STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

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SHARES

WE MAKE INVESTING EASIER

PLUS

INVESTORS PILE INTO GOLD JUST BEFORE PRICE SLUMPS

FOUR STOCKS PRICED FOR PERFECTION AND LIKELY TO DISAPPOINT INVESTORS

HOW TO **BEAT THE PENSION SCAMMERS**

Tracker funds win a greater share of investors' money

New data shows the extent to which investors are turning their back on actively-managed equity funds

The latest data from the Investment Association (IA) shows that investors are increasingly taking money out of actively-managed equity funds and putting cash into tracker funds and bond funds.

This could possibly be explained by investors becoming increasingly frustrated at many fund managers failing to outperform, as well as weak sentiment towards active management following the Woodford debacle.

Tracker funds, which include exchange-traded funds (ETFs), offer a low-cost way of simply tracking the markets.

As for the move into bonds, that's probably down to two reasons: a defensive move for fear that equity markets may have peaked, as well as chasing performance with bond prices shooting up this year.

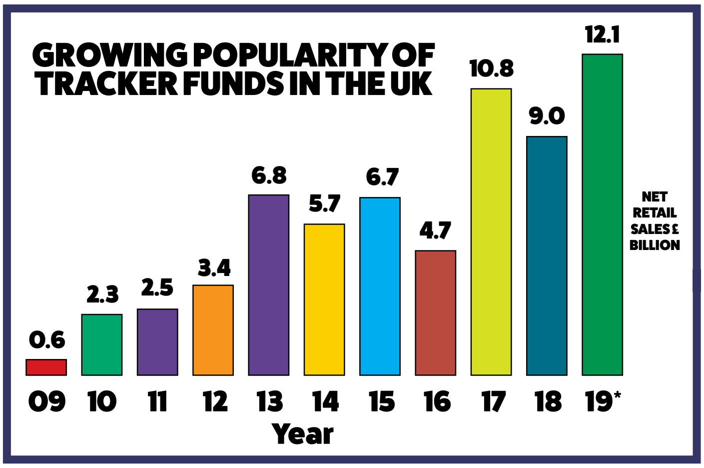
The IA – which is a trade body for UK investment managers – found that £4.6bn of money was taken out of equity funds in the UK in third quarter of 2019, half of which was in products that invest in the UK stock market.

If we take the FTSE 100 as a way of representing the UK stock market, the accompanying table

FTSE 100 TRENDS

YEAR	FTSE 100 PERFORMANCE (%)	NUMBER OF STOCKS BEATING MARKET*
2019	9.4	62
2018	-12.5	51
2017	7.6	58
2016	14.4	40
2015	-4.9	53
2014	-2.7	63
2013	14.4	60
2012	5.8	77
2011	-5.6	48
2010	10.3	58
	AVERAGE	57

Source: Shares, SharePad. *stocks whose share price has risen by a greater percentage than the FTSE 100. We have not factored in dividends.



Source: Shares, Investment Association. *2019 data to end of September

shows how that index has performed each year over the past decade and how many stocks have outperformed.

This year's performance has a higher than average number of stocks beating the market cap-weighted index as a whole at 62 versus the average of 57.

The data therefore suggests there has been plenty of scope for active fund managers to beat the market if they'd chosen the right stocks. That assumes their investable universe is restricted to the FTSE 100 which is unlikely to be the case for most managers – but it does give you an illustration of the outperformance potential.

Nearly as much money went into tracker funds in the UK during the third quarter of 2019 as the whole of 2016 (£4.6bn versus £4.7bn respectively, on a net retail sales basis).

This situation is putting active managers under increasing pressure to justify their fees otherwise investors will simply move to passive tracker funds where a fund manager isn't required to pick the underlying assets.

Passive funds still have a long way to go before they have a chance of being more widely held than active funds but the trend is clearly for greater adoption in the UK.

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Investors pile into gold just before price slumps

It follows record inflows into gold-backed tracker funds

Reports that the US and China are making progress to resolve their trade dispute has been welcomed by many investors. But for those who invest in gold, and the mining companies that dig the precious metal out of the ground, the news has been less well-received.

Gold is considered a safe haven asset – it does well in times of market stress, such as when investors are worried about the global economy. It goes out of favour when investors regain confidence.

Like other safe haven assets, such as Swiss, German and Japanese government bonds and shares in non-cyclical companies, it appears that gold's momentum may have hit a wall.

Gold has fallen from $1,511 per ounce on 1 November to $1,452 on 11 November, a drop of nearly 4%.

It comes after major stock markets worldwide – like the S&P 500 in the US and the CAC 40 in France – hit all-time or multi-decade highs as China's Commerce Ministry said on 7 November that a deal would include tariff rollbacks. However, US president Donald Trump subsequently said this hadn't been agreed.

The drop in the gold price wasn't good news for gold exchange-traded fund (ETF) investors, particularly those who had recently put money into the asset class. The World Gold Council says the third of quarter of 2019 saw the largest inflow into gold-backed ETFs since the first quarter of 2016.

According to strategists at US research firm Bespoke Investment, the pullback in the gold price is not surprising as the market begins to move away from 'recessionary pricing', as pockets of optimism over the global economy lead the price of shares to go up and the price of gold and government bonds to go down.

If big macroeconomic issues heighten in the coming months, such as relations deteriorating once again between the US and China, Brexit not going well and German manufacturing output getting worse, then gold could be back in favour.

LONDON-LISTED GOLD MINERS HURT BY COMMODITY PRICE FALL	
STOCK	**MOVEMENT SINCE 1 NOV 2019**
Trans-Siberian Gold	-21%
Pan African Resources	-12%
Fresnillo	-10%
Polymetal	-8%
Highland Gold	-8%
Resolute Mining	-6%
Chaarat Gold	-4%
Centamin	-4%

Source: Shares, SharePad

Not everyone thinks the gold rally is over. Hardman & Co equity analyst Paul Mylchreest points to the inverted yield curve seen in US government bonds earlier this year as a positive for gold.

This is because every time there has been an inverted yield curve, except in 1995, a recession has followed within two years and that could shift investors back towards gold.

More gloom for UK amid downgrade for country's credit outlook

Economists get nervy as UK politicians woo voters with increased spending promises

This week started on the back foot for investors who were digesting news that credit rating agency Moody's had cut its outlook on the UK from 'stable' to 'negative', paving the way forward for a full downgrade of its current Aa2 rating.

Rating agencies, whose job it is to assess creditworthiness, give investors a steer about the future direction of any credit changes by denoting them as stable or negative.

Moody's says: 'The UK's debt burden is high and unlikely to fall, given growing pressures for spending increases, with little clarity on how they might be financed. Brexit-related uncertainty has led to slower growth in business investment, which weighs on growth rates.'

The UK lost its Aaa rating for the first time in 35 years in February 2013 for similar concerns about slower economic growth and high and growing debt burdens.

Both the Conservative and Labour parties have talked up spending plans ahead of the general election on 12 December. Chancellor Sajid Javid refused to give precise numbers, but the Tories have pledged to end austerity after the election, promising to spend an extra £20bn a year on capital projects as well as £7bn for education and £34bn for the NHS.

The Conservative Party has claimed that Labour would spend an additional £1.2trn over a five-year term, basing its estimates on the 2017 manifesto and policies passed at the party conferences.

Paul Johnson, a director at the Institute for Fiscal Studies (IFS), says the gap between what the Government spends and what it receives is running higher than expected, and has resulted in UK borrowing rising by over 20% in the past six months.

He adds: 'At some point it becomes unsustainable, you've got to stop it going up at some point especially when you know big spending pressures are coming down the road.'

Currently the fiscal rules mandate that state borrowing should remain below 2% of national income, but based on IFS projections, the deficit will be higher in each of the next five years exceeding £55bn this year and £50bn next, equating to over 2.5% of GDP.

Data released by the Office for National Statistics on Monday showed that the economy grew at its slowest annual rate since 2010, up just 1%. On a quarterly basis the economy grew by 0.3%, below economists' forecasts of 0.4%, according to Reuters.

UNDERSTANDING THE RATINGS SCALE

Moody's credit rating scale starts with Aaa at the top, categorised as 'prime'. It then goes from Aa1 to Aa3 as 'high grade', followed by A1 to A3 as 'upper medium grade'. The scale then moves to Baa1 to Baa3 as 'lower medium grade', before going through various ratings for 'non-investment grade' and 'speculative' before reaching 'in default' at the bottom.

Shareholder pressure forces Standard Chartered to change pension deal

Investor rebellion prompts action more than six months after AGM

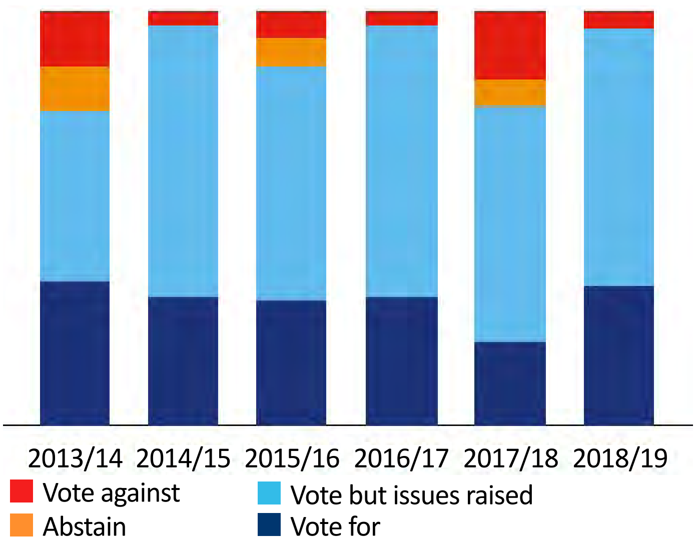
The recent backtracking by emerging markets-focused bank **Standard Chartered (STAN)** on executive pay shows the impact shareholder pressure can have on this issue and puts the spotlight on other companies which have faced significant pay revolts.

Nearly 40% of the shareholder base failed to back the remuneration policy at Standard Chartered at its annual investor meeting in May. This followed a move by the bank to reduce chief executive Bill Winters' and finance director Andy Halford's pension allowances from 40% to 20% of their salary.

At first glance this seems counter-intuitive but changes to the definition of their pay meant the level of contributions to each executive's respective retirement pot actually went up.

The episode illustrates the pressures that companies are under to maintain high levels of remuneration to retain and attract executive talent while addressing shareholder, political and regulatory pressure over levels of pay.

ISS VOTING RECOMMENDATIONS ON EXECUTIVE PAY



Source: Deloitte

Ultimately Standard Chartered announced on 8 November that, while the wider definition of their remuneration will remain for now, the pension contributions for both Winters and Halford have been slashed in half to 10%, in line with other employees of the bank, with effect from 1 January 2020.

Standard Chartered is not alone; according to Deloitte around one in six FTSE 100 companies have reduced the pension provision for incumbent executive directors in 2019, all in cases where the provision was 25% of salary or more.

The overall trend for the AGM season was for a reduced level of shareholder opposition, particularly compared to 2018, though there have been some high profile exceptions – notably software firm **Micro Focus (MCRO)** lost a vote on remuneration.

On 6 November housebuilder **Redrow (RDW)** endured its own revolt on pay, with 30% opposition recorded at the AGM, which the company says was connected to the long term incentive plan (LTIP) award for 2020, and the LTIP payment made to Steve Morgan following his transition to a non-executive from an executive role in October 2017.

Meanwhile construction firm **Kier (KIE)**, which has seen its market valuation collapse amid concerns over its financial position, could face significant shareholder opposition at its AGM on 15 November. Shareholder advisory groups ISS and Glass Lewis have both urged shareholders to vote against the pay policy.

Destocking threat to industrial sector forecasts

Slew of profit warnings anticipated as short-term demand weakens

Investors may need to look beyond the short-term as capital goods and industrial sectors come to terms with weakening demand. Profit warnings could be rife in these sectors in coming months.

'Organic revenue assumptions are being pulled back and destocking is prevalent in industries such as steel, electronics and general industrial,' says broker Peel Hunt.

Analysts at investment bank Berenberg anticipate heavy truck production to 'deteriorate' by 10% in Europe and 22% in North America as we enter 2020.

Component and equipment destocking can be brutal. 'Say demand is 100 and then falls to 80, the company has to slow down to 60 to eliminate the excess inventory before returning to 80,' says Peel Hunt, paraphrasing investors to whom it has spoken.

The subsequent impact of fixed costs through this period 'has a significant impact on forecasts and this is what we are seeing at the current time,' it adds.

This situation is expected to spark a series of earnings warnings in the final quarter of 2019 as analysts pare back over-optimistic estimates against the backdrop of a deteriorating economic environment.


Heavy truck production is set to 'deteriorate'

'Following poor data from major global economies including the US, China and Europe, in particular for manufacturing, a number of companies' share prices now appear vulnerable in the UK as we near the end of the year', says Mark Swain of asset manager Smith & Williamson.

But Swain also sees upside from foreign takeover interest. 'The UK is still home to very good companies, and we expect M&A to be a key theme as a result,' he comments.

FTSE 350 MOVERS OVER THE PAST WEEK

BEST PERFORMERS		
STOCK	**SHARE PRICE RISE**	**REASON**
Aston Martin Lagonda	20.7%	Relief bounce as company confirms it will meet full year expectations
Greggs	16.0%	Full year profit guidance is upgraded
Games Workshop	15.5%	Positive trading update

WORST PERFORMERS		
STOCK	**SHARE PRICE FALL**	**REASON**
Ocado	-17.2%	Fears over warehouse deal with US retail firm Kroger
Hiscox	-12.9%	Concern over increasing catastrophe-related claims in US
Electrocomponents	-11.9%	First half profit declines, flags weakness in some key markets

Source: Shares, SharePad. Data to 12 November 2019

We go back to media group Future for growth

Publishing firm's latest deal is set to have a positive impact on earnings

We think the success story at FTSE 250 publisher **Future (FUTR)**, which has seen the company's market value increase by several multiples in the past few years, has further to run, driven by the company's latest acquisition.

On 30 October Future announced the £140m purchase of TI Media, the company behind titles such as *Marie Claire UK* and *Country Life*. Imminent results on 15 November could provide the first in a series of catalysts for the share price as the benefits of the deal become apparent.

Since Zillah Byng-Thorne was appointed chief executive on 1 April 2014, the share price has advanced more than 1,700% as she has successfully delivered a strategy of acquiring popular magazine titles and exploiting their potential to the full.

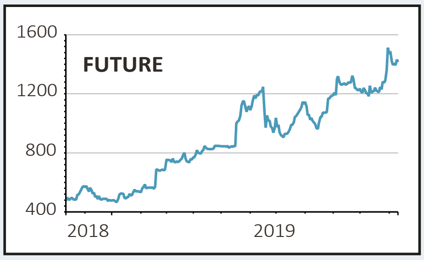
Fund manager Mark Slater notes that in a lot of cases magazines and the companies behind them can be secured inexpensively due to the pressures on traditional publishing.

TI Media, for example, was picked up at an enterprise value-to-earnings before interest, tax, depreciation and amortisation (EV/EBITDA) ratio of 4.9 – compared to Future which trades on an EV/EBITDA of around 20.

Future plugs acquired titles into an existing platform in order to generate revenue from the specialist content and brands through a mix of digital advertising, e-commerce, getting readers to click through to partnered retailers and events.

FUTURE ↗ BUY
(FUTR) £14.20
Stop loss: £11.36

Market cap: **£1.33bn**



TI Media is expected to drive a big increase in earnings. Analysts at Berenberg say Future's price-to-earnings ratio of 31 for the 2021 financial year will reduce to less than 23-times based on its forecasts, assuming the deal completes as scheduled in spring 2020.

The acquired business made 9% of its revenue in 2018 from online activities compared to 57% at Future's existing operations, suggesting there is significant scope to boost earnings from digital channels at TI Media.

Future saw its share price come under significant pressure earlier this year when equity research firm Stockviews posted an aggressive sell note on the company. But for now it seems to have brushed off the main criticisms.

These included questions over the quality of earnings and its accounting practices as well as concerns it was alienating its audience by trying to make money out of them.

These points, together with the risk of further dilution as the company raises money to finance its M&A strategy and the company's elevated valuation, remain risks for investors to weigh.

However, assuming it can continue to execute on its tried and tested approach of the past few years we think there is plenty of upside left for investors.

By **Tom Sieber**
Deputy Editor

Asia-Pacific growth and narrowing discount to power Pacific Horizon

Baillie Gifford-run investment trust has scope for a return to favour

These are interesting times for Asia. The ongoing trade dispute between the US and China, huge protests in Hong Kong and the economy slowing in some parts are overshadowing, for now, the undoubted enormous long-run growth potential as the region's vast population hubs become larger, wealthier and older.

We are optimistic that the current complex challenges facing parts of the region will head toward resolution through 2020 and beyond and believe that **Pacific Horizon Investment Trust (PHI)** is a good way to tap into the underlying profit potential.

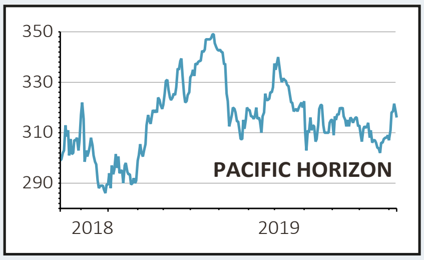
For example, by 2024 the spending power of Chinese consumers is estimated to nearly double in US dollar terms, according to forecasts – in India it should increase by 60%-plus.

The trust is run by the same Baillie Gifford team behind popular growth investment trusts such as **Scottish Mortgage (SMT)** and **Monks (MNKS)**, both five star-rated by Trustnet. Pacific Horizon itself has earned four star Trustnet status.

It shares the same focus on long-term growth as its larger trust cousins but concentrates on the Asia-Pacific ex-Japan region. Among its pet investment themes are digitisation and technology transforming industry.

PACIFIC HORIZON INVESTMENT BUY
(PHI) 321p
Stop loss: 257p

Total assets: £208.5m



Pacific Horizon looks for companies that have credible potential to increase revenue and earnings at around 15% per year over a five-year period or longer.

The trust keeps an eye out for enterprises with this growth scope and where the rest of the market has been slow to fully recognise the opportunity

Pacific Horizon runs a portfolio of between 40 and 120 stocks (it was 75 at 31 July). Holdings include Alibaba, Tencent, Samsung, and Geely, one of China's biggest car makers. It's biggest stake is Singapore-based (and Tencent-backed) SEA, one of South-East Asia's online gaming and commerce firms.

Let's be clear, this is a higher risk investment. The trust invests exclusively in emerging parts of the world where there are democratic challenges and attitudes to wealth creation are not the same as in the West. Pacific Horizon also concentrates on medium-sized enterprises where earnings quality and reliability can be patchy.

That said, Pacific Horizon has significantly outstripped its Investment Trust Asia Pacific benchmark over three and five years in both share price and net asset terms.

The current discount to NAV of more than 9%, versus 7.1% average, means there is real scope for investors to get the double whammy of a narrower discount and hopefully net asset value growth.

By **Steven Frazer**
News Editor

RESTAURANT GROUP

(RTN) 139.8p

Gain to date: 23%

Original entry point:

Buy at 113.2p, 11 April 2019

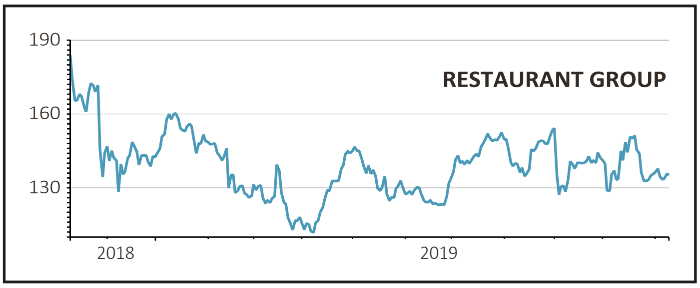
SHARES IN CASUAL dining firm **Restaurant Group (RTN)** have stalled a little since a disappointing set of first half results at the beginning of September. We said then to stick with the shares but recent signs of a deteriorating backdrop means now is a good time to book a decent profit.

The latest Coffer Peach Business Tracker, a key measure of sales for the pub, bar and restaurant trade, showed like-for-like sales down 0.7% in October among restaurants.

It seems unlikely Restaurant Group would have proved immune to this negative trend which could undermine efforts to turn around the struggling Frankie & Benny's and Chiquitos chains as well as knocking its ambitions for Wagamama off course.

There also seems to be a chance that chief executive Andy Hornby, who took over on 1 August, might look to reset expectations a little now he has got his feet under the table at the business.

Based on previous years the company is next likely to update the market at the beginning of January with a full year trading update and there looks an increasing chance the company could disappoint when it does.



SHARES SAYS: ↘
Take profit as the trading environment gets tougher.

PETS AT HOME

(PETS) 205.4p

Loss to date: 3.6%

Original entry point:

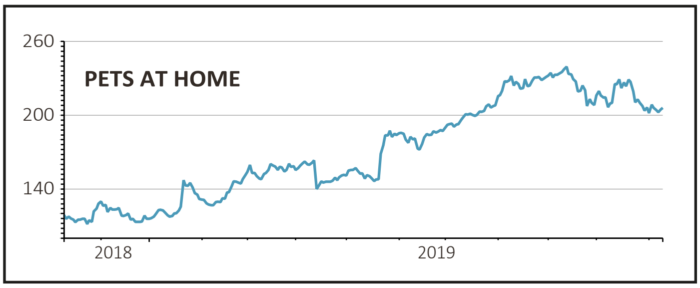
Buy at 213p, 5 September 2019

WHILE OUR RECENT call on specialist retailer **Pets at Home (PETS)** has still to produce a positive return, we note that Liberum Capital has issued a 'buy' recommendation on the UK's leading pet care business for the first time in three years, validating our investment thesis.

The broker says Pets at Home's decisive actions, including own-brand price cuts, are delivering results, giving it greater confidence that the retailer's pre-tax profit will start to grow again soon.

Liberum also thinks first-half results on 26 November should reassure that momentum is continuing. It believes retail like-for-like growth of 6%-to-7% is 'probable' and sees share price upside as the market gains more confidence in Pets at Home's earnings and free cash flow improvement potential.

The broker says this is 'shaping up to be one of the most impressive turnarounds in the sector of recent times'.



SHARES SAYS: ↗
Pet retailing is a resilient niche and we're sticking with the turnaround underway at Pets at Home. Keep buying at 205.4p.

SMITH & NEPHEW

(SN.) £16.33

Loss to date: 14.4%

Original entry point:

Buy at £19.09, 8 August 2019

DIVERSIFIED MEDICAL devices maker **Smith & Nephew (SN.)** has twice upgraded its expectations for revenue growth in the past six months, demonstrating that the new operational structure is seeing tangible and sustainable commercial benefits. Sadly the shares have recently taken a dive.

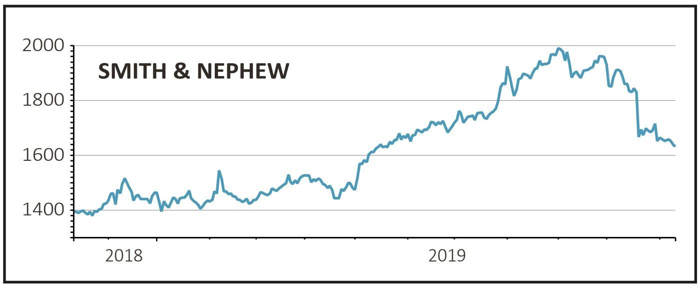
On 21 October chief executive Namal Nawana resigned, reportedly over pay, to be replaced by Roland Diggelmann, who was the chief executive of Roche Diagnostics. The shares fell 9% on the day and have drifted lower since the announcement.

Nawana wanted to make acquisitions in faster growing areas and was targeting higher debt levels to accommodate up to $1.5bn of further deals.

While there aren't doubts about the business continuing as usual under the senior management team, the acquisition side of the equation is now under more scrutiny until we hear from the new chief executive.

Narrowing the trading margins guidance from 22.8%-23.2% to 'around 22.8%' on 31 October also troubled investors even though this was only caused by foreign exchange, inward investment and recent acquisitions rather than something major.

We originally said the shares weren't cheap on 21.4 times forecast earnings and they have since de-rated slightly to 19.4-times.



SHARES SAYS: ↗
We see no reason to change our positive view while business momentum remains strong.

IWG

(IWG) 394.4p

Loss to date: 3.6%

Original entry point:

Buy at 409.3p, 3 October 2019

A STRONG THIRD quarter update on 5 November reinforces our confidence in the long-term attractions of IWG. Revenue grew by 15.5% at constant currency for its open centres, driven principally by the Americas, Europe, the Middle East and Africa.

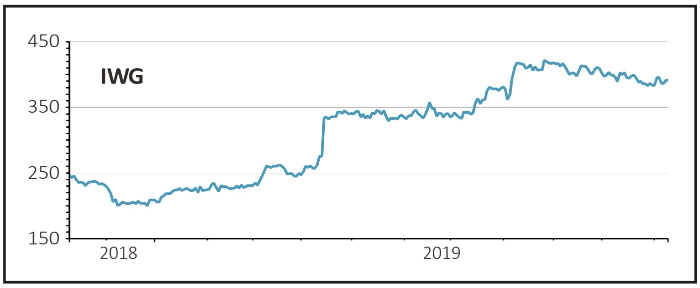
Occupancy levels for the nine months to 30 September improved by 3.1 percentage points to 76%.

Franchising was a key reason why we said to buy the shares last month as IWG stands to create significant value for shareholders by offloading parts of its business to franchisees.

The latest divestment is its Swiss business for £94m to a joint venture owned by private banking group J. Safra and real estate investor P. Peress. As master franchise owner, IWG will provide services and support to the joint venture in return for an ongoing service fee linked to revenue.

IWG reported 'increasing interest' in its partnering approach and expects to report further deals in the future. These might include franchise partners in the US, Canada, India and Singapore.

The company is currently buying back £100m worth of shares and bought £22.4m worth of stock in the third quarter.



SHARES SAYS: ↗
Delivering new franchise deals is vital to driving up the share price in the near-term given IWG already trades on a rich valuation. We remain positive on the stock.


OFFICIAL HOSPITALITY AT THE HOME OF ENGLAND RUGBY
TWICKENHAM STADIUM
England Rugby HOSPITALITY
KEITH PROWSE
Quilter INTERNATIONALS
v NEW ZEALAND 7 NOV
ALL BLACKS
v ARGENTINA 14 NOV
UAR
v AUSTRALIA 28 NOV
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IS VALUE INVESTING BACK FROM THE DEAD?

Recent shifts suggests that the value approach may be set for a comeback

By Ian Conway, Senior Reporter

The basic principle of value investing is buying stocks on low valuations and waiting for them to re-rate. Warren Buffett calls it buying a dollar of earnings for 50 cents, or in the case of UK stocks buying £1 of assets for 50p. In theory this makes a lot of sense; in practice, it's far from simple and in today's market not a lot of stocks sell for 50p on the pound.

Value investing has been out of favour for a very long time with investors preferring to pay seemingly any price to back companies with attractive earnings growth potential.

There have been signs in recent months that this trend could reverse and put value back in favour. The big challenge for investors is to work out whether this rotation is going to be long-lasting or just short-term blips. We'll examine the evidence in this article.

FROM OLD TO NEW

Buffett's mentor and lecturer at Columbia Business School, Benjamin Graham, is regarded as the co-founder of value investing alongside finance professor David Dodd. Together they wrote *Security Analysis*, published in 1934 – in the teeth of the Great Depression, when it's fair to say there were plenty of stocks trading on extremely low valuations.

However, value investing has changed a lot in the eight and a half decades since *Security Analysis* was written, with its focus on 'book' or asset value. Not only have new valuation methods come along, but the definition and even the usefulness of book value is being questioned.

A century ago most company's assets would have been fixed or tangible such as land, factories and machinery; whereas today the bulk of the assets at some of the biggest companies are intangible. For example software, intellectual property, brands and patents are all intangible assets.

VALUE INVESTING BY NUMBERS

Graham and Dodd set out four criteria for value investing, creating what we would call today a screening process.

First they looked for 'quality' companies, defined as those with an S&P corporate credit rating of B or higher. Second they looked for a low ratio of debt to assets, preferably around one to one. Third, they looked for companies trading on less than 10 times forward earnings, and fourth they only looked for companies which were paying dividends.

The idea was to buy these stocks and hold them in the expectation that when other investors eventually 'discovered' them – which could be years later, given the lack of information flow compared with today – they would bid them up to their true or 'intrinsic' value.

This meant investors had to have a long time horizon, and the resolution to stick with their investments when they performed poorly, in the hope that they really had unearthed 'value' which others had missed.

This is essentially the same style of investing which Warren Buffett has used over the last 50-plus years to turn Berkshire Hathaway into one of the world's largest holding companies. To emphasise the long-term view required, Buffett describes his holding period as 'ideally forever'.

HAS VALUE PERFORMED?

Despite Buffett's obvious success, being a value investor hasn't been easy over the past decade and it's almost never been as unfashionable as it is today. Just last month, the **European Investment Trust (EUT)** fired Edinburgh Partners, a respected value manager, in an attempt to close what it called the 'persistent and wide discount' between its share price and its net asset value (NAV).

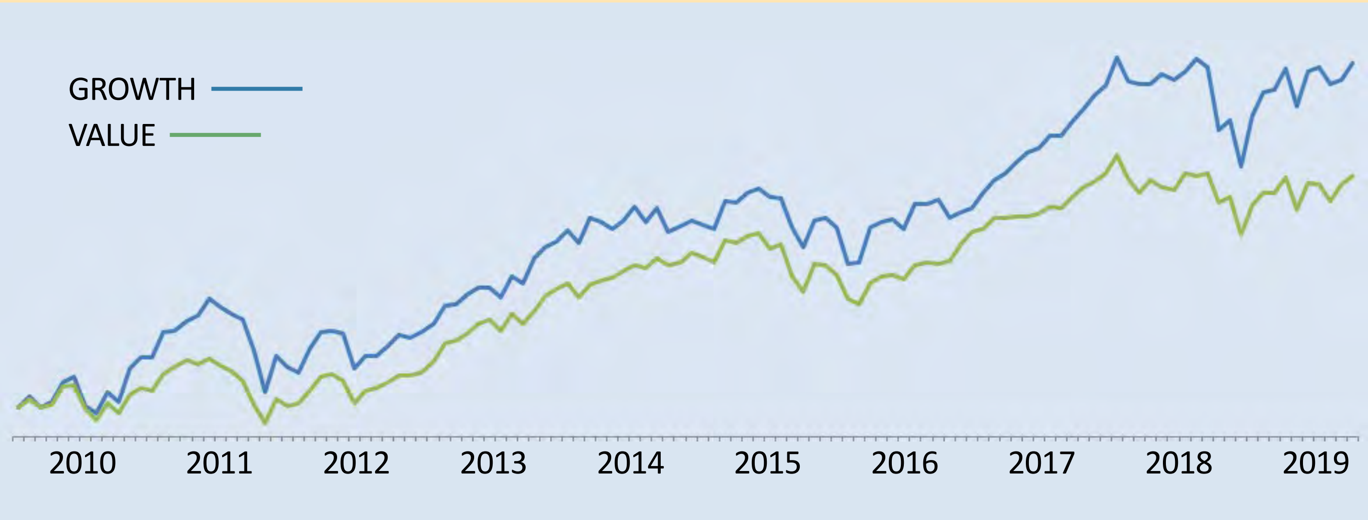
Management of the fund was reassigned to growth investor Baillie Gifford, 'to introduce a new investment approach targeting investment returns primarily from capital growth'.

Despite the breadth of negative sentiment towards value as a strategy, to paraphrase Mark Twain reports of its demise are greatly exaggerated.

If we compare the S&P Global Value index with the standard S&P Global index and the S&P Global Growth index, value may not have beaten growth or the market over the past 10 years but it hasn't been a disaster either.

If we rebase all three indices to 100 starting from the end of November 2009, the growth index has gone up by 120%, the standard index has gone up 99% and the value index has gone up 80%.

S&P GLOBAL GROWTH VS VALUE 2009-2019



UNDERPERFORMANCE REASONS

According to Inigo Fraser-Jenkins, European head of quantitative strategy at research firm Alliance Bernstein, the two major reasons for the much-heralded 'demise' of value investing are the long period of low interest rates engineered by the world's central banks and the rise of passive investing via exchange-traded funds.

Low interest rates were primarily a response to the global financial crisis but in the past decade the global economy has struggled to regain its old 'cruising altitude' so central banks have engaged in repeated bouts of monetary stimulus in the form of quantitative easing.

With growth hard to come by, investors have paid up for shares in companies which have been shown – or at least offer the potential – to grow their earnings regardless of the economic backdrop, either because they have strong pricing power for their products or services or they benefit from some other kind of 'economic moat'.

A classic example is technology companies, which have disrupted many traditional industries thanks to their own strong 'moats' and through keeping much of their technological advantage to themselves in order to consolidate their market power.

'Technology has disrupted industries in a way that may permanently destroy moats that used to exist around certain industries,' says Fraser-Jenkins. 'If Amazon is going to continue to destroy other parts of the retail sector, then why should we expect mean reversion to still hold?

We agree that this dynamic is likely behind part of the underperformance of value.'

The rise of passive investing has meant that more money has been pumped into the stocks which have performed the best, and therefore have the biggest market weights. This process is almost self-fulfilling in that stocks which go up a lot attract yet more money. The flip side is that stocks which underperform attract little or no passive money and fall further out of favour.

POSSIBLE CATALYSTS FOR A RETURN OF VALUE

In theory, if low interest rates have favoured growth investors over the past decade, for value to outperform interest rates would first have to rise. However, given the continued lack of economic growth and in particular the low rate of inflation globally, higher interest rates seem unlikely at least in the short-to-medium term.

Still, claims that low rates and passive investing have put an end to the natural process of mean reversion which usually takes place over the economic and stock market cycle feel decidedly premature. As American investor John Templeton said, the most dangerous words in the English language are 'It's different this time'.

The likelihood is that the past 10 years will turn out to have been an unusually long period of outperformance by growth stocks. Central bank intervention to avert a major global depression has extended the economic cycle, while passive investing has chased growth stocks ever higher. Once more normal economic cycles return, value investing is set to take its natural place.

As AJ Bell's investment director Russ Mould points out, recent sector performance trends not just in the UK but globally seem to raise the possibility that value is beginning to claw back some ground.

'Value stocks are rallying while growth stocks are losing some momentum for the first time in a while. Such a move toward value would have huge implications for asset allocation and fund and stock selection if it persists.

'Value-disciples suffered false dawns in 2016 and late 2018 so they will not be getting carried away yet, although there are tentative signs that this is not just a UK phenomenon'.

WHAT DO TODAY'S VALUE INVESTORS LOOK FOR?

Alastair Mundy, manager of **Temple Bar Investment Trust (TMPL)**, describes his approach as 'looking in other people's dustbins for our buy ideas – the stuff that's unloved, that's been forgotten about, that people have got fed up holding in their portfolios'.

When people are at their most irrational and sell a stock based on their emotions, Mundy and his team try to take a rational approach. If the stock is cheap, they don't buy in the expectation of a specific catalyst. 'We're very patient, we don't have to make money in the next 12 months; we'll wait for the turnaround to happen. It's impossible to time these things to perfection.'

First he screens for major underperformers. Then he looks at the balance sheet to identify any potential structural risks.

If the stock passes these two tests the team will undertake a 'deep dive' into the company and conduct worst-case scenarios. If the stock still offers a large 'margin of safety' due to its valuation, it is subject to a peer review process and even then it might not make it into the fund.

Alex Wright, manager of investment trust **Fidelity Special Values (FSV)**, describes his approach as looking at companies that others aren't looking at 'generally because there's some short-term issue with them'.

Like Mundy, Wright and his team conduct in-depth research on companies that come on their radar to make sure that they aren't structurally-impaired 'value traps' and that they have the potential to turn around.

The trust's closed-end structure, with its 'permanent pool of capital', means that stocks can be held for long periods without the manager having to worry about investor inflows and outflows.

'For a contrarian investor this is very useful,' says Wright, as 'cash flows can occur at the wrong time. Investors give up at the bottom or buy too high, whereas with a constant pool of capital we can hold our investments to fruition'.

Two of Wright's holdings – media group **Pearson (PSON)** and defence company **Ultra Electronics (ULE)** – were among the top 10 most shorted stocks in the UK at the start of the year, namely ones where investors were hoping to profit from a decline in the share price. Yet Wright is sticking with his conviction that 'while both companies have had major issues in the past, they have a more positive future ahead of them'.

WHICH STOCKS CURRENTLY FIT THE VALUE CRITERIA?

A screen of the FTSE 350 using data from SharePad shows a rogues' gallery of cheap, 'value' stocks and 10-year losers.

This is very rudimentary screening process and we haven't conducted a 'deep dive' into any of the stocks so some of the names which appear could well turn out to be value traps in time.

"To us this looks as though the market thinks they are so structurally challenged that they are not worth bothering with"

TEN CHEAPEST STOCKS IN THE FTSE 350 BY PRICE-TO-EARNINGS

Name	Sector	Market Cap. (£m)	Forward P/E	Price to Book
Ferrexpo	Mining	776	2.2	1.2
Bank of Georgia	Banking	618	5.4	1.3
Evraz	Mining	5,553	5.5	4.2
Galliford Try	Housebuilding	823	5.6	1.1
TBC Bank	Banking	722	5.6	1.2
M&G	Financial	5,683	5.7	0.6
Virgin Money UK	Banking	2,042	5.7	0.4
International Consolidated Airlines	Travel & Leisure	10,827	5.9	1.9
OneSavings Bank	Banking	1,573	6.0	1.3
Petrofac	Oil Services	1,382	6.2	2.5

Source: SharePad, Shares

The first thing that stands out is the number of financial names on this list. Five out of the 10 cheapest stocks are either banks or other financial stocks. To us this looks as though the market thinks they are so structurally challenged that they are not worth bothering with.

If we expand the list to the bottom 10% of the FTSE 350 by price-to-earnings and price-to-book value, we get another six financial names including four of the biggest stocks in the FTSE 100: **Aviva (AV.)**, **Barclays (BARC)**, **Lloyds (LLOY)** and **Royal Bank of Scotland (RBS)** – all of which are trading on less than eight times this year's earnings.

If we look at the worst performers over the past 10 years – in line with Alistair Mundy's view that going through other people's dustbins sometimes unearths unwanted gems – the picture looks somewhat different.

The standout sectors in this case are energy and support services with two former market darlings, **Capita (CPI)** and **Serco (SRP)**, among the worst offenders.

If we expand the list to the worst-performing 10% of the FTSE 350, we draught in three energy stocks – **BP (BP.)**, **Cairn Energy (CNE)** and **Hunting (HTG)** – and another fallen support services star, **G4S (GFS)**.

We also have Barclays, **HSBC (HSBA)**, Royal Bank of Scotland and **Standard Chartered (STAN)** joining the fold.

"Going through other people's dustbins sometimes unearths unwanted gems"

TEN WORST PERFORMING STOCKS IN THE FTSE 350 SINCE 1 NOVEMBER 2009

Tullow Oil has been the worst performing FTSE 350 stock over ther past decade

Name	Sector	Market Cap. (£m)	Change %
Tullow Oil	Oil & Gas	3,097	-79.0
Centrica	Utilities	4,165	-70.8
Premier Oil	Oil & Gas	734	-70.3
Capita	Support Services	2,612	-66.4
Serco	Support Services	1,904	-63.3
FirstGroup	Travel & Leisure	1543	-60.1
Petrofac	Oil Services	1,401	-58.6
KAZ Minerals	Mining	2,412	-57.7
Man Group	Financial	2,274	-54.1
Standard Chartered	Banking	23,387	-49.1

Source: SharePad, Shares

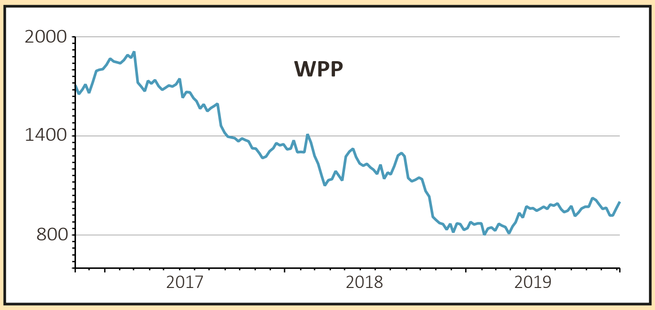
EXAMPLES OF VALUE FUNDS

Value investing means remaining patient and investing for the long-term. It also requires an in-depth knowledge of the intrinsic value of companies beyond the simple screens which we have shown.

Quite when value will rear its head and depose growth investing is impossible to tell, but there are early signs that the 10-year bull market in growth stocks is beginning to tire. One thing we are sure of is that value investing isn't dead, and the economic cycle, while it has undoubtedly been extended by cheap money, isn't 'different this time'.

For investors who want to follow the value approach but don't have the time to do their own research, there are numerous value funds in the market including the aforementioned Temple Bar and Fidelity Special Values.

Other examples include **SVS Church House Deep Value (BLY2BF0)**, managed by Jeroen Bos. He looks for companies trading at a material discount to their net asset value, or what Benjamin Graham called 'net-net' investments, where the share price offers a significant 'margin of safety'. Interestingly the two sectors with the biggest representation in Bos's fund right now are energy and financials.



Our preferred value funds to buy include **Jupiter UK Special Situations (B4KL9F8)**, which focuses on large and mid-cap UK stocks, and **Man GLG Undervalued Assets (BFH3NC9)** which looks at companies of all sizes but has no exposure to unquoted stocks.

The Jupiter fund benefits from a manager (Ben Whitmore) with plenty of experience in running a value investing process. Its holdings include media group **WPP (WPP)** and industrial conglomerate **Smiths (SMIN)**.

The MAN GLG fund looks to avoid value traps by focusing on cash, cash flow and assets. Investors should note that it can have high levels of turnover and so transaction costs can be higher than many other funds. Holdings include defence expert **Qinetiq (QQ.)** and refractory products provider **RHI Magnesita (RHIM)**.

Qinetiq features in MAN GLG's portfolio

Four stocks priced for perfection and likely to disappoint investors

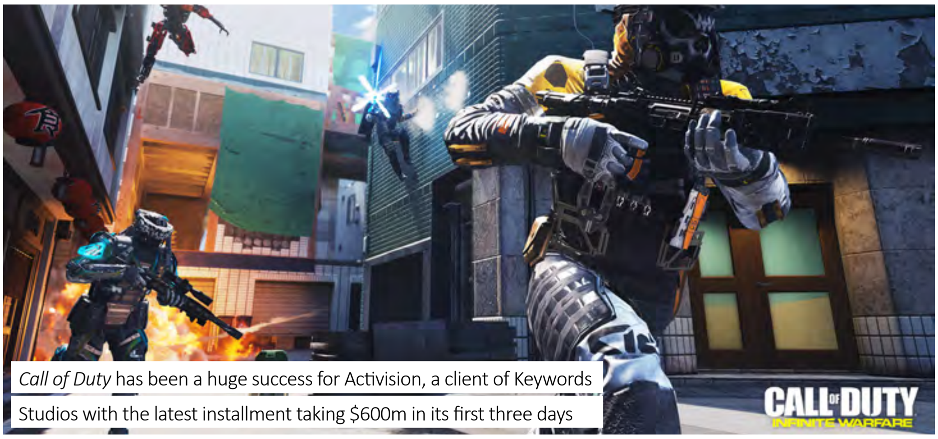
Stocks which trade on elevated valuations need a steady stream of analysts' earnings upgrades to keep investors happy

Controversial Brexiteer hedge fund manager Crispin Odey is fond of saying that cycles never die, or what goes up inevitably comes back down. What this means is that investors can sometimes mistake structural growth for cyclical growth.

This can be applied to a company's valuation too, which expands and contracts in 'cycles' depending how a company's earnings are progressing compared to expectations.

When the up-cycle inevitably rolls over a stock's price-to-earnings (PE) ratio can fall dramatically, taking the share price down.

We've used data from Stockopedia to screen for stocks which are priced for perfection. We identified the most expensive stocks in the market and where analysts have downgrades their earnings expectations more aggressively than the market.



Call of Duty has been a huge success for Activision, a client of Keywords Studios with the latest installment taking $600m in its first three days

EXAMPLES OF HIGHLY RATED SHARES WITH EARNINGS DOWNGRADES GREATER THAN THE MARKET AVERAGE	
Ascential	Lancashire
Hargreaves Lansdown	Rotork
InterContinental Hotels	Spectris
Keywords Studios	Trainline

Source: Stockopedia

WHAT DRIVES THE UPGRADE/ DOWNGRADE CYCLE?

One of the factors that drive the PE higher is related to a behavioural trait whereby analysts are slow to publish an upgrade to earnings, but fast to downgrade on the first signs of trouble. In other words, good news travels slowly, while bad news travels fast.

The former effect creates a self-fulfilling upgrade cycle as analysts play catch-up with the fundamentals. It also means that upgrades tend to lead to more upgrades in the future.

HIGHER REVISION STOCKS TEND TO OUTPERFORM THE MARKET

Academic evidence from Philip McKnight and Steve Todd has shown that stocks with the best upward revisions tend to outperform, so investors chase those stocks higher. But even greater future upward revisions are needed to give investors comfort.

At some point analysts get ahead of the curve and realise they need to start downgrading their expectations. If this happens when a stock is trading at an elevated PE, trouble lies ahead.

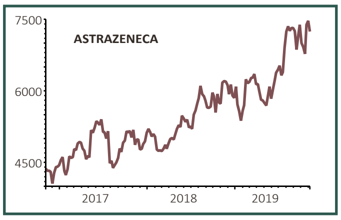
We have chosen four stocks from our screen. Each of them have the potential to disappoint and miss future profit expectations and are therefore at risk of seeing their PE de-rated.

ASTRAZENECA

Pharmaceutical giant **AstraZeneca (AZN)** has seen its fortunes turn around over the last three years and can now boast one of the strongest cancer drug pipelines in the industry.

The impressive turnaround has seen the company's PE increase from around 13 times in 2014 to the current rating of 22.5-times. This represents a 56% premium to the PE of rival **GlaxoSmithKline (GSK)** which is also in the process of revamping its drug pipeline. Over the past five years shares in AstraZeneca have risen by 60% compared with 22% for GlaxoSmithKline.

However over the past few months earnings expectations for GlaxoSmithKline have risen by around 8% while analysts have actually downgraded AstraZeneca's earnings estimates. Despite the 20% expected growth rate in earnings next year, investors in AstraZeneca need to see continued upgrades to justify such an elevated PE ratio.



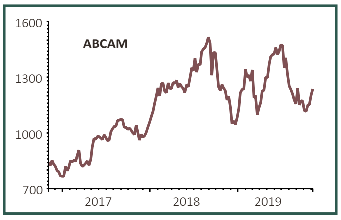
ABCAM

Life sciences group **Abcam (ABC)** has seen its shares go up over 10 times in the past decade, driven by strong growth in earnings.

But in the past couple of years the growth profile has started to falter, leading the company to make significant investment in the business to 'kick-start' growth.

In September the company announced a long-term plan to achieve revenue of £450m to £500m by 2024, putting the company back onto a 12% to 13% revenue growth path at a cost of £175m to £225m of investment.

The PE has risen from 25 five years ago to the current rating of 39 times earnings per share. Meanwhile analysts have reduced their earnings expectations by 16% since January, a worrying sign for a business that is priced in the most expensive 5% of the market.

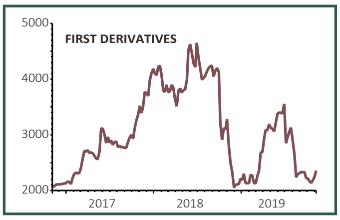


FIRST DERIVATIVES

Computer and software services firm **First Derivatives (FDP:AIM)** has been a notable growth story over the past five years, increasing sales from £70m in the 12 months to February 2014 to £217m five years later.

According to the analyst consensus forecast, this growth should continue with sales seen reaching almost £300m in February 2022. Meanwhile the cost of sales is seen holding steady so the firm's gross profit margin is seen climbing from around 27% to nearer 45% in the next few years.

Investors have chased the stock up to a PE of 44 based on current year earnings estimates. That's essentially pricing in a lot of the expected future gains today. So if the firm doesn't deliver, that rating could fall very quickly.

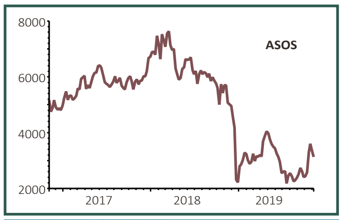


ASOS

Online fast fashion retailer **ASOS (ASC:AIM)** has delivered a number of profit warnings over the past 10 months which has seen its shares fall by two thirds from the highs of £76 in the spring of last year.

In October the company delivered a 68% slump in full year pre-tax profit despite sales rising 15% to £2.7bn. While most retailers would envy reporting such sales growth, it pales compared to the 20%-plus that the business has historically achieved.

Trading on a PE of 52 and with analysts still downgrading their earnings expectations, which have fallen 30% since January, the company has a lot to prove to justify its rating.



By **Martin Gamble**
Senior Reporter

Discover a great tool for valuing high growth companies

'Rule of 40' takes into account sales growth rates and profit margins

The 'Rule of 40' is increasingly being adopted by high growth company executives as an important metric to help measure the trade-offs of balancing growth and profitability.

Most retail investors may be unfamiliar with the term yet it is simple to understand and easy to apply. It can help you decide whether to back a high growth story or avoid it like the plague.

The premise was originally used by venture capitalists as a way to assess software start-ups, particularly those that were growing fast but running up huge losses. It is today regularly used to assess any fast-growing digital economy company, and there's no obvious reason why it cannot be applied more widely.

A SELECTION OF LONDON-LISTED COMPANIES' R40 SCORES

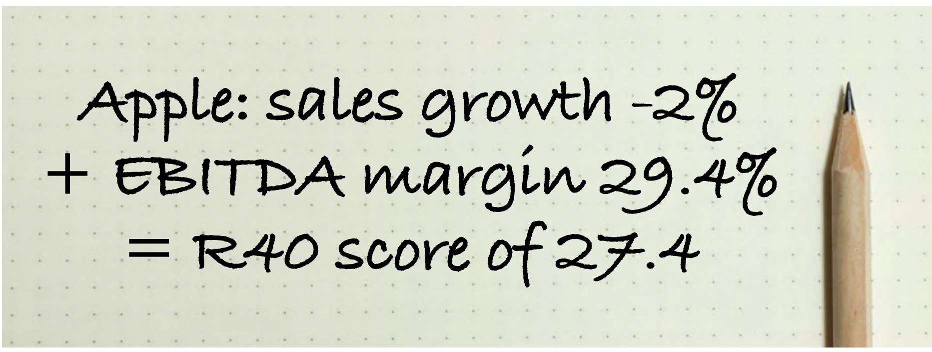
	R40 score
ASOS	17.0
Sage	36.9
Trainline	42.8
Just Eat	65.0
Autotrader	78.7
Avast	79.2
Rightmove	87.5
Boohoo	96.3

Source: Refinitiv, based on last FY using EBITDA margin. For a broader list click here.

The Rule of 40, or R40, is the principle that a company's combined sales growth rate and profit margin should be at least 40%, and ideally better. Investors using this metric therefore consider a company with an R40 score of 40 or more to be a good investment opportunity and a figure below 40 to not be of interest.

The metric neatly captures the fundamental trade-off between investing for future growth – such as developing new products and acquiring new customers – and short-term profitability.

To give you an example, Apple is the world's biggest company by market value and is very profitable. It commanded EBITDA (earnings before interest, tax, depreciation and amortisation) margins of 29.4% in the financial year to 30 September 2019. But sales fell by 2% last year. If you add those figures together you get a R40 figure of 27.4 which is below the 40 benchmark.



Different analysts tend to have varied views on which measure of profitability is best to use. Some have proposed free cash flow; others see earnings before interest and tax (EBIT) or net income as better alternatives.

But most tend to favour EBITDA, a profit metric widely used by fast growing software-type companies that strips out the cost of capital investment.

WHAT IF THE COMPANY IS LOSS-MAKING?

When there are losses instead of profit, you subtract the margin percentage from the revenue growth rate.

For instance, transport group Uber is supposed to be growing very fast. The main reason people buy the stock is that they believe it can continue to expand its markets and customers in the coming years to emerge as a virtual monopoly player in its space. Theoretically that would give it immense pricing power and that's when huge profit and cash flow could start flowing from the business into shareholder's pockets.

Only that's not happening. The latest quarterly results show a trend that Uber's sales growth is slowing down. For the three months to 30 September growth was 20.4% (quarter-on-quarter); the previous quarter was 13% but just under 20% in the January to March period. That compares with 43.3% in 2018, which itself was down on the 106% in 2017.

In the most recent three month period, Uber made \$3.813bn sales and \$585m EBITDA losses which equates to a negative 15.3% margin.

Interestingly, this has translated directly into share price performance, with Uber's stock down 40% to \$26.98 since the company went public in May.

We've used the quarter-on-quarter figures to get a sense of the current trend. You may want to use full-year figures (and year-on-year) for companies with seasonality such as tour operators that lose money in one half of the year and make all the profit in the rest of the 12 month period.

IT IS COMMON TO SCORE MORE THAN 40?

R40 becomes useful in tracking the progress of a fast growing business as it expands, matures and becomes more focused on profit, cash flow and shareholder returns.

But consistently strong performance against the R40 is difficult to maintain. Consultant Bain & Company found that 40% of S&P 500 software companies achieved an R40 score above 40 in a single year (2017).

Of 86 companies researched from 2013 to 2017, just 25% outperformed the R40 for three or more years, and only 16% outperformed for all five years, adjusted for mergers and acquisitions.

Redpoint venture capitalist Tomasz Tunguz says the rule of 40% might be a good filter for investors in later stage companies to identify outliers, or relatively rare businesses capable of producing a sustainable mix of growth and profit into maturity.

'The spirit of the R40 is a good one', he states. 'It establishes a relationship between the growth rate and burn rate of a business and defines a healthy operating zone for a growth stage business.

'Consequently, the R40 metric may be a solid first pass filter for a growth equity investor to determine whether a business might be a good investment candidate.'

By **Steven Frazer**
News Editor

Steady hands lead to smaller companies success

FOR THE BEST part of a decade bond yields have sat at historic lows, leaving investors in somewhat of quandary when it comes to accessing income. In this context, the case for equities appears compelling.

However, not all equities are made equal. Over the same period, US equity valuations have soared to historic highs, to the extent that many investors have expressed concerns over valuations for two years or more. By contrast, UK equities were de-rated following the UK's vote to leave the EU in June 2016, with small-cap UK equities especially punished.

Careful and considered

In light of all this, there is a significant case for investors to consider an allocation to small-cap equities. Yet, the managers of **Invesco Perpetual UK Smaller Companies** trust emphasise that the appeal of small-cap equities extends beyond the current market and macroeconomic context.

Certainly, they believe that the negative impact of Brexit has possibly been overstated in smaller company valuations. But they also emphasise that no one knows what the Brexit outcome will be and so it is distinctly unwise to invest on this basis. Instead, they have elected to invest in good quality stocks – stocks that would be good quality regardless of the wider economic and political context.

This calm, steady approach to investing has literally paid dividends for the team; the trust has among the highest yield in the AIC Smaller Companies sector, with the shares currently yielding 3.6% on a historic basis, thanks in no small part to a shrewd board-level policy to use capital to supplement dividends. This is sustainable, as the trust has an enviable track record of delivering capital growth, with it having generated a NAV total return of 87% versus a benchmark return of 40% over the last five years.

The proven process

Two pillars are crucial to this outcome – high quality stock analysis, which identifies companies that are growing revenues and profits, and valuation sensitivity (without making investment decisions on the basis of valuation). Together these two factors should result in capital growth, a solid income yield and, importantly, both of these achieved with lower volatility than the benchmark.

The team has been employing this approach to full effect in the portfolio recently. Softcat, which supplies software to SMEs, was one holding that exemplified both elements; the company operates in a specialized market, which saw it take market share when it evolved its product to meet its clients evolving needs as its competitors didn't. The Invesco team's research capabilities helped identify this opportunity – and allowed the trust to profit from it.

The team doesn't just use research to identify new opportunities – they also use their research to back up their convictions. One such example was in the case of Ultra Electronics. The company underperformed in 2018. However, the team's projections reassured them that their issues would be short-lived and they stuck with their holding. This has paid off, and the share price rebounded, and the team have been taking profits from the business this year.

IPU – ANNUAL DIVIDENDS

Source: Invesco

Learn more about IPU and other investment trusts at **www.trustintelligence.co.uk**

Why US equities need a trade deal

The US economy is losing momentum which could weigh on corporate profit growth

By **Russ Mould**
AJ Bell Investment Director

The US stock market safely negotiated October this year, as the S&P 500 index gained 2% in the month and reached a fresh all-time high in early November. The Dow Jones Industrials and NASDAQ Composite have also surged to new peaks.

Market accidents are usually caused by the combination of rising interest rates, earnings disappointments and an economic downturn or recession, in conjunction with lofty valuations which provide no protection from this trio of challenges.

The good news is that interest rates are falling, the US economy is growing and the third quarter earnings season is almost finished, with positive earnings surprises outpacing negative ones by a ratio of 4.4 to 1, according to Standard & Poor's.

What could possibly go wrong? The answer is quite a lot and it is worth checking each of those possible catalysts for a correction, just to ensure that investors can manage risk most effectively in the context of their own personal portfolio strategy, target returns and time horizon.

FEDERAL FRENZY

It is easy to pin the latest surge in US stock prices on Federal Reserve policy. The US central bank has cut interest rates three times this year and begun to intervene in the interbank lending markets with a resumption of its bond-buying programmes.

While chair Jay Powell is insisting this is not a return to quantitative easing, the renewed expansion of the Fed's balance sheet would say otherwise. Its assets have just swollen at the fastest pace since the height of the financial crisis in 2008.

A lot of cheap cash is looking for a home and equities seem to be a logical choice for many, as price momentum is tempting and the 1.9% dividend yield compares favourably enough with benchmark US 10-year government bonds.

The US economy is still growing, more than a decade into the post-crisis recovery and the third quarter GDP growth number of 1.9% was steady enough.

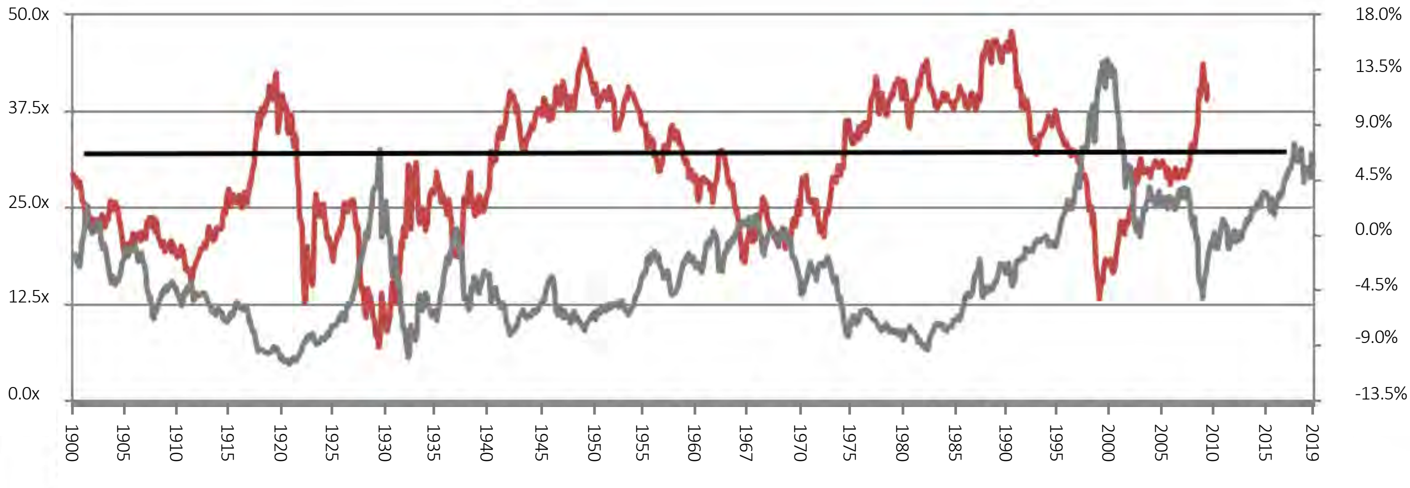
However, the Atlanta Fed GDP Now and New York Fed Nowcast services are forecasting an increase in the fourth quarter of just 1.0% and 0.7% respectively.

This does hint at a loss of momentum and raises the stakes for the trade talks between Washington and Beijing in particular, since the surge in the benchmark US equity indices is at least partly predicated on Presidents Trump and Xi reaching a settlement.

THE US ECONOMY SEEMS TO BE LOSING SOME MOMENTUM

Source: FRED – St. Louis Federal Reserve database, Atlanta Fed GDP Now for Q4 2019 estimate

POOR LONG-TERM RETURNS HAVE FOLLOWED WHEN THE SHILLER CAPE HAS PREVIOUSLY REACHED CURRENT LEVELS



Source: http://www.econ.yale.edu/~shiller/data.htmw

PROFIT PARADE

That apparent slowdown may be weighing on corporate profits growth. The majority of US companies skipped past consensus estimates for Q3 that may have owed as much to expectations management as strong performance.

S&P 500 earnings per share (EPS) are expected to fall in aggregate in Q3, even though share buybacks are adding about 4% to the stated EPS number, so the actual operating performance is even worse.

Hopes for the future are providing support to share prices, since analysts are pencilling in a rapid return to double-digit profits growth, helped by a trade deal. Yet investors had better hope they are right.

Aggregate EPS forecasts for the S&P 500 have fallen by 8% since March 2018, according to S&P, while the index has risen by 17%. History suggests that stocks cannot defy such gravity for ever.

PRICE POINT

The other effect of prices rising as earnings estimates slide is that valuation multiples expand. The S&P 500 index trades on 19.4-times this year's earnings and 17.5-times for next year, based on consensus forecasts. These are not unprecedented levels but they are toward the top of the range – and need the consensus earnings forecasts to be right (when they have been consistently too optimistic for 18 months).

To try and take the guesswork out of analysts' forecasts, Professor Robert Shiller's cyclically-adjusted price-to-earnings (CAPE) ratio looks at valuations across a 10-year cycle and adjusts for inflation. This approach suggests that US stocks have only been more expensive for any length of time on two occasions – 1929 and 1999 and both of those episodes ended very badly.

The counter-argument is that Shiller's approach has warned about US equity valuations for years, to absolutely no avail.

If you look at the Shiller multiple and then set it against the 10-year compound annual return from US stocks that actually followed, buying at these valuation levels has never worked well on that 10-year view.

And since that is the sort of time horizon that would test the patience of many a portfolio builder, this is worth considering, especially if an investor's style is to happily go with the flow and chase near-term momentum. And in this scenario, a trade deal would perhaps help stocks to hold their ground and not make fresh advances.

How to beat the pension scammers

Fraudsters can steal 22 years of pension savings in just 24 hours

Over-confidence, time pressure and being too trusting have all led to people being scammed out of their pension savings, new research has found.

Data from the Pensions Regulator and the Financial Conduct Authority found that scammers could wipe out 22 years of pension savings in just 24 hours. The research revealed some startling facts about how quickly and easily people can be scammed out of their life savings.

Almost two-thirds of people said they would trust someone offering financial advice out of the blue – showing how easy it is for scammers to cold call people and convince them to transfer their pension. What's more, 63% of people think they are sufficiently confident to make a decision about their pension, which likely means they don't seek advice or check their decisions with anyone else, also making it easier for scammers.

> "They can win your trust in a short space of time and by engaging with them you leave yourself vulnerable to losing a lot of money"

BEWARE THE LIMITED OFFER

On top of this, a quarter of people say they took less than a day to decide about a pension offer. Often scammers will use time pressure tactics to push people into making a decision. They'll make out that the offer is for a limited time only, ensuring that people don't have time to sense check their decision with other people or research it.

Honey Langcaster-James, a psychologist, says: 'Scammers employ clever techniques, such as seeking to establish "social similarity" by faking empathy and a friendly rapport with their victims.

'They can win your trust in a short space of time and by engaging with them you leave yourself vulnerable to losing a lot of money very quickly. People need to know how to spot the signs of a scam so they don't fall for psychological tricks.'

Data from the regulators showed that the average amount lost in 2018 due to pension scams was £82,000, which they calculate would take 22 years for people to accumulate again. This was based on someone earning £28,000, seeing an annual pay rise of 2% every year, contributing 8% a year and assumed 3% a year annual fund growth.

SCALE OF THE PROBLEM MAY BE UNDERESTIMATED

Last year 180 people reported that they had been the victim of a pension scam, according to Action Fraud, which is the City of London Police's unit for scammers. However, the scale of these scams is likely to be much higher as lots of scams go unreported, either because

> **A long-awaited ban on pensions cold-calling came into force in January this year, meaning that anyone who is caught could face a fine of up to £500,000**

people don't realise that they need to report it or because they are too embarrassed to admit they were defrauded.

Tom Selby, senior analyst at AJ Bell, says: 'Hubris and trusting the "advice" of strangers are proving to be the undoing of scam victims. This is a recipe for disaster as fraudsters prey on the good nature of hard-working savers.

'Sadly, despite interventions from Government and a drive to raise awareness, scammers aren't going anywhere, so savers need to be more suspicious when they receive offers out of the blue. For many people their retirement pot could well be the most valuable thing they own, so spending a bit of time researching before parting with it could save a lot of pain.'

BAN NOT A COMPLETE ANSWER

A long-awaited ban on pensions cold-calling came into force in January this year, meaning that anyone who is caught could face a fine of up to £500,000. However, this won't stop scammers altogether. Some will simply flout the law and continue to scam people by cold-calling, while others will set up call centres overseas, where the rules don't apply. This means that just because it's been banned you can't simply trust any calls you receive.

What's more, other forms of communication like text messages, emails and online posts are not explicitly covered by the ban, although they are covered by different regulations on unsolicited direct marketing.

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

HOW TO AVOID BEING SCAMMED

1. Be wary of any investment 'opportunities' that come out of the blue (for example through a cold-call) or people claiming to be 'advisers' offering a 'free pension review'. Professional advice is never free and so following the old maxim 'if it sounds too good to be true, it probably is' is a sensible approach.

2. Make sure you know who you are dealing with. After all, your pension could be the most valuable asset you own, so don't hand it over to someone unless you know their credentials check out.

3. Slick fraudsters will sometimes pretend to be a bona fide company when in fact they are nothing of the sort, so have a look at the FCA register and Companies House to see if the firm with whom you are dealing actually exists.

4. Don't be rushed or pressured – such tactics should set off a big red warning light in your mind and are often indicative of a scam.

5. If you're at all unsure speak to a qualified, regulated financial adviser. You will need to pay for this but usually the benefit far outweighs the cost.

Janus Henderson
INVESTORS

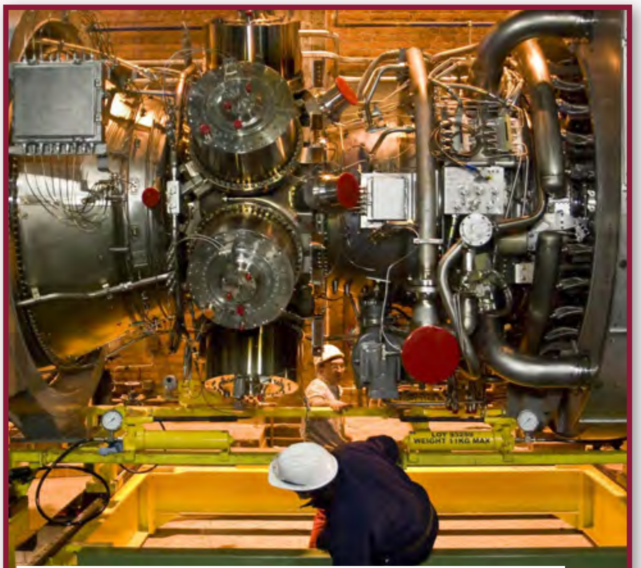
Is the UK doomed without big tech players?

James Henderson, Co-Fund Manager of Lowland Investment Company, challenges the consensus that the UK is destined to lag the US, owing to the absence of large-cap tech companies.

The main US index, the S&P 500, has a 22% weighting in technology companies, while the UK FTSE All Share by contrast has only 1%. The companies driving change and expanding fast in recent years have been the technology giants, such as Apple, Google and Amazon. These companies, among others, have been central to the outperformance of US equities over UK stocks in the past five years-plus, which has fuelled a belief among some that the UK will be a continual underperformer.

The strange thing is, the UK has been the home of many of the great technology advances over many years, yet they have rarely been commercialised into successful tech companies. The reasons are much debated and there are many contributing factors. The lack of an investor audience with suitably deep pockets and the patience for the long term investment in technology can be a factor. Many UK equity investors have wanted to see cash generation and resulting dividends from the companies they invest in, but technology companies in the early days absorb cash and often need to return to investors for further capital injections; and when these injections are not forthcoming the business may be sold to an overseas company that then takes the technology forward.

The management team has often been an issue with start-ups. A very good inventor bursting with ideas may not have the management qualities needed to grow a business beyond the early stages. There are a lack of models to copy in the UK of technology entrepreneurs that have taken companies all the way and some, such as Dyson, which has done it away from the gaze of the stock market.



Rolls Royce features in the Lowland Investment Company portfolio

OFF THE BEATEN TRACK

UK investors should not despair at the minimal technology weighting in the index – there is plenty of cutting edge technology in the UK that will create real value in the future, but these companies do not reside in the tech sector. Take Rolls Royce (a holding in the Lowland Investment Company portfolio); the development of the Trent engine took many years of innovative design and testing. Boeing and Airbus will be utilising this great technology for years to come. The technology in British Aerospace is world leading in their area. Astra Zeneca, another Lowland holding, is a world leader in oncology and respiratory research. This list goes on.

A good investment strategy is to find a company with an excellent product that has not been recognized by the market. For instance, one of the most instructive company visits I have made was to Croda in the early 1990's. The company had more experience and understood the importance and qualities of Lanolin. This know-how led them to develop the ingredients behind many personal care products. The share price at the time of the visit was 180p, it was around 4800p at the time of writing.

Janus Henderson INVESTORS

Technology innovation in its broadest sense is what good companies do. Companies are successful because they have an excellent product. Technology and its successful application are often the vital ingredient. UK investors need to find companies with robust products that are globally competitive, and that is exactly what we try to do for the Lowland Investment Company portfolio.

TECHNOLOGY AND SERVICE

Technology will be a vital component, but it will not be the only part because service is important. A company that applies technology and service to a very high level will have a winning formula. An example of this in the UK is Hiscox, the insurance company, which has been in the Lowland portfolio for nearly two decades. Their application of technology to the underwriting process combined with a real service culture has led to very strong growth and they have created a large retail insurance business in the US. The share price as a result over the last twenty years has gone from 140p to 1600p with very good dividend payments along the way.

Investing in early stage technology is very difficult. Good ideas alone will not make for a good company as there are many other ingredients required, including luck. So few succeed because the pure tech space is very competitive, while the life cycle of a successful technology may be short because there is always something new coming along. The winner in new technology often takes all and the rewards for the winners are massive. However, there is another way of investing and that is to look for companies that are utilising a technology they really understand to make themselves an excellent, competitive company. The UK, fortunately, has another generation of these companies that are coming through. It is finding these companies and building a portfolio around them that will future proof your investments.

JAMES HENDERSON,
CO-FUND MANAGER OF LOWLAND INVESTMENT COMPANY

GLOSSARY

Dividend: A payment made by a company to its shareholders. The amount is variable, and is paid as a portion of the company's profits.

Discover 34 outperforming investment trusts

We reveal the sector's outperformers over the past one, three and five years

Strong historical performance data doesn't guarantee a fund will continue to do well in the future, so investors shouldn't buy an investment trust solely based on how it has done in the past expecting similar returns in the future.

However, past performance, particularly over the long term, is still worth considering as it provides evidence of how well a trust has done in a variety of market conditions.

We've identified the investment trusts that have occupied the top quartile of their respective sectors on a one, three and five year basis, based on performance data from FE Fundinfo.

The accompanying table shows all 34 of these outperforming names and we've provided explanations of why they have managed to leave their peers for dust in this article.

While the following trusts have forged strong track records, investors cannot assume they'll continue to outperform, because styles, sectors and regions can fall in and out of favour.

For instance, high quality businesses have long been in demand with investors, which alongside a stellar performance, explains the presence of **BlackRock Greater Europe (BRGE)** in our list.

The trust looks to spot high-quality, niche businesses on the continent trading at a discount to their estimated intrinsic value. It has significantly outperformed its benchmark FTSE World Europe ex-UK index since launch in 2004.

TRAIN STILL PASSES THE TEST

While the cult of the star fund manager is currently being

INVESTMENT TRUSTS WITH TOP QUARTILE PERFORMANCE OVER 1, 3 AND 5 YEARS
3i
3i Infrastructure
Alpha Real Trust
Baker Steel Resources Trust
Baring Emerging Europe
BH Macro
BlackRock Greater Europe IT
BlackRock Smaller Companies
BlackRock Throgmorton Trust
Blue Planet Investment Trust
Fidelity Japan Trust
Finsbury Growth & Income
GCP Student Living
HarbourVest Global Private Equity
HgCapital Trust
JPMorgan Asian Investment Trust
JPMorgan Brazil
JPMorgan Chinese
JPMorgan Emerging Markets
JPMorgan Russian Securities
Lindsell Train Investment Trust
Manchester & London
Mercantile Investment Trust
Montanaro European Smaller Companies
Murray Income Trust
North American Income Trust
Polar Capital Global Financials
Pollen Street Secured Lending
Real Estate Credit Investments
RIT Capital Partners
Shires Income
Tritax Big Box REIT
TR Property Investment Trust
UIL

Source: FE FundInfo

questioned, well-followed Nick Train's stellar track record still appears to hold sway and the two trusts he steers, **Finsbury Growth & Income (FGT)** and **Lindsell Train (LTI)**, have made the outperformers list.

A markets veteran sometimes known as the king of buy-and-hold investing, Train runs concentrated portfolios of high-quality companies with strong brands and/or powerful franchises. Finsbury Growth & Income, which sits in the UK Equity Income sector, runs a portfolio that includes stakes in luxury goods group **Burberry (BRBY)**, Marmite maker **Unilever (ULVR)** and drinks giant **Diageo (DGE)**.

Lindsell Train is a constituent of the AIC Global sector and besides Diageo and Unilever, has positions in the likes of Nintendo and Mondelez.

INCOME QUEST

A trio of trusts from the Aberdeen Standard Investments stable are among the top performers in the UK Equity Income sector.

They are **Murray Income (MUT)**, **Shires Income (SHRS)** and **The North American Income Trust (NAIT)**, which is invested in dividend-paying S&P 500 goliaths such as Citigroup and Coca-Cola.

A long-time top quartile performer from the Flexible Investment sector is **RIT Capital Partners (RCP)**, a capital

“The two trusts Nick Train steers, **Finsbury Growth & Income (FGT)** and **Lindsell Train (LTI)**, have made the outperformers list”

preservation-focused trust whose net assets exceeded £3bn for the first time this summer.

This investment vehicle has the stated objective of long-term capital growth while preserving shareholders' money through market cycles.

It invests in a diversified portfolio across a range of asset classes, both quoted and unquoted.

OVERSEAS OPTIONS

Investors seeking access to far-flung overseas markets appear to have been well served of late by JPMorgan, as its closed-ended funds focused on emerging markets pepper the top quartile performers table.

A pick-up in performance of **Fidelity Japan (FJV)** under the stewardship of Nicholas Price explains the trust's status as a one, three and five-year peer group outperformer.

Pursuing a GARP (growth at a reasonable price) approach, Fidelity Japan trades on an 11.5% NAV discount despite performing strongly versus its Topix benchmark index so far in 2019.

PRIVATE EQUITY TRUSTS

Yet another theme to emerge is the demonstrable investor appetite for private equity trusts including industry **HgCapital (HGT)**, a listed vehicle invested in unquoted software and services businesses managed by Hg, and also **HarbourVest Global Private Equity (HVPE)**.

The top quartile performers list also attests to the ability of growth companies to reward investors with **BlackRock Smaller Companies (BRSC)** and **Montanaro European Smaller Companies (MTE)** consistently ranked as first quartile.

Popular with investors for its stellar long-run track record, BlackRock Smaller Companies is today managed by Roland Arnold, who took over as lead manager following the retirement of Mike Prentis this summer.

Meanwhile, Montanaro European Smaller Companies is delivering sector leading NAV growth and has outperformed its benchmark MSCI Europe ex-UK Small Cap index over 10, five and three-year time frames.

Investment company research outfit QuotedData says its focus is on picking stocks – identifying growing companies with strong business franchises, and high-quality management, earnings and corporate structures.

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

Read this article to discover the bottom quartile investment trusts

Recovery funds: get it right and the rewards can be huge

Looking for mispriced shares isn't easy but there is a group of fund managers with the necessary tools

What do recovery funds do, what is their appeal and what do they invest in? In simple terms a recovery stock is a share which has fallen in price but is seen as having the potential of climbing back or even exceeding its previous level.

This recovery would usually be achieved through a change of strategy or perhaps efforts to repair a broken balance sheet and would often be accompanied or preceded by a change in senior management.

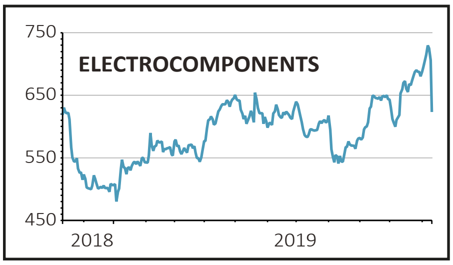
In many ways investing in recovery situations aligns with the approach of value or contrarian fund managers, who look to buy unloved companies where there are catalysts for a rebound, as well as special situations funds.

WHAT IS THE APPEAL?

The returns when you call a recovery right can be significant. Looking at this on an individual stock level, electrical goods distributor **Electrocomponents (ECM)** has been revitalised since CEO Lindsley Ruth was appointed in April 2015.

Although the ride has been a bit bumpier in the past 12 months, which is unsurprising given the company's direct

exposure to an increasingly volatile economic backdrop, Ruth has put the business back on a growth path, tackling management inefficiency and slashing costs. This has been rewarded by the market with a near-200% increase in the share price since he took over.



Manager Alex Wright, who steers **Fidelity Special Situations (B88V3X4)** and investment trust **Fidelity Special Values (FSV)**, looks at his investments in three distinct stages.

- **Stage one:** An initial position will be taken; I will increase the holding as and when conviction increases. Once the operational change takes effect, and an improvement in growth is evident, the company moves to stage two.

- **Stage two:** Start of perception change by the wider market, leading to a re-rating of stocks. At this point, I will allow the position to increase in size.

- **Stage three:** The company's recovery process is well underway and the share price is close to my upside target; other investors are buying into the growth story. There is now less downside protection and less upside potential. At this point, I will reduce the position and recycle the proceeds into stage one companies.

As an example of how this works in practice, Wright sold out of **Lloyds (LLOY)** on the basis the company had already cut costs and achieved efficiencies, while **Royal Bank of Scotland (RBS)** is still held in the portfolio because it is at an earlier stage in its recovery.

A HIGH RISK APPROACH

Investing in recovery stories is a high risk approach as the price of

HOW UK RECOVERY FUNDS HAVE PERFORMED

Fund	Three-year annualised performance
River and Mercantile UK Recovery	8.1%
Schroder Recovery	5.9%
M&G Recovery	4.2%
ASI UK Recovery Equity	-2.9%

Source: Morningstar

M&G UK Recovery - top holdings

BP	8.5%
HSBC	7.5%
GW Pharmaceuticals	3.7%

River and Mercantile UK Recovery - top holdings

HSBC	3.4%
BP	3.3%
Royal Dutch Shell	2.9%

M&G UK Recovery - top holdings

BP	5.3%
HSBC	5.2%
Pearson	5.1%

Source: Morningstar

failure can be total. Investment trust **Lowland (LWI)**, managed by James Henderson, was one of small number of funds which held a position in Carillion at the point of its liquidation in early 2018, for example.

Arguably risks are higher during an economic and market downturn when companies with flawed business models or strained finances are likely to be more exposed. Although on the flip side as Fidelity's Alex Wright points out: 'Weak market sentiment can sometimes throw up the best investment opportunities.'

By investing through a fund you benefit from the expertise of a fund manager who specialises in distinguishing between a genuine recovery opportunity and a firm which can't be fixed.

And even if they get this wrong, a diversified portfolio means the pain incurred through a mistake is less severe for an individual investor, particularly if they are prepared to be patient.

The manager of M&G Recovery's Tom Dobell says: 'There are times when companies, sometimes once-great ones, are doomed to fail. Business models can be rendered irrelevant by innovation and debt mountains can become insurmountable.'

As Dobell points out the determining factor is often the people at the top. 'Company management must also demonstrate that they have a clear strategy to generate profits and growth over the coming years – after all, it is the prospect of these that justifies the risks of investing. You have to be selective.'

PICKING A RECOVERY FUND

Just as a recovery fund manager needs to be selective, it also makes sense to be selective in terms of your exposure to the funds themselves for several reasons.

First, as discussed, by their nature the performance of recovery funds is likely to be more volatile given the risks involved in buying companies whose fortunes need resuscitating.

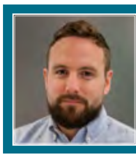
Second, many recovery funds are invested in similar areas of the market, so owning more than one fund could leave you over-exposed to certain sectors.

A lot of UK-focused funds in this space are invested in banks and oil companies. For example, oil major **BP (BP.)** and bank **HSBC (HSBA)** are in the top two holdings for M&G Recovery, **Schroder Recovery (B3VVG60)** and **River and Mercantile UK Recovery (BG21HH8)**.

There are funds with broader horizons which invest in global recovery plays, including **River and Mercantile Global Recovery (B9428D3)**.

We suggest you buy **Schroder Global Recovery (BYRJXL9)** which invests in UK and overseas stocks such as emerging markets bank **Standard Chartered (STAN)** and US IT company Hewlett-Packard.

Fund managers Nick Kirrage and Kevin Murphy both have around two decades of investment experience. The portfolio typically contains between 30 and 70 stocks.



By **Tom Sieber**
Deputy Editor

Why tracker funds have a role in holding companies to account

Most big ETF providers have large investment stewardship teams, engaging with boards and CEOs

Rapid growth in exchange-traded funds (ETFs) has made a number of their providers some of the biggest investors in the world, particularly in markets like London and New York.

But as these ETFs grow in size and the stakes of fund firms like BlackRock and Vanguard carry more weight in a whole range of listed companies, the debate over how involved they should be in company affairs has ramped up.

"Passive should always refer to the investment style, not the engagement style"

ETFs are synonymous with passive investing, whereby a fund buys stakes in companies in an index and simply follows its returns.

But given the plethora of issues affecting companies and their shareholders, it begs the question over whether passive should mean passive in every sense, or if ETFs and their owners should take on all the responsibilities associated with being a shareholder?

DEFINING STYLES

'Passive should always refer to the investment style, not the engagement style,' says Matt Brennan, head of passive portfolios at AJ Bell.

It's a view taken by some of the biggest players in the ETF space, with the likes of BlackRock, Vanguard, State Street and Legal & General Investment Management all having large teams looking at stewardship, the idea of being a responsible owner of the assets they invest in.

'As a provider of ETFs and index funds we take our role as investment stewards very seriously,' explains Amra Balic, head of BlackRock's EMEA investment stewardship team.

'Investment stewardship is how we use our voice as an investor on behalf of our clients. Over 90% of our clients' equity investments are held through index funds and ETFs, and two-thirds of our clients' assets are related to retirement.

'Therefore, our clients are long-term shareholders, and it is our role to engage company leadership on key issues – such as corporate governance and climate risk – on their behalf, to drive the creation of long-term value.'

THE DIFFERENCE BETWEEN STEWARDSHIP AND ACTIVISM

Stewardship is often compared with shareholder activism. Activist investors' push for change within companies can bring about better corporate governance.

This comparison is reinforced by the Financial Reporting Council's Stewardship Code, which recognises the role activism may play in improving corporate governance.

But Brennan says stewardship and activism are distinct, and people shouldn't get confused between the two.

He says: 'Activist investors are often looking to bring about short-term change to increase the share price.

'Stewardship is much more around corporate governance, board independence and remuneration. The passive side is very good at that, thinking about what's good for the company and not looking at short-term gain.'

PUTTING IT INTO PRACTICE

While a lot of the big ETF providers talk a good game on stewardship, how does it work in practice?

'We always try to vote [at company annual general meetings], and we have direct meetings and discussions with boards and CEOs,' says Adrienne Monley, head of investment stewardship for Vanguard Europe.

Two of the main issues Vanguard looks at, particularly when voting, are a company's board of directors and executive remuneration.

'Do you want the directors to be re-elected? In order to vote yes, the directors or board have to be representing our funds' interest,' says Monley, who adds that the stewardship team looks at various data sources to inform their view whether boards and directors are supporting their interests.

She also says her stewardship team will speak directly to directors on this issue, and – while it happens rarely – will not be afraid to tell directors to their face if they think they are underperforming.

Monley says her team are 'experts' in the area of remuneration.

'One of our core beliefs is that when remuneration rewards performance, shareholders do better. We get concerned when we see remuneration packages that reward short-term performance over long-term performance.'

Looking beyond corporate governance and executive pay to areas like climate change there is evidence that you shouldn't expect radical action from ETF providers.

DO ETF PROVIDERS FALL SHORT?

A recent Morningstar report from the US showed that in the 2019 annual shareholder meeting season, 177 shareholder initiatives addressing social and environmental concerns were voted on at companies' AGMs, but BlackRock and Vanguard supported only 10% of these resolutions, according to an article by *CNBC*.

The voting record from ETF **Vanguard FTSE 100 (VUKE)** shows it voted against resolutions brought by activist shareholders at oil giants **Royal Dutch Shell (RDSB)** and **BP (BP.)** demanding they set climate change targets.

On the other hand, it should be noted Vanguard was voting the same way as the vast majority of other shareholders.

Monley counters that while addressing climate change risk is an important part of stewardship, forcing a company to set arbitrary targets – which may be unrealistic and could harm long-term shareholder value – isn't necessarily the way to go about it.

For those who are looking to invest more ethically, Brennan advises looking more closely at the funds on offer from an ETF provider.

'If a passive house launches an ESG-focused ETF, but they also have an energy-sector tracker, there can be that conflict as a business? You have to ask, are they really that principled?'

By **Yoosof Farah**
Reporter

WHAT DO YOU THINK?

SHOULD ETF PROVIDERS care about what companies in an index get up to? Their role is to provide access to the index, not choose certain stocks. However, they are still representing the collective voice of shareholders.

We would like to hear your thoughts.

Email **editorial@sharesmagazine.co.uk** with 'ETF Stewardship' in the subject line.

‘Help, I’ve fallen into a pensions tax trap’

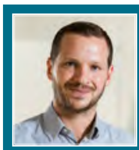
AJ Bell pensions expert Tom Selby considers a situation where someone has paid excess tax on a retirement pot withdrawal

I’ve just taken £10,000 out of my SIPP (my first withdrawal) to pay for a new car. I expected a quarter of the withdrawal to be tax-free, with the rest taxed in the same way as income.

As a basic-rate taxpayer earning around £30,000 a year, I figured this would mean I’d pay £1,500 on the taxable part (i.e. 20% of £7,500).

You can imagine my shock when rather than receiving £8,500 as expected I was paid a lot less. Can you explain why this is and whether I’m owed any money?

Paula



By **Tom Selby**
AJ Bell
Senior Analyst

Unfortunately you’re one of a growing number of people who have fallen victim to HMRC’s pensions tax trap.

You are absolutely right that the taxable part of your withdrawal should have been taxed at 20% (assuming you have no other sources of taxable income beyond the £30,000 you mentioned).

However, because it was your first withdrawal HMRC will almost certainly have required your provider to apply a ‘Month 1’ (or emergency) tax code to the taxable portion. This will have resulted in you

being overtaxed in the first instance.

HOW ‘MONTH 1’ TAXATION WORKS

When a Month 1 tax code is applied, HMRC divides your usual allowances by 12 and then applies this to your taxable pension withdrawal. This will happen regardless of when the withdrawal is made or how much income you receive from other sources.

So in your case, rather than the entire £7,500 being taxed at 20% as you expected, three different rates will have been applied.

The first £1,041.67 of the withdrawal (1/12th of the £12,500 personal allowance) will have been taxed at 0%, while you’ll have paid 20% tax on the next £3,125 (1/12th of the £37,500 basic-rate tax band).

The rest of the withdrawal will have been taxed at the 40% rate, leaving you with a total tax bill of almost £1,958 – some £458 more than you should have paid.

GETTING YOUR MONEY BACK

The good news is it’s relatively straightforward to get your money back. You will just need to fill out one of the following three forms:

- If the withdrawal used up your entire pension pot and you have no other income in the tax year, use form P50Z;
- If the withdrawal used up your entire pension pot and you have other taxable income, use form P53Z;
- If the withdrawal didn’t use up your pension pot and you’re not taking regular payments, use form P55.

You can find all the forms here: Once you’ve filled the form out and sent it off, HMRC says you’ll get a full refund within 30 days.

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.

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KEY

- **Main Market**
- **AIM**
- **Investment Trust**
- **Fund**
- **Exchange-traded fund**
- **Oversea Share**

KEY ANNOUNCEMENTS OVER THE NEXT WEEK

Full year results

15 November: Future. **18 November:** Diploma.
20 November: Mitchells & Butlers, SSP.
21 November: Euromoney, Residential Secure Income.

Half year results

18 November: Chamberlin, McKay Securities.
19 November: Big Yellow, CML Microcircuits, Halma, Homeserve, Palace Capital, Scapa, SRT Marine Systems, Telecom Plus, Trifast.
20 November: Alpha Financial Markets, Argentex, Creightons, Intermediate Capital, Liontrust, United Utilities. **21 November:** Charles Stanley, CMC Markets, Dart Group, First Property, iEnergizer, John Laing Environmental Assets, Manolete Partners, Mitie, NewRiver, Severn Trent, Syncona.

Trading statements

18 November: DWF Group. **20 November:** Direct Line.
21 November: Centrica, Close Brothers, Knights Group.

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