

# SHARES

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**OUR TOP PICKS FOR 2019 RACE AHEAD**



# Stimulus measures key to first quarter market rally

We look at how major markets have performed in the first three months of the year

**S**tock markets around the world have bounced back in 2019 with positive gains in every single major market. This is a great outcome given how miserable markets were last year. However, it does seem slightly odd that markets are moving upwards when there are ongoing uncertainties clouding the backdrop such as slowing global economic growth.

In this scenario one would expect equities to struggle – however the fact they've soared ahead could suggest investors expect central banks to provide yet more support when times get tough. That isn't necessarily good for investors over the longer-term as markets really need to stop being so dependent on stimulus measures.

## WHAT'S GOING ON?

An end to interest rate hikes and quantitative tightening in the US has certainly stirred up investors' interest regarding the prospect of more central bank liquidity.

US markets did relatively well in the first quarter of the year including a 16.6% increase from the NASDAQ 100 and a 13.1% gain from the S&P 500.

These returns pale in comparison to China which was the best performer in the first three months of the year with a 28.6% gain from the CSI 300, a market cap-weighted index replicating the performance of the top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. Shanghai's SSE Composite index was close behind, rising 23.9% in the three-month period.

Government fiscal stimulus initiatives seem to be behind the strong showing from Chinese stocks, as well as growing optimism that there will be an amicable solution to the US/China trade war.

Following earlier setbacks in the year, China's purchasing managers' index manufacturing data for March beat expectations. 'We believe this was mostly the result of fiscal stimulus on new infrastructure production,' says Iris Pang, economist at investment bank ING.

'Though new export orders' reading improved, it was still only at 47.1 in March (from 45.2 in February), indicating that export orders were still shrinking, albeit at a slower pace. This implies that external demand has not improved.

'Moreover, trade negotiations are still ongoing. Even if there is a trade deal, we believe that the monitoring system will create continuous uncertainties on China-US bilateral trade,' adds Pang.

## WHAT'S HAPPENING IN THE UK?

While UK stocks haven't matched the level of returns seen in the US and China, they have still delivered a decent performance. The FTSE 250 index of mid-cap stocks jumped by 9.2% in the first quarter and the FTSE 100 advanced by 8.2%. The latter is really welcome when viewed in the context of the index having fallen by 12.5% in 2018.

It would be unwise to expect markets to keep growing at this pace for the rest of the year.

Central banks, in particular, are giving support to equities but ultimately they are merely making life harder for markets. Investors have become too reliant on support and so markets face the risk of a large correction once central banks start to pull back.

Q1 2019 PERFORMANCE	
INDEX	GAIN
CSI 300 (China)	28.6%
SSE Composite (China)	23.9%
Nasdaq 100 (US)	16.6%
CAC 40 (Paris)	13.1%
S&P 500 (US)	13.1%
Hang Seng (Hong Kong)	12.4%
RTS (Russia)	12.1%
Dow Jones Industrial (US)	11.2%
DAX Xetra (Germany)	9.2%
FTSE 100 (UK)	8.2%
Nikkei 225 (Japan)	6.0%

Source: SharePad

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Average of IA North America	17.8%	4.2%	29.3%	10.5%	-1.4%

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# Investors still in the dark with how Brexit will play out

There is ongoing uncertainty despite sterling moving up on Theresa May's latest move

**T**he latest twist in the Brexit negotiations is raised hopes that a no-deal Brexit on 12 April can be averted but the risk remains and is probably not yet being fully priced into UK assets.

After an epic meeting with her cabinet colleagues on 2 April, Theresa May appears to have concluded that her previous approach of seeking to keep hardliners in her own party and her DUP partners happy has failed. She is now reaching out to Labour leader Jeremy Corbyn to come up with a Brexit solution that can pass through the House of Commons.

Sterling rose on 3 April following May's move, but it remains to be seen if the talks with Corbyn will achieve anything tangible and there is also no guarantee the EU will grant a further extension.

This is likely to hinge on the European elections, with a possible solution being that the UK



prepares as if it will participate in the poll but with the ability to pull out if it can get a deal over the line by 22 May.

Nigel Green, chief executive of financial advisory group DeVere, says: 'With so many question marks hanging over the Brexit process, it's essential for those who are serious about safeguarding, creating and growing their wealth to ensure that their portfolios are properly diversified.'

## Seven companies with accounting red flags

Eagle-eyed investment bank Liberum highlights consumer names where aggressive accounting may be a cause for concern

THE RETAIL AND leisure sectors are full of companies with accounting red flags, according to investment bank Liberum which has screened for future business risks by looking at profit smoothing, working capital, cash uses and governance issues.

It declares **Domino's Pizza (DOM)** to have the biggest red flag when it comes to looking at one-off items in financial results, often called exceptional items.

Liberum adds that the pizza seller's long-term receivables

– amounts owed to the business – have increased by 27% over the last three years and questions whether this is sustainable.

It says **Majestic Wine (WINE:AIM)** is holding inventory for longer but is paying creditors faster, so operations are more capital intensive.

Liberum calls **AO World (AO.)** 'the worst offender' when it comes to working capital issues, noting that the retailer is taking a lot longer to get paid by suppliers compared to two years ago.

Also ranking highly in terms of material levels of one-off charges are **Superdry (SDRY)**, **Dixons Carphone (DC.)** and deal-hungry **DFS Furniture (DFS)**, with Liberum fretting that the decline in the latter's core business 'may be being masked by the group's acquisitions'.

In terms of **Boohoo (BOO:AIM)** it says there is potentially a large cash outflow relating to the option management has on buying out the remaining stake in Pretty Little Thing.

# Vodafone's persistent high dividend yield is telling us something bad

The telecoms business is working hard to reassure investors

**C**an Vodafone continue to pay generous dividends? That's the big question continuously asked by investors.

Its shares at 141.48p are currently yielding 9.1%, significantly higher than the 4.9% average for the FTSE 100 index.

Vodafone's full year results to be published on 14 May are expected to show that dividends for the 12 month period add up to €0.1507. That payout works out at about 12.9p per share.

Many market watchers believe this level of dividend remains unsustainable and that a cut to its future income commitments is inevitable.

Vodafone is widely held by investors specifically as an income stock so any reduction in cash payments from the shares would go down terribly.

Capital expenditure, free cash flow and the credit rating of its £32.1bn of net debt hold the keys to answering the dividend sustainability question.

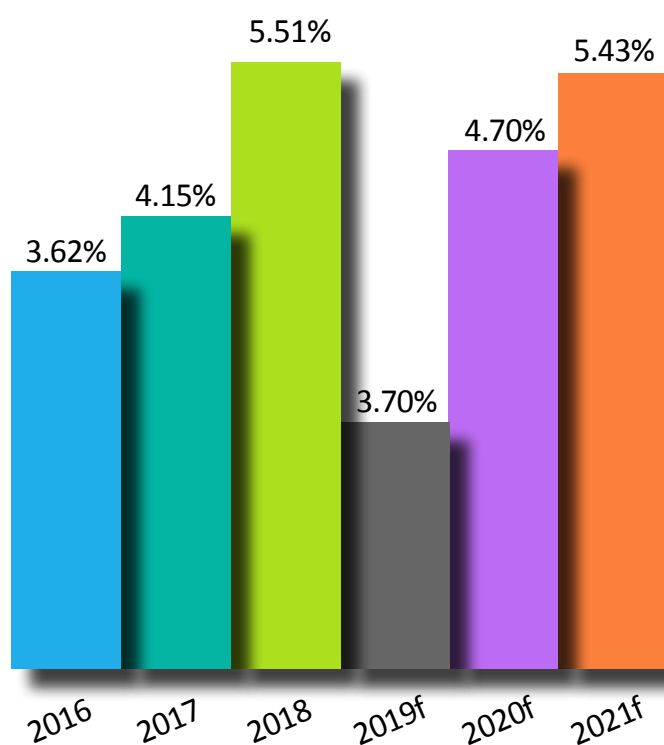
It needs to reduce such huge borrowings, as well as fight off growing competition and potentially invest a lot of money in new radio wave spectrum for fifth generation (5G) mobile networks that will allow users to send more data faster over the mobile internet.

New chief executive Nick Read recently met a group of institutional investors in a bid to calm such concerns, taking the opportunity to reiterate the group's commitment to its current dividend pledge.

At that meeting Read is believed to have spelled out Vodafone's largely unchanged strategy and explained the group's capital expenditure and free cash flow ambitions.

These partly revolve around layering new 5G infrastructure over existing 4G networks, and extracting significant cost savings from its acquisition of assets from Liberty Global across Germany and Central Europe.

Vodafone's ROCE



Source: Reuters Eikon consensus

Vodafone's balance sheet was recently bolstered by the issue of convertible bonds that raised €4bn from investors. It plans to maintain a share buyback programme in the future to cap potential dilution of equity investors.

It has made return-on-capital-employed (ROCE) a key focus going forward as it tries to keep investors on side. This is a ratio which measures how effectively a company uses capital.

Vodafone's ROCE is forecast by analysts to show a steep decline this year before improving from 2020.



By Steven Frazer News Editor

# Suedzucker's sour read-across for Associated British Foods



Problems are mounting up in the sugar industry

**I**nvestors in foods-to-fashion conglomerate **Associated British Foods (ABF)** should note a new risk to earnings for its sugar business after industry peer Suedzucker issued a profit warning, implying ongoing difficulties in the sector.

Suedzucker's full year results (27 Mar) revealed operating profit of €25m, significantly south of €75m guidance and a slump primarily caused by weakness in EU sugar.

The Mannheim-based sugar products play warned it expects another operating loss in its sugar business of between €200m-to-€300m in financial year ending 28 February 2020, although earnings should improve from October 2019, which marks the start of the new sugar

marketing year.

Reassuringly for investors, Associated British Foods is a diverse business with interests in food brands and fashion retail to help cushion any challenges in the sugar arm.

The latter spoke for a reasonably modest 11% of group sales in the year to 15 September 2018. And in a trading update (25 Feb) ahead of first half results, Associated British Foods guided towards sales growth coming from all its businesses save for an expected reduction in sugar revenue.

It has already guided for the sugar arm to put up a marginal half year loss with lower EU contracted sugar prices having impacted its UK and Spanish businesses.

## Residential Secure Income snares £60m worth of assets

Deal could help improve investor sentiment towards the property investor

REAL ESTATE investment trust **Residential Secure Income (RESI)** is acquiring 132 new build apartments in London's Clapham Park, significantly boosting its exposure to shared ownership homes.

This type of asset, where a first-time buyer acquires a portion of a property below market value and rents the rest, can be attractive because it provides two separate sources of return.

This includes rental payments and service charges on the portion of the property the buyer does not own and a value uplift if said buyer takes up their option to buy more of the property at market value.

This is the second shared ownership purchase by RESI, which listed in July 2017, after a £16.5m acquisition of 54 homes from housebuilder **Crest Nicholson (CRST)** in October.

It could help narrow a discount to net asset value of 12.3% at the current 91.8p. The investment trust team at broker Numis comment: 'A criticism of RESI, in our view, was the slow deployment of its IPO proceeds and a lack of shared ownership investments.'

These concerns will, at least partly, be addressed by this deal which will see more than a quarter of the portfolio in shared ownership schemes and 85% of its funds deployed. Numis notes the REIT's selective approach 'may result in a more defensive income stream over the long-term'.



# In Japan you need to look past the noise.

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#### PAST PERFORMANCE

	Dec 13 – Dec 14	Dec 14 – Dec 15	Dec 15 – Dec 16	Dec 16 – Dec 17	Dec 17 – Dec 18
<b>Net asset value</b>	<b>5.0%</b>	<b>26.7%</b>	<b>22.3%</b>	<b>36.2%</b>	<b>-14.5%</b>
<b>Share price</b>	<b>1.8%</b>	<b>22.5%</b>	<b>18.8%</b>	<b>51.5%</b>	<b>-15.1%</b>
<b>TSE TOPIX Total Return Index</b>	<b>10.1%</b>	<b>24.4%</b>	<b>6.6%</b>	<b>11.2%</b>	<b>-9.4%</b>

**Past performance is not a reliable indicator of future returns.**

Source: Morningstar as 31.12.2018, bid-bid, net income reinvested.

©2018 Morningstar Inc. All rights reserved. The TSE TOPIX Total Return Index is the comparative index of the investment trust.



# Why you should invest in Prudential now

Don't be put off by the shares underperforming its peers

A disappointing share price showing in the last 12 months has created an excellent opportunity to buy FTSE 100 insurance business **Prudential (PRU)** ahead of the demerger next year of its UK and European operations from its faster growing Asian arm and US operations.

Shore Capital analyst Paul De'Ath suggests the soon-to-be demerged M&G Prudential business is currently included in the share price for virtually nothing despite the fact shareholders will get shares in the new entity when it lists.

Shares in Prudential have underperformed its peer group by around 16% since the demerger was first announced in March 2018, according to De'Ath.

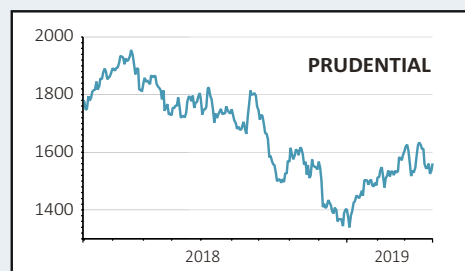
Don't let that put you off. Investing in companies which have announced a demerger can have wider benefits.

A demerged business can provide management with more flexibility to take destiny in their own hands and make decisions that best serve the needs of the individual

**PRUDENTIAL**  
 **BUY**

(PRU) £15.64  
 Stop loss: £12.51

Market cap: £40bn



business rather than as part of a larger group.

Demerging can also inspire a more entrepreneurial spirit with executive pay more closely aligned to relevant business objectives and performance. Accordingly, the management team at M&G Prudential has already been shaken up by the unit's chief executive John Foley.

Asian growth has been fundamental to Prudential's investment case for some time. A growing middle class in the region is driving demand for its insurance and savings products and facilitating long-term double-digit growth.

The Brookings Institution estimates that 88% of the next billion entrants into the middle class will be in Asia and by

2030, Asia could represent two thirds of the global middle-class population.

In 2018 the group's adjusted pre-tax profit hit £4.8bn, against £4.6bn pencilled in by analysts, while the Asian arm delivered a 14% increase in profit to £2.2bn.

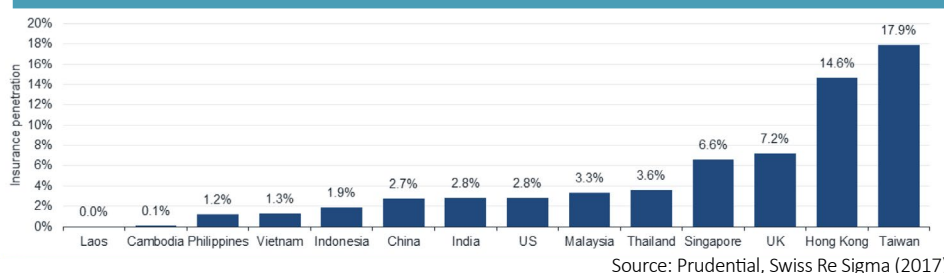
The UK and Europe businesses were no laggards with profit up 19% to £1.6bn. The US was the one fly in the ointment, with profit down 11% to £1.9bn.

One of the risks you need to weigh is the difficulty in completing a complex demerger with as yet no certainty on when exactly it will happen.

However, De'Ath thinks investors should resist the temptation to wait on the sidelines until the process is complete, arguing that the post-merger share price for Prudential plc is also likely to be pushed up by those waiting in the wings for a more Asia-focused investment option.

'If you wait until the demerger has happened, you could end up paying a much higher price,' he concludes.

## Insurance penetration remains very low in a number of Asian markets





# 7.9% p.a.

NAV TOTAL RETURN\*

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\*average NAV total return March 2014 - September 2018

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# FDM has digital disruption in its palm

IT projects business is rapidly expanding at home and overseas

**B**oasting a huge expansion opportunity, improving profit margins and record applications to join its team, **FDM (FDM)** is a class IT projects business with substantial wealth creation potential for investors.

There are thousands of businesses and organisations around the world still grappling with the problem of staying relevant in a disruptive, digital world and FDM has the technology expertise to help.

Its customers mainly come from banking, insurance and finance although new areas experiencing technology disruption include energy, media and government departments.

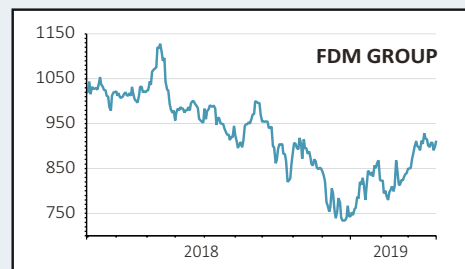
Key to its success is FDM's Mounties model where technical IT consultants are drawn from university graduates, people returning to work and ex-military personnel. All are trained for free by FDM in return for at least two years of full-time service.

Installed in a client's operations, FDM's Mounties provide a wide range of technical and business functions, such as business development, IT testing, project management, data and business analysis, and production support.

They are also increasingly being trained in areas such as hybrid cloud applications, robotic process automation and artificial intelligence.

**FDM**  
  
**(FDM) 924p**  
**Stop loss: 739p**

**Market cap: £990m**



With still more than half of its customer base in the UK and Ireland, FDM has huge opportunities to grow both at home and overseas. Revenue from the Asia-Pacific region last year increased by 31% compared to the UK's 18%. The company is also well presented across North America (potentially its biggest market down the line) and in Europe and the Middle East.

Overall revenue rose a more modest 5% to £244.9m in 2018 but this was largely due to a planned reduction in using outside contractors. The plus side to that switch is faster profit growth and improved margins. Pre-tax profit rose 11% last year while operating margins jumped by a full 1% to 19.7%.

Mounties are in use about 97% to 98% of their time so the more FDM can get out in the field, the better the growth. Mounties on site increased by 18% to 3,747

last year, but FDM remains selective about recruitment. Luckily, more than 84,000 applications were fielded last year, so new talent should not be in short supply.

There remain unknowns from possible Brexit outcomes so opportunities outside of the UK are encouraging, as is the fact that the business is still run by its founder Rod Flavell.

The shares have typically traded on a price-to-earnings multiple in the high 20s. Assuming a PE ratio of 27, and assuming low double-digit earnings growth over the next couple of years (it did 15% in 2018), the share price could easily return to previous £11 levels.



By **Steven Frazer**  
News Editor



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**Witan** investment trust

## ASTRAZENECA

(AZN) £61.67

**Loss to date: 2.1%**

**Original entry point:**

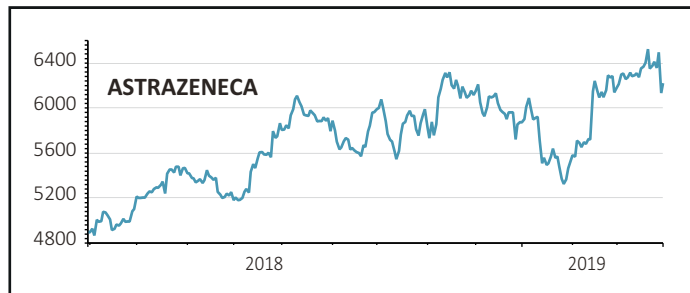
**Buy at £63.00, 15 November 2018**

**ASTRAZENECA'S (AZN) \$6.9BN deal** with Japan's Daiichi Sankyo to develop and sell the latter's breast and gastric cancer drug hasn't gone down that well with the market – more focused on how it has done the deal rather than why.

Under the deal, AstraZeneca has agreed to pay \$1.35bn upfront and contingent payments of up to \$5.55bn, in addition to \$1.75bn for sales-related milestones.

Morningstar analyst Damien Conover says he is surprised the pharma group has raised \$3.5bn by issuing new shares to help fund the deal and to pay off a bond, saying debt would have been a better route.

However, the strategy of partnering with



Daiichi Sankyo looks sound as it will complement AstraZeneca's growing cancer drug portfolio.

Shore Capital analyst Adam Barker is positive about the deal as DS-8201 is being assessed in five trials for breast and gastric cancers, contributing to AstraZeneca's pipeline.

The company has been under pressure for some time to replace lost cash flows from products losing patent protection in order to revive earnings growth and keep generating enough cash to fund dividends.

### SHARES SAYS: ↗

**We remain excited about AstraZeneca's prospects and believe the Daiichi Sankyo deal looks sensible. Keep buying.**



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UK Individual Shareholders Society

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10 April 2019

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- Sirius RE (SRE)
- Manolete (MANO)
- Shanta Gold (AIM: SHG)

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14 May 2019

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A BROADER VIEW



Pacific investment trust

# Nearly double the market return from our 2019 share portfolio

Our top picks of the year have enjoyed a stellar first quarter

**O**ur top picks of the year have got off to a great start with the portfolio up 14.1% versus 7.9% from the wider market.

We've only suffered one profit warning and only two of the 10 stocks are in negative territory. Six of the stocks have delivered double-digit gains, so hopefully you are sharing our success with your own portfolio.

The best performer is **Fevertree Drinks (FEVR:AIM)**, up 36.9% after a really good trading



update earlier this year was followed up by a solid set of full-year results on 26 March.

Pre-tax profit increased by a third to £75.6m and the dividend was lifted by 36% to 14.5p. Impressively, net cash at year-end jumped to £83.6m from

£50.9m a year earlier.

While it looks like growth could be harder to achieve in the UK, where it already has a solid market position, the US roll-out is going well and the business remains confident about cracking that geographic territory.

Fevertree is also investing in Europe whose mixer market is three times as big as the UK, says Investec analyst Nicola Mallard.

## RETAIL BOUNCES BACK

The retail sector has put on an impressive performance this year and **Next (NXT)** has proved to be one of the most resilient companies in the sector. Its share price has been on a real tear since issuing its post-Christmas trading statement on 3 January and full year results on 21 March.

'Next is well-managed with an experienced management team and tight stock and cost control,' says Shore Capital analyst Greg Lawless.

Holiday seller **On The Beach (OTB)** has also done well in recent months, rising 21.1% in value to 438.5p. We are now slightly cautious on this stock because several tour operators have issued profit warnings and various airlines are talking about soft ticket prices due to weaker demand. However, we're sticking with the trade for now.



	Company	Entry price (p)	Price now (p)	% gain / loss
1	Fevertree Drinks	2210.0	3019.0	36.6
2	Next	4191.0	5580.0	33.1
3	On The Beach	362.0	438.5	21.1
4	Keystone Law	370.0	440.0	18.9
5	GB Group	422.5	489.5	15.9
6	Rolls-Royce	801.8	903.2	12.6
7	Euromoney	1172.0	1258.0	7.3
8	Coats	77.3	79.1	2.3
9	Renishaw	3804.0	3706.0	-2.6
10	Hollywood Bowl	219.5	210.0	-4.3

<b>Total share price return</b>			<b>14.1</b>
<b>FTSE All-Share</b>	<b>3686.07</b>	<b>3978.28</b>	<b>7.9</b>

Entry prices taken 18 Dec 2018 - Latest prices taken 29 March 2019



Brexit uncertainty is weighing on consumers' minds and it looks like many people are holding off from buying a holiday until they are sure that airlines are still allowed to fly in the EU and there won't be large delays at airports.

On The Beach last updated on trading in February where it said everything was going well. We note that its shares haven't been weak in recent months despite negativity in its sector, so the market is optimistic about its fortunes. The next scheduled announcement is 14 May when it publishes half year results.

**Keystone Law (KEYS:AIM)** issues its full year results on 8 May and has already told the market it expects to report profits ahead of market expectations.

### GB EXPANDS THROUGH ACQUISITION

You would have made more than twice as much as a FTSE All-Share tracker fund by investing in **GB Group (GBG:AIM)** when we said to buy last December. While the data intelligence firm hasn't updated on trading in the past quarter, it has acquired an identity verification business called IDology which is expected to enhance group earnings over the next year.

Engineer **Rolls-Royce (RR.)** is up 12.6% since we said to buy the shares. Full year results in February revealed improvements to both profit and free cash flow.

We [recently explained](#) why shares in threads manufacturer **Coats (COA)** had taken a hit, principally around one-off costs.

Share weakness should be seen as an opportunity to buy more stock in this fantastic



company which has a long history of generating solid returns from the money it invests in its business.

### ONLY TWO LOSING TRADES

Two stocks from our portfolio of 10 are currently in negative territory, although only by a very small amount. Precision engineer **Renishaw (RSW)** is down 2.6% following an Asia-linked consumer electronics profit [warning](#). We're inclined to hold on to the shares as the business still has numerous attractive qualities.

'Consumer electronics is not the sole, or even most important, market for Renishaw,' says Investec analyst Michael Blogg. 'Its technology and product portfolio offers much that is of interest to manufacturers – of aero-engines, auto assemblies and medical prosthetics – and its vertically-integrated model gives it plenty of insight into their challenges.'

'Precise measurement and automation enable customers to develop more refined and efficient (and therefore differentiated) products and to make them more cost-effectively.'

Down 4.3% is tenpin bowling centre operator **Hollywood Bowl (BOWL)**. We expect a trading update very soon and for the company to say it is business as usual.

### EUROMONEY'S FRESH START

And finally we have **Euromoney (ERM)** which is slightly lagging the market albeit still generating a 7.3% positive return since we said to buy. Its big news is that **Daily Mail & General Trust (DMGT)** has given its 49% stake in the media group to its shareholders.

Peel Hunt analyst Malcolm Morgan says this is important for two reasons. First, it means Euromoney's board will no longer have a DMGT representative. Second, he expects Euromoney to vigorously pursue acquisitions, potentially funded by issuing new shares.

'Any such transaction will no longer be pre-vetted and cornerstoned by the dominant shareholder. Bigger transactions could now be more readily contemplated and easily delivered as the deal need to serve institutional needs rather than the requirements of a publisher with more limited capital resources,' says Morgan.

While that sounds exciting, we have to consider that DMGT shareholders may not want to keep the Euromoney shares they've just been given and so the latter's share price could be volatile in the near-term if people are selling out.



By **Daniel Coatsworth**  
Editor

# The just-in-timer

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# Dual-class share structure - unfair or underused?

Lyft's high profile IPO has revived the debate about unequal share rights

**O**ne share, one vote remains one of the bedrocks of UK stock ownership yet the debate on so-called dual-class listings could heat up once again in the wake of the US stock market debut of ride-hailing company Lyft last week.

San Francisco-based Lyft is a rival of Uber, the better known of the two gig economy start-up Unicorns that have grown into multi-billion dollar businesses.

Lyft raised \$2.3bn of fresh funding from investors at a better-than-predicted \$72 per share, valuing the loss-making business at \$24.3bn. Yet the new shares will carry significantly less voting rights than the shares owned by co-founders Logan Green and John Zimmer.

## NON-VOTING STOCK TREND

Lyft is not the first technology company to issue different classes of stock as part of a high profile IPO.

For example, Google's parent company Alphabet, Facebook and digital payments business Square all have non-voting stock listed in the US.

The option for dual-class voting and non-voting shares is believed to be a major reason why Alibaba, the giant Chinese online marketplace, chose to float in New York rather closer to home in Hong Kong or Singapore in 2014.



Lyft has a two-tier share structure

Dual-class shares have been popular outside of the technology sphere for even longer. Many family-run businesses in the US have embraced the structure in the battle to avoid opportunistic hostile takeovers, while newspaper barons have used it, they claim, to retain editorial independence.

## AYES TO THE RIGHT, NOS TO THE LEFT

While a complex issue, the argument against dual-class shares largely boils down to too much power placed in the hands of too few, with little or no representation on policy or strategy for those that provided much of a company's capital.

Critics might claim that the practice shows utter disregard for corporate governance.

The counter claim is that a dual-class share structure allows entrepreneurial founders to concentrate on long-run strategy and performance without the interruption or worry of meeting near-term targets.

This is exactly the argument used by Warren Buffett's Berkshire Hathaway investment vehicle, whose non-voting B stock trades at the relatively accessible \$200 per share, versus the voting A shares will set you back more than \$300,000 each.

## A STICKY WICKET

Perhaps in the UK we are



predisposed to reject non-voting stock. Brits tend to have a deeply rooted sense of fair play and dual-class share structures may carry the whiff of being 'not cricket'. But there may be a price to pay for this view.

First, dual-class structures could prevent the relatively early sale of many businesses to overseas rivals with deeper pockets, arguably a fundamental challenge to why the UK has not produced an equivalent Google or Amazon over the years.

One wonders if UK microchip designs champion ARM Holdings would have been sold to the Japanese if a controlling stake remained in the hands of founders rather than fund managers with one to three year performance targets to beat.

“THE SYSTEM HAS BEEN CRITICISED IN THE US WITH COMPANIES SUCH AS VIACOM COMING UNDER SCRUTINY IN THE PAST”

Outlawing the practice may also mean many significant UK and European IPOs end up in New York rather than on the London stock market (Sweden's Spotify, for example), where the emerging digital economy is



substantially under-represented by FTSE firms.

Writing in January 2018, Richard Burrows, a partner at corporate law firm Macfarlanes, said asset manager BlackRock had made interesting suggestions as to how the balance between shareholder rights and founder control could be achieved from a practical perspective. These included 'ensuring one vote per share on critical issues, and giving all shareholders the chance to reaffirm the dual-control structure every five to 10 years'.

#### ONGOING DEBATE

What is particularly interesting is that views remain split on the dual-class issue wherever there are investors. The system has been criticised in the US with companies such as Viacom coming under scrutiny in the past. In 2016 global asset manager T Rowe Price implemented a policy to vote against directors of companies proposing two-tier share structures.

Yet the *Harvard Business Review* believes a US ban on dual-class shares 'would do more harm than good' given the challenges from the digital revolution and the growing imperative for established

firms to transform their business models.

At the same time stock markets in Hong Kong and Singapore are introducing lighter touch rules that, in some cases, will allow for dual-class stock structures.

The UK Government published a paper in 2017 called 'Building our Industrial Strategy' which raised the discussion of having dual-class share structures on the UK stock market in order to support high growth and innovative businesses.

At the moment companies can only have this structure if they have a 'standard listing' on the London Stock Exchange which has softer rules and makes a company ineligible for inclusion in the FTSE indices. Dual-class shares are not permitted for 'premium listed' companies.

The Government said: 'Many institutional investors and shareholder representative groups have opposed dual-class shares, arguing that they would weaken the UK's high standards of corporate governance and disadvantage minority shareholders.'



By **Steven Frazer**  
News Editor



# MONEY & MARKETS

## LISTEN TO OUR WEEKLY PODCAST



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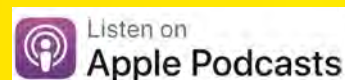
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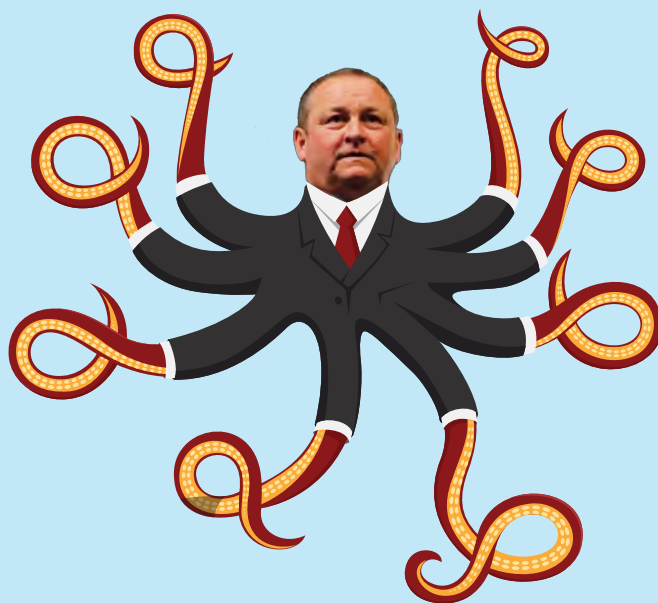


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# EMPIRE BUILDING



## WHY DOES MIKE ASHLEY WANT TO OWN SO MANY COMPANIES?

**B**illionaire Mike Ashley has become quite a character in the business world. He has developed a reputation for being attracted to struggling companies with the aim of buying stakes in them while they are going cheap, just like the general public hitting the shops in search of a bargain.

Ashley's acquisition vehicle is **Sports Direct International (SPD)**, where he holds sway as chief executive and personally owns a 61.45% stake through his Mash Beta and Mash Holdings vehicles. He also owns Newcastle United Football Club, to the chagrin of the 'Toon Army'.

Given the well-documented challenges facing the retail industry – weak consumer confidence, rising costs, Brexit uncertainty, online channel shift – investors are asking if there is any method to the 'madness' of hoovering up high street assets?

### INVESTING IN OTHER LISTED COMPANIES

Ashley has amassed a retail empire that includes

House of Fraser and high-end clothing outfit Flannels, as well as sizeable stakes in various companies on the stock market including **GAME Digital (GMD)**, **French Connection (FCCN)** and **Findel (FDL)**.

In recent years Sports Direct has saved House of Fraser from collapse with a £90m rescue, as well as buying Evans Cycles and Agent Provocateur from administration.

The highest profile chase has been Sports Direct's desire to gain control of **Debenhams (DEB)**, where it is the largest shareholder with a near-30% stake.

Financial motivation aside, Ashley's House of Fraser rescue and attempt to support Debenhams have also been driven by a desire to help the overall reputation of Sports Direct.

Attempts to add HMV and Patisserie Valerie to the Ashley stable have fallen flat, although magic Mike continues to have plenty more targets such as LK Bennett, according to media reports.





### THE FIGHT FOR DEBENHAMS

Sports Direct recently announced a possible £61.4m offer for Debenhams with Ashley also offering to assist the embattled retailer 'in addressing its immediate funding requirements'.

However, his bid to bag Debenhams and possibly merge it with rival House of Fraser has seemingly been scuppered.

Debenhams' bondholders have agreed to change the terms of some of their bonds, so that the retailer can secure new loans of up to £200m from existing lenders in a refinancing likely to wipe out shareholders, Ashley included.

### WHAT IS HE UP TO?

In bidding for and buying this raft of struggling retailers, companies, landlords and investors are desperate to know exactly what Ashley is up to. There is a fine line between genius and madness.

“

**THERE IS A FINE  
LINE BETWEEN  
GENIUS AND  
MADNESS**

”

Ashley built Sports Direct from a single store in 1982 into the UK's biggest sporting goods retailer by revenue with tentacles extending overseas.

One investment trust manager describes Ashley to *Shares* as 'a typical swashbuckling entrepreneur' and 'a retail genius'.

### EUROPEAN RETAIL EMPIRES



EXAMPLES OF European fashion empires include the Arnault family-controlled LVMH and the rival Pinault family-owned Kering.

LVMH owns, among others, the Bulgari, Christian Dior, Givenchy, Hennessy, Kenzo, Louis Vuitton, Moët & Chandon and TAG Heuer brands in an empire covering leather goods, champagne, cosmetics, watches and jewellery.

The Arnault family owns more than 40% of the shares both directly and through its Paris-listed Christian Dior holding company to ensure control of the business.

Kering owns the Alexander McQueen, Balenciaga, Gucci and St Laurent luxury fashion brands as well as producing leather goods, jewellery and watches and like LVMH is controlled by a more than 40% family holding.

The use of holding companies is typical among wealthy families in Europe with the Agnelli dynasty, owners of the Fiat car and Ferrari luxury sports car brands, controlling their assets through their majority-controlled Exor investment vehicle based in the Netherlands.

City detractors dislike his poor corporate governance and argue he is taking massive risks that could see his empire come crashing down, with one fund manager (who wished to remain anonymous) informing *Shares* that 'I think he has lost his marbles in a way' following his recent spate of investments.

### THE ASHLEY PLAN

When Ashley picks up stores from the administrators, the skilled trader gets the stock for next-to-nothing, inventory that he can then shift at big discounts for a quick profit by selling it through his raft of retail chains and websites.

He also acquires store chains out of administration free of debt and with no pension liabilities.

In addition, Ashley's increased grip on the high street is strengthening his bargaining power with landlords that already have lots of square feet of physical stores relying on Sports Direct for rent.

As the anonymous fund manager adds: 'Retail is what he knows, so if he can stir up the landlords by taking these freeholds, he has better leverage for the core Sports Direct chain estate to get rent reductions.'

### GROWING EMPIRE

Ashley's sprawling empire also spans the Lillywhites sporting shop as well as a range of sporting brands including *Slazenger*, *Lonsdale*, *Everlast*, *Karrimor* and *Kangol*, labels bringing exposure to different types of shoppers.

And he has also invested in online operators such Findel and **MySale (MYSL:AIM)**, thereby increasing the distribution channels for his wares.

By assembling diverse retail brands, Ashley has the option of creating mini-department stores on the high street with multiple brands under one roof.

Critics say there isn't an overarching strategy, merely deal-by-deal opportunism with Ashley unable to resist steaming into strugglers, slashing costs and closing stores.

Other detractors suggest his ego is the driving force; Ashley is buying these chains and brands because he wants to be the man who saves the high street, a theory lent credence by his claim he'll transform House of Fraser into the 'Harrods of the high street'.

What is beyond dispute is that Ashley is one of the few entrepreneurs with the cash, confidence and contrarian ethos to Hoover up high street assets in this way.

## SPORTS DIRECT'S VIEW OF ITS STRATEGIC INVESTMENTS



HERE'S WHAT Sports Direct says about its strategic stakes: 'Strategic investments are an integral part of the group's overall strategy. Against a backdrop of a challenged retail market, we believe innovative strategic partnerships will help to differentiate our offer and enhance the consumer experience.'

'We look for ways to extend our reach into new retail channels and geographies, as well as selectively grow our market share. We maintain an active dialogue with the management teams of each of our investments, continually looking to explore new ways of working together. Given the breadth of our business, the strategic benefits can be varied and extensive.'

In the six months to 28 October 2018, Sports Direct recognised a seismic £76.7m of value reductions relating to Debenhams and other poorly-performing investments. Yet while stakes in Debenhams and others have been losing trades, other strategic interests have been more successful.

Last year, major rival **JD Sports Fashion (JD.)** took over NASDAQ-traded footwear seller The Finish Line, in which Sports Direct held a 19.3% stake, for almost £400m, generating a £45.2m windfall for Ashley.

Earlier this month, JD Sports put its struggling competitor **Footasylum (FOOT:AIM)** out of its misery with a £90m takeover offer. A month earlier, the Peter Cowgill-guided JD Sports acquired an 18.7% strategic stake in Footasylum, perhaps in order to block the deal-hungry Ashley from taking a stab at the business.

## THE ASHLEY EMPIRE\*



\*Retail companies with physical or online shops where Sports Direct or vehicles associated with Mike Ashley have partial or full ownership

### ICONIX BRAND

Sports Direct has an 8.29% stake in Iconix Brand, the New York-based company with dozens of brands including Candie's, Bongo, Danskin, Joe Boxer, Rampage, London Fog, Mossimo, Pony and Starter as well as Rocawear/Roc Nation.

### DEBENHAMS (DEB)

Sports Direct is the biggest shareholder in the structurally-challenged department store with a 29.9% stake, although Ashley's bid to wrest control appears to have been thwarted at the time of writing.



## HOUSE OF FRASER

Hours after House of Fraser announced it was seeking administrators last summer, Ashley agreed to buy the business for £90m. Since then, he's been trying to get the troubled store back on its feet as online shopping continues to grow and his Debenhams bid sparked speculation he wants to merge these rival chains.



## GAME DIGITAL (GMD)

Sports Direct has a 29.89% stake in the video games seller, expanding the latter's BELONG e-sports arenas which bring video-gaming to high streets and shopping centres. In February 2018, GAME and Sports Direct inked a collaboration deal which has the potential to accelerate the roll-out of BELONG through access to new locations including Sports Direct stores.

Jeroen Bos-managed **Church House Deep Value Fund (B79XM02)** is also an investor in GAME Digital. He says: 'A perennial problem with retailers is that their store portfolio tends to be leased and these are then long term liabilities, not immediately apparent, when looking at the financial position. GAME Digital is in a very good position in that 70% of the stores have lease terms of 12 months or less.

'This gives the company tremendous flexibility in being able to release those stores it no longer requires while it transitions to becoming a venue operator which require different property solutions.'

Bos says Sports Direct's extensive retail property portfolio is a potential home for GAME Digital venues. 'GAME Digital is concentrating on opening gaming venues where these games are played in store for an hourly charge. It is a business model that has shown very strong growth, albeit from a low base. Competitive gaming is a worldwide success story, and GAME Digital's dominant position in the UK market should offer a good opportunity for this company to capitalise on this trend.'

## FRENCH CONNECTION (FCCN)

Sports Direct has a 26.7% stake in the faded fashion brand which returned to profit in the year ended 31 January 2019. French Connection has put itself up for sale and remains in talks 'with a number of parties' which we speculate to include Ashley and Sports Direct.

## FINDEL (FDL)

Having increased its stake to 36.8%, Sports Direct has made a mandatory takeover offer for the online value retailer-to-education supplies outfit at 161p. Findel's board has rejected the bid, insisting it significantly undervalues Findel and its future prospects.

Findel and Sports Direct had previously forged a commercial supply arrangement with the sporting goods giant supplying clothing to Findel's Studio site.

## GOALS SOCCER CENTRES (GOAL:AIM)

Sports Direct has an 18.92% stake in the troubled small-sided soccer pitch play, whose shares are currently suspended following revelations of accounting errors including an alarming VAT misdeclaration.

## MYSALE (MYSL:AIM)

Sports Direct has a 4.8% stake in the international online retailer, having spotted the potential for collaboration opportunities in Australia and Asia, although the MySale share price has cratered following a number of punishing profit warnings.

## EVANS CYCLES

The British cycling retailer collapsed into administration in October and Ashley bought the business for £8m in a pre-packaged deal from private equity firm ECI Partners.



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





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# The hottest parts of the UK market so far in 2019

We also look at the industries which have been most out of favour in the first quarter

**W**hile the performance of the FTSE 100, FTSE 250 and FTSE All-Share tends to dominate the headlines, it can be useful to take a more nuanced approach and focus on the performance of individual sectors within these headline indices.

The tables show the five best and five worst performing sectors in the FTSE 350 index (a composite of the large cap FTSE 100 and mid cap FTSE 250) so far this year. We look at what is behind this performance and some of the stocks which have driven the gains (and losses).

## WHICH SECTOR CAME OUT ON TOP?

The top performer is the FTSE 350 Industrial Metals sector which consists of two firms: **Evraz (EVR)** and **Ferrexpo (FXPO)**. The former recently reported very strong full year results with a surge in free cash flow and profit, while net debt fell. The company generated \$3.78bn earnings before interest, tax, depreciation and amortisation (EBITDA), its highest level since 2008.

Ferrexpo's share price has been driven by a rising iron ore price caused by Vale's production cutbacks hurting global supplies. Investors have taken the view that the iron ore producer's 2019 earnings will get a handsome boost.

However, it is still waiting to publish last year's earnings after an audit of charitable donations identified a number of 'discrepancies'.

## TECH STOCKS

You might think fast-growing, highly-rated stocks were behind the FTSE 350 Software & Computer Services sector's popularity in 2019 but that isn't the case.

Long-established suppliers like accounting specialist **Sage**

(**SGE**) and infrastructure IT group **Micro Focus (MCRO)** provided much of the share price fuel for the sector as they are both worth approximately £8bn, with near-£5bn engineering design firm **AVEVA (AVV)** also a significant influence on the sector performance.

Firing investor optimism in 2019 is progress with the integration of large and complex acquisitions (Micro Focus/AVEVA) while there is renewed hope that Sage's new



BEST PERFORMING SECTORS – Q1, 2019	YEAR TO DATE
FTSE 350 Sector Industrial Metals	29.0%
FTSE 350 Sector Software & Computer Services	23.8%
FTSE 350 Sector General Retailers	22.0%
FTSE 350 Sector Technology Hardware & Equipment	21.8%
FTSE 350 Sector Tobacco	21.7%
WORST SECTORS SECTORS – Q1, 2019	YEAR TO DATE
FTSE 350 Sector Leisure Goods	0.2%
FTSE 350 Sector Health Care Equipment & Services	-0.1%
FTSE 350 Sector Fixed Line Telecommunications	-5.2%
FTSE 350 Sector Mobile Telecommunications	-6.0%
FTSE 350 Sector Automobiles & Parts	-7.4%

Source: SharePad



management team can get a better grip on cloud delivery.

### DEFYING THE DOOM-MONGERS

Given all the doom and gloom about the retail industry, it may come as a surprise to see the FTSE 350 General Retailers sector as one of the star performers this year.

Of the 15 constituents, nine have delivered more than 20% share price gains year-to-date and only one – **Vivo Energy (VVO)** – has seen its share price fall.

**Dunelm (DNLM)** has been the star performer with strong earnings momentum. Like-for-like sales grew by 6.9% to £506.7m in the second half of 2018. It was a similar story with **JD Sport Fashion (JD.)** which emerged as a winner over the Christmas period.

**Pets at Home (PETS)** has bounced back after an awful few years on the stock market as it addressed issues around pricing, sorted out its vets business and enjoyed earnings upgrades from the analyst community.

In fourth place is the FTSE 350 Technology Hardware & Equipment sector which has been left threadbare after multiple company departures in recent years, such as the £24.3bn takeover of microchip designer ARM.

Waving the defiant flag for UK hardware manufacturers now largely falls to £880m communication networks testing equipment designer **Spirent Communications (SPT)**, which is finally promising an end to a multi-year lull as next generation 5G mobile and ethernet



networks start international roll-outs.

Demand during these technology cycles is often underestimated by investors. 5G, which promises faster, fatter virtual pipes to sate the world's expanding data appetite, should be a long-run revenue and profit driver for Spirent.

A 22% rally in the share price in 2019 so far suggests investors are starting to pay attention and that the momentum could continue.

### TOBACCO COMEBACK

The FTSE 350 Tobacco sector is made up of two stocks: **Imperial Brands (IMB)** and **British American Tobacco (BATS)**. Their share price recovery this year follows an extremely difficult 2018 when a combination of tighter regulation and competitive pressures saw Imperial and British American fall 25% and 50% respectively.

Having been out of the tobacco space for some time, the manager of **Merchants (MRCH)** investment trust Simon Gergel took advantage of sector weakness. He added Imperial to the portfolio in September 2018 and British American Tobacco at the start of 2019.

'A year ago, there were no tobacco shares in the Merchants portfolio. Now this sector makes up over 6.5% of the total, due to the compelling value we see,' he explains.

### THE WORST PERFORMERS

Looking at the culprits behind the lukewarm performance of the FTSE 350 Health Care Equipment & Services sector, organic growth concerns in the United Arab Emirates have weighed on **NMC Health (NMC)** and rival **Mediclinic (MDC)**, making them the weakest performers in the space year-to-date.

NMC recently missed annual earnings per share forecasts, while Mediclinic is struggling with a weaker performance in its Swiss subsidiary.

Four of the worst performing sectors are highly concentrated which may or may not be a coincidence but does at least hint at the benefits of a diversified approach to investing.

The lacklustre showing of the FTSE 350 Leisure sector is easy to understand as **Games Workshop (GAW)** is the only constituent of this sector.

The fantasy miniatures group has lagged the broader market rally this year with its shares stuck in a narrow trading range.

Half-year results published in January were slightly disappointing as growth slowed



and online sales remained relatively weak. It also said gross margins and stock levels weren't at desirable levels.

Fixed Line Telecommunications and Mobile Telecommunications are dominated by **BT (BT.A)** and **Vodafone (VOD)** respectively. Both companies have been hit by market concerns over their borrowings and capacity to maintain generous dividends.

On 31 January BT reported that revenue for the nine months to 31 December 2018 fell 1% to £17.5bn while normalised free cash flow declined by £210m to £1.74bn. Net debt also soared, increasing by nearly £2.2bn to £11.1bn.

Questions over Vodafone's dividend have been linked to high levels of debt with net borrowings of €32bn as well as heightened competitive threats, and the substantial spending needed to deliver faster fifth generation mobile networks.

## ASTON MARTIN DISAPPOINTMENT

The Automobiles & Parts sector is the worst performing category of stocks in the first quarter of 2018, down 7.4%. It includes luxury car maker **Aston Martin Lagonda (AML)** and automotive fluid systems engineer **TI Fluid Systems (TIFS)**.

Aston Martin has been a big disappointment since its 2018 stock market debut with Brexit-inspired supply chain issues adding to concern about the investment required to deliver on its growth strategy.

The question for the market is whether these issues are now adequately priced in with the shares trading nearly 46% below

## PLAYING SECTORS WITH ETFs

Exchange-traded funds (ETFs) are often labelled as index-tracking products but while this is an accurate description they do not simply track indices like the FTSE 100. You can also use them to gain exposure to individual industry sectors.

If you think the dynamics behind a particular part of the stock market look attractive or you want to play momentum in a particular sector – and it is relatively easy to get performance data on individual sectors – then through an ETF you can express that view in a rapid and cost-effective manner.

This could be seen as a good halfway house between buying exposure to the wider market through a FTSE 100 ETF and stock picking. You may not have the time or the inclination to buy individual stocks but instead you may like the idea of gaining diversified exposure to an industry which you think looks well placed in the long-term.

However, most sector-based ETFs are either global or Europe-wide rather than being specific to the UK. The table shows a list of the best performing sector-based ETFs over the past 12 months.

### BEST PERFORMING SECTOR ETFs

ETF	1 YEAR RETURN
Lyxor FTSE USA Core Infrastructure	30.5%
L&G Cyber Security	27.8%
iShares S&P 500 Utilities	27.5%
SPDR S&P US Utilities	27.3%
Invesco US Utilities	27.1%
Xtrackers MSCI USA Information Technology	25.4%
iShares Global Infrastructure	25.4%
iShares S&P 500 Information Technology	25.2%
Invesco KBW NASDAQ Fintech	24.8%
SPDR S&P US Technology	24.4%

Source: JustETF

their £19 listing price at £10.27.

TI Fluid, which is also trading substantially below the 255p price from its own flotation in October 2017 at 181p, looks a more interesting story with the company demonstrating its ability to eke out growth in a difficult automotive market and successfully making the

transition to electric vehicles.

A 2019 price-to-earnings ratio of 7.1-times and a dividend yield of 4.2% look attractive against this backdrop.

By Tom Sieber,  
Daniel Coatsworth  
and Steven Frazer

# INVESTING IN EQUITIES: THE WORLD OF THE OPTIMIST

2018 was the fifth worst year in 40 years for UK equity markets. Does Ciaran Mallon, Fund Manager of Invesco Income Growth Trust plc, think there is room for more optimism as we move into 2019?

## Watch Ciaran as he explores:

- The main drivers behind the difficulties of 2018
- How the macroeconomic backdrop influences his portfolio positioning
- Why he currently finds the utilities sector attractive



### Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

When making an investment in an investment trust you are buying shares in a company that is listed on a stock exchange. The price of the shares will be determined by supply and demand. Consequently, the share price of an investment trust may be higher or lower than the underlying net asset value of the investments in its portfolio and there can be no certainty that there will be liquidity in the shares.

The use of borrowings may increase the volatility of the NAV and may reduce returns when asset values fall.

### Important information

Where individuals or the business have expressed opinions, they are based on current market conditions, they may differ from those of other investment professionals and are subject to change without notice.

For more information on our products, please refer to the relevant Key Information Document (KID), Alternative Investment Fund Managers Directive document (AIFMD), and the latest Annual or Half-Yearly Financial Reports. This information is available using the contact details shown.

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# ‘How much should I worry about drawdown charges?’

AJ Bell pension expert Tom Selby has the answers

*I'm researching my options before going into drawdown and came across some research that suggests charges can range between 0.4% and 1.6%. Is a price difference of 1.2% worth worrying about?*

**Emma, via email**



**Tom Selby**  
AJ Bell  
Senior Analyst says:

High costs and charges can have a huge impact on your retirement, so making sure these are kept as low as possible is a sensible approach.

While a difference of one percentage point or so might sound insignificant, over the long-term those costs can seriously add up.

Let's use the two extremes cited in your example (the range of charges in drawdown set out by City regulator the FCA) – from 0.4% at the bottom end and 1.6% at the top.

Take someone with a £100,000 pension pot at age 65 who withdraws 5% a year from their fund, increasing each year in line with inflation. In other words, they take an income of £5,000 in today's prices.

If we assume performance is unaffected by charges and the fund returns 5% each year, a 0.4% charge would see the fund run dry by age 93. That means the individual would have

received £176,000 of income from their pot in total.

However, if we increase the charge to 1.6% and keep everything else the same, the fund runs out by age 88 and the individual has received just £144,000 in income. So an additional £32,000 has been swallowed up in fees over the course of their retirement.

Charges are not the be-all-and-end-all, and some fund managers will argue they deliver value by outperforming their cheaper rivals.

But it is an indisputable fact that by keeping costs as low as possible, you can squeeze thousands of pounds more out of hard-earned pensions.

## Here are some easy ways to keep your costs down.

**1. Shop around the market,** both for the right product (usually annuity, drawdown or a mix) and the right provider

**2. Keep a close eye on costs and charges,** and be ready to switch

if you can get a better deal elsewhere

**3. Avoid overtrading** (buying and selling investments too often in retirement) as this could push up your costs

**4. Review everything –** from provider to how much you're withdrawing and your investment choices – regularly

**5. Don't stick your head in the sand.** Almost a third (30%) of people who had entered drawdown since April 2015 we surveyed had no idea what had happened to their fund since. If markets take a dip you may need to look again at how much you're withdrawing or risk running out of money early. If you don't review you're effectively trusting to blind luck that your retirement income plan will remain on track.



## DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

Send an email to [editorial@sharesmagazine.co.uk](mailto: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.



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# FINE WINES REQUIRE TIME

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## HOW I INVEST:

# Still fascinated by the markets at age 73

Peter from Eastbourne has refined his focus to concentrate on steady income-payers

**T**wenty one years ago former policeman Peter joined an investment club with seven friends including a WW2 fighter pilot and a few retired businessmen. They treated the club as a casual way of playing the markets because everyone taking part was already sitting on a decent pension or were in well-paid jobs.

‘Our criteria, when choosing shares, was not to be too concerned about dividends. We were quite keen on shares that came with “free” warrants and indeed some warrants in their own right. It was quite a rollercoaster ride, but convivial and fun,’ he remarks.

Fast forward to the present day and Peter says he misses the interaction and decision-making process that made the investment club such an enjoyable experience. Now aged 73, he is still fascinated by the challenge of investing and likes to



*This investor has turned his back on funds*

do the opposite of the crowd.

‘I like to think I am a contrarian investor. I used to follow the herd but now have much more fun reading a buy or sell signal from brokers and if I understand the business, I do my research and buy if it is suggested to sell. Stocks also have to fit my criteria of providing safe dividend cover.’

Peter has stopped investing in actively-managed funds because he says the costs seem too high. Exchange-traded funds (ETFs) are also off the menu but

he still dabbles in alternative investments such as gold coins and fine wines.

Ultimately his main focus is on FTSE 100 shares as a source of income. His portfolio includes positions in oil producer **BP (BP.)**, life insurer **Legal & General (LGEN)**, pharma group **GlaxoSmithKline (GSK)** and utility expert **National Grid (NG.)**. He also holds, among others, shares in **Manx Telecom (MANX:AIM)** which has just received a takeover bid and small cap miner **Greatland Gold (GGP:AIM)**.

‘The shares that now fit my buying criteria tend not to be high flyers. Instead they are mostly steady well-run dividend-paying stocks. In my youth I tended to look at FTSE 250 and foreign stocks but no longer. I have done reasonably well on some insurance stocks which were takeover targets and also **Vodafone (VOD)** when it sold off a subsidiary some years ago.’

It is hard to have success all



the time with investing and Peter admits to having a few disappointments, particularly among some AIM-quoted stocks which he claims to have been mis-sold. He says some of his investments on London's junior market are now virtually worthless and are subject to a Financial Services Compensation Scheme mis-selling claim against a broker.

### FOLLOWING A DIFFERENT PATH

A rethink of his career in 1984 saw Peter set up his own vending business. By the time he sold it in 2006 the business employed 13 staff and turned over £1m.

Moving into retirement, a change in personal circumstances saw him move to Eastbourne where he now owns a two-bedroom apartment outright. He draws an income from a 'reasonable' occupational pension and the state pension which together cover all of his day-to-day expenses, meals out, holidays and the odd bottle of wine.

Approximately £4,500 worth of dividends from his investment portfolio – currently worth £85,000 – have been reinvested, yet Peter admits he would

*Peter likes to reinvest dividends*

be prepared to take future dividends as cash should there be an unforeseen expense to pay.

'I have ISAs and a small SIPP into which I invest annually the basic £3,600 as I no longer enjoy a taxable income. I do not have any long term plans other than leaving any assets, after deducting for possible health care costs, to my two daughters and four grandsons.'

He adds: 'These days my family have their own advisers and only come to me if the advice they receive has gone wrong. They occasionally pick my brains but I am reluctant to offer specific advice on pure investments that might go wrong.'



**DISCLAIMER:** Please note, we do not provide financial advice in case study articles and we are unable to comment on the suitability of the subject's investments. Individuals who are unsure about the suitability of investments should consult a suitably qualified financial adviser.



By Daniel Coatsworth  
Editor





# Seven ways your finances change in the new tax year

We explain new rules that relate to pensions, taxes and student loans

**T**he new tax year brings a raft of Government changes that will affect the money in your pocket.

We take a look at the big changes from 6 April and whether they are good or bad for your wealth.

## 1

### A RISE IN INCOME TAX ALLOWANCES

Many of us will effectively get a pay rise when the amount everyone can earn before paying income tax is increased from £11,850 to £12,500, while the amount you earn before hitting the higher-rate tax band moves from £46,350 to £50,000. The Government estimates this will give a boost for 32m people.

Before you start planning how to spend your windfall you need to check the small print. Anyone getting a boost from the higher-rate band increase will be hit by a bigger National Insurance bill.

Employees pay 12% National Insurance up to an upper earnings limit, after which it is reduced to 2%. This upper earnings limit is linked to the higher-rate tax band, meaning employees will now pay the 12% rate on their earnings between £46,350 to £50,000 – rather than the 2% previously.



This move wipes out a big chunk of the tax gain from the income tax break.

## 2

### INVESTORS AND SAVERS GET A BOOST TO TAX-FREE ALLOWANCES

While the main ISA annual allowance will stay at £20,000 in the new tax year, the amount people can put into a Junior ISA increases from £4,260 to £4,368 – or £364 a month for those with regular monthly payments.

Investors who've seen big growth in their investments will get an extra boost. The amount

of capital gains you can bank in a year before paying tax rises from £11,700 to £12,000.

The pension lifetime allowance also changes, moving from £1,030,000 to £1,055,000.

## 3

### THE NEWEST INHERITANCE TAX GETS A RISE

In 2017 the Government introduced a new inheritance tax break, which helps to shield more of an estate from the 40% inheritance tax.

While the tax-free amount for inheritance tax purposes has been stuck at £325,000 since 2009, the new residence nil-rate band gives a boost to anyone passing on their home.

From April 2017 those with a residential property were given an extra £100,000 inheritance tax-free allowance, increasing to £125,000 last year and in the new tax year it increases again to £150,000.

However, there is tricky small print with this allowance, as the property must be left to direct descendants, so a child, grandchild, or their spouse.

Anyone with an estate valued at more than £2m will also start to lose the allowance by £1 for every £2 they are over this limit. Read more about how the allowance works [here](#).

## 4

AUTOMATIC  
ENROLMENT  
CONTRIBUTIONS  
HIKE

The Government launched its flagship auto-enrolment reform programme in 2012, and all eligible employees should now be enrolled. But this year sees the first big increase in contribution levels as the minimum contribution for all staff rises from 5% to 8% of qualifying earnings.

While employer contributions increase from 2% to 3%, employee contributions rise from 3% to 5%. It means that someone earning around £30,000 and paying in the auto-enrolment minimum will see their personal contribution rise from about £575 to more than £955 for the 2019/20 tax year. Read [this article](#) for more details.

## 5

STATE  
PENSION  
RISES

Anyone who gets the state pension benefits from the 'triple-lock', which means that the amount paid out rises each year, based on the highest of average earnings, the Consumer Prices Index measure of inflation or 2.5%.

Last September average earnings were the highest figure at 2.6%, meaning that pensioners enjoy a 2.6% increase in their state pension income in the new tax year.

This brings the basic state pension up to £129.20 per week,



Graduates who started university in 2012 or after will save over £65 a year

while the flat-rate state pension – introduced for those retiring from April 2016 onwards – rises to £168.60.

## 6

BUY-TO-LET TAX  
CRACKDOWN  
CONTINUES

The Government has gradually removed the tax breaks on offer to landlords over recent years. In particular it is in the process of removing the amount of mortgage interest landlords can use to offset against their profit. Instead buy-to-let investors will get a basic rate tax relief reduction, at 20%.

Previously landlords could use the interest they were charged on their mortgage against their rental income, and only pay tax on the profit. From April 2017 the landlords could only offset 75% of their mortgage costs against their profit, dropping to 50% in 2018 and this ratchets down again to 25% in the new tax year.

The move only affects higher-rate taxpayers, although it also pushes some people into the

higher-rate tax bracket, and it has led to many buying up property within a company structure in a bid to reduce their tax bill. You can read more about the changes [here](#).

## 7

STUDENT LOAN  
THRESHOLD  
INCREASES

Graduates get a small pay rise in the new tax year as the amount they can earn before starting to repay their student loan increases. Those who started university in 2012 or after will see the threshold increase from £25,000 to £25,725, the level above which they pay 9% of their earnings.

The change will save these graduates just over £65 a year. Meanwhile those who studied before 2012 see their threshold rise from £18,330 to £18,935, when they also pay 9% of their earnings, with the move saving them £54.



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

# The market alarm bell is ringing for the banks

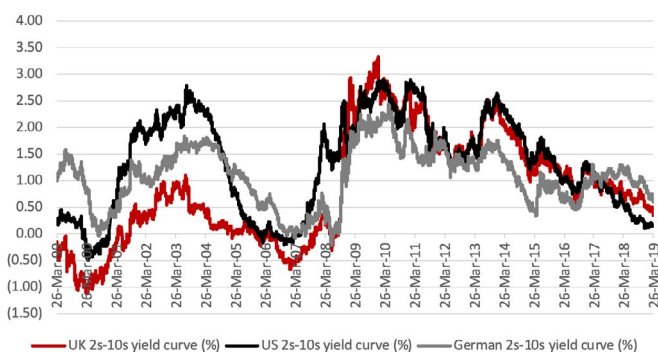
Why a flattening yield curve could be a big blow for the sector

**I**t may not have gone negative yet but the yield curve – as measured by the difference in the yield available on 10-year and two-year government bonds – is as at its lowest level since 2007 in the US, 2008 in the UK and 2016 in Germany.

Whether the yield curve is forecasting an economic slowdown or recession (accurately or not) or whether it is simply anticipating a fresh round of interest rate cuts and quantitative easing from nervous central banks remains open to debate.

But one thing does seem certain and that is banking stocks do not like what they are seeing from the yield curve.

## THE YIELD CURVE STANDS AT MULTI-YEAR LOWS IN THE US, UK AND GERMANY

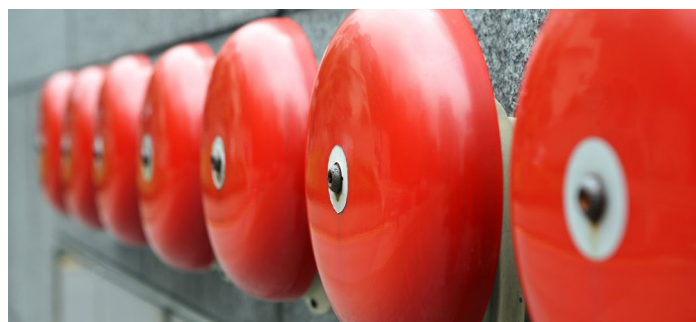


Banking shares are doing badly not just in the UK but the US and Europe as well – and if there's one sector that investors would like to know is in good health after their experiences of 2007-2009 it is the banks, so this is a trend that needs to be watched.

## MIND THE GAP

The yield curve measures the difference between different maturities of government debt, with the gap between two-year and 10-year paper a common benchmark.

In theory, the yield on the 10-year should always



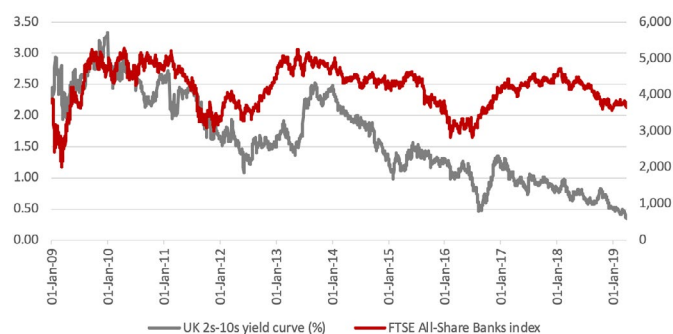
be higher. This is simply because more things can go wrong in the life of a 10-year bond than in a two-year one. Investors will demand a higher yield as compensation for the higher risks, which, in the case of fixed-income, come in the form of default, interest rate movements and inflation.

But sometimes the gap between the 10-year and two-year government bond yields can narrow. This is often (though not always) because the yield on the 10-year falls quickly as markets price in an economic slowdown or recession. Central banks' usual response is to cut interest rates in an attempt to boost the economy.

At the moment, the yield on 10-year Government Gilts in the UK, Treasuries in the US and Bunds in Germany is falling faster than the 2-year yield, to flatten the yield curve.

As a result, banking shares are starting to struggle on the UK, American and European stock exchanges.

## UK BANKING STOCKS HAVE LOST MOMENTUM AS THE YIELD CURVE HAS FLATTENED ...



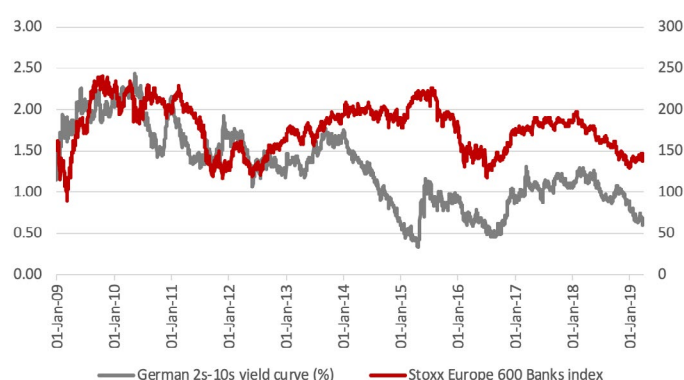


### ... A TREND THAT HAS DEVELOPED IN THE US SINCE EARLY 2018 ...



Source: Refinitiv

### ... AND BECAME APPARENT IN EUROPE ONCE THE ECB BEGAN TO TAPER QE LAST YEAR



Source: Refinitiv

The thinking behind this is that a flattening yield curve damages banks' earnings power.

Banks tend to raise funds by borrowing in the short-term and lending over the long-term, in what is known as maturity transformation. The idea is that this enables them to borrow at a lower interest rate and lend money at a higher one, pocketing the difference as their profit – this is called their net interest margin.



### THROWN A CURVEBALL

The problem now is that a flattening yield curve will be weighing on net interest margins. That will leave the banks relying on fees from any wealth management or private banking operations that they might have, or trading commissions and advisory fees from an investment bank, if they are brave and well capitalised enough to own one.

We can already see how the net interest margins at the UK's Big Five banks have started to come under pressure, or at least stop expanding, and one key test of April's first-quarter results will be the trend here.

Downgrades to net interest margin expectations could well feed into cuts to earnings estimates and no matter how cheap a stock may look on book value, dividend yield or earnings it is generally pretty hard for it to perform, at least in the short-term, if profit forecast momentum is negative.

This does not have to mean the end of the equity bull market. But it is an unwelcome complication, especially for the UK, where banks are expected to make big contributions to profit and dividend growth in 2019 and beyond. It is also a potential warning to central banks that unorthodox policies can have unintended consequences.



By **Russ Mould**  
AJ Bell Investment Director

### BANKS' NET INTEREST MARGINS COULD FEEL SOME PRESSURE IN 2019

	Q1 2017	Q2	Q3	Q4	Q1 2018	Q2	Q3	Q4
Barclays	3.69%	3.70%	3.28%	3.32%	3.27%	3.22%	3.22%	3.20%
HSBC	1.64%	1.64%	1.63%	1.63%	1.67%	1.66%	1.67%	1.66%
Lloyds	2.80%	2.82%	2.90%	2.90%	2.93%	2.93%	2.93%	2.93%
Royal Bank of Scotland	2.24%	2.13%	2.12%	2.04%	2.04%	2.01%	1.93%	1.95%
Standard Chartered	n/a	1.60%	1.53%	1.55%	1.59%	1.59%	1.58%	1.58%

Source: Company accounts

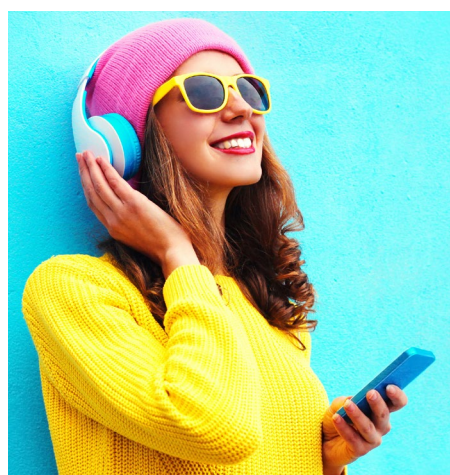
# Investment trusts offer a way of accessing firms that stay private for longer

More trusts offer exposure to the unquoted part of the market

**M**any of the world's most exciting businesses are not yet listed on a stock exchange, but that doesn't mean investors can't get exposure to this part of the universe. A number of investment trusts have holdings in unlisted (also known as unquoted) companies, giving you plenty of options as we discuss in this article.

While venture capital trusts and specialist private equity vehicles tend to focus purely on this space, these options can feel too racy for some investors.

An alternative is to look at the growing number of more general equity investment trusts which



have a smaller proportion of their assets in private companies. This may be a good starting point for newcomers to the space and those wanting to take a more blended approach.

Driving this part of the investment market is the fact that companies are staying private for longer.

Historically, the average age of a business when it floats is five years old, today it is closer to 10. Companies no longer need to turn to the stock market to get capital to invest in their businesses and this is why we have seen a growing number of so-called Unicorn firms, which are already worth \$1bn before they float on a stock market.

## ARE UNLISTED COMPANIES HIGHER RISK?

Investing in unlisted companies does not necessarily mean investing in risky, early-stage enterprises. There are many established, profitable businesses that have simply chosen not to go public. That is not always the case and any investor considering the unlisted space should be aware of the risks and have a long time horizon over which to invest.

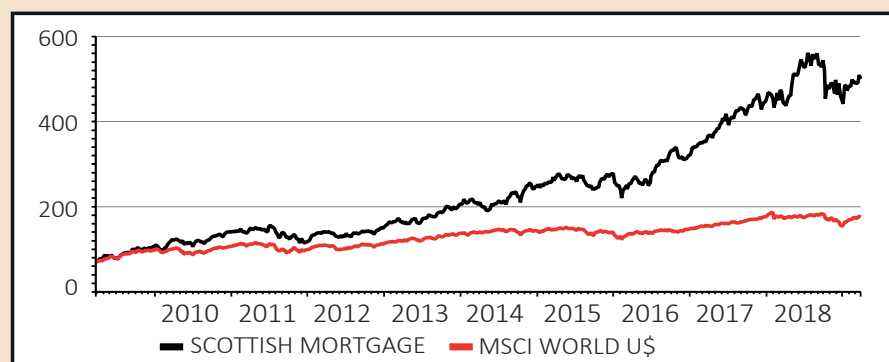
Thomas McMahon, senior analyst at research group Kepler, says: 'Due to the risks, choosing a manager with the pedigree and resources to invest in this part of the market is critical.'

Investment trust **Scottish Mortgage (SMT)** currently has 16% of its assets in unlisted

## Spectacular rewards from one investment trust

**SCOTTISH MORTGAGE +594%**

**MSCI WORLD +154%**



**Scottish Mortgage has achieved nearly four times the gains of MSCI World, an index of more than 1,600 mid and large-cap companies in 23 countries, over the past decade.**

companies. Fund manager James Anderson has good form in picking out future winners; companies the trust has held from unquoted through to listing include Alibaba and Spotify.

Charles Cade, research director at stockbroker Numis says: 'These private investments are not immature venture capital companies, but are typically established, often highly cash generative businesses, some with valuations over £1bn. James Anderson now sees the majority of emerging growth opportunities being in private rather than public companies.'

Baillie Gifford, the asset manager running Scottish Mortgage, last year launched **Baillie Gifford US Growth Trust (USA)**, with a view to tap into the bounty of exciting, unlisted firms across the pond.

The trust is able to hold up to 50% of assets in unlisted businesses although co-manager Helen Xiong says this is 'a limit not a target'. After meeting 200 companies over the past 12 months, the team have invested in just nine unquoted businesses, representing around 9% of assets.

These include Zipline, a business which delivers medical supplies uses drones. The delivery of blood has been particularly ground-breaking in areas such as Rwanda, where the infrastructure for road delivery is poor and the substance has a short shelf life.

Xiong is also excited about an investment in Peloton, a fitness business which offers time-poor people access to top-of-the-line exercise classes from the comfort of their own home using its own



Baillie Gifford US Growth Trust invests in unquoted fitness business Peloton

exercise bikes. The firm films around 14 hours of live footage a day and streams it to people so they can have the fun of a group class at a time and place of their convenience.

Xiong says: 'We think the trend of companies staying private for longer is structural rather than cyclical. The number of listed companies in the US has halved over the past 20 years. Investing

in private companies is about cultivating relationships over the long-term; we think about what the purpose of the business is and what problem it is trying to solve.'

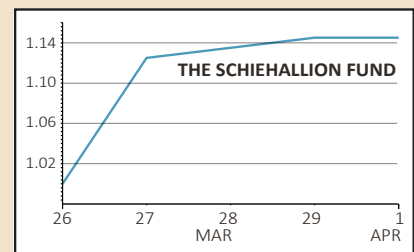
#### A NEW NAME ON THE SCENE

Baillie Gifford last month launched investment trust **The Schiehallion Fund (MNTN)**, raising \$477m to invest in later

#### RETAIL INVESTORS CANNOT BUY THE NEW BAILLIE GIFFORD FUND

Shares in London-listed The Schiehallion Fund have done very well since floating last month. However, the investment trust isn't available for retail investors to buy as Baillie Gifford has classified the product as not being suitable to this audience because of the risks around capital losses, liquidity and the long-term nature of investing solely in the unquoted market. The investment trust launch has been deliberately low-profile for this reason.

A handful of institutional investors including pension funds



have provided Schiehallion's seed money. The fund is targeting a net total return (on a net asset value basis) of three times invested capital over a rolling 10 year period, which Numis estimates is equivalent to c.11.6% per year compound growth. The fund doesn't expect to pay dividends.



stage private businesses that have the potential to list on a stock market with a value of at least \$500m.

Managed by Peter Singlehurst, head of the unlisted equities team at Baillie Gifford, the trust will aim to be at least two-thirds invested within two years, with a portfolio of between 20 and 60 companies.

It already trades at a 15% premium to its listing price, however it is important to note that the fund is not available to retail investors (see box-out).

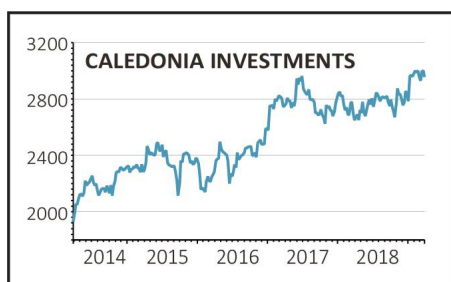
## MIXING QUOTED AND UNQUOTED

Despite the specific restrictions around Schiehallion, the growing group of trusts focusing on unlisted companies (alongside quoted stocks) highlights how the area is becoming more appealing and mainstream among investors.

**Woodford Patient Capital (WPCT)** is perhaps the best-known equity trust focusing on this area; currently it has around 77% of assets in unlisted firms.

Other trusts with significant exposure include **Tetragon Financial Group (TFGS)**, **Caledonia Investments (CLDN)** and **Majedie Investments (MAJE)** which have 36%, 35% and 33% of assets in unquoted companies respectively.

Unlisted companies often attract investors' attention



Investment Trust	% of assets in unlisted firms
Woodford Patient Capital	77%
Tetragon Financial Group	36%
Caledonia	35%
Majedie	33%
Henderson Alternative Strategies	31%
RIT Capital	25%
Scottish Mortgage	16%
Mitton Global	12%
British Empire	12%
Baillie Gifford US Growth	9%
F&C	7%
Fidelity China	6%

Source: AIC 21/3/19

because of the small number of high-profile success stories, which have gone on to become huge global enterprises. But there are far more failures than Unicorns in this area of investing and investors should be cautious.

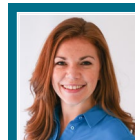
McMahon says: 'There is greater uncertainty around the valuation of unlisted companies as they don't have the daily price discovery that comes from being traded on a public exchange.' Because unlisted entities are priced less often, they can move significantly at these valuation points.

One thing that experts do agree on, however, is that if you are looking to invest in unlisted businesses then doing so through an investment trust is better than doing so through an

open-ended fund such as a unit trust or OEIC.

With open-ended funds, a fund manager could be forced to sell their holdings if there is a change in sentiment and redemptions from the fund, whereas this is not the case with trusts, which have a fixed level of assets.

Simon Elliott, head of investment trust research at Winterflood Securities, says: 'Although guidelines exist for valuing unquoted companies, it would appear to be an art rather than a science and failure to meet milestones or achieve fundraising targets can result in write-downs on a company's value.'



By Holly Black

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# Three funds to buy for a monthly income

We look at the products on offer and how some of them generate dividends

**W**ouldn't it be nice to have an investment portfolio that paid you a regular stream of cash so you can get on with your life without worrying about paying the bills? This can be particularly desirable for people in retirement who need to find a way of substituting money they used to get from their working salary.

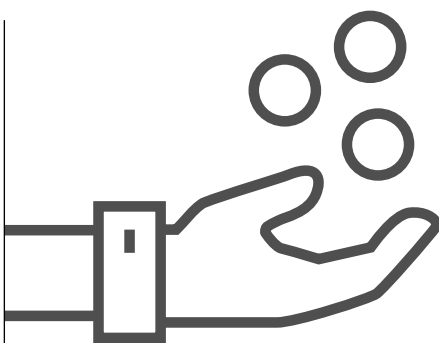
Traditionally funds, stocks and bonds pay dividends or coupon payments once every three or six months. However, funds are increasingly speeding up their payment frequency to meet demand from retired individuals who want a monthly inflow of cash to help fund their monthly outgoings.

## HOW MANY FUNDS PAY MONTHLY?

Our calculations suggest nearly 200 funds and investment trusts now pay dividends every month, according to data from Trustnet. There is also a single exchange-traded fund (ETF) doing the same.

The fact that a fund pays out a monthly income isn't enough

**“NEARLY 200 FUNDS PAY DIVIDENDS MONTHLY”**



reason to buy any fund from the list. You would still need to do the same thorough research to check whether they match your risk appetite, have a good investment process and a proven track record.

It is also worth considering the size of a fund as many of the products on the list look sub-scale and are therefore vulnerable to being wound up or are inefficient.

## ANALYSING THE LIST

We've stripped out the funds that are worth less than £200m and also ones that pay a yield below 3%. After all, you can now get 2.4% interest on the best-buy cash account – as offered by ICICI Bank UK – so why take the risk of being invested in the market for a potential return below 3% when you can get nearly that amount for no risk at all (apart from the impact of inflation). This filter leaves us with a list of 65 open-ended funds and five investment trusts.

The goal in retirement is to protect your money and generate an income, so you

may want to avoid some of the higher risk funds on the list that invest in emerging market debt, for example.

Enhanced income funds normally pay a slightly higher yield than a standard income fund because they sell options on some of their holdings. This gives the purchaser the right, but not an obligation, to buy a stock from the fund at a pre-determined 'strike' price on a specific future date.

For this service, the fund receives a premium regardless of whether the option is exercised or not.

If the stock's price does not hit the strike price by the time the contract expires the fund keeps the premium, which is distributed to investors as part of the overall dividend which also includes some or all of the natural income from the portfolio.

If the strike price is reached the fund still keeps the premium, but it has to pay any additional increase in the stock's value over and above the strike price to the purchaser. That means the fund's upside is limited – hence the investor is giving up potential gains in exchange for a higher dividend.

## THREE FUNDS TO BUY

From the list we would suggest you consider the following three funds, based on the



fund managers' track record, investment style and potential reward versus the risk taken.

**Artemis High Income (BJTOKR0)** yields a very attractive 5.39%. It predominantly invests in bonds and also holds some shares.

This fund is probably on the higher end of the comfortable risk levels for someone in retirement because fund manager Alex Ralph invests in bonds with a lower credit rating in order to generate a higher level of income. Her portfolio currently includes investments in leisure group Center Parcs and healthcare firm Voyage Care.

**Man GLG UK Income (B0117D3)** contains a mixture of shares and fixed income and yields 5.1%. Fund manager Henry Dixon has a value approach and is focused on delivering a growing income and not taking excessive risks.

Investors should note that Man GLG and other monthly-paying funds may not pay dividends in equal installments. You're likely to see 11 payments the same and the last payment flushing out any remaining income.

**Fidelity Multi Asset Income (BFPC050)** aims to achieve an income yield within a 4% to 6% range a year, with the yield currently at the lower end of that range. It invests mainly in funds which provide global exposure to a mixture of asset classes, and ongoing charges are 0.9%. In terms of asset allocation, investment grade bonds have the greatest weighting at 25%.



FUND	YIELD %
<b>Fidelity</b> - Enhanced Income	7.31
<b>Merian</b> - Emerging Market Debt	6.49
<b>Schroder</b> - High Yield Opportunities	6.19
<b>L&amp;G</b> - High Income Trust	5.80
<b>Invesco</b> - Monthly Income Plus (UK)	5.62
<b>Artemis</b> - High Income	5.39
<b>Liontrust</b> - Monthly Income Bond	5.25
<b>AXA</b> - Framlington Monthly Income	5.24
<b>Man GLG</b> - UK Income	5.13
<b>Premier</b> - Monthly Income	5.06
<b>BMO</b> - MM Navigator Distribution	5.00
<b>Threadneedle</b> - UK Monthly Income	5.00
<b>Fidelity</b> - Moneybuilder Dividend	4.96
<b>Invesco</b> - Distribution (UK)	4.95
<b>Fidelity</b> - Global Enhanced Income	4.86
<b>Premier</b> - Multi-Asset Monthly Income	4.83
<b>TwentyFour</b> - Dynamic Bond	4.53
<b>Aviva</b> - Multi Strategy Target Income	4.40
<b>Janus Henderson</b> - Fixed Interest Monthly Income	4.40
<b>Jupiter</b> - Monthly Alternative Income	4.40
<b>Fidelity</b> - Emerging Market Debt	4.35
<b>Artemis</b> - Monthly Distribution	4.34
<b>Fidelity</b> - Moneybuilder Balanced	4.34
<b>MI</b> - Miton Cautious Monthly Income	4.18
<b>M&amp;G</b> - Global High Yield Bond	4.16
<b>Schroder</b> - ISF European Dividend Maximiser	4.15
<b>Fidelity</b> - Multi Asset Income	4.11
<b>Threadneedle</b> - High Yield Bond	4.10
<b>HL</b> - Multi Manager Income & Growth	4.07
<b>Threadneedle</b> - Monthly Extra Income	4.00

Source: Trustnet



By **Daniel Coatsworth**  
Editor

## KEY

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

Artemis High Income (BJTOKRO)	45
Associated British Foods (ABF)	8
Aston Martin Lagonda (AML)	30
AstraZeneca (AZN)	14
AVEVA (AVV)	28
Baillie Gifford US Growth Trust (USA)	41
Boohoo (BOO:AIM)	6
BP (BP.)	34
British American Tobacco (BATS)	29



BT (BT.A)	30
Caledonia Investments (CLDN)	42
Church House Deep Value Fund (B79XM02)	26
Coats (COA)	17
Crest Nicholson (CRST)	8
Daily Mail & General Trust (DMGT)	17
Debenhams (DEB)	22
DFS Furniture (DFS)	6
Dixons Carphone (DC.)	6
Domino's Pizza (DOM)	6
Dunelm (DNLM)	29
Euromoney (ERM)	17

Evraz (EVR)	28
FDM (FDM)	12
Ferrexpo (FXPO)	28
Fevertree Drinks (FEVR:AIM)	16
Fidelity Multi Asset Income (BFPC050)	45
Findel (FDL)	22
Footasylum (FOOT:AIM)	24
French Connection (FCCN)	22
GAME Digital (GMD)	22
Games Workshop (GAW)	29
GB Group (GBG:AIM)	17
GlaxoSmithKline (GSK)	34
Greatland Gold (GGP:AIM)	34
Hollywood Bowl (BOWL)	17
Imperial Brands (IMB)	29
JD Sports Fashion (JD.)	24, 28
Keystone Law (KEYS:AIM)	17
Legal & General (LGEN)	34
Majedie Investments (MAJE)	42
Majestic Wine (WINE:AIM)	6
Man GLG UK Income (B0117D3)	45
Manx Telecom (MANX:AIM)	34
Mediclinic (MDC)	29
Merchants Trust (MRCH)	29
Micro Focus (MCRO)	28
MySale (MYSL:AIM)	24
National Grid (NG.)	34
Next (NXT)	16
NMC Health (NMC)	29
On The Beach (OTB)	16
Pets at Home (PETS)	29
Prudential (PRU)	10

Renishaw (RSW)	17
Residential Secure Income (RESI)	8
Rolls-Royce (RR.)	17
Sage (SGE)	28
Scottish Mortgage (SMT)	40
Spirent Communications (SPT)	29
Sports Direct International (SPD)	22

Superdry (SDRY)	6
Tetragon Financial Group (TFGS)	42
The Schiehallion Fund (MNTN)	41
TI Fluid Systems (TIFS)	30
Vivo Energy (VVO)	29
Vodafone (VOD)	30, 35
Woodford Patient Capital (WPCT)	42

## KEY ANNOUNCEMENTS OVER THE NEXT WEEK

### Full year results

**8 April:** Keywords Studios. **9 April:** City Pub Group, Destiny Pharma, Luceco. **10 April:** Futura Medical, RA International, Tesco, Walker Greenbank.

### Half year results

**9 April:** Nanoco. **10 April:** ASOS, McCarthy & Stone, Tracsis. **11 April:** WH Smith.

### Trading statements

**5 April:** GVC. **10 April:** PageGroup. **11 April:** Man Group.

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