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Plenty of shares are still rising despite coronavirus fears

The market noise hasn't stopped a large number of UK-listed companies seeing strong share price gains

Readers often ask if they should sell their investments in times of market turmoil, such as the current environment fuelled by coronavirus fears. The best answer is to weigh up the evidence and grasp what the market is thinking rather than going straight to panic selling.

The market has currently priced in a lot of negative news, as illustrated by the major indices in Asia falling by up to 10% over the past few weeks. Copper and oil prices have both fallen by 12% since mid-January.

Funds with exposure to Asia have understandably been hit, either those focused on the region or broader ones with an emerging markets remit. Stocks in the UK, Europe and the US have also been hit, but to a much lesser extent.

The big question for investors to consider is whether the coronavirus will only have a negative impact on China or whether it will hurt world trade. We don't know at the moment and so we are in a very sensitive period for the markets.

If the coronavirus can be contained in the next month then it is fair to suggest that markets could see a big rebound. But if the health incident drags into March or April, one could easily see further declines in markets around the world.

The best action based on the current state of affairs is to do nothing, although a major escalation of the coronavirus could warrant different thinking. As it stands, selling Asia-focused investments now would mean crystallising those recent losses and history suggests the market bounce-back from such events could be fairly swift.

Interestingly, some Asia-focused funds were even moving upwards at the same time China saw its benchmark indices collapse on Monday (3 Feb). For example, **Vanguard FTSE Emerging Markets ETF (VFEG)** traded 1.2% higher on the day despite China being its biggest country weighting at 37.3%.

Closer analysis of the UK stock market shows that the coronavirus is far from dragging everything down. Since the virus started to spread outside of China and Asian markets peaked in mid-January, 521 UK stocks have increased in value.

The list of risers can be narrowed down to 55 stocks worth more than £100m and achieving more than 7% gain since mid-January. The spread of sectors among this list of risers is quite diverse, including biotech, construction, electronic equipment, gold mining, software and real estate.

A lot of these share price gains are down to company-specific news rather simply being defensive stocks which attract investors' attention in times of turmoil. It shows the importance of keeping a level head and focusing on the news flow despite a backdrop of noise.

If you're very worried about what might happen to markets near-term, check you haven't taken excessive risks in your portfolio. On the flipside, if you are comfortable with the current risks, you might want to look for some bargains in the market. We would suggest only doing that if you're an experienced investor and understand the consequences if the coronavirus cannot be beaten quickly.

UK STOCKS SOARING OVER PAST 2 WEEKS

Greatland Gold	56%
Petropavlovsk	46%
Blue Prism	40%
Proton Motor Power	34%
Ceres Power	24%
Kier	23%
Silence Therapeutics	19%
Andrews Sykes	15%
Loungers	15%

Data: 17 Jan to 3 Feb 2020. Source: SharePad

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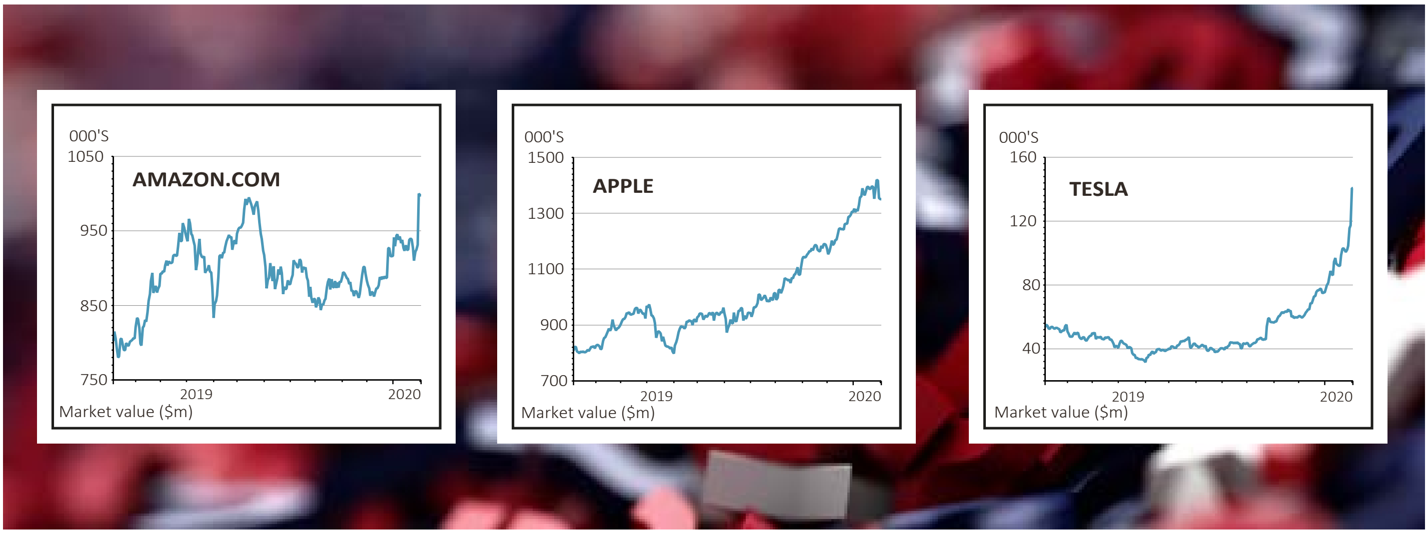
Surging stock prices mask concerns about a US economic slowdown

You should sit up and take notice of negative remarks from industrial managers and big US companies



Despite the recent stellar share price performance of 'new economy' stocks such as Amazon, Apple and Tesla, and an unexpectedly strong reading for the January US manufacturing Purchasing Managers' Index (PMI) data, there is mounting evidence that the underlying US economy is slowing. This suggests that investors might want to pause before they pour money into US shares at current prices.

The share price rallies for Amazon, Apple and Tesla have added hundreds of billions of dollars to the value of the US stock market in recent months, sustaining the bullish narrative and helping to propel both the S&P 500 and the Nasdaq Composite index to fresh highs this year.

In addition, January's headline PMI of 50.9% was way above market expectations and the December reading of 47.8%. The index takes responses from purchasing managers across US industry and measures the percentage of respondents who are more positive on the economy this month than last month plus half of those who say conditions are the same as last month. A reading above 50% is generally considered 'expansionary'.

However, January's reading contrasted sharply with the trend of the last six months and with other surveys such as the Chicago Business Barometer, which last month fell to its lowest level since December 2015. Whereas eight out of 10 PMI components were higher, all five Chicago components were lower.

CHICAGO BUSINESS BAROMETER

Source: CISM

NEW ORDERS FALLING, JOBLESS CLAIMS RISING

The Chicago survey showed order backlogs at a four-year low last month, while the new orders index and the employment index were also well below the 50-point level considered to be 'expansionary'.

Although the PMI new orders component was higher, comments from industrial managers gave cause for concern. 'Lack of faith in the economy seems to be why we cannot sell capital projects' was the view of one machinery maker, while transportation firms reported continued signs of slowdown in manufacturing and energy firms said 'our customer slowdown has not reached the bottom'.

The PMI showed temporary labour is still in short supply, yet four out of six industrial sectors registered a fall in hiring in January continuing the downward trend of the last six months. Meanwhile weekly initial jobless claims are no longer falling and recently spiked to 250,000 against a previous average of around 210,000. Economists at UBS expect claims of 250,000 to be more frequent from now on.

CONSUMPTION SLOWING

US real GDP grew at an annual rate of 2.1% in the last quarter, continuing the slowdown seen over the last 18 months. One of the key factors was a slowdown in consumer spending to an annual rate of 1.8% from 2.6% in the third quarter.

Fourth quarter updates from retailers haven't been encouraging with Best Buy, JC Penney, Kohl's, L Brands, Macy's and even Target reporting worse than expected sales, suggesting that consumers are feeling less positive than they have been. The health of the US economy is highly dependent on consumers continuing to spend.

CONSTRUCTION SPENDING DOWN

Spending on US construction projects fell by 0.2% in December against estimates of a 0.6% rise as lower investment in offices and public works offset a rise in residential building.

Last week the world's biggest construction and mining equipment manufacturer Caterpillar cut its 2020 earnings guidance fairly drastically. Analysts were already cautious about the outlook, forecasting adjusted profits of $10.63 per share against $11.06 last year, but the company said it

CATERPILLAR HAS SLASHED ITS 2020 EARNINGS GUIDANCE

expects earnings per share of between $8.50 and $10 for the current year.

Sales in the fourth quarter were down 8% due to lower than expected end-user demand, and the company expects continued global economic uncertainty to pressure sales to users in 2020 and cause dealers to further reduce inventories.

WEAKER 2020 OUTLOOK

Similarly UPS, the world's number one parcel delivery firm, announced 2020 earnings targets well below market forecasts due to expected weakness on the industrial side of the US together with measures to cut costs and improve competitiveness.

In its fourth quarter update it also cited lower parcel volumes 'into and out of the UK and on the Asia-US lane', the former due to political and economic uncertainty in the UK and the latter due to the effects of the tariff war between the US and China.

While the trade spat seems to have quietened down for now with a truce covering certain goods, the outbreak of coronavirus has undoubtedly made the outlook for the global economy less clear.

CHINA ADDS TO UNCERTAINTY

Investment bank UBS has slashed this year's growth forecast for the Chinese economy due to the economic lockdown caused by the virus. Oxford Economics has reduced its estimate of Chinese real private consumption growth this quarter from 6.8% to 1.1%, with lunar New Year holiday spending seen well below last year's $140bn as aircraft, hotels, restaurants and cinemas sit empty.

There are even reports that the Chinese government will reduce its official growth forecast from its current range of 6% to 6.5%.

This means the US economy is facing twin headwinds of slowing domestic demand and a decrease in global growth.

The companies in the race to find a coronavirus cure

GlaxoSmithKline is among a number of healthcare stocks trying to find a solution to 2020's major outbreak

The rapid spread of the coronavirus with its potential to cost the global economy four times more than the $40bn SARS epidemic, as well as human misery, has energised global healthcare companies to find a cure.

In the absence of an approved vaccine, which could take months to be tested and approved, the Chinese authorities have fast-tracked testing of an antiviral drug from US biotech firm **Gilead Sciences** aimed at combating SARS and Ebola. Gilead's shares initially jumped over 10% on the news.

The drug, called Remdesivir, is not yet licensed or approved anywhere globally and has not been demonstrated to be safe or effective for any use. Testing of the drug will be conducted at 'ground zero' in Wuhan with as many as 270 patients recruited.

One of the world's largest vaccine makers, **GlaxoSmithKline (GSK)** also got in on the act by saying it would work to accelerate the creation of a vaccine in collaboration with the Coalition for Epidemic Preparedness Innovation (CEPI).

Also collaborating with CEPI is US biotech company **Moderna**, whose shares are up around a third after saying it will manufacture a vaccine for the coronavirus.

US biotech firm **Inovio Pharmaceuticals** has announced plans to rapidly develop an experimental vaccine called INO-4800 for the coronavirus and has already started preclinical testing and preparations for clinical product manufacturing.

Shares in London-listed **Novacyt (NCYT:AIM)** have jumped by 145% since 30 January after it launched a molecular test which it believes has the ability to detect the 2019 strain of the virus.

China trusts under pressure from coronavirus fears

Two specialist investment companies suffer due to escalating outbreak

JPMorgan Chinese (JMC) and **Fidelity China Special Situations (FCSS)** have both suffered falling share prices. Since mid-January, the former is down 6.9% and the latter has fallen 7.7%.

The market is in part pricing in the economic impact of the deadly coronavirus outbreak on the world's second biggest economy, where most Chinese provinces have suspended business activities until 9 February and a growing number of countries have imposed temporary travel restrictions to and from China.

Should the number of new coronavirus infections begin to moderate, Chinese shares could recover sharply.

Invesco's global market strategist David Chao emphasises that the coronavirus 'is a temporary speedbump in the growth of the Chinese economy in 2020 and Beijing has the monetary and fiscal stimulus tools to counter any significant negative impact that this headwind may bring'.

Targeting companies which are exposed to the growing Chinese middle class, Fidelity China Special Situations has a bias to mid and small caps, although there is also a focus on cash-generative businesses.

Rival JPMorgan Chinese offers exposure to the likes of Alibaba, Tencent and Ping An Insurance.

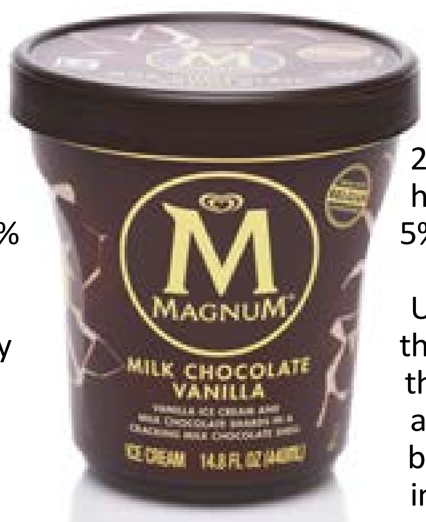
Sales growth challenges weigh on Diageo and Unilever shares

A cocktail of headwinds is hurting the two FTSE 100 companies

Two of the best known companies on the UK stock market, **Diageo (DGE)** and **Unilever (ULVR)**, have seen their shares marked down amid signs of slowing growth.

Drinks giant Diageo's shares have fallen 13% since September, not helped by the Johnnie Walker maker downgrading full year 2020 organic sales growth guidance to towards the lower end of its 4% to 6% mid-term range.

The downgrade reflected increased emerging markets volatility and US tariffs as well as currency swings and the potential for the coronavirus to dent China and airport demand.



Unilever's share price has fallen by 14% since August. Its 2.9% underlying sales growth for 2019 was below the 3% to 5% targeted range for the second consecutive year following fourth quarter slowdowns in South Asia and West Africa.

Underlying sales growth for 2020 is expected to be in the lower half of Unilever's multi-year 3% to 5% range.

Braced for a coronavirus impact, Unilever's key markets such as the US and Brazil remain soft and the company, which has initiated a strategic review of its global tea business, is encountering slowdowns in India and Africa.

Burford Capital shares gain despite earnings warnings

Investors shrug off guidance for lower than expected earnings by the litigation finance provider

A WARNING FROM litigation funding firm **Burford Capital (BUR:AIM)** that profit for 2019 would be lower than the previous year didn't trouble investors who bid up the shares 2.9% to 672.5p on the news. The profit setback was caused by the timing of realised and unrealised gains.

The market instead focused on positive factors such as a 24% year-on-year increase in new commitments to $1.6bn. Commitments to its core litigation finance business rose 30% to $854m while the asset recovery business attracted $89m, an increase of 43% on the previous year. The post-settlement financing business saw even stronger inflows with $299m of commitments, up 78% on 2018.

Investments in cases came to $1.1bn, with cash proceeds up 23% to $997m which led to cash on the balance sheet of $192m compared with $171m in June of last year. Meanwhile investment losses were the lowest on record at less than $6m.

Burford's shares have fallen almost two thirds in value over the last year as the company became a target for US short-seller Muddy Waters, which accused it of misrepresenting its returns, as well as criticisms over the state of its overall business.

Muddy Waters also claimed the AIM-quoted funder was 'arguably insolvent' with a 'high risk of having a liquidity crunch'. Despite a series of detailed rebuttals as well as an overhaul of its management team, the shares are back to the lows of August when Muddy Waters launched its attack.

Disclaimer: The author Ian Conway owns shares in Burford Capital

The key challenges facing new BP boss

The incoming chief executive faces a tough task transforming the oil producer in an ESG-focused world

"Bernard Looney arguably faces almost as difficult a task as Dudley encountered when he assumed control in the wake of the Gulf of Mexico oil spill in 2010"

Bernard Looney

After a near-decade-long tenure during which he won plaudits for restoring **BP's (BP.)** fortunes, Bob Dudley has stepped down in style after the oil producer beat fourth quarter expectations and raised its dividend (4 Feb).

His successor Bernard Looney, an internal appointment, arguably faces almost as difficult a task as Dudley encountered when he assumed control in the wake of the Gulf of Mexico oil spill in 2010.

The most existential threat facing the business is growing awareness and commitment to action on climate change. BP is investing in renewables but its footprint is practically invisible compared with the average 3.8m barrels of oil equivalent a day the company produced in 2019. The big question is whether pressure from asset managers will increase and how Looney will respond.

The difficulty in addressing the ESG issue is that the investment required to drastically reshape the portfolio would have to compete with the ongoing cost of its generous dividends – perhaps the key attraction of the shares. BP's room for manoeuvre is further hampered by net debt of $45.3bn.

Looney will also likely have to steer the business through periods of oil price volatility, balancing taking costs out of the business when prices fall, with having the capacity to take advantage if and when they recover.

FTSE 350 MOVERS OVER THE PAST WEEK

BEST PERFORMERS

STOCK	SHARE PRICE RISE	REASON
Aston Martin Lagonda	16.3%	Formula 1 owner Lawrence Stroll leads £500m financial rescue
Galliford Try	12.0%	Wins place on £20bn worth of public sector work
Network International	10.0%	Recent positive broker comment

WORST PERFORMERS

STOCK	SHARE PRICE FALL	REASON
Micro Focus	-26.2%	Chairman exits as revenue and profit come in short of expectations
NMC Health	-19.8%	Negative sentiment following sales by major shareholders and shorting attack
Finablr	-15.3%	House broker cuts target price in wake of stock pledge by founder

Source: Shares, SharePad. Data to 4 Feb 2020

Why you should buy BAE after acquisition drive

US businesses support metamorphosis to a higher quality operation

Defence giant **BAE System's (BA.)** cheap valuation doesn't give the company sufficient credit for the improving quality of its business – a transformation which will be accelerated by two recent acquisitions in the US.

Take the opportunity to buy now and gain access to a steady stream of income at a decent yield which should complement a re-rating story.

In late January the company announced two significant deals in the US. They encompassed the $1.9bn purchase of a military GPS system – the Military Global Position System – from Collins Aerospace, and the $275m purchase of Raytheon's Airborne Tactical Radios division.

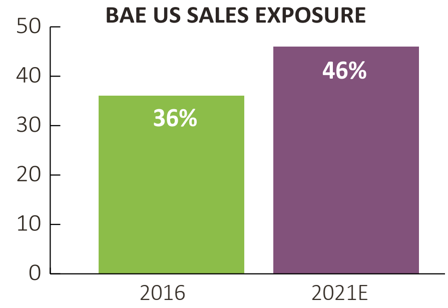
There are still some hoops to go through, but assuming the transactions complete these businesses would be absorbed into the company's Electronic Systems division.

The significance of this M&A activity is two-fold. It will take US operations to around half of overall sales. The US defence market is the largest in the world and as such affords BAE lots of growth potential.

The nature of the outfits, not just their location, is important too. Areas like weapon systems and secure communications are being prioritised as global governments look to face up to complex 21st century security threats.

BAE SYSTEMS
BUY
(BA.) 644p
Stop loss: 515.2p

Market value: £20.7bn



Source: BAE Systems, Berenberg

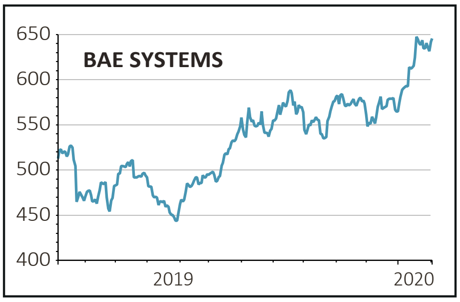
Investment bank Berenberg believes the addition of the two new businesses will boost free cash flow by around 5% and 6% in 2021 and 2022 respectively, helping the company exceed its three-year cumulative target of generating cash of more than £3bn.

Improving cash generation, allied with a strong order book, mean the company warrants a higher valuation than the current 2020 price-to-earnings ratio of 13 falling to 11.8 in 2021 based on Berenberg forecasts. The company has a 3.8% prospective dividend yield.

The fly in the ointment of BAE's investment case is the uncertainty over a £10bn order for 48 Typhoon jets from Saudi Arabia and this may come up at the company's full year results on 20 February.

Overall we think in an uncertain world BAE is a good place to put your money. As Deloitte summarised in its 2020 outlook on the aerospace and defence sector: 'Demand for military equipment is on the rise as governments across the globe focus on military modernisation, given increasing global security concerns.

'The uncertainty and sustained complexity of the international security environment worldwide is likely to boost global defence spending over the next five years.'



This global quality-focused trust is thriving under a new manager

Martin Currie Global has upped its game since a former footballer took charge

Like the uplift a sports team can receive when a new boss comes in, former Paris Saint-Germain Academy footballer Zehrid Osmani has turned around the fortunes of global equity investment trust **Martin Currie Global Portfolio (MNP)**.

Something of a laggard before Osmani joined in June 2018, the trust is the top performing trust in the global equity sector over the past 12 months, delivering a share price total return of 30.4%, well ahead of the 18.2% sector average.

That return was also delivered without gearing which is essentially borrowing to invest in the hope of amplifying returns (it can also amplify losses). Gearing is a method used by the majority of trusts in the AIC's global equity sector.

Martin Currie Global Portfolio's track record over three and five years is still decent, beating its FTSE World benchmark by 6.6% over three years and 3.6% over five years respectively, according to the trust's factsheet.

But it's in the past year or so since Osmani joined, and took over as sole manager in October 2018, that the trust has really started to perform well.

While the impact of the coronavirus is unknown, having exposure to global equities means you benefit from geographical diversification and aren't dependent on a single country's economic fortunes.

MARTIN CURRIE GLOBAL PORTFOLIO
BUY
(MNP) 313p
Stop loss: 250p

Market value: £259m

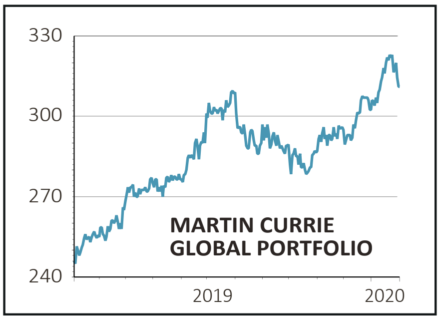
Osmani looks for 'quality growth' stocks. His philosophy is that companies with a high and sustainable return on invested capital generate above-average total returns over the long term.

With an ongoing charge of 0.65% a year, Martin Currie Global Portfolio has performed better than other popular trusts in the category like **Witan (WTAN)**, **Majedie (MAJE)** and **Lindsell Train (LTI)** over the past 12 months.

It has zero discount policy meaning the trust will buy back shares in the market if it is trading below net asset value, or issue more shares if it is trading at a premium. Investors should also note that it takes 12.5% of any outperformance of the FTSE World benchmark above 1%, capped at 1% of net asset value. Performance fees aren't that common among its peer group.

A concentrated book of 33 stocks across 16 countries, the trust holds two of its benchmark's top holdings in its own top 10 – Microsoft and Visa – but otherwise the composition of its portfolio remains largely different.

Its investments include industrial gas giant Linde, Asian life insurance company AIA and Italian luxury apparel brand Moncler.



AVAST

(AVST) 436p

Gain to date: 45.9%

Original entry point:

Buy at 298.8p, 16 May 2019

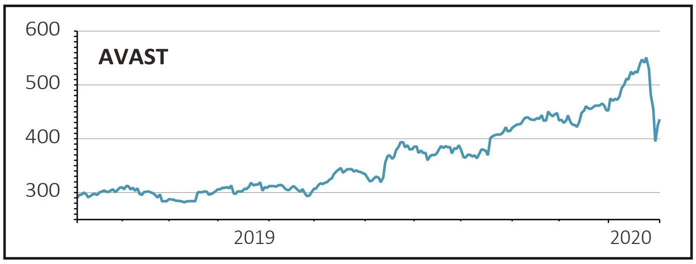
OUR POSITIVE CALL on online security firm **Avast (AVST)** remains comfortably in the money despite a recent setback for the firm.

It emerged that Avast, owner of anti-virus software AVG, had been selling customer data to companies through its subsidiary Jumpshot.

On 30 January the company announced that it would shut down the analytics business amid privacy concerns, but said the move would not hurt annual performance.

Despite a fairly rapid response from the company, the danger is that the high profile nature of the scandal could impact demand for its services as customers worry their internet activity is being snooped on.

Analysts at investment bank Jefferies are keeping things in perspective. They comment: 'We note that some investors we have spoken to view the data collection as potentially damaging to Avast's brand, however the impact to Avast's business is likely to be small, with many investors noting that its sharing of user data has been known since the company's IPO and that the company has followed all laws and regulations.'



SHARES SAYS:

We will stick with the shares for now but will be watching developments closely to see if there is any further fallout from this episode.

FUTURE

(FUTR) £13.66

Loss to date: 3.8%

Original entry point:

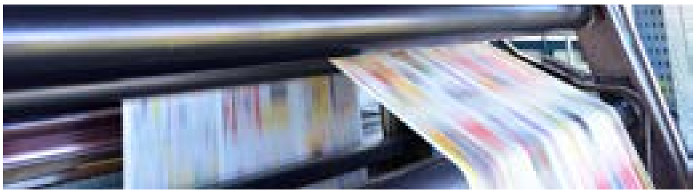
Buy at £14.20, 14 November 2019

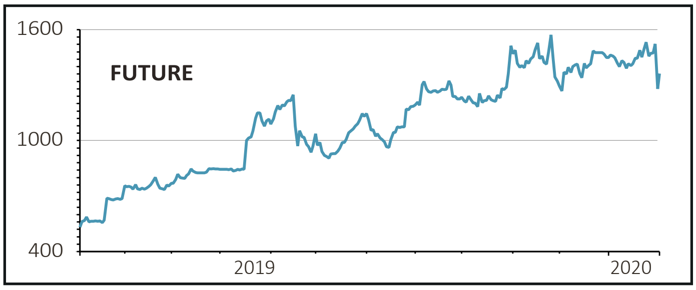
MAGAZINE PUBLISHER **FUTURE (FUTR)** is facing its second 'bear raid' in a little more than six months and this makes us sufficiently cautious to cut our losses on this stock. A bear raid involves a third party publishing a negative report on a stock and seeking to profit from a decline in the share price.

Future responded bullishly to this latest short-selling attack, indicating that results for the 12 months to 30 September 2020 would beat expectations after strong momentum in the first four months of its financial year.

However, the fact the company has been targeted for a second time means the criticisms it faces carry a bit more weight. The charge sheet from Shadowfall is similar to that presented by Stockviews in June 2019 which also published negative views on the media group.

Both parties have raised questions over its accounting and make reference to the company's frequent acquisitions. Future is currently facing a probe by the Competition and Markets Authority into its purchase of *Marie Claire* publisher TI Media.





SHARES SAYS:

Amid fragile market sentiment it could be hard to generate significant gains until the short sellers go away. Cut your losses and wait on the sidelines until there is more clarity on the situation.

PORVAIR

(PRV:AIM) 760p

Gain to date: 20.6%

Original entry point:

Buy at 630p, 26 September 2019

SPECIALIST, HIGH END filters manufacturer **Porvair (PRV:AIM)** reported record revenues on 3 February of £144.9m, up 13% for year ended 30 November 2019, while adjusted pre-tax profit was 9% higher to £14.8m, both slightly higher than consensus estimates compiled by Refinitiv.

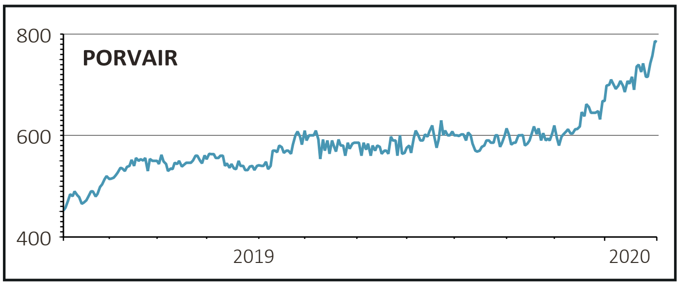
The strategy is to focus on specialist, bespoke design of products whose replacement is mandated by regulation or quality accreditation and which ideally have a long life cycle.

Around 80% of revenues are recurring, driven by heavily regulated markets, which give the business some defensive qualities in a tough macro environment.

That said some divisions aren't immune to the cross-currents of world trade tensions, as evidenced by the 6% revenue contraction in the Metal Melt Quality division which designs and manufactures porous ceramic filters for the filtration of molten metals.

Shares highlighted the premium rating of 23.9 times forecast earnings at the outset, arguing that it was justified by good earnings visibility, defensive characteristics and attractive growth prospects.

Today the rating has crept up to around 30 times 2020 forecast earnings. Broker Shore Capital says this is in line with Japanese peer Yamashin Filter and a circa 20% discount to US peer Pall.



SHARES SAYS:

While this is a fantastic business, the higher rating adds extra risk which is harder to justify. We're minded to take profits while the going is good.

QINETIQ

(QQ.) 372.4p

Gain to date: 9.2%

Original entry point:

Buy at 341p, 12 December 2019

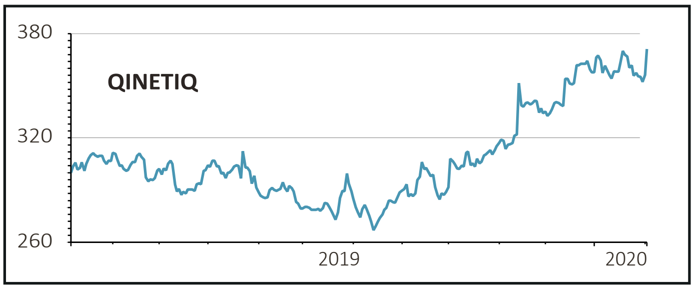
SHARES' POSITIVE VIEW on **QinetiQ (QQ.)** was based upon its underappreciated transformation into an integrated global defence and security business with sustainable growth prospects.

The third quarter trading update on 4 February confirmed that the group is on track to deliver high single digit revenue growth and profit in line with expectations for the year to 31 March 2020.

US growth was boosted in January when the US Army announced its intention to award the Robotic Combat Vehicle Light program to QinetiQ. This demonstrated the strategic benefits of the recent MTEQ acquisition, a US based state-of-the-art sensing technology company.

The contract was awarded in part because of the ability of QinetiQ to leverage its sensing technology to provide a solution that 'enables the US warfighter to overcome the next generation of threats, increase force projection, and reduce cognitive burden'.

Also in January the European Space Agency awarded the company a €75m contract to extend Europe's capabilities in Earth observation.



SHARES SAYS:

The momentum in overseas contract wins supports our case that the business is becoming far more dynamic than investors have given it credit. Keep buying.

Guess how many ETFs have beaten Fundsmith since it launched?

We've done the research and the answer may take you by surprise

Since its inception in November 2010 Terry Smith's **Fundsmith Equity Fund (B41YBW7)** has been one of the fund management industry's big success stories. It has achieved a return of 386.4% and has attracted so much money from investors that it now commands more than £18bn of assets under management.

FUNDSMITH EQUITY – RETURN SINCE INCEPTION **= 386.4%**

We're often told fund managers don't justify their extra cost as so few of them outperform the market. With this in mind *Shares* decided it to see just how many exchange-traded funds (ETFs), most of which simply track a market and often charge lower fees, have outperformed Fundsmith since it was launched.

A VERY SMALL LIST

The short answer is very few. Out of all the exchange-traded funds available to buy on the London Stock Exchange, only four have done better than Fundsmith over that time according to data from FE Fundinfo.

Two of these ETFs – **Amundi ETF Leveraged MSCI USA Daily (0WAX)** and **Xtrackers S&P 500 2x Leveraged Daily Swap (XS2D)** – offer leveraged exposure to the US market.

Leveraged ETFs seek to amplify the movement of an index through the use of swaps, futures contracts and borrowed money. Typically the borrowing cost is deducted from the daily return and is either incorporated into the index or in the calculation of the product's price.

That may sound very confusing if you're not familiar with terminology used in investing. In a nutshell, a 2x leveraged product will go up twice as much as the underlying index moves. It will also fall by twice as much as the decline in the index. For that reason, we believe leveraged ETFs are not suitable for the majority of retail investors. They are very high risk and you risk losing money fast.

Apart from the boost from being leveraged products, how did those two ETFs beat Fundsmith? It's essentially down to US stocks having reached new record highs and enjoying a very strong run in the last decade, supported by favourable central bank policies and the recovery from the financial crisis. The two ETFs tracked the thriving US market *and* got an extra boost from being leveraged.

A big feature of the impressive showing for US stocks has been the performance of big technology firms like Apple, Microsoft, Facebook, Twitter and Alphabet (Google). So it's little surprise to see that the two more mainstream ETFs which have also beaten Fundsmith track the Nasdaq 100 index in the US – **Amundi Nasdaq 100 (ANXG)** and **Lyxor Nasdaq 100 (NASL)** – which includes the heavyweights from the tech-biased Nasdaq index.

Terry Smith, Fundsmith fund manager

ONLY A FEW LONDON-LISTED ETFS HAVE BEATEN FUNDSMITH SINCE ITS LAUNCH

ETF / Fund	Performance since 1 Nov 2010 (%)
Amundi ETF Leveraged MSCI USA	1098.7
Xtrackers S&P 500 2x Leveraged Daily Swap	793.6
Amundi Nasdaq 100	451.5
Lyxor Nasdaq 100	418.9
Fundsmith Equity	**386.4**

Source: FE Fundinfo, 29 January 2020

BEATING FUNDSMITH HAS MEANT TAKING A LOT OF RISK

Beating Fundsmith with ETFs would either have meant taking on risks which are not appropriate for the majority of retail investors by using leveraged vehicles, or identifying what was possibly the sweetest of sweet spots in global markets over the last decade.

Notably these products aren't at the cheaper end of the ETF universe either. While some ETFs have fees as low as 0.06%, one of these funds has ongoing charges of 0.6%. Though this is still less than the 1.05% and 1.55% Fundsmith levies on holders of its T Class and R Class units respectively.

The success story at Fundsmith has been built on a simple philosophy expressed by Terry Smith as follows: 'Buy good companies. Don't overpay. Do nothing.'

The asset manager applies a rigorous selection criteria and Smith's approach of buying quality businesses and holding them for the long term has chimed with a market preference for this type of stock in recent years. A good number of its investments have been in the fund since launch, so Fundsmith doesn't spend a lot on trading fees.

This is also a concentrated portfolio, typically with between 20 and 30 holdings. The high-conviction approach is reflected in an active share, measuring the extent to which a collective deviates from the wider market, of 92%.

A notable feature of Fundsmith's performance has been its consistency and notably no ETF has managed to beat Fundsmith in every single year since its inception.

PAST VERSUS FUTURE PERFORMANCE

Anyone looking to the aforementioned ETFs to outperform Fundsmith in the future must appreciate the fact that past performance is not a guide to the future.

In effect you would be adopting a momentum strategy, expecting either the US market more widely and/or the US technology sector to continue generating blockbuster gains.

The same principle applies to Fundsmith too. There is no guarantee that the approach which has been so successful in the last decade will do as well in the 2020s. There are already some signs that the market is being put off by the high valuations attached to the quality growth shares which Terry Smith favours.

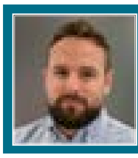
However, investors at least have the comfort of a clear investment philosophy and exposure to businesses which have enjoyed considerable longevity. The average founding year of Fundsmith holdings is 1925 and these companies are often leading operators in their respective markets.

The fact that Fundsmith has done so well and so few ETFs have beaten its performance just goes to show how Smith and his team are fantastic stock pickers. Just remember that fund managers rarely have luck on their side forever, so you should expect a period of underperformance at some point with Fundsmith. That said, we still highly rate the fund and believe it is an essential holding in a diversified portfolio.

FUNDSMITH TOP TEN HOLDINGS

Microsoft
Paypal
Philip Morris
Estee Lauder
Facebook
Amadeus
Novo Nordisk
Stryker
McCormick
Intuit

Source: Fundsmith



By **Tom Sieber**
Deputy Editor

THE MERCANTILE INVESTMENT TRUST

PUTTING THE BRIGHTEST SPARKS IN YOUR PORTFOLIO

Some of the most attractive investment opportunities lie outside the FTSE 100. The award winning Mercantile Investment Trust draws on over 130 years of experience to tap into the long-term growth potential of UK mid and small cap stocks, focusing on those companies that can ignite long-term success. Invest in tomorrow's winners and share in the return potential of this dynamic area of the market.

Rolling 12-month performance to the latest quarter (%)

As at end of December 2019

	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Share Price	30.00	-3.67	30.22	-17.08	53.93
Benchmark	12.15	5.91	17.92	-14.96	28.95

Benchmark: FTSE All-Share (ex FTSE 100, ex Inv companies) (£). Source: J.P. Morgan Asset Management / Morningstar as at 31/12/19.

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The Mercantile Investment Trust plc may utilise gearing (borrowing) which will exaggerate market movements both up and down. The Mercantile Investment Trust plc may also invest in smaller companies which may increase its risk profile. Companies listed on AIM tend to be smaller and early stage companies and may carry greater risks than an investment in a company with a full listing on the London Stock Exchange.

Your capital may be at risk. Past performance is not a reliable indicator for current and future performance.

The methodology and calculations used by companies that provide awards and ratings are not verified by J.P. Morgan Asset Management and therefore are not warranted to be accurate or complete.

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OUR SIX BEST SMALL CAP IDEAS

These companies have so much to offer

Small caps could be a great place to invest in 2020 as there are some attractively-priced gems flying under the radar of many investors.

It is important to stress that small caps aren't for everyone as they can be much higher risk investments compared to larger companies. However, for those comfortable with the risks, history shows us that smaller companies can outperform their larger counterparts.

So why look at the space now? There are four key reasons why small caps are really interesting at the moment and why you could potentially pick up a bargain.

By **Daniel Coatsworth, Martin Gamble, Tom Sieber, Ian Conway, James Crux and Steven Frazer**

1 **Small caps have lagged as the broader UK market has been out of favour.** Many investors have turned their back on domestic-facing stocks since 2016 over Brexit fears. Sentiment now seems to be turning which provides an opportunity as many smaller companies are trading on very attractive ratings.

2 **The rise of passive investing (tracker funds and exchange-traded funds) has left small caps unloved.** Investors have put lots of money into passive funds which track various indices. Most of the indices either focus on mid to large cap stocks or specific sectors which means passive 'money' is not flowing into the small cap space on a large scale.

3 **Liquidity fears mean institutional investors are no longer taking big stakes in small companies.** The Woodford Equity Income fund scandal has put the spotlight on how quickly a fund manager is able to sell holdings from a portfolio should investors want to cash out.

The Woodford fund struggled to sell a lot of holdings quickly and is still trying today to exit some more obscure holdings. This has resulted in fund managers losing their appetite for many smaller companies for fear they won't be able to get rid of holdings when they need to.

4 **Legislative changes have reduced the volume of analyst coverage on small caps.** Something called 'Mifid 2' has resulted in fewer analyst numbers; of those still in the job, the coverage has tended to focus on mid and large cap stocks.

Less is being written about smaller companies, so it is harder for investors to find out about the opportunities in this section of the stock market.

While small caps are commissioning reports themselves, these tend not to include buy or sell recommendations.

The end result is a growing number of small caps which are going unnoticed by the broader investor universe – and some of these are simply trading on too cheap a price.

Read on to discover six of our favourite smaller companies and the reasons why they could make you good money.

ARGENTEX (AGFX:AIM)

UK-based foreign exchange (FX) provider **Argentex (AGFX:AIM)** is early in its already impressive growth trajectory, yet unlike some growth companies it is highly profitable and supported by founder-led managers that have over 50 years of collective industry experience.

The company is targeting 30% to 35% growth every year over the next five years accompanied by operating margins in the mid to high 30% range. If the targets are achieved the business will be valued much higher than it is today.

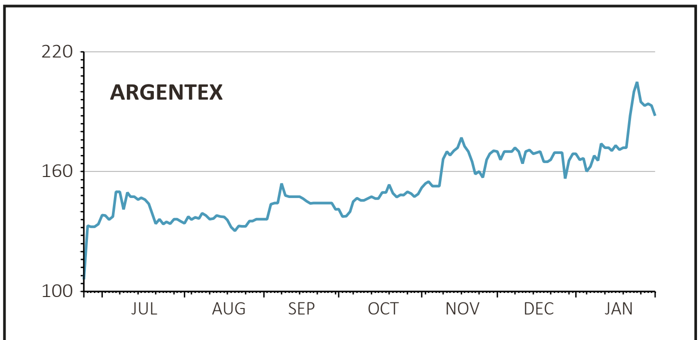
Bear in mind that Argentex has been listed for less than 12 months and has released relatively few updates to the market, so some investors may want to see a greater track record of life as a listed entity before buying its shares. It has also been in business for only eight years.

The firm was founded in 2011 by the current management team, Harry Adams and Carl Jani backed by John Beckwith's Pacific Investments. Digby Jones is executive chairman.

Beckwith has founded a number of successful fund management businesses including household names such as **Liontrust Asset Manangement (LIO)** and hedge fund Thames River Capital.

Argentex floated on the UK stock market in June last year and operates as a principal broker for non-speculative FX transactions to institutions and high net-worth individuals. The dealers have a minimum of 10 years' FX experience and provide personal client-led advice and execution to customers with genuine business needs.

Impressively, since commencing trading in 2012 the business has experienced significant year-on-year growth in customers, transactions volumes and revenue while it has been profitable in every year,



achieving around 50% operating margins.

The key to growing the business is increasing client numbers while at the same time improving client conversion rates. The company demonstrated this for the six months to 30 September 2019. Volumes of FX traded increased by 16.4% to £5.96bn which translated into 42% higher revenue to £13.8m and operating profit of £6.5m (2019: £2.6m).

Argentex added 210 new clients and had 932 corporate clients active during the period.

In order to accommodate additional headcount growth, the firm is looking to move into bigger premises. The extra investment and ramp-up of a bigger sales team will result in lower operating margins in the near-term, but hopefully higher growth and productivity further out.

SHARE PRICE: 190.1p	**FORECAST DIVIDEND 2021:** 4p
MARKET CAP: £215m	**DIVIDEND YIELD 2021:** 2.1%
FORECAST EPS 2021: 12.3p	**FINANCIAL YEAR END:** 31 March
PE 2021: 15.4	

NB: We've used 2021 figures for this article because the market is forward-looking and Argentex has a March year end, so investors will soon be looking beyond the 2020 financial year. Source: Refinitiv.

BEEKS FINANCIAL CLOUD (BKS:AIM)

There is a lot to like about **Beeks Financial Cloud (BKS:AIM)**, namely rapid and profitable growth and decent cash conversion from an expanding market niche.

Reported earnings have expanded by 35% on average each year since 2015, and if management can continue their near-faultless execution, the shares could be worth several times the 104.25p at which they now trade.

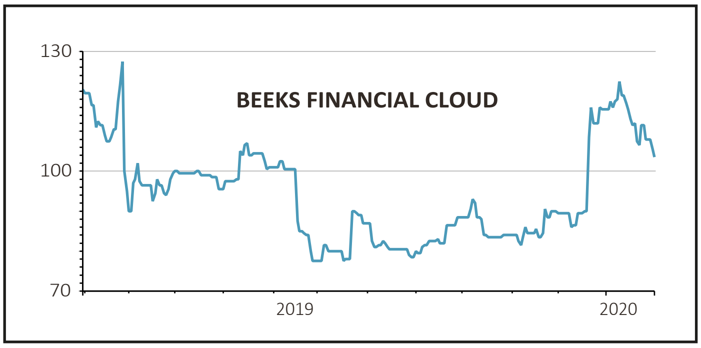
Started in 2010 by chief executive Gordon McArthur who still owns a 54% stake, the Glasgow-based business provides low latency access for traders to futures, forex and other financial markets. Latency is the time lag you sometimes get when trying to connect to something using the internet.

With 80% of Beeks' client institutions using automated trading systems, fractions of seconds matter, making the difference between a profitable trade and one that loses money.

Beeks uses a cloud infrastructure platform that runs out of data centres located close to the exchanges, currently 11 in financial centres including London, Frankfurt, New York, Tokyo and Hong Kong. A 12th is in pipeline in Brazil. Clients access the platform through a configurable portal that means they get exactly want they want with Beeks doing the behind-the-scenes work.

Deep-pocketed institutions could do this themselves but it would be costly and a poor use of internal resources, a point demonstrated by the rapid growth in clients, going from 90 in June 2016 to 220 three years later.

Beeks is also increasingly securing large tier 1 clients, winning three in the last financial year, and two more significant contracts just before Christmas.



There are some risks to consider. For example, the bigger the client the longer the sales cycle, and onboarding for some tier 1 clients can run for up to four months thanks to stiffer compliance and procurement processes, versus the couple of days turnaround for small customers. This was illustrated in June 2019 when Beeks had to tone down growth expectations for this very reason. But the upsell opportunity can also be considerable.

The other 20% of revenue comes from serious retail investors, although future growth is firmly institutions-facing.

Other growth opportunities include adding new asset classes such as cryptocurrencies. It is also making progress in fixed income, a potentially huge market.

Return on capital is running at 18.6% and return on equity 20%-plus.

SHARE PRICE: 104.25p	**FORECAST DIVIDEND 2021:** 0.85p
MARKET CAP: £53m	**DIVIDEND YIELD 2020:** 0.8%
FORECAST EPS 2021: 4.67p	**FINANCIAL YEAR END:** 30 June
PE 2021: 22.3	

NB: We've used 2021 figures for this article because the market is forward-looking and Beeks has a June year end, so investors will soon be looking beyond the 2020 financial year. Source: Shares, Refinitiv.

BELVOIR (BLV:AIM)

Shares in franchise-based estate and lettings agent operation **Belvoir (BLV:AIM)** look great value. The company has a capital-light model which should allow it to grow quickly and its market backdrop is showing signs of improvement.

After a long period where the shares tracked sideways, the market finally appears to be picking up on the company's appeal. Even after a good run in recent months, the stock trades on a mere 11.4 times 2020 earnings and offers a dividend yield of 4.5%.

A trading update on 30 January revealed 43% sales growth for 2019, ahead of expectations, encompassing a 6% advance for the core property division and 148% in the ancillary financial services arm. Cash flow was strong, pushing net debt down to £6.9m.

This performance was achieved despite the uncertainty created by Brexit and the introduction of a ban on tenant fees hitting the lettings space.

We are excited about the prospects for 2020 given more positive signs from the housing market and the recent transactions involving Dacres and Lovelles which will boost the financial services and property parts of the business respectively.

Lovelles, a 19-office estate agency network, has been acquired for £2m, while Belvoir has agreed a deal to provide financial services to clients of Yorkshire property market specialist Dacres.

Founded more than 20 years ago, Belvoir joined AIM in 2012 and now provides support and guidance to franchisees across 300 high street offices in return for a management service fee. It has a 23 year record of uninterrupted profit growth.

This growth has been supported by M&A both at group level and so-called 'assisted acquisitions' whereby it helps local franchisees to identify and make bolt-on additions to their local operations.

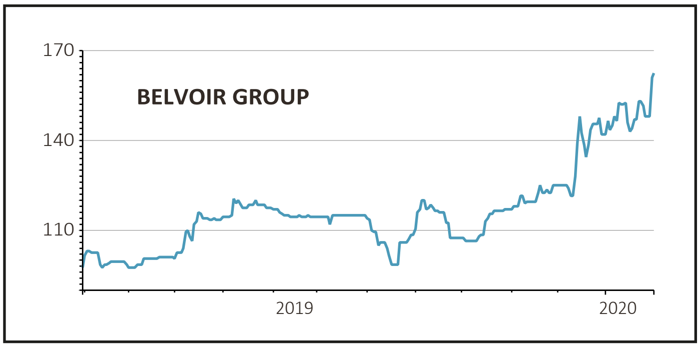
The diversified model has significant exposure to lettings, which is generally more stable than estate agency and offers recurring revenue.

This provides some protection against a downturn in the property market. However any deterioration remains a risk for prospective investors to weigh.

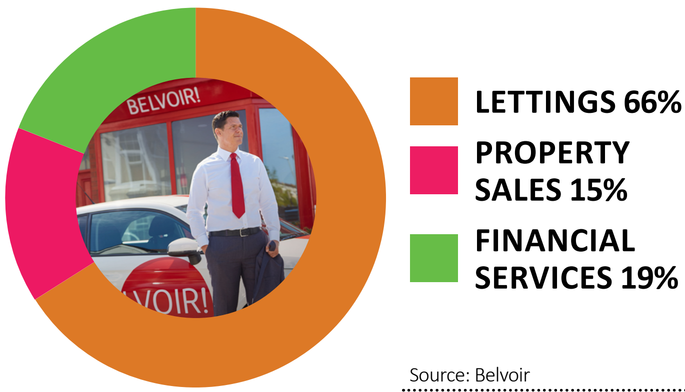
The acquisition of Brook Financial Services in 2017 and MAB in 2018 has created a new income stream, adding almost 150 financial advisers who can offer guidance on mortgages and other related financial services.

Brook operates in Yorkshire, while MAB is primarily focused on the Midlands, South West and Wales but Belvoir's plan is to extend the financial services network across the UK.

The next catalyst for the shares could be the publication of its 2019 results on 30 March.



GROSS PROFIT SPLIT H1 2019



Source: Belvoir

SHARE PRICE: 169p	**FORECAST DIVIDEND 2020:** 7.6p
MARKET CAP: £59m	**DIVIDEND YIELD 2020:** 4.5%
FORECAST EPS 2020: 14.8p	**FINANCIAL YEAR END:** 31 December
PE 2020: 11.4	

Source: Shares, FinnCap

MARSHALL MOTOR (MMH:AIM)

Sometimes it can pay to look at sectors which everyone else currently dislikes, as you might find something really interesting. We certainly believe that is the case with car retailer **Marshall Motor (MMH:AIM)**.

Weaker UK car market conditions could persist in 2020, denting demand for new and used car sales, although the removal of political uncertainty after Brexit could help drive improved consumer confidence and stoke a revival in big ticket purchases.

In any event, asset-backed auto trader Marshall Motor has proven its ability to outperform the market and continues to invest for growth during a tougher time for the industry.

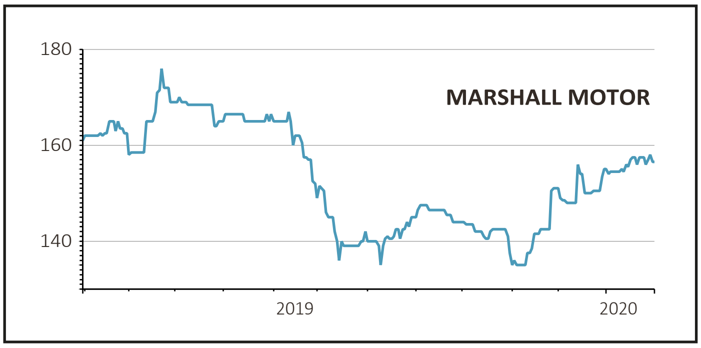
Marshall Motor is the UK's seventh biggest motor retailer and is one of only six UK dealership groups that represent each of the top five volume and premium brands.

With a strong presence in eastern and southern England, Marshall Motor is growing share in a testing UK automotive market organically and by using its balance sheet to acquire dealerships to boost brand presence and regional coverage alike.

Marshall Motor uses its own operational tools to improve returns from the underperforming dealerships it buys.

In December it acquired a portfolio of loss-making Volkswagen and Skoda franchises from Jardine Motors in a transaction that shifted Marshall Motor into pole position as Volkswagen UK's largest partner by number of locations.

Since floating on AIM in 2015, the motor trader has established a track record of either meeting or beating market estimates. That is no mean feat given prevailing sector headwinds. Indeed, despite a further weakening in trading conditions during the fourth quarter of 2019, Marshall Motor was still able to leave its full year outlook unchanged.



For the year to December 2019, and ahead of results due on 10 March, Zeus Capital forecasts lower adjusted pre-tax profit of £21.2m (2018: £25.7m), ahead of £19.1m and £21.2m for 2020 and 2021 respectively, estimates that factor in the short-term dilutive impact of recent acquisitions.

Based on the broker's 2020 earnings per share and dividend estimates of 19.3p and 8.5p respectively, Marshall Motor trades on a low price-to-earnings ratio of 8.2, implying re-rating scope. Investors are also being paid 5.4% yield to wait for earnings acceleration driven by wider car market recovery. You may need to be patient with this trade and the shares are not suitable for someone who couldn't cope with a loss to their investment in the short-term.

For those comfortable with the risks, it is worth noting that Marshall Motor trades at a discount to the £125m of freehold and long leasehold assets on the balance sheet.

SHARE PRICE: 159p	**FORECAST DIVIDEND 2020:** 8.5p
MARKET CAP: £124m	**DIVIDEND YIELD 2020:** 5.3%
FORECAST EPS 2020: 19.3p	**FINANCIAL YEAR END:** 31 December
PE 2020: 8.2	

Source: Shares, Zeus Capital

MJ HUDSON (MJH:AIM)

Fresh to the stock market, **MJ Hudson (MJH: AIM)** is a consultancy to the global alternative asset management industry providing advice on areas such as compliance, regulation, reporting, legal and ESG issues.

Clients include the world's largest private equity, private debt and hedge funds as well as real estate and infrastructure funds with combined assets of more than $1trn.

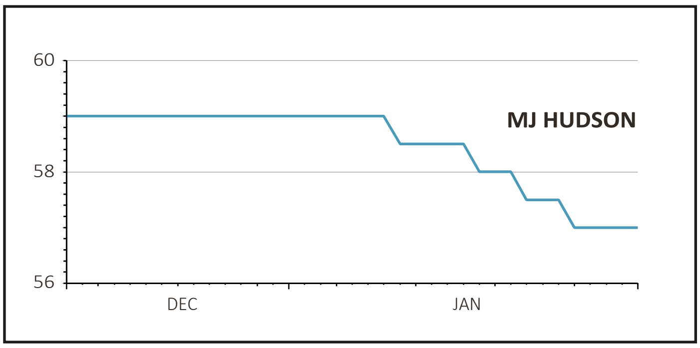
Unlike traditional asset managers, who are seeing their fees squeezed relentlessly, alternative managers are still able to charge healthy levels of fees with no sign of 'compression'.

The fact that MJ Hudson went ahead with its share listing on general election day – despite the potential binary outcome of the vote – speaks volumes about founder and chief executive Matthew Hudson's resolve.

'Institutions were amazed and delighted that we went ahead with our float when everyone else had pulled theirs,' says Hudson. Given his connections with the world of private equity, there was strong demand to sell the company privately, but Hudson opted instead for the public markets where investors were receptive to the long-term growth story.

Strong investor demand for alternative assets and high levels of cash in the industry mean MJ Hudson has good visibility on future revenues. It takes a fee each time a client launches a fund and earns a retainer during the fund's life, including the wind-down phase.

A second tailwind is increased regulation. Each time there is a new piece of legislation 'the phones ring off the hook' says Hudson. Anything that causes aggravation and an increased workload for clients is good for its business.



A third tailwind is the wave of money coming into the ESG space as investors look for more clarity on environmental, social and governance issues. To this end Hudson acquired Dutch ESG consultancy Saris, now re-named MJ Hudson Spring, to help clients incorporate ESG criteria into their investing and reporting.

The firm has grown rapidly since Hudson started it, with 33% annual revenue growth over the last three years alone, but it has plenty of room to continue growing as it adds more partners, clients and services. As a trusted party it also has the potential to cross-sell services such as its recently-developed data analytics tool.

With an experienced management team and strong industry tailwinds, we think MJ Hudson is a great way to play the growth in alternative assets without having to take market risk.

SHARE PRICE: 56.1p	**FORECAST DIVIDEND** 2021: n/a
MARKET CAP: £98m	**DIVIDEND YIELD 2021:** n/a
FORECAST EPS 2021: 2.2p	**FINANCIAL YEAR END:** 30 June
PE 2021: 25.5	Source: Shares, Cenkos Securities

NB: We've used 2021 figures for this article because the market is forward-looking and MJ Hudson has a June year end, so investors will soon be looking beyond the 2020 financial year

STRIX (KETL:AIM)

Strix (KETL:AIM) is the global leader in the design, manufacture and supply of kettle safety controls, while it is developing complementary products ranging from on-demand hot water to water purification.

While growing and defending its leading market positions (38% globally) in the kettle control market, the company aims to leverage its global sales and distribution networks to grow into adjacent disruptive product niches.

Strix estimates that across all its product categories there is a £1bn revenue opportunity up for grabs, which dwarfs its current £100m revenue.

To give a sense of the company's ambition it has an agreement with China to build a factory which will be more than two times the size of its current premises with 50 years of rights-of-use granted for the land. The project is expected to be completed in August 2021.

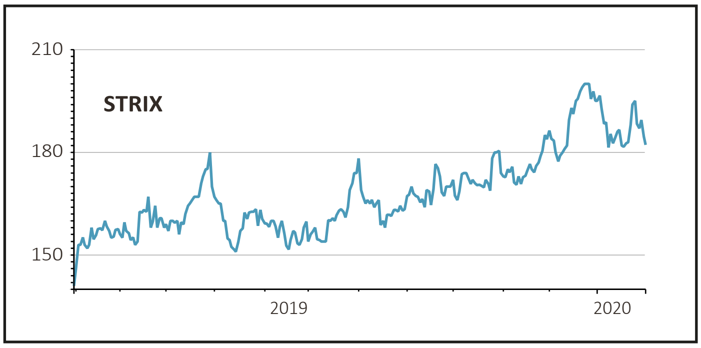
Strix is currently valued at 11.9 times forward earnings, a rating which doesn't capture the quality of the business or its significant growth prospects.

Kettles are replaced every 3.5 years on average which effectively secures around 90% of annual revenues.

The company has high market shares in the regulated parts of the world (61%) while in the faster growing, less regulated markets, it has a smaller (22%) but growing share.

In China, despite the challenges of protecting intellectual property rights the company has built a share of around 50%, testament to the strength of its product range and innovation.

The entire adjacent product ranges have similar characteristics: convenience, safety, speed and energy efficiency. The company has collaborated with Mr. Coffee in the US to launch a high quality coffee machine, while in China it has launched the 'true boil' appliance.



In water purification, alongside the AquaOptima range in the UK, Strix aims to launch 16 new products internationally by 2021 including filters, jugs and bottles.

Baby care products have seen huge demand in China in recent years and according to the China Britain Business Council, international products are perceived as better quality, safe and more reliable than their Chinese equivalents.

Strix offers investors access to the sustainable long-term trends of improving consumer convenience and safety, supported by increasing regulation.

SHARE PRICE: 182.6p	**FORECAST DIVIDEND 2020:** 8.07p
MARKET CAP: £350m	**DIVIDEND YIELD 2020:** 4.4%
FORECAST EPS 2020: 15.33p	**FINANCIAL YEAR END:** 31 December
PE 2020: 11.9	

Source: Shares, Refinitiv

RUSS MOULD
AJ Bell Investment Director

Look to January for clues on the coming year's stock market performance

History suggests the first month of the year tells you a lot about the next 11 months for stocks and shares

There is a saying that a good start in January means the year as a whole is likely to see positive returns.

Looking at the history of the FTSE 100 since its inception in 1984, seven of the index's 10 best years came when it got off to a flyer in January and seven of its 10 worst showings came after a drop in the first month of the year.

Investors could be forgiven for fearing the worst after the heavy sell-off in the last two days of January 2020 left the FTSE 100 down 3.8% for the month. That is the weakest start to a year since 2014.

The January stumble means the FTSE 100 has, at the time of writing, lost all of the gains made in the immediate aftermath of last December's general election result.

This loss of confidence can also be seen in how the yield on the benchmark UK 10-year government bond (also known as a Gilt) slumped from a high of 0.87% to just 0.55% in January, as investors piled into fixed-income.

But what the fresh drop in Gilt yields (and increase in Gilt prices) and latest fall in share prices all mean is that UK stocks look even cheaper relative to bonds than they did before, especially on a yield basis.

This column's data only goes back to the mid-1990s for UK Gilts, but the premium offered by the FTSE 100 relative to the 10-year Gilt stands at 3.9 percentage points, or 390 basis points.

Research from the fund management group Man

	TEN BEST PERFORMANCES			TEN WORST PERFORMANCES	
	FTSE 100 in year	FTSE 100 in January		FTSE 100 in year	FTSE 100 in January
1989	35.1%	14.4%	2014	-2.7%	-3.5%
1997	24.7%	3.8%	2015	-4.9%	2.8%
1984	23.2%	6.3%	2011	-5.6%	-0.6%
2009	22.1%	-6.4%	2000	-10.2%	-9.5%
1995	20.3%	-2.4%	1994	-10.3%	2.1%
1993	20.1%	-1.4%	1990	-11.5%	-3.5%
1986	18.9%	1.6%	2018	-12.5%	-2.0%
1999	17.8%	0.2%	2001	-16.2%	1.2%
2005	16.7%	0.8%	2002	-24.5%	-1.0%
1991	16.3%	1.3%	2008	-31.3%	-8.9%

Source: AJ Bell, Refinitiv

RUSS MOULD
AJ Bell Investment Director

TOP 10 PERFORMERS IN FTSE 350, JANUARY 2020	% change
Leisure Goods	8.9%
Household Goods & Home Construction	6.7%
Gas, Water and Multi-Utilities	5.5%
Electricity	5.0%
Aerospace & Defence	4.7%
Tobacco	4.4%
Personal Goods	2.5%
Mobile Telecoms	1.9%
Food Producers	2.4%
Software & Computer Services	-0.5%
FTSE 350	**-3.0%**

BOTTOM 10 PERFORMERS IN FTSE 350, JANUARY 2020	% change
Banks	-7.5%
Oil & Gas Producers	-8.6%
Chemicals	-8.6%
Industrial Transportation	-9.0%
Automobiles & Parts	-10.2%
Oil Equipment & Services	-11.1%
Forestry & Paper	-11.7%
Industrial Metals & Mining	-11.9%
Fixed Line Telecommunications	-12.9%
Technology Hardware	-14.1%

Source: AJ Bell, Refinitiv

GLG suggests the premium is the highest it has been since 1939, when Europe was preoccupied with an imminent war.

The dividend yield remains a key part of the investment case for UK equities, although sceptics will counter that there are three good reasons why the UK offers a premium yield – and the main one is the risk associated with owning UK equities.

Investors are demanding a premium yield to compensate for three perceived dangers:

1. The risk of economic upset in a post-Brexit world, thanks to Brexit itself, the coronavirus or some other event.

For the moment, the viral outbreak is the biggest worry and it is to be hoped that Chinese efforts to contain it prove effective. Equally, it seems likely that Chinese GDP will take a hit and since we are talking about the world's second-biggest economy the wider the spread of the disease, the greater the economic damage, since the effects will surely linger.

2. The combination of relatively low dividend cover and relatively high debt.

Based on analyst forecasts, dividends are covered just 1.62 times by earnings across the FTSE 100 in 2020, some way below the comfort level of twice covered that provides a buffer against unexpected events. In addition, net debt has more than doubled since 2007, according to Man GLG, to further limit executives' room for manoeuvre.

3. Dividend concentration.

More than half of the FTSE 100's dividend payments come from just 10 stocks so investors need to be comfortable with the business prospects, cash flows and balance sheets of **Royal Dutch Shell (RDSB)**, **HSBC (HSBA)**, **BP (BP.)**, **British American Tobacco (BATS)**, **GlaxoSmithKline (GSK)**, **Rio Tinto (RIO)**, **AstraZeneca (AZN)**, **Lloyds (LLOY)**, **BHP (BHP)** and **Vodafone (VOD)** in particular, especially as few of them look to offer compelling growth narratives.

Investors were also demanding a premium to help compensate them for the risk – as it was seen – of a Labour government. That risk has passed for five years (in theory) and as a result, share prices initially gained and the dividend yield came down.

It therefore stands to reason that share prices could go higher again, further decreasing the yield, if these new fears are assuaged and investors become more confident in the prospects for UK stocks.

Should you reinvest Sirius Minerals takeover cash in Anglo American shares?

The FTSE 100 mining giant is a wholly different proposition to the junior potash miner it is trying to acquired

Investors who bought shares in **Sirius Minerals (SXX)** and who want to retain exposure to the company's Woodsmith potash project face a very different proposition now that **Anglo American (AAL)** looks set to take ownership through its planned £409m takeover of Sirius.

To follow the development of Woodsmith into production, Sirius investors would need to reinvest the takeover cash – assuming the deal goes through – back into Anglo American shares. They would then be invested in the project's new owner, albeit also having exposure to many other projects involving a range of commodities.

The potash project would initially be small in the context of Anglo's portfolio of operations, but in time it could become an important source of revenue for the expected new owner.

WHAT'S THE DIFFERENCE BETWEEN SIRIUS AND ANGLO?

Unlike Sirius, a junior start-up trying to find a way to dig deep into the ground in North Yorkshire, Anglo American is a century-old miner worth £28bn with 64,000 employees and

36 mining programmes in 10 countries across the world.

In its 2018 results, the company generated $27.6bn of revenue, with $9.2bn of underlying earnings before interest, tax, depreciation and amortisation (EBITDA). Its 2019 results will be published on 20 February 2020.

Anglo is a diversified miner, producing copper, iron ore, diamonds, nickel, manganese, coal and platinum group metals (PGMs) platinum, palladium and rhodium.

What it doesn't currently have is potash, with the move for Sirius surprising many Anglo watchers.

BMO metals and mining analyst Edward Sterck called the move a 'speculative foray' into a 'green commodity' by Anglo, noting the substantial money that needs to be spent developing Sirius' mine.

He also flags concerns over the market competitiveness of the type of product Anglo is aiming to produce, given that the broader potash market is expected to remain in oversupply until 2027.

'This would certainly be a counter-cyclical investment (for the fertiliser market), but given the extremely long mine life this may present an interesting opportunity in a "green" commodity over the longer term.'

DIVERSIFICATION BENEFITS

Potash can be an attractive commodity for miners because it offers diversification, due to the fact that fertiliser prices aren't usually correlated with other commodities like iron ore and copper.

Producing potash would also further differentiate Anglo American from its London-listed peers, **Rio Tinto (RIO)**, **BHP (BHP)** and **Glencore (GLEN)**, the other major diversified miners on the FTSE 100.

BHP has a potash asset – the massive Jansen project in Canada – but it has been put on hold until 2021 while the company decides what to do with it next. Rio Tinto has potash exploration interests but nothing in production.

COMMODITY RISKS TO CONSIDER

Anglo and Rio are the only London-listed diversified miners with diamond assets. This commodity is arguably more important to Anglo as it owns 85% of De Beers and on a group basis derives 14% of its earnings from diamonds.

Liberum analysts see the outlook for diamonds remaining bleak, due to lacklustre Chinese jewellery demand, and weaker consumer confidence in regions like the Middle East causing a pullback in demand for the higher quality stones De Beers specialises in.

More widely, the worry is that cheaper synthetic diamonds will take market share and lead to a long-term decline in demand for natural stones.

In 2018, in an attempt to address this situation De Beers started selling synthetic diamonds for the first time in its 130-year history and as analysts at Jefferies point out, it did so with barely any mark-up in an attempt to drive prices down across the synthetic diamond market.

Before De Beers entered the market, synthetic diamonds would cost around $4,200 per carat, compared to $6,000 for a natural diamond. But the company shocked the industry in May 2018 when it started making and selling synthetic diamonds for $800 per carat.

This should have the effect, the analysts point out, of limiting investment in new capacity for producing synthetic diamonds and clearly differentiate the two markets.

Jefferies comments: 'The diamond industry's marketing efforts – which have historically been extremely effective – will be critical once again to create continued demand for natural stones rather than synthetics.

'In the meantime, Anglo and other major diamond producers are likely to operate on a value over volumes strategy to limit downside risk to prices for natural diamonds.'

TRANSFORMING ANGLO AMERICAN

There are three legs to Anglo American's future strategy as it attempts to grow production and boost margins. This includes a well-planned operating model, its P101 approach which aims to go above and beyond best-in-class industry processes and equipment, and finally its trademarked FutureSmart Mining initiative. The latter involves the application of technology and data analysis to increase efficiency and reduce the environmental impact of its operations.

Anglo American earnings by commodity (2018)*

Coal	35%
Copper	20%
Diamonds	14%
Iron ore	13%
Platinum group metals	11%
Nickel and manganese	9%

Source: Anglo American. Figures refer to group underlying earnings before interest, tax, depreciation and amortisation (EBITDA)
*Corporate activities detracted 2% from earnings.

WHAT ABOUT PGMS?

In the case of PGMs, analysts are concerned that increased market share of electric vehicles and the growing trend for recycling metals will reduce demand for the mined PGMs used in the catalytic converters of conventional vehicles.

Jefferies says Anglo makes the case that there are technology-driven demand drivers for PGMs, but that 'market scepticism about the demand outlook for these metals is unlikely to subside for the foreseeable future'.

Iron ore makes up 13% of Anglo's underlying earnings and Liberum thinks a global oversupply of steel – iron ore is also a key component in the manufacture of steel – will significantly reduce iron ore demand and therefore prices in both 2020 and 2021.

ESG CONCERNS

Those investing with an ethical lens should know that coal accounted for more than a third (35%) of Anglo's 2018 earnings.

However, the bulk of these earnings came from metallurgical coal, a vital ingredient for steelmakers, with only modest amount derived from thermal coal, a significant contributor to emissions as it is burned to produce energy.

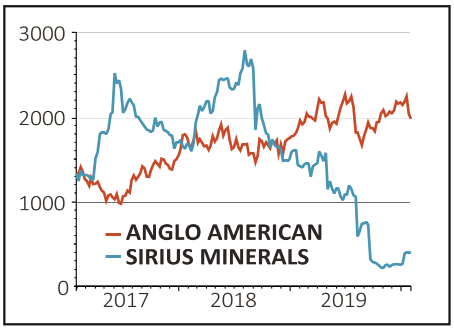
As far as those in the market see it, the most promising area for Anglo appears to be copper, which accounted for 20% of earnings in 2018.

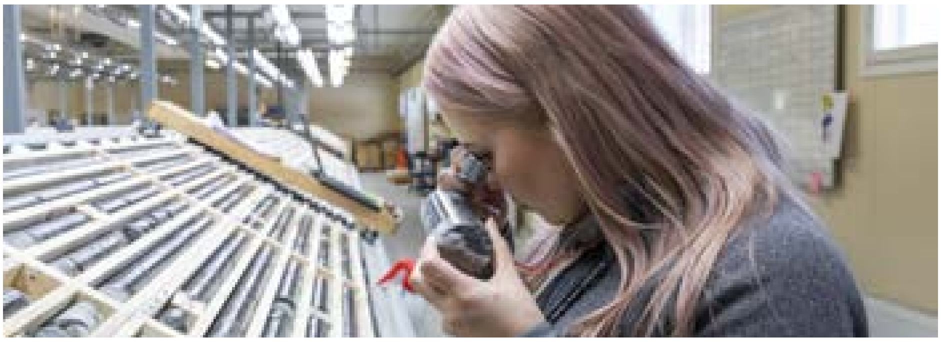
The global copper market is forecast to be in deficit by 2023. The amount produced from mines currently in operation, or set to come online in the near future, is not expected to keep up with demand due to forecasts for rocketing electric vehicle sales and the need for huge infrastructure upgrades across the world, particularly in emerging markets.

Jefferies notes Anglo's shares have traded at a 'significant discounts' to Rio Tinto and BHP due to inferior free cash flow, as well as lower profit margins for the group, dragged down by its diamond business.

Almost half the company's projects are in South Africa, but despite its mining history the country has an increasingly high risk profile for the industry. It faces a severe electricity crisis as power cuts become more common across the country.

In addition, rising public anger over miners bubbled over during the 2019 elections, with the far-left Economic Freedom Fighters party, which vowed to nationalise all the country's mines if it got





into power, gaining 11% of the vote. And the uncertainty and economic woes have contributed to a devaluation of the domestic rand currency.

CASH FLOW AND EARNINGS TO IMPROVE

Jefferies thinks Anglo's free cash flow and capital returns should significantly improve after its Quellaveco copper project in Peru comes online in 2022, shifting the focus from the South African assets as Quellaveco ramps up and the copper price likely outperforms iron ore.

There is ongoing a debate over a potential break-up of Anglo American at some point in the future.

According to Jefferies, the strategy would be for Anglo to demerge its majority ownership stakes in its listed South African subsidiaries – Kumba and Amplats – and then benefit from a re-rating of its international businesses, which focus on copper, metallurgical coal, nickel and include De Beers and its Brazilian Minas Rio iron ore mine.

They believe a break-up would create 'significant value' for shareholders, and estimate Anglo to be worth £27.25 a share on a sum-of-the-parts basis, well ahead of its current £20 level.

But they can't see such a scenario playing out until it gets its debt down. Despite reducing net debt by $10bn over the past three years, it still had net debt of $3.4bn as of 30 June 2019, albeit only representing 0.3 times underlying EBITDA.

The analysts believe an adequate amount of deleveraging is likely to take between 18 and 24 months.

SHARES SAYS:

Sirius investors eager to continue having exposure to the Woodsmith project must understand that Anglo still comes with considerable risks despite being a very large company with a diverse source of revenue. Anglo American has been a very good investment over the past four years and there is a lot to like about the business. Unfortunately there are numerous headwinds including how the coronavirus might impact commodities demand in the near term.

Now doesn't feel like the time to be investing in the resources space given considerable uncertainty to global growth. We suggest you wait on the sidelines until the coronavirus situation starts to calm down before considering Anglo or indeed any mining stock.

By **Yoosof Farah**
Reporter

Funds with a consistent track record of superior performance

We reveal the unit trusts and Oeics that have been top quartile performers

Do you fancy discovering the high-fliers in the open-ended funds space? We've analysed the data to find the funds which have consistently appeared at the top of the performance tables.

Past performance is no guide to future returns, and lest we forget, we've been in a bull market for over a decade, which has provided a tailwind for most portfolios. Yet those funds and managers that have routinely outperformed during the economic and market vagaries of the past decade must be doing something right.

To be included in our high-fliers list, funds must have delivered top quartile performance in each of the one, two, three, four, five and 10 year periods to 29 January 2020 without exception.

From Investment Association's (IA) universe of 4,045 unit trusts and OEICs, our search criteria is only met by 122 funds, a mere 3% of the total. We'll now look at a selection of these products split by fund sector.

UK ALL COMPANIES SECTOR

Bestriding the IA UK All Companies sector like a colossus is **Slater Growth (B7T0G90)**, a unit trust which has delivered a stunning 361.5% return on a

To be included in our high-fliers list, funds must have delivered top quartile performance in each of the one, two, three, four, five and 10 year periods to 29 January 2020 without exception.

UK All Companies

Fund	5yr	10yr
Slater Growth	80.0%	361.5%
Franklin UK Mid Cap	70.6%	279.4%
Royal London UK Mid-Cap Growth	60.1%	262.4%
TB Evenlode Income	74.1%	247.1%
EdenTree UK Equity Growth	52.8%	246.8%
ASI UK Mid Cap Equity	74.3%	246.5%
MFM Bowland	119.2%	240.9%
Montanaro UK Income	72.5%	240.3%
Slater Recovery	89.4%	232.7%
Royal London Sustainable Leaders Trust	69.4%	229.7%
Liontrust UK Ethical	73.3%	226.4%
Premier Ethical	59.9%	217.3%
Liontrust Sustainable Future UK Growth	67.5%	207.7%
Baillie Gifford UK Equity Alpha	79.1%	203.7%
SVM UK Opportunities	63.7%	195.1%
Premier UK Growth	70.9%	192.2%
BlackRock UK Special Situations	63.0%	192.2%
TB Saracen UK Alpha	61.8%	189.5%

Source: Fe Fundinfo. Data to 29 Jan 2020. Total returns.


Mark Slater

"Mark Slater adopts the same principles outlined in his father's book, unearthing growth companies using value filters and with the price-to-earnings growth or 'PEG' ratio providing a starting point"

10-year view under its consistent manager Mark Slater.

Son of the late Jim Slater, the famous financier and investor who penned influential stock picking tome *The Zulu Principle*, Mark Slater adopts the same principles outlined in his father's book, unearthing growth companies using value filters and with the price-to-earnings growth or 'PEG' ratio providing a starting point.

The sector's other super-consistent collectives delivering on a decade-long time frame include **Franklin UK Mid Cap (B7BXT54)**, **Royal London UK Mid-Cap Growth (B5BRW42)**, as well as the highly successful **TB Evenlode Income (BD0B7C4)**.

The latter fund has an emphasis on sustainable real dividend growth which has seen the portfolio filled with companies such as **Unilever (ULVR)**, **RELX (REL)** and **GlaxoSmithKline (GSK)**, large cap companies generating high returns-on-capital and strong free cash flow.

OVERSEAS SECTORS

The US stock market has spearheaded the prolonged bull-run, with its large technology leaders rampaging higher, so you'd expect to see some strong showings from within the IA North America sector. **Baillie Gifford American's (0606196)** stellar 10, five and three-year returns – of 469.9%, 174.9% and 81.1% respectively, according to Fe Fundinfo – certainly merit mention.

Managed by Gary Robinson and Helen Xiong, who back their judgment by running a concentrated portfolio of 30 to 50 growth businesses, the top 10 includes online shopping-to-web services star Amazon, electric

Unilever

Global sector

Fund	5yr	10yr
Seilern World Growth	133.9%	346.0%
Morgan Stanley Global Brands	110.6%	306.4%
Pictet Security	98.1%	301.9%
Threadneedle Global Extended Alpha	99.0%	295.2%
T. Rowe Price Global Focused Growth Equity	128.9%	292.5%
Fidelity Global Focus	91.3%	246.5%
T. Rowe Price Global Growth Equity	99.2%	242.0%
Threadneedle Global Select	101.2%	235.3%
Pictet Water	90.6%	234.2%
BMO Responsible Global Equity	94.9%	229.8%
Janus Henderson Global Sustainable Equity	89.6%	228.9%
Liontrust Sustainable Future Global Growth	98.2%	222.5%

Source: Fe Fundinfo. Data to 29 Jan 2020. Total returns.

car maker Tesla, Google's parent company Alphabet and online furniture seller Wayfair.

Close inspection of the IA Global sector reveals an intriguing trio of top performers, headed up by **Seilern World Growth (B2NXKV0)**. This £1.1bn fund seeks to achieve absolute returns with moderate risk by investing in OECD country companies of highest quality with proven track records. This strategy has served the fund well, as demonstrated by its 346% 10-year return.

Hot on its heels are **Morgan Stanley Global Brands (3248249)** with a 306.4% 10-year return, and also **Pictet Security (B5169S2)**, an investor in companies which provide safety and security products and services including Equinix, Thermo Fisher Scientific and Palo Alto Networks, with a 301.9% return this past decade.

OTHER TOP PERFORMERS

Fe Fundinfo data throws up other portfolios that have produced terrific returns year in, year out. For example, one utilises a proven process with a team approach and another taps into the expertise of a long-serving lead manager.

Among this group is **Liontrust UK Smaller Companies (B57TMD1)**, a fund which has delivered by daring to be different. The last factsheet cites 97.1% active share, a measure of how different a fund's holdings are to its benchmark, and investors in this fund from the Liontrust stable are 434.5% in the money on a 10-year view.

Managers Anthony Cross, Julian Fosh, Matt Tonge and Victoria Stevens use Liontrust's tried-and-tested 'Economic Advantage' process to spot companies with a durable competitive advantage that not only allows them to defy industry competition, but to also sustain a higher than average level of profitability for longer than expected.

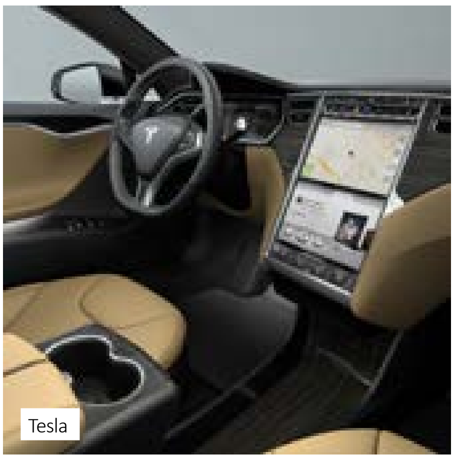
Another fund in the top performers list is **T. Rowe Price US Blue Chip Equity (BJT34X3)**, whose manager Larry J. Puglia puts money to work with large and medium-sized blue chip companies quoted across the pond.

Top 10 holdings span Amazon and Alphabet to payments plays Visa and Mastercard, although the fund also owns Boeing, the aircraft maker that has recently encountered much turbulence.

North America

Fund	5yr	10yr
Baillie Gifford American	174.9%	469.9%
T. Rowe Price US Blue Chip Equity	139.8%	450.9%
Morgan Stanley US Advantage	138.0%	448.1%
AB American Growth Portfolio	141.7%	420.7%
UBS US Growth	132.4%	393.1%
AXA Framlington American Growth	114.1%	367.7%
Franklin US Opportunities	107.7%	345.7%

Source: Fe Fundinfo. Data to 29 Jan 2020. Total returns.


Tesla


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

The stocks that move the FTSE 100 and FTSE 250 indices

Find out the names which really matter to the performance of the UK stock market

If you have ever wondered about what purpose stock market indices serve, how they work or just wanted to know how they relate to investing, we have the answers.

Over the coming weeks we will cover all the main global indices, starting with the most recognised UK market benchmarks. We will discuss what moves them and how you can gain exposure to their performance.

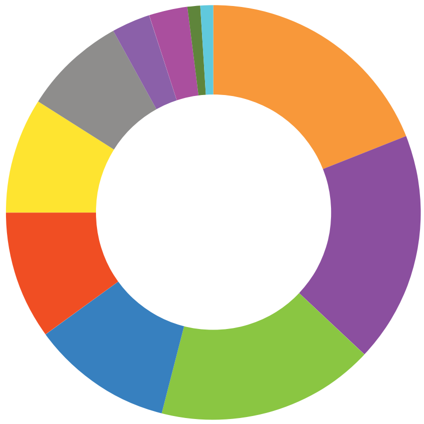
FTSE 100 INDEX

You should have heard of the FTSE 100 index in articles about the stock market but in reality only a few of the biggest companies 'move' this benchmark.

The FTSE 100 index encompasses the largest 100 publicly quoted companies on the UK market. Each constituent is weighted by market capitalisation (number of shares in issue multiplied by the share price) which means that giant behemoths like **Royal Dutch Shell (RDSB)** are far more important than retailer **Morrison (MRW)** which is a much smaller company.

When you see that the FTSE 100 has moved by 1% on any

FTSE 100 BY SECTOR



Oil & Gas	18.7%
Financials	18.6%
Consumer goods	17.1%
Basic materials	11.6%
Consumer services	10.8%
Health care	9.1%
Industrials	7.6%
Utilities	3.0%
Telecoms	2.5%
Technology	0.7%
Other	0.3%

FTSE 100 TOP TEN

Name	Weight %
Royal Dutch Shell	8.7
HSBC Holdings	6.1
AstraZeneca	5.3
BP	5.0
GlaxoSmithKline	4.8
British American Tobacco	4.2
Diageo	3.8
Unilever	2.7
Rio Tinto	2.5
BHP	1.9
Total	45.0

Source: Refinitiv

given day, for example, it's generally the result of share price movements in only a handful of sectors including oil companies, miners or financial stocks.

The FTSE 100 is dominated by oil and gas (18.7%), financials (18.6%) and and consumer goods which represent 17.1%.

HSBC (HSBC) is the largest financial at 6.1% of the FTSE 100. In consumer goods, **British American Tobacco (BATS)**, **Diageo (DGE)** and **Unilever (ULVR)** cumulatively make up about two thirds of the sector and 10.7% of the FTSE 100.

The oil and gas sector strangely includes **Glencore (GLEN)** which is best known as a miner and commodities trader.

With just eight stocks, you can get exposure to 41% of the FTSE 100: Royal Dutch Shell, **BP (BP.A)**, HSBC, British American Tobacco, Diageo, Unilever, **AstraZeneca (AZN)** and **GlaxoSmithKline (GSK)**.

Share prices in miners such as Rio Tinto, **BHP (BHP)** and **Anglo American (AAL)** tend to be more volatile.

All these businesses earn most of their earnings from outside the UK but their share prices are in pounds. Therefore foreign exchange rates versus the pound really matter to the FTSE 100.

PROMOTION AND RELEGATION EACH QUARTER

The composition of the index changes according to the performance of the shares in the index. At the end of every quarter, the smallest companies in the index get relegated to the mid cap FTSE 250 while the largest companies from that index get promoted to the larger FTSE 100 index.

Over the last five and 10 years the index has delivered a cumulative return of 9.9% and 41.6% respectively. It should be noted that the return excludes dividend income.

THE ROLE OF INDICES IN INVESTING

INDICES ARE USED to help benchmark fund managers' performance as well as for investors to passively track certain parts of the market.

Crucial to effective measurement of performance is comparing fund managers on a like-for-like basis. It's no good comparing a manager that only invests in micro cap companies with a manager who invests in large cap companies. It simply won't inform you about relative investment skill.

Over the years various companies have developed benchmarks designed to make performance measurement more effective. As such, benchmarking has become a hugely competitive business. For example, the **London Stock Exchange (LSEG)** owns the FTSE Russell indices and provides analysis and real-time data to fund groups.

The huge growth in passive investing over the last 10 years has led to a proliferation of products that track indices and allow investors to gain exposure to large parts of the market at very low cost.

For investors just starting out as well as those with more experience, exchange-traded funds (ETFs) and tracker funds can provide a diversified portfolio with exposure to large swaths of the stock market.

One way of getting passive exposure to the index is via the **iShares Core FTSE 100 ETF (ISF)**. It mirrors the performance of the FTSE 100.

FTSE 250 INDEX

The FTSE 250 index is often called the mid cap index because its members are smaller than the giants in the FTSE 100, but still decent size companies, with the top five having an average market cap of around £5bn each. It represents the next 250 largest quoted companies on the UK stock market after the FTSE 100.

One of the differences compared with the FTSE 100 is that there is a smaller gap between the largest members and the smallest, so the FTSE 250 index is a better reflection of the performance of all its members.

That said, it is dominated by some large sector weights such as financials which represent 42.4% of the index, while industrial stocks are 19.6% and consumer services 14.2%. Altogether these three sectors are 76.2% of the index.

The FTSE 250 index is more domestically focused than the FTSE 100 and therefore better represents the domestic economy.

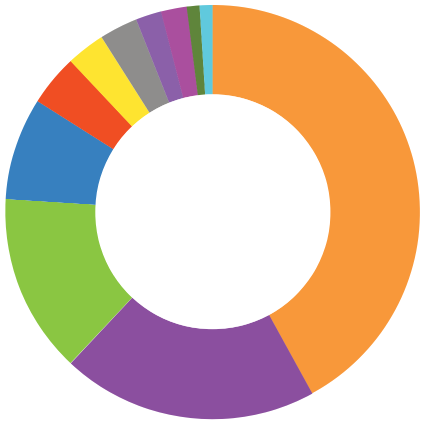
The total size of the FTSE 250 is £456bn, which is around a fifth the size of the £2trn FTSE 100.

The FTSE 250 is a favourite hunting ground for fund managers looking for an edge because there is less analyst coverage of the companies in the mid cap part of the market and, it is thought, more room to find mispriced stocks.

Over the last five and 10 years the index has performed much better than the FTSE 100, delivering cumulative returns of 30.9% and 131% respectively.

One way to get passive exposure to the index is through the **Vanguard FTSE 250 ETF (VMID)**.

FTSE 250 BY SECTOR



FTSE 250 TOP TEN

Name	Weight %
GVC	1.2%
Intermediate Capital	1.1%
Fresnillo	1.1%
Bellway	1.1%
Pennon	1.1%
Unite	1.0%
Direct Line Insurance	1.0%
Derwent London	1.0%
Investec	1.0%
Avast	1.0%
Total	10.6%

Source: Refinitiv

By **Martin Gamble**
Senior Reporter

Disclaimer: Editor Daniel Coatsworth owns shares in Vanguard FTSE 250 ETF.

How to find a list of companies quoted on the stock market

It is worth exploring the free resources available before paying for research

In the past, if you wanted to find a list of companies quoted on the stock market – say you fancied investing in a pub firm or a widget-maker – you probably had to pay a research firm for the information. Today, there are plenty of free resources which can do the same job without you having to fork out your hard-earned cash.

For a straightforward list of stocks listed on the London Stock Exchange, go to its website and click on the link to 'Statistics'. From there, you can choose between 'FTSE' or 'Companies and Securities'.

If you choose the first option and click on the 'FTSE' tab and then the 'FTSE UK Index Series' link, it takes you to the home page for the FTSE Russell indices where there is information on the FTSE 100, 250 and All-Share indices.

If you scroll down the page there are three columns offering factsheets for each index, the list of constituents along with their index weightings, and other index resources.

Clicking on the FTSE 100 in the 'Constituents' column brings up a downloadable file with the full list of FTSE 100 stocks in alphabetical order with their index weighting at the end of the last quarter. The file is usually updated mid-quarter so we will have to wait until mid-February for December's constituents and weightings to be published.

If you choose the second option and select the 'Companies and Securities' tab it brings up a list of options with Company List at the top. Clicking on the link brings up a downloadable Excel spreadsheet listing every single company quoted on the UK market in alphabetical order, together with the date the company was originally listed and its sector classification.

There are over 2,000 stocks in the spreadsheet and it can take a bit of effort to rank the companies by sector, by market (AIM or Main Market) or by market value. The spreadsheet is updated monthly which is fairly standard for most index providers.

If Excel has you running for cover, then Sharepad might appeal. This is a user-friendly albeit a paid-for research service. Although it uses a similar format to Excel, navigating the system using the buttons along the top makes life much easier and you can add or delete columns of data with ease.

It also has full financial data on every company along with growth forecasts, dividend forecasts and valuation metrics.

Companies on London Stock Exchange

As at 31 December 2019

Admission Date	Company Name	ICB Industry	ICB Super-Sector
[illegible]	1PM PLC	Financials	Financial Services
[illegible]	1SPATIAL PLC	Technology	Technology
[illegible]	3I GROUP PLC	Financials	Financial Services
[illegible]	3I INFRASTRUCTURE PLC	Financials	Financial Services
[illegible]	4D PHARMA PLC	Health Care	Health Care
[illegible]	4IMPRINT GROUP PLC	Consumer Discretionary	Media
[illegible]	600 GROUP PLC	Basic Materials	Basic Resources
[illegible]	7DIGITAL GROUP PLC	Consumer Discretionary	Retail
[illegible]	888 HOLDINGS PLC	Consumer Discretionary	Travel and Leisure
[illegible]	88 ENERGY LIMITED	Energy	Energy
[illegible]	AA PLC	Consumer Discretionary	Automobiles and Parts
[illegible]	ABAL GROUP PLC	Technology	Technology
[illegible]	ABBEY PLC	Consumer Discretionary	Consumer Products and Services
[illegible]	ABCAM PLC	Health Care	Health Care
[illegible]	AB DYNAMICS PLC	Industrials	Industrial Goods and Services
[illegible]	ABERDEEN ASIAN INCOME FUND LTD	Financials	Financial Services

An example of how the London Stock Exchange's website displays information

By **Ian Conway**
Senior Reporter

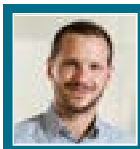
Help, I've missed the full tax relief on my pension

Our pensions expert explains how to claim everything you are owed on contributions

I've been paying into my workplace group personal pension (GPP) for just over three years and only just realised I'm missing out on pension tax relief. I earn £70,000 a year and pay about £5,000 of this into my GPP (matched by my employer).

However, I've only been receiving basic-rate (20%) tax relief through the scheme. What do I need to do to get the extra 20% tax relief I am owed?

Izzy



Tom Selby
AJ Bell
Senior Analyst says:

Anyone who saves in a pension scheme is entitled to tax relief, although you can only receive tax relief on contributions up to 100% of your UK earnings.

The relief you get effectively reclaims the tax you have paid on the earnings that you have now put into your pension. For example, if you are a basic-rate taxpayer you will get 20% tax relief, while if you have paid a higher level of tax on some of your earnings you can get this back too.

There is an annual limit to the amount you can save into your pension before you are hit with tax charges. For most people, the annual limit is £40,000, although for those who have flexibly accessed taxable income from their pension the annual allowance is much lower (£4,000).

In addition, people with total taxable income of £110,000 or more could see their annual allowance reduced to as low as £10,000. You can find more information on this here.

How you get tax relief depends on the type of scheme you are contributing to. If you are in a 'net pay' scheme, where your pension contributions are taken from your pre-tax income, you will automatically receive all the tax relief you are due.

If you are in a 'relief at source' scheme, 20% tax relief will be added to your contribution automatically in the pension scheme – even if you aren't paying income tax (i.e. people earning below the personal allowance, which is currently set at £12,500). This is different to a net pay scheme where these people lose out on this valuable benefit.

However, if you are a higher or additional-rate taxpayer under a relief at source scheme (or an intermediate or top-rate taxpayer in Scotland), you will need to claim back your extra relief via your self-assessment tax return for the year in which you made the contribution.

Your extra tax relief should then be provided via a reduction in the income tax you have to pay in the following tax year.

You can find more information on how to do this here.

If you have not claimed the additional relief for a previous tax year you can submit an amended self-assessment return (online or a paper return) up to a year after the usual self-assessment deadline – for example up until 31 January 2021 for the 2018/19 tax year.

If you need to make a change to your return for any other year you'll need to write to HMRC – although you might not get your money back if the claim is more than four tax years ago.

DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

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

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

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Top tips for writing a will

We explain how to make the necessary provisions for your family

There is a misconception that wills are only for the wealthy or the elderly but if you have dependants and you own any assets, you really should have a will.

There may be a bit of a psychological barrier to them for many of us – we don't like talking about death, after all. Perhaps that's why 56% of people in Britain don't have a will (according to a recent survey carried out by Opinium on behalf of Brewin Dolphin). If you die without one, you could create a lot of extra headaches and heartache for those you leave behind.

WHAT HAPPENS IF YOU DON'T MAKE A WILL?

In short: your assets could go somewhere you don't want them to, your estate could be difficult to administer and may attract a big tax bill, and a family rift could ensue if someone contests your will.

If you die without a will, it's called 'intestacy'. When someone dies intestate, the Government effectively writes a will for them, explains Nicola Plant, partner at Thomson Snell & Passmore. 'Intestacy provisions specify how your estate passes if you die without a will. However, they may not be in line with your wishes and can also be inheritance tax inefficient,' she warns.

If you're married and there is no will, your spouse will only get

the first £270,000 of assets in your name when you die.

If you're separated or divorced, your ex could make a claim against your estate in the absence of a will.

A will can protect unmarried partners and avoid a costly legal battle to ensure the surviving partner inherits the assets.

'Unmarried couples have no right to automatically inherit assets from a deceased partner. If a will has not been left, assets could be left to children or other family members,' explains Emma Woollard, wills, trusts and estates partner at Prettys Solicitors. 'A cohabiting partner may then have to go to court to benefit from the estate.'

PROTECTING YOUR DEPENDANTS

Wills aren't just about your assets, they can also specify who should become guardian of your dependants if you die while they are minors. You can also use a will to make provision for everyone in a blended family.

The law doesn't recognise stepchildren in the same way as biological children so having a will ensures all family members are included.

THINK ABOUT TAX

Tax planning is a huge factor in the importance of wills. When you pass away, HMRC wants to know the value of your estate for inheritance tax purposes, and that is something you can't change once you are gone.

But you can minimise your tax burden by including your spouse in your will, and ensuring assets that have tax relief, such as business property relief, are treated properly, advises Christine Thornley, head of wills, trusts and probate at Gorvins Solicitors.

Ian Dyall, head of estate planning at Tilney, gives the example of one couple who were both widowed and had remarried who legitimately saved £260,000 in tax by capturing four nil rate bands (including those from the deceased partners) worth £1.3m. 'If you are not careful, the way a will is drafted may prevent you taking advantage of tax opportunities,' he says.

REVIEW YOUR WILL AND WATCH YOUR WORDING

A will is a living document, which means you should revise it as your life and relationships change or your family grows. You should keep the wording up to date in case it refers to an asset you have since sold, for example.

'A common thing people do with a DIY will is saying they have a house to leave to this person, and money in this particular bank to leave to that person,' explains Thornley. 'But when they die they might not own that house, or they might have the money in a different bank and they haven't referred to it as they haven't done the will properly.'

CHOOSE YOUR EXECUTORS CAREFULLY

An executor is someone who you nominate to carry out the wishes in your will. It can be an onerous duty, so you may choose to appoint a paid professional instead of a friend or relative.

They may need to notify the authorities of your death, pay off debts and funeral costs, deal with inheritance tax and distribute your estate to your beneficiaries.

You will usually need to nominate two responsible people, who may also be required to administer trusts on your behalf as trustees.

'The choice of executor is important – you might appoint a son and daughter who hate each other and argue about everything so the estate can't be administered and it costs a lot of money. You have to think about who will be able to deal with it efficiently,' says Thornley.

DON'T CUT CORNERS TO CUT COSTS

Many people choose to cut the cost of a will by using cheap will-writing services or doing it themselves. But there can be pitfalls: for example, some will-writing companies name themselves as executors of your will, and bill your estate for the work. A DIY will could also be invalid from being incorrectly worded or witnessed.

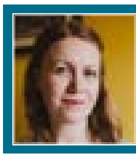
'If you are going to do it, use a will pack,' says Dyall. 'I've seen a lot of people try to draft their own wills and the wording is non-specific, you can't work out what they want to happen. Confusion in wills leads to family arguments which can be drawn out through the courts, so DIY wills are a false economy.'

Using a solicitor means you are covered by the Ombudsman scheme in case you need to make a complaint, plus the fee may include keeping your will in fireproof storage. If cost is a factor, schemes such as Free Wills Month and Will Aid can get you free or discounted wills through participating solicitors.

TAKE EXTRA CARE WITH COMPLEX AFFAIRS

If you own unusual or overseas assets or your financial affairs are quite complicated, a will is vital. 'If you have less commonly held assets, such as shares in private companies, foreign land or an interest under a trust, it is even more important to get expert advice,' says Plant at Thomson Snell & Passmore.

If you have a beneficiary who is not capable of handling money because of addiction or disability, or who would lose their benefits if they received a sudden windfall, a solicitor can help you set up a managed trust so you can give them gradual financial support.



By **Hannah Smith**

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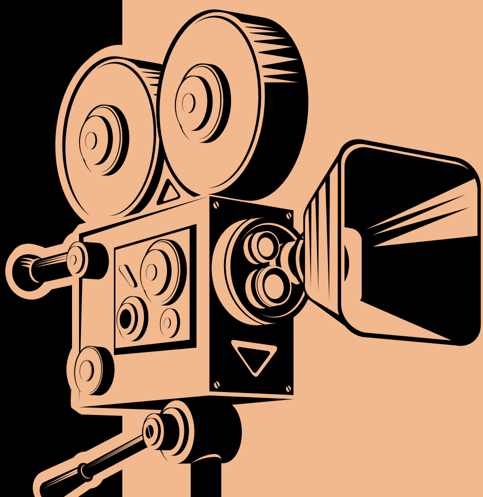

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KEY ANNOUNCEMENTS OVER THE NEXT WEEK

Full year results

11 February: IDOX. **12 February:** Plus500, Primary Health Properties. **13 February:** Barclays, Centrica, Churchill China, Coca-Cola HBC, Gem Diamonds, Indivior, RELX.

Half year results

11 February: Diurnal. **12 February:** Dunelm, Oncimmune. **13 February:** Grit Real Estate Income, MJ Gleeson.

Trading statements

11 February: TUI. **13 February:** Safestore.

WHO WE ARE

EDITOR:
Daniel Coatsworth
@Dan_Coatsworth

DEPUTY EDITOR:
Tom Sieber
@SharesMagTom

NEWS EDITOR:
Steven Frazer
@SharesMagSteve

FUNDS AND INVESTMENT TRUSTS EDITOR:
James Crux
@SharesMagJames

SENIOR REPORTERS:
Martin Gamble
@Chilligg

Ian Conway
@SharesMagIan

REPORTER:
Yoosof Farah
@YoosofShares

CONTRIBUTORS
Russ Mould
Tom Selby
Hannah Smith

ADVERTISING
Senior Sales Executive
Nick Frankland
020 7378 4592
nick.frankland@sharesmagazine.co.uk

CONTACT US:
support@sharesmagazine.co.uk

All chart data sourced by Refinitiv unless otherwise stated

PRODUCTION
Head of Design
Darren Rapley
Designer
Rebecca Bodi

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