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WHY FACEBOOK'S DATA SCANDAL MATTERS TO UK INVESTORS

WE DEBATE WHY FUND HOLDINGS SHOULD BE MORE TRANSPARENT

BUMPER ISSUE: *FREE 'SPOTLIGHT' MINING REPORT INSIDE*

Dissecting the market to see what's moving up and down

The UK stock market is having a tough time so far in 2018 but not everything is in negative territory

Thirty out of the 38 sectors in the FTSE 350 have fallen in value since the start of 2018. The market as a whole, as defined by the FTSE All-Share, is down by 8.5%. The FTSE 100 index has fared even worse, down 9% year-to-date.

Five of the FTSE 350 sectors in positive territory have mustered up gains of less than 2%. The other three sectors have been driven by individual stocks having a dominant influence due to large market cap weighting.

Industrial Transportation's 3.7% rise is essentially down to **Royal Mail's (RMG)** shares being lifted by a solution on staff and pension issues. Industrial Metals' 17.7% rise is attributed to a handful of stocks enjoying higher commodity prices; and Automobiles & Parts' 34% gain is purely the movement of **GKN (GKN)** amid a takeover battle.

STOCK PICKING SKILLS

While the overall trend makes for depressing reading, there are plenty of examples of stocks and investment trusts where investors would have still made money since the start of January. It shows how good stock picking skills can help you thrive even in the gloomiest of markets, or at least help cushion blows elsewhere in your portfolio.

Seventy seven stocks in the FTSE 350 are in positive territory year-to-date and 273 have fallen. Seven of the positive territory stocks have been lifted by takeover approaches, the rest in general have risen on the back of good results and favourable actions taken by management to improve the business.

We're pleased to say that a large proportion of the 77 stocks in positive territory have featured in *Shares* over the past year with favourable write-ups. These include media group **UBM (UBM)**, hospitals expert **NMC Health (NMC)** and holidays seller **On The Beach (OTB)**.

Nonetheless, we don't always get it right and some of the worst performing stocks have also featured favourably in *Shares*. For example, we've long admired **Card Factory's (CARD)** business, yet its shares are down 35% this year alone.

You do get winners and losers at the best of times, hence why it is important to always have a diversified portfolio and not be too concentrated in only a handful of holdings.

Further down the market cap spectrum, 59 stocks in the FTSE Small Cap index have delivered a positive return year-to-date versus 227 in negative territory. Some of the best performers (excluding takeover situations) include quantum dots specialist **Nanoco (NANO)**, miner **Gem Diamonds (GEMD)** and chemicals group **Zotefoams (ZTF)**.

AIM MARKET SUCCESS

The standout market for UK stocks this year is AIM where 362 constituents have delivered a positive share price return since 1 January. That compares with 570 members with a negative share price return.

On that basis, the ratio of AIM risers to losers is 1:1.57. In comparison, the ratio of FTSE 350 risers to losers is a less favourable 1:3.55.

Small cap investing is inherently risky, yet the rewards can be very good when you pick the right stocks.

For example, **Akers Biosciences (AKR:AIM)** is up by 327% so far in 2018. Financial services group **K3 Capital (K3C:AIM)** is up by 96.2%; and tech firm **AppScatter (APPS:AIM)** has seen its share price rise by 71.8% this year. (DC)

Looking wider for your ISA returns this year?

SENECA
INVESTMENT MANAGERS

Seneca Global Income & Growth Trust plc

Our multi-asset expertise and approach have delivered successful outcomes for investors year after year.*

The Seneca Global Income and Growth Trust plc is designed for investors seeking a quarterly income with long- term capital growth and low volatility.

The Trust employs a proprietary Multi-Asset Value Investing approach. The core principle of value investing, buying good quality assets when they are low is traditionally associated with equities. We apply a value approach to everything we do. Led by Peter Elston, the Investment Team manages the Trust through in-depth research into asset allocation and the various asset classes we invest in.

In the UK, we focus on mid-cap equities. For overseas equities and fixed income, we use third party funds which share our value style. Elsewhere, we focus on property, infrastructure, specialist finance and private equity which we call specialist assets. Each area contributes both to the capital return and the income generation of the Trust.

Growth, Income and Low Volatility

- The Trust pays quarterly dividends, offering a current yield of circa 3.6%[1]. Over its last four financial years to April 2017 the Trust has grown its dividend at a compound rate of 4% per annum, ahead of CPI every year.**
- Over a typical investment cycle[2], we aim for the Trust to achieve a total return of at least CPI plus 6% after costs, with low volatility. In addition, we aim to grow aggregate dividends at least in line with inflation.
- Over the five years to end January 2018, the Trust delivered an NAV return of +58.1% with volatility close to half that of the major equity indices[3]. Details of the Trust's returns can be found in the performance tables below.

Cumulative performance (%)	3 months	6 months	1 year	3 years	5 years
Trust share price	-0.4	2.1	14.0	45.6	77.7
Trust NAV	-0.03	1.7	12.6	34.4	58.1
Benchmark	1.7	4.2	6.0	13.7	21.9

Discrete annual performance (%)	31 Jan 2018	31 Jan 2017	31 Jan 2016	31 Jan 2015	31 Jan 2014
Trust share price	14.0	18.2	8.1	7.1	13.09
Trust NAV	12.6	19.2	0.2	7.9	9.0
Benchmark	6.0	3.5	3.6	3.6	3.5

Find out more about Seneca Investment Managers at senecaim.com or call us on 0151 906 2450

Things To Be Aware Of

[1]Current yield: the yield calculation is based on the latest quarterly dividend, annualised, compared against the month end share price.

[2]Seneca Investment Managers Ltd define a typical investment cycle as one which spans 5-10 years, and in which returns from various asset classes are generally in line with their very long term averages. There is no guarantee that a positive return will be achieved over this or any other period.

[3]Annualised volatility of returns over five years versus FTSE World ex-UK, FTSE UK Private Investor Balanced, AIC Flexible Investment Sector, FTSE All Share and Investment Association Mixed 40-85% shares.

* The Trust has outperformed its benchmark over each of the last five years. It has grown its dividends in excess of inflation over each of the last four finanicial years. It has delivered these returns with materially lower volatility than equity markets over the last five years.

** There is no guarantee that dividends will continue to increase or grow ahead of CPI.

Performance and dividend data sources: Seneca Investment Managers Ltd, Bloomberg & Morningstar. Share prices calculated on a total return basis with net dividends reinvested. NAV returns based on NAVs excluding income and with debt valued at par. Returns do not include current year revenue. Benchmark: LIBOR GBP 3 Months +3% to 06.07.17 thereafter CPI +6% after costs. Past performance should not be seen as an indication of future performance. The information in this article is as at 31.01.2018 unless otherwise stated. The value of investments and any income from them will fluctuate, and investors may not get back the full amount invested.

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IMPORTANT

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

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.

This is what protectionism means for the markets

We look at the triggers behind recent share price weakness in many parts of the world

Hopes are growing that talks between the US and China can avert a trade war after the threat of tit-for-tat action last week saw markets tumble to their lowest levels in 12 months.

Investors fear that a more protectionist stance, reflected in the imposition of tariffs on imports of certain products, will undermine global economic growth and, in turn, depress corporate profits.

Shares were also depressed by a 0.25% bump in US interest rates (21 Mar), and the impact on the tech sector of the Facebook data scandal.

By close on Friday 23 March the FTSE All-World index had fallen 4.4% through the course of a bruising week.

WHAT HAS HAPPENED SO FAR AND WHY?

On 1 March US president Donald Trump announced tariffs on imports of steel and aluminium; and on 2 March he tweeted 'trade wars are good and easy to win'.

The resignation on 6 March of key economic adviser Gary Cohn removed a big proponent of free trade from the administration.

Trump subsequently held out the possibility for exemptions for the likes of Canada, Mexico and the EU.

Then on 22 March Trump revealed the proposed imposition of tariffs on $60bn worth of Chinese imports in response to the alleged theft of intellectual property.

China pledged to 'fight to the end' in any trade war although its own $3bn tariff plan looked a fairly measured response.

WHAT IS THE LIKELY IMPACT?

Investment bank UBS reckons developments to date should be kept in perspective. 'While not positive for market sentiment, we view the tariffs as being more relevant for individual stocks than a fundamentally major negative impact for the market overall,' it comments.

Arguably China, as an export-driven economy, has more to lose in this situation. (TS)

Expert view – Walter Price, senior portfolio manager at Allianz Global Investors

'For years the Chinese have let their state-owned companies produce and sell products without regard to other countries' economies. The US had to address this issue; it was an unsustainable transfer of wealth to China.

'As a result, the US economy should grow faster than other developed economies as these imbalances are rectified.

'I think the markets will remain choppy until investors feel that global growth will continue despite these changes in trade.

'We have already seen Chinese solar companies propose plants in the US, and a Taiwanese supplier to Apple start a plant in Wisconsin. We will see more of this over the next few years.'

JD Sports to buy beaten-up US retailer part owned by Sports Direct

Sportswear star makes opportunistic US move

Retailer **JD Sports Fashion (JD.)** is stepping into the vast US sportswear market through the near-£400m acquisition of NASDAQ-traded footwear seller Finish Line.

One of the biggest premium multi-branded athletic, clothing and accessories retailers across the pond, Finish Line could boost JD's growth prospects in the world's biggest athleisure market.

That assumes JD can help revive the business as Finish Line's profits have been severely hit over the past few years.

Finish Line saw its pre-tax profit fall from $120.4m in the year to February 2015 to $30.6m in the following year. The company suffered higher operating costs and $48.7m impairment charges and store closure costs.

A programme to replace its warehouse and order management system also caused temporary problems as it wasn't able to place new products in its stores and distribution centre. Finish Line had to rely on aged product and clearance stock which sold at a lower margin than new product.

Last September Finish Line significantly downgraded its earnings guidance amid difficult trading conditions.

Its shares had fallen from $28.23 in August 2015 to a low of $9.90 last week before JD's takeover announcement.

Finish Line trades from 556 physical outlets across 44 US states and Puerto Rico. It boasts an established online business and is also the exclusive retailer of athletic shoes for Macy's.

Theoretically the acquisition could increase JD's strategic importance to major international brand partners including Nike and Adidas.

We're fans of JD Sports' management team and the strategic rationale for the deal looks compelling if somewhat opportunistic. However, executive chairman Peter Cowgill's description of the acquisition as being 'transformational for the business' may ring alarm bells.

Can JD Sports revive the flagging footware seller?

Major acquisitions can destroy value and the US has proved a graveyard for UK retailers in periods past, most famously **Tesco (TSCO)**,which exited America by selling its loss-making Fresh & Easy chain to Yucaipa in 2013.

Shares in JD initially traded up on the acquisition news but the stock was trading 3.2% lower by the afternoon of the announcement as investors had a chance to familiarise themselves with Finish Line.

Rival UK retailer **Sports Direct (SPD)** last summer took an 18.85% stake in Finish Line, saying the investment may help it build a relationship and develop a commercial partnership.

Sports Direct has investments in numerous UK and US retailers and has a tendency to buy into companies that are struggling. So far its interests seem to have been focused on financial gain on the equity rather than any proper collaboration. (JC)

Reckitt and Glaxo walk away from Pfizer's $20bn auction

Both companies reported the potential acquisition did not meet their checklist

US-listed Pfizer has been shunned by consumer goods specialist **Reckitt Benckiser (RB.)** and drugs giant **GlaxoSmithKline (GSK)** after both firms decided not to bid for its $20bn consumer healthcare division.

Reckitt Benckiser walked away as the consumer healthcare business did not fit its 'acquisition criteria' and a partial takeover was not possible. Investors approved the decision, marking its shares 4.8% higher to £58.95 on the news (22 Mar).

Investec analyst Eddy Hargreaves supports Reckitt Benckiser's decision amid concerns about growth in the consumer healthcare industry.

'Even an acquisition of part of the portfolio could have necessitated an equity issue or a near fire-sale of part of its home and hygiene business,' comments Hargreaves.

Shares in GlaxoSmithKline nudged 3.3% to £13.15 after it too confirmed its decision not to make a bid for Pfizer's unit.

GlaxoSmithKline chief executive Emma Walmsley said any acquisitions 'must meet our criteria for returns and not compromise our priorities for capital allocation'.

Investors had been worried that Glaxo's dividend would be cut if it had bought the Pfizer operations as debt would have risen significantly.

In a subsequent move, Glaxo announced on 27 March that it would buy out the partner in its own consumer healthcare joint venture, Novartis. It says this will strengthen operational cash flows and enable the business to better plan for capital allocation in the future, namely money to be used as a priority for pharmaceutical research and development. (LMJ)

Survey reveals the extent to which retail investors are dissatisfied with the funds industry

The CFA Institute releases the findings of important research

RETAIL INVESTORS want full disclosure of fees when buying an investment product but aren't convinced they're getting it, according to research from the CFA Institute gathered by Greenwich Associates.

The research covered 3,127 retail investors from 12 markets including the UK and US.

The survey also reveals that while 80% of respondents view it's important for an asset manager to be forthright about disclosing and handling conflicts of interest, less than half are satisfied it's being done.

Other areas of importance for a retail investor are security measures to protect their data which 84% view as important but only 55% are currently satisfied.

A further 80% of respondents think it's vital for an asset manager to provide easy to understand investment reports but just over half think it is being done correctly. Generating returns better than a target benchmark is viewed by 78% as important but only 44% are happy with the performance of their manager.

The CFA Institute, an association of investment professionals, commissioned the research as a means of gauging how the investment management industry can increase its credibility. (DS)

TAKEOVER ACTIVITY AT RECORD PACE

A REPORT IN THE *Financial Times* reveals that global M&A deals so far this year surpassed the $1trn mark on 20 March – the fastest pace ever in a calendar year.

A combination of US tax cuts freeing up capital, the continuing availability of cheap credit and decent global economic growth are all behind the surge in deals.

The UK has been a participant in this trend, notably in February when US media firm Comcast launched a £22bn bid for pay TV broadcaster **Sky (SKY)**.

£6m

Keep an eye on Kingfisher's cash flow

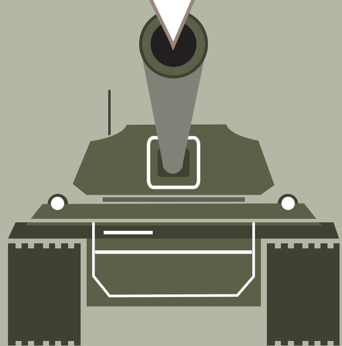
HOME IMPROVEMENT company **Kingfisher (KGF)** saw its free cash flow evaporate to a mere £6m in the year to 31 January 2018, down from £459m a year earlier after investment in stock soaked up cash.

The *B&Q-to-Screwfix* brands owner's operating cash flow (before tax and capital expenditure) plunged 45% to £557m.

Free cash flow should really fund the dividend, so Kingfisher, currently returning cash via a share buyback and a progressive shareholder reward, could be in a tricky situation going forward, given a dividend bill of circa £230m a year.

0.04%

HOW LOW CAN ETF CHARGES GO?



A PRICE WAR among exchange-traded fund providers looks imminent as French firm Lyxor has lowered fees on 12 of its products.

The firm says these ETFs will now be the cheapest in Europe with management fees of between 0.04% and 0.12%.

Lyxor, the asset management arm of French bank Societe Generale, claims the products are 40% cheaper than similar products offered by its rivals.

The company recently launched four new products on the London Stock Exchange including **Core Morningstar UK ETF (LCUK)** and **Core Morningstar US Equity ETF (LCUS)**.

These funds track Morningstar UK and US equity indices respectively and both have 0.04% charges a year. (DS)

Restore is in a sweet spot as prices go up and it gains scale

Document management and office removals firm trades on a significant discount to its main rival

Document management and office removals expert **Restore (RST:AIM)** has made its biggest acquisition to date, paying £88m for TNT's UK records management operations.

Chief executive Charles Skinner hopes that TNT's prestigious client base including the Ministry of Defence, the Land Registry and several big hospitals will enhance Restore's quest to convince more public sector organisations to outsource their records management.

Stockbroker Cenkos has increased its 2019 pre-tax profit forecast for Restore by 11% to £46.3m on the back of the TNT deal.

The acquisition comes at an important point in Restore's career. Skinner says prices in the records management industry are going up for the first time in more than a decade.

He also believes Restore stands to pick up extra work from new data regulation called GDPR which comes into force in May. Companies and organisations have to comply with strict rules or face significant fines.

WHAT DOES RESTORE DO?

Restore looks after more than 15m boxes of information. Customers pay for storage and an additional fee each time they want to retrieve information from a stored box.

RESTORE BUY
(RST:AIM) 507p
Stop loss: 350p

Market value: £572m

Skinner believes GDPR will encourage customers to check what information they've already got in storage, as well as increase demand for Restore's scanning and shredding services.

Organic growth in records management has run at 5% to 6% over the last 15 to 20 years. Acquisitions have provided an additional earnings growth driver.

The business has been very resilient in the face of growth in digital data storage. Although some sectors have reduced paper usage including accountants, other sectors still rely heavily on paper storage such as law firms.

TNT OPPORTUNITY

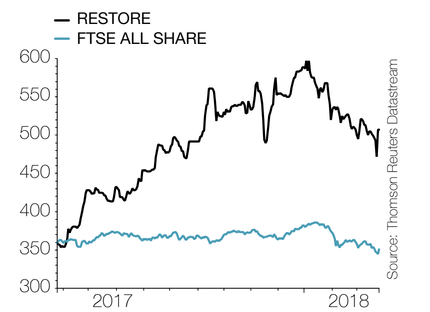
TNT's UK records management business is currently operating close to capacity, so Restore is looking at the opportunity to build more storage space on two freehold sites worth £23m inherited in the acquisition.

Skinner says he expects to undertake a sale and leaseback of the freehold sites once expansion is completed, potentially in three to five years' time.

The other main parts of Restore's business are office removals and IT recycling. The CEO says the UK saw 2,800 major offices moves last year and this should rise to 3,300 this year. Some of Restore's removal projects are one-off; others involve constant work for clients.

The shares are trading on 16.6 times forecast earnings for 2019 which will be the first full year of owning TNT UK. That is a significant discount to Iron Mountain's 30.9-times ratio, being the UK market leader with 39% market share. Restore is the second biggest player in the UK with 21%. (DC)

BROKER SAYS: 4 0 0



Michelmersh has cheap shares and lots of growth

Earnings and cash flow are expected to advance significantly in 2018

Demand for new homes continues apace but the investment case for the housebuilders is muddied by legitimate concern their margins may have peaked. We believe a better way to participate in new housing growth is through the brickmakers.

The most attractive of the three UK-listed outfits, which encompasses **Forterra (FORT)**, **Ibstock (IBST)** and **Michelmersh Brick (MBH:AIM)**, is the third one.

Michelmersh is poised to deliver a year of significant earnings growth in 2018 and yet trades on the lowest earnings multiple of the trio.

Established in 1997, Michelmersh is focused on the manufacture of premium bricks used in quality new homes, RMI (repair, maintenance and improvement) and urban regeneration projects. The company has a landfill operation and has several land assets which could yield future development opportunities.

Last year the company made its largest acquisition, the £38.4m purchase of Barnsley's Carlton Main Brickworks. Now more or less fully integrated, the acquisition is expected to result in a big increase in earnings and cash flow in 2018.

Forecasts for 2018 by stockbroker Cenkos imply a price-to-earnings (PE) ratio of 10.2-times and earnings growth of 34%. This compares with a PE of 12.9 for Ibstock and 11.3-times for Forterra.

MICHELMERSH BRICK ↗ BUY
(MBH:AIM) 84p
Stop loss: 67p

Market value: £72m

Michelmersh's free cash flow is expected to increase from £3.8m in 2017 to £6.2m in 2018. The stock also offers a prospective dividend yield of 3.7%.

BUILDING THE CASE FOR MARGIN IMPROVEMENT

The scope for the brickmakers to improve their profitability is demonstrated by the current supply and demand dynamics in the industry.

According to Office for National Statistics data, UK brick sales were up 11% last year, well ahead of output growth of just 4%. This resulted in the utilisation of stockpiles, which fell 28% year-on-year, and greater use of imports.

Although Ibstock and Forterra are bringing on some new capacity, this is unlikely to shift the balance of the market significantly.

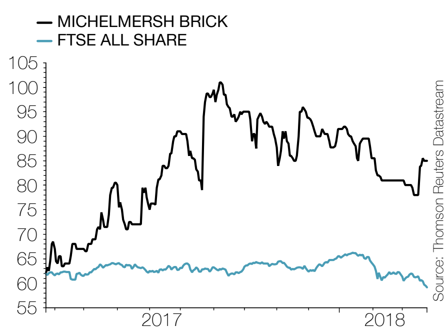
Cenkos analyst James Fletcher says: 'Pricing (in 2017) remained flattish, although larger peers have recently confirmed intention to pass on cost inflation to customers in 2018.

'Given the demand/supply imbalance, this should lead to material price growth and margin improvement in the industry at some point.'

Risks to consider with Michelmersh include rising production costs and more elevated borrowing levels post the acquisition of Carlton.

A net debt-to-EBITDA (earnings before interest, tax, depreciation and amortisation) ratio of slightly more than two times should reduce rapidly in the coming months, down to 1.2 times by the end of the year according to Cenkos. (TS)

BROKER SAYS: 1 0 0



CARNIVAL (CCL) £46.00

Loss to date: 8.6%

Original entry point:
Buy at £50.33, 19 October 2017

WE ARE CONFIDENT in cruise operator **Carnival's (CCL)** outlook despite concerns over yields amid rising capacity.

Carnival has underperformed since entering our *Great Idea* portfolio in October 2017 with its shares down 8.6%. However, first quarter results were very encouraging so we remain bullish.

Net revenue yields increased 3.9% in the three months to 28 February 2018, beating guidance of between 1.5% and 2.5% thanks to higher ticket sales and on-board spend. Approximately 2.5% net revenue yield growth is expected in the second quarter.

Carnival also upgraded adjusted earnings per share (EPS) expectations from a range of $4 to $4.30 to a new range of $4.20 to $4.40.

Shore Capital's Greg Johnson estimates a 1% move in revenue yields is worth approximately 20c to EPS. Based on known capacity growth and 2% annual revenue yield growth, EPS is expected to jump by more than 50% by 2022.

UBS analyst Robin Farley says Carnival has outperformed over the last three years despite hurricanes, terrorist incidents and the Zika virus.

He overlooks weaker occupancy and prices in Eastern Caribbean and San Juan from hurricane disruption, flagging that Carnival can enjoy growing yields even if prices remain low.

Farley says the rest of the Caribbean is strong and is optimistic about progress in China following higher than expected yields despite 20% more supply in the country.

SHARES SAYS: ↗
Keep buying. (LMJ)

BROKER SAYS: 15 9 0

QUIXANT

(QXT:AIM) 410p

Loss to date: 6.3%

Original entry point:

Buy at 437.5p, 25 January 2018

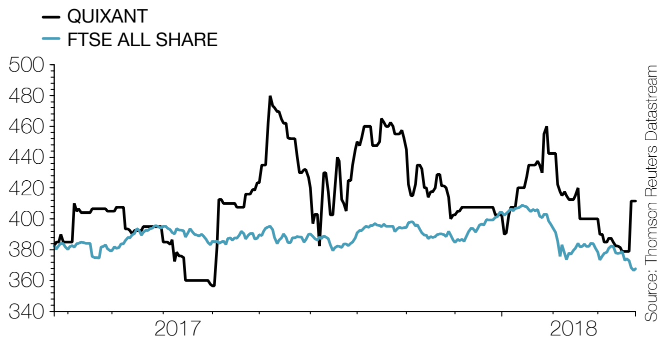
Full results from the gaming machine platform supplier beat expectations on multiple levels. Stockbroker FinnCap had forecast $108.8m revenue, $17.3m pre-tax profit and 2.4p dividend per share. Quixant managed to produce $109.2m revenue, $17.7m pre-tax profit and 2.6p dividend per share.

FinnCap says cash generation was slightly weakened by increased inventory to counter growing worldwide demand for electronic components and to avoid price rises.

Quixant now accounts for more than 10% of market activity, having shipped 52,000 gaming platforms in 2017. FinnCap also notes Quixant is now becoming recognised for monitor quality, independently of its platforms.

'Button decks (touch screen monitors replacing the smash buttons) are a typical example of Quixant's ability to take a simple well-known industry product and innovate it to enhance quality and its ability to attract players, thereby enhancing value to the customer and price and margin for Quixant.'

The stockbroker has increased its 2018 pre-tax profit forecast by 6% to $19.4m. It expects the business to make $21.9m pre-tax profit in 2019.



SHARES SAYS:

Although we're down slightly on our entry price, you need to consider the original trade was made a week before the global stock market sell-off. It has started to recover and we remain bullish on the story. (DC)

BROKER SAYS: 2 0 0

TAPTICA

(TAP:AIM) 370p

Loss to date: 17.3%

Original entry point:

Buy at 447.5p, 25 January 2018

MOBILE ADVERTISING PLATFORM **Taptica (TAP:AIM)** is off to a rocky start as a constituent of our *Great Ideas* portfolio. The fears associated with greater regulation of digital advertising in the wake of the Facebook data scandal have contributed to a 17.3% year-to-date decline.

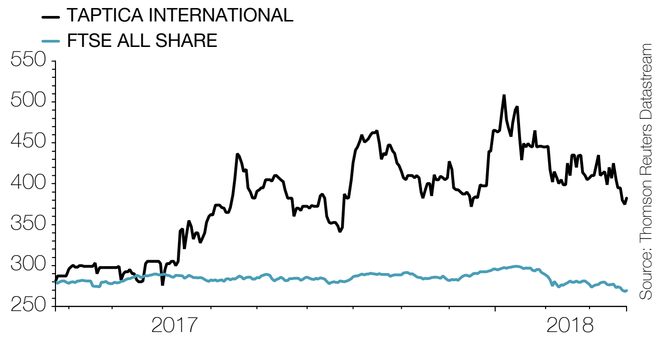
However, we see signs in the annual results posted on 26 March that the share price could perform better through the course of 2018.

Earnings were 2% ahead of those forecast by investment bank Berenberg and crucially 2018 has started strongly.

Taptica says the recent data privacy issues affecting Facebook have no impact on its business model as it does not rely on the social media platform for either garnering data or user analytics, instead carrying out this work internally.

It operates a 'user acquisition platform' focusing on mobile and social media. It helps clients to run more effective advertising campaigns with a platform which enables targeted ads.

The aim is to translate mobile website, social media and app user traffic into higher numbers of customers with the company taking a slice of resulting user revenues.



SHARES SAYS:

Berenberg says its 2018 forecasts are looking 'conservative' and Taptica has an opportunity to augment organic growth by deploying its acquisition war chest. Keep buying. (TS)

BROKER SAYS: 1 0 0

FRIDAY 30 MARCH

London Stock Exchange Closed

MONDAY 2 APRIL

London Stock Exchange Closed

TUESDAY 3 APRIL

TRADING STATEMENTS		
BTG	BTG	
ECONOMICS		
UK		
Manufacturing PMI		
BRC Shop Price Index		

WEDNESDAY 4 APRIL

FINALS		
MaxCyte	MXCT	
Next Fifteen Communications	NFC	
TRADING STATEMENTS		
Topps Tiles	TPT	
ECONOMICS		
UK		
Services PMI		

THURSDAY 5 APRIL

RICS House Price Balance		
EX-DIVIDEND		
Amino Technologies	AMO	5.13p
Anglo Pacific	APF	2.5p
Aberdeen Smaller Companies Income Trust	ASCI	1.8p
Aviva	AV.	19p
Chemring	CHG	2p
ConvaTec	CTEC	3.09p
Direct Line	DLG	15p
Direct Line	DLG	13.6p
FBD	FBH	€0.24
Finsbury Growth & Income Trust	FGT	7.2p
F&C UK High Income Trust	FHI	1.25p
James Fisher & Sons	FSJ	19.3p
GKN	GKN	6.2p
Go-Ahead	GOG	30.17p
Henderson High Income Trust	HHI	2.38p
Hikma Pharmaceuticals	HIK	$0.23
Heavitree Brewery	HVTB	5.75p
IMI	IMI	25.2p
Lighthouse	LGT	0.3p
James Latham	LTHP	4p
Moneysupermarket.com	MONY	7.6p
Melrose	MRO	2.8p
Origin Enterprises	OGN	€0.03
Old Mutual	OML	3.57p
Photo-Me International	PHTM	3.71p
Pearson	PSON	12p
Quartix	QTX	11.1p
RIT Capital Partners	RCP	16.5p
Redrow	RDW	9p
Rotork	ROR	3.35p
Shires Income	SHRS	3p
St Ives	SIV	0.65p
DS Smith	SMDS	4.9p
Smith & Nephew	SN.	$0.23
SQN Secured Income Fund	SSIF	0.53p
St James's Place	STJ	27.45p
TP Icap	TCAP	11.25p
Travis Perkins	TPK	30.5p
Taylor Wimpey	TW.	2.44p
Ultra Electronics	ULE	35p
Virgin Money	VM.	4.1p

INVESTORS WILL BE keen to find out whether UK manufacturing growth can bounce back from an eight-month low in February when Markit reports the latest data on 3 April.

The Purchasing Managers' Index dipped from 55.3 in January to 55.2 in February after slower output growth offset new order inflows. A reading of over 50 implies growth while one under 50 suggests contraction.

MARKETING BUSINESS NEXT Fifteen Communications (NFC:AIM) is set announce its results for the year to 31 January 2018 on 4 April.

Recent news from the sector has not been good with industry bellwether **WPP (WPP)** issuing yet another downgrade on 1 March.

However Next Fifteen principally serves a relatively buoyant US technology sector and has delivered robust growth.

There may be an update on the integration of several acquisitions the company made through the course of the year.

BIG TICKET SPENDING is under severe pressure in the UK, so expectations ahead of **Topps Tiles' (TPT)** half year and second quarter trading statement (4 Apr) are rather subdued. Nevertheless, at the start of 2018 (9 Jan), the UK's biggest tile specialist reported a 3.4% uplift in first quarter like-for-like sales, a pleasing outperformance of the overall tile market thanks to Topps' winning strategy of 'Out-specialising the Specialists'. Investors can also expect an update on Topps' recent expansion into the commercial market via the £1.1m acquisition of Parkside Ceramics.

Click here for complete diary
www.sharesmagazine.co.uk/market-diary

MITON GLOBAL OPPORTUNITIES: BARGAIN HUNTING IN THE INVESTMENT TRUST SECTOR

SEEKING EMBEDDED VALUE IN ALTERNATIVE AREAS

In order to generate returns, we believe investors will increasingly need to look for alternative investments, away from funds, which invest in company shares and **bonds**[1]. One such area is the investment trust sector, where there are an increasing number of investment opportunities following a series of significant structural changes.

We have been in an environment where very low interest rates have triggered rising asset prices through a lack of alternative options. We believe the high valuations on which global company shares currently trade is a direct result of the very low returns available from bonds. As we have seen as **bond yields**[2] rise, stockmarkets have been undermined. Moving on from a period of unconventional monetary policy would be healthy in the long term, however, share prices are likely to continue to undergo a period of turmoil whilst investors adapt to the new reality. Investors are able to obtain measurable income from conventional sources such as bonds and will become less inclined to own "income manufacturing" trusts such as those which invest in aircraft leasing or infrastructure funds. The damage to the share prices will be from a change in demand patterns rather than from significant damage at a portfolio level.

Consolidation process

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. 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 plc (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. The key driver is the fact that in the current climate, investors are being paid royally for accepting liquidity risk3. The fact that we enjoy closed ended protection (investment trusts have a fixed number of shares) is crucial in allowing us to fish away from the crowds. It allows us to take patient decisions knowing that there is no risk of having to meet short term redemption requests.

DEFINITIONS

[1]**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.

[2]**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.

[3]**Liquidity risk** – The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss.

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 £130 billion. Over 300 of these investment trusts are currently less than £400 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.

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.

In summary, 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. 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.

Useful diversification

In addition to the natural defensive buffer created by owning deeply discounted assets, owning shares in MIGO offers useful diversification given some of the current themes. Specific opportunities in the Indian stockmarket, residential property in Berlin and Forestry all feature prominently in the portfolio. Miton does not give investment advice, so if you are unsure of the suitability of this investment you should speak to a financial adviser.

Miton

The key reasons why Facebook's data scandal matters to UK investors

Many UK investors have exposure to the stock directly or indirectly through funds

The scandal over the use of data by social media giant Facebook has wiped tens of billions off the company's market valuation and has significant implications for several areas of the market including some UK-listed stocks.

The event is also important to many UK investors as Facebook is a popular constituent of numerous funds and investment trusts, as well as being tracked as part of broader indices by many exchange-traded funds (ETFs).

WHAT'S HAPPENED?

Shares in Facebook have been under pressure as lawmakers on both sides of the Atlantic have stepped up their scrutiny of a recently publicised data breach of more than 50m user accounts.

It emerged this data, initially harvested by academic Aleksandr Kogan, had been used by Cambridge Analytica in its political campaigning work, including on the US presidential election in 2016.

There are reports US consumer body, the Federal Trade Commission, has opened an investigation into whether Facebook has violated privacy agreements. Since the news broke on 17 March, Facebook's stock has fallen by 13.5% in value.

HOW 50M FACEBOOK RECORDS WERE HIJACKED

01 Approx. 32,000 US voters ('seeders') were **paid $2-5 to take a detailed personality/political test** that required them to log in with their Facebook account.

02 The app also **collected data such as likes and personal information** from the test-taker's Facebook account as well as their friends data, amounting to over 50m people's raw Facebook data.

03 The **personality quiz results** were paired with their Facebook data such as **likes** – to seek out psychological patterens.

04 Algorithms combined the data with other sources such as voter records to **create a superior set of records**, with hundreds of data points per person. These individuals could then be targeted with **highly personalised advertising** based on ther personality data.

WHAT HAS BEEN FACEBOOK'S RESPONSE?

After days of silence chief executive Mark Zuckerberg eventually apologised for the 'breach of trust' and the company has said it will change the way it shares data with third parties.

WHAT ARE THE IMPLICATIONS?

The fear stalking the likes of Facebook and Twitter, which has seen its own share price fall more than 10%, is that the scandal will lead to greater regulation of the way these companies use data. This could severely damage their business models.

Both companies make money by employing data to help advertisers direct their messaging in a targeted way to encourage consumers to buy their products and services.

What's now apparent is that Facebook has been extending this model into the political sphere, where campaigners also want to influence users' behaviour.

The other risk is that people take matters into their own hands by deleting their social media accounts – though the fact a campaign to this end is namechecked #DeleteFacebook shows how entrenched social media now is in everyday life.

WHY DOES IT MATTER TO UK INVESTORS?

The woes at Facebook have prompted a wider sell-off in the technology sector. The big US tech firms, Facebook, Amazon, Google-parent Alphabet, Apple and Microsoft are the five largest companies in the world and represent more than 10% of the S&P 500 index.

They therefore have a big influence on how US stocks perform which in turn tends to have a knock-on effect on other global markets. An exceptionally strong run for shares in these businesses has been a big factor behind the recent record highs posted by equities.

Investors in passive products such as exchange-traded funds which track US shares may have material exposure to Facebook – ETF providers like Vanguard and BlackRock are big shareholders.

Several actively-managed UK funds and investment trusts also

The infamous quiz –the answers of which were harvested by Aleksandr Kogan and used by Cambridge Analytica

have material holdings in the business. Specific products which include Facebook in their top 10 holdings include **Neptune Global Technology Fund (GB00BYXZ5N79)**, **Baillie Gifford American Fund (GB0006061963)** and **Polar Capital Technology Trust (PCT)**.

The damage wrought by Facebook's share price decline on these funds should be kept in perspective, even if a wider tech sell-off could act as a more significant drag on performance.

Polar Capital Technology Trust, for example, has 5.2% of its fund in Facebook. An 11% fall in the shares amounts to a 0.6% negative impact on the portfolio as a whole.

WHAT OTHER INDUSTRIES MIGHT BE AFFECTED?

Facebook has been a significant disruptive force in the advertising sector. In little over a year, shares in global advertising agency **WPP (WPP)** have fallen 40% to £10.88 principally for two reasons.

First, they've been hit by a series of earnings downgrades. Secondly, they've suffered amid fears that advertisers will dispense with WPP's services and deal with the likes of Facebook, Twitter and Google (which alongside its all-encompassing search engine also owns YouTube) directly.

Liberum analyst Ian Whittaker comments: 'For the agencies, the news flow should be seen as a positive as the concerns over the online players such as Facebook and Google around viewability, brand safety, use of data, etc., weakens dramatically the argument that clients should disintermediate the agencies and go directly to the big online platforms.'

Whittaker reckons a big winner could be free-to-air broadcaster **ITV (ITV)** as the news could stop some of the flow of advertising cash from TV to online. In his view it also represents an opportunity for the company's video-on-demand service ITV Player to secure greater advertising spend.

In May 2017 some big names pulled ads from YouTube after their brands were displayed alongside extremist content. There is a far less significant risk when advertising against the curated content available on ITV Player.

Whittaker estimates that if ITV captured 10% of the online display advertising market by 2020 against his current forecast of 6.5% it could boost earnings by as much as 7%. (TS)

Untrend spotting

Why can't you see all the holdings in most funds and investment trusts?

Asset managers are letting investors down by failing to disclose everything that's in a portfolio

Each year UK investors pour billions of pounds into funds, yet few people actually know where their money is going.

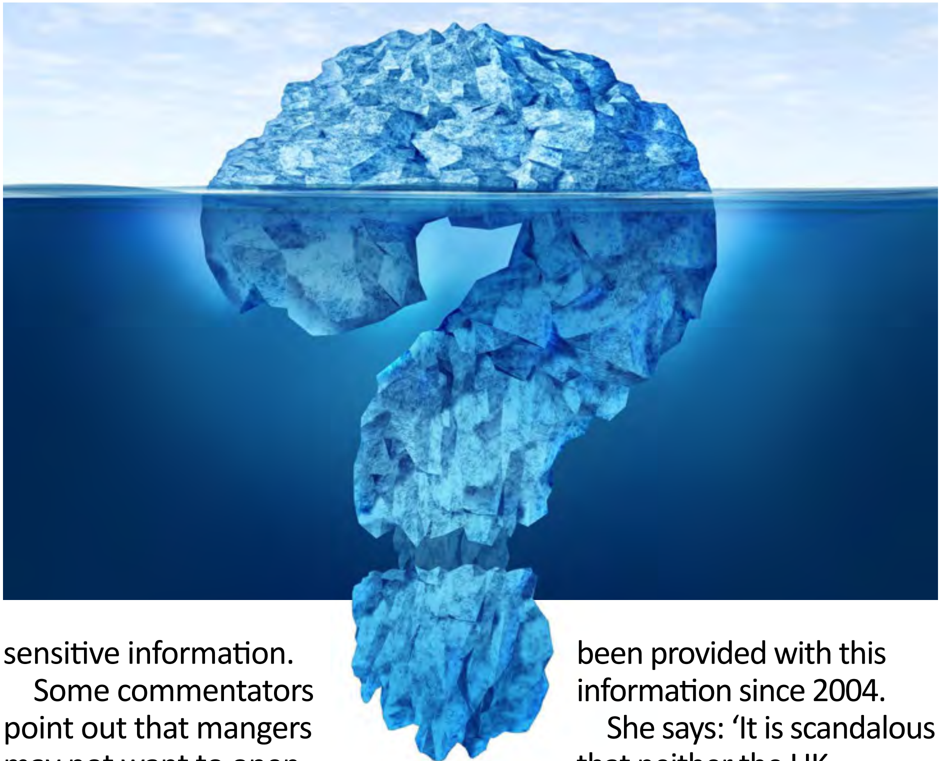
The investment industry is notoriously coy about sharing information about where its funds invest their money. We believe Woodford Investment Management is the only major investment house to publish its full list of portfolio holdings online every month for anyone to see.

Craig Newman, chief executive at Woodford Investment Management, says: 'We strongly believe that all of our investors have the right to know where their money is invested, from the biggest holding in the fund to the smallest.'

When this policy was first implemented there was speculation about whether the industry would follow suit. So far, those who had hoped for this event to happen have been sorely disappointed.

WHY DO ASSET MANAGERS HIDE THEIR PORTFOLIO?

Some investment houses attribute their secrecy to protecting their unitholders' interests or say that a list of full holdings is commercially sensitive information.



Some commentators point out that mangers may not want to open themselves up to the level of scrutiny which fund manager Neil Woodford has endured in recent months – listing every holding means the manager is lambasted every time one takes a hit.

But is it fair to ask investors to part with their money without telling them where exactly it is going?

Gina Miller founded the True and Fair Campaign six years ago, urging funds to be transparent about fees and to publish their full holdings at least quarterly. She points out that US investors have been provided with this information since 2004.

She says: 'It is scandalous that neither the UK investment industry or regulator have granted UK investors the same basic right granted to US investors of knowing what they are really buying.

'If we had 100 per cent transparency, dubious practices such as closet indexing and mis-labelling of funds might not have happened, or certainly would have been spotted earlier,' she adds.

ARE THERE ANY RULES REGARDING DISCLOSURE?

Industry trade body the Investment Association says it 'supports transparency' and that funds must disclose their full portfolio twice a year as a minimum – but there are no strict rules on how this information is made available.

The only stipulation is that the material is supplied free of charge on request; there is no criteria for holdings to be published online.

Janus Henderson, for example, says it releases portfolio holdings on a monthly basis but these are not available online. Instead, investors need to contact the firm's call centre to get the information.

BlackRock, too, says full holdings may be made available to unitholders 'on request'. A spokesman says: 'We do not consider it appropriate to proactively publish full holdings for our active funds outside of the reports and accounts.'

The investment house does disclose full holdings online for its exchange traded funds but says 'an active portfolio manager must be afforded the environment to manage their portfolio with appropriate safeguards and confidentiality'.

Many investors may think it unreasonable to hand over their hard-earned money to fund managers without knowing exactly where it is going.

DANGERS TO INVESTORS

Transparency is only part of the issue; investors are constantly told to ensure their portfolio is diversified but, without knowing all of a fund's holdings, it is impossible for individuals to ensure there is not overlap between their funds which could see them overexposed to a stock or sector.

Investment trusts are required to disclose a 'comprehensive and meaningful analysis of their portfolio'.

The AIC says any holding accounting for 5% or more of the portfolio value should be disclosed along with 'at least the top 10 largest holdings and further details of any unquoted investments'.

> Routinely publishing full details of their holdings would be a great way for managers to show they have nothing up their sleeves

Annabel Brodie-Smith, communications director at the AIC, says: 'Many investment companies disclose their whole portfolio or a substantial part of it but there may be circumstances where disclosing all holdings may not be in the best interest of shareholders, such as the disclosure of small or illiquid companies which may threaten a trust's ability to trade the holding.'

Columbia Threadneedle publishes its full fund holdings quarterly in its reports and accounts, which can be found online.

Baillie Gifford also publishes holdings for all of its funds and trusts online, though there is a two-month time lag on the information.

James Budden, marketing director at Baillie Gifford, adds: 'We have a low portfolio turnover so we believe this works well and provides helpful transparency. Presumably those that don't, wish to keep their ideas to themselves rather than share them with their investors and the competition.'

FUND MANAGERS COULD BENEFIT FROM TRANSPARENCY

Mark Polson, principal at consultancy firm The Lang Cat, says: 'It's hard enough for professionals in the industry to get to the heart of what is in a fund, let alone a normal investor.

'Fund managers seem to believe that if they publish full details of their holdings then the magic will go and they'll be plagued with copycats, but actually publishing this information routinely would be a great way for managers to show they have nothing up their sleeves.'

Asset managers Jupiter, Schroders and M&G did not respond to our request for comment. (HB)

What is a C share?

We explain why investment trusts issue C shares and what this means for shareholders

Conversion shares or C shares are issued by investment trusts to raise money and allow investors to subscribe for new shares without negatively affecting existing shareholders.

It will take time for the manager of a trust to deploy fresh capital and during that period, the cash element would likely generate limited returns, thereby depressing performance. This is known as 'cash drag'.

By raising money through a C share issue, this negative impact on the performance of the wider portfolio can be avoided because the shares are initially traded separately from the ordinary shares and the cash is invested in a separate portfolio of investments.

The C shares will convert to ordinary shares when either a predetermined level of investment is achieved or on a predetermined date.

How does this conversion process work? Well, if the C shares have a net asset value (NAV) of 100p and the ordinary shares have a NAV of 300p than each C shareholder would receive one ordinary share for every three C shares held.

BENEFITS OF ISSUING C SHARES

Triple Point Social Housing REIT (SOHO) says its latest issue of C shares, raising £47.5m, will help protect dividend coverage on ordinary shares and materially reduce the risk of cash drag.

RM Secured Direct Lending (RMDL) is hoping to raise up to £40m by issuing C shares at 100p. It is targeting an annual dividend yield of 6.5%, but holders of C shares will not be eligible for dividends until the shares have been converted to ordinary shares.

This is expected within six months or when most of the money has been lent. Any new cash will be invested in a diversified portfolio of loans.

SHOULD I BUY C SHARES?

Whether or not you buy C shares depends on if you want exposure to the trust in question and if the existing shares are trading at a premium or discount to NAV.

If the investment trust wants to draw in more investors, it may issue C shares at a discount, but it could also issue them at a premium to cover costs.

Over the last five years, 36 investment trusts have issued C shares with nearly half specialising in growth by investing in debt, according to the Association of Investment Companies. Previous issuers include **P2P Global Investments (P2P)** and **Henderson International Income (HINT)**. (LMJ)

10 INVESTMENT TRUSTS FOR YOUR ISA

Whether you're using up the last of this tax year's ISA allowance or seeking ideas for the new tax year, this article has something for everyone in the world of investment trusts.

You can add up to £20,000 in new cash across the range of ISAs each year and avoid paying tax on capital gains and dividend income generated by investments in the ISA.

If you're raring to go, hopefully you will find some or all of our investment trust ideas useful. Don't forget to look at previous editions of *Shares* published in March 2018 as they also contain ideas for stocks and funds to put in your ISA. One final point: we've pitched all these ideas at long-term investors.

CORE HOLDING *for a* LONG-TERM INVESTOR

FINSBURY GROWTH & INCOME (FGT) 739P

This investment trust has been managed by the high-profile fund manager Nick Train since December 2000. He and his team focus on what they perceive as quality companies which are undervalued and have the capacity to deliver growth in earnings and the dividend over the long-term.

Train runs a concentrated portfolio of around 30 names and there is only modest chopping and changing, with the strategy to remain with most picks for the long haul. Accordingly, the 2017 purchase of shares in football club Manchester United represented the first addition to the portfolio since 2015.

This patient approach makes **Finsbury Growth & Income (FGT)** a good fit for an investor looking to accumulate funds in an ISA over an extended period. The trust typically trades at a slight premium to net asset value, befitting its strong track record, but also has a policy of buying back shares if they trade at a discount.

'The manager believes that good businesses are rare and deserving of higher valuations,' comment Edison analysts Mel Jenner and Sarah Godfrey.

'Train invests on a bottom-up basis, seeking companies in three broad themes: global consumer brands, owners of media/software intellectual property, and capital market proxies.

'He selects businesses that are sufficiently durable to growth through different business cycles, with a high return on equity, and relatively low capital intensity/high cash flow generation.' (TS)

FINSBURY GROWTH & INCOME	
5 YEARS ANNUALISED TOTAL RETURN	12.2%
10 YEARS ANNUALISED TOTAL RETURN	15.4%
PREMIUM TO NAV	0.6%
YIELD	2.0%

Source: Morningstar

One of Finsbury's biggest holdings is chocolate-to-crackers giant Mondelez

JPMORGAN CLAVERHOUSE (JCH) 688P

Income is a big reason why people invest in investment trusts and **JPMorgan Claverhouse (JCH)**, focused almost entirely on UK stocks, increased its dividend for a 45th consecutive year in 2018. It currently yields 4%.

Investment trusts can hold back 15% of their income each year to help maintain dividend increases during tougher market conditions.

Claverhouse maintains larger reserves and also greater dividend cover than a lot of the peer group.

We rate this trust as solid holding for investors who want to reinvest a growing stream of income back into the stock market or simply enjoy regular income to help pay the bills.

JPMORGAN CLAVERHOUSE	
5 YEARS ANNUALISED TOTAL RETURN	10.4%
10 YEARS ANNUALISED TOTAL RETURN	8.8%
DISCOUNT TO NAV	1.2%
YIELD	4.0%

Source: Morningstar

CORE HOLDING *for an* INCOME INVESTOR

Claverhouse has a great track record of delivering both income and capital gains. It has achieved 9.2% annualised total return (share price plus dividend income) over the past decade. It invests in a blend of value and growth stocks in its portfolio with a large cap bias.

Research house QuotedData says the trust aims to maintain a portfolio of between 60 and 80 individual stocks in which the fund manager has high conviction. (TS)

HENDERSON INTERNATIONAL INCOME TRUST (HINT) 156.25P

ISA investors seeking a fund with both inflation-beating and Brexit-insulating qualities should consider **Henderson International Income Trust (HINT)**.

It aims to provide a rising level of dividends as well as capital appreciation over the medium to long term. The trust has achieved 10.2% annualised total return over the past five years.

Ben Lofthouse has managed the trust since its 2011 launch. He looks for companies that have strong fundamentals, good balance sheets and attractive cash flow characteristics that can support growing dividends, tending to focus on companies that yield above 2%.

HENDERSON INTERNATIONAL INCOME	
5 YEARS ANNUALISED TOTAL RETURN	10.2%
10 YEARS ANNUALISED TOTAL RETURN	n/a
PREMIUM TO NAV	3.4%
YIELD	3.3%

Source: Morningstar

GOOD CHOICE *for* DIVERSE DIVIDEND EXPOSURE

Importantly, the fund manager looks to find these companies from across the globe but not the UK, offering investors the chance to diversify from any UK-based income generating stocks.

'HINT has a strong performance record relative to its global equity income peer group and is differentiated by its ex-UK mandate, which we believe makes it a complimentary/complementary vehicle to UK equity income funds,' says financial services group Winterflood.

'In addition, while the fund's yield is one of the lowest in the peer group, its dividend has been fully covered by revenue in each financial year since launch in 2011. In our opinion, this cover, along with the diversification of income sources across geographies and sector, should allow it to continue delivering dividend growth going forward.' (JC)

DIVERSE INCOME TRUST (DIVI) 99.9P

AN INCOME FUND *with a* DIFFERENCE

This is not your typical income fund. Whereas many of the large dividend-focused investment trusts will be packed full of the same oil, pharma and banking stocks, **Diverse Income Trust (DIVI)** invests in a much broader range and size of companies, often focusing on niche businesses with limited competition. It says the wider opportunity set offers greater scope to generate returns.

It plays close attention to downside risk and has a put option which could protect some of its portfolio from a significant fall in the FTSE 100 index. Although it costs money to maintain the put option, if the market does fall then the hedging strategy would generate cash to invest in cheap opportunities.

Fund manager Gervais Williams says many investors have become obsessed with growth which has caused them to overlook companies growing at 8% to 10% a year and just focus on 80% to 100% annual growth. He is more willing to consider a broader field of businesses as long as they have sales growth.

Investors have been rewarded with both capital gains and income (it is currently yielding 3.18%). Diverse Income Trust has achieved 12.1% annualised total return over the past five years, nearly twice its benchmark index, the FTSE All-Share total return (6.3% annualised return). (DC)

DIVERSE INCOME	
5 YEARS ANNUALISED TOTAL RETURN	12.1%
10 YEARS ANNUALISED TOTAL RETURN	n/a
PREMIUM TO NAV	0.5%
YIELD	3.3%

Source: Morningstar

Stobart is one of the biggest holdings in Diverse Income Trust's portfolio

BLACKROCK SMALLER COMPANIES TRUST (BRSC) £13.50

GREAT WAY *to play the* UK SMALL CAP SPACE

BlackRock Smaller Companies (BRSC) wants to achieve long-term capital growth by investing mainly in smaller UK-listed businesses.

The investment trust believes this mandate enables exposure to some of the fastest growing, innovative and most exciting firms.

Fund manager Mike Prentis seeks cash-generative companies led by a strong management team with a decent market position, as well as a robust balance sheet and track record of growth.

Prentis last year flagged a more cautious stance towards the UK economy and reduced exposure to UK consumer spending. He's also been taking profit on stocks where valuations have got high.

So why should you own a small cap investment trust? One reason is that small cap firms can benefit from faster growth compared to larger companies. For example, BlackRock portfolio holding **Dechra Pharmaceuticals (DPH)** has seen its share price surge by 235% over the past five years.

Shareholders in the BlackRock investment trust has been richly rewarded over the years. For example, the trust has achieved 17.5% annualised total return over the past 10 years, according to Morningstar.

'BlackRock Smaller Companies has an impressive performance record, both in terms of relative performance and consistency, outperforming its benchmark in each of its last 14 financial years,' comments financial services group Winterflood. (LMJ)

BLACKROCK SMALLER COMPANIES	
5 YEARS ANNUALISED TOTAL RETURN	18.2%
10 YEARS ANNUALISED TOTAL RETURN	17.5%
DISCOUNT TO NAV	10.6%
YIELD	1.6%

Source: Morningstar

PERSONAL ASSETS TRUST (PNL) £388

Personal Assets Trust (PNL) is aimed at the cautious investor who is more worried about losing money than making outstanding returns. This is reflected in its holdings, with a large allocation to sovereign bonds and gold bullion.

The focus on capital preservation is highlighted by the type of government bonds the trust holds. Two fifths (21%) of its portfolio is invested in US Treasury Inflation-Protected Securities (TIPS), important during times of rising bond yields.

The price of TIPS increases with inflation and decreases with deflation so when it matures, the investor receives the adjusted or original price, whichever is higher.

'If bond yields continue to rise then the equity market, too, will come under sustained pressure as the cost of capital rises,' says fund manager Robin Angus.

'A protracted period of rising yields would make it very difficult to protect capital other than by holding large amounts of liquidity.

'This is why we have kept duration short on TIPS and UK Index-Linked (our US TIPS have maturity dates ranging from five months to four years and our UK Index-Linked has a maturity of six years, which reduces their sensitivity to changes in interest rates) in addition to holding high levels of cash and cash equivalents.'

Despite the safety first leanings of this trust, it still has a 42% allocation to equities rather than just relying on the so-called risk free returns of government bonds.

Its equities are high quality names which tend be in sectors such as consumer goods and healthcare, thus avoiding the riskier cyclical stocks and those with high capital intensity.

'We may not be among the trusts which travel the farthest, but we do (we believe) offer a less bumpy ride,' says Angus. (DS)

ONE *for a* CAUTIOUS INVESTOR

PERSONAL ASSETS TRUST	
5 YEARS ANNUALISED TOTAL RETURN	2.9%
10 YEARS ANNUALISED TOTAL RETURN	6.1%
PREMIUM TO NAV	1.2%
YIELD	1.5%

Coca-Cola is one of the big equity holdings in Personal Assets Trust's porfolio

FIDELITY SPECIAL VALUES (FSV) 256P

ONE *for a* CONTRARIAN INVESTOR

Investors who love to buy quality merchandise when it is on sale should consider all-cap fund **Fidelity Special Values (FSV)** for their ISA.

Manager Alex Wright follows a value-contrarian philosophy, buying unloved companies in out-of-favour sectors and holding them until their potential value is recognised by the wider market.

Rock-bottom valuations or an asset that should prevent the share price dropping below a certain level, such as inventory or intellectual property, give him a margin of safety.

Research group QuotedData says: 'The UK market had a strong run of performance during 2017 and Alex Wright is increasingly asked whether he can still find absolute value in the market. His answer is a cautious "yes".

'Alex acknowledges that valuations have increased but says this is countered by focusing on recovery stories, so that Fidelity Special Values' approach does not rely on rising markets to generate returns.'

QuotedData says the portfolio has 14 stocks trading below their book value. 'Alex sees strong potential from the portfolio and believes that his focus on having a "margin of safety" gives significant protection in the event of a market sell-off.'

Portfolio positions range from financial services provider Citigroup to construction firm **CRH (CRH)** and pharma group **Shire (SHP)**. (JC)

FIDELITY SPECIAL VALUES	
5 YEARS ANNUALISED TOTAL RETURN	15.1%
10 YEARS ANNUALISED TOTAL RETURN	12.7%
PREMIUM TO NAV	1.1%
YIELD	1.8%

Source: Morningstar

CRH is one of Fidelity Special Values' top holdings

JUPITER EUROPEAN OPPORTUNITIES TRUST (JEO) 680P

GOOD *for* EXPOSURE TO EUROPE

Jupiter European Opportunities Trust (JEO) fund manager Alexander Darwall believes Europe is brimming with potential.

We also like Europe because it has good economic conditions and decent valuations for companies with encouraging earnings growth.

Jupiter European Opportunities invests in firms with a proven business model and in-demand products. An interesting feature of the investment trust is that it is expected to benefit from structural drivers, including changes in regulation, consumer habits and tech, rather than being reliant on macroeconomic trends.

Over the last five years, Jupiter European Opportunities has delivered 12.2% annualised total return according to Morningstar.

About one fifth of the portfolio is invested in UK-listed companies. 'The requirement is that most of the companies held will undertake a substantial proportion of their business activities within Europe,' says research group Kepler.

'In the managers' view, their investee companies are increasingly global, but are unified by their common roots as being driven by European expertise.'

Financial services group Winterflood warns Jupiter European's performance can diverge at times because it has a high conviction portfolio and isn't paying close attention to benchmarks like many other trusts. However, it adds: 'In our view, the fund remains attractive on a long-term view.' (LMJ)

JUPITER EUROPEAN OPPORTUNITIES	
5 YEARS ANNUALISED TOTAL RETURN	12.2%
10 YEARS ANNUALISED TOTAL RETURN	14.2%
DISCOUNT TO NAV	2.3%
YIELD	1.0%

Source: Morningstar

JP MORGAN US SMALLER COMPANIES TRUST (JUSC) 268P

A DIFFERENT WAY TO *play the* US MARKET

Although much attention is paid to successful mega-cap tech stocks in the US, there are also plenty of opportunities to be found in the smaller companies' universe.

JPMorgan US Smaller Companies Trust (JUSC) has a team in New York who focus on companies in the $350m to $10bn market cap range. While that's deemed small in the US, much of that market cap spectrum is actually bigger than many mid-cap stocks in Europe.

The trust looks at companies which are key beneficiaries of US growth. The team has a preference for quality businesses with durable franchises, strong management and stable earnings that are trading on attractive valuations.

JP MORGAN US SMALLER COMPANIES TRUST	
5 YEARS ANNUALISED TOTAL RETURN	17.2%
10 YEARS ANNUALISED TOTAL RETURN	16.4%
DISCOUNT TO NAV	1.9%
YIELD	0.9%

Source: Morningstar

Investment trust experts at stockbroker Numis say JPMorgan US Smaller Companies' portfolio is well diversified and turnover is low at 20% per year, reflecting the manager's long term investment horizon. The trust has holdings in a variety of sectors including financial services, health care, leisure and materials.

Past performance has been very good, although there is no guarantee this positive result will be repeated in the future. It has beaten the Russell 2000 NR GBP benchmark in eight out of the last 10 years. The trust has generated 16.4% annualised total return over the past decade. (DS)

PACIFIC ASSETS TRUST (PAC) 240P

GOOD *for* EXPOSURE TO ASIA

Pacific Assets Trust (PAC) is one solution to investors wanting exposure to Asia but who are already well served with Chinese exposure via global investment trusts. Pacific Assets Trust is principally focused elsewhere in Asia; companies listed in India and Taiwan together make up more than half its portfolio by value.

We highly rate the fund manager, Stewart Investors. Its strategy is to invest in good quality companies with strong management teams and sound long-term growth prospects.

Stewart Investors focuses as much on the potential downside of investment decisions as on the anticipated upside.

Pacific Assets Trust has delivered a positive return in eight of the last 10 calendar years. It has achieved 9.7% annualised return over the past decade, up to 23 March 2018.

More than half of the trust's net asset value (56%) is represented by family-owned companies.

PACIFIC ASSETS TRUST	
5 YEARS ANNUALISED TOTAL RETURN	10.6%
10 YEARS ANNUALISED TOTAL RETURN	9.7%
DISCOUNT TO NAV	6.2%
YIELD	1.1%

Source: Morningstar

'We often find the closer owners are to a company's foundations the stronger the sense of purpose and culture,' states Pacific Assets Trust in its latest quarterly commentary.

'Owners with long histories are also more likely to have successfully navigated difficult periods. This is aligned with our focus on not losing our clients' money.'

Examples of current holdings include Chroma which makes power testing equipment that serves many industries. It spends a greater percentage of sales on money on research and development than its peer group and is aggressively entering the new energy segment including LED, solar and battery. It could benefit in the long-term from electric vehicle and solar testing.

Stewart Investors says Chroma is financially strong and its operating cash flows and profitability remain 'resilient' across cycles.

The fund manager is big on engagement in order to help businesses succeed. For example, it is currently engaging with an Indian healthcare company to encourage it to ignore short-term pressures and 'do what is necessary to strengthen the business for the next few decades and not the next few months'. (DC)

Janus Henderson INVESTORS

Henderson's Head of Global Equity Income, Ben Lofthouse, on 2017's record for global dividends

Henderson International Income Trust was launched in 2011 with the objective of providing investors with an income stream from a globally diversified portfolio, which excludes UK companies. Ben Lofthouse has managed the Trust since its inception and leverages the expertise of fellow managers with regional expertise to find good quality companies that have the potential to grow their dividend.

Watch the video to hear Ben Lofthouse speak about 2017's record-breaking year for global dividends and managing the portfolio in accordance with shifting global trends.

Why some private equity trusts could be attractive in the short-term

Wider than average discounts to NAV and potential asset realisations stand out despite potential negative issues longer term

The private equity market is in an odd position. It is awash with money ready to invest, thanks to a strong period of asset realisations over the last few years plus strong support from investors wanting to back new private equity deals.

Unfortunately there is a lot of competition for assets because the industry is desperate to do more deals. That in turn is pushing up valuation multiples for investments and forcing some private equity funds to be more selective.

In what should be a bumper period for the industry, given its financial firepower to do deals, private equity now faces two problems.

It either pays up for deals and potentially makes a lower return than it would have previously enjoyed; or it does fewer deals which could have a negative effect in five to seven years' time (being the typical holding period for private equity) when the number of asset realisations is potentially lower than in recent years.

All this suggests the long-term gains from private equity may be less attractive. However, the sector is still worth a look on a shorter-term basis. Indeed, a few private equity themed investment trusts are even trading on wider than normal discounts to net asset value (NAV).

Apax Global Alpha's portfolio includes exposure to Azelis, a global speciality chemicals distributor

Among direct private equity investment trusts, shares in **Apax Global Alpha (APAX)** at 138p are now trading on a 14% discount to NAV versus a 12-month average discount of 6.8%, according to data from financial services group Winterflood.

In the private equity fund-of-funds space, **HarbourVest Global Private Equity (HVPE)** is trading on a 20.2% discount to NAV (based on a £12.10 share price) versus an average of 16.1% over the past 12 months.

At 323p, **Standard Life Private Equity (SLPE)** is trading at 13.7% below NAV, a bigger discount than its 10.9% average over the past year.

Standard Life's investment trust stands out for two particular reasons. Firstly fund manager Roger Pim says valuations for new investments in the mid-market space aren't as excessive as ones in the large cap arena. Secondly, its portfolio looks ripe for near-term asset realisations.

Standard Life Private Equity may use some cash from realisations to maintain investment levels elsewhere under something called an 'over-commitment' strategy.

Just over one quarter of its portfolio is represented by investments that are now five years or older. Based on historical holding periods for the industry, these investments could be sold in the next year or so, events which could help to drive up net asset value and thus the share price.

'The (fund) manager comments that they continue to see c. 25% uplifts to valuations when portfolio companies are exited,' says research group Kepler. (DC)

FEATURE

How to test the foundations of the property sector

Increased corporate activity in the property sector warrants closer inspection

He is unlikely to have appreciated it, or cared, at the time, but Mark Twain's advice to 'Buy land, they aren't making it any more' has long since formed the basis of the investment case for UK commercial property, either via quoted stocks or dedicated funds.

Whether property is right for an investor's portfolio will depend upon their overall strategy, target returns, time horizon and appetite for risk but at least some may look to it for income, some form of diversification or both.

It may also be cropping up on the radar of contrarians because it is easy to form a bearish view, despite Twain's comments on the peculiarities of supply in the sector.

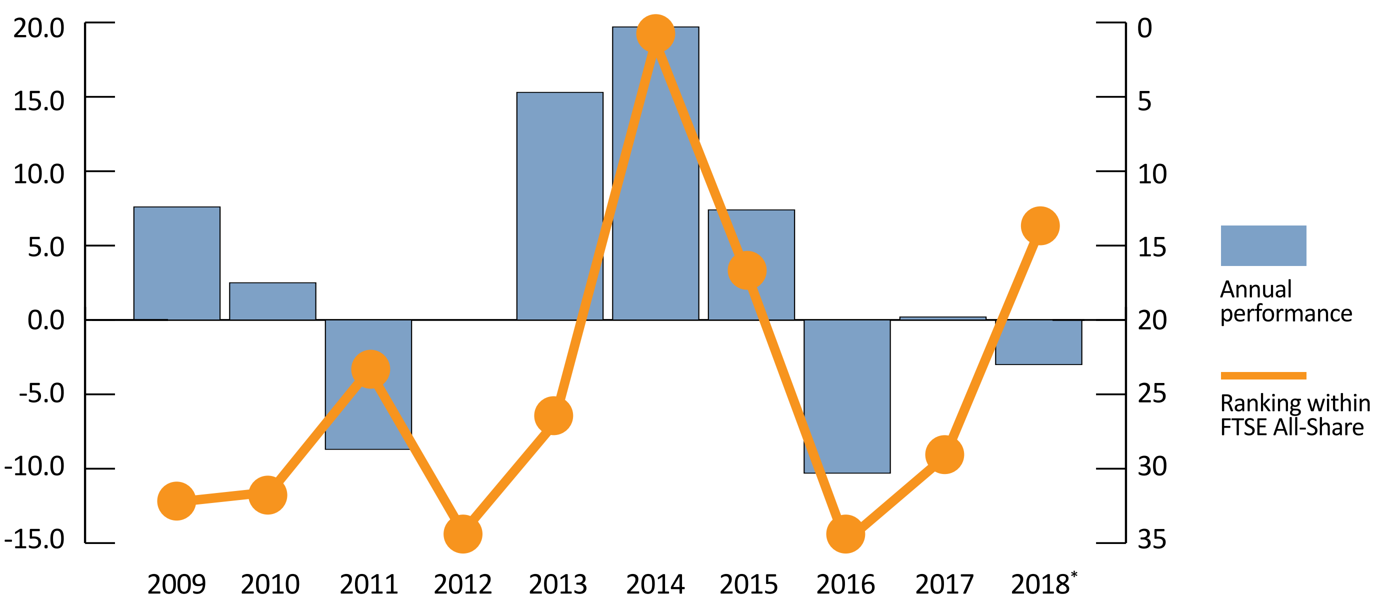
This is because Brexit is seen as casting a cloud over demand for UK commercial property, especially in London and its financial district in particular.

In addition, the Bank of England is working towards its next interest hike and sentiment toward the property sector is taking a battering in the wake of the woes of the retail and casual dining sectors.

The collapse of BHS and Toys R'Us, planned company voluntary arrangements at New Look and possibly **Carpetright (CPR)** (so they can streamline their estates and cut their rent bills) and store closures at **Mothercare (MTC)**, to name but one, all raise questions over the state of Britain's high streets and shopping centres, and their capital and rental value to landlords.

These fears are all reflected in the poor performance of the quoted FTSE All-Share Real Estate Investment Trusts (REITs) sector. In addition, investors will remember the post-referendum panic of summer when some property funds went into lockdown in the face of an initial torrent of redemptions.

The Real Estate Investment Trusts sector has struggled since the EU referendum of summer 2016



Source: Thomson Reuters Datastream. Based on capital returns only. There are 39 sectors and a ranking of 1 would indicate the best performer of the year and 39 the worst.
*To 20 March 2018.

And yet someone, somewhere seems to think the gloom may be overdone.

- **Hammerson (HMSO)**, the owner of the Brent Cross, Bullring and Cabot Circus shopping centres in London, Birmingham and Bristol respectively, has launched an all-share bid for fellow FTSE 250 stock **Intu Properties (INTU)**, which owns the Trafford Centre and Lakeside.
- France's Klepierre has since made a takeover approach for Hammerson.
- Hong Kong billionaire Samuel Tak Lee has continued to build his stake in another FTSE 250 REIT, **Shaftesbury (SHB)**, the owner of large swathes of property in Soho, Covent Garden and Chinatown in London, although there is no intimation that a full bid is in the offing.

BIG DISCOUNTS

Such activity may not be brave as it may first seem, for all of the high street gloom, given some of the valuations on offer. Many REITs, or at least those with exposure to retail and London, are already trading at big discounts to net asset value, so it may be that a lot of bad news is already factored into valuations.

In addition, the full-year reporting season largely passed without major incident, with net asset values (NAVs) holding up well. The dividend yields on offer also still surpass the returns obtainable from Government bonds or cash (albeit in exchange for greater capital risk).

SEVERAL BIG REITS ALREADY TRADE AT BIG DISCOUNTS TO NET ASSET VALUE

	Share price	Historic NAV	Premium / (discount)
Safestore	512.0	329.0	55.6%
Big Yellow	867.0	640.8	35.3%
Londonmetric Property	177.1	155.7	13.7%
SEGRO	610.0	556.0	9.7%
TRITAX Big Box	143.5	133.3	7.7%
A & J Mucklow	531.0	506.0	4.9%
Hansteen	136.6	132.5	3.1%
Shaftesbury	972.0	952.0	2.1%
Newriver	298.0	297.0	0.3%
Workspace	996.5	1,014.0	(1.7%)
CLS	233.0	268.5	(13.2%)
Derwent London	3,073.0	3,582.0	(14.2%)
Great Portland Estates	683.5	813.0	(15.9%)
Capital & Counties	271.5	334.0	(18.7%)
Hammerson	570.0	776.0	(26.5%)
Town Centre Securities	274.0	375.0	(26.9%)
British Land	648.6	939.0	(30.9%)
Land Securities	938.4	1,432.0	(34.5%)
INTU	206.7	411.0	(49.7%)

Source: Company accounts (based on historic NAV per share), Thomson Reuters Datastream

SEVERAL REITS ALSO OFFER YIELDS WHICH MAY CATCH THE EYE OF INCOME-SEEKERS	
	2018E dividend yield
NewRiver	7.2%
INTU	6.8%
British Land	4.8%
Hammerson	4.7%
TRITAX Big Box	4.7%
Londonmetric Property	4.6%
Hansteen	4.6%
Land Securities	4.5%
A & J Mucklow	4.3%
Town Centre Securities	4.3%
Big Yellow	3.9%
Safestore	3.1%
Workspace	3.1%
SEGRO	2.9%
CLS	2.9%
Derwent London	2.1%
Shaftesbury	1.8%
Great Portland Estates	1.6%
Capital & Counties	0.6%

Source: Digital Look, consensus analysts' forecasts, Thomson Reuters Datastream

FUND OPTIONS

In the event that investors do not wish to embrace stock-specific risk, they can turn to funds.

AJ Bell's list of favourite funds features two property collectives. The £3bn, actively-run **Janus Henderson UK Property PAIF (GB00BP46GF57)** has a mandate to generate capital growth and income over the long term.

It comes with a spread of retail, industrial/warehousing and office sites across the UK, with a bias toward the south east of England. It also has a 22% cash weighting to manage liquidity.

The passively-run, £780m portfolio of exchange-traded fund **iShares UK Property ETF (IUKP)** tracks a basket of 23 REITs quoted in the UK. As such, it is likely to provide less diversification for a portfolio that already has a heavy weighting towards equities, given that it provides property exposure via stocks rather than via direct ownership of the buildings.

END GAME

It may be that the market is correct and a post-Brexit slowdown is coming at the same time as fresh supply, to the detriment of those REITs with exposure in London's financial district.

There is a clear trend in the accompanying net asset value (NAV) discounts table, in that the less exposure a REIT has to London's financial district and to new development, the higher the valuation it currently commands.

But at least valuations are lowly and sentiment already depressed at those REITs with exposure to London, retail, new development or all three.

This brings to mind another quote, this time from Warren Buffett: 'Most people only get interested in stocks when everyone else is. The time to get interested is when no-one else is. You can't buy what is popular and do well.'

It will be interesting to see over the coming months and years whether this pungent aphorism works for property stocks.

Russ Mould, investment director, AJ Bell

POLAR CAPITAL GLOBAL FINANCIALS TRUST PLC

ADVERTORIAL

POLAR CAPITAL

"Opportunity is missed by most people because it is dressed in overalls and looks like work" **– Thomas A Edison**

When the Polar Capital Global Financials Trust plc ("PCFT") was launched in July 2013 - to provide a lower risk way for investors to gain exposure to the financials sector - for many the sector at the time was still, but not without good reason, uninvestable; it was also too complicated and hard work. The fact that the financials sector has delivered 68.7%[1] in the intervening period and the Trust 70.6%[2], is at odds with the perception of the sector. Including what UK banks have paid out in PPI redress in recent years, banks have in total paid out over $450bn in fines since 2008. Post financial crisis regulation has lifted capital requirements and compliance costs much further than anyone envisaged, the latter by six-fold for many U.S. institutions. Last year the impact of low and negative interest rates raised the prospects of profitability of the sector being crushed.

But the easy mistake is to look at the sector through the lens of the failings of a very small number of large banks or to extrapolate short term macro trends too far into the future. The financial sector is the largest sector globally representing between 18.1% and 21.2% of global indices, depending whether one includes real-estate investment trusts. It is not only about banks which have many different guises from private banks to commercial banks and large so-called universal banks which represent the largest part of the sector. It also includes insurance companies, life assurance companies, insurance brokers, stock exchanges, asset managers and wealth managers as well as the more esoteric such as gold lenders and so on. There are therefore significant opportunities within it to find attractive investments.

It pays to remember that, for the most part, the financial sector does well when the economies and financial markets in which they operate are performing well. But in contrast to previous economic cycles it is also a beneficiary of rising interest rates. As interest rates have remained low since the financial crisis so margins of banks have come under pressure. We have started to see the reverse happen as US interest rates have started to rise which has led to stronger earnings expectations and share prices. If the Eurozone economy continues to improve then their banks too will be significant beneficiaries. In Asia and Emerging Markets, longer term structural drivers from the much lower levels of consumer debt and higher savings ratio offer significant growth potential long term.

There are eight fund managers and analysts in the financials team at Polar Capital, one of the largest if not the largest team's investing in the sector managing $2.3bn of assets. The increased capital requirements and regulation since financial crisis has significantly lowered the risk of the sector. With many companies trading on undemanding valuations it offers the potential to continue to surprise to the upside.

For further information please visit:
www.polarcapitalglobalfinancialstrust.co.uk

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Disclaimer:

[1]Financials Sector: MSCI World Financials + Real Estate Index. 1 July 2013 to 30 November 2017. Total Return in GBP terms. [2]PCFT NAV Total Return. Since launch: 1 July 2013 to 30 November 2017. Total Return in GBP terms. Source: Polar Capital, December 2017 - This is not and does not constitute an offer or solicitation of an offer to make an investment into any Fund or Company managed by Polar Capital. Polar Capital Global Financials Trust plc is an investment company with investment trust status and its ordinary shares are excluded from the FCA's (Financial Conduct Authority's) restrictions which apply to non-mainstream investment products. All opinions and estimates constitute the best judgement of Polar Capital as of the date hereof but are subject to change without notice and do not necessarily represent the views of Polar Capital. Performance is stated net of fees and expenses and includes the reinvestment of dividends and capital gain distributions. Past performance is not a guide to, or indicative of, future results. A loss of principal may occur. The following benchmark is used: MSCI World Financials and Real Estate Index (£ adjusted). This benchmark is a broad based index which is used for comparative/illustrative purposes only and reflects reinvestment of dividends and, where applicable, capital gains. Investment results and volatility of the Fund may differ from the Benchmark. Please refer to www.msci.com for further information on this index.

Why the gender pay gap extends to pensions

New research reveals men have much bigger pension pots than women on average

You've probably read stories recently about the gap between the salaries of men and women, as well as the lack of women on the boards of major companies and institutions.

In order to tackle this, the Government is requiring businesses to publish gender pay gap details for the first time. Among the firms who have disclosed so far, over three-quarters (76%) pay men more money than women.

What you might not realise is this income disparity extends to pensions as well. According to research conducted by AJ Bell ahead of the third anniversary of the pension freedoms, the average annual withdrawal made by women using the pension freedoms is less than half those made by men – £4,100 for women compared to £8,500 for men.

The main reason for this is simple: women have, on average, significantly smaller pensions than their male counterparts. While the average personal pension pot of the people surveyed was £104,000; for men the figure is £143,000 versus just £53,000 for women.

WHAT CAN I DO ABOUT IT?

For younger generations it is hoped a combination of rising average wages and automatic

enrolment will, over time, close the gender gap in pensions.

But if you are in your 40s or 50s and worried your pension pot won't be big enough to support you in retirement, take a breath and don't panic.

While it's easier to build up a decent retirement fund by making regular contributions from a younger age, pension allowances remain generous and there are bonuses on offer to help you make up for lost time.

Most people can save £40,000 a year tax-free in a pension subject to sufficient earnings. Tax-relief is granted at your 'marginal rate' of income tax. In simple terms this means you get a savings 'bonus' from the Government based on how much tax you would normally pay.

So if you're a basic-rate (20%) taxpayer and you contribute £80 into a SIPP, your provider will automatically add an extra £20 in tax-relief.

Furthermore, higher-rate taxpayers can claim an extra £20 through their tax return, while additional-rate taxpayers can claim £25. Anyone in a workplace pension also gets a matched contribution from their employer.

WATCH OUT FOR THE PENSION FREEDOMS TAX TRAP

One thing to be wary of is the Money Purchase Annual Allowance (MPAA). This kicks in if you flexibly access your pension – so either a flexi-access drawdown payment or an ad-hoc lump sum (known in the jargon as Uncrystallised Funds Pension Lump Sums, or UFPLS).

Once you've done this, your annual allowance is slashed from £40,000 to just £4,000, severely restricting your ability to make up for lost pension saving time.

Anyone with total earnings of more than £150,000 could see their annual allowance cut to as low as £10,000 – if you think this might be you it's worth speaking to a regulated financial adviser to discuss your options.

Tom Selby, senior analyst, AJ Bell

How investing can help finance a second home

Top hints for raising a deposit, securing a mortgage and letting out your property

Buying a second home in the UK is a great option for people who want to get away for the weekend.

It can even earn you an eye-catching yield if you decide to let it out for part of the year.

Raising finance is not as straightforward as when you're buying a first home, so there are lots of facts to consider before taking the plunge.

Property prices in Cornwall have rocketed due to its popularity with second homeowners

WHERE SHOULD I BUY A SECOND HOME?

Cornwall is by far the most popular place in which to buy a second home, but unfortunately prices have rocketed as a result.

'That has not only meant the many second home buyers have been priced out of the Cornish market, but there has also been a backlash from the local community, because full-time residents are struggling to get onto the property ladder,' says Sam Mitchell, chief executive of online estate agent HouseSimple.com.

As a result of a vote by residents of St Ives, which has seen a huge influx of second home buyers, new housing projects only get planning permission if reserved for full-time residents.

The average detached house price in a town like St Ives is well over £700,000. Cheaper options include places like North Wales and Northumberland.

HOW MUCH WILL A SECOND HOME COST?

The bulk of second homes in the UK are bought for between £250,000 and £600,000, according to property search consultant Garrington.

But the purchase price isn't the only number to consider. Stamp duty is considerably higher on second homes, with each stamp duty 'tier' attracting an additional 3% tax. Taking a benchmark purchase price of £450,000, stamp duty would set you back £26,000.

Unless you're able to buy the property outright, you'll also need to save up for a deposit.

To boost your chances of securing a second home mortgage or holiday-let mortgage, you need a higher deposit than on a traditional mortgage. Experts recommend saving a deposit of 30%, equating to £135,000 on a £450,000 home.

Don't forget you'll also have to

pay council tax on your second home. Tim Walford-Fitzgerald, private client partner at chartered accountant HW Fisher, warns that if you leave your property unfurnished and empty for more than two years, the council has the right to add a further 50% onto your council tax bill.

'However, councils often still offer council tax discounts for second homes,' he adds. 'They define a second home as a furnished property that is not your main home. A discount of up to 50% may be available but it is up to each individual council how much discount they offer, if any.'

Overall, the cost of financing a £450,000 second home could amount to around £170,000.

HOW CAN I FINANCE A SECOND HOME?

One of the most popular methods of financing a second home is to remortgage your current property.

House prices have rocketed over the last decade, so it's well worth getting your house valued to see how much equity you could release. You'll need to prove to your lender that you can afford the higher repayments on your main home.

Let's assume you're able to remortage your house and release £100,000. For a second home costing £450,000, that leaves you with a more manageable bill of around £70,000 (£170,000 from our previous example minus £100,000).

INVESTING CAN YOU HELP YOU HIT THE GOAL

Planning in advance will definitely help here. If you save £500 a month you could build a pot worth £77,641 over 10 years, assuming investment growth of 5%. Investing in funds could be the best route as they provide instant diversification.

Ryan Hughes, head of active portfolios at AJ Bell, says this long-term approach means you can take on a reasonable level of risk.

'The starting point should be a low cost core to the portfolio that gives good global coverage,' says Hughes.

He recommends having a 30% portfolio weighting in **Fidelity Index World (GB00BJS8SJ34)**, which provides an instant globally diversified portfolio.

'Alongside this global core, a number of high quality equity holdings can be used to add value over time,' says Hughes.

He reckons that for a UK investor, a 20% weighting in a UK equity fund such as **Man GLG Undervalued Assets (GB00BFH3NC99)** would be appropriate. The fund invests in companies that are unloved but well-managed and cash generative.

Hughes also suggests having a 20% weighting in **Fidelity Strategic Bond (GB00BCRWZS59)** and 10% each in **Invesco Perpetual Asian (GB00BJ04DS38)**, **Baillie Gifford High Yield Bond (GB00B1W0GF10)** and **Crux European Special Situations (GB00BTJRQ064)**.

As you approach the end of your investment period, it's important to de-risk your portfolio. Otherwise, a sudden drop in the market could see your deposit value plummeting with not enough time to recoup losses.

> **"It's tougher to get approved for a holiday-let mortgage than a standard mortgage and the rates are also higher"**

CAN I EARN INCOME FROM MY SECOND HOME?

It's possible to earn an income from your second home by renting it out as a holiday home.

It's tougher to get approved for a holiday-let mortgage than a standard mortgage and the rates are also higher.

However Jonathan Hopper, managing director of property finder Garrington, says the rates are less than 5% on average – far less than the typical yield you could expect to get from letting out the property.

'People who let their holiday home for anything north of 35 weeks of the year see yields of at least 8%. Others let it for 16 to 20 weeks of the year simply to cover their outgoings,' he says.

A big perk of holiday-let mortgages is you can offset all expenses, including full mortgage interest, against the rental income. To qualify, the property needs to be available to let for less than two thirds of the year, and to have actually been rented for around one third of the year. (EP)

Where to find Britain's most promising growth companies

New report looks at how smaller companies are benefiting the UK economy

Here's a fact you may not have heard before. Of the 5.6m companies in the UK, 22,470 – less than 1% – create 22% of economic growth.

That's one of the findings from the *Octopus High Growth Small Business Report* published this week.

Here's another: this same group of companies creates one-in-five new jobs in the UK. Taken as a whole, these high growth small businesses (HGSBs) are also 18% more productive than the average UK company.

As the UK faces a future outside of the European Union, HGSBs look set to be even more important as a major contributor to economic growth and increased productivity.

Yet despite their strengths, as an asset class HGSBs remain under-researched by investors. For those comfortable with the risks of smaller company investing, this offers a great opportunity to invest in the country's most dynamic businesses before most people have even heard of them.

HOW TO INVEST IN BRITAIN'S HIGH GROWTH SMALL BUSINESSES

HGSBs are those whose annual turnover is between £1m and £20m, and which have grown turnover by 20% a year on average over a three-year period. They can be found in every corner of the UK, spread across a wide variety of sectors.

By Simon Rogerson, founder and chief executive of fund management group Octopus Investments.

Several are listed on the AIM market. If you invest directly in AIM-listed shares, there's a good chance you've come across some of them during your research.

Examples of AIM-listed HGSBs include cinema group **Everyman Media (EMAN:AIM)**, **Advanced Medical Solutions (AMS:AIM)**, which provides technologically advanced wound care, and **Inspired Energy (INSE:AIM)**, which helps large businesses reduce their energy costs and carbon emissions.

Another approach is to invest in an actively-managed portfolio of smaller companies, run by investment teams experienced in finding and researching the best opportunities.

That could be via a fund focused on UK smaller companies, or for those looking to invest tax-efficiently, a venture capital trust (VCT) or enterprise investment scheme (EIS). An EIS or VCT investment can also be a way to invest in HGSBs whose shares are not listed on a stock exchange.

THE HIGH GROWTH EFFECT

At Octopus we work closely with smaller companies and see first-hand the benefits they bring to their customers, their employees, their investors and to society as a whole.

HGSBs epitomise the qualities the Chancellor talked about in his Spring Statement, when he spoke of unleashing the UK's creators, innovators, inventors and discoverers, and embracing the technologies of the future.

Investors who back these dynamic businesses are tapping into their future growth potential. Not only that, they're making a vital contribution to our future economic growth.

Franchise Brands sees a surge in new business

Cold weather and a new marketing plan drives demand for its Metro Rod arm

The boss of **Franchise Brands (FRAN:AIM)** says the company's Metro Rod drain clearance and maintenance services business has just seen its busiest-ever day for orders.

Freezing weather led to burst pipes, creating plenty of work for Metro Rod which was acquired by Franchise Brands in April 2017. The 'beast from the east' was also well timed as it followed Metro Rod's first ever marketing campaign which meant its brand was front of mind for certain people who needed help.

'There was no marketing for Metro Rod in the past,' says Chairman Stephen Hemsley. 'We've just done our first campaign which targeted the education sector, namely schools, academies, universities and nurseries.'

He says public sector opportunities are normally put out to tender and are low margin. Metro Rod is now being proactive in the hope of getting regular work not being put out to tender. Initiatives have included free surveys in the hope it will lead to repair jobs.

'We'll target property maintenance in the second quarter of the year,' reveals the chairman. 'That's really the buy-to-let sector. We can offer plumbing, drainage and handy man work.' He says Metro Rod will probably undertake four or five marketing campaigns this year.

Franchise Brands owns a selection of franchise companies and provides central services to help franchisees grow their business.

Metro Rod has historically undertaken work on a reactive business, serving national business customers including retail, water utilities, social housing and insurers.

While the maiden marketing push is clearly paying off, plus the weather has been on the company's side, there is a slight catch to consider. 'To some extent we've been too busy recently,' admits Hemsley. 'We've haven't had the labour force to take advantage of all the opportunities.'

He says the challenge is to now make sure

franchisees have enough staff, equipment and vans in order to do more work.

Any franchisee that doesn't want to step up to the challenge of being busier will see their territory split with another franchisee who is more entrepreneurial or even replaced by someone more ambitious, warns Hemsley.

Franchise Brands reported a £65,000 pre-tax loss for 2017, weighed down by one-off items including costs associated with buying Metro Rod and subsequent IT investment, as well as a £0.3m provision for money owed by collapsed services group Carillion to Metro Rod.

Excluding these items the business made £2.1m pre-tax profit which is forecast by Allenby Capital to rise to £2.8m in 2018 and £3.5m in 2019.

SHARES SAYS: ↗

We flagged the stock's long-term attractions earlier this year in an extensive article on the business. News that its marketing efforts have already turned into sales reinforces our positive view of the £55m business. Buy at 70.5p. (DC)

BROKER SAYS: 1 0 0

Eden Research to yield a rich harvest

Cultivate a position in the agrochemicals play

Under-the-radar **Eden Research (EDEN:AIM)**, whose backers include **Livingbridge UK Micro Cap Fund (GB00BV9FYS80)** and **Artemis Alpha Trust (ATS)**, looks an attractive proposition.

A provider of breakthrough 'natural microencapsulation technologies' and agrochemicals, the AIM company is shifting from a development to a lucrative commercialisation phase, with strong growth set to continue in 2018 driven by new regulatory approvals.

ENCAPSULATING EDEN

Eden provides sustainable solutions for crop protection, animal health and personal care. Significant investment in intellectual property and registrations has created a competitive advantage in a global agrochemicals industry increasingly shifting towards biological products.

The Cirencester-based concern's encapsulation technology, known as Sustaine and currently licensed to Bayer Animal Health in North America, is used in markets such as crop protection, animal and human healthcare.

Like humans and animals, plants have developed defences against pests and disease. Among their defences are essential oils containing active molecules (terpenes), which help them combat insect predators and disease.

Sustaine encapsulates these active molecules in particles that slow their release over days. This not only ensures better levels of control, but also improves the effectiveness of existing products used for plant protection such as pesticides and biocides.

MAKING GRAPE PROGRESS

Excitingly, the AIM minnow's first fungicide product *Mevalone*, which targets Botrytis (grape rot), is approved for sale in 10 nations including the top three wine producers (Italy, France, Spain). Further approvals are expected in 2018 with applications for registration being progressed in countries including the US and Australia.

Eden has a second plant protection product, a nematicide named *Cedroz*, which targets soil-dwelling pests. This is on course for launch in 2019 and CEO Sean Smith says it has potentially a far greater market opportunity than *Mevalone*.

Last summer Sipcam, an Italian multinational that specialises in making and marketing agrochemicals, invested £2.2m for a 9.9% stake in Eden. The pair have inked a number of commercial agreements, giving Eden's agrochemicals and technologies credibility, while an eventual bid from the family-owned Sipcam is far from out of the question.

POSITIVE BREAKTHROUGH NEARS

Eden's full year results (20 Mar) revealed a revenue leap to £1.9m (2016: £0.4m), despite a testing southern European growing season for its fungicidal products, flowing through to a significantly lower underlying pre-tax loss of £1.1m (2016: £1.9m); Eden also closed the year with £3.7m of cash in the bank.

For 2018, Shore Capital's Phil Carroll forecasts a sales surge to £3.1m, ahead of £4m and £5.7m in 2019 and 2020 respectively, while the analyst's projections point to a breakthrough into positive EBITDA of £100,000 in 2019.

SHARES SAYS: ↗

Patient micro cap punters should pocket Eden at 8.25p for exciting growth prospects. (JC)

BROKER SAYS: n/a


SHARES
INVESTOR EVENINGS

INDEX

KEY

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

THIS WEEK: 14 PAGES OF BONUS CONTENT

SHARES SPOTLIGHT

Mining, Oil & Gas

BLUEJAY MINING

CADENCE MINERALS

GOLDPLAT

METALNRG

PRIMARYBID

INCLUDES COMPANY PROFILES, COMMENT AND ANALYSIS

MARCH 2018

Introduction

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

It provides small caps with a platform to tell their stories in their own words and this edition is dedicated to the natural resources space.

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

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

These profiles are paid-for promotions and are not independent comment. As such, they cannot be considered unbiased. Equally, you are getting the inside track from the people who should best know the company and its strategy.

This edition is focused on companies from the resources sector.

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

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

Previous issues of *Spotlight* are available on our website.

Why invest in the resources sector?

Most people think investing in natural resources companies is about having a punt at whether someone has made the next big oil, gas or mining discovery.

Take a closer look at the industry and you'll realise there are much more solid reasons to participate.

Investors can gain indirect exposure to commodity markets and could benefit from demographic trends like population growth and a growing middle class in developing economies which are driving increased demand for finite amounts of energy and raw materials.

What's included in this sector?:

Companies which look for, extract, market and sell the world's major commodities.

Some firms only take one or two of these roles, while others – in particular large integrated players like **BP (BP.)** and **Royal Dutch Shell (RDSB)** – address all of them. It also includes services providers which support these companies in their daily operations.

The industry:

The resources industry is enormous and ultimately provides the materials and energy behind nearly everything we use on a day-to-day basis. It faces significant environmental and political challenges in the 21st Century.

Risk profile:

This is a cyclical sector and its fortunes fluctuate in line with commodity prices which are for the most part dictated by the global economy.

Fast growing economies like China, the biggest consumer of many of the world's commodities, have a particularly strong influence.

There is also a risk that countries may assert ownership over the resources located within their borders – something known as resource nationalism.

The objectives you might have for investing in this sector:

The case for investing in commodities is that a growing global population will consume more of the world's limited store of resources – particularly as consumption per head is increasing in countries like India and China.

If you are looking for exposure to crude oil, natural gas, coal, uranium or metals it could make sense to buy shares in a company which is engaged in the exploration and production of these resources.

As well as tracking the price of the respective commodities they exploit, the share prices of these miners and oil companies will respond to operational performance.

This offers the prospect of greater upside if a company performs well but also risks more significant downside if it encounters setbacks

Exploration companies can see rapid share price appreciation in the event they discover new reserves of oil and gas or a new metal deposit but can also fall just as rapidly if they are unsuccessful.

Miners and, in particular, oil and gas companies are also big contributors to the dividends on offer from the UK market.

Higher profile companies in this sector:

Royal Dutch Shell (RDSB) – Has a long-term strategy of focusing on the natural gas market

BP (BP.) – Since the Gulf of Mexico disaster in 2010 has transformed into a more streamlined operator

Rio Tinto (RIO) – Principally based in Australia and Canada, it is the world leader in the production of several commodities

Glencore (GLEN) – Glencore merged with Xstrata in 2013 adding mining assets to a commodities trading operation

BHP Billiton (BLT) – Mainly focused on mining but has some oil and gas assets, too

Affected by:

- Commodity prices
- Scarcity of resources
- Consumer spending

The main factor which influences the profits and revenues generated by companies in this sector is commodity prices.

These in turn are dictated by supply and demand. On the supply side, it is becoming increasingly difficult to find oil and gas, which has led to a focus on so-called 'unconventional' resources like shale oil and shale gas.

Demand is rising as the global population increases and consumption per head builds in emerging markets. The growth of electric vehicles is a potential threat to oil demand.

Affects:

- Industrials
- Energy and raw material costs

If the resources sector is doing well and commodity prices are high then this can put industrial companies – which are particularly heavy consumers of energy and raw materials – under pressure.

On the flipside, some parts of the industrial sector provide services and products the oil and gas industry.

Numbers to watch out for:

Capital expenditure – how much companies plan to spend on developing new projects

Ore grade – An ore is a type of rock that contains minerals and metals which can be extracted. The grade describes the concentration of metal and plays an important role in determining the costs of extraction

Operating costs per barrel – How much a company spends to produce each individual barrel of oil

Baker Hughes Rig Count – a widely followed measure of industry activity, this is released as two separate figures showing how many drilling rigs are operating in North America and worldwide

Reserves replacement ratio – measures the extent to which the company replaces reserves lost to production

Proved and probable resources – reserves of oil and gas which geological analysis suggests are more likely than not to be recoverable

Relevant ETFs:

iShares US Oil & Gas Exploration & Production (SPOG) – Provides exposure to US companies engaged in the exploration, production and distribution of oil and gas

iShares Gold Producers (SPGP) – Tracks the largest publicly-traded companies involved in the exploration and production of gold and related products from around the world

PrimaryBid pushes private investors towards the front of the funding queue

Website: www.primarybid.com

PrimaryBid provides private investors access to new share placings from listed companies, at the same discount as institutions, delivering open access regardless of the size of their investment.

Conceived in 2015, this innovative regulated platform includes a website and smartphone app, which automates the aggregation of retail demand, allowing the large and active pool of private investors to be connected with companies seeking to raise capital.

Fundraises for listed companies have typically only been accessible by institutional investors. This has long been a frustration for private investors, compounded by missing out on the typical discounted prices offered for such transactions.

Listed companies want to engage their private investor shareholders, however, they are often frustrated by the lack of an efficient method to do so.

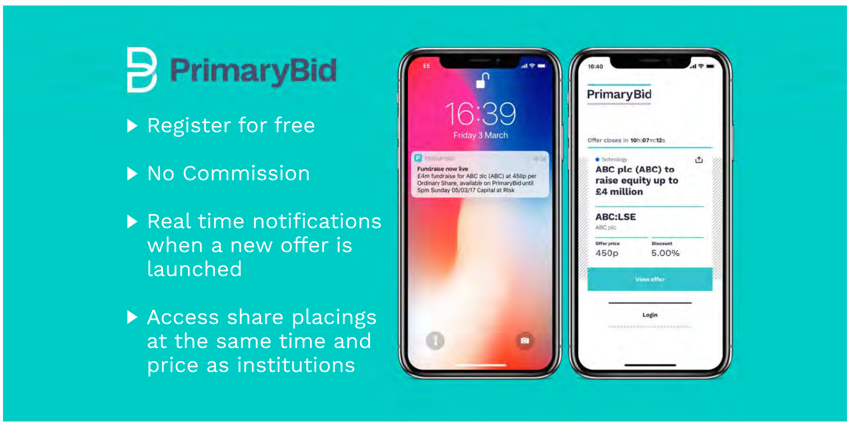
Retail investors play an important role in the market. Compared to institutional investors, they tend to hold their stocks for longer which can dampen price volatility.

The management team behind PrimaryBid has a combination of capital markets, technology and marketing experience, gathered across roles at companies including Credit Suisse, Bank of America, Citi, Ernst & Young, Yahoo, Amazon and the BBC.

This breadth of knowledge and expertise has enabled the team to transform the traditional fundraising process, harnessing technology to put the investor at the heart of a streamlined, highly efficient, digital platform while maintaining a regulatory robust compliant framework, necessary in the highly-regulated capital markets environment.

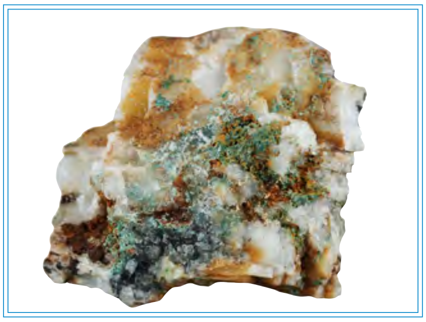
Over the past three years the business has grown from early beta stage through to a dynamic, award winning investment platform. More than £56m has been sourced via the platform and recent offers have closed within hours, with offers being promoted to hundreds of thousands of private investors.

It's free to join, with no commission payable, just visit **www.primarybid.com** and create your account.



MetalNRG

MetalNRG pursues opportunities in natural resources



Website: www.metalnrg.com

WHO IS METALNRG?

A NATURAL RESOURCES INVESTOR QUOTED ON THE NEX EXCHANGE.

MetalNRG (MNRG:NEX) the natural resource investing company quoted on the NEX Exchange Growth Market in London is committed to delivering short, medium and long term value to its shareholders via direct investment projects and indirect projects.

It has continued to build its portfolio with cobalt, lithium and gold opportunities in North America (USA/Canada) and Western Australia (including the Pilbara) while at the same time exploring additional areas of interest.

Project review work undertaken this year so far has created a pipeline of new resource projects and other investment opportunities which we seek to crystallise.

The range of opportunities identified are more than MetalNRG could house internally and the company has identified a route to secure shareholder value by assisting project owners with access to new investment, application of commercial management if required and where appropriate assist these entities in making application to trading on the NEX Exchange Growth Market or the Standard List of the London Stock Exchange.

MetalNRG has progressed a number of potential new company initiatives and is now preparing, with advisors, to secure London Stock Exchange Standard List admissions for a new resource investing company and thereafter a number of new operating companies which will generally be focused on commodity or geography specific resource opportunities.

CONSIDERING MOVE TO LONDON STOCK EXCHANGE

In addition, the board is considering moving MetalNRG to the standard segment of the London Stock Exchange to improve traded liquidity and provide wider access to capital for the company.

WHO'S IN CHARGE?

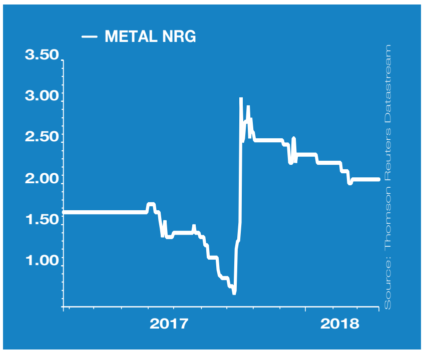
CEO Rolf Gerritsen
Tel: 020 7796 9060

The company's intention is to secure stakes in newly created vehicles and distribute a proportion of the stakes to MetalNRG shareholders, creating a recurring distribution flow to shareholders.

MetalNRG will help coordinate the listing of new companies to regulated stock exchanges and will receive shares in such companies as compensation for this coordination work.

This will also reflect the value of any existing interest in projects and companies that are spun out of MetalNRG via application to trading on a regulated stock exchange.

In addition, the company may choose to invest pre-IPO, and upon IPO in new listed companies, to increase its exposure via obtaining further shares in these companies.



Cadence powering the future of transportation

Website: www.cadenceminerals.com

The electric vehicle is almost here, and the public increasingly knows that it is the future of road transportation, with the UK, France and China banning sales of petrol and diesel vehicles by 2040. VW has announced an $84bn investment to bring 300 EV models to the market by 2030. Other manufacturers are in hot pursuit. The electrical vehicle revolution is approaching much faster than pundits first expected.

AIM-quoted **Cadence Minerals (KDNC:AIM)** has been investing since 2013 in the key elements that will fuel this generational transformation and has, to date, deployed some £20m into early stage, highly prospective lithium, cobalt and copper exploration and development projects around the world.

The company invests across the globe, principally in lithium mining projects and its primary strategy is taking significant economic stakes in upstream exploration and development strategic metal assets. It identifies assets that have significant cost advantages that are not replicable, aiming to achieve industry lower quartile production costs.

Prioritising value opportunities with low development costs allows us to identify projects capable of achieving high rates of return. Cadence has already seen a 75% return on the partial sale of one of its more advanced assets, first invested in more than four years ago.

The Cadence board and management has a comprehensive blend of mining, commodity investing, fund management and deal structuring knowledge and experience, with access to key marketing, political and industry contacts.

These resources are leveraged not only in making its key investment decisions but also in providing support to investee companies, whether it be increasing market awareness of an asset, or advising on product mix or path to production.

Cadence assists the management of each asset to rapidly develop projects up the value curve, and can thereby delivering excellent returns on investment.

WHO IS CADENCE MINERALS?

AN INVESTOR IN EARLY STAGE LITHIUM, COBALT AND COPPER EXPLORATION AND DEVELOPMENT PROJECTS.

Lithium, the new white gold
Lithium is the hottest commodity on the planet. It is the most important component of electric vehicles (EV), high-energy batteries, power storage, consumer electronics and the latest drugs. Its current spot price has risen from circa $6,000 per tonne to $12,000 per tonne over the last five years.

KEY PROJECTS

Cinovec – Cinovec, in the Czech Republic, is an advanced lithium development project and historical tin mine. It represents the largest lithium deposit in Europe. In April 2017, the operator and owner of the assets European Metals Holdings announced the completion of its Preliminary Feasibility Study.

The study showed a net present value of the project of $540m and costs in the lower half of the cost curve. Cadence has invested some £3.1m to help fund Cinovec's development since June 2015 and now owns 21% of European Metals Holdings. As at September 2017, its unrealised return on this investment is circa 290%.

The Cadence team views the Cinovec lithium deposit as a key supply hub to support the future growth of European EV manufacturers.

Sonora – The Sonora Lithium Project is the most advanced of its investments. Bacanora Minerals, the owner and operator of the asset, already has secured an offtake for its lithium carbonate and like Cinovec has excellent economics, with is Preliminary Feasibility Study (April 2016) estimating a net present value of $776m.

Cadence owns 9.3% of the equity of Bacanora Minerals and 30% of part of the Sonora Lithium project, from which circa 17% of the ore will be mined.

Yangibana - Cadence has a 30% stake in the Yangibana Project in Gascoyne, Western Australia. Owned and operated by Hastings Technology Metals, the project is set to produce a neodymium rich mixed rare earth carbonate. The definitive feasibility study is due to be published in October 2017 with production due to commence in the second half of 2019.

NEAR TERM OPPORTUNITIES

Cadence's investment strategy has been to identify early stage assets and participate in the funding, de-risking and value creation as the projects develop. The company recently realised some of this return with the sale of under half of its stake in Bacanora Minerals. This realised a 75% return on a lot matching basis.

Cadence intends to deploy a large part of the profits made from this investment to continue Cadence's investment strategy in the exploration of viable lithium projects that it sees becoming part of the supply chain.

WHY INVEST IN CADENCE?

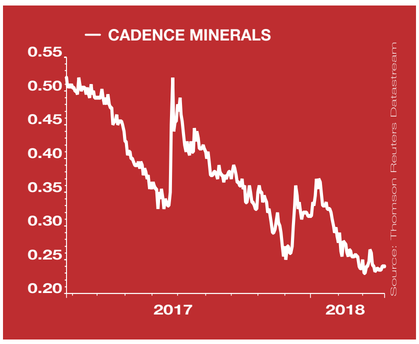
The current boom in battery materials, particularly lithium, looks set to continue for some time to come. The stated UK Government policy to ban the sale of new diesel and petrol cars by 2040, to incentivise drivers to buy electric vehicles, is focusing minds closely on this investment opportunity.

Volvo's recent landmark announcement that from 2019 onwards all its vehicles will be partially or completely battery-powered has seen new commercial imperatives materialize, not least of which will be local and regional component and resource supply solutions.

But it isn't just the EV growth market. By 2025, the battery market alone will be twice as big as today's entire lithium market. The supply of lithium, therefore, must make a step change upwards over the years ahead.

Therein, of course, lies the massive opportunity. Investors will want to identify companies and investment vehicles involved in a spread of risk – ranging from early stage resources to assets close to or in production.

These factors are central to Cadence Minerals' planning and strategy. With its exposure to key mature and early stage projects around the globe, Cadence offers investors an attractive fund of highly sought-after assets, that both spreads risk and minimizes any potential volatility.



BlueJay is fast tracking world's highest-grade ilmenite project

Website: www.bluejaymining.com

It is no coincidence that the government of Greenland has awarded **Bluejay Mining (JAY:AIM)** Prospector and Developer of the Year for 2017.

The junior explorer/developer, and soon to be miner, has rapidly advanced a highly strategic portfolio of assets putting both the country and the company on the map.

Its flagship asset, the Dundas Ilmenite project, claiming the prestigious title of being the world's highest-grade ilmenite project, and a defined development schedule set to advance the asset into production and realise a number of value accretive milestones in the coming year.

Of course, for any developer, a primary consideration is security of, and access to, finance. Bluejay is well set on this front, having raised £17 million in February 2018.

WHAT THE MONEY RAISED WILL BE USED FOR

These funds will be used to finalise a number of critical elements including the pre-feasibility study, targeted for the second quarter 2018, increasing the current resource and finalising licencing applications.

On the licencing front, the aforementioned award gives a good indication of the positive relationship the company enjoys with the Greenlandic government.

Bluejay has enjoyed robust support from the local community thanks to the economic boost it is expected to bring and its environmentally friendly mining approach. Bluejay's model is based on a simple mechanical separation operation, which aside from its low environmental impact provides a significant cost advantage over its competitors.

With regards to the expected resource increase, having proven Dundas' world class resource grade, the company's focus is now on proving its scale. A resource statement for the priority mining area is expected imminently, which will feed into the mining study currently underway. The company has a great deal of confidence in this

WHO IS BLUEJAY?

A MINING EXPLORATION FIRM DEVELOPING THE DUNDAS ILMENITE PROJECT IN GREENLAND.

respect, given that much of the resource is visible at surface.

The resource expansion will also leverage the company's ongoing discussions with potential offtake partners. Having completed a trial mining project last year, samples from which were sent to potential off-takers, Bluejay is focussed on securing a strategic partner in the coming year.

The Dundas ilmenite product is a rare development, both in terms of grade and its highly strategic location, which makes it's an easy export for both North American and European markets.

This accessibility means Bluejay's ilmenite is set to be much cheaper to ship than the majority of current ilmenite producers which are based in Africa. In this regard, the company appears well positioned to secure an offtake agreement.

To take advantage of its competitive advantage, Bluejay is focused on commencing mining at Dundas this year. Production is then set to ramp up significantly in 2019.

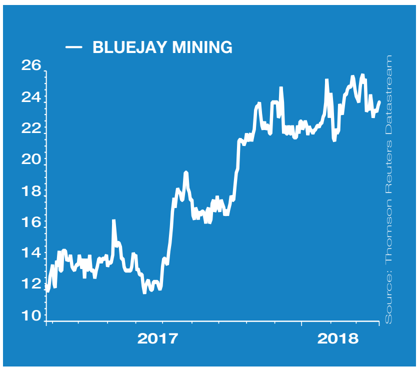
WHAT ELSE IS IN THE COMPANY'S PORTFOLIO?

The company has several other projects it is working on. The company is simultaneously advancing the Disko nickel, copper, cobalt & platinum Project in West Greenland, which is of interest due to its geological similarities to Norilsk-Talnakh, the world's largest nickel/copper sulphide mine in northern Russia.

Both Disko and Norilsk contain nickel-copper-cobalt-platinum rich Magmatic Massive Sulphides, with one 28-tonne boulder recovered from Disko being so significant that it is now displayed in the foyer of the Danish Geological Museum in Copenhagen.

Exploration at this asset is still early stage, but work is set to be undertaken in 2018 to provide investors with additional upside opportunity.

BlueJay comments: 'Looking ahead, with a world class asset, a significant competitive advantage, milestone news flow and production due to commence in the coming year, 2018 looks set to be historic.'



Goldplat is a green gold producer

Website: www.goldplat.com

Goldplat (GDP:AIM) has an experienced management team, is profitable, under-leveraged and growing. It has a JORC compliant resource in excess of 900,000 ounces of gold, with recovery operations in South Africa and Ghana, mining in Kenya and exploration assets in Kenya and Ghana.

NICHE BUSINESS

Goldplat recovers precious metals from by-products of mining operations. Its competitive advantage is gained from a combination of the ability to process and recover metals profitably from materials which are a by-products and potential environmental issue to the operators; strategic geographic locations; diversity and flexibility of processing operations and extensive depth of knowledge and experience of the long-standing team.

GREEN PRODUCER

The materials which Goldplat sources and processes typically present an environmental risk and cost to producers and in the case of artisanal tailings, the governments concerned, but can be turned to a source of additional gold / revenue when processed by Goldplat.

The company imports by-products from most of the major gold producers in Africa and ever-increasingly in North and South America. Goldplat has 'Responsible Gold' accreditation (which ensures the responsible supply chain of all sourced material) as well as being a partner of the United Nations Environmental Programme's Global Mercury Partnership – the Minamata Convention – (under which the Company works to reduce the harmful impact of mercury pollution).

Goldplat treats mercury rich by-products from producers as well as working with governments to re-process artisanal tailings, dealing with mercury in a responsible fashion.

WHO IS GOLDPLAT?

AN AIM QUOTED GOLD RECOVERY COMPANY, PRODUCING IN EXCESS OF 42,000 OUNCES OF GOLD PER YEAR FROM RECOVERY OF BY-PRODUCTS OF MINING OPERATIONS AND FROM PRIMARY MINING.

GOLDPLAT'S OPERATIONS

Goldplat Recovery (GPL) is a well-established recovery operation based near Johannesburg, South Africa. It services clients within South and Southern Africa and facilities include crushing, milling, wash-plants, spiralling, CIL, rotary kilns, eluting, shot-blasting and smelting.

GPL has a tailings facility with a JORC compliant resource of 82,000 ounces of gold, which the company plans to re-process. Optimal processing and final deposition is currently being finalised. The company acquired a strategic stockpile containing around 32,000 ounces of gold during the first half of the June 2018 financial year. GPL produced around 30,000 ounces of gold in June 2017.

Gold Recovery Ghana (GRG) is a recovery operation in Tema, Accra. GRG is being used as the 'growth engine' for Goldplat's niche recovery business with focus on developing this into a hub for West Africa as well as elsewhere in Northern Africa and the America's. This plant is currently focussed on spiralling and incineration with further processing taking place in South Africa. An elution plant has been installed and is currently being commissioned, enabling production of gold Dore in-country. GRG produced just over 10,000 ounces of gold in the year to 30 June 2017.

Kilimapesa Gold (Kili) is a small producing gold mine in south western Kenya. The mine has a 670,000 oz resource and produced around 3,400 ounces of gold in the June 2017 financial year. With the installation and commissioning of a new processing plant

during 2017, production is expected to grow to in excess of 5,800 ounces of gold in 2018. Kili produces bullion which is refined by third party refiners.

POSITIONED FOR GROWTH

Over the past few years, Goldplat has re-invested capital into the operations and there are no new major capital projects planned. The company has invested in its people and built strong teams in key areas such as strategic sourcing of material. With a strong balance sheet, profitable operations and strategic locations, the company is well-positioned to grow both production and profitability in the medium term.

Production growth of 25% from recovery operations to around 50,000 ounces of gold per annum is planned in the medium term. The company is planning to grow output from primary mining significantly in the medium term: partly through continued expansion at Kili but mainly through acquisition of producing assets.

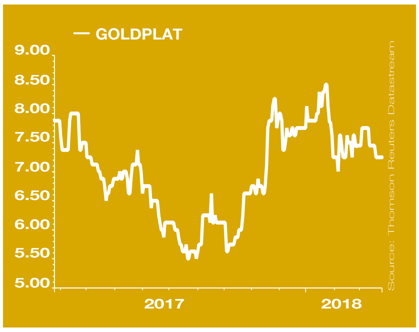
GLOBAL SOURCING

The Goldplat Global Sourcing team has developed a strategy for importing material from around the world into Ghana and in some instances South Africa. The team has been actively developing relationships with clients in North and South America, conducted many successful and profitable trials of materials imported into and processed at GRG.

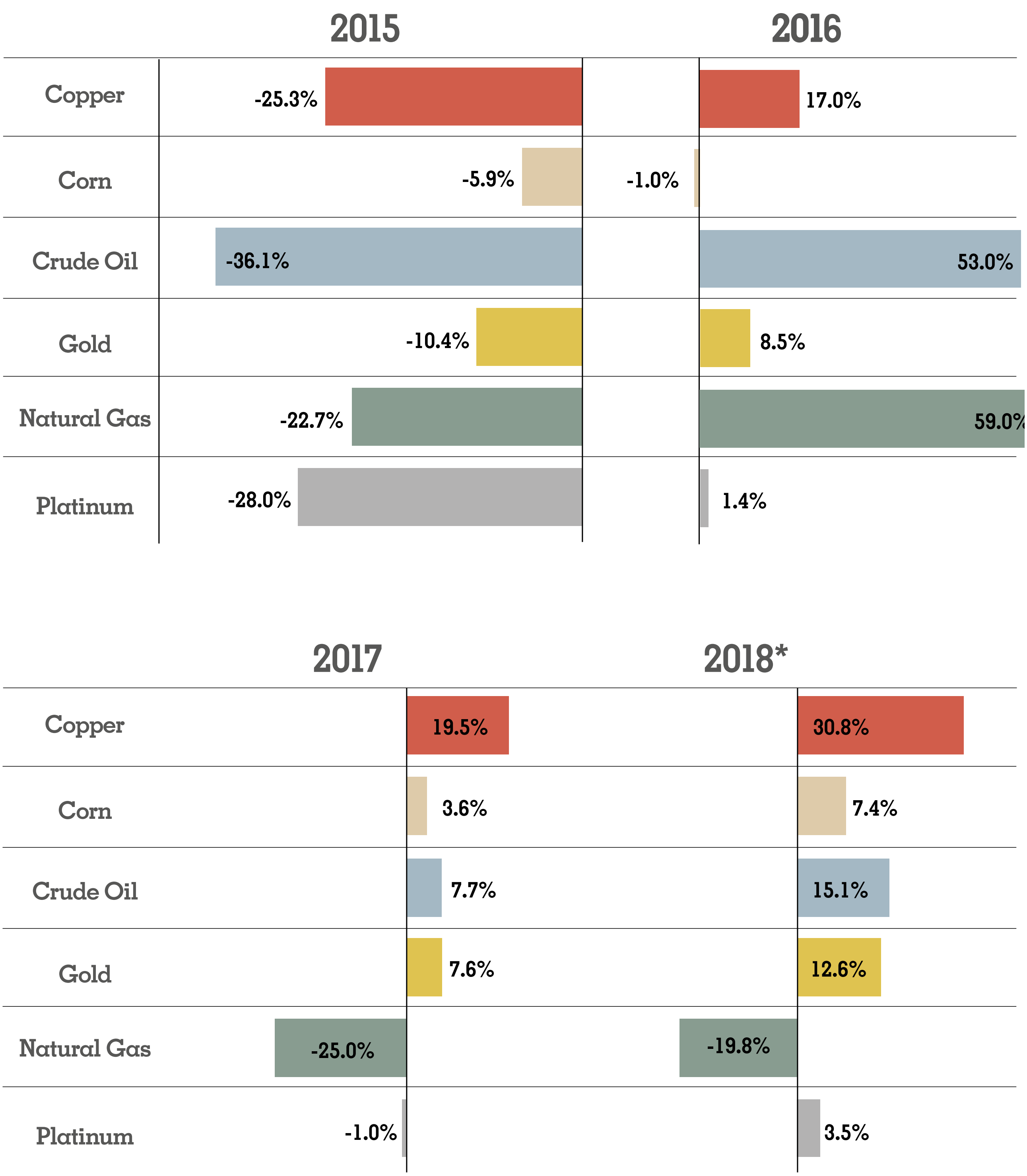
A number of large contracts have been secured from operations in South America and from Africa outside of the local markets of South Africa and Ghana.

FINANCIAL POSITION

Goldplat has a June year end. The company made a gross profit of £5.2m in the year to 30 June 2017, up from £3m in the previous 12-month period, and has reported a gross profit of £3.15m for the six months to December 2017. Cash at the end of the six-month period ended December 2017 was £918,000 and capital expenditure during this period was just over £1m.

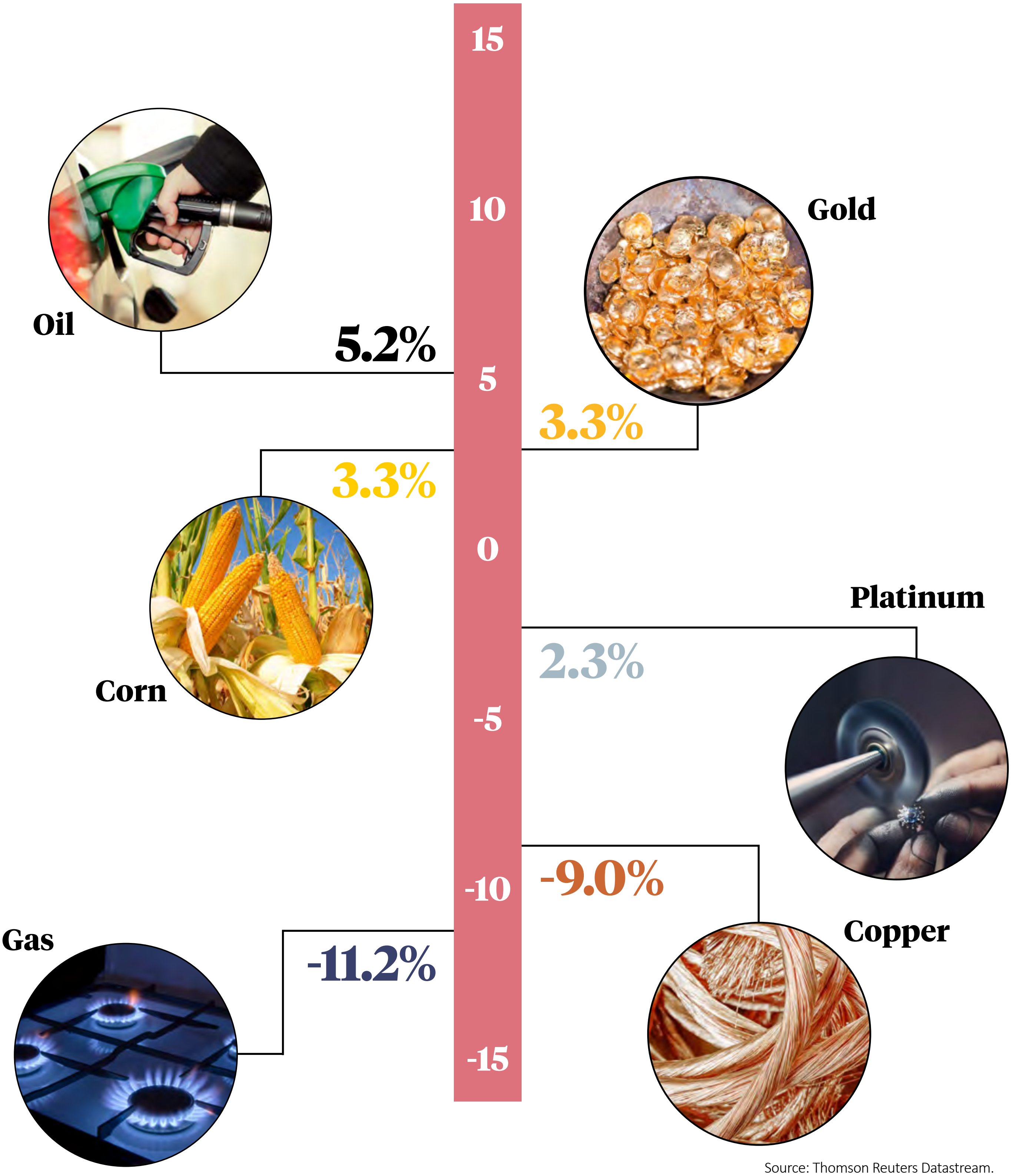


Databank – Commodity price performance 2015-2018



Source: *Shares*, Thomson Reuters Datastream
*Year to date (22 March 2018)

Databank – Gain / loss so far in 2018



Source: Thomson Reuters Datastream.