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FTSE 100 M&A SPECIAL

SAINSBURY'S
SKY, SHIRE,
WHITBREAD

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WHAT CAN YOU LEARN FROM MOVEMENTS IN BOND YIELDS?

Why all investors cannot afford to ignore bond yield movements

This year has seen important signals which could spell trouble for your investment portfolio

Investing is often about looking for signals from the market such as corporate news, currency movements and economic data. They can help you to decide if it is time to buy or sell.

A major signal this year has been the increase in the yield on US Treasuries (aka US government bonds), which exceeded 3% last week for the first time in four years.

Increased expectations for inflation has worried people who own bonds as inflation erodes the value of their fixed payments in real terms. This has prompted many people to sell their bonds, driving down the price and driving up the yield.

Central banks like a certain level of inflation but they can also pull a lever to rein back inflation, namely by lifting interest rates.

In the US, solid economic conditions and a tight labour market helped to drive up inflation in February to 1.6% (as measured by the personal consumption expenditures price index), its largest increase since April 2017. This is still short of the Federal Reserve's 2% target, so you may wonder why people are worried.

Economists point out the three-month annualised rate of gain is 2.8%, well ahead of target. Another measure to consider is the New York Fed's underlying inflation gauge which was 3.14% in March. This measure includes over 100 macroeconomic and financial market variables as well as the usual basket of goods. There are expectations the Fed will keep lifting interest rates this year, perhaps twice more.

WHY DOES THIS MATTER?

Historically, such a move to tighten monetary policy changes the relationship between different maturities of US government debt.

Investors demand a higher coupon (or interest rate) to lend to the US government in the short term (the benchmark here is the two-year Treasury), a move which reduces the premium earned by lending to Uncle Sam for longer periods of time (for which the benchmarks are the 10-year and 30-year Treasuries).

Eventually, the yields on 2-year Treasuries will exceed that on the 10-year paper. This is known as an inverted yield curve and can signal a recession down the line.

Higher borrowing (as a result of interest rate hikes) can see companies reducing investment in their business including labour, which prompts delinquencies and defaults on debt and can trigger a recession.

The US 30-year mortgage rate, for example, is based on US Treasury yields and it now stands above 4.5% for the first time in nearly five years.

IMPACTING STOCK MARKETS

These movements are likely to be bad for stock markets as well as bonds – just remember that actions in the US can ripple across other geographic markets from a sentiment perspective.

Another way of looking at the situation is to consider that a potentially gloomier outlook could start to be priced into estimates for corporate profit growth. In turn that could lead to a de-rating of equities, essentially falling share prices.

Higher bond yields can also suck cash out of riskier stocks and back into fixed income which, in theory, comes with less capital risk.

The current situation is not a reason to panic and sell your investments. However, it does stress the importance of monitoring bond yields. Watch the 10-year Treasury yield as you may need to take protective action if it moves above 3.1% on a sustained basis as that would break a 30-year-plus downtrend. (DC)

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Issued by Franklin Templeton Investment Management Limited (FTIML), Cannon Place, 78 Cannon Street, London EC4N 6HL. FTIML is authorised and regulated by the Financial Conduct Authority.

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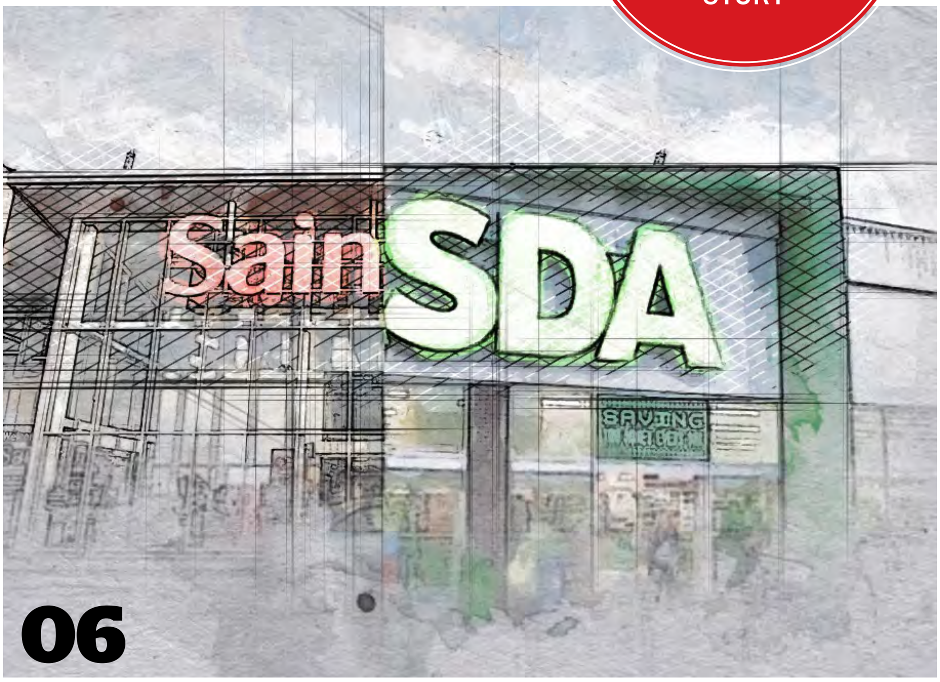

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Shares magazine is published weekly every Thursday (50 times per year) by AJ Bell Media Limited, 49 Southwark Bridge Road, London, SE1 9HH. Company Registration No: 3733852.

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.

BIG NEWS

The stories behind a surge in UK corporate activity

We examine four big developments affecting Sainsbury's, Shire, Sky and Whitbread

The FTSE 100 is seeing unprecedented levels of corporate activity and the deals keep on coming. **J Sainsbury (SBRY)**, **Shire (SHP)**, **Sky (SKY)** and **Whitbread (WTB)** are the latest blue chip companies at the centre of M&A and demerger activity and this article will look at the key points behind their respective deals.

Before we get to that commentary, it is worth noting that takeover appetite previously fueled by overseas buyers capitalising on the cheap pound hasn't waned as the currency regains strength.

The continuing availability of cheap credit and solid global economic growth is helping to drive a wave of M&A activity both on the London stock market and overseas.

According to the latest data from Thomson Reuters deal-making worldwide is up 56% year-on-year to $1.55tn. By region, the UK has been the most popular target nation for cross-border M&A; with the value of deals targeting UK companies up 570%.

Numerous deals have been struck since those figures were published, including Sainsbury's mooted merger with Asda, and overseas we've had Marathon offering $23.3bn to buy rival oil refiner Andeavor, plus T-Mobile agreeing a $26bn merger with Sprint.

Some of the more recent deals have either been flagged by some investors as being too cheap or are dogged by uncertainty over whether they will go through.

Other deals are surrounding by complex terms, so it's no wonder that a lot of people have been left confused as to what's really going on.

We'll now discuss the aforementioned four stocks from the FTSE 100 as their deals have raised as many questions as answers.

SAINSBURY'S TO MERGE WITH ASDA

The merger of **J Sainsbury (SBRY)** and Asda will see US retail giant Walmart become the biggest shareholder in the business, initially at 42% with scope to sell down to a minimum of 29.9% in the two to four years post completion.

The business combination will see the group overtake **Tesco (TSCO)** in UK market share terms.

Interestingly, shares in Tesco and **WM Morrison Supermarkets (MRW)** didn't stay low for long after the Sainsbury's news. Tesco traded less than 1% down by the end of the day (30 April) and Morrison went from a 4% decline in early trading to finish the day 1% ahead. Sainsbury's traded 15% higher.

There is speculation that Morrison may be able to buy some cheap stores from Sainsbury's and Asda, and that it would be better placed to buy them than Tesco as the latter may encounter greater competition concerns.

Latest figures show that Tesco has a 25% share of the grocery market, while Sainsbury's has 13.8% and Asda has 12.9%; so the combined share of the latter two is 26.7%.

Walmart will get £2.975bn in cash as part of the merger deal, roughly 41% of the value of Asda.

Sainsbury's largest shareholder, the Qatar Investment Authority, says it will support the deal.

WHEN WILL IT HAPPEN?

All shareholders in Sainsbury's will have to wait at least a year for the transaction to complete. Sainsbury's believes the deal will be all wrapped up in the second half of 2019.

That all depends on the Competition and Markets Authority approving the transaction, which could be tricky given the dominance of the proposed enlarged business.

You would have expected a number of store closures in order to help achieve cost savings and appease the competition commission; however the merger announcement states there are no such plans. Many analysts think the companies will have no choice but to offload some of their estate.

WHAT ARE THE KEY POINTS TO THE MERGER?

- Both the Sainsbury's and Asda brands will continue to exist.
- Argos (owned by Sainsbury's) will be introduced to Asda stores, expanding its reach.
- Central to the deal is the proposed cost savings by combining strengths, in particular on the buying side.

Sainsbury's says it could achieve £350m of net EBITDA (earnings before interest, tax, depreciation and amortisation) synergies from 'access to better harmonised buying terms'.

Essentially that poses a major risk to suppliers that they will have to cut selling prices further.

Suppliers on the stock market who serve either Sainsbury's and/or Asda include fresh prepared foods group **Bakkavor (BAKK)**, meat supplier **Cranswick (CWK)**, sandwiches specialist **Greencore (GNC)** and cosmetics group **Warpaint (W7L:AIM)**.

Further synergies eyed from the tie-up of Sainsbury's and Asda include £75m on the property side and the same amount from operational cost efficiencies.

The enlarged group will incur £150m one-off operating costs to achieve the identified synergies. It will also have to spend £600m on capital expenditure, mainly to do with IT systems and putting Argos units in Asda stores.

Investment bank UBS believes the tie-up will boost Sainsbury's earnings per share by 28% from 2021/22.

MORE EXAMPLES OF RECENT FTSE 100 CORPORATE ACTIVITY

- **PRUDENTIAL IS TO DEMERGE ITS UK AND EUROPEAN OPERATIONS**
- **GKN HAS BEEN TAKEN OVER BY MELROSE**
- **BHP BILLITON IS CONSIDERING A DEMERGER OF ITS US SHALE OIL AND GAS BUSINESS**
- **SMURFIT KAPPA HAS RECEIVED A TAKEOVER APPROACH FROM INTERNATIONAL PAPER**

WILL THE DEAL WORK?

The last big deal in the UK grocery business was Morrison's £3bn purchase of Safeway in 2004, notes Russ Mould, investment director at AJ Bell.

'This resulted in multiple profit warnings from Morrison, which ultimately reaped financial and strategic benefit from the deal – although its shares are no higher now than they were then.

'Getting the most out of a combination of Sainsbury's and Asda will not be straightforward, even if there is relatively limited overlap in terms of the store estate; either major sites or local, conveniences ones.

'Sainsbury's has also pleasantly surprised many with the strategic benefits it has wrought from its acquisition of Argos, in terms of online capability, but investors are likely to have more faith in promises of cost synergies than there are in revenue benefits, as the history of big M&A deals suggests sales synergies are rarely, if ever, delivered, at least on time,' adds Mould.

WHERE NEXT FOR SKY'S BIDDING WAR?

After expressing interest in a bid for **Sky (SKY)** earlier in the year, US media conglomerate Comcast, owner of NBC and Universal, made it official on 25 April with a £12.50 cash bid.

This is a big improvement on the £10.75 bid from Rupert Murdoch's 21st Century Fox and has led Sky's board to withdraw its recommendation for that bid and to cancel a co-operation agreement with Fox.

Sky is currently trading at £13.73 which is a near-10% premium to Comcast's offer. The market is clearly anticipating a response from Fox. The situation is rendered more complex by Disney's own $52bn acquisition of Fox's media assets which includes its current 39% stake in Sky.

HOW MUCH MORE COULD FOX/DISNEY OFFER?

Liberum media analyst Ian Whittaker does expect a counterbid but can't see Fox, and by extension Disney, sanctioning a deal above £13.75 per share.

Since Fox launched its attempt to swallow the 61% of Sky it did not already own in December 2016, the deal has been mired in regulatory issues.

To address concerns over media plurality Fox had recently announced Disney would consider buying Sky News, even if its takeover of Fox's other assets didn't go through. A decision from culture secretary Matt Hancock on whether to approve Fox's bid is expected by 13 June.

Comcast is unlikely to face the same levels of political scrutiny as Fox has, given that unlike Murdoch it does not own several other media assets in the UK and nor has it been hit by any big scandals.

Even before the Comcast interest became apparent major investors in Sky had argued the Fox offer was opportunistic. This argument gathered greater credibility after some positive developments for the stock, notably a good outcome from the latest round of bidding on Premier League TV rights.

WHAT WOULD SKY'S SUITORS BE BUYING?

- **£12.9bn annual revenue**
- **22.5m customers**
- **Operates across UK, Ireland, Germany, Austria and Italy**

WHAT WILL HAPPEN WHEN WHITBREAD BREAKS INTO TWO?

Whitbread (WTB) has confirmed plans to demerge its global coffee chain Costa, worth an estimated £2.6bn, and list it as a separate entity within the next two years.

The company hasn't published a timetable for when it will happen, nor has it confirmed the details for how the demerger will work. Analysts believe it won't happen for at least 12 months.

In principle, demergers tend to involve a listed company giving its shareholders free shares in the business being separated. Theoretically shareholders would see the value of their Whitbread shares fall by the value of Costa, but owning both sets of shares would be equal in value to the previous Whitbread conglomerate.

WHY DO COMPANIES SPLIT?

Companies often demerge assets if they become non-core or they think the separate entities could be worth more than as a single unit. Splitting entities can also result in a tighter focus on growth as each constituent would be free to run their own show rather than report to a board overseeing a group of interests, often unrelated.

A study in 2003 by the Krannert School of Management found that subsidiaries spun out of companies outperformed their former parent by more than 20% over the first three years following the demerger; with most of the excess returns within the first 12 months of trading.

In Whitbread's case, Premier Inn is widely considered to be the stronger part of the business and may be more appealing to investors post-split out of the two parts of the group.

However, it has been suggested that Costa could be a potential takeover target as a standalone business, particularly if it can accelerate its expansion overseas.

WHAT WILL HAPPEN WITH PREMIER INN?

We assume post demerger that Whitbread will change its plc name to Premier Inn. The company's restaurant interests will also stay with Premier Inn.

Credit Suisse analyst Tim Ramskill forecasts higher earnings for Premier Inn. He estimates £511m in earnings before interest and tax (EBIT) in 2019 compared to Costa's forecast £173m.

Premier Inn is looking to Germany for future growth after acquiring 19 hotels in the country earlier this year, comprising 3,100 rooms. The hotel chain hopes to boost room numbers to 5,720 by 2021.

"Companies often demerge assets if they become non-core or they think the separate entities could be worth more than as a single unit"

WILL SHIRE'S TAKEOVER ACTUALLY HAPPEN?

Questions remain over whether Takeda's takeover of rare diseases business **Shire (SHP)** will actually happen following concerns over debt.

Japanese pharma colossus Takeda first expressed an interest in acquiring Shire in late March. It wants to tap into the highly lucrative rare disease space in the US and strengthen its gastrointestinal and neuroscience pipelines.

Takeda's shares have fallen by nearly 20% since it confirmed interest in buying Shire on 28 March. This decline suggests the market has little faith in the deal given the suitor could end up with more than $100bn of debt. Shares in Shire have increased by 27% over the same period.

HOW IS THE PROPOSAL STRUCTURED?

The latest proposal for Shire has been structured 44% in cash and 56% in shares. Should the acquisition complete, Shire would be delisted from the London stock market and investors would inherit Tokyo-listed stock or US-listed ADRs which are packets of shares.

Many shareholders may be uncomfortable owning overseas-listed stock and objections to the way the deal has been structured could be an important factor in whether or not shareholders approve the acquisition.

Takeda has until 8 May to make a firm offer. (DC/TS/LMJ)

Shire's suitor could end up with more than $100bn of debt

XP Power eyes new acquisition push

High power/voltage technologies would broaden range and end markets

Power switching components designer **XP Power (XPP)** could be close to making a significant acquisition.

The company recently extended its lending facilities and any deal could add depth to its product range and possibly broaden its end markets.

Likely targets would be in power converter technologies, building on its existing expertise in complex high power and voltage products.

XP has clawed its way up the value chain over the years by developing its own in-house intellectual property (IP). This is complex, science-based kit designed for when off-the-shelf solutions can't do the job.

The Singapore-based business has historically concentrated on internal research and development to generate long-term growth opportunities, although it has been happy to buy in technology and skills when the opportunity arises.

Last year the company returned to the acquisition trail nearly two years after its last foray into M&A. The $23m purchase of US-based radio frequency power supplies business Comdel built on its 2015, $12m purchase of Emco. It brought higher voltage products into the XP fold.

XP reported net debt of £9m as of its 31 December year end and the company has recently renegotiated an increase in borrowing facilities, from £50m to £125m.

XP Power is one of *Shares'* running Great Ideas, flagged at £24.11 in July 2017. The stock is now changing hands at £35. (SF)

Re-rating potential for stocks with large pension deficits

New study reveals scale of retirement funding black holes

RISING BOND YIELDS could loosen the financial noose of hefty pension scheme deficits that has strangled the share price performances of some UK companies.

This is according to recent analysis by analysts at broker Canaccord Genuity which studied 60 UK-listed companies with the largest pension deficits to market capitalisation.

There are many factors that contribute to a share price rating. But investors tend to take a particularly bleak view of large holes in company pension funds, not least because of the track record of corporate failures among those with under-funded retirement schemes.

'The simple purpose of our commentary is to highlight the sensitivity of pension deficits to a rising yield environment, and the amplified share price response which might be experienced by those equities currently exhibiting sizeable deficits,' says Canaccord. (SF)

EXAMPES OF STOCKS WITH LARGE PENSION DEFICITS

	Pension deficit as % of market cap	Pension deficit	Market cap	EV/EBITDA (ex deficit)	EV/EBITDA (Inc deficit)	12m PE	12m dividend yield
Norcros (NXR)	41%	£63m	£152m	4.5x	6.6x	6.1	4.4%
Stagecoach (SGC)	31%	£278m	£884m	4.4x	5.2x	8.4	7.5%
Wincanton (WIN)	28%	£78m	£283m	3.9x	5.5x	7.6	4.6%
Coats (COA)	14%	£152m	£1,091m	7.5x	8.4x	14.9	1.8%

Source: Canaccord, data 16 April 2018

MORTGAGE LENDING SLUMP IN MARCH

NEW DATA FROM the British banks' trade association UK Finance reveal mortgage lending by its members is under some pressure as consumer confidence slips.

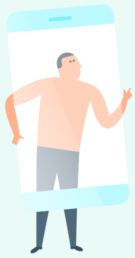
Gross mortgage lending in March 2018 fell 2.3% year-on-year with total mortgage approvals falling 15%.

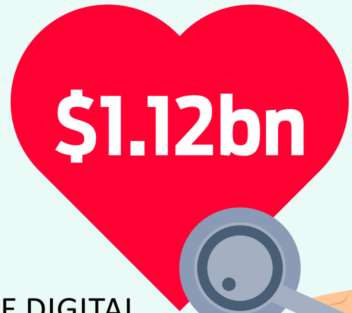
Mortgage approvals for house purchases were down 20.9%.

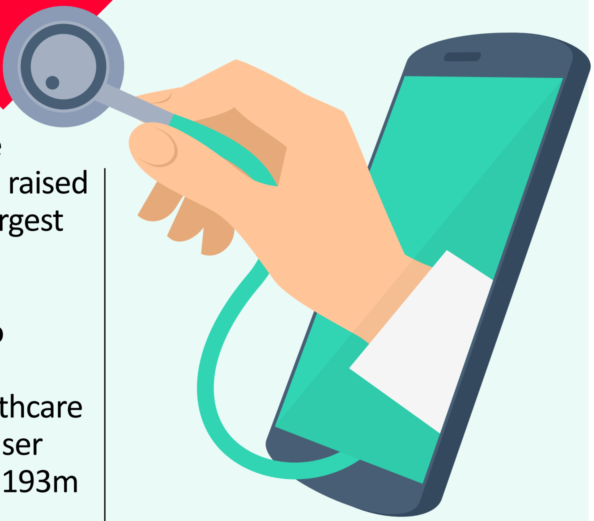
The figures may have been impacted by the timing of the Easter Bank Holiday and bad weather.

It is worth noting this release only encompasses lending by high street banks and not building societies which account for a large portion of this market.

Massive investor demand for Good Doctor digital health IPO







THE CHINESE DIGITAL health start-up behind the Good Doctor platform has raised $1.12bn in Hong Kong's largest IPO so far this year.

Ping An Healthcare and Technology Company, also known as Good Doctor, is China's largest online healthcare and medical platform by user numbers, with more than 193m registered users.

Despite the 160m shares being priced towards the top of a HK$50.80 to HK$54.80 range, demand for the shares led to the Hong Kong flotation being more than 200-times oversubscribed, market insiders have told *Shares*.

BP'S BIG PROFIT BEAT

DESPITE EXPECTATIONS BEING elevated by higher oil prices **BP (BP.)** still managed to beat consensus net income forecasts for the first quarter by 17%.

The oil major fared rather better than its UK peer **Royal Dutch Shell (RDSB)** which disappointed the market with its own update on trading for the first three months of 2018.

The main negative for both companies was cash flow performance although the market seemed more comfortable with BP, as the company noted outflows relating to the 2010 Gulf of Mexico oil spill had reached their peak level meaning the pressure on cash should reduce going forward.

So many reasons to invest in Cineworld now

The cinema operator's shares are cheap and it looks like a blockbuster year for film releases

CINEWORLD BUY
(CINE) 264.4p
Stop loss: 200p

Market cap: £3.5bn

A very promising film slate in 2018 and a clear opportunity to improve earnings from its newly-acquired chain of 561 cinemas mostly in the US are good reasons to buy shares in **Cineworld (CINE)**.

Also supporting the 'buy' case is the fact its shares are trading on an approximate 30% discount to its global peers, according to analysts at HSBC.

WHY ARE ITS SHARES CHEAP?

Cineworld is trading on approximately 12 times forecast earnings for 2018, falling to a price-to-earnings (PE) ratio of approximately 11 in 2019.

In comparison, HSBC calculates global peers trade on circa 17 times earnings for 2018, a level at which Cineworld used to trade before it bought Regal Entertainment earlier this year. Cineworld's 10-year PE average is 14-times.

Owning Regal instantly made Cineworld the second biggest player in the US. Unfortunately many investors lost interest in its shares as buying Regal Entertainment dramatically pushed up debt levels and there are also concerns the US market lacks growth opportunities.

You could argue the shares deserve some sort of discount because of the elevated debt, but we don't believe they deserve it on such a scale as is currently seen.

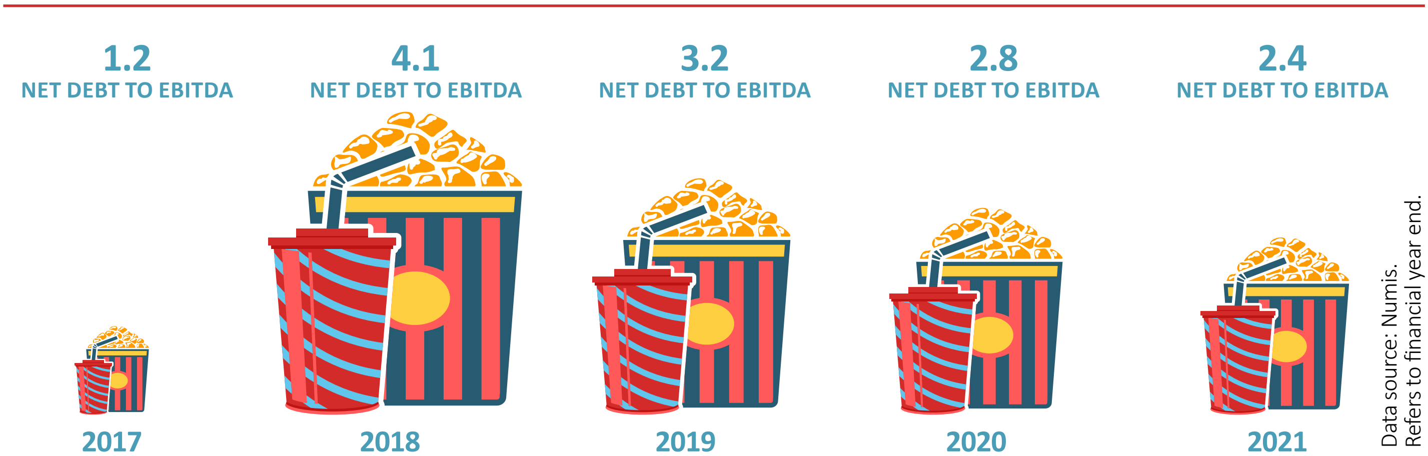
We think the business has the right qualities to quickly pay down debt and drive up earnings from the US estate.

HOW WILL IT WIN BACK THE MARKET'S FAVOUR?

The sharp drop in the share price, as illustrated by the accompanying chart, can be explained by negative market reaction to the Regal deal and the subsequent heavily-discounted £1.7bn rights issue to help fund the £2.6bn acquisition.

Stockbroker Numis estimates

GETTING CINEWORLD'S LEVERAGE UNDER CONTROL



Data source: Numis. Refers to financial year end.

Cineworld currently has a net debt to EBITDA (earnings before interest, tax, depreciation and amortisation) ratio of 4.4-times, a considerable jump from its 1.2-times level prior to the deal.

If you're not familiar with this ratio, in general investors like to see a net debt-to-EBITDA level below 3.0-times. Having a high debt level can be negative if there is a downturn in economic conditions or a sudden drop in earnings, as a company would come under pressure in terms of being able to service its debt.

Numis believes Cineworld's net debt-to-EBITDA ratio will fall to 3.2-times by the end of its 2019 financial year and keep falling thereafter.

The business is highly cash generative and is expected to self-fund a major investment programme in the Regal estate over the coming years – which is key to the investment case. Cineworld is going to refurbish many of the Regal cinemas to make them a more pleasurable experience.

Chief financial officer Nisan Cohen says previous refurbishments across the company's cinemas in the UK, Central Europe and Israel have helped to deliver a new experience so the customer is prepared to pay more. For example, Berenberg's leisure sector analysts note Cineworld has consistently achieved returns on invested capital in excess of 20% for UK refurbishments.

Cohen says Regal has only invested in reclining seats in the past few years. This gives Cineworld the opportunity to spruce up lobbies, bars and introduce digital screens. Ultimately we believe these improvements could help Cineworld take market share from rivals.

OTHER VALUE DRIVERS

HSBC's leisure analysts believe Cineworld could deliver 70% to 80% of $100m targeted synergy benefits from the Regal acquisition in the first year of ownership, ahead of the 50% delivery guided by the company. Regal will also save circa $60m a year on its tax bill thanks to Trump's tax reforms.

Removing duplicated functions and plc costs following the Regal deal, together with procurement savings through increased buying power, could result in $60m of cost synergies.

A further $40m of benefits could come from better online booking services and advertising income.

Half of its customers in the UK pre-book tickets online, incurring a £1 booking fee. In the US, only 20% of Regal's customers book online, and most of these are via a third party which takes most of the $1.50 booking fee.

Berenberg says Cineworld will soon start to allow Regal customers to book their own seats online. Its analysts believe this move could help achieve $30m of incremental booking fee revenue should it drive online transactions back to cinema operator's website and the proportion of pre-booked tickets increases to 30%.

Other potential ways to help drive earnings is to roll out Cineworld's Unlimited membership scheme in the US where customers can see as many films as they like per month for a set fee, providing revenue visibility and helping to drive up food and drink sales.

FAVOURABLE BACKDROP

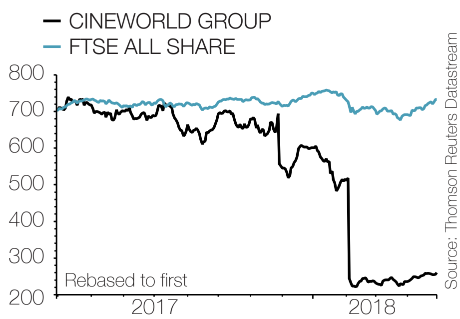
After a terrible period in 2017 for film releases, 2018 is looking much healthier which bodes well for Cineworld and its enlarged cinema estate.

We've already seen *Black Panther* overtake the latest *Star Wars* film with $1.33bn at the box office since its release in February. *Avengers: Infinity War* made history last month with an estimated $630m worldwide taking on its opening weekend.

Later this year will see the latest instalments of various blockbuster franchises including *Incredibles*, *Mission Impossible*, *Solo* (a *Star Wars* spin-off), *Jurassic World*, *Fantastic Beasts* and a sequel to *Mary Poppins*.

A trading update is due on 18 May where Cineworld faces tough comparative figures. The real test for the share price though will be management proving they can execute plans in the US. (DC)

BROKER SAYS: 12 1 0



Irish economic strength is music to the ears of Dalata Hotel

Profit is growing and it should soon start paying dividends

We are attracted to Irish operator **Dalata Hotel (DAL)** as it is rolling out new rooms just as the Irish economy is in full bloom.

Ireland's GDP is forecast to grow by 5.7% in 2018 and by 4.5% in 2019, according to stockbroker Davy. It believes consumer spending will grow by 3.2% and 3% over those two respective years. Essentially it is a great time for Dalata to be in business.

WHAT DOES THE COMPANY DO?

Dalata operates the Maldron Hotel and Clayton Hotel brands in Ireland and the UK, as well as a portfolio of partner hotels. Its estate consists of three and four star hotels and it owns property assets valued at €1bn (£0.88bn).

The hotel operator achieved a 10.4% increase to €88.51 in revenue per available room (RevPAR) in the year to 31 December 2017.

In late February 2018 Dalata said trading was 'marginally ahead' of expectations in the first quarter, prompting Investec analyst Ronan Dunphy to increase his RevPAR forecasts for the year as a whole.

Dunphy's RevPAR growth estimates for Dalata's hotels in Dublin have been increased from 5% to 6% and hiked from 4% to 6% for regional Ireland in 2018. In the UK, RevPAR growth is anticipated to hit 3%, previously estimated to be 2%.

DALATA HOTEL BUY
(DAL) 580.5p
Stop loss: 460p

Market value: £1.05bn

Playing to Dalata's favour is the fact that Dublin hasn't seen large amounts of investment in its hotels industry over the past decade, so isn't suffering from overcapacity as the economy picks up.

Occupancy in Dublin last year was among the highest in Europe and much of the new supply in 2018 is coming from Dalata itself.

Overall Dalata has a pipeline of 2,200 rooms. Five new hotels and four major hotel extensions are under construction. Four new hotels are in the planning process.

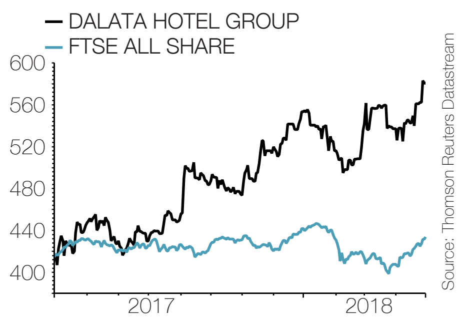
HOW MUCH MONEY DOES IT MAKE?

Pre-tax profit is expected to rise by 11.9% in 2018 to €86.5m and further increase to €93.5m in 2019 before hitting nearly €100m in 2020 according to Investec forecasts.

One of most encouraging signs for Dalata's outlook is its decision to start paying a dividend this year. According to Investec's estimates, investors could expect a dividend of 9.3c in 2018. That equates to 8.17p on current exchange rates and implies a 1.4% yield.

The yield is expected to be more generous in the future given that analysts anticipate the dividend to more than double to 20.1c in 2019 and increase to 21.4c the year after. (LMJ)

BROKER SAYS: 3 1 0



U AND I

(UAI) 219p

Gain to date: 9.5%

Original entry point:

Buy at 200p, 11 January 2018

PROPERTY REGENERATION SPECIALIST **U and I (UAI)** is beginning to win over the market thanks to an encouraging set of full year results. As such the shares are now trading nearly 10% above our entry point in January.

The company has a portfolio of assets in London, Manchester and Dublin. It reported a record profit for the 12 months to 28 February and this helped underpin a more than doubling of the total annual dividend to 17.9p, boosted by a special dividend of 12p.

The company maintained future guidance which is based on existing projects and could be improved by new project wins. There is a pipeline of potential developments worth a gross £7bn.

In a recent research note on the stock, newly-appointed joint house broker Liberum issued a price target of 280p. Analyst David Brockton commented: 'The combination of visible attractive returns and an unjustified valuation discount enhances the share price upside.'

Based on his forecasts the shares trade on a 28% discount to the 305.9p net asset value predicted for the year ending February 2019, and yield 6.4%.

SHARES SAYS: ↗

The shares are still really cheap so keep buying. (TS)

BROKER SAYS: 2 0 0

SYNTHOMER

(SYNT) 495p

Gain to date: 1.3%

Original entry point:

Buy at 488.6p, 22 March 2018

SHARES IN **Synthomer (SYNT)** have nudged up 1.3% to 495.8p since we flagged the chemicals business as a *Great Idea* in March.

A mixed trading update on 26 April is not helping the stock find direction.

The company, which supplies aqueous polymers to boost the performance of a variety of products, is investing significantly in its sites in Malaysia and Germany to meet growing demand.

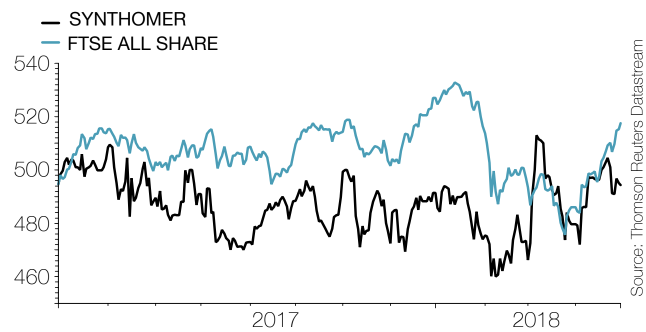
Urbanisation, an ageing population and stricter legislation are all drivers for this market, according to the £1.7bn business.

In the first quarter of 2018, Synthomer delivered another strong performance in Europe and North America, reflecting higher volumes from its acquisitions of Speciality Additives and Pischelsdorf SBR.

Synthomer says nitrile latex volumes were 'marginally higher' compared to a weaker comparative period when customer spending was hit by a volatile raw material environment.

However, Synthomer remained only 'cautiously optimistic' on nitrile latex demand growth and margin development ahead of its 90 kilotonne capacity expansion in Malaysia later this year.

Nitrile latex demand is forecast to grow at an annual rate of between 8% and 10%.



SHARES SAYS: ↗

We remain positive on Synthomer's expansion. (LMJ)

BROKER SAYS: 1 0 0

NEXUS INFRASTRUCTURE
(NEXS:AIM) 209p

Gain to date: 9.1%

Original entry point:

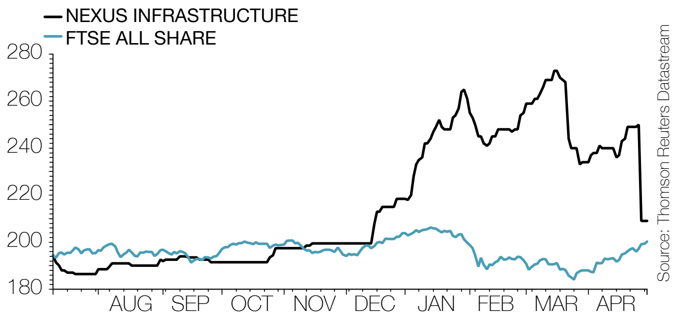
Buy at 191.5p, 13 July 2017

SHARES IN **NEXUS Infrastructure (NEXS:AIM)** took a knock on 27 April after it issued a profit warning linked to its TriConnex business which designs, installs and connects gas, electricity, water and fibre networks on residential and commercial property developments.

The conversion of TriConnex's order book to revenue is taking longer than expected. The business works with customers in the early stages of development and often secures contracts prior to land being bought for property construction. It says these contracts generally contribute to revenue over four to five years.

Nexus now reveals that schemes are taking longer to get to start on site. 'The delay is a result of an increased level of pre-commencement conditions set by the local authorities and customers continuing to appoint TriConnex very early in the preconstruction stage,' explains the company. 'This provides good longer term visibility, though it creates a medium term delay in converting the order book to revenue.'

Edison analyst Stephen Rawlinson says the issue looks like a 'small wobble at worst and nothing to be too concerned about'. He points out that the business is still healthy with a £234m order book compared with revenue last financial year of £135m, plus a £15m net cash position.



SHARES SAYS:

A disappointing setback. Sit on the shares for now. (DC)

BROKER SAYS: 4 0 0

MORE UPDATES

SEVERAL CONSTITUENTS OF our *Great Ideas* portfolio have had relevant pieces of news of late.

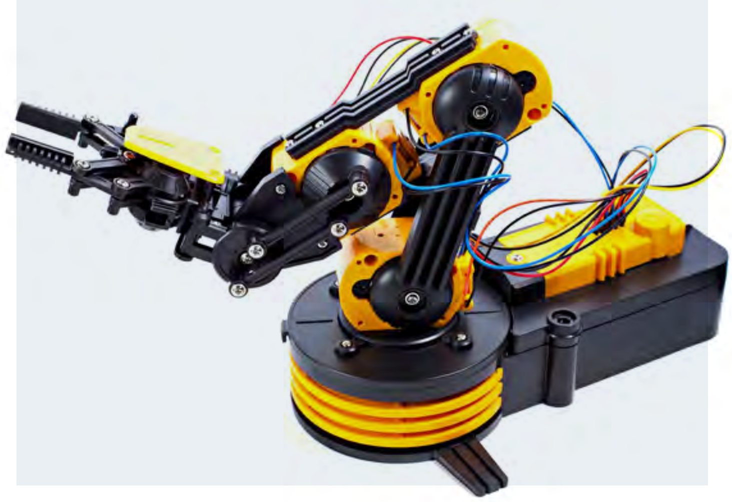
On 30 April **Diversified Gas & Oil's (DGOC:AIM)** results demonstrated the benefit of its recent acquisition of producing assets in its Appalachian basin base. Adjusted earnings increased by more than 300% to $17.5m and total dividends increased by 173% to 5.44 cents per share.

Chief executive Rusty Hutson tells *Shares* the company still has room to acquire further assets in the Appalachian basin using expanded debt facilities and internal cash flow. The company has also announced it will pay dividends on a quarterly basis going forward.

Chemicals firm **Croda (CRDA)** took a bit of a hit on its first quarter update (26 April) as currency headwinds undermined growth. Expansion of 2.6% at constant currency became a 2.7% decline after the forex adjustment. More reassuringly management reiterated full year guidance.

Finally the **ROBO Global Robotics and Automation ETF (ROBG)** traded slightly lower despite constituents of its underlying index posting the strongest positive earnings results since inception in 2011.

However it is important to note that the index provider is citing figures from the last quarter of 2017 – the stock market is forward looking and this information is old news. (TS)



It's no fun getting old when you're worried about running out of money, so do you have a financial plan for the possibility of living to be 100? Did you know that the current average retirement age is 64 years old and the average life expectancy is now 81 years old? To put this into perspective you might have to plan your retirement pot to last 17 years.

Come along to the **Retirement Money Show**, the London-based afternoon event run by Shares and AJ Bell Media which takes place on 13 June 2018 and features expert pension and financial speakers who will help investors better understand pensions and savings.

Register for free today and receive your **Retirement Money Show** goody bag when you arrive!

Discover more about the most important retirement issues and how best to manage your hard-earned money. The show is suitable for people still in employment and wanting to better **understand financial planning**, as well as those already in retirement looking to get the most from their pension and other assets.

Our speakers will be covering topics that are relevant to both those already in retirement and those who are still in work.

Knowing how to manage your pension pot either in preparation for later life or during retirement is one of the big challenges facing millions of people today and a central theme to the free-to-attend **Retirement Money Show**. It is one of a number of topics that we will discuss during the afternoon, so come along to the event armed with questions as there will be a wide range of people happy to talk to you.

You will have the opportunity to ask questions to most of the speakers and to **interact with specialists in savings, income, funds, ISAs and pensions/SIPPs** on the exhibition stands.

If you are new to the world of investing and pensions, don't think this event is only for financially-savvy people with years of experience in buying stocks, shares and funds. We purposely created an event that will serve the needs of both amateurs and experienced investors.

The **Retirement Money Show** is free to attend; you simply need to register in advance to secure your ticket. The afternoon event is being held on 13 June 2018 between 12.30 and 17.30 at the America Square Conference Centre, 1 America Square, 17 Crosswall, London, EC3N 2LB. The venue is well served by public transport with several tube stations on its doorstep.

Learn about:

- Managing cash flow & liquidity in retirement
- Balancing competing near and long-term financial demands
- Living your life during retirement years
- Making sure you retire on the best income
- Personal pensions – your guide to managed or self-investing
- ISAs – an alternative to pensions
- Long term managed income through Funds and Investment Trusts

If these are some of the many retirement planning issues that apply to you, then you need to join us at the **Retirement Money Show**.

Hear from:

Mike Boydell, Managing Director – Shares
Dan Brocklebank, Director – Orbis Access
John Carnegie – Monks Investment Trust
Stewart Cazier, Head of Retail – ThinCats
Nick Brind, Fund Manager – Polar Capital Financials Trust
Paul Mahoney, MD & Founder – Nova Financial
Tom Selby, Senior Analyst – AJ Bell
Paul Stallard, Commercial Director – The House Crowd
Presenter TBC – J.P. Morgan Asset Management
Presenter TBC – Close Brothers Asset Management

AT
AMERICA SQUARE, LONDON EC3N 2LB

To find out more and register
www.retirementmoneyshow.com
dimple.patel@sharesmagazine.co.uk
020 7378 4406

Sponsors and featured companies

How to start investing your free Lifetime ISA money

By Daniel Coatsworth

The first Government bonuses are now being paid into Lifetime ISA accounts, so how should you deploy the money? We discuss the potential strategies for individuals depending on whether you are saving up to buy your first home or keeping the money locked away until you turn 60.

We debate the merits of keeping your Lifetime ISA in cash or investing the money in the markets. We also give 10 investment ideas throughout the article.

HOW MUCH FREE MONEY CAN YOU GET?

The Lifetime ISA is one of the most attractive developments in the savings and investment industry for a number of years. At the heart of its proposition is a 25% cash bonus from the Government, meaning you get up to £1,000 free each year in exchange for investing up to £4,000 annually of your money.

Going forward bonuses will be paid every month. However, the Government said it wouldn't pay any bonus for deposits made in the 6 April 2017 to

5 April 2018 period until the end of that tax year. It's that bonus money which is now beginning to reach eligible customers' accounts.

You don't need to fill out any forms or call anyone to get the bonus payments. All the hard work is done by your Lifetime ISA provider as they apply to the Government on your behalf and the money is expected to be added to your account within four weeks.

HOW MUCH HAVE PEOPLE INVESTED SO FAR?

AJ Bell Youinvest says the average amount invested so far in its Lifetime ISA accounts is £2,250, so the average Government bonus will be £562.50. Eight out of the top 10 most purchased investments in its Lifetime ISA accounts have been passive funds, or in other words index tracker funds.

How to manage your Lifetime ISA money including the bonus payments all depends on what you are saving for. Read on to learn about suggested routes using a number of different scenarios.

WHAT ARE THE MAIN FEATURES OF THE LIFETIME ISA?

Anyone under the age of 40 can open an account

Pay in up to £4,000 a year and receive 25% cash bonus from the Government

Bonus paid until you reach age 50

Penalty-free and tax-free withdrawals if using money to buy first home or you have critical illness

For all other circumstances, money locked away until age 60 unless you pay 25% penalty on the value of the withdrawal

SAVING TO BUY YOUR FIRST HOME

1. GOAL: BUY IN THE NEXT THREE YEARS

We believe you should keep your savings in cash if you want to buy a property within the next three years.

If you put your money in stocks and shares, imagine how frustrated you would feel if the stock market experienced a bad period and the value of your Lifetime ISA fell during those three years.

You may not have enough time for the market to recover in value before the point at which you want to buy your property. Investing in general is a long-term game.

The downside of keeping your money in cash is the threat of inflation eating in to the real value of your assets.

HOW MUCH CAN YOU GET FROM A CASH LIFETIME ISA?

Skipton Building Society is currently the only provider to offer a cash Lifetime ISA product, paying a 0.75% interest rate. Stocks and shares Lifetime ISAs are unlikely to pay very generous interest rates on cash holdings, if at all.

Just remember to keep your cash in the Lifetime ISA wrapper in order to qualify for the Government bonus. You may be tempted by more generous rates of interest from non-ISA savings providers such as Atom Bank, currently paying 2.15% on a three-year fixed term savings account, but moving your cash out of the Lifetime ISA and into a standard savings account means you would no longer qualify for the Government bonus.

Taking money out of a Lifetime ISA would also require you to pay an early withdrawal penalty equal to 25% of the amount you are withdrawing, meaning you could potentially get back less than what you paid in. You can only withdraw money without penalty if you are buying your first home, have reached age 60 or are terminally ill.

2. GOAL: BUY IN THE NEXT SEVEN YEARS

An average deposit for first time buyers is about £33,000. Saving the maximum of £4,000 per year in a Lifetime ISA plus the Government's £1,000 annual bonus would mean you have enough money in six to seven years, based on 3.5% annual return. Our calculations assume £416.66 is deposited monthly including the Government's bonus.

Clearly you would have to consider investing your money to get such a level of annual return in seven years or less, as it would be impossible to obtain such returns if you kept your money in cash.

Someone aiming to buy a house within a three to five year period would have to either generate a greater return than 5% each year to hit the average deposit figure, or they would have to have already stashed away some cash to help top up any money sitting in a Lifetime ISA.

If you are investing for a three to five year period, don't take excessive risks in order to achieve a high return. There is also a chance the markets will experience a bad patch during that time period, based on historical trends, so you mustn't expect your capital to consistently grow during the investing timeframe.

The same applies for saving over a seven year period as that is still deemed quite a short length of time in the investing world. Unless you're an expert in stock picking and an experienced investor, we would steer clear of individual shares for this investment scenario and stick with funds which offer diversification as they should each hold numerous assets.

INVESTMENT IDEAS

For this scenario, we suggest you put your money into a mixture of broad-based products including a multi-asset fund; a low-cost exchange traded fund which tracks an index of large companies around the world; and a fund where the manager pays a lot of attention to avoiding monetary loss rather than simply chasing opportunities to make money. The following examples fit the bill:

VT AJ BELL PASSIVE BALANCED FUND (GB00BYW8RX12)

This is an ideal multi-asset fund for someone seeking to start building up a decent diversified portfolio. The AJ Bell product contains a mixture of low-cost exchange traded funds with an asset allocation of approximately 42% in shares, 42% in bonds and 10% in property and the rest in cash.

The product only launched a year ago, so there is no long-term performance history. There are four other versions of the fund which provide different asset allocations to the core asset classes, structured in a range from cautious to adventurous to match your risk appetite.

FIDELITY INDEX WORLD (GB00BJS8SJ34)

ANNUALISED TRAILING RETURNS	
3 YEARS	10.1%
5 YEARS	11.8%
10 YEARS	n/a

Source: Morningstar

This fund will give you exposure to many of the biggest and best known companies in the world. It tracks the MSCI World index which contains large and mid-cap stocks from 23 developed market countries. Constituents include Apple, Johnson & Johnson and Bank of America.

'We think that this low-cost fund offers a sensible approach to gain exposure to the global equity market,' says financial data expert Morningstar.

TROY TROJAN INCOME (GB00B01BP176)

ANNUALISED TRAILING RETURNS	
3 YEARS	4.3%
5 YEARS	7.7%
10 YEARS	9.0%
Source: Morningstar	

We like this fund for its well-defined approach and quality fund manager in the form of Francis Brooke. It has a bias towards large and mid-cap stocks with a focus on quality, low capital intensity and typically low cyclicality of earnings. Current holdings include banking group **Lloyds (LLOY)** and catering giant **Compass (CPG)**.

The fund is conservatively run and asset manager Troy prioritises the avoidance of permanent capital loss. All of its executive directors and fund managers are significant shareholders in the asset management business and its funds. That means they share the same interests as retail investors in the funds.

3. GOAL:
BUY IN THE NEXT EIGHT YEARS OR MORE

Many experts believe the longer the investing timeframe, the higher the risks you can afford to take. That said, risk appetite is down to personal choice and there is nothing wrong with staying cautious or less adventurous for any period of time.

The three previous product examples also apply to this investing timeframe. You may also wish to consider a higher risk selection such as a smaller companies fund and an actively-managed global equity fund.

INVESTMENT IDEAS

The following products look ideal for inclusion in a Lifetime ISA if you are investing for at least eight years, although they shouldn't be the only holdings in your portfolio.

BLACKROCK SMALLER COMPANIES TRUST (BRSC)

ANNUALISED TOTAL RETURNS	
3 YEARS	22.1%
5 YEARS	19.9%
10 YEARS	17.7%
Source: Morningstar	

Small cap firms can often enjoy faster growth in earnings and their share price than large businesses. This fund has a great track record and fund manager Mike Prentis is highly regarded in his field as a good stock picker in the small cap space.

He 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. The portfolio currently includes recruitment agency **Robert Walters (RWA)**, brick maker **Ibstock (IBST)** and engineer **Avon Rubber (AVON)**.

WITAN INVESTMENT TRUST (WTAN)

ANNUALISED TOTAL RETURNS	
3 YEARS	10.1%
5 YEARS	14.3%
10 YEARS	11.3%
Source: Morningstar	

This investment trust uses the services of many different fund managers, each experts in certain areas. You get exposure to companies quoted on stock exchanges in various parts of the world including North America, Europe, Japan and Asia.

The product is also good for a growing stream of income. It has raised its dividend every year for the past 43 years. We suggest you consider reinvesting dividends during the accumulation stage of your Lifetime ISA to enjoy compounding benefits.

SAVING FOR RETIREMENT

A Lifetime ISA can be viewed as a supplement to your pension – or money to enable you to do tasks such as clearing your mortgage before you retire or fund all the bills and lifestyle fun in the early stages of retirement so you can prolong drawing on your pension.

Whatever the decision, you have time on your side. Anyone investing in a Lifetime ISA will currently be no older than 41 years old, remembering that you had to be younger than 40 years old to open an account when they first launched in April 2017.

If you aren't going to use the money to buy your first home then you're looking at a minimum of 19 years before you can withdraw the funds from your Lifetime ISA without penalty (age 60 onwards).

Therefore you have a really good amount of time in which to keep adding money to your account and let you investments grow in value over the coming years.

ARE THERE TAX BENEFITS?

All withdrawals from Lifetime ISAs will be free of tax. You also don't have to pay any tax on capital gains or dividend income generated by the assets inside the Lifetime ISA. This makes them very appealing for individuals looking to get the most from their money in later life.

In comparison, pensions enjoy a benefit from tax relief – essentially another form of Government bonus – when you put money into your account. You can withdraw 25% of your pension tax-free but the remainder is treated as earned income and may be liable to income tax.

BUILDING A LIFETIME ISA PORTFOLIO

There are some basic rules to portfolio construction. If you're starting from scratch, consider having a group of investments that form a 'core', or in plain English the backbone to your portfolio. These will be solid picks that give you plenty of diversification.

The 'core' is likely to be a mixture of funds that contain stocks (also known as equities), bonds, cash and potentially property.

Once you've got that backbone in place, you can start to think about adding 'satellite' holdings which may be higher risk selections. These may include funds that target certain sectors, themes or smaller sized companies; or they may be geographic-specific funds such as emerging markets.

Some people prefer to buy individual stocks to get such exposure, although the risks would be much greater compared to a fund as the latter has a diversification cushion to minimise the effects of bad news affecting a single company holding.

Many investment experts believe a good strategy is to split your portfolio 80% in favour of the core component and 20% for the satellite component.

Some go further and suggest a balanced investor may wish to have 50% in shares, 35% in fixed interest (essentially bonds) and 15% in property – but ultimately there is no one-size-fits-all asset allocation model.

TREATING THE LIFETIME ISA DIFFERENTLY TO A PENSION

If you've already got a diversified portfolio via your pension, you may wish to be more adventurous with your Lifetime ISA.

Experienced investors with proven stock picking skills can use the wrapper for short-term trading ideas and/or long-term investing ideas. Others may wish to buy something and forget about it; or at least not worry about day to day changes in valuation.

INVESTMENT IDEAS

The ideas earlier in this article under the house buying section are also valid for someone using a Lifetime ISA to save for later life (age 60 and beyond). Here are five more ideas:

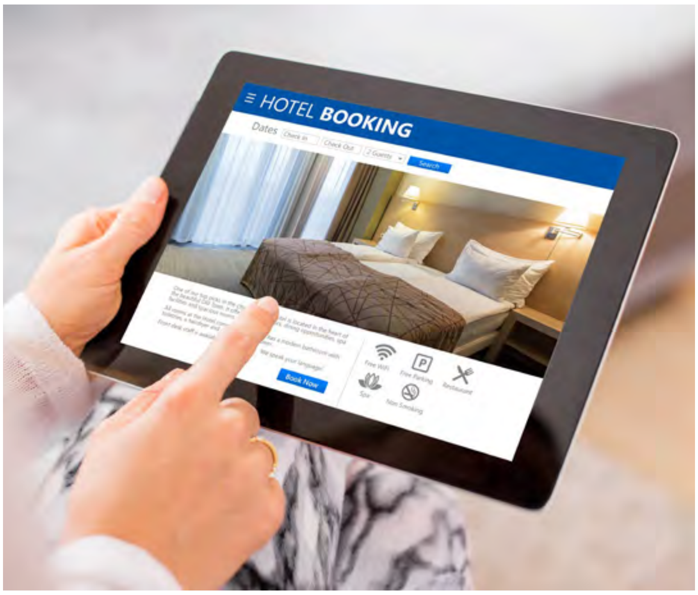
FOREIGN & COLONIAL (FRCL)

ANNUALISED TOTAL RETURNS	
3 YEARS	15.2%
5 YEARS	14.9%
10 YEARS	10.4%
Source: Morningstar	

This product, which has proposed to change its name to F&C Investment Trust, has increased its dividend every year since 1971 and boasts an excellent track record of delivering superior returns to shareholders.

Around 95% of its portfolio is made up of overseas investments. It seeks to invest in well-established companies on major stock markets, rising stars in developing economies and less-liquid investments including private equity.

Current holdings include US health insurer Anthem; Booking Holdings which owns various online travel brands including Booking.com and Priceline.com; and payments technology group Visa.



INVESTEC UK ALPHA (GB00BJFLDM36)

ANNUALISED TRAILING RETURNS	
3 YEARS	5.8%
5 YEARS	10.5%
10 YEARS	8.2%
Source: Morningstar	

This fund seeks to outperform the FTSE All-Share index by 3% to 5% each year. Fund manager Simon Brazier has earned a great reputation during his career which includes periods at Schroders and Threadneedle.

Brazier regularly meets the management of companies in his portfolio and he places a large emphasis on analysing a company's track record, strategy and allocation of free cash flow (essentially the money generated from operations minus cash needed to be reinvested in the business to keep it competitive). The current portfolio includes stakes in **Tesco (TSCO)** and **London Stock Exchange (LSE)**.

FIDELITY STRATEGIC BOND (GB00BCRWZS59)

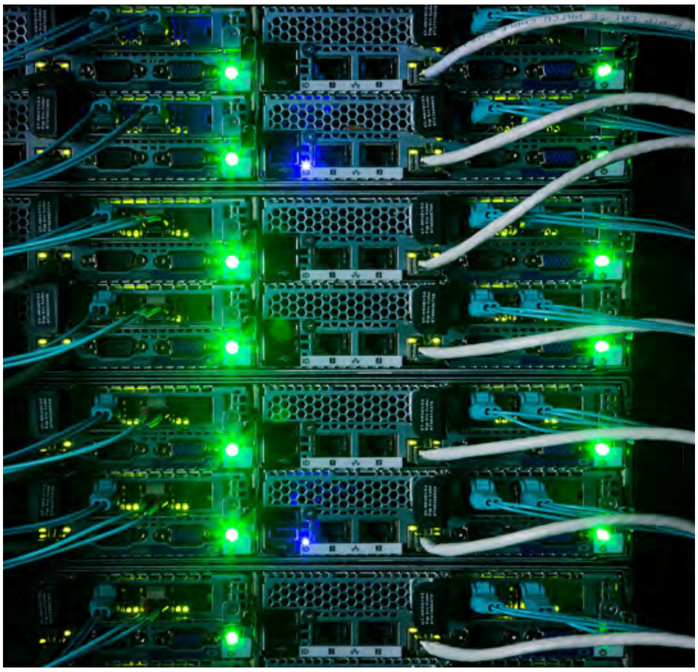
ANNUALISED TRAILING RETURNS	
3 YEARS	1.4%
5 YEARS	2.9%
10 YEARS	n/a
Source: Morningstar	

A good diversified portfolio should have some exposure to bonds. We suggest you pop this Fidelity fund in your Lifetime ISA as its manager Ian Spreadbury has built up a strong reputation for successfully managing fixed income funds over a number of market cycles, generating good long-term returns for his investors.

'The fund's starting point is a 60% allocation to investment-grade, 20% to high-yield, and 20% to government bonds, but its makeup can vary widely,' says Morningstar analyst Ashis Dash.

'The managers focus on asset allocation and credit selection while keeping duration within a tight (relative to peers) four to eight-year range, to create a diversified portfolio that provides reasonable income while being mindful of underlying risk.'

We suggest you buy the accumulation version of the product whereby income is rolled up so you own more fund units instead of taking income in the form of cash. Longer term you should enjoy compounding benefits.

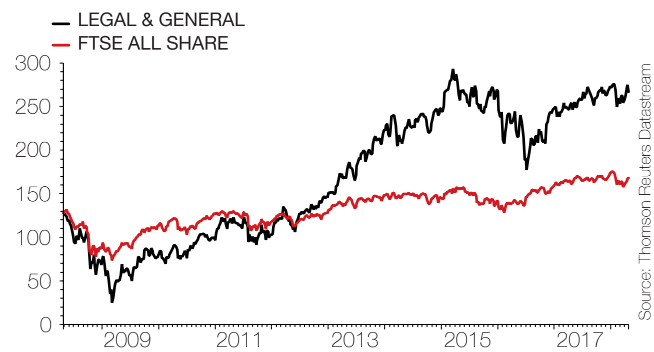


LEGAL & GENERAL (LGEN)

If you're happy to hold individual stocks in your Lifetime ISA, Legal & General is certainly the type of solid business that could deliver slow but hopefully fairly steady gains over time.

Importantly it is a business that is willing to move with the times. For example, its mature savings business was sold to rival Swiss Re at the end of last year for £650m, getting rid of legacy insurance liabilities. The proceeds will allow it to focus on investing and annuities.

Trading on less than 10 times forecast earnings for 2018 and offering a prospective dividend yield of 6%, it's great value with growth at a reasonable price.

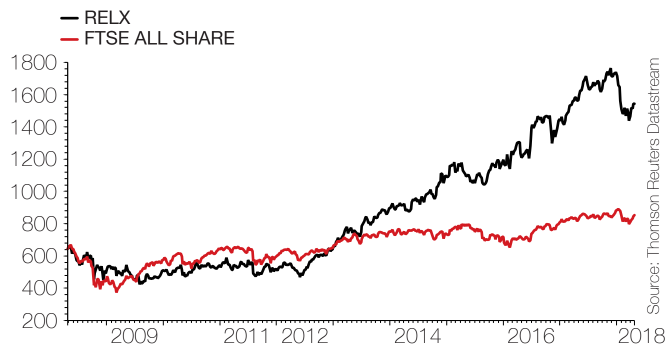


RELX (REL)

We like data analytics, events and academic publishing firm RELX for its excellent track record and its position as a global leader in several different areas.

A forward price-to-earnings ratio of 17 times is not out of step with a long-term average of around 19 times and we would expect a buy-and-hold investor in the shares to benefit from solid growth in dividends and profit over time.

Recent concerns over the Elsevier scientific journals business look overdone. In our view there is no immediate risk of an aggressive pursuit of open access – essentially research being given away for free – though investors should keep tabs on this issue.



FRIDAY 4 MAY

FINALS	
Havelock Europa	HVE
INTERIMS	
Numis	NUM
International Consolidated Airlines	IAG
AGMS	
Morgan Sindall	MGNS
Microsaic Systems	MSYS
Rightmove	RMV
Smurfit Kappa	SKG
Pearson	PSON
Millennium & Copthorne Hotels	MLC
FBD Holdings	FBH
International Personal Finance	IPF
InterContinental Hotels	IHG
Capital & Counties Properties	CAPC

MONDAY 7 MAY

INTERIMS	
Kosmos Energy	KOS
ECONOMICS	
UK	
BRC Retail Sales	

TUESDAY 8 MAY

FINALS	
Vertu Motors	VTU
Faron Pharmaceuticals	FARN
INTERIMS	
Cambria Automobiles	CAMB
Treatt	TET
TRADING STATEMENTS	
William Hill	WMH
ECONOMICS	
UK	
Halifax HPO	
RICS House Price Balance	

WEDNESDAY 9 MAY

FINALS	
Glenveagh Properties	GLV
Deltex Medical	DEMG
INTERIMS	
Compass	CPG
Imperial Brands	IMB
TUI	TUI
TRADING STATEMENTS	
Greggs	GRG
OneSavings Bank	OSB
Barratt Developments	BDEV

THURSDAY 10 MAY

FINALS	
BT	BT.A
INTERIMS	
On The Beach	OTB

TOUR OPERATOR TUI (TUI) in February reported a good start to its new financial year with notable growth in its 'Holiday Experiences', which refers to its hotels and cruise business.

It also guided for at least 10% underlying EBITA (earnings before interest, tax and amortisation) growth in the current financial year on a group basis.

Investors will get an update on whether TUI is still on track to hit this target when it reports half year results on 9 May.

WEAK FIRST QUARTER GDP number is seen as reducing the prospects of an interest rate hike when the Bank of England meets on 10 May.

Earlier in the year there had been hints that the Bank's chief Mark Carney and his colleagues might increase rates for the second time in more than a decade.

TRADING STATEMENTS	
Coca-Cola HBC	CCH
RSA Insurance	RSA
Hansard Global	HSD
WM Morrison Supermarkets	MRW
Superdry	SDRY
ECONOMICS	
UK	
Construction Output	
Industrial Production	
Manufacturing Production	
Official Bank Rate	

NO PRIZES FOR guessing that BT's (BT.A) dividend plans will have a large bearing on how full year results go down with investors on 10 May. Growth and the triennial pension fund assessment will also be in focus.

Some analysts reckon a shock payout cap or cut could be on the cards as BT looks for pension funding and fibre rollout flexibility. The forward dividend yield current sits at 6.4%.

EX-DIVIDEND		
Admiral	ADM	58p
AG Barr	BAG	11.84p
Centaur Media	CAU	1.5p
Centrica	CNA	8.4p
Diversified Gas Oil	DGOC	$0.03
Downing Planned Exit VCT	DP2G	2.5p
Downing Three VCT	DP3H	2.5p
Epwin	EPWN	4.46p
Eddie Stobart	ESL	4.4p
Fidessa	FDSA	29.7p
Fidessa	FDSA	50p
Foresight Solar Fund	FSFL	1.58p
Hochschild Mining	HOC	$0.02
Hostelworld	HSW	€0.12
Hiscox	HSX	19.5p
Ibstock	IBST	6.5p
Moss Bros	MOSB	1.97p
North American Income Trust	NAIT	16p
North Midland Construction	NMD	3p
Ocean Wilsons	OCN	$0.7
Polymetal	POLY	$0.3
Quixant	QXT	2.6p
Robert Walters	RWA	9.3p
SDL	SDL	6.2p
Share	SHRE	0.4p
Trinity Mirror	TNI	3.55p

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UK STOCK MARKET AWARDS 2018

NOMINATIONS FOR UK STOCK MARKET AWARDS 2018

We are pleased to announce the nominees for the 2018 **UK Stock Market Awards**.

The **UK Stock Market awards**, now in their 8th year, are firmly established as one of the leading award ceremonies for UK publicly listed companies and the individuals behind them, as well as the advisers that ably assist them throughout.

The awards are unique as they offer the private investment community the chance to have their say on who they believe to have created true shareholder value.

The nomination shortlist was compiled by a number of senior individuals from the world of corporate finance, law, financial services, accounting, public relations and media.

Each member has experience with companies on the stock market, either as an investor, adviser, analyst or journalist. Each member of this expert panel will have considered a range of factors when choosing their options including: share price performance, management acumen, M&A and fundraising activity, growth potential and performance against sector peers.

The next step in the awards process is for you as readers of Shares and active investors to go to **www.stockmarketawards.com** and cast your votes. The voting will take place over a four-week period so make sure you vote before 25 May 2018. The winners will be the ones with the most votes per category and will be announced at a gala dinner on Monday 25 June 2018.

THE NOMINATIONS:

AIM COMPANY OF THE YEAR
Burford Capital
Focusrite
Keyword Studios
Plus500
Somero Enterprises
Yu Group

MAIN MARKET COMPANY OF THE YEAR
Equiniti Group
Games Workshop
Ocado Group
Renishaw
Robert Walters
Wizz Air

M&A TRANSACTION OF THE YEAR
Cineworld Group / Regal Entertainment
Equiniti Group / Wells Fargo's Shareowner Services
GVC Holdings / Ladbrokes Coral
IP Group / Touchstone Innovations
Keywords Studios / VMC
Tesco / Booker

FUNDRAISING OF THE YEAR
Central Asia Metals –
£113m to help buy Lynx Resources
Cineworld Group –
£1.7bn to help buy Regal Entertainment
CityFibre Infrastructure Holdings –
£200m to support growth plans
Diversified Gas & Oil –
$35m to buy assets from Titan Energy
Metro Bank –
£278m to support growth plans
Victoria –
£180m to help buy Keraben

IPO OF THE YEAR
Charter Court Financial Services
AIB Group
Alpha FX Group
K3 Capital Group
Strix Group
Ten Entertainment Group

GROWTH COMPANY OF THE YEAR
Alpha FX Group
Burford Capital
FDM Group (Holdings)
Fevertree Drinks
Ramsdens Holdings
Sopheon

BEST PERFORMING SHARE
Announced on the night of the awards

INVESTOR RELATIONS TEAM OF THE YEAR
Derwent London
Echo Energy
Go-Ahead Group
Majestic Wine
Redefine International
Taylor Wimpey

BEST TRAVEL & LEISURE PLC
Dart Group
GVC Holdings
Hostelworld Group
Jackpotjoy
On The Beach Group
Thomas Cook Group

BEST OIL & GAS PLC
Diversified Gas & Oil
Eland Oil & Gas
Faroe Petroleum
Rockhopper Exploration
RockRose Energy
Serica Energy

THE NOMINATIONS:

BEST CHEMICALS PLC
Croda International
Johnson Matthey
Synthomer
Treatt
Victrex
Zotefoams

BEST BASIC RESOURCES PLC
Central Asia Metals
Ferrexpo
Gem Diamonds
Hummingbird Resources
KAZ Minerals
Sirius Minerals

BEST CONSTRUCTION & MATERIALS PLC
Bovis Homes Group
Breedon Group
Countryside Properties
Ibstock
Marshalls
Victoria

BEST HEALTH CARE & PHARMA PLC
Abcam
Alliance Pharma
Bioquell
Clinigen Group
Dechra Pharmaceuticals
Silence Therapeutics

BEST RETAIL PLC
Angling Direct
ASOS
Games Workshop Group
Greggs
JD Sports Fashion
Ramsdens Holdings

BEST TELECOMMUNICATIONS & MEDIA PLC
Ascential
Entertainment One
Future
GoCompare.com Group
KCOM Group
Zoo Digital Group

BEST REAL ESTATE PLC
Big Yellow Group
McKay Securities
Safestore Holdings
Segro
Unite Group
Workspace Group

BEST FINANCIAL SERVICES PLC
Hiscox
IG Group Holdings
Impax Asset Management Group
London Stock Exchange Group
Numis Corporation
Polar Capital Holdings

BEST TECHNOLOGY PLC
Blue Prism Group
Computacenter
Craneware
FDM Group (Holdings)
Softcat
WANdisco

CHIEF EXECUTIVE OFFICER OF THE YEAR
John Dawson, Oxford BioMedica
Brendan Mooney, Kainos Group
Mike Norris, Computacenter
Jonathan Satchell,
Learning Technologies Group
Kate Swann, SSP Group
Tim Warrillow, Fevertree Drinks

FINANCE DIRECTOR OF THE YEAR
Anthony Bailey, Midwich Group
Nisan Cohen, Cineworld Group
Paul Harrison, Just Eat
Kath Kearney-Croft, Vitec Group
Christopher Lynch, Rio Tinto Group
Dave Wilson, GB Group

FINANCIAL PR TEAM OF THE YEAR
AlmaPR
Camarco
FTI Consulting
Instinctif Partners
Maitland
Powerscourt
Tulchan Communications

CORPORATE SPONSOR OF THE YEAR
Goldman Sachs
Investec
JP Morgan
Morgan Stanley
Numis
UBS

NOMAD OF THE YEAR
Cenkos
FinnCap
Liberum
N+1 Singer
Panmure Gordon
Peel Hunt

SHARE REGISTRAR OF THE YEAR
Avenir Registrars
Computershare
Equiniti
Link Asset Services
Neville Registrars
Share Registrars

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AJBell Pinsent Masons PROGRESSIVE EQUITY RESEARCH SHARES

Which equity sectors are hot (and cold) as the markets head into summer?

We drill into the numbers to spot trends in the market

Global equity markets appear to be regathering a little of their poise. Hopes are gathering that fresh talks between the US and China will avoid a nasty trade war.

There is similar optimism that the marked absence of a Russian response to Western intervention in a war with the shooting in Syria means this conflict will not spiral into a wider conflagration either.

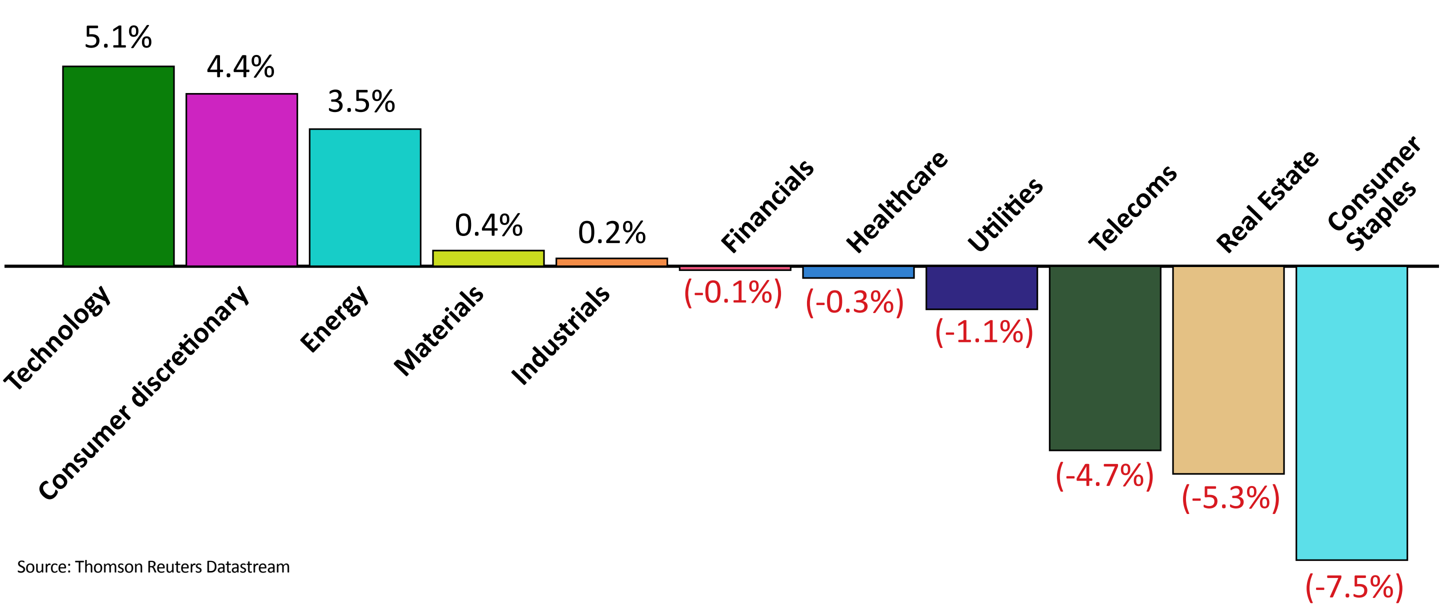
This can be seen in how stock markets are performing by sector, as benchmarked by the 11 segments which comprise the S&P Global 1200 index.

Technology is trying to shake off the April wobble that followed the latest Tesla production disappointment, the Cambridge Analytica scandal that continues to dog Facebook and chatter that sales of Apple's iPhone X are not all they could be.

Consumer Discretionary appears to be riding a wave of optimism that a truly globally synchronised recovery is upon us, further buoyed by an acceleration in wage growth in the UK and US, for example, even if Japan still looks to be falling short of the 3% increase laid down as a target for the spring pay round by Prime Minister Shinzō Abe.

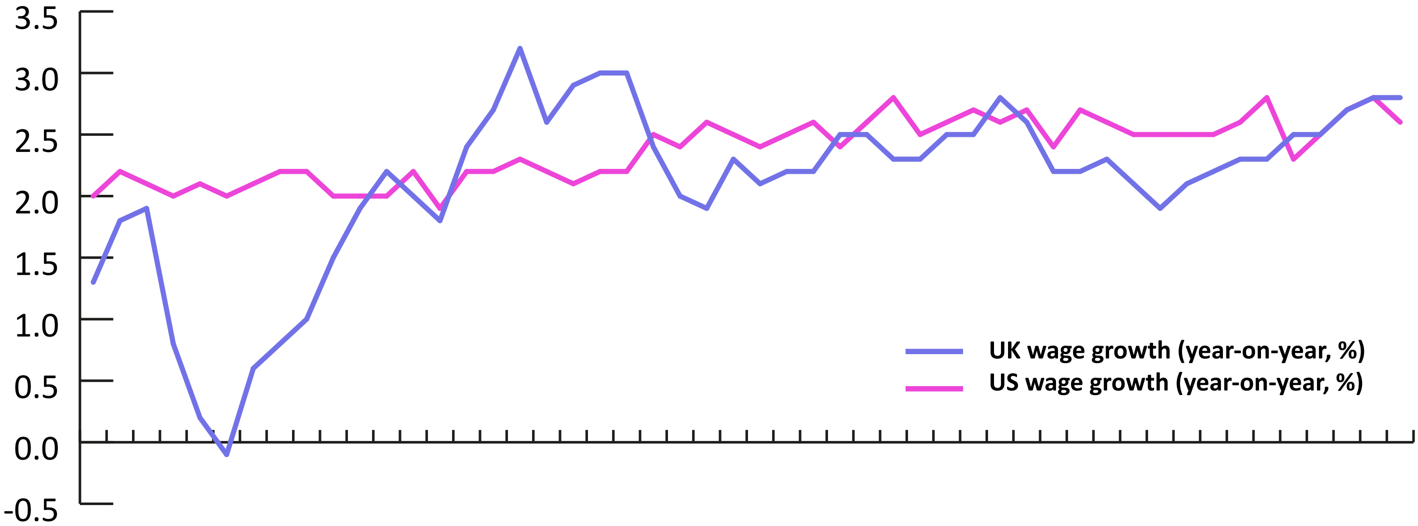
By Russ Mould, investment director, AJ Bell

TECHNOLOGY AND CONSUMER DISCRETIONARY STOCKS STILL LEAD THE WAY GLOBALLY IN 2018, WITH REAL ESTATE AND CONSUMER STAPLES THE LAGGARDS



Source: Thomson Reuters Datastream

WAGE GROWTH DOES LOOK TO BE FINALLY ACCELERATING IN THE US AND UK



Source: ONS, Fred - St. Louis Federal Reserve database, US Bureau of Labor Statistics

Notable laggards include the bond proxy sector Utilities, which is generally seen as a likely underperformer as central banks jack up interest rates and drag bond yields with them, as the improved returns here lessen appetite for gas, water and electricity companies' plump dividends, at least on a relative basis.

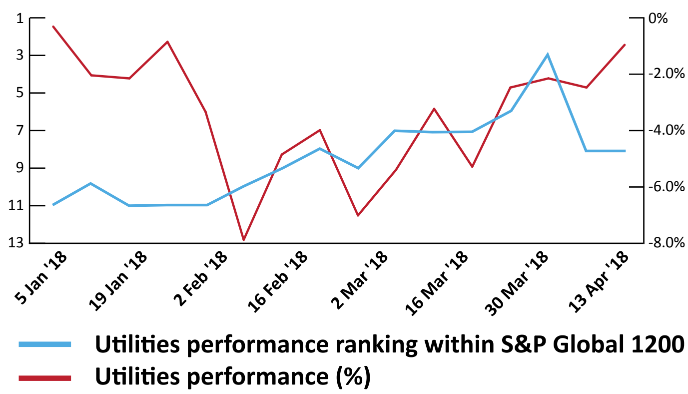
Real estate also remains in the doldrums as the market continues to fret about the impact of online disruption on retail landlords and shopping centre and mall owners in particular.

And yet the picture may not be quite so clear once investors dig a little deeper and three trends in particular bear closer inspection.

THREE TRENDS TO WATCH

Three themes which emerge from this year's S&P Global 1200 sector performance trends may be worth following, not least as they do not necessarily sit easily with the prevailing narrative of a global recovery, gathering inflation and more hawkish central bank policy in the form of higher interest rates and less quantitative easing (QE).

1. Utilities enjoyed a relative renaissance in April, falling a lot less than than their peers, to illustrate that any wider market wobble or fresh outbreak of growth fears could still bring this sector into fashion. This next graphic shows Utilities' weekly performance ranking for 2018, with one the best and 11 the worst.



Source: Thomson Reuters Datastream

2. Consumer Staples and Healthcare have both lost momentum badly in 2018.

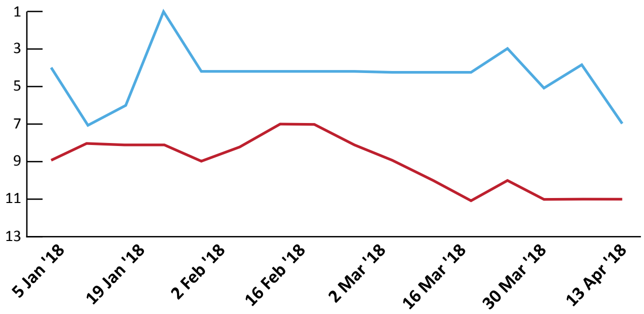
Consumer Staples stocks are down 7.5% for the year, as tobacco stocks in particular have fallen from favour, with Philip Morris' warning about 'vaping' and cigarette alternative sales in Japan in the first quarter prompting particular angst.

Healthcare has also lagged, with a minor fall, despite (or because of?) rampant merger and acquisition activity in the sector.

One or two disappointing drug trials have not helped sentiment in Healthcare but perhaps the issue with Consumer Staples and Healthcare is as much one of valuation as anything else.

It is possible that a long run of good performance means they are simply 'expensive defensives' and have become areas where investors must be careful not to equate quality of earnings with safety.

A sector that is popular and expensive can do just as much damage in the long term as one that is serving up earnings disappointments in the near term.



Consumer Staples' performance ranking within S&P Global 1200

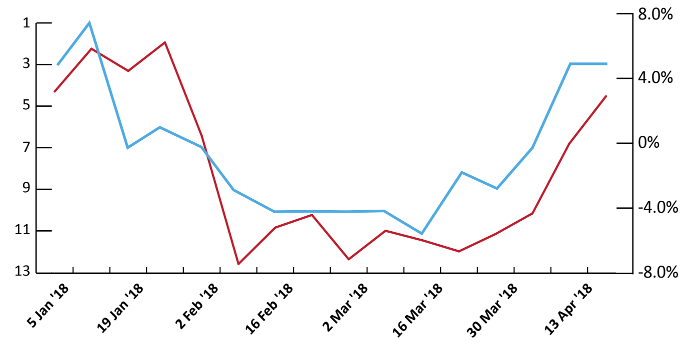
Healthcare's performance ranking within S&P Global 1200

Source: Thomson Reuters Datastream

3. The other gainer of note is Energy. Oil's rise to nearly $75 a barrel is a key factor, whether this is the result of OPEC's supply-side discipline, concerns that America's hawkish stance on Iran could lead to sanctions that once more block Tehran's access to global markets, or wider unrest in the Middle East.

Yet the oil firms have also helped themselves, by cutting costs, pruning capital expenditure and selling non-core assets, all moves which have helped to preserve the dividend that are cherished by income-seeking investors.

Oil firms have helped themselves by cost cutting



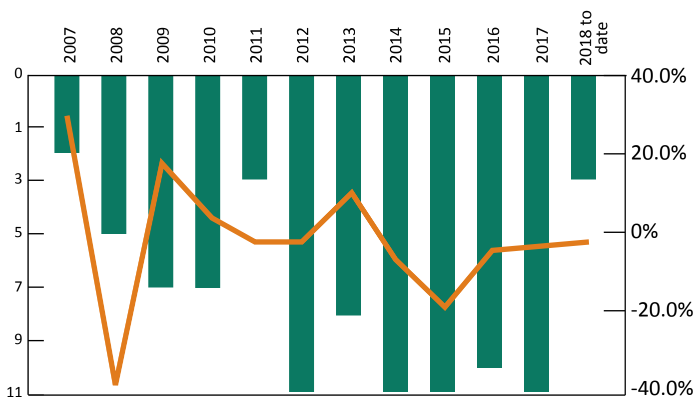
Energy's performance ranking within S&P Global 1200

Energy performance (%)

Source: Thomson Reuters Datastream

Energy's rise this year is all the more interesting given its terrible run since 2012, as the sector has been the worst or second-worst performer for every year but once since then.

Perhaps, in contrast to Consumer Staples and Healthcare, expectations, and therefore valuations are low, and earnings forecasts sufficiently cautious for them to exceed with relative ease rather than great difficulty.



Energy's performance ranking within S&P Global 1200

Energy performance (%)

Source: Thomson Reuters Datastream

Those investors who prefer to pick their own stocks may need to consider these eddies and whirls within the markets because this column remains a great believer in the old adage that 'a bad stock in a good sector will outperform a good stock in a bad sector'.

WHY IS THIS COLUMN CALLED AEQUITAS?
It is the Latin word for equity and the origin of the modern word in both senses – fairness and the value of a company's shares.

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INVESTMENT TRUSTS FOR INCOME

In many investors' minds investment trusts are thought of as income generating investments. Indeed there are many that have fantastic, long-term track records of paying dividends and feature in many investors' portfolios.

There are lots of different ways that investment trusts invest to generate their income. They can be used to get exposure to different markets and asset classes so understanding where and how they put their money to use can help you better understand which investment trusts are right for you.

Come to the free **Investment Trusts for Income** event to hear insights from leading fund managers on how the investment trusts they are responsible for generate income, get your chance to ask the questions that matter to you and network with your fellow investors.

Aberdeen Diversified Income and Growth Trust
The goal of the trust is to generate sustainable long-term returns through a genuinely diversified portfolio making use of Aberdeen's global investment platform and specialist capabilities.

SLI Property Income Trust
The Trust owns a diversified portfolio of UK commercial properties with an emphasis on retail, office and industrial and has outperformed its sector on a 1, 3 and 5 year basis.

SAINTS Scottish American Investment Company
Founded in 1873 SAINTS is one of the oldest investment trust companies still in existence. Its aim is to deliver above-inflation dividend growth principally through investments in global equities, but also bonds, property and other asset types.

Merchants Investment Trust
Established in 1889 The Merchants Trust investment focus is on the UK's leading companies and has a track record of 35 consecutive years of dividend increases.

Follow this link www.sharesmagazine.co.uk/events for full details and to register for your complimentary ticket.

Event details

Registrations 18:00
Presentations start at 18:30
Complimentary drinks and buffet available after the presentations

Registration contact

Corinne Bailey
corinne.bailey@sharesmagazine.co.uk
020 7378 4406

WIN A HAMPER

Attend the event on 03 July 2018 and you will be entered into a prize draw to win a **Fortnum & Mason Wayfarer Hamper worth £150** which will be presented on the night (Terms and Conditions apply)

EVENT CHAIR

Tom Sieber
Deputy editor
– Shares Magazine

Tom will be presenting on how income can help unlock the wealth generating potential of the markets.

Will infrastructure funds come back into favour?

Political threats, failed IPOs and highly competitive market for asset acquisitions have taken the shine off the sector

Infrastructure has been a favourite among investors and politicians alike. Investors like the high yields on offer while politicians prefer to wax lyrical on infrastructure projects and spending at election time as they are usually linked with job creation.

Unfortunately infrastructure funds – vehicles such as investment trusts which provide investors with access to the asset class – have hit a few bumps along the road and have fallen out of favour with many people.

Several infrastructure funds have failed to get their IPOs (initial public offerings) off the ground after struggling to get enough support from the investment community. And many funds already on the market have seen the shine come off their valuations.

WHAT IS GOING ON?

The first setback for the sector was Labour's assault on public private partnerships (PPP) at the party conference in September last year. The political party set out plans to nationalise billions of pounds of privately-funded infrastructure contracts should it win the next general election. That put the fear into many investors and some infrastructure funds started to fall in value.

Numerous infrastructure-based investment trusts have also scrapped IPOs over the past six months.

For example, Tri-Pillar failed to join the stock market last December despite targeting assets in the US and Europe such as healthcare, education, road and communication projects.

More recently, Gravis Capital Management, which runs investments trust **GCP Infrastructure (GCP)**, cancelled its £200m float of the Global Diversified Infrastructure Fund after failing to meet its minimum target of £75m.

Several telecom tower infrastructure investors have pulled their London IPOs after failing to get enough investor support including Helios Towers and Arqiva.

Yet another problem impacting UK-listed infrastructure funds was the implosion of construction services group Carillion at the start of the year.

Well-established funds such as **John Laing Infrastructure Fund (JLIF)** and **HICL Infrastructure Company (HICL)** had direct exposure to Carillion's facilities management contracts with healthcare assets.

LOSING PREMIUM STATUS

Given these setbacks, what was

once an expensive sector with funds trading at hefty premiums has now been brought crashing down to earth.

John Laing's Infrastructure fund is now trading at a 4.7% discount to net asset value, well below its average 7.2% premium over the past 12 months.

HICL is now on a price at par with its NAV although at one point last year traded at a whopping 19.2% premium.

Widening of discounts has not been universal though. For example, **3i Infrastructure fund (3IN)** is trading at a premium of 4.7% and GCP Infrastructure is on an 8.1% premium to NAV.

ASSETS BECOMING EXPENSIVE TO BUY

Utilico Emerging Markets (UEM) fund manager Charles Jillings says that European infrastructure is 'finely priced' and the cost of debt has gone up with the prices also towards the top end.

That may explain why investor appetite has soured towards parts of the infrastructure market. It is also for this reason that Jillings is now targeting assets in markets such as Brazil, which he views as having bottomed out and set for a revival.

At various stages, Jillings's weighting of the Utilico portfolio to Brazil has changed. He had a 33% weighting to Brazil at one point, dropping to 8% during 2015 and now around 20%.

For example, 18 months ago he bought into logistics specialist Rumo, a company which may benefit from the escalating tariff wars between China and the US.

China may purchase its multi-billion dollar-a-year order of soya beans from outside the US, with Brazil being a likely candidate. Rumo has been adding capacity to its rail networks to increase the amount of soya that can be exported from Brazil.

BOND PROXY ISSUES

Another globally focused infrastructure fund, **Premier Global Infrastructure Trust (PGIT)**, had a difficult time in the first quarter. The investment trust's share price fell by 19.5% and its net asset value declined by 14.8%.

One reason cited by the fund managers James Smith and Claire Smith for the trust's performance was due to some of its equity holdings in the utilities space in the UK and US being bond proxies. These types of companies are especially sensitive to interest rate changes and were sold off.

With infrastructure funds impacted by a plethora of issues, from politics to single company risk, it is worth reappraising your portfolio to check that you aren't over-dependent on the sector, particularly as a source of income.

Your dividend money may keep appearing but the value of capital may not be so solid in the near-term unless circumstances change.

However, there may be one saving grace in the form of asset sales. For example, HICL has just sold its equity and subordinated debt interest in a schools project for £56.2m, representing a 20.8% premium over the directors' valuation as at 30 September 2017.

HIDDEN VALUE?

'We believe that HICL's disposal will be well received by investors seeking comfort on the value of the portfolio, albeit the disposal is relatively small,' says the investment trust team at stockbroker Numis.

'In general, we believe the assets of the listed infrastructure funds are conservatively valued relative to secondary transactions within the private infrastructure market. In our view, this limits the potential for persistent discounts across the listed sector.'

Numis believes the sector had become oversold earlier this year. 'Although the perception of political risk is likely to continue to weigh on share prices for some time, we believe they remain an attractive source of predictable, long term income, with the benefit of a high degree of inflation linkage.' (DS)

Sustainable investing is hitting the mainstream

The theme is finally emerging from the relative shadows to make a big impact

The sustainability debate has long since leapt out of the activist tree-hugging camp and onto the political agenda. Investors now face choices that go far beyond the simplistic 'don't buy guns and cigarette firms'. Sustainability is now in the mainstream.

This investing philosophy has attracted some big names in recent years, such as the launch last year by Bill and Melinda Gates of a $2bn green energy Breakthrough Energy Ventures fund. Its goal is to invest in technologies to reduce greenhouse gas emissions by at least half a gigaton.

Seven Investment Management (7IM) recently flagged that a sustainable fund featured in the list of top 10 funds traded over its platform. The **Liontrust Sustainable Future Corporate Bond 2 (GB0030029069)** aims to beat gilt returns by investing in corporate debt.

'The fact that a fund focused on sustainability has made the tables during the all-important ISA season suggests a resounding yes (to sustainable investing starting to hit the mainstream),' says Camilla Ritchie, fund manager at **7IM Sustainable Balance Fund (GB00B1LBFZ86)**. 'That is very encouraging to see.'

GROWING EVIDENCE

As the recent Facebook/Cambridge Analytica personal data scandal shows, the fine line between being just a good investment and being a good corporate citizen as well is becoming more complex, and more wide reaching in the digital age.

'While these digital giants have delivered undoubted benefits to the consumer, have those benefits allowed them to grow too big, to the extent that they can neglect their

EXAMPLES OF SUSTAINABLE INVESTMENT FUNDS

- FP Wheb Sustainability Fund
- Impact Environment Markets Trust
- Foresight Sustainable UK Investment Fund
- Hermes Global ESG Fund
- Schroders ISF Global Climate Change
- Standard Life UK Ethical Fund
- F&C Responsible Global Equity Fund

responsibility to wider society?' pondered Allianz Global Investors fund manager Walter Price last month.

A fair day's pay for a fair day's work, decent health and housing, protecting the environment, access to enough food and clean water; these are the sorts of things any rational global citizen is likely to believe in. And that means they increasingly only want to invest in companies and assets that also reflect these core beliefs.

Studies have shown this is particularly evident in the emergence of a new generation of investors referred to as Generation Y, or the Millennials. These are people born between 1982 and 2000.

With an estimated $200bn a year of buying power, it gives them a meaningful voice, and one that will get louder as they get older and, presumably, more interested in saving and investment.

MARKET MOVING TO SUSTAINABILITY

As you might expect, the financial services industry, in this country and overseas, are moving heaven and earth to meet this changing investment dynamic.

Suppliers are racing to get new sustainable, responsible, ethical or values-based funds to the market. Niche providers such as Edentree and Triodos Bank (the latter even has even launched an ethical savings account) have swollen the ranks of existing sustainable offers.

But the investment market heavyweights are also jumping on to sustainability, or their version of it, head first.

SUSTAINABLE BY ANOTHER NAME

Sustainable, responsible, ethical, impact, clean, green; these are all terms regularly used to describe the broader space. Here are some of the more popular terms that imply similar principles to sustainable investment:

ESG (environmental, social and corporate governance)

SRI (socially responsible investing)

Ethical investing

Impact investing

Values investing

Principles-based investing

BlackRock says sustainable and impact investing strategies are attracting 'a significant amount of interest as well as assets from investors'. It launched the **BlackRock Strategic Funds Impact World Equity Fund (LU1254583351)** in 2015 and its value has since soared by around 40%.

'Sustainability is meeting the needs of the future without comprising the needs of today,' Meryam Omi, Legal & General Investment Management's head of sustainability explains to *Shares*.

> **SUSTAINABILITY is meeting the needs of the future without comprising the needs of today**

Fidelity International has extended its research into areas like controversy data (environmental disasters, product safety recalls and bribery scandals) alongside more typical climate change analysis because it believes that 'investing in companies which operate with high standards of corporate responsibility can protect and enhance investment returns for our clients'.

Slowly but surely sustainability is changing behaviour right across the investment sphere. 'We are seeing an increasing shift away from negative screening to positive screening,' says Amanda Young, head of responsible investing at Standard Life.

Essentially, people are thinking more in terms of what they want to invest in, and less what they want to avoid. (SF)

How to avoid running out of money in retirement

What to do before and during retirement to preserve and grow your wealth

Running out of money before you run out of life is one of investors' biggest fears.

Fortunately, there are lots of steps you can take before and during retirement to ensure your money lasts your lifetime.

WHY IS IT SUCH AN IMPORTANT ISSUE TODAY?

Increased life expectancy means people today are generally living much longer than they were in the past, so your money needs to last for a greater number of years.

When you combine this with a sustained period of low interest rates, it has dramatically increased the risk that your money won't last as long as you hope.

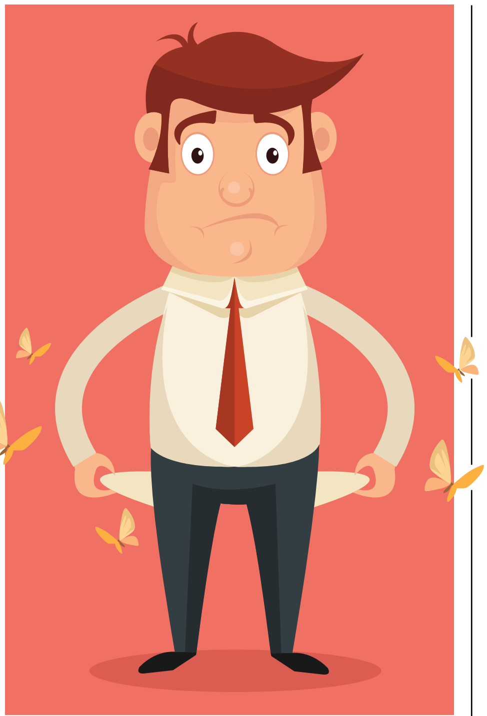
The vast majority of people used to use their pension to buy an annuity at retirement, providing them with a guaranteed income for life.

But this trend has changed following the introduction of pension freedoms in 2015, with many people choosing the flexible income drawdown option instead of an annuity.

If you're taking drawdown, you need to ensure your withdrawal rates are sustainable and that your investments keep growing.

HOW MUCH MONEY DO I NEED IN RETIREMENT?

An old rule of thumb was to aim for two-thirds of your working income as an income in retirement.



"Increased life expectancy means people today are generally living much longer than they were in the past, so your money needs to last for a greater number of years"

In reality, it depends on what standard of living you hope to maintain during your retirement.

Costs to think about include day-to-day essentials such as food, utilities and insurance, as well as discretionary spending on things like holidays.

Tom Selby, senior analyst at AJ Bell, points out that someone who has paid off their mortgage will likely have lower costs than someone who is renting.

If you want to retire early you'll either need a bigger pot or have to accept a lower income than if you retire later.

Martin Bamford, managing director at Informed Choice, a financial planning firm, says spending patterns in retirement are unlikely to remain static.

'In some cases, clients spend a lot less in retirement than they spent during their working lives,' he says. 'Other clients maintain similar spending levels, replacing some costs with others such as travel and leisure.'

HOW CAN I BUILD UP A SIZEABLE POT BEFORE RETIREMENT?

It might sound obvious, but the biggest impact you can make on your future retirement pot is to save more now.

'Improving investment returns or reducing charges are often the focus of financial planning, but it's putting more into savings pots that has the greatest positive impact on the end result,' explains Bamford.

It's worth remembering that if you're saving via a workplace pension your contributions should be matched by your employer, and all pension contributions receive at least 20% tax relief from the Government. The amount of relief depends on your income tax band.

Katie Machin, financial adviser at Walker Crips Wealth Management, says when you're deciding how much to save you should try to estimate how large a fund you might need at your chosen retirement age and work back from there.

'Contribute as much as you can afford and be realistic. You still have to enjoy time now, but have a balanced attitude to this and plan for your future too,' she adds.

It's important to think about where you want to invest your money such as certain stocks or funds. If you're investing through an ISA or Self-Invested Personal Pension (SIPP) you'll have complete control over your underlying investments.

Selby says investors should decide what level of risk and short-term volatility they're willing to accept in order to deliver long-term growth.

'Historically, those willing to ride out short-term bumps in the road have achieved better long-term investment performance,' he says. 'Generally speaking, younger savers are also able to tolerate more short-term volatility knowing they will not be accessing their fund any time soon.'

HOW DO I PRESERVE WEALTH DURING RETIREMENT?

The key thing to think about during retirement is sustainability. It's important to ensure you're withdrawing enough money to fund your needs, but not so much that you risk depleting your pension early.

A commonly used rule of thumb is to withdraw 4% a year from a pension pot, but this so-called 'sustainable withdrawal rate' will depend on a variety of factors such as your underlying investments and objectives.

'I believe that selecting a strategy that is right for you initially is only part of the solution,' says Machin.

'You need to carefully monitor and review this strategy throughout retirement to ensure that if it is not working, action can be taken.

'You must remember that income through drawdown can be varied and it is often worth considering a form of guaranteed income to meet day-to-day commitments, with drawdown designed to meet discretionary spending needs.'

One thing to consider is the impact that large withdrawals combined with poor investment performance in the early years can have on your retirement plan.

Large percentage drops when your pot is at its biggest will be harder to make up later when your capital has been eroded.

WHAT OTHER SOURCES OF INCOME COULD I USE?

If you've built up a National Insurance record of at least 35 years you'll be entitled to the state pension, which is currently set at £164.35 a week. However, the rules are complicated and you may get more or less than this amount.

You might also have cash savings, an investment portfolio, property investment and dividends from a business.

Bamford says the most financially successful retirements tend to have access to income and capital from a variety of sources.

'The ability to flexibly draw an income from different places, depending on the underlying economic circumstances, creates an opportunity for efficiency,' he adds. (EP)

How a stock market downturn could hit your retirement plans

We discuss this situation and what you can do about it

With the record-breaking global stock market bull run now into its ninth year, investors could be forgiven for looking nervously over their shoulder for the next big downturn.

There's no shortage of uncertainty to feed such worries as political tensions between the West and Russia ferment, major economies begin to be weaned off quantitative easing (QE) and central banks prepare to ratchet up borrowing costs. And then, of course, there's Brexit…

Any one of these things could potentially damage market confidence and send stock prices spiralling downwards.

If you're taking an income from your pension through drawdown – or are finalising your retirement plans – a dip in asset prices could be particularly damaging.

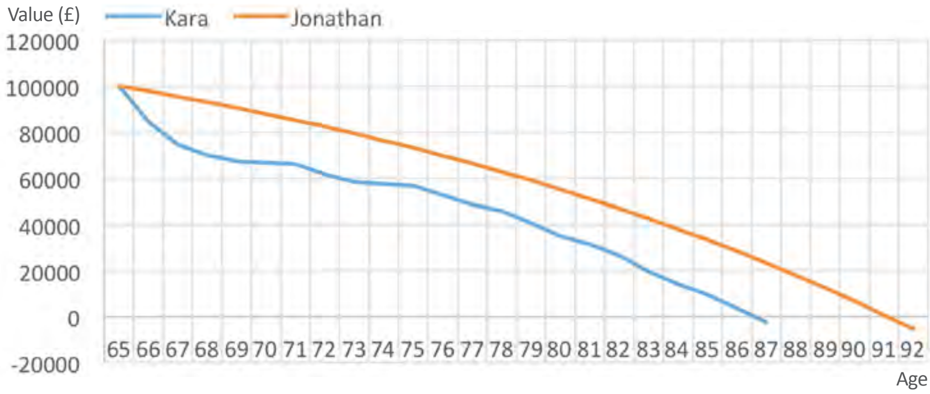
HOW IT WORKS

To understand why, here's a simple example. Imagine two 65 year old investors – Jonathan and Kara – each with £100,000 in their drawdown pots.

They both have generous defined benefit (DB) pensions on top of £8,000 a year in state pensions. They only need to take out £6,000 a year from their portfolio to cover their retirement costs. Each enjoys average investment growth of 4% a year after charges.

While Jonathan's pot increases in value by exactly 4% every 12 months, Kara's ride is rockier, with the value of her investments dropping by 10% in the first year and 5% in the second year before returns pick up. You can see the result in the accompanying chart.

HOW EARLY NEGATIVE INVESTMENT RETURNS CAN HIT YOUR RETIREMENT PLANS



Despite enjoying the same average investment returns as Jonathan, the order of Kara's returns – with bad years at the start when her pot was biggest – mean her portfolio runs out before her 87th birthday. Jonathan, in contrast, is able to continue drawing an income until he reaches the ripe old age of 91.

Or put another way, Jonathan earned an extra £24,000 from his pot – even though his returns were, on average, the same as Kara's.

SO WHAT CAN I DO ABOUT IT?

Stock market risk is part and parcel of retirement investing; the key is to be aware of these risks and stay on top of your portfolio with regular reviews.

This is even more critical when you're taking an income from your portfolio. Large withdrawals coupled with poor investment performance could do serious damage to your retirement prospects.

This doesn't mean you shouldn't take any investment risk or hold off taking money from your portfolio. You just need to think about what you'd do if your fund suffered bad investment performance. Could you reduce your income to balance it out? If the answer is no, you might want to consider reducing the risk in your portfolio.

One strategy which could help is to leave your capital untouched and live off the income generated by your underlying investments (sometimes referred to as a 'natural yield' approach).

While this will help ensure your pot lasts longer, it requires you to accept variations in the income you take from your portfolio.

Tom Selby,
senior analyst, AJ Bell

Activist emerges with 5% stake in Satellite Solutions

Improvement in cash flow and shareholder returns likely to be targeted

Satellite broadband and airtime reseller **Satellite Solutions Worldwide (SAT:AIM)** could face a shake-up as part of an attempt to improve shareholder returns. Activist investor Christopher Mills has emerged on the share register after investing £5m as part of Satellite Solutions' recent £12m cash call.

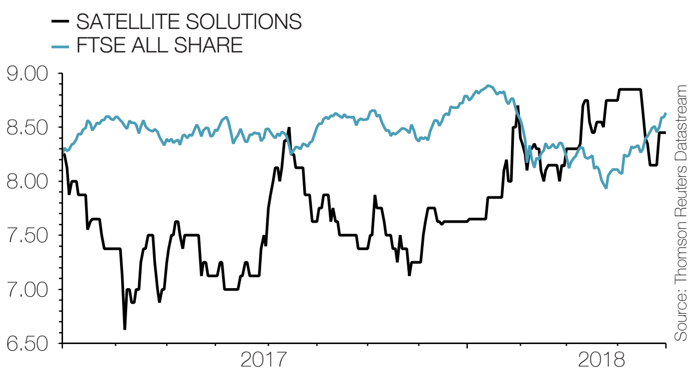
Mills has a long track record of shaking up poorly performing smaller businesses through the Harwood Capital firm he founded. Among the more recent examples was his purchase of the old Essenden tenpin bowling company, which has since re-emerged as **Ten Entertainment (TEN)**.

While Harwood Capital was already a significant 19.3% shareholder in Satellite Solutions, according to Reuters data, this new stake has been made through the **North Atlantic Smaller Companies (NAS)** investment trust that Mills runs. This suggests that Mills hopes to take a more hands-on role in Satellite Solutions' day-to-day operations and strategy in order to revive the business.

SUPERFAST BROADBAND TO REMOTE REGIONS

Bicester-based Satellite Solutions buys satellite network airtime and bandwidth to supply homes, businesses, broadcasters, construction sites and parts of the military based in rural areas where fibre optic or copper networks fail to reach.

Despite higher broadband penetration and Government-led initiatives to improve broadband



accessibility, an estimated 20m European households are thoughts to be unable to access faster broadband speeds than 2Mbps.

Satellite Solutions is actively targeting this market, providing speeds of up to 30Mbps irrespective of location, geography or local network infrastructure. It serves around 121,000 customers across Europe and Australia.

Its expansion plans were bolstered last week through the combined €11m (approximate £9.7m) acquisitions of Open Sky and Satellite Internet Services, allowing the company to set up its first supplier hubs in Italy and Germany.

Satellite Solutions' shareholders enjoyed early share price success in the year or so directly after the company joined AIM in May 2015 at 4.5p per share. But over the past two years or so the stock has become wedged within a 7p to 9p per share range. Investors have been concerned about the company's weak cash conversion in recent financial results.

Christopher Mills is likely to work closely with founder, chief executive and 6.5% shareholder Andrew Walwyn towards addressing these concerns and improving operational excellence. Should progress not go as well as hoped it is quite possible that Mills could attempt to buy the company down the line, taking full control of Satellite Solutions' destiny. (SF)

Exploration success gives another boost to Rainbow

It is confident of proving up more exploration ground to extend its mine life

Positive drilling results from **Rainbow Rare Earths (RBW:AIM)** on 30 April have triggered further investor interest in the stock, taking its share price to 21p which is more than double the 10p price at which *Shares* said to buy in January 2017.

Analysts had previously valued the stock at between 19p and 20p per share based on current guidance for 5,000 tonnes of annualised production by the end of 2018.

Chief executive Martin Eales last week told *Shares* that analysts' valuations included no upside from potential exploration success. Therefore news that Rainbow's drilling work at its Gakara project in Burundi has found multiple intersections of high grade rare earth elements appears to have convinced the market the shares should be valued at an even higher level.

Stockbroker Arden Partners has kept its target price at 19p but says the latest exploration news adds confidence to 'upside scenarios' of between 22p and 24p per share.

Rainbow currently extracts ore, crushes it and exports the material. It wants to increase production to 6,000 tonnes per year in 2019 and has a desire to start processing some material itself in time, in order to enjoy a higher profit margin.

Eales says the business should be breaking even once it hits the 200 to 300 tonnes per month production rate. (DC)

KEY

- **Main Market**
- **AIM**
- **ETF**
- **Fund**
- **Investment Trust**