STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

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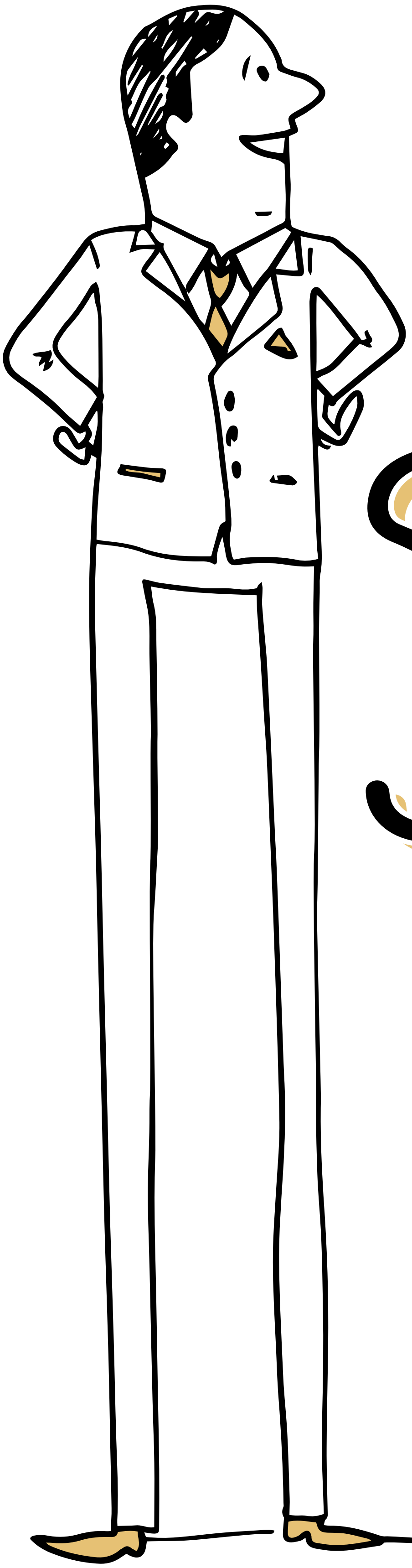
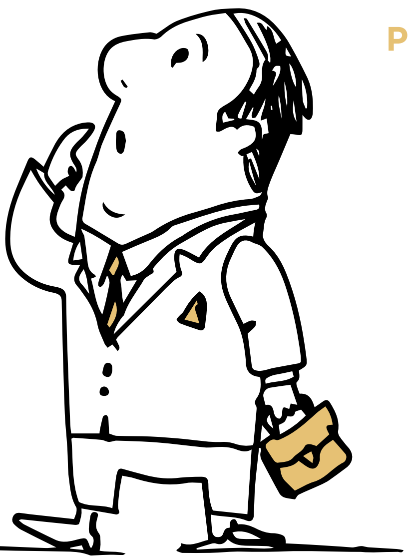
SHARES

WE MAKE INVESTING EASIER



STANDOUT STOCKS

THREE GREAT WAYS TO FIND QUALITY COMPANIES



PLUS

UNCOVERING SHELL
HOW THE LARGEST UK-LISTED STOCK MAKES MONEY

PASSAGE TO INDIA
FUNDS TO CONSIDER AFTER MODI'S RE-ELECTION

PENSION INCOME
WORKING OUT WITHDRAWALS FROM YOUR RETIREMENT POT

Why it is worth getting excited about these stock market stars

We look at three Shares' favourites which are heading for mid cap status

Its easy to get sucked into the noise about uncertainty in the UK created by Brexit and the impact this is having on the markets.

This is clearly a live issue, and no-one would deny it is having a tangible impact on market and business confidence. However, there are still lots of excellent and thriving companies listed in London.

The upcoming FTSE reshuffle, when stocks are promoted to or relegated from indices like the FTSE 100 and FTSE 250, will shine a light on some of these UK plc success stories. It is also a reminder there are some genuinely good quality growth companies out there if you know where to look for them.

Two names who are likely to be knocking on the door of the mid cap FTSE 250 index, with the qualifying mark currently on track to come in around £600m when the changes are made in mid-June, will be no strangers to regular readers of *Shares*.

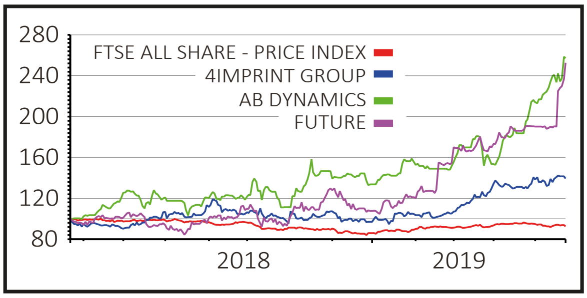
Though it is listed in the UK **4imprint (FOUR)** is really a US business in terms of its operations. A current constituent of the *Great Ideas* portfolio, it is up 36% since we flagged its appeal in February.

The promotional products firm has been investing in its own marketing and this appears to be helping grab a larger share of an addressable market which is estimated to be worth $23bn across the Atlantic.

ENTERING THE STRATOSPHERE

Publishing firm **Future (FUTR)** has enjoyed an even more stratospheric rise in share price terms. We included Future in our list of top investment ideas for 2018. At that point the shares were trading at less than 400p and today they are around the £11 mark, valuing the company at close to £1bn.

Under chief executive Zillah Byng-Thorne, Future has demonstrated its ability to acquire and bring new titles into its transferable platform. This makes



money out of content through e-commerce, licensing and digital advertising.

The company also resumed dividend payments in 2018, while making its largest acquisition to date in US firm Purch for £101m.

On 17 May it announced a record-breaking first half performance with underlying earnings almost trebling to £23.7m and lifted its guidance for the full year.

We will likely provide an updated view on the investment case in a more in-depth article on the business in an upcoming issue of *Shares*.

Another name which featured in our list of tips for 2018 was automotive testing firm **AB Dynamics (ABDP:AIM)**. As an AIM-quoted company it wouldn't qualify for the FTSE 250 but if it were to make the move to the Main Market, it wouldn't be far away.

AB Dynamics has positioned itself to benefit from the big transition car makers are going through at present. Strong growth in revenue and profit has been rewarded by near doubling in the share price year-to-date to £26.85.

To put that into context when we first highlighted the stock in the magazine in October 2013 it was trading at just 134p.

By **Tom Sieber** Deputy Editor

Contents

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

Polarised Brexit views leave investors in the dark

Are UK shares cheap enough to offset perceived threats to the economy?

If investors had hoped for clearer direction of the UK economy and its stock markets they have been left sorely disappointed in the wake of European elections and the news that Theresa May has finally called it quits.

The centre ground has almost completely given way as the UK electorate becomes increasingly polarised over Brexit, leaving British businesses facing all too familiar questions about future trade access to Europe and how or even if they should invest for the months and years ahead.

'The uncertainty surrounding Brexit is having a real impact on business in the UK, the EU, and those around the world that trade internationally', says Nigel Green, chief executive of independent advisor deVere Group.

'This uncertainty has created a tangible lack of confidence, resulting in falling investment, spending and recruiting across Britain.'

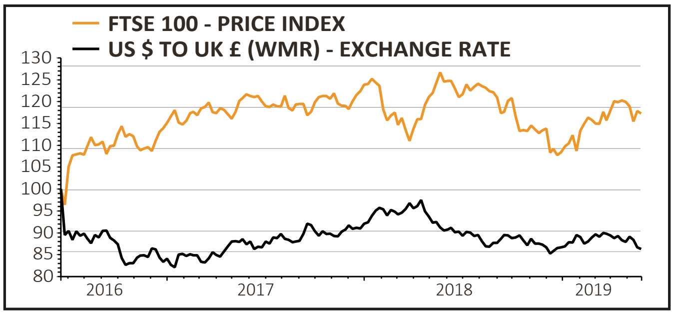
MIXED MESSAGES

This creates mixed messages for investors and is reflected in UK stock markets that remain stuck in drift pattern. At the current 7,272.71 (as of midday 28 May) the FTSE 100 index has barely budged from where it ended March.

'UK gilts have strengthened following the election results,' points out wealth manager Killik & Co which in theory is encouraging news for safety-seeking savers. Yet the pound has weakened versus the US dollar of late having strengthened in the immediate aftermath of May's departure being announced.

The softening of sterling in the near-three years since the EU referendum indicates how investor confidence has drained away from UK assets, but there are silver linings.

First, a weak pound makes the products and services sold internationally by UK businesses

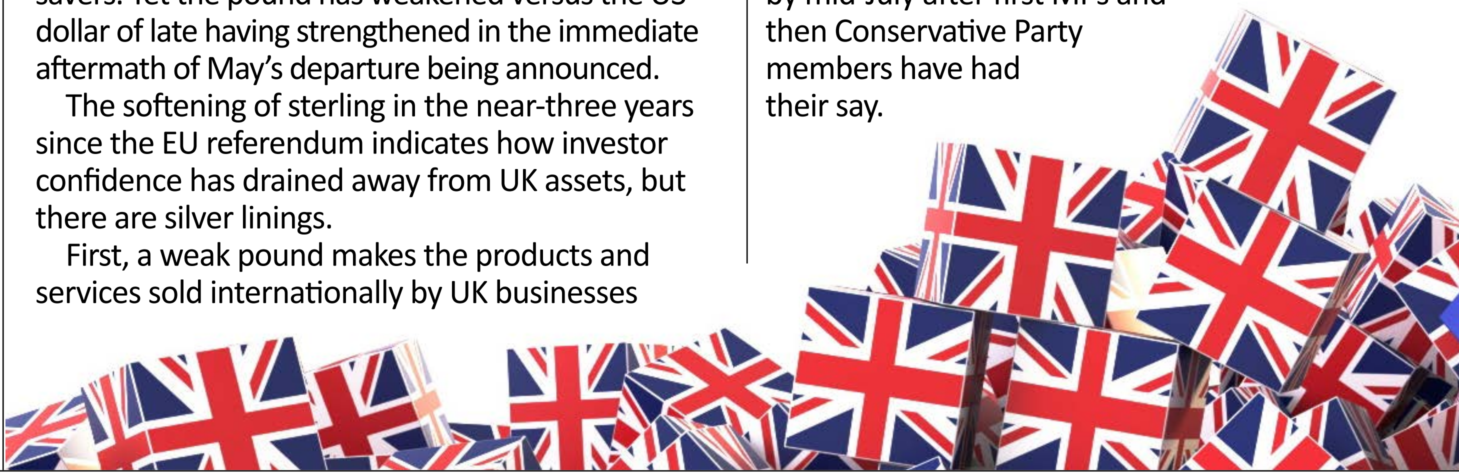


less expensive, so more competitive with overseas competitors, implying firm demand and underpinning existing revenue and profit forecasts. With something like 70% to 75% of FTSE 100 sales coming from foreign markets, this is important.

Secondly, it also makes UK stocks cheaper for overseas investors, implying a further prop to current share prices.

But it remains to be seen whether investors believe that UK share prices are cheap enough to offset the perceived threat of a no-deal Brexit, a new referendum, a potentially savage race to replace May at the head of the Conservatives, and perhaps most feared by investors, a general election from which a Jeremy Corbyn-led government emerges.

The next big development to watch is likely to be the Conservative leadership election, a process which will get underway after May steps down as party leader on 7 June and is expected to conclude by mid-July after first MPs and then Conservative Party members have had their say.



Huawei technology ban fallout threat to IQE semiconductor earnings

Around 20% of forecast earnings at risk in analysts worst case scenario calculations

Compound semiconductor technology designer **IQE (IQE:AIM)** has become the first UK-listed business to confirm that its revenue is at risk from the US government ban on Chinese firm Huawei.

The Cardiff-based company said on Friday 24 May that up to 5% of its 2019 revenue could be on the line as supply chain disruption ripples out across the microchips industry. IQE is forecast to make around £174m of sales this year to 31 December.

Confirmation appeared to initially reassure investors in the company, with IQE shares apparently stabilising after hefty selling through most of May. The stock has declined from 95.15p on 3 May to 72.65p, a near 20% fall.

Yet some analysts believe the impact to earnings could be significantly worse because of operational gearing in IQE's business. The company has substantial fixed costs which cannot be easily lowered in the event of weak revenues.

'We believe this would translate into an up to 20% potential earnings per share (EPS) downgrade for 2019', says Canaccord Genuity. The broker currently anticipates 2019 EPS of 2p, marginally below the 2.1p expectation of the Reuters drawn consensus.

A worst case 20% cut to EPS would send the equivalent price to earnings multiple from 36.3 to more than 45.

Why this big development is significant for ETF investing

Investment Association to include these low-cost and increasingly popular passives within its fund sectors

TYPICALLY CHEAPER TO own than traditional funds, exchange-traded funds (ETFs) have become a core part of portfolio construction and their popularity with investors continues to rise.

And in a significant move that recognises how these passive vehicles are fast becoming the product of choice, the Investment Association (IA) has given the green light for ETFs to join its fund sectors.

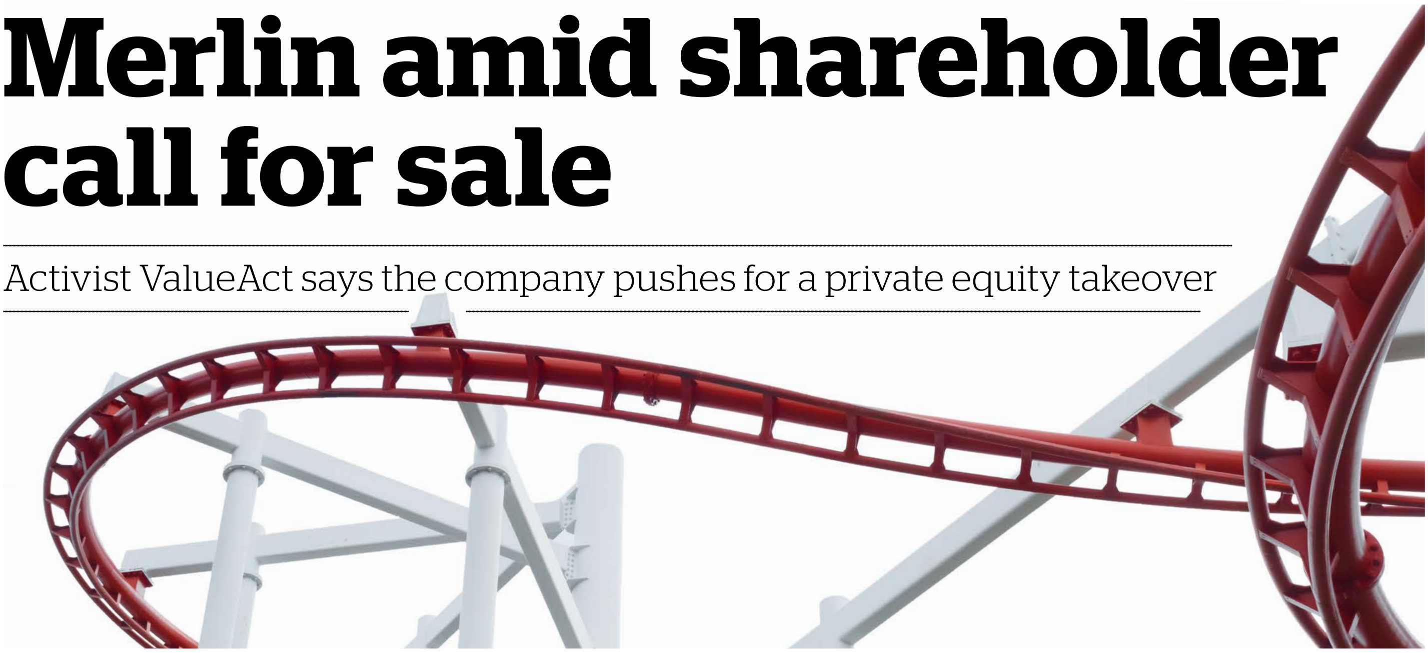
Investors will soon be able to compare open-ended active and passive funds with exchange traded funds (ETFs) for the first time on a sector basis. Over 200 ETFs are eligible to apply for inclusion – although they have to be 'physical replication' ETFs and UK-domiciled (EU UCITs with HMRC reporting status) - and the successful ETFs will be added to the 3,500 funds already housed in the IA's 37 fund sectors from the first quarter of 2020.

The ETFs will be placed within the existing IA sectors, which allow investors to compare open-ended funds by dividing them into groups based on geographical region, asset class and investment strategy.

Galina Dimitrova, the IA's director of investment and capital markets, says: 'We want to ensure that the IA sectors reflect the full range of products the asset management industry has to offer savers around the world. ETFs are a growing part of this market and their inclusion in the sectors will enable consumers to compare across a wider variety of products.'

Rollercoaster ride for Merlin amid shareholder call for sale

Activist ValueAct says the company pushes for a private equity takeover



Shareholders in theme park operator **Merlin Entertainments (MERL)**, have plenty to digest at present, not least a downgrade by investment bank HSBC on 28 May, which pushed the shares 4% lower to 337p.

On 23 May, the second largest shareholder, ValueAct, sent an open letter to management, claiming that the business could attract a bid from private equity of 450p, giving the shares an 8% boost to 379p.

Merlin is no stranger to the world of private equity, having been owned by a string of different private equity companies, ever since Apax Partners financed the original management led buyout of Varden to form Merlin Entertainments in 1998.

Apax sold the business to Hermes private equity in 2004 and a year later, after the Legoland theme parks came up for sale, Hermes didn't want to commit further capital and the business switched hands yet again, this time to the Blackstone Group.

Blackstone negotiated the purchase of Legoland, and as part of the deal, Kirkbi A/S, the investment vehicle of the family behind Lego, became a major shareholder in Merlin.

PRICED FOR PERFECTION?

Whether the group would operate better in the hands of private equity is an open question, since much of the uplift in value seems to have been made in the years leading up to the initial public offering.

All-in-all Blackstone is estimated to have made 3.5 times its original investment over a five-year period. Merlin was eventually floated in 2013, valuing the business at £3.4bn.

One contributing factor to the lacklustre share price since flotation could be that investors perceived the valuation to be pretty full. Shareholders therefore need to be patient, to see how Merlin's planned investments pan-out over the medium term.

According to PitchBook Data, unspent capital committed to private equity touched $962bn last year, putting pressure on firms to deploy capital.

Meanwhile, Cambridge Associates reports that private equity returns have lagged their benchmark over one, three and five years. This shouldn't be surprising as capital is being deployed at higher and higher valuations.

Debt to earnings before interest, depreciation and amortisation (EBITDA) levels have entered territory not seen since the financial crisis, close to six times.

ACTIVE PLAY

ValueAct, the San Fransisco based activist asset manager, usually works behind the scenes, using its board representation to coerce managements into adopting shareholder focused strategies. With Merlin, it clearly wants to speed things up. Whether it would be willing to sell its position to a private equity buyer is unknown.

The week's big news: Galliford Try, Mothercare and Serco

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

Investors were excited by the prospect of merger activity potentially heating up across the UK housebuilding sector with shares in **Galliford Try (GFRD)** gaining 5.6% to trade at 568.5p on 28 May after the Uxbridge-headquartered company rejected an approach for its Linden Homes and regeneration businesses from rival **Bovis Homes (BVS)**.

Apparently, 'preliminary' talks took place between the pair but they came to nothing. Bovis informed investors that its proposed deal would have been worth £950m, involved £100m of Galliford Try's debt and seen Bovis issue shares to Galliford Try shareholders.

That would have left Galliford Try as a UK-listed construction-only concern. And while the deal looks dead in the water, investors are maybe rethinking the value of Galliford's overall business, as well as the scope for corporate activity across a challenged industry.

Shares in international baby goods purveyor **Mothercare (MTC)** spiked 17.7% to 24p on results (24 May) for the year to March. Albeit delayed by a day due to their sheer complexity, the numbers confirmed progress with the embattled retailer's turnaround with the cost base reduced beyond initial guidance.

Chief executive Mark Newton-Jones also flagged 'some improving UK trends' in the early stages of the new financial year.

Though the retailer remains in loss, it has completed its UK store closure programme and sold both its Watford HQ and Early Learning Centre business in order to 'greatly reduce' its debt.

In a year of major restructuring, group revenue fell 13.5% to £566m and Mothercare reported widened adjusted losses with UK like-for-like sales down 8.9%, although encouragingly, the international arm is showing signs of moderate recovery.

Shares in outsourcing group **Serco (SRP)** rallied 10% to 133p, their biggest one-day gain in 2019, after it announced (23 May) the acquisition of US ship and submarine design company Naval Services Business Unit (NSBU) for $225m.

The deal, which is being financed through a mix of new shares and debt, is expected to be completed in the second half and to add to earnings straight away.

The transaction immediately gives Serco greater scale in the US, taking its share of revenue from the Americas from 20% to 26% of the group total and taking the non-UK share of revenue close to 70%. It also takes the share of Defence revenue up from 30% to 35% of the group total.

Invesco

A VERY VALUE-DRIVEN APPROACH

Despite the uncertainty presented by Brexit, James Goldstone, Fund Manager of Keystone Investment Trust plc and Invesco Perpetual Select Trust plc: UK Equity Share Portfolio, discusses the reasons behind the significant tilt in his portfolios towards UK domestic value.

In this video James gives his views on:

- Where he is currently finding opportunities – and where he believes the biggest risks currently lie
- His exposure to mining holdings
- Why he is overweight the domestic banking sector

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 products use derivatives for efficient portfolio management which may result in increased volatility in the NAV.

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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Why you should buy shares in Ibstock

This brick maker's strong market position is not reflected in its valuation

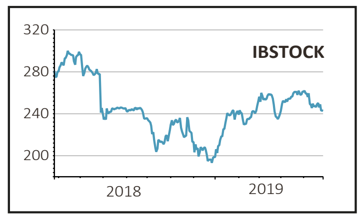
Ibstock (IBST) is the UK's leading clay brick manufacturer and we think it could be a useful building block in any balanced investment portfolio.

With close to 80% of new buildings using brick in their construction, you might reasonably be concerned about suppliers, like Ibstock, on signs of a slowing housebuilding market. However, we believe those concerns are misplaced.

There are fundamental reasons why Ibstock might be in a stronger position that it first appears.

IBSTOCK
BUY
(IBST) 242.7p
Stop loss: 225p

Market cap: £994m



THREE PLAYERS CONTROL TWO THIRDS OF THE BRICK MARKET

According to consultancy IBIS World, Ibstock has a market share of 25.1%, **Forterra (FORT)** 24.3% and Wienerberger 19.7%, with other firms like **Michelmersh (MBH:AIM)** making up the remainder.

This gives the brick suppliers a good bargaining position and some pricing power. In addition, brick inventories are low, at less than 2% of annual deliveries, according to the construction and building materials April 2019 bulletin.

Bricks only make up around 2% of the total cost of building a home, meaning higher prices should easily be absorbed by the housebuilders.

MARKET IS STRUCTURALLY UNDER-SUPPLIED

Private housing construction is expected to remain buoyant, supported by the Help to Buy scheme.

The Department for Communities and Local Government (DCLG) projects that the number of households in the UK will grow by 1% per annum to 28m by 2039.

Including the existing shortage, estimated by Heriot-Watt University to be around 4m homes, it is estimated that 340,000 new homes will be needed to be built every year.

On our back of the envelope calculations, around 2bn bricks will be needed per annum to meet the target, using up close to 100% of current capacity, and keeping the market tight over the next few years.

After many years of mothballing plants, the industry is building new capacity to meet the expected demand for build new homes.

Production at Ibstock's new Eclipse factory in Leicester, will add another 100m bricks to annual capacity as well as increase efficiencies.

Issues with its production facilities affected its ability to meet recovering demand in 2018 and this hit the share price after we previously flagged the stock's appeal. We are hopeful these problems are now behind the company.

STRONG MARKET POSITION EQUALS SUPERIOR ECONOMIC RETURNS

Ultimately in 2018 Ibstock increased revenue by 8% to £391m and pre-tax profit by 19% to £93m. This produced a very impressive return on capital employed of 20%.

Despite these strong credentials, Ibstock trades on only 12 times 2019 earnings and offers a dividend yield of 5.5%, too miserly for such a well-positioned business.

By **Martin Gamble**
Reporter

ADVERTORIAL

Schroders

The power of disruption and what it means for Asia

The massive disruption seen in US retail is a useful reminder to Asian investors of what the future may hold.

By Matthew Dobbs,
Fund Manager, Asian Equities
and Head of Global Small Cap

When it comes to the pain felt by bricks and mortar retailers over the past twelve years, few markets are as illustrative as that of the US retail sector. Many companies with a large store presence have suffered in recent years, losing market share to online-only competitors. The table below highlights how consumer spending habits in the US have changed as online purchases have grown as a share of overall retail sales.

Contrasting the market values of the leading US retailers in 2006 with their market values in 2018 shows a stark decline for the majority of companies. Amazon is the standout winner, with its market value rising by over 4,437%. Other major retailers (with the notable exception of Walmart) have seen their market values fall between 30% and 98% - and in the case of Sears shareholders have lost almost everything.*

SCOPE FOR DISRUPTION IN ASIA REMAINS CONSIDERABLE

Of course, these trends and the disruptive forces behind them are not unique to the US. In Asia, similar changes can be seen, but the scope for further disruption and change remains considerable.

In China, for example, the retail sector is seeing similar factors play out as technological uptake increases. Domestic department stores with a store network are being pressured by the continued growth of new online retailers which are rapidly increasing market share. These changes can result in big winners. In China's case, companies such as Alibaba and Tencent have been the winners.

Alibaba began as a business to business online marketplace back in 1999 and quickly grew to become one of the leading players in e-commerce in China. Through its subsidiaries it has since expanded into an array of sectors including cloud computing, online payments, fintech and entertainment. Its financial services company, known as Ant Financial, has one of the largest money market funds in the world, peaking at close to $250 billion in size.

Tencent initially started as an instant messaging business in 1998 and is one of the largest social networking platforms in China. Through its WeChat/Weixin messaging platform it now has over one billion monthly users. The company successfully entered the online gaming market and has subsequently invested heavily in developing its e-commerce business through its strategic cooperation with online retailer JD.com, with which it shares its online payment system PaiPai. Tencent, through its subsidiaries, is also now present across a range of sectors including music, film and finance.

NOT JUST IN CHINA...

In India too, the potential for technological disruption remains enormous. Of the country's 560 million internet users, a figure itself which continues to rise, only 120 million shop online, providing headroom for huge growth. Meanwhile Indonesian based Go-Jek, a digital transportation and logistics company with operations across South East Asia, was valued at $9.5 billion following a funding round in February this year.

What is also notable is the comparatively low numbers of people now required to grow a company capable of taking market share and dominating peers. The contrast between Walmart and Amazon in the US is marked; Amazon has a market value of close to $738 billion but just 647,500 employees, while Walmart has a market value of $270 billion and 2.3 million employees. In an Asia context, Go-Jek reflects a similar story; it has just 3,000 direct employees.

DISRUPTION HERE TO STAY

For Asia in general, these disruptive factors are fanned by the young mass market which is increasingly open to new ideas and quick to adopt new products and services. There is therefore plenty of scope for what might referred to as traditional or old companies to be disrupted.

From an investor's perspective, these forces result in a combination of opportunities and challenges. Identifying these trends as they develop, understanding businesses and their operating models will be key to picking the winners and avoiding the losers. Doing so will in our view require investors to take an active approach.

Company	Market value 2006 (US$bn)	Market value 2018 (US$bn)	% change
Sears	28.8	0.0	-100
JCPenny	17.4	0.3	-98
Kohl's	22.4	11.0	-51
Macy's	20.0	9.2	-54
Best Buy	23.6	14.3	-40
Nordstrom	12.7	7.8	-39
Target	49.0	34.5	-30
Walmart	192.5	270.6	+41
Amazon	16.3	737.5	+4,437

*Source: Factset, Data as of December 31 2006 and December 31 2018. Past Performance is not a guide to future performance and may not be repeated. Securities shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Why you should buy S & U for growth, income and value

Three reasons to like this fast-growing financial player

Motor finance and bridging lender **S & U (SUS)** offers a winning combination of growth at a reasonable price and a high dividend yield to comfort income investors.

Profits are up 10 years in a row yet the shares are trading on just nine times current-year earnings while the dividend yield stands at 5.5% with the pay-out covered more than four times.

RECORD PROFITS IN MOTOR FINANCE

The Advantage motor finance business racked up its 19th consecutive year of record profits in the 12 months to 31 January with pre-tax earnings of £33.6m.

Despite the slowing economy and lower levels of consumer confidence, Advantage received over 1m applications for finance of which just over 2% or 21,000 advances were approved.

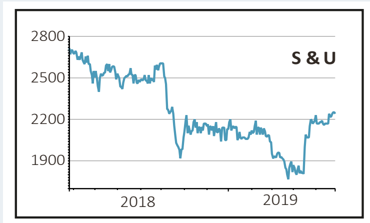
The used car market has held up much better than the new car market with almost 8m vehicles sold last year, a decrease of just 2% according to the Society of Motor Manufacturers and Traders (SMMT).

In the first quarter of this year the market was flat with just over 2 million cars sold and used-car values are holding up according to both Advantage and the SMMT.

Superminis are the most popular buy, taking a third of

S & U
BUY
(SUS) £22.20
Stop loss: £17.76

Market cap: £270m



the market, while demand for hybrid, plug-in hybrid and pure electric cars is growing at a 30% annual clip.

BRIDGE FINANCE GROWING FAST

Using its expertise in consumer vetting and lending, S & U has branched out into the property bridging market with the Aspen brand.

Aspen operates in the home refurbishment and investment end of the property market with loans typically repaid by onward sale or re-mortgage.

Using a conservative valuation policy, its gross average loan size is £375,000, a space the mainstream banks are 'too inflexible and slow to fill' which allows Aspen to develop bespoke products and a fast service.

Chairman Anthony Coombs is pleased not just with the growth of the loan book, which now stands at £22m, and the record deal pipeline, but the fact that in just its second year of operations the business has made a sizeable profit.

He believes that Aspen can generate 'controlled' revenue growth of at least 50% per year during 2019 and 2020 as the 'value' end of the market expands faster than the rest of the sector.

Market research firm Mintel sees the annual market for bridging loans growing from £7.5bn in 2018 to £10bn in 2021.

On just nine times this year's forecast earnings and a yield of 5.5% S & U, looks like a stock to tuck away for the long term.

By **Ian Conway**
Senior Reporter

FUNDSMITH EMERGING EQUITIES TRUST
(FEET) £11.90

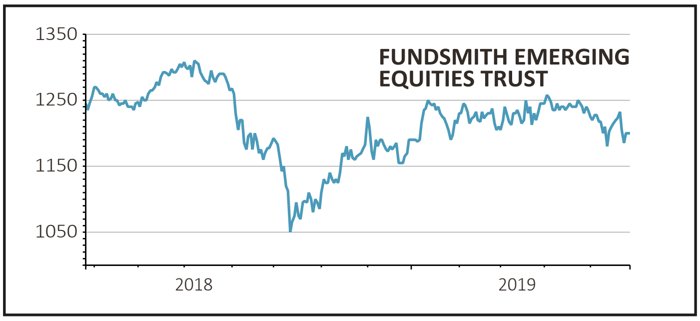
Loss to date: 3.25%
Original entry point:
Buy at £12.30, 14 March 2019

OUR MARCH 'buy' call on **Fundsmith Emerging Equities Trust (FEET)** is 3.25% in the red, sentiment souring slightly on the news (22 May) star manager Terry Smith is stepping back from the day-to-day running of the trust.

The reassuring news is Smith – in his role as Fundsmith's chief investment officer (CIO) – will continue to lend advice and support to Michael O'Brien and Sandip Patodia, appointed to the roles of Portfolio Manager and Assistant Portfolio Manager respectively.

We don't expect any significant change in the investment approach of the trust, which is cutting its annual fee by 0.25% to 1% of NAV, despite Smith stepping back from his role as lead manager. O'Brien and Patodia have both been involved in the management of the trust since its 2014 inception and are fully versed with the current holdings.

FEET puts money to work with established, well-managed companies with cash generative brands of consumer staple products able to deliver compound growth over the long term.



SHARES SAYS:
We believe it is business as usual for FEET with Terry Smith continuing to provide oversight as CIO. We also note he note bought shares on the day of the announcement in a show of confidence in the promoted pair.

SCOTTISH MORTGAGE
(SMT) 507.5p

Gain to date: 5.4%
Original entry point:
Buy at 481.4p, 18 October 2018

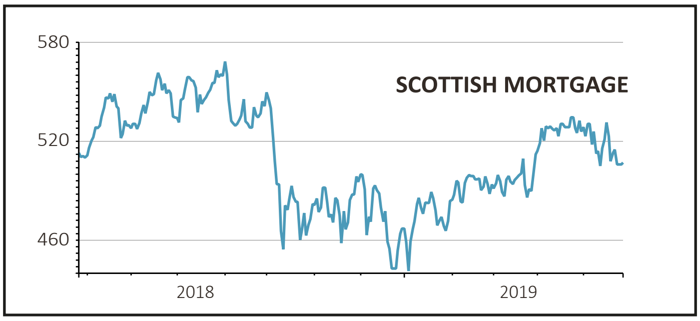
TECHNOLOGY HEAVYWEIGHTS continue to drive performance at **Scottish Mortgage (SMT)**, one of the UK's most popular investment trusts with retail investors.

Online shopping giant Amazon, DNA technology designer Illumina, Chinese tech firm Alibaba, plus the US listing of ride hailing firm Lyft all added to the trust's net asset value (NAV) in the 12 months to 31 March 2019, with Gucci-owner Kering also performing well.

This helped NAV rally 14.6% during the year to £8.13bn, far outstripping the 9.9% equivalent return of the global index average. That the share price increased by 16.5% over the same time frame is a firm illustration of real shareholder returns.

Scottish Mortgage has significantly bolstered stakes in the likes of Delivery Hero and Spotify, although some readers will be less impressed by its still firm commitment to Tesla.

But to judge Scottish Mortgage on annual performance is to miss the long-term point, one its managers hammer home in the results. NAV has increased 152.7% and 647.4% over five and 10 year periods respectively, while the shares have rallied 157.1% and 737.3%.



SHARES SAYS:
A superb investment for those with a longer-run view, our enthusiasm remains undiminished. Still a buy.

What you need to know about the future of restaurants

Why eating out is changing and what it means for the industry

Last week saw the final collapse of Jamie Oliver's restaurant empire after a year of struggling with mounting debts and insufficient funds. As one of the administrators from KPMG observed, the casual-dining environment is 'as tough as I've ever seen'.

It seems a far cry from the start of the decade when affordable restaurants were popping up on every high street on a weekly basis. With rising pressure on consumer spending and tastes changing rapidly, what do restaurants have to do to survive in today's market?

CHRONICLE OF FORETOLD DEATH

Jamie Oliver's restaurant empire was just the latest in a succession of casual-dining chains to run into difficulties. Last year Prezzo and Strada went into administration and Carluccio's went into a company voluntary agreement (CVA) to dispose of loss-making sites and negotiate lower rents.

Byron also closed its doors after taking the market by storm just ten years earlier, while rival Gourmet Burger Kitchen began shuttering around a quarter of its restaurants last year after it filed for a CVA.

While the troubles of the high street are well-documented, the focus has been on retailers and pubs not restaurants. The government is working on a plan to bring shoppers back and has set money aside to transform disused pubs, but it looks as though restaurants are on their own.

TIMES HAVE CHANGED

From 2010 until a few years ago, our appetite for affordable dining-out seemed insatiable. Restaurants opened at an unprecedented pace, often with little regard to cost thanks to cheap debt and landlords eager to let vacant space.

A 2016 poll put eating out as our favourite leisure activity, but the combination of stagnant wages and falling consumer confidence since the referendum has shifted the goalposts, seemingly for good.

We're going out less, and we're spending less. The latest Coffer Peach business tracker, which gathers sales figures from 50 pub and restaurant groups with a combined annual turnover of £9bn, shows like for like sales over the four-day Easter weekend down 3.6% for the eating- and drinking-out market, with restaurant sales down a massive 19.4% compared with Easter last year.

Rights:a_marga

TASTES HAVE CHANGED, TOO

While distinctive brands such as Nando's and Wagamama will probably survive as fashions come and go, and this explains the presence of Wagamama-owner **Restaurant Group (RTN)** in our list of *Great Ideas*, there have been major changes to our eating habits over the last decade.

One in three of us eats less red meat than ten years ago, or none at all, while one in eight of us is now vegan or vegetarian.

The success of the Beyond Meat and Impossible public offerings in the US would suggest that veganism is not a short-lived fad. Closer to home, Pret's takeover of failing rival Eat and the transformation of its stores into Pret Veggie outlets is another clear sign of the times.

SUSTAINABILITY AND SOCIAL MEDIA IMPACT

As consumers we are more informed and more concerned about the environment and our impact on it than ever before. From single-use plastic to impact investing and sustainable resources, consumers are increasingly dictating the agenda to politicians and businesses rather than vice versa.

For restaurants, sustainability ratings which score on environmental impact, sustainable sources, carbon footprint and waste could become as important as Tripadvisor ratings according to consultancy Think Hospitality.

Pret's veggie outlets already have small hydroponic gardens growing basil and other herbs for their meals. Meanwhile laboratory-grown meat is being discussed as a genuine alternative to farmed meat which is notoriously bad for the environment in terms of land, water and energy intensity, not to mention the use of pesticides and herbicides.

Rights: Steve Parker

Consumers, especially millennials, have been focusing their discretionary spending on experiences rather than 'stuff' for some time. In a 2018 Barclaycard survey over half of consumers said they would rather spend money on entertainment than possessions.

The impact of social media on spending patterns is immense and just as retailers can tailor their offerings based on data they have about customers, so our social media data could mean tailored recommendations of restaurants, times to dine and even dishes based on our personal preferences.

A TRULY PERSONALISED EXPERIENCE

Along with the increasing trend towards healthy eating, the use of technology, and in particular AI, could see menus and dishes 'personalised' so that what we eat is aligned to our need state, blood type or even DNA.

The Yo! Sushi chain has partnered with a DNA testing firm to offer personalised DNA dining. The customer completes a DNA swab test and a dedicated 'plate plan' is produced with specific items selected according to genetic profiling.

Scientists are even working on swallowable sensors which will monitor gut health, stimulate damaged tissue or be used to target drug delivery. These sensors could also be used to monitor glucose, nutrient, sugar and alcohol levels in food and with RFID could communicate the information to a mobile phone.

The restaurant of the future will have to know a lot more about its customers than the restaurant of today if it wants to stay successful.

By **Ian Conway**
Senior Reporter

STANDOUT STOCKS:

GREGGS, BURBERRY AND SOMERO ARE AMONG EIGHT NAMES PASSING OUR QUALITY TESTS

The dictionary definition of quality is 'the degree of excellence of something'. Handmade Hermes scarfs that use high quality silk would fit this description of quality. However, just because a company makes high quality products, it doesn't necessarily mean that the business itself would be considered a quality business by investors.

This article looks at three different metrics which indicate quality from an investor standpoint. The goal is to help you understand ways of screening the market and become better at spotting winners for your investment portfolio.

1. RETURN ON TANGIBLE EQUITY

HIGHEST RETURN ON EQUITY	%
Diversified Gas & Oil	2069
Rightmove	1618
BT	417
Countryside Properties	190
GlaxoSmithkline	185

Source: Stockopedia

Return on tangible equity (ROE) is the net profits of a firm divided by the total shareholder equity, excluding intangible assets, such as goodwill, brands or software.

A return of 20% or better, sustained over many years and without the use of undue leverage would be considered a high quality company.

DOES SUPERIOR ROE PRODUCE SUPERIOR STOCK RETURNS?

A 1986 study by *Fortune* magazine looked at returns on equity for the largest 1,000 companies in the US by market value. Here are some interesting facts from that study:

- Only six of the 1,000 companies averaged over 30% ROE over the previous decade (1977-1986)

- Only 25 of the 1,000 companies averaged over 20% ROE and had no single year lower than 15% ROE

- These 25 business superstars were also stock market superstars as 24 out of 25 outperformed the S&P 500 index during the 1977-1986 period.

That last statistic is really quite remarkable, and bears repeating, **96% of companies which qualified went on to beat the toughest benchmark in the world**.

2. GROSS PROFITS-TO-ASSETS RATIO

HIGHEST GROSS PROFITS-TO-ASSETS	%
PageGroup	145
WH Smith	144
Greggs	134
Games Workshop	133
ASOS	123

Source: Stockopedia

Gross profits are the revenues earned minus the direct cost of goods sold. It is the value-added part of a product or service, therefore it represents pricing power.

For this metric, we divide gross profits by the total assets employed. Total assets employed are sometimes referred to as the balance sheet total.

For example, in the 12 months to 30 March 2019 **Burberry (BRBY)** produced gross profits of nearly £1.9bn and it employed total assets of £2.3bn, giving a gross profits-to-assets ratio of 83%, a very high number. Any number over 70% indicates that you are looking at a high quality business.

Gross profits-to-assets is one of the purest metrics available in the sense that it cannot be easily manipulated by management, and it is simple to understand, unlike some ratios further down the income statement. There aren't any companies that report 'adjusted' gross profits or total assets. It also means that comparing companies is straightforward.

DO HIGH GROSS PROFITS-TO-ASSETS RATIO COMPANIES PRODUCE SUPERIOR STOCK RETURNS?

Robert Novy-Marx, associate professor at University of Rochester, New York, ran an empirical

study in 2013 on gross profits to total assets as a predictor of stock returns. He found that highly profitable companies significantly outperformed the benchmark and with much lower risk.

Interestingly, he discovered that deploying this metric in combination with value strategies was even more effective.

3. PIOTROSKI F-SCORE

COMPANIES RANKED BY HIGHEST F-SCORE	Score/9
ConvaTec	9
Rotork	9
Sophos	9
Petrofac	9
Spirent Communications	9

Source: Stockopedia

Joseph Piotroski, associate professor of accounting at the Stanford University Graduate School of Business, developed the F-Score in 2000 while at the University of Chicago. He was interested in finding out if it were possible to weed out poor performers and winners, in advance, just from studying historical accounting data.

Piotroski set out to devise a checklist, comprised of nine different accounting measures, covering profitability, leverage and operating efficiency.

A company was awarded a point for each test that it passed. A score above 7 was considered to be a high quality company, while those scoring below 3 should be given a wide berth.

DOES THE F-SCORE WORK IN PRACTICE?

Empirical analysis to test out the strategy in the UK market seems to be very limited. However, Piotroski's research in the US does suggest that this type of fundamental analysis can be an effective filter.

By investing in companies with a score greater than 7, over a 20-year test period, from 1976 to 1996, the mean return was 7.5% per year better than the market. This was equivalent to 4.2 times the S&P500 return.

Furthermore, Piotroski found that buying the top stocks in the market and betting against those with the worst scores (via short-selling) would have resulted in 23% annualised gains, more than double the S&P 500 return.

What you leave out is just as important as what you select, so it is impressive that weak stocks, scoring two points or less, were five times more likely to either go bankrupt or delist due to financial problems.

Anyone interested in following both parts of this strategy should note that short-selling is very high risk and you can lose more than you initially invest. Short-selling is not suitable for the majority of retail investors due to the risks involved.

OUR ULTIMATE SCREEN

We have shown that having high quality companies in a portfolio can be very lucrative. Just as important, it can remove potential losers from temptation, saving investors some potential headaches.

We decided to go one step further to see if any UK-listed companies could survive a combination of all three screens. This would surely be a stronger test of quality and provide a list of the crème-de-la-crème of quality stocks.

To recap, each candidate needs to meet the following criteria: have a five year average return on equity above 20%; have a gross profits to assets ratio of at least 75%; and an F-score of at least 7. We have excluded financial companies because there is no F-score for them and they report gross profits.

You can use financial websites such as Stockopedia and SharePad to help screen the market using the aforementioned criteria.

We are left with eight names: five consumer cyclicals, two industrials and a technology company. None of the stocks are what you would describe as classically cheap, but they have attributes which are hard to replicate and each display excellence in their chosen fields of expertise. There are also clear growth opportunities on offer.

ULTIMATE QUALITY SCREEN: THE EIGHT STOCKS THAT SHINE

Name	Market value
Burberry	£8.0bn
Boohoo	£2.8bn
Greggs	£1.8bn
PageGroup	£1.7bn
Dunelm	£1.7bn
Games Workshop	£1.3bn
FDM	£1.0bn
Somero Enterprises	£204m

Source: Stockpedia

HUNGRY FOR GREGGS

Food retailer **Greggs (GRG)** surprised the market again earlier this month, the fourth time that management have upgraded their expectations since November 2018. The company said that the strong start to 2019 had continued and it saw like-for-like sales up 11.1% in the 19 weeks to 11 May, an acceleration from the 9.6% seen in the first seven weeks.

The success is attributed to customer appetite for vegan-friendly sausage rolls. Once trading levels settle, the underlying like-for-like growth rate is likely to be much lower.

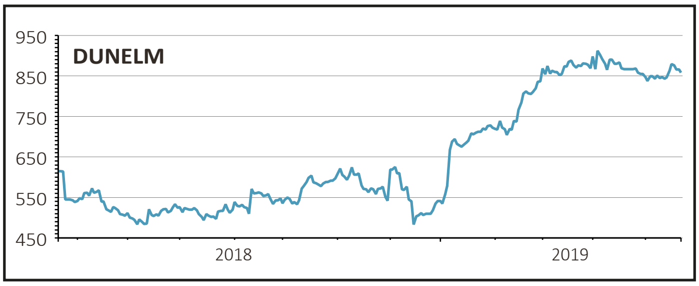
Greggs' shares have probably moved ahead of the fundamentals, and we don't believe the rating fully reflects the challenging conditions on the high street. The shares trade on 24 times current year earnings, at the top end of the historic range. This is a great business – simply wait to buy it at a more favourable price.

Also on the list is recruitment consultant **PageGroup (PAGE)** which is trading on a modest 14 times forecast earnings for the current year and has good growth opportunities, amid increasingly tight labour markets globally.

In the UK, the latest CIPD survey showed that 70% of all firms are 'having difficulty' hiring and 40% of vacancies are proving 'hard to fill'. The likes of PageGroup should therefore be able to charge clients more to place suitable candidates into jobs. We rate the shares as a 'buy'.

The business performance of home furnishings retailer **Dunelm (DNLM)** continues to blow the lights out, confounding the gloom and doom on the high street. In April it reported c10% like-for-like growth from the physical stores and 32% from online.

Despite highlighting political and economic uncertainties, the company guided towards the top end of expectations for full year pre-tax profit. The shares trade on 17 times forecast earnings for the year to June 2020, towards the top of the historical range. That looks too expensive to warrant buying at the moment.



BURBERRY'S APPEAL

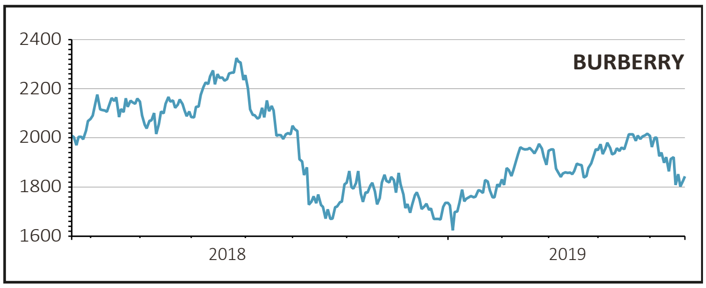
Founded in 1856 Burberry is a distinctly British brand with broad appeal across the globe. The company has increased its revenues and profits over the last few years, driven by increasing consumer wealth in emerging markets. Aspiring consumers in China, India and South America seem happy to spend more of their disposable incomes on well-known Western brands.

We like that the company uses licensing partners in certain territories, like Japan, to distribute its products, because this is a capital-light way to reach more customers. It creates a long-term royalty stream, increasing returns on capital employed. Licensing revenue makes up around 20% of revenue.

Full year results published earlier this month flagged a 'very encouraging' reaction to designer Riccardo Tisci's first collections and included a 3% dividend hike. The company said it would also buy back £150m of its shares.

This is an attractive feature of the business and continues the historic trend. Since 2018 it has returned £350m in cash through share buybacks, equivalent to 4.4% of the market value, in addition to a 2.3% dividend yield. It's unusual to find growth and income on offer from a large, quality, global business.

However, recent tensions in US/China trade talks have created a short term headwind for Burberry and analysts have become more circumspect about its prospects. In addition, China's growth has been showing increasing signs



of slowing from the 6%-plus levels of recent years.

While it has the hallmarks of a decent business, anyone buying the stock today will need to be patient. Recent sales growth hasn't been as good as expected so market sentiment may be weak towards the stock until it can provide evidence of stronger trading.

QUALITY SMALL CAP

The only small cap to make our final list is laser-guided equipment manufacturer **Somero Enterprises (SOM:AIM)**. It delivered record revenue and profit for 2018, with revenues rising 10% to $94m and pre-tax profit up 13% to $29.1m. In addition, the company paid £12.3m in dividends. The company is upbeat about future prospects and sees healthy growth opportunities.

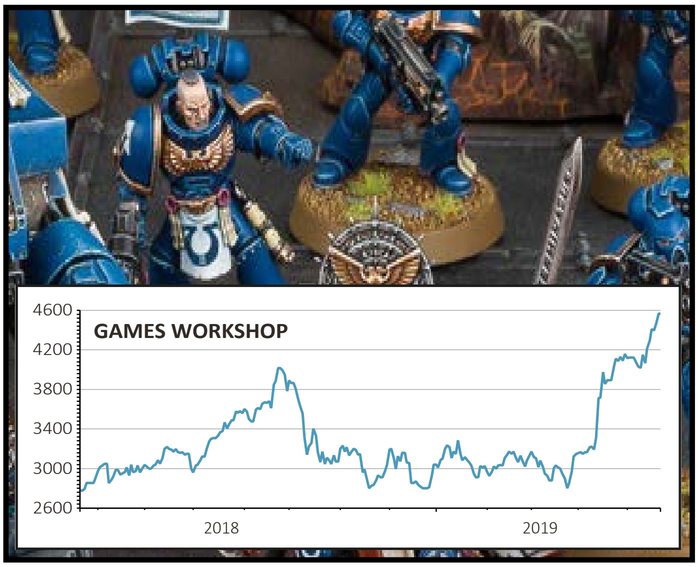
Somero has very little direct competition and its patents give some protection to its high returns and market position. It is noteworthy that penetration of China has been slow, perhaps reflecting a lower adoption of intellectual property rights. The shares trade on 11.4 times earnings, despite a solid growth record and high returns on equity.

We've been big fans of the company for a long time and have previously written about its attractions in *Shares*. Although this is a cyclical business, we do see merit in buying at the current price.

AND THE REST

Online fashion retailer **Boohoo (BOO:AIM)** delivered strong results for the year to 28 February 2019, with sales up 48% to £857m.

The medium-term guidance is for 25% annual sales growth with a 10% EBITDA (earnings before interest, tax, depreciation and amortisation)



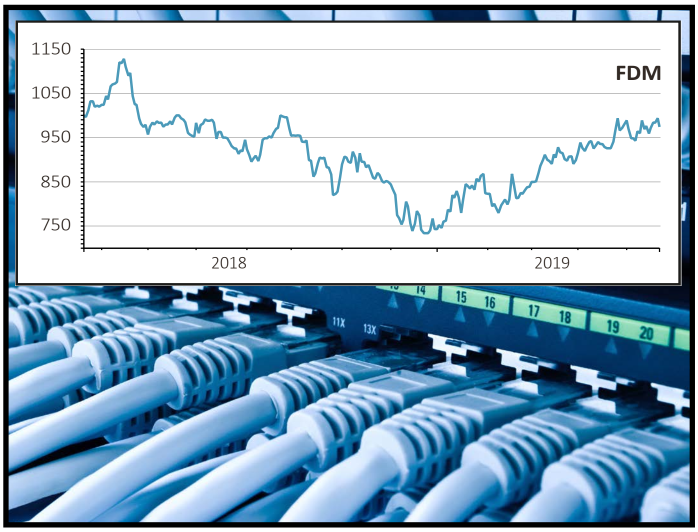
margin so it may be that the shares have already discounted a lot of the good news. This is a great business but the price looks too high at the moment, trading on 52 times forecast earnings for the year to February 2020.

Games Workshop (GAW) trades on 19.5 times earnings, at the upper end of the historical range. Its recent trading statement guided for £80m pre-tax profit for the year to 2 June 2019.

The company has a strong global brand in *Warhammer* and operates a simple and repeatable business model. The focus on fantasy miniatures provides almost unlimited scope for product innovation, which should drive future growth opportunities. We rate the stock as a 'buy' despite the high rating.

FDM (FDM) was one our recent Great Ideas selections, so it is reassuring that the screen identified the company as high quality.

It has significant growth opportunities both in the UK and overseas and we rate it as a superb stock to buy.



How does Shell make its money and should you buy its shares?

We reveal where the FTSE 100 giant gets the cash to fund its mighty dividends

With a market cap of more than £200bn Anglo-Dutch oil major **Royal Dutch Shell (RDSB)** is comfortably the largest company on the UK stock market. To put its position into perspective, it accounts for around 10% of the FTSE 100 index on its own.

Given its heavyweight status in London and the generous stream of dividends it pays, there is a good chances many of us will have at least some exposure to the stock either directly or through an investment fund. Bottom line: if you are a UK investor, Shell really matters.

But how much do you know about where and how Shell makes its money? For all that it has pledged to reduce its carbon footprint, Shell still derives nearly all of its revenue from fossil fuel-related activity. A structural shift to renewable energy in many parts of the world therefore raises questions over the long-term sustainability of its dividend. At the current share price of £25.52 Shell is yielding 5.7%.

UNDERSTANDING THE DIFFERENT PARTS

Shell is an integrated energy business. This means it has operations in oil and gas exploration, production, marketing, refining, transportation and distribution.

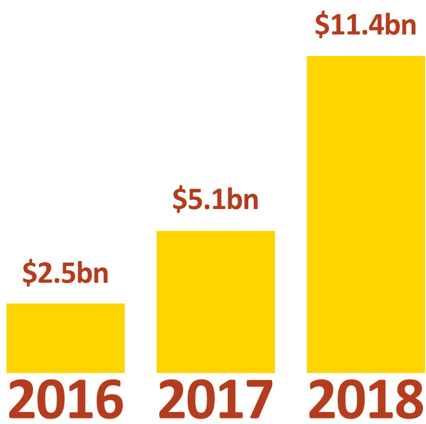
In a nutshell it is involved in everything from drilling and finding new sources of oil and gas to selling you petrol at the pump.

This gives it almost unrivalled insight into the energy market, the downside being that its many moving parts make it difficult to value. For example, while higher oil prices are generally good news for Shell, they also have a negative impact on margins in its refining operations. The situation is further complicated by the fact the different parts of Shell sell products and services to each other.

In this article we will examine the separate components of the business in more detail and what they contribute in terms of earnings. We will also discuss Shell's strategy and how this underpins its long-term track record of generous dividends.

INTEGRATED GAS AND NEW ENERGIES DIVISIONS

INTEGRATED GAS – RECENT EARNINGS TREND



Source: Royal Dutch Shell

Shell's main response to the changing patterns in energy consumption and growing political pressure over climate change has been to target natural gas.

In a June 2015 speech Shell chief executive Ben van Beurden said of natural gas: 'It is flexible. Its supply is abundant and diverse. Its range of uses is still expanding. It is a low-carbon, clean-burning ally to renewables such as solar and wind. And it makes economic sense.'

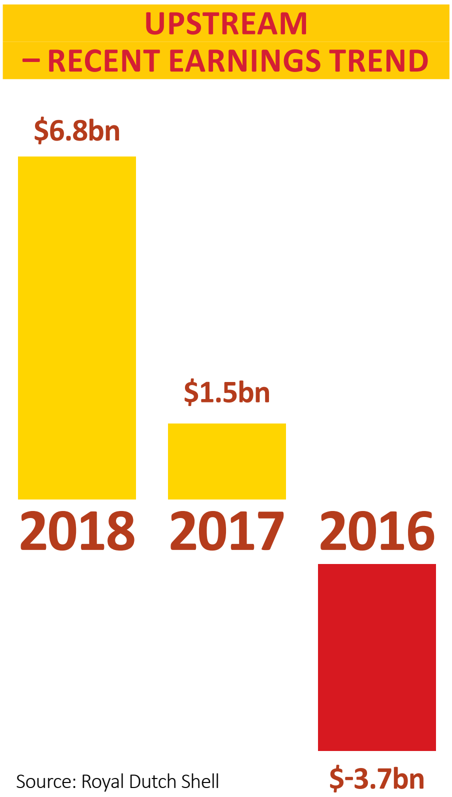
Expanding in this area was a key rationale behind its £36bn merger with BG in 2016. It now has a leading footprint in liquefied natural gas, which involves cooling gas to a liquid state so it can be shipped and stored. It also includes the conversion of natural gas to GTL (gas-to-liquid) fuels.

This part of the business also encompasses the New Energies division. This is in effect the 'green' part of Shell and it has plans to invest between $1bn and $2bn a year out to 2020 in areas like wind and solar power, electric vehicle infrastructure and biofuels.

This might sound like a significant outlay, but it should be seen in the context of overall capital expenditure of between $25bn and $30bn a year.

UPSTREAM DIVISION

Upstream includes exploration and production of conventional oil and gas, deep water exploration and an increasing contribution from shale – the rock containing previously untapped sources of oil and gas which, in the past decade, has been exploited through



Source: Royal Dutch Shell

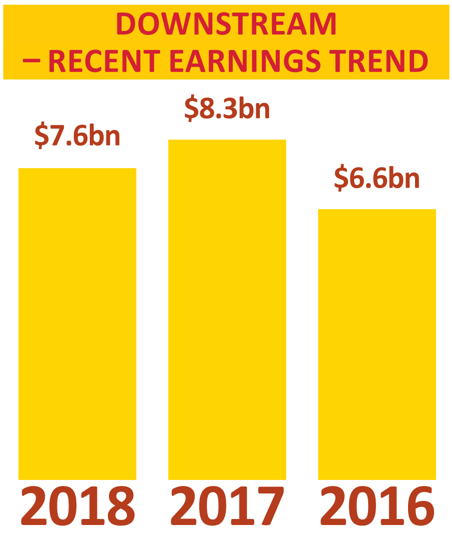
improvements in technology.

The Upstream division also encompasses the marketing and transportation of crude oil and natural gas as well as the operation of infrastructure such as pipelines which help deliver these resources to market.

This part of the business is most exposed to commodity price volatility, reflected in the recent earnings trend which, as the chart shows, saw this part of the business chalk up a loss in 2018.

DOWNSTREAM DIVISION

The Downstream division encompasses the refining of the crude oil which comes out of the ground to generate oil products such as petrol, jet fuel and heating oil. Globally the company has 21 refineries with the capacity to process a total of 2.8m barrels of crude oil per day.



Source: Royal Dutch Shell

It also markets refined products like petrol and lubricants with 44,000 Shell-branded petrol stations in more than 75 countries.

In addition, the division manufactures chemicals for a range of industrial customers. These products are used in the manufacture of everything from cars and detergents to bike helmets.

It includes the oil sands business, from which Shell has increasingly retreated of late.

HOW SHELL SEES THE DIFFERENT PARTS OF ITS BUSINESS

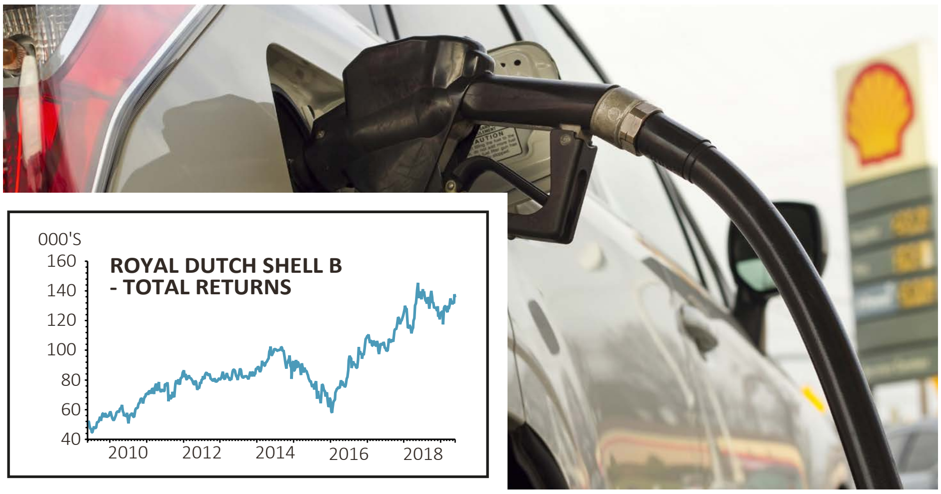
Shell puts its businesses in three different categories.

- **Cash engines** – which as their name suggests are expected to provide reliable cash flow to fund dividends and to strengthen the balance sheet.
- **Growth priorities** – areas in which the company is investing to create the cash engines of the future.
- **Emerging opportunities** – areas which could become growth priorities once they have been further developed and could prove to be a substantial source of future cash flow.

CASH ENGINES
Conventional oil and gas
Integrated gas
Oil products
Biotechnology

GROWTH PRIORITIES
Deep water
Chemicals

EMERGING OPPORTUNITIES
Shales
New energies



THE INVESTMENT CASE

Despite its big step out into the natural gas market, Shell has not really been a rapid growth story in recent years.

An uptick in revenue and earnings has been driven by recovering commodity markets and Shell has been selling off assets to help reduce borrowings built up amid the oil price crash and through the takeover of BG.

As investment bank Berenberg observes: 'Shell has an attractive slate of assets starting up over the coming years, including profitable developments in Brazil and further LNG projects. Production is not growing however, due to the substantial divestment programme under way to de-lever the balance sheet.'

Shell nonetheless is very much an income play for investors. It has not cut its dividend since the Second World War and its leaner structure and more efficient operations help underpin its dividend credentials.

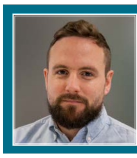
Unlike its rival **BP (BP.)**, Shell has not increased its dividend despite the recent surge in oil prices. It has been buying back its own shares to help compensate shareholders for the scrip dividend, introduced in early 2015, which allowed investors to receive their dividends in shares or cash.

Although this reduced pressure on Shell's balance sheet, by increasing the number of shares in issue it was also dilutive to shareholders.

An investor day in June might spell out plans for further capital returns to investors.

A near 6%-yield is highly attractive to investors and we rate this as an excellent stock to own, particularly if you rely on income from your investments. However, you do need to keep a close eye on regulatory and political developments as climate change becomes more of an issue.

Equally the world will not wean itself off fossil fuels overnight and there is reason to believe the company can extend its proud 70-plus year dividend track record into the medium-term at least. We give Shell a solid 'buy' rating.



By **Tom Sieber**
Deputy Editor

Understanding why certain investment trusts are so popular

We reveal the top names and their 10 year returns

A desire to generate returns through income and/or growth is a long-standing goal for investors but do you know the most popular investment products to achieve this goal?

We've looked at the 30 most widely-held investment trusts among AJ Bell Youinvest customers to see which products resonate with UK investors and why they might be attracted to them.

THE SEARCH FOR RISING INCOME

Delivering a high and rising income is where investment trusts come into their own, helped by their ability to squirrel away income in the good times to boost payouts in the bad times.

Unsurprisingly, with interest rates still at historically low levels and cash on deposit earning next to nothing, investors are hunting for a real and rising income through diversified global funds such as **F&C Investment Trust (FCIT)** and **Witan Investment Trust (WTAN)**, thereby reducing exposure to Brexit-induced uncertainties on home turf.

Also popular from an income perspective is **City of London (CTY)**, which focuses on companies listed on the London

Stock Exchange, and **Murray International (MYI)** with its generous 5.7% yield.

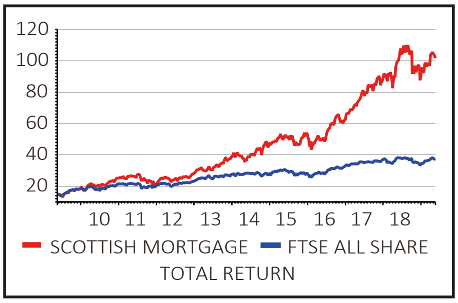
Despite concerns over the potential for a radical, Jeremy Corbyn-led policy programme, investors continue to warm to **HICL infrastructure (HICL)**, offering diversified exposure to international infrastructure assets and delivering a growing dividend backed by predictable cash flows and strong inflation correlation.

STELLAR PERFORMERS

Performance over the long haul is another reason why certain investment trusts are popular with a large number of people.

And the returns generated by **Scottish Mortgage (SMT)** are certain to be a key reason why the investment trust remains a real favourite with retail investors, trading on a 3.5% premium to net asset value (NAV) at the time of writing.

Scottish Mortgage invests in a high conviction, global portfolio of companies which the managers believe are strong, well-run businesses offering the best potential durable growth opportunities for the future. Top holdings include retailer Amazon, genetic analysis specialist Illumina and electric car maker Tesla.



Owning a portfolio primarily of high growth names, many highly rated on conventional valuation measures, has served Scottish Mortgage well. One risk factor to weigh is that during periods when valuations are questioned or investors rotate away from growth and tech companies, parts of the portfolio could come under selling pressure.

TECHNOLOGY WINNERS

While investors should never assume that a strong run for the share price will continue indefinitely, one can look at past performance to see if funds have a track record of consistently doing well. Investors should look for fund managers with skill and not simply ones that have got lucky for a short period.

Long-term superior performance certainly isn't restricted to Scottish Mortgage. Two technology trusts also stand out for their large returns over the years, being **Polar Capital Technology Trust (PCT)** and **Allianz Technology Trust (ATT)**.

Collectives exposed to the fast-moving world of technology might sound high risk to some, yet between them, the portfolios of these two trusts have benefited from exposure to world changing tech giants such as Amazon, Microsoft, Alphabet, Apple and Facebook that have made investors an absolute mint.

The fund managers at Polar Capital and Allianz would argue that technology is well-positioned to remain a major driver of market returns.

And despite high valuations for some high growth companies, the tech sector is the domain of some massive addressable markets and provides fertile ground for some of the best absolute and relative return opportunities in equity markets.

As such, a bigger risk for growth investors would be ignoring the space when technology is disrupting existing business models and carving out entirely new industries.

Other star 10-year performers popular with AJ Bell Youinvest customers include **BlackRock Smaller Companies (BRSC)** and **Henderson Smaller Companies (HSL)**.

TOP 30 MOST WIDELY-HELD INVESTMENT TRUSTS AMONG AJ BELL YOUINVEST CUSTOMERS

Investment Trust	10-year total return (%)
Polar Capital Technology Trust	676
Allianz Technology Trust	666
BlackRock Smaller Companies	600
Jupiter European Opportunities Trust	541
Scottish Mortgage	529
Biotech Growth Trust	511
Henderson Smaller Companies	494
Baillie Gifford Japan Trust	477
Worldwide Healthcare Trust	435
Edinburgh Worldwide	429
Finsbury Growth & Income	404
3i Infrastructure	341
Monks Investment Trust	269
Witan Investment Trust	240
F&C Investment Trust	228
Primary Health Properties	180
City of London	168
Edinburgh Investment Trust	173
Caledonia Investments	145
Murray International	145
Scottish Investment Trust	144
RIT Capital Partners	144
Merchants Trust	143
Templeton Emerging Markets Investment Trust	120
Henderson Far East Income	114
HICL Infrastructure	96
Personal Assets Trust	94
Woodford Patient Capital	n/a
Smithson Investment Trust	n/a
The Renewables Infrastructure Group	n/a

Source: Shares, SharePad, AJ Bell Youinvest. Data as of 23 May 2019

SEEKING PROTECTION

A key theme among some investors is to buy shares in investment trusts that aim to deliver growth but without taking too much risk. Here investors are seeking to put money into products that could protect their capital in hard times, essentially giving up some of the potential rewards in exchange for more security.

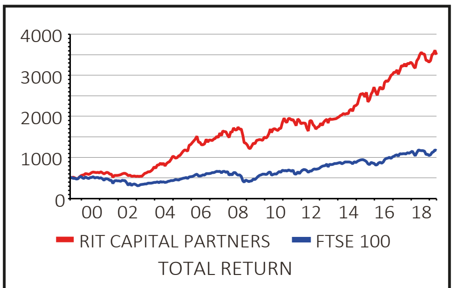
Nonetheless you could still lose money with these products.

Personal Assets (PNL) aims to avoid permanent capital loss while growing income over time; and **RIT Capital Partners (RCP)** is focused on long-term capital growth twinned with capital protection.

Interestingly RIT Capital has managed to deliver very decent gains over the years, perhaps even better than many trusts which are happy to take large risks. It says anyone who invested in RIT Capital when it launched in 1988 and still holding today would have enjoyed 12.1% annual share price total return.

STAR MANAGERS

We aren't surprised to see the list of the most widely-held investment trusts include products linked to three of the most famous fund managers in the UK. After all, these managers have earned their reputation through delivering good returns over the years. Whether they can all sustain this trend over the very long term is open to debate.



Terry Smith isn't the fund manager on **Smithson (SSON)** but investors still want a piece of his proven investment strategy which is being deployed by the named manager, Simon Barnard. This investment trust is less than a year old and so investors are putting a lot of faith in Barnard to repeat Smith's success.

Nick Train's **Finsbury Growth & Income (FGT)** remains popular with UK investors, offering a concentrated portfolio of companies which either generate lots of cash and/or are embracing technology to improve how they do business and deliver goods and services.

And despite the fact that his reputation has recently taken a battering, Britain's most famous fund manager Neil Woodford still retains a semi-loyal following with **Woodford Patient Capital (WPCT)**.

ALLIANZ TECHNOLOGY TRUST	**Walter Price-managed trust puts money to work with global technology stars**
BLACKROCK SMALLER COMPANIES	**Smaller companies portfolio run with a tried-and-tested quality growth bias**
F&C INVESTMENT TRUST	**Managed by Paul Niven, it has a diversified portfolio providing exposure to most of the world markets**
FINSBURY GROWTH & INCOME	**Concentrated capital growth and income trust seeks out excellent companies 'that appear mostly undervalued'**
HICL INFRASTRUCTURE	**Highly-diversified, inflation-buster of an infrastructure fund with a growing dividend backed by predictable cash flows**
JUPITER EUROPEAN OPPORTUNITIES	**Run by Alexander Darwall, the trust invests in European names offering prospects for capital growth**
PERSONAL ASSETS TRUST	**Defensive fund aims to avoid permanent capital loss while growing income over the long term**
SCOTTISH MORTGAGE	**Global portfolio of 'strong, well run businesses' offering 'the best potential durable growth opportunities for the future'**
SMITHSON	**Invests for the long term in high-quality mid caps globally that aren't excessively valued, in line with Terry Smith's proven process at Fundsmith**
WOODFORD PATIENT CAPITAL	**Managed by Neil Woodford, this long-term capital growth-focused trust invests in quoted and unquoted firms alike**

Source: Shares

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

Using low-cost ETFs to gain exposure to sectors

We explain how to filter the market and the key points to consider

There is an ever-growing list of exchange-traded funds (ETFs) providing investors with low-cost access to specific industry sectors. While the costs may be slightly higher than broad market-based ETFs such as those tracking the FTSE 100, these sector products can be cheaper than actively-managed funds pursuing exposure to the same industries.

Investors need to decide whether they want to pay more for an actively-managed fund in the hope that the fund manager can outperform the market or pay less to simply track a relevant index.

Anyone choosing the passive route, i.e. buying an ETF, should make sure they understand the underlying index being tracked before making an investment.

EXAMPLES OF SECTORS BEING TRACKED BY LONDON-LISTED ETFS
Agriculture
Alternative Energy
Biotechnology
Communications
Consumer Goods & Services
Financial Services
Healthcare
Industrial Materials
Infrastructure
Technology
Utilities

Source: Shares, Morningstar

Picking an ETF simply because it tracks a specific sector such as healthcare is only the first stage of your research process. You should also understand how it is going to get exposure and which companies would, or would not, qualify for inclusion in the underlying index being tracked.

You should be able to find this information by looking at the product description for each ETF and identifying the relevant index. The next step is to visit the ETF issuer's website where they should provide more information, or you could look at the index provider's website for further details.

HOW TO BROWSE THE RANGE OF SECTOR ETFS

Financial data specialist Morningstar offers a free tool on its website where you can search for London-listed ETFs across 16 sectors. Some of these sectors only contain a few products, others provide far greater choice. For example, 24 ETFs appear on its list for the financial services sector.

Some of these products will track the same index and you may see several different versions of the same product where you can choose the currency in which it is priced such as US dollars or British pounds.

You will also be able to see the ongoing charges that come with the products, data on past performance and Morningstar will also display its star rating on certain products.

It is worth noting that other sector ETFs will be available on the market as Morningstar's search system doesn't cover the full range. Simply check that any products you wish to buy are listed on the London Stock Exchange as it can be difficult to buy ETFs listed on overseas exchanges.

You may find the odd European-listed ETF available via a UK investment platform but in general overseas-listed products are off limits to retail investors in the UK.

EXAMPLES OF HEALTHCARE SECTOR ETFS

	Code	OCF
Amundi ETF MSCI Europe Healthcare	CH5	0.25%
Invesco Health Care S&P US US Select Sector	XLVS	0.14%
iShares Healthcare Innovation	HEAL	0.40%
Lyxor MSCI World Health Care	HLTW	0.30%
Xtrackers MSCI USA Health Care	XUHC	0.12%

Source: Morningstar. OCF = Ongoing charges figure

Let's now take a look at some of the sector choices and products available via the London market.

FINANCIAL SERVICES SECTOR

There is quite a wide selection of London-listed ETFs tracking the financial services sector including products tracking the performance of banks in Europe and the US.

Amundi ETF MSCI Europe Banks (CB5) tracks an index of large and mid-cap banks across 15 developed market countries in Europe. Top holdings within the index include **HSBC (HSBA)**, Banco Santander, BNP Paribas and **Lloyds (LLOY)**.

You can also get exposure to a broader selection of financial companies around the world via **SPDR MSCI World Financials (WFIN)**. Half of the underlying index tracks US-listed companies including JPMorgan Chase and Bank of America. You also get exposure to financial stocks in the UK, mainland Europe and Canada. Over the past three years the ETF has achieved 15.2% annualised returns, according to Morningstar.

CONSUMER GOODS AND SERVICES

This broad industry tends to be split into two categories: consumer staples which refers to companies that produce items such as food, drink and non-durable household and personal products; and consumer discretionary which refers to 'nice to have' goods and services such as entertainment and leisure, but not essential to one's life.

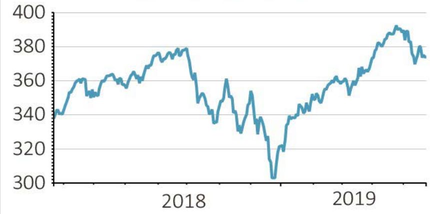
On the former category, relevant ETFs include **iShares S&P 500 Consumer Staples Sector ETF (IUCS)** which provides diverse exposure to US-listed companies, many of which do business around the world.

It is tracking an index that includes well-known names in the consumer staples category such as Procter & Gamble, Coca-Cola, Walmart and Colgate-Palmolive. All of these companies provide products many people use every day in their home such as toothpaste, nappies and washing powder, as well as food and drink.

A good example of the consumer discretionary category is **Invesco Consumer Discretionary S&P US Select Sector ETF (XLYS)** which has done very well in recent times with 20.2% annualised returns over the past five years.

It tracks the performance of consumer discretionary stocks on the US S&P 500 index – essentially companies providing goods and services that are part of everyday life such as popular places to buy everyday goods, the manufacturer of your favourite car, or coffee shops selling your daily caffeine hit.

INVESCO CONSUMER DISCRETIONARY S&P US SECTOR ETF



However, should times get hard, one could easily see individuals cut back spending in these areas.

Names in the index being tracked by Invesco's ETF include Amazon, McDonald's, Nike, Starbucks and Ford Motor.

By **Daniel Coatsworth**
Editor

Funds to play the next era of Narendra Modi in India

With the election settled investors can look forward to more reforms-backed returns

As the dust settles on the largest, and possibly most drawn-out democratic election process anywhere, Narendra Modi has retained power in India. This is likely to settle the nerves of UK-based investors that already have an appetite for investing in India.

We'll now look at some of the ways you can access the country via open-ended funds.

Jupiter India Fund (B4TZHH9) is one of the most popular products among UK investors seeking exposure to the region,

thanks to manager Avinash Vazirani's long-term track record of great returns.

Fidelity India Focus (B51RZC1), **BlackRock GF India (B6TJT02)** and **HSBC GIF Indian Equity (B8DHHC4)** are the three best performers over the past three years among 18 open-ended options featured in the accompanying table, while there are also various investment trusts and exchange-traded funds (ETFs) providing access to the Asian market.

WHY IS THE ELECTION RESULT IMPORTANT?

Modi is widely seen as the chief architect of an Indian economic boom since coming to power in 2014, thanks to sweeping reforms. Changes to the taxation system, hefty infrastructure investment, putting the brakes on inflation and curbs on fraud have all paid handsome dividends for the nation, and investors.

During the past five years the Sensex, India's benchmark stock market index, has soared more than 60%. Understandably the six-week election process had led to wavering investor sentiment and more volatile share performances, yet investment experts remained calm.

As JPMorgan investment manager Ayaz Ebrahim told *Shares*, reforms already in place are 'unlikely to be reversed' even if Narendra Modi was ousted from office.

WHY INDIA?

Make no mistake the sub-continent represents a structural

INDIA SPECIALIST OPEN-ENDED FUNDS

	Three year performance	OCF*
Fidelity India Focus	68.7%	1.09%
BlackRock GF India	64.3%	1.22%
HSBC GIF Indian Equity	62.8%	1.05%
Schroder ISF Indian Equity	61.7%	1.34%
Pictet Indian Equities	60.2%	1.40%
Pictet India Index	56.3%	0.46%
Mirae Asset India Sector Leader Equity	54.6%	1.07%
GS India Equity	54.1%	0.85%
Aberdeen Standard SICAV I Indian Equity	51.1%	1.31%
Stewart Investors Indian Subcontinent Sustainability	51.1%	1.14%
Invesco India Equity	50.8%	1.48%
Matthews India	49.2%	1.25%
Franklin India	46.2%	1.08%
JPM India	38.1%	0.95%
Neptune India	35.6%	1.31%
JGF-Jupiter India Select	33.5%	0.95%
Jupiter India	31.6%	1.07%
First State Indian Subcontinent All-Cap	N/A	1.25%

Source: Trustnet, AJ Bell Youinvest

growth story to match China that oozes socio-demographic and economic-backed investment opportunities.

The government's reform agenda is designed to make doing business in the country easier and its infrastructure improvement policy will also be contributing factors by attracting more foreign investment into the country.

India's enviable growth projections will be driven by low energy prices, corporate deleveraging programmes and demographics, where half the population is aged 25 or under. That's a favourable growth environment compared to the rapidly ageing population in Japan and most of Europe.

'Of all the reasons to invest in India, the country's demographics are arguably the most compelling,' say experts at Aberdeen Asset Management.

EMERGING MIDDLE CLASS

That includes the significant rise of India's middle class, estimated at 100m-plus and growing fast. Powered by the third largest education system, according to the World Bank, that is known the world over for producing a stream of advanced mathematicians, top scientists and thousands of doctors and IT professionals, India is also expected to see significant advances as a consumer nation over the next decade.

'Total consumer spending in India is expected to hit $3.1trn by 2030, from $1.4trn in 2017,' says Kristy Fong, an investment manager at **Aberdeen New India Investment Trust (ANII)**.

This is backed by rapid

ALTERNATIVES TO INDIA FUNDS

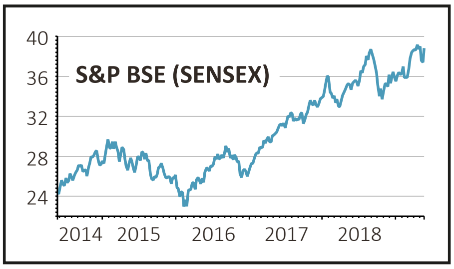
INVESTMENT TRUSTS

	Three year performance	OCF*
Aberdeen New India Investment Trust	52.4%	1.25%
India Capital Growth	41.7%	1.91%
JPMorgan	38.1%	1.80%
Ashoka India Equity Investment Trust	N/A	N/A

ETFs

	Three year performance	OCG*
Xtrackers Nifty 50 Swap UCITS	52.9%	0.85%
Xtrackers MSCI India Swap UCITS	46.5%	0.75%
Amundi MSCI India UCITS	N/A	0.80%
Lyxor MSCI India UCITS ETF	46.3%	0.85%

Source: Trustnet, AJ Bell Youinvest



urbanisation and growth in personal wealth. According to one report, assets owned by Indian individuals (property, business interests, investments, cash) grew 96% between 2008 and 2018, and are forecast to jump 180% again during the decade to 2028.

ECONOMIC EXPANSION

These drivers have led some market watchers to predict that India will replace Japan as the world's third largest economy by 2025, behind the US and China. India ranked seventh in the world in 2018, according to International Monetary Fund (IMF) data, and the nation is set to overtake both France and the UK this year to rank fifth.

Recent projections by Standard Chartered rank India as one of the fastest growing emerging markets over the next decade or so with GDP set to expand 387% by 2030, adjusted for purchasing power parity (PPP). That implies its equivalent $9.5trn economy in 2017 IS emerging as the world's second largest on a GDP PPP-adjusted basis worth $46.3trn in 11 years' time.

China is projected to be number one in 2030 at $64.2trn, the US falling to third ($31trn), while the UK wouldn't even feature in the top 10.

NAVIGATING HAZARDS

India is by no means a one-way ticket to portfolio profit and the same or similar risks apply to India as they would anywhere else.

There's always the chance that export growth slows, producer prices decline or softer domestic spending linked to limited rural wage growth put the brakes on stock market returns. Oil prices are another risk since India is a heavy importer.

That said, Nitin Bajaj, who runs the **Fidelity Asian Values (FAS)** investment trust believes India offers an enticing opportunity, where US-China trade bickering has limited impact and internal investment has stayed firm.

Arguably the most sensible way for UK investors to gain a slice of the Indian growth story is through some form of collective investment. Once a notoriously difficult market for outside investors this has changed considerably over recent years, with efforts to liberalise the rules on foreign investors.

SHARES SAYS:
Two of our preferred funds to play the region are **JPMorgan Indian Investment Trust (JII)** and **Stewart Investors Asia Pacific Leaders (3387476)**. The latter has a broader focus on Asia with India representing nearly a third of its assets. It provides geographical diversification which should help smooth out any bumps along the way with India.

By **Steven Frazer** News Editor

'How do I top up my pension and help my son buy a house?'

We explain the rules around dipping into your pension while still paying into it

I'm a 55-year-old planning to sell my house in North London to pursue my dream of living by the sea (most likely in Bournemouth or Brighton). I plan to do this in the next couple of years and want to get my pensions in order before I move.

I've got decent-sized pensions from my last two jobs but I was also paid into plans in two other previous jobs. I suspect my total funds are worth around £300,000 and I want to top this up by at least £20,000 a year (my current salary is £90,000).

Can I also use my pension to help my son onto the housing ladder?
Geoffrey

Tom Selby
AJ Bell
Senior Analyst says:

First of all you should try to locate all your pensions and consider consolidating them with a single provider. This could benefit you through lower charges and easier monitoring of your underlying investments and retirement strategy.

Care needs to be taken when transferring as some older-style policies come with valuable guarantees which can be lost if you move your money elsewhere – your providers should be able to tell you if this applies to any of your plans.

At the moment there is nothing stopping you saving £20,000 tax-free into a pension scheme. In fact the annual allowance is double this level at £40,000, although this is limited to 100% of your UK relevant earnings in any given tax year.

If for example your taxable earnings were £30,000 then this is the most you could pay into a pension in that 12-month period.

If you take any taxable income from your pension your annual allowance will be cut from £40,000 to just £4,000 – this is called the 'money purchase annual allowance'. Given the size of your planned contributions this is likely to be a significant consideration.

It's worth noting that only taxable withdrawals trigger this annual allowance drop, so you might want to consider using other income sources first –

including potentially your 25% pensions tax-free cash.

Finally, if your son is a first-time buyer he should consider opening a Lifetime ISA (which you can then fund if you wish). The Lifetime ISA is available to anyone aged 18 to 39, with contributions up to £4,000 in a tax year boosted by a 25% Government bonus (up to £1,000).

Your son would then be able to access the money tax-free for a first home purchase (provided it is valued at £450,000 or less and the property is bought at least 12 months after the Lifetime ISA is opened and funded), from age 60 or if he fell terminally ill.

However, early withdrawal for any other purpose will be hit with a 25% Government charge.

DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

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

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

Why the 4% rule is dead and 1% could be better instead

We consider a new approach to making your pension last long enough

You've spent years building up your nest egg and now it's time to retire, but the big question looms: how do I work out what income I can take from my pension pot?

People will have spent their lifetime building up their pension and are nervous of splurging too much of it straight away, while others will be over-optimistic about how much they can afford to take out in the early years.

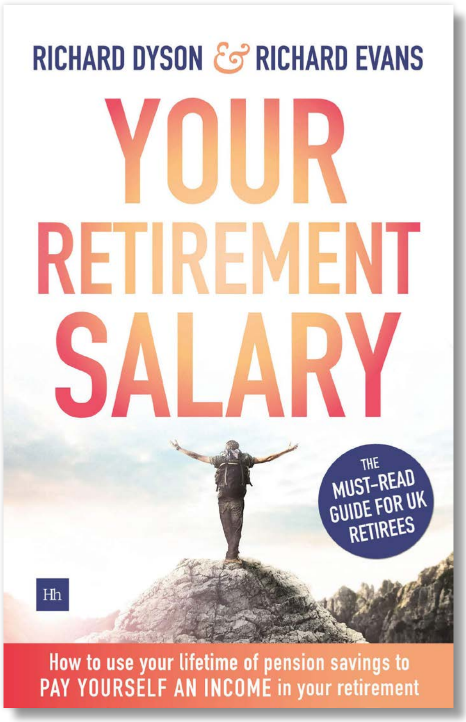
To help avoid this experts have come up with rules, to help guide people on a sustainable income to withdraw from their fund. The most common of these is the '4% rule', which has used lots of modelling to work out that 4% is a relatively safe withdrawal to take from your pot and not exhaust it too quickly.

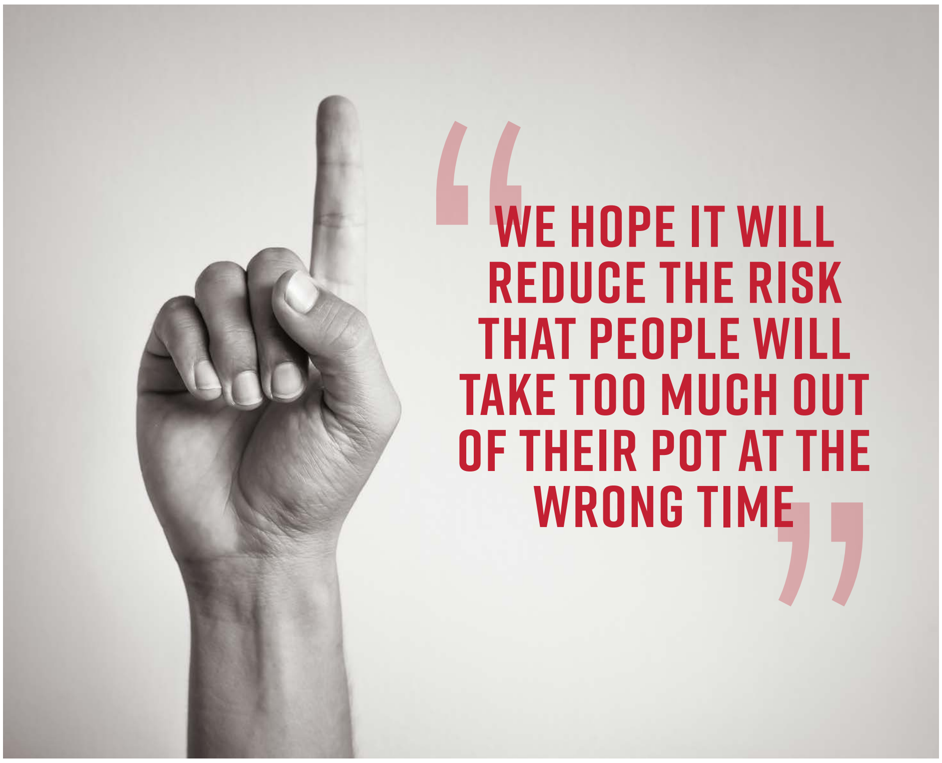
Even if you use whizzy financial modelling of how long a certain income will last you in later life you're at the mercy of markets falling in the first few years after retirement, and your capital becoming eroded. This is called 'pound cost ravaging'.

When you take money out of your pension you sell down your portfolio to generate income, and when investment values drop, you need to sell a higher proportion of your portfolio to generate the same income. It means you're depleting your portfolio more quickly, and also makes it harder to recover from any losses.

A good example is to look at a single fund that has seen its unit price drop from 100p to 90p. If you wanted to take £500 of income you'd need to sell 500 units if the price is 100p, but you'd need to sell 556 units to generate that same £500 of income if the unit price was 90p.

This is why a new book, *Your Retirement Salary*, has devised a new method, called the 1% rule. Rather than relying on cashing in units or shares in order to fund your income, the authors instead





suggest focusing on dividend-producing assets and getting the bulk of your retirement income from there. To supplement this you take 1% out of your pot each year.

'The "1% rule" is intended to build on the idea that you could withdraw 4% of your pension a year. We hope it will reduce the risk that people will take too much out of their pot at the wrong time and do irreparable damage,' says Richard Evans, one of the authors of the book.

POINTS TO CONSIDER

But there are a few important things you need to remember when taking this 1%. Firstly, it should be 1% of the original value of the pension pot, not 1% of the value it has reached each year.

Secondly, the authors recommend you sell 1% of each holding you own, rather than just taking it from the investments that have risen most throughout the year. This might seem counterintuitive, but it's crucial to being able to generate income at the same level, the authors argue.

As you're relying on these investments to produce an income, you don't want to deplete the units in any single fund too much.

'This preserves the income-producing potential of each fund and avoids having to take a bet on which ones are likely to perform better in the future. It also means that you are preserving the overall portfolio's original division of income-generating potential between the various types of assets,' Evans states.

WITHDRAWAL FREQUENCY

The third aspect to take on board is ensuring you don't withdraw this 1% too often. Many people are used to receiving a monthly salary, and so want their pension income to replicate that. But if you withdraw this 1% annual amount each month (so 1/12 of your 1% each month) you'll incur trading costs that will likely eat a big chunk out of your pension income. It means you'll effectively be wasting some of your income on unnecessary fees.

Instead you should aim to take the money either annually or, at most, quarterly. The latter still gives you four regular payments throughout the year, but means that you're only incurring selling costs four times a year too.

HAVE CASH IN RESERVE

The fourth element to the 1% rule is having a cash pot to hand, for emergencies or to dip into if needed. Even when you're working and have a regular monthly income, it's advised that you have a cash pot worth around six months' expenses, so that you have a fall-back in an emergency.

You should adopt the same approach in retirement, and ensure that you have a sizeable pot of cash to avoid having to raid your investment pot should you have unexpected expenses.

Taking an unplanned, sizeable withdrawal from your pension portfolio could eat into your future income dramatically, particularly if the withdrawal occurs when the market has fallen.

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

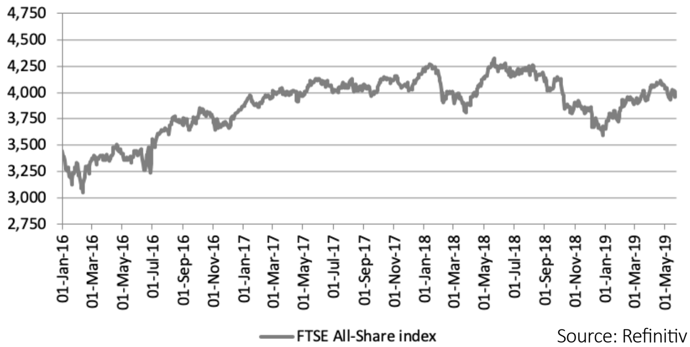
Why profit means more to stocks than PM

Focus on the fundamentals not who is occupying Number 10

At the time of writing, the FTSE All-Share index is trading around the 4,000 mark. To accentuate the positives this is just 8% below its May 2018 all-time high and more than a fifth higher than its post-Brexit-vote lows of summer 2016.

If you prefer a glass half-empty view, the benchmark is no higher now than it was in March 2017, more than two years ago and it looks to be going nowhere fast. President Trump's trade war with China, concerns over global growth and the UK's uncertain political outlook, in view of Brexit and the apparent collapse of the centre, can all be said to be having a negative impact.

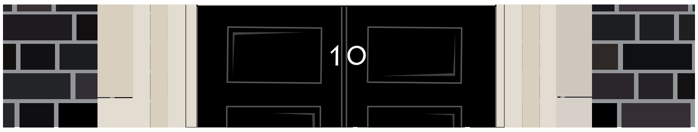
THE UK STOCK MARKET HAS PADDLED SIDEWAYS FOR MORE THAN TWO YEARS



Source: Refinitiv

It will be intriguing to see if markets latch on to the appointment of a new Conservative party leader, and thus prime minister, as a potential catalyst for performance. The governing party's clear hope is that a new leader can break the Brexit impasse, provide certainty on what Brexit does – or does not mean – and stave off the prospect of an early General Election, before its scheduled date of 2022.

This may, however, be looking at the situation through rose-tinted spectacles. Whoever becomes PM, they will be the third consecutive incumbent in 10 Downing Street to hold the land's highest office without winning a clear majority in a General Election (David Cameron coalitions after the 2010



and 2015 elections, as did Theresa May after 2017's ballot). This is hardly a robust endorsement.

Moreover, history suggests it takes more than a new incumbent in 10 Downing Street to really get the stock market going.

SHORT, NOT SWEET

It is unlikely that Theresa May enjoyed her time in office, as her entire tenure was spent wrestling with Brexit rather than outlining any major philosophy or legislative programme.

If she can take any comfort at all, it is that she looks set to survive for pretty much three years in office by the time the new leader is appointed so she is not the shortest-serving PM of modern times (as defined by PMs elected since the Second Great Reform Act of 1867). That said, she may rather fancy taking Andrew Bonar Law's mantle of being 'the forgotten prime minister' though her Brexit travails are likely to prevent that.

More importantly for advisers and clients, three Prime Ministers have taken office mid-way during a parliament, following the departure of their predecessor since the inception of the FTSE All-Share in 1964 – James Callaghan and Gordon Brown for Labour, in 1976 and 2007, and John Major for the Conservatives in 1990.

On average, the FTSE All-Share made no progress at all under the trio during their first 12 months in the hot-seat, rising 2.4% over the first three months of the new PM's tenure, falling 1.5% over six months and coming in flat over a year.

DIFFERENT CIRCUMSTANCES

We must accept that the past is no guarantee for the future and must also acknowledge that this is a wide range of performance under new PMs may well be a reflection of the different circumstances

SHORTEST PRIME MINISTERIAL TERMS OF THE MODERN DAY

Prime minister	Party	Term in 10 Downing Street	Days
Andrew Bonar Law	Conservative	1922	210
Sir Alec Douglas-Home	Conservative	1963-1964	363
Earl of Rosebery	Conservative	1895-1895	474
Sir Anthony Eden	Conservative	1955-1957	644
Henry Campbell Bannerman	Liberal	1905-1908	852
Theresa May *	Conservative	2016-2019	1,046
Gordon Brown	Labour	2007-2010	1,049
Neville Chamberlain	Conservative	1937-1940	1,078
James Callaghan	Labour	1976-1979	1,124
Arthur Balfour	Conservative	1902-1905	1,241

Source: History Today, www.gov.uk, BBC
* As at 24 May 2019

under which they came to power – stagflation under Callaghan, recession under Major and a galloping boom that was about to crash under Brown.

This makes it clear that while politics can be one near-term factor, there are many other issues at work when it comes to how the stock market performs.

The economy is one but ultimately it is corporate profits and cash flows - and the price (or valuation) that advisers and clients are prepared to pay to access them - that really dictate how the FTSE All Share will perform over the long term.

With a dividend yield of around 4.5%, the FTSE All-Share can be seen as a 22.5-year duration bond (as this is how long it would take advisers and clients to get their money back, assuming no change in dividends or share prices).

This is a reminder of exactly why shares should be treated as a (very) long-term investment and why the role of short-term politics should not be over-emphasised, as very few prime ministers have lasted for much more than one full term of office, at least since the inception of the FTSE All-Share in 1964.

Fresh convulsions in Westminster and Brussels could therefore be an opportunity to reassess the case for UK equities, especially if the pound or FTSE All-Share come under pressure and valuations become more attractive.

After all, the arrival of a new PM, coupled with the European Parliamentary election results, may lead to further delays in the Brexit negotiating process and even increase the prospect of the 'no-deal' scenario, whereby the UK leaves the EU under World Trade Organisation terms, from which the equity market has run scared ever since the referendum result in June 2016.

By **Russ Mould**
AJ Bell Investment Director

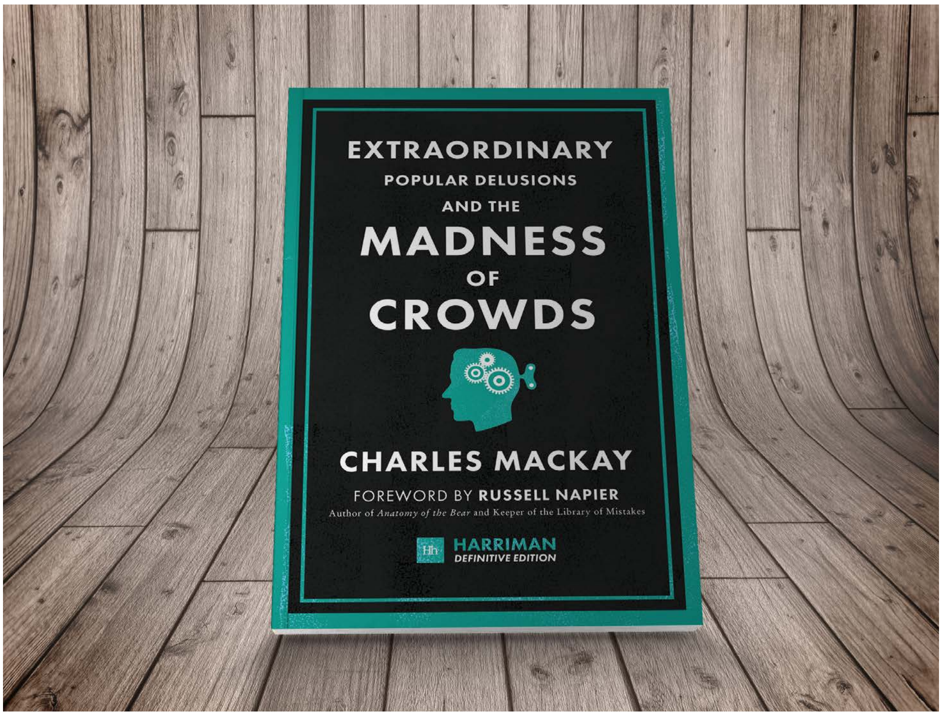
THE ARRIVAL OF A NEW PM MID-TERM HAS NOT TENDED TO GALVANISE THE UK STOCK MARKET

		FTSE All Share performance						
		Before came to office			In office			
	Term	12 months	6 months	3 months	3 months	6 months	12 months	Term
James Callaghan	1976-79	35.9%	16.6%	2.8%	(3.3%)	(18.6%)	2.4%	71.8%
John Major	1990-97	(8.2%)	(10.7%)	(0.5%)	11.5%	15.9%	13.9%	107.7%
Gordon Brown	2007-10	16.8%	4.2%	2.7%	(1.1%)	(1.8%)	(16.4%)	(18.2%)
Average		**14.8%**	**3.4%**	**1.7%**	**2.4%**	**(1.5%)**	**(0.0%)**	**53.8%**

Source: Refinitiv

Revisiting a classic book on investment bubbles

Extraordinary Popular Delusions and the Madness of Crowds is still relevant 178 years after publication



Listed by the *Financial Times* as one of the 10 best books ever written on investment, Charles Mackay's study of how manias start, develop and eventually pass is as relevant today as it was nearly 170 years ago.

In his own words, *Extraordinary Popular Delusions and the Madness of Crowds* is 'a miscellany of delusions', some financial, others social or moral.

It includes the history of alchemy, belief in relics, prophecies, astrology, devil worship, the burning of witches and even slow poisoning, which became strangely fashionable among well-to-do ladies in 17th century France.

However it is Mackay's exploration of the role of crowd psychology in fuelling the great financial manias of the past for which the book is best known.

TULIPS FROM AMSTERDAM

The first financial craze analysed by Mackay is 'Tulipmania'. Introduced into Europe in the mid-1500s, by the early 1600s tulips were so sought-after that it was deemed 'proof of bad taste in any man of fortune to be without a collection of them'.

Amsterdam became the centre of the tulip trade, and by 1636 jobbers on the stock exchange who were 'ever alert for a new speculation' had taken up trading bulbs instead of stocks.

Money poured into Holland from all directions and inflated the value of land, houses and even horses and carriages. Interest spread through Dutch society until 'the rage to possess tulips was so great that the ordinary industry of the country was neglected and the population, even to its lowest dregs, embarked in the trade'.

Once prices began falling, confidence was destroyed and panic gripped the nation. Mackay wrote: 'Substantial merchants were reduced almost to beggary, and many a noble line saw the fortunes of their house ruined beyond redemption.' A hundred years later the rarest tulip bulbs were worth less than 1% of their peak value.

FRENCH FOLLIES

The second great speculation involves financier John Law and the 'Mississippi scheme'. Following the death of the extravagant King Louis XIV in 1715, France's finances were in complete disorder. The Duke of Orleans assumed control and was convinced by Law to issue paper money backed by property and tax receipts.

Law set up a bank and made his notes payable in the coin which was current at the time they were issued, which meant there was no risk of devaluation. Law's notes quickly traded at a premium to their face value, stoking demand and bolstering the Treasury's coffers, while government bills traded at a hefty discount.

GOLDEN DREAMS

Given his success in stabilising the economy, Law was granted an exclusive trade licence with Louisiana, where there was alleged to be huge deposits of precious metals, as well as the East Indies and China, to continue financing the national debt.

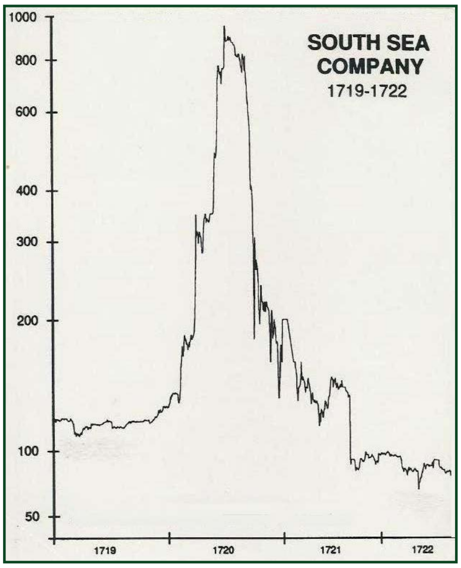
Bonds in his Company of the Indies soared and, 'induced by the golden dreams of the whole nation', more and more new bonds were issued. Again money flooded in from abroad and 'an illusory prosperity shone over the land'.

Inevitably confidence in the Mississippi scheme waned, investors fled and the company was stripped of its privileges. The national debt was no smaller than at the start of the exercise but people swept up in the speculation lost everything.

Opinion is divided as to whether or not Law was a crook: as Mackay reflects, he understood the principles of credit but 'he did not calculate upon the avaricious frenzy of a whole nation; he did not see that confidence, like mistrust, could be increased almost ad infinitum'.

THE MOST INFAMOUS BUBBLE OF ALL

At the same time that Law was attempting to rescue France's finances, the South Sea Company took on the British government's debt in exchange for 6% annual interest and a monopoly on trade to the South Seas.



Legend had it that South America's gold and silver mines were inexhaustible, and despite the fact that England and Spain were at war, the company – backed by the government – promoted itself as having free reign to trade with the Spanish territories of Mexico, Chile and Peru.

As 'visions of ingots danced' before investors' eyes, the company's stock rose unrelentingly and new shares were issued at higher and higher prices, spawning dozens of imitators.

Some were plausible, others less so such as the company set up to create a wheel of perpetual motion. The most absurd, 'which showed more completely than any other the utter madness of the people', was the pitch for an investment scheme during this bubble. It described the investment proposition as: "A company for carrying on an undertaking of great advantage, but nobody to know what it is".

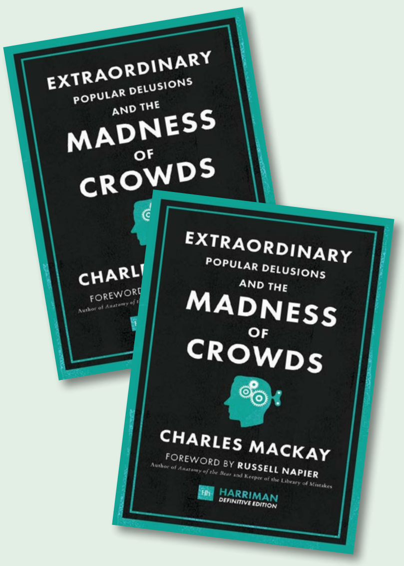
After raising the equivalent of £250,000 in a day, the proposer fled to the Continent and was never heard of again.

Within eight months the South Sea bubble had burst, causing a run on the Bank of England and sparking a Parliamentary enquiry which concluded that the scheme, which 'had fixed the eyes and expectations of all Europe', was founded on nothing more than 'fraud, illusion, credulity and infatuation'.

WE HAVE TWO copies of *Extraordinary Popular Delusions and the Madness of Crowds* to give away.

Simply answer this question:
What was behind the dotcom bubble?

Email *editorial@sharesmagazine.co.uk* with '**book competition**' in the subject line by 7 June 2019. We will pick two names at random and announce the winner in *Shares* on 13 June 2019.



By **Ian Conway**
Senior Reporter

KEY

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

KEY ANNOUNCEMENTS OVER THE NEXT WEEK

Full year results

31 May: Charles Stanley, DCD Media, Wizz Air. **3 June:** Sirius Minerals, Tatton Asset Management. **4 June:** AO World, Carclo, Palace Capital. **5 June:** GBG, Workspace. **6 June:** Auto Trader, Camellia, CMC Markets, First Property, Mitie, Stenprop.

Half year results

4 June: Driver Group, Gooch & Housego.
5 June: Impax Asset Management.

Trading updates

5 June: Card Factory. **6 June:** Go-Ahead, Joules.

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THIS WEEK: 15 PAGES OF BONUS CONTENT

SHARES SPOTLIGHT

Growth & Innovation

ALLIANCE PHARMA

ANGLE

INTELLIGENT ULTRASOUND

LOOPUP

REAL ESTATE INVESTORS

INCLUDES COMPANY PROFILES, COMMENT AND ANALYSIS

ISSN 2632-5748

MAY 2019

Introduction

Welcome to *Spotlight*, a bonus report which is distributed eight times a year alongside your digital copy of *Shares*.

It provides small caps with a platform to tell their stories in their own words.

The company profiles are written by the businesses themselves rather than by *Shares* journalists.

They pay a fee to get their message across to both existing shareholders and prospective investors.

These profiles are paid-for promotions and are not independent comment.

As such, they cannot be considered unbiased.

Equally, you are getting the inside track from the people who should best know the company and its strategy.

Some of the firms profiled in *Spotlight* will appear at our investor evenings in London and other cities where you get to hear from management first hand.

Click here for details of upcoming events and how to register for free tickets.

Previous issues of Spotlight are available on our website.

Give your portfolio a spring clean

The new tax year is underway, spring is in full bloom and now is an excellent opportunity to take a fresh look at your portfolio of savings and investments to determine if you are getting the most out of your hard-earned cash. The following step-by-step guide should help you shape your portfolio decisions.

1. Assess your goals

Your reason for investing will have a direct impact on the way you invest and the assets you invest in. You could be looking to top up a pension pot, building up the necessary readies to buy that dream holiday home or just have the aspiration of achieving financial independence. Whatever your aim you need to decide on a targeted return which will help you reach it within an acceptable timeframe.

ACTION POINT – Update your long-term and short-term goals

2. Accurately measure your performance

Ensuring you are on track to meet your goals means accurately measuring your performance. As a starting point it is worth calculating your 'real return', which takes account of the impact of inflation.

ACTION POINT – Calculate the real return from your investments – the step-by-step guide below shows how:

1. Start with the current value of your investment or investments.
2. Subtract the value at the beginning of the time period you're assessing.
3. Add any income or dividends paid out in that time, as long as they have not already been included in the current value.
4. Take off any fees, trading costs, administration or legal charges – this gives you the actual return.
5. Divide the actual return by the value at the start of the period and multiply by 100 – this gives you the percentage rate of return.
6. Then deduct the rate of inflation over the time period – this gives you a quick figure close to the total real return from the investment over the period.

3. Learn from your mistakes

If any of your investments are not performing in line with your expectations then you need to consider why this might be the case. You might not be managing them efficiently enough or you could be failing to close out loss-making positions before they do real damage to your portfolio. There is no shame in admitting your mistakes – after all nobody gets it right all the time – but the important thing is to ensure you learn from them.

ACTION POINT – Review all of the investments (including shares, funds and bonds) which have underperformed in the period and analyse carefully where you have gone wrong.

4. Rebalance your portfolio

The proportion of your portfolio you allocate to distinct asset classes will depend on your investment profile and appetite for risk and in order to keep these proportions in line you will need to manage your portfolio actively.

If, for example, you started out with 40% of your portfolio in equities and 60% in bonds and share prices went up while the bond market crashed, those proportions would move out of line with your targeted mix.

This is where rebalancing comes in. The idea is to periodically sell assets that have gone up and buy more of those that have fallen, to help get back to your planned allocation. This helps to keep a more consistent level of risk exposure and also encourages the discipline of selling assets that have appreciated and buying those that may have become relatively undervalued.

ACTION POINT – Check the current allocation of assets in your portfolio and ensure it is in line with your strategy. If exposure to one asset class has fallen below or risen above your targeted threshold react accordingly.

5. Stay informed

It is crucial you are aware of when news which could affect the market perception of your investments is due to come out.

Interest rates and economic growth are probably the two key variables on which all investors should have a grasp. In theory growth in Gross Domestic Product (GDP) leads to higher company earnings, while interest rates help determine how an equity is valued and the attractiveness of the main alternative asset classes, cash and bonds.

In stock specific terms it is important to keep tabs on company announcements. Listed firms are required by the London Stock Exchange to report any price sensitive information and this could include half year and full year financial results, a trading update ahead of these results, details of management changes, share dealing by directors or acquisitions.

ACTION POINT – Although it is important to maintain a long-term perspective, you should be prepared to adjust your portfolio based on events in the outside world. If, for example, there is significant downturn in the global economy or substantial market correction you could consider moving some of your portfolio to lower risk equities, such as utilities or pharmaceutical stocks, or even different asset classes such as bonds or cash.

Alliance Pharma reaches for International Stars

Peter Butterfield,
CEO of Alliance Pharma

Website: www.alliancepharmaceuticals.com

The transformation of **Alliance Pharma (APH:AIM)**, the Chippenham-based pharmaceutical company, into a truly international healthcare business was underlined by the company's full year results announced in March this year.

For the year ending 31 December 2018, Alliance's overseas sales exceeded sales in the UK for the first time, marking an important milestone in the ongoing internationalisation of the business. The results also highlighted the increasing scale of the business, particularly in its portfolio of growth products, its international footprint and its ability to deliver growth organically and through acquisition.

Peter Butterfield, Alliance's chief executive officer, says:

INTRODUCING... ALLIANCE PHARMA

A PHARMACEUTICAL COMPANY WHICH SPECIALISES IN THE ACQUISITION AND LICENSING OF PRODUCTS AND THEIR DELIVERY TO PATIENTS

'Our international sales and international infrastructure grew significantly during 2018. In addition to our established position throughout Europe, we now have a trading operation in the US and our fastest-growing region is Asia Pacific.'

BUY-AND-BUILD STRATEGY

Alliance was founded in 1998 and has evolved through a successful buy-and-build strategy in which 35 acquisitions have been completed over 20 years to create a profitable, cash generative, healthcare business with a progressive dividend policy.

Its headquarters remain in Chippenham, Wiltshire, but Alliance now has offices in nine countries – in the UK, Europe, Singapore, China and the US – and sales in more than 100 countries worldwide.

For the year ending 31 December 2018, Alliance reported group revenue up 22% at £124m and underlying pre-tax profit of £28.1m. According to Alliance this significant growth reflects its astute deal-making and the success of the company's growing portfolio of growth products, known as International Star brands.

There are now five of these International Stars, all of which were acquired in the past four years and all represent important drivers of organic growth.

These International Stars, the most recent of which was acquired last year, are the focus of the company's sales and marketing investment. They are complemented by a wide portfolio of around 90 products, which together have broadly stable sales and generate significant cash flows.

INTERNATIONAL STAR BRANDS

2018's financial results showed an outstanding performance from Kelo-cote, a scar treatment product that was acquired as part of a portfolio of other products in 2015 for £127.5m in Alliance's biggest transaction to date. Kelo-cote delivered sales up 68% at £22.5m in 2018, reflecting strong growth across the Asia Pacific region and also in mainland Europe. This strong performance compares with annual sales of just £7.7m at the time the product was acquired in 2015.

Asia-Pacific, the world's second largest pharmaceutical market after the US, has emerged as a particularly exciting opportunity for the company.

In June last year, Alliance announced the £60m acquisition of the exclusive marketing rights in the Asia-Pacific region to Nizoral, a medical anti-dandruff shampoo. The rights, acquired from Johnson & Johnson, and currently sold in 14 countries in the region including Japan, Thailand, South Korea and China.

Under Alliance's ownership in the second half of 2018, Nizoral generated sales of £10.9m, positioning it as a key product in Alliance's International Star portfolio. This performance was in line

with Alliance's expectations and augurs well for the product, which recorded sales of £18.5m under J&J's ownership in 2017.

PIVOTAL YEAR

Looking back, 2015 was a pivotal year in the formation of the International Star portfolio. Not only was Kelo-cote acquired but there were two other important acquisitions: the £10.8m purchase of MacuShield, the eye health supplement; and the £1.5m in licensing of UK rights to Xonvea from Canada's Duchesnay Inc.

MacuShield's sales have doubled since acquisition, growing a further 6% to £7m in 2018, a year during which it was named by Boots as Best Eye Health Product. Xonvea also made major progress in 2018, gaining UK marketing approval for the treatment of "nausea and vomiting of pregnancy where conservative management has failed". Xonvea was launched in the UK last year and has since been approved in the Republic of Ireland.

The fifth product in the International Star portfolio is Vamousse, acquired in 2017. This innovative pesticide-free product for the prevention and treatment of head lice achieved sales up 16% at £5.8m.

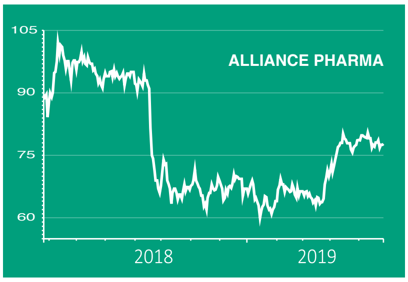
DIVERSIFICATION AND GROWTH

The portfolio of International Stars combines significant growth potential with a high level of diversification in terms of products, geographies and opportunities.

Alliance believes it is well positioned to continue to drive the growth of its International Stars through the company's strong cash flow, commercial expertise and growing geographic presence. In addition, the increased scale of the business has increased the size of acquisition opportunities available, ensuring that targeted acquisitions remain an important part of the company's strategy.

Alliance CEO Peter Butterfield comments: 'We have a clear strategy to generate revenues principally from organic growth, complemented by targeted acquisitions that meet our financial criteria.

'Our strong sales and profit growth in 2018, and the organic growth opportunities currently available, put us in a good position to continue on our growth path in 2019 and beyond.'



ANGLE's revolutionary liquid biopsy system

Website: www.angleplc.com

AIM-quoted **ANGLE (AIM: AGL)** has developed the Parsortix system, a unique patent protected microfluidic technology enabling the capture, harvest and analysis of intact cancer cells from a simple blood draw. This capability is creating a leading position in the emerging liquid biopsy market, forecast to be worth in excess of £15 billion globally.

GROWTH MARKET

Growth in liquid biopsies is being driven by the rising number of new cancer patients globally each year (2018: 18m), those living with the disease (2018: 44m) and the need to reduce healthcare costs. The faster and more accurately a patient's cancer can be identified, treated and monitored the greater the likelihood of a positive outcome.

The traditional tissue biopsy requires a surgical procedure to obtain samples from sometimes difficult to access areas such as the brain, lungs or pancreas. The procedure is invasive, costly, and difficult to repeat. Liquid biopsy is the alternative and ANGLE's Parsortix system, pictured, is leading the way in providing accurate information through a simple non-invasive blood test.

Parsortix has a unique approach to capture intact living cancer cells detaching from the primary tumour, known as circulating tumour cells (CTCs), which can be harvested and analysed to enable personalised treatment for the cancer patient. Accessing CTCs is critical because 90% of cancer related deaths result from metastasis - the spread of CTCs in the blood. CTCs have significant utility as they enable DNA, RNA and protein analysis to be undertaken allowing the complete picture of the cancer to be understood. The ability to capture and monitor these cells on a repeat basis is crucial for optimal patient care.

Commercially, Parsortix is positioned upstream to capture and harvest CTCs, providing scope to work with partners who have downstream analytical platforms. In 2017 ANGLE acquired its own downstream capabilities in HyCEAD Ziplex,

INTRODUCING...ANGLE

STRENGTHENING A LEADING POSITION IN THE LIQUID BIOPSY MARKET

extending the company's abilities to capture the whole value chain. Parsortix has been used in over 60,000 blood tests and has been shown to work with 22 different cancer types to date.

FOUR PILLAR STRATEGY

The first pillar is obtaining data and evidence demonstrating the value of its technology through clinical studies run by leading cancer centres. ANGLE's ovarian cancer pelvic mass triage validation studies (400 patients - 200 Europe, 200 US) achieved best in class results with the latter achieving 95% accuracy. A clinical verification study is in progress to support the commercial launch of the test.

The second pillar is seeking regulatory approval. ANGLE is currently undertaking a study in metastatic breast cancer and is at the analysis stage following completion of subject enrolment. A submission will be made to the US Food & Drug Administration (FDA) with the opportunity that by the end of 2019 ANGLE may be

> "ANGLE'S MISSION IS TO ENABLE PERSONALISED CANCER CARE BY PROVIDING THE COMPLETE PICTURE OF THE PATIENT'S CANCER FROM A SIMPLE BLOOD TEST"
>
> – ANDREW NEWLAND

the first company to be given FDA regulatory clearance for the harvesting of cancer cells from blood for analysis. The aim is to establish Parsortix as the global standard in CTC liquid biopsy.

The third pillar is building a body of published evidence. This has gathered pace with 16 peer-reviewed publications in the last two years demonstrating a wide range of utility. Barts Cancer Institute and Cancer Research UK, amongst many international cancer centres, have extolled the performance and unique capabilities of Parsortix.

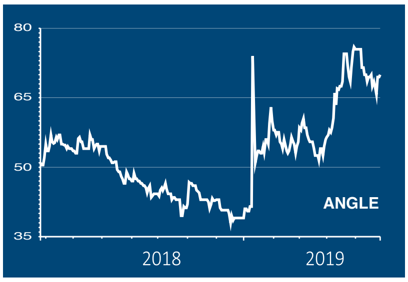
The final pillar is establishing partnerships with healthcare companies where Parsortix can benefit from their existing products in downstream analysis and/or solid tissue biopsy while ANGLE benefits from access to their customer base. Partnership arrangements exist with Abbott, QIAGEN, and Philips; such relationships will accelerate commercialisation.

PROMISING OUTLOOK

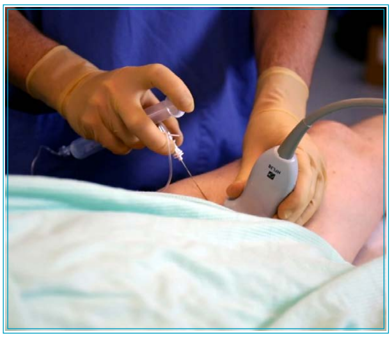
Cancer treatment is moving towards personalised care requiring technologies that can deliver results in a cost effective, non-invasive, efficient and reliable manner that is easily repeatable. Repeat testing is a key factor as when a patient has been diagnosed with cancer there is a need for regular testing as part of their ongoing care as cancer is complex and constantly changing.

Cancer is not the only end market for this platform technology as evidence has been published of other applications, including prenatal diagnostics.

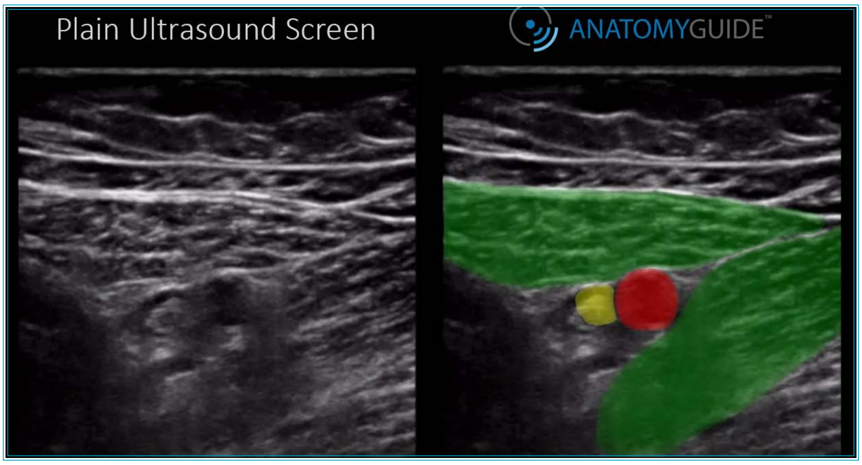
ANGLE is uniquely placed in the fast-growing liquid biopsy market, where FDA regulatory clearance will lead to significant opportunities to drive the business forward globally. The company has a highly leveraged business model that is scalable, with high value and low cost products for the instruments and the related consumables generating gross profit margins in excess of 70%. Research and development is the foundation to the company's strategy and further applications are being generated internally and by the breakthrough research taking place at leading cancer centres.



Intelligent Ultrasound is making a big noise



Website: www.intelligentultrasound.com



Intelligent Ultrasound (MED:AIM) focuses on two areas – providing advanced ultrasound training simulators that make it easier for medical professionals to learn how to use ultrasound; and then following the medical professional into the clinic and providing artificial intelligence (AI) based clinical ultrasound software that can support, guide and speed up ultrasound scanning.

Ultrasound is one the world's leading diagnostic modalities and the group's aim is to increase the numbers of medical professionals who can use ultrasound, as well as increasing the speed and quality of the scanning itself.

CLINICAL DIVISION

Based on the work of world-renowned University of Oxford academic, Professor Alison Noble OBE FREng FRS, the Intelligent Ultrasound Clinical AI Division has developed AI based real-time image analysis software for ultrasound by utilising deep-learning techniques and sophisticated computer algorithms along with researched insights into patient, clinician and healthcare provider needs.

There are two key components to these algorithms are an excellent, growing database of curated obstetric images to drive machine learning, combined with sophisticated deep learning models, developed by Professor Noble and her team. This has enabled Intelligent Ultrasound to develop its ScanNav image analysis software and pilot the first of these algorithms in two leading UK hospitals.

INTRODUCING INTELLIGENT ULTRASOUND

A COMPANY WHICH DEVELOPS AND COMMERCIALISES SOFTWARE-BASED DISRUPTIVE TECHNOLOGIES IN THE ULTRASOUND HEALTHCARE MARKET.

SCANNAV AUDIT

The ScanNav Audit software provides real-time support for obstetric ultrasound practitioners performing anomaly scans at 20 weeks gestation. ScanNav Audit aims to ensure that a complete set of scan images which are fit for purpose and conform to the required scanning protocol are captured during the procedure.

The software will also provide a record of each sonographer's performance, allowing managers to monitor staff and form part of the record keeping requirements of the clinic. ScanNav Audit, which has been piloted in St George's Hospital, London and the RUH in Bath, is currently a CE marked product in the UK only, and will require further development and regulatory approval to meet the US and global scanning protocols.

SCANNAV AUTOCAPTURE

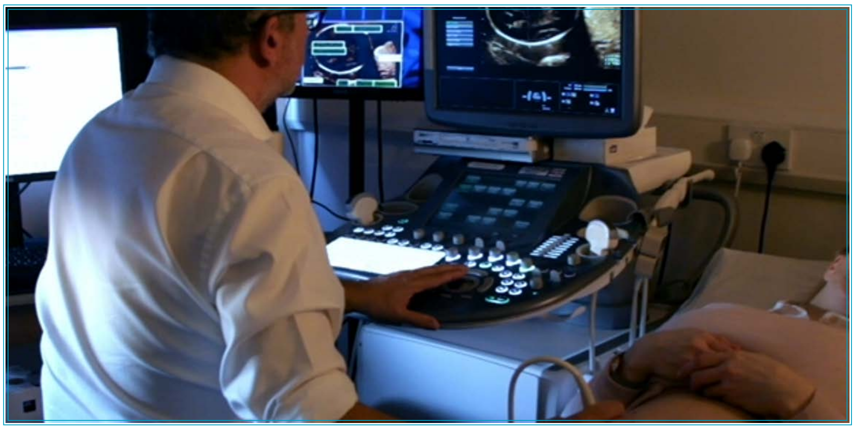
The ScanNav AutoCapture software automatically captures and analyses all the ultrasound image planes in real-time, as the sonographer moves the ultrasound probe over the patient's abdomen during the 20-week fetal anomaly scan and has the potential to speed up scanning workflow; and improve accuracy and consistency of image capture.

The current version of the software automatically selects and saves the key images required to meet the FASP protocol in the UK. Further development will be required to integrate this software into OEM machines, as well as expanding the image recognition to meet the ACR protocol in the US and the ISOUG global protocol.

The group is in discussions with several OEMs to bring ScanNav Audit and AutoCapture to market and expects to develop further obstetrics variants of ScanNav AutoCapture to complement the 20-week protocol software described above.

SCANNAV ANATOMYGUIDE

ScanNav AnatomyGuide is an AI based ultrasound software product which can identify and highlight anatomical structures on a live ultrasound image. The product is being developed for use during Peripheral Nerve Block (PNB) procedures to support less experienced practitioners. PNB is a form of local anaesthetic that can be used in certain surgical procedures as an alternative to general anaesthesia.



It is currently expected that development of ScanNav AnatomyGuide will be substantially completed in 2019 and that the regulatory approval process for its sale in Europe and the United States will commence thereafter. The group is therefore in discussions with several OEMs to bring ScanNav AnatomyGuide to market and expects to develop further ultrasound guided needling variants of the software.

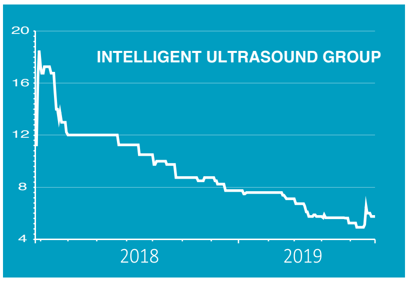
SIMULATION DIVISION

Based in Cardiff (UK) and Alpharetta (US), Intelligent Ultrasound's Simulation Division designs, develops and sells some of the world's leading hi-fidelity ultrasound training systems for teaching ultrasound scanning to medical professionals.

Its three simulator systems (ScanTrainer, HeartWorks and BodyWorks Eve) the global medical institution market are sold to through the group's direct sales forces in the US and UK, as a well as a network of over 30 resellers in the rest of the world. During 2018 the Simulation Division grew revenue by 27% to £5.3m in 2018 (2017: £4.2m) and established itself as one of the gold standard providers of ultrasound training simulators in the obstetrics, echocardiography and emergency medicine markets.

OUTLOOK

After a well-received showcasing of the group's AI technology at RSNA 2018 in Chicago, the world's largest radiology exhibition, the group believes there is considerable interest in its ScanNav software algorithms from both manufacturers and end users. The potential of this new AI based real-time ultrasound image analysis software combined with the group's existing revenue generating simulation business enables the group to look forward with considerable confidence.



LoopUp delivering growth in the company of giants

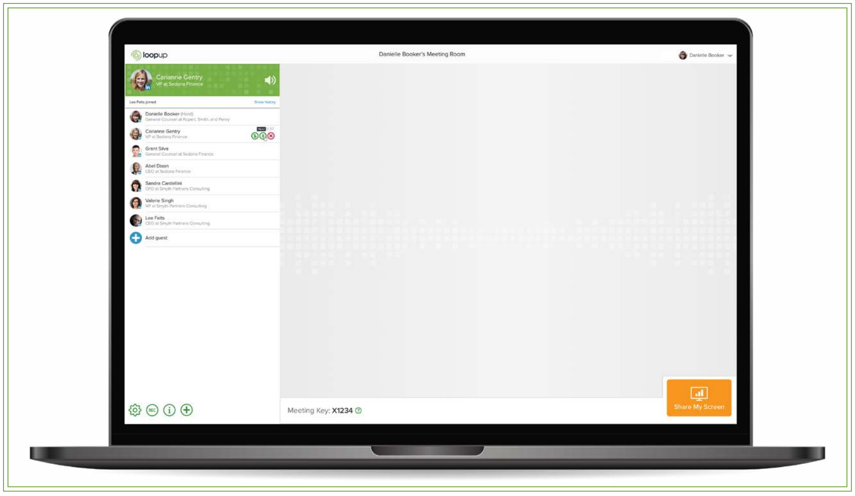
Website: www.loopup.com

LoopUp (LOOP:AIM) is a Software-as-a-Service (SaaS) provider of remote business meetings. The company prides itself on the premium experience it delivers to mainstream, discerning conference callers for their important, day-to-day conference calls.

The company's most recent set of results to 31 December 2018 showed growth to £34.2m revenue (+96%), £7.7m EBITDA (+121%), and £4.5m operating profit (+521%). These were driven by continued strong organic growth, augmented by the acquisition of MeetingZone in June 2018.

The company offers its product on a zero-licence, pay-as-you-go basis, and targets mid-large enterprises and professional services firms.

But why does LoopUp exist, and how is it managing to grow as it does, in this competitive market with so many big players?



WHY LOOPUP EXISTS

No question, conference calls have become an important part of everyday business, now accounting for 50% of all enterprise voice calls. And yet after 30 years of innovation in the industry, nearly 70% of enterprise users are still 'dialing in' to calls with phone numbers and access codes. They're not using software for a better experience.

The time-wasting frustrations of dial-in are all too familiar: 'That access code isn't recognized.' 'Who just joined?' 'Who is it with all the background noise?' Research shows that 15 minutes are wasted on a typical conference call, whether getting things started or dealing with distractions. That's around a third of the time the business world spends on conference calls – wasted.

INTRODUCING... LOOPUP
A SOFTWARE-AS-A-SERVICE (SAAS) PROVIDER OF REMOTE BUSINESS MEETINGS

And arguably more concerning still, more than 50% of frequent conference callers confess that they don't really know exactly who's on their conference calls – a major security flag.

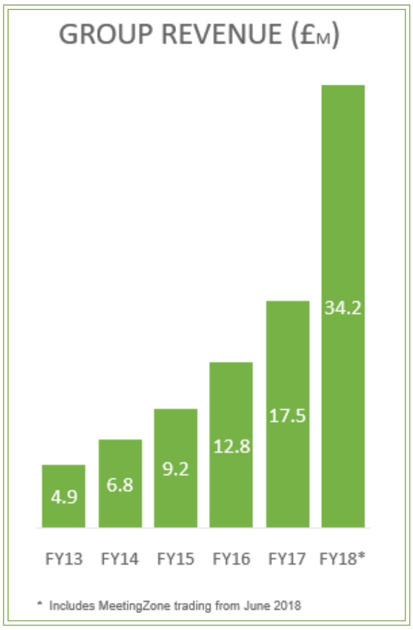
So, why does dial-in prevail with the mainstream majority?

The answer, LoopUp believes, lies in the way people tend to learn software. For most, this is a process of trial and error, over time. But, host of a call, you're live in the 'hot seat' with multiple guests, and there simply isn't time for trial-and-error-based learning. The last thing you want is for anything to go wrong. Dial-in may well be a poor experience, at least it's the safe bet.

Plenty of feature-rich software products have tried to drag conference calling out of the dial-in 'dark ages'. And they've had some success with tech-savvy early adopters and specialist user groups, such as IT and Training teams. But none has 'crossed the chasm' into the mainstream majority of professional users, who are intimidated rather than impressed by their bells and whistles. Instead, the majority continue to play it safe with dial-in; their meeting experience remains poor; and IT decision-makers remain frustrated by the meagre adoption of 'better' software options.

So, are we doomed to a future of painful dial-in? LoopUp says not and they've taken a contrarian approach to changing the status quo. Rather than trying to wow early adopters, LoopUp is specifically designed for the 70% mainstream majority. LoopUp keeps features to an essential minimum, advocating that 'less is more' when it comes to remote meeting software design for the mainstream. The product is designed to guide users through an intuitive experience, without the need for training.

And this contrarian approach seems to be working. LoopUp users are now foregoing dial-in on 76% of their calls. Instead, when instructed, LoopUp calls out



to them on a phone of their choice and then naturally guides them to a helpful visual interface where they can see 'who just joined' and 'who's speaking.' With such a high percentage of 'eyes on screens', LoopUp can then entice its users into more visual capabilities, such as their simple one-click screen sharing.

The company shows a video version of its market value proposition at https://loopup.com/en/meetbetter.

HOW LOOPUP DESCRIBES ITS INVESTMENT CASE

User engagement:

- The LoopUp product is successfully changing the behaviour of mainstream business users, who have previously resisted change and persisted with dial-in. Furthermore, 80% have adopted optional applications for Outlook/ iOS/Android.

Customer retention:

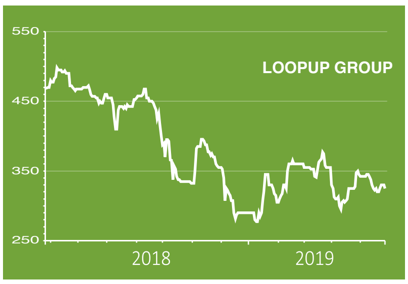
- Driven by this strong product engagement, LoopUp boasts a low gross revenue loss rate of just 5.5% (historically in the 5% to 6% range). They have also extended their track record of negative net churn – i.e. net growth – in their long term established customer base, which removes the impact of new business but takes into account all other gains and losses across its base.

New business economics:

- The company sells in a differentiated team-based organisational structure, which they call 'Pods'. Bottom line: every £1.00 invested into pods returns new annual recurring gross margin of 73p and as above, this annual gross margin recurs very effectively.

Inorganic amplification:

- The company recently overlaid an inorganic dimension to its growth profile via the acquisition of MeetingZone, a UK-headquartered conferencing services company, in June 2018. The strategic rationale was to amplify the established network effect in its product: 30% of new LoopUp business is driven by non-customer guests on LoopUp meetings, customer referrals, and non-marketing driven inbound approaches.



REI
Real Estate Investors Plc

Real Estate Investors taps into the rebirth of a region

Website: reiplc.com

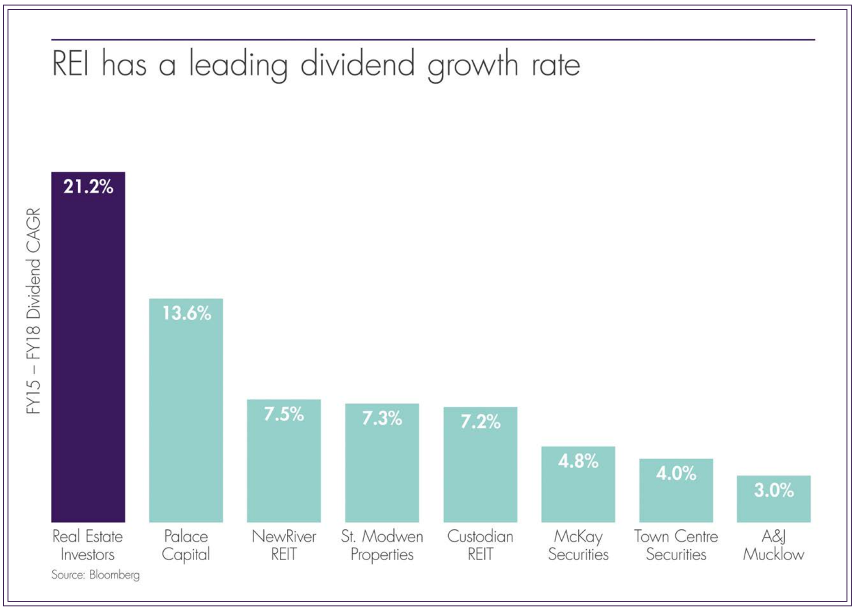
Real Estate Investors (RLE:AIM) has a diverse, multi-sector property portfolio and is producing an attractive, fully covered dividend, yielding over 6.5%. The company has a stated progressive dividend policy.

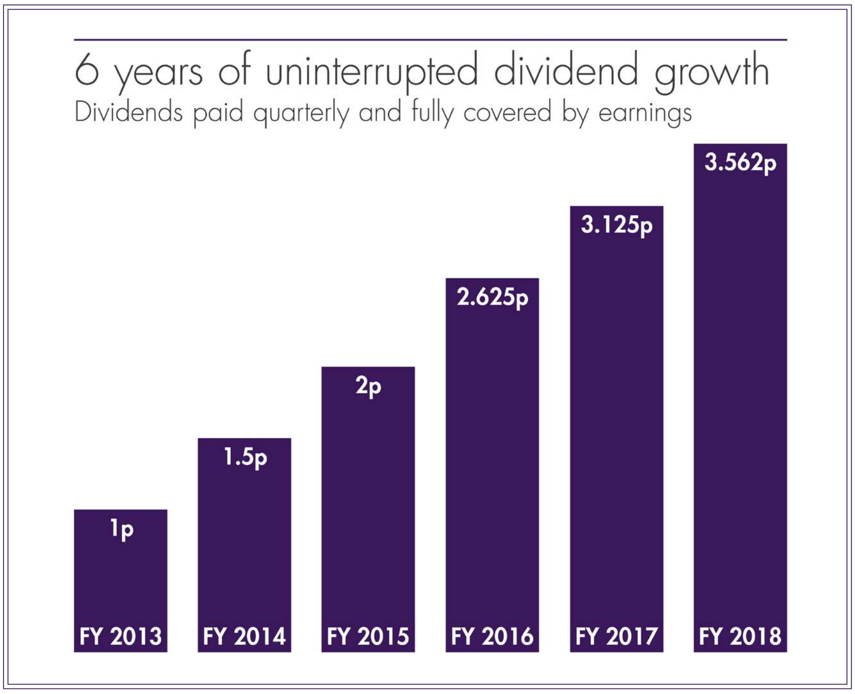
In 2006, chief executive Paul Bassi and finance director Marcus Daly joined the company and have since invested, together with other board members, £10m of their own money. The company has grown steadily and today REI has a diversified and sustainable portfolio of 1.55 million sq ft of commercial property externally independently valued at £225m (as at 31 December 2018).

The portfolio is internally managed by a well-established team with over 100 years of combined real estate experience and a deep knowledge of the Midlands property market.

It is REI's regional expertise and unparalleled Midlands property network that has given

INTRODUCING REAL ESTATE INVESTORS
THE UK'S ONLY MIDLANDS-FOCUSED AND BIRMINGHAM-BASED REAL ESTATE INVESTMENT TRUST





the company a competitive advantage and has enabled Paul Bassi and the team to build a reputation for identifying value enhancing assets, making opportunistic acquisitions, and achieving a consistent financial track record. REI is not a passive investor and the company operates a strict criteria to identify compliant assets at high initial yields. Value creation is achieved via rent reviews, lease renewals, lettings, change of use and refurbishments. Once capital enhancement has been achieved and all asset management initiatives have been exhausted, assets are retained for income or sold on an opportunistic basis at or above book value, with capital from disposals recycled into further criteria compliant opportunities.

BIRMINGHAM TO LONDON IN JUST 49 MINUTES

The imminent arrival of HS2, which will reduce the journey times from Birmingham to London to just 49 minutes, has magnified the region's appeal and suitability to businesses and commuters as being a viable alternative to London.

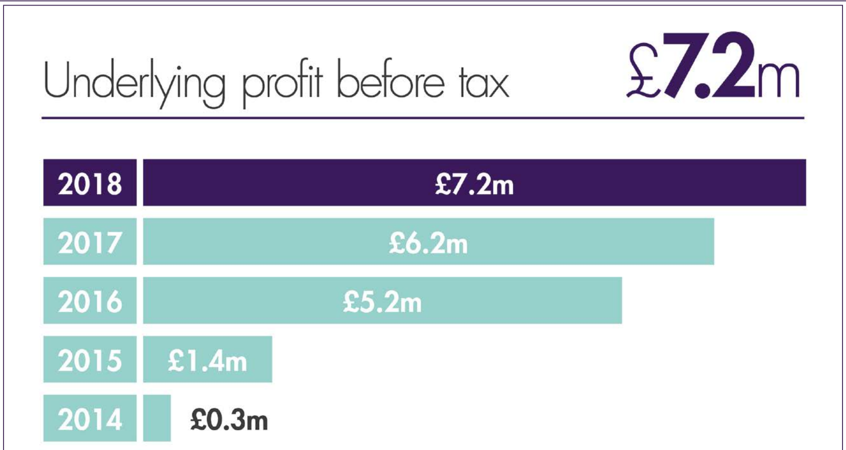
Following substantial investment from the UK Government into HS2, Birmingham and the surrounding region is being transformed.

Cranes dominate the Birmingham skyline and huge infrastructure changes and transport improvements are all paving the way for new commercial and residential schemes that are on a scale never seen before in the region.

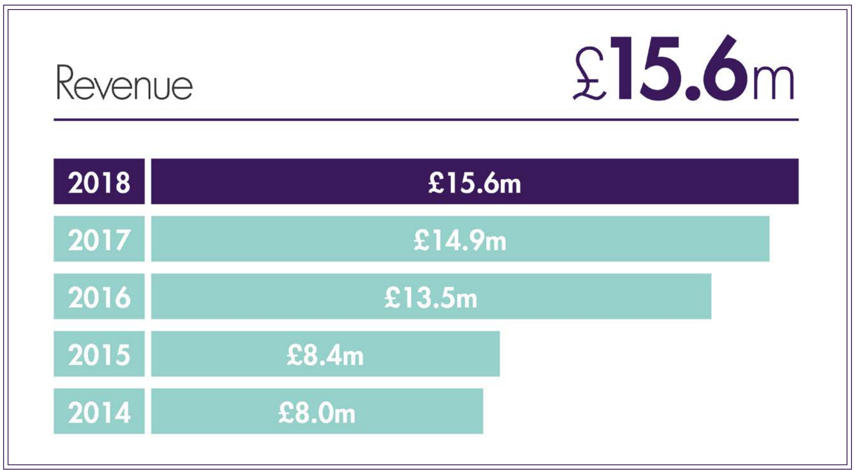
According to EY's Regional Economic Forecast 2019, the West Midlands is gaining the title as the fastest growing economy outside of London and the South East with productivity across the region expected to grow by 1.7% Gross Value Added per annum (GVA is the measure of the value of goods and services produced in an area, industry or sector of an economy) over the period 2018 - 2021.

In addition, Birmingham has also been named as the host City for the 2022 Commonwealth Games, along with Coventry being awarded the 2021 City of Culture. These wide-reaching changes underpin property valuations and support the case for further uplifts as these substantial projects drive activity and demand.

This is also reflected in



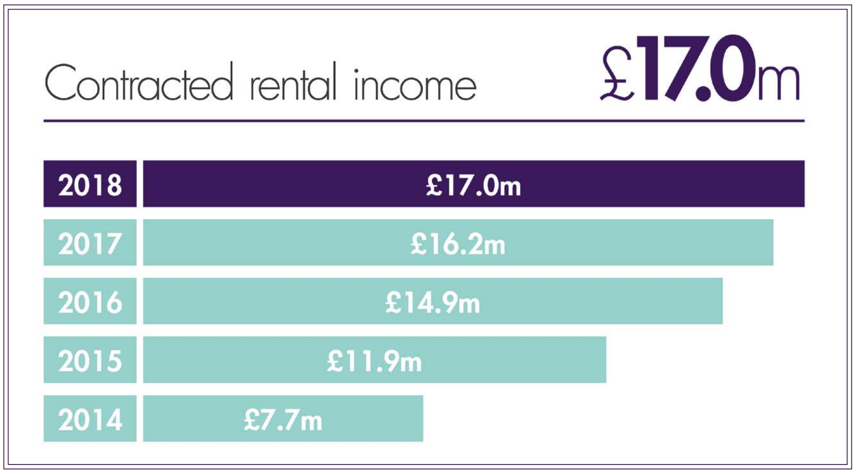
Underlying PBT excludes profit/loss on revaluation, sale of properties and interest rate swap



'Real Estate Investors provides me with a focused, well managed commercial real estate exposure to the vibrant Midlands economy. The management team with many years of experience in this region have successfully managed to assemble a portfolio of high yielding assets which benefit from good demand for commercial property with development optionality and positive rental growth. The company has a strong income focus with a growing dividend and yields 7.0% historic.'

Mark Barnett, head of UK equities at Invesco Perpetual, May 2019

recent M&A activity with LondonMetric's £414.7 million takeover bid for our regional peer AJ Mucklow, being announced on 23 May 2019



DELIVERING CONSISTENTLY FROM A STABLE PLATFORM

Delivering capital growth and income enhancement are the fundamental aims of the business.

On 1 January 2015, the company converted to become a REIT (Real Estate Investment Trust), thereby enhancing its ability to pay increased returns to shareholders by no longer being liable for corporation tax on rental income or capital gains tax from qualifying activities. For 2018, REI paid a total of 3.562p in dividends representing a 6.5% dividend yield based on 55p share price (30 April 2019). Each year for the last six last years, REI has paid a steadily increasing dividend to shareholders and the company remains committed to a progressive dividend policy. Annualising the current 2019 quarterly dividend produces a dividend yield of 6.8%.

REI does not aim to be a high risk, high return business. Instead, REI is a proven business operating from a stable platform. The company is conservatively geared with a loan to value ratio of 39% and has a contracted rental income base of £17m, generated from a portfolio that is 96.1% occupied. Revenue has grown year on year for 10 years. The average cost of debt is 3.7% with 67% of the debt being fixed. Importantly, the portfolio is diversified across many sectors with no material reliance on any single asset or occupier.

> 'REI released another impressive set of results in March. Naturally, this reflects the recent performance of the West Midlands economy and the fundamentals of the property sector. Growth has been strong, inward investment has been resilient, and the number of jobs in the region has risen steadily.'
> ***The Mayor of the West Midlands, Andy Street***

In addition, there are existing asset management activities especially relating to permitted development opportunities for conversion of commercial properties to residential. Prospects for REI in 2019 and beyond are good.

The company has £25 million of cash and facilities available for possible acquisitions, including those arising from any Brexit uncertainty.

250,000 SQ FT IDENTIFIED FOR POTENTIAL CONVERSION TO RESIDENTIAL

The REI team has identified 250,000 square foot of permitted development where there is the potential to convert commercial space into residential development opportunities. The potential uplift on the valuation of the portfolio could be significant.

In March 2019, REI successfully secured residential planning consent for 100 units in Coseley and this site is now being marketed to residential developers for significantly more than book value. It is therefore noteworthy that the West Midlands enjoyed a 6% increase in house prices in 2018, compared to the 0.7% decline in London house prices.

BUILDING MOMENTUM

REI says its main objectives for the year are to continue to increase shareholder value, refinance unencumbered properties and deploy the funds generated in criteria compliant investment properties, continue its progressive dividend policy, and increase its underlying profit before tax, EPRA earnings per share and net assets per share.