnings and companies' preferred profit metrics (which can – cynically – be described as 'earnings before bad stuff, or 'EBBS') closed dramatically in 2017 from 2016's decade high to the lowest level since 2011.

GAP BETWEEN STATED AND ADJUSTED OPERATING EARNINGS AT FTSE 100 FIRMS IS (THANKFULLY) CLOSING



Source: FTSE 100 companies' Annual Report and Accounts in aggregate, 2008-2017

There are two, conflicting, possible interpretations for this:

- Companies are simply being more transparent, providing greater clarity to shareholders on the many moving parts which make up their business and enabling investors to get a better view of what is really going on under the bonnet.

- Those companies which had perhaps been intentionally muddying the waters ran out of tricks to pull, relating to acquisitions or restructuring charges, or even felt a lesser need to do so as underlying trading improved. Some firms still present sales figures in multiple formats of actual, underlying and underlying in constant currencies.

Others continue to point to underlying metrics of their own choosing and publish those figures first in regulatory announcements (while at least flagging that they are not based on generally accepted accounting principles, or GAAP).

In both cases the goal is to put a positive gloss on their figures. But for all of that, the gap between stated and adjusted numbers has closed which would suggest that the underlying quality of FTSE 100 earnings in 2017 improved relative to 2016, even as overall profits rose nicely.

ACTION PLAN

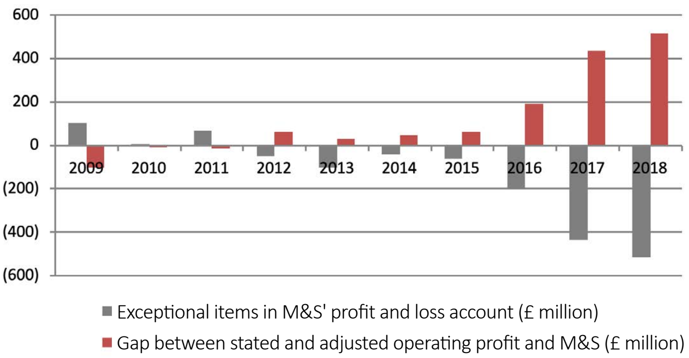
A big gap between stated and adjusted earnings does not necessarily mean a company is inherently a poor investment while a small gap may not automatically mean it is a good one.

But to protect themselves, and their portfolios, investors can apply the following checks:

- **Watch out for frequent 'exceptional' items (an oxymoron if ever there was one) or a growing gap between stated and adjusted earnings.**

Companies which in 2017 added to a trend of a growing gap between stated and adjusted operating profit include **AstraZeneca (AZN)**, **GlaxoSmithKline (GSK)**, **Imperial Brands (IMB)**, **ITV (ITV)** and **Marks & Spencer (MKS)** once more. Newcomers include **WPP (WPP)**, **Royal Mail (RMG)** and **Kingfisher (KGF)**. None of this trio's share prices have covered themselves in glory in 2018.

M&S IS A GOOD EXAMPLE OF A FIRM HAVING TO RUN FAST TO STAND STILL – IF THE RISING AMOUNT OF 'EXCEPTIONAL' ITEMS IS ANY GUIDE



Source: Company accounts

- **Watch out for restated numbers, unclear numbers or unintelligible commentary.**

As an equity investor, your time horizon should be five to 10 years at least, as this is when the power of dividend reinvestment really makes itself felt. Yet depressingly few firms provide a clear 10-year history of their numbers in the Report and Accounts (**British Land (BLND)** and **Hammerson (HMSO)** deserve praise here).

- **Make sure you know what triggers management bonuses, share awards and stock options.**

As Warren Buffett's long-time business partner Charlie Munger once noted: 'Show me the incentive and I will show you the outcome.'

Investors therefore need to check these triggers, particularly if they are changed and particularly if they are structured so that they are based on underlying or adjusted profit figures, as a management team may be tempted to start gaming the system and focus on short-term pay triggers ('managing the numbers') rather than doing what they should be, which is deepening a company's competitive position ('managing the assets').

- **Go by the book.**

Net asset value (NAV) measures what investors collectively own through their shareholdings – it is the total assets of a company minus its liabilities and represents what would be left if the firm were wound up today. Companies that consistently grow earnings should grow NAV over time. Those which conjure profits from accounting manoeuvres, or frequently take asset write-downs to cover restructuring operations, especially after acquisitions, may not.

CLARITY IS KING

If these 'scratch-and-sniff' tests mean the investor is not satisfied at the end, then the investor can either:

- Avoid the shares altogether (or sell them if they own them);

- Pay a discount valuation, relative to sector peers or the wider stock market, until their qualitative doubts are soothed.

Clarity and consistency of reporting standards are a good sign. Restatements and obfuscation are not. To leave the final words to master investor Warren Buffett:

'Bad terminology is the enemy of good thinking. When companies or investment professionals use terms such as EBITDA or pro forma they want you to unthinkingly accept concepts that are dangerously flawed.

'In golf my score is frequently below par on a pro forma basis. I have firm plans to "restructure" my putting stroke and therefore only count the swings I take before reaching the green.'

By Russ Mould, investment director, AJ Bell

How to hold various currencies in your ISA and SIPP

ETFs are one way to spread your exposure to foreign exchange as Brexit looms

Investors witnessing the current Brexit negotiations, and lack of progress, may be worrying about the impact on their portfolios. We've heard from readers who are worried about the impact a no-deal Brexit may have on their investments – but more specifically the effect it will have on the pound.

After the Brexit referendum we saw the value of sterling plummet, as the world grew nervous about the shock vote result and what it might mean for the UK economy. The value of the pound fell to a 31-year low after the vote, and saw its biggest one-day fall in value on record.

POUND FAILING TO RECOVER

The pound has also failed to recover its pre-Brexit vote levels. It stood at $1.48 before the vote and now is down to around $1.29. It's the same story against the euro, with £1 worth €1.31 on the day before the referendum and just €1.14 today.

So how can investors, who fear a similar reaction if a no-deal scenario happens, spread their currency risk?

The first thing to consider is how international your holdings are in the first place. Bonds and shares invested in companies overseas will do well if sterling falls in value, as when those profits are converted back into pounds they will be boosted.

This is the same effect we saw after the referendum vote, and the large number of overseas earners in the FTSE 100 saw a bump from the fall in sterling, while more domestically-focused companies were hit harder.

If you want to hedge your currency risk, you could go out and buy currency, in the same way as you would if you were going on holiday and wanted to exchange your pounds for euros or dollars.

However, there is obviously the issue here that you need somewhere safe to store the cash, and the larger the sum you intend to convert the bigger an issue this becomes.

The other problem with this situation is that many people want to limit their sterling risk within their existing ISA or SIPP portfolio – keeping it within the tax wrapper.

USING ETFS

If you want to do this your best bet is probably an exchange-traded fund or ETF for short. These funds track the price of different markets and indices, for example the FTSE 100 or the price of oil.

There are ETFs that track the

price of the dollar or the euro by giving a delivering a cash-like return in the local currency. One example is **Lyxor Smart Cash UCITS ETF USD (STMC)**, which costs 0.13% a year.

There are also 'money market' funds. These products invest in very short-dated bonds (those with a short time to maturity) and cash, and many operate in alternative currencies.

For example, **Schroder International Selection Fund Euro Liquidity Accumulation EUR (7226445)** invests in euro bonds that have less than 12 months to maturity; or **Fidelity Funds II - US Dollar Currency Fund (4152877)**, which invests mainly in US dollar-listed debt.

It's worth noting that your platform may charge you a fee for handling foreign currency funds. For example, AJ Bell YouInvest charges 1% on the first £10,000 of investments, 0.75% on the next £10,000, 0.5% on the next £10,000 and 0.25% on anything over £30,000.

HIGHER RISK OPTIONS

If you want to take more risk you may wish to consider an active bet on the value of sterling falling by using an ETF. Some ETFs allow you to 'short' different assets or markets, which means you profit if an asset or market falls. In this example, you would be shorting sterling, and so would profit if it fell. If sterling rises in value then you'll lose money.

These ETFs use complicated derivatives to achieve this result and so are far more complex and harder to understand, meaning they are not for novice investors and you should make sure you understand how they work before committing any money. Because of the derivatives used the funds also typically cost more to run.

One example is **Societe Generale FTSE x5 Daily Short GBP (5UKS)**. The 'x5' in the name is because the fund amplifies any change in sterling by five times. This means that if sterling fell by 1% the fund would rise by 5% in value. Conversely, if sterling rose in value by 2% you would lose 10%.

Laura Suter, personal finance analyst, AJ Bell

We reveal the cheapest ETFs on the market

Low costs have helped to make passive investments popular

Cost-conscious investors have been ploughing billions of pounds into exchange-traded funds (ETFs) over recent years, while many actively-managed funds have suffered significant outflows.

Improving transparency within the funds industry has made it easier to compare the costs of various investments, so it's no real surprise that the popularity of low-cost ETFs has soared.

Research from financial services group State Street shows that investors poured an incredible \$464bn (£353bn) into ETFs in 2017 alone.

Meanwhile, figures from life insurer Royal London show that passive investing – a term used to describe tracking an index rather than actively picking certain stocks or bonds – now accounts for nearly half of all assets under management. That compares to just 15 years ago when they accounted for a 'negligible proportion'.

WHY ARE ETFS POPULAR?

As well as their low costs, and the ease and speed of buying and selling an ETF, a major part of the reason for the growing popularity of trackers is that they've performed particularly well as global stock markets have soared in recent years.

Unsurprisingly, that has caused many investors to question whether it's worth paying more for an active fund manager.

And as more money has flowed into ETFs, they have been able to pass on the economies of scale, reducing their costs further and further. Earlier this year, for example, BlackRock slashed fees on 11 of its tracker funds. Meanwhile in the US, investment giant Fidelity created waves when it launched a zero-fee tracker.

While charges haven't come down quite that far yet in the UK, they are well on their way. Number-crunching from investment platform provider AJ Bell shows there are 36 UK-listed trackers with fees of just 0.07% or less.

The cheapest three ETFs charge investors just 0.04%; that's just 40p for every £1,000 invested, and is a fraction of the average active fund charge, which currently stands at around 1%.

The cheapest offerings are simple trackers which mirror a well-known stock market, such as the FTSE 100 or S&P 500.

Other ETFs which feature in the list of cheapest trackers include those which follow the Euro Stoxx 50 index of European blue-chip companies as well as those which track US Treasuries (also known as US government bonds). These funds tend to be cheaper because the indices they track are easy to set up and monitor, and the trading costs in these markets are relatively low.

HOW ARE ETFS ABLE TO KEEP THEIR COSTS SO LOW?

ETFs can be cheap because they don't have the same running costs as an actively-managed fund. 'It's slightly tongue in cheek to say that tracker funds can be so cheap because you don't have to pay an expensive fund manager to run them, but it is also quite true. Trackers are essentially run by computer programmes, which are highly scalable,' says Ben Yearsley, director at Shore Financial Planning.

The hefty flows of money into these products has massively ramped up competition, which has put pressure on prices. Providers have been caught up in a price war in order to attract investors as a seemingly never-ending stream of new ETFs is launched.

While an active fund might be able to hold its price because it has a particularly well-known or skilful manager at the helm or expertise in a certain region, there is little to differentiate one FTSE 100 tracker from another.

The size of a fund and its tracking error are factors to consider, yet in the end, for many investors the final decision on which ETF to pick will often come down to cost.

Adam Laird, head of ETF strategy at Lyxor, adds: 'Technology has been a major factor in the collapse of fees in the ETF space. At one time, you would have needed to dedicated fund managers to keep a ledger of holdings, to process trades and monitor the index. Now a small team can look after dozens of funds.'

WILL COSTS COME DOWN EVEN FURTHER?

While the price war has been forcing costs lower over recent years, few commentators think that a 0% tracker is likely to hit the UK market any time soon.

Aside from some complex trading features of these funds and regulation, the model only tends to work for firms which can offset their costs in other areas of the business, through their fees on active funds or advice, for example.

Antoine Lesne, head of ETF research and strategy at State Street, explains: 'The "bait" of a zero-fee product could be an incentive for an investor to open an account, which then gives the provider a chance to up-sell various products and services.' (HB)

THE CHEAPEST LONDON-LISTED ETFS

NAME	TICKER	EXPENSE RATIO %
LYXOR CORE MORNINGSTAR UK NT	LCUK	0.04
LYXOR CORE MORNINGSTAR US	LCUD	0.04
LYXOR CORE MORNINGSTAR US GBP	LCUS	0.04
INVESCO S&P 500 ACC GBP	SPXP	0.05
INVESCO S&P 500 ACC	SPXS	0.05
HSBC EURO STOXX 50 UCITS ETF	H50E	0.05
INVESCO EURO STOXX 50 ACC	SX5S	0.05
LYXOR SMART CASH	CSH2	0.06
ISHARES CORE S&P 500	CSP1	0.07
ISHARES S&P 500	IUSA	0.07
XTRACKERS MSCI USA UCITS ETF	XDUS	0.07
VANGUARD S&P 500 UCITS ETF	VUSA	0.07
ISHARES CORE S&P 500	CSPX	0.07
ISHARES S&P 500	IDUS	0.07
VANGUARD S&P 500 UCITS ETF	VUSD	0.07
XTRACKERS MSCI USA UCITS ETF	XD9U	0.07
LYXOR IBOXX TREASURIES 1-3Y GBP	U13G	0.07
LYXOR CORE IBOXX TREASURIES 3-5Y	U35G	0.07
LYXOR CORE IBOXX TREASURIES 5-7Y	U57G	0.07
LYXOR IBOXX TREASURIES 1-3Y USD	US13	0.07
LYXOR CORE FTSE UK GILT 0-5Y	GIL5	0.07
LYXOR CORE IBOXX TREASURIES 7-10Y	U71G	0.07
LYXOR CORE IBOXX TREASURIES 3-5Y	US35	0.07
LYXOR CORE IBOXX TREASURIES 5-7Y	US57	0.07
HSBC FTSE 100 UCITS ETF	HUKX	0.07
LYXOR CORE FTSE UK INFLATION GILTS	GILI	0.07
LYXOR CORE FTSE ACTUARIES UK GILTS	GILS	0.07
ISHARES FTSE 100 ACC	CUKX	0.07
ISHARES CORE FTSE 100	ISF	0.07
LYXOR CORE EURSTX 600 DR	MEUD	0.07
LYXOR CORE EURSTX50 DR	MSED	0.07
LYXOR CORE IBOXX TREASURIES 7-10Y	US71	0.07
LYXOR IBOXX TREASURIES 10Y+ DR	U10G	0.07
ISHARES CORE FTSE 100	ISFU	0.07
LYXOR IBOXX TREASURIES 10Y+ DR	US10	0.07
LYXOR CORE EURSTX300 DR	MFDD	0.07

Source: AJ Bell

Don’t hang around: snap up these investment trusts while they are going cheap

We flag funds trading at wider than average discounts (or lower premiums) to net asset value

Market corrections are often opportunities to bag quality assets at knockdown prices and this applies just as much to investment trusts as it does to individual stocks.

Helpfully there is an easy way of telling when a trust might have reached a bargain level. A quick look at the industry body Association of Investment Companies’ website allows you to check whether a trust is trading at a premium or discount to its net asset value (NAV). The NAV is the value of its investments, minus any debt.

WIDER THAN AVERAGE DISCOUNTS

Not every trust languishing at a discount to NAV is a true value opportunity. For example a trust in this situation could have a poor track record or be invested in highly illiquid assets which would be tricky to sell.

But what is interesting, and certainly worthy of further investigation, is when a trust is trading significantly below its average discount or premium. This situation is particularly interesting for trusts which pledge to buy back shares to trim a discount when it reaches a certain threshold (see separate section on ‘Discount control mechanisms’)

Data from financial services group Winterflood reveals a substantial list of equity-focused trusts which are trading at materially larger discounts than they typically do (based on the past 12 months’ data) and even some which are trading at a discount when they would usually trade at a premium (see accompanying table).

It is worth noting that share prices may have moved by the time you read this article, so some of the examples may no longer be trading at bigger discounts (or small premiums) than their 12-month average.

You can easily calculate the current discount or premium by either looking at the data on the AIC’s website, or going to London Stock Exchange’s website where most trusts will publish NAVs on a daily basis. You can then compare the latest published figure with the current share price.

LOOKING FOR INVESTMENT IDEAS

This article features four trusts

where we think investors should take advantage of the wider than average discount: **JPMorgan Mid Cap (JMF)**, **Murray International (MYI)**, **Scottish Oriental Smaller Companies (SST)** and **Polar Capital Global Healthcare (PCGH)**.

Some of the names on the list may be familiar to regular readers of *Shares*. For example, in the Global space **Scottish Mortgage (SMT)** is one of the examples which has, on average, traded at a premium over the last 12 months but is now trading at a discount (albeit modest). You can find our latest analysis of Scottish Mortgage in the 18 October issue of *Shares*.

WHAT ELSE IS ON THE LIST?

Elsewhere on the list, the UK category includes **Woodford Patient Capital (WPCT)** which invests in early stage healthcare and technology firms. Its share price had already drifted to a material discount to NAV thanks to patchy performance, and this has only widened in the recent market sell-off.

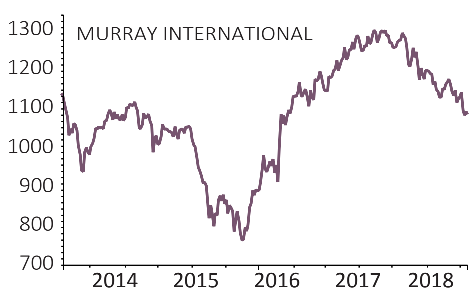
A shift in sentiment towards European stocks – which started the year in an upbeat fashion – has seen discounts widen in this space. For example, **Henderson European Focus' (HEFT)** current discount is nearly double its 12-month average.

A collection of trusts which have seen a significant widening of discounts are those which invest in Latin America. This reflects the economic problems affecting that region, particularly the two heavyweight nations, Brazil and Argentina.

Trusts at wider than average discounts

Trust	Current discount (%)	Average discount (%)*
Global		
Alliance Trust	-7.1	-6.1
Bankers	-2.1	-0.9
Scottish Mortgage	-2.0	1.5
Henderson International Income	-0.3	1.5
Murray International	-2.4	3.1
UK		
Manchester & London	-7.1	-4.1
Woodford Patient Capital	-15.3	-10.1
Invesco Income Growth	-13.3	-10.8
Troy Income & Growth	-1.4	0.2
Shires Income	-3.4	-1.8
JPM Mid Cap	-7.0	-4.5
Mercantile	-13.1	-11.7
Standard Life UK Smaller Cos	-7.7	-3.8
R&M UK Micro Cap	-10.0	-5.2
Europe		
Henderson European Focus	-6.0	-3.2
JPM European - Growth	-14.8	-10.7
TR European Growth	-8.3	-5.7
US		
North American Income	-7.7	-4.7
Asia Pacific		
Aberdeen Asian Income	-9.9	-7.9
Scottish Oriental SmCos	-15.5	-12.5
Emerging Markets		
Aberdeen Emerging Markets	-15.6	-12.9
Utilico Emerging Markets	-16.2	-12.1
BlackRock Latin American	-17.6	-13.1
JPM Brazil	-19.0	-13.6
Sector Specialist		
Polar Capital Global Healthcare	-8.2	-5.1
Polar Capital Technology	-6.1	-1.4

Source: Winterflood Securities, 24 October 2018
* Past 12 months



FOUR INVESTMENT TRUSTS TO BUY NOW

Murray International (MYI) £10.58 BUY

Current premium to NAV: 2.4%

12-month average premium to NAV: 3.1%

Managed by Bruce Stout since 2004, this trust has a global remit. Investment decisions are supported by 10 global equity specialists and for the most part Stout adopts a buy-and-hold approach with modest churn in the portfolio.

Adopting a cautious and disciplined strategy, and investing in both stocks and bonds, this is a relatively concentrated fund with the top 20 holdings accounting for around half the portfolio.

Stout is fairly negative on developed economies and prefers the growth on offer in emerging markets.

Reflecting the wider weakness of this investment theme, 2018 has been a bit rough but he has outperformed the trust's composite benchmark in all but three years since he took over as lead manager 14 years ago. Investors are being rewarded for their patience during this sticky spell by a generous looking dividend yield of 4.7%.

Top holdings include microchip manufacturer Taiwan Semiconductor Manufacturing and Mexican airports operator Groupo Asur.

JPMorgan Mid Cap (JMF) £10.03 BUY

Current discount to NAV: 7%
12-month average discount to NAV: 4.5%

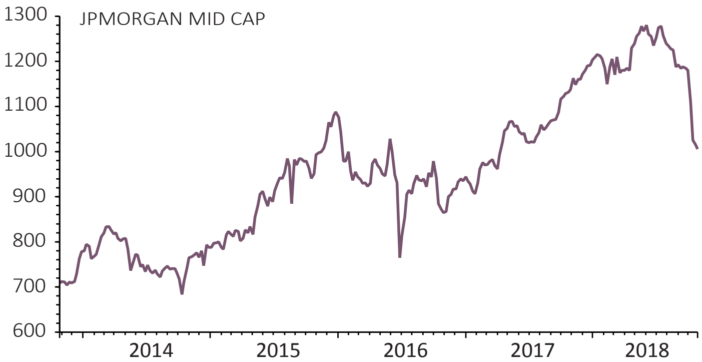
The manager of this fund, Georgina Brittain, is a big advocate for the FTSE 250, a space which has delivered some of the best returns 'in the world', she previously told *Shares*.

There are several factors which can make mid-cap stocks an attractive alternative to large caps. Because they are smaller, mid-cap firms typically have stronger growth potential and could increase their profit at a rapid rate if things are going well.

Companies in the FTSE 250 are not as widely followed as those in the FTSE 100 so analysts are more likely to underestimate earnings – though the reverse can also be true.

In the 12-month period to 30 June 2018 the JPMorgan trust continued its recent habit of outperforming its benchmark.

Numis' investment trust team say stock selection was the main driver, with large long-term holdings in the likes of **Ashtead (AHT)**, **Plus500 (PLUS)**, **Electrocomponents (ECM)** and **NMC Health (NMC)** all being significant contributors to performance.



Scottish Oriental Smaller Companies (SST) 862p BUY

Current discount to NAV: 15.5%
12-month average discount to NAV: 12%

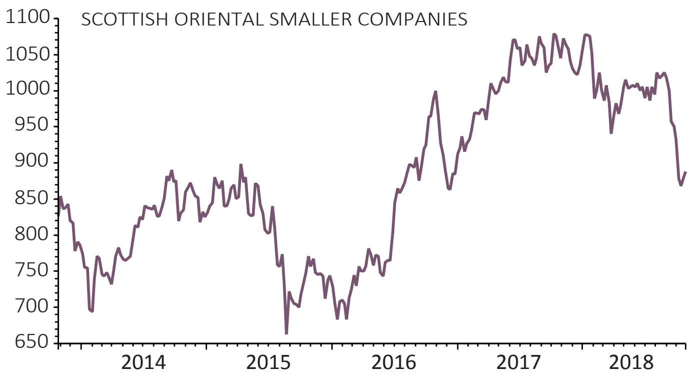
The current portfolio manager of this smaller company Asia Pacific-focused trust was appointed two years ago and recently completed a restructuring of its portfolio. This was a tricky task due to the more illiquid nature of its underlying investments.

It is now a more concentrated, higher conviction fund with less than 60 holdings compared with nearly 80 before this process.

The trust has a significant weighting towards India which along with its neighbours Bangladesh and Pakistan account for 36% of the portfolio.

Among its investments is Indian residential air conditioning specialist Blue Star which is gaining market share in a rapidly growing industry. Respected veteran Angus Tulloch ended his involvement in the trust in 2015 and it is now steered by Vinay Agarwal.

Specialist broker Stifel recently commented: 'Now the fund repositioning is complete, and the tech headwinds have subsided, we would hope to see the fund's performance coming to the fore. We like the manager's bottom-up, quality investment philosophy.'



Polar Capital Global Healthcare (PCGH) 209.5p BUY

Current discount to NAV: 8.2%
12-month average discount to NAV: 5.1%

Relaunched in June 2017, the trust invests in a focused global portfolio of what it hopes will be future success stories in a fast-moving healthcare space.

At the last count the fund had 47 holdings operating across areas from biotech to medical equipment, healthcare facilities and education services.

Although the portfolio is split into two camps – those above $5bn market cap (labelled growth) and those below this threshold (labelled innovation) – in truth an emphasis is placed on innovative companies across the board.

Healthcare as a market should in theory benefit from shifting demographic trends with an ageing population putting increasing demands on drugs, kit and hospitals.

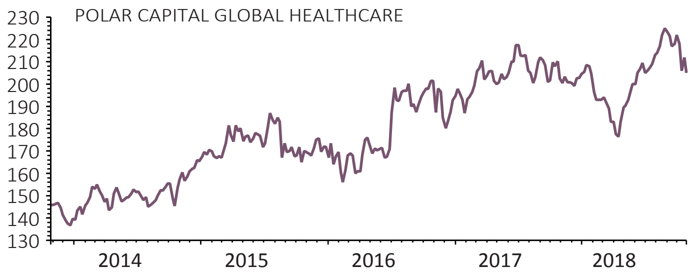
However, the sector has underperformed in recent years because of uncertainty related to healthcare policy in the US (where the Polar Capital trust has large exposure), negative political comments about drug pricing, many blockbuster drugs coming off patent which hurts their owners' earnings, plus a lacklustre pipeline of new drugs.

Furthermore, shares in many healthcare supply chain companies have been sold-off amid news that some of big tech firms like Amazon, Apple, IBM and Google have been evaluating the healthcare space. These are important factors to monitor, but not reasons to abandon the sector completely.

We believe there is now an opportunity to buy into the sector at cheaper valuations while the broader market is disinterested.

Polar Capital's trust certainly looks to be a good way to play this situation. It is focused on investment opportunities linked to structural change of the healthcare industry, saying that current government spending is unsustainable and healthcare systems are at breaking point.

'We think these issues could be the biggest catalysts for change,' it comments. 'Governments around the world realise that they need to look to the healthcare industry for new technologies and modes of delivery that can reduce costs and improve the efficiency of healthcare systems.' (TS)



Understanding discount control mechanisms

The closed-ended structure of investment trusts means they can trade at a premium or discount to the value of their NAV, typically influenced by investor demand for the shares.

Some trusts look to counteract a lingering discount by employing discount control mechanisms which act as a way to close that valuation gap if the discount gets too wide. These are not mandatory and nor are they always followed to the letter.

There are three main ways an investment trust will look to reduce the discount to its NAV, with the threshold anywhere between zero and 10% or sometimes higher.

Probably the most common approach is to buy back shares in the market. Reducing the number of shares in issue should boost the NAV attributable to the remaining shares.

Tender offers or redemptions, whereby the trust will allow shareholders to sell a proportion of their shares back to the company at either a fixed discount to NAV, or a price close to the NAV itself, are also employed.

Some funds have a fixed life or a continuation vote in place. These arrangements mean either a trust will only exist for a fixed period or it will allow shareholders to regularly vote for it to be wound up after which shareholders will be paid their share of the company's assets at or close to NAV.

Should you buy Aston Martin now its shares have fallen 26% since IPO?

The dust has settled following the car maker's highly-anticipated stock market flotation giving investors a chance to reappraise its investment credentials

The news is full of talk about the UK's car manufacturing industry as the Brexit deadline looms ever larger, but there is only one car maker whose shares you can buy on the London stock market.

British marque **Aston Martin Lagonda (AML)** was worth £4.3bn when its shares starting trading at the start of October at £19.00. That valuation, towards the lower end of its initial range, was still seen as toppy by many City analysts, but the shares have got a lot cheaper since, falling to £14.01. That's a significantly greater decline than the FTSE 100 during its latest sell-off.

You might not be able to afford one of its prestige motors (they cost about £150,000 on average) but is the investment opportnity now at an appealing price for for investors?

SECOND CENTURY PLAN

To answer that question we must first understand Aston Martin's future plans and chequered past (it has gone bust seven times in its 105 year history). The company's *Second Century Plan* concentrates on bringing stability to the business, making it a more robust model, and expanding the product portfolio.

Performance since 2013 shows decent success on the first measure, and it is now facing up to the second and third challenges. Having delivered 5,098 new cars in 2017, getting more models on the road is vital. It wants to push production to 14,000 by 2022 with a line of SUVs set to join its more traditional sports cars from next year.

It is even embracing the switch to electric with the Valkyrie hybrid model (albeit it with a £2.4m price tag), part of its limited line making a handful of supercars for the super-rich.

Aston Martin's biggest market at the moment is still the UK, accounting for a third of sales, followed by the rest of the EU (25%), Asia-Pacific (24%) and the US with 20%. Surprisingly only about 6% of sales go to China, an obvious target to improve given its population, emerging high net worth market and economic growth.

Aston Martin plans to open 10 new and refurbished showrooms out there in the months ahead.

WHAT IS PRICE-TO-EARNINGS TELLING US?

Aston Martin's stock is trading on a current year price-to-earnings (PE) multiple of 48.3, based on consensus forecasts to 31 December 2018. That falls to 25-times in 2019, but rises again to 29.2-times in 2020 due to hefty investment plans. These metrics are based on average annual growth in revenue and operating profit of 25% and 36% respectively over the next two years.

By contrast, Ferrari, the New York-listed luxury sports cars maker (widely perceived as Aston Martin's closest peer) trades on a 2019 PE of

27.8-times, based on its current $113.96 share price.

Some investors may think these PEs imply Aston Martin is decent value, others may think differently. We tend to believe that the real valuation story lies beyond earnings largely because of the big investment required to fuel its growth ambitions. Let's now take a look at cash flow.

IF CASH IS KING, IS ASTON WEARING NEW CLOTHES?

On the face of it, sales volumes, selling prices and unit production have all been improving in recent years, a point reflected in Aston Martin's gross margin. It has gone from 32% in 2015 to 37% in 2016 and 43% last year. That's helped Aston Martin turn its first pre-tax profit in 2017 after five years of red ink.

While net cash from operations has gone from £75.2m to £343.8m over the past three years, the company has also had to plough enormous sums back into the business, almost entirely wiping out free cash flow.

Modest £3.2m of free cash flow invites the question of how the company could make a pre-tax profit last year. The answer comes down to how it treats research and development (R&D).

All car makers need to invest in R&D to keep their vehicles up to date with rapid changes in technology, but at the higher end – where Aston Martin pitches its motors – this is even more important. And the company has always been quite aggressive in its policies on capitalising R&D spend.

CONTROVERSIAL R&D TREATMENT

Capitalising expenses means investment is recorded as a future asset on the balance sheet rather than a cost on the profit and loss statement. Companies are allowed to do this when they can demonstrate a clear benefit down the line. That's not always possible and there are rules around what can and cannot be 'expensed'.

HOW ASTON MARTIN'S 2017 FREE CASH FLOW BREAKS DOWN

OPERATING CASH FLOW	**£343.8M**
Interest paid	- £49.8m
Interest income	+ £3.1m
PPE* spend	- £75.0m
Intangibles	- £219.1m
FREE CASH FLOW	**£3.2M**

*Plant, property, equipment. Source: Company accounts, Canaccord
(Figures in table may not tally exactly with result due to rounding up)

> "Aston Martin has always been quite aggressive in its policies on capitalising R&D spend"

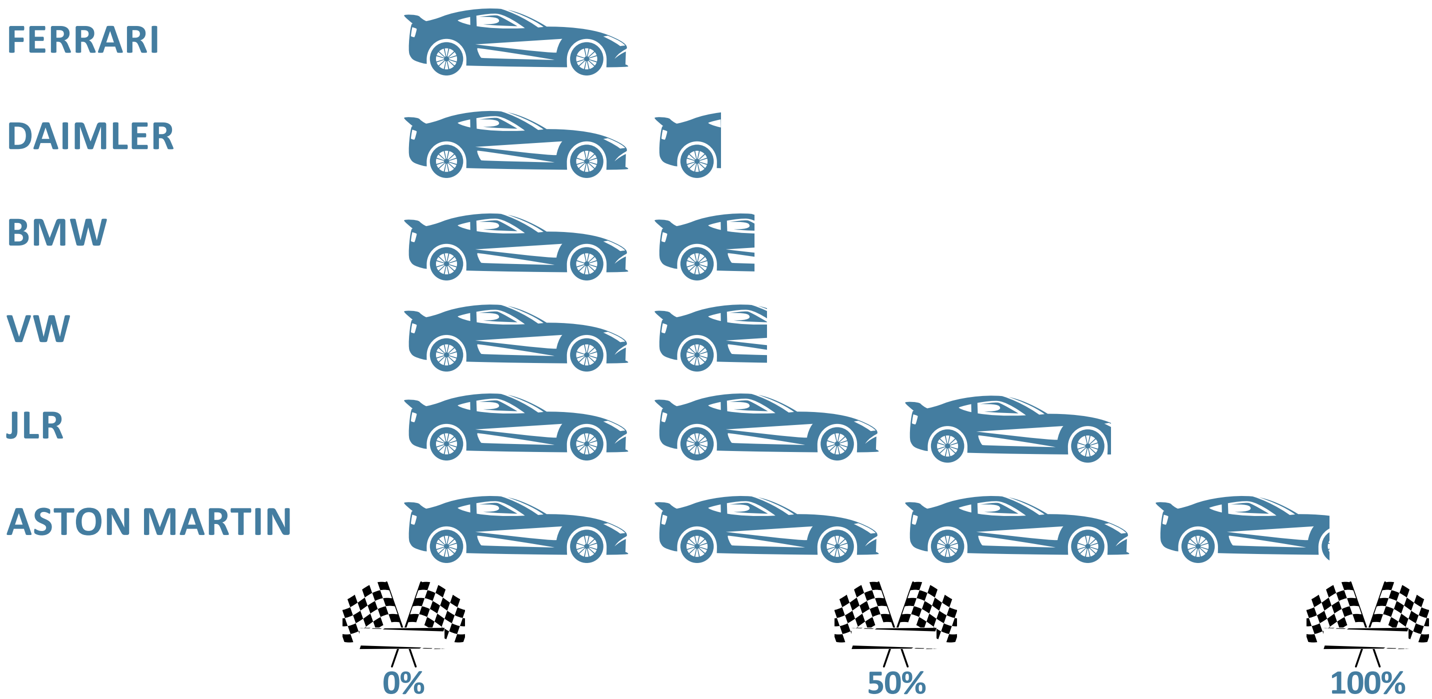
Aston Martin has always been fairly aggressive in this regard although within the rules. Company accounts show that between 2015 and 2017 it spent £484.2m on R&D, capitalising £451.7m, or about 93%. First half results for 2018 show the same ballpark (92%) figure on £95.2m of R&D.

This is not unusual for technology-led companies who are investing today for income tomorrow. When Apple wants to design the next iPhone, for example, some of that cost will be expensed, but it will earn revenue on those new iPhones in the future.

Without getting too bogged down in the arguments for and against capitalising R&D, the rules allow room to manoeuvre. But many traditional and conservative investors think this is sharp practise because it is not always easy to work out what your investment will earn you in future.

This puts Aston Martin at the more aggressive end of the spectrum compared to peers, according to research by analysts at investment bank Canaccord, and far more so than Ferrari.

ASTON MARTIN CAPITALISED 95% OF R&D VERSUS 25% AT FERRARI



Source: Company reports, Bloonberg Opinion calculation.
Note: Shows annual increase in capitalised R&D as percentage of cash R&D spending. Ferrari's R&D data are a bit anomalous as includes spending on Formula One

The effect on Aston Martin's profit is marked. Canaccord's analysts calculate the company generated adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) of £207m in 2017.

Factor in the £213.2m of expensed R&D and the company's operating profit is completely wiped out, which tallies more closely with underlying free cash flow.

With significant investment needed to meet its growth ambitions (new model designs and machinery upgrades across several production sites), investors might conclude that extra funding will be needed. Missing growth targets would also be an obvious blow.

SHARES SAYS:

At this stage, the jury should remain out on Aston Martin's investment quality. If you can afford to, buy the cars, not the stock. (SF)

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KEY

- Main Market
- AIM
- Investment Trust
- Fund
- ETF

KEY ANNOUNCEMENTS OVER THE NEXT SEVEN DAYS

Finals

6 Nov: Associated British Foods, Imperial Brands.

Interims

7 Nov: Sophos, Dairy Crest, Marks & Spencer. **8 Nov:** Auto Trader, National Grid, Tate & Lyle, AstraZeneca.

Trading Statements

2 Nov: Paddy Power Betfair. **6 Nov:** Direct Line, Purplebricks, WM Morrison. **8 Nov:** Coca-Cola HBC, Howden Joinery, OneSavings Bank.

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