STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

VOL 19 / ISSUE 01 / 12 JANUARY 2017 / £4.49

SHARES

WE MAKE INVESTING EASIER

GOCOMPARE **+18.5%** SINCE OUR ARTICLE 2 MONTHS AGO

BARGAIN HUNT

6 of the *best* value funds for *2017*

SAFE AS HOUSES?
ANALYSING PERSIMMON'S NEAR 6% YIELD

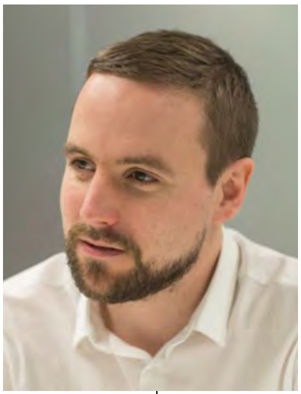
IPO WATCH
THE BIG FLOATS HEADING FOR THE UK STOCK MARKET

EARLY WINNERS *IN CHRISTMAS RETAIL –* ***PAGE 6***

Can the bull run last?

FTSE 100 continues to break new records

It has been an untypically strong start to the year for stocks in 2017. The usual Santa Rally is extending well into the New Year and the FTSE 100 is in previously uncharted territory above 7,200, supported in part by renewed Brexit-inspired weakness in sterling.



The latest edition of *The Harriman Stock Market Almanac* says '…historically the euphoria of December (the strongest month of the year) carries over into the start of January as the market continues to climb for a couple of days. But by around the fourth trading day the exhilaration is wearing off and then the market falls for the next two weeks…'

We're now six trading days in, at the time of writing, and there is no sign of a reversal. The question for investors is, can it continue?

The short answer is, nobody knows. Analysts at Goldman Sachs, for example, see the index reaching 7,300 by year end. Credit Suisse see the index ending 2017 at 7,000; others are even more pessimistic.

KEY SECTORS

AJ Bell investment director Russ Mould says investors need to keep their eyes on four key sectors which are expected to deliver 76% of the pre-tax profit growth for the FTSE 100 index this year: banks; insurers; mining; and oil and gas producers.

He says all four sectors need to deliver the expected profit and dividends in order for the FTSE 100 to keep performing strongly.

'All four are suited by the market's current preferred narrative, namely that economic growth and inflation will accelerate in 2017, thanks to a shift from austerity to fiscal stimulus, particularly in the USA under president Trump but also potentially in Japan, Canada, the UK and others.'

There seems a better than even chance Trump will fail to deliver on his agenda, putting the performance of these sectors at risk, in our view.

Shares will steer you through any ups and downs in 2017 with commentary every week in the digital magazine and daily on our website to ensure you remain one step ahead of the pack.

COMPETITION WINNER

We were inundated with people wanting to go the football by entering our Christmas competition for Arsenal tickets. There can only be one winner – and that's Phil Gerrard who correctly identified Watford FC, Arsenal and Manchester United as among the football clubs which have traded on a UK stock market now or in the past.

Congratulations to Phil and commiserations to everyone else who entered our competition.

WHO WE ARE

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BROKER RATINGS EXPLAINED:

We use traffic light symbols in the magazine to illustrate broker views on stocks.

Green means buy, Orange means hold, Red means sell.

The numbers refer to how many different brokers have that rating.

Eg: 4 2 1 means four brokers have buy ratings, two brokers have hold ratings and one broker has a sell rating.

The traffic light system gives an illustration of market views but isn't always a fully comprehensive list of ratings as some banks/stockbrokers don't publicly release this information.

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CLICK ON PAGES NUMBERS TO JUMP TO THE RELEVANT STORY

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Surprise trading joy for UK retail sector

Grocers lead the way as festive reporting frenzy gets underway

Many retailers have reported better than expected trading over Christmas, according to the first batch of figures up to 10 January.

Another round of companies were scheduled to report on trading as this edition of Shares was published (12 Jan) including **Tesco (TSCO)** and **ASOS (ASC:AIM)**.

WHO HAS DONE WELL?

Winners so far include **WM Morrison Supermarkets (MRW)** and **BooHoo.com (BOO:AIM)**, both of whom we have written about favourably in *Shares* over the past few months.

Total retail sales in the UK grew by 1.7% in December 2016 versus 1% a year earlier. That's according to the latest BRC/KPMG Retail Sales Monitor (RSM).

We remain cautious towards the retail sector for 2017 amid fears that many companies won't have the confidence to pass on extra input costs and so profit margins could be squeezed. Our preference is online retail over high street players.

WHO ARE THE LOSERS?

Missing out on the December spending splurge was **Next (NXT)**, which sent a chill wind through the fashion sector with its poor trading update on 4 January.

Chief executive Simon Wolfson downgraded 2016 profit estimates again, warning of a tough year ahead for clothing and footwear sales.

WHICH STOCKS SHOULD I BUY?

We continue to believe the market has got it wrong with Morrisons. At the time of writing there wasn't a single 'buy' rating on the stock by analysts, according to Reuters data. We are big fans of the business and firm buyers at 244.3p.

The supermarket revealed 2.9% like-for-like sales growth for the nine weeks to 1 January, its strongest Christmas performance for seven years.

RETAIL REPORTING CALENDAR
January 2017

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	**12**	13	14
15	16	**17**	**18**	**19**	**20**	21
22	23	**24**	**25**	26	27	28
29	30	**31**				

12 Jan – Tesco (TSCO), Booker (BOK), Marks & Spencer (MKS), AO World (AO.), Debenhams (DEB), Associated British Foods (ABF), ASOS (ASC:AIM), Moss Bros (MOSB), Mothercare (MTC), Dunelm (DNLM)

17 Jan – Greggs (GRG)

18 Jan – Burberry (BRBY)

19 Jan – Pets at Home (PETS), Halfords (HFD), N Brown (BWNG)

20 Jan – Bonmarche (BON)

24 Jan – Dixons Carphone (DC.)

25 Jan – WH Smith (SMWH)

31 Jan – Carpetright (CPR)

Source: MoneyAM

Latest figures from Kantar Worldpanel show the fastest recorded growth in the UK grocery market as a whole since June 2014.

Morrisons' chief executive David Potts upgraded full year profit before tax guidance to a £330m-to-£340m range which would be the first increase in profit since 2011.

WHICH STOCKS SHOULD I AVOID?

Surprise winners over Christmas include **Majestic Wine (WINE:AIM)** and **B&M European Value Retail (BME)**. We would hold off buying these companies until there is evidence that strong trading isn't a one-off event. (JC)

The big and small names set to IPO in London

O2, Bank of Cyprus, OneFoods among the names linked to potential UK stock market flotations

Telecoms, jewellery and halal food are among the industries that may feature in the IPO (initial public offering) market in 2017.

We've pulled together all the official announcements and rumours for stocks linked to a London stock market flotation this year.

Heading the pack is mobile phone operator O2 in a float potentially valued at £10bn and earmarked for the first quarter of the year. The business is currently owned by Spanish group **Telefonica (TEF:BME)**.

Bank of Cyprus is coming to the London stock market on 19 January. It could eventually become a member of the FTSE 250 once it has upgraded its listing category.

BRF (BRFS:NYSE), one of the world's largest food companies, last week confirmed it may float its United Arab Emirates-based **OneFoods** halal chicken business in London. OneFoods has 15,000 staff and 10 factories. It operates in more than 40 countries.

Aurum, which owns high street jeweller chain Goldsmiths, may also be heading for the London stock market. Reports suggest private equity owner Apollo is exploring an IPO or sale.

At the smaller end of the market cap spectrum, a trio of oil and gas companies are expected to join AIM very soon. US-focused producer **Diversified Gas & Oil** is hoping to raise $40m and join AIM in late January. This should coincide with the AIM debut from **Eco (Atlantic) Oil & Gas (EOG:CVE)** which is working with **Tullow Oil (TLW)** on an exploration project in Guyana.

They could be joined later in 2017 by Saffron Energy which is the Italian natural gas production assets set to be demerged from Australia-listed **Po Valley Energy (PVE:ASX)**.

In the mining space, we understand Angola-focused **Lucapa Diamond (LOM:ASX)** is planning to admit its shares to AIM in early to mid-2017. Israeli diamond miner **Shefa Yamim (SEFA:TLV)** has also been linked to a potential AIM listing.

White Rivers Exploration is to float on London's Main Market in 2017, offering investors exposure to a very large gold exploration project in South Africa in partnership with **Harmony Gold (HAR:JSE)**.

The entrepreneurs who sold their previous business Capital Pub to **Greene King (GNK)** for £93m are set to bring their latest venture, **City Pub Company**, to AIM in 2017.

Other potential floats include financial products comparison website CompareTheMarket.com owner BGL, gambling business Sky Betting, Vue Cinemas, indoor theme park operator IMG Worlds and wound care specialist Crawford Healthcare. (DC)

Investment ramp hints at Accesso opportunity

Theme parks technology firm may have major new agreement in pipeline

An R&D ramp-up may be the precursor to a new major contract win for **Accesso Technology (ACSO:AIM)**. The company specialises in attractions and theme park ticketing, queuing and payments technology.

It is committed to scaling up as part of its 100-odd site worldwide roll out with attractions operator **Merlin Entertainments (MERL)** following a landmark seven-year agreement in July 2015. Accesso anticipates completing *Passport* installations for Merlin by the end of 2017.

But there is growing speculation that the scale of investment could herald significant new business, with one analyst suggesting that a major deal could be worth an extra 350p on the current share price.

Half year results to 30 June 2016 showed a 120% hike in capitalised development expenditure to \$6.2m, and sparked the launch of the Accesso *Prism* wristband device in November.

'Merlin (and other) investment acts as a drag on forecasts through to at least 2017,' explains Numis analyst David Toms. Together with fairly poor weather last summer, this has taken the shine has off the share price, currently £15.20.

'The theme park market remains relatively early in the move towards electronic and mobile commerce and Accesso has built a market-leading position,' he adds.

SHARES SAYS: ↗

We have highlighted Accesso for years having first written about the company's potential in September 2009 at 63.5p under the name Lo-Q. A major new customer being signed up would likely spark another swathe of share buying. (SF)

BROKER SAYS 3 2 0

Just Eat fails to satisfy the market

SLOWING ORDER GROWTH is putting shares in online food delivery specialist **Just East (JE.)** under pressure despite confirmation full year results will be in line with guidance (10 Jan). Like-for-like orders were up 36% year-on-year in 2016. This compares with order growth of 46% in 2015 and 50% in 2014. The company is in the process of acquiring UK rival Hungryhouse and Canada's SkipTheDishes for a combined £360m. (TS)

Halma bolts on

FTSE 250 COMPANY **Halma (HLMA)** has continued its long-run acquisition spree of small bolt-ons with the \$28m purchase of FluxData, a digital imaging systems supplier. The plan is to integrate the new technology into its core health and safety, medical and environmental markets solutions. Halma shares heavily sold off through late 2016 providing an attractive entry point to this impressive growth and income story at 929.5p. (SF)

Tullow steps back in Uganda

OIL PRODUCER **Tullow Oil (TLW)**, a one-time constituent of the FTSE 100, is set to complete the long-awaited farm down of its stake in Uganda's first ever oil development. The \$900m transaction with French partner **Total (FP:EPA)** will see the company hand over two-thirds of its stake in the Lake Albert project, leaving it with 12%. This move should reduce cash requirements for the heavily indebted business. (TS)

TAKE THE ROAD LESS TRAVELLED WITH SOMEBODY WHO KNOWS IT WELL.

LET'S TALK HOW.

FIDELITY ASIAN VALUES PLC

More than 17,000 listed companies make the opportunity for investment in Asia truly immense. But with such diversity, how do you ensure you are setting off on the right path?

For Nitin Bajaj, portfolio manager of Fidelity Asian Values PLC, it's about finding the smaller companies that are primed to turn into the region's winners of tomorrow. Nitin's approach is quite simple – he looks to invest in attractively-valued, quality businesses that are run by people he trusts.

PAST PERFORMANCE

	Dec 11 – Dec 12	Dec 12 – Dec 13	Dec 13 – Dec 14	Dec 14 – Dec 15	Dec 15 – Dec 16
Fidelity Asian Values Net Asset Value	14.2%	10.9%	11.4%	5.1%	38.5%
Fidelity Asian Values Share Price	8.7%	13.2%	11.7%	4.6%	42.3%
MSCI AC Asia ex Japan	16.6%	1.8%	9.5%	-4.4%	25.7%

Source of performance: Fidelity and Morningstar as at 31 December 2016 on a bid-to-bid basis with income reinvested. Copyright ©2017 Morningstar Inc. All Rights Reserved. The comparative index of the investment trust is MSCI AC Asia ex Japan.

It's an approach that's working. Since Nitin took over the trust in April 2015, it has delivered 30.1% – significantly ahead of the 9.1% rise in the index.

So, if you want to explore a road less travelled, then Fidelity Asian Values PLC could be just what you're looking for.

Please note that past performance is not a reliable indicator of future returns. The value of investments can go down as well as up and you may not get back the amount invested. Overseas investments are subject to currency fluctuations. Investments in small and emerging markets can be more volatile than other overseas markets. This investment trust may invest more heavily than others in smaller companies, which can carry a higher risk because their share prices may be more volatile than those of larger companies.

Money Observer Trust Awards 2016
Premier Group
Fidelity International

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

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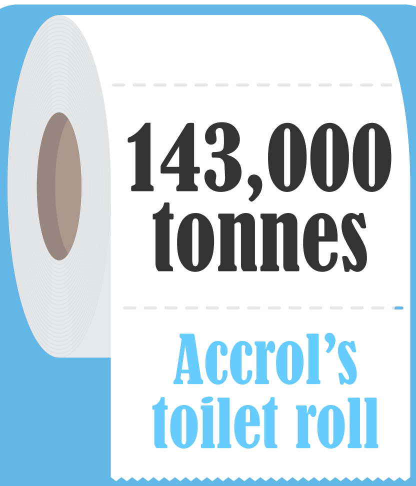


TISSUE PAPER SUPPLIER **Accrol (ACRL:AIM)** now has capacity to produce 143,000 tonnes of toilet roll a year after investment in a new Lancashire conversion facility.

Bigger output capability at Accrol, which buys standard paper from mills and converts it into tissue products stocked in stores, translates into potential annual revenue of between £160m and £180m if new orders can be won to fill production runs.

Trailing-twelve-month revenue up to 31 October 2016 at Accrol was £123m with an underlying operating margin of around 9%.

Johnson exits laundry

AFTER 199 YEARS in the drycleaning business **Johnson Service (JSG:AIM)** is selling its chain of retail stores to focus squarely on its industrial scale commercial cleaning division.

Timpson is buying Johnson's 200-store estate, which generated a 2015 adjusted operating profit of £2m, for £6.5m highlighting the dwindling value now placed on assets in the industry after a decade or more of decline.

The retail unit, which included the Johnson Cleaners and Jeeves of Belgravia brands, had become a small division relative to Johnson's commercial laundry operation which earned £28m of underlying operating profit in 2015.

$204bn Aussie mining exports

IMPROVING COMMODITY MARKETS could see Australia's energy export earnings hit a record $204bn (£123bn) in the year to 30 June 2017 – but still may not be enough to stave off recession.

Australia, which has not experienced a two quarter contraction in GDP for 25 years, reported a 0.5% dip in output for the quarter to 30 September 2016.

Rising household debt driven by a real estate boom has started to weigh on consumer spending while a downturn in the commodity cycle increased unemployment outside major east coast cities.

Mining companies have been delaying investment decisions due to an uncertain demand.

£20M PUNTER PAYDAY

CUSTOMER-FRIENDLY SPORTS and horse racing results over the festive period proved a payday for gamblers but will shave £20m off **William Hill's (WMH)** 2016 profit.

William Hill rivals **Ladbrokes Coral (LCL)** and **Paddy Power Betfair (PPB)** could also see a squeeze on gambling margins if the trend proves widespread.

Retail gambling margins at William Hill were 14.5% in the last nine weeks of 2016 versus an average of 17% to 18%. Fourth quarter margins in the gambling industry are usually higher than the rest of the year and the failure to match this trend contributed to William Hill's surprisingly large downgrade to profit, now expected to come in at around £260m.

85 FOOTBALL FIELDS

Safestore's self-storage

FAVOURABLE MARKET TRENDS helped the UK's leading self-storage operator **Safestore (SAFE)** grow earnings per share 78% in the last three years, according to results released 9 Jan.

Safestore has 5.6m square feet of self storage space, equivalent to around 85 football fields, mainly in London and Paris.

Self storage supply per head of population in the UK and France has been growing for the last 15 years but still trails countries including the US and Australia says chief executive Frederic Vecchioli.

56.1

MANUFACTURING PMI

UK MANUFACTURING RECORDED its strongest performance in the last two-and-a-half years in December amid a slew of positive UK economic data.

Construction and services industries in the UK also exited 2016 with strong momentum.

Purchasing Manager's Indices produced by Markit showed a reading of 56.1 for manufacturing. Any level above 50 indicates expansion. Services, the UK's largest economic sector, hit a 17-month high at 56.2 while construction, often a key swing factor in GDP numbers, hit an 11-month high at 54.2.

US revenue growth

2017 S&P 500 forecasts by sector

- 28.0% Energy
- 6.9% Technology
- 5.3% Consumer
- 5.0% Health care
- 5.0% Materials

Source: Factset

BEST & WORST - EQUITY INCOME FUNDS

Fund	10 year return (% ann.)
Candriam Equities L Biotechnology R USD Acc	20.20%
UBS EF Biotech (USD) Q Acc	18.94%
Allianz Thailand Equity USD	18.58%
Franklin Biotechnology Discv W Acc $	18.34%
Fidelity Thailand A-USD	18.24%
Junior Oils C Acc	-5.01%
Manek Growth	-5.22%
Tactical Real Return	-7.46%
FMG Iraq Fund A	-10.69%
Janus US Venture U EUR Acc Hedged	-20.33%

Source: Morningstar

Note: Funds with similar names and the same manager and portfolios are excluded to avoid repetition

FTSE 350 IN A MONTH

BEST PERFORMERS

	COMPANY	(%)
1	Sky	28.87
2	B&M European Value Retail	25.12
3	IP	23.37
4	Drax	23.26
5	Aggreko	22.31
6	NMC Health	21.6
7	Polymetal International	20.9
8	Inchcape	19.48
9	Allied Minds	18.34
10	Fresnillo	17.92

WORST PERFORMERS

	COMPANY	(%)
1	Evraz	-5.34
2	KAZ Minerals	-6.09
3	Capita	-6.78
4	Carillion	-7.46
5	Bank of Georgia	-7.74
6	Debenhams	-9.33
7	Ferrexpo	-11
8	Sports Direct International	-11.16
9	Next	-16.86
10	International Personal Finance	-42.09

* Excluding Equity Investment Instruments, Nonequity Investment Instruments
Date to 6 Jan 2017
Source: Thomson Reuters Datastream

Twin tailwind to power Aggreko

Power solutions business could be 2017 surprise package

A recovery in the share price of temporary power provider **Aggreko (AGK)** may have further to run if its rivals' share prices are anything to go by.

Shares in **Ashtead (AHT)** have gained 46% in the last six months versus an 18% decline at Aggreko even though close to half the latter's business is conducted in similar North American equipment rental markets.

The remainder of Aggreko's business is its global Power Solutions division, in which the company provides back-up and emergency power to utilities and governments. It too has major potential catalysts ahead in 2017 and particularly 2018.

Understanding both these business units is key to our bullish stance on the stock.

NORTH AMERICA PICK-UP?

In Rental Solutions Aggreko provides short-term rental of power mid-sized generators to businesses in developed markets, mainly North America.

A transactional business, the unit is susceptible to the industry's notorious economic cyclicality.

Aggreko said conditions were tough in North America during a third quarter presentation with analysts. Revenue across the Rental Solutions business was 7% lower than a year earlier in the three months to 30 September.

AGGREKO BUY
(AGK) 987p
Stop loss: 790p

Market value: £2.5bn

But since then, markets have been bidding up the price of many pure-play equipment rental stocks in the US because of President-Elect Donald Trump's commitment to beef up infrastructure spending.

More construction and civil engineering projects would be a major boost to market leaders like Ashtead and United Rentals. Smaller players in the US, like Aggreko, could also be poised to do well if this theme plays out.

UTILITIES AND GOVERNMENTS

Aggreko is best known for its global Power Solutions business and this too could also be at a key inflection point. Through this unit, Aggreko rents out large-scale generator units which plug in to government or commercial power infrastructure in the event of power shortages. Japan, for example, worked with Aggreko after its nuclear power generators were taken offline following the Fukushima nuclear accident.

Demand for this service is less economically cyclical than in Rental Solutions.

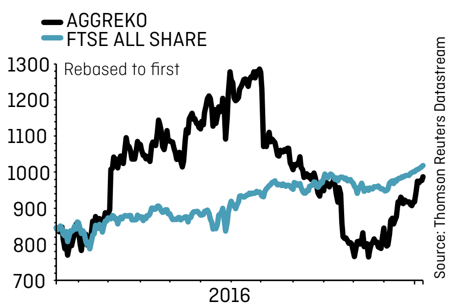
A key driver of Aggreko's performance in Power Solutions is asset utilisation which in the second half of 20165 was approaching its highest level in four years. Asset utilisation is the percentage of assets Aggreko owns which are currently out on loan. When this figure moves into the 70% to 80% range, margins can improve dramatically.

Major sports events in 2018, at which Aggreko also often provides power, could provide a further earnings tailwind moving into next year.

A key risk to investors in Aggreko is competition from Turkey-based rival Karpowerships. It operates enormous power generating boats which can be sailed to countries with power shortages and plugged in to transmission networks.

Aggreko also operates in tough countries like Venezuela where payment for services is not always straightforward. (WC)

BROKER SAYS: 0 0 0



Take a taste of Diageo

Smirnoff vodka-to-Guinness beer behemoth is one for uncertain times

Alcoholic drinks giant **Diageo's (DGE)** recent hangover is beginning to fade and the rebound in the world's largest spirits company has further to run. A winner in the wake of the Brexit vote, Diageo then suffered during a rotation out of expensive defensives into cyclical businesses towards the end of 2016.

Yet investors are again gravitating towards the dependable earnings and cash flows of a global spirits giant selling into 180 countries plus and boasting sales growth and margin enhancement possibilities.

REASSURING TIPPLE

Strong brands are at the heart of the economic moat of Diageo, a high-quality company whose outstanding portfolio spans global brands such as Johnnie Walker whisky, Smirnoff vodka and beloved stout Guinness, as well as local brands including Ypioca in Brazil and ShuiJingFang in China. These brands engender loyalty among consumers, confer pricing power upon Diageo and represent a high, costly entry barrier for its would-be rivals.

Amid prevailing geopolitical uncertainty, its worth remembering Diageo's earnings are geographically diversified and free cash flow generation strong – up £134m to £2.1bn in the year to June – supporting investment in competitive advantage, acquisitions and a progressive dividend.

DIAGEO BUY
(DGE) £21.73
Stop loss: £17.38

Market value: £54.6bn

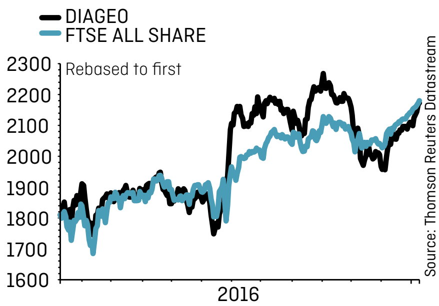
TOP LINE DRIVERS

Spirits companies are rebounding from weak results served up in recent years, with China beginning to grow again and Diageo's US business back in growth. In September, CEO Ivan Menezes flagged a good start to the financial year to June 2017, highlighting three key top line growth drivers as scotch, the US spirits business and India. He also assured the business is on track to meet medium term guidance of 4-6% organic sales growth with margin improvement.

Diageo is also among the beneficiaries of sterling weakness, which not only provides a translation benefit, but also a transaction tailwind by making its scotch more competitive. Long-term, the £54.6bn cap offers a play on the 'premiumisation' trend in emerging markets. Uncertain times have seen select emerging market consumers trading down, but the burgeoning ranks of the middle class in the developing world will increasingly aspire to drink premium brands.

One negative for new investors is valuation. For the year to June 2017, Liberum forecasts growth in pre-tax profit to almost £3.46bn (2016: £2.9bn) for earnings of 103p and a 61p dividend, rising to £3.66bn, 109p of EPS and a 64.6p shareholder reward thereafter. On current year estimates, a prospective price-to-earnings (PE) ratio of 21.1 appears frothy, although it is a price worth paying for a high-quality holding and there's a sustainable yield of 2.8% on offer too. (JC)

BROKER SAYS: 18 11 1



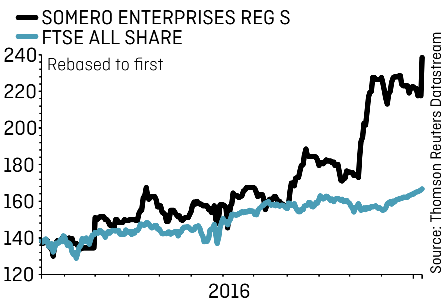
SOMERO ENTERPRISES
(SOM:AIM) 232.5p

Gain to date: 68.5%
Original entry point:
Buy at 138p, 14 January 2016

THE US-FOCUSED specialist machinery manufacturer has issued a very positive trading update for its financial year ending 31 December 2016. Revenue, earnings before interest, tax, depreciation and amortisation (EBITDA) and net cash are all expected to be ahead of market forecasts.

The company is so confident about the health of its trading that it will start to pay a greater percentage of earnings in dividends to shareholders. The payout ratio is moving from 30% to 40% of adjusted net income.

Its net cash level is also above the $10m target, so it has hinted at paying a special dividend in 2017. That will depend on requirements for current business needs and future investment in the first half of the year.



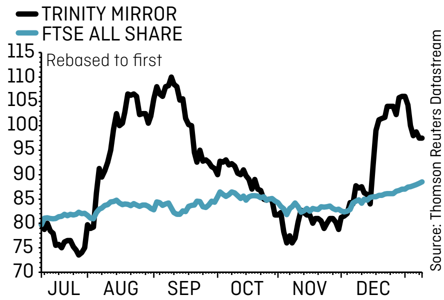
Broker FinnCap has upgraded its 2017 pre-tax profit forecast by 6.4% to $23.3m and reckons its will report $21.8m for 2016. Its price target for the next 12 months has been lifted from 217.5p to 254p.

SHARES SAYS:
We tipped this stock a year ago and it has since risen by 68.5%; a superb result. We remain big fans of the company as the stock isn't overly expensive and there is a supportive backdrop amid implications that Trump wants to bring manufacturing back to the US. (DC)

BROKER SAYS: 1 0 0

TRINITY MIRROR
(TNI) 97.85p

Loss to date: -2.15%
Original entry point:
Buy at 100p, 1 September 2016



NEWSPAPER PUBLISHER **Trinity Mirror (TNI)**, owner of the *Daily Mirror*, has offered a salutary reminder that a cheap stock can get cheaper without a catalyst to change the market's view.

Trading at 100p when we flagged it in autumn 2016, the shares have been volatile in the interim period but have recently firmed after a pre-Christmas trading update (16 Dec) revealed advertising revenue fell less than expected in the last quarter of the year. Net debt at £35m was also significantly better than anticipated.

The company has now confirmed it is in talks to acquire a minority stake in a new company that plans to buy some assets from Richard Desmond's Northern & Shell media business.

Reports suggest the new company will be headed by former *News of the World* editor David Montgomery and will buy Desmond's publish arm which includes the *Daily Express* and *OK!* Magazine.

Trinity has proved effective at stripping out costs from its newspaper operations and could potentially make savings by merging back office and sales operations across both the titles in play and its own existing assets.

SHARES SAYS:
We believe Trinity's shares are very cheap and offer considerable upside potential. (TS)

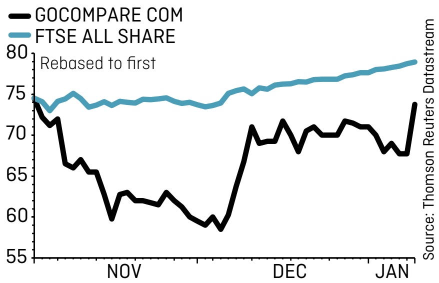
BROKER SAYS: 3 2 0

GOCOMPARE
(GOCO) 73.5p

Gain to date: 18.5%
Original entry point:
Buy at 62p, 24 November 2016

THE FINANCIAL products comparison website has started to catch the market's attention with news that 2016 earnings before interest and tax are slightly better than market expectations.

It also reports strong cash generation which is helping to reduce leverage – net debt dividend by earnings before interest, tax, depreciation and amortisation (EBITDA).



The business took on £75m of debt to cover the costs of demerging from **Esure (ESUR)** in November 2016 and a departing dividend, thereby pushing up leverage to 2.8 times. It now says leverage has been reduced to less than 2.0 times at the year end.

We originally said to take advantage of share price weakness following its demerger from insurer Esure in November 2016 and that trade is now paying off. We note chief executive Matthew Crummack seems very confident in the latest trading update, saying he expects to deliver 'another year of strong growth'.

SHARES SAYS:
Full year results on 2 March should help to further educate the market about GoCompare's capabilities and strengths. Keep buying. (DC)

BROKER SAYS: 3 1 1

OUR 2017 PORTFOLIO IS OFF TO THE RACES

OUR ANNUAL STOCK portfolio has delivered more than twice the gains as the wider market since we priced the selections in mid-December 2016. The '10 for 2017' portfolio is so far up by 7.2% on average versus a 3.5% gain from the FTSE All-Share index.

One of the best performers is mining services group **Capital Drilling (CAPD)**, up 13.2% to 56.49p. Broker FinnCap has included the stock in its top tips for 2017 and believes the shares could rise by another 50% this year, having upgraded its price target from 70p to 85p.

'In the downturn, it has enhanced its competitive position; it has a well invested rig fleet with plenty of spare capacity,' says FinnCap analyst David Buxton. 'This will result in a high level of profit drop-through on additional contract wins.

'The group has remained profitable at low activity levels and has a net cash position to support an above-average dividend yield.' (DC)

SHARES' 10 FOR 2017 PORTFOLIO

Rank	Company	Entry price (p)	Price now (p)	% gain / loss
1	Ithaca Energy	86.0	99.1	15.3
2	Devro	165.5	187.5	13.3
3	Capital Drilling	49.9	56.5	13.2
4	Ideagen	64.3	69.5	8.2
5	ITV	194.6	206.1	5.9
6	Hotel Chocolat	281.5	296.8	5.4
7	Serco	141.0	147.7	4.8
8	DCC	5,850.0	6,115.0	4.5
9	RSA Insurance	565.0	572.5	1.3
10	Tracsis	520.0	519.9	0.0
-	**AVERAGE**	**-**	**-**	**7.2**
-	**FTSE All-Share**	**3798.4**	**3929.9**	**3.5**

Entry prices taken 16 Dec 2016
Latest prices taken 10 Jan 2017

October M&A highest on record

Technology and health care companies prove popular targets

A landslide of mergers and acquisitions (M&A) in the fourth quarter of 2016 saw the highest value of deals ever recorded in a single month in October.

Global deal-making hit $526bn in October 2016 driven by megadeals including US telecom network **AT&T's (T:NYSE)** offer for media and entertainment outfit **Time Warner (TWX:NYSE)** and **British American Tobacco's (BAT)** $58.1bn bid for **Reynolds American (RAI:NYSE)**.

STAYING ON THE SIDELINES

Action in M&A markets was mainly driven by publicly owned businesses buying each other, according to research published by Ernst & Young (EY). Private equity acquisitions were lower in October 2016 compared to a year earlier and the overall value and number of deals for 2016 was down year-to-date at that point.

In the UK and Ireland, inbound M&A in the 12 months to October totalled $147bn, down 54% on a year earlier, while outbound M&A was $121.6bn, up 5%.

Investors in the UK looking to bag takeover targets ahead of deal announcements should focus their attention on the technology sector, which topped the deal value league table in both North America and Europe, according to the EY research. Banking and capital markets businesses, led by the Deutsche Boerse offer for **London Stock Exchange (LSE),** and industrial products businesses were also popular sectors in Europe.

'Everything is changing for global companies, except the expectations of their stakeholders around growth and returns – profitable growth is a mainstay demand of business,' says EY global vice chair of transaction advisory services Steve Krouskos.

'But turbocharged technological advances and an unsettled geopolitical landscape have changed the M&A field of play forever... the quickest route to innovation and growth is M&A – mergers, acquisitions and alliances.'

PREMIUM BIDS

Bid premiums paid to target shareholders in Europe were around 18%, down from 19% in 2015. Valuation multiples of acquired businesses declined slightly. Average enterprise value to earnings before interest, tax, depreciation and amortisation (EV/EBITDA) multiples offered by bidders were 9.5 versus 10.0 a year earlier.

Bidders were mostly likely to pay big valuation multiples in health care with EV/EBITDA multiples averaging 12.6 and in technology, with average multiples at 10.9.

The lowest valuation multiples were paid in telecommunications at 7.3 times EBITDA and automotive and transportation at 8.2.

Private equity companies favoured deals in technology, which accounted for $57.6bn of deals in 2016 up to the end of October, utilities ($29.5bn), health care ($28.9bn) and consumer goods ($25.1bn). One of the biggest private equity deals in October was the purchase of one private equity company by another as Goldman Sachs and the Canada Pension Plan Investment Board bought London-listed **SVG Capital (SVI)** for just under $1bn.

Disclosure: The author owns shares in BAT


masterinvestor
LONDON
SALONI
SIRIUS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COMMERCIAL AIRCRAFT


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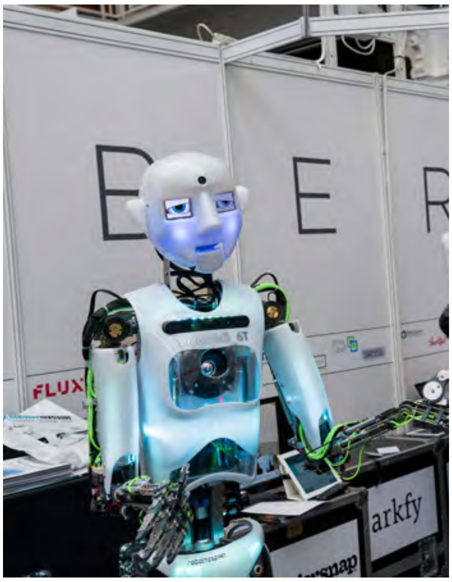

arkfy

BARGAIN HUNT

6 of the *best* value funds for *2017*

Often perceived as old-fashioned in comparison to growth or momentum, value investing is the art of buying stocks that trade at a significant discount to intrinsic value. Investors can gain exposure to value strategies through select funds, many of which have delivered long-term outperformance, offer diversification from the more typical UK portfolio as well as protection against market falls.

VALUE INVESTING EXPLAINED

A proven, long-term approach, value investing focuses on exploiting swings in stock market sentiment. The focus is on identifying companies which are valued at less than their true worth and then waiting for a correction. Value investing suits contrarian investors with patience, since it is not always in favour and does not always outperform over shorter time periods. Yet when legendary proponents of the art include the dean of value investing, Benjamin Graham, as well as Warren Buffett and Seth Klarman, only the foolhardy would dismiss value as a strategy. Put simply, Buffett likes to buys quality merchandise when it is marked down, whether it be socks or stocks. A valuable lesson taught to Buffett by mentor Ben Graham is that price is what you pay; value is what you get.

Value investing had been out of favour for a decade – 'quality-value' growth or momentum strategies have held sway – yet value shares outperformed in 2016, rallying as the market's prior focus on higher quality/lower volatility stocks, and their associated strong price performance, left not only these

> **'BUY THE CHEAPEST ITEMS IN THE SHOP'**
> BEN GRAHAM

stocks expensive, but the short-side of this trade exposed to increasingly cheap stocks.

However, value's outperformance last year has to be put in the context of an unusually weak decade. As Dan Brocklebank, Director, Orbis Investments, recently explained: 'One good year certainly doesn't mean value's time is up. Rotating out of value shares or avoiding them for fear the rebound has played out could prove costly for long-term investors.'

KEY VALUE METRICS

Ways to determine if a stock is trading below its intrinsic value include a low price-to-earnings (PE) ratio. Value hunters also look for a low price to book ratio - stocks trading at a discount to net assets or 'book value' might pop up on a value seekers radar.

Another key metric is the enterprise multiple or EV/EBITDA ratio, which unlike the P/E ratio, takes debt into account and as such, is a better indicator than market cap for unearthing takeover candidates. Another important metric is the discounted cash flow analysis, which calculates whether a stock is attractive or not by using future free cash projections and discounting them to arrive at a present value, which is then used evaluate the potential for investment.

Value investing seeks to exploit the irrational behaviour of emotional investors, whose fear and greed remain ever present and lead them to make investment decisions based on perception and emotion rather than reality. The most common reason that a stock trades at a discount to its intrinsic worth is short term profit disappointment, typically triggering a share price slump.

The value investor recognises that most businesses are long term in nature and the real effect of short term profit falls on the long-term value of a business is often small. They also recognise that on average most company profits are mean reverting over time, so that over the longer term, savage profit falls are often reversed.

> **LONG AGO, BEN GRAHAM TAUGHT ME THAT 'PRICE IS WHAT YOU PAY; VALUE IS WHAT YOU GET.' WHETHER WE'RE TALKING ABOUT SOCKS OR STOCKS, I LIKE BUYING QUALITY MERCHANDISE WHEN IT IS MARKED DOWN.'**
> WARREN BUFFETT

VEHICLES OF VALUE

Therefore, value stocks (sometimes known as recovery stocks) tend to outperform because the investor expectation reflected in their share prices is less demanding, and thereby easier to beat, sometimes by a significant margin. The flipside is the business (and share price) continues to underperform, leaving the contrarian investor caught in a 'value trap'.

Investors can access value opportunities through the acumen of professional fund managers including bottom-up stockpicker Alex Wright, manager of two contrarian funds at Fidelity: **Fidelity Special Situations (GB0003875100)** and **Fidelity Special Values (FSV)**. (JC)

MUMFORD STILL KEEN ON OIL STOCKS

PAUL MUMFORD, FUND manager at Cavendish Asset Management, says he feels quite positive about markets moving forward. 'There are so many interesting opportunities and cheap stocks. There are more stocks I want to buy now than at any time in a number of years.

DOMESTIC BARGAINS

'Investors have shunned domestic stocks, in particular, since the fall in sterling. You are getting some very good value there.

'I think sterling will recover, although it might take five years to do it. I believe once negotiations are complete and we are detached from Europe, people will see the UK as a decent place,' adds Mumford.

'**Debenhams (DEB)**, **Moss Bros (MOSB)**, **Bonmarche (BON)**, **Laura Ashley (ALY)** – these are all giving investors a decent return and have reasonable balance sheets. Profit margins are under pressure but share prices have already fallen.'

Mumford has pedigree in making contrarian calls, as laid out in his newly-published book *The Stock Picker*. He likes to explore depressed parts of the market and has been lucky buying just before share prices recover.

'I was buying housebuilders before the sector recovered; I was buying oil and gas stocks last year and people thought I was wrong. People said these areas looked gloomy, but the market had already anticipated that.

RAISE YOUR GLASS

Another area that excites Mumford is pub companies. 'You've had some pretty good figures from them recently; you're getting some pretty darned good dividend yields; and only have to pay single figure multiples to buy the stock. No-one seems to like them at the moment as everyone is concentrating on exporters. I think the sector will recover in due course; the difficulty is the timing.'

He also think the oil and gas sector has tremendous potential. 'I have mainly North Sea-related stocks. **Ithaca Energy (IAE:AIM)** will be paying down debt quite sharply. Hurricane Energy (HUR:AIM) is pure exploration and has enjoyed significant success. We participated in a placing for **Northern Petroleum (NOP:AIM)** – I believe that could be a three to four bagger in a fairly short space of time.'

Some of these stocks appear in several of Cavendish's funds. Anyone seeking ideas from a value perspective may be best served looking at **Cavendish Opportunities Fund C Acc (GB00B9F9Z985)** from its product range. This fund aims to invest in equities falling mainly under the categories of smaller companies which offer long-term growth, companies which offer recovery prospects and companies in sectors of the market which are perceived to be unduly depressed. (DC)

NITIN BAJAJ, FIDELITY ASIAN VALUES

GOOD FOR EXPOSURE TO UNDERVALUED ASIAN STOCKS

SOFTLY SPOKEN WITH a very straight-forward value investment philosophy, it comes as no surprise that Nitin Bajaj is a big Warren Buffett fan. 'We look for good quality companies being run by good management,' simply states the manager of the **Fidelity Asian Values (FAS)** investment trust.

VAST POOL

His preference is smaller and medium-sized enterprises (SMEs) – the average target market cap of the fund is $1bn. This is because they tend to get overlooked by most other investors, allowing he and his team to gain an edge. Companies with low debt and diversified revenue streams capable of putting up 50%-plus investment returns on a three-year horizon are typical boxes to tick.

Asia, encompassing anywhere east of Istanbul except Japan, has emerged as the world's fastest growing region and features an estimated 15,000-plus listed companies.

It's a vast pool in which to fish for mis-priced companies but there is no magic formula and Bajaj largely overlooks geopolitical and macroeconomic data in favour of investment analysis heavy lifting. The fund manager demands rigorous fundamental analysis, with a bottom-up stock selection approach. 'We simply have more analysts on the ground than anyone else,' he says.

The SME focus is relatively new, Bajaj's decision since taking over the trust's management in April 2015. But while potential investment returns may be more promising from SMEs that also tips the risk scales some, and means few will be familiar with its main holdings.

The two biggest, **Power Grid Corp of India (PGRD:NS)** (3.93% of the trust) and **Tisco Financial (TISCO:BK)** of Thailand (3.08%) are long-run favourites of Bajaj, both added to the trust's portfolio since he joined. Singapore's **RHT Health Trust (RHTH:SI)**, the sixth largest stake at 2.16%, is another Bajaj has liked for some time.

STRONG PERFORMANCE

But this change of tack also skews the investment performance statistics, which have been consistently strong versus its MSCI Asia Pacific ex-Japan benchmark. The trust has outperformed in almost every year of the past 10, according to Morningstar data, delivering a 9.38% average annual share price return against the benchmark's 2.87%, although most of that is a hat tip to previous manager John Lo. But encouragingly, that trend has continued more recently, ahead of its benchmark on a one, three, six and 12-month basis, based on Trustnet stats. (SF)

MANAGER SEEKS DOWNSIDE PROTECTION

FIDELITY SPECIAL VALUES (FSV) 228P

ESTIMATED NAV: 234.27P

DISCOUNT: -1.72%

5-YEAR ANNUALISED RETURN (NAV): 18.6%

Source: Morningstar

RUN BY STAR manager Alex Wright, **Fidelity Special Values (FSV)** is an investment trust which looks for 'individual change stories', stocks undervalued by the market and whose growth potential isn't yet appreciated by other investors. Contrarian Wright looks for change in unloved areas of the market which leads to his value bias. His investment approach has two key elements; downside risk management and unrecognised growth potential. 'We're very much considering the downside and thinking about that first,' says Wright, who looks for a margin of safety in his investments. This can be found in exceptionally cheap valuations or some asset that should provide a share price floor, ranging from inventory to intellectual property. Wright's process also sees him 'steering clear of very indebted companies where the chance of losing your money is much higher.' As at 30 November, Fidelity Special Values' top overweight positions included home emergency, repair and heating installation group **Homeserve (HSV)**, defence, security and transport play **Ultra Electronics (ULE)** and oil major **Royal Dutch Shell (RDSB)**. Other positions included **Citigroup (C:NYSE)** and building materials firm **CRH (CRH)**; banks and construction are two unloved sectors where Wright sees potential for positive change. (JC)

61% OF THE FUND IS IN LARGE CAP STOCKS

JUPITER UK SPECIAL SITUATIONS (GB0004777347) 187P

5-YEAR ANNUALISED RETURN: 12.8%

FUND SIZE: £1.4BN

ONGOING CHARGE: 1.75%

Source: Morningstar

MANAGER BEN Whitmore's skill at identifying quality businesses which have been unfairly neglected by other investors could prove useful amid a shift away from so-called 'expensive defensives'. Whitmore has been in charge of the fund for just over 10 years. He looks for enduring businesses which are going cheap and runs a pretty tight book of around 40 names. He uses two value based screens to identify opportunities and then analyses the individual qualities of a company. The focus is on the ability to generate cash over profit and on the ability of the balance sheet to cope with unanticipated events. Whitmore's investment process avoids trying to predict company earnings as well as the future direction of the stock market and interest rates. A top quartile performer, with an annualised return over five years of 12.8%, it counts among its top holdings a position in **BP (BP.)**. The oil major was among the top performers in *Shares*' list of big picks for 2016 as it benefited from a recovery in oil prices and the resolution of liabilities relating to the Deepwater Horizon rig disaster and resulting Gulf of Mexico oil spill. (TS)

THIS FUND FOCUSES ON *DEEP* VALUE

SCHRODER RECOVERY (GB0007893760) £204.40

5-YEAR ANNUALISED RETURN: 17%

FUND SIZE: £865M

ONGOING CHARGE: 1.66%

Source: Morningstar

RUNNING A concentrated portfolio of around 30 stocks, co-managers Kevin Murphy and Nick Kirrage marked 10 years at the helm in 2016. The fund takes a contrarian approach aiming to buy when most others are keen to sell and sell when they want to buy. They work on the assumption that outright insolvency is rare and even badly hindered companies can bounce back amid improving conditions. This focus on unloved pockets of the market is reflected in its heavy exposure to financials. The top three holdings in the fund are **HSBC (HSBA)**, **Barclays (BARC)** and **Royal Bank of Scotland (RBS)**. The fund is explicitly aimed at those with a time horizon of at least five years. Over that time-frame the performance has been impressive with a five-year annualised return of 17% according to Morningstar data. Alongside the beleaguered banks, another interesting position in the fund is **Pearson (PSN)**. We have been negative on the academic publishing firm for some time given structural issues in its core US higher education market but accept that at a certain point this negative will be fully priced in by the market. Investors can get insights from Schroders' wider 'value' team at www.thevalueperspective.co.uk. (TS)

INVESTS IN MICRO CAPS

SVS CHURCH HOUSE DEEP VALUE INVESTMENTS (GB00BLY2BF03) 129P

3-YEAR ANNUALISED RETURN: -0.24%

FUND SIZE: £8.5M

ONGOING CHARGE: 1.41%

Source: Morningstar

ONLY A TIDDLER in overall size at just £8.5m, this fund, managed by Jeroen Bos, has the opportunity to invest in much smaller companies than many of his peers. That paid off in 2016 with an 18.8% return. Funds with billions under management are unable to funnel meaningful chunks of their portfolio into micro cap names like **PV Crystalox Solar (PVCS:AIM)** which delivered triple digit gains in 2016 and is the fund's largest investment. Investment policy at the Bos Deep Value fund is based on the approach of Warren Buffett's mentor Ben Graham who early in his career made money investing in companies that traded at or close to their liquidation value. Other investments include the highly profitable niche asset manager **Record (REC:AIM)** and pawnbroker **H&T Group (HAT:AIM)**, both of which delivered 30% plus gains in 2016. Key risks to consider at the fund include lower liquidity at the smaller end of the market which can make it difficult for a fund manager to exit positions in some circumstances, though the fund's small size makes this less of an issue. (WC)

Disclosure: The author owns shares in PV Crystalox Solar

Why Miton Global Opportunities Trust is unique

Seeking to exploit opportunities in the investment trust sector

In order to generate returns, we believe investors will increasingly need to look for alternative investments which invest in company shares and bonds. Investment trusts are one such area to explore.

The massive infrastructure expenditure mooted during Trump's election campaign has the potential to place the government bond market under severe stress.

We believe the high valuations on which global company shares, otherwise known as equity markets, currently trade is a direct result of the very low alternative returns available from bond securities.

Should bond yields continue to rise, stock markets could be undermined. Moving on from a period of unconventional monetary policy would be healthy in the long term, however, stock markets are likely to undergo a period of turmoil whilst investors adapt to the new reality.

WEALTH MANAGEMENT CHAINS

Since 2000, those investment companies that traditionally bought investment trusts have undergone a process of consolidation. Consequently, many companies have merged to form vast wealth management chains.

The impact of this consolidation has meant that a large proportion of the investment trust sector has become effectively off limits to such firms as they are unable to cope with the huge capacity and liquidity levels required by these new mega-chains whose assets under management number in the billions.

This dynamic has in effect served to

'orphan' hundreds of investment trusts, many of whom are now under-researched and increasingly illiquid as demand has naturally slowed, despite there being no critical issue with the trusts, assets or their overall strategies.

INVESTMENT OPPORTUNITY

Without demand, the share prices of these investment trusts have slowly drifted lower than the value of their underlying assets creating a significant opportunity for the diligent and specialist investor to buy.

Miton Global Opportunities Trust (MIGO) is, we believe, a unique investment proposition that specifically seeks to exploit opportunities in this part of the investment trust sector.

MIGO's patient investment approach allows it to extract the embedded value in those investment trusts that are trading at a lower price to the value of the underlying assets in order to realise gains over the medium to long term.

To provide an idea of the scale of MIGO's investment universe, there are currently over 400 investment trusts listed on the London Stock Exchange with an aggregate value of over £100 billion.

Over 300 of these investment trusts are currently less than £250 million in size, and offer exposure to a broad range of alternative asset classes from the likes of property to natural resources. MIGO is therefore able to offer significant diversification across this pool of potential opportunities.

THREE-PRONGED APPROACH

The MIGO portfolio comprises of three broad investment categories; identifying special situations, identifying and backing strong managers, and investment trusts in realisation (the process of an orderly wind-down returning the assets back to investors).

A special situation typically involves a scenario where a series of specific circumstances or factors has led to a dislocation between the market's perceptions of an investment trust versus reality. In simple terms, where the market understates or simply fails to identify the true value, MIGO looks to buy these assets at a discount to the value of the underlying assets with the aim of making up this value-gap over time.

The second category involves the identification and backing of strong investment management teams, who have often fallen victim to the same structural changes mentioned previously. Although they may have demonstrated exceptional performance, some investment managers have found themselv wes left without any natural demand on account of the small size of the investment trust they manage. MIGO looks to exploit this opportunity by accessing these specialist, high quality investment management teams at a discount with a view to generating gains over time.

The third category involves realisations. In some circumstances, shareholders can influence a trust's behaviour by exercising their rights as owners and may opt to vote to attempt to force an investment trust into realisation or liquidation, in order to realise the full value of their investment sooner. Clearly, if the shares have been bought at a significant discount to the value of the underlying assets, then this often proves to be a profitable exercise.

INCREASING SUPPLY OF OPPORTUNITIES?

We expect the continued consolidation of the wider investment community to precipitate further structural change for investment trusts under £250 million in size. Furthermore, there appears to be no let-up in the growth of alternative asset classes creating future opportunities, many with an income bias. This development should lead to an increasing supply of future opportunities going forward.

We are focused on extracting embedded value, which already exists, not trying to generate returns from trying to second guess unpredictable future share price or market movements.

As MIGO is on a discount to its underlying assets combined with the discounts that exist within the Trust we believe there is good scope for this latent value to be realised. We are excited by the opportunities and believe MIGO's research-led approach has the ability to make gains over the long-term, in a significant but under exploited segment of the UK market.

BE AWARE OF THE RISKS

The value of investments may fluctuate which will cause fund prices to fall as well as rise and investors may not get back the original amount invested. Miton does not give investment advice, if you are unsure of the suitability of this investment you should speak to a financial adviser. Investment Trust Companies such as MIGO and those in which it invests may borrow money, which can then be used to make further investments (gearing). In a rising market, this 'gearing' can enhance returns to shareholders. However, if the market falls, losses will be multiplied.

DEFINITIONS

Bond – A loan in the form of a security, either issued by a UK or overseas government (government bonds) or company (corporate bonds), which pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

Bond yield – The interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

COME AND JOIN SHARES' 20% CLUB

SHARES TOP PICKS GAINED OVER 20% ON A 12 MONTH BASIS

Stocks featuring in *Shares'* weekly *Great Ideas* section over the last year racked up gains of 12.4% versus a comparable return on the FTSE All-Share of 11.4%.

On an annualised basis the result was 24.8% versus 22.8%, as we explain in *What is Great Ideas?*

STRONG ENDORSEMENT

The performance is a particularly strong endorsement of the quality of *Shares'* stock picking ideas over the last 12 months because the FTSE All-Share was unusually hard to beat in 2016.

That's for a couple of reasons.

Firstly, the All-Share's performance was boosted by the red-hot mining and oil sectors, which gained 115% and 33% respectively in the last 12 months.

Only six out of 98 companies *Shares* featured over the last 12 months came from these sectors yet our ideas still beat the market on average.

Second, FTSE 100 stocks beat mid cap FTSE 250 stocks handsomely in 2016 but most of *Shares' Great Ideas* are picked from the lower end of the market.

Finally, *Shares Great Ideas'* had a hard Brexit: 15 of our picks breached their 20% stop-loss in the volatility following the EU referendum. That locked in losses of 20% apiece and meant we had fewer stocks which participated in the second-half rally.

HOW WE DID IT

The few mining stocks we picked did most of the heavy lifting. Mineral sands miner **Sierra Rutile (SRX:AIM)** gained 90.2% after a takeover offer which fell somewhat short of our expectations of the stock's valuation but nevertheless delivered a stunning four-month return.

South Africa miner **Petra Diamonds (PTRA)** is up 84.2% since 25 February as it recovered from almost defaulting on its debts in 2015 and said it expects to be cash flow positive in the current financial year.

Platinum miner **Tharisa (THS)** gained 80% since 29 September as better-than-expected production and a pledge to pay a maiden dividend at results announced on 29 November.

Patent translator **RWS (RWS:AIM)** improved 71.8% as the company put some of its swelling cash resources to work with the $70m acquisition of US-

SHARES GREAT IDEAS – TOP 20: TRAILING 12 MONTH

Rank	Stock	EPIC	Date Written	Return
1	Sierra Rutile	SRX	07/04/16	88.2%
2	Petra Diamonds	PDL	25/02/16	84.2%
3	Tharisa	THS	29/09/216	80.0%
4	RWS	RWS	03/03/16	71.8%
5	Wireless	WLG	28/04/16	71.8%
6	Rotork	ROR	11/02/16	65.2%
7	Somero Enterprises	SOM	14/01/16	55.8%
8	Savannah Resources	SAV	03/11/16	51.8%
9	Capital Drilling	CAPD	14/07/16	46.4%
10	Fyffes	FFY	22/09/16	44.4%
11	Caretech	CTH	14/07/16	44.2%
12	Mothercare (SHORT)	MTC	25/02/16	42.0%
13	CRH	CRH	05/05/16	40.4%
14	Allied Minds	ALM	08/09/16	39.4%
15	St James's Place	STJ	07/07/16	37.4%
16	Victrex	VCT	30/06/16	34.9%
17	Tribal	TRB	19/05/16	34.6%
18	Fusionex	FXI	28/01/16	34.0%
19	Velocys	VLS	29/09/16	32.1%
20	Lancashire	LRE	10/03/16	31.6%

Source: Shares

WHAT IS GREAT IDEAS?

Shares' Great Ideas is published every Thursday within the magazine and online and features what we believe to be our two strongest stock ideas of the week.

These articles aim to help filter out some of the better opportunities among the 2,000 or so stocks listed on the London Stock Exchange and provide a starting point for readers to conduct further research.

Ideas usually come from interviews with management teams, analyst commentaries and forecasts and independent research conducted by the *Shares* team.

We track the performance of stocks which feature in this section to give readers an idea of the quality of our ideas over the past 12 months.

Shares Great Ideas have over the last 12 months averaged a gain of 12.4% versus a gain on 11.4% on our main reference index the FTSE All-Share.

HOW DO WE WORK THIS OUT?

After each edition of *Shares*, published every Thursday, we add the two featured *Great Ideas* stocks to the list and remove the two oldest picks.

In each article we record the share price of the stock featuring in *Great Ideas* and separately we record the index value of the FTSE All-Share on the same day the story is written.

This leaves us with a rolling 12-month list of 98 stocks on which to track performance against the benchmark.

The oldest stocks in this list were written about 52 weeks ago and the newest only one week ago, meaning the average time that has elapsed since we wrote about a stock is about 6 months. If we wanted to turn the performance of *Great Ideas* into an annual number, a time period most investors assess performance over, we would double the reported number of 12.4% to a 24.8% result on a 12-months' basis.

Equally, the FTSE All-Share semi-annual return we use of 11.4% increases to 22.8% on a 12 months' basis.

It's important to emphasise *Great Ideas* is not a real portfolio, it is a collection of stock ideas whose performance we track. Readers should always conduct their own research and/or seek financial advice before buying any security. Past results are no guide to future performance.

based Corporate Translations.

Wireless Group, operator of TalkSport and other radio stations, was one of a couple of *Great Ideas* stocks to benefit from mergers and acquisition activity over the year, gaining 71.8% after its takeover by Rupert Murdoch-controlled News Corporation.

Persimmon divi has solid foundations

Full year results could reveal enhanced shareholder returns

A rock-solid balance sheet means there is a place in your portfolio for York-headquartered housebuilder **Persimmon (PSN)** on income grounds alone.

SHORT-TERM VOLATILITY

Investors should be prepared to accept some short-term volatility though as the triggering of Article 50, firing the start gun on formal Brexit negotiations, could create uncertainty during the key spring selling season.

A 5 January trading update revealed a cash pile of £913m as the company exercised tight control of working capital. Persimmon has already committed to return 110p per share a year to shareholders but could well announce an enhanced cash return alongside full year results on 27 February. This in turn could act as a catalyst for the share price.

PREMIUM PRICE

The stock is at a premium to the rest of the sector, trading at 2.1 times assets, 9.2 times 2017 earnings per share and offering a 5.7% yield based on Numis forecasts. This is justified by an excellent track record and its strong cash generation.

Persimmon – 51% of units sold from Northern offices in 2015

The company is still substantially below its pre-Brexit vote levels and like the rest of its peers looks attractively valued relative to the wider market. The implication being that investors do not believe the earnings forecasts.

So far, the housebuilders have defied bearish predictions over the impact of the UK's vote to exit the European Union.

Davy analyst Colin Sheridan says: 'In the immediate aftermath of the UK's vote to leave the European Union last June, we downgraded our expectations for the new homebuilding sector to reflect a modest recession. In terms of assumptions, this meant a 2% pullback in volumes and a 3% fall in prices over the course of the year.

'Recent reports from the builders, along with better new home construction data, suggest that this scenario is too pessimistic and that negative growth in 2017 is unlikely.'

Persimmon reported sales up 15% year-on-year in the second half of 2016 as well as a 4% rise in legal completions and 4% rise in average selling prices for the year as a whole and a 12% jump in its forward sales book to £1.2bn.

LEVERS TO PULL

House prices are starting to tail off but there are levers the company could pull to see it through any periods of tough trading.

Liberum analyst Charlie Campbell says: 'Its long landbank means it could cut land spending entirely to boost cash flows, and the strategic landbank may continue to boost margins too. Northern areas have much better affordability than the south, which may mean better pricing in a weaker environment.'

SHARES SAYS: ↗
We like Persimmon at £19.39.

BROKER SAYS: 7 6 2

Gear4music in the groove

Keep tuning into high growth online guitars-to-drum kits seller

Online musical instruments retailer **Gear4music (G4M:AIM)** earned yet another round of earnings upgrades following its trading update (6 Jan). We remain bullish, with a premium valuation justified by the growth potential.

Shares has been excited about York-headquartered Gear4music since its IPO (3 June '15) and urged investors to buy at 150p – see Small Caps, 11 Aug 16 – this summer. We correctly identified Gear4music's attractions as a structural retail winner and status as a Brexit-busting growth stock.

ROUND OF UPGRADES

Triggering another round of upgrades following the Brexit vote in June, the latest excellent update showed sales up 55% to almost £24.4m in the four months to December and improved gross margin, reflecting market share gains in the UK and Europe as well as stellar 63% growth in higher margin own-label sales.

Particularly impressive was the 130% surge in Europe and Rest of the World sales to nearly £9.4m – UK revenues rose 29% to £15m – while active customer numbers have grown 53% to 324,000.

Guided by CEO Andrew Wass, the £104.6m cap is tapping into the profound distribution shift towards selling instruments and equipment online. Keenly priced products, fast and flexible delivery options and best in class customer service are competitive strengths.

Selling own-brand instruments and premium third party brands including Fender, Yamaha and Roland, Gear4music is at the foothills of growth in a fragmented market. The fall in the pound is also boosting European exports, Gear4music reaping the benefits of investment in multi-lingual, multi-currency websites.

Significantly, a Swedish distribution centre is already operational and a German one will be up and running before the end of February. These hubs will help power rapid growth on the continent, not only reducing customer delivery times but also providing local buying opportunities.

TABLE OF UPGRADED PANMURE GORDON ESTIMATES
YEAR END FEBRUARY

Year	Sales (£m)	PBTA (£m)	EPS (p)
2016 (A)	35.5	0.6	3.1
2017 (E)	56.0	2.4	9.2 (from 7.7)
2018 (E)	78.9	2.9	11.5 (from 11.4)
2019 (E)	98.4	3.7	14.5 (from 14.4)

Source: Panmure Gordon

RICH RATING

Panmure Gordon's Peter Smedley has upgraded his pre-tax profit forecast for the year to February by 20% to £2.4m, building on a 21% upgrade as recently as October, and upped his earnings estimate from 7.7p to 9.2p, forecasts which leave Gear4music on a rich forward earnings multiple of 56 times plus.

Raising his price target from £4 to £6, Smedley prudently leaves his £2.9m 2018 pre-tax profit estimate unchanged to reflect investment in infrastructure and products to drive growth, which will constrain short term profit upside. However, given the overseas growth Gear4music is delivering, we believe this estimate could prove conservative.

SHARES SAYS: ↗
We're staying bullish on Gear4music at 519p for its structural growth attractions and note 15.6% upside to Panmure's price target. (JC)

BROKER SAYS: 1 0 0

XP Power mulls M&A to boost growth

Rare walk along the acquisitions path

Power switching components and kit supplier **XP Power (XPP:AIM)** is seriously considering a rare return to the acquisitions trail as it seeks to bolster organic growth opportunities.

According to analysts, management has been talking more openly about the possibility and has confirmed a bulging pipeline of potential targets, although none have been named for obvious reasons. Around £35m to £40m of M&A funding is thought to be available.

The Singapore-based business has historically concentrated on internal research and development to seed long-term growth opportunities through its stringent five-step development and sales cycle.

The company invests heavily in new products, designing complex, science-based kit for customers in situations where off-the-shelf solutions can't do the job. This has helped expand its target market into higher voltage and power products and drive operating profit margins, which have increased from 3.9% in 2002 to 21.9% in the first half of 2016.

XP Power's last acquisition was the $12m purchase of high voltage power modules designer and manufacturer EMCO back in November 2015. According to Andrew Shepherd-Barron, analyst at broker Peel Hunt, the 'revenue synergies are beginning to become visible,' from that deal with new business wins in high voltage (above 200v) and high power (above 2.4kW) products.

SHARES SAYS: ↗

A rare return to M&A alongside ongoing R&D might suggest robust demand for the sort of bespoke solutions XP Power supplies. A 2017 PE of 15.2 is not expensive for such a long-run growth track record sweetened by a 4.3% yield.

BROKER SAYS: 3 1 0

Sprint with Science in Sport

IT MAY CURRENTLY be loss-making but sports nutrition products tiddler **Science in Sport's (SIS:AIM)** sales grew an impressive 30% to £12.24m in 2016 according to the latest trading statement (5 Jan), with revenue cutting a dash online and internationally. Global awareness of the SiS brand is growing and we reckon Science in Sport is likely to draw a bid before too long, underpinning our positive stance at 79p. (JC)

Zytronic cleans up balance sheet

HI-TECH DISPLAYS and touch sensors business **Zytronic (ZYT:AIM)** is going through the legal motions to make £8.9m of non-distributable cash reserves available. Cancelling the share premium account looks like a balance sheet tidying exercise in the short-term, but it will open the option to a shareholder cash return in future. (SF)

Bean counter required at Elecosoft

CONSTRUCTION SOFTWARE tiddler **Elecosoft (ELCO:AIM)** is facing an management power vacuum with CFO of nine-years Graham Spratling leaving once 2016 full year accounts have been completed. While executive chairman John Ketteley continues to oversee day-to-day operations the £23.1m company has still to appoint a CEO replacement after Nick Caw departed in April 2016. (SF)

Investing in 'New' China

JPMorgan investment trust looks to profit from shifting economy

The Chinese Year of the Rooster begins on 28 January with investors still awaiting a new dawn in the country's multi-decade growth story.

The transition from an export-driven to a consumer-driven economy is resulting in slower growth and the Shanghai Composite index is yet to recover from the big corrections in August 2015 and January 2016 as jitters over a hard landing for the economy reached fever pitch.

Against this backdrop, portfolio manager Howard Wang and the rest of the team behind the **JPMorgan Chinese Investment Trust (JMC)** are looking to deliver nuanced exposure to China. One of only two pure Chinese investment trusts listed in London alongside **Fidelity China Special Situations (FCSS)**, both have delivered share price gains in excess of 30% over the past year. JP Morgan's fund trades at a 13.9% discount to a net asset value of 234p and Fidelity's trust trades at a similar discount.

JPMORGAN CHINESE INVESTMENT TRUST
(JMC) 201.4p

Estimated NAV: 234p

Discount: 13.9%

5-year total return: 76.5%

Source: AIC

NEW CHINA FOCUS

Wang says: 'Our focus is to find businesses well-positioned for China's economic evolution with the divergence between the old and the new and how it will shape up to be in the next three to five years, across market capitalisation and across market listings.'

Wang explains that the fund has the flexibility to invest in stocks which are not classified as Chinese by MSCI but nonetheless earn a significant proportion of their revenue from the country. He cites the example of Taiwanese smartphone component makers, adding: 'They have made a meaningful contribution to our portfolio returns over the last several years but would not have been available as investment ideas in a pure China fund.'

He adds: 'As our investment professionals are located on the ground, the deeper access to local companies should play to the strength of a closed-end investment trust vehicle which can invest further down the market cap spectrum, in businesses less well known and discovered by others, with relatively less liquidity constraints.'

PORTFOLIO PICKS

The portfolio is concentrated in what Wang describes as 'New China economies' including areas such as consumers, healthcare, technology and the internet and environmental services. On the consumer side the trust holds stakes in a variety of businesses in media, tourism, automobiles and kitchen appliances.

A position in travel services provider **Ctrip (CTRP:NDQ)** plays to growth in domestic leisure travel and there are substantial positions in big online businesses

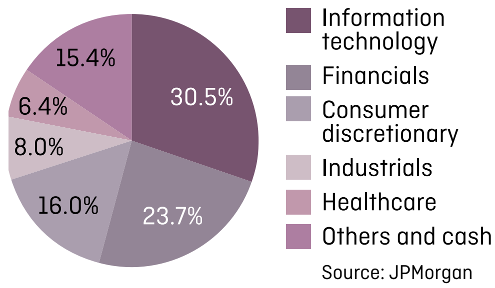
THIS TRUST HAS A BOTTOM-UP, STOCK PICKING APPROACH

like **Tencent (0700:HKG)** and **Alibaba (BABA:NYSE)**.

Wang adds: 'We also found a niche player that specialises in kitchen range hoods (**Hangzhou Robam Appliances (002508:SHE)**), distinctively tailored for the Chinese consumer, with high barriers to entry in their business model.'

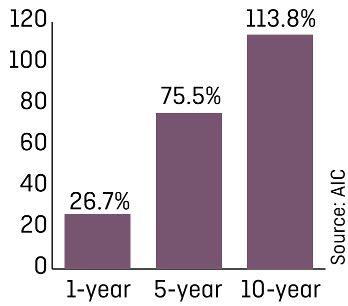
'The healthcare sector should experience structural growth supported by healthcare spend and demographics,' he adds. 'Within this space, we are also selective about the companies that we believe are positioned to be the long-term winners, including a hospital operator and successful research and development drug companies.'

SECTOR BREAKDOWN AS AT 30 NOVEMBER 2016



Source: JPMorgan

SHARE PRICE TOTAL RETURN



DOMESTIC PLAYS

As of 30 September 2016, around 12.5% of the trust's value was concentrated in China's domestic A-Shares, with the majority in Hong Kong and US-listed stocks, but Wang says that proportion could grow over time.

'Overall, given the improving access to the onshore China markets, which we believe will increasingly offer the type of companies that fit our investment criteria, we may look to increase our exposure to A-share companies.'

The plan is to avoid undue exposure to macro trends through a long-term approach built on bottom-up stock picking. Stock selection is expected to contribute between 75% and 80% of the relative performance with sector allocation accounting for the rest.

CHALLENGES REMAIN

Wang acknowledges there are inherent challenges associated with investing in China. 'Corporate governance in China remains a work in progress and certainly as a whole does not compare to developed market standards, and so we are thorough and thoughtful in looking for quality operators, companies that are well-managed with a solid balance sheet and where we have visibility into their capital allocation strategies,' he says.

The Chinese economy has been piling up debt in an attempt to keep the economy growing and the private debt to GDP ratio has spiralled to more than 200%. For Wang this is more of a worry on the growth side than the credit side, given most of this borrowing is contained within a relatively closed system. However it is also not an issue he sees going away in the near future.

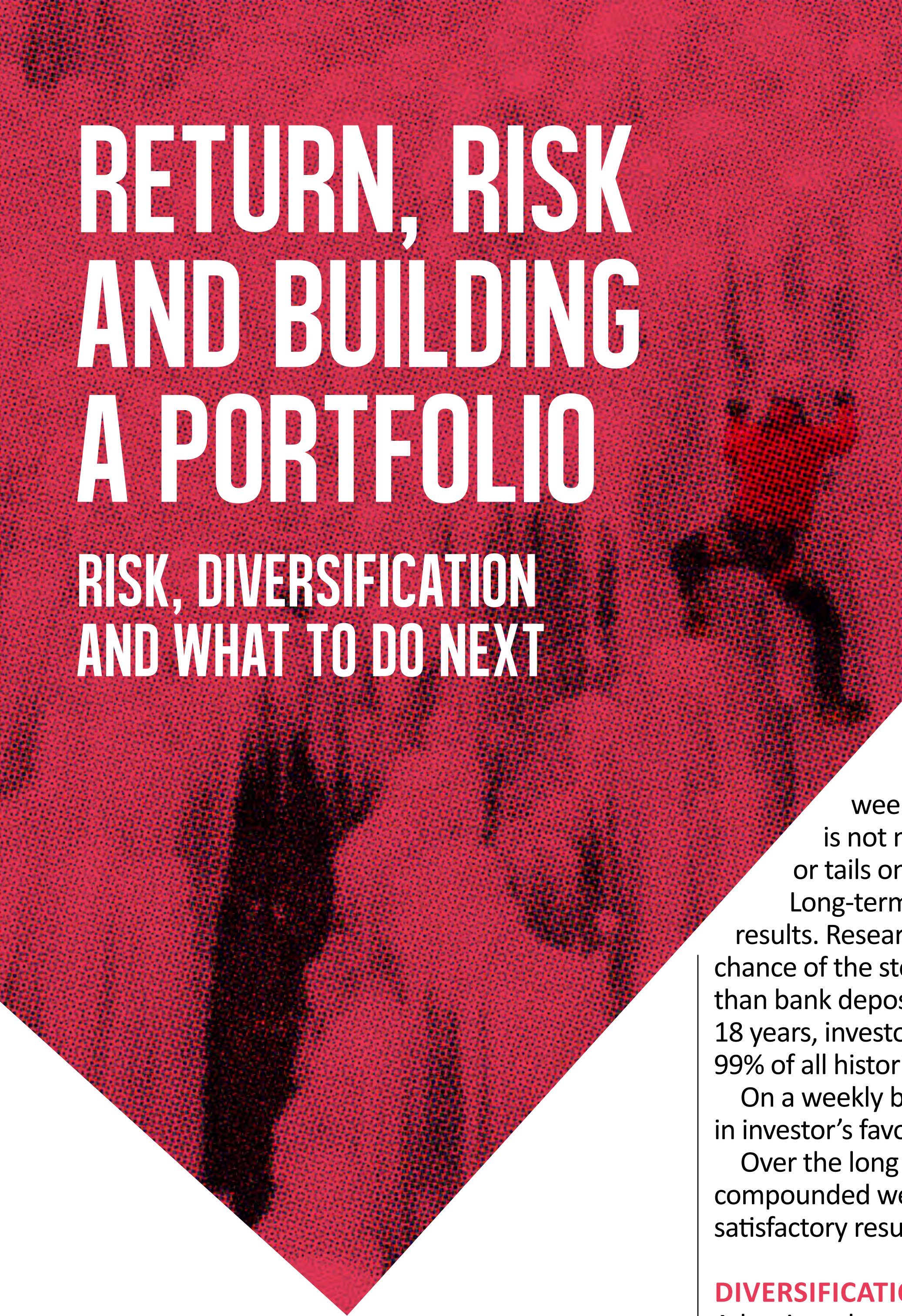
'China is still unfortunately a credit-driven economy given the governmental focus on growth so while we expect a moderation in leverage levels, we don't expect this overhang to dissipate any time soon.'

More positively, Wang highlights several steps forward over the last 18 months in China's capital markets. These includes the long-awaited launch of the Shenzhen-Hong Kong Connect program on 5 December 2016.

'This latest scheme provides yet another way to access the more liquid and more diversified onshore China markets, which, coupled with what we believe to be the eventual inclusion of China A-shares into MSCI indices, should further investors' participation in the evolving economic growth of New China,' Wang concludes.

RETURN, RISK AND BUILDING A PORTFOLIO

RISK, DIVERSIFICATION AND WHAT TO DO NEXT



Returns and risk are often two sides of the same investment coin. Understanding both is key if investors want to achieve their financial goals with the fewest possible hiccups.

Returns are usually well understood because they are easily calculated after making an investment. Focusing on risk and diversification helps investors comprehend not only the outcome of investments but also how and why those results were achieved.

RISK AND THE STOCK MARKET

Risk can measured in lots of different ways. Very simply, it is an estimate of the chance an investment will lose money.

And in the short term at least investing in the stock market is risky. Over the last 10 years, the index has gained in 281 out of 521 weeks as measured by the Halifax FTSE 100 Tracker, which is about 54% of the time.

Invest in the stock market for a week and your chance of losing money is not much different from calling heads or tails on a coin toss.

Long-term investors have achieved better results. Research by Barclays shows that the chance of the stock market delivering returns lower than bank deposits over 10 years is just 8%. Over 18 years, investors have historically made money in 99% of all historical periods going back to 1900.

On a weekly basis, the odds are only very slightly in investor’s favour.

Over the long term, even a small advantage compounded week after week should result in very satisfactory results.

DIVERSIFICATION

Adopting a long-term investment perspective is one way of reducing the chance of investment disappointment. Another method of reducing the risk of investment losses in the short and long term can be achieved through diversification. Diversifying means adding new assets to a portfolio with the aim of keeping returns at an acceptable level while reducing risk.

The most obvious example of diversification is seen in the stock market. Owning shares in one individual company is riskier than owning shares in an index fund which invests in 100 companies. If one company in an index goes bust, it only reduces the value of an index tracker by a small fraction. If that company happens to be your only investment, the results are devastating.

Diversification is also important across asset classes. A portfolio which only has stock market investments is riskier than a portfolio that has stock market investments and bonds, for example. Most balanced investment portfolios include a mix of UK and international stock market investments, bonds, real estate, private equity and commodities investments.

If global stock markets fall, there's still a decent chance that the portfolio's bond or commodities investments will increase in value. This means poor performance in one asset class does not hurt the overall portfolio too much.

KNOW WHAT YOU OWN

Diversification also means thinking about your own unique set of financial circumstances and building an investment approach which fits. Property is often the single largest asset of most households in the UK. For property owners, finding assets with good returns which are unrelated to the property market is wise.

Equities have a surprisingly low long-term correlation with residential real estate, according to research produced by M&G Investments. UK gilts have a negative correlation: their value tends to rise when house prices fall. There is some evidence commodities, and particularly gold, also have low correlations to UK residential property.

Importantly, different types of investment make sense for different people in different financial circumstances. A big investment in the shares of a construction company like **Berkeley (BKG)** might make sense for someone with no property assets. That is unlikely to be the case for someone who has just bought their own home and has a large mortgage – it would only serve to magnify their risk in the property sector.

The composition of an investor's existing assets is a key consideration in what assets they should invest in next.

Getting to grips with what you already own and identifying the best thing to do next is one of the most fundamental elements of investment.

Consulting with a financial adviser, conducting research through books like *The Intelligent Asset Allocator* and, of course, subscribing to *Shares* are all great ways to help answer that question.

US key to Digital Barriers transformation

After torrid few years surveillance business may finally be finding its footing

The increasing threat of terror attacks, tightening border controls and rising red tape and safety standards are just a few of the dynamics driving renewed optimism towards **Digital Barriers (DGB:AIM)**.

This is an advanced surveillance and security business set-up in 2009 by the team behind the old Detica business, which provided technologies and solutions to intelligence officers at GCHQ, the UK spy centre.

Tapping into a wealth of intelligence industry contacts built up over more than 20 years, the ambition was to sell governments, law enforcement agencies and corporate clients intelligent, real-time visual security and analysis solutions. These include covert, remote and wide-area installations, as well as vehicle and body-worn applications, requiring significantly less network bandwidth than standard wireless technologies.

SLOW AND EXPENSIVE START

Progress has been painfully slow. The early years to 2013 saw the company complete a swathe of acquisitions (14 between 2010 and 2013). While this added to Digital Barrier's significant intellectual property (IP) and initially bolstered revenue, growth failed to keep pace with the company's soaring cash requirements, forcing the company to come back to investors time and again for more funding.

What has emerged is a set of surveillance and video analysis-ready solutions that can be easily deployed by clients rather than them going through a drawn out integration process. These are delivered under the *EdgeVis*, *ThruVis*, *SmartVis* and *CloudVis* banners.

The company gives an example of supplying pre-integrated vehicle video surveillance solutions to police agencies around the world, rather than providing video streaming hardware that a customer would then integrate with third party cameras, antennae, modems and other peripherals.

Arguably, Digital Barrier's biggest breakthrough to date came with its most recent, and costly, acquisition of US-based Brimtek just over a year ago.

A provider of advanced surveillance technologies to US

federal and defense agencies, the $45m purchase appears to accomplish two important strategic aims. First, it adds a high-quality and fast-growing foothold into the US market where security spending has long remained robust, and could potential increase rapidly during presidency of Donald Trump.

The company has won several new contracts over the past few months and has seen a five-fold jump in US revenues, helping first half revenue to 30 September 2016 double to a fraction more than £13m despite hardware shortages meaning not all demand could be met.

BOOMING US DEMAND

There has already been speculation that Digital Barriers may be in the running to build a digital border with Mexico, a virtual and substantially cheaper barrier than Trump's envisaged $8bn, 55ft and 2,000 mile long concrete wall.

DIGITAL BARRIERS CASH CALLS

When	How much	At what price
Mar'10	£20m	@100p
Nov'10	£30m	@160p
Dec'12	£10m	@145p
Oct'13	£18m	@140p
Dec'14	£7.3m	@37p
Dec'15	£25.8m	@35p

The new business trend has, if anything, accelerated with contracts won through December and a $7m deal signed off this month. This latest award included a new customer in Africa and, $6m worth of work in the US with 'a major US Federal law enforcement agency' and existing customer.

Presumably, with Brimek now fully part of the company, kit and component shortages won't happen again, a big plus given the company's apparent confidence in securing further material sales with US clients.

END OF THE CASH DRAIN

The other vital contribution of the Brimtek deal, and accompanying fund raise, was to shore up Digital Barriers balance sheet. While half year operating losses still ran at £5.9m, cash consumption looks to have peaked at £7.7m in the half.

The hope now is that Digital Barriers is finally capable of being self-funding in the future and analysts predict a break into the black next year.

Negative earnings before interest, tax, depreciation and amortisation (EBITDA) of £4.6m and a pre-tax loss of £4m are anticipated this year to 31 March 2017 on £38.8m of revenue. The operating performance is expected to improve substantially in the following 12 months, with £45.5m of sales reckoned to produce £3.3m EBITDA and a £2.6m pre-tax profit, the first in the company's history.

It's been a long and bumpy road for Digital Barriers and shareholders have had to wait very patiently, but there now appears to be more than mere glimmers of hope. Buying Brimtek could be the growth master stroke long desired by investors and there now appears to be a believable roadmap to profitable growth.

SHARES SAYS:

At 39.75p the 2018 PE of 23.4 is no bargain but there is scope to beat current market estimates if this currently promising new business pace can be maintained. (SF)

BROKER SAYS: 1 0 0

SHARES CENKOS

Growth and Innovation FORUM

FREE TICKETS TO SMALLER COMPANIES INVESTING EVENT

31 January 2017
Business Design Centre, London

On Tuesday 31 January 2017 you have the chance to get to grips with some of the most talked about small cap names listed in London.

Register online click here to secure your FREE ticket to the Shares/Cenkos Growth & Innovation Forum where you can hear presentations from the likes of **Plastics Capital (PLA:AIM)**, **LoopUp (LOOP:AIM)** and **Jaywing (JWNG:AIM)**.

The event also provides the opportunity to mix with other small cap investors, hear from *Shares* journalists and get the thoughts of fund managers on the prospects for 2017 and beyond.

Several of the presenters at last year's event have seen impressive gains in the interim, including **Satellite Solutions Worldwide (SAT:AIM)** which has more than doubled to 9.18p.

Visit www.sharesmagazine.co.uk/events and register now!

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Growth and Innovation FORUM

INTO THE BLACK

Fibre networks provider **CityFibre (CITY:AIM)** features on this year's event line-up and is forecast to be on the cusp of posting its maiden full year profit.

Consensus forecasts have the company turning 2015's £2.92 million deficit at the EBITDA (earnings before interest tax depreciation and amortization) level into £2.67 million of positive earnings.

CityFibre has used a combination of debt and equity funding to fuel its growth ambitions of a 100-city wide national UK network. Its immediate plans are aimed at a 50-city infrastructure, a programme that is fully funded following the company's December 2015, £80 million share placing at 50p per share.

That provided the cash to acquire national UK broadband network assets from **KCOM (KCOM)** in a £90 million purchase.

The company received a boost towards the end of 2016 when Chancellor Philip Hammond announced £1bn worth of support to accelerate the rollout of pure fibre and 5G infrastructure in the Autumn Statement.

Chief executive Greg Mesch notes: 'This new funding, stimulating competitive fibre rollout at scale by new communications infrastructure builders, is a catalyst for the delivery of the UK's fibre future.'

So book your free ticket today to our event to hear from CityFibre and many more exciting companies.

How to invest a lump sum

Top tips to avoid squandering your inheritance

If you inherit a large lump sum of money deciding what to do with it can be an overwhelming task.

Should you pay off your debts or save for the future? Which tax wrappers and investments should you opt for?

It's a nice problem to have, but making the wrong choices could result in the legacy of your loved ones dwindling away.

DEAL WITH DEBT

Paying off debts should be one of the first things you consider. Austin Broad, group head of advice at AFH Wealth Management, suggests listing all your debts in order of the annual percentage rate (APR) and working down from highest to lowest.

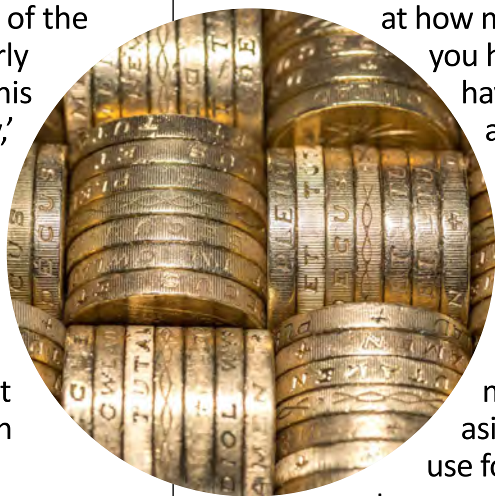
'Credit and store cards are most likely to carry the highest cost and should be dealt with as priority. It is also important to understand the value of the interest rebate on early loan repayments as this can vary considerably,' Broad says.

Interest rates on mortgages are at record lows so you might be tempted to maintain your mortgage and attempt to earn a higher return on an investment.

This is a risky strategy. Mortgage interest rates could go up in the future and your investments might not perform in the way you hoped.

'Reducing or eradicating your debt burden provides you with certainty whereas there is always the possibility of losing capital through investment, so paying off debts may be preferred. The emotional impact of debt also has to be factored in,' says Alex Brown, wealth management director at Mattioli Woods.

BUILD A CASH BUFFER



Once you've thought about paying off debts, you should look at how much cash you have. If you haven't got accessible cash savings you should keep some money aside to use for short-term emergencies, holidays, a new car, and so on.

'Even though savings rates are generally very poor, the advantage of keeping money in cash savings is that you know it will be there when you need it,' explains Patrick Connolly, head of communications at financial advice firm Chase de Vere.

INVEST IN THE MARKET

If you've got any money left over you could invest it in the stock market. A good place to start is with an ISA, which lets you invest in a range of funds and shares while maintaining instant access to your money.

'From April 2017 the annual investment allowance increases to £20,000, up from £15,240 today, so if none of that allowance has been used £35,240 can be put into a tax-efficient savings product over the next few months. There is then no income or capital gains tax to pay either within the ISA or when money is withdrawn,' says Charlie Musson, spokesperson for AJ Bell.

It's also worth considering paying into a pension, as long as you don't need the money until age 55. You can pay the equivalent of your earnings into a pension each year, up to a maximum of £40,000. If you're a basic rate taxpayer you'll get 20% income tax relief and if you're a higher-rate taxpayer you'll get 40% tax relief.

There is no income or capital gains tax to pay while money is held within a pension but income tax is due on withdrawals.

IDENTIFY YOUR GOALS

Regardless of which tax wrapper you use, you'll need to think carefully about which underlying investments you put your money into. Your choices will depend on how much risk you're prepared to accept, what your goals are and how long you intend to hold the investment.

'If they are investing over the long term (at least 10 years) and are prepared to accept some volatility along the way, then stock market investments may be worth considering. If their time frame is shorter than that or they would not be comfortable with short-term losses then cash or fixed interest investments may be more appropriate,' explains Musson.

If it's your first foray into investing you'll probably feel more comfortable choosing funds rather than individual stocks. AFH's Austin Broad suggests opting for a passive fund like an exchange-traded fund (ETF), which will track a specific index or part of a market, providing natural diversification.

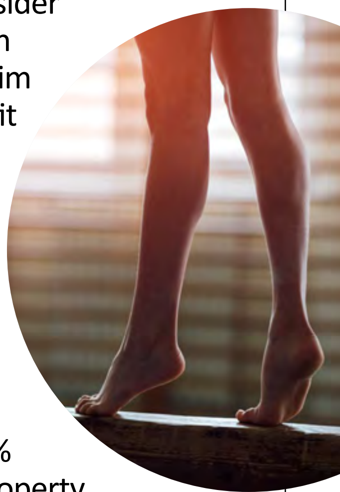
You could consider a passive multi-asset fund, such as Vanguard's LifeStrategy range of funds. These are diversified across different asset classes and you can choose the equity weighting that best matches your needs. They have a low annual charge of 0.24%.

For pure equity exposure, Musson suggests opting for a fund with a global remit and a good long-term performance record, such as **Fundsmith Equity (GB00B41YBW71)**. The fund has a three-year annualised return of 22.6%. Its highest geographical exposure is the US and it invests in stocks like **Microsoft (MSFT:NDQ)**, **PayPal (PYPL:NDQ)** and **PepsiCo (PEP:NYSE)**.

An alternative is **Scottish Mortgage (SMT)**, a global investment trust whose portfolio includes **Amazon (AMZN:NDQ)**, **Facebook (FB:NDQ)** and **Tesla Motors (TSLA:NDQ)**.

CREATE A BALANCE

A good investment approach is to put your money in a balanced portfolio of shares, fixed interest and commercial property. You could also consider absolute return funds, which aim to make a profit regardless of stock market performance.



'A portfolio of 40% shares, 30% fixed interest, 20% absolute return and 10% commercial property would be a good mix for balanced risk investors,' says Connolly.

You might feel nervous about investing your entire lump sum at once. Investing it gradually over a year will dampen losses if markets are volatile, but your long-term return is likely to be lower.

'Once the level of appropriate investment risk to take has been agreed, research would suggest maximum returns will be delivered by investing in a diversified portfolio immediately,' says AFH's Austin Broad. (EP)

Pensions central to retirement planning

Treasury document ignores key option

The Treasury appeared to suffer a moment of post-Christmas brain freeze when it published an infographic detailing the ISA and savings options available in 2017.

The document attempts to guide you through the myriad savings vehicles available from cradle to grave. Under 'My parents are saving for my future', for example, it lists Child Trust Funds and Junior ISAs, while Premium Bonds, Cash ISAs, Stocks and Shares ISAs, and Lifetime ISAs feature as options for older savers.

WORRYING SIGN

However, in the section labelled 'We're saving for later life', the infographic gives only one option – the Lifetime ISA. Pensions, the most tax-efficient retirement savings wrapper for millions of people, didn't get a look in.

Some argued this was simply a cock-up from the Treasury, while others warned it was a potentially worrying sign the Government is preparing to sideline pensions in favour of ISAs.

Indeed, former pension minister Ros Altmann went as far as to warn the omission meant pensions are now in 'mortal danger' of cuts at the next Budget on 8 March.

Whatever the truth, it's vital you consider paying into

a pension as part of your retirement strategy. To help fill in the glaring gap left by the Treasury document, here are three things you need to know about pensions:

• Pensions benefit from generous tax relief

While the Lifetime ISA pays you an annual bonus of 25% - equivalent to tax relief of 20% - pensions tax relief is paid at your marginal rate. So if you are a higher rate taxpayer, you'll be able to claim 40% tax relief on your pension contributions – double what is available through a Lifetime ISA.

• Double your money through employer contributions

The Government's automatic enrolment programme means that, from 2019, all employers of all sizes will be required to offer you a pension through a company scheme. Furthermore, they will have to pay in a minimum of 3% of your salary – free money that isn't available through any other savings vehicle.

• Pass on tax-free to your loved ones

Pensions are also attractive if you want to pass on your savings after you die. If you die before age 75 your remaining pot can be passed on tax-free, and if you die after 75 it will be taxed at the marginal rate of your beneficiaries.

FRONT AND CENTRE

Whether or not the Treasury plans to tinker with pensions again in the Budget remains to be seen. But as things stand, they should still be front and centre as you plan for a prosperous retirement.

FRIDAY 13 JANUARY

TRADING STATEMENTS	
SIG	SHI
ECONOMICS	
US	
RETAIL SALES	
PPI	
PRELIM UOM CONSUMER SENTIMENT	

MONDAY 16 JANUARY

TRADING STATEMENTS	
ASHMORE GROUP	ASHM
RIO TINTO	RIO
AGMS	
FUNDING CIRCLE SME INCOME FUND	FCIF
KENNEDY VENTURES	KENV
ECONOMICS	
UK	
RIGHTMOVE HPI	

TUESDAY 17 JANUARY

TRADING STATEMENTS	
CAIRN ENERGY	CNE
GREGGS	GRG
SINCLAIR IS PHARMA	SPH
FINALS	
ELEGANT HOTELS GROUP	EHG
ECONOMICS	
UK	
CPI	
HPI	
PPI	
EU	
ZEW ECONOMIC SENTIMENT	

GREGGS
Bakery food-on-the-go retailer **Greggs' (GRG)** updates on its fourth quarter 17 January. Given its significant high street presence, investors will be hungry to ascertain if like-for-like sales growth, which slowed from a first half 3.8% to 2.8% in Q3, improved or moderated in the festive quarter. (JC)

MONEYSUPERMARKET.COM
Investors will have their eyes on margin performance when price comparison site **Moneysupermarket.com (MONY)** updates on fourth quarter and full year trading on 19 January. Shares in the company came under pressure in 2016 on competition concerns. There may also be an update on the progress of the company's Fusion technology platform.

ROYAL MAIL
UK mail market leader **Royal Mail (RMG)** provides a third quarter update on 19 January in which analysts will most likely focus on trends in marketing mail and parcels volume.

Marketing mail volume was already down 8% in the six months to 25 September 2016. Further declines might put pressure on operating profit, which is already expected to fall marginally to £542m in Royal Mail's current financial year.

Other areas of interest in the update will include progress on cost cutting and a consultation with employees on pensions.

WEDNESDAY 18 JANUARY

TRADING STATEMENTS	
BURBERRY	BRBY
DIPLOMA	DPLM
EXPERIAN	EXPN
HOCHSCHILD MINING	HOC
WETHERSPOON JD	JDW
ECONOMICS	
UK	
UNEMPLOYMENT RATE	
EU	
FINALS CPI	
US	
CPI	

THURSDAY 19 JANUARY

TRADING STATEMENTS		
BRITISH LAND		BLND
EVRAZ		EVR
HALFORDS		HFD
MONEYSUPERMARKET.COM GROUP		MONY
PETS AT HOME		PETS
ROYAL MAIL		RMG
WORKSPACE GROUP		WKP
INTERIMS		
NCC		
NCC		
1PM		
OPM		
AGMS		
AXIS BANK		AXBA
EX-DIVIDEND		
ASHTEAD	AHT	4.75P
BARING EMERGING EUROPE	BEE	23P
BILBY	BILB	0.25P
COMPASS	CPG	21.1P
CUSTODIAN REIT	CREI	1.59P
CORAL PRODUCTS	CRU	0.33P
CONSORT MEDICAL	CSRT	7.09P
DEWHURST	DWHT	8P
FLETCHER KING	FLK	1P
SHAFTESBURY	HB	5.2P
SHAFTESBURY	SHB	2.35P
SSE	SSE	27.4P
UDG HEALTHCARE	UDG	€0.09
ECONOMICS		
US		
PHILLY FED MANUFACTURING INDEX		
UNEMPLOYMENT CLAIMS		

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- Fund
- Investment Trust
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