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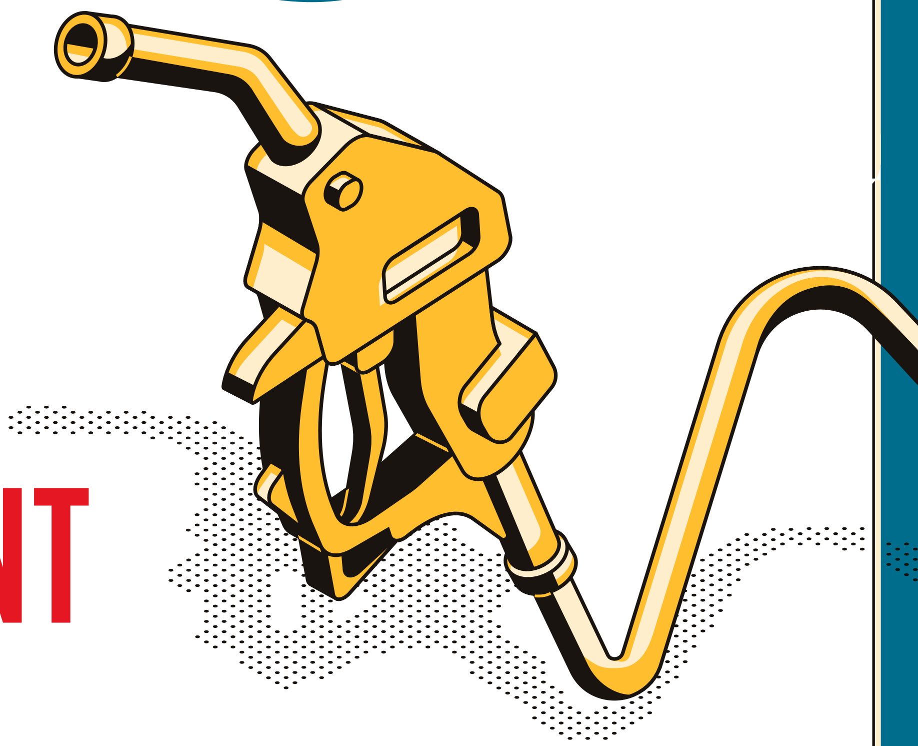

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It is time to wave goodbye to the conglomerate model

Such firms are hard to analyse, they aren't always run well and they rarely add value

Conglomerate has become a dirty word as owning various businesses operating in different industries is no longer seen as relevant in the modern world. The returns for investors in these stocks also haven't been great.

It is very hard for a board to run a company with lots of complex parts and you can't expect directors to be experts in different end-markets. Quite often the disclosure is poor for each part of the business and it can be very difficult for investors to analyse and value such companies.

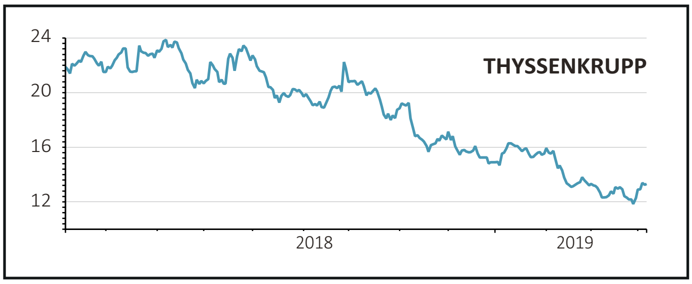
The trend in recent years has been to break up conglomerates and we continue to see more of this on a regular basis. For example, industrial group Thyssenkrupp last September buckled under shareholder pressure and announced plans to split into two, although subsequently its share price has been brutally punished as earnings have been hit by higher costs and tariffs.

Conglomerates on the UK stock market include industrials specialist **Smiths Group (SMIN)** which has already started the process of spinning off its medical arm. Other relevant UK names include **Carr's (CARR)** which sold its food division in 2016, leaving it focused on agriculture and engineering; and **Avon Rubber (AVON)** which makes gas masks and cow milking systems.

It is hoped that breaking up conglomerates will unlock hidden value and allow businesses to be run with more focus. However, there continues to be some reluctance among certain companies to abandon the conglomerate structure, most notably **Associated British Foods (ABF)** on the UK stock market.

It has long shrugged off suggestions it should split into two or three parts: a sugar and/or a foods business, and the Primark retail chain.

Having different parts can act as a cushion if one component isn't doing well. Also in conglomerates' favour is the general ability for larger businesses to borrow more cheaply than smaller ones, and diversification further reduces risk from the lenders' perspective.



Analysts at investment bank Jefferies imply the negatives far outweigh the positives. They warn that conglomerates have more places to hide and say: 'Complexity and opacity make it harder for managers and investors to understand what is going on. This creates opportunities for managers to bury bad news.'

Large conglomerates often have close relationships with government because of their size and diversity. This isn't always good for shareholders as the companies can be pressurised into not making the right decisions, such as keeping an under-utilised factory open, or taking on vanity projects that fit the government's agenda.

The cult of the CEO also comes with the conglomerate territory, where a skilled executive turns into a cult figure due to constant publicity they get from making acquisitions – and then they lose touch with reality. Poor capital allocation and hidden or excessive costs are other negative factors to consider.

Jefferies' analysts foresee major change among current conglomerates. However, the model will inevitably become trendy again once companies find it hard to achieve organic growth. At that point, boards normally turn to acquisitions to drive growth and eventually there will be the suggestion that it is time to build another empire across multiple markets.

By **Daniel Coatsworth** Editor

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Superdry shares still weak despite Dunkerton win

The hard work starts now with the retailer's turnaround

Following a stunning boardroom coup (2 Apr), clothing entrepreneur Julian Dunkerton has returned to **Superdry (SDRY)**. However, market confidence in the prospects of a turnaround remains low, with the shares having been notably weak since Dunkerton's narrow victory.

We expect that many of the big investors who voted against the board change are now giving up and selling out of the stock which may take some time to complete.

The declining share price trend has actually been intact for much longer. At 448.6p, the stock currently trades 78% below January 2018's £20.74 peak following a cycle of earnings downgrades.

Dunkerton has already set out his broad recovery plan for the fashion retailer and wholesaler where he is now interim CEO, but the hard work starts now.

He'll seek to arrest the steep trading decline at the weather sensitive jackets-to-sweatshirts seller that has been his life's work while facing into exacting market conditions.

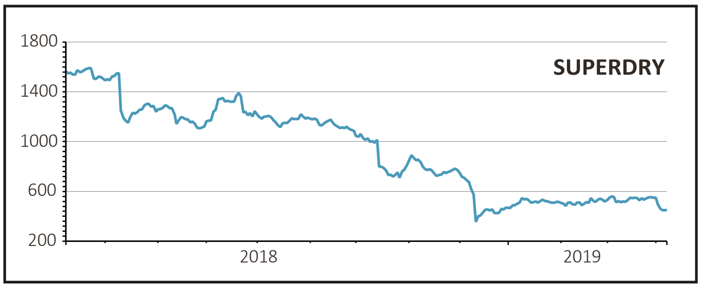
Having been vanquished by Dunkerton and his fellow co-founder James Holder – and with Peter Williams appointed as the new chairman – Superdry's entire board and both brokers have resigned. This includes the departure of chairman Peter Bamford, CEO Euan Sutherland and finance director Ed Barker.

Dunkerton will need to recruit a new CEO and a first-rate numbers man as soon as possible, and get cracking on turning round the fortunes of the seemingly-ubiquitous Superdry brand associated with Japanese writing.

Bears question whether Superdry is a fad with diminishing 'street cred' as the brand is now sported by an army of middle-aged men.

Stockbroker Peel Hunt believes short-term disruption is inevitable as Dunkerton steadies the ship and starts to enact his recovery plans.

Forecasting a slump in adjusted pre-tax profit from £97m to £54.3m for the year to April 2019, recovering to £66.1m in 2020 and £75.7m in 2021, the broker says additional costs and a tough trading backdrop mean short-term estimates could come under pressure.



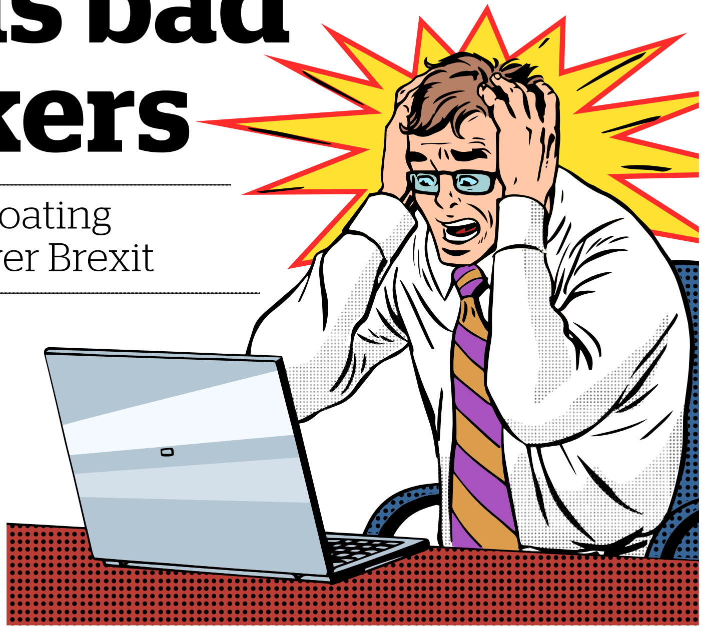
Investors should expect Dunkerton to cut the childrenswear range, increase short-lead product, reduce discounting, and return to a two-season model such as holding jackets for longer in the winter season.

This move is likely to entail some abortive costs, as well as a need to refresh product lines and invest in increasing the choice online and in the visual artistry of the stores.

'For us, the key challenge is to reinvigorate the core Superdry proposition which has suffered from a lack of innovation stemming back over several seasons,' argues Peel Hunt.

Lack of IPOs is bad news for brokers

Companies are no doubt scared about floating on the UK market until there is clarity over Brexit



The value of initial public offerings (IPOs) on the UK stock market fell to an eight-year low last quarter, according to consultants PwC, suggesting lean times for London's broking community.

The quantity of stock market flotations has also been low. Between January and March this year just five companies came to the market, raising £500m, compared with 16 companies and proceeds of £1.2bn in the first quarter of 2018.

While you could blame the drop on the uncertainty caused by Brexit, the picture is no better on the continent. Total IPO activity in Europe last quarter was just €700m compared with €13.1bn in the same quarter last year.

Admittedly 2018's first quarter benefited from two large floats worth a combined €5bn – DWS Group which is part of Deutsche Bank and Healthineers which is part of Siemens – but that still leaves European IPO proceeds down more than 90%.

On a positive note, London remains the venue of choice with 11 listings scheduled for later this year or in 2020 including café group Loungers as the *Shares* website shows. That will be of little comfort for broking firms which have struggled with low trading activity so far this year as international investors continue to pull money out of the UK stock market.

Jupiter European funds downgraded as star manager set to step down

But Alexander Darwall will continue to run one of the asset manager's investment trusts

INVESTORS IN **Jupiter European (B5STJW8)** and Jupiter European Growth funds have received the shock news that star manager Alexander Darwall will be stepping down later in the year.

Darwall has managed the European fund since 2001 and the European Growth fund since 2007 and both have consistently beaten their benchmarks, earning a 'gold' rating from analysts at financial data group Morningstar.

Morningstar immediately cut its rating on both funds to 'neutral' on the basis that 'our previous positive view of this strategy was largely predicated on the experience of Darwall, and the consistency and stability he provided in implementing his proven approach over his lengthy tenure'.

Newly-hired Mark Nichols, who formerly co-managed **Threadneedle European Select Fund (B8BC5H2)**, will take over what Jupiter admits is an 'important franchise' and will adopt his own investment approach to picking stocks.

The good news for investors in investment trust **Jupiter European Opportunities (JEO)** is that Darwall will continue to run the fund, meaning it keeps its 'gold' rating from Morningstar.

Over the past decade the European Opportunities fund has returned 656% while the European fund has returned 339% and the Bronze-rated L&G European Index tracker fund has returned 170% according to Morningstar.

Brexit blamed for worst business investment figures since 2008

However businesses are awash with cash which could aid the economy in the future

UK private companies have £747bn of cash to deploy

As we write a no-deal Brexit on Friday (12 Apr) is still a running possibility with the UK's destiny likely in the hands of EU leaders at their emergency summit.

Whatever the outcome on 12 April, whether crashing out without a deal, a further extension or even the nuclear option of revoking Article 50, it is unlikely to provide a full stop to the Brexit saga given the volatile political situation.

And the uncertainty is already having an increasing impact on business investment. Figures from the Office for National Statistics (ONS) show investment fell in all four quarters of 2018, adding up to a 4.2% decline for the year as a whole. This is the worst set of figures since 2008 and the global financial crisis.

The flipside to this situation is that UK companies are sitting on a lot of cash which could be deployed if any measure of certainty returns, providing a potential boost to the economy. ONS data shows private firms are sitting on £747bn worth of cash, a record high 35.3% of national GDP.

Funding Circle income fund to close after performance flop

The news raises questions about the peer-to-peer model

PEER-TO-PEER (P2P) lender **Funding Circle (FCH)** is set to close its **Funding Circle SME Income Fund (FCIF)** following a consultation with the investment trust's shareholders.

This development has put shares in Funding Circle under pressure at 321.5p and is arguably reflective of wider problems in the P2P industry.

Launched in November 2015, Funding Circle SME Income targeted an annual dividend of between 6% and 7% and a total return of between 8% and 9% from a portfolio of P2P loans to small businesses.

However, returns have deteriorated, the trust cut its dividend in 2018 and impairments have started to increase. The annualised shareholder total return since inception is just 0.18% according to Canaccord Genuity.

Canaccord says: 'We believe Funding Circle SME has failed because, despite what has been a relatively benign environment, the returns have fallen well short of targeted returns.

'It has nothing to do with the structure, which has at least provided a monthly window on performance. Furthermore, this begs questions about the investment process and the effectiveness of the credit analysis.'

The broker adds that is concerned about what might happen to the P2P space in a more challenging economic environment.

The week's big news: Saga, Debenhams and more

We look at the share price movers and key announcements

The big mover in the past week is over-50s travel and insurance business **Saga (SAGA)** which saw its shares nearly halve to 60p on the one-two punch of a big profit warning (4 Apr) and subsequent negative research report from investment bank UBS (8 Apr).

Alongside its full year results, the company cut its dividend by more thn half to 4p and guided for profit in the current financial year some 35% below previous consensus forecasts at between £105m and £120m.

This reflects a change in strategy for its insurance arm and setbacks with its holiday business, all now requiring significant investment. UBS says: 'We find further execution risks around the new strategy, which we expect to weigh on the PE (price-to-earnings) multiple.'

Elsewhere department store **Debenhams (DEB)** entered administration on Tuesday (9 Apr), wiping out shareholders and frustrating the efforts of Mike Ashley to take control of the group and add it to his **Sports Direct (SPD)** empire.

Shares in **City Pub Group (CPC:AIM)** jumped nearly 5% after reporting full year results with a £2.6m pre-tax profit versus a £0.2m loss a year earlier.

City Pub aims to double the size of its estate to between 65 and 70 sites by 2021.

FTSE 350 MOVERS OVER THE PAST WEEK

STOCK	PRICE RISE/FALL	REASON
Amigo	22%	Rebound after earlier declines amid FCA guarantor loan crackdown
Sirius Minerals	17%	Shares jump ahead of funding deadline for $3bn potash project
Just Group	11%	Stock bounces back after heavy falls in March
Saga	-45%	Major profit warning, dividend cut and new strategy
Funding Circle	-16%	Fund closure puts spotlight on viability of P2P model
Stagecoach	-15%	Negative analyst research note on the company

SMALL CAP MOVERS OVER THE PAST WEEK

STOCK	PRICE RISE/FALL	REASON
New Trend Lifestyle	140%	Reassuring trading update and new business partnership
Ascent Resources	136%	Permitting success
Infrastructure India	129%	Chief executive repeatedly buys shares after financing deal
Jersey Oil & Gas	-67%	Disappointing drilling result
7Digital	-67%	Company warns it is desperate for new funding
N4 Pharma	-34%	Test setback

Source: Shares, Sharepad

Restaurant Group is too cheap to ignore: buy now

The company has a plan to fix its problems so get on board

With its valuation, share price and arguably sentiment so depressed, now is the time to invest in **Restaurant Group (RTN)** in hope that the business can be fixed.

You'll need to be patient as the shares are likely to be volatile until the company can provide enough evidence that its troubles aren't getting any worse.

The appointment of a new chief executive and progress with the integration of successful franchise Wagamama (acquired last year) could act as catalysts to drive the shares higher. The next news flow is likely to be a trading update in May.

RESTAURANT GROUP ➚ BUY
(RTN) 113.2p
Stop loss: 75p

Market cap: £569m

WHAT WENT WRONG?

The company ran into trouble through expanding too quickly in an over-saturated and stuttering casual dining market. Poor service standards and under-investment in existing sites contributed to the diminished appeal of franchises such as Italian-American diner Frankie & Benny's.

The result was a string of profit warnings, driving the shares down from the highs above 500p in 2015 to a little over 100p today.

WAGAMAMA WORRIES

This share price sell-off hit a new phase in October 2018 when the company announced the £559m takeover of Wagamama and launched a discounted £315m rights issue to help fund the deal. Many in the City felt the company had overpaid for the Asian food chain.

This was compounded when one of the architects of the deal, chief executive Andy McCue, announced plans to depart for personal reasons in February 2019. He remains in place for now while the company finds a suitable replacement.

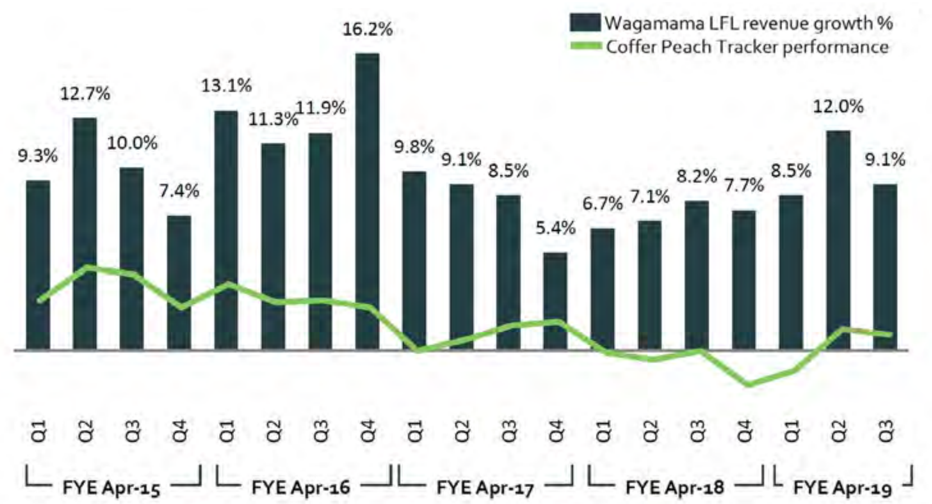
Full year results published last month were accompanied by a reassuring trading update, with like-for-like sales up 2.8% in the 10 weeks to 10 March and Wagamama's sales up 9.1% in the 12 weeks to 3 February.

This sparked a brief relief share price rally, but it soon fizzled out and the shares have now halved since the Wagamama acquisition was announced.

At the current price they imply a 2019 price-to-earnings ratio of 8.9-times and a yield of 5.7% based on consensus forecasts. This is a highly attractive entry point into the story, with investment bank Berenberg expecting a 19% compound annual growth rate in earnings between 2019 and 2021.

Whatever the criticisms of the price tag associated with Wagamama, it is now a

WAGAMAMA'S UK LFL REVENUE GROWTH OUTPERFORMANCE



Source: Restaurant Group

substantial part of the Restaurant Group stable and the company has big plans for the brand. This includes a £2m investment in delivery and food-to-go offerings and the roll-out of at least six new restaurants in 2019.

WHAT ARE THE NEW PLANS?

In total the company plans to spend between £55m and £60m this year on these new sites, plus at least seven new pubs and between five and 10 new sites in UK travel hubs through its Concessions business. The latter involves running a mixture of its own and third party brands at airports and train stations.

Wagamama has won a place in Heathrow Terminal 3, opening in the second half of the year, and in the redeveloped Manchester Airport for early 2020.

It is also allocating between £30m and £35m to refurbishments and redevelopment sites.

Investment bank Canaccord Genuity believes the Terminal 3 restaurant could generate two or three times the revenue of a typical outlet adding that: 'Medium-term Restaurant Group could triple the number of "super-sites" at UK airports: longer term, Wagamama should help Concessions grow overseas.'

Outlets in railways stations and airports often do well as they serve a time-poor, captive audience who often have no alternative other than to stomach higher prices.

This driver has been behind the success of airport food seller **SSP (SSPG)** which has seen its shares more than triple in value since joining the stock market in 2014, as well as for the travel arm of **WH Smith (SMWH)**.

BACKING AWAY FROM LEGACY BRANDS

At the same time as reshaping its portfolio, Restaurant Group has the flexibility to scale back the underperforming parts of its Leisure business, principally made up of Frankie & Benny's and Mexican eatery Chiquito.

In 2018 on a pro-forma basis, i.e. assuming Restaurant Group had acquired Wagamama at the start of the year, Leisure accounted for 30% of group earnings.

This should reduce over time with 41% of its Leisure sites having a lease end or break option within the next five years and some Frankie & Benny's sites are being converted to Wagamama restaurants.

On the leadership front, former Wagamama chief Jane Holbrook has been mooted as a possible successor to McCue and the appointment of someone with experience in the restaurant industry would likely be warmly received by the market.

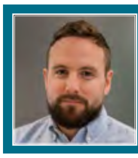
WHAT ARE THE KEY RISKS?

As you might expect, given the discounted equity valuation, there are risks for prospective investors to weigh. For example, the company may not hire someone with the right skills or experience desired by the market. Brexit could have a further negative impact on consumer sentiment, with the result that fewer people eat out.

The group could also run into trouble with its more elevated debt levels after borrowing to fund the Wagamama deal, with net debt of £291.1m running at just over two times earnings.

However, decent cash generation should help to pay down debt fairly rapidly and we are comfortable that these potential issues are being reflected in the share price.

Ultimately we're turning positive because the stock is very cheap and the business now seems to have a plan how to drive earnings in the future. Tuck into the shares now.



By **Tom Sieber**
Deputy Editor

Judges Scientific deserves a higher rating

The company has a proven model of expansion, profit growth and value creation

Science kit manufacturer **Judges Scientific (JDG:AIM)** has built up a loyal retail investor fan base over the years.

It is a focused and high-quality growth company, running a portfolio of niche science-based businesses and allowing them to operate with a certain level of autonomy. Its activities span a range of interests including nanotechnology, fibre optic testing, advanced materials, LED and x-ray technology. It has even won five Queens' awards for innovation and export.

What each business has in common is established products, international customers and scope for sustainable growth. The model is very similar to that of FTSE 100 health, safety and regulations engineer **Halma (HLMA)**.

Judges insists on paying a fair price for target companies, typically funded from existing cash resources or borrowings so shareholder dilution is minimal. It is not afraid to walk away from negotiations if the deal is not right and 2018 was one of those rare dry years for acquisitions.

The underlying business still generated 5.5% organic revenue growth last year as new products were developed and new sales opportunities emerged for existing portfolio companies.

Organic revenue excludes contributions from all acquisitions in the 12 months before the start of the period under review, so going back to January 2017 in last year's case. The order book increased 6% on that same basis.

Profit and cash flow continue to impress. Operating profit, adjusted for past acquisitions, increased 35% to £14.7m, and the company converts most or all of that into cash (106% last year). With no debt there are surplus funds to funnel into fast growing dividends, up 25% in 2018 to 40p per share.

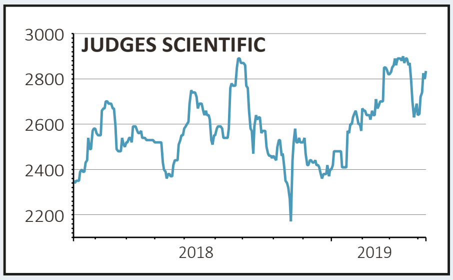
Potential threats could emerge from the shape of Brexit given that Judges makes about a third of revenue from Europe, while a significantly stronger pound might crimp demand. But a mainly fixed cost base is something that the company can control, helped by the firm's already widespread revenue sources.

Its shares have frequently traded on a price-to-earnings (PE) multiple of 20 or higher in the past, yet today they change hands at just 14.8-times 2019 forecasts. The stock is therefore a bargain on a relative basis.

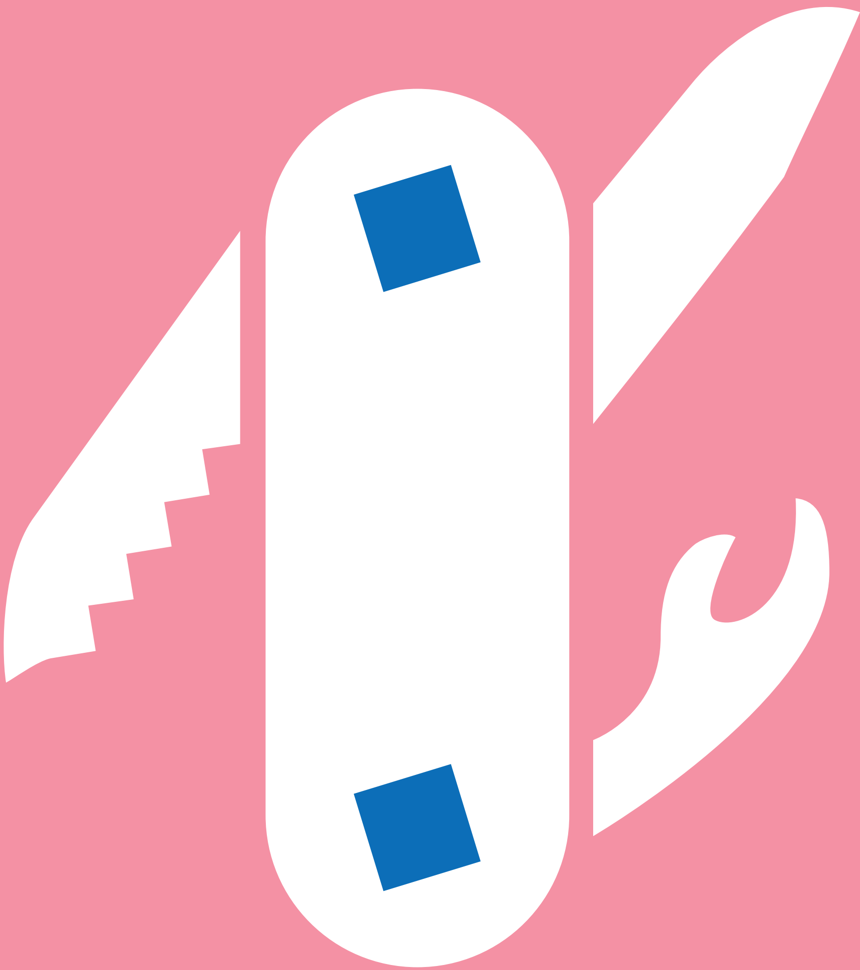
A re-rating to a PE ratio of 17-times by the end of 2019 would imply a share price above £33.80, or nearly 20% higher than current levels. Yet estimates do not factor in additional business purchases, so forecasts and the share price could go even higher on a 12 to 18-month view.

JUDGES SCIENTIFIC
BUY
(JDG:AIM) £28.50
Stop loss: £22.80

Market cap: £176.7m



By **Steven Frazer**
News Editor



VP GROUP
(VP.) 916p

Loss to date: 8.4%
Original entry point:
Buy at £10.00, 29 November 2018

THERE IS GOOD and bad news for equipment rental firm **VP Group (VP.)** which has made us reappraise the investment case.

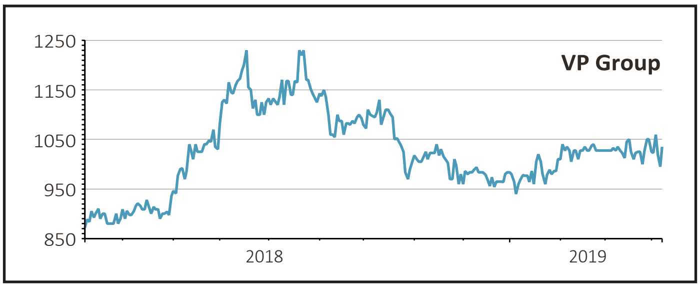
Its UK division has seen steady demand in its core sectors of infrastructure, construction and housebuilding, while the integration of Brandon Hire (purchased in November 2017) should be completed within the next six months and will transform its Hire Station tool hire business.

Meanwhile the international division has seen strong demand at its TR testing and measurement equipment rental business in Asia although the Airpac Bukum offshore oil and gas services business is still weak.

However, on 9 April VP was named in a Competition and Markets Authority (CMA) probe into possible 'price fixing' in the market for rented groundworks products.

The market didn't like this news and the shares fell by more than 10%, wiping out our earlier gains. VP is reviewing the CMA's findings and as of last September it had £15m cash on the books which it could use to pay a fine, should there be one.

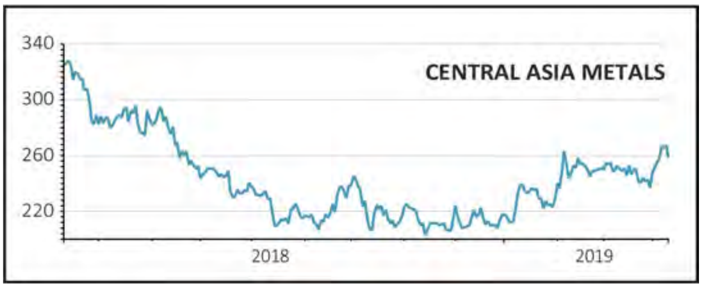
Given the uncertainty, the sensible course of action is to close our position for a small loss and await the outcome of the probe.



SHARES SAYS: ↘
Err on the side of caution and sell now.

CENTRAL ASIA METALS
(CAML:AIM) 257.5p

Gain to date: 8.9%
Original entry point:
Buy at 236.5p, 27 September 2018



FULL YEAR RESULTS from the metals miner showed positive earnings growth and a decent reduction in debt. However, the market focused on a 12% cut in the dividend to 14.5p, sending its shares down on the day.

It is worth noting that Central Asia Metals changed its dividend policy following the acquisition of the Sasa lead/zinc mine in 2017. It will now pay between 30% and 50% of annual free cash flow as dividends with the latest full payment towards the upper end of this range (44%).

Chief executive Nigel Robinson tells *Shares* that the company changed its policy because it is now a much bigger business and needs to balance cash returns with paying down borrowings, particularly as it took on extra debt to buy Sasa. 'Our yield is about 5.5% which is still very generous,' he adds.

It is currently facing inflationary pressures from zinc treatment charges but Robinson says Sasa still has competitive costs, adding that the mine is on the cusp of being in the lowest cost quartile in the industry.

Central Asia Metals is looking for acquisitions in the copper, lead and zinc space in order to keep growing the business.

SHARES SAYS: ↗
The market has overreacted to the dividend news. Keep buying as it is a great way to play the copper and zinc market.

SCISYS

(SSY:AIM) 187.5p

Gain to date: 34.4%

Original entry point:

Buy at 139.5p, 19 April 2018

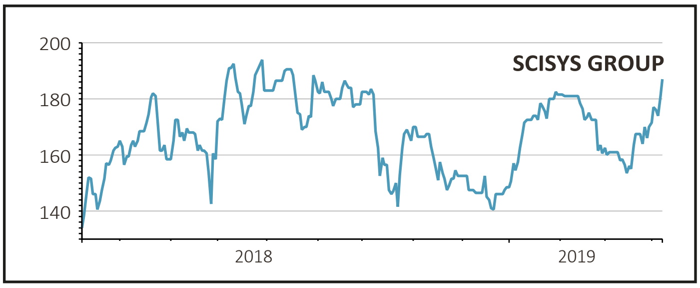
IT SYSTEMS AND services supplier **SciSys (SSY:AIM)** should be applauded for the sensible way it has handled ongoing Brexit uncertainty.

With substantial business across Europe, not least in the media industry and with the European Space Agency (ESA), its decision to re-domicile to Ireland while keeping its UK offices and, importantly, its UK stock market listing, seems to have pleased all parties.

It also led to the release of a log-jam of ESA contracts that had been on the backburner, handing the company and its investors a welcome New Year boost. Full year 2018 results were typically reliable and robust without being spectacular, which is just what shareholders want.

It's been two strong years for the share price since we pointed out the company's more aggressive growth ambitions in April 2017. Since then the stock has rallied 70% from 110.5p yet it remains far from expensive.

SciSys is currently trading on 13.4 times 2019 earnings forecasts. If we assume a modest rating enhancement to a forward PE ratio of 15 by year end, it would imply a 228p share price based on existing forecasts.



SHARES SAYS:
Keep buying.

JERSEY OIL & GAS

(JOG:AIM) 74p

Loss to date: 20% (stopped out)

Original entry point:

Buy at 213.8p, 21 March 2019

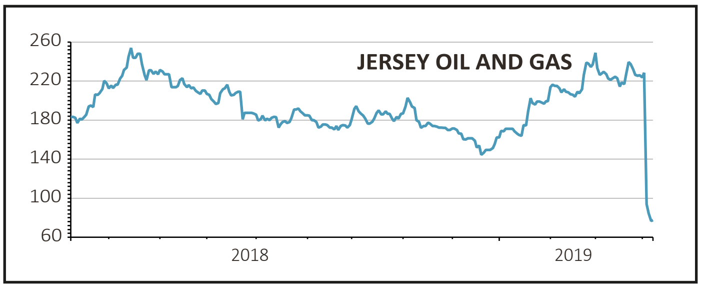
SHORTLY AFTER ADDING the resources group to our *Great Ideas* portfolio, shares in North Sea oil play **Jersey Oil & Gas (JOG:AIM)** fell heavily as it announced disappointing results from drilling in the North Sea.

An appraisal well on the Verbier discovery only confirmed the lower end of earlier estimates.

We felt the risk was more limited than pure oil and gas exploration given a degree of certainty that oil was there; it was just a question of how much exactly. However, the outcome was probably about as negative as it could have been.

Analyst David Round from Canadian bank BMO still thinks it can be a commercial project, with a prospective development valued at 140p per share. However, the market is likely to take some convincing.

The next key piece of news for the company is likely to be the result of licensing awards for acreage around Verbier, due in the third or fourth quarter.

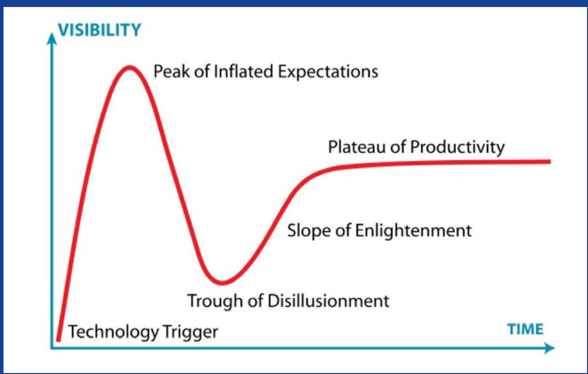


SHARES SAYS:
A very poor outcome, and one we will look to learn from.

"We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run". This is Amara's Law which reflects most people's attitudes to emerging technologies and, in our view, is the driver of the technology hype cycle.

When the internet went mainstream in the late 1990s, the technology sector went supernova on the promise of a dream, but it is now, 20 years later, that this dream is being realised. With the rise of the smartphone – four out of five adults now own one* – internet connectivity has become ubiquitous, fundamentally changing how we live and work in ways we could not even have imagined two decades ago. The benefits to the consumer are immeasurable, but we believe this is only the beginning.

Gartner Hype Cycle



Source: Gartner; August 2018

Take how we shop. Having the internet in our pocket makes going to the shops look increasingly outdated – why should a consumer go to the trouble of getting in the car to go to a store, have to search for the items they need, queue to pay and then bag the items themselves? Amazon and other eCommerce platforms offer all of this at the consumer's fingertips. Traditional retailers are going to have to up their game if they want to survive and make shopping a truly enjoyable experience.

Behind the scenes, internet connectivity has enabled cloud computing, where processing takes place in datacentres, at an industrial scale and the output is sent to us for a fraction of the cost. This is enabling a media revolution. Seven years after its launch in the UK, Netflix's internet-delivered service is thought to have a larger subscriber base than Sky UK's satellite service – two decades in the making. In March, Google announced Stadia, a new cloud-based video game-streaming service which promises to bring console-level gaming to your internet browser and smartphone. Combined with the arrival of 5G, we could eventually be playing top quality games anywhere, anytime.

Smartphone ubiquity and internet connectivity is enabling new business models in transportation too. While the ultimate profitability of services such as Uber and Lyft – 'mobility-as-a-service' platforms – is not clear, the impact on our lives is very apparent. We are already seeing drivers benefiting from advanced driver assistance systems such as automatic emergency breaking and eventually we should see fully autonomous, driverless vehicles on a commercial scale.

Technology is disrupting every industry, not just retail, media and transportation and the pace of change is growing exponentially. While we understand public concerns about the impact of these technologies on jobs and society more broadly, we believe they will augment rather than replace humans for the foreseeable future. As the legendary Saudi oil minister Sheik Ahmed Zaki Yamani said: "The Stone Age didn't end because we ran out of stones." What he meant was that the Stone Age ended because something better came along. Disruption can be painful in the short term but these technologies should ultimately give us back more of our most precious commodity, time.

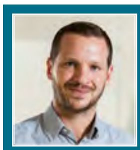
Paul Johnson,
Analyst,
Polar Capital Technology Team
4 April 2019

* Source: Deloitte; 26 September 2016.

'What are Pensions Dashboards and when will I be able to use them?'

AJ Bell's pension expert Tom Selby explains how the online system will work

What are 'Pensions Dashboards' and when will I be able to use them?
Felicity from Gloucestershire



Tom Selby
AJ Bell
Senior Analyst says:

You've probably read a bit about Pensions Dashboards in the past week or so after the Department for Work and Pensions gave the initiative the green light.

Pensions Dashboards have two central aims: to help savers locate lost pots and boost retirement engagement.

Around a quarter of adults have lost track of at least one retirement pot during their working life, according to Age UK, with the problem expected to get worse following the introduction of automatic enrolment into workplace pensions.

The average person will switch employer 11 times during their lives, potentially building up a new pension with a new provider each time. The Government estimates by 2050 there will be 50m dormant pots as a result.

Pensions Dashboards, once launched, are designed to help deal with this problem. The idea is that you will eventually be able to see all of your pensions securely in one place online. This should make it easier to locate any stray pensions from old jobs and mean you have a fuller picture of your retirement situation.

Eventually the dashboard concept could be expanded to include other financial products such as ISAs, but the initial phase will be extremely limited.

While the Government wants to compel all pension schemes to provide information to Dashboards, it will only be able to do this once there is time in Parliament. And the ongoing Brexit shenanigans mean that might not be until 2020 or beyond.

As a result, you won't be able to see all your pension money in one place when Dashboards first become available – only those from schemes that have volunteered the data. In fact, the Government doesn't expect Dashboards to show all your pension information – including the state pension – for three to four years.

So it's probably better to think of Dashboards as a useful addition to your retirement planning toolkit rather than some sort of pension panacea. In time they might develop into something bigger, but initially the information available will be partial and basic in nature.

Unfortunately we don't know exactly when Dashboards will be widely available, although testing is planned for this summer.

In the meantime it's worth trying out AJ Bell Youinvest's 'MyWealth' service, which allows you to input all your information to create your own personalised financial dashboard. In time through Pensions Dashboards and open banking the information available on services like these should become even more comprehensive.

DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

Send an email to **editorial@sharesmagazine.co.uk** with the words 'Retirement question' in the subject line. We'll do our best to respond in a future edition of *Shares*.

Please note, we only provide guidance and we do not provide financial advice. If you're unsure please consult a suitably qualified financial adviser. We cannot comment on individual investment portfolios.

Investing for impact: profit with purpose

How can we aim to achieve a positive social and environmental impact with our long-term investments?

Would you like to pursue more than financial returns from investing? You can count yourself among a growing band of investors if so.

There is a spectrum of approaches to responsible investing, from excluding companies that fail certain criteria to full integration of environmental, social and governance (ESG) factors in the investment process.

If non-financial goals are as important to you as financial returns, you can explicitly target investments that also deliver positive change for society or the environment. This is generally referred to as 'impact investing'.

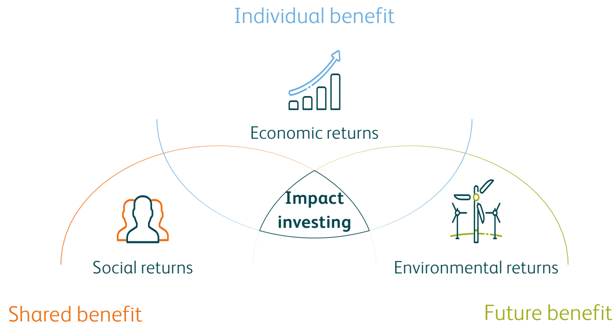
Pragmatism, not idealism

Like any approach to responsible investing, investing for impact should not be with charity. The objectives of impact investing are to deliver long-term financial returns for investors, in tandem with shared returns for society or the environment.

In our view, there can be compelling investment opportunities where companies deliver a positive impact on society. Many stand to profit from tailwinds where their businesses align with sustainability trends, such as growing demand for responsibly sourced goods.

We believe it can therefore be a pragmatic choice, not an idealistic one, to help address environmental and social challenges by investing in companies that can demonstrate impact. This could be through pioneering products or services, by driving sustainability improvements in their sector or even by providing other companies with the tools to deliver impact.

Aiming for societal and economic returns



Measuring impact

It is of course harder to measure environmental or societal returns than financial returns, but this is not to say we can't. As with any metric of performance, we need a robust framework for gauging impact.

The UN Sustainable Development Goals, which articulate the world's most pressing sustainability issues, can offer just this. They emphasise the importance of an economic model that recognises the value of a clean environment and of a fair and healthy global society.

The positive impact of an investment can be assessed by analysing how a company performs against any of these 17 Goals. For instance, a healthcare company could contribute towards Goal 3 – "ensuring healthy lives and promoting wellbeing for all" – if its medicines alleviate or prevent illness. The company's positive impact in this sense would be defined by its reach and the effectiveness of its treatments.

Impact investing is to some extent defined by the ability to measure an investment's environmental or societal impact, but this is a developing area. It is not always possible to objectively or accurately place a value on impact, despite our best endeavours.

The UN Sustainable Development Goals (SDGs) framework

Source: United Nations, Department of Public Information

Aiming higher

Investing for impact is nothing new. Many institutional investors, like pension funds, already target non-financial goals with some of the investments they make to meet their liabilities. It is becoming easier for individual investors to follow suit.

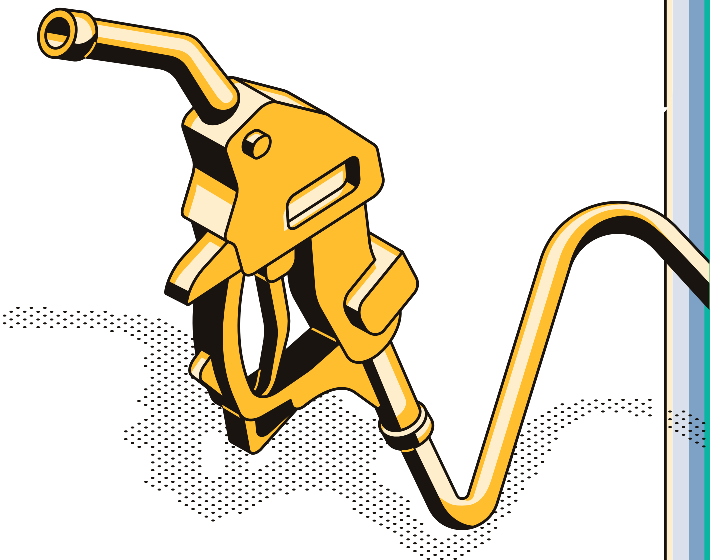
Embracing companies' relationship with society and the environment creates a new strategic lens through which investors can evaluate the prospects – and ultimately the success – of investments. By looking at the bigger picture, beyond traditional metrics of success, we believe investors can aim higher.

The views expressed here should not be taken as a recommendation, advice or forecast. The value and income from the fund's assets will go down as well as up. This will cause the value of your investment to fall as well as rise. There is no guarantee that the fund will achieve its objective and you may get back less than you originally invested.

M&G INVESTMENTS

9 WAYS TO FILL YOUR ISA

WE SHOW YOU THE INVESTMENT TRUSTS TO BUY NOW



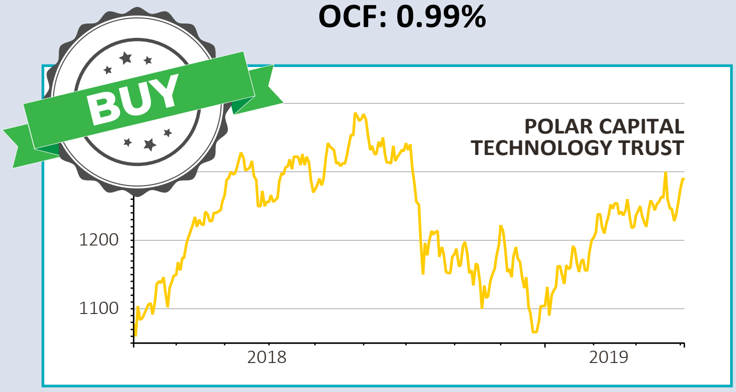
You may find it odd to celebrate the start of the new tax year as 6 April often brings rising taxes and falling benefits. However, the one thing in investors' favour is that the ISA allowance clock is reset. It means you can invest up to £20,000 over the coming tax year and not pay any tax or capital gains on investments inside the wrapper.

The start of the new tax is often one of the busiest times of the year as many investors are eager to take advantage of the new ISA allowance. For this reason, we've analysed the investment trust market and picked nine products which are worth buying at the current price.

The selection is quite diverse in terms of style, assets and geographic focus. You may be familiar with some of the investment trusts and others may be less well known. We include the reasons to buy them and some guidance on the type of person they may or may not suit. Any reference to the term 'OCF' stands for ongoing charges figure.

POLAR CAPITAL TECHNOLOGY TRUST (PCT) £12.88

Discount to NAV: 6.8%
OCF: 0.99%



Salesforce features in Polar Capital Technology Trust's portfolio

A TECHNOLOGY FUND might sound high risk to many investors yet fund manager Ben Rogoff might argue that the biggest risk is ignoring the space when technology is disrupting existing business models and carving entirely new industries.

Imagine how different the world might look without Apple's iPhones, Googling the internet or Microsoft's desktop applications – these services helped so many people to become computer literate in the first place.

Names in Polar Capital's portfolio include chip maker Advanced Micro Devices and software stocks like Alteryx, Twilio, New Relic and Hubspot.

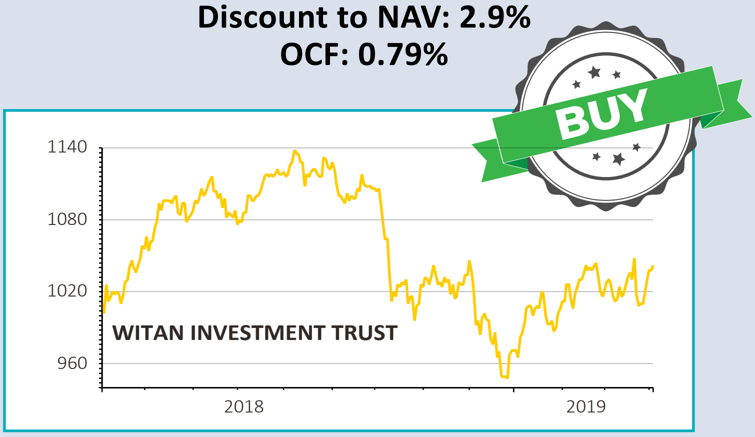
Over the past decade the trust has delivered net asset value (NAV) total return of 551% (to the end of 2018), smashing the 423% return of the Dow Jones World Technology benchmark.

Recent months have seen an extreme spell of volatility across technology markets and that may scare off some investors for this type of trust. Yet this is currently reflected in a NAV discount far in excess of its 3.7% average over the past 12 months, according to data from Winterflood.

Rogoff remains highly optimistic about the long-run prospects for select technology themes. Areas like cloud computing, software-as-a-service, digital marketing, complex microchips and robotics/automation are some of his particular favourites.

WITAN INVESTMENT TRUST (WTAN) £10.38

Discount to NAV: 2.9%
OCF: 0.79%



Witan Investment Trust's dividends are helped by the inclusion of *Bailey's* holding company Diageo in its portfolio

THE NEAR-3% discount to net asset value represents a good opportunity to secure access to an investment trust with a strong track record.

Witan uses 10 different third party fund managers who are experts in different fields. Together they invest in global equities and account for the bulk of Witan's portfolio.

The aim is to also generate less volatile returns than a portfolio steered by a single manager.

The managers appointed by Witan have

varying geographic focuses and investment approaches which can perform well in different circumstances.

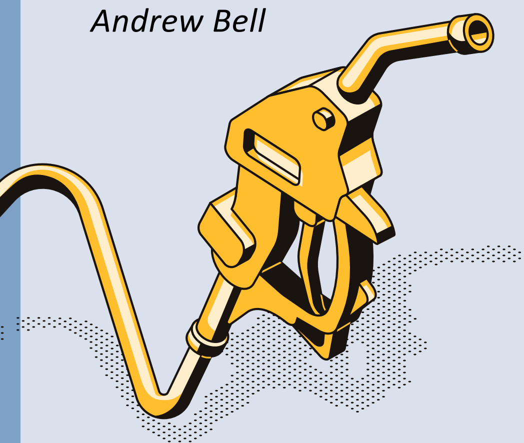
Among them is Nick Train from asset manager Lindsell Train who likes quality companies, as well as Derek Stuart from Artemis who specialises in spotting out-of-favour stocks with unrecognised growth potential.

Around 10% of the portfolio is managed in-house by Witan's executive team, with a focus on specialist funds in areas like healthcare and private equity. This team includes Andrew Bell, who has been responsible for the overall running of the fund since 2010.

Witan has only underperformed its benchmark in two out of the last nine years. The trust is well placed to extend a record of 44 consecutive years of dividend growth with revenue reserves equivalent to one-and-a-half times the cost of its latest annual dividend.

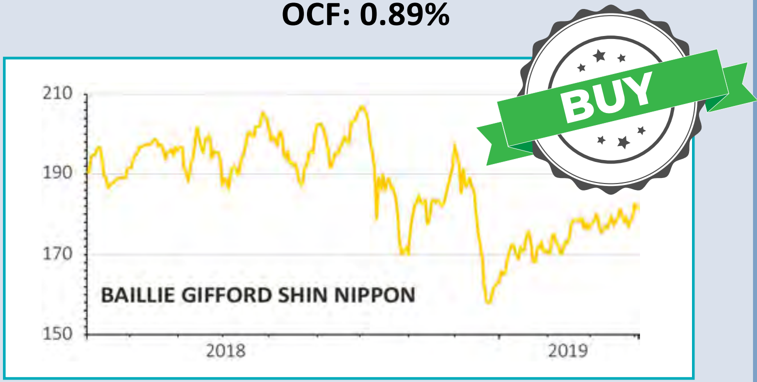
Broker Numis Securities sums up the appeal of the trust: 'We regard Witan as an attractive core holding for investors seeking global equity exposure. The fund provides access to a number of leading managers, and has a competitive ongoing charges figure given its multi-manager approach.'

Watch our video interview with Witan's CEO Andrew Bell



BAILLIE GIFFORD SHIN NIPPON (BGS) 180.6P

Premium to NAV: 4.9%
OCF: 0.89%



Baillie Gifford Shin Nippon targets companies that exploit niche markets

MANAGED BY Praveen Kumar, Baillie Gifford Shin Nippon offers a way for growth-hungry investors to gain exposure to Japan's legion of under-researched, innovative smaller companies.

Kumar's mission is to generate long-term capital growth through investment in small Japanese companies which boast above-average capital growth prospects.

He targets high growth, entrepreneurial companies with the potential to disrupt traditional Japanese business models or exploit niche market or overseas opportunities.

With Kumar seeing more and more opportunities on the ground, the board is also seeking shareholder approval to permit investment in unlisted companies at a level of up to 10% of the portfolio at the time of purchase.

While Baillie Gifford Shin Nippon has delivered impressive net asset value total returns over the past decade, significantly outperforming the MSCI Japan Smaller Companies index, NAV actually fell 6.1% in the year to 31 January 2019.

Weak Chinese demand over the year had a negative impact on some Japanese small caps, with risk-averse investors viewing them as more vulnerable to external shocks.

Yet Kumar remains positive on the Japanese outlook, isn't concerned about Brexit (around half the investments are domestically focused within Japan and the remaining holdings have minimal exposure to the UK) and the portfolio is packed full of growth potential.

Top holdings include specialist medical equipment company Asahi Intecc, online legal advice website operator Bengo4.com and online food delivery service Yume No Machi.

The shares have typically traded at a near-5% premium to NAV over the past few years.

INVESCO INCOME GROWTH TRUST (IVI) 267P

BUY

Discount to NAV: 14.8%
OCF: 0.75%

Young's features in Invesco's portfolio

SAVVY INVESTORS OFTEN look for something out of favour in the hope they can pick up a bargain or an investment that could bounce back. It may seem odd looking for unpopular assets but these are often where the best returns can be obtained.

Managed by Ciaran Mallon, Invesco Income Growth Trust is certainly unloved after three straight years of underperforming the FTSE All-Share Total Return benchmark. Its focus on UK equities is doing it no favours as this part of the investment world has de-rated on Brexit fears.

To make matters worse, there are various negative points working against the trust. Canaccord analyst Alan Brierley suggests it doesn't need six people on the board given it isn't a large trust. He also implies Invesco hasn't been very good at marketing the product and he is disappointed that long-standing directors have only invested a small amount of their own money in the trust.

Those are the negatives – if you look deeper you will find plenty of reasons to buy while everything looks bleak. The trust is trading close to 15% below the net value of its assets which Brierley says is the widest since the TMT bubble in 2000. That means you can get access to some fantastic companies for much less than they are worth. The yield is also good at 4.2%.

Its portfolio contains a mixture of small and larger companies with growing earnings including pubs group **Young's (YNGA:AIM)**, chemicals specialist **Croda (CRDA)** and credit checking specialist **Experian (EXPN)**.

Thomas McMahon, investment trust analyst at research group Kepler, says: 'Providing a stable and growing dividend is one of Ciaran Mallon's key priorities, and the trust hasn't cut its dividend for over 20 years.

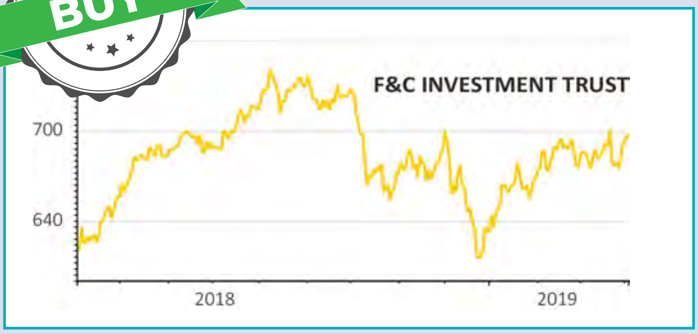
'Over the past decade, the trust's dividend has grown by an average of 3% per year, well above the 2.2% average for the CPI rate of inflation and above the 2.8% average for RPI over the period.

'Mallon's balanced, cautious approach could appeal to those who prioritise a stable and growing dividend over aggressive capital growth.'

F&C INVESTMENT TRUST (FCIT) 697P

Premium to NAV: 0.3%
OCF: 0.56%

BUY




Amazon is the biggest holding in F&C's portfolio

FORMERLY-KNOWN AS Foreign & Colonial, the 150-year-old trust has been run by the experienced Paul Niven since 2014, with its different portfolios largely steered by external managers.

As part of reaching its century-and-a-half milestone in 2018 the fund has reshuffled its portfolio, with the result that its shares have consistently traded at a premium to net asset value in the last 12 months. There are suggestions it could buy back shares if they returned to a material discount.

F&C has the flexibility to invest in companies not quoted on a stock exchange and in private equity, as well as quoted firms.

It provides genuine global diversification at a time of considerable political and financial domestic uncertainty.

Having fallen to 5% of total holdings, UK investments have now been folded within a pan-European sub-portfolio.

The top holding in the trust is Amazon at 2%, with software business Microsoft second at 1.8%.

On a five-year view, F&C has achieved a share price total return of 104.3% against 75.6% for its FTSE All World benchmark.

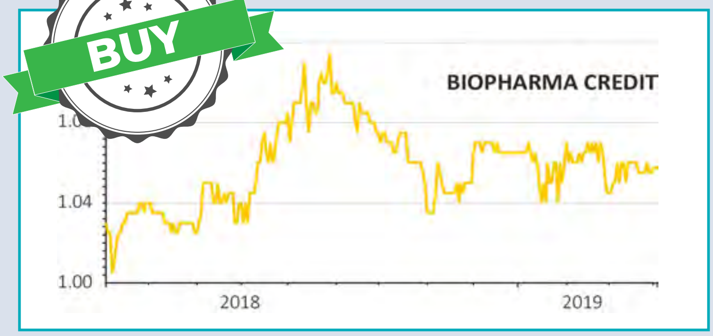
F&C suggests the trust may appeal to someone looking for their first investment or a building block for their portfolio. It would also suit someone looking to invest their money over numerous years or a person interested in regular dividends with payments made four times a year, although the current yield isn't that generous at 1.6%.

Winterflood Securities comments: 'In our opinion F&C Investment Trust offers investors diversified, low-cost, well-managed exposure to global equities, with a lower level of volatility than many of its peers.'

BIOPHARMA CREDIT (BPCR) $1.05

Premium to NAV: 2.1%
OCF: 1.47%

BUY




BioPharma is London's only listed specialist debt investor in the life sciences industry

BIOPHARMA CREDIT MAY suit an individual seeking to diversify their income streams via a fund where returns have a low correlation with equity markets. It isn't for the faint-hearted as the fund isn't easy to understand and so we suggest only more sophisticated investors take a look.

BioPharma is London's only listed specialist debt investor in the life sciences industry. It yields an attractive 6.6% and delivered annual price and net asset value returns of 15.35% and 13.27% respectively in 2018.

Strong investor appetite for the strategy has enabled the investment trust to issue new shares and grow in size.

Manager Pharmakon invests mainly in corporate and royalty debt secured by cash flows derived from the sale of approved life science products.

> **BIOPHARMA CREDIT YIELDS 6.6%**

Last year saw the trust significantly increased the scale and diversity of the portfolio. For example it deployed $194m as lead investor for a loan to a subsidiary of Sebela Pharmaceuticals, a private speciality pharmaceutical company focused on gastro-intestinal medicines, dermatology and women's health.

BioPharma Credit also made $150m senior secured loan agreements with oncology group NovoCure and Amicus Therapeutics, a rare metabolic disease-focused biopharmaceutical firm.

Demonstrating the healthy returns on offer, **GlaxoSmithKline's (GSK)** recent $5.1bn takeover of NASDAQ-listed Tesaro, then the fund's biggest holding, saw BioPharma Credit receive a princely $370m payment on its $322m share of a loan. It benefited from repayment of the loan and an early repayment fee.

Around 50% of the fund's assets are currently in cash, so Pharmakon will be under pressure to deploy this money wisely in new investments.

SMITHSON INVESTMENT TRUST (SSON) £11.72

Premium to NAV: 3%
OCF: 1.05%

BUY

Smithson's portfolio includes a stake in Rightmove

FUNDSMITH'S NEWEST investment trust is on a roll with its shares enjoying a decent rally since the start of the year. Its launch last October certainly looks well timed as it was able to take stakes in companies during a weaker time for the market, so it could have picked up some relative bargains.

Smithson is following the same investment approach that has made **Fundsmith Equity Fund (B41YBW7)** so successful, albeit focusing on the mid-cap space rather than very large companies.

We believe it is an ideal holding for someone seeking to build a diversified portfolio and is happy to buy and hold for at least five years. This might be someone using a Lifetime ISA to save for retirement, an individual in their 20s, 30s, 40s or 50s using an ISA or a SIPP, or indeed it would be suitable for an investment in a Junior ISA.

One could even make an argument for owning the shares during the early stages of retirement although Smithson has guided that it doesn't expect to generate a significant income from its portfolio so that might put off retirees who are relying on dividends to fund their lifestyle. Ultimately investors would principally own the shares for capital gains.

Smithson invests in high quality businesses around the world. The portfolio currently includes data analytics provider and credit scoring expert Equifax, medical technology group Masimo and IT security firm Check Point.

We acknowledge that it has a short performance track record and that some investors may not like the fact that Terry Smith who runs Fundsmith Equity Fund isn't the fund manager on Smithson.

However, the people running the trust – Simon Barnard and Will Morgan – are following a proven investment process and still confer with Smith about their investment decisions.

HICL INFRASTRUCTURE (HICL) 162.7P

BUY

Premium to NAV: 4.1%
OCF: 1.26%

HICL Infrastructure invests in toll roads among other areas

DESPITE HEIGHTENED political risk due to Brexit uncertainty as well as growing nationalisation concerns with Labour eyeing 10 Downing Street, HICL Infrastructure stands out thanks to diversification by asset risk, a growing dividend backed by predictable cash flows and strong inflation correlation.

Admittedly, the collapse of Carillion highlighted a sector negative in the transfer of counterparty risk to infrastructure fund investors.

Furthermore, HICL really needs to stay disciplined in terms of pricing as market demand for infrastructure investments is high in a low rate environment.

Nevertheless, *Shares* considers HICL a canny play for investors seeking a progressive, quarterly dividend-paying investment with scope for capital growth.

A long term equity investor in infrastructure, HICL has defensive attributes, since the projects and assets it backs support communities and facilitate the delivery of essential public services in the UK, Europe, North America and Australia.

Managed by infrastructure specialist InfraRed Capital Partners, the investments are positioned at the lower end of the risk spectrum, spanning PPP (think social and transportation projects), regulated assets (including electricity transmission projects) and also demand-based assets (student accommodation, for example).

As the pricing of PFI projects has increased in recent years, HICL has invested in other areas such as utilities and also economic infrastructure assets such as toll roads and the HS1 rail project.

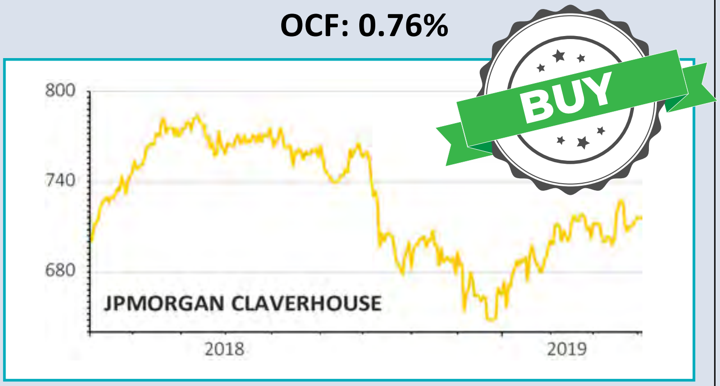
Based on HICL's year to March 2019 target dividend of 8.05p, there's a tasty 4.9% yield on the table.

Investment bank Stifel even suggests that HICL could be a takeover target.

Watch our video interview with HICL's co-head of infrastructure, Harry Seekings

JPMORGAN CLAVERHOUSE INVESTMENT TRUST (JCH) 716P

Discount to NAV: 1.08%
OCF: 0.76%



JPMorgan Claverhouse's portfolio includes a stake in Royal Dutch Shell

A SOLID RE-RATING of JPMorgan Claverhouse Investment Trust's stock so far this year needn't put investors off given the trust's stellar track record. Since switching to a more concentrated, fundamentals-backed strategy in 2012, net assets have increased by 87.1%, about a third better than the FTSE All-Share.

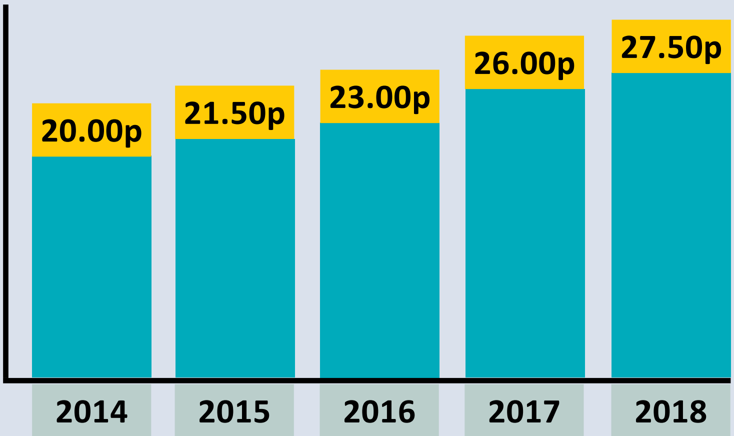
Yet the shares remain some distance off the 750p to 780p range where they spent most of 2018.

This is a popular investment trust selection for investors who want attractive income returns to bolster capital growth, particularly those happiest putting their money to work in UK-listed companies. That it pays quarterly dividends suits both those looking to reinvest back into the market, and investors using regular income to pay their bills.

It has raised its dividends annually for more than 40 years and yields approximately 4%.

The investment trust invests in a mixture of growth and value stocks largely drawn from the FTSE 100, although stakes in smaller companies augment the portfolio. This explains a relative who's-who of FTSE 100 names among its largest holdings, such as **Royal Dutch Shell (RDSB)**, GlaxoSmithKline and drinks giant **Diageo (DGE)**.

5-YEAR DIVIDEND HISTORY



> "TRUSTNET DATA RANKS JPMORGAN CLAVERHOUSE AS THE UK'S FIFTH BEST PERFORMER OVER A FIVE-YEAR PERIOD WITHIN THE UK EQUITY INCOME FIELD"

The managers are not afraid to hold stocks out of favour with the market. These include a stake in **BT (BT.A)**, believing that its war of words with regulators is easing off, and in commercial property through **Segro (SGRO)**, thanks to its structural growth levers.

Financials remain its biggest UK bet. Trustnet data ranks the trust as the UK's fifth best performer over a five-year period within the UK equity income field.

By **Daniel Coatsworth, Tom Sieber, James Crux and Steven Frazer**

DISCLAIMER: Editor Daniel Coatsworth owns shares in Smithson Investment Trust referenced in this article.

Is cannabis the next investment bubble?

Be careful with stocks in this market despite projections for rapid growth

At midnight on Wednesday 17 October 2018, Canada became only the second country in the world after Uruguay and the first country in the leading G7 group of nations to legalise the recreational use of cannabis for adults over 18.

Canada's 'experiment' is being closely watched by other governments and lawmakers to see how it manages the drug's use and whether legalisation succeeds where prohibition has so far failed.

This historic event has unsurprisingly created an opportunity for businesses and investors. People have seen cannabis-related stocks shoot up in value and so interest is now spreading around the world including a few stocks in the UK.

WHAT'S GOING ON?

Cannabis production and its use for medical purposes has been allowed in Canada since 2001 so there is already a legal framework in place for both its production and consumption.

In the US, 39 states already allow medical use but only nine allow recreational use by adults over 21, including California which is the world's largest market for recreational cannabis.

The global cannabis market was estimated to be worth $177bn in 2017 but over 90% of the market is illegally trafficked so the legal market is tiny.

However analysts are forecasting that with more countries moving towards allowing recreational use the legalised market could grow more than tenfold over the next decade to over $150bn.

Prohibiting its use for recreation has led to the market being dominated by stronger strains which as well as creating mental health issues can draw users into trying other illegal drugs and is contributing to increases in crime.

On the other hand regulating its use for recreation, especially among younger people, helps bring the trade 'out of the shadows' and generates financial benefits in the form of tax income.

MEDICAL DEMAND STRONG IN EUROPE

Currently 10 European countries allow the medical use of cannabis but only two countries tolerate its cultivation and sale, the Netherlands and Spain.

The UK was due to legalise the medical use of cannabis late last year but like a lot of legislation the bill has been shoved to the back of the queue while efforts to secure some form of Brexit continue.

Analysts at investment bank Canaccord estimate that the continental European medical market was worth around €160m in sales last year, driven by Germany.

Based on reimbursements for prescriptions of cannabis products by German insurance companies, the country's medicinal market was worth €110m last year followed by the Netherlands and Denmark.

The Dutch market is already mature with around 10,000 to 12,000 prescriptions each quarter. The German market has grown sharply in the last year and a half from just over 5,000 prescriptions in the second quarter of 2017 to well over 50,000 in the final quarter of last year.

This growth is likely to continue albeit at a slower pace while newer markets like Denmark and Poland are expected to see prescriptions increase as more people take up treatment.

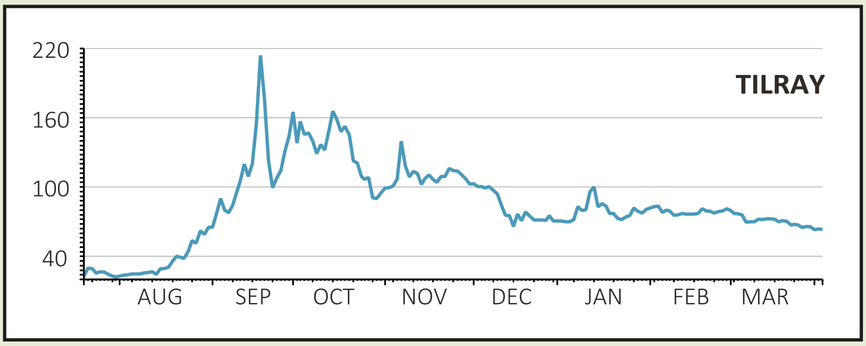
WELLNESS IS IN FASHION

Cannabis production and its recreational use are still banned in Europe although in Spain it has been more or less tolerated for some time and a relatively large number of people use it for self-medication or 'wellness'.

'Wellness' centres on the use of products such as creams and oils which contain cannabidiol (CBD) but no psycho-active or controlled substances and are technically regulated as food supplements.

The UK CBD market has exploded in the last year with Boots, Holland & Barrett and every vape shop on the high street selling CBD oil.

The continental European market has also seen explosive growth and Canaccord analysts have raised their estimate of the size of the value of the market from €200m a year to as much as €1bn a year.



Tilray's shares are a perfect example of how investors chase over-hyped stocks for fear of missing out, with many burnt for buying too high.

Having floated at $17 in July 2018, the stock soared more than 12-fold in value to $214.06 two months later. It has since crashed back down to $63.68.

EQUITY STOCK VALUATIONS ARE SKY-HIGH

Numerous cannabis producers have been quoted in Canada for several years thanks to its early adoption for medical usage and there has been something of a bubble in 'pot stocks' as investors have piled into the sector.

The largest stock by market capitalisation is Canopy Growth which is valued at C$20bn although it has around C$5bn of cash. While revenues are still growing it is valued at a lofty 20 times sales and is loss-making.

That hasn't stopped Constellation Brands, the US company behind *Corona* lager and *Mondavi* wines, taking a 9.9% stake in Canopy.

Other well-known and highly-rated cannabis stocks include Tilray which is valued at 18 times sales and Aurora which trades on 14 times sales. Like Canopy Growth, neither firm currently makes a profit.

In Europe there are just a handful of cannabis-related stocks and none are generating meaningful revenues or profits. These include Sativa Investments which is listed on the NEX Exchange and **FastForward Innovations (FFWD:AIM)**, both of whom are small and illiquid.

Such is the hype that oil and gas company **Highlands Natural Resources (HNR)** has just raised money to 'establish an organic, vertically-integrated CBD operation' in Denver, Colorado.

It plans to grow the 'green gold' and sell it as CBD-infused chewing tobacco and pre-rolled 'smokeables' and, despite the odds, it expects to be profitable by the end of this year.

We expect more companies to target the sector, particularly at the smaller end of the AIM market. Our advice is to be very cautious about any of these investments unless they can demonstrate a proven, profitable business model.

By **Ian Conway**
Senior Reporter

The biggest dividend yields in the FTSE 350

We look at the importance of payouts being covered by earnings and cash flow

Dividends are a big reason people invest in shares. The prospect of securing a juicy yield on your money is an appealing one. And with the FTSE 100 paying a prospective dividend yield close to 5%, the income attractions of UK stocks have rarely been more evident.

But buyer beware, these dividends are not set in stone, and you need to do your homework to ensure you are not caught out by a dividend cut or even worse a payout which is cancelled entirely.

In this article we will show you the highest-yielding stocks in the FTSE 350 according to their forecast dividend payments. We will discuss why some of these yields – several of which run into double-digits – are potentially risky.

Finally we provide a potentially more sensible list for further research to help you identify examples where a strong yield is covered by earnings *and* cash flow.

"PERSISTENT OPERATIONAL OR FINANCIAL PROBLEMS CAN OFTEN LEAD TO A CUT IN THE DIVIDEND"

WHY A HIGH YIELD CAN SPELL DANGER

A dividend yield is calculated by dividing the dividend per share by the current share price, expressed as a percentage. It makes more sense to focus on the forecast dividend payment so you can work out the yield based on what could be paid, rather than what already has been paid.

There are two important points to understand if you want to get to grips with dividends:

- The dividend yield will rise if the share price falls
- The dividend yield will fall if the share price rises

A very high dividend yield can reflect a big fall in the shares of the relevant company, so you need to find out what the market is thinking. A falling share price may be the result of some investors selling stock following a setback with operational or financial performance – or anticipation this could soon happen.

Persistent operational or financial problems can often lead to a cut in the dividend in the future, so the rising yield in this situation can act as a warning sign.

There are three high-profile names in our table which certainly fall into this category.

THE SEARCH FOR INCOME: FTSE 350 STOCKS RANKED BY PROSPECTIVE YIELD

Company	Prospective yield (%)	Historic free cash flow dividend cover	Forecast earnings dividend cover
Persimmon	10.9	0.9	1.2
Evraz	10.8	1.3	1.4
Plus500	10.6	1.8	1.5
Taylor Wimpey	10.2	3.3	1.1
Galliford Try	10.2	0.4	2.0
Royal Mail	9.9	2.8	1.1
Stobart	9.9	-1.4	0.2
Bovis Homes	9.6	1.7	1.1
Centrica	9.2	1.5	0.9
Vodafone	9.0	1.0	0.6
NewRiver REIT	9.0	0.4	0.8
BHP	8.9	1.8	0.9
Crest Nicholson	8.9	0.8	1.5
Redrow	8.7	1.9	1.7
SSE	8.3	0.2	0.7
Direct Line Insurance	8.1	0.5	1.0
IG	8.1	1.3	1.1
Standard Life Aberdeen	8.0	0.7	0.9
Imperial Brands	7.8	1.2	1.4
Aviva	7.7	4.3	1.8

Source: SharePad, 3 April 2019

Mobile telecoms firm **Vodafone (VOD)** yields a prospective 9%. It has large borrowings, faces significant competitive threats and could need to invest heavily in new radio wave spectrum for 5G services – a fifth generation mobile network which enables faster internet access.

Energy firm **Centrica (CNA)** has already signalled that energy price caps will constrain cash flow this year. In November the company had explicitly linked dividends to meeting cash generation and debt targets and, despite maintaining its payout at 12p for 2018, it has made no commitment for 2019.

The consensus forecast which underpins Centrica's forward yield of 9.2% is 10.5p which implies a cut from 2018's figure. However, some analysts think the dividend cut could be considerably larger. RBC analysts forecast a 2019 dividend of 8p, for example, and the company recently (2 Apr) revealed a downgrade from credit rating agency Standard and Poor's. Meanwhile its British Gas consumer energy arm continues to haemorrhage customers.

Delivery service **Royal Mail (RMG)** has a 9.9% prospective yield. It has been hit by industrial relations problems, declining letter volumes amid tighter restrictions on marketing and has struggled to deliver on a series of promised efficiencies. This has implications for cash generation and could ultimately result in a dividend cut.

However, you also have to consider that the market sometimes welcomes dividend cuts, particularly if the share price has already fallen to such an extent that investors are already pricing in such a scenario. A reduced dividend effectively frees up cash for other things, and so markets can treat such news with open arms, particularly if it reduces pressure on a stretched balanced sheet.

Sadly investors who rely on dividends for income may not feel the same way if they've grown accustomed to generous payments over the years.

Elsewhere, housebuilders feature prominently on the list of 20 highest yielding stocks.

We wrote in January how many of these dividends were backed by strong net cash positions.

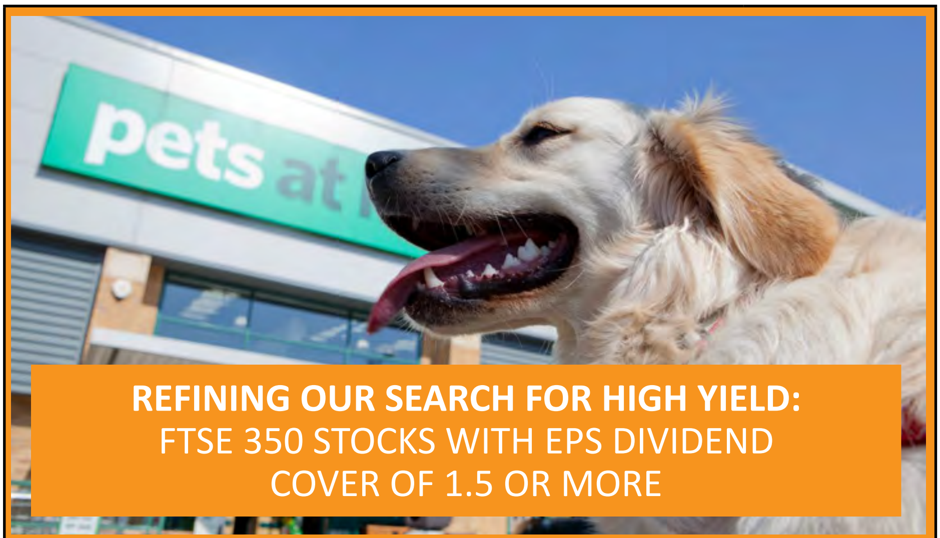
This situation implies, in the short term at least, that these companies could continue to pay generous dividends, even if rising costs and lower average selling prices raise questions about their ability to maintain this dividend generosity in the longer term.

LOOKING FOR SUSTAINABLE DIVIDENDS

The second table shows the highest yielding FTSE 350 constituents which have their dividends covered at least 1.5 times by forecast earnings. This means that even if said earnings were to take a hit then there should still be capacity to maintain the dividend.

That said, it is important to note that dividends are paid from cash flow rather than earnings per share. The latter metric can be easily massaged to present a company's performance in a better light.

Although we don't have forecast free cash flow per share dividend cover, we have used historic figures and have only included firms which were able to cover their most recent dividend by at least 1.5-times from free cash flow.



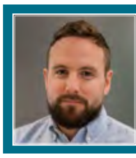
REFINING OUR SEARCH FOR HIGH YIELD:
FTSE 350 STOCKS WITH EPS DIVIDEND COVER OF 1.5 OR MORE

Company	Prospective yield (%)	Historic free cash flow dividend cover	Forecast earnings dividend cover
Redrow	8.7	1.9	1.7
Aviva	7.7	4.3	1.8
Barratt Developments	7.5	2.0	1.5
WPP Group	7.1	1.6	1.7
British American Tobacco	6.5	1.7	1.5
ITV	6.2	1.6	1.6
Marks & Spencer	6.0	1.8	1.5
Babcock International	6.0	1.5	2.8
Petrofac	5.9	3.1	2.2
Rio Tinto	5.8	1.7	1.6
Restaurant Group	5.7	1.7	2.0
Playtech	5.6	2.9	1.9
Investec	5.4	1.9	2.2
Wood Group	5.4	1.5	1.9
Man Group	5.2	1.7	1.7
Paragon Banking	4.8	20.5	2.4
Pets at Home	4.8	1.6	1.7
Rank	4.8	1.9	1.8
Cineworld	4.6	1.9	1.9
Berkeley	4.5	5.7	2.5

Source: SharePad, 3 April 2019

Home construction outfit **Redrow (RDW)** is the only name which appears on both tables.

Ultimately no dividend is 100% guaranteed and investors need to consider building a diversified portfolio or invest in income funds rather than relying on the dividends from one or two stocks.



By **Tom Sieber**
Deputy Editor

How to get young people interested in finance

We offer a few ideas to help engage children in the subject matter

When it comes to saving and investing, the earlier you start the better – but getting young people interested in finance isn't always easy.

Starting your investment journey at an early age has myriad benefits; your money has longer in the market to grow and can enjoy the benefits for compound interest for more years. Starting early also gets you into a great habit and makes investing an everyday concept rather than a scary commitment.

But when the interest rates on offer from banks and building societies are meagre and the stock market is tumbling, it can be difficult to explain to young people why saving is better than spending.

THE JOYS OF A SAVINGS JAR

Angela Lloyd Read, wealth adviser at Canaccord Genuity, is a big fan of giving pocket money and thinks putting coins in a jar and watching them build up while a child saves for that toy they want or for their holiday spending money is often more effective than employing the use of apps and technology.

She says: 'Age-old solutions such as a reward chart for doing little chores or doing homework, where they can work towards a financial incentive, are invaluable.'

That said, she concedes that tech-savvy youngsters may often prefer a more high-tech option. She likes Go Henry, a prepaid card to which you can transfer pocket money for a child to use in the same way as a debit card. Parents can set spending limits through the app and check how the money is being spent.

It's important to watch out for charges when you are using apps, however. Go Henry allows parents to make one free transfer of money to the account per month but charges per transfer afterwards, which can really add up if you dole out pocket money on a weekly basis or ad hoc.

Children are able to get a full debit card from a bank from age 11, which is free to use, but the downside is that they will be able to access all of the money in their account.

TALK ABOUT MONEY

Liz Alley, financial planning director at Brewin Dolphin, says that simply talking about money and being open about tricky subjects such as finance can help get young people engaged.

'Many money worries arise either from a failure to think about the long-term or from unexpected events. By sharing your experience and knowledge, you can help your child be realistic about the future and make it easier for them to come to you for advice,' she says.

But no matter how great a grounding you give your children in finance, it's more than likely they will end up making a mistake or two along the way.

Pete Chadborn, director at financial adviser firm Plan Money, says it is important to let them make mistakes.

When his daughter was young and the family went on holiday, she was given her full two week's spending money at the start of the trip to manage herself. He says: 'She could spend it all on the first day or make it last the entire trip, but I was always very clear there was no more once it was gone.'

HAVING DIFFERENT SAVINGS POTS

He is a fan of the 'three jars method' for young children – encouraging them to split any birthday money, pocket money or earnings from chores across three pots: one each for spending, saving and sharing.

When she reached adulthood, he encouraged his daughter to maintain the principle and open three bank accounts: one for saving, one for bills and one for living expenses.

He says: 'Often, when it comes to young people and finance, the best steps are the simplest. You aren't born knowing this stuff and it's not really taught at schools, so parents need to offer help where they can.'

JUNIOR ISA BENEFITS

Alley says setting up a Junior ISA for your child and getting them involved in the investment decisions for the account is a good place to start.

Parents and grandparents can use these accounts to save or invest up to £4,368 a year tax-free for their young relatives. Latest figures from HMRC show 907,000 of these accounts were opened in 2017/18.

But many parents fear that if they open a Junior ISA, their child will spend all the money they have so carefully saved over the years the moment they can access the account. Yet anecdotal evidence suggests that young people who are involved in the investment journey and aware of the account are more likely to keep it invested once they turn 18.

Research from AJ Bell found that just 7% of Junior ISAs were cashed in when the accountholder reached 18. Alley says: 'Explaining the importance and value of money throughout their life will give children a better chance of making sensible decisions once they turn 18 and can access their Junior ISA. Discuss how the account is performing and what it could be worth by the time they are 18.'

> "YOU AREN'T BORN KNOWING THIS STUFF AND IT'S NOT REALLY TAUGHT AT SCHOOLS, SO PARENTS NEED TO OFFER HELP WHERE THEY CAN"

THREE SAVINGS POTS

Getting children to separate their money into different jars can help them develop a good habit for the rest of their life

By **Holly Black**

The benefits of using your partner's ISA allowance

Four important points to consider to help you minimise tax payments

If you're married or in a civil partnership you shouldn't just think about your own ISA allowance, but should consider your spouse's too. Each adult has an ISA allowance of £20,000 each year, and there can be tax advantages to viewing yours and your spouse's allowances together.

Here are a few things to consider:

1 Use Bed and Spouse to save tax

Strange name, but a useful tax-planning strategy. 'Bed and Spouse' effectively means selling investments that are outside your ISA and rebuying them in your spouse's name.

It means you can use your capital gains tax allowance in a year, which is currently £12,000, and then the asset will be in your spouse's name for future tax liabilities.

You can also do 'Bed and Spouse and ISA' which means that your spouse then puts the investments into an ISA, where they won't be charged income or capital gains tax in the future.

If you've got some investments that have gone up in value a lot, and so have a big capital gain, you can sell enough to realise £12,000 of gains and then rebuy

them in your spouse's name. You won't be charged tax on the gain, as it's within your annual allowance, and you protect the investment from future tax.

2 Can I run my spouse's investments?

You may have a joint bank account with your partner, but ISA rules mean that you can't open a joint stocks and shares ISA account – each account must be in each spouse's name.

However, many investment platforms will allow you to appoint a family member on your account and let them view the details of your investments or allow them to deal on your account.

You'll need to appoint them as 'account lead', which they can do for numerous accounts within your family group, with up to five customers linked.

By allowing them to deal you're giving this person the ability to buy and sell investments on your account, so make sure that you want them to have that level of control.

You can withdraw this permission at any time, for example if you get divorced or you want to manage the money by yourself.

3 Use your spouse's unused tax-free allowance

Married couples are eligible for a tax break so long as one of them earns less than the personal allowance, which is currently £12,500, and the other half earns the basic-rate of tax, so less than £50,000.

The marriage allowance means that the lower earning partner can transfer £1,250 of their unused personal allowance to their spouse – with a maximum saving of £250 if they transfer the full allowance. If you haven't claimed this tax break and have been eligible in previous years you can back-date your claim, up to 5 April 2015.

4 How the ISA works if your spouse dies

Money held in an ISA account remains tax free when someone dies, so long as they pass it to their spouse or partner, thanks to rules introduced in 2015. This means it's protected from inheritance tax and also remains sheltered from income and capital gains tax.

However, the way the tax benefit is passed on is a little tricky. Instead of your deceased spouse or partner's account being transferred into your name, you'll get what's called an 'additional permitted subscription' equal to the amount in their ISA account. This gives you a one-off ISA allowance on top of your annual ISA limit.

For example, if your spouse died this year with £70,000 in their ISA, you will be given an additional permitted subscription of £70,000 on top of your £20,000 ISA limit.

The rules were made even better last April, meaning that any growth on the deceased person's ISA is also protected from tax.

Previously the additional permitted subscription was based on the ISA account value on the holder's death, meaning any growth in the ISA account during the probate process was not tax free. The value is now based on the higher of the value at death or when the money is passed on.

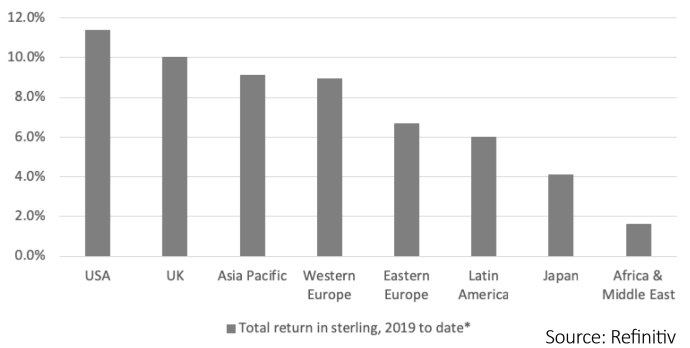
By **Laura Suter**
AJ Bell Personal Finance Analyst

Why are government bond and share prices both rising?

Markets are sending odd signals although there is a plausible explanation

Well here's a funny thing. On one hand, global stock markets are casting aside the gloom that characterised late 2018 and are off to the races once more. All eight of the major geographic options available to investors have generated positive total returns in sterling terms so far in 2019 (compared to just two – Eastern Europe and the US) across the whole of last year.

GLOBAL STOCK MARKETS ARE BOOMING IN 2019 ...



Source: Refinitiv

But on the other hand, global government bond prices are also rising which means yields are in retreat. The graphic below shows that the yield on 10-year German and Japanese government paper is back in negative territory. Meanwhile the UK 10-year Gilt yield is back at the 1% mark for the first time since summer 2017 and the US 10-year Treasury yield is hovering around 2.5%, a level last seen just before Christmas 2017.

...BUT GOVERNMENT BOND YIELDS ARE FALLING

Source: Refinitiv

Granted, the total returns on government bonds are nowhere near as racy as those served up by equities, with a global index of investment-grade sovereign debt having gained 1.2% in the first three months of 2019 in sterling terms (with a gain in the pound having weighed slightly on the outcome).

But this still looks odd, with stocks advancing so smartly yet bond yields retreating so quickly at the same time. This seems inherently contradictory, with stocks seemingly pricing in a robust economic environment and healthy earnings growth and bonds taking a gloomier outlook, factoring in a pause in central bank activity as the monetary authorities respond to the weak economic data that predominated in late 2018 and early 2019.

MIXED MESSAGES

The deeper you dig, the better the news seems to get from January to March 2019. According to data from Bloomberg, America's S&P 500 stock index generated its best quarterly gains since the third quarter of 2009. In addition, oil made its fastest three-month advance since 2002.

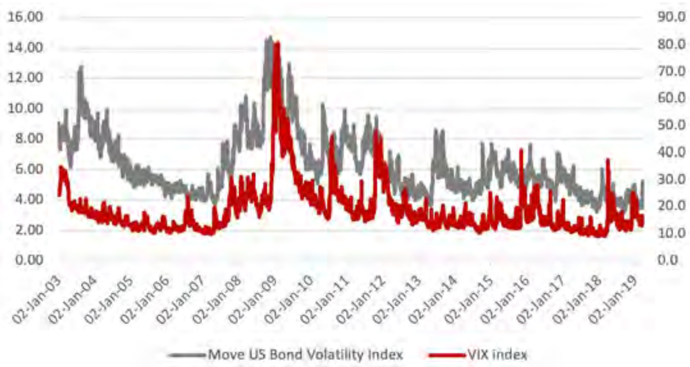
And it was not just government bonds that did well. US investment-grade corporate bonds have just offered their best total returns in a calendar quarter since 1995 and sub-investment grade company paper (or high yield or junk debt) had its best three-month period since 2002.

On top of all of that, there seems to be very little fear about, even if the performance of haven assets such as government bonds would suggest otherwise.

This can be checked by looking at the Chicago Board of Options Exchange's volatility indices, which measure expected market volatility in the next 30 days across a range of asset classes.

In the US, the VIX index, which tracks expected stock market volatility, stands at 13.7 against a lifetime average of 19.2. The MOVE, which gauges expected volatility for the US 10-year Treasury bond, reads 4.4 against a long-term average of 6.3.

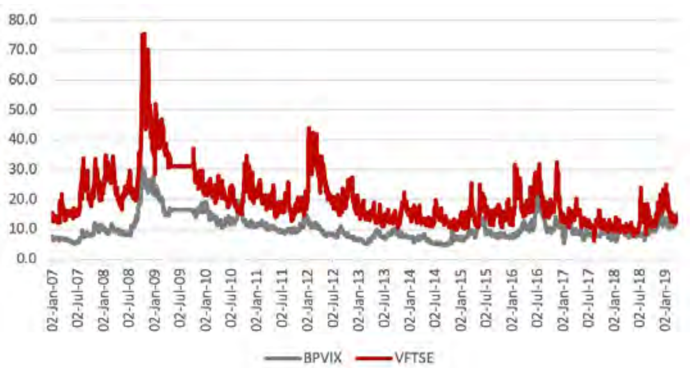
EXPECTED VOLATILITY READINGS ARE LOW ACROSS THE BOARD...



Source: CBOE, FRED -St. Louis Federal Reserve database, Refinitiv

In the UK, the VFTSE, the British version of the VIX 'fear' index, reads 12.8 against its long-term average of 19.2. The only area where traders seem to expect any wild activity is sterling where the current level of 14.7 easily exceeds the BPVIX index's lifetime average of 10.1.

... ON BOTH SIDES OF THE ATLANTIC, WITH THE EXCEPTION OF STERLING



Source: CBOE, FRED -St. Louis Federal Reserve database, Refinitiv

MONETARY MEDICINE

Given the prevailing lack of clarity on the vexed issue of Brexit at the time of writing the state-of-alert with regard to sterling is easy to understand.

> **"SPECULATION IS MOST DANGEROUS WHEN IT LOOKS EASIEST"**

Yet it may also be possible to square the circle between rising stock prices and rising bond prices, too.

Bonds may be rallying because economic weakness could mean interest rate cuts and more quantitative easing (QE) – the Federal Reserve and European Central Bank quickly parked any plans to tighten policy this year and they have been swiftly followed by central banks in Australia, New Zealand, the UK, Indonesia and Taiwan to name but five.

QE would mean more price-insensitive buyers of bonds so canny fixed-income traders are getting in now. And if they drive bond yields lower that takes us back to the TINA argument for equities (There Is No Alternative), especially from a yield perspective. That may explain why stock markets are motoring.

This all looks very bullish and could set the scene for a melt-up, with the compliments of the world's central banks.

But experienced investors may also remember how long periods of below-average volatility in 1993, 1996, 2005-06 and (to a much lesser degree) 2017 and 2018 preceded sudden market dislocations of varying length and depth.

Highly respected investor Warren Buffett says 'speculation is most dangerous when it looks easiest' so investors might like to use this year's first-quarter bonanza to reassess any tactical portfolio allocations, or at least stress test them, to ensure that risk is properly calibrated according to well-defined long-term goals and target returns.

By **Russ Mould**
AJ Bell Investment Director

Vietnam: Asia's most vibrant economy.

While many frontier and emerging markets had a tough go in 2018, one country continued to thrive: Vietnam. In 2018, its GDP rose 7.1%, coming off 6.8% growth in 2017. Foreign direct investment continued to reach new highs, mostly from companies looking to establish or expand manufacturing operations. Vietnam has quickly become the new manufacturing hub of Southeast Asia. These companies are driving export growth, and for 2018 export value rose 13% to reach US$244 billion, much of that consisting of high-tech items such as mobile phones and microchips going to the EU and UK, the US, and China. Vietnam's aggressive efforts to integrate into the global economy via free trade pacts, such as the CPTPP and the EU-Vietnam Free Trade Agreement, are reaping dividends.

Investment is also creating more and better paying jobs for Vietnam's 95 million people, more than half of whom are under the age of 35. Many are moving from rural areas to cities – Vietnam boasts Asia's highest urbanisation rate – to seek better incomes and opportunities for themselves and their families. This in turn has created solid demand for new homes, better education and healthcare, financial services, and consumer goods, as the rapidly growing middle class, expected to reach one-third of the population by 2020 according to the World Bank, looks to spend increased disposable income.

Spurred on by strong international investor interest, private sector IPOs and the privatisation of state-owned enterprises have led Vietnam's stock markets to expand dramatically in recent years. The total market cap for the more than 1,500 companies listed on Vietnam's three exchanges is approximately US$193 billion, making the frontier market much larger than some emerging markets such as Pakistan (US$59 billion). FTSE Russell included Vietnam on its watchlist for upgrade to emerging market status in September 2018.

Add in low inflation, a relatively steady currency and a progressive government committed to further reforming the economy for continued sustainable growth and it is easy to see why Vietnam is far better positioned to weather global uncertainty than many other frontier and emerging markets, and why growing numbers of international investors have been attracted to Vietnam. In fact, Standard & Poor's recently upgraded Vietnam's sovereign credit rating to 'BB" from 'BB-'.

How to invest in Vietnam? The VinaCapital Vietnam Opportunity Fund

Launched in 2003, the VinaCapital Vietnam Opportunity Fund (VOF) is one of the largest and most successful investment vehicles focused on Vietnam. VOF is unique from other funds in that it can invest across asset classes, such as listed equities, private equity, and government privatisations, enabling it to participate in all segments of Vietnam's vibrant economy.

We believe that the most compelling investment opportunities are in companies participating in Vietnam's domestic consumption growth story, sectors such as consumer discretionary, education, financial services, construction and materials, and infrastructure. Examples of some of our key investments include Vinamilk, the country's largest food and beverage company, with a US$13 billion market capitalisation; VietJet Air, Asia's fastest growing low-cost airline; Hoa Phat Group, the leading steel manufacturer; and Tam Tri Medical, a new private healthcare network that is expanding to meet the growing medical needs of Vietnamese people.

With extensive investment experience in Vietnam and internationally, VOF's senior leaders have developed an expansive network that gives the fund exposure to opportunities not available to others, contributing to the fund's strong results. For the five-year period to 28 February 2019, net asset value/share and share price increased 61.5% and 81.8% in USD terms, respectively. VOF is also the only Vietnam-focused fund to pay dividends. VOF was included in the FTSE 250 Index in 2018, a testament to both the strength of our model and the tremendous opportunities available in Vietnam today.

Andy Ho

Managing Director & Chief Investment Officer
VinaCapital Vietnam Opportunity Fund

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Why and how to get exposure to Vietnam

We look at relevant funds, investment trusts and ETFs

Vietnam has witnessed volatile stock market swings of late, yet risk-tolerant investors seeking exposure to a rapidly growing economy should not rule out putting money to work in Vietnam.

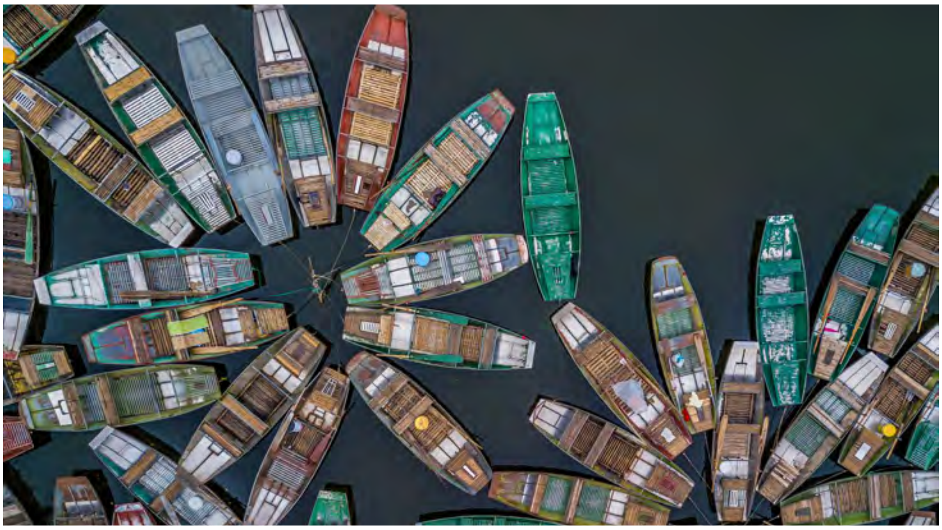
Gross domestic product (GDP) expanded by 7.1% in 2018, powered by positive demographics with a population of around 95m and an emerging middle class.

The market consensus is for GDP to grow between 6.5% and 6.7% in 2019 and 6.3% in 2020, forecasts placing Vietnam well above regional peers.

Significantly, Vietnam is increasingly regarded as an attractive manufacturing hub for foreign capital as labour costs are half those in China.

Furthermore, inflation is under control and despite wider emerging markets turmoil, the Vietnamese dong has been stable against the US dollar.

Bulls insist Vietnam remains one of the most attractive investment destinations in emerging and frontier markets, thanks to a stable political environment and a strong level of domestic consumption as wages and living standards rise.



ENJOY THE (VOLATILE) RIDE

Vietnam's stock market is on a rapid development curve too, aided by a relaxation of foreign ownership limits and the government's privatisation push. This frontier market could be promoted to the MSCI Emerging Markets index in the next few years.

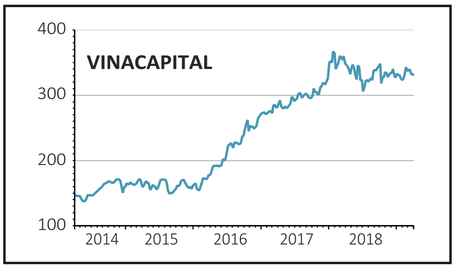
According to Dragon Capital, as at 21 March 2019 the market was trading on 14.5 times historic earnings, falling to 13-times on prospective 2019 earnings estimates.

The Vietnamese stock market surged higher in 2017 and into 2018, peaking a year ago (April 2018). But a correction then ensued driven by fears over currency crisis contagion and US/China trade war worries. Year-to-date, the market has rallied with investor sentiment turning positive anew.

HOW TO GET EXPOSURE

There are various funds providing exposure to the country including exchange-traded fund **Xtrackers FTSE Vietnam Swap UCITS ETF 1C (XFVT)** which tracks the performance of a small group of mid and large-cap companies listed on the Ho Chi Minh Stock Exchange.

Actively-managed funds with Vietnamese assets as part of a broader portfolio include **Barings Frontier Markets (B3SS8W4)**, **Schroder International Selection Fund Frontier Markets Equity (BF104Q7)**, **Aberdeen Frontier Markets (AFMC)** and **BlackRock Frontiers Investment Trust (BRFI)**.



There is also a trio of specialist Vietnam investment trusts trading on the UK stock market. The biggest by total assets under management is **Vietnam Enterprise Investments (VEIL)**.

Managed by Dragon Capital's Vu Huu Dien, this fund seeks long-term capital appreciation through holdings in listed and pre-IPO companies, seeking out attractively valued growth companies with good corporate governance and 'alignment with Vietnam's underlying growth drivers'.

The smallest trust by assets is **VietNam Holding (VNH)**, attempting to turn around its fortunes under new manager Dynam Capital.

In the middle is **VinaCapital Vietnam Opportunity Fund (VOF)**, a value-oriented portfolio which focuses on private equity and privately negotiated investments, with the fund taking stakes in listed and unlisted companies alike. Vietnamese entrepreneurs require capital and VinaCapital-managed VOF

is one example of a partner that can help them to grow.

Addressing the advantages of backing companies when still private, VinaCapital Investment Management's deputy managing director Khanh Vu informs *Shares*: 'We don't like to be subject to the volatilities of the market. By entering private, you get things that the public investor doesn't get.

'One is that you get to do a level of due diligence that you don't get to do buying a stock. Secondly, when you have a private company, you get to have the optionality to list it and there's your liquidity event, or you can take that stake and sell it to a strategic investor (trade buyer) at a premium.

'The final thing is that we negotiate terms that are not available to the public market. And we make sure we get these minority protections. We are targeting between 15% and 20% internal rates of return on our deals – we are getting 23% on average for private equity deals that we have exited.'

VinaCapital Vietnam Opportunity Fund's portfolio includes exposure to Vietnam's real estate and construction industries through quoted holdings including real estate developer Khang Dien House and Coteccons, Vietnam's biggest private construction outfit.

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

The expert's view

VinaCapital chief economist Michael Kokalari on Vietnam's economic success story

'In less than three decades, Vietnam has become the most globalised country in modern history.

'Consider that in the 1980s, Vietnam's state-owned industrial base was weak, and manufactured products accounted for less than 20% of the country's exports at the time with more than two-thirds (70%) of the workforce employed in agriculture.

'Today, just 40% of the workforce is in agriculture, which accounts for about 20% of exports and 10% of GDP. In contrast, manufacturing accounts for 20% of Vietnam's exports, and high-tech products such as mobile phones contribute about one-third of exports.

'Since 2009, when Samsung shifted most of its production to Vietnam, the country has become the world's second-largest producer of smart phones after China.

'Exports plus imports are over 200% of GDP, much higher than any other country at present (excluding city-states like Hong Kong or Singapore) or even in modern history, according to the World Economic Forum. The second highest is Thailand at 122% of GDP.

'This staggering growth has come about in large part due to formerly insular Vietnam's pivot to greater engagement in the global economy.'

Can you give shares as a present to family or friends?

We reveal how the process works and the tax issues to note

When you are thinking of potential gifts for someone, chocolates or a good book are more likely to be at the top of your list rather than shares, although the latter is possible.

Everyone has an annual gift allowance of up to £3,000, which can be carried forward only to the next financial year, allowing you to give away assets without it being added to the value of your estate for inheritance tax purposes.

If you're keen to gift existing shares, there are several ways you can do this. For example, you can transfer shares to family members or a spouse, but they have to be members of the same investment platform such as AJ Bell Youinvest or The Share Centre in order to complete the transaction electronically.

A process called 'Bed and Spouse' can be a tax-efficient way of gifting. It involves you selling shares and then immediately having them rebought in your spouse's ISA or SIPP.

In this situation the person gifting the shares wouldn't be liable for any capital gains tax. However they would be liable if gifting shares to someone who isn't their spouse, although individuals do have an annual capital gains allowance of £12,000 where they aren't liable to pay tax.

One option for family members hoping to help younger members build a nest egg could be to contribute to a child's Junior ISA. Currently up to £4,368 can be invested in a Junior ISA each year.

You can avoid paying tax if you stick to the £3,000 annual gift limit and contribute cash to the ISA, so the person in charge of the wrapper can make the investment on your behalf – or you if you are responsible for it.

However, transferring existing shares to children is classed as a disposal for capital gains tax purposes and so you would be liable for gains over and above the annual capital gains allowance.

Many investment platforms offer a 'Bed and Junior ISA' service which is a back-to-back transaction selling from the parent/legal guardian's account and buying in the Junior ISA.

Other methods of giving someone an equity present is to buy a paper share certificate as a gift for someone, which can do via most of the major investment platforms.

You buy a share in certificate form and then submit a gift transfer form to a share registrar such as Equiniti. The whole process takes around two weeks and does come with an extra cost.

You find out which registrar to contact by looking to see who represents the company in which you have taken an investment. For example, if you bought shares in **BP (BP.A)** and want to gift the share certificate, its registrar is Link Asset Services. This information is displayed alongside contact details on BP's website.

By **Lisa-Marie Janes**
Reporter

25 APRIL 2019

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PHOENIX GLOBAL MINING (PGM)

Speaker: Dennis Thomas, CEO

This North American-focused base and precious metals exploration and development company's flagship project is a brownfield, past producing, copper, gold, silver, zinc and tungsten underground mine in Idaho.

+ MORE TO BE ANNOUNCED

Event details

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KEY ANNOUNCEMENTS OVER THE NEXT WEEK

Full year results

15 April: Filta. **16 April:** Card Factory, JD Sports Fashion.

Half year results

15 April: Carr's.

Trading statements

15 April: Petra Diamonds. **16 April:** Rio Tinto, Hays. **17 April:** BHP Group, Bunzl, Mediclinic, Segro. **18 April:** Rentokil Initial, Unilever.

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