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# SHARES

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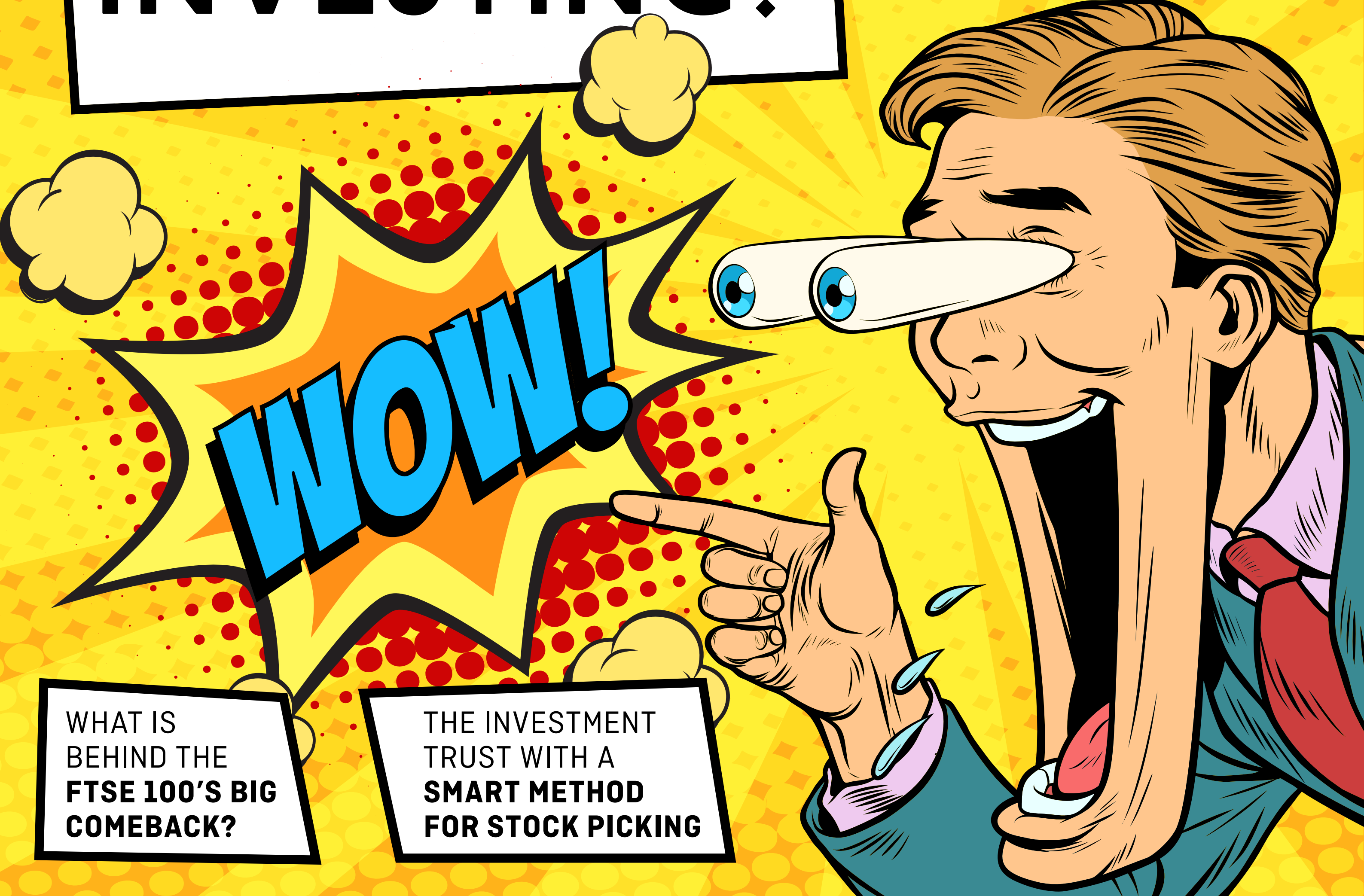


WHAT IS BEHIND THE **FTSE 100'S BIG COMEBACK?**

THE INVESTMENT TRUST WITH A **SMART METHOD FOR STOCK PICKING**

**THE BULL AND BEAR CASE FOR RETAILER NEXT**


# Fundsmith

## Emerging Equities Trust

**The Fundsmith Emerging Equities Trust (FEET) research team searches the world to find companies that make their money from a large number of everyday, repeat, predictable transactions and will benefit from the rise of the consumer in developing economies.**

Thyrocare performed **77 million** tests and TravelSky processed over **550 million** airline bookings last year, MercadoLibre sold over **50 million** items on its website last quarter and Dabur's Hajmola tablets were taken **26 million** times a day in India.

**You may never have heard of them, despite their scale, but all can be found in the FEET portfolio.**

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### FEET Performance, % Total Return

| Year ending 31st December | 2017 | 2016 | 2015 | 2014 | Since inception |
|---|---|---|---|---|---|
| FEET Share Price | +24.5 | +10.5 | -10.9 | +7.2 | +26.4 |

Source: Financial Express Analytics. Inception 25.6.14.

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Fundsmith LLP is a limited liability partnership registered in England and Wales with number OC354233. Its registered office address is 33 Cavendish Square, London, W1G 0PW

# The dangers of ignoring dividend growth rates

Make sure you consider the impact of inflation on your investment returns

Some of the most popular FTSE 100 stocks for dividend income may not be as appealing as you think once you look at dividend growth and the effects of inflation.

In an ideal world you should seek dividend growth levels in excess of inflation so you are obtaining a positive return in real terms.

Many investors forget to look at dividend growth when seeking income investment opportunities, preferring instead to go for yield. For example, **HSBC (HSBA)** is a popular income stock thanks to its approximate 5.3% yield. What may surprise you is the fact there has been no growth in HSBC's dividend for three years.

It's also perplexing as to why HSBC features as one the top holdings in **Royal London UK Dividend Growth Fund (GB00B63DTG61)**, when it offers no dividend growth. One explanation might be that this fund recently changed its name from the UK Growth fund and HSBC is a legacy holding.

## HIGH YIELD ISN'T EVERYTHING

High yielding stocks can provide a good income stream but they won't protect you against inflation if the dividend amount remains the same.

Another FTSE 100 constituent, pharmaceutical company **AstraZeneca (AZN)** hasn't grown its dividend since its 2011 financial year despite saying it has a 'commitment to a progressive dividend policy'.

We note this company is one of the top holdings of **Franklin UK Rising Dividends Fund (GB00BT6STC53)**, another fund whose name is somewhat misleading when considering the presence of AstraZeneca in its portfolio. Franklin says its fund's objective is to focus on companies that have a history of consistently paying and increasing their dividends.

Elsewhere in the FTSE 100, some companies have even had to cut their dividends in recent years including **Barclays (BARC)** and **EasyJet (EZJ)**.

Many utility companies pay close attention to the real cost of living by saying they aim to increase dividends each year by at least the level of retail price index inflation. Yet even this part of the market isn't guaranteed to keep growing the dividend each year.

Some analysts believe water utilities could be forced to cut their dividends in response to a price cap review due next year from regulator Ofwat.

## SUPERIOR GROWTH EXAMPLES

Data from SharePad reveals that 71 stocks in the FTSE 100 index are forecast to grow their dividend by a greater amount than the current 2.5% level of inflation.

Many of them have a good track record for having consistent dividend growth well above the rate of inflation. For example, safety products specialist **Halma (HLMA)** has averaged 6.7% dividend growth per year over the past decade. And construction equipment provider **Ashtead (AHT)** has increased its dividend by 37.8% each year on average since 2010. (DC)

Safety products expert Halma has a great track record for consistent dividend growth

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WHO WE ARE

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## BROKER RATINGS EXPLAINED:

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

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

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

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

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

# What is behind the FTSE 100's big comeback?

The UK's flagship index is outperforming other major indices

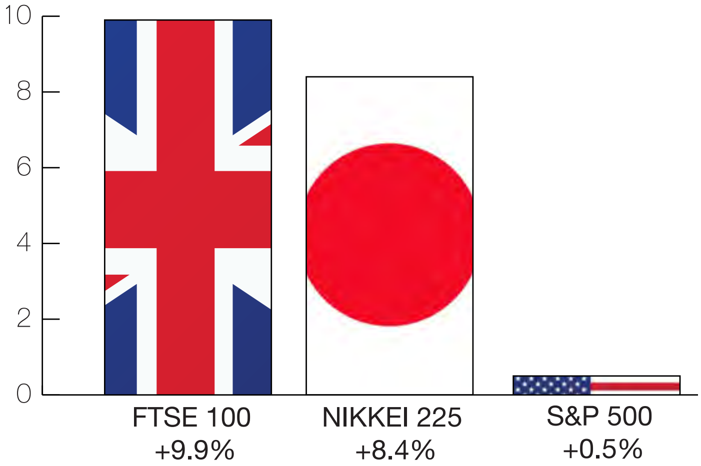
The FTSE 100 has been racing away since its most recent low point in late March. It has surged back above the 7,500 mark and is within striking distance of the previous record close of 7,778 on 12 January 2018.

It has advanced by nearly 10% on the 26 March closing level of 6,889. In doing so it has outperformed several of its global peers like the S&P 500 which is up by a mere 0.5%, and the Nikkei 225 which is trading 8.4% higher.

A key factor in this outperformance, particularly in recent weeks, has been a decline in sterling amid continuing ructions over Brexit and weak UK growth figures.

A fall in the pound increases the relative value of its constituents' overseas earnings. The 10 May interest rate decision from the Bank of England could be a key factor in determining whether the FTSE reaches new all-time highs in the short-term given the influence rates have on currency markets. (TS)

PERFORMANCE SINCE FTSE 100 BOTTOMED OUT ON 26 MARCH 2018




Source: Shares

## Games Workshop's looming growth battle

### Fantasy miniatures seller could face a high hurdle in the short term

FANTASY MINIATURES MAKER **Games Workshop's (GAW)** sales and profits for the financial year to 28 May 2018 are running 'slightly above expectations', extending its winning run of earnings upgrades. Yet investors should recognise sales and profits could decline in the next financial year.

Peel Hunt analyst Charles Hall has increased his year to May 2018 sales forecast for the FTSE 250 constituent by £6m to £217m and his adjusted pre-tax profit estimate by £4m to £74m (2017: £38.4m).

However he forecasts reduced sales and pre-tax profit of £200.2m and £58m respectively for the year to May 2019 due to currency issues and demanding comparatives.

Games Workshop had an exceptional first quarter last year due to the *Warhammer 40K: Dark Imperium* product launch and will now lap tough summer comparatives which 'will inevitably result in lower sales in the first quarter', says Hall, though 'the underlying momentum should resume thereafter.' (JC)

# Ranger Direct Lending resists calls to be wound up

Shareholder urges P2P fund to shut down rather than pursuing new secured loan strategy

Troubled peer-to-peer (P2P) investment trust **Ranger Direct Lending (RDL)** continues to reject calls from one of its largest shareholders to be wound up as it looks to pursue a new approach by investing in secured loans.

Backed by noted Invesco fund manager Mark Barnett, Ranger listed in April 2015 and is managed by Ranger Capital in Texas. It hit a big snag when its investment in a US fund was affected by the bankruptcy of Chicago consumer loan website Argent Credit. It is now languishing at a near-20% discount to net asset value.

The investment trust wants to replace Ranger Capital with Ares Management and pursue a new approach despite calls from 19% shareholder Oaktree Capital to initiate wind-up proceedings.

Ranger Direct Lending's board has hit back at Oaktree and another investor on the register which has been a vocal critic of its approach, LIM Advisers, accusing them of looking to 'impose their own agenda'.

Stockbroker Numis notes investors are normally offered an exit route when a fund is reconstructed but notes this is not the case here.

It comments: 'The appointment of an experienced, well-resourced manager with access to deal-flow would be a positive development for the fund.

'However, we agree that there is currently a lack of detail on the future strategy and that any transition may take a substantial time to implement given the current management's 12-month notice period.' (TS)

## Bleak water industry prospects are putting off investors

Regulatory and nationalisation risks drive investors overseas

UK WATER COMPANIES are trading close to four-year share price lows even after a mini rally since February, with the sector dogged by political and regulatory threats.

There are few reasons why this bleak performance may reverse convincingly any time soon, according to analysts at investment bank UBS.

The UK water sub-set is down between 7% and 10% year-to-date. It has fallen by nearly 20% over the past 12 months, with **Pennon (PNN)** the worst performer. **Severn Trent (SVT)** and **United Utilities (UU.)** complete the list of three quoted water groups.

UBS says the UK water sub-sector's current average 12-month forward premium to EV/RAB is 8% – well below its 10-year average of 15%. EV/RAB stands for enterprise value to regulated asset base, a key sector performance metric.

Regulator Ofwat is tightening the way it works out allowable returns the water companies can make for the next five year price review period, which runs from 2019.

The threat of industry nationalisation is also dragging on investor sentiment, if a Labour government were to seize power in a general election.

This has led to investment capital drifting from the UK water sector towards European counterparts, where companies like RWE and Innogy in Germany, and France's EDF have enjoyed much firmer share prices. (SF)

# Why new car sales jump is a false dawn

Monthly figures were boosted by one-off items

UK new car registrations rose 10.4% to 167,911 year-on-year in the month of April, according to the latest figures (4 May) released by the Society of Motor Manufacturers and Traders (SMMT).

While this reversed the trend over the last 12 months of a declining market, the uptick is flattered by a number of one-off factors and it is too early to call a market recovery.

Sales were boosted by the timing of Easter, giving dealerships two additional selling days this April; and March's adverse weather, which pushed some deliveries into April.

Most significant of all were the Vehicle Excise Duty (VED) changes that came into force last April, causing a pull forward into March 2017 as motorists looked to avoid VED tax rises before the end of March, which then depressed the market in April 2017.

As Alex Buttle, director at car buying comparison website Motorway.co.uk, explains: 'After a year

of falling new car registrations, this feels like a temporary respite for the car industry rather than a new dawn.

'Unfortunately, there's no tangible evidence to suggest there are better times ahead, and it would be foolhardy for hopes to be raised on one month's figures.

'The car industry is still facing a crisis, and although the downward trend has been reversed, we need to see several months of positive sales figures before talk of a recovery has any credibility.'

## Fund manager calls the top of the market

### Fidelity Special Values' fund manager advises investors to look for cheap stocks with recovery potential

**FIDELITY SPECIAL VALUES' (FSV)** fund manager Alex Wright warns the UK stock market has hit its peak, arguing it is trading 'around its long-term average' with many stocks on peak margins.

'I believe this constrains the ability of the overall market to continue to make above-average returns in the future, and leaves it more vulnerable to a shock,' comments Wright.

Global markets have been volatile this year amid concerns over interest rates, high valuations and a potential trade war.

Wright advocates seeking cheap companies with improving fundamentals that have a good shot at beating the market over the next few years.

Fidelity Special Values aims to deliver long-term capital growth by investing in smaller, medium and larger-sized UK stocks.

Among its top holdings are **Lloyds (LLOY)** and rare diseases business **Shire (SHP)**.

Wright says there are many stocks 'deeply out of favour' but not beyond recovery, including education publisher **Pearson (PSON)**.

He is confident Pearson has recovery potential after struggling with lower demand for pricey academic textbooks in the US.

Looking ahead, the fund manager says focusing on individual companies is vital instead of becoming distracted by political rhetoric or economic uncertainty.

Over the last five years, the fund has generated 15.3% in annualised total returns. (LMJ)

# FACING UP TO THE NEW VIRTUAL REALITY

FACEBOOK REALLY WANTS people to give virtual reality (VR) a try, so it's launched a second headset that will cost half the price of its original *Oculus Rift*. Its latest *Oculus Go* was launched at last week's F8 developers conference in California and will sell for $199, versus the $399 asking price of the *Rift*.

This is a big deal for UK-based VR application start-ups **EVR (EVRH:AIM)** and **VR Education (VRE:AIM)**. Their respective rock concerts and Apollo 11 moon landing apps both come pre-installed on Go headsets.

But VR sales have not lived up to early hype, at least not so far. Just 700,000 *Oculus Rift's* were shipped last year, according to Trendforce data, about 19% of all VR shipments. More than 1.4bn smartphones were sold worldwide in 2017. Still, one analyst reckons 1.8m *Oculus Go* sets could sell in 2018.

**WORLDWIDE VR SHIPMENTS**

| Company | 2017 | 2018E |
| --- | --- | --- |
| Sony PlayStation VR | 1.7m | 2m |
| Oculus Rift | 0.7m | 1m |
| HTC Vive | 0.5m | 0.6m |
| Microsoft VR | 0.3m | 0.4m |
| Other | 0.5m | 1m |

Source: Trendforce

NEWS

# CHEERS FOR CHANGE AT JOHNSTON PRESS

SHARES IN NEWSPAPER publisher **Johnston Press (JPR)** gained 11% on the day the departure of chief executive Ashley Highfield was announced (1 May).

Investors are clearly hoping his replacement, internal appointment David King, can breathe new life into the business.

However, King is likely to bump up against the same problem Highfield did during his seven years in the role, namely the company's substantial liabilities.

Johnston is currently in talks with bondholders over £220m which is due to be repaid next year.

# 2020

## More jam tomorrow from Ocado

ONLINE GROCER-TO-E-COMMERCE tech licensor **Ocado (OCDO)** has bagged an impressive fourth deal with an international retailer, but it faces hefty development costs and isn't forecast to return to pre-tax profit until the financial year to November 2020.

Based on broker Peel Hunt's estimates, Ocado's adjusted loss before tax should widen from £300,000 to £9.9m in the current financial year, narrow to £1.6m in fiscal 2019 before a swing back into the black to the tune of £16.8m in 2020.

Building on deals to use its Ocado Smart Platform (OSP) inked with France's Groupe Casino and Canada's Sobeys, as well as CEO Tim Steiner's long-promised first overseas deal with a mystery regional European retailer, Ocado's latest deal (2 May) has been struck with ICA, Sweden's leading grocery retailer with around 1,300 stores, £9bn of revenue and a 36% share of the Swedish market.

# You could make a lot of money from Rolls-Royce shares

Aero-engineer has the right man and the right plan to drive earnings recovery

A lot of fund managers look for discounted shares in high quality companies that happen to be facing short-term struggles. Individuals like Fidelity's Alex Wright, who runs the **Fidelity Special Situations Fund (GB00B88V3X40)** or Lindsell Train's Nick Train spring to mind.

We believe that **Rolls-Royce (RR.)** is an excellent example, and a super investment opportunity, for investors willing to take a longer-term view.

This is not the luxury cars company. Those fancy autos are made by BMW and have been for years. We are talking about the UK-listed designer and manufacturer of engines and huge gas turbines that power planes, trains and ships.

It has enjoyed prolonged spells of growth over the years. In the 10 years or so between 2003 and 2014 Rolls-Royce's share price increased more than 10-fold to nearly £13.00.

Since then life hasn't been as easy for the business. It was struck down by a corruption scandal and multiple profit warnings which nearly saw the company fold, according to its current chief executive officer (CEO) Warren East.

**ROLLS-ROYCE BUY**
(RR.) 836.6p
Stop loss: 669p

Market cap: £15.4bn

But the former boss of ARM Holdings, the UK chip designs champion that was sold to Japan's Softbank for £24.3bn in 2016, is making real headway in putting the pieces back together again.

## TURNING OVER A NEW LEAF

We like the current focus on efficiency improvement and sharper execution that East is insisting on. The recent re-testing of its Trent-1000 engines, while irritating perhaps, is evidence of Rolls-Royce's pursuit of engineering and support excellence.

We also think the CEO is right to exit the commercial marine business (now up for sale) and shrink the number of divisions from five to three. Rolls-Royce last month sold its fuel injection technology business for £610m.

Cash windfalls from such sales can be ploughed back into more exciting growth projects, such as the development effort now going into hybrid-electric aero-engines, alongside partner Siemens. This should result in prototype aircraft taking early test flights by 2020.

The key to medium-term progress at Rolls-Royce is getting its engines on to more planes, and those planes flying more air miles. That will accelerate the servicing and parts cycle from

**REBUILDING FREE CASH FLOW**

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|
| £982m | £1.03bn | £761m | £887m | £233m | £723m | -£490m | £1.29bn |

Source: AJ Bell, Rolls-Royce

which the company earns its profit and cash flow.

The engineering that Rolls-Royce undertakes is very technical and cutting edge science but the business model is fairly straightforward. It designs and builds aircraft engines for Boeing, Airbus and the Eurofighter Typhoon, one side of an effective duopoly in aviation with General Electric of the US.

One in two passenger planes are powered by Rolls-Royce engines, and it has recently been taking incremental market share from its US rival. A little more than half of revenues come from civil aviation contracts.

It also currently provides propulsion systems for the Royal Navy's nuclear submarines and commercial shipping, although that's not part of the long-term future. Instead, trains are likely to be a key focus down the line.

### SURPRISINGLY SIMPLE MODEL

Rolls-Royce makes very slim profits on average on the actual sale of engines. Some are even sold below cost as a loss-leader. The profits come from parts and servicing contracts over typical 25-year engine lifecycles. As you might expect, this ramps up with age.

A new engine doesn't require much fixing in the early years, but once they hit about five years old wear and tear begins to take its toll, giving Rolls-Royce about 20 years of premium profit-earning potential. And that's when the real cash flow starts rolling in; liquid financing that goes back into research and development and shareholder dividends.


Importantly, financial results are showing real signs of improvement under East's streamlined strategy. Full year 2017 results showed every division performing better than analysts had forecast, with underlying pre-tax profit topping £1bn and up 25% ahead of on 2016's equivalent figures.

It's no wonder the shares were the biggest FTSE 100 riser on the day (7 March), jumping 11.5%.

That makes 2017 the first year of profit growth since 2013. There was also a significantly improved cash performance, churning out nearly £1.3bn of free cash flow versus the £490m cash burn in 2016.

There is clearly more work for East and his team to do, both operationally and in rebuilding confidence in the market, but there are now more positive signs than over the past few years.

Revenue and profit performance have been rebased for 2018, with operating profit of £435m expected. This makes the stock look pricey in price to earnings (PE) terms but lower expectations also provide the platform for rapid recovery beyond. Close on £1bn of operating profit by 2020 is anticipated, by which time a £10.00 share price would imply a more realistic PE of 23.

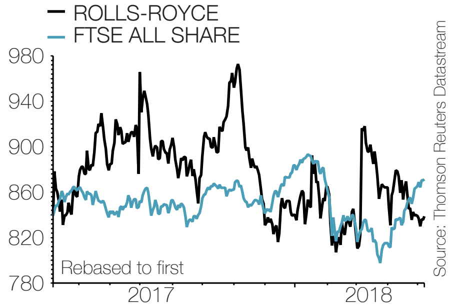
We remain big fans of the company and believe there is scope for substantial shareholder returns over the next few years. (SF)

**ROLLS-ROYCE: THE NEXT THREE YEARS**

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Revenue | £14.02bn | £14.83bn | £15.38bn |
| EPS | 20.5p | 40.1p | 50.7p |
| Net (debt) / cash | (£796m) | (£490m) | £63m |

Source: UBS forecasts

**BROKER SAYS: 4 11 6**



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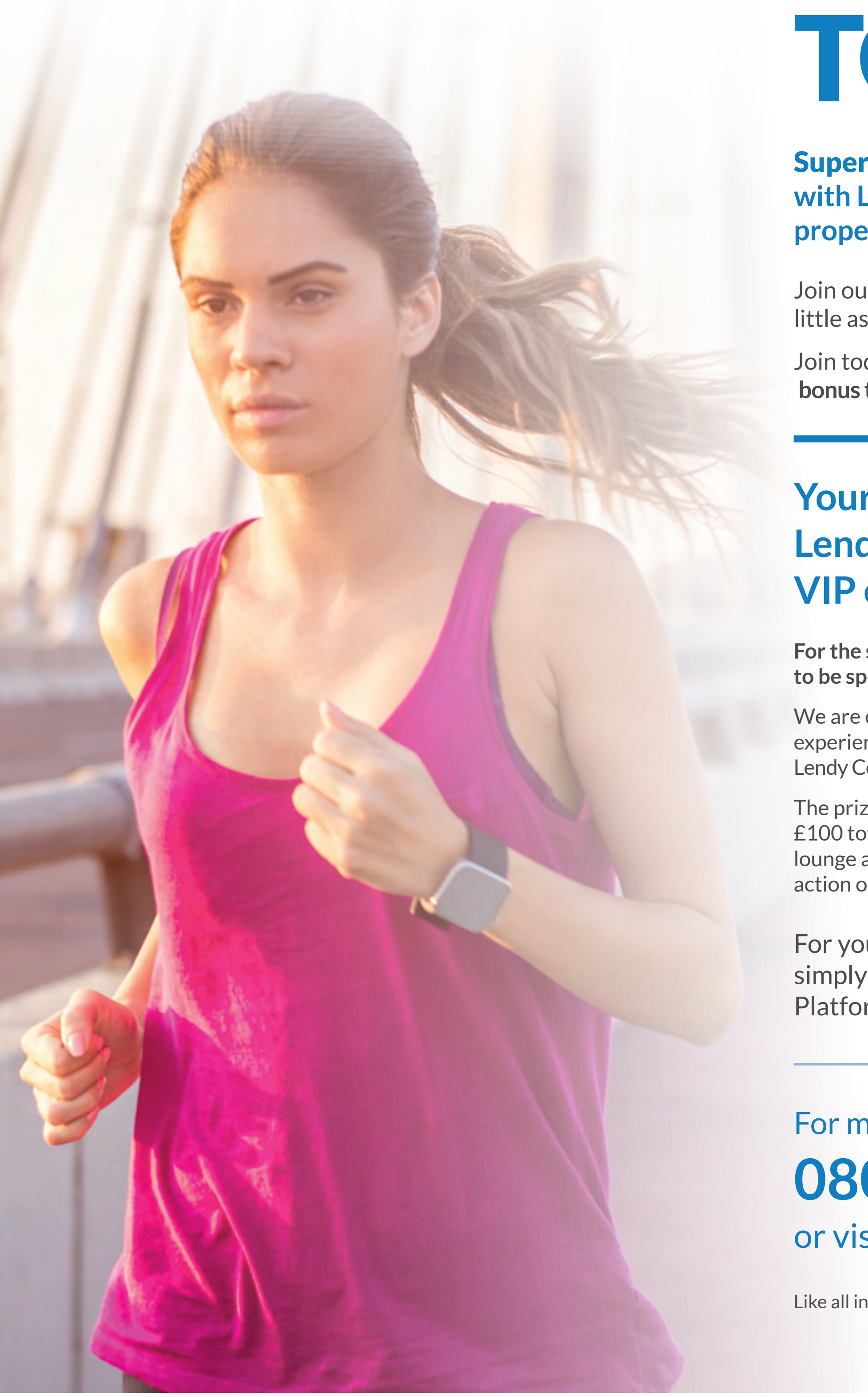

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# Building the Ibstock buy case brick by brick

Growth in earnings, cash flow and dividend is not currently reflected in its valuation

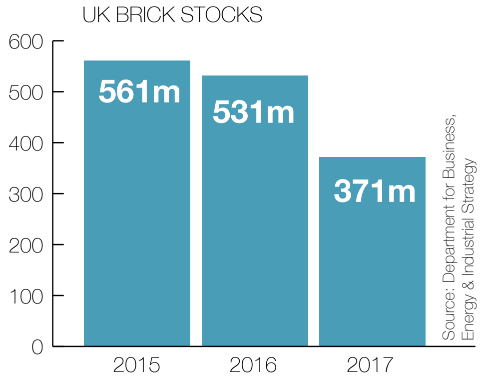
A positive environment for the brickmaking sector as a whole and **Ibstock (IBST)** specifically means now looks a good time to add a second brickie to our *Great Ideas* portfolio.

The East Midlands firm joins its counterpart **Michelmersh Brick Holdings (MBH:AIM)**, which we flagged in March.

In our view the sector will continue to benefit from strong demand from housebuilders and falling brick stockpiles.

Ibstock itself will introduce new capacity in 2018 which should boost earnings materially and it has announced plans to pay a supplementary dividend. Despite a decent run since full year results in March, the shares do not yet fully reflect the growth potential on offer.

Based on forecasts from investment bank Berenberg the shares trade on a price-to-earnings ratio of 13.7 times and, with the addition of a special dividend, yield a very healthy looking 5.5%.




**IBSTOCK ↗ BUY**
(IBST) 299.4p
Stop loss: 230p

Market value: £1.2bn

And these forecasts could even prove slightly conservative given the recent trading momentum and the company's robust guidance on negotiating higher prices for its bricks.

Capacity in the UK for the soft-mud bricks which Ibstock manufactures is largely sold out with imports up 35% in 2017.

## IMPROVING FREE CASH FLOW

Given their weight, bricks are an expensive product to transport and Ibstock's new SM3 plant in Leicester could pick up a significant proportion of the demand currently satisfied by imports.

The company is guiding for 50% utilisation for this facility in 2018 as management prudently look to ensure they get processes right, but this guidance could end up being overly cautious.

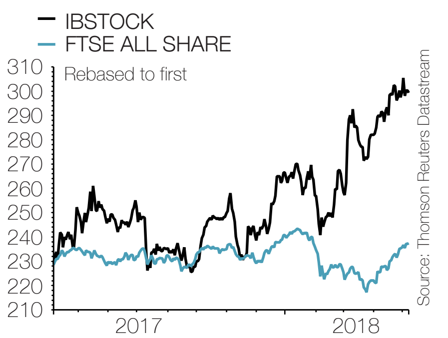
Meanwhile, free cash flow is ramping up as the company emerges from a period of fairly intensive capital expenditure on expanding capacity including the construction of SM3.

This has an enabled the introduction of a new dividend policy which means if no suitable acquisition opportunities are identified then a special dividend on the scale of the previous year's final dividend will be paid. The first supplementary payout is expected in August 2018.

Chief executive Joe Hudson, who only assumed the role on 4 April, has a background in the concrete industry and may look to bolster Ibstock's currently modest exposure to this space through bolt-on acquisitions.

Berenberg estimates the company has around £140m available for acquisitions and reckons this war chest could be bolstered by £80m if the company opted to sell its struggling US operation. The US market is in very different shape to the UK with a surplus of bricks. (TS)

**BROKER SAYS: 3 1 0**



# MPAC
## (MPAC:AIM) 213p

**Gain to date: 53.2%**

**Original entry point:**

**Buy at 139p,** 28 September 2017

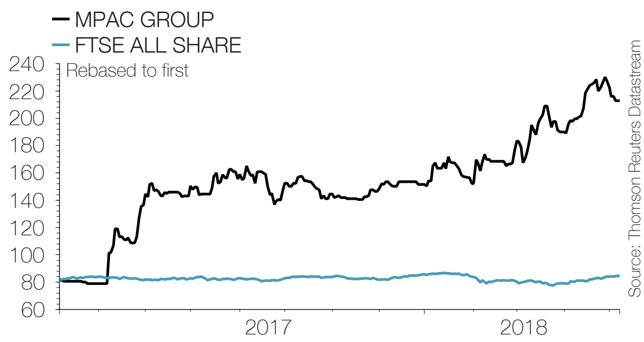
A BIT OF a whirlwind has blown through the boardroom of packaging industry engineer **MPAC (MPAC:AIM)** recently, dislodging both chairman Phil Moorhouse and finance director Jim Haughey.

After seven years in the job Moorhouse will be replaced by Andrew Kitchingman, a non-executive for the past two years. Haughey's loss was more of a bolt from the blue although we understand it was purely a personal decision.

That he'll remain in situ for the next six months should ensure a smooth handover, while analysts flag the 'considerable bench strength' in the MPAC finance team.

These departures do provide a timely opportunity to reassess the investment case given that the share price has soared. A special situations investment from the off, we argued that the market was giving too much weight to operating challenges and the pension fund black hole.

The wider market has since cottoned on and the shares no longer look significantly discounted. This year's (31 December 2018) price to earnings (PE) multiple has shot up to 21.5-times and remains a full-looking 15.1-times on 2019 forecast earnings. There could be more upside but the balance between risk and reward no longer looks so attractive.




**SHARES SAYS:** ↘

**Time to take profit and move on. (SF)**

**BROKER SAYS:** 0 1 0

# ALPHA FINANCIAL MARKETS CONSULTING
## (AFM:AIM) 180p

**Gain to date: 8.1%**

**Original entry point:**

**Buy at 166.6p,** 23 November 2017

SHARES IN **ALPHA Financial Markets Consulting (AFM:AIM)** have burst into life despite the absence of any recent news.

The company provides services to 75% of the top 50 asset managers and has enjoyed sustained growth over the last few years.

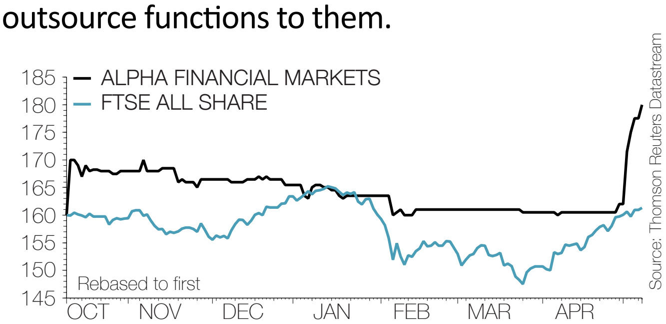
In March, the company released a trading update confidently saying that its profits will be ahead of market expectations.

This was driven by new business wins and as its chief executive Euan Fraser says, 'we are continuing to hire the very best consulting talent in the market'.

Sam England, analyst at investment bank Berenberg, says that despite the larger headcount, strong utilisations rates in the second half will support margins.

'We believe that Alpha can continue to drive earnings upgrades as it broadens its business. While the company continues to see strong growth in its core service proposition, management has noted that newer areas like regulatory compliance, investment guidelines, digital and wealth have performed well in the second half,' says England.

As the regulatory framework in which asset and wealth managers work gets more scrutiny, so the workload of Alpha will increase as its clients outsource functions to them.




**SHARES SAYS:** ↗

**Keep buying. The next share price catalyst should be full year results on 6 June. (DS)**

**BROKER SAYS:** 1 0 0

# Are investors getting fed up with share buybacks?

There has been mixed reaction to the latest swathe of share repurchase plans

Having bought back a record $23.5bn of its own stock in the first three months of the year, US consumer electronics giant Apple has announced plans to extend its buyback programme by a further $100bn.

On this side of the Atlantic several high-profile buybacks have been unveiled recently including **HSBC's (HSBA)** pledge to buy $2bn worth of its own stock, **Aviva (AV.)** launching its biggest repurchase of shares in a decade at £600m, and a £500m buyback at **Paddy Power Betfair (PPB)**.

However, several of these recent announcements didn't get a positive reaction by the market, and although in some cases this is because they were accompanied by other bad news, it does suggest investors could be getting disillusioned with this method of capital return.


## COMPANIES ARE FLUSH WITH CASH

Companies are sitting on lots of cash, perhaps because they have adopted a more cautious manner since the financial crisis in 2017/2018.

US companies closed 2017 with cash worth more than $1.9tn according to Moody's. Apple alone has a net cash pile of $163bn.

The latest figures for Europe, the Middle East and Africa, also from Moody's and covering 2016, showed €974bn stashed on corporate balance sheets with the ratio of cash to revenue at a seven-year high.

In a potential negative sign, rather than investing more money in their own businesses, many companies are either returning this cash to shareholders or splurging on M&A.

| RECENT SHARE BUYBACKS SHARE PRICE REACTION | |
|---|---|
| **Company** | **Performance on day buyback was announced** |
| Lloyds | 2.80% |
| IAG | -5.70% |
| Aviva | 1.40% |
| Paddy Power Betfair | -8.90% |
| HSBC | -1.0% |

Source: SharePad 4 May, listed in chronological order

## HOW DO SHARE BUYBACKS WORK?

Buybacks, alongside ordinary and special dividends, are a method of giving cash back to investors. They involve a company buying their own stock with the aim of reducing the number of outstanding shares.

A share buyback can be more tax efficient for shareholders if you assume they would prefer to be taxed on a capital gain than the income from dividends.

Buybacks can also imply the management team of a company believe the shares are undervalued.

## POOR JUDGES OF VALUE

Historically companies have

been poor at judging if their shares are truly undervalued. For example, US management teams sanctioned the most ever buybacks in 2007 when the market peaked and ignored buybacks completely during 2008 and 2009 which was, in hindsight, the biggest buying opportunity in recent history.

In the worst examples, buybacks can be used to massage earnings per share with the aim of hitting management bonus targets. If you reduce the number of shares in issue, then even if earnings are flat then the level of earnings *per share* will go up.


## BUYBACK FATIGUE

Given this background, it is probably no surprise some market fatigue has set in over buybacks. Back in February AJ Bell investment director Russ Mould reflected on a negative reaction to a €500m buyback at British Airways owner **International Consolidated Airlines (IAG)**.

'Share buybacks can be an acquired taste,' he noted. 'Yes, they quickly return cash to investors, who may be happier to receive the money than to see IAG invest it in fresh capacity across its routes at a time when consumer confidence is still pretty depressed, at least in the UK, owing to weak wage growth relative to inflation.

'But buybacks tend to work best when a company has ample funds to take care of the operational liquidity and needs of its business, when the balance sheet is rock solid and the stock is selling at a material discount to the company's intrinsic business value.'

Communication is paramount – an investor needs to know why a company is buying back shares and also why it has gone down this route rather than increasing the regular dividend or making a one-off payout.

In February this year **Lloyds (LLOY)** announced a £1bn buyback having a year earlier returned excess capital through a special dividend.

This was its explanation for the switch: 'In prior years, the board has distributed surplus capital by means of a special dividend. The board's current preference is to return surplus capital by way of a buyback programme given the amount of surplus capital (£1bn in 2017 versus £350m in 2016), the normalisation of ordinary dividends, our return to full private ownership and the flexibility that a buyback programme offers.' In our view this doesn't adequately spell out the reasons for the change.

Retailer **Next (NXT)** in contrast is exceptionally good at explaining how and when it decides to buy back shares. You can generally find this information in its financial results statements. (TS)

# HOW MUCH MONEY CAN YOU MAKE FROM INVESTING?


Most people should be familiar with the fact that investing in stocks and shares (also known as equities) can often generate a greater return than cash. But do you have an idea as to how much money you can realistically make from investing?

One of the big problems we've found over the years is that less experienced investors jump to conclusions and believe they can double their money on the markets in a short period of time. They get frustrated when the returns don't meet expectations so they give up.

In reality, investing in stocks and bonds can be very rewarding as long as you appreciate it generally takes time to build up wealth.

It involves taking on greater risks than cash in the bank, but the rewards can also be greater.

The purpose of this article is to rebase your expectations with regards to the level of potential returns by using historical examples of market performance.

We aren't saying you will get the same returns in the future as no one knows what will happen. We're merely pointing out past trends over different time periods and also comparing the performance of different asset classes, so you can get a sense of what's possible from investing.

On a final note before we drill down into the numbers, we do acknowledge you can sometimes get significantly greater returns from individual stocks and potentially some funds, compared to looking at the market as a whole.

You can also make less money, or even lose money. The purpose of this article is to simply look at the market from a broad perspective.

## WHAT HAVE WE LEARNED?

We've used two trusted sources of information: Barclays' Equity Gilt Study and Credit Suisse's Global Investment Returns Yearbook.

The historical performance of equities and

**ANNUALISED REAL RETURNS ON UK EQUITIES AND BONDS: CREDIT SUISSE'S STUDY**

| | EQUITIES | LONG-DATED GOVERNMENT BONDS |
|---|---|---|
| 2000-2017 | 2.9% | 4.3% |
| 1968-2017 | 6.4% | 3.8% |
| 1900-2017 | 5.5% | 1.8% |

Total return: all income reinvested. All returns adjusted for inflation.
Source: Credit Suisse

bonds varies depending on the time frame. For example, Credit Suisse's study finds that equities achieved 6.4% annualised real returns between 1968 and 2017. That assumes all dividends were reinvested, and the returns have been adjusted for inflation.

In contrast the annualised returns figure falls to 5.5% if you look at the performance between 1900 and 2017. It drops even further to 2.9% if you just look at the period between 2000 and 2017.

It is really important to note these figures are inflation-adjusted. Lots of articles in the media have historically talked about 7% typical returns from equities which is perhaps a bit misleading.

Many investors forget about inflation and how it eats into the real value of your money. So by adjusting for inflation these performance figures are providing a fairer indication of how much wealthier in real terms you could have been by investing.

Barclays' study also adjusts its figures for

**UK ASSET RETURNS SINCE 1899**
**Real investment returns by asset class (per year)**

| | 10 years | 20 years | 50 years | 118 years |
|---|---|---|---|---|
| Equities | 3.2% | 3.2% | 5.6% | 5.1% |
| Long dated Government bonds | 4.0% | 3.6% | 3.1% | 1.3% |
| Cash | -1.9% | 0.3% | 1.2% | 0.7% |

Source: Barclays

inflation. It finds that equities achieved 5.6% annualised return in the 50 years to the end of 2017. You will notice how that is a lower figure than the comparative period analysed by Credit Suisse (6.4%). The difference can be put down to the calculation methodology. For example, Barclays obtains its results from an index containing only 30 companies.

What's really interesting from Barclays' study is that long-dated gilts (UK Government bonds) outperformed equities over the past 10 years (to end of 2017), achieving 4% annual gain versus 3.2% from equities.

You could argue these figures don't make sense given investing in equities is supposed to be riskier than bonds and so the rewards should be greater. It can partially be explained by loose monetary policy and low interest rates driving demand for gilts, pushing up their prices and dragging down their yields.

If you believe that gilts are currently too expensive, one strategy might be to avoid them (or sell any you have) and wait until interest rates have risen substantially before giving them another look. However, there is always merit in having some permanent exposure to this asset class if you want a truly diversified portfolio.

On a longer-term basis, gilts achieved 4.3% annualised real return (with income reinvested) between 2000 and 2017; 3.8% between 1968 and 2017; and 1.8% between 1900 and 2017, according to Credit Suisse's research.

If you dig into the data, you'll see from the following table that gilts can go through bad patches. For example, they only delivered 0.8% annual real return between 1957 and 1967.

The following 10 years saw them actually lose money for investors with 3.2% real annual loss over that decade.

| REAL INVESTMENT RETURNS (PER YEAR) - BROKEN DOWN INTO 10 YEAR CHUNKS | | | |
|---|---|---|---|
| | Equities | Long dated Government bonds | Cash |
| 1907-17 | -3.8% | -7.2% | -3.8% |
| 1917-27 | 9.1% | 6.1% | 5.2% |
| 1927-37 | 6.1% | 7.3% | 2.6% |
| 1937-47 | 4.0% | 1.3% | -1.8% |
| 1947-57 | 2.3% | -6.2% | -2.5% |
| 1957-67 | 11.4% | 0.8% | 2.1% |
| 1967-77 | -0.2% | -3.2% | -2.5% |
| 1977-87 | 12.0% | 4.5% | 3.4% |
| 1987-97 | 10.4% | 6.9% | 4.6% |
| 1997-07 | 3.1% | 3.3% | 2.5% |
| 2007-17 | 3.2% | 4.0% | -1.9% |

Source: Barclays

Bonds' biggest threats are time, the interest rate, the issuer and the economic environment.

When investing in gilts, the issuer shouldn't be too much of a problem; it's unlikely that the UK is going to default anytime soon. This isn't true of all sovereign bonds as countries such as Greece and especially Argentina do definitely have what's termed credit risk, i.e. they might default.

More relevant for gilt investors are higher interest rates and inflation. If interest rates rise to a significant level, bonds will look less appealing than cash. In reality this is unlikely to happen in the foreseeable future as interest rates are currently 0.25% whereas the yield on a 10-year gilt is 1.5%.

More destructive to these types of investments is inflation; when it rises, it makes the payments received on the bond less valuable.

You can buy inflation-linked gilts which mitigate this phenomenon although these assets have returned the same as gilts on an annualised 10-year basis, being 4% according to Barclays' research. This may be due to the relatively low levels of inflation during the time period.

## THE MAGIC OF COMPOUND INTEREST

When investing, interest is earned on the capital either in the form of coupons for bonds or dividends for equities (although not all companies pay dividends).

If the interest is reinvested, the capital grows as does the interest which is a percentage of the initial investment. Luckily there's a quick and easy formula to work out how quickly this can bring in decent returns.

Given the equations related to compound interest are too complicated for most people to do without a calculator, there's a simple solution called the rule of 72. If we take the annualised rate of return it's easy to find out how long it will take to double your money.

◆

**Years required to double your money = 72 divided by the annual rate of return**

◆

Using Barclays' 10-year annualised rate of return for equities of 3.2%, it would take approximately 22 years to double your money in real terms.

While it may appear useful to have a simple formula to work out how long it will take to double your money, equities are a volatile asset class and small differences to performance in a single year can make a big difference to your longer term returns.

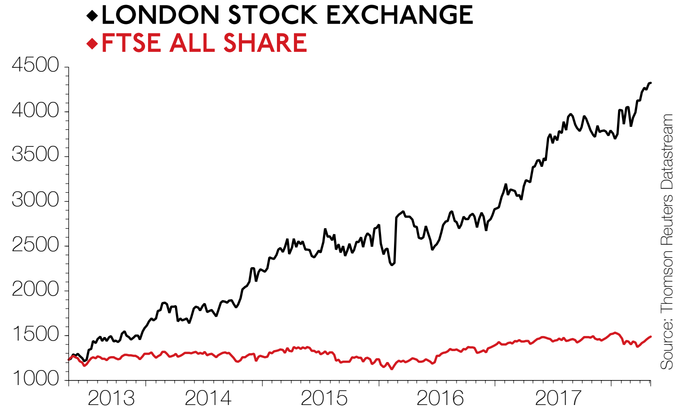
According to Barclays the real return on equities in 2017 was 8.4%. If we assume this rate of return going forward, it would only take 8.6 years to double your money. However, it is unlikely that rate of return for one year will remain the same going forward as markets go up and down.

You may find a solution is to build a diversified portfolio which means investing in a variety of assets that will react differently in certain market conditions. This can be done by investing in a variety of asset classes, including bonds, property, gold and cash or by choosing varying types of companies that behave differently depending on where we are in the market cycle.

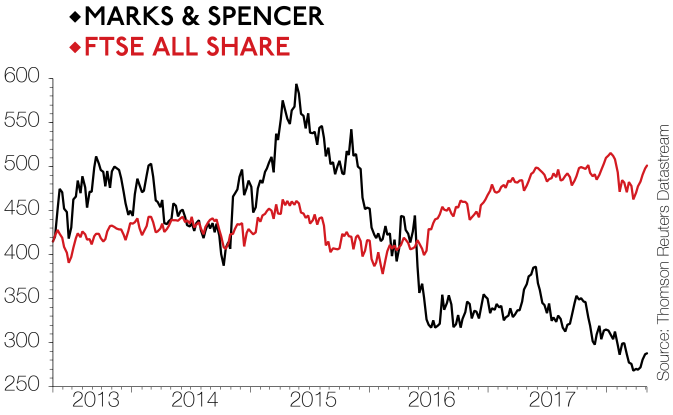
For instance, cyclical stocks such as banks and miners may do well when the economy is growing but suffer during downturns. Defensive stocks such as healthcare assets may allow investors to smooth out the downturns as they theoretically offer downside protection.

## A TALE OF TWO STOCKS

To illustrate the varying fortunes of investing in the stock market, let's look at how **London Stock Exchange Group (LSE)** has performed. If an investor had chosen to invest in the company five years ago, they would have made a return of 247% today as the company's stock has been on the ascendency. Not a high paying income stock, its dividend yield is just over 1%, the bulk of the returns are made through capital appreciation.




On the other end of the scale is retailer **Marks & Spencer (MKS)**. An investment in this stock would have reduced your invested capital by 32% over five years. The decline of physical retailers is not a new phenomenon but a persistent one. These stocks are examples of how volatile the stock market can be and why there is no such thing as a guaranteed return.





## HOW HAS CASH PERFORMED?

Cash has delivered a real return of 0.3% per year over the past 20 years, or 1.2% over the past 50 years, according to Barclays' study.

Over the past 10 years you would have incurred a 1.9% annual real loss on holding cash. If you think this sounds odd when you can get positive (albeit modest) rates of interest in ISAs and savings accounts, just remember the performance figures have been adjusted for inflation.

The allure of cash is obvious; many who witnessed two stock market collapses in a decade may understandably think that cash is the far safer option. However, stock markets often recover quickly from crashes, as evident in how 2009 was one of the greatest buying opportunities for shares in recent memory – only a year after one of the biggest ever stock market crashes.

Cash may bring short-term comfort but history suggests this asset class will significantly lag shares and bonds over the long-term.

That said; you should always have some cash as an emergency buffer in case something unexpected happens in your life. It is also worth having some cash to hand in case markets fall and you can act on sudden price weakness by buying stakes in some great companies or funds. (DS)

# The bull and bear case for retailer Next

It is considered best-in-class, so why aren't analysts excited about the stock?

With the UK high street highly distressed, the majority of analysts are sitting on the fence with 'hold' ratings on one of the retail sector's biggest constituents, clothing-to-homewares colossus **Next (NXT)**.

Long revered for its best-in-class retail disciplines and management team, not to mention an impressive record of surplus capital return, Next is rebuilding investor confidence following a downturn in fortunes.

In fact, 2017 was 'the most challenging year we have faced for 25 years' according to CEO Simon Wolfson. A difficult clothing market and self-inflicted product range errors were among the reasons for earnings decline.

Despite this doom and gloom, shares in Next have held up quite well. At the time of writing they are trading close to a 12-month high of approximately £52, although still considerably below the £80 level seen in late 2015.

According to Reuters, 12 analysts currently have 'hold' ratings on the stock, versus eight with 'sells' and only three with 'buys'.

Full year results (23 Mar) from the one-time stock market darling drove a relief rally in the unloved shares. Investors welcomed the absence of another profit warning.

Shareholders were actually treated to a crystal clear analysis of the challenges facing the fashion purveyor and a study of its strategic responses in terms of online investment, improved stock availability and how the company plans to manage its store estate.


"2017 was the most challenging year we have faced for 25 years"

- Simon Wolfson, CEO -

To help you better understand the company's situation, we've pulled together the bull and bear case on the stock. You should also note that Next's latest trading update is scheduled to come out at the same time as this article (10 May 2018). Assuming there are no major setbacks in that trading update, we remain fans of the stock and have a long-standing 'buy' rating.

## THE BULL CASE

### CASH GENERATION

Next's strong cash generation, dividend yield and a £275m share buyback for the current financial year should enable the retailer to invest in competitive advantage and provide a degree of downside share price protection.

### BEST-IN-CLASS MANAGEMENT TEAM

Despite the challenges of a tough clothing market and the acceleration of the structural shift from bricks-and-mortar stores to online, Next remains a well-managed company with tight cost and stock control and a focus on full price sales.

Profit declined again last year, yet it was in-line with previously issued guidance, demonstrating how well the clothing retailer is managed. We note that Next now makes more profit online than it does from physical stores.

### SELF-HELP LEVERS TO PULL

In common with other physical store retailers, Next is over-spaced. It trades from 528 bricks-and-mortar stores as well as its large online business, Next Directory.

**NEXT IN NUMBERS**

| | Adjusted pre-tax profit | Earnings per share | Dividend per share | Price-to-earnings (PE) ratio | Dividend yield |
|---|---|---|---|---|---|
| **2017 (A)** | £790m | 438.1p | 158p | 11.8 | 3.1% |
| **2018 (A)** | £726m | 415.6p | 158p | 12.4 | 3.1% |
| **2019 (E)** | £695m | 416.6p | 158p | 12.4 | 3.1% |
| **2020 (E)** | £682m | 432.1p | 158p | 11.9 | 3.1% |

Source: Berenberg

Yet the company does have self-help levers it can continue to pull. These include continuing to 'churn' the store portfolio, bearing down on sourcing costs, shortening leases and filling floor space with an array of concessions.

Interestingly, its net rent fell by 28% in 2017 on 19 stores where the leases were renewed. Landlords have also paid for a large part of store refitting costs.

### IMPROVING COST AND CONSUMER BACKDROP

Wolfson and his management team appear confident that rising costs, a squeeze on consumers' real incomes and the shift in spending from 'stuff' to experiences are cyclical trends which may start to come to an end in the year ahead.

Furthermore, any rise in the pound should restrain import costs and help to put a lid on inflation, becoming a tailwind if the currency keeps appreciating throughout 2018.

We urge to you read Next's financial results because the way the company communicates its strategy and performance is streets ahead of any other listed company in terms of clarity.

## THE BEAR CASE

Food for the bears has been served by investment bank Berenberg, which recently reiterated its 'sell' rating following the annual results, albeit with an increased price target of £38.

Its bearish thesis is that a restructuring will ultimately be required.

While Next has benefited from the structural shift of sales online, Berenberg argues the aforementioned 528-strong store estate has become a burden, hindering its capacity to invest in product and online.

And whilst the company has a long history of strong financial discipline and cash returns, this will come under pressure if its market share declines.

### UNDIFFERENTIATED PRODUCT

'We believe Next's product remains undifferentiated, online is simply cannibalising store growth at an incremental cost and the store estate is a misallocation of capital leading to market share erosion. Given the weak comparatives, we would sell after the first quarter results on 10 May 2018,' writes Berenberg.

It argues that Next's slow supply chain means its products are exposed to greater competition. Next sources 89% of its product from Asia on 32-week lead times, making it difficult for Next to respond to fashion trends and maximise the efficiency of its inventory.

This forces the retailer to concentrate on more basic products for which customers are more focused on price.

'We believe its basic product is particularly exposed to the shift of sales online and, in particular, to the competitive threat from Amazon,' continues Berenberg.

'While some investors question the likelihood of consumers buying clothing from Amazon, we expect it to become the largest clothing retailer in the US over the next 12 months. We believe it is aggressively taking share in Europe, driven by a strong delivery proposition and low prices.'

From *Shares*' own experience, we think it is important to note that many of the clothes sold on Amazon are poor quality, sold cheaply in the hope that the customer won't care because the price point is low. Consumers will only go down this route so far before they yearn for better quality products, even if it means paying slightly more money, in our opinion.

### ONLINE GROWTH LAGGARD

Berenberg insists Next's online growth is lagging that of its peers. Once its third party business LABEL is stripped out, Next's private-label online sales only crept up 0.4% in the UK in the last financial year.

The investment bank attributes this weakness to Next's undifferentiated product and the lack of a free home delivery option.

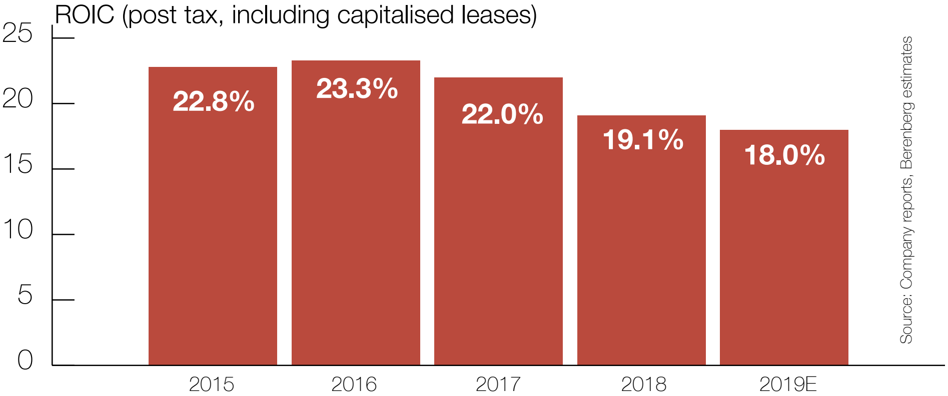
### CAPITAL MISALLOCATION

Next's verdict is that its 'extremely profitable' store portfolio is an asset, albeit one declining in value, rather than a liability.

Yet Berenberg argues the estate is a misallocation of capital and 'with capex levels broadly flat over the last two years, a growing credit book, limited sales growth and profit


**ROIC is in decline**

ROIC (post tax, including capitalised leases)




decline, return on invested capital is in decline'.

Significantly, new retail space remains Next's biggest investment, yet according to Berenberg the current strategy is 'formulated to maximise short-term returns based on its current business model, rather than adapting to maximise its longer-term market share potential as the industry faces a major overhaul'.

It believes this commitment to offline stores (from both an opex and capex perspective) is preventing Next from investing in areas that matter most to the consumer (product and delivery), leading to market share erosion.

Sporting too many stores, Berenberg says that even shuttering outlets at this stage in the game would hurt the online business.

'First, the online business would lose the benefit of the store estate as a marketing tool,' says Berenberg, and second, 'given that circa 50% of the online business is click-and-collect, we struggle to see how it would be unaffected. Management would face a choice, in our view, of losing sales or offering free home delivery. This would further erode profitability.' (JC)

**SHARES SAYS:** ↗

**We acknowledge the risks, yet believe Next will emerge as a healthy business with a very long future. Buy.**

**BROKER SAYS:** 3 12 8

# This investment trust has a really clever way of picking stocks

Strategic Equity Capital taps into a network of experts as well as carrying out specific financial analysis

Have you ever wondered how a fund manager picks a stock? Some investment trusts and funds run screens on equity valuations, income statements and balance sheets. Others may place greater emphasis on meeting management and deciding whether they like the story or not.

Occasionally you find an asset manager which sticks out from the crowd such as GVQ Investment Management which runs small cap-focused investment trust **Strategic Equity Capital (SEC)**. Its process isn't unique but it is certainly unusual when looking at the broader investment trust universe.

Strategic Equity Capital's objective is to apply private equity investment techniques in public markets. Admittedly asset managers Downing and Gresham House do something similar although the former tends to focus on turnaround situations which are of no interest to Strategic Equity Capital.

Strategic Equity's portfolio includes a stake in radiology reporting group Medica

## HOW IS IT DIFFERENT?

Helping Strategy Equity Capital to stand apart from the crowd is an advisory panel which features experts including the former boss of **Rentokil (RTO)**; the ex-finance director of industrial groups **Weir (WEIR)** and **Meggitt (MGGT)**; the former numbers man at media giant **Daily Mail & General Trust (DMGT)**; and a couple of specialists from the private equity industry.

Jeff Harris, fund manager at Strategic Equity Capital, says his team present the panel with two ideas each month. 'We want them to discuss whether these are good companies rather than whether we should invest. Is the business strategy good? Do they know anyone in the business? We want to tap into our advisers' network.'

Harris says the panel members are all retired and view their participation like a book club. 'It keeps them engaged with the world of business.' Some of them also attend site visits when Harris and his team are meeting companies so they can help comment on whether a company has the right equipment or is running an efficient operation, among other aspects.

The fund manager says other parts of the due diligence process include speaking to customers, suppliers and competitors. In addition, it draws upon a network of private equity practitioners and external consultants where necessary.

A recent example of an investment aided by the investment trust's advisory panel is pharmaceutical services group

**Ergomed (ERGO:AIM)**. Strategic Equity Capital has a good network in the healthcare sector including panel member Lindsay Dibden who owns a female healthcare clinic in Guildford and was a founder partner at private equity group HgCapital.

The investment trust has been a long term shareholder in **Clinigen (CLIN:AIM)** and its former CEO Peter George is now Ergomed's chairman. 'The company conducts clinical trials for potential share of any upside in a treatment. It also carries out ongoing regulatory reporting for drug companies. The new strategy is to stop the former and concentrate on the latter. Pharma companies are increasingly outsourcing work which is good for Ergomed.'

In addition to working with panel members and third parties, Strategic Equity Capital also sometimes confers with fellow shareholders in certain stocks. Rather than act like a traditional activist investor and shout about problems which need fixing, this investment trust talks to other investors if one of its holdings is faced with challenges. The fund manager looks to put through changes in a consensual way and in private.

For example, last year Harris engaged with publisher **Wilmington (WIL)**. 'The chairman had been on the board for 13 years and we met to discuss succession planning. We felt there weren't enough people challenging the management to react to changing times in media and the company also wasn't good at investor relations.

'A new chairman is now in place, ex-Daily Mail & General Trust, and whom is more up to date with the media landscape.'

## ALL ABOUT THE CASH FLOW

Another part of its stock picking process involves more traditional financial analysis. The investment trust places a large emphasis on cash flows; looking to see what a company has to spend to stay competitive (also known as maintenance capex).

Last year it made an investment in **Alliance Pharma (APH:AIM)** when it was unloved by the market after taking on a lot of debt to finance an acquisition.

'Many investors do not screen for stocks trading above a certain level of net debt to EBITDA and so they ignored Alliance Pharma. Through detailed cash flow analysis, we saw the opportunity for Alliance Pharma to de-gear the balance sheet. The transfer of value from debt to equity has subsequently resulted in a share price re-rating.'

Cash flow analysis also played a key role in the decision to sell a stake in **Goals Soccer Centres (GOAL:AIM)** last September. Not only had Harris spotted a worsening consumer environment last summer which could lead to reduced demand for the company's five-a-side football sites, but he also thought that Goals may encounter some financial pressures as a result of changing its business model due to increased competition.

The decision by local authorities to convert some of their land into five-a-side courts prompted Goals' management to try and go upmarket. Harris was concerned this would result in higher renovation costs and that maintenance capex would also eat away at its cash flow over the years.

**STRATEGIC EQUITY CAPITAL: TOP HOLDINGS**

| COMPANY | PERCENTAGE OF PORTFOLIO |
|---|---|
| IFG | 9.7% |
| Equiniti | 9.0% |
| Tribal | 8.6% |
| Wilmington | 8.4% |
| Clinigen | 7.0% |
| 4imprint | 6.4% |
| EMIS | 6.2% |
| Tyman | 5.9% |
| Alliance Pharma | 5.6% |
| Proactis | 4.6% |

Source: Strategic Equity Capital, as of 31 March 2018

## VALUATION BENCHMARCK

Strategic Equity Capital places a high importance on real world multiples when it is seeking potential investments. For example, it looks at other relevant transactions in the same space as a particular company. This helps to provide a benchmark by which to consider selling a holding should its valuation approached this real world multiple.

That's exactly what's happened with share registrar **Equiniti (EQN)** which is one of the investment trust's biggest holdings; albeit Harris has recently been taking some profit as its shares have re-rated as the business has grown in size (remember this is a small cap fund).

## HOW HAS IT PERFORMED?

Strategic Equity Capital hopes to achieve annualised total returns of 15% over a three to five year holding period for stocks.

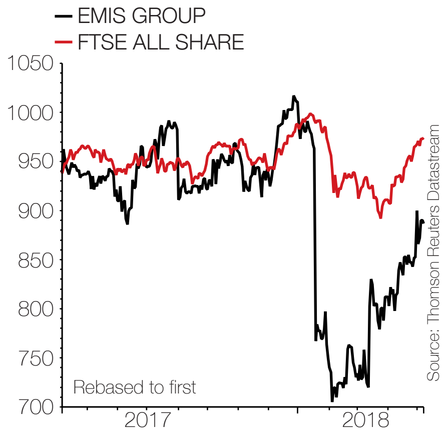
Shares in the investment trust are down 7.5% in value year-to-date thanks to a few setbacks with two holdings. However the long-term track record is very good with the shares having more than doubled over the past five years – its share price has appreciated by 110% versus 21% from the FTSE All-Share index.

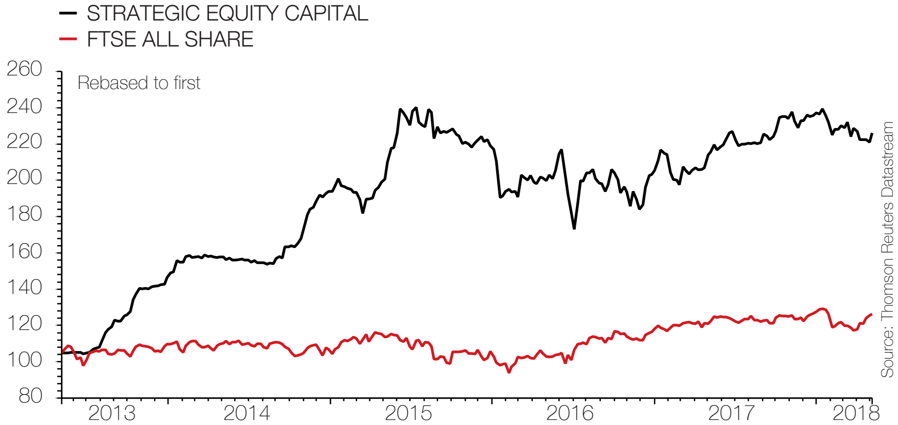
The downside of having a concentrated portfolio (currently 19 stocks) is that it only takes a few pieces of bad news to dent the overall performance.

One of the stocks which contributed to recent negative performance is **EMIS (EMIS:AIM)**. 'It did well last year but a new CEO identified some service level issues which triggered a share price decline. It is related to isolated legacy issues and the share price is now recovering,' says Harris. 'There is ongoing consolidation in this market at premium valuations to EMIS's current multiple (14x vs.10x EBITDA).'

Another holding, **Medica (MGP)** grew very strongly at 18% organically last year but the market was expecting 22%, which led to a fall in its share price. There was a slowdown in the fourth quarter due to NHS capacity issues during the winter crisis. However, the fund manager notes the long term structural drivers are strong and Medica is the market leader.

He adds that it continues to offer double digit earnings growth and is trading on a PEG ratio of less than 1-times which implies it is cheap. 'Its cash flow yield is very strong and it has no debt. Our position was reduced last year as it re-rated but this year we've been buying back on weakness.'




## BENEFITS OF A CONSISTENT PROCESS

The investment trust's manager GVQ has used the same investment process since it was founded in 2002. It believes it is possible to generate superior returns for investors over the medium term by focusing on four drivers which it believes to create equity value, namely: growth, value, de-gearing and the potential for corporate activity.

It is confident this approach leads to more consistent returns over time, as opposed to an investment mandate that is focused on one or two drivers such as growth or value.

'There are times in investing when you have to stick to your guns,' concludes Harris. 'People like a defined process and our process doesn't change.' (DC)

The investment trust has a stake in EMIS whose technology is used by doctors' surgeries

# What has gone wrong at Woodford Patient Capital?

We explain why the popular fund is now trading at a discount to NAV instead of a premium as it has done in the past

Investors are having to be very patient with star fund manager Neil Woodford's **Woodford Patient Capital (WPCT)** investment trust. A patchy track record since its launch in April 2015 sees the trust languishing at a 7.5% discount to net asset value (NAV).

The particularly poor performance over the last year, which we will explore in-depth later, means Woodford will not receive any fees as the NAV has failed to beat its 10% per year compound growth target.

Woodford Patient Capital was pitched at inception as offering investors exposure to a mixture of exciting, disruptive early-stage companies via stakes in businesses with attractive intellectual property.

Woodford looks to deliver returns by identifying and funding untapped growth opportunities.

At its shares' all-time high of 119p in August 2015, the trust was trading at a 13.1% premium to NAV.

## CLINICAL TRIAL SETBACK

Over the last year, Woodford Patient Capital has been trading at an average 6.8% discount to NAV following a series of disappointing setbacks, the most high profile of which related to its third biggest holding Prothena.

Global biotech company Prothena focuses on developing drugs for progressive diseases such as Parkinson's, which can be caused when nerve cells break down.

Prothena's key trial to test whether investigational antibody NEOD001 could help treat amyloid light-chain (AL) amyloidosis failed recently (23 April), wiping off 69% of its market value.

AL amyloidosis is caused by a build-up of abnormal protein called amyloid in organs and tissues in the body, which can lead to organ failure according to the NHS.

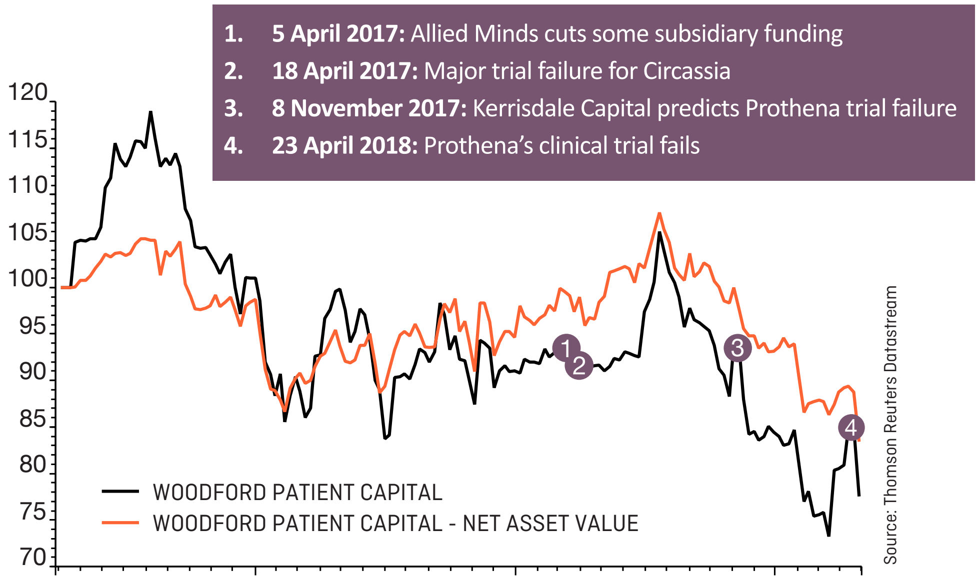
Following the trial failure, the company discontinued the development of NEOD001 and terminated its ongoing Vital study.

As Woodford Patient Trust has a 9.1% holding in Prothena, it took an estimated hit to its NAV of 6% according to capital markets firm Winterflood.

## SHORT-SELLING PRESSURE AND RISING LOSSES

Woodford says it was 'an extremely disappointing outcome' that surprised Prothena after a more significant placebo effect was observed compared to previous trials.

Not everyone was surprised by the outcome. In November 2017, US hedge fund Kerrisdale




THIS CHART SHOWS A STRONG SHARE PRICE PERFORMANCE WHEN THE FUND FIRST LAUNCHED, BUT HALF OF ITS LIFE HAS UNDERPERFORMED NAV.

Capital was critical of Prothena's NEOD001 and predicted it would fail, prompting weakness in the shares and criticism from Woodford himself.

This is not the first time Kerrisdale and Woodford have been at odds. Back in 2015, Kerrisdale slated intellectual property commercialisation firm and Woodford holding **Allied Minds (ALM)**, labelling some of its investments as 'duds.'

In April 2017, Allied Minds stopped funding seven subsidiaries on the belief there were no commercial returns from these companies despite then demonstrating progress against milestones. This occurred shortly after the surprise departure of founder Chris Silva.

Shares in Allied Minds have plummeted 83.8% to 116.8p from a record high of 725p in April 2015.

These troubles were felt by Woodford's fund. It has also been hit by troubles at **Circassia (CIR)**. The speciality pharma business decided to focus on its respiratory business and asthma management franchise after ditching its allergy programmes on the back of two major trial failures.

Three quarters of its value have been wiped off since hitting an all-time high of 352.7p in September 2015.

### POSITIVE PORTFOLIO NEWS

Is it fair to judge this trust on three years of performance? Its name reflects a long-term approach with an investment time-frame upwards of five years and it explicitly warns off investors who are not prepared to accept short-term volatility.

Among the non-healthcare firms in its portfolio is online estate agent Purplebricks

And despite the huge blow from Prothena's trial failure, Woodford continues to work with the company thanks to its attractive technology platform and the potential to treat different neurological disorders.

The fund manager says its platform has been validated by two collaborations with major players Roche and Celgene.

Prothena also benefits from unpartnered assets set to enter the clinic and is well-funded with $500m on its balance sheet.

Since the beginning of the year, Woodford has at least been able to feel a bit more upbeat about his top holding Oxford Nanopore.

Currently valued at £1.5bn, the company is focused on commercialising its products. These include pocket-sized DNA sequencer MinION and its RNA and DNA sequencing technology PromethION.

The UK's first high energy proton beam therapy, Proton Partners, is tipped for success after commencing treatment on its first patient in April.

This treatment is different from traditional cancer treatments as protons are used to target and kill cancer cells with minimal damage to the surrounding tissue.

Proton Partners is among Woodford's top holdings at 5.5% and is on track to open its unique cancer centres within an hour and a half's reach of 75% of the UK population by 2023.

Further upside for the fund could be achieved through its 91% stake in Benevolent AI. This company uses its artificial intelligence to find and analyse large chunks of data about specific diseases and recently raised $115m to expand its focus on new diseases.

Winterflood analyst Kieran Drake flags that over half of the fund is exposed to healthcare companies, but believes this is less of an issue due to a range of business models in the portfolio.

Among the non-healthcare holdings is online estate agent **Purplebricks (PURP:AIM)**. This is a significant contributor to the portfolio's performance as its shares have more than tripled in value since floating in 2015. (LMJ)

# Is it time to embrace or escape from emerging markets?

Movements in commodity prices and currencies provide important signals

By Russ Mould, investment director, AJ Bell

One of many aphorisms uttered by investment legend Warren Buffett is that 'you cannot buy what is popular and do well'.

This implies the best portfolio returns are generated when investors take exposure to an asset class, geographic region or investment theme when no-one else is looking and valuations are therefore appealing – in that they provide downside protection and also upside potential.

A classic example of this situation in the field of global stocks and shares is emerging markets. They were almost friendless during 2012 to 2015, as commodity prices sank, the dollar rose and interest rates were taken higher to combat inflation, even as economic growth generally disappointed.

But as proves to be so often the case, valuations and expectations fell so low that it took little to provide an upside surprise.

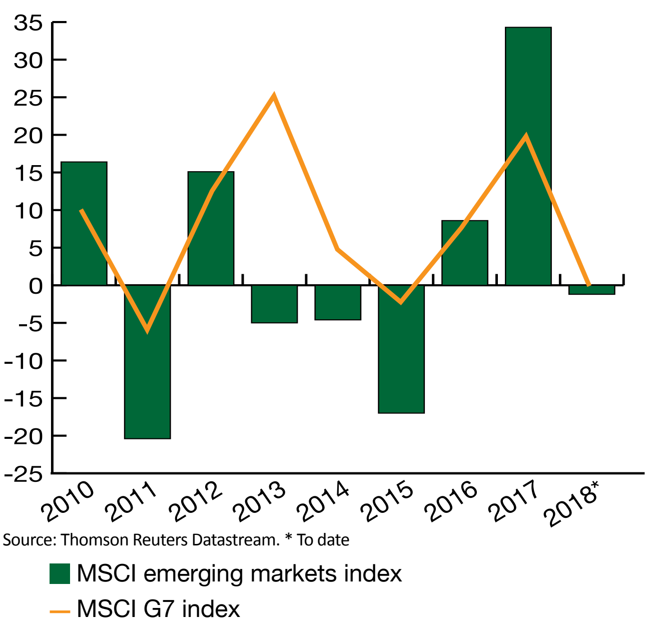
Emerging markets began to gain momentum in 2016 and they outperformed handsomely in 2017.

Yet cracks have begun to appear in 2018. Fresh US sanctions have taken a toll on Russia. Mexico and Brazil are nervously awaiting elections (as is Turkey, even if the result here is in no doubt).

Currencies such as the Mexican peso, Turkish lira, Russian rouble and Indonesian rupiah have lost ground on the dollar. Some economies in Asia have begun to overheat.

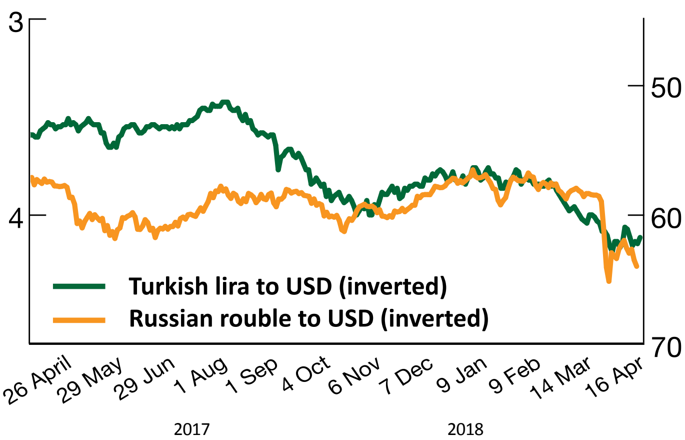
And the Federal Reserve has continued to tighten monetary policy, driving yield on the US 10-year Treasuries to 3%, a level which just might tempt cash to quit more exotic fields in search of more dependable returns nearer to home.

**EMERGING MARKETS HAVE LED THE WAY SINCE 2015 AFTER A LONG PERIOD IN THE DOLDRUMS**




Source: Thomson Reuters Datastream. * To date

**CERTAIN EMERGING MARKET CURRENCIES HAVE STARTED TO WOBBLE, INCLUDING THE TURKISH LIRA AND RUSSIAN ROUBLE**




Source: Thomson Reuters Datastream.

So the question to address now is should investors continue to embrace or start to escape from emerging equity markets?

## BROAD UNIVERSE

Investors need to remember that not all emerging markets are alike, even if they tend to get bracketed together.

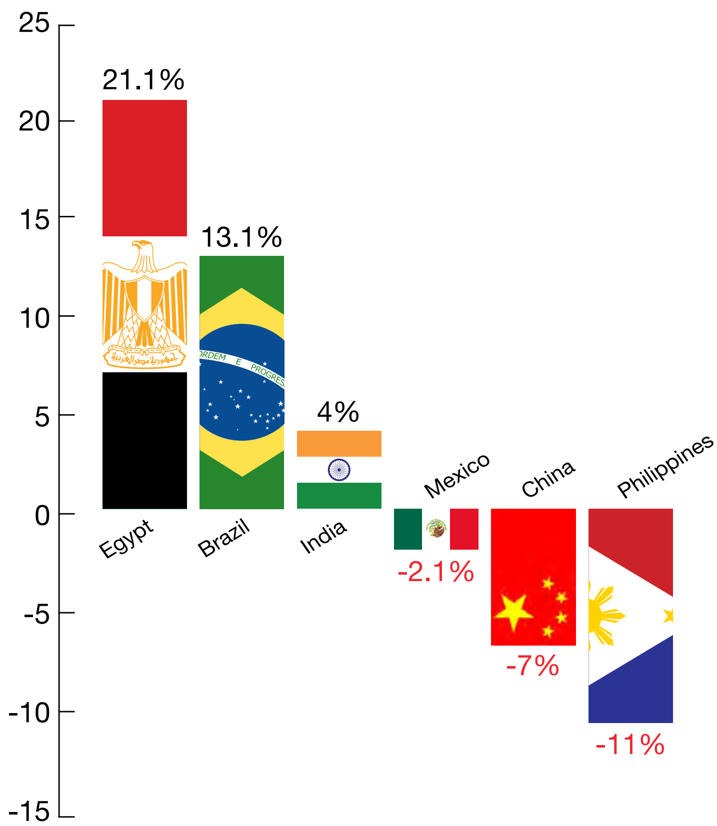
Some are commodity exporters who benefit from higher prices (Brazil, Russia, South Africa), others are net importers who prefer lower prices (India, Korea, China).

Some are politically stable (for democratic or other less satisfactory reasons) and some are embracing much-needed reform (Argentina, South Africa). Others are on a knife-edge as we approach elections (Mexico) and some are subject to tight central control (Turkey, China) which may or may not end up being a good thing for the economy.

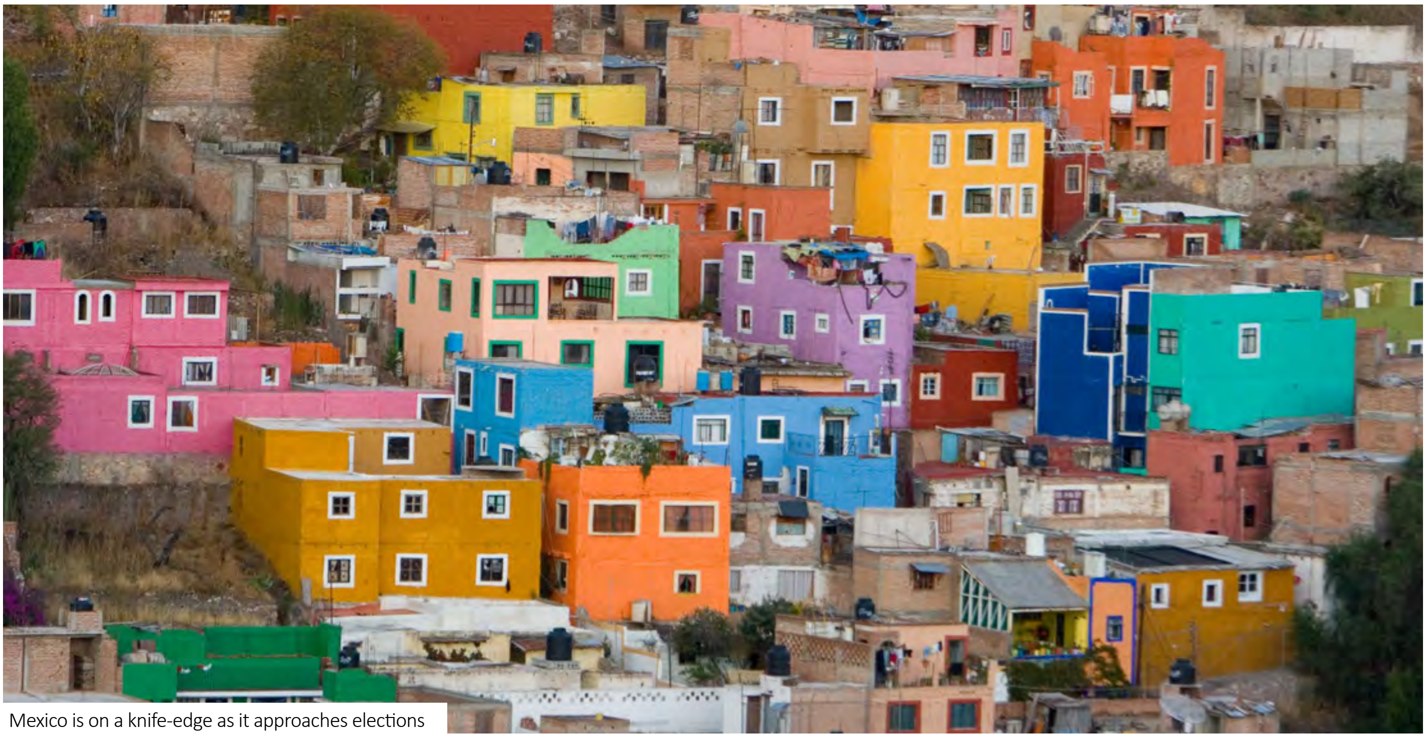
Some markets are looking very pricey relative to their own history or their emerging market peers on a range of metrics (India and perhaps South Africa, for example). While others may be cheap (Russia, South Korea, using price-to-book value, relative to return on equity, at least), according to research compiled by M&G's emerging markets team.

Given these factors it should be no surprise the 23 nations which comprise the MSCI Emerging Markets stock index have provided a wide range of performance in 2018 – and that is in local currency terms, or before any movement in their currencies against the pound are taken into account.

### WIDE RETURNS FROM EMERGING MARKETS SO FAR IN 2018




Source: Thomson Reuters Datastream. Local currency, capital return only



Mexico is on a knife-edge as it approaches elections

## TWO RULES OF THUMB

A well-chosen fund manager should be on top of all of these issues as they sift for good value and under-appreciated narratives by stock, industry or country.

Some will prefer the momentum offered by hot sectors like technology, rising oil prices for energy stocks or falling interest rates for banks. Others will have a more value-oriented approach and be prepared to take on political risk, in the view that any upset could be short-lived, especially for well-run firms.

But for time-pressed investors who are swamped with information and have asset allocation decisions to make, there are two simple rules of thumb with regard to emerging markets which seem to stand the test of time, at least on a near-term tactical basis.

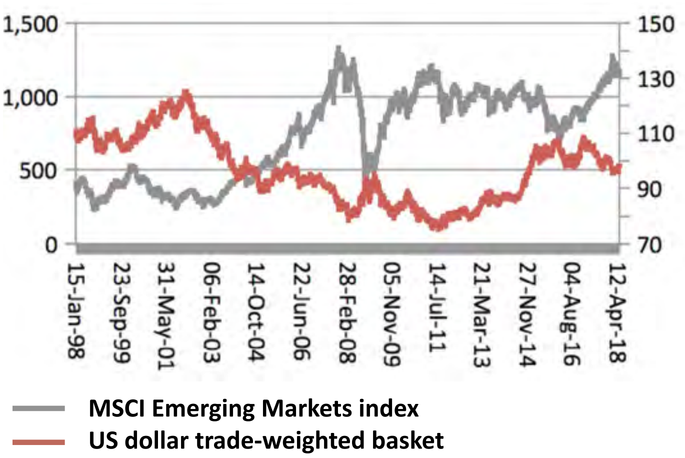
A strong dollar tends to be bad news and a weak one can be good news for emerging markets. This harks back to the 1997-98 Asian and Russian debt crises.

A rising dollar makes it more expensive to service overseas debts and also makes commodities more expensive to buy for nations whose currency is not pegged to the dollar.

The greenback has been weak for over a year but Federal Reserve determination to raise rates and sterilise quantitative easing could now be boosting the buck.

Turkey, with galloping inflation, a current account deficit, budget deficit and substantial overseas borrowings is a potential fault-line here.

### HISTORICALLY A WEAK DOLLAR HAS BEEN GOOD FOR EMERGING EQUITY MARKETS, AS 2017 SHOWED

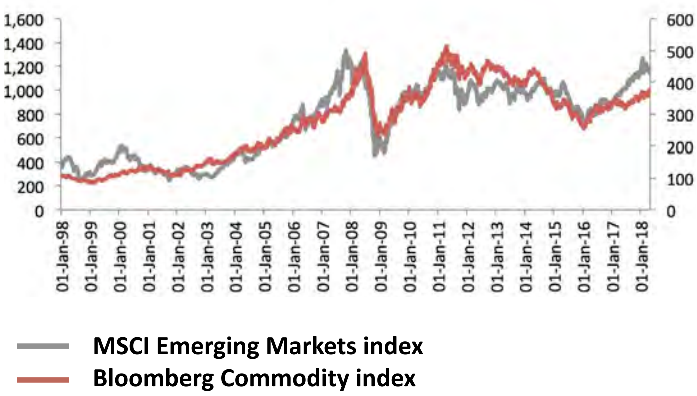



Turkey's financial situation is a potential problem

Strong commodity prices tend to be good news and weak prices are bad news for emerging markets. Further evidence of a strong, synchronised global recovery should therefore be a potential positive for emerging markets.

Any sign of a slowdown, loss of faith in an inflationary upturn or re-emergence of fears over deflation would be a potential negative for emerging markets, even if, as we all know, the past is by no means a guarantee for the future.

### HISTORICALLY STRONG COMMODITY PRICES HAVE BEEN GOOD FOR EMERGING EQUITY MARKETS




**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.

# How does equity release help with retirement planning?

Releasing property wealth could provide the extra cash you need

If you're short of cash in retirement and have a lot of wealth tied up in your property, it's worth considering whether equity release could help.

You're eligible for equity release if you're aged 55 or over and own a property in the UK which is worth more than £70,000.

Equity release isn't for everyone. The industry's trade association, the Equity Release Council, demands that all prospective customers take professional regulated financial advice and receive independent legal advice.

It's incredibly important to understand what you're doing and the impact it could have on your family.

## WHAT IS EQUITY RELEASE?

Equity release enables you to release some of the cash stored up in your property without needing to move home.

There are two main types of equity release product: a lifetime mortgage, which is a mortgage secured against your property; and a home reversion plan, where you sell all or part of your property to a reversion company.

According to Just, the retirement products provider, lifetime mortgages account for over 99.5% of all equity release solutions.

The amount of equity you can release depends on how much your property is worth, how old you are and how much you choose to borrow. Retirement Advantage's maximum loan-to-value is 52%, for example.

The money you release is usually paid back when you die or if you move permanently into long-term care.

One of the biggest benefits of a lifetime mortgage is the 'no negative equity guarantee'. This ensures the beneficiaries of your estate won't have to repay more than the sale proceeds of the house, even if property prices tumble.

## HOW DOES IT HELP WITH RETIREMENT PLANNING?

Equity release is becoming an increasingly popular tool for retirement planning.

Retired people have the highest levels of home ownership yet large numbers don't have sufficient pensions or other assets to provide the income they need.

'It's more important than ever to take a holistic approach to retirement planning, and include property alongside pensions,


savings and investments. In fact, for many homeowners, property is the most valuable asset they own, so it makes sense to consider it,' says Alice Watson, head of product and marketing, equity release at Retirement Advantage.

It might be more beneficial from a tax point of view to use property and other investments first before dipping into your pension. This is because pensions can be passed on to your beneficiaries on death free from inheritance tax.

'Equity release – which essentially provides people with access to additional funds – can be used in a variety of ways to plan retirement, as well as improving someone's standard of living,' says Dean Mirfin, chief product officer at Key Retirement.

'It is tax-free so instead of someone accessing funds in their pension pot, which might be taxable, to repay debt, clear their mortgage or make a significant purchase, they can use equity release.

'It can also be used as a "pre-inheritance" to help family members buy their first home or pay towards generally helping children or grandchildren at a time when it will make a greater difference.

'This means that not only is the person who has released equity able to share the impact of the financial boost with them, but they also have some control over how it is used.'

## WHAT ARE THE DRAWBACKS?

Equity release has several drawbacks.

One of the biggest risks is that borrowing money against your home via a lifetime mortgage could prove more expensive than downsizing in the long run. It depends on how long you live and what happens to property prices.

The interest rates on lifetime mortgages are significantly higher than on standard mortgages – typically around 5.5%.

If you choose to repay your lifetime mortgage you'll probably have to pay an early repayment charge.

Another downside of lifetime mortgages is you don't know how much of your property value will be left to your estate when you die.

With a home reversion plan, you'll know what proportion of your property will be passed on to your estate, however you no longer own 100% of your property. Your estate won't benefit from all of the house price growth and if you pass away soon after taking out the plan, you'll have effectively sold your property cheaply.

It's also worth bearing in mind the high initial costs of equity release, which are between £2,000 and £3,000 on average.

## ARE THERE ANY ALTERNATIVES?

Taking out a lifetime mortgage is a long-term commitment so it's important to check whether there are more suitable ways of raising money, such as downsizing or using your savings.

Stephen Lowe, group communications director at Just, says if you plan to sell your property and move into sheltered accommodation in five years a lifetime mortgage is unlikely to be suitable.

Similarly, if you expect to receive an inheritance in a few years it will usually be better to wait for that rather than take out an equity release product.

It's worth ensuring you're receiving all the state benefits you're entitled to before going down the equity release route. Just research suggests more than half of retired homeowners miss out on the state support they're entitled to, with an average of £1,013 unclaimed. (EP)

> The interest rates on lifetime mortgages are significantly higher than on standard mortgages – typically around 5.5%

# Why using a Cash Lifetime ISA for retirement could be a costly mistake

Latest figures suggest many people aren't thinking about the impact of inflation on very low savings returns


*Shares*' in-depth feature on 3 May focused on the Lifetime ISA, and specifically what investors should do when a juicy bonus of up to £1,000 lands in their account.

The article rightly suggests for those with a short investment time horizon (primarily people planning to use their Lifetime ISA for a first home purchase) that a cash-based Lifetime ISA, such as that offered by Skipton Building Society, would probably be the most appropriate choice.

Equally, anyone using a Lifetime ISA for retirement – which could be decades away – probably shouldn't be putting their money in a cash-based Lifetime ISA paying 0.75% (the current rate offered by Skipton).

In light of this I was concerned to read an article in *The Telegraph* suggesting almost a third (28%) of Skipton's Lifetime ISA customers are using the product entirely or in part for retirement.

If you are doing this, or thinking of doing this, you risk making a costly mistake.

While clearly markets can go down as well as up, history tells us patient investors can reap the rewards of investing in stocks and shares over a longer period of time.

Furthermore, with inflation hovering somewhere between 2% and 3%, a product paying 0.75% is failing to protect the spending power of your hard-earned savings. But how much difference could this make over the long-term?

If a 26-year old saved the maximum £4,000 a year (and so receiving a bonus of £1,000 each year) in a Lifetime ISA until age 50 in an account paying 0.75%, they would end up with a pot worth £149,000 at age 60.

If the same person saved the money in a stocks and shares Lifetime ISA returning exactly 4% a year after charges, they would build up a retirement fund worth £321,000.

While there is no guarantee you will achieve these investment returns and Skipton's rates could creep upwards when the Bank of England eventually raises the base rate, it does illustrates the extra investment bang you could get for your Lifetime ISA buck by investing in the markets.

It's also worth noting that a workplace pension, where you get an employer match on your first 2% of contributions, should be the retirement starting point for most people.

If you're a higher or additional-rate taxpayer, a pension pays a higher bonus through tax relief than a Lifetime ISA, although only 25% of your pension withdrawal is tax-free at age 55 (with the rest taxed at your marginal rate). In contrast, your entire Lifetime ISA fund can be withdrawn without paying any tax from age 60. For basic-rate taxpayers the bonus in pensions and Lifetime ISAs is the same.

While there are some tricky calculations to be made here, it's worth taking the time to consider them so you don't sell yourself short in the long-term.

**Tom Selby,**
**senior analyst, AJ Bell**

# Direct Line is a belting dividend play

Strong brands and limited exposure to price comparison sites gives the company an advantage

UK motor insurance companies have under-performed the wider FTSE 100 by about 15% since the third quarter of 2017.

While this negative sentiment may worry many investors, we think a constituent of this space **Direct Line (DLG)** is worth a closer look thanks to the income on offer and the competitive advantage derived from its strong portfolio of brands.

The company's recent first quarter results led to an intra-day fall of 4% in its share price. However, although its premium income was down 5% on the prior year, largely due to exiting partnerships with Nationwide and Sainsbury's, there was nothing sinister in the update.

Direct Line's management has made no changes to its guidance, instead reiterating full year targets. The 5% growth in its higher margin own brand insurance policies suggests there is no danger of any dividend changes as was seen following the Ogden discount rate change in February last year.

That change impacted Direct Line's 2016 results, when it revealed its profit took a £217m hit and no special dividends were paid.

In September last year, it was proposed the Ogden rate be moved to between zero and 1%. The company subsequently beat market predictions with its 2017 results, keeping shareholders happy with a bumper dividend payout of 35.4p per share including special dividends.

A spokesperson for Direct Line says that 2017 was an 'exceptional' year and allowed the company to 'rebase' its regular dividend upwards.



If the company could match that payout for this year, Direct Line would be on a prospective dividend yield of more than 10%.

This may be too big an ask but even based on the 29.74p forecast total dividends for 2018 from investment bank UBS, Direct Line yields 8.1%.

## IS THE DIVIDEND SUSTAINABLE?

According to research by UBS analysts, Direct Line is well placed to push through premium increases as the company has less exposure to price comparison websites.

UBS also notes Direct Line can maintain a better margin than other insurers due to the strength of its brands.

The company has some of the most recognisable brands in the UK for personal motor and home insurance including Churchill as well as Privilege and Green Flag.

This is good news as higher premiums should result in more cash flow and therefore more security over the company's dividend.

**SHARES SAYS:** ↗

Buy at 369.1p. As the market becomes more confident on the sustainability of the dividend, the yield is likely to contract and the share price could trade higher, resulting in capital gains alongside the generous income on offer. (DS)

**BROKER SAYS:** 12 5 0

# Bahamas Petroleum eyes deal with major oil firm

Could the company finally be moving closer to drilling on its assets?

Shares in **Bahamas Petroleum (BPC:AIM)** have nearly trebled in value to 3p off the back of possible partnership agreement with an unnamed major oil company.

The oil exploration minnow announced on 3 May it had entered into a confidentiality and exclusivity agreement which could lead to a 'commercial transaction'.

Formed in 2005, the firm has a colourful history, having acquired some of the data on its Bahamian assets from a New Orleans warehouse in the wake of Hurricane Katrina.

The latest independent audit of its acreage off the coast of The Bahamas, carried out by consultant Moyes & Co, suggests between 1.6bn and 3.3bn barrels could be recovered from its southern licences.

It also indicates that a discovery of as little as 200m barrels would be sufficient for a development to be economic.

Bahamas Petroleum joined AIM through a reverse takeover in September 2008. At that point it hoped to commence drilling in 2012 but nearly a decade down the line it has still not sunk a well having been stymied by several different issues.

## LONG-TERM DISAPPOINTMENT

Despite last week's share price rally, its shares are still 88% below their peak in 2011. Shareholders have also been diluted several times by share placings.

Over time, the government of The Bahamas has shifted its position on oil exploration. There is understandable sensitivity around environmental risks given tourism accounts for around 50% of GDP.

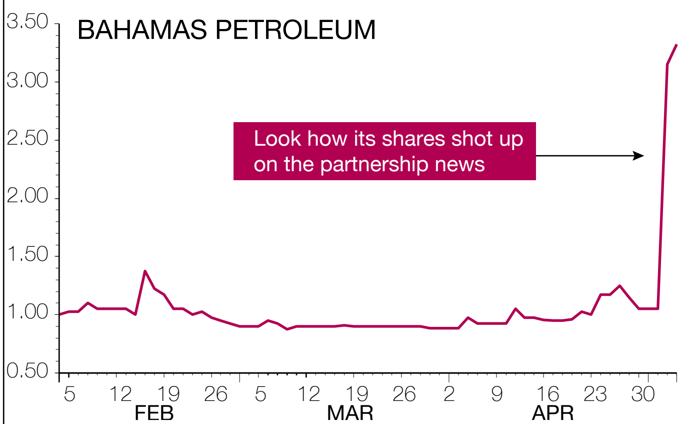
Bahamas Petroleum recently applied for environmental authorisation for drilling under new regulations introduced in 2016.

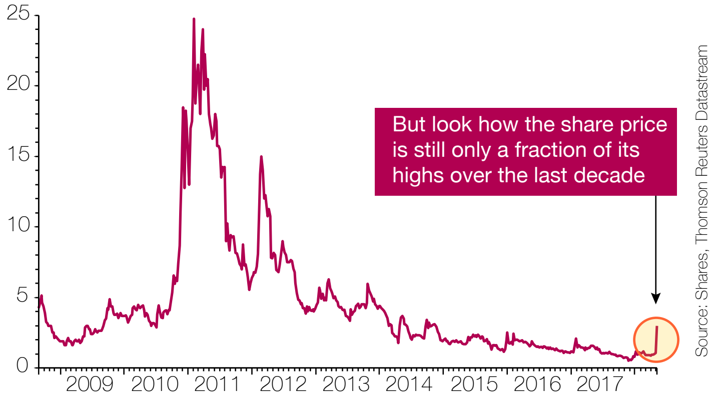
A lack of funding has also been an obstacle for the company and, in that regard, this latest announcement could be significant. Since Norwegian oil firm Statoil exited in 2014, the company has been on the hunt for a partner which can meet the significant costs of drilling a well offshore The Bahamas.

The exclusivity agreement itself should help give the company some breathing room in terms of its financial position – at the last count it had around $3m after a placing in summer 2017.

Under the terms Bahamas Petroleum will get $250,000 per month for an initial three months with an additional $250,000 for any monthly extension beyond that point up to a maximum of a further three months.

Unless a definitive agreement is reached with the counterparty, its identity is set to remain confidential. (TS)



## FRIDAY 11 MAY

| | |
|---|---|
| **FINALS** | |
| TalkTalk | TALK |

## MONDAY 14 MAY

| | |
|---|---|
| **FINALS** | |
| Angling Direct | ANG |
| **INTERIMS** | |
| Cerillion | CER |
| Diploma | DPLM |
| Victrex | VCT |
| **TRADING STATEMENTS** | |
| Centrica | CAN |

## TUESDAY 15 MAY

| | |
|---|---|
| **FINALS** | |
| Animalcare | ANCR |
| Gear4music | G4M |
| DCC | DCC |
| Premier Foods | PFD |
| Braemar Shipping Services | BMS |
| Land Securities | LAND |
| **INTERIMS** | |
| Patisserie | CAKE |
| EI | EIG |
| ITE | ITE |
| CYBG | CYBG |
| Elegant Hotels | EHG |
| **TRADING STATEMENTS** | |
| Hargreaves Lansdown | HL. |
| Spirax-Sarco Engineering | SPX |

## WEDNESDAY 16 MAY

| | |
|---|---|
| **FINALS** | |
| Speedy Hire | SDY |
| Burberry | BRBY |
| C&C | CCR |
| **INTERIMS** | |
| Marston's | MARS |
| Brewin Dolphin | BRW |
| **TRADING STATEMENTS** | |
| Galliford Try | GFRD |
| Mondi | MNDI |
| National Express | NEX |
| Premier Oil | PMO |
| **ECONOMICS** | |
| **UK** | |
| Unemployment Rate | |

## THURSDAY 17 MAY

| | |
|---|---|
| **FINALS** | |
| National Grid | NG. |
| Mothercare | MTC |
| Experian | EXPN |
| Wincanton | WIN |
| Sophos | SOPH |
| British Land | BLND |
| 3i | III |
| Investec | INVR |
| Royal Mail | RMG |
| Venn Life Sciences | VENN |

**EXPECT TYPICALLY complex full year figures from Vodafone (VOD) on 15 May, with modest growth outside the UK and details on cost cutting dictating the market mood.**

**The results follow a recent deal by Vodafone to buy Liberty Global's operations in Germany, the Czech Republic and Romania for an enterprise value of €18.4bn.**

**IT HAS BEEN six months since fancy cakes seller Patisserie (CAKE:AIM) reported on trading and investors will be keen to see if its performance has come under pressure amid a difficult consumer backdrop.**

**The market looks to be expecting good news when the Patisserie Valerie owner reports its half-year results on 15 May given its shares hit a two-year high at 417p earlier this month.**

**A PAIR OF the UK's largest real estate investment trusts (REITs) are poised to report full year earnings: Land Securities (LAND) on 15 May and British Land (BLND) on 17 May.**

**Look for an update on the valuation of their respective portfolios as both stocks currently trade at material discounts to net asset value implying the market reckons that valuations have been set too high.**

| | | |
|---|---|---|
| **INTERIMS** | | |
| Future | | FUTR |
| Euromoney Institutional Investor | | ERM |
| Grainger | | GRI |
| Thomas Cook | | TCG |
| Countryside Properties | | CWD |
| TBC Bank | | TBCG |
| **TRADING STATEMENTS** | | |
| Regional REIT | | RGL |
| Just Group | | JUST |
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## KEY

- Main Market
- AIM
- Fund
- Investment Trust