STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

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SHARES

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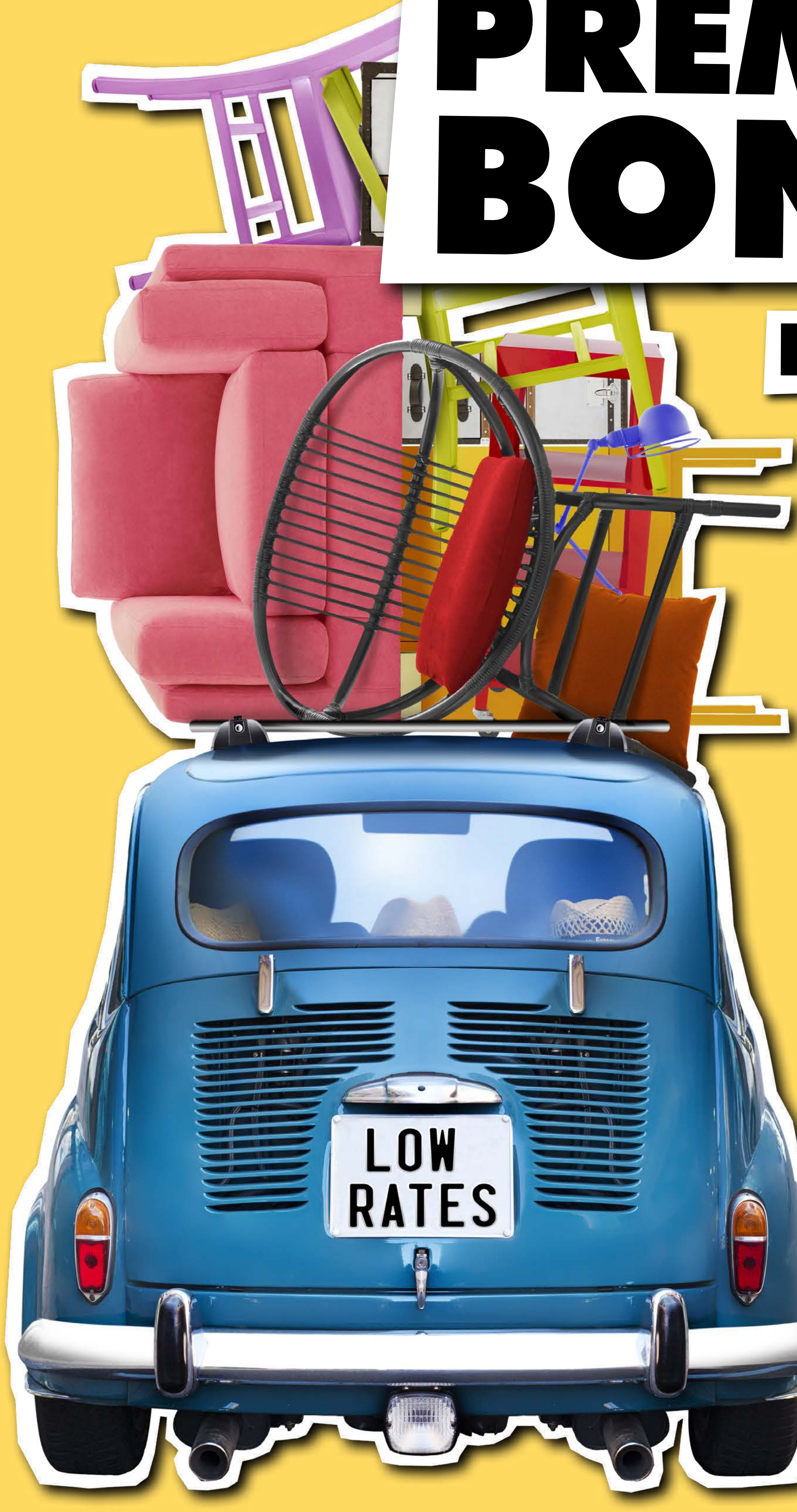

PREMIUM BONDS: IS IT TIME TO MOVE ON?

THE POPULAR SAVINGS VEHICLE OFFERS INFERIOR RETURNS

PLUS

WHAT SORT OF **RETURN** SHOULD YOU EXPECT FROM THE STOCK MARKET?

FUND MANAGER **NICK TRAIN** REVEALS HIS WINNING INVESTMENT FORMULA

USING JUNIOR ISAS TO SAVE FOR **UNIVERSITY FEES**

Share buybacks return to the spotlight

Sony makes its debut and two US Senators call for a buyback clampdown

Japan has become more shareholder-friendly over the past few years with companies handing back spare cash via higher dividends. This process has naturally extended to share buybacks, as evidenced last week by Sony declaring its first ever buyback.

Although Sony's actions boosted its share price, buybacks polarise investors for several reasons.

WHY DO COMPANIES PURCHASE THEIR OWN SHARES?

Companies which generate cash typically reinvest that money in their business. Any excess cash is often returned to shareholders in the form of dividends or share buybacks. The latter can involve a tender offer where shareholders apply to sell some of their holding to the company, or the company simply buys stock in the market.

WHAT ARE THE PROS OF BUYBACKS?

Investors who hold shares outside of a tax-efficient wrapper like an ISA would pay less tax on selling their shares via a buyback than they would from receiving the cash as a dividend.

UK residents on the higher-rate tax band would pay 20% above their £11,700 annual allowance for capital gains (i.e. selling shares at a profit) versus 32.5% above their £2,000 annual allowance for dividends. The downside is that not everyone wants to give up some or all of their investment by selling.

A company announcing a share buyback effectively becomes an active buyer in the market, potentially pushing up the share price as long as investors don't all rush to flog their stock.

Cancelling stock acquired through buybacks means that remaining shareholder should be entitled to a bigger share of any dividends in the future.

WHAT ARE THE CONS OF BUYBACKS?

Buying back shares for cancellation also artificially improves earnings per share as the number of shares in issue is reduced. Management bonuses and stock option awards are often linked to earnings per share – undertaking a buyback can be an easy way to hit the target.

It is possible that companies underestimate ways in which they can reinvest cash to improve business efficiency longer-term. While buybacks can reverse a falling share price, a company should base its decisions on the strategy of the business, not a share price. They may be better off spending that cash internally where the longer-term benefits could ultimately reward shareholders.

However, there is a risk that companies fail to generate decent returns off such investment which would be negative for shareholders.

POLITICAL PRESSURE

Tax cuts in the US have fuelled a spate of share buybacks. Critics say firms would be better off reinvesting the tax savings in their business as it could help boost the economy.

Senators Chuck Schumer and Bernie Sanders, both Democrats, last week proposed limiting the ability of corporations to buy back stock and suggested possible changes in the tax treatment of investments. Historically buybacks were discouraged by the Federal government – until changes in 1982 when regulations were loosened by the Securities and Exchange Commission.

While we could debate this subject matter across a much longer article, what truly matters for shareholders is that companies give deep thought to how they spend their spare cash and not simply do buybacks because that's in fashion or for management's personal gain.

By **Daniel Coatsworth** Editor

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High street lenders to reveal mixed fortunes

We preview the upcoming full year numbers from the banking sector

Britain's big three high-street lenders are due to update the market on full year trading this month with **Royal Bank of Scotland (RBS)** first to report on 15 February.

Expectations are high with analysts forecasting a doubling of net earnings from £752m in 2017 to £1.58bn in 2018 according to Thomson Reuters.

There are also high hopes that the bank will announce a special dividend along with a deal to buy back up to £1.5bn of its shares from the Government.

The Treasury owns 62% of RBS shares with a market value of c£18bn while estimates put the bank's potential surplus capital at around £7bn.

It is open for debate whether the Government will sell at these levels as its break-even price is 500p per share against 239p at the time of writing.

Investors will also be on the look-out for further Brexit provisions after the bank surprised the market with £100m of charges in the third quarter.

There is unlikely to be much good news on overall trading as the UK mortgage market remains intensely competitive.

Last week Nationwide building society reported a sharp drop in profit as margins were squeezed by what chief executive Joe Garner described as 'quite a bit of over-supply' in the mortgage market.

Similarly, at the end of January Santander UK flagged that its net interest margin fell due to lower margins on new mortgages as customers come off variable rates and lock in cheaper deals.

Next week rivals **Lloyds Banking (LLOY)** and **Barclays (BARC)** report their full year earnings with the market expecting £4.2bn of net profit at Lloyds and £1.7bn of profit at Barclays.

Lloyds has suggested that its margins are fairly stable so the focus is likely to be on special dividends or buybacks.

Barclays' results will hang on the performance of its investment banking business and if results from its US and European peers are a guide they could be ugly.

According to Shore Capital's Gary Greenwood, fourth quarter trading revenue in fixed income, commodities and currencies were down around 20% for Barclays' listed US rivals.

French rivals BNP Paribas and Societe Generale both cut their full year forecasts after trading profits fell sharply last quarter.

By **Ian Conway** Senior Reporter

Royal Bank of Scotland

REPORTS
FRIDAY 15 FEBRUARY

Watch for:
Net interest margins, Brexit provisions, buy back or special dividend

Lloyds

REPORTS
WEDNESDAY 20 FEBRUARY

Watch for:
Specials dividends, share buy backs

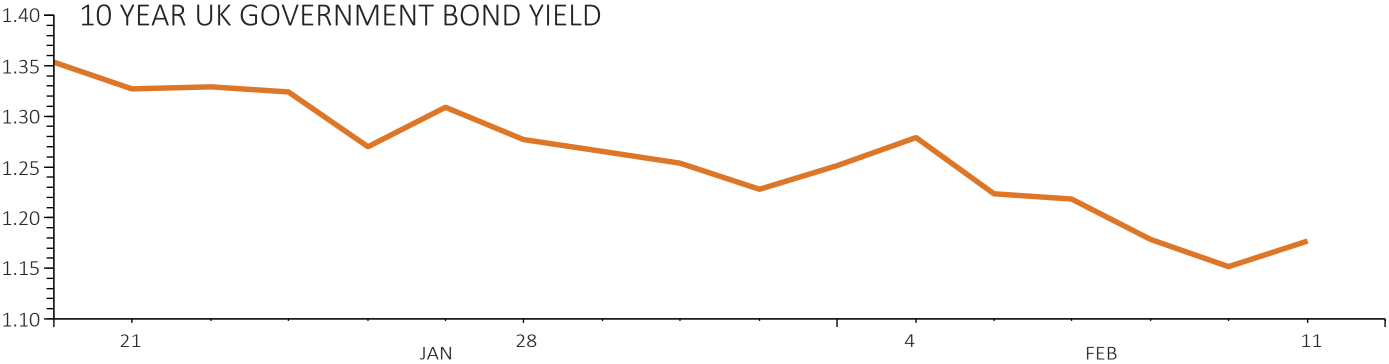
Barclays

REPORTS
THURSDAY 21 FEBRUARY

Watch for:
Investment banking profits

The latest on the UK economy and rates as Brexit remains up in the air

Movements in the bond market suggest UK rate expectations are being dialled back



As we write there seems little prospect of the fog of uncertainty created by Brexit clearing. This uncertainty appears to be the main culprit behind the UK economy contracting at the end of 2018 and against this backdrop investor expectations for an interest rate rise from the Bank of England any time soon are receding.

This has been reflected in falling yields and rising prices of UK Government bonds (also known as gilts). The market is clearly ignoring warnings from the Bank of England's governor Mark Carney that rates might need to be hiked in a no-deal Brexit scenario to protect the value of the pound and are perhaps instead expecting a wave of bond-buying to stimulate the economy.

The latest UK GDP figures for December and the fourth quarter appeared to show businesses putting their investment plans on hold while they await some clarity on what shape the UK's exit from the European Union might take. Investment dulled 0.5% quarter-on-quarter in the last three months of the year.

Growth in 2018 as a whole came in at 1.4%, down from 1.8% in 2017, the worst performance in six years.

In December the economy shrank month-on-month by 0.4%. However, consumer spending was stable, offering a glimmer of hope.

Howard Archer, chief economic advisor to the EY ITEM Club, an economic forecasting group, says: 'Major uncertainty would likely be fuelled by a "no-deal" Brexit, negatively impacting business sentiment and investment, as well as affecting consumers. However, it must be remembered that consumer spending proved resilient in the aftermath of the June 2016 referendum vote.'

Prime Minister Theresa May updated parliament about Brexit negotiations on 12 February, saying she still believes it is possible to get a deal that MPs can support.

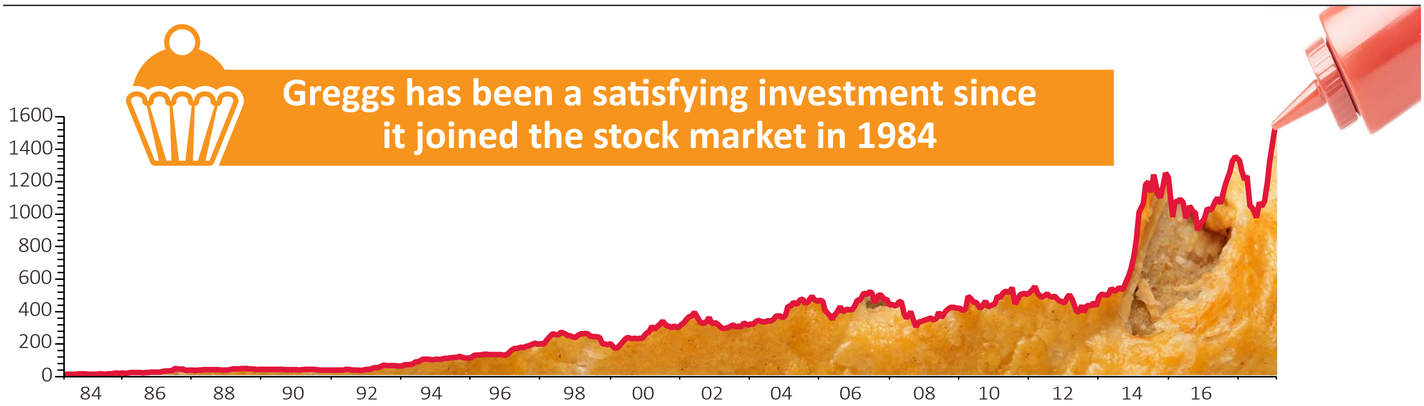
If no new legislation is introduced the UK will leave the EU on 29 March and around the beginning of February investment bank Goldman Sachs increased its assessed chances of the UK crashing out without a deal from 10% to 15%.

Anything but a no-deal outcome could see a flood of investment and boost currently out-of-favour UK assets for which the best barometers are probably the pound, the FTSE 250 index and sectors such as housebuilding and banking.

By **Tom Sieber** Deputy Editor

Greggs is no longer good value as shares hit record high

Food retailer will have to keep issuing very strong news to sustain the share price momentum



Shares in food retailer **Greggs (GRG)** have hit an all-time high of £16.06, helped by a bullish trading update in January and investors keen to own a business on a roll.

Management flagged 'good sales momentum and operational execution' at the start of 2019. Greggs offers appeal on both the growth and income front and we expect trading has remained strong. The launch of the vegan-friendly sausage roll may have even provided a modest publicity boost for the broader business.

Sadly we believe all the good news is now in the price and the shares no longer offer compelling value. Several analysts from investment banks Berenberg and UBS also share our view.

The shares currently trade on 22 times forecast earnings for 2019 which looks too rich for a traditional bricks and mortar retailer.

Greggs will have to produce a few positive surprises in its full year results on 7 March if it is to sustain the upward share price momentum.

Berenberg argues the current strong trading is fairly reflected in the valuation, 'especially given that free cash flow is likely to remain relatively limited this year'. Besides growing its store estate, Greggs is undergoing a significant supply chain investment programme.

Risk-averse investors should also bear in mind that same-store sales comparatives will become tougher in the second half of 2019. Last year saw the first quarter impacted by poor weather before a reacceleration in like-for-like growth in the second half.

And while Greggs is successfully shifting its exposure away from shopping locations towards work and travel, it still has material exposure to the embattled high street and faces intense competition in a crowded UK food-on-the-go market.

We rate Greggs as a fine business and one which still has considerable growth potential. For example, it is interesting to note that coffee sales are doing very well with Greggs 'leading competitors on value-for-money perception', says UBS.

Unfortunately we don't think the shares are value-for-money at the current price, so anyone seeking to invest should wait until the valuation drops back before having a bite.

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

Plus500, TUI, William Hill and other recent news

We look at some of the week's key announcements and share price movers

Trading platform **Plus500 (PLUS)** lost nearly a third of its value earlier this week after issuing a major profit warning.

Several companies in its peer group had already flagged up the impact from tighter regulation, particularly in their marketing to ordinary punters. Yet Plus500 had managed to keep saying that its earnings would beat expectations.

That run came to a juddering halt on 12 February when it warned 2019 revenue and profit would fall short of expectations thanks to the stricter rules, prompting analysts to slash their earnings and dividend forecasts.

TUI and Thomas Cook both had a turbulent week

TRAVEL AGENTS OUT OF FAVOUR

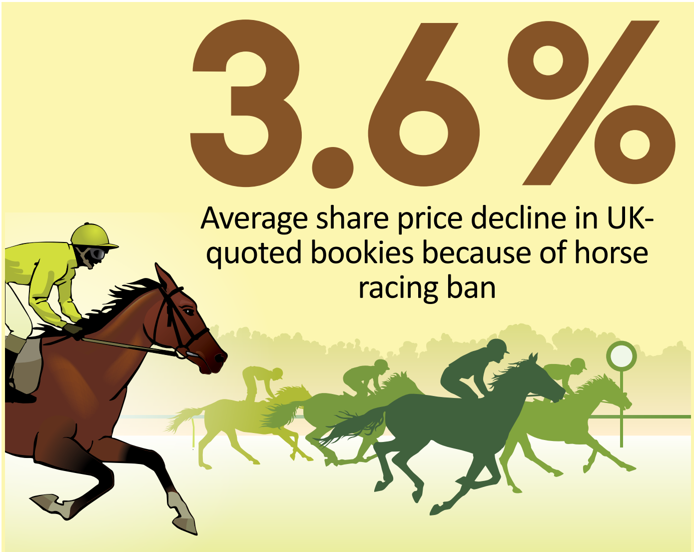
Shares in travel agents **Thomas Cook (TCG)** and **TUI (TUI)** took another hit amid questions about strategy from the former and a profit warning from the latter.

News of Thomas Cook undertaking a strategic review of its airline division was initially welcomed by the market until analysts questioned whether the decision was in shareholders' best interests.

TUI downgraded earnings guidance because summer bookings have been made at lower margins than last year.

Elsewhere, a week-long suspension of horse racing in Britain after a flu outbreak caused tremors among bookmakers.

It triggered an average 3.6% share price decline in **William Hill (WMH)**, **Paddy Power Betfair (PPB)** and **GVC (GVC)** up until confirmation on 12 February that the suspension would be lifted the following day.



WHAT'S GOING ON WITH ACCESSO?

Ticketing technology firm **Accesso (ACSO:AIM)** has seen its share price more than halve in the past week after a trading update revealed a review of investment priorities and that executive chairman Tom Burnet would shift to a non-executive director role, leaving investors confused as to what might be going on.

We flagged Accesso as a *Great Idea* on 11 October 2018 at £23.60 but our £18.80 stop loss was triggered in early November amid continued weakness across global markets. That meant we only incurred a small loss compared to the damage that would have been caused by holding on to the shares, now trading at 745p.

By **Tom Sieber and Lisa-Marie Janes**

Getting out of brewing is the correct decision for pub firm Fuller's

The company can now have a tighter focus with plenty of cash to grow

Pub operator **Fuller, Smith & Turner (FSTA)** is in an interesting position strategically as it will soon have a large amount of cash to help expand its estate of pubs and accommodation.

The £250m disposal of its beer business to Japan's Asahi will leave it focused on properties to sell beer, rather than making and distributing it.

While culturally it may seem odd as the Fuller's brand has been synonymous with brewing for years, it actually removes a big distraction for management.

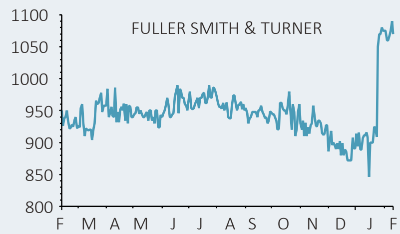
Brewing has become an ultra-competitive industry with global brewers benefiting from material economies of scale. The fast-growth trend for craft beer has also seen significant numbers of brewery start-ups. Poor old Fuller's has been stuck in the middle, leaving it struggling to add value.

Fortunately it has a much stronger position in the pubs sector where it has proved capable of developing and acquiring high-quality, premium pubs and serving up punters with tasty fresh food.

The lion's share (87%) of group operating profit is currently generated by its pubs and hotels and having a new slug of cash provides significant opportunity to go out and buy more sites.

FULLER, SMITH & TURNER ↗ BUY
(FSTA) £10.70
Stop loss: 800p

Market cap: £349m



'We think it is just the beginning given Fuller's is now in a position to deploy north of £150m on acquiring premium pubs in affluent locations over the coming years,' comments Berenberg analyst Owen Shirley.

The proceeds from the brewery sale – a deal which looks incredibly generous with Asahi paying top-price to secure the assets – will also help to reduce borrowings, enhance the pension scheme and give shareholders a nice present too.

Shirley says the pub operator's net debt/EBITDA (earnings before interest, tax, depreciation and amortisation) ratio will fall from around 3.0-times at the moment to a more comfortable 1.1-times by the end of its next financial year which runs to March 2020.

Fuller's says shareholders should expect between 100p and 125p special dividend as their share of the disposal proceeds.

Don't be put off by a 15% share price jump since the Asahi deal was announced. We think the shares still have a lot more to travel, particularly once management put the new cash to work.

You'll need to be patient as the transaction isn't expected to complete until later this year.

By **Lisa-Marie Janes**
Reporter

To know local companies, keep local company.

LET'S TALK HOW.

FIDELITY CHINA SPECIAL SITUATIONS PLC

China is changing, presenting significant investment opportunities for those who know where to look.

Why? Well, the spending power of a growing and affluent middle class is increasingly driving the economy. And government reforms support this shift to a focus on the new consumer.

In such a vast and complex market, you need on-the-ground expertise to take full advantage of these changes and the resulting undervaluations, particularly of small and medium-sized companies, which can occur.

That's why Dale Nicholls, manager of Fidelity China Special Situations, and his team of researchers are based in Hong Kong and Shanghai. Their local knowledge and connections make them well-placed to identify and benefit from valuation anomalies as they arise.

So, if you're looking for local knowledge-based investment in a market that's too big to ignore, take a closer look at the UK's largest China investment trust.

MONEY OBSERVER RATED FUND 2018

ELITE FUND rated by FundCalibre.com

PAST PERFORMANCE

	Oct 13 – Oct 14	Oct 14 – Oct 15	Oct 15 – Oct 16	Oct 16 – Oct 17	Oct 17 – Oct 18
Fidelity China Special Situations Net Asset Value	**26.5%**	**13.4%**	**42.1%**	**22.5%**	**-19.2%**
Fidelity China Special Situations Share Price	**20.2%**	**12.1%**	**43.0%**	**24.2%**	**-17.8%**
MSCI China	**6.9%**	**2.9%**	**28.5%**	**29.7%**	**-13.5%**

Past performance is not a reliable indicator of future returns. Source: Morningstar as at 31.10.18, bid-bid, net income reinvested. ©2018 Morningstar Inc. All Rights Reserved. The comparative index of the Investment Trust is MSCI China.

Past performance is not a reliable indicator of future returns. The value of investments can go down as well as up and you may not get back the amount you invested. Overseas investments are subject to currency fluctuations. Investments in small and emerging markets can be more volatile than other overseas markets. The shares in the investment trust are listed on the London Stock Exchange and their price is affected by supply and demand. The investment trust can gain additional exposure to the market, known as gearing, potentially increasing volatility. This trust invests more heavily than others in smaller companies, which can carry a higher risk because their share prices may be more volatile than those of larger companies.

To find out more, go to fidelity.co.uk/china or speak to your adviser.

Fidelity™ INTERNATIONAL

DiscoverIE is boosting margins by targeting higher return areas

There could be significant upside as niche electronics engineer pulls its growth levers

We like the effort to secure higher value business at electronics engineer **DiscoverIE (DSCV)**. This used to be a fairly simple distributor of parts and components in the industry and today around 40% of revenue still comes from long-run contracts to supply bits of kit.

But that is where the company has come from, not where it is going. During the past few years it has made a deliberate attempt to design and supply bespoke pieces of equipment to highly regulated industries.

Think medical, aerospace, transport and renewables. Equipment includes aspects like blade controls for wind turbines, artificial intelligence-based telematics and connectivity components, sensing and power systems.

It is a strategy that looks sensible and one that, presuming all goes to plan, could prove very profitable for the company and its shareholders. These are sectors where equipment needs to be high-performance, reliable, efficient and regulations compliant, and that should mean increased profit margins and higher barriers to entry.

Because much of its income still comes from plain distribution it means that operating profit margins are starting from a low base, about 6.3% in the year to 31 March 2018, but have scope to rise fairly quickly.

DISCOVERIE BUY
(DSCV) 406p
Stop loss: 325p

Market cap: £298m

Analysts estimate at least 7% in the current financial year, and on to 8.5% targeted by the company over the next couple of years.

To put that into context, on 8.5% operating margins last year, DiscoverIE's operating profit would have sailed in at around £33m instead of the £24.5m reported. Encouragingly, margins were running at 6.8% during the six months to 30 September 2018.

ENCOURAGING PROGRESS

Progress is cracking on at an encouraging pace. Organic revenue was up 10% in the third quarter to 31 December 2018.

Acquisitions potentially bring ready-made new clients in suitable vertical markets that also allow a level of cross-selling.

Acquisitions are also likely to help meet the company's ambitions to grow revenue from outside of Europe.

Dividend forecasts imply a payout of about 10p this year for a decent 2.5% income yield that is outstripping inflation (2.1% at the last ONS count in December). DiscoverIE is also generating lots of cash flow (converting 84% of operating profit into cash), allowing net debt of £62.6m to be paid down over time.

Execution is key and that's where problems could arise if management take their eyes off the ball, but there has been little sign of that so far.

A global economic downturn could also spell trouble. Yet these risks look priced in on a March 2020 price-to-earnings multiple of about 14.5 for double-digit underlying growth and scope for earnings to expand even faster.

By **Steven Frazer**
News Editor

ON THE BEACH
(OTB) 447p

Gain to date: 23.5%
Original entry point:
Buy at 362p, 20 December 2018

BEACH HOLIDAY RETAILER **On The Beach (OTB)** has delivered 20% growth in UK sales (after marketing spend) in the first four months of its financial year, running to 31 January. That run-rate is ahead of the 14% forecast for the full year by investment bank Berenberg.

The company has benefited from strong mobile traffic and conversion growth as more people are buying holidays on its site.

On The Beach also says it is driving an increasing proportion of sales into its top selling and more exclusive hotel product.

Efforts to tap into the long-haul market have seen the company complete its technical link to the Emirates flight system. It plans to hook up to more carriers including British Airways and Turkish Airlines as the year progresses, says Berenberg.

Strategically this could prove to be very important for On The Beach as long-haul packages sell for about twice as much as short-haul ones and there are an estimated 3m passengers per year opting for such holidays, says Berenberg. That compares with 12m passengers in the short-haul market.

Next month will see the launch of its online booking portal Classic Package Holidays for exclusive use by travel agents, capitalising on the acquisition of Classic Collection Holidays last year.

SHARES SAYS: ↗
Keep buying.

EXPERIAN
(EXPN) £20.00

Gain to date: 7%
Original entry point:
Buy at £18.69, 9 August 2018

CREDIT DATA EXPERT **Experian (EXPN)** is one of those companies which quietly gets on with the job. For investors that means it is a stock you can comfortably own and not worry about on a daily basis.

Having said to buy the shares last August at £18.69, Experian now trades 7% higher. In fact, last week the shares hit an all-time high of £20.04.

A trading update on 17 January showed a continuation of its strong performance with 9% organic revenue growth in the third quarter at constant exchange rates. That was slightly better than analyst forecasts of 8% growth. Investment bank UBS says the 9% growth rate in the third quarter was Experian's best since 2013.

North America trading was very good with new products being a hit with customers. There was also strong credit volumes in its business-to-business arm. And it looks as if the outlook is getting better for its Latin American operations, judging by the commentary in its trading update.

The next big catalyst for the share price will be full year results on 15 May. Analysts expect $1.2bn pre-tax profit for the year, rising to $1.33bn in 2020 and $1.48bn in 2021.

SHARES SAYS: ↗
This is one to tuck away for the long-term. Keep buying.

LOK'N STORE
(LOK:AIM) 447p

Gain to date: 10.4%
Original entry point:
Buy at 405p, 26 April 2018

STORING PEOPLE'S EXCESS stuff when they move seems a simple business model. Sure enough, self-storage play **Lok'n Store (LOK:AIM)** has delivered a solid return since we added it to the *Great Ideas* portfolio in April 2018.

On 11 February it reported a robust first half trading performance, with sales up 9.2%, the fastest rate of growth since 2015. Occupancy was up 8% and prices were up 1.4%.

The company also announced the £7.6m sale of its document storage business at the beginning of February which will allow the company to focus on its self-storage expansion plans.

Its recently-opened stores in Dover and Cardiff are performing well and as chief executive Andrew Jacobs observes the fixed cost nature of these stores means revenue growth will drop through on the earnings side and help support dividends.

Broker FinnCap observes: 'Self-storage peers are valued at a 40% premium to latest historic net asset value (NAV). Lok'nStore is valued at a 12% discount to its July 2018 NAV.

'Alongside our forecast of faster EBITDA (earnings before interest, tax, depreciation and amortisation) growth than its peers, we continue to view this as a very attractive buying opportunity'.

SHARES SAYS:
We remain fans of the company and its growth strategy. Keep buying.

GB GROUP
(GBG:AIM) 425p

Gain to date: 0.6%
Original entry point:
Buy at 422.5p, 20 December 2018

DATA SECURITY SPECIALIST **GB Group (GBG:AIM)** has struck a deal to buy IDology, a private US company which provides identity verification and fraud detection services.

GBG is paying an enterprise value of £233m which it is financing through a combination of £160m raised through a new share placing and £84m in debt from existing bank facilities.

The deal enables GBG to expand quickly into North America which is a key growth market.

Also, while its strengthens the UK firm's product base, the IDology acquisition opens up 'immediate up-sell opportunities'.

As IDology is unquoted there is no premium as such but in the year to December the US company generated earnings before interest, tax, depreciation and amortisation (EBITDA) of $16.3m.

This means GB Group is paying 18.5 times EBITDA for the firm which seems steep but it is a fast-growing business with an EBITDA margin of over 40%.

Management stress that IDology is 'highly synergistic' with GB and will add to earnings in its first full year as part of the group.

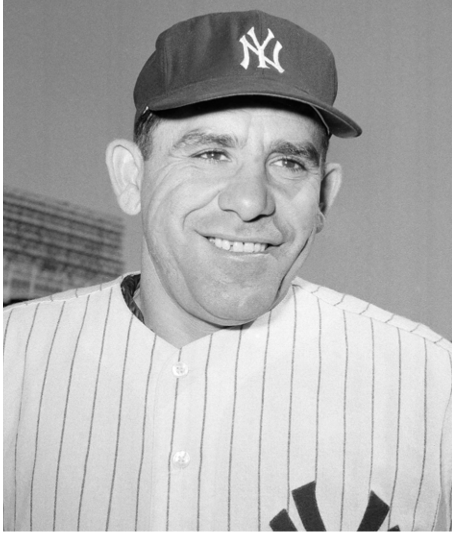
Shareholders seem to have taken the high multiple and the capital increase in the stride as the shares were barely changed at 425p on the announcement.

SHARES SAYS:
The acquisition price looks a bit excessive but strategically this looks like a good move. Stick with the shares.

What sort of annual return should you expect from the stock market?

We explain what is meant by the 'risk-free rate' and the 'equity risk premium'

> **It's tough to make predictions, especially about the future**
>
> **Yogi Berra, 18-time All-Star baseball player**



At the end of every year the great and the good of financial markets give their forecasts of where the FTSE 100 and other major indices will be in 12 months' time.

It's a fruitless exercise because no-one can consistently forecast how much markets are going to gain or lose.

As the legendary baseball player Yogi Berra said, it's tough to make predictions, especially about the future.

Not only that, if you could reliably predict exactly what markets were going to do you wouldn't go round telling everyone else.

HOW MUCH CAN YOU AFFORD TO LOSE?

Not to put too fine a point on it, if you invest in the stock market you have to be prepared to take losses from time to time.

If you don't like risk, you can leave your money in the bank or you can put it in government bonds.

Neither will generate the kind of long-term returns you can get from the stock market but then you aren't taking any risk. This is what people mean when they refer to the 'risk-free rate of return'.

GOVERNMENT BONDS ARE THE SAFEST FORM OF INVESTMENT

UK government bonds, also known as gilts after the gilt edges on the original certificates, have the lowest risk as the government is unlikely to default and not pay back its borrowings.

If it can't pay you back out of its own pocket, it will issue some more gilts and pay you with those.

As long as nobody questions the government's ability to repay its debts, it can keep rolling them over indefinitely.

Since the middle of 2016 gilts have yielded between 1% and 1.5% and the current yield on the 15-year gilt is 1.5%, so one can consider this to be our risk-free rate of return.

To invest in anything other than gilts, be it corporate bonds or shares, the returns have to be higher than the risk-free rate. The question is how much higher should the return be to justify the risk?

THE RISK PREMIUM ON SHARES IS HIGHER THAN BONDS

If you buy the corporate bonds of a multi-national company like **Unilever (ULVR)**, there is a small risk that the company might not repay them.

Unilever has the best possible credit rating for a corporate borrower and the outlook is 'stable', according to credit agencies, which means it isn't going to be cut in the near future.

A year ago it issued €800m of bonds with a 15-year maturity and a 'coupon' or yield of 1.625%.

That is a very small 'risk

RETURN COMPARISONS

	Yield	Bond risk premium	Equity risk premium	Total	Compound annual growth rate*
Gilts	1.5%	N/A	N/A	1.5%	3.3%
Unilever bonds 2033	1.6%	0.1%	N/A	1.6%	N/A
Unilever shares	3.3%	N/A	4.0%	8.8%	9.0%
Micro Focus shares	5.0%	N/A	15.0%	21.5%	24.5%

Source: Refinitiv, Shares
*10 Years to 31/12/18

premium' over gilts but it reflects the fact that making packaged goods is quite a low-risk business and that Unilever has an excellent credit history.

Assuming the bonds never change in price then the yield would stay at 1.625% each year until they expire, which is hardly compelling.

On the other hand Unilever's shares yield 3.25% and if its share price stays where it is for 15 years you would get more than double the return on the bonds thanks to compounding. However it is unthinkable that Unilever shares won't move at all for 15 years.

Therefore, while packaged foods is a fairly low-risk business, investors still have a right to expect a better return than gilts to compensate them for the risk of buying shares.

In the case of Unilever the risk premium doesn't need to be huge and is likely to be in line with the premium on similar companies such as Proctor & Gamble.

A reasonable guess would be 3% to 4% over the 'risk-free rate' so investors ought to think of Unilever in terms of its ability to deliver say a 5% annual return plus dividends of 3% to 4%.

In fact over the 10 years to 31 December 2018 Unilever's share price had risen at a compound annual growth rate (CAGR) of 9% on average, which is in line with our thinking.

EQUITY RISK DEPENDS ON THE BUSINESS RISK

At the other end of the spectrum is high-growth software business **Micro Focus (MCRO)** which it could be argued is much riskier than Unilever and therefore deserves a far higher equity risk premium.

Customers could desert, its products and services might be superseded by a bigger rival, or management might execute their strategy poorly.

Although the shares yield close to 5%, to invest in this kind of business investors are going to want a much higher return on their money.

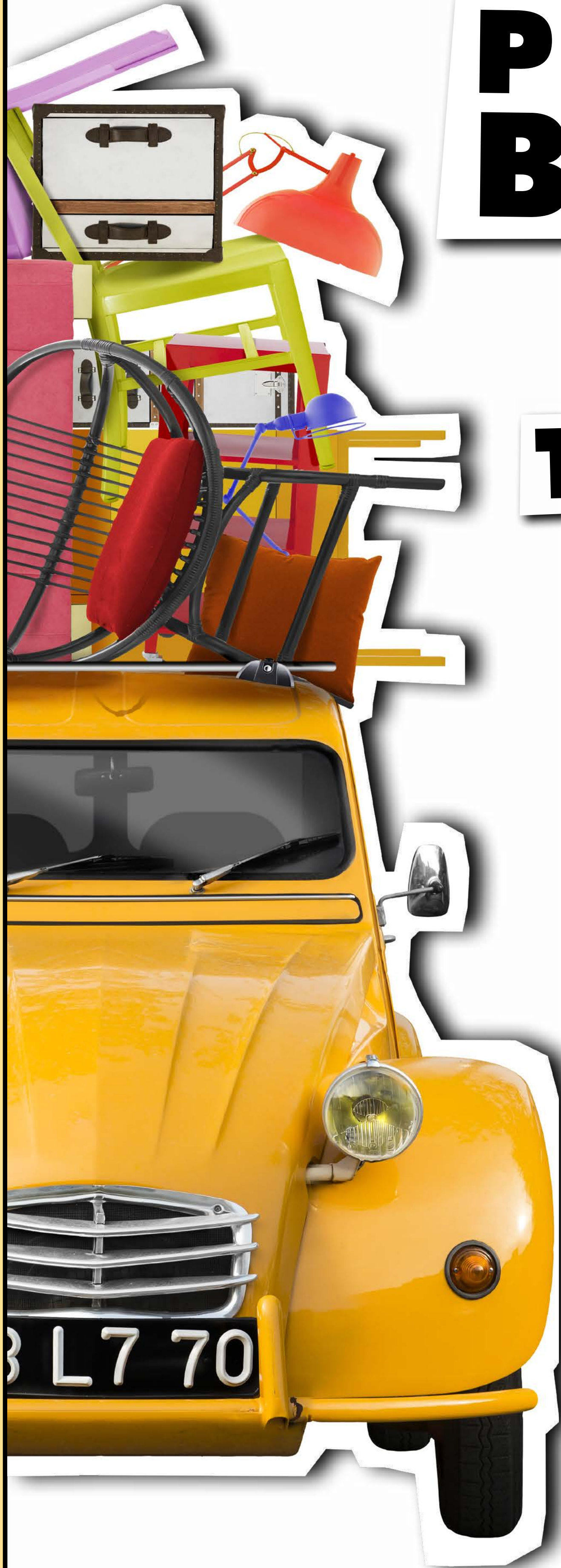
Just how much riskier the business is and therefore how much higher the return should be are impossible to calculate, but if we said an appropriate risk premium for Micro Focus was 15% it wouldn't be that wide off the mark.

Over the 10 years to 31 December 2018 the share price of Micro Focus had risen at a CAGR of 24.5% which is not that far from our best guess of 15% plus 5% of dividends plus the 1.5% risk-free rate.

There are no hard and fast rules for working out the risk premium but knowing what the business does and what its shares have done is a good starting point.

Generally speaking, the riskier the business the higher return you should expect for investing in it.

By **Ian Conway**
Senior Reporter



PREMIUM BONDS: IS IT TIME TO MOVE ON?

THE POPULAR SAVINGS VEHICLE OFFERS INFERIOR RETURNS

National Savings & Investment (NS&I) has just cut the minimum investment into Premium Bonds to encourage more investors to put money into one of the UK's most popular savings vehicles. It wants to attract £9bn of new investment into its savings products. Are Premium Bonds outdated or a valid investment in the current environment?

Unlike the soda fountains and drive-in movies of the 1950s, Premium Bonds have boasted enduring popularity since their launch in 1956: more than £78bn is held in them today by 21m savers.

But we believe they should largely be left behind like other relics of the past. The long-term returns from other asset classes, as we discuss in this article, have been significantly better.

While there is no harm in holding on to existing Premium Bonds or even buying a few here and there with spare cash, they should definitely not be a mainstay of your investment portfolio.

WHAT ARE PREMIUM BONDS?

Premium Bonds are issued by NS&I and backed by HM Treasury. You can buy bonds for £1 each, now with the new, lower minimum investment of £25.

An important point to remember is that Premium Bonds are literally a lottery. They don't earn interest. Instead, each bond has a unique number which is placed into a monthly draw where you can win prizes from £25 to a £1m jackpot.

NS&I says its annual prize fund rate is 1.4%. For every £10 of Premium Bonds sold, it pays out 14p in prizes. The odds of winning a prize for each £1 bond are 24,500:1 but the more you own, the greater your chances.

Prizes are exempt from income tax and capital gains tax. This used to be a big selling point, but it's less of a draw since the introduction of ISAs and more recently the personal savings allowance.

That's because the latter allowance lets basic rate taxpayers earn £1,000 of interest tax-free, and for most people – 95% in fact – that's a generous enough allowance for them not to have to pay any tax on their savings.

The tax-free element of Premium Bonds is really only useful for a small minority with very large savings pots. NS&I says 2.3% of Premium Bond holders have the maximum allowed £50,000 invested in them.

Because Premium Bonds are Government-backed, they are protected, but this isn't much of a bonus either – the Financial Services Compensation Scheme protects deposits up to £85,000 anyway, more than the maximum you can hold in Premium Bonds.

1.4%
PRIZE FUND RATE FROM PREMIUM BONDS

WHO BUYS THEM?

So, who's buying them? A lot of us, apparently: NS&I says one in three people in the UK holds Premium Bonds.

They have traditionally been popular among grandparents wanting to gift them to grandchildren, and this is still the case. Previously only available to buy for others via post, NS&I made Premium Bonds available to buy online on behalf of grandchildren in August 2018.

Since then, 44,000 grandparents have bought them, with 26,000 of these buying online. Under-16s own £1.1bn in Premium Bonds, NS&I says. From March, anyone will be able to buy them for children under 16, opening them up to godparents and great aunties as well as parents and grandparents, so this number is set to rise.

HOW DO THE RETURNS STACK UP?

The 1.4% prize fund rate is better than the rate on many cash savings accounts at the moment – the average rate on a one-year fixed ISA reached a three-year high of 1.35% in January, according to Moneyfacts.

The problem is that the Premium Bond rate isn't guaranteed, you could be unlucky and win nothing at all. It also lags inflation which is currently running at 2.1%, meaning the real value (or the purchasing power) of your savings would be eroded over time.

Looking back at data since 2000 covering returns from the major asset classes, the best place to put your money would have been in gold, for a compound annual growth rate of 8%. UK gilts would have given you 5% a year, global equities (using the MSCI World with dividends reinvested) would have given you 4.5%, while inflation averaged 2% a year over that time. Meanwhile, your house would have been going up in value at an average rate of 6.4% a year over the same period.

PREMIUM BOND PRIZES AWARDED EVERY MONTH

COULD THIS CHANGE?

Cleary, in comparison, Premium Bonds do not offer a great rate, but they could be set to rise. Premium Bonds paid out a record number of times last year, with winnings totalling £1bn, because they attracted a lot of new investment. The prize pot is funded by interest on the bonds, so more prizes are paid out the more bonds are sold.

The Government quietly slipped in some changes to Premium Bonds in the 2018 Budget. It raised the net financing target from £6bn to £9bn, meaning the amount of money people will be encouraged to put into NS&I products including Premium Bonds.

This means the bonds could start to offer more generous payouts to attract enough investment to meet that target.

Lowland Financial's managing director Graeme Mitchell says he sometimes recommends Premium Bonds to clients in the place of cash ISAs. He notes there's a slim chance of winning the £1m jackpot, but even if you win a few small prizes, you could still beat the return available on cash.

'If you stick £25,000 in you may win a prize, it might just be £25 but it adds up. Say you got £300 over the course of a year, that's about a 1% return,' says Mitchell.

'There is no risk, it is Government-backed, you've got absolute safety with the potential and the fun of seeing whether you win each month. You can get your money out within 10 days so it is accessible, and there is a £50,000 limit which should tide most people over in terms of cash reserves.

'They are a very viable alternative to cash ISAs. If interest rates rise you might find cash ISAs become more appealing but then Premium Bond rates may go up too.'

REMEMBER THE 'OPPORTUNITY COST'

Neil Liversidge managing director of advice firm West Riding Personal Financial Solutions, says there is an opportunity cost to owning Premium Bonds because the odds of winning are low, and you could instead give your savings a chance of growing much more substantially by investing them in the stock market. 'Personally, I don't own any but if I did I wouldn't hold more than £100 worth. You might get very lucky but, statistically, you won't, and the opportunity cost for me is unacceptable.'

He says the interest rates on Premium Bonds, cash savings accounts and cash ISAs are generally low so there isn't much to choose between them. He suggests buying an index fund tracking a major market instead, such as the UK where he says valuations look depressed. **Vanguard FTSE 100 (VUKE)** (exchange-traded fund) gives you a 3.7% yield – ok, your capital is at risk but that yield is not bad by anyone's standards these days.

'If you want to have some fun, put £100 in Premium Bonds for the chance to win the top prize, but would I put the maximum in? Absolutely not because that's a lot of money to put in for a small chance of winning a substantial prize, and no capital growth.'

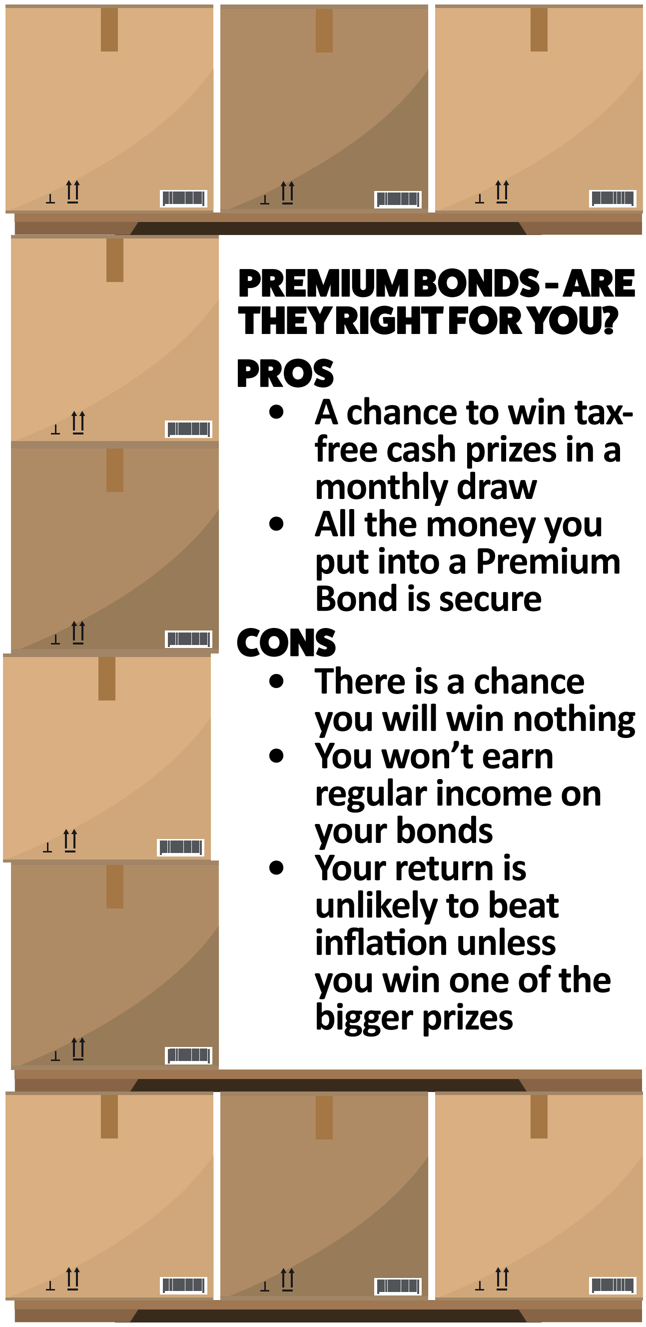
FOR FUN, NOT FOR FUNDING INVESTMENT GOALS

Premium Bonds offer an element of fun for ordinary savers who like the idea that they might win a big prize, even if the chance is very small. After all, plenty of people play The National Lottery every week and the chances of winning the jackpot are 45m:1.

They are also an easy way for relatives to give cash gifts to children. For high earners and those with large savings pots who have maxed out their tax-free allowances elsewhere, Premium Bonds could be a useful place to park their excess cash.

OTHER SAVINGS ACOUNTS OFFERING PRIZES

	Halifax Savers Prize Draw	Family Building Society
MAXIMUM PRIZE	£100,000	£50,000
TOTAL NUMBER OF PRIZES	1,603	13
FREQUENCY	Monthly	Monthly
NUMBER OF ENTRIES	1 per customer	1 per £10,000 bond
ODDS OF WINNING	n/a	64:1



PREMIUM BONDS - ARE THEY RIGHT FOR YOU?

PROS

- **A chance to win tax-free cash prizes in a monthly draw**
- **All the money you put into a Premium Bond is secure**

CONS

- **There is a chance you will win nothing**
- **You won't earn regular income on your bonds**
- **Your return is unlikely to beat inflation unless you win one of the bigger prizes**

For everyone else, there are almost certainly better options to invest your money in – many of which you can read about in *Shares*.

But if you've already got some old Premium Bonds sitting in a drawer somewhere, it's worth digging them out to see if you've won – they don't expire and there are more than £60m worth of unclaimed prizes.

By **Hannah Smith**

'I've only got £50,000 in my pension. Should I top up?'

Tom Selby on how much extra you might need to enhance your retirement

Roy
'I'm 45 and have only managed to save £50,000 in my pension, which I know isn't enough. My aim is to retire at 65 with an income of about £20,000 in today's prices. I'm also worried about the impact Brexit could have on the economy. Bearing all this in mind, is now a good time to top up my SIPP?'

Tom Selby
AJ Bell
Senior Analyst says:

It's good that you appreciate a bit more work is needed to achieve your retirement income target, but equally saving £50,000 is MUCH better than nothing (which is the position many people in their forties find themselves in).

To give you a rough idea of what you might need to save to meet your goal, the flat-rate state pension currently provides an income of £8,546.20 a year.

Assuming you get all of this (you need a 35-year National Insurance record to qualify for the full amount), you'll need an extra £11,453.80 of income each year from your private savings.

You'll probably want your income to keep up with rising prices during retirement. If inflation runs at 2% and you enjoy investment growth of 4.5% (i.e. 'real' growth of 2.5%), a fund of £270,000 should last for

30 years in drawdown.

The reality will be different depending on your fund performance, the economic environment and your withdrawal patterns.

Alternatively, an annuity providing a similar level of guaranteed income for life at age 65 would cost around £280,000 today.

When thinking about how to reach this goal from your current position, it's best to focus on the long-term rather than getting distracted by issues like Brexit.

As a general rule you should save as much as you can as early as you can so your fund can benefit from the magic of compound growth, so pay into your SIPP with whatever you can afford to do so. You'll also be getting a boost to any money you save through tax relief.

As prices will inevitably rise as you save – diminishing your spending power over time – we need to factor inflation in to our calculations when working out what you might need to put in.

If we again assume 'real' investment growth of 2.5%, you'll need to save around £7,000 a year in a SIPP to get the private pot of £250,000 you're targeting at age 65. That works out at about £583 a month, or £135 a week.

If that sounds like too much of a stretch then don't worry, it's still worth contributing whatever you can afford in order to benefit from the tax relief top-up and 25% tax-free withdrawals from age 55.

And remember this is just a guide – you should review your retirement strategy regularly to make sure you're on track.

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 can I use a Junior ISA to save for university fees?

We look at how this instrument can be used to create a higher education pot

The rising cost of going to university is a growing concern for parents, with tuition fees having been hiked over the past decade.

The average student now leaves university with more than £50,000 of debt, according to figures from the Institute for Fiscal Studies, after tuition fees rose to £9,000 a year. This means that for many their student debt will be worth more than their house deposit.

But how can parents save up and invest so their children leave university with no debt? By using a Junior ISA, which can be opened for every child from when they are born, parents can put away money each year and end up with a sizeable pot. As with adult ISAs, any savings in the Junior ISA will grow free of capital gains tax and any withdrawals will be free of income tax.

However, when the child reaches the age of 18 the ISA becomes theirs and they can do whatever they want with it – including splurging it down the pub or on a car. Research from AJ Bell recently found that only 7% of Junior ISA holders cashed out their accounts when they reached the age of 18. It's not clear whether that number is because their parents hid the account from them or if they chose to stay invested themselves.

"The average student now leaves university with more than £50,000 of debt, according to figures from the Institute for Fiscal Studies, after tuition fees rose to £9,000 a year. This means that for many their student debt will be worth more than their house deposit."

So how much do you need to save? We take a look:

THE ORGANISED EARLY-STARTER

Parents who manage to remember to open a Junior ISA during the busy, sleep-deprived first weeks or months of having a newborn baby will benefit from a longer time period for the pot to gather returns, and from having to contribute smaller amounts each year.

Someone who opened a Junior ISA in the first year of the child's life will need to pay in £1,900 a year until they reach age 18 to get to the magic £50,000 figure. Assuming 4% growth after charges each year, they would end up with a pot

JUNIOR ISAS – THE BASICS

Junior ISAs were a replacement for Child Trust Funds, which were phased out in 2011.

- Anyone under the age of 18 who is resident in the UK can have a Junior ISA opened in their name. Only the parent or legal guardian can open the account, but anyone can pay into it.

- The current Junior ISA allowance is £4,260 for the 2018-19 tax year, when it will rise to £4,368 for the 2019-20 tax year.

- You can have either a cash or a stocks and shares Junior ISA – or you can have both. You're allowed up to one of each per child, and you can pay into both in the same tax year.

- Any money in the ISA will grow free of capital gains tax, and any withdrawals will be free of income tax.

- The money in a Junior ISA can't be accessed until the age of 18 – when it's usually transferred into an 'adult' ISA and the teenager takes control of the money.

of £50,675 on the child's 18th birthday.

If you have more disposable cash and want to put in the full Junior ISA allowance (we've assumed £4,260 each year, although this will increase with inflation) you will need to contribute the full annual allowance for the first seven years of the child's life. Then you can leave the pot to grow, and assuming the same 4% growth figures, it will reach £53,870 by the time they reach the age of 18.

THE SCHOOL-STARTER

The early years of a child's life are expensive, from kitting out a nursery to paying for childcare, so it's understandable that many new parents can't find the spare cash to stash in an ISA.

But if they start saving when the child is five and in school, they need to put £2,900 a year away until they reach the age of 18 to have a pot to pay for university. On the child's 18th birthday they will have £50,147, assuming that same 4% growth after charges as before.

If they start saving when the child is aged five but want to put the full Junior ISA allowance in, they only need to pay in until the child reaches the age of 13, at which point they will have contributed £34,080, which will grow to £49,667 by the time they reach their 18th birthday.

THE LAST-MINUTE LARRY

What about if you totally forgot to open the Junior ISA, or just haven't had the spare cash to put money away? Well the good news is that you can start saving when they are eight, put the full £4,260 allocation away each year and still reach the crucial sum by their 18th birthday – when you will have a pot of £53,192, assuming 4% annual growth.

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

EXTREME RETURNS

At Baillie Gifford, we generally prefer our research to appear irrelevant. The further it is from being a direct debate about the merits of a company as an investment the happier we tend to be. Much of the most valuable research is deeply indirect in its investment implications and surprising in its eventual impact.

The value of your investment and any income from it can go down as well as up and as a result your capital may be at risk.

But occasionally direct assault has its virtues. This particularly applies to academic input. It can have the ability to stand outside the moment. It certainly has the ability to free itself from the preconceptions, self-interest and necessary operating dogma of practitioners and industry insiders. The very absence of skin in the game can be a virtue. Radical reappraisal is possible. Sometimes external authority gives the necessary evidence and context to build on uncomfortable and unexpected rumblings of our own.

Such has been our experience of working with Hendrik Bessembinder of Arizona State University. In early 2017 Professor Bessembinder released his initial drafts of a paper entitled Do Stocks Outperform Treasury Bills? The title itself is heretical. It is a central assumption of Modern Portfolio Theory that because equities are riskier they must have higher rewards. But Bessembinder showed that "slightly more than four out of every seven common stocks have lifetime buy-and-hold returns, inclusive of reinvested dividends, of less than those on one-month treasuries. "When stated in terms of lifetime dollar wealth creation, the entire gain in the US stock market since 1926 is attributable to the best-performing 4 per cent of listed companies."

If this is right then our task is transformed. Our job is solely and simply to find and invest in the stocks that are capable of producing the extraordinary returns of the 4 per cent. So what characteristics might the companies need to produce these returns? What attributes in turn do we need to hope to identify them? As Bessembinder writes, "The returns to active stock selection can be very large. If the investor is either fortunate or skilled enough…". So the natural course of affairs was for us to build a relationship with the Professor so that we could learn how to become skilled (or lucky). In March of 2018, James Anderson and Tom Slater, joint managers of Scottish Mortgage Investment Trust, travelled to Tempe, Arizona to discuss these matters with Professor Bessembinder.

The two main areas of research that they agreed to work with the Professor on at this early stage are focussed on expanding data to the rest of the world, and trying to find common factors behind both the 4 per cent of the companies that have created all the return and the even more remarkable 90 companies (out of over 24,000) that have contributed half the wealth created in

ANNUAL PAST PERFORMANCE TO 30 DECEMBER EACH YEAR (%)

	2014	2015	2016	2017	2018
S&P 500	13.7	1.4	12.0	21.8	-4.4

Source: S&P. Share price, total return in US dollars. Past performance is not a guide to future returns.

US equities since 1926. It's this question of how to identify the qualities that have made these companies so successful, that has begun to unearth potentially crucial insight. It looks as if there could indeed be common factors behind the brilliance. Although many stocks with the most stellar returns now appear ex-growth (Exxon Mobil) or once mortally wounded but now surgically reassembled (General Motors), at the start of their lives they were all participants in markets that would become very large and they entered, if not first, then at early stages (this has been the case from Exxon Mobil to Google). As these names indicate, titanic founder-owners or at least missionary leaders are the enduring pattern.

An assemblage of FTSE 100 style companies boasting chief executives with three-year tenure does not feature. Moreover, these companies have not been run with slide rules or their ancient and modern equivalents. They are companies that acknowledge doubt and embrace emerging opportunities.

Now in a sense much of this is predictable, even if it's more acute and structural than James Anderson and Tom Slater surmised. What is more striking and even more exciting is the attributes that the Professor believes investors in their turn need to possess to identify the truly great potential companies. Just like the company founders themselves, he thinks the skills we need are centred on dreaming of a grand future, backing great people and coping with ups and downs.

His explication seems to run very counter to the perceived market wisdom. It certainly casts doubt over the strong preferences of most investors for predictability and certainty. But still more, his perceptions indicate that our job is much more about the imagination of the future and the qualitative assessment of leadership skills than about the hard analytic numbers and confident financial mastery. So the hope – or inspiration – that Professor Bessembinder provides to us is that as our financial industry marches firmly and unanimously up one hill, we're running determinedly in the opposite direction. If we are right, that is a compelling competitive advantage.

But there's one last essential to the Professor's current thinking. Identifying the great investments isn't enough. As Hendrik Bessembinder makes plain it is the long-term compounding of their share prices that matters. This seems to us to require an additional set of skills such as the creativity to imagine greatness discussed above. The compelling urge amongst ordinary humans for sure, but far more damagingly amongst that odd sub-breed that are fund managers, is to take profits and lock in performance. As the old saying goes: 'It's never wrong to take a profit'. We believe it is often not just wrong, but the worst mistake that can be made.

Important Information

If you are unsure whether an investment is right for you, please contact an authorised intermediary for advice. A Key Information Document is available by visiting www.bailliegifford.com.

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James Budden, Director of Marketing and Distribution, Baillie Gifford

James graduated MA in Classics from the University of Cambridge in 1987. He joined Baillie Gifford in 2008 having worked at Witan Investment Trust and Henderson Global Investors. James is a Director of Marketing and Distribution in the Clients Department

Supermarket Income REIT shows benefits of inflation-linked leases

FOR ALL THE challenges facing the groceries sector, **Supermarket Income REIT (SUPR)** is continuing to show the defensive qualities of investing in supermarkets.

The property portfolio comprises six sites, all of which have leases linked to retail price index (RPI) inflation. They are used by their operators to support online deliveries meaning structural changes should not render them obsolete.

The investment trust delivered a 3.2% increase in its second quarter dividend, backed by earnings growth and in line with RPI, and reiterated its commitment to a 5.63p dividend target for the full year ending 30 June 2019.

The shares trade at a 7.3% premium to net asset value (NAV) and offer a dividend yield of 5.6%.

STIFEL GIVES THUMBS-UP TO WORLDWIDE HEALTHCARE TRUST

INVESTMENT FUNDS expert Stifel has turned positive on **Worldwide Healthcare Trust (WWH)**, a capital growth-focused pharmaceutical and biotechnology investor.

'After the market volatility in the fourth quarter of 2018, some investors may be looking to reduce their portfolio cyclicality,' argues Stifel. 'Healthcare is one potential area as it is typically viewed as a defensive, non-cyclical industry supported by structural tailwinds.'

Stifel notes that the performance of Worldwide Healthcare Trust, managed by Sven Borho and Trevor Polischuk, has 'recovered somewhat this year', boosted by the takeover of portfolio holding Celgene by Bristol-Myers for $74bn, a princely 54% premium, and over the longer term its track record has been good.

NINE YEAR CHAIR CAP OVERTURNED BY AIC

INVESTMENT COMPANY chairs will no longer be forced to step down after nine years on their boards.

The Association of Investment Companies has persuaded the Financial Reporting Council, the accountancy regulator overseeing the UK Corporate Governance Code, that investment trusts are a special case and need more flexibility than normal businesses when determining the appropriate length of time chairs can serve.

The new rules should help investment trusts to avoid a disruptive exodus of experienced chairs, although it could also raise concerns the sector is retreating on recent improvements in corporate governance and boardroom diversity.

Fund manager Nick Train reveals his winning investment formula

Finsbury Growth & Income Trust has beaten the market in nine out of the past 10 years

Fund manager Nick Train is regularly in the spotlight thanks to the popularity of funds run by his investment company Lindsell Train such as **Finsbury Growth & Income Trust (FGT)** which has outperformed the FTSE All-Share in nine of the past 10 years.

Despite generating significant returns for investors, Train's fame also makes him a target for certain individuals who are waiting for him and other household names in the industry to trip up. Just look at how Neil Woodford has gone from hero to zero in the eyes of many investors.

The more famous you get, the greater the pressure not to make any mistakes. A few years ago Train came under fire for his continued support of education group **Pearson (PSON)** amid a series of profit warnings, although the stock's recent share price recovery has somewhat silenced these critics.

Train has also received his share of criticism for seemingly doing very little and making barely any new investments despite continuing to charge a fee to investors for his service.

This low portfolio turnover hasn't stopped an avid group of fans sticking with his funds and their patience is being rewarded.

Finsbury Growth & Income's portfolio includes beer brands owner Heineken

'If a strategy is performing, does it matter if there is not much activity driving that performance?' he says.

'In the end all that matters is what the returns are like. I guess our investors are patient because performance has fortunately been strong. If performance tails off, which it will do one day, then we'll find out how patient people are.'

Running an investment fund involves more than simply picking stocks to buy. It is also about knowing which ones to keep through good times and bad, and which ones to avoid. These decisions can involve detailed work, even though it may result in status quo in terms of the portfolio's structure.

The Lindsell Train style is to pick high-quality stocks that generate large amounts of cash, pay a growing stream of dividends, and have the capability to adapt to changing market conditions.

Portfolios are concentrated with Train focusing only on his best ideas. 'Rather than holding 40 stocks where 25 are strong and 15 might or might not have a rebound, we prefer to own the 20 best of them,' says Nick Train.

FINSBURY GROWTH & INCOME ANNUAL RETURNS

	FTSE All-Share total return	Finsbury price total return
2009	30.1%	33.7%
2010	14.5%	34.7%
2011	-3.5%	4.1%
2012	12.3%	25.4%
2013	20.8%	35.0%
2014	1.2%	5.9%
2015	1.0%	12.4%
2016	16.8%	12.6%
2017	13.1%	21.5%
2018	-9.5%	-0.9%

Source: Morningstar

'It is easy in this business to dilute your best ideas because there always seems to be another idea just around the corner. Earlier in my career I was guilty of this... you're not paying attention and suddenly you end up with 70 holdings. We've always wanted to focus, focus, focus.'

This approach is higher risk as problems with one or two holdings would be felt harder than a more diversified portfolio, yet the rewards would also be greater when individual stocks do well as their performance wouldn't be heavily diluted by other holdings.

'We felt our best shot at generating returns that keep us in business, and our clients want, is to cut back to the best ideas.'

TOPPING UP EXISTING HOLDINGS

Stocks like **Diageo (DGE)**, **London Stock Exchange (LSE)** and **RELX (REL)** have helped to drive Finsbury Growth & Income's performance in recent months with the trust coming out a sticky patch seen in the final quarter of 2018.

The broader market was also weak in this period which presented Train with an opportunity to deploy some of the trust's spare cash.

'We had a decision: do we want to initiate a new holding or do we add to some of our existing positions that had been weak? There was plenty to add to existing holdings when prices had come back a long way. For example, we bought a lot more **Burberry (BRBY)** last year as its share price had gone from £23 to just under £17. That's a big downward move.

'In this case, I didn't need to find a new idea, I could just buy more of the existing and very good idea at a much lower price,' he explains.

As there is often a good reason why a share price is weak, Train and his team would still need to reappraise the investment case when topping up existing holdings to avoid buying something that has become less attractive. Even maintaining a position amid bad news also needs nerves of steel.

MAINTAINING FOCUS

'Being willing to sit through periods of poor performance isn't hard work – hard work is what bin men and cleaners do – but it is emotionally wrenching,' he says.

'What makes the current equity market environment so challenging is trying to understand why something is going down.

'Is it a cyclical phenomenon, a temporarily out-of-fashion phenomenon or something to do with a fundamental change in an industry or business brought about by technology change?

'That's what worries Mike (fund manager and business partner Michael Lindsell) and I the most. Everybody can see how rapidly technology is changing things, sometimes for the better, sometimes definitely for the worse.'

One example of a company facing this situation is **Schroders (SDR)** which accounts for 6.4% of Finsbury Growth & Income's portfolio. Train says asset managers may find it harder to make money in the future if big pension funds shift their money to passive funds. However, he topped up his holding in Schroders last quarter while the market was weak.

'It is a fine business which has the most amazingly conservative balance sheet and generates a huge amount of free cash flow.

'There is a question as to whether active fund management can ever be as good as it was for the last 30 years because of technology change. We think Schroders has enough resources and avenues for growth so it can offset those secular challenges.'

A DIFFERENT TAKE ON TECH

The fund manager often talks about technology yet his portfolios are a million miles away from tech funds. You're more likely to see a food seller in his holdings than lots of software or hardware business.

One position is FTSE 100 media group RELX, previously known as

Nick Train of Lindsell Train

Reed Elsevier, which has made a shift from printing material to providing it digitally.

Scientists, lawyers or people in the insurance industry subscribe to the tools and information provided by RELX as they are seen as essential to doing their job.

'There are two dynamics: first is the underlying growth rate of the scientific, legal and insurance communities which for many decades have grown ahead of GDP growth,' explains Train.

'On top, that transition from providing information in the form of paper, books or journals to providing it via software as a service has done two things. First, it dramatically reduced the cost of delivering the service. And it has massively increased the utility of the service to the customer as it is much easier to search online than go to a bookcase of dusty journals to find information.'

Train says RELX has a major opportunity to sell additional software services and tools to its already captive audience base, which is also growing. 'It seems like a deeply entrenched business,' he adds.

LEARNING FROM THE BEST

Fundamentally Train looks for companies with high returns on invested capital with low capital requirements. This is also something central to the investment strategy of Warren Buffett, someone to whom Train holds in high regard.

Part of the Lindsell Train process is for the team to spend a lot of time reading biographies of famous investors, industries and how-to books on investment.

'I'm sure reading has made us better investors. And there are a handful of books which I look back over my career and say that book changed the way I think about investing and for the better.'

For example, Robert Hagstrom's book *The Warren Buffett Way* had a 'massive impact' on Train when it was published in the 1990s, he says.

'Buffett and (his partner Charlie) Munger are the reason Lindsell Train is in business. We have a huge debt of gratitude. Their track record is unbelievable but at the same time their transparency and willingness to share the principles that have allowed them to achieve that track record is such an act of generosity.'

FINSBURY GROWTH & INCOME TRUST

SHARES SAYS: Nick Train is a respected fund manager and one of the best in his field. This investment trust would suit someone who is patient and wants to have exposure to high quality companies. You should expect to generate the bulk of your returns through capital gains as the yield is only 1.9% at present. The trust will give you exposure to such names as **Unilever (ULVR)**, Mondelez and Heineken. **Buy at 787p.**

By **Daniel Coatsworth**
Editor

Temple Bar manager makes the case for value

The trust has outperformed despite investors' wider preference for growth

There has been a lot of talk in the market in recent years of value being out of favour and growth stocks firmly in the ascendancy.

Investors have certainly been prepared to pay a premium price to secure exposure to rapidly expanding companies or at least those who are perceived to be growth stories.

Temple Bar Investment Trust (TMPL) is no follower of fads or fashion. Since August 2002 the portfolio has been run by contrarian investor Alastair Mundy and his team of value investment specialists at Investec Asset Management.

It's a testament to their skill that despite the widely-reported under-performance of value stocks in the last few years, Temple Bar has beaten the FTSE All-Share over the last decade and by a wide margin.

PROOF THAT VALUE CAN OUTPERFORM GROWTH

Cumulative returns for Temple Bar shares are 182% over the last 10 years while the net asset value has increased by 185% compared with a return of 138% for the FTSE All-Share.

As manager Alastair Mundy says, value investing may be simple but it's not easy.

'Investors love stories and are happy to extrapolate trends to excess in preference to assuming facts change. This drives share prices to extremes in both directions'.

With cheap stocks as a group performing poorly last year compared with growth and momentum stocks, aversion to value is widespread.

The investment cycle is now at the point where as a value investor 'it feels as though people are being exceptionally nice to you as some sort of compensation for your poor career choice', he adds.

AVOIDING VALUE TRAPS

In order to avoid buying cheap stocks which stay cheap, or 'value traps', the team looks closely at capital structure, market position and governance.

It has applied the same process consistently with every investment since 2002.

The team looks for structural risks like hidden liabilities on a firm's balance sheet, its market position, whether the business is at risk of being made obsolete by some fancy new technology or disruptive newcomer, and its corporate governance.

Assuming there is no structural risk the team will conduct a deep-dive analysis of the business and compare it to its peers.

If it passes muster and meets the value and income criteria, it makes it into the portfolio.

It's a mark of how tough the due diligence process is that several high-quality stocks with good management and good models trading on cheap ratings still don't make it into the basket.

FROM FALLEN ANGELS TO CYCLICAL LEADERS

Stocks which have made it into the portfolio typically fall into one of five categories.

GlaxoSmithKline (GSK), the biggest holding, is a 'fallen angel' or former market darling which has fallen out of favour with investors but continues to compound earnings cheaply.

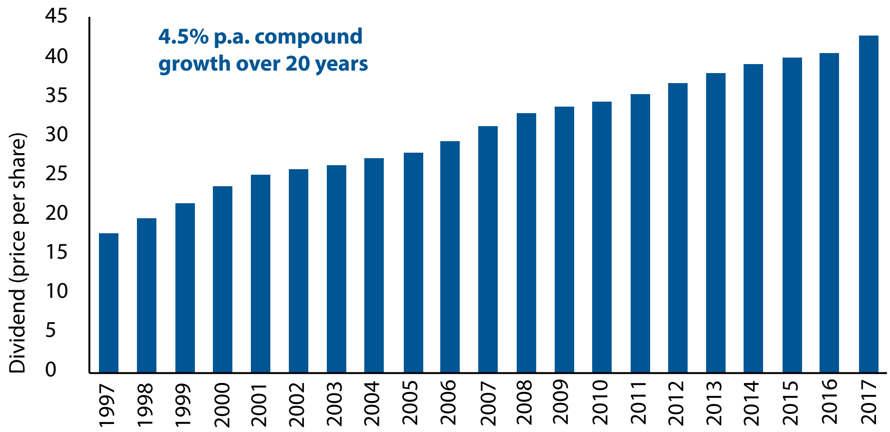
Meanwhile **Capita (CPI)** is in turnaround mode, and it finds its way into the 'hidden assets' category, along with **Royal Bank of Scotland (RBS)**.

Temple Bar Investment Trust

Holdings	Weight	Index Weight	2019 PE	2019 Yield
GlaxoSmithKline	6.8%	3.1%	18.0	5.2%
Royal Dutch Shell B	6.4%	9.2%	10.5	5.8%
Capita	5.9%	0.1%	10.9	N/A
BP	5.4%	4.7%	12.6	5.7%
Travis Perkins	5.2%	0.1%	11.8	3.7%

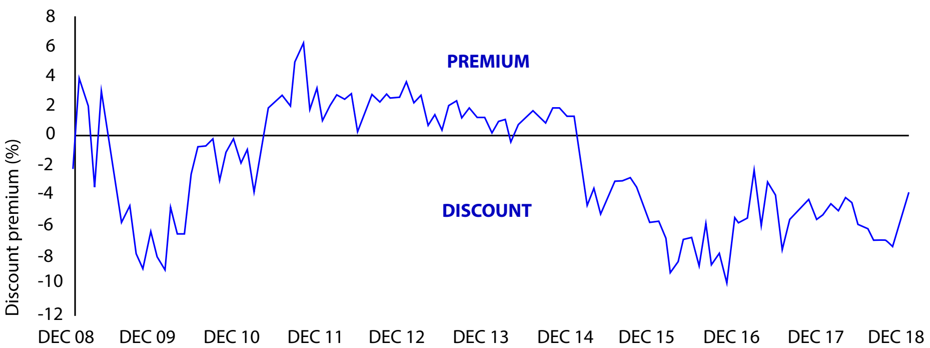
Source Investec, Refinitiv

20 year dividend growth



Source: Bloomberg, Refinitiv, Investec

Price premium/discount to NAV



Source: Morningstar, Investec Investment Management, 31 December 2018, using ex income NAV, debt at market value.

INCOME PLAYS ITS PART IN TOTAL RETURNS

The trust's brief is to provide growth in income and capital to generate a long-term total return greater than the FTSE All-Share index.

As well as picking cheap stocks with significant potential to re-rate, the trust has an enviable record of dividend growth.

It is one of the Association of Investment Companies' (AIC) 'Dividend Heroes' meaning it is one of a small group of investment trusts which have raised their dividend every year for over 20 years.

Not all of the holdings pay a dividend, as is the case with Capita. However stocks with low or no dividends have to be very cheap to compensate.

All of the holdings must have solid balance sheets too. That doesn't mean they have to be AAA-rated but they need to be good enough to let management run the business without worrying about financing.

DIVERSIFICATION WITH PRECIOUS METALS

Mundy argues that value stocks are uncorrelated with the wider market to begin with but just for good measure he has 3% of the fund invested in physical gold and silver.

This is very unusual for an investment company but as Mundy says there are 'significant tail risks' in today's markets and if a meltdown occurs precious metals should move up while stocks move down.

The price for this 'insurance' is the lack of dividends on metals so the trust's overall yield is slightly reduced.

OVERWEIGHT UK DOMESTIC STOCKS

Temple Bar has no weighting at all in large internationally-exposed stocks such as **British American Tobacco (BATS)**, **Diageo (DGE)**, **Unilever (ULVR)** or **Vodafone (VOD)**, which make up roughly 10% of the All-Share, because they do not fit his investment criteria.

Mundy describes his 60% weighting in UK domestic stocks as 'the elephant in the room' but he argues that domestic earners offer the best value on historically depressed earnings.

He also observes that other investors are leaning more towards his position and wonders whether the team should skew the portfolio further towards domestic stocks.

When the board considers the discount to net asset value to be excessive it addresses it by repeated share buybacks.

If the trust trades at an excessive premium the board will authorise repeated share issues, either new shares or treasury shares.

Over the last decade the discount has never been allowed to hit 10% and the premium has only once breached the 5% level. Temple Bar is set to report full year results on 20 February.

By **Ian Conway**
Senior Reporter

Do European stocks need more quantitative easing to hit top gear again?

We look at the implications of the latest monetary policy twist

Legendary Prussian Field Marshal Helmuth von Moltke once noted 'No plan of operations extends with any certainty beyond the first contact with the main hostile force'.

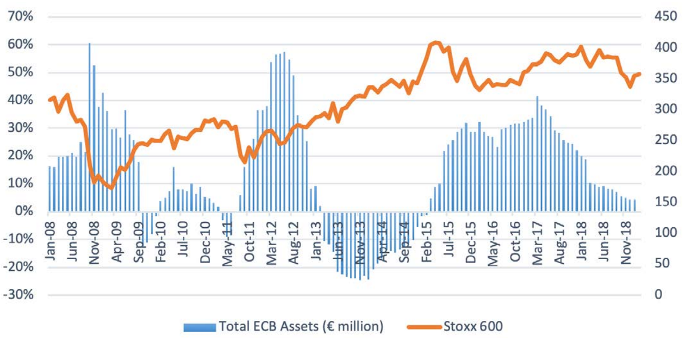
Although he is not waging war in the physical sense, European Central Bank President Mario Draghi should have considered this before he declared victory in 2018 in his struggle to fend off both bears of the euro and recession in the Eurozone.

Draghi stopped adding to the ECB's three-year old quantitative easing (QE) programme in December, as he had said it would last June, when inflation was exactly in line with the central bank's 2% target, compared to 0.3% when the bond-buying programme began.

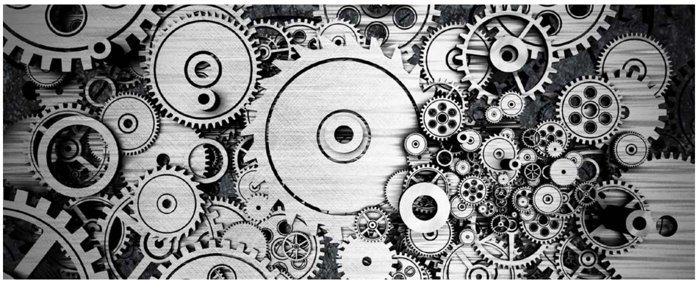
Investors and Draghi may have been tempted to think that the 'hostile forces', to use von Moltke's term, of deflation and currency speculators had been beaten back, especially as Germany's DAX equity index and the wider Stoxx Europe 600 benchmark were trading at or near all-time highs.

Not so fast. As the ECB began to taper its QE scheme during the year, business confidence indicators, inflation, the euro and European stock markets all ebbed. Italy has even slipped into a technical recession with two consecutive quarters of falling GDP.

THE LOSS OF MOMENTUM APPEARED TO COINCIDE WITH THE TAPERING OF QE



Source: Refinitiv data, European Central Bank



Over the past 12 months, Western Europe outperformed only the Africa/Middle East region of the eight major geographic options available to investors with a 3.1% negative total return in sterling terms.

This is because the Stoxx Europe 600 stock index began to lose altitude seemingly as soon as the ECB began to slowly taper its monthly QE scheme down to zero, from a peak of €80bn a month.

As a result, Draghi used January's ECB press conference to announce that the central bank was again ready to use all of its policy tools to combat any economic slowdown in Europe, including a relaunch of QE.

Coming just as the US Federal Reserve began to back away from interest rate increases and raise the prospect of halting its moves to withdraw QE, Draghi's words have given European stocks a lift.

But investors must now decide whether this can last, given the underlying fragilities which even a tapering of QE in Europe – let alone any moves to withdraw it – appear to be unveiling and the possible failure of Draghi's policy to halt QE to meet first contact with its enemies.

TEUTONIC TANGLE

If one country has benefited from the ECB's QE largesse it is Germany. Its export-driven economy has made the most of record-low interest rates and a competitive currency.

Yet even here the cracks are appearing. Whether this has been caused by stricter anti-pollution testing rules hurting car sales, concerns over global tariffs and trade, Brexit or even a modest tightening of monetary policy in the US and Europe can be debated.

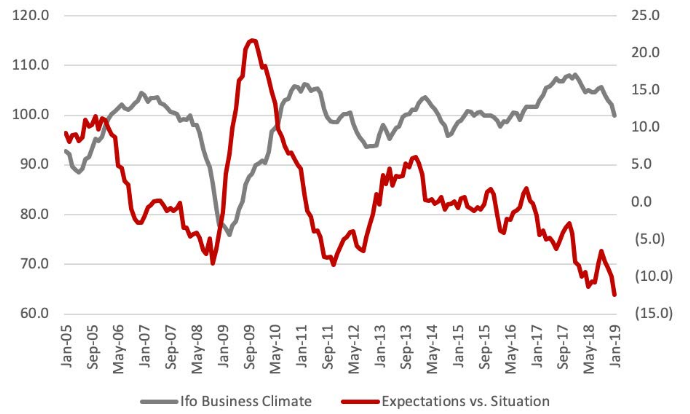
But German industrial production has now dropped year-on-year in four of the past five months. December's 4% slide was the worst decline since December 2009, right at the end of the recession that came out of the global financial crisis. And where industrial production growth goes, Frankfurt's DAX equity index seems keen to follow, if history is any guide.

PLUNGE IN GERMAN INDUSTRIAL PRODUCTION MAKES GRIM READING ...

Source: Refinitiv data, Destatis (Federal Statistical Office of Germany)

Given such woes, it is hardly surprising that German business confidence is on the wane. The monthly Ifo sentiment indicator is still holding up pretty well at 100 but any sustained drop below that level would not necessarily be a good sign. More worryingly still, the gap between German companies' view of their current trading and expectations for the future continues to widen, with more firms preparing for tougher times ahead.

...AS DOES DETERIORATION OF THE TRADING OUTLOOK AT GERMAN FIRMS



Source: Ifo Institute for Economic Research, Refinitiv data

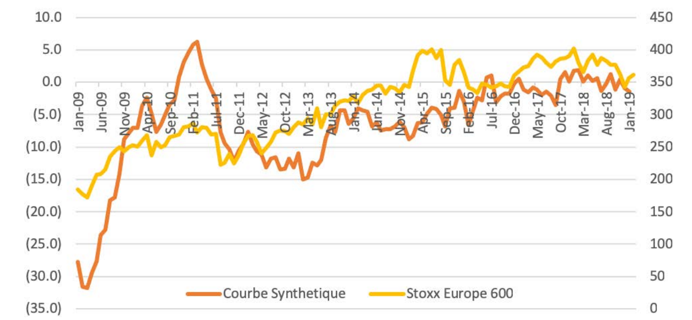
FAMOUS BELGIAN

If Germany's slowdown does turn out to be nothing more than a blip caused by new car emission testing requirements then sentiment – and equity markets – could turn around pretty quickly.

Besides the German headlines and ECB policy machinations, investors with exposure to European assets might also keep an eye on Belgian industrial confidence indicator the Courbe Synthétique index.

It does seem that the views of 6,000 Belgian industrialists provide a reasonably canny insight into the broader fortunes of Europe's economy and stock markets. The next survey is scheduled for release on 22 February.

BELGIUM'S COURBE SYNTHÉTIQUE CAN BE A GOOD INDICATOR FOR EUROZONE EQUITIES



Source: National Bank of Belgium, Refinitiv data

Any improvement could give bulls of European stocks a lift, especially as it possible to argue the Stoxx Europe 600 is far from expensive on 12 to 13 times forward earnings for 2019 after its recent bout of underperformance.

Equally, bears will growl that the Courbe is no higher now than it was in December 2015, despite the ECB's efforts to boost and support markets alike. Sceptics may also be reluctant to go overweight on an asset class that appears reliant on its central bank monetary fix, from which it will surely one day need to be weaned.

By **Russ Mould**
AJ Bell Investment Director

RPS outlines plan to win back investors' interest

The former FTSE 250 company is making numerous changes as it looks to reduce its dependence on the cyclical energy sector

For a professional services firm operating in 125 countries across the world and turning over £600m in annual revenue, **RPS (RPS)** flies under most investors' radar.

Chief executive John Douglas aims to change that, starting with a brand overhaul and the appointment of a new group director of strategy and a chief information officer.

SAFE PAIR OF HANDS

A civil engineer by training, Douglas was chief executive of Australian engineering consultancy Coffey for five years prior to taking the top job at Abingdon-based RPS in September 2017.

Before running Coffey he spent 15 years at industrial firm Boral including managing its largest business.

He describes RPS as 'having good bones' but in need of an image and IT overhaul so that the business can continue to grow in an increasingly digitally-enabled and rapidly-changing marketplace.

CHALLENGING MARKET PERCEPTIONS

RPS is perhaps best known among investors for its environmental consulting work which has made it a firm favourite with environmental, social and governance (ESG) funds over the years.

However it is also known for its energy consulting business which tends to ebb and flow with the fortunes of its customers, the big oil and gas companies, which rely on commodity prices to dictate where and when they spend.

When times are good energy consulting is a great business, when times are bad RPS shares can suffer harsh treatment.

Part of Douglas's challenge is to connect with investors and draw their focus onto the other parts of the business which are less cyclical.

CHANGING FROM THE INSIDE

In the past RPS proudly claimed that it had over 200 businesses worldwide which didn't help investors or analysts trying to get to grips with the firm.

In July last year the firm announced a new segmentation to better reflect how the businesses are actually managed.

The company now offers services in six sectors: property, energy, transport, water, resources, and defence and government services.

Across these sectors it provides planning and approval, design and development, project management, advisory and management consulting, health, safety and risk, laboratory services and training, among other services.

BUMPY START FOR THE REBRAND

Last October RPS announced that it would take a one-off £2m hit for the corporate re-branding and that there would be additional 'ongoing' costs of

£2.5m a year.

In addition the firm is investing £14m in a new planning system which doesn't go live until 2021.

It cautioned that as a result of this spending profit for 2018 and 2019 would be well below market estimates, triggering a 27% collapse in the share price.

It also warned that the exodus of senior staff from some of its acquired businesses had continued, casting doubt over revenue projections for its environmental business in particular.

RPS FIRST-HALF 2018 RESULTS BY DIVISION

RPS	Fee Income £m	% of Total	Profit £m	% of Total
Energy	48.8	16.9%	5.2	15.2%
Consulting UK & Ireland	61.0	21.1%	8.2	24.0%
Services UK & Netherlands	54.4	18.8%	6.9	20.2%
Norway	35.0	12.1%	3.3	9.6%
North America	29.8	10.3%	3.4	9.9%
Australia & Asia Pacific	62.0	21.4%	7.2	21.1%
Eliminations	-1.7			
Total	**289.3**		**34.2**	

Source: RPS

EXPECTATIONS HAVE BEEN RESET

After this disappointment analysts lowered their 2018 earnings forecasts to around £50m, and last week RPS confirmed that it expects £50.2m of full-year profit.

Douglas points to the firm's healthy margins, excellent cash conversion and robust balance sheet, reassuring investors that the investments which have dented the profit line will make RPS 'an even better business in the future'.

With 2019 profit expectations also in the £50m ball-park we suspect that the chief executive has set the bar low enough that RPS shouldn't have too much trouble at least matching it.

EXPANDING THROUGH M&A

Having been an avid acquirer in the past, especially in the US, RPS has become very quiet on the acquisition front.

It looked at a number of potential US acquisitions last year but decided to pass due to high vendor valuations.

However this month the company surprised the market with a deal to buy Australian transport advisory consultancy Corview for A$32m, which includes A$2.1m of cash used for working capital.

Corview is a leading player in the New South Wales and Queensland transport consultancy market and generated A$17.1m of turnover in the year to June 2018.

Transport is a key market for RPS and as well as adding depth to its Australian business it brings a strong brand and important public sector relationships.

Given that Corview's pre-tax profit last year was A$5.1m, the price tag is less than six times earnings excluding the cash on balance sheet making it an attractive deal and one which should add to earnings this year.

A MORE BALANCED BUSINESS

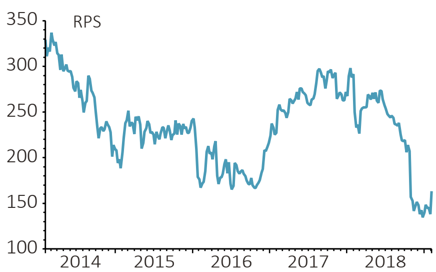
RPS is no longer as exposed to the energy sector as it was historically.

At the half year stage fee income from energy was just under 17% of the group total compared with more than twice that level at its peak in 2014.

The biggest drivers are now consulting and services in the UK, Ireland and the Netherlands, along with its businesses in Australia and Asia Pacific.

In theory a smaller contribution from the energy sector should mean that the predictability of earnings improves and with it a smoother ride for the shares.

In the meantime investors can pick up a 6% dividend yield so to an extent they are being compensated for waiting while the chief executive's new strategy beds in.



By **Ian Conway**
Senior Reporter

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The Intelligent Investor: is this book relevant today?

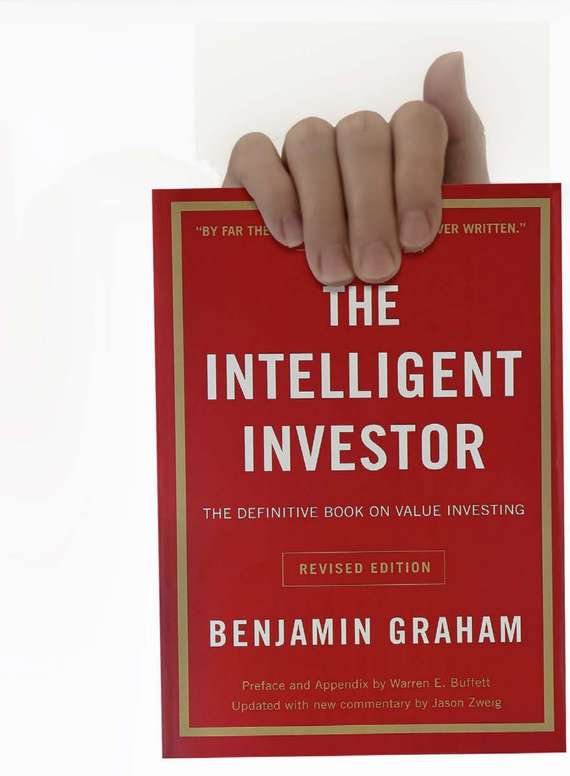
We look at the best-known work from investment guru Benjamin Graham and the lessons it contains

Books on investing tend to fall into two categories, self-help books and market histories.

Probably the best-known investment book of all and therefore the natural starting point is Benjamin Graham's *The Intelligent Investor*.

Warren Buffett, a student of Graham's at Columbia University's Business School, has called it 'by far the most important book on investing ever written'.

Is it still relevant 70 years on? The answer is definitely 'yes'.



> By far the most important book on investing ever written
>
> **Warren Buffett**

HOW TO GET RICH SLOWLY

One thing this book isn't is a guide to making millions overnight, nor does it hold with charts, technical analysis or 'following the market'.

It isn't an easy read either as the text is quite formal but Graham was a professor of finance and the book is intended to be educational so there is a degree of repetition to reinforce some of the key lessons.

The intelligence referenced in the title doesn't mean that the book is reserved for super-smart investors like Warren Buffett and it manages to avoid getting bogged down in financial jargon.

It deals with what Graham calls 'investment principles and attitudes' and is aimed at investors who take a long-term approach and stick to their principles in the face of a market which more often than not is driven by emotions.

Where it deals with companies it uses comparisons between stocks to show which one is better value or which is better quality.

MR MARKET IS OFTEN WRONG

The book covers stocks and bonds and in both cases the advice is they should be 'high grade' and 'bought at reasonable prices'.

Buying a stock just because it has gone up and selling it because it has gone down is 'the exact opposite of sound business sense everywhere else'.

Probably the most often-quoted section of the book is the reference to 'Mr Market'.

In a nutshell, imagine that you have a $1,000 stake in a business and one of your partners, Mr Market, tells you every day what he thinks your stake is worth.

Some days his idea of value appears 'plausible and justified' based on what you know about the business.

Other days he's so depressed that he gives you a ridiculously low price or he's so excited that he gives you a ridiculously high price.

The point is, as long as you know the real value of the business you can afford to buy when the price is low and sell when the price is high, or you can decide not to trade with Mr Market at all.

Graham cites the biggest danger as being swept along and 'infected' with enthusiasm, over-confidence and greed during bull markets.

PEOPLE DON'T CHANGE AND NOR DO MARKETS

The book lists five criteria for bull market tops: historically high prices, high price-to-earnings (PE) ratios, low dividend yields versus bonds, high levels of margin speculation (borrowing money to buy shares) and high levels of low-quality new issues.

While the UK market barely ticks any of these boxes given how low PE ratios are, and how high dividend yields are for many stocks, we could certainly apply most of these five characteristics to the US stock market.

> **While Airbnb, Lyft and Uber are supposed to be good businesses, valuations are likely to be rich meaning that inside investors will make vast amounts of money at the expense of outside investors.**

Prices and PEs are high, dividend yields are low, bond yields are actually rising, and margin speculation is high.

Margin borrowing typically peaks at market tops and troughs at market bottoms as people give up on stocks, which is when the 'intelligent investor' finds they are spoilt for choice.

Data from the US regulator FINRA shows that margin borrowing hit an all-time high of $669bn in May last year and has started to fall sharply, removing a key support for the market.

As for new issues, this year we are likely to see Airbnb, Lyft and Uber join the stock market.

While all are supposed to be good businesses, valuations are likely to be rich meaning that inside investors will make vast amounts of money at the expense of outside investors.

By **Ian Conway**
Senior Reporter

KEY LESSONS

THE INVESTMENT world was very different 70 years ago but the book still offers important lessons for today's investors.

1. Decide what kind of investor you are – if you want a quiet life, buy an index fund and drip money into it regularly (known as pound-cost averaging); if you are a more adventurous investor then buy a mix of stocks and bonds but make sure they are high quality and not speculative.

2. Buy with a margin of safety – do your homework, satisfy yourself that you know what the business is worth (the intrinsic value) and try to buy it at a price that will give you a 'cushion' if prices fall.

3. Be prepared for volatility – don't get spooked by big sell-offs and certainly don't sell just because prices have fallen, in fact as long as the business case hasn't changed then buy more as the margin of safety is even greater.

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Speaker: James Menzies, CEO

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SAFESTAY

Speaker: Nuno Sacramento, COO

Safestay (SSTY), the owner and operator of an international brand of contemporary hostels provide a consistently high quality product and standard of service, while still preserving the ethos and character of individual hostels.

THOR MINING

Speaker: Michael Billing, Executive Chairman & CEO

Thor Mining (THR) is an exploration and development company with an advanced tungsten/molybdenum project poised for development, a growing tungsten resource, and an exciting copper development project.

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KEY

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

KEY ANNOUNCEMENTS OVER THE NEXT WEEK

Full year results

15 Feb: Millennium & Copthorne Hotels, Royal Bank of Scotland, Segro. **18 Feb**: Reckitt Benckiser, McColl's Retail. **19 Feb:** InterContinental Hotels. **20 Feb:** HSBC, Glencore, Intu Properties, Lloyds. **21 Feb:** Anglo American, BAE Systems, Barclays, Centrica, Kaz Minerals, Playtech, RPS, Serco.

Half year results

19 Feb: BHP Group. **21 Feb:** Go-Ahead, Hays.

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