STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

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SHARES

WE MAKE INVESTING EASIER

CONSUMER LENDING SURGE: NEW DEBT CRISIS AHEAD?

15 WAYS TO GIVE YOUR ISA A HEALTHY BOOST

ACACIA MINING MERGER TALK WHAT IT MEANS FOR INVESTORS

WHY WE'VE CHANGED OUR VIEW ON UK'S LARGEST ESTATE AGENT

JUPITER FUND OUTPERFORMS *AGAIN AND AGAIN*


Unpresidented
volatility?

May's Brexit plan won't calm the stock market

Market still needs answers on UK trade agreements

If the market hates uncertainty, how does it react when there is clarity on events? Theresa May's Brexit speech on Tuesday (17 January) saw the pound rally and the FTSE 100 decline in value. Surprised?

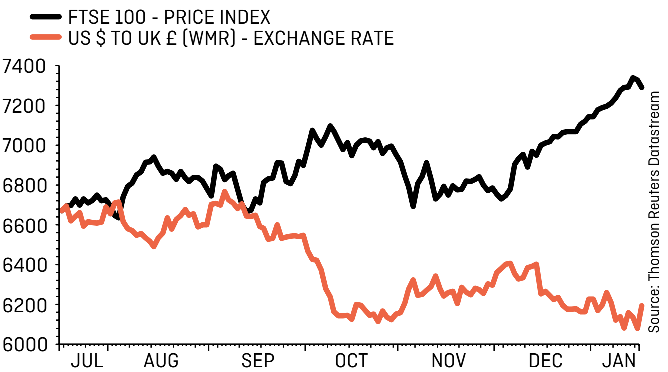
One might have thought the opposite movement would have happened, given the Brexit vote was the cause of 2016's sharp decline in the pound and big advance in the blue chip stock index.

The tough stance towards Brexit in May's speech should have, theoretically, reaffirmed that the UK is going to go through several years of pain while it tries to secure new trade agreements.

ECONOMIC THREAT STILL INTACT

In the interim period, consumers could experience a higher cost of living and potentially a tighter jobs market while international businesses reassess their commitment to the UK. Inflation is likely to keep rising.

As such, many would have expected May's 'hard Brexit' speech to send the pound down and FTSE 100 up in reflection of its large proportion of overseas earnings. That didn't happen. The pound jumped 2.5% and the FTSE 100 eased back 0.9% during and just after the speech.



You can see from the accompanying chart just how interlinked the currency and the blue chip index have been since the Brexit vote last summer. When one goes up, the other goes down – and vice versa.

WHY DID THE POUND RISE?

The Prime Minister's speech was received positively by the currency market as we finally got confirmation on the Government's strategy for leaving the EU. Some may not like the plan to leave the single market, but certainty is surely better than indecision when it comes to stock markets.

Take a step back. May hasn't given too much new information. She's simply said we will leave the single market and the customs union.

That is not a reason to turn bullish on the pound. We don't know how the new trade deals will play out – and certainly don't know how long it will take to secure them.

SORRY, UNCERTAINTY REMAINS

Sadly the only certainty from May's speech is that we are still in period of *uncertainty*.

The Prime Minister said we won't have a running commentary on Brexit negotiations. Therefore one should expect media and market speculation to rear its ugly head in the future and cause stock market volatility.

Let's not forget Mr Trump officially becomes President of the United States tomorrow (20 Jan). His wildly unpredictable nature could make matters even worse.

I'd keep a wad of cash at the ready to go bargain hunting when we get the next market correction. It could come sooner than you think.

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Petra Diamonds founder to float rare earth miner

Rainbow Rare Earths could start generating revenue this year

A mining company offering near-term production, low capital expenditure requirements and a fully permitted project is set to join the UK stock market on or around 27 January.

Rainbow Rare Earths is backed by investor and developer Pella Resources, best known for helping to build **Petra Diamonds (PDL)** from a small exploration business to become a FTSE 250 multi-project, £840m market cap miner.

We think Rainbow looks very appealing with a straightforward investment proposition. It hopes to pay dividends in the future.

RARE EARTHS FOCUS

Rainbow is restarting the Gakara rare earths mine in Burundi that previously operated between 1948 and 1978. It will use excavators to remove the top layer of earth and then manually mine the veins.

The miner will produce a concentrate and sell it to German conglomerate Thyssenkrupp under a 10-year offtake deal. Rainbow's production will be sold at market price for a basket of rare earth elements minus a discount for it being in concentrate form.

'Our average (in-situ) grade is 57% versus 3% average for rare earth projects around the world,' says chairman Adonis Pouroulis.

Trial mining should begin by April, producing around 3,900 tonnes of concentrate over a two-year period. Its first concentrate will be available for sale after approximately nine months of trial mining.

The equipment will be designed to produce 5,000 tonnes per year of concentrate so there will be no future capital requirements under the current mine plan. The company is confident it will seamlessly move into commercial production once the trial mining period ends.

GROWING DEMAND

Demand is growing for rare earth elements which

are used in applications including electric vehicles, smartphones and wind turbines.

China has a near-monopoly over the supply of rare earth elements. Many non-Chinese end users are eager to mitigate supply risks by actively supporting the development of non-Chinese sources of supply, claims Rainbow.

The company hopes to raise $7m to help fund capital expenditure ($2.3m), working capital ($2m), repay borrowings worth $2m and the rest to cover the costs of joining the stock market.

The business is expected to be valued at between $17m and $22m when it floats on London's Main Market.

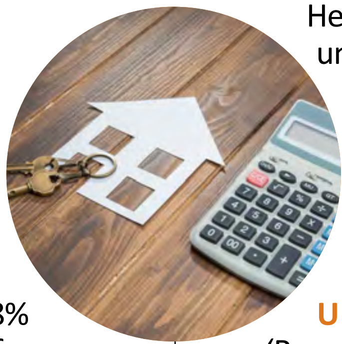
Pouroulis is also chairman of Petra Diamonds and he founded Pella Resources. The latter business helped to finance successful chrome miner **Tharisa (THS)** and **Chariot Oil & Gas (CHAR:AIM)**. Pouroulis says other companies from the Pella portfolio may soon float on the UK stock market.

SHARES SAYS: ↗
Looks very interesting and Pouroulis' involvement adds credibility to the story. Get ready to buy as soon as it floats on the market. (DC)

Bank that predicted 2008 crisis stops lending

Company exits unsecured lending market as interest rates plummet

Surging consumer lending has already caught the attention of the UK's central bank. Now a stock-market listed lender which stopped lending ahead of the 2008 financial crisis is also warning the borrowing boom is a worry.



Net consumer lending, which excludes mortgage loans, increased 10.8% in November 2016, according to Bank of England data.

Loans outstanding on products like credit cards and unsecured personal loans hit £192bn out of a total of £1.5 trillion of household debt.

TROUBLING TREND

While most of the UK's debt is secured against property, chief executive Paul Lynam at **Secure Trust Bank (STB)** says it is increases in unsecured lending which are the most troubling.

He says the bank will stop making new unsecured consumer loans as rivals rushed into the market offering lower interest rates.

Lynam claims rates are not high enough to protect lenders from the risk customers are unable to repay.

UNSUSTAINABLE LENDING

'Recent data from the Bank of England has revealed that consumers are borrowing more than ever on unsecured personal loans,' said Lynam following full-year results on 13 January.

Unsecured lending will resume at STB 'when risk-adjusted yields' become more attractive, Lynam adds. Secure Trust Bank previously exited the market between 2006 and 2008.

Instead of unsecured personal loans, the bank is focusing on asset-backed lending in vehicle finance and the small and medium-sized business market.

Winners outed on 'Super Thursday'

Robust cash flow and keen prices are strengths for retailer

'SUPER THURSDAY' REVEALED a strong showing from quoted retailers, although but this is likely to prove a last hurrah for the sector. Inflation will dampen a debt-driven festive consumer splurge and cost pressures are set to weigh on margins.

A torrent of updates (12 Jan) revealed **Marks & Spencer (MKS)** as a surprise festive winner. Chief executive Steve Rowe unveiled a long-awaited return to positive like-for-like sales growth in the Clothing & Home division. While the 2.3% gain was delivered against easy comparatives, it demonstrated Rowe's turnaround plans for the division are paying off.

Also providing Christmas cheer was department store **Debenhams (DEB)**. Like-for-like sales were up 5% in the seven weeks to 7 January, underpinned by beauty and gift sales, though new CEO Sergio Bucher still has his work cut out in preventing steep profit declines.

Other Super Thursday updates arrived from **Tesco (TSCO)**, which served up evidence of a third successful Christmas, yet disappointed with modest UK like-for-like sales growth of 0.7% in the six week Christmas period. Cutting-edge fashion seller **ASOS (ASC:AIM)** upgraded full year top line guidance following 30% sales growth in the four months to December and is accelerating infrastructure investment to handle its rapid growth.

FDM goes for the hat-trick

IT consultancy has beaten market expectations again

IT services consultancy **FDM (FDM)** has beaten full year forecasts for the third straight year since the company returned to the stock market in 2014.

While the margin of outperformance through 2016 prompts broker Stockdale to push through only a modest 3% upgrade to pre-tax profit forecasts, it is certainly a feather in the cap for chief executive Rod Flavell and his team.

Stockdale is now expecting pre-tax profit to move from £30.1m in 2015 to £36.6m in 2016, before hitting £41.1m in 2017.

Shore Capital believes FDM is likely to outperform consensus expectations in the foreseeable future.

'We think the shares are good value at current levels as there is an earnings upgrade cycle that will come over the next couple years and reiterate our "buy" rating,' says Shore Capital analyst Peter McNally.

This should raise wry smiles among loyal shareholders following the panic sell-off in FDM shares directly following the vote for the UK to leave the EU on 23 June.

That sparked a 28% collapse in the stock from 590p to 425.5p, triggering the stop loss on the running *Shares* positive call, published on 17

March 2016 at 539.5p. The share price has since recovered all of that lost ground and more, now changing hands at 620.5p.

SHARES SAYS: ↗
FDM has a proven record as a nimble, high-quality execution business with substantial UK and overseas growth potential. We remain fans. (SF)

BROKER SAYS 2 0 0

BAT seals Reynolds deal

AN IMPROVED OFFER from **British American Tobacco (BATS)** is enough to seal its merger with US rival **Reynolds American (RAI:NYSE)**. The UK tobacco maker will pay $49.4bn, up 5.6% on its offer from October 2016, to secure the 58% of Reynolds it does not already own. It is confident of achieve $400m synergies through the combination. (TS)

Alliance Trust names new managers

INVESTMENT TRUST **ALLIANCE Trust (ATST)** is revolutionising its investment strategy. The board has named eight external equity managers who will select a portfolio of 20 high conviction stocks. The performance target has been doubled to 2 percentage points above the MSCI World Index net of costs on a three-year rolling period. Costs are set to rise from 0.45% a year to nearly 0.6%. (TS)

Calls on ECB to ditch stimulus

MARIO DRAGHI TREADS the tightrope this week (20 Jan) when the European Central Bank (ECB) chief updates on interest rates.

The ECB is under pressure from politicians in Germany to scale back stimulus after inflation in the eurozone's largest economy surged in December. Other countries in the currency bloc, including Greece, are still struggling with deflation. (WC)

NOMINEES FOR UK STOCK MARKET AWARDS 2017

We are pleased to announce the nominees for the UK Stock Market Awards 2017.

The awards recognise and reward all that is great about publicly-listed British firms, the equity market which they choose to operate within and their contribution to the global economy.

The votes have been cast by readers of *Shares* and the general public. The shortlist consists of the nominees with the most votes.

A judging panel of industry experts will meet in February to discuss each nominee and decide who should be crowned victorious. The winner will be announced at a gala event on 30 March 2017.

THE NOMINEES:

AIM COMPANY OF THE YEAR
Boohoo.com Plc
Dart Group Plc
Hurricane Energy Plc
Purplebricks Group Plc
Sirius Minerals Plc
Sound Energy Plc

MAIN MARKET COMPANY OF THE YEAR
Ashtead Group Plc
CRH Plc
Electrocomponents Plc
GVC Holdings Plc
Mediclinic International Plc
RPC Group Plc

M&A TRANSACTION OF THE YEAR
Greencore Group Plc
Keywords Studios Plc
Ladbrokes Coral Group Plc
Micro Focus International Plc
RPC Group Plc
J Sainsbury Plc

FUNDRAISING OF THE YEAR
Hurricane Energy Plc
Melrose Industries Plc
Phoenix Group Plc
Savannah Petroleum Plc
Sirius Minerals Plc
Tritax Big Box REIT Plc

IPO OF THE YEAR
Blue Prism Plc
Comptoir Plc
ConvaTec Plc
Forterra Plc
Luceco Plc
Metro Bank Plc

BEST PERFORMING SHARE
Winner announced on the night

GROWTH COMPANY OF THE YEAR
Accesso Technology Group Plc
Boohoo.com Plc
Gear4music Plc
Just Eat Plc
Sopheon Plc
Yu Group Plc

BEST CUSTOMER FOCUS
IG Group Holdings Plc
Metro Bank Plc
Ocado Group Plc
Sky Plc
Telecom Plus Plc
Vodafone Group Plc

INNOVATION OF THE YEAR
Allied Minds Plc
Blue Prism Plc
FreeAgent Plc
Hotel Chocolat Plc
IP Group Plc
Purplebricks Group Plc

INVESTOR RELATIONS TEAM OF THE YEAR
Berkeley Energia Plc
Next Plc
Saga Plc
J Sainsbury Plc
Sound Energy Plc
Tesco Plc
ValiRx Plc

CEO OF THE YEAR
AB Dynamics Plc – Anthony Best
Ashtead Group Plc – Geoff Drabble
Boohoo.com Plc – (Joint) Carol Kane & Mahmud Kamani
Domino's Pizza Group Plc – David Wild
Micro Focus International Plc – Stephen Murdoch
Tesco Plc – David Lewis

FD OF THE YEAR
3i Group - Julia Wilson
Aggreko Plc – Carole Cran
BHP Billiton Plc – Peter Beaven
GVC Holdings Plc – Richard Cooper
IG Design Group Plc – Anthony Lawrinson
Treatt Plc – Richard Hope

ENTREPRENEUR OF THE YEAR
Winner Announced on the night

FINANCIAL PR TEAM OF THE YEAR
Bell Pottinger
Camarco
Instinctif Partners
MHP Communications
Redleaf Communications
Walbrook PR
Yellow Jersey PR

CORPORATE SPONSOR OF THE YEAR
Cenkos Securities
finnCap
Investec Securities
Liberum Capital
N+1 Singer
Numis Securities
Peel Hunt

SPONSORS

AJBell
dwf
KPMG
NEX Exchange
PrimaryBid
Redleaf Communications
SQUIRE PATTON BOGGS
SHARES

12 Super Thursday updates

TRADING UPDATES FROM 12 retailers in one day on so-called super-Thursday (12 Jan) provided a media frenzy but did not impress Shore Capital's retail veteran Clive Black.

'Finance directors and investor relations executives should hold their heads in shame at the chaotic volume of information delivered this morning,' raged analyst Black.

'We request and expect a more balanced information flow in 2018.' **JD Sports (JD.)** proved the biggest winner – shares gained more than 7% after it raised profit guidance.

£671m Rolls-Royce fine

THE STOCK MARKET can be a confusing beast: shares in **Rolls-Royce (RR.)** gained more than 7% when it said it had been fined £671m.

Investors may have been expecting a more punishing settlement for the aircraft engine manufacturer after allegations of bribery first surfaced in 2012.

Analysts at Berenberg say Rolls should be able to foot the bill comfortably given its low debt load. 'Financing and scheduling of payments do not present a major problem, in our view,' they say. Rolls also said trading was strong in the final three months of 2016.

£29m Debenhams profit plunge

PRE-TAX PROFIT AT **Debenhams (DEB)** looks set to drop £29m to £85m over the two years to August 2018, according to analysts at Haitong.

New chief executive Sergio Bucher, recruited from Amazon in 2016, will in April tell shareholders how he expects to turn around the department store's fortunes.

Haitong analyst Tony Shiret says fresh thinking is needed to improve Debenhams' clothing sales. Its strategy during 2016 has been to shift sales towards lower margin gifts and cosmetics which is one of the reasons for the retailer's falling profitability.

1,600% Hong Kong IPO gains

A CRAZE IN Hong Kong for initial public offerings (IPOs) saw shares in newly-listed Bar Pacific (8432:HKG) **climb 1,600% at one point on its stock market debut.**

Bar Pacific raised HK$45m (£4.8m) through the IPO and its market value gained HK416m by the end of the day, up 1,297% at the close.

Ten similar IPOs in the last two years gained between 1,500% and 2,243% on their first day of trading, according to *Dealogic*.

Investors have been piling in to the stocks in anticipation of reverse mergers involving companies in mainland China.

14 DAYS

FTSE 100 WIN STREAK

THE UK'S BLUE chip benchmark saw its winning run, which stretched to 14 consecutive days of gains, come to an end on Monday 16 January.

Gains are partly a reflection of earnings forecasts for UK-listed corporates which, according to Bank of America estimates, are set to grow 21.1% in 2017 driven by expected profit improvements at mining and oil and gas companies.

That's the highest projected earnings growth rate of any major stock market in the world other than the similarly commodity-heavy Canadian index.

56.7%

UK oil price gain

SURGING OIL PRICES, up 56.7% in sterling terms over the past year, contributed to a spike in the consumer prices index.

Consumer prices increased 1.6% year-over-year in December and inflation could hit 3% by the end of 2017, says PriceWaterhouseCoopers' chief economist John Hawksworth.

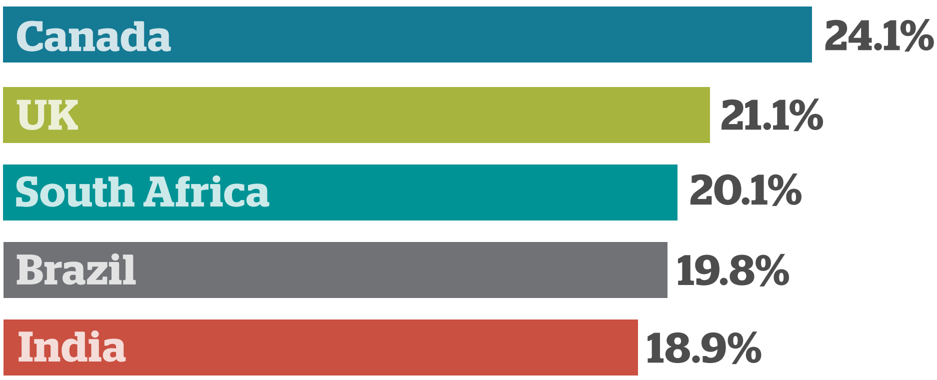
Cost pressures in the UK's supply chain, where manufacturing input prices gained almost 16%, are key reasons inflation could rise further.

Oil is the key factor pushing up input prices.

Imported metals were another big contributor, followed by higher prices of home food materials, parts and imported equipment and chemicals.

Earnings per share growth estimates for 2017

Major stock markets: highest rated



Source: FinnCap

BEST FUNDS - 1 YEAR SHARE PRICE GAIN (%)

Fund	Year-to-date (%)
UBS UK Equity Income C	50.2%
Schroder Charity Equity A	35.6%
HC Charteris Premium Income	33.0%
Aberdeen UK Equity Income	26.8%
Neptune Income C	24.7%

Source: Morningstar. Note: Excludes funds of different categories with the same investments

FTSE 350 IN A MONTH

BEST PERFORMERS

	COMPANY	(%)
1	Anglo American	17.4
2	Savills	13.3
3	Vedanta Resources	11.7
4	Rio Tinto	11.3
5	KAZ Minerals	10.2
6	BHP Billiton	10.2
7	Michael Page International	9.6
8	Evraz	9.2
9	Ted Baker	9.1
10	Burberry	9.1

WORST PERFORMERS

	COMPANY	(%)
1	Shawbrook	-6.4
2	Aldermore	-6.6
3	Jupiter Fund Management	-8.3
4	Spire Healthcare	-9.8
5	Inmarsat	-10.0
6	AO World	-11.9
7	Just Eat	-12.0
8	Allied Minds	-12.4
9	Dunelm	-14.0
10	Cobham	-17.4

* Excluding Equity Investment Instruments, Nonequity Investment Instruments
Source: Thomson Reuters Datastream
Date to 16 Jan 2017

Why Acacia Mining should merge with Endeavour

Corporate marriage would create a mid-cap gold champion

The potential merger between **Acacia Mining (ACA)** and Toronto-listed **Endeavour Mining (EDV:TSX)** looks positive in our view.

Although still at the discussion stage and lacking information on deal structure, we do believe a combined business would be highly attractive to any investor seeking a mid-cap gold producer with multiple projects.

'Endeavour has near-term growth; Acacia adds stable production and exploration upside,' summarises investment bank Canaccord Genuity.

MARKET APPLAUDS THE NEWS

Acacia confirmed rumours last weekend that it is talking to Endeavour over a potential merger. Its share price jumped 4.2% to 435.92p on 16 January, the first chance for the market to react to the news.

The gold miners have a combined market value of £3.1bn. That would make the enlarged business the ninth biggest miner on the London stock market, overtaking copper producer **KAZ Minerals (KAZ)** and iron ore-to-aluminium miner **Vedanta Resources (VED)** in size.

Potential merger of two gold miners could create 7th biggest miner on London stock market

A deal could also see the combined Acacia/Endeavour valued nearly as much as Russian gold and silver producer **Polymetal (POLY)**. That's assuming it chooses London as the listing venue for the enlarged business, as we'd largely expect.

GETTING RID OF SHARE OVERHANG

One of the immediate benefits to an Acacia/Endeavour corporate merger could be the removal of a long-standing share overhang.

Acacia was spun out of miner **Barrick Gold (ABX:TSX)** in 2010 under the name of African Barrick Gold. The parent company has since been very vocal about wanting to find a buyer for its remaining 64% stake in the business, now called Acacia.

Chinese state-owned miner China National Gold tried and failed to buy Acacia four years ago. Talks collapsed in January 2013 after neither side were able to agree on a suitable valuation.

Rumours then went round the City in 2016 that Barrick had been talking to several South

African miners about selling its investment in Acacia.

FOUR WAYS FOR THE MINERS TO JOIN HANDS

Peel Hunt analyst Michael Stoner believes there could be four possible scenarios in terms of deal structure.

1. Merger of equals. Barrick would therefore own 32% of the combined group. That stake could then be placed with institutional investors far more easily than the current 64% stake.

'Paper in the combined group will be more liquid so Barrick can more easily trade out,' says Stoner. 'This is our preferred option which stands to preserve the most value for both sets of shareholders. In making a deal mutually beneficial to both parties it is far more likely to be sanctioned by the market.'

2. Acacia bids for Endeavour with an all-share or cash and shares offer – another way to dilute Barrick's position.

3. Endeavour bids for Acacia by raising some money in the market and getting the Sawiris family to buy Barrick's 64% stake. The Egyptian family have a natural resource investment vehicle called La Mancha which owns 30% of Endeavour.

4. Endeavour bids for part of the Barrick stake to become a minority shareholder in Acacia. 'Barrick could then place out the balance of its position,' says Stoner. 'This seems the least likely option as Endeavour would not gain any operating control in this scheme.'

WHAT WOULD THE ENLARGED COMPANY LOOK LIKE?

A combined Acacia and

Endeavour would essentially have a portfolio of mines roughly balanced between East and West Africa.

Acacia has three gold mines in Tanzania and exploration projects in Burkina Faso, Mali and East Africa.

Endeavour has five producing mines and another set to begin operating this year.

Investment bank Jefferies says production could hit 1.7m ounces of gold in 2018 at an all-in sustaining cost (AISC) of $830 per ounce. That's a favourable cost for the gold industry and represents all the costs associated with extraction and keeping mines operational.

Acacia/Endeavour's projected AISC also implies decent profit margins against the current gold price of $1,200 per ounce.

DOWNSIDE TO ENDEAVOUR

Stoner at Peel Hunt says Endeavor's weakness is having relatively short mine lives versus Acacia and other London-quoted miners such as **Centamin (CEY)**. He believes Acacia's long life Bulyanhulu mine would be the core focus of an enlarged group.

Acacia had $203m net cash as of 30 September 2016. In comparison, Endeavour had $14m net debt. Putting the two companies together would theoretically mean Acacia's strong balance sheet could help to finance some of Endeavour's development plans.

Endeavour had $580m funding requirements as of the end of the third quarter of 2016. Approximately $271m is needed for remaining project costs on Hounde, a mine in Burkina Faso which should start to pour gold in the fourth quarter of 2017.

The miner also needs $306m for project costs to upgrade processing capabilities on its Ity mine in Cote d'Ivoire.

'The assets, and management teams, would appear to complement one another,' comments Canaccord. 'In our view, on a qualitative basis, a deal would make sense; it all comes down to relative valuation and, as both companies have said, discussions may or may not result in agreement of a transaction.' (DC)

Smarten up your portfolio with Kainos

Quality growth company is leveraging the digital opportunity

Belfast-headquartered **Kainos (KNOS)** is a digital technology solutions supplier that helps organisations to work smarter, faster and more efficiently.

This is topical as corporates and organisations are desperate to get the most out of any investment and also ensure they aren't wasting any money on a day-to-day basis.

Kainos' share price was quick to recover from a sudden drop last summer around the Brexit vote as investors recognised the company's potential to thrive long term.

A pull back from this rally presents an opportunity to buy a quality company.

MARKET CONCERNS

The shares have recently been knocked for two reasons. Firstly, there is near-term gloom about NHS investment. Healthcare is a key market for Kainos.

Secondly, plans to accelerate its software-as-a-service (SaaS) model could curb revenue growth in the near-term, even though it should improve earnings quality longer term.

KAINOS BUY
(KNOS) 198p
Stop loss: 158p

Market value: £234m

'We think Kainos is a rare breed of IT services company that exhibits the attributes required to achieve sustainable double-digit growth over the mid to long term,' says investment bank Canaccord Genuity. It believes Kainos' shares will rise by nearly 30% by the end of 2017.

KAINOS TO THE RESCUE

Many clients are stretched government departments struggling to keep pace with efficiency demands and budget restraints while still meeting the needs of the population.

These include the Cabinet Office, Home Office, Driver & Vehicle Licencing Agency (DVLA), Department for Transport and NHS, for example.

Kainos is capable of providing the insight, advice and implementation on a swathe of digitalisation projects to solve these problems.

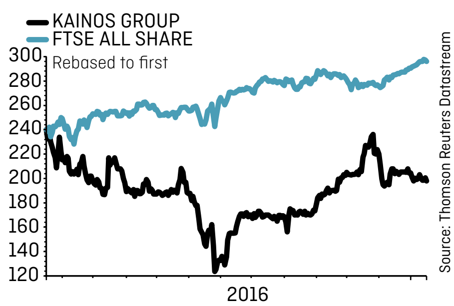
For example, Kainos has developed its Evolve digital healthcare solution that digitises the mountain of patient records, consent forms, prescriptions and examination results. This product is sold to both NHS and privately-run hospitals.

Kainos estimates up to 3% of a hospital's budget is wasted as a result of an extensive paper trail.

Supporting growth is an expanding division that resells the human resources packages of US company **Workday (WDAY:NYSE)**. Kainos has also developed its own Workday automated testing tool kit.

Canaccord forecasts pre-tax profit will dip slightly in the financial year ending March 2017 to £13.9m, before recovering to £14.8 in 2018 and racing ahead to £19m a year later.

BROKER SAYS: 2 0 0



Quality insurance arm to revive Personal Group

Tie-up with Sage could help boost insurance business

A sell-off at insurance and employee benefits specialist **Personal Group (PGH:AIM)** may offer an opportunity to pick up shares in a good company at a reasonable price.

Personal Group's share price has been under pressure because of weak performance in its non-insurance business, in part because of government changes to rules on staff perks.

While these will weigh on performance in the near-term, Personal Group has a small but high quality insurance business which offers longer term growth via a tie-up with payroll giant **Sage (SGE)**.

PROFITABLE INSURER

Insurance is expected to deliver pre-tax profit of close to £10m a year for the next three years – though there may be a dip in 2016 because of an increase in operating costs. Personal Group's key insurance products are hospital and convalescence plans and death benefits provided by employers for employees.

For investors to get really excited about Personal Group, however, it needs to start generating growth in its non-insurance divisions, which have been losing money in recent years.

Personal Group offers a range of employee benefits packages to small and medium firms.

PERSONAL GROUP
BUY
(PGH:AIM) 350p
Stop loss: 276p

Market value: £107m

The most promising product is its mobile app-based employee benefits package Hapi. Offering a service that allows SMEs to provide employee benefits comparable to those offered by larger organisations, it should be profitable in its own right as well as providing a new distribution channel for insurance products.

The package is being offered through a partnership with Sage, whose enormous client roster should expand the insurance product's reach in the UK and Ireland.

A trading update published on 10 January revealed Personal Group delivered earnings before interest, tax, depreciation and amortisation (EBITDA) marginally ahead of expectations in 2016.

Profit guidance had already been reduced earlier in the year, meaning earnings per share (EPS) for 2016 is expected to decline from 27.2p in 2015 to 21.9p.

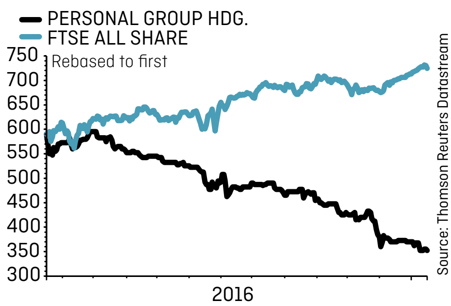
Scanlon still expects EPS to grow in 2017 though earnings will not be as high as the 34.5p previously forecast by analysts.

RISKS TO CONSIDER

Key risks include a failure to deliver growth via the Hapi app, a downturn in performance in the insurance division, or unexpected losses in the company's other divisions.

While these risks are not to be taken lightly, Personal Group looks set to return to growth in 2017, in our view, and could continue to grow for many years.

BROKER SAYS: 0 0 0



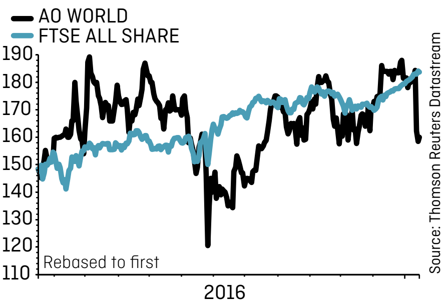
AO WORLD
(AO.) 159.20p

Loss to date: 13.7%
Original entry point:
Buy at 184.5p, 15 December 2016

WE'RE DISAPPOINTED with the share price performance of European online electrical retailer **AO World (AO.)**. We believed shoppers would spend heavily on washing machines, televisions and computers over Christmas ahead of 2017 price hikes and this proved to be the case. AO reported (12 Jan) solid overall UK revenue growth of 8.9% for the third quarter to 31 December 2016.

Unfortunately, the performance fell short of expectations. The EU growth rate slowed and AO also expressed caution on its final quarter, citing the uncertain UK economic outlook with currency-driven price hikes set to crimp consumer demand.

The good news is AO assured the full year performance would fall within the previously guided range. For the year to March 2017, Numis Securities, a buyer with a 250p price target, sticks with its estimates for a top line surge to £711.8m (2016: £599.2m) and narrowed pre-tax losses of £6.9m (2016: £8.4m).



AO World's leading customer proposition should support long term profitable growth in the UK and overseas, while UK comparatives ease materially in its fourth quarter, which may turn out better than the market fears.

SHARES SAYS:
While we recognise concerns over fierce competition and a punchy valuation, we're staying positive for now. (JC)

BROKER SAYS: 2 3 1

VELOCYS
(VLS:AIM) 48p

Gain to date: 60%
Original entry point:
Buy at 30p, 29 September 2016

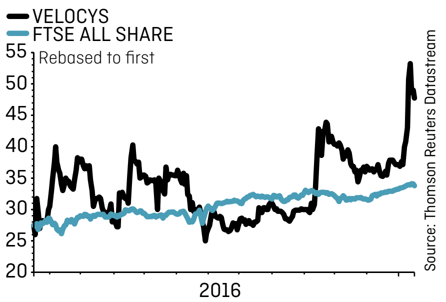
SMALL SCALE GAS-to-liquids play **Velocys (VLS:AIM)** is up nearly two thirds since we highlighted its potential in September 2016. We see more to come, particularly as it has struck a very interesting deal.

The announcement of a strategic tie-up with Japanese fabrication group Morimatsu (17 Jan) shows the company is beginning to put its growth strategy into action.

We flagged Velocys when it was close to all-time lows. The share price has since come back to life thanks to management in December 2016 outlining long-term plans for the business.

Historically gas-to-liquid projects have required capital investment running into billions of dollars. They were only really an option if you had very large quantities of gas to develop.

Velocys claims its technology is efficient on a much smaller scale and therefore represent a way of developing otherwise 'stranded' deposits of natural gas.



Seeking strategic partners was a key element of the group's relaunched strategy and the proposed deal with Morimatsu is a first demonstration of that plan.

The next catalyst on the horizon is commissioning of the company's first full-scale and most advanced project, the ENVIA-1 plant at East Oak in Oklahoma City. News is expected on this front in the next few weeks.

SHARES SAYS:
Keep buying at 48p. (TS)

BROKER SAYS: 2 0 0

KEEP READING THIS WEEK'S SHARES AND DISCOVER:

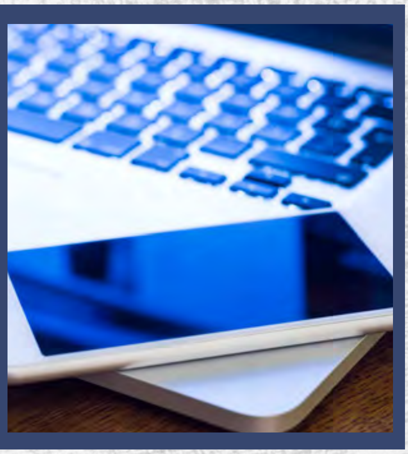
9 STOCKS YOU MUST BUY FOR YOUR ISA

6 FUNDS TO GIVE YOUR PORTFOLIO INSTANT DIVERSIFICATION

WHY WE'VE TURNED BULLISH ON THE UK'S LARGEST ESTATE AGENT

PHARMA FIRM NOW ONE OF THE FTSE'S 15 BIGGEST STOCKS – HOW DID IT GET THERE?

HOW TO BUY OVERSEAS-LISTED SHARES



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BROKER RATINGS EXPLAINED:

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

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

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

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

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

SHARES CENKOS

Growth and Innovation FORUM

WANDISCO SHARES ARE RACING AHEAD: FIND OUT WHY AT OUR INVESTOR EVENT

31 January 2017
Business Design Centre, London

One of the companies appearing at our forthcoming investor day enjoyed a 22% share price jump at the start of the week. This is not a one-off. Its share price has more than doubled since November 2016 and the market is really excited about its prospects.

The stock in question is big data specialist **WANdisco (WAND:AIM)**. Now's your chance to better understand the story as we've booked chief executive David Richards to speak at the **Shares/Cenkos Growth & Innovation Forum** on 31 January in London.

Act now to secure entry to this event by booking your FREE ticket via this **link**.

WANdisco reported record bookings for the fourth quarter of 2016 and a significant reduction in cash burn. The outlook for 2017 is equally attractive, according to a trading statement on 16 January.

Shares in WANdisco have **DOUBLED IN TWO MONTHS!** More to come? Find out at our event

'The key focus for 2016 was to establish our partner network and during the year we successfully secured our IBM OEM agreement, as well as two significant channel partnerships with Oracle and Amazon,' said Richards. 'These partnerships are both strategically important to WANdisco as well as already significantly contributing to our bookings performance.

'We have begun 2017 with a strong new business pipeline and a significantly reduced cost base, which together, will further our progress towards profitability,' added the WANdisco boss.

HEAR FROM MORE THAN 20 COMPANIES

Our investor day features more than 20 companies whose shares trade on the London stock market.

You will get a chance to hear from a range of very exciting businesses as well as fund managers,

Visit www.sharesmagazine.co.uk/events and register now!

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Growth and Innovation FORUM

market experts and some of *Shares'* journalists.

Last year's event featured some stocks unfamiliar to many investors. Today many of these stocks feature in investors' portfolios thanks to stellar success on the markets.

You could have got the edge over other investors by listening to presentations at our event and spotting the potential to make decent money on certain stocks.

Here are some of the share price movements of companies since last year's conference – all of whom participated in our event:

Satellite Solutions Worldwide **+80.5%**
XLMedia **+73.2%**
Cyanconnode **+37.9%**
Summit Therapeutics **+28%**

There are plenty of interesting companies booked to appear at the 2017 event which is less than two weeks away.

Some investors have already started to produce a list of the companies they most want to see on the day. Have you had a chance to look at the list of presentations yet? All the details are on our **website** including provisional timings for each talk and a list of the companies exhibiting at the event.

Companies appearing at the **Shares/Cenkos Growth & Innovation Forum** on 31 January 2017 include:

Blancco Technology (BLTG:AIM): Provides mobile device diagnostics and secure data erasure. It achieved very impressive 35% organic revenue in the year to 30 June 2016.

LoopUp (LOOP:AIM): Recently floated group specialises in conference calls. Half-year results to 30 June 2016 showed a 33% rise in gross profit.

Jaywing (JWNG:AIM): The £29m marketing-to-PR group is enjoying a rise in margins, profit and net debt is falling.

TP Group (TPG:AIM): The services and engineer group said in December that earnings for both 2016 and 2017 would be significantly ahead of market expectations.

It is shaping up to be a very interesting opportunity for private investors. Make sure you book your ticket now to the day-long event at the Islington Business Design Centre. We look forward to seeing you on 31 January.

FRIDAY 20 JANUARY

TRADING STATEMENTS	
CLOSE BROTHERS GROUP	CBG
ECONOMICS	
UK	
RETAIL SALES	

MONDAY 23 JANUARY

TRADING STATEMENTS	
COMPUTACENTER	CCC
PETRA DIAMONDS	PDL
ECONOMICS	
UK	
CBI INDUSTRIAL ORDER EXPECTATIONS	
EU	
FLASH MANUFACTURING PMI	
FLASH SERVICES PMI	

TUESDAY 24 JANUARY

TRADING STATEMENTS	
BHP BILLITON	BLT
DIXONS CARPHONE	DC.
EASYJET	EZJ
GENEL ENERGY	GENL
INTERIMS	
IG GROUP	IGG
PZ CUSSONS	PZC
FINALS	
LAKEHOUSE	LAKE
BLUE PRISM	PRSM

PZ CUSSONS
Half year results (24 Jan) from consumer goods group PZ Cussons (PZC) will show a flat profit performance, reflecting challenging conditions in key African market Nigeria, Australia and the UK. Investors will be looking to the statement for reassurance on Nigeria, where inflation has hit volumes and consumers are trading down. The focus will also be on product innovation from PZ Cussons, whose strong balance sheet and brand portfolio are helping it tough out volatile trading conditions.

BLUE PRISM
Virtual workforce technology disruptor **Blue Prism (PRSM:AIM)** is already on record as saying it will beat forecasts for the full year to 31 October 2016. Expect revenues of £9.4m or about 55% growth when it reports on 24 January. The company remains an exciting but early stage business and the red ink will continue to flow, with a £4.3m EBITDA loss anticipated. The shares are up 413% since its March 2016 IPO at 78p. (SF)

AGMS	
EUROPEAN INVESTMENT TRUST	EUT

WEDNESDAY 25 JANUARY

TRADING STATEMENTS	
ANTOFAGASTA	ANTO
FRESNILLO	FRES
RESTAURANT GROUP	RTN
WH SMITH	SMWH
AGMS	
PATISSERIE	CAKE
POLO RESOURCES	POL

THURSDAY 26 JANUARY

TRADING STATEMENTS		
ANGLO AMERICAN	AAL	
CARD FACTORY	CARD	
DIAGEO	DGE	
DAILY MAIL AND GENERAL TRUST	DMGT	
EUROMONEY INSTITUTIONAL INVESTOR	ERM	
KAZ MINERALS	KAZ	
LONMIN	LMI	
PAYPOINT	PAY	
RANK GROUP	RNK	
RPC	RPC	
SAGE GROUP	SGE	
SSP	SSPG	
ST JAMES'S PLACE	STJ	
WHITBREAD	WTB	
INTERIMS		
ANGLE	AGL	
CPL RESOURCES	CPS	
ITE GROUP	ITE	
RENISHAW	RSW	
SKY	SKY	
UNILEVER	ULVR	
AGMS		
GRAND GROUP INVESTMENT	GIPO	
EX-DIVIDEND		
BLACKROCK FRONTIERS INVESTMENT TRUST	BRFI	$0.04
CARDIFF PROPERTY	CDFF	10.4P
CITY OF LONDON INVESTMENT TRUST	CTY	4.05P
FENNER	FENR	2P
RENEW	RNWH	5.35P
RWS	RWS	4.45P
TITON	TON	2.25P
TRACSIS	TRCS	0.7P
ECONOMICS		
UK		
PRELIMINARY GDP		
BBA MORTGAGE APPROVALS		
US		
UNEMPLOYMENT CLAIMS		

For complete diary go to www.moneyam.com/forward-diary

CARD FACTORY
We anticipate a robust Christmas trading update (26 Jan) from budget gifts-to-greetings cards retailer **Card Factory (CARD)**. Anecdotal evidence suggests the cash generative discounter's cards and seasonal gifts were flying off the shelves ahead of Santa's arrival. Before Christmas, Card Factory flagged (15 Nov) a welcome pick-up in sales of everyday ranges since the start of October, having previously encountered some muted high street footfall.

15 WAYS TO GIVE YOUR ISA A HEALTHY BOOST

WHY NOT ENRICH YOUR INVESTMENT PORTFOLIO WITH OUR TASTY SUGGESTIONS?

It's the New Year, the perfect time to put some more money to work in the markets and give your investment portfolio a boost with some healthy new ingredients.

In particular, now is a good opportunity to use up any remaining bit of your ISA allowance to maximise tax benefits.

Not sure where to invest? Fear not, as we've got nine superb stock ideas in this article (and a bonus stock to watch). We've also got six fantastic fund ideas in our Investment Trusts section in this edition of *Shares*.

INVESTMENT IDEAS FROM THE EXPERTS

The ideas have all been generated by the leading equity and fund analysts in the market. We explain in this article why they like the stocks and funds, and we also give our views. There are some very

interesting names like publisher **Bloomsbury (BMY)**, pipe manufacturer **Polypipe (PLP)** and food wholesaler **Booker (BOK)**.

Researching the analysts' tips has put a few stocks back on our radars including some like education technology products group **RM (RM.)** which we've not explored for a long time.

We hope the list also acts as a reminder for some of the stocks you may have forgotten, or acts as an introduction for names you find unfamiliar. There are also a few classic names which regularly appear in *Shares* – these are our true conviction 'buys'.

WHY SHOULD I CARE ABOUT THE ISA ALLOWANCE?

You can put up to £15,240 in your ISA before 6 April 2017 and not have to pay any tax on the dividends or capital gains generated from investments held in the wrapper.

Many people rush to use up this savings allowance at the end of the tax year. Why not take a more proactive approach and think about maximising your benefits now, rather than at the last minute?

It's a case of 'use it or lose it' with the allowance. You can't carry forward any unused portion once the new tax year starts on 6 April. On the flip side, you shouldn't exceed the £15,240 limit. Doing so would mean you are not entitled to any tax advantages on the overpayments and you'd probably receive a call from the Her Majesty's Revenue & Customs asking why you've broken the rules.

BLOOMSBURY

(BMY) 164.18p

Market cap: £125m

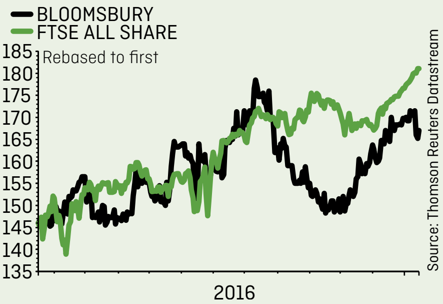
BOOK PUBLISHER Bloomsbury is considered a 2017 winner by stockbroker Peel Hunt both on income (it has a 4.1% prospective yield) and takeover grounds. We also like the business and think its current transformation programme can help improve earnings quality and support a higher valuation.

Analyst Malcolm Morgan expects a progressive dividend policy despite the company ploughing a lot of its earnings back into the business to keep it competitive.

'Earnings per share progression is constrained not by market conditions or weak performance, but by a potentially exciting investment phase that sees the company look to accelerate the digital development within the Academic and Professional publishing element of the company,' he says.

This shift in strategy comes under the 'Bloomsbury 2020' programme, launched in May 2016. The target is to achieve £15m of revenue and £5m of profit from its digital resources by the February 2022 financial year.

Several digital content sets are planned for the next few years including *Bloomsbury*



Popular Music, *Bloomsbury Design Library* and *Bloomsbury Architecture Library*.

The company is recruiting staff to handle content acquisition as well as sales and marketing, particularly in the US. Broker Numis expects investment to peak at £2m in the financial year ending February 2018.

With a little under £10m in the bank, the remaining windfall from the big profit earned from the *Harry Potter* titles, Morgan thinks the company could either make acquisitions or be a takeover target itself.

The release of illustrated versions of the *Harry Potter* books and the success of the film version of spin-off *Fantastic Beasts and Where to Find Them* suggest there is remaining potential to profit from the Potter universe too. (TS)

POLYPIPE

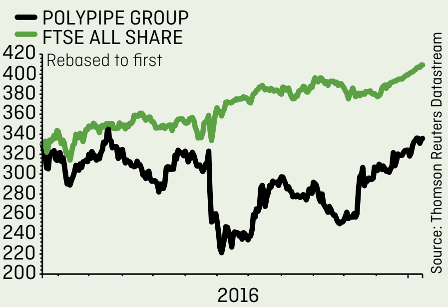
(PLP) 334.7p

Market cap: £663m

SHARES IN piping systems manufacturer Polypipe have advanced 16% since we flagged the stock's appeal in August 2016. There could be more to come according to Numis: Polypipe is the investment bank's top smaller company pick in the building and construction sector.

'Polypipe has broad-based exposure to UK construction activity and a track record of outperforming its markets,' writes analyst Christen Hjorth.

Operating profit at Polypipe is estimated by Hjorth to increase 27% to £69m in the year to 31 December 2016. Growth is expected to slow in 2017, although still show an improvement year-on-year.



Investors worried about the potential for a weaker UK economy in 2017 may be comforted by Polypipe's strong performance in the 2009 recession. Earnings before interest, tax, depreciation and amortisation (EBITDA) declined only 10% that year. Chief executive David Hall says the company has a flexible cost base which can be adjusted quickly to market conditions.

A key risk for investors is Polypipe's debt load, which it took on to fund the £145m acquisition of ventilation systems business Nuaire in 2015. Net debt was £191.3m at 30 June 2016, around 2.3 times trailing 12 month EBITDA. (WC)

BIFFA

(BIFF) 182.75p

Market cap: £456m

WASTE MANAGEMENT company Biffa is a top pick for 2017 at investment bank Peel Hunt and it looks like a good choice to us, too.

Increasing interest in the UK waste sector by foreign companies – a sign of industry strength – and a low valuation relative to a key sector peer are both grounds for optimism.

Overseas companies have been snapping up UK waste management assets in the last few months. Germany-headquartered waste management giant Remondis entered the UK market in November 2016 through the acquisition of JBT Waste Services. And in October PandaGreen, the largest waste operator in Ireland, bought five plants owned by Dorset-based New Earth Solutions.

Another bullish factor for Biffa investors is a relatively undemanding valuation following the company's return to the London stock market in October 2016 following eight years of private equity ownership.

Biffa trades at an enterprise value to earnings before interest, tax, depreciation and amortisation (EV/EBITDA) multiple of 5.5, a key metric used by dealmakers.

Attero, the Netherlands' largest waste management company, is in the process of being sold by private equity outfit Waterland for a multiple which looks more likely to be in the range of 6 to 7.5 times EBITDA. Margins are stronger at Attero and the potential deal read-across is only a very rough guide to value.

Another risk for investors is that Biffa's former private equity owners still own 43% of the company's stock. We would expect them to look for an exit sooner, rather than later. But we still like the investment story overall. (WC)

CINEWORLD

(CINE) 583.97p

Market cap: £1.5bn

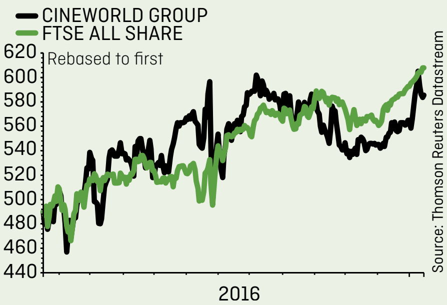
WE ALL LOVE to go to the cinema, despite the widespread availability of movies that can be watched from the comfort of your sofa at home via internet streaming services. This long-lasting appeal is a core reason why we believe every investor should have Cineworld in their portfolio.

The £1.5bn company operates 221 cinemas in eight countries including the UK, Poland, Israel, Hungary and the Czech Republic.

We consider Cineworld to be a very well-run business with plenty of growth potential. Pre-tax profit is forecast to advance from £107.4m in 2016 to £131.5m two years later, according to Investec estimates.

Dividends are have been growing steadily from year to year. The stock is now yielding 3.3% based on Investec's forecast for 19.3p dividend per share in 2017. That's a nice level of income from a stock that has also rewarded shareholders with 180% rise in the share price over the past five years.

Cineworld is one of N+1 Singer's 'Best Ideas' for 2017 thanks to a very strong upcoming film release schedule. We definitely share the broker's enthusiasm.



It also believes the company could make some more acquisitions which could generate shareholder value. Cineworld recently bought five cinemas from Empire in the UK; mainland Europe is expected to be its next hunting ground for deals.

Big films that could clean up at the box office in 2017 include new instalments in the *Star Wars*, *Lego*, *Fast & The Furious* and *Toy Story* franchises as well as a new version of *Beauty & The Beast.*

Cineword's trading update on 11 January 2017 showed a very strong performance over the past year with gains across all types of revenue. That's good given 2016 was considered to be a lacklustre year for film releases.

The company enjoyed 7% rise in sales at the box office; food and drink income was up 12.7%; and 'other income' rose 7% which is money from cinema advertising and distributing films to other cinema chains.

It is enjoying particular success with the roll-out of Starbucks shops in its cinemas and VIP sites. The latter features a VIP lounge where you can have a buffet before watching a film in luxury reclining seats.

Newly-appointed chief financial officer Nisan Cohen tells *Shares* the VIP sites aren't cannibalising trade for Cineworld's upmarket Picture House chain which is more of an arthouse experience with a restaurant at some sites.

Another successful innovation is the roll-out of 4DX where your seats move around in time with action on screen and you get special effects like smoke, smells and flashing lights in the cinema to reflect what's happening in the film. Cineworld charges 30% to 40% extra per ticket for this experience, which Cohen claims is very popular. (DC)

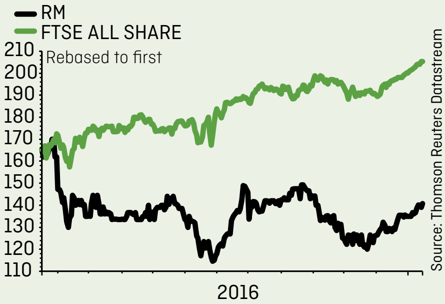
RM

(RM.) 141p

Market cap: £116m

EDUCATION SOFTWARE supplier RM has been in transformation mode for more than three years since chief executive David Brooks took charge. Investors are still waiting for meaningful progress, hence why the share price has been stuck in a range of approximately 120p to 170p since 2014.

Analysts believe the shares will eventually shoot up, thereby rewarding current shareholders' patience.



'We think there is significant upside from the current price and for a catalyst, we have found both quantitative and qualitative evidence to suggest that industry dynamics may be better than the market assumes,' says FinnCap.

These factors largely relate to better cost management by schools making more funds available to spend on teaching resources. RM is earning an increasing amount of revenue overseas and so should benefit from the weak pound. Its RM Education division may also return to growth this year, according to FinnCap.

The broker values the stock at 169p on a sum-of-the-parts basis or 200p fair value using a discounted cash flow model.

We believe RM's valuation is the compelling factor. Enterprise value to earnings before interest and tax (EV/EBIT) sits at 8.7 times for the year to November 2017. In comparison, quality software businesses often trade in the mid-teens.

RM also trades on a mere nine times earnings for the current year which looks too cheap if it can beat market forecasts as predicted by FinnCap.

The broker forecasts a return to positive free cash flow in the present financial year, helping to end the period with estimated £30m net cash which is a quarter of the current market value of the business. (SF)

RENISHAW

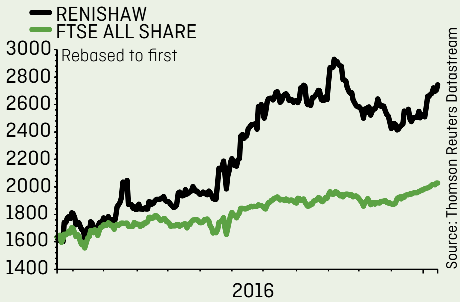
(RSW) £26.99

Market cap: £1.9bn

RENISHAW IS A world leader in metrology equipment that monitors and analyses the work of sophisticated cutting tools in factories. It also has a healthcare division that provides specialist equipment for neurosurgery and dentistry.

The precision engineer has made investors a lot of money over the years, yet it can be a volatile stock due to lumpy and unpredictable revenue streams.

Fundamentally it is a highly skilled company and flagged by stockbroker Numis as one of its top picks at the start of 2017. However, we only view this as a stock to watch near-term rather than a flat-out 'buy' at any price.



The company gave a vague outlook when it last commented on trading (13 October 2016). We want a more detailed update at the forthcoming half year results (26 Jan) before feeling confident enough to buy at current levels.

The results should get a boost from sterling weakness as it is a classic UK exporter. Most of its costs are in sterling and it sells to foreign countries such as China, the US, Germany and Japan. (SF)

BOOKER

(BOK) 185.9p

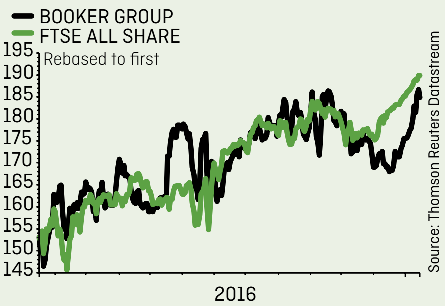
Market value: £3.3bn

SEEKERS OF a secure, rising income stream should put UK food wholesaler Booker in their ISA, in our view.

Booker supplies groceries, alcohol and tobacco predominantly to independent retailers and caterers.

Its businesses include cash and carry operators Booker Wholesale and Makro, delivered wholesale arm Booker Direct, restaurant speciality food supplier Ritter Courivaud and Chef Direct.

Investec has Booker as one of its key picks for 2017. With a 210p price target, analyst Nicola Mallard explains: 'As a large scale operator in its category we believe it should be able to keep its competitive positioning relative to smaller peers through this inflationary period.



'We also foresee better underlying growth driven by the turnaround of Booker Retail Partners. A strong balance sheet and income attractions further support our "buy" case.'

Shares also has a positive stance on the high quality operator with a formidable record of cash generation and special distributions.

In the year to March 2016, Booker's ordinary dividend of 4.6p (2015: 3.7p) was boosted by a further 3.2p per share capital return and boasting a plump net cash pile, Booker plans further returns of surplus cash.

Booker's third quarter trading statement (12 January 2017) revealed excellent festive trading. Non-tobacco like-for-like sales grew by a forecast-busting 5.1% and the catering and retail sides of the business made progress. Its convenience stores Premier, Budgens and Londis all performed well. (JC)

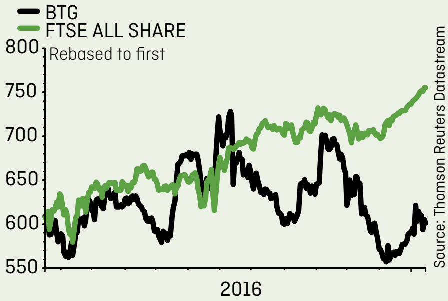
BTG

(BTG) 604.95p

Market cap: £2.3bn

STOCKBROKER NUMIS has flagged specialist healthcare company BTG as one of its top equity picks. BTG focuses on interventional medicine which aims to pinpoint issues inside the body and deliver treatments directly to where they are needed.

We share Numis' positive stance as BTG is specialising in a fast-growing area of medicine that aims for better treatment outcomes and to reduce hospital admission times – all very topical.



The broker's 900p price target implies nearly 50% upside from the current share price.

'BTG's blood clot and oncology businesses are genuinely world-class and with its technologies becoming better positioned in treatment guidelines, we see a business that can deliver strong growth over the medium term,' says Numis.

The broker estimates group pre-tax profit will jump from £91.6m in the year to March 2016 to £151.3m in 2018. (LMJ)

SAGA

(SAGA) 193.86p

Market cap: £2.2bn

ANALYSTS AT BOTH Peel Hunt and Canaccord Genuity Wealth Management have flagged Saga as a stock to buy for 2017 and we certainly agree. It has a very strong brand and serves the richest and fastest growing demographic in the UK in the form of the over-50s. It also pays a handsome dividend, currently yielding 5.5% based on forecast 10.6p per share for the financial year ending March 2018.

The insurer and travel provider said last week that it was on track to meet its full year expectations which equates to 5% to 7% pre-tax profit growth.

The company is doing work to analyse its customer base to identify high value customers and make sure it is marketing to the best people.

It is also moving away from insurance underwriting towards affinity broking which should enable Saga to pay more of its earnings out as a dividends – a shift that's already begun.

'Despite being best known for cruises, 90% of profits come from its insurance business,' says Canaccord senior equity analyst Simon McGarry.

'This is not your standard insurance company given that it runs both a home and motor insurance panel whereby third party insurers compete for new policies. This provides a platform to grow the insurance business in a capital light manner given it does not have to hold any reserves on third party policies. However, Saga staff performs all the customer service and claims management, allowing them to protect this well recognised and trusted brand,' he adds.

The cruise business accounts for 3% of total profit at present, but this is set to increase significantly. A new ship will enter service in 2019 and there is an option for a second in 2021, with the two older ships being retired. These ships have 50% more capacity and are cheaper to run.

'As a result the cruise business is expected to on average deliver an uplift of £60m, which equates to 34% of last year's pre-tax group profit,' reveals McGarry. (DC)

NEXT

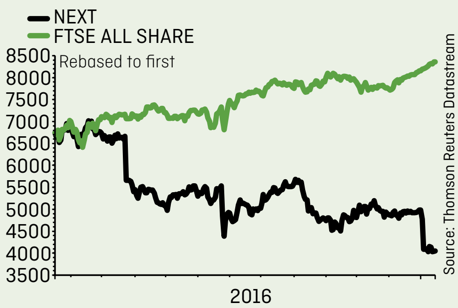
(NXT) £40.41

Market cap: £5.9bn

SHARES IN THE fashion retailer are trading at a four-year low as a result of a series of profit warnings linked to a slowdown in its Directory arm and management having to reduce earnings guidance on several occasions.

We view the share price weakness as a superb level at which to buy a best-in-class retailer. You should be prepared for potential volatility in the price near term; but over time you may wish you'd bought even more at such a bargain price.

It has coped with difficult periods in the past and always recovered with great success. We don't believe it will be any different this time.



Canaccord shares our bullish view, saying: 'this is a great opportunity to purchase an exceptionally well run, highly cash generative, shareholder friendly company at an attractive price.' (DC)

Top fund ideas to bolster your ISA in 2017

It only takes a few investment trusts to strengthen your portfolio

Here are six ideas from the funds space to give your portfolio a healthy New Year boost. They can help to diversify your portfolio as you can access multiple companies or other assets via single products. We've also added another idea as a fund to watch.

While our main feature this week looks at stocks to add to your ISA, we appreciate that not everyone wants the risk of buying individual companies.

That may certainly be the case for investors who want to buy something and forget about it. The beauty of funds is that a fund manager is paid to do the hard work of checking the underlying assets remain suitable, leaving you free to get on with your life.

All the ideas have come from financial service group Winterflood's top picks in the closed-ended funds space for 2017. We've selected six investment trusts from its list including some of the main geographic areas and a specific income-themed product.

WOODFORD PATIENT CAPITAL (WPCT) 93P

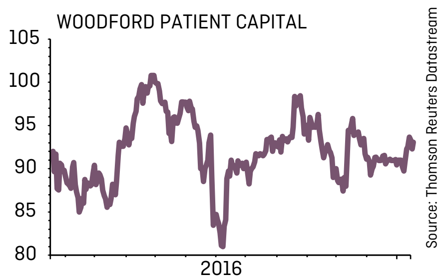
The brainchild of one of Britain's most famous fund managers Neil Woodford, the investment trust's objective is to achieve long-term capital growth in excess of 10% per year through a portfolio of UK companies in the main, split between quoted and unquoted names.

Admittedly the fund hasn't hit this goal since launching in April 2015. It is still very early days and the clue is in the name – this is a fund for 'patient' investors.

Woodford is financing companies that offer significant potential upside, typically through their intellectual property.

'The fund is not a mainstream play on UK equities; however, we believe that it offers attractive exposure to secular growth,' says Winterflood.

'In our opinion the strategy of Woodford Patient Capital is a natural extension of the investment approach that Neil Woodford has honed over a number of years. He has already backed numerous public and



private early-stage and early-growth companies on the basis of significant upside potential and he believes that a lack of financing for these companies offers a valuation opportunity.'

There is no annual management fee. Instead, the fund charges a performance fee of 15% of any excess returns over a 10% per year cumulative hurdle.

In the first half of 2016, holdings in larger companies including **GlaxoSmithKline (GSK)**, **AstraZeneca (AZN)** and **Legal & General (LGEN)** were sold, with proceeds reinvested into existing smaller quoted company positions trading at lowly valuations.

Currently, the largest holding in a portfolio dominated by healthcare and financials is biotechnology company **Prothena (PRTA:NDQ)**.

Other holdings include unquoted pair Immunocore and Oxford Nanopore, **4D Pharma (DDDD:AIM)**, online hybrid estate agency **Purplebricks (PURP:AIM)** and biopharmaceutical play **Mereo BioPharma (MPH:AIM)**. (JC)

TEMPLE BAR INVESTMENT TRUST (TMPL) £12.44

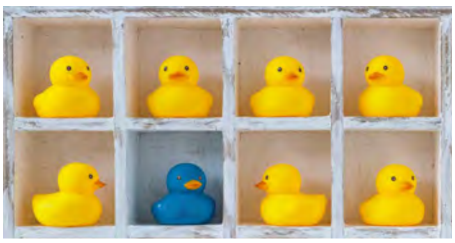
Winterflood likes investment trust Temple Bar for its good long-term performance record available at a 'slightly wider discount' to net asset value than the peer group weighted average.

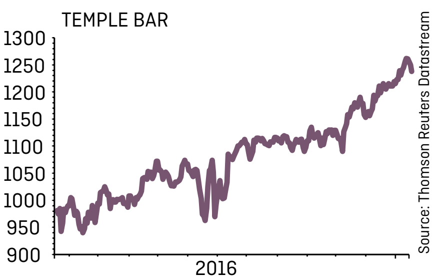
The portfolio manager Alastair Mundy has been in place since November 2002 and adopts a contrarian approach to investing. This involves buying companies on the FTSE 350 index which have at least halved from their peaks but which have reasonable balance sheets.

Stocks are then held for around four to five years to allow time for the companies to turn around.

This investment strategy makes periods of underperformance almost inevitable but, as the Winterflood team note, 'there is much merit in Alastair Mundy's contrarian approach, particularly for long-term investors'.

Making a decision on whether or not to invest probably requires you to take a view on the banking sector as four UK banks feature in the top 10 holdings. (TS)



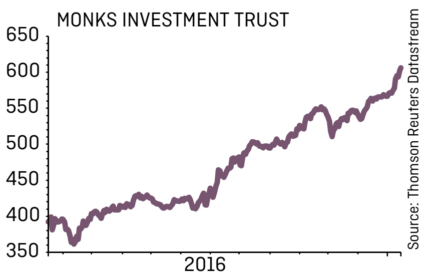


MONKS INVESTMENT TRUST (MNKS) 608P

Monks is a good selection for anyone wanting exposure to international equities. It is very much a growth-focused fund albeit containing many well-established businesses. 'The managers are prepared to "embrace the asymmetry of returns" recognising that the upside on any investment is theoretically limitless, while the downside is limited to how much you put in,' says Winterflood.

The top 10 holdings include two well-known UK-listed stocks, being insurer **Prudential (PRU)** and construction group **CRH (CRH)**. These are complemented by the likes of **Amazon (AMZN:NDQ)**, **Royal Caribbean Cruises (RCL:NYSE)** and American banking-to-wealth management group **First Republic Bank (FRC:NYSE)**.

The investment trust's charges are low at 0.59% and it benefits from a well-resourced management team in the form of Baillie Gifford. Monks has delivered 97.5% share price total return over the past five years. That's slightly behind its benchmark; however, Monks switched to Baillie Gifford's successful Global Alpha Strategy in 2015 so there are hopes that performance statistics will soon start to look better. (DC)



BAILLIE GIFFORD JAPAN (BGFD) 604.75P

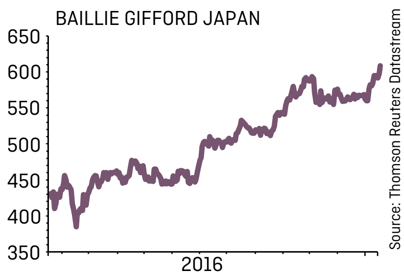
It's been called the stand-out performer within the Japan sector by analysts, and there's no doubt that both share price and net asset value returns command respect.

The investment trust has substantially beaten its benchmark Tokyo Stock Exchange Price Index over 10, five and three years, although that's evened out over the past 12 months.

Perhaps this is a reflection of money flows into larger Japanese companies versus the trust's small and mid-sized focus. The one exception is telco-to-technology group **Softbank (9984:T)** which is the trust's biggest holding and new owner of UK microchip design firm ARM.

Major themes include 'internet everywhere', global industrialisation and franchise value creation. That implies a hefty interest in engineering and electronics, among other things.

With a team of eight scouring the nation for investment opportunities, it typically holds between 40 and 70 stocks and turnover is reassuringly low, suggesting good initial analysis and capping trading costs. (SF)



FIDELITY EUROPEAN VALUES (FEV) 190P

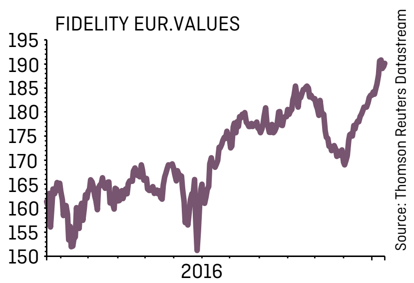
Investors seeking exposure to Europe should prioritise companies with progressive dividends, rather than high growth stocks, as these could outperform over time.

One investment trust that adheres to this approach is Fidelity European Values. It seeks to achieve long-term capital growth principally from the stock markets of continental Europe. It trades at nearly 12% discount to net asset value.

Manager Sam Morse follows three key investing principles. First is a bottom-up stock selection with a focus on dividend growth. He takes a long-term view which improves performance and reduces costs.

Morse also has a cautious approach, stemming from his belief that managing downside risk creates a strong foundation for long-term outperformance. Morse invests in companies based on their prospects for producing dividends and dividend growth as this indicates steady structural growth.

Its portfolio positions include food giant **Nestle (NESN:SWX)**, cosmetics colossus **L'Oreal (OREP:PA)**, healthcare company **Novo-Nordisk (NOVOB:CO)** and Helsinki-listed insurer **Sampo (SAMPO:HE)**. (JC)



TEMPLETON EMERGING MARKETS (TEM) 620.14P

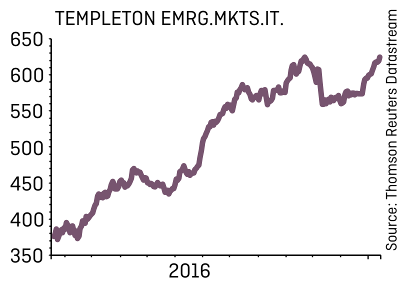
The lingering discount to net asset value in the region of 10% at Templeton Emerging Markets is unjustified according to Winterflood, given lead manager Carlos Hardenberg's success in reversing historically weak performance.

Since he took over in October 2015 the fund has delivered a net asset value total return of 56% against 40% from the benchmark.

Winterflood sees the discount as a 'notable value opportunity' and notes it enjoys 'superior liquidity' over rivals because it is by far the largest investment trust in its peer group.

We think this fund could be a good place to start if you want exposure to emerging markets.

Hardenberg has increased diversification with the number of holdings hitting 96 as at 30 September 2016 compared with 56 a year earlier. He has also significantly increased exposure to information technology stocks, with **Samsung Electronics (005930:KRX)** and **Taiwan Semiconductor Manufacturing (2330:TPE)** among the top holdings. (TS)



JPMORGAN AMERICAN (JAM) 375.1P

This US equities fund mainly invests in large cap firms exposed to long-run growth drivers.

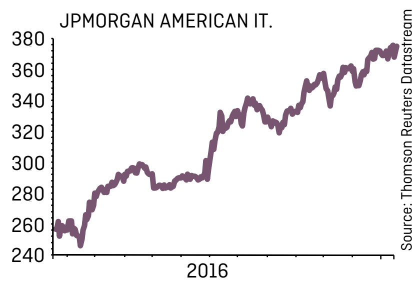
However, the fund hasn't outperformed its S&P 500 benchmark over the past 10 years. Winterflood is confident the fund is still worth buying as it highly rates fund manager Garrett Fish.

Ongoing charges of 0.62% are fairly cheap for an actively-managed fund – but you could potentially get an even-cheaper exchange traded product that tracks the S&P 500 and delivers a similar performance. For that reason, we put the fund on our watch list until Fish ups his game.

Technology and healthcare are key themes among the fund's holdings which include **Apple (AAPL:NDQ)** and **Gilead Sciences (GILD:NDQ)**.

The bigger company component is managed by long-term manager Garrett Fish but there's also approximately 6% of the fund in smaller US stocks, run by Eytan Shapiro.

It trades on 2% discount to net asset value. It has often traded at a premium in the past. The scale of any discount is also presumably capped thanks to the fund's active share buyback scheme. (SF)



Why Shire's market cap is up eight-fold in 10 years

Discount to mid-cap rivals looks unwarranted

Investors should buy into the long-term momentum at leading biotechnology firm **Shire (SHP)**. Now one of the 15 largest companies on the FTSE 100, its market cap has surged eight-fold from approximately £5bn to £43.7bn over the last decade.

Shire market cap: £5bn to £43.7bn in 10 years

WEAK SHARE PRICE

Shire is currently experiencing short-term share price weakness following a settlement with the US Department of Justice.

The pharmaceutical giant was accused of using illegal rewards such as cash and expensive dinners to push sales to doctors and clinics, and recently agreed a $350m settlement (11 Jan).

The stock is trading at £46.58 compared to its all-time high of £56.85.

In April 2005, Shire acquired Transkaryotic Therapies to facilitate a move into the rare diseases business, which signalled the beginning of its rise to the top.

Treatments for rare diseases target a very small patient population as these types of diseases affect less than five in 10,000 of the general population according to the European Union.

As the number of rare diseases is between 6,000 and 8,000 and 80% have a genetic component, this is an urgent area of unmet medical need.

As a result Shire benefits from less competition, enabling pricing power and market exclusivity. Rare disease drugs also require fewer sales personnel which is a significant cost saving compared to other healthcare companies.

JP Morgan Cazenove analyst Richard Vosser notes the stock is trading at a 41% discount to its mid-cap peers and a 2017 price-to-earnings ratio of 11.6 is also substantially below the long-term average.

This relatively lowly valuation is at odds with the 14% earnings per share (EPS) compound annual growth rate from 2017 to 2020 pencilled in by JPMorgan.

Vosser says he is confident in his estimates despite the competitive threat to Shire's haemophilia franchise from **Roche's (ROG:VTX)** haemophilia A drug ACE190.

CURRENCY TAILWIND

Over the last 12 months, the stock has been volatile as a result of a mixed reception to the $32bn acquisition of Baxalta, but rallied following the Brexit vote as sterling weakness increased the weight of its overseas earnings.

This currency tailwind looks set to continue into 2017 as the UK moves towards Brexit.

In our view the Baxalta deal is beneficial to Shire. Management expect it to deliver more than $20bn in annual projected revenue by 2020, with cost savings of at least $500m over the next two and a half years.

SHARES SAYS: ↗
At current levels Shire looks highly attractive.

BROKER SAYS: 22 3 0

H&T is an alternative play on gold price gains

A rising metal price could add to appeal of pawnbroker's lending business

Pawnbroker **H&T (HAT:AIM)** is up 71% since we flagged the stock in late 2014 – and the rally could have further to run.

A contrarian call at the time, H&T was struggling in the aftermath of a gold price collapse and stricter consumer lending rules.

Investors remain wary of consumer lending stocks: FTSE 100 giant **Provident (PFG)** has shed 12% of its value in the last 12 months while **Non-Standard Finance (NSF)** is down 40%.

But H&T is a little different to its peers and we remain positive on the stock for a few reasons.

ASSET-BACKED LENDING

First, its loans are usually backed by collateral. Pawnbroking customers borrow money in exchange for an item they pledge to the lender. This collateral usually transfers to the lender if cash borrowed is not repaid. Bad debts tend to be low.

Second, precious metal prices can be a driver of H&T's profitability, unlike normal lending businesses. H&T operates jewellery stores and also buys gold for cash across its high street estate.

When the price of gold rises, customers who pledge jewellery or other precious metal items also tend to be more likely to try repay their debts because their asset has increased in value. This is good when the gold prices are rising but proved to be bad news when prices crashed in 2012.

RISKS TO EARNINGS

Regulation, and the increasing cost of complying with new rules, remains a key challenge to the industry's smaller players like H&T.

Japan began to tighten regulations around consumer credit in 2006, a move that almost finished its consumer lending industry.

UK-listed **International Personal Finance (IPF)** has also fallen foul of stricter regulation on lending in eastern Europe.

The direction of travel on regulation isn't encouraging for lending businesses.

One industry executive told *Shares* that similar outcomes in the UK are unlikely. Imposing onerous conditions on legitimate, regulated lending businesses would force the public into the hands of unaccountable and unscrupulous black market lenders, they said.

There is evidence of an increase in black market lending in Japan following its clamp down, a factor which led the country's government to retreat on the policy more recently.

We'd expect common sense to prevail in the UK.

SHARES SAYS: ↗
Offering a centuries-old service at relatively fair rates to borrowers mean we're still bullish on H&T.

BROKER SAYS: 2 0 0

Vislink lifeline in doubt

Communications Systems sale conditions changed

Uncertainty surrounds **Vislink's (VLK:AIM)** sale of its Vislink Communications Systems (VCS) business. The proposed buyer, NASDAQ-listed **XG Technology (XGTI:NDQ)**, has asked to change the terms of the $16m acquisition.

While the agreed price remains the same, instead of receiving the full $16m in cash, the revised deal will see Vislink receive an immediate $6.5m slug in cash with the additional $9.5m paid in the form of loan notes. These would be redeemable within 45 days of completion.

The change in payment terms appears to confirm doubts about XG's own funding arrangements and its ability to meet the cost of the VCS deal, first expressed in *Shares* on 27 October 2016. 'XG Technology is far from financially sound, with 2016 revenues of $3.7m (based on annualised first quarter figures) and losses of $17.6m,' we wrote then.

'This latest announcement suggests that the saga may yet take further twists and turns, as the terms of the loan notes have yet to be agreed, and Vislink will also need to seek shareholder approval for the revised conditions,' points out Philip Carse, an analyst at research group Megabuyte.

SHARES SAYS: ↘

It would be a massive blow if the deal falls through given its scope to effectively repair Vislink's own stretched balance sheet. The market is worried, hence the 6.5% slump in the share price to 16.25p.

Magnolia sees US oil resurgence

Magnolia Petroleum (MAGP:AIM) is spying a 'noticeable' uptick in activity in the US onshore oil and gas sector in which it is active. This is important to the success of the company's strategy which, in its own words, is 'to drill alongside established operators to prove up the reserves on our leases, and in the process generate value for our shareholders'. (TS)

Bango still miles off profit

ONE-CLICK MOBILE app store payments platform **Bango (BGO:AIM)** continues to post rapid growth in end user spend metrics (EUS) but experience pressure on profit margins. Total EUS trebled in 2016 to £132m yet Bango's 1.8% app store EUS margins stayed flat. Analysts estimate that total EUS will have to soar past £300m before the company gets close to breaking even. (SF)

7Digital returns to profit

Music streaming specialist **7Digital (7DIG:AIM)** moved back into operating profit in the final quarter of 2016. Revenue for the year as a whole was up 7.2% to £11.1m and cost savings of £1m helped preserve a £730,000 cash position. Chief executive Simon Cole says the New Year has started well and the group expects to stay profitable at the operating level in 2017. (TS)

Take the plunge and buy oversold Countrywide

Current valuation fails to reflect the estate agent's enduring qualities

Estate agents often top the list for the least popular professionals and they can also quickly lose favour with investors at the slightest bit of bad news.

We believe sentiment has become too negative for **Countrywide (CWD)** and that its shares are worth buying after a 50% fall in the past 12 months.

ITS SHARES LOOK TOO CHEAP

Countrywide is the UK's largest estate agent. It is now valued at less than online challenger **Purplebricks (PURP:AIM)**, despite the latter having a tiny market share versus Countrywide's 10%.

A natural conclusion is that either Purplebricks is overvalued or Countrywide is undervalued. We believe the latter is correct.

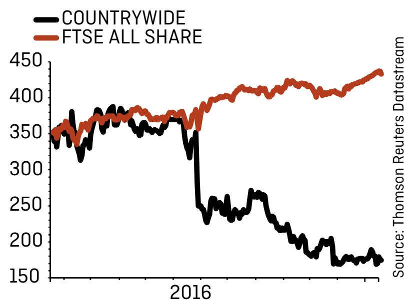
Based on consensus forecasts Countrywide trades on a 2017 price-to-earnings (PE) ratio of 8.5, falling to 7.1 for 2018. The shares also offer a prospective yield of 5.7%.

Its share price has fallen as sharply at rival **Foxtons (FOXT)** but that company is more expensive on a PE basis at more than 13 times 2017 consensus earnings.

FOXTONS IN A FIX

Investors should steer clear of Foxtons, in our opinion. Its shares were over-valued when it floated in September 2013 at 230p,

Countrywide is now worth less than Purplebricks, despite having much greater market share



right at the top of London's housing market boom and still look too pricey now. Notably it was forced to warn on profit as recently as 11 January 2017.

Elsewhere in the market, operators like **Belvoir Lettings (BLV:AIM)** and **LSL Property Services (LSL)** lack the scale or the strong portfolio of brands underpinning Countrywide.

DIFFICULT OUTLOOK – OLD NEWS?

Nobody could pretend the backdrop is particularly encouraging – yet you have to consider the stock market should have already priced in a fairly negative outlook.

UK property transaction volumes in 2016 are likely to have been some way below the 1.23 million level in 2015. They are widely expected to fall again in 2017 as the reality of the Brexit vote begins to bite.

These transaction numbers are a long way short of the 1.67 million seen in 2006.

There is also the emerging challenge from the online estate agents, which do not face the upkeep costs related to an increasingly redundant string of offices.

Countrywide is not sitting on its hands. It is shutting branches, announcing 59 closures last September. It has grown the proportion of ancillary revenues from areas such as mortgage broking and house surveys. It is also in the process of modifying its fee structure so clients can pick from a range of service offerings.

£19bn worth of property sold (2015)

TAKING THE HYBRID APPROACH

In June 2016, the company began a trial through three of its high street brands which offered an online service for a fixed price but with the option to switch to a fuller service without any financial penalty.

Speaking from personal experience, plotting a house move is a stressful experience and many of us still want a certain amount of hand-holding through the process. It might pain us to admit it, but some estate agents do warrant their commission.

Even Purplebricks is not a purely online operation. It is a so-called 'hybrid' play with a team of 'Local Property Experts', essentially freelance estate agents, supporting its online services.

£12.1bn worth of mortgages completed (2015)

After a big profit warning in November 2016, the latest update on trading from Countrywide (13 January 2017) was reassuring with a 2016 revenue forecast ahead of expectations.

Countrywide's retail and London divisions have been hit by lower market volumes which have been partially offset by a strong performance from its lettings business. There was also growth from the group's financial services and surveying businesses.

LETTINGS SHOCK

Historically the lettings arm has provided modest but regular income which could smooth out lumpy sales commissions.

74,500 properties under management (2015)

The 2016 Autumn Statement included a plan to ban the upfront fees charged by lettings agents. Investment bank Jefferies estimates a 9.2% hit to Countrywide's 2017 pre-tax profit assuming the ban was effective from 1 January.

However, a ban is yet to be introduced. It is also worth considering the ability for the industry to replace any lost income by imposing higher fees for landlords and higher rent for tenants. This is broadly what happened after a similar change in Scotland in 2012.

Lettings specialist Belvoir noted after the more recent ban was announced that it did not lose a single Scottish franchise and income from the country's franchises continued to increase in value.

Countrywide is next scheduled to update on trading on 26 April.

With expectations pitched pretty low, a reasonably solid statement could be all that's required for the shares to recover. (TS)

SHARES SAYS: ↗

At 174p we think Countrywide is oversold so buy now.

BROKER SAYS: 0 7 0

How to buy Apple and other foreign shares

Watch out for extra taxes, fees and forms when you invest in overseas stocks

Fancy getting your hands on **Apple (AAPL:NDQ)**, **Facebook (FB:NDQ)** or **Samsung (005930:KRX)** shares? There is a whole range of exciting stocks listed on exchanges around the world that are tempting to UK-based investors.

Buying overseas-listed stocks can take a little bit of extra work but certainly won't give you too much of a headache. The main issues to consider are some forms and extra taxes and charges.

WHAT ARE YOU ALLOWED TO BUY?

In the first instance you should check whether your platform allows you to hold foreign shares within the product you hold – whether that's a dealing account, ISA or SIPP (self-invested personal pension).

Under HMRC rules, you can hold shares listed on a 'recognised stock exchange' in an ISA but this doesn't necessarily mean your ISA provider will allow it. Similarly, you're allowed to hold foreign shares in a SIPP but each pension provider will have their own set of rules.

'Pension providers have a list of what investments they allow to be held in their products and it could be completely different to the legislation,' says Neil MacGillivary, head of technical support at financial services group James Hay.

MOST FREQUENTLY BOUGHT OVERSEAS SHARES ON AJ BELL YOUINVEST

Apple

Microsoft

Coca Cola

Amazon

Facebook

Alphabet (Google parent company)

Samsung

Netflix

Deutsche Bank

Pfizer

If your platform does permit overseas stocks, you might need to completely a country-specific form before you can buy shares. For example, you'll need to fill out a W-8BEN form before you can trade US-listed shares.

HOW MUCH EXTRA WILL IT COST?

Most investment platforms don't have additional charges for holding overseas shares but there could be ancillary costs.

Russ Mould, investment director at AJ Bell Youinvest, says shares on a certain exchange might not be tradeable online, in which case you might incur a higher telephone trading cost.

You could also get stung by foreign exchange charges. A platform might charge 1% to convert any dividends paid in foreign currency back into sterling.

When your shares are converted into sterling you'll be exposed to foreign exchange risk. You could also face additional charges levied by the local government or stock exchange. These include stamp duty, stock exchange fees and local tax, all of which vary according to the country in which the shares are listed.

It's important to check whether the foreign government in question imposes a withholding tax on dividends. MacGillivary says it is sometimes possible for this tax to be offset if the country has a double taxation agreement with the UK, but the rules and regulations vary widely.

For US shares, filling in a W-8BEN form will ensure you only pay a 15% withholding tax on dividends as opposed to 30%. The form will be valid for three calendar years after the year in which you sign it.

APPLY THE SAME RESEARCH PROCESS AS UK STOCKS

As with UK shares, you'll need to research the merits of any overseas stock and ensure it fits with your investment strategy. It's harder to do this for foreign stocks, but the internet makes things a little easier.

'The regulatory news services will provide around 40% of all US corporate news announcements, while the American regulator, the Securities and Exchange Commission, runs the EDGAR database which investors can use to monitor news flow from American companies,' says Mould.

'In addition, individual US firms' websites are packed with information for investors – and remember US corporations report quarterly so there's almost too much information, not too little.'

He says the big Japanese and Asian companies have terrific websites in English, not least because many of them have overseas listings which mean investors can buy into them via depositary receipts which are traded on local stock exchanges in London and New York.

'All you usually have to do is type the company's name, followed by the words "investor relations" into your preferred search engine and away you go – it works for Brazilian oil giant Petrobras, for example.

OTHER WAYS TO GET EXPOSURE TO FOREIGN STOCKS

An alternative would be to buy an investment trust, unit trust or exchange-traded fund (ETF) which focuses on particular countries and regions of the world.

If you're keen on US stocks, for example, you could consider **iShares NASDAQ 100 UCITS ETF (SXRV)**, which tracks an index whose constituents include Apple, **Microsoft (MSFT:NDQ)**, **Amazon (AMZN:NDQ)**, Facebook and **Alphabet (GOOGL:NDQ)**.

If you invest in broad funds or ETFs you'll likely get exposure to a big collection of stocks so the amount you have theoretically invested in any one company will be small. (EP)

ADDITIONAL CHARGES FOR DEALING IN OVERSEAS MARKETS

FRANCE: 0.2% local tax on purchases of shares with a market cap over €1 billion.

HONG KONG: Trading fee of 0.005%, transaction levy of 0.0027% and stamp duty of 0.1% on all buys and sells.

IRELAND: 1% stamp duty on all purchases, plus Irish Takeover Panel levy of €1.25 on all transactions over €12,500.

ITALY: 0.12% local tax on purchases of shares with a market cap over €500 million.

SINGAPORE: Clearing fee of 0.0325%, capped at SGD600.

SOUTH AFRICA: Stock exchange fee of 0.005459% (min ZAR10.92 for trades up to ZAR200,000; max ZAR54.59 for trades over ZAR1 million), securities transfer tax of 0.25% on purchases, plus 0.0002% Financial Services Board levy on all transactions.

Source: AJ Bell Youinvest

Three ways to boost your pension pot

We look at why you should think very seriously about enhancing your retirement savings

When it comes to planning for retirement, a dose of reality can be helpful in spurring you into action. The latest shock therapy came from the Office of National Statistics, which last week published annual data on household income.

Headlines focused on the fact that, since the Great Financial Crisis of 2007/08, pensioners have on average done better than non-pensioners. While the average non-retired household has seen income drop 1.2%, or £300, retired households have seen income rocket by 13%, or £2,500.

THE POWER OF THE "TRIPLE-LOCK"

The surge in retired people's income is in no small part due to the state pension 'triple-lock', a policy introduced in 2010 which guarantees the payment increases in line with the highest of earnings, prices or 2.5%. There has also been a significant rise in the amount of money households receive from private pensions.

Despite the recent surge in average retired household income, the headline number of £21,800 is hardly a King's ransom (bearing in mind this is per household rather than per person).

Furthermore, the burden of retirement responsibility has shifted from the state to the individual. In 1977, just 45.7% of household retirement income came from private pensions – by 2015/16 the figure had rocketed to 78.8%.

For many of those retiring in the next 10 or 15 years this won't be a problem because they can draw on substantial defined benefit (DB) pension pots where the employer bears the retirement risk.

Future retirees will, in the main, save in defined contribution (DC) schemes such as SIPPs. These vehicles benefit from much greater flexibility and choice than DB following the introduction of the pension freedoms, but the weight of responsibility is almost entirely on the individual.

This might seem intimidating but, with a bit of planning, you can still enjoy the retirement you want.

THREE WAYS TO BOOST YOUR PENSION POT

- **Pay in early.** The magic of 'compound growth' – described by Albert Einstein as the eighth wonder of the world – means that contributions in your early career can have a huge impact on your final pot value.
- **Don't turn down free money!** Automatic enrolment, once fully introduced, will require your employer to match at least your first 3% of pension contributions. Don't opt-out unless absolutely necessary.
- **Claim your tax relief**. If you're a higher-rate taxpayer paying into a personal pension, such as a SIPP, you will need to fill in a self-assessment tax return to claim all the tax relief owed to you. Make sure you do it as it could be worth thousands of pounds.

TOM SELBY
Senior analyst, AJ Bell

The fund looking for 'skin in the game'

Jupiter UK Smaller Companies fund manager on AO World, Ocado and more

With 2017 shaping up as another uncertain year, a fund with a bias towards high quality growth companies whose management teams have plenty of 'skin in the game' has appeal.

Step forward **Jupiter UK Smaller Companies (GB00B3LRRF45)**, a unit trust with a strong record of outperforming the IA UK Smaller Companies sector.

Manager James Zimmerman is a stock picker inspired by feted investors Warren Buffett and Charlie Munger. He seeks to deliver long-term capital growth by investing mainly in UK smaller companies, although the fund also has modest exposure to international equities too.

Aiming to invest in high quality companies with significant growth potential, Zimmerman has whittled the portfolio down from circa 130 stocks to just over 50 names since taking over the fund in summer 2015.

7.46%
10-year annualised returns
(versus 5.05% from its benchmark)

HOW THE MANAGER PICKS STOCKS

Zimmerman says he looks for companies 'where management have big stakes'. That process helps him whittle down the investable universe from the 1,300 companies in the Numis Smaller Companies AIM Ex Investment Companies benchmark to around 200 names.

He cites a study of the US market – 'CEO Ownership, Stock Market Performance, and Managerial Discretion' – which showed that between 1988 and 2010, businesses where management owned 5% or more outperformed the market over time by 4% annually.

'If I fish in this pool of owner-managed businesses,' says Zimmerman, 'they will also outperform over time and by a wide margin.'

The manager also adheres to Buffett's famed 'circle of competence'. He routinely asks himself 'is this a business that someone without technical knowledge in the industry can get their heads around?' That approach tends to rule out oil and gas, healthcare and real estate stocks.

'I'm looking for strong companies that can deliver double-digit annualised returns for shareholders from their current valuations,' says Zimmerman. 'And I go for really strong balance sheet businesses,' continues the manager, whose portfolio holdings 'tend to run with very strong balance sheets anyway because the guys have so much at stake.'

The manager readily confesses he doesn't pore over analysts' price targets. 'Within the pond that I fish in, and with the criteria I have, I believe share prices will take care of themselves,' explains Zimmerman.

FREE MARKETING BENEFITS

A fan of *The Loyalty Effect: The Hidden Force Behind Growth*, the 1996 book by Fred Reichheld of consulting firm Bain & Co, Zimmerman prefers companies that benefit from word of mouth as customers tell their friends about good service.

Relevant stocks in the fund include online retailers **Ocado (OCDO)** and **AO World (AO.)**, as well as **Majestic Wine (WINE:AIM)** and **Metro Bank (MTRO)**.

Zimmerman believes Ocado and AO World are trading at a discount to intrinsic value. 'Both are being penalised for their lack of accounting profits and cash flow *today*, but they are proving their customer proposition is getting better and better and both operate with strong balance sheets in large markets,' says the Jupiter man.

AO World is getting to a position where it is producing profit out of its UK business, but 'people choose not to value the potential of Europe', says Zimmerman. The manager stresses 'the cash flow contribution from Ocado's first two customer fulfilment centres is very strong at £80m or so.'

JUPITER UK SMALLER COMPANIES

Ongoing charge: 1.03%
Dividend frequency: Annually
Dividend yield: 0.65%
Source: Morningstar/AJ Bell Youinvest

WHAT'S IN THE FUND?

Ocado	(OCDO)	3.9%
Anglo-Eastern Plantations	(AEP)	3.7%
AO World	(AO.)	3.5%
MP Evans	(MPE:AIM)	3.5%
Quixant	(QXT:AIM)	3.4%
Somero Enterprises	(SOM:AIM)	3.4%
Fevertree Drinks	(FEVR:AIM)	3.3%
Trupanion	(TRUP:NDQ)	3.0%
Mortgage Advice Bureau	(MAB1:AIM)	3.0%
Polypipe	(PLP)	2.8%

Source: Trustnet, as at 30 Dec 2016. Refers to top 10 holdings

TAKING SOME PROFIT IN FEVERTREE

The fund also holds premium tonic water-to-ginger beer supplier **Fevertree Drinks (FEVR:AIM)**. Zimmerman banked some profit on the stock in 2016 yet remains bullish on its potential.

'I'm not expecting the bombastic, explosive (share price) performance from last year,' he explains, although he sees scope for strong shareholder returns out to 2020 at least.

'I think they have an exceptional management team, low penetration rates outside of the UK and they are growing the UK business at a phenomenal rate and haven't fulfilled their potential in bars and restaurants and supermarkets.'

The fund can invest some money outside the UK markets. That explains why the portfolio has such holdings as US pet insurance play **Trupanion (TRUP:NDQ)**. Zimmerman says chief executive Darryl Rawlings' interests are strongly aligned with those of other shareholders.

NEW NAMES TO THE PORTFOLIO

Last year, Zimmerman invested in Indonesian palm oil producer **MP Evans (MPE:AIM)**. Six months later its share price surged after a bid from Kuala Lumpur Kepong (KPK) which was ultimately rejected by shareholders. MP Evans' board argued the bid substantially undervalued the business.

Other fairly recent additions to the Jupiter fund include sector peer **Anglo-Eastern Plantations (AEP)**, which owns and operates palm oil and rubber plantations in Indonesia and Malaysia.

It has also taken a position in Stockholm-listed financial services stock **Avanza (AVANZ:ST)**. 'It's a Swedish equivalent of Hargreaves Lansdown,' explains Zimmerman.

'Avanza generates lots of cash and requires very little incremental growth capital. It is an internet-only business that has grown very rapidly over the past 10 years on the strength of the customer proposition. In five or 10 years' time, it will be a much bigger business.' (JC)

KEY

- Main Market
- Overseas
- AIM
- Fund
- Investment Trust
- Exchange-Traded Fund
- IPO/Coming soon