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# SHARES

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# Great start to the year for the markets... but can it last?

## Nearly all the major stock market indices are in positive territory so far in 2019

All major stock market indices around the world have risen in value so far this year apart from India where the S&P BSE 100 is down 1.3%.

Russia's Trading System index is top with an 11.2% gain and Brazil's Bovespa index has advanced by 11.1%. The FTSE 250 is up 6.5% thanks to sterling strength and the more international-focused FTSE 100 has progressed by 1.2%.

By all rights this positive performance overall should put investors in a good mood, particularly after a miserable 2018. Sadly there are negative factors to consider.

Ann-Katrin Petersen, investment strategist at Allianz Global Investors, argues that we've already passed all the major turning points in the global macro environment. She says global economic momentum has peaked, so too central bank liquidity, global corporate profit growth and global fiscal stimulus.

This suggests you shouldn't be complacent about equities and other asset classes delivering the kind of returns to which you might have become accustomed in the past decade.

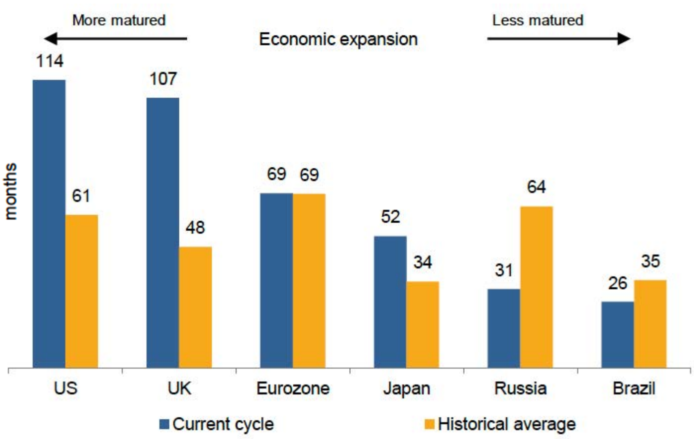
One area to watch closely is the business cycle which describes the rise and fall in production output of goods and services in an economy. Business cycles tend to be measured using rise and fall in inflation-adjusted GDP, which includes output from the household and non-profit sector and the government sector, as well as business output.

'As the business cycle matures, the global economy faces slower medium-term growth but there are no signs of an imminent recession yet,' says Petersen. 'The closer to the end of the business cycle, the bumpier ride for markets overall.'

The current US business cycle has been running for nearly twice as long as its historical average.

### MATURING BUSINESS CYCLES

Length of current vs. historical business cycles




Source: Allianz

The UK is even further ahead, running at 107 months versus a 48 month historical average. The eurozone is exactly in line with its average.

Although business cycles don't die of old age, recent economic data has been disappointing in parts of the world, particularly in Europe. Fading global growth dynamics are typical in late cycle markets and it is in these circumstances that stock picking skills really matter. Inexperienced investors may therefore wish to rely upon the skills of fund managers in more volatile market conditions rather than go it alone.

Against this less rosy backdrop, it is interesting to hear Allianz Global portfolio manager Marcus Morris-Eyton say that his team's latest discussions with companies are far less bearish than headline data suggests. Perhaps there is still some life left in the markets after all.

By **Daniel Coatsworth** Editor

# Contents

**VIEWING SHARES AS A PDF?**
CLICK ON PAGE NUMBERS TO JUMP TO THE START OF THE RELEVANT SECTION

# Can BP beat expectations with results on 5 February?

Tougher market conditions could trip the oil major up


Oil major **BP (BP.)** has a proud track record to uphold when it reports fourth quarter and full year results on 5 February.

Every other set of quarterly figures for 2018 saw the £99bn market cap beat expectations. In the third quarter replacement cost profit, an industry standard measure of income, came in at $3.8bn against the consensus forecast for $2.85bn.

It was also a positive story in the second quarter, with the same measure of profit coming in at $2.8bn against expectations for $2.7bn and the dividend was hiked for the first time in four years. Profit in the first quarter was 17% ahead of consensus.

These quarterly results were supported by an improving oil market. Unfortunately the backdrop changed in the fourth quarter.

The graphic shows the average crude price for each quarter of 2018 – the decline in the final three months of the year is notable.

The fourth quarter period will therefore be a test of the more streamlined BP, which has focused on increasing the efficiency of its operations and divested non-core assets in recent years, and whether it can deliver another better-than-expected showing despite the decline in the oil price.

Last October, the company's strong operational performance had seen the shares almost recover to the highs they reached above 600p prior to the disastrous Gulf of Mexico oil spill in 2010.

At the time of writing the stock had slumped to 495p, reflecting the less buoyant oil price environment.

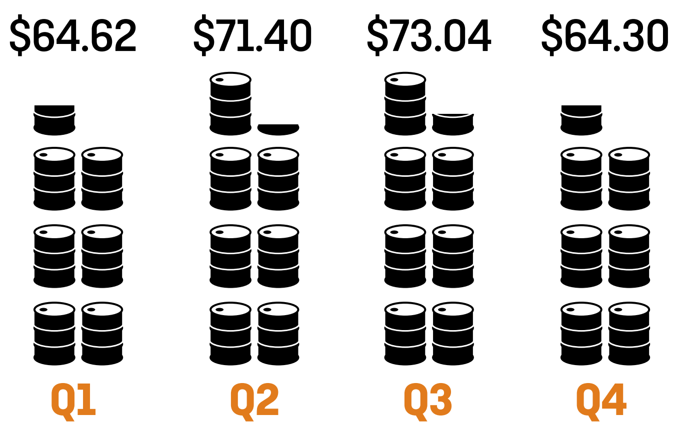
Analysts are currently forecasting a near-30% decline in fourth quarter earnings per share on the third quarter total. Anything better than this amount could potentially act as a positive catalyst for the share price.

As an integrated oil firm, BP's operations span everything from exploring, developing and producing deposits of oil and gas right down to refining the crude, marketing it and selling it to motorists at the pump.

It will be worth keeping close tabs on its refining operations which sometimes benefit from lower oil prices as it reduces the cost of the feedstock used to manufacture petroleum products.

In contrast to BP, London-listed rival **Royal Dutch Shell (RDSB)**, which was due to report on 31 January as this issue of *Shares* was published, missed forecasts with every one of its own quarterly updates in 2018.

**Average quarterly crude oil price 2018**




Source: World Bank

# Should investors be worried about Tritax's shift in strategy?

The company has taken on more risk as returns from 'big box' assets have come under pressure

The £332m acquisition by super-sized warehouse investor **Tritax Big Box REIT (BBOX)** of industrial land developer Db Symmetry represents a shift in the company's strategy which could alienate some investors.

Gigantic warehouses are becoming expensive to buy as a result of heightened competition for such assets. This is pushing yields on acquisitions of operational warehouses down to levels which would struggle to support the same level of dividends Tritax has paid historically.

Tritax has responded by striking a deal to capitalise on Db Symmetry's land bank to build new warehouses from scratch. This could result in bigger returns in the longer-term but also comes with higher risks such as potential construction cost overruns or development delays.

Investment bank Liberum says: 'This transaction marks a change in Tritax's strategy; significantly increasing its non-income producing land holdings, increasing development risk and diversifying asset exposure to last mile and urban logistic assets, albeit this latter factor will remain small.'

Stifel, another investment bank, sees the move as a 'logical evolution in the business given the fall in "big box" yields'. It does not expect the dilution of the income-producing element of Tritax to threaten the existing dividend.

Tritax launched in December 2013, raising £200m and promising a 6% yield and total returns of 9% a year. Its market value is now £2bn and it trades on a forward yield of 5%. The £250m placing to fund the Db Symmetry deal will take the total raised since listing to circa £1.8bn.

The acquired portfolio provides the capacity to add 38.2m square feet of new 'big box' assets, which the company hopes will add £150m of rental income over the next decade and increase the

portfolio's valuation to around £6.5bn.

The company is targeting a yield on the cost of developing the new assets of between 7% and 8% compared with a valuation yield for the company's portfolio of 4.4% as at 31 December 2018.

## A bubble in big boxes: why warehouses became exciting

THE SHIFT IN consumer habits from buying in-store to ordering online and expecting fast delivery and the capacity to return items easily created a challenge for retailers. Suddenly they needed lots of warehouse space to sort and distribute products.

The growing complexity of online retail and the demand for ever-faster deliveries led to the establishment of huge central facilities and so-called 'last mile' hubs which serve the last line of the supply chain. Typically, these facilities have been leased from the landlords, often investment funds, which own the assets.

By **Tom Sieber** Deputy Editor

# Safe-haven funds fail to deliver

## New data reveals many absolute return funds aren't living up to their promise

So-called safe-haven funds have failed to deliver through the Brexit turmoil, with just one absolute return fund managing to deliver a positive return in each of the past three years.

In the three years over the Brexit process (2016 to 2019) just 64 absolute return funds out of 105 have managed to deliver a positive return. However, the three-year figures hide big volatility in the funds, and only one has delivered a positive return in each of those three years: **Natixis H2O MultiReturns (BFNXSF1)**.

However, the fund only scraped by in 2016 with a 0.1% return for the year. It returned 7.1% in 2017 and 10.4% last year.

A total of 61 funds delivered a positive return in 2016 and 2017, but 2018 was the killer year, with just the Natixis fund managing to deliver a positive return.

In contrast, four absolute return funds have handed investors a loss every year for the past three years: **Insight Absolute Insight Currency (B3CLDK2)**, **Kames UK Equity Absolute Return (B4XS804)**, **Schroder European Equity Absolute Return (B39VWZ3)** and **Threadneedle Absolute Return Bond (B0L4TD6)**.

Investors have flooded into absolute return funds over the past few years, driven by worries about global market falls and the ongoing uncertainty over Brexit.

Over the past three years a total of £7.2bn has been invested in these types of funds, which aim to make a positive return in all market conditions, taking the total sector size to £72.1bn.

The performance figures over the three years of Brexit market turmoil highlight the vast disparity in absolute return funds, and that many are far from delivering in all market conditions.

The worst performing fund, **Argonaut Absolute Return (B7FT1K7)**, handed investors a 23% loss, while the best performer, **Polar Capital UK Absolute Equity (BQLDRR5)**, delivered a 57% return.

Some of the biggest funds in the sector have also disappointed investors, with the £12.6bn **Standard Life Investment Global Absolute Return Strategies (B7K3T22)**, which is seen as the pioneer of the sector, delivering a 6.5% loss over the three years.

The £11.6bn **Invesco Global Targeted Returns Fund (BJ04HL4)** has just beaten cash over three years, returning 0.7%, while the £4.9bn **Aviva Investors Multi Strategy Target Return (BMJ6DT2)** handed investors a 7.2% loss.

In contrast, the £12.7bn **Merian Global Equity Absolute Return Fund (BLP5SB3)** handed investors 6.2% over the three years, while **Newton Real Return (B7W3652)** returned 6.3%.

### Top Performers

| Fund | Three-year Performance | Fund Size (£m) |
|---|---|---|
| Polar Capital UK Absolute Equity | 57.2% | 524.1 |
| Man GLG Alpha Select Alternative | 20.0% | 801.2 |
| Natixis H2O MultiReturns | 18.3% | 373.4 |
| Newton Multi-Asset Diversified Return | 17.9% | 177.6 |
| Smith & Williamson Defensive Growth | 14.6% | 40.8 |

Source: FE/AJ Bell. Performance 1/1/16 to 1/1/19

### Bottom Performers

| Fund | Three-year Performance | Fund Size (£m) |
|---|---|---|
| Argonaut Absolute Return | -23.0% | 35.0 |
| Merian UK Opportunities | -16.7% | 12.3 |
| City Financial Absolute Equity | -13.6% | 207.4 |
| Odey Absolute Return | -12.3% | 745.4 |
| GAM Star Discretionary FX | -12.2% | 2.4 |

Source: FE/AJ Bell. Performance 1/1/16 to 1/1/19

By **Laura Suter**
AJ Bell Personal Finance Analyst

# Ocado, M&S, Fuller's and other recent news

We look at some of the key announcements and share price movers over the past week

Sometimes press speculation can move share prices in the absence of an official announcement from a company or companies. That proved to be the case on 28 January when shares in retailer **Marks & Spencer (MKS)** and online groceries play **Ocado (OCDO)** advanced on reports of a tie-up between the businesses.

Ocado has a long-running relationship with supermarket Waitrose which is set to end in September 2020. Although Marks & Spencer has been trying out online food deliveries in areas such as North London since 2017, it has yet to put serious resources behind the full-scale online grocery stores offered by rivals and still lacks a fully-fledged food delivery service.

Reports suggest Marks & Spencer might be interested in purchasing key distribution centres, delivery vans and lorries from Ocado. As we write neither party had confirmed or denied these rumours.


One deal which was confirmed in the past week was the surprise sale by **Fuller, Smith & Turner (FSTA)** of its beer business to Japan's Asahi for £250m (25 Jan).

The divested portfolio includes the flagship beer *London Pride* which may feel like the end of an era for British brewing, but the company already derives 87% of its profit from its pubs and hotels business and received a good price for the beer assets of 23.6 times earnings before interest, tax, depreciation and amortisation.

Another name in focus for M&A is cross-border payments specialist **Earthport (EPO:AIM)** which has found itself in the enviable position of being in a tug of war between the world's leading credit card firms MasterCard and Visa.

Visa tabled a bid of 30p per share in December and on 25 January MasterCard emerged with a 33p per share bid. Although the share price touched 80p around a decade ago, Earthport has not generated a single annual profit since listing on AIM in 2001, meaning investors were losing patience.

**Payments firm Earthport has posted zero profit in its 18 years on AIM**

Specialist recruiter **SThree (STHR)** came up with a positive update on 28 January as results hit recently-raised guidance. The provider of staff to the science, technology and engineering sectors reported revenue up 13% in 2018 to £1.26bn as pre-tax profit advanced 20% to £53.4m.

By **Tom Sieber** Deputy Editor

# Snap up ICG Enterprise at a big discount while you can

We explain why this investment trust represents such excellent value

In recent months the discount to net asset value (NAV) at private equity investment trust **ICG Enterprise (ICGT)** has widened dramatically despite no significant change in the management, strategy or fortunes of the fund.

This has created a compelling value opportunity for investors.

A recently published quarterly NAV update covering the three months to 31 October 2018 brought home the scale of this opportunity.

The shares are currently trading at a 22% discount to the latest NAV of £10.46. To put this in context the same portfolio traded at a 9% discount in May 2018.

The nature of the investments made by the trust means some kind of discount is almost inevitable as unlisted companies are less easy to sell (and to value) than those which trade on a stock market, but the current situation seems anomalous.

It also seems odd when you consider in the nine months to 31 October 2018 the company netted £118.5m from realisations (sales) from its portfolio at a 30% uplift to the value they were marked up on its books. The company says it has continued to achieve realisations at an uplift to carrying value since period end.

The trust has been investing in unquoted businesses for nearly 40 years. In early 2017 the running of the fund was handed to specialist asset manager Intermediate Capital Group which has more than €34bn in assets under management and a footprint in more than 14 countries. According to stockbroker Numis, this has made the trust 'a far more attractive vehicle'.

**ICG ENTERPRISE ↗ BUY**
(ICGT) 811p
Stop loss: 600p

Research group Kepler explains the investment criteria applied by fund managers Emma Osborne and Kane Bayliss: 'The team have been investing in companies which in their view exhibit defensive growth (recurring revenue, quality earnings, barriers to entry), structural downside protection (including investing in the debt and equity of deals), and relative value (where deal dynamics have facilitated investment at very attractive valuations).'

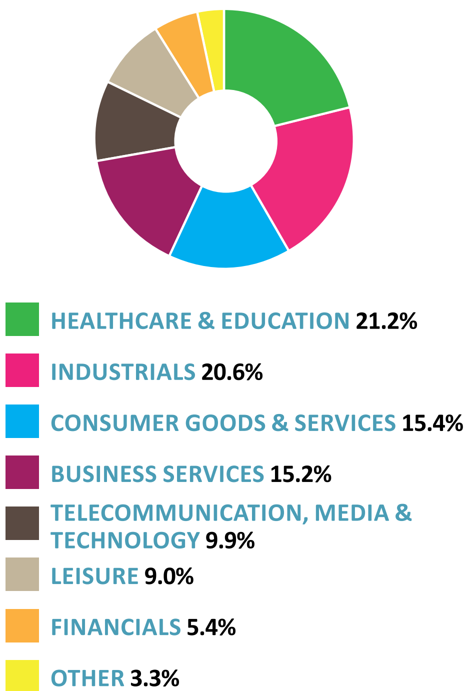
The emphasis is also on firms whose earnings growth is not too closely linked to the business cycle, operating in areas like healthcare and education. This relatively defensive focus should chime with investors at a time when market volatility is increasing.

The group's top holding, for example, is City & County Healthcare, a provider of home care services.

There is plenty of firepower to invest further, with a cash balance of £62.6m at the last count and access to an undrawn bank facility of £104.7m.

By **Tom Sieber**
Deputy Editor

**ICG ENTERPRISE – PORTFOLIO BY SECTOR**




Source: ICGT, 31 October 2018

# Joules proves there is still life in the retail sector

Premium lifestyle brand is a rare retail bright spot and global growth star turn

Despite the headwinds facing UK quoted retailers, a rare band of sector constituents are generating robust growth and boast compelling international dimensions to their growth stories.

Within this cohort is **Joules (JOUL:AIM)**, a UK premium lifestyle brand that is immature in comparison to peers and whose undemanding valuation is at odds with its stellar trading performance. We think the shares look good value at 258p.

Octopus Investments fund manager Chris McVey says Joules' share price has been under significant pressure over the last six months as the market became increasingly concerned regarding the high street. However, this is at odds with the figures produced by the company.

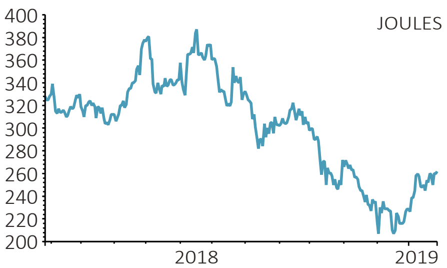
Sparkling first half results to 25 November revealed 17.6% sales growth to £113.1m and underlying pre-tax profit up 14.7% to a better-than-expected £10.7m. Net cash of £4.3m was up £1.3m year-on-year.

Importantly, Joules also reported an acceleration in sales growth over the Christmas period.

Founded in 1989, the company is a truly multi-channel lifestyle brand with origins in equestrian and country fairs. One key strength is its flexible 'total retail' model, which means Joules is a brand owner first and foremost and therefore 'agnostic' as to where customers shop.

**JOULES BUY**
**(JOUL:AIM) 258p**
**Stop loss: 200p**

**Market cap: £228m**




McVey says Joules has an increasingly diverse revenue base. As well as trading from over 120 UK stores, Joules is also a top selling wholesale brand in John Lewis and Next Label, online sales are growing rapidly and licensing income is on a growth tear, with a pipeline of licence deals waiting in the wings.

Over half of Joules' sales come from womenswear, yet the brand's family appeal has enabled it to expand into menswear, footwear, childrenswear and accessories. Crucially, Joules' focus on classic styles with a contemporary twist reduces fashion risk.

Joules continues to expand on home turf but also internationally, where half year revenue rocketed 64.2% higher. The overseas focus is on the US, the star of the show where it is seeing good growth with department stores Dillard's and Nordstrom, as well as in Germany, where Joules' relationship with retailer Zalando is developing nicely.

For the year to May 2019, Liberum forecasts a pre-tax profit jump from £12.9m to £14.8m ahead of £17.9m in 2020 and £19.5m in 2021.

Based on 2020's 16.3p earnings per share estimate, progressive dividend payer Joules' shares are swapping hands for 15.8 times earnings. That isn't excessive given the globally-derived growth rates Joules is expected to generate for some time to come.

By **James Crux**
Funds and Investment Trusts Editor

# FEVERTREE DRINKS
## (FEVR:AIM) £26.01

**Gain to date: 17.7%**

**Original entry point:**
**Buy at £22.10,** 20 December 2018


AFTER A SEEMINGLY interminable wait investors were rewarded last week with a trading update from **Fevertree (FEVR:AIM)**.

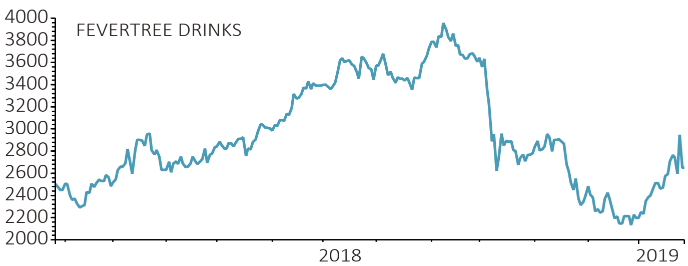
Revenue for the year to the end of December was up 39%, driven by a 52% increase in UK sales thanks to 'outstanding' summer trading and a strong performance over Christmas.

Sales in Europe accelerated in the second half to end the year up 24% and sales in the crucial US market rose 21%.

Fevertree signed a new US distribution deal last August and growth for the second half of the year was 27% compared with 15% in the first half.

The US market is a potential game-changer for Fevertree given its size and the trend towards premiumisation in mixers.

The shares jumped 13% to £29.48 on the day of the update only to reverse by 10% the day after to £26.49 as the 'hot money' banked some profit.




**SHARES SAYS:** ↗

**We made Fevertree one of our top picks for 2019 at £22.10 and we see no reason why the shares shouldn't continue to perform well this year.**

**Sales in the UK and Europe are still growing fast and as the brand takes off in the US earnings should also rise rapidly.**

# SAVANNAH PETROLEUM
## (SAVP:AIM) 27.1p

**Gain to date: 1.9%**

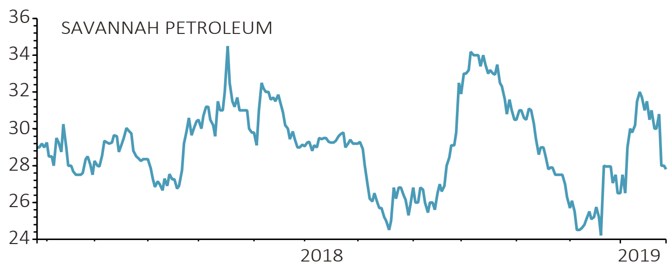
**Original entry point:**
**Buy at 26.6p,** 6 September 2018

THE DECLINE IN oil prices and news of a dilutive share placing (24 Jan) have taken some of the wind out of the sails of oil and gas producer **Savannah Petroleum (SAVP:AIM)**. As a result, the healthy early gains we recorded following our positive call have largely been erased.

Delays in concluding the acquisition of a basket of assets from Seven Energy in Nigeria have also not helped the share price; this acquisition is now anticipated to complete before the end of the first quarter.

The company expects to receive $90m in cash when this deal goes through. For now it has raised around $23m through a placing at 28p per share. Investors can take some comfort from the fact the board itself had a healthy participation in the fundraising.

Regardless of the frustration at the hold-up in getting the Seven deal over the line, we continue to like the medium-term story, where the company should be able to generate significant cash flow from the Seven Energy portfolio which it can invest in developing its exploration and appraisal assets in both Nigeria and Niger.




**SHARES SAYS:** ↗

**Investors should (eventually) be rewarded for their patience. Keep buying.**

Chilango

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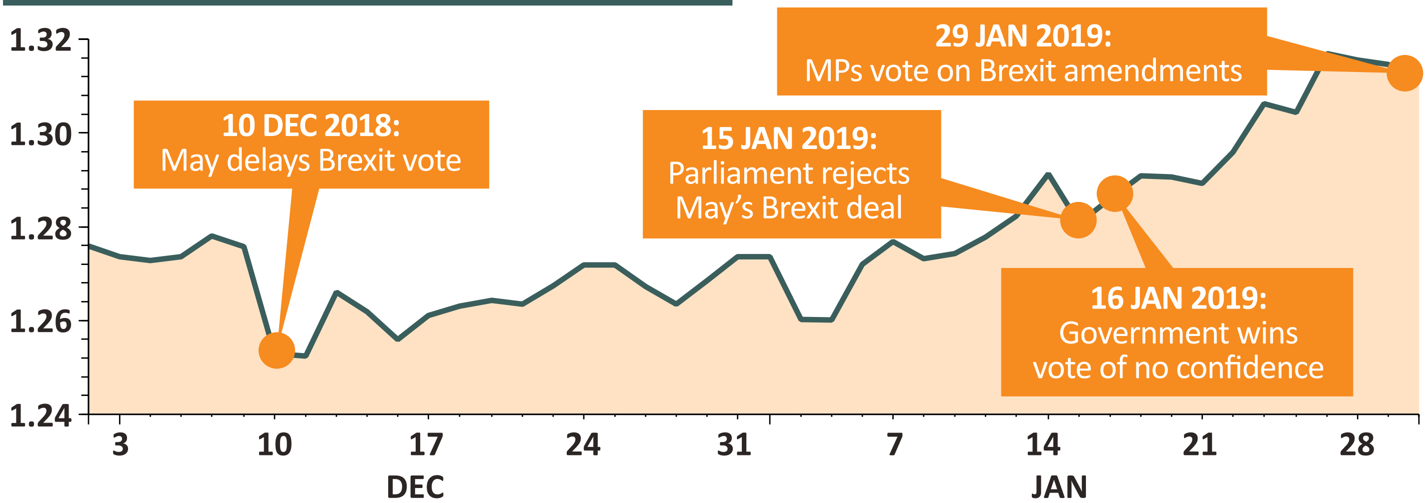
# What is the pound's rally saying about investors' view of Brexit?

The currency appreciation is positive for sentiment towards UK shares




Sterling is considered to be the ultimate barometer for Brexit and the currency movement is currently telling us that the market has become more optimistic about how the UK/EU split process will play out.

The pound has increased by 4.7% against the US dollar, and by 4.1% against the euro, between 10 December 2018 when UK Prime Minister Theresa May delayed the UK parliament vote on her Brexit deal and 30 January 2019 when markets had time to digest the vote by MPs on Brexit amendments.

Also giving support to the pound has been disappointing economic data from the Eurozone which has weighed on the euro currency.

## LOOKING FOR SIGNALS

Investors are watching for any signs that suggest we could get a softer Brexit and positive signals could, in theory, give further support to the pound. Any sign that the UK is not going to crash out of the EU on 29 March without a deal would be favourable for the currency.

That said, you also have to consider that investors could start to panic as the March deadline draws ever closer, so do not think we are in safe territory when it comes to the UK currency or stock market simply because the pound has been strong in recent weeks.

'Parliament may not get a chance to vote again on May's deal until mid-February. This is worrisome, to put it mildly,' says Holger Schmieding, chief economist at investment bank Berenberg. 'Every day that passes without a resolution is a day closer to a hard Brexit.

'Still, if markets see that the majority in parliament that opposes a hard Brexit continues to strengthen its influence over Brexit, sterling can edge higher. If and when the UK actually dodges the hard Brexit bullet by agreeing some soft Brexit outcome, or by deciding to remain in the EU, sterling could rise significantly higher.'

## BUY UK STOCKS NOW OR WAIT?

Against this backdrop it is worth noting that shares in UK-listed companies are close to the most under-owned by fund managers in history, says Marcus Morris-Eyton, a portfolio manager at Allianz Global Investors.

Citing data from Bank of America Merrill Lynch's global fund manager survey, he says fund managers were only more pessimistic towards UK equities during the global financial crisis in 2008.

A further rise in sterling would have a positive impact on many UK shares, particularly those which generate earnings domestically.

Investors need to decide whether they want to wait for clarity and reappraise UK shares once the Brexit process is agreed, or buy now while there is still some uncertainty.

Opting for the former could mean you miss out on any market rally the instant the final Brexit process is laid out, assuming the terms are favourable, although you would also avoid the risk of a scenario where Brexit becomes ugly and the market takes another dive.

## VALUATION DISCONNECT

'UK shares are trading at a 30% discount to their global peers. UK domestic-focused businesses are trading at a 20% discount to UK global exporters,' says Morris-Eyton.

The market has been ignoring the fundamentals to focus on the politics, yet the fundamentals have been relatively good. In 2017 UK companies had (nearly) 30% earnings growth; in 2018 it will probably be 10%; and 2019 should again be positive. There are many international companies listed in the UK which should be more resilient than people are valuing them.'

As part of the team who manage **Allianz European Equity Growth Fund (B2NLGG1)** and **Allianz Continental European Fund (B3Q8YX9)**, Morris-Eyton says he looks for companies that


are high quality and capital-light with their production centres very close to where they are selling those goods.

'That mitigates the risk of tariffs but also gives these companies the necessary pricing power to respond in any given Brexit scenario,' he explains.

'The beauty of that investment process for us is that it means we don't need to be able to call a particular Brexit outcome because we have confidence that the companies we are investing in have the right models to be able to respond in those scenarios.'

Companies in his portfolios include global operators **Reckitt Benckiser (RB.)**, **British American Tobacco (BATS)** and **Unilever (ULVR)**, plus UK domestic names including **Rightmove (RMV)**, **Auto Trader (AUTO)** and **Howden Joinery (HWDN)**.

Morris-Eyton suggests some of his investments, by virtue of their qualities, may be positively impacted by Brexit long-term if their weaker competitors struggle.

He also says investors should consider that weak companies may be looking to use Brexit as a cover-up for their own problems. 'For a company facing cyclical or structural challenges Brexit provides a very convenient excuse for them to explain their own weakness. Part of the challenge for us as stock pickers is to decide what is down to Brexit or what is down to more serious issues that company is facing.'

One area that may have delayed effects is the uncertainty Brexit is creating on business investment plans. The Allianz portfolio manager says his team keep hearing frustrations from companies over the lack of certainty regarding UK Government policies.

'Very few companies have made decisions with regards to Brexit in terms of moving physical or human capital out of the UK. But you are seeing companies delay investment or moving investment elsewhere,' explains Morris-Eyton. He says it is very difficult to quantify that impact until 10 or 20 years later.

Investors have a lot of issues to weigh up and may find the best solution is to allocate a portion of their money to UK domestic stocks as part of a broader, diversified portfolio. Don't bet all your money on a Brexit rally; equally don't ignore the significant value on offer in UK equities at present.

By **Daniel Coatsworth**
Editor

# Robin Parbrook and King Fuei Lee, Co-Fund Managers, **Schroder Asian Total Return Investment plc**

Robin Parbrook and King Fuei Lee, Co-Fund Managers, Schroder Asian Total Return Investment plc advocate a cautious approach to Asian equity markets as China increasingly finds itself in an economic quagmire.

To assess the investment opportunities in Asian equities, we start by looking at stock valuations at both the broad market level and at the individual company level.

Asian equities have fallen to a broad market level that would generally lead us to turn more positive from an investment perspective.

Unfortunately, our analysts are not yet finding enough stocks trading at a significant discount to fair value at the individual company level to indicate a strong buying opportunity overall. However, this could change if markets fall further.

We also play close attention to the fundamental factors that have an impact on valuations, including earnings, sales and dividends. Today's cheap markets can look expensive tomorrow – even if prices are unchanged – if the fundamentals deteriorate significantly.

Forecasts for Asian company earnings are currently being downgraded and we could see downgrades rising and continuing for some time to come if previous challenging periods for Asia including the global financial crisis and the eurozone debt crisis are any guide. At its worst around the time of the Asian crisis, Asian earnings almost halved over a period of four years.

China is increasingly finding itself in an economic quagmire, with the risks of either a currency devaluation or an economic recession rising. While we not think either of these is highly likely, if one or other does materialise it will be painful for Asia. Given the size of the Chinese economy today, and the amount of intra-regional trade, the region will be lucky to escape with just a cold, and not something a lot worse, if China sneezes.

Given this backdrop we recommend investors tread cautiously and watch economic trends in China very closely. Assuming the risks highlighted do not materialise, we will continue to gradually add to our favoured names on weakness. These are primarily in those markets offering the most upside on our long-term valuation models - Australia, Hong Kong and Singapore.

ROBIN PARBROOK

KING FUEI LEE

## DISCRETE YEARLY PERFORMANCE (%)

| | Q3/2017 - Q3/2018 | Q3/2016 - Q3/2017 | Q3/2015 - Q3/2016 | Q3/2014 - Q3/2015 | Q3/2013 - Q3/2014 |
|---|---|---|---|---|---|
| **Share price** | 8.2 | 31.1 | 45.3 | -2.7 | 8.6 |
| **Net Asset Value** | 6.2 | 24.5 | 37.7 | 0.7 | 9.8 |
| **Reference Index** | 4.9 | 16.8 | 37.7 | -8.4 | 5.8 |

Source: Schroders, with net income reinvested, net of the ongoing charges and portfolio costs and, where applicable, performance fees, in GBP. Rebased to 100 as at the start of the 5 year period.

Some performance differences between the fund and the reference index may arise because the fund performance is calculated at a different valuation point from the reference index.

New manager and reference index from 15 March 2013. Source: Thomson Reuters. With effect from 15 March 2013, the Reference Index has been the MSCI AC Asia Pacific ex-Japan Index (sterling adjusted). Prior to that date, it was the MSCI AC Asia ex-Japan Index (sterling adjusted). The full track record of the previous index has been kept and chainlinked to the new one.

The forecasts included should not be relied upon, are not guaranteed and are provided only as at the date of issue. Our forecasts are based on our own assumptions which may change. Forecasts and assumptions may be affected by external economic or other factors.

**What are the risks?**

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

Investors in the emerging markets and Asia should be aware that this involves a high degree of risk and should be seen as long term in nature. Less developed markets are generally less well regulated than the UK, they may be less liquid and may have less reliable arrangements for trading and settlement of the underlying holdings.

The Company holds investments denominated in currencies other than sterling, investors should note that exchange rates may cause the value of these investments, and the income from them, to rise or fall.

The Company invests in smaller companies that may be less liquid than in larger companies and price swings may therefore be greater than investment companies that invest in larger companies.

The Company may borrow money to invest in further investments, this is known as gearing. Gearing will increase returns if the value of the investments purchased increase in value by more than the cost of borrowing, or reduce returns if they fail to do so.

Investments such as warrants, participation certificates, guaranteed bonds, etc. will expose the fund to the risk of the issuer of these instruments defaulting on paying the capital back to the Company

The fund can use derivatives to protect the capital value of the portfolio and reduce volatility, or for efficient portfolio management.

# INVESTMENTS THAT EARN YOU MORE AND MORE

## How dividend growth can keep your portfolio fit and healthy

By Tom Sieber, Ian Conway, James Crux and Steven Frazer

At 4.8%, the average dividend yield on UK stocks is back at levels not seen since the global financial crisis, according to Link Asset Services. However, if you're investing for the long-term, a sound approach is to focus on companies with the capacity to keep on growing their dividend year-after-year rather than obsessing over the initial yield.

By reinvesting this flow of dividends back into the company's stock you can potentially achieve eye-catching growth in your investment pot.

Research suggests that firms delivering material dividend growth outperform the wider market, offering the prospect of strong capital returns alongside increases in the payout.

According to a study by US firm Ned Davis Research, companies which grew or initiated a dividend experienced the highest returns relative to other stocks on the flagship S&P 500 index between 1972 and 2018.

Ultimately the ability to consistently grow a dividend implies a company is cash generative and shareholder-friendly.

In this article we have identified a list of UK stocks with the highest levels of annualised growth in the dividend over the last decade and back-tested these dividends to check they have not been cut at any point through that period.

Not all the names in the table have grown their dividends year in year out, but they have generally maintained dividends at the same level in tougher years.

Using the expertise of the *Shares* team we have identified a select group of companies where we believe the dividends look healthy and there is sustainable growth.

We've taken a long-term view of the prospects for each of these stocks. They are not intended as investments to deliver short-term capital gains but, instead, where you should see compounded returns from dividends over a long period.

Our picks are: equipment hire business **Ashtead (AHT)**, healthcare software specialist **Craneware (CRW:AIM)**, quality assurance firm **Intertek (ITRK)** and retailer **WH Smith (SMWH)**. We've also taken a look at **JPMorgan Claverhouse (JCH)** as an example of a really good investment trust that ties into the dividend growth theme.

### THE BENEFITS OF COMPOUNDING

Why does dividend growth have such a significant impact on returns? It is all thanks to the power of compound interest. Let's show you how it works.

If you put £1,000 into an account paying 6% interest, you'll have £1,060 after one year. Next year, you'll be earning 6% on the £1,060 rather than just the original £1,000. That might not seem like a big deal, but the effects can really stack up over time.

So how does this concept apply to dividends? A company's dividend yield is calculated by dividing its full-year dividend per share payment by the current share price and expressing it as a percentage. In many ways this yield is similar to an interest payment – offering a return which is proportional to your holding in a company.

By reinvesting your dividend and using it to buy shares in the same firm you'll be steadily increasing your holdings of that particular stock. In turn, you'll be setting yourself up for even more dividends down the line. Your benefits are enhanced further if the actual dividend payment is also growing each year.

### WHICH IS BETTER: A 5% YIELD OR A 1.5% YIELD? (IT DEPENDS ON DIVIDEND GROWTH)

The chart below shows a hypothetical example with two companies. Shares in Company X trade at £10 and pay a 50p dividend for a 5% yield. Shares in Company Y trade at £33.33 and also pay a 50p dividend for a 1.5% yield.

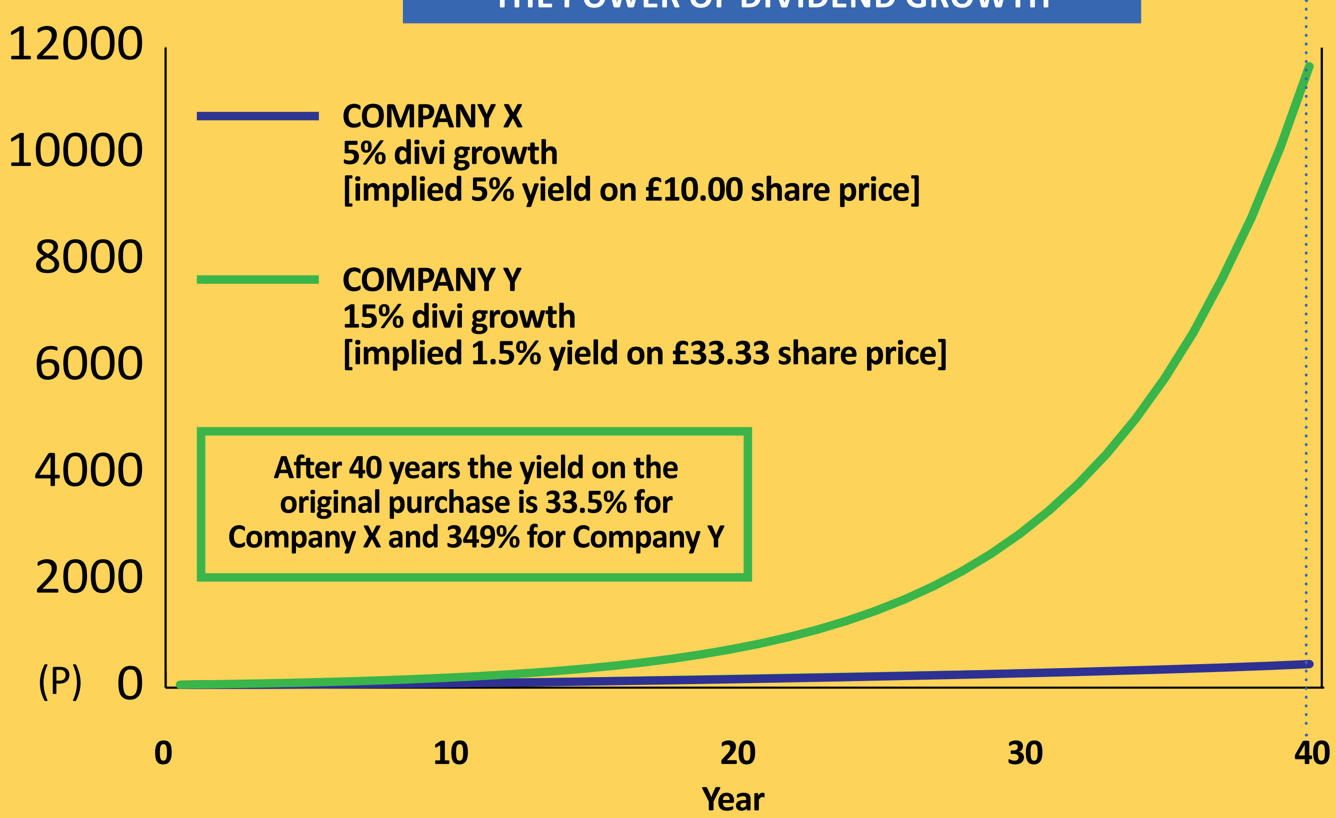
Dividends at Company X then grow at 5% per year while dividends at Company Y grow at 15%.

- In the first 10 years Company X offers the better yield on the original share price
- By year 15 the yield from Company Y, based on the initial price paid, is greater
- Over time the divergence between the two is dramatic

To take a real-world example, equipment hire firm Ashtead's yield based on its most recent annual dividend of 33p and its share price 10 years ago is upwards of 70%.

While the comparable figure for oil major **Royal Dutch Shell (RDSB)**, which for the most part has kept its dividend steady over that period, is 8.7%. Shell's yield based off the current share price is 6.2%, while Ashtead's is 2.1%.

COMPANY X VS COMPANY Y: THE POWER OF DIVIDEND GROWTH



## COMPANIES WITH A TRACK RECORD OF DIVIDEND GROWTH

| Company | Annualised dividend growth over 10 years (%) |
|---|---|
| Ashtead | 30.7 |
| Dart | 29.5 |
| Lok'nStore | 28.2 |
| IMPAX Asset Management | 28.2 |
| Oxford Metrics | 27.5 |
| St James's Place | 27.3 |
| Judges Scientific | 26.2 |
| Brooks Macdonald | 25.8 |
| Staffline | 25.3 |
| Micro Focus International | 23.5 |
| Victrex | 21.0 |
| Paragon Banking | 20.4 |
| Rightmove | 20.4 |
| Craneware | 20.2 |
| Maintel | 19.9 |
| Abcam | 18.4 |
| Cohort | 17.9 |
| Zytronic | 17.5 |
| Synthomer | 17.5 |
| Domino's Pizza | 16.9 |
| Mattioli Woods | 16.8 |
| Dunelm | 16.5 |
| Intertek | 16.2 |
| Croda International | 15.7 |
| 4imprint | 15.4 |
| Solid State | 15.0 |
| XP Power | 14.6 |
| Ted Baker | 14.4 |
| Diploma | 14.1 |
| S & U | 13.9 |
| Schroders | 13.8 |
| RWS | 13.7 |
| Renew | 13.7 |

| Company | Annualised dividend growth over 10 years (%) |
|---|---|
| Burberry | 13.6 |
| Safestore | 13.2 |
| WH Smith | 13.1 |
| IWG | 13.0 |
| Rio Tinto | 12.9 |
| PayPoint | 12.9 |
| NCC | 12.7 |
| Dechra Pharmaceuticals | 12.5 |
| Nichols | 12.4 |
| Hill & Smith | 12.3 |
| Moneysupermarket.com | 11.9 |
| Kerry | 11.8 |
| M&C Saatchi | 11.8 |
| First Derivatives | 11.7 |
| Robert Walters | 11.7 |
| JD Sports Fashion | 11.6 |
| Telecom Plus | 11.5 |
| Cello Health | 11.5 |
| Next | 11.4 |
| Computacenter | 11.1 |
| Senior | 11.0 |
| Mears | 11.0 |
| Imperial Brands | 11.0 |
| Vp | 10.9 |
| Compass | 10.8 |
| Spirax-Sarco | 10.7 |
| Homeserve | 10.6 |
| RPS | 10.5 |
| M.P. Evans | 10.5 |
| Prudential | 10.4 |
| Derwent London | 10.4 |
| Essentra | 10.3 |
| Cranswick | 10.1 |

Source: SharePad, January 2019

# ASHTEAD (AHT) £19.05 BUY

**FORWARD DIVIDEND YIELD: 2.1%**
**10-YEAR ANNUALISED DIVIDEND GROWTH: 30.7%**

We added Ashtead to our *Great Ideas* list last October at £19.67 as its shares had fallen sharply and looked cheap on the basis of its earnings growth.

The shares went on to lose close to another 20% but they didn't trigger our stop loss which was fortunate as in our view the investment case hadn't changed and the shares are now almost back to our initial price.

The company makes close to 90% of its sales renting construction equipment in the US and group rental revenues were up 19% in the first half.

Despite the recent US government shutdown, its end markets of large civil works projects and non-residential building remain 'supportive'.

In fact, given the strength of demand it was experiencing the firm raised its full year guidance when it published the half year numbers in December 2018.

Ashtead actually tops the dividend growers' list with a compound annual growth rate of 30.7% over 10 years.

The consensus dividend forecast for the year to 30 April 2019 is 37.3p per share or a 13% increase on the previous year's payment.

The forecast for the year to April 2020 is 42.3p per share which is another 13% advance and the forecast for April 2021 is 46.9p or an 11% increase.

This means that while dividends are forecast to grow, they aren't seen growing at the same clip as in the past.

However, there is plenty of scope for Ashtead to either raise the dividend or make special one-off payments as dividends are more than covered by earnings and cash flow.

As the table shows, on an earnings basis the dividend is covered roughly 4.6-times for at least the next three years.

On a cash flow per share basis, dividends are covered between 3.4-times and 3.8-times which is more than ample.

While Ashtead may not top the list of dividend growers 10 years from now, it should have no trouble sustaining an increased payout and looks certain to feature on the list.

## ASHTEAD

| | 2016 | 2017 | 2018 | 2019E | 2020E | 2021E |
|---|---|---|---|---|---|---|
| Reported earnings per share | 84.7p | 103.8p | 126.9p | 172.6p | 200.1p | 214.4p |
| Dividends per share | 22.5p | 27.5p | 33p | 37.3p | 42.3p | 46.9p |
| Cover | 3.8 | 3.8 | 3.8 | 4.6 | 4.7 | 4.6 |
| Free cash flow per share | 191p | 64.5p | 76.9p | 125.4p | 163.1p | 178p |
| Cover | 8.5 | 2.3 | 2.3 | 3.4 | 3.9 | 3.8 |
| Free cash flow (£m) | 961 | 323 | 380 | 490 | 723 | 973 |
| Dividends (£m) | 81.5 | 116 | 141 | 173 | 204 | 222 |

Source: Reuters Eikon. April financial year end.

## CRANEWARE (CRW:AIM) £25.70 BUY

**FORWARD DIVIDEND YIELD: 1.3%**
**10-YEAR ANNUALISED DIVIDEND GROWTH: 20.2%**

Investors might draw many conclusions as they mull over the sizeable niche market opportunity, technological expertise and operating performance of Craneware, but its track record of paying dividends is often underappreciated.

The health sector financial software supplier is best known as a growth company but to dismiss its potential for escalating shareholder payouts over the coming years would be a mistake.

Craneware provides technology solutions through its *Chargemaster* and *Pricing Analyser* toolkits that help hospitals and other healthcare providers more effectively price, code, charge and retain earned revenue for patient care services and supplies. That makes it one of those rarities – it directly benefits clients' own bottom lines.

That clients sign typical multi-year contracts means they are sticky while future income is visible, high margin and generating plenty of cash.

Research suggests that the average 350-bed hospital misses out on $22m in revenue capture opportunities every year.

This is where Craneware can help, identifying new income opportunities to healthcare management as well as highlighting operational and financial risks.

It currently works with fewer than a third of US hospitals which shows the scope for growth, and that's before even looking at markets outside the US, or new products lines, such its recently launched *Trisus* platform or a new analysis tool aimed at pharmacies.

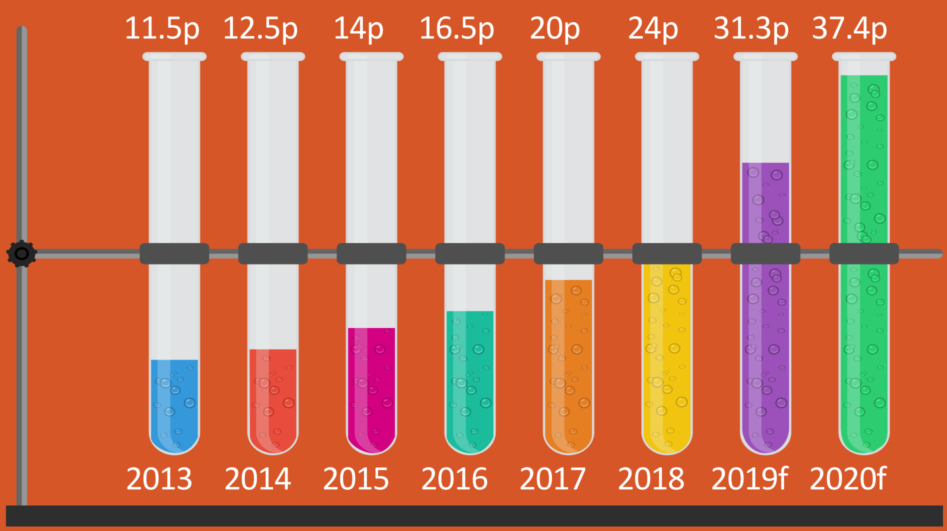
Mid-teens or better annual growth in revenue, profit and free cash flow underline why dividends have been rising at about 20% a year for the past five years.

That trend looks likely to continue long into the future. This is masked a bit because Craneware reports in dollars, so payouts are subject to currency translation.

Extrapolate 20% a year income growth into the next five years and the dividend would more than double from last year's 24p per share payout to about 60p.

As global growth opportunities shrink as economic belts are tightened, those with growth opportunities like Craneware, even in the face of macro headwinds, will become even rarer and more in demand with investors.

### CRANEWARE'S DIVIDEND GROWTH PROFILE*




Source: Company accounts, Berenberg forecasts *Figures subject to $/£ currency swings

# INTERTEK (ITRK) £49.00 BUY

**FORWARD DIVIDEND YIELD: 2%**
**10-YEAR ANNUALISED DIVIDEND GROWTH: 16.2%**

Intertek is one of the world's leading testing and inspection firms with customers in consumer industries like food, clothing and toys, manufacturing industries, oil, chemicals and pharmaceuticals. It has a market value of £8bn and annual sales of nearly £3bn.

There are quality standards and regulations which companies need to meet every step of the way. That includes sourcing raw materials to making the finished goods, transporting and distributing them and even selling them to consumers.

With over 1,000 facilities and 43,000 employees in more than 100 countries across the world, Intertek can offer its 'Total Quality Assurance' solutions to customers when and where they need them.

The potential market is worth $250bn a year and it continues to grow as technology evolves, as companies focus on risk management and as consumers demand higher quality products.

Being a trusted partner means Intertek can grow organically by cross-selling its services, but it also makes selected bolt-on acquisitions to increase the range of solutions it can offer.

Last summer the firm set itself some fairly demanding five-year targets: 20% annual growth in billings, 30% or more EBITDA (earnings before interest, tax, depreciation and amortisation) margins by 2023 and a negative working capital position, meaning that Intertek gets its customers to finance its operations.

It already operates a 'capital light' business model and working capital is down to just 5% of revenue so this last target seems achievable without too much trouble.

In its latest shareholder presentation the company committed itself to 'sustainable shareholder returns through the payment of progressive dividends based on a target payout ratio of circa 50%'.

A 50% payout ratio tallies with the consensus forecasts which show reported earnings covering dividends by a factor of two for the next few years. Importantly, dividends are also covered by free cash flow per share.

## INTERTEK

| | 2016 | 2017 | 2018E | 2019E | 2020E |
|---|---|---|---|---|---|
| Reported earnings per share | 156.8p | 176.3p | 193.9p | 209.4p | 230.8p |
| Dividends per share | 62.4p | 71.3p | 94.3p | 103.8p | 112.4p |
| Cover | 2.5 | 2.5 | 2.1 | 2.0 | 2.1 |
| Free cash flow per share | 193p | 207p | 214p | 227p | 275p |
| Cover | 3.1 | 2.9 | 2.3 | 2.2 | 2.4 |
| Free cash flow (£m) | 314 | 337 | 294 | 323 | 355 |
| Dividends (£m) | 88 | 107 | 139 | 167 | 183 |

Source: Reuters Eikon. December year end.

# WH SMITH (SMWH) £19.63 BUY

**FORWARD DIVIDEND YIELD: 3.1%**
**10-YEAR ANNUALISED DIVIDEND GROWTH: 13.1%**

UK retail stalwart WH Smith has a great dividend growth track record stretching back to its 2006 demerger (WH Smith & Smiths News).

The total payout has risen from 11.8p in 2007 to 54.1p for the year to August 2018.

Growth in the shareholder reward was maintained during the financial crisis and has been sustained since, even in the face of the structural changes that have roiled so many traditional brick and mortar retailers.

This enviable record in growing the shareholder reward stems from WH Smith's strong balance sheet and high cash generation.

Cash is invested in the business where returns are greater than WH Smith's cost of capital, deployed for carefully selected, earnings-enhancing acquisitions and returned to shareholders through share buybacks and a progressive dividend.

Bears will (incorrectly) argue the high street stationer, bookseller and newsagent is a business in terminal decline, but this ignores WH Smith's vast international growth potential through its travel division, continuing to open up units in airports, railway stations, hospitals and motorway service stations.

These are locations where consumers are 'captive'; they don't have the luxury of being able to shop around for a better price, have barely any time to browse and are highly likely to splash the cash on a book, magazine or bite to eat.

The travel arm generates more than half of group sales and the lion's share of profit.

Furthermore, 2018's £155m acquisition of US travel retailer InMotion has boosted the size of WH Smith's travel business and further reduced the reliance on the embattled UK high street.

InMotion also provides a platform from which to expand across the pond in the world's largest travel retail market.

In its latest trading update, covering the 20 weeks to 19 January, WH Smith reported flat like-for-like sales, constrained by a 2% like-for-like decline in a high street division run for cash yet still seeing gross margin improvements.

Encouragingly however, the performance was supported by 3% like-for-like growth in the expanding travel division which is WH Smith's long-term growth engine.

Source: WH Smith

# JP MORGAN CLAVERHOUSE (JCH) 681P BUY

## HISTORIC DIVIDEND YIELD: 4%

When it comes to paying and growing dividends, investment trusts have a major advantage as they can keep back up to 15% of their income each year.

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

Although increases in its dividend are slow and steady rather than spectacular, we think **JP Morgan Claverhouse (JCH)** is an excellent option for an investor wanting to take advantage of the dividend growth theme.

The quarterly dividend player has, according to figures from Kepler Partners, achieved annual dividend growth of nearly 6% over the last five years and has a great longer-term track record too, increasing the dividend every year for the last 45 years.

Claverhouse has a large revenue reserve with its most recent annual dividend 1.41 times covered by this cash buffer. As Kepler observes, for this reason 'the trust offers one of the greatest margins of safety in the investment trust universe'.

Managed by William Meadon and Callum Abbot, the trust is invested in a collection of well-known UK income plays including Royal Dutch Shell and **Imperial Brands (IMB)**. Meadon describes the trust as a 'get rich slow' investment.

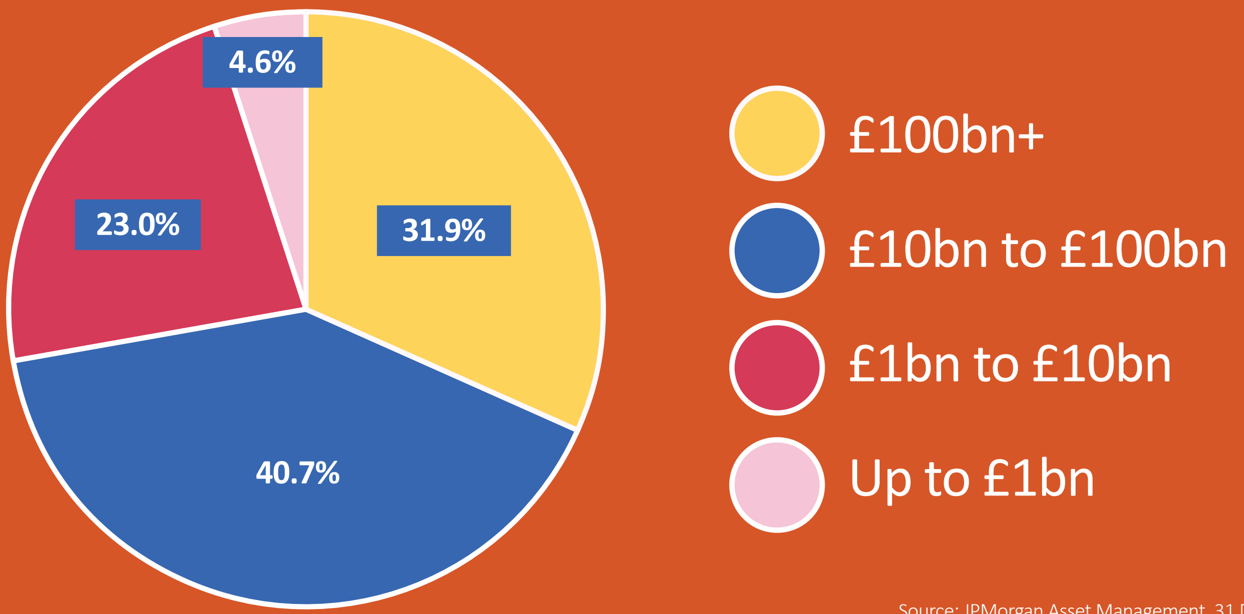
Financials is the most heavily represented sector in the portfolio at 21.4% and typically the trust has upwards of 60 holdings. It has the flexibility to invest all the way from the FTSE 100 down to small cap companies.

Although the trust is focused on income stocks, the constituents of the portfolio show it is prepared to look beyond the initial yield in its selection criteria.

For example, growth stock **Fevertree (FEVR:AIM)** counts among its holdings, likely in the hope its continued expansion will support growth in the dividend, alongside healthy capital returns, despite the current yield being very modest at around 0.6%.

The managers have recently been attempting to limit risks by reducing exposure to cyclical stocks and taking the gearing level down to zero.

### PORTFOLIO BY MARKET CAP




Source: JPMorgan Asset Management, 31 December 2018

# Three reasons why you shouldn't invest in HSBC

Don't be tempted by a generous 6% dividend yield... the investment risks are greater than you think

Avoiding bad stocks is equally as important as picking good ones. Investing must always involve a detailed research process rather than random selection as prospects which may seem enticing at first glance aren't always up to scratch when you dig deeper.

In the case of **HSBC (HSBA)**, many investors look at its generous dividend payments and think it is a good business generating millions of dollars in profit. This article will explain why HSBC isn't as good an investment as you might think.

## ASIAN DOMINANCE

HSBC likes to call itself 'the world's local bank' but the heart of the business remains centred in Asia. Hong Kong accounts for a third of the bank's revenue and almost half of its pre-tax profit.

The bank has four main businesses: retail banking and wealth management, commercial banking, global banking and markets, and private banking.

It also has a central corporate division which manages the bank's central costs, balance sheet, joint ventures and interests in other banks.

## A BREAKDOWN OF EARNINGS

HSBC's biggest business is retail banking and wealth management which generated $16.8bn of revenue in the first nine months of 2018 or 40% of the group total.

Pre-tax profit from retail banking and wealth management was $5.7bn in the first nine months of last year, accounting for 31% of total profit.

While HSBC has 37m retail customers spread across the world, Hong Kong still generates over 40% of the company's retail banking and wealth management revenue and over 80% of profit.

The UK typically generates less than 30% of revenue and 10% of profit in retail banking and wealth management by comparison.

In the UK, HSBC has a network of around 1,100 branches thanks to its takeover of Midland Bank in 1992, plus it owns First Direct which was launched in 1989, and it owns **Marks & Spencer's (MKS)** financial services business which it bought in 2004.

## FOURTH QUARTER EARNINGS FEAR

The next biggest business is global banking and markets which made $12.4bn of revenue in the first nine months of 2018 or 30% of the group total.

Thanks to strong financial markets, pre-tax profit was up 7% to $5.4bn in the first nine months of last year, accounting for 30% of group profit.

Given the shake-out in bonds and stocks in the final quarter of 2018, investors would be wise not to assume that the picture will remain positive when the bank reports full year earnings on 19 February.

The UK may generate more revenue from global markets than Hong Kong but with all the people it employs in Canary Wharf most of the income gets soaked up before it can reach the bottom line.

In 2017 as a whole the UK arm generated revenue of $4bn or nearly a third of the group total but profit was a miserly $200m, just 4% of the total.

Hong Kong generated $2.4bn of revenue and $1.3bn of profit or 24% of the total in the first nine months of the year, making it significantly more profitable than the UK.

## STILL A LEADING PLAYER IN GLOBAL TRADE

Just behind global banking and markets in terms of turnover is commercial banking which generated revenue of $11.2bn in the first nine months of last year or 27% of the total.

The bank's network covers 66 countries and territories which account for 90% of global GDP and capital flows so it is truly plugged in to world trade.

This is a great business with high margins and is growing fast but again Hong Kong outshines the UK when it comes to returns.

Lastly HSBC has a private banking business for high net worth individuals which brought in revenue of $1.4bn and profit of $300m in the first nine months of 2018.

In terms of margins that was a big improvement on the previous year but in terms of actual profit $300m is still less than 2% of the group total.

## STRATEGIC DECISIONS LIE AHEAD

Last October the bank presented its strategic priorities for 2019 and 2020. Top of the list is to grow further in Asia, where it is clearly in a position of strength, and to increase its mortgage and commercial banking market share in the UK.

Growing in Asia makes complete sense and the obvious area to allocate capital is private banking. The business is sub-scale yet HSBC is one of the most trusted names in the region.

Growing its market share in UK commercial banking also makes sense as it is a high-margin business.

Throwing more money at the UK mortgage market makes no sense whatsoever as margins are wafer-thin and falling.

Next on the list is to reboot its US business, which far from being a 'third leg' as originally envisaged is sub-scale and underperforming, generating less revenue and profit than its UK business.

The bank made no mention of global banking and markets within its strategic priorities but if as we suspect the fourth quarter shows a big black hole in the markets business there will be more calls for it to rethink its strategy.

Only a small proportion of income seems to trickle down to earnings compared with other regions and other businesses, even when markets are good as they were for much of the first nine months of 2018.

### HSBC'S 9M 2018 SHARE OF GROUP PRE-TAX PROFIT GENERATED IN HONG KONG ($BN)

| | Group | Hong Kong | Share |
|---|---|---|---|
| Retail banking & wealth management | 5.7 | 4.7 | 82% |
| Global banking & markets | 5.4 | 1.3 | 24% |
| Commercial banking | 6.0 | 2.4 | 40% |
| Private banking | 0.3 | 0.3 | 100% |
| Corporate | 0.9 | 0.3 | 33% |
| **TOTAL** | **18.3** | **9.0** | **49%** |

Source: HSBC

**SHARES SAYS:**

**With a 6% dividend yield, a forward earnings multiple of 12-times and a price-to-book ratio of less than one HSBC may look cheap to value hunters but we think there are three good reasons for the shares to stay cheap:**

1. **Revenue and earnings growth are highly dependent on Hong Kong, and the Chinese economy is clearly slowing.**
2. **Its UK mortgage business is soaking up capital with minimal returns.**
3. **Its investment banking business is doing the same thing but with the additional downside risk that trading global markets entails.**

**Our conclusion is that you should avoid HSBC's shares.**

By **Ian Conway**
Senior Reporter

Janus Henderson INVESTORS

# Banking on diversification

With a number of headwinds facing markets in 2019, it can be hard to see the wood for the trees. Alex Crooke, Fund Manager of The Bankers Investment Trust, explains how his team approaches the complexities of global stock markets.

As we start 2019 there are plenty of reasons for investors to be cautious, as ever, but more often than not the situation turns out less gloomy than we are led to believe.

Talks of a global recession are cropping up more and more, not least because it's been 10 years since the global financial crisis. We're not convinced at The Bankers Investment Trust that a global recession is imminent because conditions are very different from just before the last downturn in 2008.

## CAUSES FOR CONCERN

It's fair to say there are a number of significant forces at play that could have meaningful consequences for markets. Here in the UK, the country's exit from the EU has already affected both the exchange rate of the Pound and local equities. Brexit has fogged the country's corporate landscape as it prepares for life outside Europe's political and economic union and the pessimism towards UK equities is unprecedented.

Across the Atlantic, the US has enjoyed a long-running bull market, buoyed early last year by President Trump's corporate tax cuts. Those cuts were significant in scale and raised plenty of eyebrows when considered in the context of the country's eye-watering national debt of more than $20 trillion.

President Trump's campaign to renegotiate trade tariffs have also been hogging the headlines. The so-called 'trade war' with China has brought about political tensions between the world's two largest economies that are certainly not helpful in stimulating global trade.

Beyond these headlines there are other very important considerations for investors, such as the reversal of quantitative easing measures by major central banks around the world – so-called quantitative tightening; as well as the ongoing and hastening influence of disruptive technology on established business models; and the disparate fiscal policies between developed nations.

It is important to be mindful of these factors, but it would be a mistake to become too bearish too early, and in our opinion the classic indicators of an impending global recession are not present.

For example, it is hard currently to see the signs of excess that typically precede global economic recessions. Bank lending to corporates and consumers has not risen sharply, takeover activity is muted and corporate capital expenditure is only just beginning to recover. Inflation isn't rampant and interest rates remain low, all of which are contradictory to the classic indicators of a looming global recession.

But stock markets have fallen sharply over the course of 2018, many entering bear market territory, in reaction to fears of an imminent economic slow-down. Is the market set back setting up an opportunity for value investors?

## SHOULD WE BEWARE THE BEAR?

A bear market, whereby share prices fall at least 20% from their highs is more common than many think. Europe has arguably been in a bear market for most of 2018 and there is little question China has been in bear market territory since early February. For active stock-pickers like ourselves, a bear market provides an opportunity to get ahead of the market by buying strong businesses at attractive valuations, with a focus on longer term outperformance. A degree of volatility is normal in equity markets as they are discounting mechanisms for investor's views of future returns.

The US market is one of the few to buck the trend, albeit December's fall puts it closer to bear market levels.

Janus Henderson INVESTORS

The major US stock market indices hit 10-year highs in 2018 but the correction over the last quarter is a sign that valuations may have peaked. That isn't necessarily a bad thing. When prices come down, opportunities arise and value-driven opportunities return to the market.

## HORSES FOR COURSES

The enormous advantage for The Bankers Investment Trust is that the management team is unbound by geography, sector, market capitalisation or style. That means the portfolio can be designed to cherry-pick the best companies around the world to meet our objectives, which are to beat the FTSE World Index and achieve annual dividend growth greater than the rate of UK inflation.

The largest geographical exposure within the portfolio is to North American equities (c.30%). As already stated, the US' long running bull market has been fantastic for growth stocks, which the Trust has been a beneficiary of with holdings like Microsoft, and Netflix – diverse companies but both delivering strong growth in customer numbers. This sleeve also contains many innovative companies in the cross-hairs of important socioeconomic trends, like MasterCard and American Express in the transition to cash-less payments; and CVS Health Corp in the growing direct-to-consumer healthcare market.

The next largest geographical weighting is the UK (25%), to which we have carefully trimmed our exposure to in the past 12 months or so. The bulk of the investments in the UK are towards the global corporates that happen to be listed in London. The UK may be out of favour with investors, but there remains a strong dividend-paying culture, which is a vital component of the Trust's portfolio. Whatever happens with Brexit, there are some UK companies that we believe will continue to perform and provide that all-important income for the Trust, such as beverage conglomerate Diageo and pharma giant Glaxosmithkline, to name but a few.

Europe (16%), the Pacific region (14%) and Japan (12%) each provide something slightly different. European equities may have disappointed in 2018, but earnings here have been solid and the region's dividend-paying track-record is attractive. We think there may be some interesting opportunities here in 2019 – particularly if US investors decide to seek cheaper shares outside their home market.

The China sleeve accounts for around 6% of the total


portfolio and is an interesting region for us. Since the end of 2017, Chinese equities have been heading deeper into value territory when measured on price-to-earnings metrics but corporate earnings have held up remarkedly well. Our focus has been on domestically exposed consumer related companies rather than the exporters that have been caught out by Trump's trade negotiations. Over the medium term we still expect China to deliver higher growth than more developed markets.

There is a strong growth story across Asia with domestic companies eating into the market share of Western brands that have traditionally been market leaders in the region. We are seeing this in smartphones and even food and beverage brands. Negative sentiment may have dragged valuations down, but we think more Asian companies will become global market leaders in the next 10 years, so it's an important part of the Trust's long-term strategy.

## CAUTIOUSLY OPTIMISTIC

This geographic diversification and balance between income and growth-oriented strategies provides the Trust with a great balance. This is only possible with a management team containing regional experts, each with different expertise and styles.

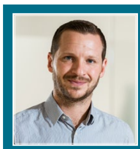
While it appears difficult to forecast political events with any conviction, the state of the global economy is not broken. Confidence is currently low, but this is a good starting point to make investments, especially as valuations are now below their long term averages. We are being careful in taking on new positions, but are increasingly seeing opportunities that attract us and that we feel will deliver excellent long term returns.



# 'Can I boost my state pension via National Insurance credits?'

AJ Bell expert Tom Selby has the answers to your retirement questions

***Stephen says:***
*'I'm 63 and a little short on what I need for retirement, so looking to boost my income in any way I can. I understand you can increase the value of your state pension by purchasing National Insurance credits – is that correct?'*



By **Tom Selby**
AJ Bell Senior Analyst

**Tom says:**
It is possible to boost the value of your state pension by 'topping up', but only if you are filling in gaps in your National Insurance record. Indeed, for some people there is a limited-time opportunity to benefit from special, cheaper rates.

Here's how it works. The amount of state pension you will receive depends on your National Insurance contribution record. Anyone reaching state pension age after 5 April 2016 is eligible for the flat-rate state pension, currently set at £164.35 a week (rising to £168.60 a week in 2019/20).

To qualify for the full flat-rate state pension you need to have a 35-year National Insurance record, with deductions made for every year missing. At current rates you'll receive a £4.70 per week deduction (1/35th of £164.35) for every year of missing National Insurance.

Anyone with a National Insurance record of 10 years or less will not be eligible for the state pension at all.

If you're covered by the new state pension system you can buy missing National Insurance credits from 2006/07 onwards. You need to do this before 6 April 2023, at which point any gaps will have to be filled within six years.

For the current tax year buying a week of missing National Insurance costs £14.65, rising to £15 in 2019/20. However, *cheaper* rates are available for previous tax years going back to 2006/07 – but you must claim these before 6 April 2019.

**The applicable rates are as follows:**

- **2006/07 to 2009/10: £13.25**
- **2010/11: £12.05**
- **2011/12: £12.60**
- **2012/13: £13.25**
- **2013/14: £13.55**
- **2014/15: £13.90**
- **2015/16: £14.10**

If we take the 2010/11 rate as an example, buying one year of extra state pension – worth £4.70 a week in retirement – would cost £626.60 before 6 April 2019. After this point it will cost £780.

At either price the increase in value to your state pension – which will be paid for the rest of your life – is likely to represent good value for money.

However, before you jump in make sure that buying extra National Insurance credits will increase the value of your state pension. Complicated rules introduced as part of the switch from the old system to the new system mean this will not always be the case.

You can do this by contacting the DWP Future Pension Centre here. For more information, I'd also recommend this detailed guide from Royal London.

## DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

Send an email to **editorial@sharesmagazine.co.uk** with the words 'Retirement question' in the subject line. We'll do our best to respond in a future edition of *Shares*.

Please note, we only provide guidance and we do not provide financial advice. If you're unsure please consult a suitably qualified financial adviser. We cannot comment on individual investment portfolios.

# How to be more organised with filing future tax returns

Handy hints to help you take advantage of allowances and save enough money to pay the taxman

The tax return deadline is here again, and if you're one of the 758,707 people who filed their return on the final deadline of 31 January last year you'll likely be currently rushing to finish yours. And if the last minute rush means you want to be more organised in the future, here's how.


Around one in six people think that they paid more tax than they really owed last year, according to research from Which?, because they made an error on the form or failed to claim for allowable expenses.

Many self-employed people are aware of the fact they can claim for office costs, travel expenses and staffing costs, to offset against revenue and reduce taxable profit, but many allowances go unused. See the accompanying box for the expenses for which you can claim.

Self-employed people who work from home, for example, can claim some of their costs for heating, electricity, mortgage interest or rent, internet bills and council tax.

You just need to work out proportionally how much you can offset. If you have six rooms in your house and you use one as a home office, you can claim a sixth of the above bills as expenses.

You can then pro-rata this based on the number of days you work from home. For example, if your electricity bill is £600 a year, you can claim 1/6th of this, so £100 as expenses. If you then work five days a week from home, you can claim 5/7th of this, being £71.43.

Alternatively, if this is too much of an admin effort you can use simplified expenses to claim for costs such as working from home or vehicle costs. You can use HMRC's handy checker **here** to see which route is better.

The key to claiming expenses effectively is keeping all the right paperwork, so you have proof of bills, expenses and other costs that are tax deductible. There are now a plethora of online services and apps you can use to help keep track of these, or

### WHAT CAN I CLAIM AS EXPENSES?

- Office costs, such as rent, stationery, phone bills, and printing
- Travel costs, such as, parking, car insurance, train fares, breakdown cover and meals on business trips
- Clothing costs, like uniforms or protective clothing
- Staff costs, such as salaries, bonuses or subcontractor fees
- Things you buy to sell on, so stock or raw materials
- Financial costs, for example insurance or bank charges
- Costs of your office, for example heating, insurance, lighting, business rates
- Advertising or marketing, so website costs, free samples and newspaper advertising

## THE MOST OUTLANDISH EXCUSES AND CLAIMS

Each year HMRC reveals the most ridiculous excuses for filing late and the most outlandish expense claims people try to make. Here are a few:

*My tax return was late because...*

...MY MOTHER-IN-LAW IS A WITCH AND PUT A CURSE ON ME

...I'm too short to reach the post box

...MY BOILER HAD BROKEN AND MY FINGERS WERE TOO COLD TO TYPE

**EXPENSES THAT WERE REFUSED...**

- a carpenter claiming £900 for a 55-inch TV and sound bar to help him price his jobs
- a family holiday to Nigeria
- £756 for my pet dog insurance

you can use an old fashioned shoe box, as long as you keep stuff organised.

### SET ASIDE MORE CASH

You'll hopefully earn more money each year in the future, so you should make sure you increase the amount you put away for your tax bill to make sure you're not caught short each January.

You can use this **government-run tool** to help estimate what your tax bill will be next year, to help you save the right amount.

But if you err on the side of caution and save more, then you'll avoid a shortfall, and potentially end up with a pot of extra cash so you can treat yourself next January, or top up your investment account. If possible, round up the amount you put aside each month or week.

### HOW TO CUT YOUR TAX BILL NEXT YEAR

Make sure that you make the most use of any tax relief schemes to help reduce your bill. Any higher-rate taxpayers paying into a personal pension, such as a self-invested personal pension, should make sure they claim the additional tax relief due to them, which will help to offset any tax bill due.

You should also make sure you claim for any charitable donations you've made in the year. A full guide **is here**, but essentially as a higher-rate tax payer you can claim 20% relief on any donations.

Anyone investing their cash should make sure they use an ISA, to shelter their investment income from tax and any gains from capital gains tax. But once this annual limit of £20,000 has been exhausted there are other tax-efficient options available such as venture capital trusts (VCTs) and enterprise investment schemes (EIS), although these aren't suitable for everyone and come with strict rules which you need to understand before investing any money.

### WHAT HAPPENS IF I MISS THE TAX DEADLINE?

Put simply, you'll be fined. Initially you'll pay a £100 fine, even if you aren't due to pay any tax. You'll then be charged £10 a day after three months, up to £900.

After six months another 5% of the tax due or £300 is added on, whichever is the bigger number, and then after a year another 5% or £300 will be charged.

All that is just for filing; if you fail to pay the tax due by the deadline you'll also face fines of 5% of the tax due after 30 days, six months and 12 months.

By **Laura Suter**
AJ Bell Personal Finance Analyst

# Why transport stocks need to fire if global stocks are to steam higher in 2019

We reveal the indices that tell you a lot about the state of the world

After two years of negotiations US President Donald Trump is coming up against a wall, just not the one he expected. House of Representatives Speaker Nancy Pelosi and the Democrats are blocking his plans to build a physical perimeter between America and Mexico and only agreeing to fund additional security spending in exchange for concessions on immigration.

After the five-week government shutdown, and the temporary damage that may have done to US growth, the President may now feel he needs some progress on the trade talks with China.

That would create more of a feel-good factor at a time when consumer confidence is ebbing and the President's insistence upon equating success in office with a rising stock market looks ever-more precarious.

The 2 March deadline imposed by the G20 meeting in Buenos Aires last November is now approaching. If no deal is reached, America will increase existing tariffs on $250bn worth of Chinese goods and services and slap taxes on products so far unaffected.

Stock markets are hoping for a deal and that may influence the White House. Equally, the President may just take an intransigent stance and refuse to budge, given his frequently expressed view that America will win any trade war, although the data suggest that global trade flows may already be suffering.

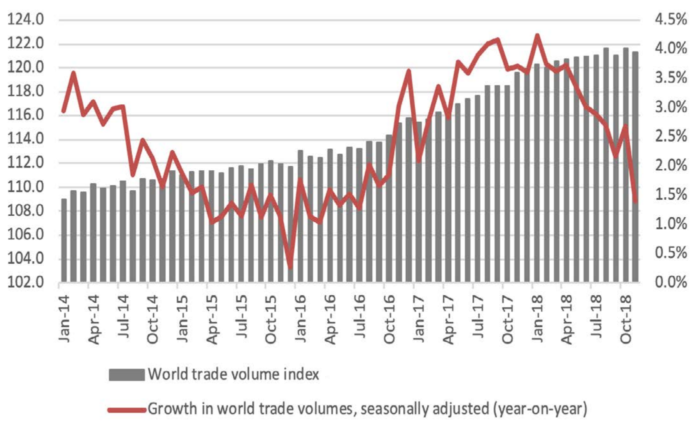
Whether this is just down to Trump and tariffs or a wider economic slowdown is hard to divine but some form of settlement between Washington and Beijing is likely to be more welcome than the ongoing stand-off.

## TRADE FLOWS

Data from the CPB Netherlands Bureau for Economic Analysis' *World Trade Monitor* does suggest that growth in global trade rates is slowing, to add support to the view that 2018's narrative about a 'globally synchronised recovery' is coming unstitched.

Renewed strength could offer some reassurance on global growth while any slippage could warn of potentially tougher times ahead.

**Rate of increase in global trade flows is slowing**

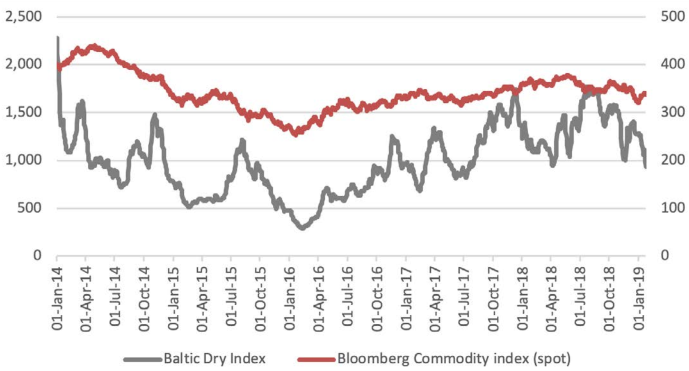



Source: CPB Netherlands Bureau for Economic Analysis World Trade Monitor, November 2018

Investors might also be hoping for a less gloomy outlook from the Baltic Dry index, an indicator of bulk shipping rates across several classes of vessel and nearly 20 routes. Key cargoes include iron ore, coal and building materials as well as grains.

While vessel supply can be as important a factor as demand, it is of some concern that the Baltic Dry index has pretty much halved since last summer. The Bloomberg Commodity index, which includes many of the raw materials carried by bulk shipping firms, is down too, albeit by a more sedate 11%.

## Baltic Dry shipping index is sinking as commodity prices soften




Source: Refinitiv

### DOW THEORY

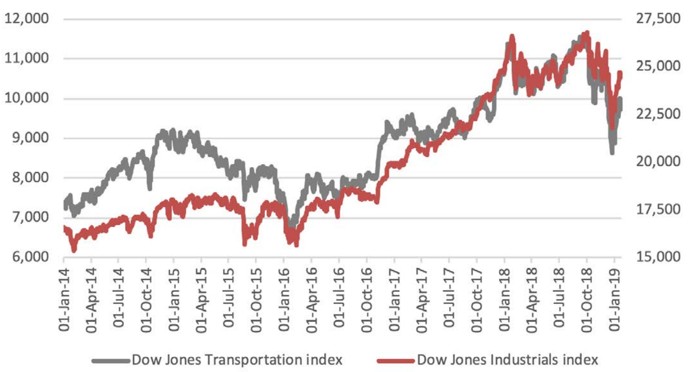
The economic data thus look mixed but financial markets are discounting mechanisms that price in future events. Since the above data is widely available the chances are it is already priced in and markets are looking ahead to what is coming next.

This makes the Dow Jones Industrial Transportation benchmark in the US particularly interesting, at least according to the late Richard Russell's Dow Theory.

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

Equally, weak transport stocks could mean inventories are piling up on shelves and forecourts, to herald production cuts and a potential downturn in industrial activity, economic output, corporate earnings and potentially stock market valuations.

## Stock market bulls will want to see fresh momentum from the Dow Jones Transportation index




Source: Refinitiv

For much of 2018 the Dow Jones Transportation index led the better-known Dow Jones Industrials index lower.

American trucking, rail, shipping and air stocks are forging a rally in early 2019 but the Dow Jones Transportation index still stands 15% below its September peak. A trade deal with China and the US may help it to gather fresh momentum, whereas signs of American economic weakness would not.

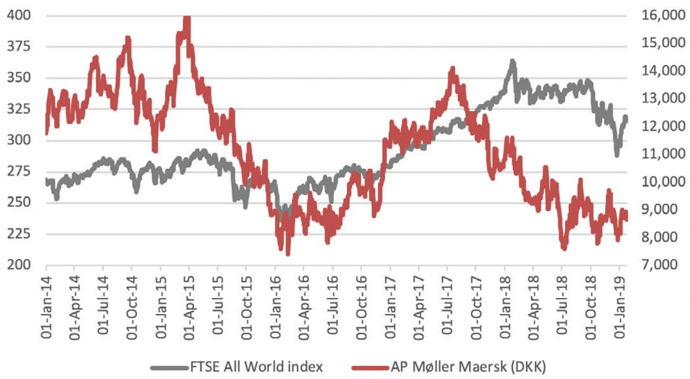
### THE STATE OF DENMARK

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

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

When a longstanding relationship with the FTSE All-World index broke down in 2017 it was tempting to attribute this to shareholders' disaffection with a decision by chief executive Soren Skou to break up the company and sell its energy operations.

## AP Møller Maersk's sinking share price could be a warning sign



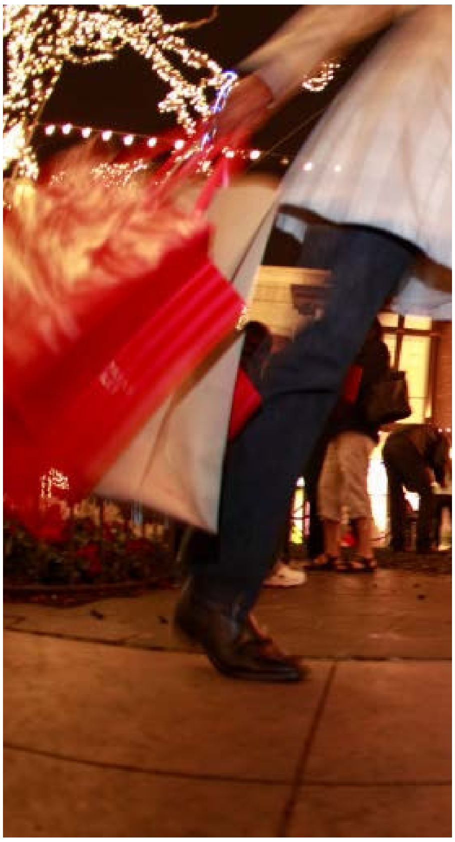

Source: Refinitiv

Yet AP Møller Maersk's shares have continued to sink. Global trade data and other transport stocks have started to follow it lower. Investors can therefore look to Denmark for indicators whether there is something rotten with the state of the global economy or not in the weeks and months ahead.

By **Russ Mould**
AJ Bell Investment Director

# Fund managers take stock of the retail sector after festive trading updates

The professionals give their thoughts on the industry



While the Christmas trading period was definitely challenging for the UK's retailers, the festive period didn't deliver the Armageddon scenario many commentators and analysts had expected.

But as the dust settles on the frenzied festive selling season, what do some fund managers make of the sector's performance and how have their perceptions of key stocks altered as a result?

Veteran stock picker Paul Mumford, manager of **TM Cavendish AIM Fund (B0JX3Z5)** and **TM Cavendish Opportunities Fund (B9F9Z98)**, says 'I've found retail to be a really good opportunity as the whole sector has been whacked back. The one we've added to recently is fashion retailer **Quiz (QUIZ:AIM)**.'

Quiz was forced on 11 January to downgrade earnings and revenue guidance for the second time in a matter of months following a tough Christmas. Mumford, with a contrarian style, sees it as an interesting growth company despite the negative news flow.

He is also interested in women's value retailer **Bonmarche (BON)** despite the fact its share price collapsed in December after reporting a terrible Black Friday sales week.

The fund manager draws comfort from an online offering that is 'doing reasonably well' and added to his position 'in a small way' following the profit warning-driven sell-off.

A more recent update saw the share price start to rise again as trading has been less bad than many feared and the retailer didn't have to downgrade earnings guidance again.

Alasdair McKinnon, manager of **The Scottish Investment Trust (SCIN)**, points out that many retailers didn't do well in the run-up to Christmas. He adds: 'However Christmas did arrive, albeit later than people had hoped for. The weaker players are going to go but the survivors, if you can identify them, should be in a good place.'

He remains a fan of **Tesco (TSCO)** which is benefiting from an increasingly competitive offer for shoppers and is on track to deliver 'quite an ambitious return to profitability'.

This optimistic view of Britain's biggest retailer is shared by Stephen Message, a fund manager at Legal & General Investment Management.

'The roll-out of the "Exclusively at Tesco" range is now virtually complete with a good rate of take-up among customers,' he says. 'It appears that progress is being made to address the previously highlighted issues in Thailand. We also take comfort that margin targets have been reaffirmed which should translate into further profit and dividend progression in the medium term.'

By **James Crux**
Funds and Investment Trusts Editor

# Chaos at Athelney Trust as boardroom coup doesn't go to plan

The old fund manager doesn't get his job back and the incumbent is voted off the board

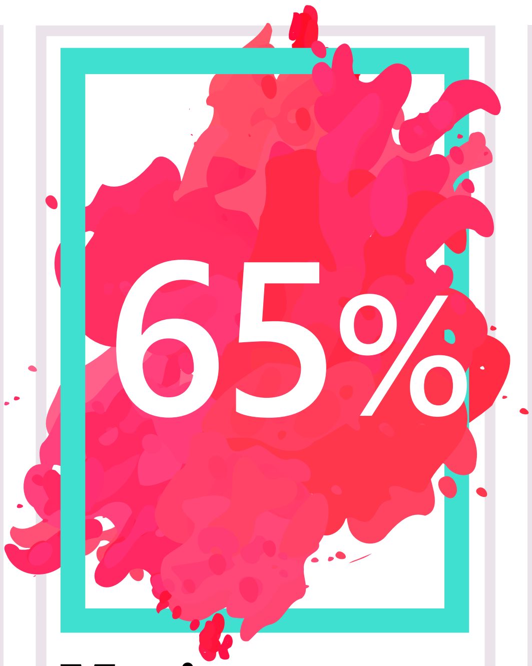
The boardroom fight at **Athelney Trust (ATY)** has resulted in chaos with multiple directors being given the boot, leaving shareholders wondering if the investment trust has a future.

Robin Boyle has failed in his attempt to be reinstated as a director and to run the investment trust portfolio.

The existing fund manager Manny Pohl has been voted off the board, so too chairman Simon Moore and two other directors.

Shareholders voted David Lawman and Paul Coffin on to the board on 22 January but the latter quit three days later.

Pohl has confirmed to *Shares* that he remains portfolio manager.




# Merian Chrysalis now 65% invested following 2018 IPO

The investment trust has taken various stakes in private growth companies

**Merian Chrysalis (MERI)** has now invested 65% of the £100m raised when it joined the stock market in November 2018.

The investment trust offers investors exposure to later-stage private growth companies.

Its portfolio now includes stakes in finance business Growth Street, artificial intelligence processor company Graphcore, and e-commerce expert The Hut Group.

# MedicX shares jump on Primary Health Properties tie-up

The two companies could enjoy economies of scale under a merger plan

Healthcare facilities investor **Primary Health Properties (PHP)** has unveiled plans to merge with sector peer **MedicX (MXF)**, although it really plays out as a takeover of the latter business.

By combining these two funds, which own and let community healthcare facilities (particularly GP surgeries) in the UK and Ireland, the enlarged business could theoretically reap the benefits of scale and MedicX shareholders could feasibly get more generous dividends than they have received in the past.

'MedicX has a highly complementary portfolio of healthcare centres, which will easily be subsumed into PHP's existing management structures,' says Stifel analyst John Cahill. 'Cost savings will total circa £4m per year (£3m per year released immediately, £1m per year post operational merger).'

# Are you really getting diversification from your funds and investment trusts?

We discuss ways to tell if there is an overlap in your portfolio

Diversification is widely considered to be an important part of investing. You should ensure your investments are spread across a variety of assets, in different sectors and a number of regions so one piece of negative news doesn't result in disproportionate damage to your portfolio. Achieving this is not always as easy as you may think.

Investors may assume that by selecting a range of funds or investment trusts across different sectors they will have achieved diversification within their portfolio.

This is not an unreasonable assumption but it may not be one which is correct. Many funds will have a degree of crossover, which may not be entirely obvious at first.

For example, if you have a global fund, a US fund and a mixed investment 40-85% shares fund in your portfolio, it is very likely they all have Apple, Alphabet and Amazon within their top 10 holdings – meaning you're effectively paying three different people to invest in the same stock and, worryingly, have inadvertently become dangerously overexposed to the fortunes of a handful of companies.

## UNDERSTANDING WHAT YOU ARE REALLY INVESTED IN

Anastasia Georgiou, director of product management at Morningstar, says: 'It's really important to be able to see what you are actually holding and where there is overlap. People think that because they have 15 funds in their portfolio they are automatically diversified but they don't see more than the top 10 holdings.'

For example, you might have an emerging markets investment trust and a FTSE 100 tracker in your portfolio, two seemingly very disparate investments. Yet both will have a very high exposure to the commodities sector, leaving you at risk if the oil price falls or there is a change in sentiment towards gold or copper.

Avoiding these pitfalls isn't easy. One of the main obstacles is that fund managers rarely reveal more than the top 10 holdings in their portfolio, making it difficult, if not impossible for investors to determine the full level of overlap between the various funds they hold. In addition, holdings which are detailed are generally at least four weeks out of date – although they may not have changed in that time.

Thomas MacMahon, senior

investment analyst at research group Kepler, says: 'Up-to-date full portfolio holdings are rarely made available to investors but you can learn a lot from the information usually included on the factsheets.'

## FOCUS ON THE FACTSHEET

A factsheet is indeed a good starting point when trying to ascertain how much overlap there is between your funds. The first thing to look at is the top 10 holdings list – obviously there is no point choosing two separate funds which share eight out of 10 of their largest investments as, in many cases, this list accounts for half of a fund's assets or even more.

A factsheet will also detail the fund or trust's allocation to different sectors such as financials, commodities or technology.

You might think your global fund is giving you access to a decent spread of different companies only to realise that it has 70% of its assets in the technology and telecoms sector, clashing somewhat with the racy technology fund you had specifically selected to provide that exposure.

Similarly, you will also find on a factsheet details of the fund's allocations to various countries. Again, you might reasonably assume a global fund will provide access to a range of regions only to discover it has 60% of its money in US-listed stocks, rendering your S&P 500 tracker unnecessary.

Macmahon says: 'Funds with very similar sector or country exposures will tend to behave in similar ways, irrespective of the stocks they pick. This is not a hard and fast truth but, in the absence of detailed information, is a good sense check.'

## AVOIDING BEING OVER-EXPOSED TO ONE AREA

If a fund does have a heavy exposure to a particular country or sector, that is not necessarily a problem, you just need to ensure that not all of your funds have the same bias, leaving you over-exposed to those areas.

MacMahon adds: 'The descriptions of a fund's style can also be informative. If two funds have objectives which discuss finding undervalued companies they are likely to both be value funds, which means they behave similarly even if the stocks they pick are different.'

To check your portfolio more closely, online tools can often be a help. Ratings service Morningstar has an X-Ray tool which analyses the level of overlaps between the funds you hold, helping to flag up if there are any stocks to which you are over-exposed and revealing the overall allocation to sectors and countries across your portfolio.

Georgiou says: 'It would be great if more fund companies made their websites more user-friendly to help investors; it is not always easy to see how a fund will fit into your portfolio.'

By **Holly Black**

**13 FEB 2019**

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During the event and afterwards over drinks, investors will have the chance to:

- **Discover new investment opportunities**
- **Get to know the companies better**
- **Talk with the company directors and other investors**

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### CORO ENERGY (CORO)
**Speaker: Andrew Dennan, CFO**
Coro Energy is an oil and gas exploration company focused on delivering long-term production of natural gas.

### DESTINY PHARMA (DEST)
**Speaker: Neil Clark, CEO**
Destiny Pharma is an innovative pharmaceutical company focused on the development of novel medicines.

### SERICA ENERGY (SQZ)
**Speaker: Mitch Flegg, CEO**
Serica Energy is a British independent upstream oil and gas company with operations focused on the UK North Sea.

### VOLITIONRX (VNRX)
**Speaker: Cameron Reynolds, President & CEO**
A multi-national company developing blood-based cancer tests to accurately diagnose a range of cancers.

### Event details
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**Presentations to start at 18:30**
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# INDEX

**KEY**

- **Main Market**
- **AIM**
- **Investment Trust**
- **Fund**
- **Exchange-Traded Fund**









## KEY ANNOUNCEMENTS OVER THE NEXT WEEK

### Full year results

**5 Feb**: BP, Ocado, RM. **6 Feb:** GlaxoSmithKline, **7 Feb:** Smith & Nephew.

### Half year results

**6 Feb:** Barratt Developments, Frontier Developments.

### Trading updates

**1 Feb:** Euromoney, TalkTalk. **5 Feb:** Mattioli Woods.
**6 Feb:** Electrocomponents, Severn Trent, Victrex.
**7 Feb:** Bellway, Compass, Cranswick, EI Group, Superdry, Tate & Lyle, Thomas Cook.


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