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EDITOR'S VIEW

How much does management matter?

Why investors shouldn't get hung up on personalities

On 5 August **HSBC (HSBA)** chief executive John Flint became the 14th of his number in the FTSE 100 so far in 2019 to announce a departure, either immediately or at some point in the future.

In some cases these exits are being driven by the executive involved, perhaps for personal reasons or because they fancy something new, but in a good portion of these examples companies will be hoping a change at the top can drive a change of fortunes for their business.

Whether it is politics, entertainment or finance we seem to be in a situation where the cult of personality is holding sway and in the markets this applies just as much to fund managers as it does to CEOs.

But for several reasons investors should not get too hung up on the identity of the person in the hot seat of the company or collective they are invested in.

You need to consider key person risk, where the success of a business or fund is so reliant on a particular individual that their departure can have an out-sized impact.

It can also lead to bad decisions with insufficient oversight, for which the obvious example is Fred Goodwin at **Royal Bank of Scotland (RBS)**, pursuing an extremely risky strategy heading into the financial crisis including the £49bn purchase of ABN Amro.

Shareholders in both **Ted Baker (TED)** and **WPP (WPP)** were left to count the cost of the acrimonious departures of their founders in early 2019 and 2018 respectively.

DO YOU BELIEVE IN MAGIC?

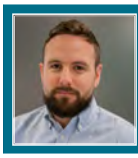
And sometimes a manager's apparently magic touch might desert them. Just look at the recent experience of one-time fund industry star Neil Woodford or Wall Street royalty Jamie Dimon who steered JP Morgan through the financial crisis before being tarnished by a trading scandal in

2012. Both remain in post for now but with their reputations somewhat checked.

Management matters, and should certainly be a consideration when assessing the investment case behind a stock. Investors have opportunities to hear from and sometimes even quiz the management of companies and if you are unconvinced then this might be a reason to sell the shares.

However, it is a mistake to think any one person can sprinkle some stardust on a situation and somehow set a company on a path to relentless growth and you should be suspicious of anyone who says different. Instead you need to look at the fundamentals behind a business, the markets it is operating in and whether or not it has a clear understandable strategy and robust business culture.

After all, what can Flint's permanent successor at HSBC do about the pressure on banking profit from a downward trend in global interest rates? The answer: not much.



By **Tom Sieber** Deputy Editor

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CFA UK Publication of the Year
CFA UK Journalism Awards 2019

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Why sterling's meltdown could get worse and what that would mean

Pound's buying power eroded by firming of UK's no-deal Brexit stance

The latest sterling meltdown has sparked bleak projections of a plunge in the pound to 34-year lows if the UK leaves the European Union with no deal in place.

The Bloomberg poll of analysts at 13 banks found that the chances of a divorce without an agreement now stands at 30%, three-times the level of a similar survey in February. The impact of such an outcome could cut the sterling/dollar rate as low as $1.10, its lowest in a generation.

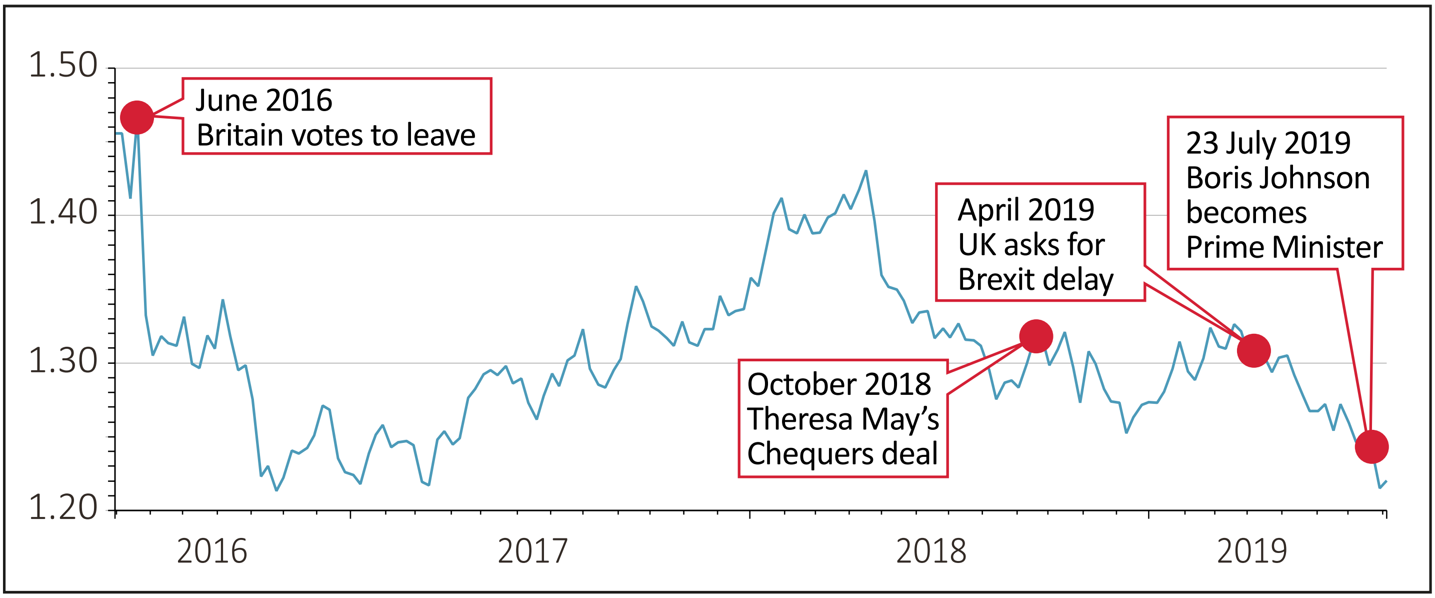
The pound has weakened sharply over recent days with the market waking up to the reality of a new UK government, its rather combative stance on the current UK/EU Brexit deal and its open remarks on the rising probability of a no-deal Brexit.

'Politics should remain the key negative for sterling in the months to come,' say analysts at investment bank ING, putting risk to the pound 'heavily skewed to the downside.'

Sterling skidded to a 30-month low against the dollar, below $1.21 as fund managers, industry executives and Bank of England governor Mark Carney all lined up to warn about the hit to the economy of a no-deal Brexit under new prime minister Boris Johnson.

WHO WINS FROM WEAK STERLING?

UK exporters are obvious beneficiaries, including many of the UK's largest stock market listed



companies. A weak pound makes goods and services sold abroad more competitive because they are cheaper to buy for overseas customers.

Around 70% of FTSE 100 company earnings are imported from outside the UK, industrial and consumer good companies like **Rools-Royce (RR.)** and **Unilever (ULVR)** are good examples.

This also gives a boost to revenue and profit earned by UK companies from overseas once they are converted back in sterling. Commodity giants score highly here given raw materials like oil, iron ore and copper are priced in dollars.

WHAT'S THE DOWNSIDE OF A WEAK POUND?

At this time of year most people will focus on how much more their summer holidays will cost and how to stretch the budget when abroad, but the impact goes far deeper.

A weak pound makes imports like food, clothing and electrical goods more expensive, while upping the cost of filling the car on the petrol forecourt.

For investors weak sterling is also leading to the drying up of investment flows into UK funds and stocks.

'We're seeing a marked shift out of Britain and into mainland Europe by international fund managers,' said Steven Holden, chief executive of Copley Fund Research. 'The weakening pound is certainly the major contributor to the decline in UK stock allocations but it reflects caution over Brexit from an equity perspective too.'

According to the Copley funds survey the UK's portion of global equity funds has dropped to its lowest since 2011 when the fund research firm started tracking flows.

The study found that the UK's portion of global equity funds has fallen to 7.87%, from a peak of 11.5% in 2011, when Copley started the survey.

New car sales fall for fifth month in a row

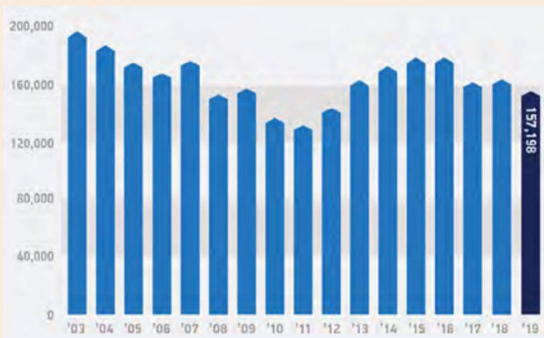
Economic and political uncertainty and confusion over fuel type policy put the brakes on car dealers' growth

NEW CAR REGISTRATIONS declined for the fifth month in a row in July with a fall of 4.1% year-on-year according to the latest sales figures (5 Aug) from The Society of Motor Manufacturers and Traders (SMMT).

Consumers remain wary regarding the economic fallout from a no-deal Brexit and are pulling in their horns when it comes to big ticket purchases. This is creating a considerable headwind for quoted car dealerships including the embattled **Pendragon (PDG)**, the unloved **Lookers (LOOK)** as well as **Vertu Motors (VTU:AIM)**, **Motorpoint (MOTR)**, **Cambria Automobiles (CAMB:AIM)** and **Marshall Motor (MMH:AIM)**.

SMMT data showed 157,198 new vehicles left car showrooms during July, the lowest July market since 2012. Year-to-date in 2019, new car registrations are down 3.5% as economic and political uncertainty combine with consumer and business confusion over the direction of government policy on different fuel types.

NEW CAR REGISTRATIONS 2003-2019



Source: SMMT

Why stock markets have taken a battering this week

Investors are getting increasingly worried as the world's two biggest economies collide

Markets around the world have had a torrid time in the past week, with major sell-offs in the UK, US, European and Asian markets.

Any daily movement one way or the other over 1.5% is generally considered significant in stock markets, and so far in August the FTSE 100 has fallen from close to 7,700 to hovering below the 7,200 mark with 2% daily plunges a feature.

SO WHAT'S GOING ON?

In the FTSE 100 with its many international-facing companies, big macroeconomic news can have a significant impact, particularly when it involves the two largest economies in the world – the United States and China.

As the US and China start getting angrier with each other, investors are getting increasingly scared and selling off shares in companies they think will be impacted by the trade war. As we write it's estimated that global stock markets are down 4% from last week.

The mining and energy sectors have been a big drag on the index's performance as China is a major buyer of metals and oil. So if trade tensions affect the Chinese economy, demand for commodities could fall.

The big trigger in all of this has been US president Donald Trump's surprise announcement of a 10% tariff on $300bn of Chinese goods, which means all Chinese imports are now effectively taxed.

China has since hit back, allowing its currency to weaken, which has prompted a further escalation with the US outright labelling China a currency manipulator.

Such a move is seen as a big no no in diplomatic relations, and is the first time any country has officially been called a currency manipulator since 1994, when the US last called out China.

By letting the value of the yuan go below seven to the dollar as it has done, China is taking a carefully calculated gamble that it can use its currency to soften the blow from tariffs without worrying investors so much they take their money out of the market.

MAJOR MARKETS ENDURE TORRID START TO AUGUST

Index	% change since close on 31 Jul
Hang Seng	-6.49
NASDAQ Composite	-5.5
Russian Trading System Index	-4.81
FTSE 100	-4.67
S&P 500	-4.55
Nikkei 225	-4.35
DAX Xetra (Germany)	-3.74

Source: SharePad

Trump has previously complained that a weaker yuan puts the US 'at a disadvantage'. Because China's currency is weaker, it means foreign companies can import Chinese goods at a cheaper price, potentially choosing them over American goods.

China can therefore cushion the blow by getting more money from exports. But the move is not without risks, as imports will become more expensive and it has the potential to drive up inflation – not good when the country is already facing a slowing economy.

Kerstin Braun, president of Stenn, an international supplier of trade finance headquartered in London, says: 'We can confidently say that a global recession is on the horizon if both yuan stays at this level and tariffs remain for four to six months.'

Bond yields hit new lows on global concerns

A quarter of investment grade bonds now yield below zero

Bond yields are plummeting as investors pour money into this perceived lower risk asset.

While low interest rates aren't normally seen as a bad thing, it seems as though by continuing to push bond yields down markets are trying to tell the world's central banks that they are deeply worried.

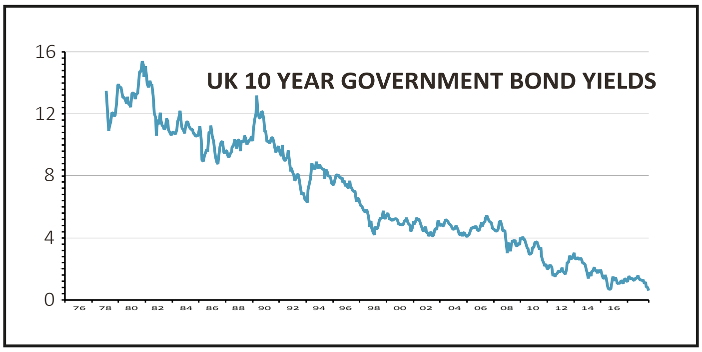
Their concerns range from the outlook for growth, the US-China trade war, poor global purchasing managers' index (PMI) readings and persistently low inflation in the developed economies to the risks of a flare-up in the Middle East and what that might do to oil prices.

NEGATIVE YIELDS

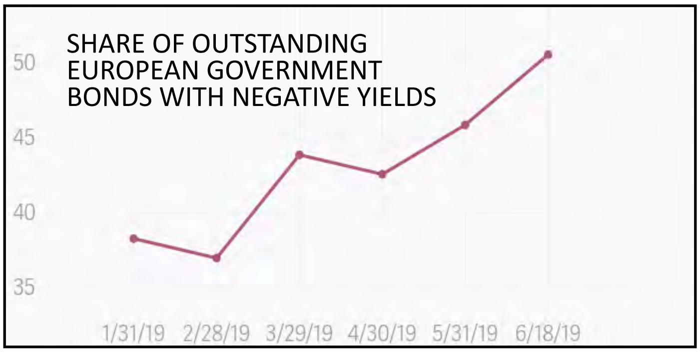
According to consensus estimates, around $13tn or a quarter of all investment-grade bonds now have negative yields. In other words investors are actually paying the issuers to own them, meaning that if they keep them until they mature they will get back less than they paid for them.

As of mid-July over half of all European government bonds in issue, equivalent to $5tn, had negative yields. In Germany the yield on the 10-year government bond (Bund) is at a 700-year low of -0.5%. More worryingly, every maturity of German debt from one year to 30 years has a negative yield.

In the UK, although yields haven't turned negative yet, the yield on the 10-year government bond (Gilt) is the lowest in history at 0.49%, even as political uncertainty increases with rumours that new prime minister Boris Johnson will call a snap general election.



Bond investors also seem to believe the Bank of England has room to lower its key interest rate from their current level of 0.75% after it admitted in its June Monetary Policy Committee notes that 'downside risks to growth have increased' since its previous assessment.



A RELATIVE TRADE

Another reason for the inflow of capital into bonds, forcing interest rates even lower, is that corporate earnings may have hit a peak and valuations of the world's major stock markets – the UK aside – no longer look attractive.

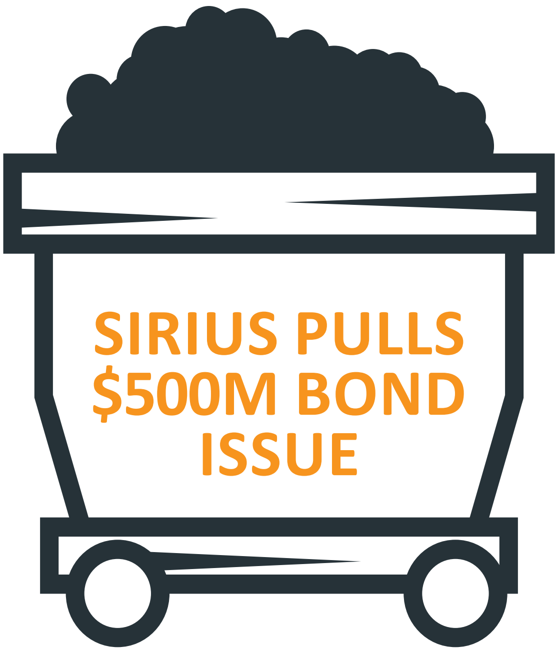
Even with negative yields, bonds still represent a 'safe haven' and a relatively appealing place to put money. As long as interest rates globally are headed lower there is scope for bond prices to continue rising, which means that what investors lose in terms of interest income they could make up in capital gains in the short term.

Sirius, Shell, the banks and other big news

We look at the market risers and fallers from the past week

Negative news from **Sirius Minerals (SXX)** on 6 August was a source of particular disappointment for *Shares* as we had highlighted the stock as being undervalued in a recent article.

By pulling a $500m bond issue due to 'current market conditions' Sirius has raised serious questions about the viability of its potash project in Yorkshire.



Securing these funds by the end of September is a crucial term and condition of getting the additional $2.5bn in lending via a revolving credit facility (RCF) that JPMorgan will initially provide, which in turn is vital to being able to build the mine.

The company says it will make another attempt to get its debt away later in this quarter, but investors appeared unconvinced, with the shares losing more than a quarter of their value to trade at 10.8p in the immediate aftermath of the revelation.

On 1 August **Royal Dutch Shell (RDSB)** disappointed heavily with its second quarter numbers with profit around $1bn below market expectations.

This was the biggest miss the company had

FTSE 350 MOVERS OVER THE PAST WEEK

BEST PERFORMERS

STOCK	SHARE PRICE RISE	REASON
Capita	22.7%	Reassuring set of first half results
ConvaTec	16.9%	Reports improving sales momentum
Pets at Home	7.7%	Raises profit guidance after strong quarterly performance

WORST PERFORMERS

STOCK	SHARE PRICE FALL	REASON
Sirius Minerals	-23.4%	Pulls crucial $500m bond issue
Intu Properites	-17.6%	Continuing reaction to disasterous first half results
Premier Oil	-14.4%	Significant borrowings leave it exposed to oil price volatility

Source: Shares, SharePad

BANKS CAN'T ESCAPE PPI

The UK high-street banks have little to cheer about so far this year. Their first half results all showed a similar trend, with a 'challenging income environment' according to **Barclays (BARC)**.

Continued margin pressure in mortgage lending meant the banks had to fall back on cost cutting. Even **Lloyds (LLOY)**, which already has the lowest cost-to-income ratio, is aiming to cut costs further.

On the plus side bad loans are still at historically low levels, around 0.2% to 0.25% (0.9% for credit card lending), but provisions are starting to creep up, so the low point of the cycle looks to have passed.

At the same time, PPI charges – which were expected to tail off by now – are actually increasing ahead of the 31 August claims deadline.

Even after the deadline, the backlog of claims could still be in the millions according to Guy Wakeley, chief executive of **Equiniti (EQN)** which helps the banks deal with reparations.

On 5 August **HSBC (HSBA)** announced numbers which were slightly ahead of expectations, but this news was overshadowed by the surprise departure of chief executive John Flint less than two years into the job.

posted since 2016 when oil prices were in sharp decline. Shell was hit by oversupply in the natural gas market, a key area of focus for the business, as well as economic uncertainty.

The exit of **Domino's Pizza (DOM)** boss David Wild (6 Aug) was initially received positively by the market following a period of turmoil for the company, the shares rising to 254p.

The announcement accompanied a mixed set of first half results, with the company continuing to be beset by disputes with franchisees and teething problems with its international expansion plan.

Buy Smith & Nephew as the FTSE 100 company is finally going places

The medical devices group has reshaped its business which should improve shareholder value

Diversified medical devices maker **Smith & Nephew (SN.)** operates in growth markets and owns very competitive products, putting it in an enviable market position.

What's let shareholders down in the past has been business execution and a failure to exploit the growth opportunity. That is now changing.

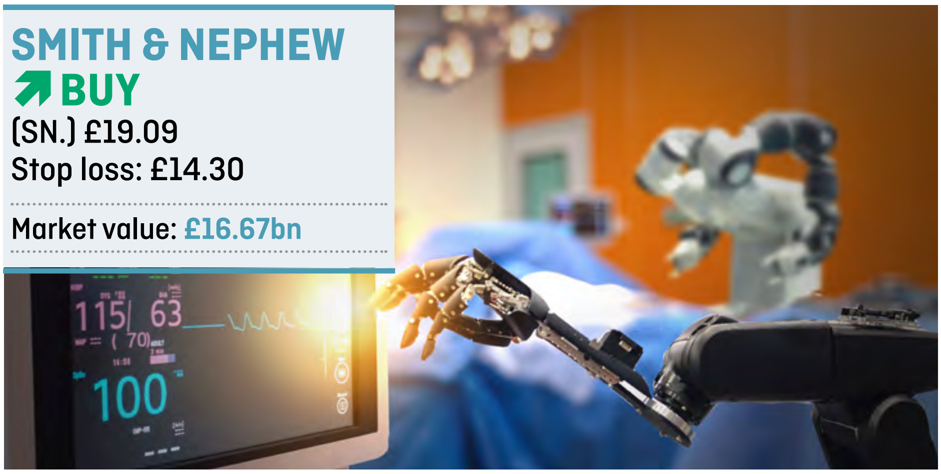
The shares aren't cheap on 21.4 times forecast earnings, yet we feel there is a good chance that earnings are now in an upgrade trend which should fuel interest in the stock.

New chief executive Namal Nawana came aboard in May 2018 and has since radically altered the culture of the company, which culminated in re-organising the business into three global franchises: orthopaedics, sports medicine and advanced wound management.

This simplified structure has reduced duplication of effort and made reporting responsibilities clearer with better accountability. The company is now is a better position to leverage its end-markets and product portfolio.

SMITH & NEPHEW
BUY
(SN.) £19.09
Stop loss: £14.30

Market value: £16.67bn



MORE ATTRACTIVE NUMBERS

The recent half year results gave a glimpse of the potential financial benefits of a sharpened commercial focus. The company reported underlying revenue growth of 3.9% and a higher operating margin, up 60 basis points to 21.4%.

Accompanying the positive update was an upgraded guidance for revenue growth of half a percent to 3% to 4%.

Other fund managers have spotted the opportunity for the company to maximise its potential, including Stephen Yiu of Blue Whale, who told *Shares* in March that 'expectations are pretty low, the medtech business is fairly high quality and corporate optionality via M&A is high'.

THREE GLOBAL FRANCHISES

Orthopaedics is the largest franchise, representing 44% of revenue. It essentially involves making replacement hips and knees. Every year over 2m patients receive total or partial replacements. The hip and knee market is thought to be worth $14.5bn, and four players control 86% of the total market, making it relatively consolidated.

Smith & Nephew has a 12% share behind Stryker, Johnson and Johnson and market leader Zimmer Biomet with 33%.

There is a smaller market outside the replacement market related to treating people who have suffered bone fractures, and in this segment the company supplies various plates, screws, rods and nails.

In addition there is a market for treating deformities. These two markets were worth $6bn according to the company.

Johnson & Johnson and Stryker have a combined 70% share, while Smith & Nephew has 8%

and Zimmer Biomet has 11%.

The company has competitive and innovative hip products, for example its knee technology system is unique and the only one with a 30 year wear performance claim that has been approved by the FDA (US Food & Drug Administration).

Recent data showed that patients implanted with its proprietary hip technology demonstrated lower readmission rates in the first 90 days after the operation, while cutting post-operative care costs by 10%.

TREATING SPORTS INJURIES

The second largest franchise is sports medicine and football fans will be familiar with some of the products that make up this $5bn market. They include cruciate ligament ruptures and meniscal tears, which seem to have become more common since football boots have become less sturdy.

The company produces implants to treat such injuries as well as mechanical devices and radiofrequency machines used to repair soft tissue around joints. The four top players control around 81% of the market with Smith & Nephew holding 26%, just behind leader Arthrex.

The market for repair products is growing strongly, with the key driver being an increasingly active older population and rising obesity. Think of slightly overweight 40-something's taking their sports activity a little too seriously.

The World Health Organisation (WHO) says that obesity has tripled since 1975, and is a major risk factor for contracting diseases such as diabetes and joint problems.

Sedentary lifestyles may lead to an even greater incidence of diabetes and related health conditions that will support demand for the company's products.

OTHER AREAS OF EXPERTISE

Advanced wound management is the company's third global franchise and is estimated to be worth $9bn. The company makes various dressings, tropical treatments and devices used to manage wounds.

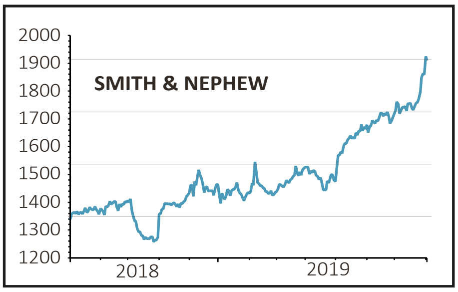
One of the more interesting segments is the active healing or bioactives market. Wound bioactives are materials which have intrinsic healing properties that release antibodies, antiseptics, plant extracts or insulin in order to aid the healing process.

This segment is estimated to be growing 10% annually and has a potential revenue value of around $1bn. As might be expected for a market in the early stages of growth, it is relatively fragmented with lots of different players.

SMITH & NEPHEW CONSENSUS FORECASTS				
	2018	2019e	2020e	2021e
Revenue $m	4,904	5,067	5,289	5,496
Operating profit $m	1,123	1,087	1,169	1,246
EPS $	1.01	1.01	1.08	1.16
Source: Eikon				

FINANCIAL AND OPERATING LEVERAGE

A feature often overlooked by investors is operating leverage. Theoretically Smith & Nephew's profit should grow by a greater amount than revenue due to its high fixed costs.



Broker Berenberg's base case is for 4.9% compound annual growth rate (CAGR) in revenues for the next five years, but this translates into 12.8% CAGR in operating profits, due to the operating leverage effect.

Nawana has stated that he would like to make further acquisitions in faster growing areas and is targeting 2.0 to 2.5 times net debt-to-earnings before interest, depreciation and amortisation (EBITDA) in order to achieve it. This implies $1.5bn of headroom to make further deals.

Berenberg thinks the market hasn't fully appreciated the financial benefits that future acquisitions could bring to shareholders. On top of this, the company has said that it will return excess cash to shareholders via share buybacks, boosting earnings per share.

By **Martin Gamble**
Senior Reporter

Baillie Gifford US Growth a wealth creator for the long-haul

Focus on 'exceptional' companies makes this an invest and forget option

Escalating trade tensions and ongoing Brexit unknowns can make the world feel like a scary place but history has a way of putting these things into context. Investing early and for the long-haul is the road to real wealth creation and we believe the **Baillie Gifford US Growth Trust (USA)** is worth backing.

Launched in March 2018 by the same team that runs the hugely popular **Scottish Mortgage Investment Trust (SMT)**, manager Gary Robinson is not concerned with the here and now, his strategy is to identify and own the exceptional growth companies in America.

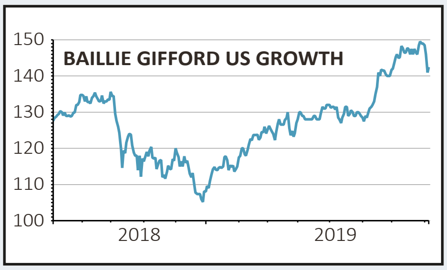
The US has for decades been one of the best and safest markets for finding top-drawer growth companies, like Amazon, Facebook, Google and Netflix. Yes, the main S&P 500 benchmark crashed during the financial crisis but in the 10 years since it has soared 276%, far beyond pre-crisis peaks of 1,560-odd.

Baillie Gifford US Growth still has large stakes in many of the above growth companies but has also built stakes in giants of tomorrow. Firms like Shopify, which helps retailers embrace online sales, posh homewares business Wayfair, and Illumina, which is building advanced equipment to unlock the power of genetic science for all of us.

These illustrate long-run growth themes that change behaviour, and lives.

BAILLIE GIFFORD US GROWTH TRUST ↗ BUY
(USA) 142.5p
Stop loss: 114p

Market value: £332m



FLEXIBLE APPROACH

One of the challenges for many growth funds is that they are barred from owning stakes in private businesses, meaning they miss out on early growth opportunities.

Baillie Gifford US Growth is not, although it keeps private stakes small to avoid liquidity issues, of which there have been some high profile examples of late. Just 10.8% of the portfolio is in 11 private stocks.

Some of the ones you may have heard of include Slack, the workplace text tool, and Peloton, the at-home cycling connected fitness platform. It also has a 2.1% stake in SpaceX, the Elon Musk-founded firm that runs Nasa space missions and developed the first re-usable rockets.

This is just a flavour of the 50 or so companies in which the trust is invested, so it has in-built diversification.

This week Baillie Gifford US Growth reported its first set of annual results to 31 May 2019, albeit covering the slightly extended period since launch. The trust's share price beat the S&P 500 (up 22.2%) by about a third with a 28.4% return. Net asset value (NAV) did even better, up 28.8%, in sterling terms.

Since launch the share price has rallied from 98.5p yet the shares premium to NAV remains thin at 0.35% despite this impressive performance. An ongoing charge of 0.88% is pretty reasonable making the Baillie Gifford US Growth very attractive for growth seekers over the long-run.

By **Steven Frazer**
News Editor

DEVRO

(DVO) 204p

Gain to date: 6.5%

Original entry point:

Buy at 191.5p, 6 September 2018

FOLLOWING BOUTS OF weakness in the wake of our September 2018 recommendation, which almost saw our stop loss breached, shares in **Devro (DVO)** have regained some sizzle and are trading 6.5% in the money.

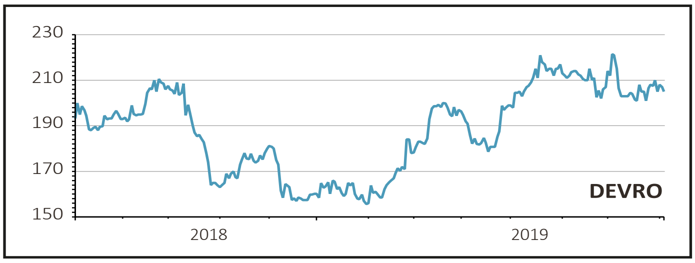
The Moodiesburn-based sausage skin maker's first half results (31 Jul) demonstrated that Devro is making positive progress with cost savings and growth opportunities and is well placed for the second half.

Despite a slight decrease in revenue to £119.2m (2018: £120.2m), with strong volume growth in China and North America offset by weaker performances in Japan, Russia & East and Latin America, underlying pre-tax profit grew by 4% to £14.9m and free cash flow generation improved materially.

A global leader in collagen casing technology, the food producer has compelling growth opportunities in confectionery and protein snacking in markets such as China.

Bulls believe volume growth will materialise in the second half, underpinned by the roll out of Fine Ultra, Devro's more robust casing that can withstand products being deep fat fried, supported by 'a number of commercial initiatives to accelerate growth'.

Numis Securities forecasts improved pre-tax profits of £34.8m (2018: £29.8m) for earnings of 17.1p and a 9.5p dividend, ahead of an estimated £37.5m, 18.8p and 9.9p respectively for fiscal 2020.



SHARES SAYS: ↗

Keep the faith.

NEXT

(NXT) £59.20

Gain to date: 41.3%

Original entry point:

Buy at £41.91, 20 December 2018

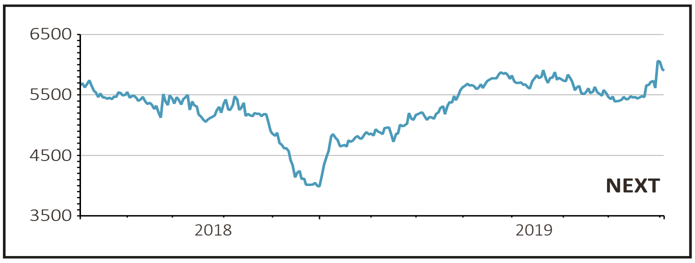
OUR BULLISH CALL on clothing-to-homewares colossus **Next (NXT)** is now 41.3% in the black. The latest upwards share price catalyst was a surprisingly positive second quarter trading update (31 Jul) and accompanying upgrades for both annual profits and sales.

Second quarter full price sales grew by a better than expected 4% and the retail bellwether upgraded full price sales guidance for the year to next January from 1.7% to 3.6% and its pre-tax profit guidance by £10m to £725m, marginally up on last year.

Despite tough prior year comparatives, and fears May and June were a washout, the Simon Wolfson-steered high street fashion retailer delivered solid quarterly growth with a sales boost as the sun shone in July combined with good seasonal ranges.

'It plays to our theme that good shopkeepers can prosper, whatever the weather', said brokerage Shore Capital.

While online remains the growth driver for Next, helping to offset declines in the physical store estate, brick and mortar stores form a key component of its winning click and collect service. One of the key reasons to own the stock is Next's enviable cash generation and capital returns, as reflected in a bumper £300m share buyback programme.



SHARES SAYS: ↗

Keep buying.

ACTIVIST INVESTORS

Can their actions boost your portfolio?

Activist investing isn't new, but the reason we're hearing more about it is the activists themselves are getting increasingly savvy about communicating to the public.

Activists come in all shapes and sizes, from 'lone ranger'-style individuals to the largest fund management and private equity firms.

On the whole, they tend to get results. They challenge long-held views and bring a new perspective to companies which have typically lost their way or their focus.

They also shake up boards who are meant to act as a counter-weight to management but too often are just a rubber stamp instead.

By targeting under-performing companies and forcing change activists typically unlock value

UK COMPANIES ALREADY TARGETED BY ACTIVISTS

Target	Investor	Demands
Barclays	Sherborne	Reduction or sale of the investment bank
Ferguson	Trian	Sale of UK business
FirstGroup	Coast Capital	Sale of US bus business
Hammerson	Elliott	Sale of assets to reduce debt
Playtech	SpringOwl	Appointment of board directors
Restaurant Group	GrizzlyRock	Opposition to Wagamama deal
Rolls Royce	ValueAct	Opposition to board incentive plan
Saga	Elliott	Break-up and sale of both businesses?
Whitbread	Elliott	Sale of part of hotel estate

for themselves and other shareholders. Not all campaigns are successful - no activist can fix a broken company - nor are they all popular, but without activists many investors would be worse off.

Anyone who wakes up and finds something in their portfolio now has an activist investor on the shareholder register should sit tight as there could be a good chance of value generation over the short to medium-term.

A BILLION-DOLLAR HAMMER

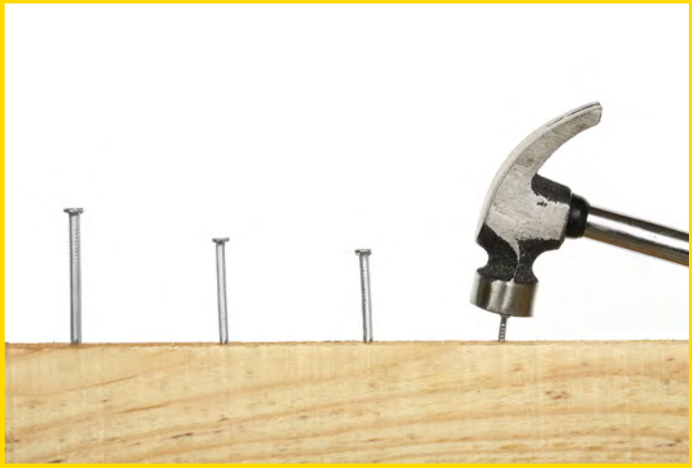
Nearly 600 companies around the world were subject to activist demands in the first half of 2019 according to activistinsight.com. Companies in the US and UK make up an increasing proportion of these campaigns.

With hundreds of billions of dollars of funds at their disposal, private equity firms are among the most prolific activists. As the saying goes, to someone with a hammer everything looks like a nail.

The UK has become an increasingly popular hunting ground as its stock market has under-performed most other developed markets in recent years, especially in dollar terms.

In most cases, activists tend to view having a seat in the boardroom as the most direct and effective way of implementing change, and more often than not these board seats are obtained through a settlement agreement with the company.

However, some activists take a much more



aggressive approach, demanding a wholesale change of strategy or change of management in order to 'unlock value' for shareholders, including themselves.

HIDDEN VALUE

Activists typically target under-performing companies as there is little point in changing things at firms that are doing well.

One of the earliest and most successful US activist investors in UK stocks is the US firm ValueAct Capital.

In 2008 ValueAct became the biggest shareholder in software firm Misys with a 26% stake, having appointed a former partner to the chief executive role two years earlier. In 2012 Misys agreed a bid from US private equity firm, Vista, at a significant premium to the market price. Investors who followed ValueAct and bought into Misys

UK COMPANIES WHICH COULD BE TARGETED BY ACTIVISTS

Target	Possible Demands
AB Foods	Break-up and spin-off of Primark
Babcock	Break-up and sale of businesses
Dixons Carphone	Sale of European business
Domino's Pizza	Sale of European business
G4S	Spin-off of the cash-handling business
Kingfisher	Sale of Screwfix and/or French business
Marks & Spencer	Split food and clothing, sale and lease-back stores
Persimmon	Executive pay, shareholder dividends

could have more than doubled their money.

The same year that it sold its stake in Misys, ValueAct invested in process automation firm Invensys. Within months Invensys sold its railway business to Germany's Siemens for £1.74bn, revealing how undervalued the company was (Invensys's market capitalisation was just £1.8bn at the time).

In 2013 the rest of Invensys was sold to France's Schneider Electric for £3.4bn, netting ValueAct and other shareholders further substantial gains.

MAGIC WAND

In late 2017, as shares in **Merlin Entertainments (MERL)** drifted back to their 2013 flotation price, ValueAct moved in and bought just over 9% of the company.

In May of this year as the share price dipped to the flotation price again, ValueAct broke cover and issued an open letter to the board of Merlin urging it publicly, as it had previously been pushing for privately, to look at options for leaving the stock market and being a privately-owned firm.

The activist argued that while Merlin was right to deploy growth capital given the opportunities to open more hotels and theme parks, the stock's valuation and 'excessive focus by analysts on near-term earnings per share rather than future free cash flow' meant that a listing on public markets was no longer appropriate.

In fact Merlin was no stranger to private equity ownership, having passed through the hands of Apax Partners, Hermes and Blackstone, and in late June it succumbed to a bid from a consortium including Blackstone and the family owners of Danish firm Lego at a healthy premium to the market price.

WHEELS OF INDUSTRY

Another highly successful US activist fund is Elliott Advisors, which stepped up its activity in the UK dramatically last year pushing for change at nine companies compared with just one in 2017.

Among its successes, it backed the £8bn buyout of GKN (where it owned a 3.8% stake) by **Melrose (MRO)**, the biggest contested takeover in the UK since Kraft bought Cadbury in 2009.

On the face of it, Melrose's bid had substance. GKN was struggling and had issued several profit warnings in 2017, while Melrose had delivered a 3,000% return for shareholders since it floated on the stock market in 2003. However GKN insisted that its management could do a better job.

Elliott called GKN's record on margin improvement 'unimpressive' and described the company's turnaround proposal as 'pure fantasy'. Melrose eventually paid a 40% premium for GKN netting Elliott and other shareholders a healthy gain.

SMELL THE COFFEE

Elliott was also successful in pushing **Whitbread (WTB)** to sell its Costa Coffee business to Coca-Cola for £3.9bn last year and continues to apply pressure on the firm to offload part of its £5.8bn property portfolio.

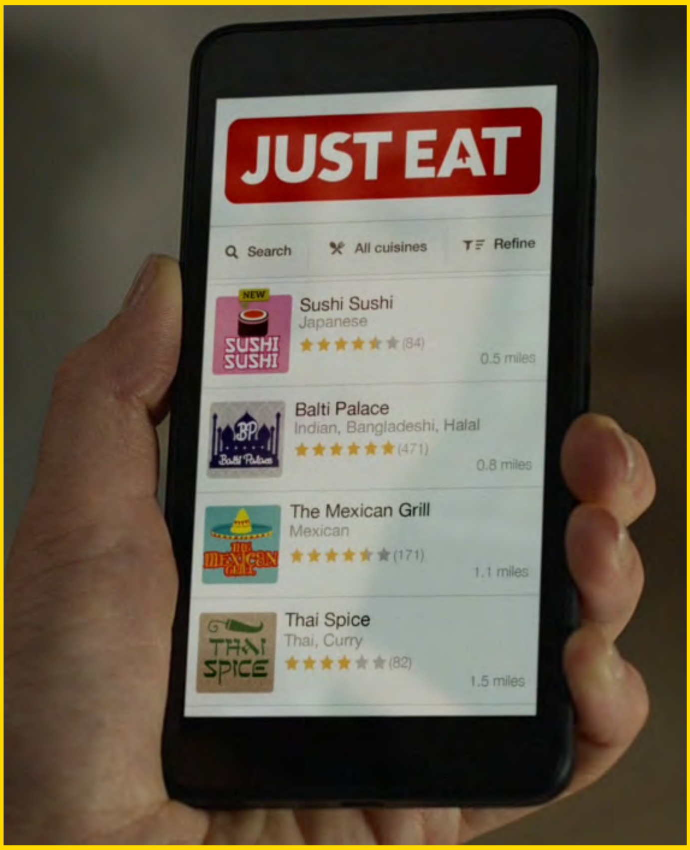
Whitbread's Premier Inn chain has over 75,000 rooms yet unusually for a hotel firm it owns most of its properties. Elliott wants Whitbread to sell up to a quarter of its hotels and begin operating hotels for other companies.

Earlier this year Elliott surprised the market by taking a stake in retirement services firm **Saga (SAGA)** whose shares have fallen over 75% since floating in 2014.

The over-50s insurance brand is strong but the group is unlikely to attract a buyer when it includes over £500m of cruise and travel assets so splitting the two would make sense. It's also not clear that insurance and travel have strong synergies except in the obvious case of travel insurance.

DON'T TALK, JUST EAT

In some cases activist investors may own shares in two companies and try to engineer a merger for their own advantage. The decision by fast-food delivery firm **Just Eat (JE.)** to merge with Dutch rival Takeaway.com looks to be a case in point.



Since the beginning of the year US activist Cat Rock Capital has been highly critical of Just Eat's management, regularly posting open letters on its dedicated website justeatmustdeliver.com.

Cat Rock described itself as 'a long-term supporter' of Just Eat, while at the same time it owned shares in Takeaway.com. When Just Eat was demoted from the FTSE 100 last year after losing 30% of its value, it decided to intervene.

Despite Takeaway.com being a much smaller business than Just Eat, shareholders in the Dutch firm will own just under half of the merged company which seems like a poor deal for minority owners of the UK firm.

Also the price which Takeaway.com has offered is less than half the multiple of profits that it paid for another food delivery business just last year.

While on paper Just Eat shareholders will own a small majority of the merged company, ultimate control clearly rests with Takeaway.com with the corporate headquarters being located in Amsterdam and the chief executive of the Dutch firm taking over the same role at the new business.

The net result is that Cat Rock has grabbed itself a bigger slice of Takeaway.com by using its Just Eat holding as leverage. UK shareholders of Just Eat are being offered shares in the enlarged Takeaway.com,

HOMEGROWN ACTIVISM

Most UK institutions, along with shareholder lobby groups like Institutional Shareholder Services (ISS) and Pensions and Investment Research Consultants (PIRC), are only activist in the sense that they use their position to hold companies to account over corporate governance issues such as executive pay and board diversity, as discussed in our feature on ESG.

Crystal Amber Fund (CRS:AIM) on the other hand is a listed company which invests in under-valued UK companies, typically between £100m and £1bn in size, specifically 'to promote measures designed to correct the under-valuation'.

It uses its own screening processes and network of contacts, including shareholders, to find stocks which are cheap on 'replacement value, cash generation ability and balance sheet strength'. The fund looks at a business 'as is' and 'as it could be' if shareholder value were maximised.

Most of the fund's activism takes place in private although it says 'we are willing to make our concerns public when appropriate'. A recent example was the public battle with van-hire firm **Northgate (NTG)** where it demanded the removal of the chairman Andrew Page.

The fund described Northgate as 'a fundamentally good business with enviable positions in each of its markets, but (which) suffers from the inadequate stewardship provided by the board led by Mr Page, which is preventing it from achieving its true potential'.

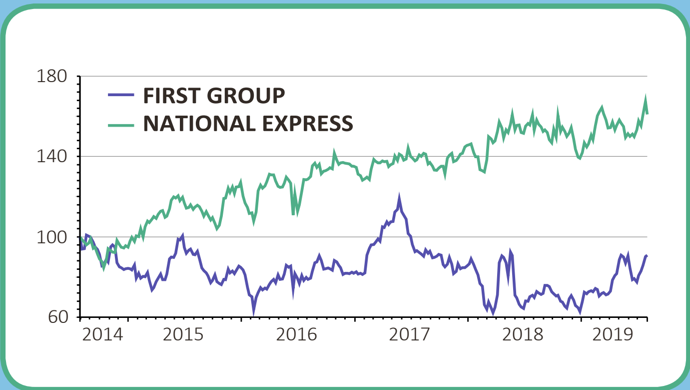
Page left Northgate in March of this year, after which Crystal Amber increased its shareholding. The full year results released in June showed strong growth in vehicle hire and profit leading to a sharp rise in the share price, although the shares since have relinquished some of their gains.

which the company hopes will be admitted to the premium segment of the main UK market, but on much less attractive terms than they might have hoped.

PREPARE TO REPEL BOARDERS

US activist Coast Capital, the biggest shareholder in UK bus and rail firm **FirstGroup (FGP)**, has mounted a high-profile campaign to turn the business around and correct the share price slide of the last few years.

Coast claims that the poor performance of FirstGroup's shares relative to those of its closest peer **National Express (NEX)** is the result of mis-management due to almost no-one on the board having experience in the surface transport industry.



In June it proposed replacing FirstGroup's chairman, chief executive and four other board members with its own candidates. Despite shareholders voting more than four-to-one against its proposals, the chairman has since stepped down, two more directors have announced their intention to leave and the shares are trading towards the highs of the year.

The fight is far from over though. Coast wants FirstGroup to sell its US rail operations and First Student school bus division and focus on its home market while the management wants to spin off its UK bus arm, so it looks as though there is plenty more mileage in Coast's campaign.

THE INSIDE VIEW

Russell Fradin, partner at US private equity firm Clayton, Dubilier & Rice, believes that more often than not activists are right and management doesn't want to face it.

'When I recently joined the board of a public company, I asked them if they'd looked at how an activist would attack them. If a company hasn't, that tells me it's not on their minds. What do you think the activists would be picking on? If management is not open to that alternative viewpoint, it's not a good thing.'

Michael Carr, co-leader of global M&A at Goldman Sachs, agrees. 'Many shareholder activists make a living out of criticising companies' portfolios of businesses, and there are times when they're absolutely right. It's extremely disruptive to your organisation when you sell a business, but everybody has to make those hard decisions. The best CEOs have the guts and the ability to sell businesses that aren't earning their cost of capital'.

'If you feel that your business is starting to degrade, or the market in which it operates has some structural challenges, you need to act. You need to be your own activist. Get ahead of it, because otherwise you won't have enough time to put together the necessary effort to beat the clock.'

Interview in McKinsey & Co Quarterly, August 2019

Why US-listed Verizon appears in so many UK investors' portfolios

Anyone holding Vodafone shares for more than five years may find they also own this stock

With more than 155m subscribers New York-listed **Verizon Communications** is America's second biggest mobile phone network and its rough $232bn market value ranks it 21st in the S&P 500.

It covers more of the US than any rival and its network is widely seen as the best quality available in its market. It has the widest 4G network, for example, covering an estimated 300m people.

Unfortunately 2019 has been a limp year for Verizon in stock market terms. At $55.26 the stock is modestly down on the $56.22 at which it ended 2018, although it is forecast to yield 4.3% from dividends. By contrast, the S&P 500 has risen 19.4% so far in 2019.

Little of this may seem to matter to most in the UK, yet a past quirk of circumstance means Verizon's prospects and share price performance carry more clout with Brit investors than you may think.

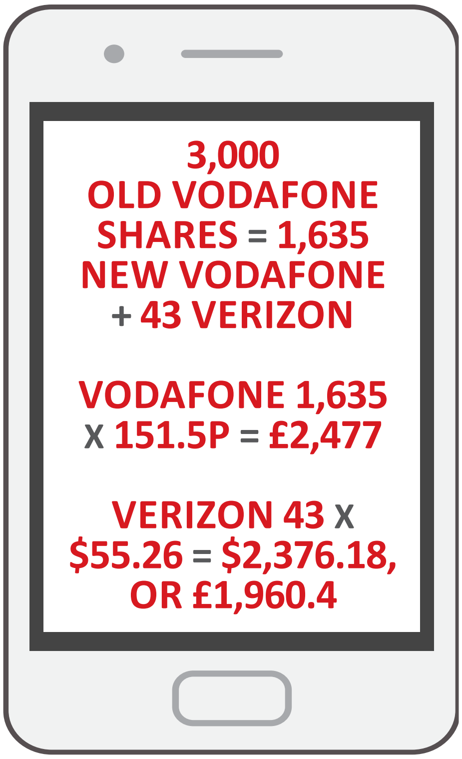
That's because of a deal struck between Verizon and FTSE 100 group **Vodafone (VOD)** in 2014 where the latter sold its 45% stake in mobile arm Verizon Wireless. The $130bn deal was complex but it effectively meant that Vodafone shareholders received 26 shares in Verizon Communications for every 1,000 Vodafone then owned, plus 300p a share in cash.

Today that equates to a stake worth 545 Vodafone shares due to a subsequent six-for-11 stock consolidation.

In short, it means many Vodafone shareholders today own Verizon stock.

Roughly speaking, if an investor owned 3,000 Vodafone shares before the Verizon deal and subsequently did nothing they would today own 1,635 shares in the UK company (after rounding) plus about 43 shares in the US company.

Importantly, the Verizon stake would today be worth almost as much as the Vodafone shares.



ARE THE VERIZON SHARES WORTH OWNING?

If you are one of those Verizon-owing investors, what should you do with them?

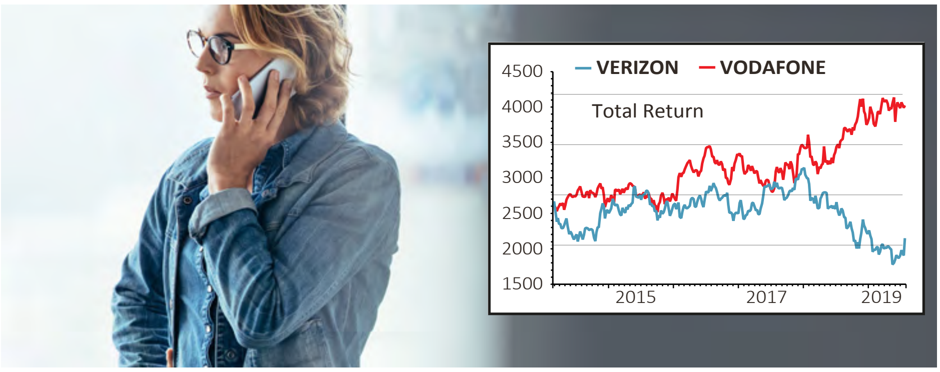
To answer that question we must first understand a bit about Verizon, its competitive position, financial prospects and where that leaves dividends.

Verizon was formed in 2000 by the $65bn merger of Bell Atlantic and GTE, one of the biggest in US corporate history. But like all telecoms businesses Verizon no longer fits into a neat mobile network operator pigeonhole. The global industry has morphed into a converged multi-communication service where customers are armed with superfast broadband, mobile calls and data and, increasingly, entertainment content through streaming TV, music, games and other apps.

We all know that landline usage has fallen off a cliff while mobile subscriptions have flat-lined on saturation. Who doesn't have a mobile phone these days? Pressure on the industry has come from intense price wars among carriers that drive tariffs down while it has never been easier for users to switch networks.

This led Verizon to roll the dice on content to instil consumer loyalty, spending about $10bn on AOL and Yahoo. It was a mistake and one that even the company now admits, leaving it exposed to declining advertising revenues. It has since taken a goodwill write-off worth $4.6bn on those acquisitions.

The plus side of this situation is a renewed push on its core knitting, providing a high quality communication network with best-in-class service. Verizon's reputation remains excellent and its churn rate (the percentage of customers who leave) is consistently the lowest in the industry.



HOW MUCH MONEY DOES IT MAKE?

Sadly its financial track record is patchy and growth is limp. Since 2013 net income has gone from $11.5bn to $15.5bn, yet has taken in $30.1bn peaks (2017) and $9.6bn troughs (2014) along the way. Revenue has expanded from $120.6bn to $130.9bn, implying average annual growth of just 1.7%.

For 2019 analysts predict net income of $19.7bn and revenue of $131.6bn, rising to $20.1bn and $133.1bn respectively in 2020.

Verizon's big play for the future is making the most of next generation 5G mobile networks, where it has already gone live in Chicago and a handful of other US cities. It hopes to have more than 30 of such networks online by the end of this year.

But this is very early days and nobody really knows the pace of widespread adoption, or even if these multi-billion dollar investments will pay for themselves.

DIVIDENDS ARE ALL THAT MATTER

So when you cut to the chase, Verizon is just another growth-strapped income-paying utility where dividends are (almost) everything. As the chart shows, it has a 15-year unbroken dividend growth record.

Dividends to shareholders are paid quarterly and totalled $2.385 in 2018. So far this year it has announced first and second quarter returns worth $1.205, putting it bang on track to hit its full year $2.43 payout target.

Next year's forecast is pitched at $2.48, rising to $2.53 in 2021. This implies a 2020 income yield of 4.4%. Importantly, future dividends should be comfortably covered by expected earnings and free cash flow.

By **Steven Frazer**
News Editor

SHARES SAYS:

An implied 4.4% income yield does not appear hugely attractive from a supposedly low growth utility when UK investors can get just as good at home. There is no urgency to sell the shares but little point in buying more, especially for those that have exposure to UK or global income funds or investment trusts.

BLACKROCK®

EXPLORING THE NEXT FRONTIER

BLACKROCK FRONTIERS INVESTMENT TRUST PLC

Emily Fletcher
Co-manager of the BlackRock Frontiers Investment Trust plc

Frontier markets may appear a riskier option than more developed markets, but they can bring three key characteristics to a portfolio: diversification, income and, perhaps surprisingly, act to lower volatility.

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. You may not get back the amount originally invested.

Frontier markets may have some of the look and feel of emerging markets, but they are not simply a higher risk, faster growth version. They stand as a separate asset class, with distinctive characteristics and can bring something very different to a portfolio.

Frontier markets are countries at an earlier stage of economic development. These might include countries such as Bangladesh or Kenya, where GDP (Gross Domestic Product) per capita is low, but they are growing fast, or some countries in the Middle East, where there is considerable wealth, but capital markets are less developed, and access can be more limited. Capital markets in these countries tend to be dominated by domestic investors and they are often tough to research for global investors. As such, they are overlooked by many international investors without the resources to get into the weeds.

However, we believe they merit greater attention. The major emerging markets can be vulnerable to the ebb and flow of international capital. Money will flow in when optimistic asset allocators are looking for higher growth and flow out when global growth slows. Frontier markets, in contrast, are influenced more by local money flows than what's happening on Wall Street. Kenyan banks care what's happening to the Kenyan economy rather than the global economy.

This means a frontier market allocation will have much less correlation to both emerging and developed markets than they will to each other. Their economies often have few connections to the global financial system. In the BlackRock Frontiers Investment Trust, we have over 20 different geographies represented and none of these form more than 15% of the overall portfolio[1].

A portfolio of frontier market companies can potentially lower the overall volatility of a portfolio. This is counter-intuitive because smaller and less liquid companies generally see greater volatility. While this is true for frontier markets at an individual stock and country level, each individual market is so different from the others, blended together there is lower volatility.

Research from independent investment trust analysts, Kepler, found that since launch in December 2010, the volatility of the trust's underlying holdings has been lower than any other emerging markets trust, lower than the FTSE All Share and the MSCI World[2].

A third element that investors might not expect from companies operating in countries at this early stage of development is an income stream. Income is not an explicit objective of the fund and yet the underlying income for the fund is currently 3.7%[3]. It has also shown reasonable growth over time. This is a happy accident of the underlying companies in the trust, which are often extremely cash generative. Many of the companies don't have the opportunities to invest across borders and expand into new markets. They are focused on local growth. As such, they're piling up cash from their fast-growing local operations, which has nowhere to go except to be returned to shareholders.

These are the advantages of investing in frontier markets. Nevertheless, they come with their challenges for investors. These markets often have oddities: it may be difficult for foreign investors to buy on local exchanges, there is often less information available, with limited broker research. It only suits those who are willing to roll their sleeves up.

On the BlackRock trust, we use a mixture of top-down macro-economic analysis and bottom-up fundamental stock research to build their portfolio. First, we have devised our own process to assess these countries' economies, creating a 'macro dashboard', which looks at the economic cycle for each country in their universe, guiding us to likely areas of interest. We prefer to be invested in countries that are early cycle, seeing stabilising and rising currencies and falling bond yields.

For the companies themselves, we like stability - predictable earnings and cash flows, organic growth and a compelling valuation. Frontier markets tend to be less well-researched than more developed markets, which means mispricing is more evident.

At the moment, it is leading us to countries such as Egypt. It is a poster child for structural reform with the fiscal deficit closed and the current account in surplus, thanks to a boom in tourism and energy exports. The trust owns a medical diagnostics company, currently eyeing the huge Nigerian market, and a construction company. Vietnam is another area of interest, as a potential beneficiary of the US/China trade war. The country has already seen lots of outsourcing from China. Even unloved Argentina features, where there is huge potential after its harsh devaluation.

The trust has recently expanded its universe to include all but the eight largest countries in the MSCI index. This retains the diversification elements - according to Morningstar data, the average emerging markets fund portfolio in the Investment Association (IA) sector is 75% invested in the largest eight countries in the MSCI EM index[4] - but creates greater stability of investable universe. The MSCI Frontiers Market can change composition relatively regularly and we don't want to be forced to sell good holdings just because a country has dropped out of the index.

At a time when markets are becoming more volatile, the temptation may be to shy away from smaller, earlier stage investments, but we believe this would miss the point. Frontier markets are not a high-octane version of emerging markets but can be a stabilising force in a portfolio.

For more information on this Trust and how to access the potential opportunities presented by frontier markets, please visit **www.blackrock.com/uk/brfi**

TRUST SPECIFIC RISKS

Exchange rate risk: The return of your investment may increase or decrease as a result of currency fluctuations.

Emerging Europe: Emerging market investments are usually associated with higher investment risk than developed market investments. Therefore, the value of these investments may be unpredictable and subject to greater variation.

Frontiers: The Company invests in a number of developing emerging markets ("Frontier Markets"). Frontier Markets tend to be more volatile than more established markets and therefore present a higher degree of risk as they are less well regulated and may be affected by political and social instability and other factors.

Gearing risk: Investment strategies, such as borrowing, used by the Trust can result in even larger losses suffered when the value of the underlying investments fall.

[1] BlackRock Frontiers Investment Trust Factsheet, May 2019
[2] Kepler, BlackRock Frontiers Investment Trust plc, May 2019
[3] BlackRock, May 2019
[4] Kepler, BlackRock Frontiers Investment Trust plc, May 2019

TO INVEST IN THIS TRUST CLICK HERE

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What are dividends and when do they get paid?

We explain the process for receiving the shareholder reward

Dividends are rewards paid by companies to their shareholders, typically in cash or sometimes as shares. These payments tend to be distributed twice a year for individual company shares.

Many investment funds and exchange-traded funds (ETFs) also pay dividends to their investors and distributions can be more frequent, sometimes as often as once a month.

Investors like to receive dividends as a reward for their trust in a company or fund and taking the risk of putting their money in its shares or fund units. In an ideal world, investors will receive a growing stream of dividends in excess of the rate of inflation.

It is important to note that not every stock or fund pays dividends. Even when they do, sometimes these payments are cut back or temporarily suspended, so investors should not think of them as a guaranteed source of income.

HOW IS A DIVIDEND FUNDED?

A company funds dividends out of its free cash flow. This is cash generated from operations minus any money needed to be reinvested back in its business to keep it competitive.

Sometimes a company will have to fund the dividend out of its cash savings or debt, but that isn't sustainable in the long term.

WHAT IS THE DIFFERENCE BETWEEN AN INTERIM AND FINAL DIVIDEND?

Interim dividends are declared at the half-year stage of a company's financial period. They can be paid when the company chooses and don't need approval from anyone other than the management.

Final dividends are declared when a company reports its full year results. These dividends need to be approved by shareholders at the company's annual general meeting (AGM).

WHY AREN'T DIVIDENDS PAID AS SOON AS THEY ARE DECLARED?

It can often seem like a long time between companies telling you the amount you will get paid in dividends and the money actually hitting your account.

This is because the company's AGM can't happen until various formalities have taken place, such as the annual report being ready and sent to shareholders, as well as shareholders being given notice of the AGM, various resolutions being put in place, and so on.

For example, FTSE 100 services group **Bunzl (BNZL)** declared its final dividend in February this year but shareholders didn't get the cash until July.

If there is a delay between the results announcement and the publication of the annual report, this will delay when the AGM can take place (which will be a minimum of 21 days from posting the notice of it happening), and then delay the payment of the final dividend, which is not entirely uncommon.

WHAT IS A SPECIAL DIVIDEND?

In addition to interim and final dividends, a company can occasionally pay a special dividend, which is a one-off payment typically when a company has sold an asset and wants to share some of the proceeds with shareholders, or if it has seen cash build up on the balance sheet.

For example, Microsoft paid $3 a share to shareholders in 2004, thus paying $32bn in total, having amassed a $56bn hoard as a wave of corporations started to spend on software and technology. On 2 August 2019 **Royal Bank of Scotland (RBS)** declared a 12p per share special dividend.

WHEN WILL THE MONEY HIT MY ACCOUNT?

Share registrar Equiniti says the two dates to look out for when expecting a dividend are the record date and payment date.

The dividend record date is the cut-off date at which only shareholders on the company's register on that date will receive a dividend. This usually comes a day after the ex-dividend date. Investors who buy shares on the ex-dividend date or after won't be eligible for that year's dividend.

> "THE DIVIDEND RECORD DATE IS THE CUT-OFF DATE AT WHICH ONLY SHAREHOLDERS ON THE COMPANY'S REGISTER ON THAT DATE WILL RECEIVE A DIVIDEND"

Equiniti says the normal time between the record and payment dates among FTSE 350 companies is around 20 business days, but for larger companies with over 500,000 shareholders on the register, this can take up to 30 business days.

It's also worth noting that if you own shares in overseas-registered companies, this can trigger further complications, as investors in US-registered **Somero Enterprises (SOM:AIM)** will know. Some shareholders have had to wait months after Somero's payment date to actually receive their dividends.

In a statement to *Shares*, Somero says although it paid the dividend on time, some brokers who were responsible for distributing the dividend on its behalf had experienced payment issues.

But it reassures investors it has now found a way to pay dividends in both dollars and pounds, as well as some other denominations, going forward and that this should now fix the problem.

DO I HAVE TO RECEIVE THE DIVIDEND AS CASH?

In certain situations you can receive dividends in a different format to cash. A few FTSE 350 companies including **BP (BP.)** also offer scrip dividends where shareholders collect their dividend reward as new shares.

Investors can either hold the shares directly with a company offering scrip dividends or they may have the option to put the scrip dividends into an ISA or SIPP, although many investment platforms don't accept dividends that way.

By **Yoosof Farah**
Reporter

Money saving tips for the over-60s

We reveal a range of discounts on travel and entertainment for older people

Reaching you 60th birthday might seem like a daunting prospect for some, but you'll get handed a surfeit of birthday presents as you'll be able to access lots of discounts. Some of the over-60s discounts are pretty lucrative, so we've compiled the best list.

SENIOR RAILCARD

Anyone who uses the train a lot should sign up to the Senior Railcard, which gives a third off prices for anyone over 60.

If you're eager you can buy the railcard two weeks before your 60th birthday, and it will then kick in on the big day.

The card gives you a third off Standard and First Class Anytime, Off-Peak and Advance fares. It costs £30 for a year or £70 for a three-year card, so you need to think about how often you travel and whether you'll make back this money in savings.

Be careful though, you can't use it on morning peak time services in London and the south east from Monday to Friday and you also can't use it on season tickets.

CHEAPER COACH TRAVEL

Coach company National Express offers a similar deal, with a third off Standard and Fully Flexible fares, but there are no restrictions that mean you have to travel off peak. The card will cost you £15 a year, so work out how much you'll use it to see if it's worth it. The great thing about this card is that if the journeys you make don't cover the cost of the card in the first year you can get your money back – win-win. You just need to remember to contact National Express within 30 days of the card expiring.

FREE TRAVEL IN LONDON

If you're 60 or over and live in a London borough, you can get a 60+ London Oyster photocard,

which gives you free travel on the tube, bus, tram, overground, DLR, TfL Rail and most National Rail services across London.

It costs £20 and you will need to travel from 9:30 on weekdays, but you can travel whenever you like at weekends and on bank holidays. Once you reach state pension age you'll be eligible for the Older Person's Freedom Pass instead.

DAYS OUT

Both National Trust and English Heritage give a decent discount. For English Heritage you have to be 65 or older to get the discount, but you pay £51 a year for an adult pass rather than £60 a year; or £78 for two adults, compared to £105 a year.

National Trust offers 25% off once you reach 60, so you pay £54 for a single membership and £90 for a joint one, compared to £72 and £120 a year. However, if you're an existing member

National Trust is a bit sneaky and doesn't automatically give you the discount – so you'll need to call up to get the money off.

NIGHTS OUT

Lots of cinemas will offer discounts for over-60s, although sometimes it requires going in the middle of the day.

For example, Odeon offers its Silver Screen showings, which are for those over 55 and cost £3, including a cuppa and biscuits. Vue has discounts for those over the age of 60, while PictureHouse has a Silver Screen Club membership, which is free, and has showings at a reduced price with free tea, coffee and biscuits.

FREE MEDICINE

Definitely not as exciting as the other offers, but this could save you a decent amount of money. If you're over 60 in England you're eligible for free prescriptions, which are usually £9 per item.

You get this automatically as your age is printed on the prescription; you just need to tick the right box on the back of the form.

You can also join Boots' More Treats For Over 60s' club, hich gives you 25% off glasses and extra Advantage card points – you get 10 for every £1 spent on Boots' own products, including brands like No7 makeup and Soltan suntan lotion.

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

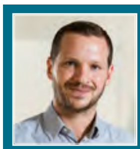
‘Why are advisers being difficult with pension transfers?’

AJ Bell pension expert Tom Selby looks at the frustrations with moving a pension

I am considering transferring my defined benefit (DB) pension to a SIPP. I am a keen private investor, with a sizeable portfolio, which I’ve managed since 1994.

I am being stymied at every turn. If an IFA provides a transfer suitability report to say that it is right for me to transfer then they say they have to manage the money due to professional indemnity considerations. I want to manage my own money but am not being allowed to.

Surely this is not what the FCA intended?
David



Tom Selby
AJ Bell
Senior Analyst says:

You aren’t the first person to get in touch on this issue. Alongside the introduction of the pension freedoms reforms in April 2015, the Government brought in an advice requirement for members with defined benefit (DB) pensions who wanted to move their money to a more flexible defined contribution (DC) alternative like a SIPP.

This requirement means people with private sector DB entitlements worth £30,000 or more have to take regulated advice before transferring their fund. It’s important to note that most public sector DB pensions do not allow transfers out.

The rules do not say you need to receive a positive recommendation to transfer out of your DB scheme – you are merely required to obtain advice from a suitably qualified, regulated financial adviser before you do so.

However, for the advisers involved it is not just about following the letter of the rules. Advisers have businesses to run and part of that is deciding the amount of risk they are willing – or not willing – to accept.

While a DB transfer can be a perfectly sensible and legitimate course of action – for example, where someone is in ill-health, has significant debts or has no spouse and wants to pass something on to their loved ones when they die – for advisers it is a tricky area to get involved in.

Furthermore, the FCA, which regulates the market, says they need to start from the assumption a transfer is not in people’s best interests.

Extra qualifications are needed for those who wish to advise on DB transfers, while as you mention there are insurance implications for IFAs who enter an area increasingly viewed as high risk.

While this is undoubtedly frustrating, the regulator has made it clear that any DB transfer recommendation needs to consider both the initial transfer and where the money is invested afterwards.

They do not stipulate the adviser must manage the investments after any transfer, but you would need to tell the adviser how you intend to invest, and they must take this into account when making their recommendation. It is possible their insurers have imposed additional conditions regarding ongoing advice, but this won’t always be the case.

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.

WATCH OUR LATEST VIDEOS

Beatrice Hollond, Independent Non-Executive Director
F&C Investment Trust

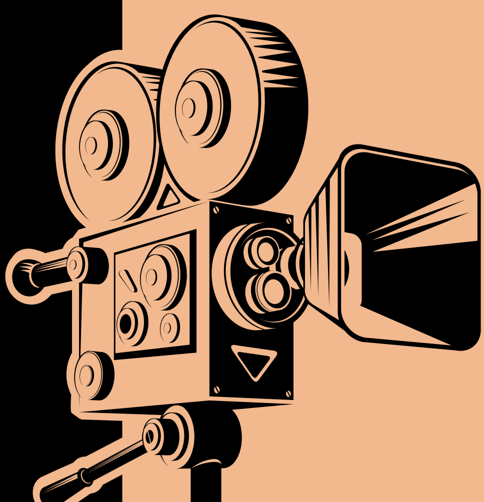
Beatrice talks about her background and role within the investment trust now that she has been appointed chairman.

Andrew Cowley, Managing Partner
Impact Healthcare REIT (IHR)

Andrew speaks to *Shares*' head of sales, Roland Spencer about what he looks for when considering new investments.

Dave Wilson, Finance Director
GB Group (GBG)

Dave outlines GB Group's growth and future plans for this £1.1bn market cap business.



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Seven trusts on bargain ratings: which ones to buy?

We reveal the trusts trading on a steeper discount to the 12 month average

We've spotted quite a few investment trusts trading at unusually large discounts to net asset value (NAV). There are good reasons why some of them are out of favour. Other situations are more perplexing which suggests investors could potentially snag themselves a bargain if we assume the discount could revert back to normal levels or even disappear.

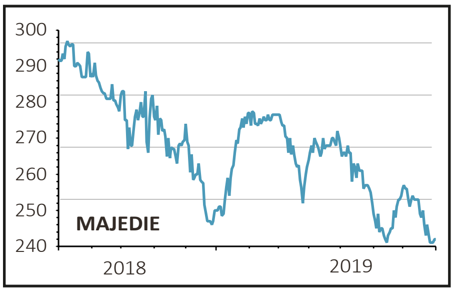
The list includes **BMO Global Smaller Companies (BGSC)**, **F&C Investment Trust (FCIT)**, **JPMorgan Mid Cap (JMF)** and **Woodford Patient Capital (WPCT)**.

MONITORING PREMIUMS AND DISCOUNTS

Many investors monitor premiums and discounts to NAV very closely as a way of spotting if there is an opportunity to buy something cheaper than the value of its underlying assets, or sell a trust if the market is overpricing it.

We've used data from Winterflood to look at the average discount to NAV over the past 12 months and then compared it to the share price on 1 August.

In the global sector, the one that really stands out is **Majedie (MAJE)** which at 242p is trading on a 21% discount to NAV versus a 12-month average of 14.4%. It obtains exposure to listed companies around the world by investing in various funds managed by Majedie Asset Management. Just over a quarter (27.5%) of its assets are accounted for by its stake in the aforementioned asset management business.



'Majedie is an outlier in the global market,' says James Carthew, head of investment company research at QuotedData. 'There is quite a big family holding in the trust and its shares don't trade much, plus people don't know it very well. It is the worst performing global trust over the past year and the wider discount would suggest people are voting with their feet.'

Thomas McMahon, analyst at research group Kepler, says there were fears last year of a share overhang with the possibility of shareholder **Aviva (AV.)** exiting Majedie along with a number of other trusts, although he says this seems to have subsided.

He views the current discount to NAV as 'a potentially interesting way to play the undervaluation of UK equities while gaining diversified exposure to global equities'.

WE PREFER THIS UK-FOCUSED PRODUCT

More interesting to us is JPMorgan Mid Cap which

WEIGHING UP DISCOUNTS: WHAT TO CONSIDER

1 What's caused the NAV discount to widen? Read the latest fund manager commentary for guidance on performance.

2 How often is the NAV updated? Be aware if you are comparing the latest share price with assets valued months ago. Ideally you'd want to compare against NAV taken on the same day, or the day before. Unfortunately some trusts don't provide regular NAV data.

3 Do you believe the stated NAV? Some unquoted assets may be conservatively valued in the accounts and actually worth a lot more. The opposite can also apply.

at £10.80 is trading on a 9% discount to NAV versus a 12-month average of 6.3%.

A falling pound and fears over a no-deal Brexit will have hurt sentiment towards UK domestic stocks and by default the JPMorgan fund which has a big focus on UK-focused FTSE 250 companies.

We think the trust is worth buying at the current price in the belief that clarity over how Brexit will play out will encourage a bounce in UK equities as the 'uncertainty' factor is removed. However, anyone buying the shares could be in for a bumpy ride in the near term.

The portfolio includes specialist retailer **Games Workshop (GAW)** and paving stone maker **Marshalls (MSLH)**, as well as some more international names like construction equipment rental expert **Ashtead (AHT)** and transport hub food and drink seller **SSP (SSPG)**.

'A change of broker in June 2019 is intended to help support marketing efforts to narrow JPMorgan Mid Cap's discount to NAV, although we understand that the board's reticence to use buybacks to this end reflects its belief that while the Brexit negotiations are ongoing, the UK is likely to remain out of favour,' says McMahon at Kepler.

SMALL CAP STRUGGLES

BMO Global Smaller Companies has averaged 1.9% discount to NAV over the past year and has occasionally traded on a premium of up to 3.2% over this period. However, at £13.88 it is now trading on a 5.5% discount, perhaps because it had a bad time in June with quite of few of its holdings issuing bad news including chemicals group **Scapa (SCPA:AIM)** and retailers Home Group and **Ted Baker (TED)**.

'People are starting to get concerned that we are near the end of the economic cycle,' says Carthew at QuotedData. 'If you think this is true, small caps are among the things that tend not to do as well in a recession.'

Also out of favour in the small cap world is **Chelverton UK Dividend Trust (SDV)** which has

> **"PEOPLE ARE STARTING TO GET CONCERNED THAT WE ARE NEAR THE END OF THE ECONOMIC CYCLE. IF YOU THINK THIS IS TRUE, SMALL CAPS ARE AMONG THE THINGS THAT TEND NOT TO DO AS WELL IN A RECESSION"**

A SELECTION OF INVESTMENT TRUSTS TRADING ON WIDER THAN NORMAL DISCOUNTS

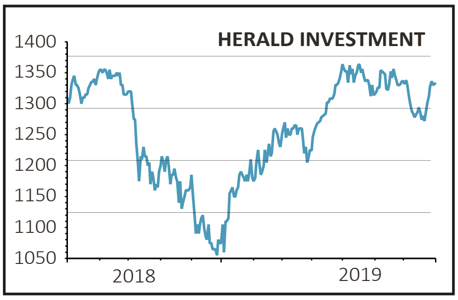
	Share price	12-month average discount	Current discount to NAV
BMO Global Smaller Companies	£13.88	-1.9%	-5.5%
Chelverton UK Dividend Trust	171p	-7.0%	-11.6%
F&C Investment Trust	728p	-0.1%	-3.5%
Herald Investment Trust	£13.32	-14.5%	-16.5%
JPMorgan Mid Cap	£10.80	-6.3%	-9.0%
Majedie	242p	-14.4%	-21.0%
Woodford Patient Capital	47.4p	-16.6%	-42.0%

Source: Winterflood, as of 1 Aug 2019

gone from trading at a small premium in the past year to now trading at an 11.6% discount versus a 12-month average of 7%. Admittedly the discount has been as wide as 16.4% in the past year.

It looks for 'dull but worthy' companies which it believes are ignored by brokers and other fund managers. The trust is fairly small and so liquidity could be an issue.

Another small cap trust to trade on a wider-than-normal discount is **Herald Investment Trust (HRI)**, a tech fund run by Katie Potts. At £13.32 it is trading 16.5% below the value of its underlying assets versus a 12 month average of 14.5%.



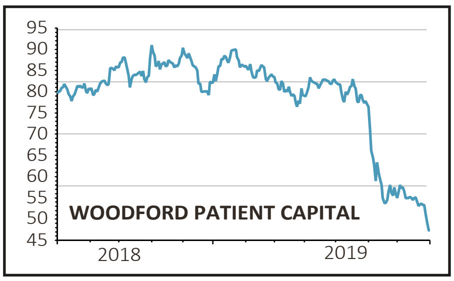
We believe there are better funds to play the tech theme as Herald is restricted by only focusing on the UK and in the smaller end of the market. However, Carthew is more optimistic, saying: 'Herald hasn't kept pace with large cap US tech stuff, but the numbers have been pretty good and the trust deserves a better rating'.

WOODFORD FUND SINKING FAST

Woodford Patient Capital Trust has sunk to a 42% discount to NAV (versus 16.6% average over the past year) as the multitude of problems weighing on its asset manager have left the fund very unloved.

There is a crossover of holdings with **Woodford Equity Income Fund (BLRZQ73)** which is selling off assets as part of a restructuring away from illiquid investments. The market anticipates it won't get a fair price and that is affecting the valuation of many holdings. The investment trust is also taking action to reduce debt which means selling some of its own holdings.

'There is a clear risk that Woodford Patient Capital will have to sell the more mature assets, and these could well be at a material discount to carrying value,' says Investec analyst Alan Brierley.

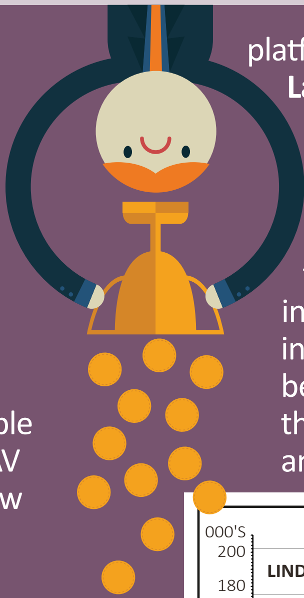


We think there is a risk of further downside for the trust so wouldn't suggest buying it at present despite the apparent value opportunity.

Instead, we suggest you look at F&C Investment Trust whose shares at 728p represent a 3.5% discount to NAV. This trust normally trades exactly in line with the value of the underlying holdings, so now is a good time to buy. It is a multi-manager fund offering exposure to assets around the world.

By **Daniel Coatsworth**
Editor

LOWER PREMIUMS THAN NORMAL



Some trusts regularly trade at a premium to NAV and occasionally that premium will narrow or disappear. The best current example is **Lindsell Train Investment Trust (LTI)** which has gone from an incredible 100% premium to NAV earlier this year to now 'only' having a 31.8% premium. To put that into perspective, the 12 month average is 63.2%.

As you can see from the chart, its shares recently plummeted after investment platform **Hargreaves Lansdown (HL.)** removed the trust from its best-buy list to avoid any conflicts of interest. The trust has a big stake in Hargreaves. Some investors may have been spooked by losing the best-buy accolade and sold out.

A differentiated way to play the healthcare space

We explain how International Biotechnology Trust picks stocks and rewards investors

There are many reasons why investors are attracted to the healthcare space including the chance to back companies which are making a big change to people's lives as well as finding the next wonder drug and potentially enjoying large profits from its commercialisation.

Investing in this space can be very risky as it can take companies many years to put their drugs through trials to get them approve, and that costs money and no promise of success. As such, we believe it is important to only back companies with lots of products so you enjoy diversification benefits. An alternative is to use a fund with stakes in multiple healthcare companies.

International Biotechnology Trust (IBT) is one of the funds that stands out from the crowd. It has been managed by SV Health Managers since 2001, one of the world's leading life science investors.

The managers believe the biotech sector is currently undervalued as expressed through a forward price-to-earnings ratio of 9.9-times, the lowest rating since 2009.

HOW IT DIFFERS FROM THE REST

International Biotechnology Trust has a differentiated approach from most of its rivals. Given the risky nature of the sector, the managers employ some interesting risk mitigation techniques to reduce the volatility and risk of the portfolio.

For example the managers deliberately tilt the portfolio towards research areas that have demonstrated pricing power, such as oncology (cancer), rare diseases and the central nervous system.

In aggregate two thirds of the portfolio is exposed to segments with pricing power, giving the fund protection against possible future regulatory pressure.

Most of the companies in the portfolio generate revenue and make a profit, while only 24% are early stage, developmental businesses.

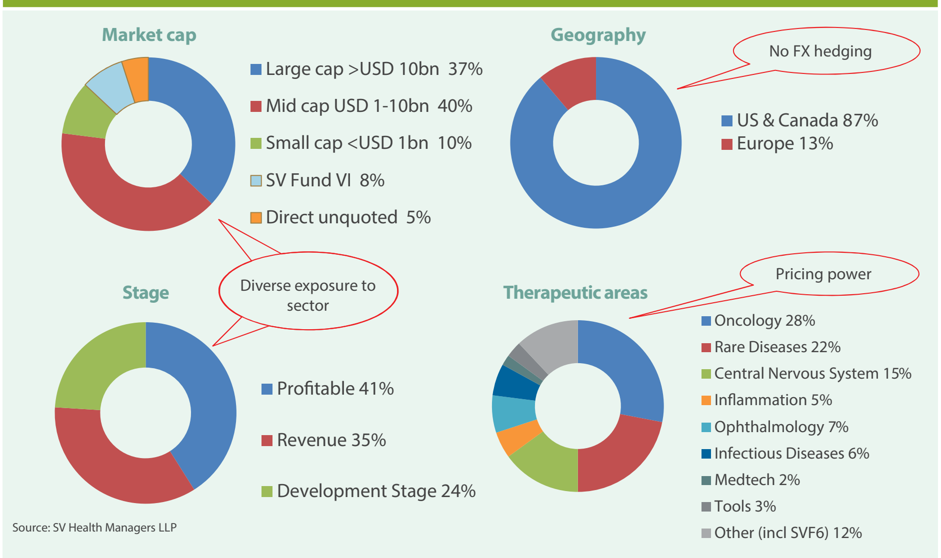
Another interesting risk mitigation tactic used by the managers is that they actively reduce their holdings in companies which have 'event risk' related to the results of clinical trials. The team acknowledges that they would be competing with specialist hedge funds that speculate on the success or otherwise of a binary event.

The managers will look to increase exposure again once the results of the trial are known and assuming the investment case and valuation still stack up.

HOW DOES IT PICK STOCKS?

International Biotechnology Trust has access to a panel of specialists, who are used not for medical opinions, but for their statistical expertise and analysis of how patient studies should be conducted. The idea is to get an understanding of how the US Food & Drug Administration (FDA) thinks and the chances

IBT IN A NUTSHELL



Source: SV Health Managers LLP

of approval.

The team conduct their own discounted cash flow analysis as a sense check on valuations of companies in the portfolio, lightening up when shares have 'run ahead' of the fundamentals.

Finally, the managers can draw upon the experience of the wider SV Health group which manages $2.9bn of assets across seven private venture capital funds and boasts a 25 year track record.

US HEALTHCARE DEBATE

Some 87% of the portfolio is exposed to the US and the healthcare debate will be a key issue in the 2020 elections. Prescription drugs represent only 10% of health spending in the US, while the real problem area is the intermediaries that take around 41% of the spending.

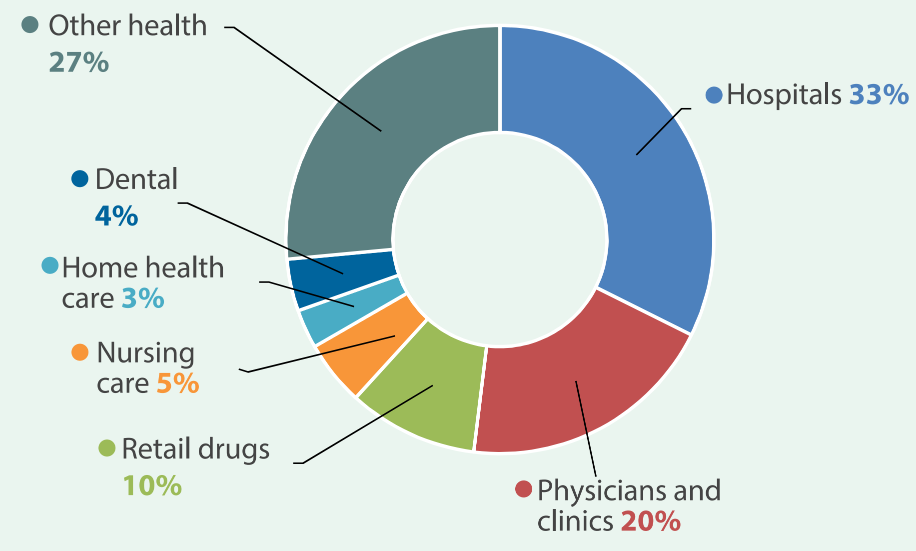
If reform to the US system is forthcoming then intermediaries are likely to be the hardest hit, while innovative companies will face far less disruption to their business models.

The manager believes that innovative drugs that address unmet medical needs will continue to command premium prices which explains the current portfolio positioning.

GROWTH DRIVERS

International Biotechnology Trust believes the factors driving growth in the sector are not sensitive to economic cycles and are able to withstand medium-term political challenges.

DISTRIBUTION OF US FEDERAL SPENDING ON HEALTHCARE 2017-2018



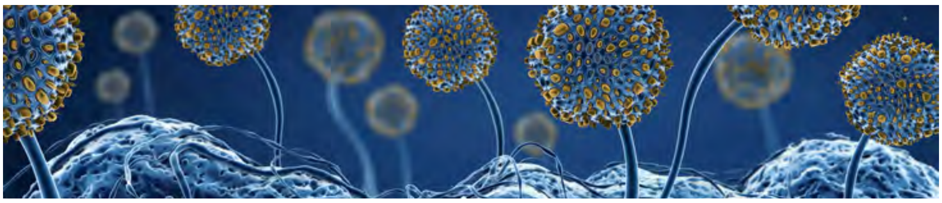
Source: SV Health Managers LLP

Populations are expected to grow by a third to 9.7bn by 2050, which would imply an 'elderly' population of 2.1bn people, all of which would result in increased healthcare demand.

Elderly people account for disproportionately high healthcare spending and drug companies are developing more drugs to keep pace.

In an effort to encourage more innovation the FDA has streamlined the approval process including fast-tracking certain drugs. Evidence of this can be seen in the rising trend of approvals, which reached 59 in 2018, up from 20 in 2010.

By **Martin Gamble**
Senior Reporter



SHARES SAYS:

We rate this investment trust as a good way to play the healthcare space. It has a very impressive track record and has delivered a five-year cumulative return in net asset value (NAV) of 96.8% compared to 70% for the Nasdaq Biotechnology Index and 29.3% for the FTSE All-Share.

The trust is unusual in that it pays a dividend equal to 4% of the NAV, a policy introduced in 2016 in an attempt to narrow the discount. Prior to this the shares traded at a consistent discount to NAV despite share buybacks.

The cash comes from the capital value of the fund, rather than dividends paid by companies inside the fund. The idea is to pay a fixed percentage of the value of the fund, which means that the actual cash paid will move up or down in line with the NAV. The team expect the long-term capital growth rate to average around 10% per year.

Green bond ETFs: an alternative way to invest ethically

We look at two London-listed products that provide exposure to a hot part of the market

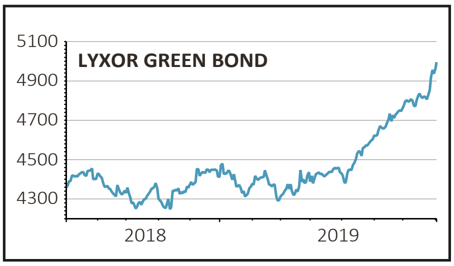
For investors worried about the stock markets, bonds can be useful alternative. And if you want to invest ethically, a nascent area of the bond market – green bonds – could be the answer, particularly if they're wrapped in an easy to invest way like an exchange-traded fund (ETF).

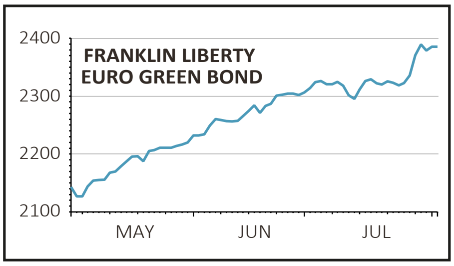
Green bonds are investment bonds that are ring-fenced to fund projects that specifically have positive environmental and/or climate benefits, as defined by the Climate Bonds Initiative (CBI), a not-for-profit organisation.

In theory, investing in green bonds – particularly through ETFs given they package lots of them together for a relatively low price – can be the most effective way of putting your money to good use ethically, while still hopefully getting a decent return.

After all, the cash raised from such bonds has to go to projects that help improve the environment and protecting the planet so in future we all have a world to live. That's arguably as ethical as it gets.

There will be undoubtedly be more funds available as this area grows, but for now investors in the UK have two main options – a traditional passive product, the **Lyxor Green Bond ETF (CLIM)**, or the actively-managed **Franklin Liberty Euro Green Bond ETF (FVUG)**.





TAKING THE PASSIVE ROUTE

Lyxor was the first ETF provider to launch a fund in the green bond space in 2017, and Adam Laird, the firm's head of strategy for Northern Europe, explains its ETF was set up to give investors a way to invest in ESG but without the riskiness typically associated with shares.

He says: 'It is difficult to get diversification with ethical investments, so we thought green bonds were a good way to do that.'

As with any market in its early stages, the perception is that there's more risk involved, but Laird points out that all the bonds are investment grade and come from big institutions.

The ETF aims to track the Solactive Green Bond EUR USD IG Index, which is made up of euro and dollar denominated green bonds issued by governments, supranationals, development banks and big corporates.

He adds: 'It's not a guarantee

of a return, but the green finance market has money to be invested, and it opens doors for other issuers to come to market.'

At a total expense ratio of 0.25%, the ETF is averagely priced compared to global bond ETFs and it has delivered a return of 7.5% in the first half of this year.

TAKING THE ACTIVE ROUTE

Franklin Templeton's active ETF has ongoing charges of 0.3% a year, which is on the lower end of the scale for such actively-managed exchange-traded funds.

Caroline Baron, head of ETF sales at Franklin Templeton, says the fund is actively managed because green bonds are a new area of fixed income, so the asset manager sees an opportunity to achieve better returns by picking and choosing the bonds to put in the portfolio.

She adds that since the fund was launched in April, the bonds in the portfolio tend to be less volatile than traditional bonds, as the duration – the time before the bond matures – is typically longer than ordinary bonds.

Unlike the Lyxor ETF, Franklin Templeton's product is comprised 70% of green bonds with a certified stamp from the CBI allowing them to be called green bonds, and 30% in so-called 'climate aligned' bonds, which are similar but don't have the CBI stamp.

An example of a climate-aligned bond is Standard Chartered's sustainability bond, with money it gets going towards various projects in Asia and Africa which aim to tackle global issues like poverty, inequality and prosperity.

ISSUES TO CONSIDER

Since the first green bond was launched in 2008, the area has grown significantly and has no shortage of investors keen to get involved.

But Matt Brennan, head of passive portfolios at AJ Bell, warns if ESG is on your mind with these ETFs – buyer beware.

'What's difficult from an ESG point of view with these green bonds is that they're not defined at a company level, but how the bond is used,' he says.

While many might think these bonds are going to specialist renewable energy companies for example, it may come as a surprise that most of the bond issuers are actually governments and financial institutions, as well as energy companies which still generate money from fossil fuels.

GREEN CREDENTIALS

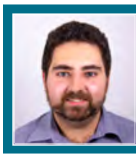
One of the top holdings in Lyxor's fund is utility provider EDF, which generates around 8% of its revenue from coal and 9% from gas, while the majority (71%) comes from nuclear, a controversial form of renewable energy which has had its green credentials questioned.

Brennan adds: 'Even though the proceeds of the bonds are being used for green purposes, you're still giving finance to companies that are doing the complete opposite to green projects. You'd never get that on an equity basis.'

For ESG investors, the argument for adding fixed income to the portfolio is to lower the risk, but Brennan argues that investing in sustainable companies by their very nature should be less risky.

He says: 'If the sustainable filter is genuine, these companies should be less risky as their business models should make them less susceptible to things like financial fraud which can bring a company down.

'And in the long-term sustainable companies are less likely to have profit warnings. But the jury's out on whether that's the case as it is still early days.'



By **Yoosof Farah**
Reporter

Keep an eye on banks' bad debt

Loan impairments are starting to creep up for the industry

It may be ten years since the financial crisis came to end (or at least stock markets bottomed, to use them as crude proxy) but the after-effects continue to linger. This can be seen most clearly in the performance of the banking sector, in the UK but also worldwide.

In 2019, the Banks sector is the ninth-worst performing sector within the FTSE All-Share, with a 4.7% capital gain that lags the index by several percentage points.

But this poor stock market showing is not unique to Britain's lenders. America's Philadelphia KBW banks index topped out last summer and Europe's STOXX banks index is trading at just a 12-month trough but its lowest level since 1995.

The woes of Europe's banks may be best encapsulated by the grinding drop in Deutsche Bank's share price, but its problems are in many ways related to its investment bank and that unit's derivatives book.

Chief executive Christian Sewing is looking to downsize that business by culling 18,000 jobs and the equities operations and that plan is offering some respite, at least temporarily to Deutsche's share price (something that may make the senior management team at **Barclays (BARC)** twitch just a little, given their ongoing commitment to the investment bank there).

The real issue is in fact non-performing loans. Worryingly, the FTSE 100's Big Five banks now seem to be showing a worsening trend here too. And while the good news is they are starting from a low base, the bad news is that loan impairments seem to be past the trough and trending higher.

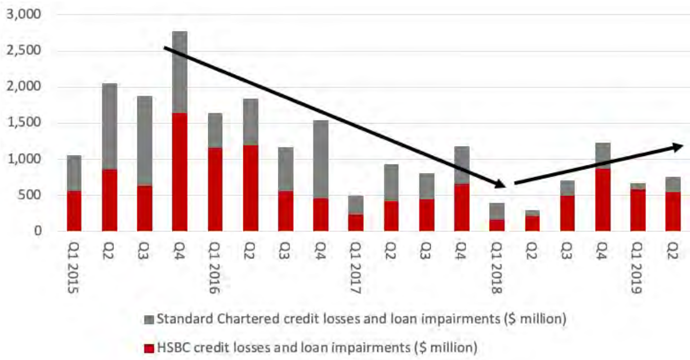
Investors need to pay attention because if this does become a hard and fast trend then it could have negative implications for the banking sector and also the wider economy, as a real uptick in loan losses would suggest the economy is not in good health. We shall see.

LOAN BOOK BLUES

In Europe, the problem of non-performing loans seems stark. While the situation has improved since 2016, European Central Bank (ECB) data suggests that 44% of banks loans in Greece, 22% in Cyprus, 11% in Portugal and nearly 10% in Italy are non-performing. The ECB also suggests that more than half of these dud loans are over two years old and a quarter are at least five years old.

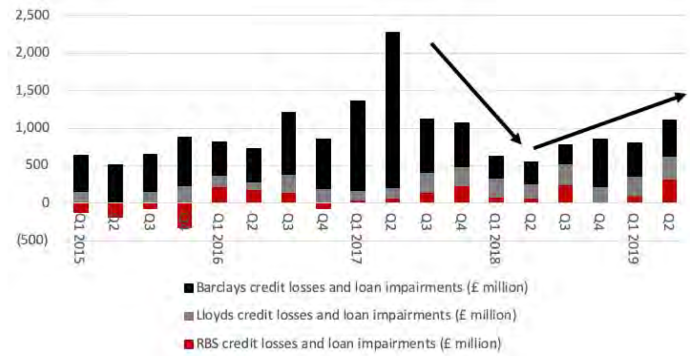
This is when the Eurozone is still growing. Heaven knows what might happen if the economy turns down and a new recession develops, as the resulting bad loans which presumably knock a big hole in the banks' balance sheets, further crimping their ability to lend and oil the economy's wheels.

UK'S EMERGING MARKET-FOCUSED DUO SHOWING A RISING TREND IN LOAN LOSSES …



Source: Company accounts

… AND SO ARE THE MORE UK-CENTRIC BIG THREE



Source: Company accounts

Investors looking for cheer will see the UK near the bottom of the list with a non-performing loan ratio of just 1.2%.

Those who lean more toward the dark side will be noting with interest a trend toward higher credit losses and impairments. **Standard Chartered (STAN)** did not see a deterioration in the first half of 2019 relative to a year ago but its fellow Asian heavyweight **HSBC (HSBA)** did.

So did the more domestically-focused trio of Barclays, **Lloyds (LLOY)** and **Royal Bank of Scotland (RBS)**.

> **"There is no need to press the panic button"**

EARLY DAYS

There is no need to press the panic button. The loan impairment ratio at the Big Five ranges from 0.17% at Standard Chartered to 0.54% at Barclays.

But the rise in losses does look ominous. It could suggest that the global economy is not in quite the rude health we would like to think it is.

It could explain why central banks are backtracking on interest rate rises and leaning toward cuts, as even a modest tightening of policy looks to be affecting borrowers' ability to pay coupons and repay principal more difficult. And it could explain why banks stocks are doing badly and why, in the case of the UK names, they trade at barely one times historic book value at best in the case of HSBC and barely 0.5 times book at the lowest at Barclays, as the market remains wary of the quality of the loan books and therefore the official asset valuations.

To reassure on all fronts, it would be nice to see loan losses moderate and the banking stocks offer improved financial and share price performance in the second half of 2019 and beyond.

By **Russ Mould**
AJ Bell Investment Director

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Speaker – Martin Whitaker, CEO - Diurnal
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KEY

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

KEY ANNOUNCEMENTS OVER THE NEXT WEEK

Half-year results

9 August: Irish Residential Properties Reit, G4S, Hikma, William Hill, WPP. **12 August:** RHI Magnesita, Valeura Energy. **13 August:** CLS Holdings, JPJ, Mears, John Menzies, Plus500, TUI. **14 August:** Admiral, Apax, Avast, Balfour Beatty, Hochschild Mining, IndigoVision, Lookers, Network International, Prudential, Romgaz. **15 August:** Grupo Clarin, Kaz Minerals, Marshalls, TBC Bank.

Trading statements

13 August: Card Factory, Volution.
15 August: Gem Diamonds.

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