STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

VOL 21 / ISSUE 47 / 28 NOVEMBER 2019 / £4.49

SHARES

WE MAKE INVESTING EASIER

6 OF THE BEST INCOME FUNDS

How to replace Woodford in your portfolio

PLUS

US CONSUMERS
CAN THEY KEEP PROPPING UP STOCKS?

ELECTION LATEST
WHAT LABOUR AND TORY PLANS MEAN FOR MARKETS

PAYING FOR CARE
HOW INVESTING CAN HELP

Not in vogue

We avoid trendy stocks to find unfashionable potential elsewhere.

You can't outperform if you do the same as everyone else. That's why Orbis takes a contrarian approach.

Ask your financial adviser for details or visit Orbis.com

Orbis
Invest Differently

As with all investing, your capital is at risk. Past performance is not a reliable indicator of future results.

Orbis Investments (U.K.) Limited is authorised and regulated by the Financial Conduct Authority

Should regulators be doing more to help investors?

Protecting consumers seems to be an increasing priority

On 25 November ride-hailing app Uber became the latest company to feel the bite of the regulator as Transport for London withdrew its licence to operate in the capital.

We have previously written about the growing trend for regulatory bodies to bare their claws where they see corporate failings or wrongdoing.

Uber's shares dropped an initial 4% in response to the TfL decision, unsurprisingly as London is its largest European market. It will likely appeal and can continue to operate while it does so.

The company fell foul of the authorities on safety grounds. Public health and safety also lies behind the increasingly tight leash on so-called 'sin' stocks which we discuss in an article this week.

Elsewhere, technology and social media firms have faced push-back over their use of our data, threatening their ability to continue making as much money out of our personal information.

Facebook, to take one example, continues to enjoy margins upwards of 40%, though these are starting to moderate.

If a company enjoys sky-high levels of profitability it is worth an investor at least questioning if these are sustainable. Typically what happens is either stiffer competition emerges, attracted by the strong returns, or if this is impossible due to barriers to entry, increasingly the regulator steps in to make sure people aren't being exploited or ripped off.

PROTECTION FOR INVESTORS

As these examples demonstrate, consumer-facing businesses face a particular threat from regulation. Many of us will think a greater level of consumer protections is a good thing and will often benefit but investors might legitimately grumble that their own interests are not being protected as strongly as those of other sections of society.

In 2019 alone ordinary shareholders in Interserve, Debenhams and Thomas Cook have been wiped out. This is the ultimate risk of investing in individual company shares. However, even those investors

who've trusted an expert and opted for the diversification of a fund have not been spared.

The Woodford debacle, as we discuss in this week's feature on income funds, will leave a great many people significantly out of pocket.

However, there are signs that regulators in this area are doing more to protect investors. This includes moves to address fund liquidity issues, like those which arose with Woodford, as well as action on other issues.

So-called closet trackers are marketed as actively-managed funds but hug the index so closely in terms of stock selections they are effectively the same as buying a much cheaper product which simply looks to track an index. They have been in the crosshairs of authorities in Europe for some time and the UK looks to be catching up.

The Financial Conduct Authority (FCA) has fined Henderson Investment Funds £1.7m over its Japan and North American funds. Despite reducing active management of these collectives in 2011, and compensating institutional investors accordingly, ordinary punters faced the same charges and were not informed of the change in investment strategy. And seperately, on 26 November the FCA announced a ban on marketing unlisted mini bonds to retail investors.

By **Tom Sieber** Deputy Editor

Contents

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

DISCLAIMER

IMPORTANT

Shares publishes information and ideas which are of interest to investors. It does not provide advice in relation to investments or any other financial matters. Comments published in Shares must not be relied upon by readers when they make their investment decisions. Investors who require advice should consult a properly qualified independent adviser. Shares, its staff and AJ Bell Media Limited do not, under any circumstances, accept liability for losses suffered by readers as a result of their investment decisions.

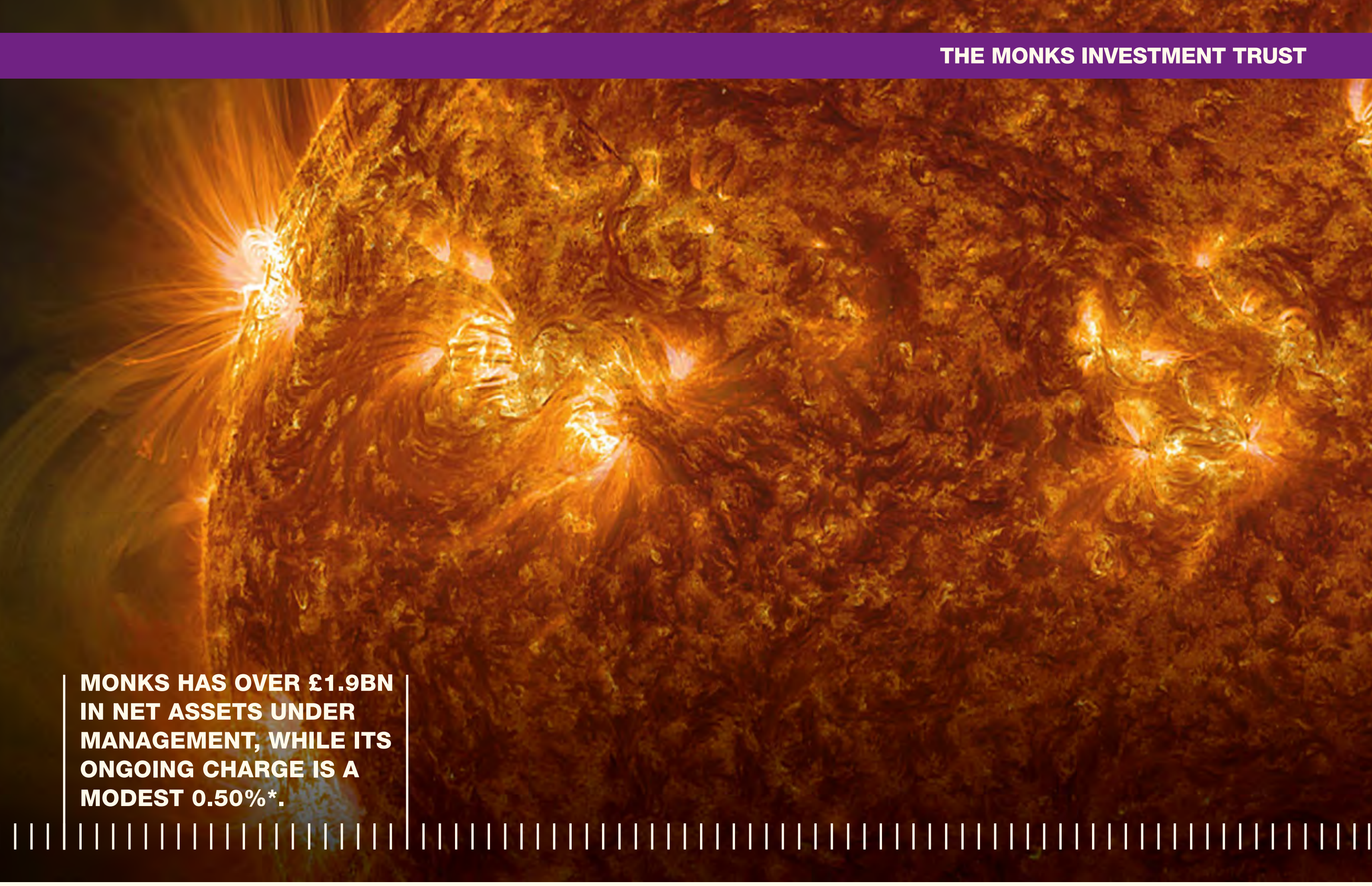
Members of staff of Shares may hold shares in companies mentioned in the magazine. This could create a conflict of interests. Where such a conflict exists it will be disclosed. Shares adheres to a strict code of conduct for reporters, as set out below.

1. In keeping with the existing practice, reporters who intend to write about any securities, derivatives or positions with spread betting organisations that they have an interest in should first clear their writing with the editor. If the editor agrees that the reporter can write about the interest, it should be disclosed to readers at the end of the story. Holdings by third parties including families, trusts, self-select pension funds, self select ISAs and PEPs and nominee accounts are included in such interests.

2. Reporters will inform the editor on any occasion that they transact shares, derivatives or spread betting positions. This will overcome situations when the interests they are considering might conflict with reports by other writers in the magazine. This notification should be confirmed by e-mail.

3. Reporters are required to hold a full personal interest register. The whereabouts of this register should be revealed to the editor.

4. A reporter should not have made a transaction of shares, derivatives or spread betting positions for seven working days before the publication of an article that mentions such interest. Reporters who have an interest in a company they have written about should not transact the shares within seven working days after the on-sale date of the magazine.



THE CENTRE OF YOUR PORTFOLIO.

Monks Investment Trust, we believe, could be a core investment for anyone seeking long term growth. It is managed according to Baillie Gifford's £39bn Global Alpha strategy. As a result, **Monks** takes a highly active approach to investment and its portfolio looks nothing like the index. The managers group their holdings into four different growth categories. This allows for excellent diversification and offers the chance to unearth some of the more interesting companies listed on global stock markets. Over the last five years the **Monks Investment Trust** has delivered a total return of 146.8% compared to 101.9% for the sector**.

Standardised past performance to 30 September**

	2015	2016	2017	2018	2019
Monks Investment Trust	2.8%	37.9%	35.6%	19.1%	7.8%
AIC Global Sector Average	4.3%	29.0%	26.2%	19.2%	-0.2%

Past performance is not a guide to future returns.

Please remember that changing stock market conditions and currency exchange rates will affect the value of the investment in the fund and any income from it. Investors may not get back the amount invested. If in doubt, please seek financial advice.

If you're looking for a fund to shine at the centre of your portfolio,
call 0800 917 2112 or visit **www.monksinvestmenttrust.co.uk**

A Key Information Document is available by contacting us.

BAILLIE GIFFORD

Long-term investment partners

*Ongoing charges as at 30.04.19 calculated in accordance with AIC recommendations. Details of other costs can be found in the Key Information Document. **Source: Morningstar, share price, total return as at 30.09.19. All other data as at 30.09.19. Your call may be recorded for training or monitoring purposes. Issued and approved by Baillie Gifford & Co Limited, whose registered address is at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, United Kingdom. Baillie Gifford & Co Limited is the authorised Alternative Investment Fund Manager and Company Secretary of the Company. Baillie Gifford & Co Limited is authorised and regulated by the Financial Conduct Authority (FCA). The investment trusts managed by Baillie Gifford & Co Limited are listed UK companies and are not authorised and regulated by the Financial Conduct Authority.

What the Conservative and Labour manifestos mean for investors

A Conservative win would provide a 'relief rally', but Labour would have some sectors running for cover

Markets for shares, bonds and currencies all seemingly paid little attention as the UK's main opposition party published its most 'radical' election manifesto in decades.

In the days following the publication of Labour's manifesto on 21 November, the UK's benchmark FTSE 100 index maintained its upward momentum of the past week, gilt yields remained unchanged and the pound continued to sit at close to six-month highs against the US dollar.

An apparent narrowing of the polls on 25 November prompted a little more nervousness about the election result.

For the most part though, it would appear investors believe the likelihood is low of a Labour government and its leader Jeremy Corbyn as prime minister.

Should the Tories win, markets are expected to remain much the same, but it's anticipated that there could be a small 'relief rally', with the FTSE 350 going up as some of the uncertainty over Brexit gets removed.

Based on the Conservative's manifesto pledges on 24 November, there aren't many sectors of the market which will be impacted, though utilities may be hit as the Tories pledge to keep the existing energy cap.

The likes of **Centrica (CNA)**, which owns British Gas, have warned that the cap has dented profit.

Housebuilders and construction companies may go up as the Tories pledge to invest another £100bn in infrastructure spending, while a reduction in business rates should also provide modest relief to the troubled retail sector.

Labour's manifesto on the other hand has some sectors running for cover.

The party has pledged to renationalise the rail, water, energy and mail sectors, and part of telecom giant **BT (BT.)**.

IS THE CONSERVATIVE LEAD NARROWING?

Source: ICM Research poll, 22-25 November (changes since 15-18 November)

It has argued that this is in the national interest as companies have a monopoly in these strategically important sectors, and therefore have little incentive to reduce prices for customers or raise workers' wages.

In response, utilities **National Grid (NG.)** and **SSE (SSE)** have moved their ownership structures offshore – to holding companies in Luxembourg, Hong Kong and Switzerland – in order to protect 'shareholders' interests' in the case of renationalisation.

The impact on investors would be significant if Labour won power and pressed ahead with renationalisation, with big selloffs likely in the utility, infrastructure and transport sectors of the stock market.

Labour would be likely to issue several bonds if it embarks on such a programme, claiming that current low interest rates make it a good time to borrow.

Economists have expressed doubt that gilt yields would soar, because even if the Labour government does borrow a lot, its plans wouldn't bring debt sustainability into question, and inflation isn't expected to jump anytime soon.

Octopus seeks £250m for new green infrastructure trust

New clean energy fund will look to invest in onshore wind farms and solar panel parks

Demonstrating the buoyant state of the infrastructure market, **Octopus Renewables Infrastructure Trust** is seeking to raise up to £250m through a placing, offer for subscription and intermediaries offer and list on London's Main Market on 10 December.

Infrastructure and renewable energy trusts' enduring popularity with investors is reflected in premiums to net asset value (NAV) and they continue to tap the markets for fresh funds to deploy, with climate change concerns an increasing priority for governments and the public alike.

Against this backdrop, this new trust will seek to provide an attractive and sustainable level of income, with an element of capital growth.

It plans to invest in a geographically and technologically diversified spread of renewable energy assets in Europe and Australia. The focus is on onshore wind farms and photovoltaic solar (solar PV) parks, although the fund will also consider clean energy-related assets.

Importantly, this new trust is targeting higher NAV growth by investing in already operating, in construction and construction ready assets. Investment manager Octopus has identified a pipeline of roughly £2.8bn of assets, with low correlation to the wider stock market, that could be suitable for acquisition.

One of the fund's key differentiators is the

expertise of Octopus Renewables, a 70-strong team of pros with over £3bn of energy assets under management.

Octopus, the company behind household supplier Octopus Energy, is targeting a net total shareholder return of 7% to 8% per annum over the medium to long term with the new trust, with an initial annualised dividend yield of 3% of the IPO price, rising to 5% in 2021 and progressive thereafter, with dividends paid quarterly.

Matt Setchell, co-head of Octopus Renewables, says that 'Given the effects of global climate change which are increasing visible, it is clear that the decisions we make now with our investments, will impact future generations. This fund is an opportunity to contribute to positive change.'

Octopus Renewables is therefore 'looking to accelerate the transition to a future powered by renewable energy by unlocking investment into climate saving assets. As our track record demonstrates, we are committed to delivering strong shareholder returns while investing in something meaningful.'

INFRASTRUCTURE FUNDS RAISING CASH

Companies that have recently raised fresh funds include **The Renewables Infrastructure Group (TRIG)**, which recently raised £227.6m, **3I Infrastructure (3IN)**, which pulled in £222.8m and **SDCL Energy Efficiency Income (SEIT)**, which attracted an additional £100m of funding. Elsewhere, **HICL Infrastructure (HICL)** wants to raise a further £100m and **Greencoat Renewables (GRP)** is also issuing more shares to finance further acquisitions.

'Hope and liquidity' to return to junior mining, says veteran investor

Decades of under-investment in exploration from mining giants could spell good news for smaller mining firms.

Shares in junior mining companies could experience a revival in the next two to three years as more money goes into exploration, according to veteran mining investor Rick Rule.

Rule, chief executive of mining investment company Sprott, said decades of underinvestment from major mining companies in looking for new deposits could lead to a bull market for exploration.

Speaking at the Mines and Money conference in London, Rule said there has been 'at least two decades of underinvestment and mis-investment' from the majors, most of which he said have been 'run by financial as opposed to exploration executives'.

But he added, 'There has been a renewed focus on exploration. My suspicion is this increased focus will ultimately have a positive outcome, not just for the [majors] but for the juniors too.

'The next two to three years will be very generous for high quality teams drilling for good deposits.'

Rule also said it will take only two or three major discoveries before 'hope and liquidity probably returns to the junior sector', adding that 'no economic activity can add wealth like exploration.'

The veteran investor added the best source of money for junior firms will be from the major companies, who look to snap up stakes in high quality smaller miners as they put more money into exploration again.

An example of that came this week, when mining giant **BHP (BHP)** invested $22m in junior copper and gold explorer **SolGold (SOLG)**, sending its shares up 12%.

FTSE 350 MOVERS OVER THE PAST WEEK

BEST PERFORMERS		
STOCK	SHARE PRICE RISE	REASON
Pets at Home	18.2%	Strong first half results, full year profit to be at top of guidance
Centrica	13.0%	Solid third quarter update, customer losses slow
Aston Martin Lagonda	11.5%	High-profile launch of new SUV model

WORST PERFORMERS		
STOCK	SHARE PRICE FALL	REASON
Hochschild Mining	-14.4%	Cuts 2020 production guidance thanks to permitting delays in Peru
Royal Mail	-10.0%	Transformation falls behind schedule
Johnson Matthey	-9.0%	Weak first half profit and cash flow as Polish factory opening delayed

Source: Shares, SharePad

What would a consumer slowdown in the US mean for markets?

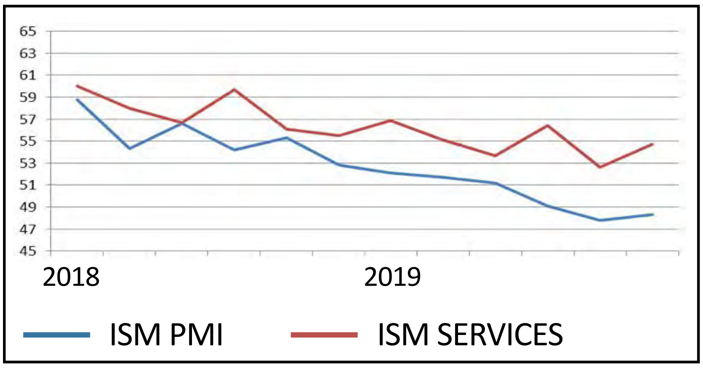
Consumer spending and retail stocks have helped underpin the advance of US shares to new highs

For the last year the mantra among market observers has been that although the US economic expansion is long in the tooth, there's no need to worry about poor manufacturing confidence surveys. As long as the services sector is still showing growth, goes the thinking, markets can keep rising.

Recent corporate results and data releases suggest this argument may be losing some credibility.

The US Institute of Supply Management's monthly survey of industrialists, the purchasing managers index (PMI), has been falling inexorably towards the expansion/contraction threshold of 50 – and has been solidly below it for the last three months. The same institute's services sector PMI has been more robust although it too has been falling.

US MANUFACTURING VS SERVICES PMI



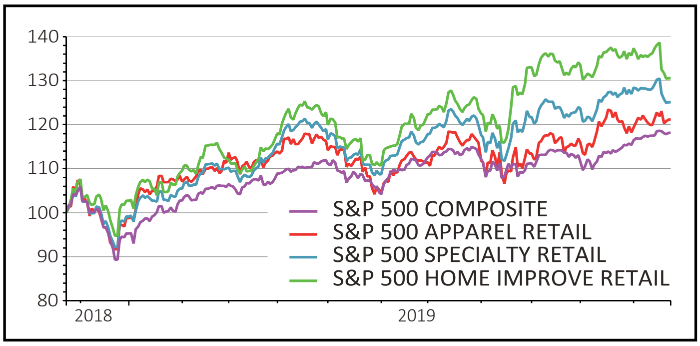
Source: Shares, SharePad, Data as at 20 Nov 2018

Meanwhile the US S&P 500 benchmark has continued to chalk up new highs, gaining 24% year to date excluding dividends, while the Nasdaq index which is more technology-focused has added 28%.

As we explained a few weeks ago, domestic

consumer-facing stocks have been central to the performance of the US market this year. Retail stocks in particular have been strong performers, as the chart shows.

S&P RETAILERS VS S&P 500



Source: Shares, Datastream, FE Fundinfo

At its peak earlier this month, the S&P 500 Apparel Retail index was up 24.4%, in line with the benchmark, while the Specialty Retail index was up 31.4% and the Home Improvement Retail index was up 34.5%, a full 10 percentage points more than the index.

THE ECONOMY RELIES ON CONSUMERS

Consumer spending is estimated to account for 70% of US economic activity, and the retail sector is seen as a useful gauge of the health of two key drivers of confidence, housing and jobs.

Just this week, Jerome Powell, head of the US

Federal Reserve, said that central bank officials 'have a favourable outlook for the US economy founded on strong consumer spending, which is bolstered by a robust jobs market, increasing incomes and solid consumer confidence'.

Although spending slowed in the third quarter, with growth very slightly negative in September according to the Commerce Department, consumers are still buying enough goods and services to keep the economy from stalling.

Hence the market's surprise when earlier this month Home Depot, which had been one of the biggest contributors to the year-long rally and seemed to have shed its cyclical image in favour of 'defensive growth', reported lower-than-expected third quarter sales and reduced its guidance for full-year sales growth.

Home Depot shares fell sharply on the downgrade, and while rival Lowe's reported earnings marginally above estimates, sending the shares briefly to new highs, they have since drifted suggesting investors are hesitating to buy rather than piling in as they might have done before the Home Depot warning.

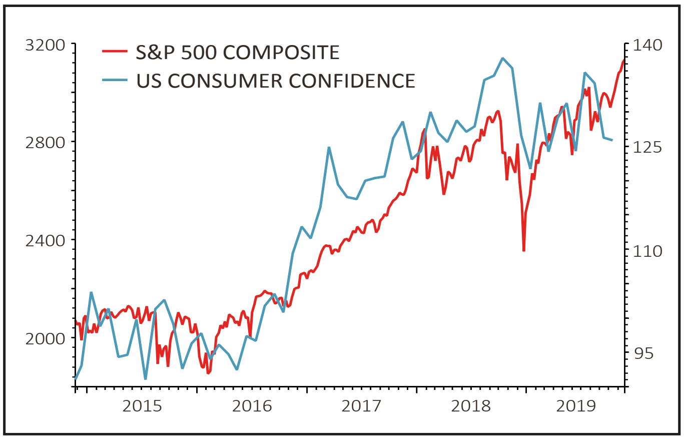
A TALE OF TWO MARKETS

Large-format discount retailers like Best Buy, Costco, Target and Walmart may have delivered strong sales in their most recent quarter, particularly in their online businesses, and 'off-price' retailer TJX – owner of the TX Maxx chain – also reported an uplift in sales and raised its full-year guidance.

However department stores such as Macy's, Nordstrom and JC Penney have struggled all year to attract consumers and have followed Home Depot in cutting their forecasts, despite Thanksgiving, Black Friday and the Christmas period typically boosting sales. Shares in Macy's have lost half of their value this year.

Most intriguing of all has been the poor performance of Amazon.com, the biggest 'disrupter' of the retail sector. Amazon shares have lagged the market all year as analysts have downgraded their earnings forecasts. The company's fourth-quarter sales guidance of $80bn to $86.5bn was some way shy of estimates, while the cost of upgrading its Prime delivery service is eating into margins.

S&P 500 VS US CONSUMER CONFIDENCE



WATCH THE 'SOFT' DATA FROM NOW ON

Consumer confidence is key for the retail sector and the wider economy, and the various US measures of confidence seem to be pointing to a more cloudy outlook for spending.

The Conference Board's consumer confidence index has dropped for the last four months running, missing market forecasts in both October and November, as has the expectations index which is based on consumers' short-term outlook for income, business and labour market conditions.

Consumers were less optimistic about the job market and business conditions in six months' time with a lower proportion of positive responses and a higher proportion of negative responses.

The University of Michigan consumer sentiment index and expectations index have also been falling for several months in spite of rate cuts from the Federal Reserve.

It's important to be aware that the performance of the stock market can also have a big impact on consumer sentiment. The consumer confidence index peaked at 137.9 in October last year, but as the stock market sold off sharply confidence also tumbled, hitting a low of 121.7 in January.

Although it recovered over the spring, the latest reading is still some way below the high. There is a danger here that if consumer confidence starts to crack, the stock market could start to falter creating a negative feedback loop with confidence affecting the market and vice versa.

By **Ian Conway** Senior Reporter

We strive to explore further.

Aberdeen Standard Investment Trusts ISA and Share Plan

We believe there's no substitute for getting to know your investments face-to-face. That's why we make it our goal to visit companies – wherever they are – before we invest in their shares and while we hold them.

With a wide range of investment companies investing around the world – that's an awfully big commitment. But it's just one of the ways we aim to seek out the best investment opportunities on your behalf.

Please remember, the value of shares and the income from them can go down as well as up and you may get back less than the amount invested. No recommendation is made, positive or otherwise, regarding the ISA and Share Plan.

The value of tax benefits depends on individual circumstances and the favourable tax treatment for ISAs may not be maintained. We recommend you seek financial advice prior to making an investment decision.

Request a brochure: **0808 500 4000**
invtrusts.co.uk

AberdeenStandard
Investments

Issued by Aberdeen Asset Managers Limited, 10 Queen's Terrace, Aberdeen AB10 1XL, which is authorised and regulated by the Financial Conduct Authority in the UK. Telephone calls may be recorded. aberdeenstandard.com

Please quote 2166

Why Babcock is a buy as orders build

The defence and nuclear contractor looks cheap with the company poised to win more work

Defence contractor **Babcock (BAB)** could be on the verge of a real recovery having come through a cycle of earnings downgrades.

The company's combined order book and pipeline has reached its highest ever level and the group is also moving into new markets like Canada and Norway. We believe you should buy the shares.

Despite a rally on the latest set of results, the price-to-earnings ratio of 10 times current-year earnings and the dividend yield of 5% still make Babcock a compelling long-term investment at current levels.

Babcock provides 'mission-critical' products and services to the UK armed forces, emergency services and civil nuclear industry as well as managing defence assets overseas.

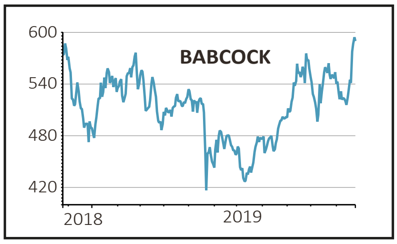
While this isn't a high-growth business on an underlying basis, contract wins from new clients and extensions from existing clients mean that the business grows its revenue steadily every year.

A RECORD PIPELINE

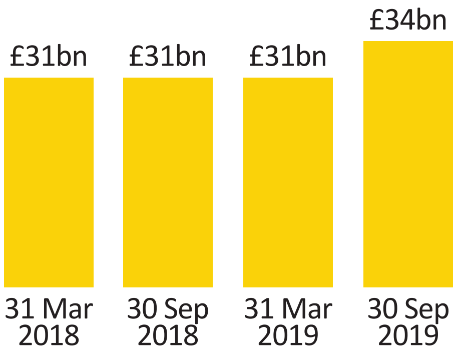
At the half-year stage in September the firm's order book stood at £18bn, up from £17bn six months earlier, while the bid pipeline stood at a record £16bn against £14bn previously. Given that annual sales are in the region

BABCOCK
BUY
(BAB) 590p
Stop loss: 472p

Market cap: **£3bn**



BABCOCK: COMBINED ORDER BOOK AND PIPELINE



Source: Babcock

of £4.8bn this gives an idea of the 'visibility' of future income.

Defence makes up 74% of revenues with Marine and Aviation accounting for just over 40% and Land accounting for just over 30%. The biggest client is the Ministry of Defence (MoD) with 70% of sales to the UK in the first half.

Of the £18bn order book, over 80% is UK but of the record bid pipeline less than 50% is UK with international demand growing rapidly. Australia is investing in new submarines and frigates, while Canada is spending on submarine support and new naval platforms.

The remainder of Babcock's sales and orders are in nuclear, including both maintenance of operational sites and the de-commissioning of closed sites such as Dounreay. Growth is slow but Babcock is a trusted partner and the industry is expected to generate £85bn of revenues over the next ten years across defence and civil projects.

Babcock's balance sheet is solid with net debt to EBITDA (earnings before interest, taxes, depreciation and amortisation) of 1.4 times and consensus forecasts see it generating sufficient cash to get that ratio below one within three years.

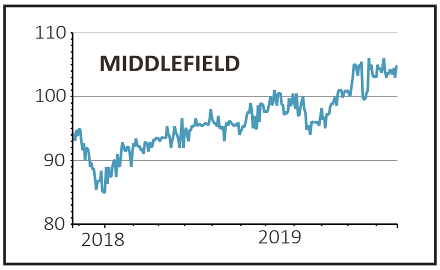
Investors do need to consider the risk that, as an outsourcer, and with large exposure to the UK market, it might be vulnerable to the election outcome if the SNP or the Greens form part of a coalition.

By **Ian Conway**
Senior Reporter

Middlefield Canadian Income has dividend appeal

This trust offers differentiated North American exposure

MIDDLEFIELD CANADIAN INCOME TRUST
BUY
(MCT) 104.75p
Stop loss: 83.8p



Total assets: £123.8m (source: The AIC)

Dividend-hungry investors seeking to diversify the stream of income from their investments should look to **Middlefield Canadian Income (MCT)**.

The investment trust is London's only listed Canadian equity income fund and offers something different to its AIC North America income peers thanks to its Canadian equities bias.

A quarterly dividend payer offering a decent 4.9% yield, there is scope for the 9.9% discount to net asset value (NAV) to narrow and the trust is also drawing premium-priced bids for the steady cash flow generators held within the portfolio.

Launched in 2006 and managed by Middlefield Group's Dean Orrico using a hybrid of top-down and bottom-up investing, Middlefield Canadian Income aims to deliver a high level of stable income and capital growth through investment in income-paying Canadian and US shares.

Since inception, the fund's NAV and share price have outperformed the S&P/TSX Composite Index.

CANADA IS WELL POSITIONED

Canada is a robust, reliable international market too often overshadowed by the US. The country's reliance on imported energy and materials has reduced sharply and the country is enjoying economic growth across sectors including financials, technology, healthcare and infrastructure too.

Orrico argues the income-generating Canadian real estate sector possesses attractive fundamentals including high quality assets, the expectation that interest rates will remain lower for longer and the demand for real assets from institutional investors.

Canada is seeing accelerating levels of immigration and growth in e-commerce; Amazon, Uber, Microsoft and Google are all increasing their Canadian presence, attracted by a wealth of lower-cost tech talent.

PRIZED PORTFOLIO ASSETS

Recent diverse additions to the portfolio include US computer chip maker Intel, Westshore Terminals, a British Columbia-based coal loading terminal operator and Canadian Natural Resources, a global energy producer paying a decent 4% dividend yield.

Shares also notes Middlefield's stock-picking pedigree is backed up by takeover bids for several of its holdings. Blackstone acquired industrial REIT Pure for a 21% premium in May 2018 and more recently picked off Dream Global REIT, at an 18.5% premium. Furthermore, two major Canadian pension funds have acquired another Middlefield holding, AltaGas, for a princely 31% premium.

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


CALL
020 3925 9707
Quilter
INTERNATIONALS
England Rugby
HOSPITALITY
KEITH
PROWSE
OFFICIAL
HOSPITALITY
AT THE HOME
OF ENGLAND
RUGBY
TWICKENHAM STADIUM
v NEW ZEALAND 7 NOV
ALL BLACKS
v ARGENTINA 14 NOV
UAR
v AUSTRALIA 28 NOV
Wallabies

AVIVA
(AV.) 403p

Loss to date: 6.3%
Original entry point:
Buy at 430p, 2 May 2019

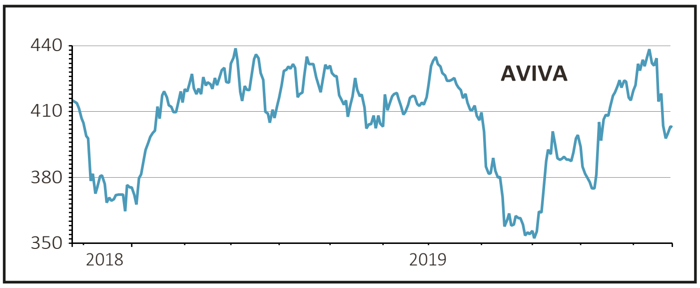
THE ROLLER-COASTER ride at insurer **Aviva (AV.)** continued this month with the shares almost making a new 12-month high a fortnight ago only to hurtle back towards earth, hence the update on our positive call.

The tipping point was the 18 November announcement that 'following a thorough review of options for the Singapore business, including seeking offers, Aviva has concluded that the best value for shareholders will be achieved by retaining the business'.

Investors, who have criticised the firm's 'clunky' structure and were expecting the insurer to sell its Singapore unit, sold the shares down in frustration at the lack of progress.

In Aviva's defence most global and regional insurers already have operations in Singapore and there was no urgency to sell. Moreover the unit is profitable, generating around half the Asian business's operating earnings.

At the company's recent strategy day (20 Nov) the firm announced new financial targets including Solvency II returns on equity, a reduction in costs and leverage and a 'progressive' dividend policy.



SHARES SAYS: ↗
With the shares trading on a yield of 8.1% and a price to earnings ratio of just 7.7 for next year we feel investors should keep holding the shares.

GENUS
(GNS) £30.78

Gain to date: 8.2%
Original entry point:
Buy at £28.46p, 19 September 2019

AT A RECENT healthcare conference bovine and porcine genetics company **Genus (GNS)** gave investors an update on the key developments for the business including African Swine Fever (ASF) and the potential of the Indian market where Genus holds a unique position.

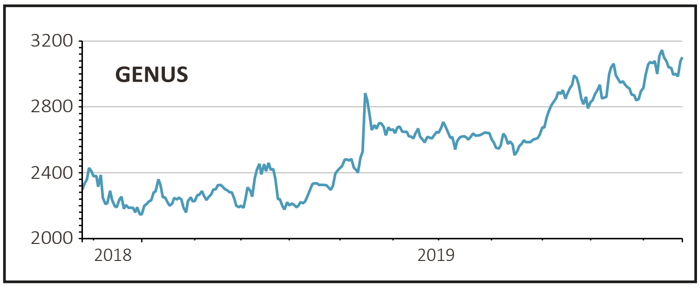
According to management the ASF related culling of the pig herd has reduced the global supply of animal protein by 7% while also pushing up the hog price in China to new highs of around 40 RMB per kilo.

The company highlighted that the disease is still not under control and has in fact spread to neighbouring countries. This represents a further opportunity for Genus over the next five years as farmers rebuild their herds.

As the only international player in India, Genus is in unique position to capitalise on the growth opportunity here.

The company's Sexel product allows farmers to produce female calves for milk with almost 100% certainty and is therefore much sought after in a country where cows are held in such high esteem.

Newly appointed chief executive Stephen Wilson confirmed that the strategic direction of the company remains unchanged while his prior chief finance role will be assumed by Alison Henriksen who starts on 13 January.



SHARES SAYS: ↗
The business remains in rude health while the ASF opportunity seems undimished, stay invested.

Who's buying UK shares and what does it tell us?

ADVERTORIAL

Schroders

High demand for UK-quoted companies from large and experienced buyers suggests other investors may be overlooking an opportunity

By Sue Noffke,
Head of UK Equities

WILL A UK GENERAL election on 12 December help break the Brexit stalemate? Possibly, possibly not. The ongoing uncertainty means investors of almost every stripe remain cautious about buying UK equities (shares).

I stress 'almost' because some overseas buyers of UK-quoted companies have not lost their appetite. Overseas private equity (PE) or PE-backed buyers are particularly hungry. These are investors who target private companies (i.e. those not publicly-quoted on stock markets) or publicly-quoted companies that they subsequently take private.

Since the middle of this year, PE targets have included cyber security specialist Sophos, aerospace and defence group Cobham, theme park operator Merlin Entertainments and UK pubs business Greene King, with the latter two transactions having already completed.

Such deals have contributed to a sharp pick-up in announced UK PE activity, which is now at 10-year relative highs (see chart, to the right). In addition, we've seen overseas companies bid for mass media group Entertainment One as well as the London Stock Exchange and food delivery platform Just Eat.

Plans by Just Eat to merge with Netherlands-based Takeaway.com have been gatecrashed by South African technology conglomerate Naspers.

So, what is driving this interest when other investors in UK publically-quoted shares remain highly circumspect?

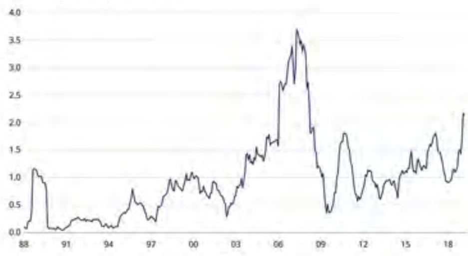
UK shares could be at an important juncture

To my mind, this overseas corporate and PE interest is further evidence of the opportunity offered by UK shares. It comes at a time when they are trading at a 30% valuation discount to global peers, close to a 30-year low.

While UK shares look compelling, many investors crave certainty in order to back them. Such certainty is unlikely until we know the shape of the next government, and a path towards resolving Brexit becomes clear. It is by no means guaranteed the UK will achieve a smooth departure from the EU by 31 January – the new Brexit deadline – followed by an orderly transition period.

At what could be an important juncture, we suggest investors carefully review their UK exposures. The current hiatus ahead of polling day is perhaps a good opportunity to assess your state of readiness for the possible market, economic, monetary and fiscal policy[1] impacts ahead.

ANNOUNCED PRIVATE EQUITY VOLUMES (12 MONTH ROLLING TOTAL) AS PERCENTAGE OF AVERAGE MARKET CAPITALISATION



Source: Thomson Reuters Datastream, Morgan Stanley Research, data from 31 May 1988 to 30 August 2019. CS1902

The sharp pick-up in UK PE deals has led a European-wide recovery in such activity this year. But it is only the latest expression of a buoyant market for UK "inward" mergers and acquisitions (or M&A, the buying, selling, or combining of companies).

Overseas acquirers spent more than £70 billion on UK-registered companies in 2018, according to the Office for National Statistics, based on completed deals. This includes the acquisition of Sky by Comcast of the US, which paid more than £30 billion for the broadcaster during a frenzied

[1] Both fiscal and monetary policy attempt to reduce economic fluctuations. Monetary policy regulates the supply of money in an economy using interest rates and other methods, and is controlled by a central bank. Governments set fiscal policy by adjusting spending and taxes.

period of consolidation within the global media sector.

Broadly speaking, the values, when stripping out very big deals, were in line with other post-global financial crisis years. However, considering the veritable tidal wave of UK fund outflows since the EU referendum, such resilient appetite for UK enterprise is eye-catching.

This enduring enthusiasm has come at a time when UK equities are in the doldrums. They have underperformed their global counterparts since 2016 following the UK's vote to leave the EU.

The situation has resulted in appealing valuations relative to other markets. Readily-available cheap debt financing due to low interest rates, and, from the perspective of those based overseas, sterling weakness (see chart, below), have also played their parts in sparking interest among buyers.

STERLING/DOLLAR IS TRRADING NEAR THE BOTTOM OF ITS 40-YEAR RANGE

What the recent rebound shows us

We found it instructive to see the speed with which domestically focussed UK shares rebounded last month as the risk of a no-deal Brexit on 31 October receded.

The share price recoveries of certain publically quoted investment trusts invested in UK equities was particularly pronounced.

Domestically focussed UK shares have significantly lagged UK overseas earners since 2016. Negativity towards the UK equity market is entrenched, and the positioning of investors remains extreme. Global fund managers have been "underweight" the UK for three years, according to

the Bank of America Merrill Lynch. That means they have been holding a lower amount of UK equities than they would normally.

UK domestically focussed shares have suffered more than others and in the event that sentiment were to turn for the better, they could recover at speed, which is why we've been building meaningful positions while prices are low. Markets have previously recovered from periods of uncertainty and I see no reason why this won't occur again.

It's always worth bearing in mind though that the UK equity market is global in nature. International developments often set the tone, and in this regard the ongoing US-China trade discussions and the state of the world economy are important considerations.

Step back and survey

It is a challenge to step back and take a dispassionate measure of markets. In this regard the enduring M&A interest in UK-quoted companies is important.

We are always very interested in how the corporate and PE sectors behave since we share their long-term mentality. Like them, we are focussed on ascertaining the value of companies based on fundamentals, such as earnings or sales and the sustainability of business models.

Our job is to use all this information to find shares that the market has mispriced. The rewards of such an approach should be higher today as the time horizon of the average equity investor has shortened. This is partly due to the rise of short-term and "passive" strategies which replicate the performance of a specific benchmark or standard, such as an index or a market average.

As a result, investors seem more susceptible to herd behaviour, a tendency which can result in extremes, and certain areas of the UK equity market look extremely unloved to me at the present time.

Many of the companies being targeted in this wave of M&A are high quality businesses whose prospective new owners likely see an opportunity to foster growth. Technology platforms such as Just Eat and BCA Marketplace (owner of the WeBuyAnyCar.com portal, whose acquisition by a PE buyer completed this month) look to be doing the disrupting and are in expansion mode.

Meanwhile, speciality pharmaceutical company BTG, whose acquisition by Boston Scientific recently closed, had independent designs to become a world-leader in interventional medicine.

We continue to find quality companies to invest in at reasonable prices and take a highly selective approach when choosing between investment opportunities. We are focussed on companies with sustainable and robust business models, with a strong emphasis on balance sheets and accounting. A weak balance sheet can hamper the ability of a company to invest in its operations or respond to changing market conditions.

In the event UK shares were to come under renewed pressure, as long-term investors we will remain squarely focussed on any resulting new opportunities.

IMPORTANT INFORMATION:

Reliance should not be placed on any views or information in the material when taking individual investment and/or strategic decisions. This is not a recommendation to buy or sell any financial instrument/stock or to adopt any investment strategy.

Investments concentrated in a limited number of geographical regions can be subjected to large changes in value which may adversely impact the performance of an investment.

Equity [company] prices fluctuate daily, based on many factors including general, economic, industry or company news.

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

How are sin stocks stacking up?

We look at the prospects for non-ESG sectors like alcohol, tobacco and gambling

As the environmental, social and governance (ESG) juggernaut has rolled on, forcing institutional investors to put more and more money into companies with the best socially-responsible credentials, old-fashioned 'sin' sectors such as alcohol, tobacco and gaming have fallen out of favour.

Yet given their relative resilience when the global economy slows, which it is likely to do at some point, is it time to re-appraise these deeply unfashionable sectors?

TO ESG OR NOT ESG?

Long before ESG became the must-have strategy, investors wanting to side with the angels and buy with a clear conscience would typically avoid 'sin' stocks despite the fact that they tended to have fairly dependable cash-flows and dividend streams.

As the head of responsible investing at Norway's largest pension fund put it, 'we need energy, but we don't need tobacco'. With energy there is a choice between fossil fuels and renewables. With tobacco, for now there really isn't a similar choice.

Yet, without making predictions about the direction of the market or the UK economy, it's well known that defensive sectors such as alcohol and tobacco outperform when fears of a slowdown arise due to the fact that consumption of booze and cigarettes tends not to be greatly impacted by economic cycles.

Source: Refinitiv data

A DROP OF THE HARD STUFF

Alcohol producers are the obvious targets when looking for 'sin' stocks in the beverages space, as soft-drink makers have already fallen into line in the fight against obesity by re-formulating their drinks.

The biggest constituent in the sector is **Diageo (DGE)**, owner of iconic spirits brands such as Smirnoff, Johnnie Walker, Tanqueray and Baileys, as well as the world's leading stout, Guinness.

From the start of 2017 to the end of September this year when the shares hit £36 it had rewarded investors with an 80% total return including dividends.

The shares have since dropped to £31, which still values the firm at more than £70bn against net sales of less than £13bn and pre-tax profits of £4.2bn for the year to June, so they can hardly be described as cheap.

However, joining the FTSE 350 at the end of this year with luck is Irish beverages group **C&C (CCR)**, famous for its Bullmers and Magners cider brands.

Following the acquisition of Matthew Clark and Bibendum in 2018, most of C&C's revenues and profits come from the UK rather than Ireland hence its decision to de-list in Dublin and seek admission to the FTSE.

Europe is 'key to earnings for global tobacco'

C&C has a lower profit margin than Diageo, which explains why it trades on a lower price to earnings ratio. Its market capitalisation is €1.4bn with annual sales of around €1.7bn and pre-tax profit of around €80m last year, expected to rise to €100m this year.

RUNNING OUT OF PUFF?

Another classic 'sin' sector is tobacco. Despite falling consumption, cigarette producers have been able to increase their revenue through a combination of higher prices and a higher value-added product mix.

In its full year results published earlier this month, **Imperial Brands (IMB)** reported a 4.4% drop in cigarette volumes but a price/product mix improvement of 5.5% leading to net tobacco revenue growth of 1.1%.

Rival **British American Tobacco (BATS)** registered a 3.5% drop in cigarette volumes and a 7% increase in price/ product mix in its half-year report, published in August.

However new research from Morgan Stanley suggests that tobacco firms' pricing power is waning while volume trends are worsening.

In a survey of 3,000 smokers across five European countries, its analysts found that unfavourable demographic trends (fewer young people taking up smoking) and rising price elasticity (customer resistance to rising prices, resulting in trading down), together with a rising preference for reduced-risk products (such as vaping), are likely to put

Source: Gambling Compliance

pressure on the profits of major cigarette producers.

Europe is 'key to earnings for global tobacco, contributing over $13bn in combined operating profit for Philip Morris International, BAT, Japan Tobacco and Imperial Brands in 2018, or 18-50% of total profits' according to the analysis.

Both firms have pinned their hopes on new generation products (NGP), with BAT opting for tobacco-heating product (THP) technology and Imperial betting on vaping. However official opposition to vaping is spreading around the globe, which suggests that Imperial may have an uphill battle on its hands.

BETTING ON US GROWTH

Gambling and betting firms are most definitely 'sin' stocks, and up until six months ago they were very much out of favour. However, with the impact of the clampdown on fixed-odds betting terminals now receding, and a softening in US online gambling regulation with the PASCA act, they are back to winning ways.

The UK gambling sector turned over around £16bn last year, which isn't bad going but equates to less than 5% of the global market. The golden goose is the US, where UK firms have tried before and failed to make a meaningful impact.

However, the US market is creating what **GVC (GVC)** believes is the biggest sports-betting opportunity in 20 years. Americans watch 36bn hours of sport a year, with 37 networks offering coverage of more than 10,000 different events.

As more states allow online sports betting, market intelligence firm Gambling Compliance believes that within four years revenue could grow by $5.7bn, putting the US second behind China in terms of market size even without California, Florida or Texas opening their markets.

Less positively, in the UK a cross-party group of politicians focused on gambling-related harm has proposed reducing the limit on online slot machines to £2 in line with the in-store terminals.

Gambling consultancy Regulus Partners estimates that the sector as a whole could see its revenue impacted by between 5% and 10% while slot-led gaming operators could see up to 30% of their revenues disappear if the proposal were to be made law.

By **Ian Conway**
Senior Reporter

SIPPs | ISAs | Funds | Shares

AJBell
Youinvest

The number cruncher

Discover your inner investor with our low cost dealing, from just £1.50.

youinvest.co.uk

Recommended Provider
Which?
Investment Platforms June 2019

AJ Bell Youinvest does not provide advice. Capital at risk.

6 OF THE BEST INCOME FUNDS

How to replace Woodford in your portfolio

By The Shares Team

The recent fiasco surrounding Neil Woodford's Equity Income fund will have left many people burnt by the experience and unsure of how to get a decent income on their money.

However, cases like Woodford are actually very unusual and there are excellent funds and investment trusts with track records of consistently paying out generous dividends over the long-term. In this article the *Shares* team reveals six of its very best income fund ideas.

THE BACKGROUND

An estimated 300,000 investors caught up the Woodford affair will start receiving cheques from Link Fund Solutions in January. The administrator has confirmed that it expects the winding-up process to begin on 17 January 2020, with first payments likely to reach investors later that month.

Winding up a fund means closing it down and returning cash to investors, usually in instalments as the assets are sold off, a move that the one-time star fund manager Neil Woodford was dead set against.

'This was Link's decision and one I cannot accept, nor believe is in the long-term interests of Woodford Equity Income fund investors', he said when the decision was announced.

Investors will certainly not be celebrating getting their money back. They face losing at least a third of the savings they originally invested, according to an analysis by the experts shipped in to oversee the sale of the fund's assets.

Investment bank PJT Park Hill was called in by Link Fund Solutions to run an analysis of the likely scale of losses that would result from the sale of Woodford Equity Income's more illiquid assets, and the resulting figures make grim reading.

On PJT's base case, investors face losses on their capital of 32.5%. In other words, for every £1,000 an investor had put into the fund, they'll get just £675 back. That's the base case. Under PJT's worst case scenario losses could total 42.6%, handing back to investors just £574 for every £1,000 of capital invested. More on why, later.

INCOME NEED NEVER GREATER

With bond yields and bank rates at record lows, and rental property struggling to give attractive returns, (and possibly facing a tax attack in future, depending on the election result), investors have never been as starved for good, solid and safe income investment options.

For example, the yield on a 10-year UK gilt is currently just 0.7%, while 2.75% is the best the banks can do on long-term savings, according to Martin Lewis' Money Saving Expert website, and that's with caveats.

TOP RATE LINKED ACCOUNTS*

PROVIDER	INTEREST RATE
First Direct Regular Saver	2.75% AER fixed for 12 months
HSBC Regular Saver	2.75% AER fixed for 12 months
M&S Bank Monthly Saver	2.75% AER fixed for 12 months
Santander Regular eSaver	2.5% AER fixed for 12 months
Club Lloyds Monthly Saver	2.5% AER fixed for 12 months
Bank of Scotland Monthly Saver	2% AER fixed for 12 months
TSB Monthly Saver	2% AER fixed for 12 months

Source: Money Saving Expert

*To get these offers you must also hold or switch to the same bank's current account.

The Woodford debacle may have done substantial damage to the reputation of the investment industry, and particularly the income sphere, but experts stress the saga is atypical.

'The problems with the Woodford fund were high profile, but it's important to remember that he is just one fund manager and it's the only example of such a large fund being suspended and then liquidated in recent history,' says Laura Suter, personal finance analyst at investment platform AJ Bell.

We agree and continue to believe that funds and investment trusts can provide solutions whatever an investor's requirements might be.

The six hand-picked fund and trust options in this article provide a good starting point for further research, whether you are just starting out in saving for your long-term future, or are approaching or already in retirement.

DANGERS OF OFF-MARKET INVESTING

Part of the reason for the hefty losses incurred by the Woodford fund is that a large chunk of the capital it invested on behalf of its fund holders was placed into illiquid, privately-owned start-up businesses.

Selling on such assets is much more difficult than it would be to offload stakes in stock market-listed companies, where buyers can readily be found for unwanted stock. This means that getting shot of stakes in off-market, private businesses will usually mean selling at prices far below previous book values.

'Given these estimates are over and above what investors have already lost through the underperformance of the fund, it could mean investors' overall see their investment shrink by even more,' said Adrian Lowcock, head of personal investing at financial services firm Willis Owen.

Woodford Equity Income, which reached a peak size of £10.2bn in 2017, saw assets collapse to just £3.7bn as savers reacted to a dismal run over the past three years and withdrew cash. The loss of a key client in May, reported to be Kent County Council, appears to have been the straw which broke the camel's back, hence the suspension in June.

COMPOUNDING OVER THE LONG-TERM

Long-term data shows the scale of impact income can have on investment returns thanks to compounding. Once described by Albert Einstein as the eighth wonder of the world, compounding has a seemingly magical way of super-charging investment growth.

Compounding describes the process where the returns from an investment themselves generate future gains. The value of an investment can increase exponentially because growth is earned on both the initial sum of money plus the accumulated wealth.

Imagine you invest £1,000 in a stock and it increases by 5% in year one to £1,050. If the stock rises by another 5% in year two, it will be worth £1,102.50. In the first year you earned £50 and in the second year you earned £52.50. The effect is the same whether you are compounding capital returns over time, or income that is then re-invested back into the stock.

The impact of compounding becomes very powerful if you invest for a long time. In fact, it takes around a decade for the effects to be really noticeable. It is perhaps why legendary American investor Warren Buffett once asserted: 'If you don't feel comfortable owning a stock for 10 years, you shouldn't own it for 10 minutes.'

Over the last century, around 75% of the return from UK equities has come purely from the dividend yield, according to the well-respected Barclays Equity Gilt Study.

'This is often forgotten in bull markets, when investors are chasing big gains in share prices', say experts at fund management firm Liontrust.

Barclays' annual study shows reinvesting dividends can make a significant difference to overall returns in the long-term. An investment of £100 in UK shares in 1899 would have been worth only £173 in real terms at the end of 2018 based on capital growth in the Barclays UK Equity Index alone.

But had all the dividends received over the years been reinvested back into buying more shares, the total value of the portfolio would have soared to £30,776 over the same period.

Equity income funds can be a good long-term savings vehicle for investors able to tolerate the additional risk, with the potential for capital growth along with the compounding effect we have highlighted. But it needs drumming into investors that higher returns potential equates to more risks, so individuals must assess their own level of comfort.

Neil Woodford moved away from what had made him so successful at his previous employer Invesco Perpetual, where he pretty much concentrated on buying larger cap stocks whose income potential had been undervalued by the market.

One of his big calls was buying big tobacco stocks in the early 1990s, when others were worried that aggressive US authorities would drive them out of business. He subsequently benefited from significant capital gains and a steady flow of dividends, a far cry in investment style from chasing capital growth from start-ups.

WOODFORD WOE

- **June 2014** – Woodford Equity Income launched
- **June 2019** – investments and withdrawals from the fund suspended
- **October 2019** – administrator Link Fund Solutions elects to wind fund up
- **November 2019** – investment bank PJT Park Hill estimates that investors will lose between 32.5% and 42.6% of their capital – Link Fund Solutions extends suspension
- **17 January 2020** – winding up process set to begin
- **Late January** – first cheques expected to hit doormats

CITY OF LONDON (CTY) 417p

Yield: 4.6%
Five-year annualised returns: 6.2%
Source: Morningstar

GOOD FOR SOMEONE LOOKING TO ACHIEVE STRONG COMPOUND RETURNS OVER THE LONG TERM

The dividend track record of **City of London (CTY)** is exceptional. It has raised the dividend each and every year since 1967. And these are not just piecemeal increases, dividend growth might not be spectacular but it is solid – averaging around 5% over the last five years. The yield is also generous at 4.6%. These attributes have been recognised by investors and accordingly shares in the investment trust trade at a slight premium to net asset value.

The approach is underpinned by exposure to a large number of FTSE 100 stocks including **Royal Dutch Shell (RDSB)**, **Diageo (DGE)** and **Unilever (ULVR)** which themselves have enviable track records as income stocks. The focus is very much on cash generative businesses which can continue to fund dividends into the future.

The portfolio sees relatively limited turnover and is well-diversified, encompassing around 100 holdings. That means one or two dividend cuts shouldn't undermine the dividend-paying capacity of the trust as a whole. Like other investment trusts, City of London can (and does) hold some of the income it receives back as a buffer against hard times. At the helm is Job Curtis who has been in post since 1991.

JP MORGAN GLOBAL GROWTH & INCOME (JPGI) 340p

Yield: 3.8%
Five year annualised return: 202%
Source: JPMorgan

IDEAL FOR INVESTORS LOOKING FOR A REGULAR, PREDICTABLE INCOME WHILE LEAVING THEIR CAPITAL TO COMPOUND

With a quarterly dividend and the freedom to tap into the best ideas from JPMorgan's hugely-experienced research team, the **JP Morgan Global Growth & Income (JPGI)** trust is described as a 'go-anywhere' fund designed to provide index-beating total returns over the long term.

Run by a trio of managers – all multi-year veterans of the firm – the trust holds a concentrated portfolio of between 50 and 90 stocks selected using a fundamental, bottom-up process which is agnostic of country or sector benchmarks. The managers typically take a five-year view when picking stocks, with a focus on growth and cash generation. Current holdings include shares in blue-chip companies such as Amazon, Diageo and Microsoft as well as high-quality corporate bonds.

There is good daily liquidity in the trust's shares, and the ongoing charge of 0.56% is one of the lowest in the sector. Dividends are set at the beginning of the year at roughly 4% of net asset value (NAV), and over the last five years the payout has increased by an average of 30% per year. Although this average is inflated by a big step up in the dividend in 2016 as the company introduced a revised distribution policy.

Given the trust's record of compounding value over the long term, we believe investors shouldn't be put off by the small (2%) premium to NAV at which the shares currently trade.

JUPITER ASIAN INCOME (BZ2YND8) 160.14p

Yield: 3.8%
3 year annualised returns: 9.6%
Source: Morningstar

SUITABLE FOR HIGHER RISK, PATIENT INVESTORS IN THE ACCUMULATION PHASE OF THEIR LIFE

Asset manager Jupiter says by next year the number of Asian companies offering dividends in excess of 4% should have tripled since 2001.

Its Asian Income fund invests in 'reliable' asset-backed companies, according to Jupiter vice chairman Edward Bonham Carter.

Fund manager Jason Pidcock is highly regarded and considered to be a real expert in spotting opportunities in the Asian market.

'Companies must have strong management and a sustainable advantage allowing them to generate cash over a long period to fund dividends,' says the investment team at AJ Bell about how the fund picks stocks.

The portfolio includes positions in Samsung Electronics and gambling resorts specialist Sands China. The minimum market cap for companies in the portfolio is $2.5bn.

Bonham Carter says Jupiter Asian Income has outperformed in 85.7% of down markets since April 2016 and a stress test indicates it could liquidate 78% of its portfolio in just three days, should investors all want to get out.

This fund would suit someone looking to back cash-generative businesses and where they can reinvest dividends to enjoy compounding benefits. It is higher risk because a large portion of the portfolio is invested in emerging markets.

LEGG MASON IF RARE GLOBAL INFRASTRUCTUREINCOME FUND (BZ01WT0) 135p

Yield: 5.95%
Three year annualised return: 12.7%
Source: Morningstar

SUITABLE FOR INDIVIDUALS WITH INVESTMENT TIME FRAMES OF FIVE YEARS OR LONGER, LOOKING TO PROTECT FUTURE INCOME FROM INFLATION

The objective of the fund is to provide an income comprised of dividends as well as achieve long-term capital growth. It was established in 2006 and offers expertise across global infrastructure projects with the aim of investing in high-quality listed assets.

Its goal is to deliver absolute returns over an investment cycle and specifically to beat average inflation across the largest group of seven (G7) nations by 5.5% a year. The fund has 34 holdings and the top 10 represent around 43% of the total holdings. Electric and gas assets are the largest areas of the fund's exposure and represent over 72% of the portfolio. In geography terms, Canada, the US and the UK assets represent half of the portfolio.

The managers invest the fund's assets in large listed companies involved in building roads, bridges or airports. The largest company in the portfolio is Canadian based Enbridge, which is involved in energy transportation and distribution. The UK's **National Grid (NG.)** is in the top 10 holdings of the fund, as is energy supplier **SSE (SSE)**.

TB EVENLODE GLOBAL INCOME (BF1QMV6) 127.39p

Yield: 2.2%
Five year annualised return: N/A
Source: Trustnet

LONG-TERM INVESTORS SEEKING DIVIDEND GROWTH WITH THE PROSPECT OF SOME CAPITAL GROWTH ARE IDEAL FOR THIS FUND

Managed by Ben Peters and Chris Elliott, the **Evenlode Global Income (BF1QMV6)** fund was launched in late 2017 with the intention of replicating Cotswolds-based asset manager Evenlode's successful investment process across a broader, global universe of equity opportunities.

The £544.37m portfolio would suit a long-term investor seeking a high level of income combined with the prospect of some capital growth. A focused portfolio of quality global stocks – 38 names at last count – Evenlode Global Income aims to deliver sustainable real dividend growth over time, compensating for a modest current yield.

The emphasis on sustainable real dividend growth, through a focus on companies with high returns on capital and strong free cash flow, lends the fund resilience during periods of market volatility. Peters and Elliott put money to work in companies with diverse multi-national revenue streams.

Leading positions span the likes of Marmite maker **Unilever (ULVR)** and Schwarzkopf shampoo maker Henkel to computer chip maker Intel, publishing play **RELX (REL)**, global foods and beverages behemoth giant PepsiCo and the Dutch digital information and services conglomerate Wolters Kluwer. Since launch, the fund has outperformed both the IA Global Equity Income sector and the MSCI World benchmark.

TROY TROJAN INCOME (BZ6CQ17) 106.9p

Yield: 4.1%
Five-year annualised returns: 7.5%
Source: Citywire, Morningstar

A STEADY, RELIABLE INCOME FUND FOR THOSE IN RETIREMENT

For those in the know, the **Troy Trojan Income (BZ6CQ17)** fund has long been a steady and reliable option with a decent dividend yield, low volatility and solid, if unspectacular, capital growth. Launched in 2004, the fund is entrusted with £3.2bn of investors' hard-earned money, which it puts into high quality FTSE 100 companies with the potential to grow their dividends.

The large cap nature of the portfolio, combined with the management team's focus on capital preservation, means the fund has consistently performed better than most of its peers for standard deviation and maximum drawdown, two useful measures for volatility.

Over five years, the fund has a standard deviation – the difference in performance compared to its peer group – of 8.6. Anything below 10 is considered to be low volatility. Over the same time period, the fund has a max drawdown – the difference between its highest value and lowest value – of just -9.1%, demonstrating the reliability of its returns so far.

SHARES CENKOS

Growth and Innovation FORUM

11 February 2020 – Business Design Centre, London

REGISTER FOR FREE TODAY

The Growth and Innovation Forum is the UK's only growth and technology focussed investment show.

Do you want to find the next stock market star performer?
Are you interested in growth and technology focused companies?
Do you want to know how investing really works?
Are you looking to build your wealth through capital growth and income?

Do you want to take an active role in managing your money?

Come to the Growth and Innovation Forum and connect with top experts who will share their in-depth knowledge of investing and meet directors from fast-growing and technology led London listed companies.

The show is brought to you by the team at Shares Magazine and AJ Bell, in partnership with Cenkos Securities.

EXHIBITING COMPANIES AT THE EVENT INCLUDE:

- AJ Bell
- Amryt Pharma
- Corero Network Security
- Diaceutics
- Duke Royalty
- Eden Research
- Equals Group
- Hardide
- Intelligent Ultrasound
- Ixico
- Manolete
- Mirada
- Open Orphan
- OPG Power Ventures
- Sativa
- Shares
- Shearwater Group
- Trackwise Designs
- Velocity Composites

+ more to be announced soon

GUEST SPEAKERS:

Daniel Coatsworth, Editor – Shares. **Steven Frazer**, News Editor – Shares.
Richard Penny, Fund Manager – CRUX Asset Management.
Gervais Williams, Senior Executive Director – Miton Group.
Shaun Yates, Head of Investor Relations – AJ Bell.

www.sharesmagazine.co.uk/events Contact: **lisa.frankel@sharesmagazine.co.uk**
For directions **click here**

In partnership with CENKOS

Associate sponsors AJBell Youinvest

SHARES

How to read the bond market

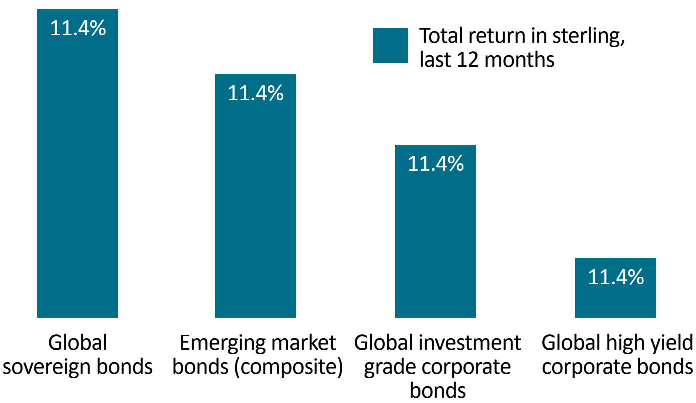
What the latest developments in fixed income mean for investors

By **Russ Mould**
AJ Bell Investment Director

For the umpteenth year in a row, bonds have confounded the bears in 2019. Once more, it exposure to the fixed-income asset class has proved its worth, for diversification purposes and for sold total returns.

Yields may not be huge, far from it with the benchmark UK 10-year Gilt offering 0.71% and the US 10-year Treasury 1.76%, but yields are lower than they were a year ago because prices are higher.

FIXED-INCOME HAS PROVIDED POSITIVE TOTAL RETURNS ACROSS THE BOARD OVER THE PAST YEAR



Source: Refinitiv data

There are several possible explanations for this. Concerns over economic growth and buying of 'haven' assets as well as fears over the 'Japanification' of the West meant that long-dated bonds did particularly well as portfolio-builders pondered whether we are in for years, if not decades, of weak growth, low inflation and low interest rates.

Other factors include central banks' return to cutting rather than raising interest rates and the ongoing reach for yield in a low-interest-rate world among life insurers (as they seek to match future liabilities with income) and savers.

Also influential has been the return to bond-buying via quantitative easing (QE) by the European Central Bank, ongoing QE in Japan and the US Federal Reserve's decision to stop shrinking its balance sheet in an attempt to sterilise its QE scheme.

LONG-DATED GOVERNMENT BONDS HAVE BEEN THE BEST SUB-ASSET CLASS OVER THE PAST YEAR

US 30-year Treasuries	25.6%
German 30-year bunds	18.9%
Japan 30-year JGBs	16.1%
UK 30-year Gilts	13.1%
US 10-year Treasuries	11.3%
UK corporate high yield	10.0%
US corporate investment grade	9.5%
Emerging market corporate	6.7%
UK 10-year Gilts	5.7%
Emerging market sovereign	5.6%
Japan 10-year JGBs	5.3%
German 10-year bunds	3.4%
US corporate high yield	3.1%
European corporate high yield	0.3%
European corporate investment grade	-3.5%

Source: Refinitiv data

All of these factors create demand – and more than enough demand, it seems, to swamp the supply created by rampant government, corporate and consumer borrowing.

QE programmes lead some to complain that fixed-income markets are 'broken' and distorted, even if the amount of bonds on a global basis that come with a negative yield has dropped from a peak of around $17tn to between $12tn and $13tn.

If supply is not apparently a problem, at least for now, then investors need to think about what could stoke or choke off demand.

KNOW THE RISKS

The major risks associated with investing in bonds, via individual issues or funds, are:

- **Interest rate risk.** If interest rates rise, there may be more attractive yields on offer elsewhere, persuading investors to sell their bonds and migrate to either a different asset class (cash) or bonds issues with higher yields.
- **Credit risk.** This is the risk that the issuer proves unable to pay the coupons (interest) and ultimately repay the whole loan (principal) upon maturity.
- **Inflation risk.** As with cash, inflation reduces the real-terms value of the coupons paid by most bonds (index-linked bonds being an exception).

In sum, a sudden burst of economic growth and inflation would probably be bad for bonds, with the exception of high-yield and possibly emerging-market bonds.

Growth is good for corporate profits and cash flow and makes it easier for firms (or governments) with weak balance sheets to fund their liabilities. This is why high yield trades more like equity (shares) than debt (bonds). The biggest risk for government bonds are interest rate risk and inflation risk (as very few countries actually default, Argentina being an unfortunate serial offender).

The risks for investment-grade corporate debt are probably equally spread between credit risk, interest rate risk and inflation risk.

The biggest risk for high yield debt is credit risk and the danger the issuer goes broke.

A view on interest rates and inflation will largely shape investors' outlook on government bonds and, to a lesser degree, investment grade corporate bonds. A view on the economy and inflation will shape investors' outlook on credit risk and therefore high-yield bonds and, also to a degree, investment-grade bonds.

Investors also need to consider the issue of maturity.

Short-term bonds offer less interest rate risk, less credit risk and less inflation risk.

Long-term bonds offer more interest rate risk, more credit risk and more inflation risk, as they have a longer lifespan and there is more scope for things to go wrong. That is why investors generally demand higher yields on longer-term paper, to compensate themselves for the additional dangers.

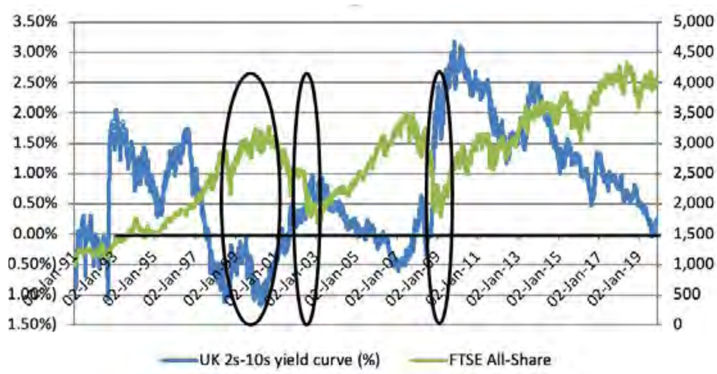
YIELD CURVE CONUNDRUM

This takes us on to the issue of the yield curve. Normally, longer-term bonds offer higher yields but this summer the curve inverted, as benchmarked by the yield gap between two-year and 10-year government bonds in the UK and US.

That is usually taken to be a sign that a downturn or recession is coming, as the market prices in lower interest rates in the future in response to the slowdown.

The good news is the yield curve has steepened and the curve is no longer inverted (the yield on 10 year gilts exceeds that of two-year gilts).

INVESTORS MUST DECIDE WHETHER WE ARE SEEING A BULL OR BEAR STEEPENER IN THE YIELD CURVE



Source: Refinitiv data

Investors must now assess whether this is either a 'bull' steepener, where long-term yields are rising faster than near-term ones (which implies future growth), or a 'bear' steepener, where near-term yields fall faster than long-term ones (as that implies an imminent recession and more interest rate cuts).

Note that a sudden steepening of the yield curve was a harbinger of increased volatility (if not outright falls) in UK share prices in 1998, 2000 and 2007, so the yield curve must still be watched, not just for its shape, but how that shape is formed.

Reassuringly, the UK two-year yield is up by 13 basis points from when the curve first inverted and the 10-year is up by 31 basis points. So far, so bullish, but watch this space.

Target date funds: the $1.7tn US industry that's slipped under the radar

A category of retirement fund that does all the asset allocation work for you is struggling to gain traction in the UK

It could be a pub quiz question – name the multi-trillion dollar industry that's practically non-existent in the UK.

While some may guess a niche area of engineering or technology, it's doubtful many – if any – would say target date investment funds.

With around $1.7tn in the US, the largest market in the world for such funds, target funds launched to big fanfare on these shores a few years back, but have quietly whittled away with precious little assets left and even fewer options remaining for UK investors.

A REASONABLE IDEA

The idea of target funds seems reasonable enough. You pick a date you plan to retire or withdraw your investments, and pick a fund accordingly. All you need to tell the fund company is your age and when you want your money back.

The fund will be split between shares and bonds, usually with 80% in shares and 20% bonds when you begin the investment journey.

Say for example you plan to retire in 2040, such funds will rebalance automatically the closer you get to that date, the idea being you take a bit more risk for higher returns when you're younger and less risk, in order to preserve the gains made in previous years, as you approach retirement or your target goal (for example sending the kids to university).

They are designed to effectively be a one-stop shop, and feature prominently in US employee retirement plans, called a 401(k).

Despite their soaring popularity in America, barely any people in the UK invest in target date funds.

TWO MAIN OPTIONS

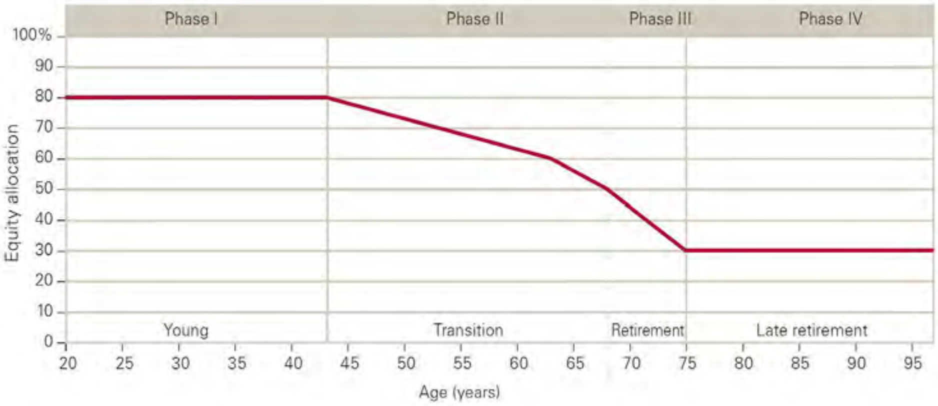
For those that do, there are only two main options – Vanguard's range of target date retirement funds from 2024 to 2060, and the Architas BirthStar range, the investments in which are managed by AllianceBernstein.

Both ranges have a very small amount of assets in them. The three funds in the Architas range have less than £3m of investors' money combined.

The Vanguard range has significantly more in comparison, but the roughly £150m total is a lot less than the $800bn it has in its US equivalents.

Architas declined to comment on the BirthStar range, while AllianceBernstein was unavailable for comment at the time of publication.

HOW THEY WORK – FOUR DISTINCT PHASES



Source: Vanguard

Vanguard did talk to *Shares*, and its head of ETF product management Mark Fitzgerald believes the products will take off in the UK and Europe at some point in the not too distant future, particularly given the fact the removal of the requirement to buy an annuity in retirement gives savers more flexibility.

'Let's face it, most of us don't have a bespoke savings plan,' he adds. 'So our target date funds are designed to be straightforward products that help you save for your retirement.

'We'll take on the strain of asset allocation. All you need to do is tell us your age and when you plan to retire and we'll do the rest.'

Putting money into funds for a targeted date 'just isn't the way people here invest anymore'

FIDELITY EXITS THE MARKET

One of Vanguard's big rivals, Fidelity, launched a range of target date funds in the UK a few years ago, but quietly withdrew from the market when it became clear the funds weren't gathering much of investors' money.

Shares understands that despite the low level of assets, Architas is sticking with its range as it believes the rationale for target date funds is sound and that they still have the potential to gather assets in future.

But Ryan Hughes, head of active portfolios at AJ Bell, says putting money into funds for a targeted date 'just isn't the way people here invest anymore'.

'Before, you used to have your balanced pension fund and you would put everything in there,' he explains. 'But now, people invest in a risk-profiled way. That gliding mechanism [target date funds] have is covered by moving from adventurous to balanced to cautious.'

Hughes adds that target date funds 'aren't a bad idea', but their low popularity combined with inherent issues in the way they're set up means they're not exactly primed for success on these shores.

He says, 'If, for example ,you have a child and you put money into a fund for when they turn 18, and then you have another child three years later and want to do the same, that same [target date] fund won't be appropriate.

'The trouble is the fund groups have to keep launching new funds every few years.'

CLEAR REASONS FOR US POPULARITY

Fitzgerald is clear on the reasons why target date funds are so popular in the US but not over here at the moment.

He says, 'In the UK, we are still in a marketplace where you have advisers who prefer to do the asset allocation for you, whereas in the US advisers are more advice-orientated, advising you on investment behaviours, tax planning, etc.'

Or in other words, in the US you're given the advice but the asset allocation is up to you.

'Plus, the social security net in the US is lower, so people are naturally more equity/investment-orientated,' Fitzgerald adds. 'They take a lot more ownership of their investments.'

As pension freedoms give UK retirees more flexibility than ever before, Vanguard is banking on an increasing number of people taking ownership of their investments in the UK too.

By **Yoosof Farah**
Reporter

THIS IS AN ADVERTISING PROMOTION

Janus Henderson
INVESTORS

Why caution on Hong Kong is **paying dividends**

Prudent investors will have been cautious on Hong Kong for some time, says Henderson Far East Income Fund Manager Mike Kerley; with Asia's income growth coming from elsewhere.

For anyone with an interest in the Asian growth story, the scenes in Hong Kong are very worrying. While no one could have foreseen the scale and intensity of the demonstrations we have seen this year, there were reasons to be wary about exposure to Hong Kong.

The Henderson Far East Income Ltd. (HFEL) portfolio is not overly exposed to Hong Kong (~8% of the portfolio, as at 30/09/19) because we have been cautious on Hong Kong for some time. In our view, wealth inequality in Hong Kong has been a problem for years, so we have been mindful of any exposure to the city. We don't own any of the high-yielding sectors in Hong Kong, such as property companies, banks and utilities, which have historically been portfolio staples for income investors in Asia.

TROUBLE BREWING

The protests started in the summer with opposition to a new bill that would have facilitated the extradition of citizens to mainland China and Macau (when accused of crimes against the Beijing government). The bill was withdrawn following months of mass protests and disruption to the city, but rather than calming the situation, the concession ignited a wider, all-encompassing resistance to China's political influence in Hong Kong. Now we are seeing violent and destructive demonstrations with both sides taking radical measures and unwilling to back down. The disorder has even filtered into parliamentary proceedings.

The demonstrations may be in the name of pro-democracy, but underlying this is a deeply fractured society. The property market is at the heart of Hong Kong's economy and prices have been soaring for years; driven in part by mainlanders buying property in the city, driving prices up and fueling the discontent we see today. That has made life very difficult for locals on low and average salaries, with exorbitant rents and poor living standards. In fact, Hong Kong was deemed the most expensive city in the world to buy a home in 2019 (source: CBRE, 2019). All this makes for bad reading and has been a big deterrent for us.

More to the point, the gap between the haves and have-nots is wider in Hong Kong than in any other developed economy. Using the most widely accepted measure of income inequality, the Gini coefficient, Hong Kong rates among the 10 most unequal societies in the world, keeping company with third-world countries like Lesotho, Guatemala, Haiti and Namibia (source: IMF).

Hong Kong's Beijing-backed leader, Carrie Lam, identified wealth disparity as a key concern after her appointment in 2017. Following months of protests, Lam laid out plans to provide affordable housing for first-time buyers in the annual policy speech in October. The administration believes that addressing the property crisis will soothe the unrest. That remains to be seen, but it would certainly be a step in the right direction.

ASIA OUT IN FRONT

The situation across the rest of Asia is largely unchanged; the way to access the region's exponential economic growth is no longer through Western companies exporting into the region, but rather through domestic companies that are aggressively targeting local and global market share. These companies are generally found elsewhere than Hong Kong, which is typically home to more mature companies with well-established businesses.

That is reflected in the HFEL portfolio, which has more exposure to Taiwan (~14%), Singapore (~12%), South Korea (~9%) and Thailand (~9%) than it does to Hong Kong, with Indonesia (~5%) not far behind. Mainland China (~21%)

Janus Henderson INVESTORS

and Australia (~16%) represent the two largest geographical exposures for the Trust.

With that said, I don't think the portfolio should be viewed through this lens. We don't allocate funds by geography. We look for companies that can sustain and grow their dividends into the future. Generally we look for companies within sectors where there is a strong demand. Right now we see attractive opportunities in diversified financials (excluding banks), property, telecoms and consumer goods.

Generally speaking, Asian companies are paying out more than before in the way of dividends and are net cash in many cases. That might be hard to see if you look at index data, because so much of the growth in recent years has come from non-yielding companies, in particular Chinese internet firms.

For income seekers, Asia is a no brainer. Global growth is slowing, but Asian economies are still out in front in terms of GDP growth forecasts, according to latest IMF figures. Asian governments have more flexibility around fiscal policy, monetary policy (interest rates) and spending than their Western counterparts, while dividend growth has been stronger in Asia than anywhere else in the world.

HFEL's proprietary research, the Asia Pacific (ex. Japan) Dividend Index 2019, found that since 2009 total dividend payouts in Asia-Pacific (ex. Japan) grew 221% compared to 119% in the rest of the world. The Trust has been well placed to profit from this; trading on a 6% yield this year – the highest of any equity investment trust – and that's down to our focus on cash-generative, domestic companies with strong dividend growth prospects.

MIKE KERLEY,
FAR EAST INCOME FUND MANAGER

GLOSSARY

Fiscal policy: Government policy relating to setting tax rates and spending levels. It is separate from monetary policy, which is typically set by a central bank. Fiscal austerity refers to raising taxes and/or cutting spending in an attempt to reduce government debt. Fiscal expansion (or 'stimulus') refers to an increase in government spending and/or a reduction in taxes.

IMF (International Monetary Fund): The IMF is an international organisation that aims to promote global economic growth and financial stability, encourage international trade and reduce poverty.

Monetary policy: The policies of a central bank, aimed at influencing the level of inflation and growth in an economy. It includes controlling interest rates and the supply of money.

Yield: The level of income on a security, typically expressed as a percentage rate.

The past performance of an investment is not a reliable guide to its future performance.
For UK investors only. For promotional purposes. The value of investments, and the income from them, can go down as well as up, and you may not get back the amount you invested. Nothing in this communication is intended to be or should be construed as advice.
Before investing in any investment referred to in this communication, you should satisfy yourself as to its suitability and the risks involved. Nothing in this communication is a recommendation or solicitation to buy, hold or sell any investment. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change.
Issued in the UK by Janus Henderson Investors. Janus Henderson Investors is the name under which investment products and services are provided by Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), Henderson Investment Funds Limited (reg. no. 2678531), AlphaGen Capital Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no.2606646), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority) and Henderson Management S.A. (reg no. B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier). Janus Henderson, Janus, Henderson and Knowledge.
Shared are trademarks of Janus Henderson Group plc or one of its subsidiaries.
© Janus Henderson Group plc.

Revealed: our favourite biotech trust

We take a look at the unloved biotechnology space and the investment trusts which specialise in this area

The biotechnology sector has been in the doldrums relatively speaking over the last five years having under-performed the FTSE World index by 48% and the MSCI World HealthCare index by 39%.

According to Bloomberg data the sector is trading on a one-year forward price-to-earnings (PE) multiple of just 9.9 times, the lowest in 25 years.

We have delved into the issues that have been driving performance and compare investment styles across the sector, in an effort to unearth a bargain investment trust in this space. Our favourite is the **Worldwide Healthcare Trust (WWH)**.

HOW BIOTECH TRUSTS HAVE PERFORMED

Trust	Five-year total return (%)
Syncona	98.2
International Biotechnology	78.9
Worldwide Healthcare	77.9
Polar Capital Global Healthcare	49.7
Biotech Growth	21.2

Source: AIC

GROWTH DRIVERS UNDERMINED BY REGULATORY PRESSURE

Historically the Nasdaq Biotech index has outperformed the wider market, delivering an average annualised return of 10.5% per year over the last 20 years, compared with 6.3% per year for the MSCI World Healthcare index and 5% per year for the MSCI World index.

Data from the United Nations shows that there will be 2.1bn 'elderly' people by 2050 as the percentage of the over 60s increases from 12.5% to 22%. This trend will result in increasing demand for healthcare. Drug companies will meet that demand by producing more drugs that prolong people's lives and allows them to live better in old age.

Drug pricing has been and remains a key battle ground in US politics as the 2020 elections come into view. The key concern is that Bernie Sanders' proposal of 'Medicare-for-all' would hit profitability of the industry hard.

However the problem is the multitude of industry 'intermediaries' that take 41% of total healthcare spending while drug manufacturers only account for 10%.

Despite the political fog, the regulatory backdrop is supportive with a record number of Federal Drug Administration (FDA) approvals last year to 59 compared with just 25 a decade earlier.

THE ADVANTAGE OF USING FUNDS TO GET EXPOSURE

Few investors are sufficiently armed with the specialist knowledge needed to find tomorrow's winners in the sector. All of the trusts in the sector employ PhDs as well as statistical experts in the design of drug trials which gives them a clear edge.

In addition, developing new drugs at the limits of science is a very risky and expensive business, so it makes sense to hold a diversified spread of investments through a fund or trust.

As we will see, some trust managers are more diversified than others, so it pays to know how they compare.

Life science trust, **Syncona (SYNC)** focuses on investing in and building global leaders in life science by taking controlling stakes in early stage companies. Seven out of eight companies in the fund were founded by Syncona.

The trust's record for creating commercial therapies is excellent, so much so that it might be argued that the company is a victim of its own success.

Following recent successful portfolio sales, (Blue Earth represented a 10-fold return and Nightstar a 4.5 times return) and net proceeds of £592.6m the trust has a huge unused capital base of £855m, which is 64% of the total assets.

Although the current 13.4% premium to net asset value (NAV) is much lower than the 54.5% peak, the trust trades at the largest premium in the sector reflecting past successes. The company has a 'rich pipeline' of new opportunities, but it isn't obvious why investors should continue to pay a premium for a fund which is almost two-thirds in cash.

OUR FAVOURITE PLAY

Our favourite play is Worldwide Healthcare Trust which is on a 3.5% discount to NAV, close to historic lows. It has among the best five-year performance in the sector, and therefore current levels look anomalous and potentially good value.

Managers Sven Borho and Trevor Polischuck, partners at Orbimed, see many opportunities in what they call the 'golden era' of innovation. They highlight gene therapy, where Sarepta Therapeutics is developing a treatment for muscular dystrophy. Another area is cell therapy for the treatment of lymphoma.

Orbimed also advises on the **Biotech Growth Trust (BIOG)** which is co-managed by Geoff Hsu. It is smaller than WWH and focused on the narrower biotech universe. The team runs a concentrated portfolio of 30 to 45 names and they look to identify catalysts in emerging biotech companies.

Relatively poor recent performance means that the trust sits on a 9% discount to NAV.

International Biotechnology Trust (IBT) has been managed by SV Health Managers since 2001, and is one of the world's leading life science investors.

In contrast to the Biotech Growth Trust, the IBT managers try as much as possible to mitigate the volatility and risks associated with drug trials. Rather than trying to figure out if a drug might get approved, the team actively reduce their exposure ahead of known 'event risks'.

RETREATING FROM BIOTECH

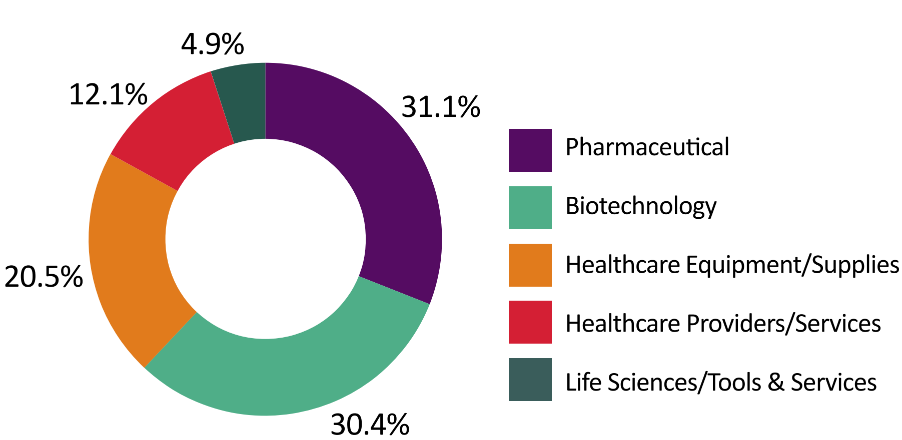
BB Healthcare (BBH) is a high conviction fund of 35 stocks, unconstrained by the benchmark, run by Paul Major and Brett Darke of Bellevue Asset Management. The pair has radically reduced exposure to biotech over the last year and it only represents around 10% of the portfolio.

Today the fund is mainly exposed to managed care, medtech and diagnostics companies which represent 45% of the fund.

The **Polar Capital Global Healthcare Trust (PCGH)** trades at the biggest discount to NAV in the sector (10.3%). This despite the fact it has performed in line with IBT, which trades close to NAV.

The fund's largest exposure is to healthcare equipment companies which represent 37% of the portfolio, while large listed pharmaceutical firms make up around 27%. Similar to BBH, the team has a relatively small exposure to biotech, around 14% of the fund.

WORLDWIDE HEALTHCARE – SECTOR BREAKDOWN



Source: Worldwide Healthcare Trust

By **Martin Gamble**
Senior Reporter

Emerging markets growth leaderboard

Developing economies expected to grow faster than their developed counterparts in 2020

The latest projections from the International Monetary Fund (IMF) are for growth from emerging markets to be significantly stronger than from developed economies in 2020.

In some respects this is unsurprising. The nature of the populations of emerging market countries or their 'demographics' are a key advantage over so-called developed economies in the UK, US and Europe which are struggling to contend with increased numbers of older people and a shrinking work age population.

As economies transition from developing to developed status an increasing proportion of the population will be middle class with disposable income to spend. This is likely to result in an increase in consumer spending. These factors combined mean emerging markets have an in-built advantage when it comes to economic growth.

However, there is significant divergence between the prospects for different emerging markets as the table indicates.

Factors such as geo-political tensions, tax increases, change of market policy, inability to control inflation and changes in laws regarding resource extraction are all obstacles to growth. Major political instability can also result in civil war and a shutdown of industry, as workers either refuse or are no longer able to do their jobs. While volatility in emerging markets' economies and shares is often matched by their currencies.

According to the IMF's analysis, Asia is set to lead the way powered by 7% and 5.8% GDP growth from India and China respectively – while Latin America and the Caribbean presents a much less buoyant picture amid lingering political turmoil in countries like Venezuela and Argentina.

WHICH EMERGING MARKETS ARE FORECAST TO DO BEST IN 2020?

	GDP growth 2020
Emerging and developing Asia	6%
Sub-Saharan Africa	3.6%
Middle East and Central Asia	2.9%
Emerging and developing Europe	2.5%
Latin America and the Caribbean	1.8%
Emerging market and developing economies	**4.6%**
Advanced economies	**1.7%**

Source: International Monetary Fund, October 2019

FRANKLIN TEMPLETON

This outlook is part of a series being sponsored by Templeton Emerging Markets Investment Trust. For more information on the trust, visit here

Emerging Markets: Views from the Experts

Three things the Franklin Templeton Emerging Markets Equity team are thinking about today

1. Partial trade deal: News that the United States and China reached a partial trade deal in October was cheered by investors globally. The 'phase one' agreement, which was originally expected to be signed in November, is said to cover agricultural products, financial services, currency and intellectual property. While the deal is still in flux, the United States did suspend the tariff increase on Chinese imports that was scheduled for 15 October. Domestic consumption now makes up the lion's share of China's economic growth, accounting for 76% of gross domestic product (GDP) in 2018, up from 59% in 2017.

2. IMF: While concerns of a slowdown in economic growth have been weighing on market sentiment, the International Monetary Fund (IMF) expects global growth to accelerate in 2020, driven primarily by a recovery in economic activity in emerging markets (EMs). Improving fiscal, economic and monetary policies and a renewed focus on structural reforms in several EMs appear to be gaining traction. The results of these trends are expected to become more evident in strengthening GDP growth in 2020, which could also provide a more favorable operating environment for EM companies..

3. Technology is expected to become a key driver of global growth, especially in EMs where companies have been using innovation and technology to leapfrog and disrupt traditional business models. EMs' accelerating internet usage and penetration are likewise hastening opportunities for efficiencies, cost savings and ease of doing business. Since the turn of the century, we have also witnessed a significant increase in the trade value of 'high-tech' goods being exported by EM countries. Compound annual growth in these types of exports is expected to be 16% for the years 2017-2023.

TEMPLETON EMERGING MARKETS INVESTMENT TRUST (TEMIT)

Porfolio Managers

Chetan Sehgal
Singapore

Andrew Ness
Edinburgh

TEMIT is the UK's largest and oldest emerging markets investment trust seeking long-term capital appreciation.

Investing to cover the cost of care

The smart way to prepare for care home fees

Planning for paying for a care home isn't a fun prospect, but with annual costs running to tens of thousands of pounds, it is smart to be prepared.

Here's our guide to care fees and how to invest to pay for them.

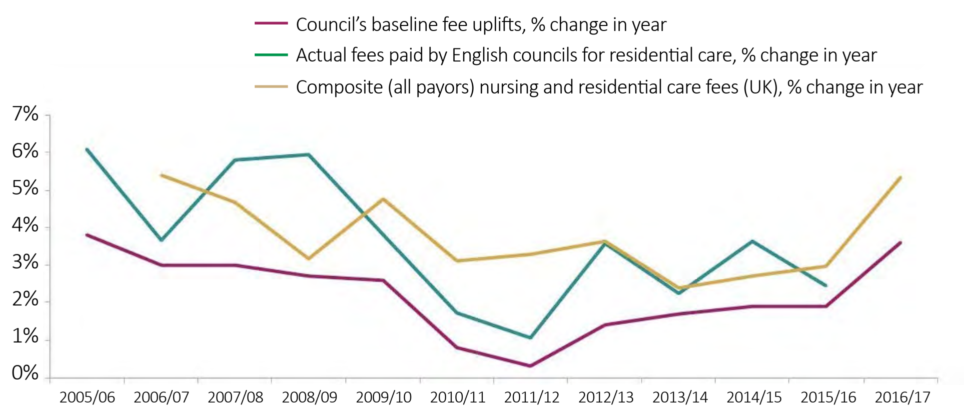
WHEN DO YOU HAVE TO PAY?

Anyone with savings or assets worth more than £23,250 will likely have to pay towards their care costs. Your property will be counted in this calculation if you're moving into a care home, unless your partner or certain other close relatives still live there. This means that for many people they will need to use their home to help fund their care costs.

An exception on self-funding care is where someone needs care due to certain medical conditions or illnesses, and in this case the NHS will pay for care under 'continuing healthcare'. The local authority will assess you and determine whether you're eligible, and unfortunately there isn't a list of conditions or illnesses that qualify you for funding.

Instead there are guidelines the local authority will follow, which can result in different areas interpreting the rules in different ways and a postcode lottery on whether care fees are paid.

CARE HOME FEES ON THE RISE



Source: Laingbuisson

HOW MUCH DOES CARE COST?

On average those paying for their own care will pay £750 a week for a care home and £1,000 a week for nursing care, according to LaingBusson, which crunches the figures on care costs. These averages hide big regional differences, where in the North East the average cost for nursing care is £674 a week, and in the South East it's £1,017.

> "It can be tough to predict what these costs will be"

HOW CAN I MEET THIS COST?

You need to work out your total income each year, including any state pension, private pensions or rental income from buy-to-let properties. Once you've worked this out, you can subtract this from the care costs and work out your shortfall you need to make up.

Depending on the type of care home you're moving into you'll need to calculate some spending money too. Care homes vary from those where you still prepare some of your meals (and so incur some food costs), to those where everything is provided for you, down to your daily newspaper. So it can be tough to predict what these costs will be – you need to ask the home what's covered.

INVESTMENTS FOR INCOME-SEEKERS

JPMorgan Claverhouse (JCH) – this investment trust makes it on the Association of Investment Companies' 'Dividend Heroes' list, meaning that it has raised its income every year for the past 20 years or more. In this case it's increased it every year for 46 years. While there's no guarantee that will continue, no one wants to be the fund manager who ends a 50-year streak of increasing dividends.

More importantly, the trust is one of just three on the list that has managed to increase its payout by more than inflation every year for the past 20 years. This is particularly important for those paying for care fees as the costs hike each year. What's more, it's the only one of those inflation-beating trusts to currently yield more than 4%.

The trust invests in 60 to 80 different UK companies and targets a mixture of income and capital growth, meaning your pot should keep growing as well as delivering an income. The £400m trust is far from the largest in its sector, but over the past 10 years has delivered a total return of 154%, compared to the FTSE All Share's 111.5% return. Looking just at income, the fund has paid out £53,117 of income on a £100,000 investment over the past 10 years.

MI Chelverton UK Equity Income (B1Y9J57) – This £627m fund often slips under the radar of income hunters, but it's been around since 2006, and managers David Horner and David Taylor have run it since launch.

Over the past 10 years the fund has been one of the top for income and capital returns in its sector. If you'd have invested £100,000 a decade ago you'd have received £87,000 in income during that time, while also seeing your initial investment grow by 110%. On a total return basis your pot would have grown to more than £356,000 over that 10 year period.

The fund invests in UK companies, both large business and those listed on the AIM market. This means you're exposed to higher risk as some companies will be smaller and potentially less liquid.

To give you an idea of the split, the fund currently has 93 holdings, and 23 are large companies worth more than £1bn, while 11 are below £100m in size. Current holdings include pub group **Marston's (MARS)**, travel company **National Express (NEX)** and homeware retailer **DFS Furniture (DFS)**.

Schroder Income Maximiser (B53FRD8) – A more complicated option that uses derivatives to boost income payouts, this fund isn't for everyone. You need to make sure you understand how the derivatives are used in the fund, which essentially sell future potential capital growth in favour of income.

It means that the fund prioritises income over capital gains, so your initial pot will likely grow more slowly than other income funds. For example, the fund has returned 15.5% over the past three years and 100.1% over the past decade on a price basis, but during that time it has handed you £23,128 and £74,328 of income respectively on a £100,000 investment

The £1.2bn fund targets income of 7% a year, and has around 80% in UK stocks at the moment, including the likes of oil giant **BP (BP.)**, banks **RBS (RBS)** and **HSBC (HSBA)**, and supermarkets **Morrisons (MRW)** and **Tesco (TSCO)**.

DON'T NEED THE INCOME NOW?

WITH THE INCOME investment options, if you're saving up for future care costs, rather than meeting the costs now, you can automatically re-invest the dividends or buy the accumulation share class of the fund until you need to draw the income. This means you'll benefit from the income rolling up over time, but have a fund ready to generate income when you need it.

If you already own a home, you may want to keep hold of it and rent it out in order to generate income. The advantage of doing this is that you keep the home to pass on to family members when you pass away, and you also don't have to go through the process of selling the property.

However, depending on the area you live in, the type of property and the condition of it you might find that it doesn't generate enough income to fund your care costs. You'll also need to factor in periods where you might have no tenants, and also any costs of renting out the property and maintaining it.

WHAT SHOULD I INVEST IN?

The latest Barclays Equity Gilt Study gives an idea of the average long-term returns from different asset classes. Over 10 years the average return from UK stock markets has been 5.8% a year, after inflation, while government bonds have delivered 2.7% a year and cash has delivered a loss of 2.5% a year, after inflation.

This shows the importance of investing your money, rather than leaving it in cash. This is particularly the case as care costs tend to rise by more than inflation each year, so you need your income to grow every year.

For example, based on these average returns, if you have £200,000 sitting in cash you'll lose £5,000 a year in real terms. If you keep it in cash and withdraw £20,000 a year to pay for care then your pot will only last for eight years. This also assumes your annual costs (and so withdrawal) remains the same, which is unlikely.

Meanwhile, if you assume the average return from UK stocks during that time, of 5.8%, your money will last for 15 years – almost double the time.

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

ARE YOU MISSING OUT?

SHARES PUBLISHES NEWS AND FEATURES ON ITS WEBSITE IN ADDITION TO CONTENT THAT APPEARS IN THE WEEKLY DIGITAL MAGAZINE.

THE LATEST STORIES INCLUDE:

WHY THE OUTLOOK IS LIFTING PENNON SHARES

PETS AT HOME SOARS AS BUSINESS TURNAROUND TAKES HOLD

WWW.SHARESMAGAZINE.CO.UK/NEWS/SHARES

This content is FREE to read and will help you stay up to date on the latest stock market news and events relevant to investing.

SHARES AJBell

LISTEN TO OUR WEEKLY PODCAST

RECENT EPISODES INCLUDE:

NHS pension breakthrough, best and worst performing retail shares, Fevertree's ups and downs and the National Lottery's big birthday

Investing in gold, betting on stocks, the Singles Day and Black Friday phenomena, and solving money problems with a financial life coach

PPI windfalls, the challenges facing McDonald's and secret savings

MONEY & MARKETS

LISTEN ON SHARES' WEBSITE HERE

You can download and subscribe to 'AJ Bell Money & Markets' by visiting the Apple iTunes PodcastStore, Google Podcast or Spotify and searching for 'AJ Bell'. The podcast is also available on Podbean.

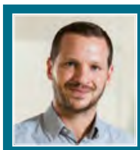
Listen on Apple Podcasts | Available on Podbean | Listen on Google Podcasts | Listen On Spotify

'Am I getting value for money with my workplace pension?'

AJ Bell pensions expert helps with a question linked to automatic enrolment

I'm just getting started saving in a pension (bit of a delay as was focused on paying off some credit card debts and saving for a house in my twenties).

I've been automatically enrolled into a scheme through my employer and they are charging me 0.75%. Should I just stay where I am or move my money elsewhere? The fund seems to be delivering about average performance and I want to make sure I'm getting value for money.
Simon



By **Tom Selby**
AJ Bell
Senior Analyst

Under automatic enrolment rules, all UK employers must offer a pension scheme to staff who satisfy certain criteria. The scheme has to meet a set of requirements, among these is a charge cap for default funds – the investment you are automatically placed into if you make no investment selection – currently set at 0.75% a year.

The purpose of the charge cap is to ensure people who don't make an active choice are not at risk of being ripped off. However, it does not guarantee you will either get the best performing fund or one with the lowest charges.

In fact, the one-size-fits-all nature of many default funds means they are unlikely to be tailored in a way that matches your specific plans or risk tolerance.

Given that small differences in charges can make a big difference over the long term, it could be worth your while scouring alternatives. While some employers will make sure their chosen scheme offers a range of fund options or an alternative scheme to house employees' contributions, they are not obliged to do this and often don't.

This means if you do find a scheme you prefer for your auto-enrolment funds, you'll need to initially transfer over any fund built up, and then every month transfer over the contributions paid into the original scheme. Unfortunately it's unlikely your provider will agree to direct your contributions (and the valuable employer match) into a scheme it hasn't chosen.

While this could be a worthwhile exercise, it will require some ongoing effort on your part. The average pension transfer time is around nine days, although this can vary significantly depending on the providers involved.

As a guide, someone paying in £4,000 a year into a pension scheme could be £16,000 better off after 30 years if they pay into the lowest-charging auto-enrolment scheme versus one charging 0.75%. This assumes investment growth of 5% a year.

If you do decide transfer your pension, make sure you do your due diligence on the provider you're moving to. Scammers have been on the rise in recent years and are particularly focused on targeting people's hard-earned retirement pots, so you need to be absolutely certain that your fund isn't at risk of falling into the wrong hands.

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.

AJBell Media

SHARPEN YOUR **INVESTING SKILLS** WITH **SHARES**

A **SUBSCRIPTION** TO **SHARES HELPS YOU** TO:

- Learn how the markets work
- Discover our best investment ideas
- Monitor stocks with our customisable watchlists
- Enjoy our guides to sectors and themes
- Get the inside track on company strategies
- Find out how fund managers make money

Digital magazine

Online toolkit

Investment ideas

What portfolio rebalancing is and how it can help with investing

Adjusting assets in your portfolio periodically can be a good way of keeping long-term goals on track

Those who seek to make money from the markets are often looking to balance out the risk of loss with the potential for reward. Typically the higher the risk, the higher the possible reward and vice versa.

The proportion of your portfolio you allocate to distinct asset classes will therefore depend on your investment profile and appetite for risk. In order to keep these proportions in line you will need to manage your portfolio actively through a process known as rebalancing.

Say for example you have a portfolio comprised of 60% stocks, 40% bonds (whether directly or through funds), and the stocks do well while the return from the bonds goes down.

In this case, the value of the various holdings in your portfolio will change and may now look more like 70% shares, 30% bonds.

The concept of portfolio rebalancing is that you then take your profit on the shares that have done well, and buy bonds that haven't done as well for the time being, until the stocks part of your portfolio makes up 60% again.

This helps to keep a more consistent level of risk exposure and also encourages the discipline of selling assets that have appreciated and buying those that may have become relatively undervalued.

'DANGEROUSLY EXPOSED'

Seduced by high returns, some may be tempted to leave their portfolio of high-performing shares as it is, but Schroders analyst Clement Yong highlights the problem with this is that you could be 'dangerously exposed', and adds the 'results can be both painful and swift'.

He highlights two past examples for stocks. First from 1974, when the FTSE All-Share Index fell by more than 70%, 'very bad news for anyone holding a UK share portfolio', and secondly in 2008, when the FTSE 100 dropped by 31%.

When it comes to bonds, although pointing out they are more secure than stocks, Yong gives the example of unexpected interest rate rises from the US Federal Reserve in 1994, which subsequently wiped $1.5tn from world bond markets.

'It is true that markets do come back from such losses, but it often requires a strong stomach to last the journey,' Yong adds. 'For an investor, not having all your eggs in one basket can both protect your wealth and give you the confidence to stay aboard.'

Just as it is prudent to sell high-performing assets to keep a portfolio balanced, it's important not to panic when investments are performing poorly and sell simply because that's what everyone else is doing.

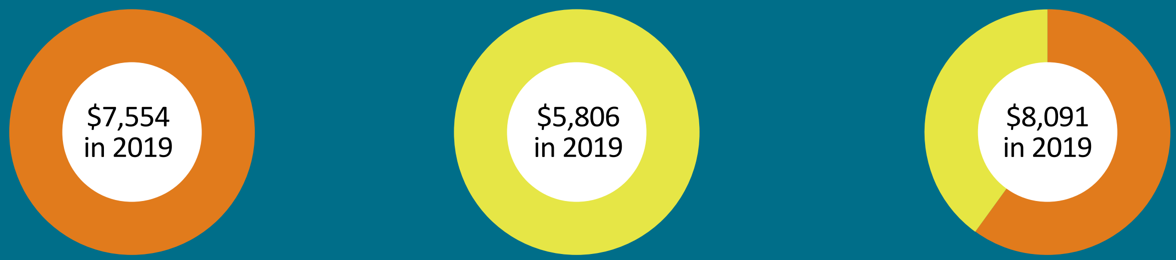
'You could be selling out of an

HOW A BALANCED PORTFOLIO CAN HELP PERFORMANCE

CALCULATIONS FROM Schroders found that a $1,000 investment made at the end of 1988 to May 2019, using three different approaches involving stocks, bonds and a 60%/40% combination of the two, could have been expected to perform as follows:

$1,000 INVESTED IN 1988

100% STOCKS | **100% GOVERNMENT BONDS** | **60% STOCKS / 40% GOVERNMENT BONDS**



ANNUAL RETURN OF 7.2% | **ANNUAL RETURN OF 6.2%** | **ANNUAL RETURN OF 7.5%**

These calculations come from using the MSCI World Total Return Index for stocks and for bonds, the benchmark 10-year US Treasury. Returns have not been adjusted for inflation or trading costs.

asset at the wrong time,' explains Keith Speck, a portfolio analyst at Morningstar.

'This year for example, we saw a healthy bounce back in equities. If you sold out at that point, you'd be dampening your ability to make future gains.'

FOCUS ON LONG-TERM GOALS

He adds, 'Markets can move all the time. If you think an asset is sound and you have confidence in that asset, it probably makes sense to add to your position [if there's a selloff].

'Rather than get caught up in the emotions of the market, it's best to focus on your long-term goals.'

For Andrzej Pioch, a multi-asset fund manager at Legal & General Investment Management, keeping the balance in his clients' portfolios involves selling when the going is good in markets, and buying when others are selling if they have confidence in the asset.

'We spend our time buying on the weakness [in share prices] and selling on the strengths,' he says. 'That naturally allows our allocations to remain in line.'

Pioch adds that having a balanced portfolio with different assets can help a lot in a downturn.

'Our infrastructure and REIT (real estate investment trust) allocation was really helpful in 2018 when we saw double-digit losses in equities,' he says. 'Those allocations to infrastructure and REITs behaved very differently to shares in a market downturn.'

In terms of rebalancing a portfolio, Schroders found that doing it on a quarterly or annual basis could provide the best risk/return ratio.

REMEMBER THE COSTS

It's important to keep in mind though that buying and selling stocks or bonds incurs fees from your broker, and there will be a difference between buying and selling prices for an asset.

So investors need to think carefully about whether the benefits of frequently rebalancing a portfolio outweigh the costs.

"It's best to focus on your long- term goals"

By **Yoosof Farah**
Reporter

WATCH OUR LATEST VIDEOS

James Hickman , CCO
Equals Group (EQLS)

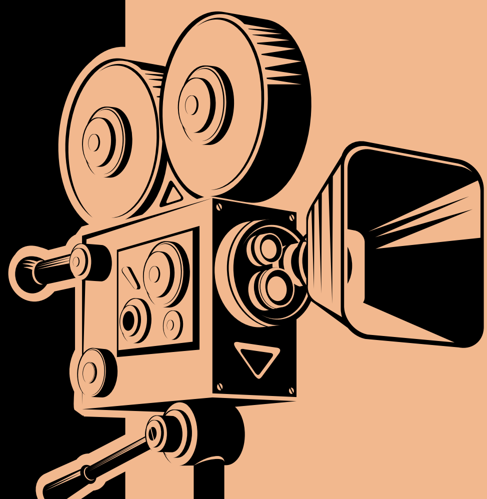
Equals Group is a challenger in the financial services sector catering for both business and retail customers operating under an e-money licence.

Richard Gray, MD & CEO
Scotgold Resources (SGZ)

Scotgold Resources is primarily focused on the development of its high grade Cononish Gold and Silver Project in the Scottish highlands, together with the exploration of highly prospective tenements in the Grampian region of Scotland.

Eric Zurrin, CEO
Shanta Gold (SHG)

Shanta Gold is a gold producing company. The group's principal activities are the gold investment in mining, exploration, and production in Tanzania. Its main project operations are New luika gold mine, Singida and Songea.



CLICK TO PLAY EACH VIDEO

SHARES SPOTLIGHT

Visit the Shares website for the latest company presentations, market commentary, fund manager interviews and explore our extensive video archive.

www.sharesmagazine.co.uk/videos

KEY

- Main Market
- Investment Trust
- Fund
- IPO Coming Soon

KEY ANNOUNCEMENTS OVER THE NEXT WEEK

Full year results

3 December: Gooch & Housego, Hyve Group, Image Scan Holdings, Oxford Metrics.
4 December: Ixico, PCF Bank, Stock Spirit.
5 December: Daily Mail, Victrex.

Half year results

2 December: Civitas Social Housing, Omega Diagnostics. **3 December:** Collagen Solutions, Consort Medical, Falanx Grou, Ramsdens Holdings, Solid State, Tekmar, ULS Technology. December: Loungers, Quiz, SDCL Energy Efficiency Income Trust, VP.

Trading statements

3 December: Ferguson. **5 December:** IG Group.

WHO WE ARE

EDITOR:
Daniel Coatsworth
@Dan_Coatsworth

DEPUTY EDITOR:
Tom Sieber
@SharesMagTom

NEWS EDITOR:
Steven Frazer
@SharesMagSteve

FUNDS AND INVESTMENT TRUSTS EDITOR:
James Crux
@SharesMagJames

SENIOR REPORTERS:
Martin Gamble
@Chilligg

Ian Conway
@SharesMagIan

REPORTER:
Yoosof Farah
@YoosofShares

CONTRIBUTORS
Russ Mould
Tom Selby
Laura Suter

ADVERTISING
Senior Sales Executive
Nick Frankland
020 7378 4592
nick.frankland@sharesmagazine.co.uk

CONTACT US:
support@sharesmagazine.co.uk

All chart data sourced by Refinitiv unless otherwise stated

PRODUCTION
Head of Design
Darren Rapley

Designer
Matt Ely

Shares magazine is published weekly every Thursday (50 times per year) by AJ Bell Media Limited, 49 Southwark Bridge Road, London, SE1 9HH.
Company Registration No: 3733852.

All Shares material is copyright.
Reproduction in whole or part is not permitted without written permission from the editor.

SHARES SPOTLIGHT

Growth & Innovation

AMRYT PHARMA

NORTHBRIDGE INDUSTRIAL SERVICES

SEEING MACHINES

SHIELD THERAPEUTICS

SHEARWATER GROUP

WOODBOIS

INCLUDES COMPANY PROFILES, COMMENT AND ANALYSIS

NOVEMBER 2019

ISSN 2632-5748

Introduction

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

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

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

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

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

As such, they cannot be considered unbiased. Equally, you are getting the inside track from the people who should best know the company and its strategy.

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

Previous issues of Spotlight are available on our website.

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

DISCLAIMER

IMPORTANT

Shares Spotlight is a mix of articles, written by *Shares* magazine's team of journalists, and company profiles. The latter are commercial presentations and, as such, are written by the companies in question and reproduced in good faith.

Members of staff may hold shares in some of the securities written about in this publication. This could create a conflict of interest. Where such a conflict exists, it will be disclosed. This publication contains information and ideas which are of interest to investors. It does not provide advice in relation to investments or any other financial matters. Comments in this publication must not be relied upon by readers when they make their investment decisions. Investors who require advice should consult a properly qualified independent adviser. This publication, its staff and AJ Bell Media do not, under any circumstances, accept liability for losses suffered by readers as a result of their investment decisions.

How the US clinical trials process works

The largest drugs market in the world is the US, and for many biotech and pharmaceutical companies achieving FDA (US Food and Drug Administration) approval for a new treatment is the holy grail.

The different stages in this process often act as positive or negative catalysts for share prices. Success or failure can be make or break for smaller companies.

This is a high stakes activity – an MIT study from 2018 suggested that around 13.8% of all drug development programmes eventually lead to approval. This was somewhat higher than previous studies which suggest 10% or less of drugs make it through.

In this article we break down how the journey works and the average chances of success at each of the major milestones along the way.

Once a company has developed a drug in a laboratory it will seek to have it approved for sale in the US by the FDA.

The next step is to test the drug on animals for toxicity then an Investigational New Drug application is submitted to the FDA based on that testing. This will outline the drug's composition and manufacturing process as well as a plan for testing the drug on people. Then it's on to the three phases of clinical trials discussed overleaf.

Even if a drug clears Phase III trials the work is not done. In consultation with the FDA a New Drug Application will be submitted with all the details of results from clinical trials and information about how the drug behaves in the body and how it is manufactured.

Once this has been received the FDA has 60 days to decide whether to file it, after which it will be reviewed and then things like labelling and manufacturing facilities will be investigated. Only then will approval finally be granted. Even then companies are required to provide periodic safety updates on a drug to the FDA once it is in use.

HOW SOME DRUGS GET APPROVED FASTER

An Accelerated Approval scheme allows earlier approval of drugs which treat the most serious diseases and/or fill an unmet medical need. This will typically be based on a blood test or X-ray result rather than waiting on results from a clinical trial.

CLINICAL TRIAL PHASES

01

This will typically involve between 20 and 80 volunteers. This could include healthy participants or people suffering from the disease or condition. The emphasis is on safety, looking at what the drug's side effects are and how the drug is absorbed into and discarded by the body.

70% of drugs move to the next phase
Source: FDA

02

This represents a step up with hundreds of participants involved and the focus on effectiveness. The goal is to work out if the drug works in people with the relevant condition or disease. Patients receiving the drug will often be compared against those receiving a placebo or a different drug. Assessments of safety will also continue to be made.

33% of drugs move to the next phase
Source: FDA

At this point the FDA and the drug developer will discuss how Phase III studies will be approached if a treatment is set to progress to this stage.

03

These are the most expensive and complex set of trials and will usually involve thousands of patients. The goal is to gather more information on safety and effectiveness, study different dosages and the impact on different populations and how the drug might be used in combination with other treatments.

25% to 30% of drugs make it through this phase
Source: FDA

SERVICING THE INDUSTRY

To avoid the significant risks and costs associated with drug development, several UK firms have focused instead on providing services, products and technology to the pharmaceutical space instead. Among the more successful examples is **Abcam (ABC:AIM)** which has seen its shares advance 612% in the last decade. The company supplies protein research tools to life scientists, including antibodies and tissue imaging tools.

Amryt Pharma is becoming a global leader in rare and orphan diseases

Website: www.amrytpharma.com

By executing on its strategy of acquiring, developing and commercialising products, **Amryt Pharma (AMYT:AIM)** is rapidly becoming a global leader in the rare and orphan disease market. Following the recent acquisition of Aegerion Pharmaceuticals, the combined company now has two commercial products – Juxtapid/ Lojuxta for the treatment of adult patients with a rare cholesterol disorder, Homozygous Familial Hypercholesterolaemia (HoFH) and Myalept/ Myalepta for the treatment of lipodystrophies, positioning it for significant growth.

RARE DISEASES: ADDRESSING UNMET NEEDS

Despite advances in modern medicine, there is still a huge unmet medical need in the rare disease sector, which is a large and growing market. There may be as many as 7,000 rare diseases and over 350m rare disease patients across the globe. Only 5% of these diseases have treatments approved by the US Food and Drug Administration (FDA).

INTRODUCING... AMRYT PHARMA

A GLOBAL, REVENUE GENERATING RARE AND ORPHAN DISEASE BIOPHARMACEUTICAL COMPANY DEDICATED TO IMPROVING THE LIVES OF PATIENTS LIVING WITH DEBILITATING CONDITIONS

BUILDING A LEADING GLOBAL RARE DISEASE PLAYER

In addition to the company's commercial products, Amryt has a robust clinical pipeline and, following the acquisition of Aegerion, is now a significantly larger business with combined annual revenues of $136.5m in 2018.

Through this transaction, the company also now has rights to both commercial products in EMEA, the US and Latin America. Importantly, this transaction has enabled Amryt to establish an appropriate capital structure, a commercial footprint in the US and significant synergies for the combined company, while creating multiple growth opportunities.

Through the acquisition of Birken AG in 2016, Amryt acquired its lead development asset, AP101, which is currently in a Phase 3 clinical trial to treat the cutaneous manifestations of Epidermolysis Bullosa (EB), a rare and distressing dermatological condition affecting children, which has an addressable market valued at over $1bn.

There are currently no treatments approved either by the Food & Drug Administration (FDA) or

European Medicines Agency (EMA) for EB.

Amryt acquired EMEA rights to Lojuxta from Aegerion in 2016 and subsequently doubled sales of the product in the two years following this transaction. The company is now actively looking to replicate the success with Lojuxta by deploying its proven strategy to rejuvenate the Juxtapid business in the US.

Myalept is approved in the US for Generalised Lipodystrophy (GL), whereas Myalepta is approved in Europe for both GL and Partial Lipodystrophy (PL), a disorder with a greater prevalence than GL. Amryt is now in the active phase of launching Myalepta in Europe which, in light of the inclusion of both GL and PL patients on the product label, presents a significant commercial opportunity that leverages Amryt's existing European commercial infrastructure.

A SIGNIFICANT MARKET OPPORTUNITY

The global rare disease market is forecast to be worth $242bn by 2024, and sales of rare disease treatments are forecast to grow at a compound annual growth rate of more than 12%, which is approximately double the rate of the non-orphan drug market.

Dr. Joe Wiley
Chief Executive Officer (CEO)

A UNIQUE APPROACH TO BIOPHARMA

Amryt's business model aims to address the significant unmet need in the sector and improve patient access to treatments while also reducing the considerable risks associated with drug discovery and development. It does so by focusing on late-stage development products or those already marketed, and by leveraging the commercial expertise of its team. Having recently raised $60M, the company is well positioned to expand its product portfolio by acquiring further commercial or near commercial products.

PROVEN TRACK RECORD

Since its formation in 2015, Amryt has executed a number of successful deals, most notably the recent acquisition of Aegerion. The company had previously in-licensed the rights to Lojuxta from Aegerion in December 2016, enabling it to build a commercial infrastructure across France, Germany, Italy, Spain and the United Kingdom, while also working with distribution partners in other countries. In 2018 Amryt acquired rights to a potential non-viral gene therapy treatment for Recessive Dystrophic EB, AP103, through a licensing deal with University College Dublin. This has the potential to be a disease-modifying modality in the treatment of EB.

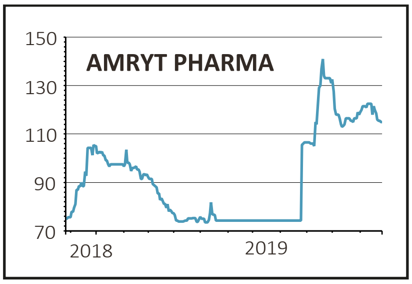
NEARING KEY INFLECTION POINTS

The company has a number of key upcoming value inflection points. Following an interim efficacy and safety readout in January 2019, top-line data readout of the Phase 3 trial for AP101 is expected in the first half of 2020. Approval and commercialisation could potentially follow by the first half of 2021.

The company is taking advantage of its existing assets by exploring lifecycle opportunities through conducting additional clinical studies with Juxtapid/Lojuxta in both paediatric HoFH (study planned to commence in Q4, 2019) and Familial Chylomicronaemia Syndrome (a rare lipid disorder similar to HoFH).

Likewise, the company is exploring opportunities to expand the approval of Myalept to cover PL in the US, an indication for which the product is approved in EU but currently not in the US.

In addition to these clinical developments, Amryt remains focused on acquiring further products and companies in the rare disease space. With an enlarged and strengthened business, the combined company has a clear path to profitability next year and is now poised for significant global growth.



Northbridge looks to recovery as profit returns

Website: www.northbridgegroup.co.uk

Northbridge Industrial Services (NBI:AIM) is an industrial services company which manufactures, hires and sells bespoke electrical testing equipment all over the world, and also procures and rents downhole drilling equipment in Australia, New Zealand, South East Asia and the Middle East.

The company supplies a diverse range of industries, including those in the energy, oil and gas, geothermal, renewables, shipping, construction and public and utility sectors.

The product range includes loadbanks, which simulate the electrical load characteristics placed on independent power sources, packaged transformer substations, which are frequently used on larger loadbank testing projects, and drilling tools used in oil, gas, water and geothermal fluids, for both onshore and offshore use.

The business is streamlined into two distinct core business activities, Crestchic Loadbanks, which manages the electrical and power subsidiaries, and Tasman Oil Tools which manages the drilling activities.

In the last set of financial results for the half year to 30 June 2019, the group demonstrated accelerating financial progress as it returned to profit, with half year revenue rising 33% to £16.8m and EBITDA (earnings before interest, tax, depreciation and amortisation) increasing by an impressive 90% to £3.4m.

INTRODUCING... NORTHBRIDGE INDUSTRIAL SERVICES

A MANUFACTURER, HIRER AND SELLER OF SPECIALISED INDUSTRIAL EQUIPMENT

It's a pivotal point in time for the company, recording the first reported profit before tax since 2014, and with the significant operational gearing inherent within the group set to disproportionately lift earnings, assuming revenue rises in the near term.

Cooper Basin onshore natural gas drilling rig – South Australia


Ngwara geothermal power plant – Taupo NZ

RISING REVENUE

Rising revenue is driven by both business units; whilst Tasman has had a tougher time over the last few years, due to the downturn in oil prices and the effective moratorium on exploration and production, there are now clear signs of an upturn.

The rising demand in Nortbridge's energy services is being accentuated by the fact that many operators and competitors have left the market at a time when world energy reserves are at a 70-year low. Tasman is well placed to benefit and increase its market share.

The oil and gas drilling and geothermal companies which Tasman supplies are now focusing much of their attention on natural gas and liquefied natural gas (LNG), where Australia is now the largest exporter in the world, suppling China, Japan and South Korea. LNG is seen as a transitional fuel to replace coal and help ensure a low carbon future.

New Zealand have one of the world's largest geothermal industries with two major utilities companies, Contact Energy and Mercury NZ, both of whom are customers of Tasman and operate substantial power plants. It's a well known fact that the largest operating cost for a geothermal power plant is the need for drilling into the steam fields to maintain operations.

The increased focus on alternative energy sources also poses an opportunity for Tasman in the carbon capture sector as drilling tools are required to access deep underground reservoirs for the storage of compressed CO2.

Northbridge's other division, Crestchic is the world's largest designer, manufacturer and hirer of loadbank electrical testing equipment which are used for commission testing and maintenance of power sources such as diesel generators and gas turbines.

POWER FOCUS

Power reliability is one of the biggest long-term growth drivers for Crestchic and in recent years the rise in the number and capacity of data centres has been adding to this potential. The growth in cloud computing is principally being rolled out by hyperscale data managers, and include Amazon, Apple, Google and Microsoft which are heavily reliant on back-up power to ensure resilience against power failure and to make them disaster proof.

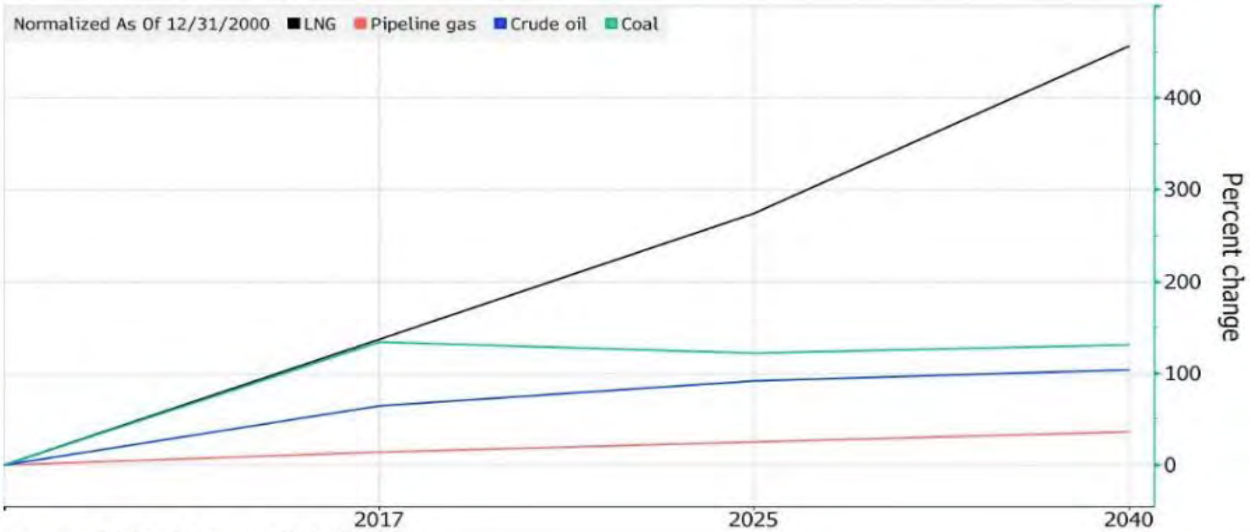
With the increase in renewable energy across the western world and further substantial investment planned in order to become carbon neutral in 2050, more and more renewable power will be added to the national grid networks.

This increase in the


Testing a high voltage dual fuel plant in Oman

LNG BOOM

LNG TRADE SET TO RISE FASTER THAN ANY OTHER FOSSIL FUEL



Source: IEA World Energy Outlook 2018

fragmentation of power generation will make the national grids inherently less reliable and this is expected to lead to a further increase in demand for power reliability testing. Already, investment is having an impact; in the first quarter of 2019 alone, wind and solar accounted for nearly 24% of electricity generation.

On 9 August 2019, the UK's power cut brought the threat of unreliable power supply into stark focus, effecting nearly a million people and causing transport chaos with supply problems nationwide.

This has led to renewed awareness of the need to avoid power failures and, to ensure that back up supplies are brought in seamlessly, this can only be done by regular testing of the supply system using advanced testing equipment, such as Crestchic's loadbanks.

Another new market opportunity for Crestchic is being created by the increasing number of electric vehicles (EVs). Alongside the sharp rise from 3,500 EV's in 2013 to more than 223,000 to date, there has been heightened demand for an efficient network of vehicle charging points.

To ensure the integrity and safety of these charging points one of the leading providers, Char.gy's third-party product testing partner (TUV) has employed Crestchic loadbanks to carry out the necessary checks.

LOOKING INTO RECOVERY

During the oil market downturn, Crestchic's emerging markets activities also slowed, as much of their power related work was focused on large energy producers and users. The petrochemical, refinery, shipping and mining industries were all severely affected.

As the market begins to pick up, renewed investment in LNG, particularly in south east Asia, will lead to further testing of LNG carriers and FPSO's (floating production, storage and offloading vessels).

New developments will see a generation of smaller FLNGs (floating LNG plants) being built, these will be quicker and cheaper to deploy and will give access to stranded offshore gas which had been uneconomical to produce previously.

Crestchic's revenue increases are not only being generated from traditional first world and emerging markets, momentum is also building in North America with an increasing number of rental units available and a growing number of loadbank sales.

The North American market uses a different frequency (60Hz) and multiple different voltages compared with most of the rest of the world, which means most equipment has to be specially built, however it is potentially one of the largest markets for Crestchic services, has a power infrastructure needing investment and is a growing rapidly. Northbridge expects to further increase its activity in this market in the coming years.

To sustain organic growth,

CRESTCHIC IN FOCUS

Crestchic's loadbanks and transformers on deck of HMAS Adelaide helicopter carrier in Navantia shipyard in Spain during engine testing

Part of the Northbridge group, Crestchic has specialised in the design, manufacture and supply of load testing equipment for more than 35 years. With loadbank sales and rental offices in the UK, North America, Singapore, Netherlands, France, Germany, India, Dubai and China, Crestchic's product knowledge and market footprint is second to none.

2019 has been a strong year for Crestchic. In the wake of digitalisation, an increased focus on using renewable sources of energy and the rise of distributed power systems, the supply of power has become increasingly complex and prone to fluctuations.

Yet, while resilience is on the wane, the demand for uptime keeps growing, with consumers ever more demanding in their expectations and an 'always-on' marketplace focused on catering to that demand. For this reason, power resilience is increasingly seen as an integral part of business operation, optimisation, and planning - paving the way for an increased demand for loadbanks.

Crestchic loadbanks are primarily used for testing electrical power output on diesel generators, gas turbines and UPS systems across a range of industries, from marine, shipbuilding and container ports, to hospitals and data centres.

By simulating real electrical loads, loadbanks facilitate essential setup, commissioning and testing of power systems, ensuring that all electrical and control parameters are met prior to power generation/back up equipment being used and giving users increased peace of mind - and uptime - if a power outage occurs.

As well as the increased demand for electricity and pressures of a changing power network, back-up power systems are increasingly employed in a wide variety of settings in which power failure would prove business-critical, cause catastrophic data breaches or potentially result in loss of life.

For Crestchic, therefore, the demand for load-testing systems looks set to continue, with the data centre market forecast to grow by $284.4bn during 2019-2023, while the boom in container and cruiseliner shipbuilding also offers further opportunities for growth and increased market penetration.

For more information about Crestchic, including loadbank technology, rental and servicing operations and customer case studies, visit **www.northbridgegroup.co.uk**

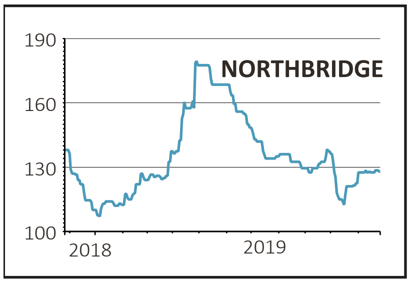
the company's core strategy is to increase investments into the hire fleet, add additional partnerships and joint ventures to increase geographical coverage, exploit growth markets such as renewable energy and then continue to consider new acquisitions that will complement the current products and services.

Throughout the recent market volatility, Northbridge has benefited from a stable and supportive shareholder register. The company benefits from a strong institutional base and of these, Gresham House, Canaccord, Cavendish and Tosca have all increased their shareholdings in Northbridge this year, providing a positive signal to the market of an ongoing belief in the investment case.

NEW OPPORTUNITIES

As demonstrated at the half year results at the 30 of June, released in September, the recovery in activity in the oil and gas markets is positively impacting the financial performance of both divisions.

The recent substantial growth in EBITDA and free cash flow has underpinned the recovery strategy and the company is confident of a return to growth in the future. On top of this, the new market opportunities illustrated — could accelerate medium and long-term growth for the company.



seeingmachines

Seeing Machines is driving safety from Australia

WEBSITE: www.seeingmachines.com

Paul McGlone, CEO

Listed on London's Alternative Investment Market, **Seeing Machines (SEE:AIM)** specialises in computer vision algorithms that precisely track eye gaze, head position and pupil size, and using state-of-the-art artificial intelligence (AI) technology analyses the data to quickly and accurately detect driver drowsiness, distraction and microsleep events.

From its base in Australia, the company works with some of the world's biggest brands across aviation, automotive and commercial transport and fleet. Any type of transport that requires a driver, engineer, pilot or operator to be engaged in the task of controlling the vehicle in some way will be a target of this technology.

> "Advanced driver distraction warning will become mandatory in all vehicles"

INTRODUCING... SEEING MACHINES – A WORLD LEADER IN DRIVER MACHINE INTERACTION

Seeing Machines has been researching and developing its technology since 2000, and has fielded thousands of Driver Safety Systems into off-road heavy mining vehicles working with exclusive global partner, Caterpillar Inc.

Its automotive Driver Monitoring System (DMS) technology made its debut in 2018 in the world's first semi-autonomous vehicle (level 2) – the Cadillac CT6 Super Cruise system from US car giant General Motors.

THE SECRET SAUCE

Driven by intense R&D, Seeing Machines also sets itself apart with its approach to Human Factors research, which is fundamental to the company's ability to establish the efficacy of its current technology and critical to the ongoing development of future technology.

Seeing Machines partners with customers, universities and governments to generate vast data sets that bridge their core technology with solving real world problems, providing them with world's best understanding of operator performance across the transport sectors it focuses on.

The Guardian DMS, Seeing Machines' retrofit technology for commercial transport and fleet businesses, is now connected to over 16,000 individual vehicles worldwide. Collectively, these systems have travelled more than 3bn kilometres protecting professional drivers and their passengers against driver fatigue and distraction events and providing the company with access to an unrivalled naturalistic driving data set. These data are fed into the Seeing Machines' computer vision engineering teams to develop advanced algorithms and sophisticated product features, based on real, human behaviour and plays an integral role in the

ongoing development of the company's FOVIO driver monitoring platform.

DRIVER MONITORING – A KEY ELEMENT FOR INTELLIGENT VEHICLES

Driver monitoring technology is fast becoming a core element in the next generation of intelligent vehicles to augment drivers, enabling better and safer driving, as well as underpinning the safe migration to Highly Autonomous Vehicles (HAV).

Automotive and transport regulatory, rating and investigative bodies around the world have begun to issue new recommendations for DMS as an integral part of new vehicle designs including those with Advanced Driver Assistance Systems (ADAS). These bodies are recommending deployment of advancing DMS technology to deal with the deadly threat of driver distraction and fatigue, as well as mitigation of the risks associated with the migration toward automated driving and is a key way to ensure that drivers remain sufficiently engaged and/or ready to re-assume control as and when required.

REGULATORY TRENDS CONTINUE TO UNDERPIN AND DRIVE DEMAND

Euro NCAP is actively aiming to standardize vehicle and road safety measures by promoting the use of new technologies. The organization's 2025 Roadmap references driver monitoring solutions (DMS) as a means to improve safety outcomes:

'Euro NCAP envisages an incentive for driver monitoring systems that effectively detect impaired and distracted driving and give appropriate warning and take effective action. The assessment will evolve around how reliably and accurately the status of the driver is detected and what action the vehicle takes based on the information.'

Following the ideas outlined in their 2025 Roadmap, Euro NCAP is defining key protocol enhancements for the introduction of occupant state monitoring technology to improve safety measures in all new vehicles from 2022. More importantly, the group's direction is generally followed globally, which means that automakers outside of Europe are also likely to adopt its requirements.

Further, the European Parliament's Internal Market Committee approved a set of rules to advance safety for all road users in the European Union and in February of 2019, announced that "driver drowsiness and attention warning" and 'advanced

driver distraction warning' will become mandatory in all vehicles (cars, vans, trucks and buses).

This momentum is encouraging and Seeing Machines works closely with industry and regulatory groups to provide technology based insights into shaping the protocols developed.

THREE KEY VERTICALS

Seeing Machines enhances safety across three key transport verticals. These are automotive, commercial transport and fleet (mining and rail) and aviation. The driver monitoring system technology detects fatigue and distracted related behaviour in drivers and has the know-how to alert the driver and ensure they return to the driving task, in real-time.

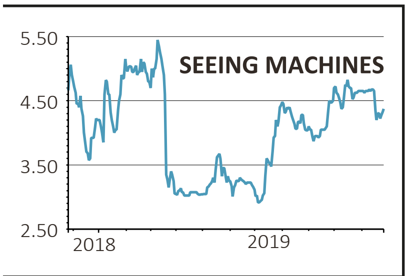
While safety is a concern in aviation, just like automotive and fleet, this industry is facing a looming shortage of pilots, in the wake of a significant increase in air travel generally around the world resulting in more planes, travelling closer together. It is forecast that across the world, there is going to be a requirement for 800,000 pilots in next 20 years to fly a significantly larger global fleet of aircraft.

The Seeing Machines eye tracking technology supports pilot training in a simulator environment, addresses issues around pilot attention state, reduced crew and single pilot operations and will, in the near future, be in a position to support passive controllers in automated air traffic environments.

A BRIGHT FUTURE

Seeing Machines continues to innovate its software stack with further advances in Driver Drowsiness Level and Driver Engagement Level driven by its world class Human Factors research team. These experts in human psychology, and physiology, design and implement data gathering and analysis methods, that drive Seeing Machines' software and algorithm developments.

Seeing Machines has the experience of developing and deploying real-time and real world transport driver monitoring technology onto the market, with the expertise of a variety of different, but complementary, facets of research and engineering that continues to enable them to stay ahead of their competition and enhance safety across the world's roads and in the air.



Shearwater tackling the cybercrime pandemic


Phil Higgins, CEO

Website: www.shearwatergroup.com

Cybercrime is now a major global pandemic, costing billions to world-leading enterprises across all business sectors, globally. Data breaches, cyber attacks and business fraud encompassing phishing, business email compromise and occupational fraud are on the rise and reportedly is costing UK companies in excess of £130bn annually. This is up 57% since 2009, with average losses per company as high as 10% of expenditure being attributed to fraud of some kind.

Cyber attacks, GDPR violations and data breaches, phishing, business email compromise and occupational fraud are here to stay for the foreseeable future as they are lucrative sources of income for criminals.

Shearwater Group plc helps protect and secure organisations, ensuring their data assets and critical infrastructure are protected, and have the means to recover and rebound if things go wrong. In doing this, Shearwater provides the foundation for any organisation that wants to compete effectively in an increasingly globalised and interconnected world as an organisation's ability to manage the interaction between technology, process and people is key for remaining operationally resilient.

INTRODUCING... SHEARWATER

A PROVIDER OF CYBER SECURITY AND MANAGED SECURITY SERVICES

Quoted on the the London Stock Exchange's Alternative Investment Market, Shearwater is an award-winning organisational resilience group that provides cyber security and managed security services to help assure and secure businesses in a connected global economy. Headquartered in the UK with offices in the US and Europe, it serves customers across the globe who are active in a broad spectrum of industries.

SHEARWATER'S BUSINESS MISSION

Shearwater aims to acquire and develop information security, cyber security and risk management companies with a leading product, solution or service capability whose full potential can be unlocked through active management and capital investment.

The group deploys a 'buy, focus, grow' strategy to deliver enhanced value through their acquisitions and help to solve the core scaling issues faced by SMEs operating within information security and cyber security sectors.

Currently, Shearwater's group companies encompass a range of proprietary software and solutions businesses including:

SecurEnvoy, which provides trusted identity and access management solutions to millions of users in real-time. Fast deployment across any environment, SecurEnvoy's technology maintains trust between those users, and ensures the protection of organisations' critical data and infrastructure.

GeoLang, which delivers data discovery and data loss prevention solutions, services and technologies to discover, classify and protect sensitive data and information in the cloud and on premise.

Xcina Consulting, which provides business and technology risk assurance and advisory services in support of organisational resilience.
Pentest, which provides research-led penetration testing, elite red teaming and offensive security consultancy services, designed to uncover IT security vulnerabilities, support ongoing information security efforts and to increase the digital resilience of organisations.
Brookcourt Solutions, which delivers cyber security, network monitoring technologies and managed security services to help secure and protect organisations' critical infrastructure.

SHEARWATER LEADERSHIP
Shearwater is led by its chairman, David Williams and group CEO, Phil Higgins.

David Williams has considerable experience in investment markets, serving also as chairman in executive and non-executive capacities for a number of public and private companies. With over 25 years industry experience, Phil was the founder and CEO of Brookcourt Solutions, the group's largest subsidiary and was appointed in April 2019 as group CEO.

Other board members include Robin Southwell OBE (former CEO of Airbus UK), Stephen Ball (former CEO of Lockheed Martin UK and CEO of HM Government Communications Centre), and Giles Willits (current CFO of **IG Design (IGR:AIM)**, and former CFO of FTSE 250 constituent **Entertainment One (ETO)**.

Shearwater also has an Advisory Panel, further details of which can be found at www.shearwatergroup.com/advisory-panel.

SHEARWATER TRADING UPDATE
In October 2019, Shearwater published a trading update for the six months ended 30 September 2019, with the group continuing to trade in line with the board's expectations. Group revenue saw significant growth to approximately £16m (2018: £4.5m), with approximately 10% of this growth from organic sources.

This has resulted in an expected underlying EBITDA (earnings before interest, tax, depreciation and amortisation) profit of approximately £1m (2018: loss £1.6m).

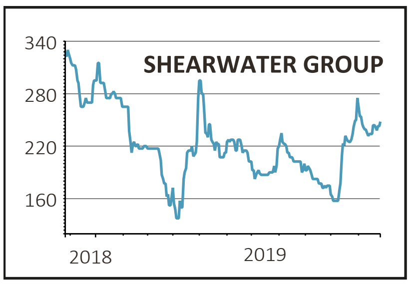
During H1 2019, the group secured a number of significant new contract wins, including multi-year managed service contracts, which underpin future revenue growth. A substantial number of live cross selling opportunities were generated of which 19 were converted into contract wins. Shearwater also secured 45 net new customer relationships since April 2019.

SHEARWATER'S FOCUS AND OUTLOOK
The increased regulation and global cyber attacks on businesses has attracted many new clients providing opportunities for both domestic and international project deliveries. With cyber security in national and global press, Shearwater's strong market position, unique blend of owned propertiary software and solutions capability, plus its ability to invest in expanding the team and target longer term client deals will provide benefits for all its stakeholders in the years to come.

Phil Higgins, CEO of Shearwater, commented:

'We strongly believe we have laid the correct foundations for now and for our future. Brexit, business compliance and cyber security are all having an impact and we believe we are ideally positioned to service our clients and future opportunities.

'Our quality driven business model placing the client at the centre of the program is what sets us apart. Maintaining our flexible approach and a forward investment in our staff and our strategic partnerships keeps us winning.'



SHIELD
THERAPEUTICS PLC
Improving Lives Together

Shield Therapeutics targets the US


CEO and founder
Carl Sterritt

Website: www.shieldtherapeutics.com

INTRODUCING... SHIELD THERAPEUTICS
AN AIM QUOTED PRESCRIPTION PHARMACEUTICAL COMPANY WITH A MARKET CAPITALISATION OF AROUND £215M

The lead product for **Shield Therapeutics (STX:AIM)** is Feraccru/Accrufer (ferric maltol), used for the treatment of iron deficiency in adults, it has a range of IP protection through to 2035 and is being commercialised in Europe by Shield's partner, Norgine BV.

Feraccru/Accrufer was also approved by the FDA in July 2019 for commercialisation in the US and since this approval Shield has been assessing potential commercialisation partners for the US with the aim of concluding a licensing agreement at the earliest opportunity, so that sales in the US, the world's biggest pharmaceutical market, can start in 2020.

IRON DEFICIENCY AND FERACCRU/ACCRUFER

Iron deficiency (ID) is very common and is caused either by bleeding or through failure to absorb sufficient iron – either because of poor diet or as a result of illness.

ID is considered to be the leading cause of anaemia, which is itself debilitating and can cause a wide range of health problems. Before Feraccru/Accrufer, standard therapies available for the treatment of iron deficiency were, firstly salt-based oral iron tablets and, secondly the use of intravenous (IV) iron therapy in which an iron formulation is administered directly into the blood stream.

Oral iron salts are cheap and easy to administer, so are normally used as first line treatment. However, they frequently cause multiple side effects and as a result are poorly tolerated by patients, leading to low compliance and a lack of therapeutic benefit. IV iron therapy, on the other hand, is relatively expensive and complicated to administer due to the potential for life-threatening serious adverse events to occur when injected.

Therefore, IV iron products have to be administered in a hospital or clinic setting

where there is immediate access to cardio-resuscitation equipment, adding to both the cost for payors and inconvenience for patients.

Feraccru/Accrufer is a novel and innovative oral formulation for the treatment of iron deficiency. Its formulation differs from the existing oral salts such that it is well-tolerated and, in several clinical studies, patients who have continued to take Feraccru/Accrufer for up to a year have shown excellent compliance and minimal adverse events.

Furthermore, in a well-controlled phase 3 study, Feraccru/Accrufer has demonstrated non-inferiority to IV iron therapy after 12-weeks treatment and over 52-weeks, in the same study, Feraccru/Accrufer prevented recurrence of anaemia, whereas 39% of the subjects in the IV treatment group required further therapeutic intervention with additional IV iron treatment due to relapse resulting in recurrence of anaemia.

These attributes mean that Feraccru/Accrufer can be positioned as a compelling alternative to both expensive, inconvenient IV therapies and also to poorly tolerated, less effective salt-based oral iron treatments.

MARKET OPPORTUNITY

Branded IV therapies have substantially higher pricing than generic oral salts such that the IV market by value, which is around $2bn annually, is estimated to be about 50% of the IDA therapy market. Feraccru/Accrufer's non-inferiority to IV therapy over 12 weeks and its advantages over 52 weeks provides the opportunity for Feraccru/Accrufer to take significant market share from IV therapies. As it is also better tolerated than oral salts, in due course it could also build a new market in oral treatment.

COMMERCIALISATION

In September 2018 Shield signed a licence agreement with Norgine BV covering commercialisation of Feraccru/Accrufer in Europe, Australia and New Zealand. Shield received an £11m upfront payment, will receive royalties ranging from 25% to 40% of Norgine's sales, and has the potential to receive up to €54.5m in development and sales milestone payments. Sales progress to date in Germany and the UK has been encouraging. Other markets in Europe are expected to launch in late 2020 or 2021 following successful completion of detailed pricing and reimbursement negotiations with respective governmental agencies.

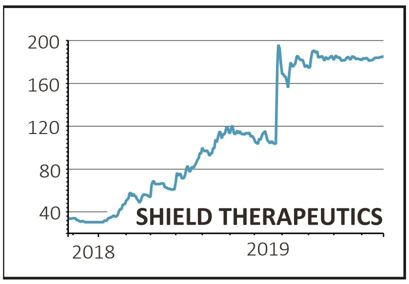
Shield, through the commercial partner it selects, hopes to see sales of Feraccru/Accrufer start in the US in 2020. Whilst the structure of a US agreement is likely to be similar to the Norgine licence, the value of a US transaction is anticipated to be larger in relation to the much larger opportunity afforded by the US market.

MANAGEMENT TEAM

Shield have a strong management team led by CEO and founder, Carl Sterritt. Carl has over 20 years' experience in large and small pharma companies, having previously held management roles at United Therapeutics and Encysive Pharmaceuticals. Alongside Carl, the rest of the senior management team have extensive experience in product identification, development and commercialisation.

UPCOMING CATALYSTS

Shield's share price has made good progress over the last year, particularly following the US approval of Feraccru/Accrufer, but for a company with an already approved product there are further positive inflection points even in the short term. These include the planned licence deals for the US and China, both of which the company hopes to be able to announce in the near future and which are expected to deliver cash in the form of upfront licence payments, further milestone payments and tiered royalties through to the expiry of the last patents, currently expected in 2035.



WOODBOIS Ltd.

Woodbois is a developing name in African tropical hardwood

WEBSITE: www.woodbois.com

The global trade in tropical hardwood is now estimated at some $35bn a year, but the share of this trade enjoyed by African producer countries is in the region 10-11% or circa $3.5bn in export value.

African exports are currently represented by logs ($2bn plus) and sawnwood (US$1bn plus), with veneers and other higher-valued manufactured product only a small percentage of regional exports.

However, African countries are increasingly banning the export of logs to create production jobs in their economies.

Woodbois (WBI:AIM), an AIM-quoted company with timber processing and trading operations in Africa and Europe respectively, is focused on supplying more highly specified wood and semi-manufactured product to global customers, and in adding greater value to its own production in Africa.

AMBITION TO BE LEADING PRODUCER AND SUPPLIER

The company aims to be the leading producer and global supplier of sustainable African hardwoods and hardwood products, and the leading supplier of internationally sourced timber materials to the rapidly growing African construction sector, with the added objective of contributing to the long term economic and social development of all the markets in which it operates.

The trading component of Woodbois' two-pronged strategy, sees the company addressing (in particular) the highly fragmented sawnwood and veneers segments.

While the total export value of sawnwood and veneers from African origins is in the region of $1bn plus, Woodbois is targeting regional demand from Europe, Middle East and North America, representing

INTRODUCING...
WOODBOIS – A TIMBER TRADING AND PROCESSING BUSINESS BASED IN AFRICA

annual imports valued at more than $400m, and on building inroads to the Asian markets worth another $600m.

EU imports of tropical sawn wood are reported (by *The ITTO Tropical Timber Market Report, Volume 23 Number 21, 1–15 November 2019*) to have increased 7% to 582,500 metric tonnes in the first nine months of 2019 compared to the same period in 2018.

The ITTO report recorded that the value of these imports had increased 3% to €557.9m. This aligns with market commentary, with sawn hardwood importers reporting generally steady, in some cases strong trading in 2019 including in tropical timber, despite some slowdown in economic activity.

DEVELOPING ITS CAPACITY

Without any single company having a position of market dominance in this segment, Woodbois is developing the sales reach, IT and transactional capacity, and the brand recognition to build a leadership position in the global trade of African tropical hardwood products.

The company's quarterly update on operations for the three months ended 30 September 2019 (Q3 of the group's 2019 financial year), revealed quarterly revenues of $4.9m for Q3, representing an increase of 44% over the 2018 average quarterly run-rate. Record quarterly revenue of $3.4m from the rapidly growing Timber Trading Division notched up an increase of 70% on the average quarterly run-rate of 2018.

Woodbois' timber trading strategy is to actively engage with and support suppliers who operate within clearly defined sustainability guidelines verified by

accredited independent 3rd party auditors. In the current year Woodbois became a member of the Congo Basin Forest Partnership. Advising its trade suppliers on technical specifications, and how to achieve the standards of compliance required in order to access international markets, helps to improve their margins and enables Woodbois to lock in long-term contracts, increasing certainty for both parties.

AT THE FOREFRONT OF TECHNOLOGY

Consistent with its commercial and sustainability goals, Woodbois aims to be at the forefront of technological developments changing the face of sustainable forest management. Currently, the company is working on two digital tools that will be tested and rolled-out in the coming years. In collaboration with a South Africa-based software developer, the company is currently implementing software specifically designed for its trading and operations teams.

It will be used to collect all data related to trading: from inputting a simple sales/ supplier inquiry, all the way through to capturing traceability documentation, all in order to better track and analyse data, and to ensure that the company is optimising all potential trading opportunities. This Traceable Supply Chain tool aims to establish a new level of transparency by way of blockchain technology, allowing Woodbois to transfer its current traceability operations onto a digital platform that will collect and store product details and make them accessible to its clients.

Woodbois' Forestry division completed the installation of drying kilns at its sawmill in Mouila (Gabon) in September 2019, this representing a major milestone which in turn promises the scope to create greater value for African sourced raw materials, and to create value for Woodbois' shareholders.

Management anticipates that the development will facilitate margin improvement of around 8% from sawn timber as a result of bringing this activity in house, with a

further 2% margin increase from reduced logistics costs. Management's focus is now on installation of new production lines to upgrade the sawmill in Mouila. These are scheduled for completion during the Q4 2019.

A DOMESTIC-BASED AGENDA

Management is confident that these installations will boost growth in revenue, and in the profitability of the company's production facilities in 2020 and beyond. In Mozambique, Woodbois has been driving a domestic-based agenda, centred on opportunities emerging from the large-scale infrastructure installations that are underway to support the multi-billion Mozambique LNG project.

The company has supplied several trial orders for dunnage, which is used to separate large oil and gas pipes, and it has contributed to tender proposals for timber-based solutions for worker accommodation. These areas have the potential to lead to significant levels of demand.

With production assets in the form of forestry concessions (more than 400,000 hectares) in Gabon and Mozambique, and milling, drying and manufacturing facilities in Gabon, Ivory Coast and Mozambique, Woodbois has made a strong commitment to furthering sustainable development in Africa.

The company's investments in local transformation facilities, conforms with the vision of African governments to see extractive industries increase the level of value addition on African soil. Moreover, the sustainable management of its forest concessions supports the UN's sustainable development goals, with the creation of job opportunities in a secure work environment where skills development and equal opportunities are encouraged.

"The sustainable management of its forest concessions supports the UN's sustainable development goals"