TRENDWATCH

Issue 2016/12 www.trendwatch.co.uk 9 November 2016

Investment overview – what you need to know NOW for your investing decisions

Hail to the new president – America's problems start here

SO NOW we know. The American electorate has come to its decision. It has chosen as its new president the racist, misogynistic, xenophobic, Islamophobic, misopedic, megalomaniacal, narcissistic, egotistical, vindictive, six-times-bankrupt*, hypocritical, bullying, Putin-loving sex-pest Donald Trump.

Just my honestly-held opinion; but the Donald's nightly utterances on TV provide all the backing one could wish for such an assertion, and more. No offence intended, Donald. Sorry if that upsets any of your supporters.

Sure Hillary is flawed as well. If you're a Trump supporter, I'm sure you can easily compose your own unique string of pejoratives to describe her. Millions of people in America, including Trump, believe that "crooked Hillary" should be in prison for running a private email server, which was deemed to be insecure. But while FBI director James Comey rebuked her for carelessness with classified state information, he confirmed on Sunday that "no reasonable prosecutor" would bring charges. Trump has vowed to set up special investigation with a view to ensuring that she is prosecuted and imprisoned. Was that just election rhetoric or does he mean it?

Do Hillary Clinton's character flaws even approach those of Donald Trump? Would you really want Trump to be promoted to Commander-in-Chief of the greatest military power in history, and be the custodian of the nuclear codes? Does he have the qualities required to make America a kinder, less hate-filled, less polarised country? The American electorate has made their decision.

Like most people, we thought Clinton would win. If Trump didn't win Florida, it we thought it would be extremely difficult for him to garner sufficient delegate votes to cross the finishing line ahead of Clinton. There is a huge Latino population in Florida and they came out to vote in much larger numbers than in the previous election. We doubt whether many of them would vote for Trump, given his comments about Latinos in general. And that's without the female electors, who he had also insulted.

But we were wrong. Trump mobilised the white male vote in Florida as he did so successfully in other states. Florida fell to him, and therefore so did the presidency.

Incidentally, although all the votes are not yet in, the latest projection we have is that Trump will actually have secured 1.3% *less* votes than Clinton.

While we may excoriate Trump's personality, we also take our hat off to him. By the sheer force of that personality, he captured the imagination of that huge portion of the electorate that felt that the establishment had shafted them. We have a lot of empathy with those people.

❍ ❍ ❍

Now that the result has been announced, let's discuss the likely aftermath of what has undoubtedly been the most angry, divisive presidential campaign of the modern era.

One of the first major events will happen way before Trump moves into the White House. Later this very month, Trump will be in the dock in *Low v. Trump* in the Southern California District Court. Trump is accused of racketeering – specifically that the "Live Events" sold through the now-defunct so-called "Trump University" were nothing more than a grand scheme to defraud students; and were in reality sales pitches for more expensive programs. Even assuming Trump won't be president, the trial is likely to attract a fair amount of interest, at least in America.

Not that Trump is any stranger to the courts. According to a search carried out by the newspaper *USA Today*, he has been involved in more than 3,500 lawsuits over the past 30 years, or nearly 10 a month. No other presidential candidate comes anywhere close to that.

In 1,900 cases, he was the plaintiff (his chief negotiating tool is to sue or threaten to sue 'little people' with limited financial resources). In 1,450 cases, he was the defendant. And 150 cases were related to his bankruptcies, third parties or 'other'. Dozens of cases are unresolved, which means that the 10 O'Clock News could well have to devote quite a lot of airtime reporting on the Trump's

** Trump has never been made personally bankrupt but his businesses have – thus enabling him to avoid personal bankruptcy:*

1991: Trump Taj Mahal casino, Atlantic City.
1992: Trump Castle casino, Atlantic City
1992: Trump Plaza hotel, Atlantic City
1992: Plaza Hotel, New York City
2004: Trump Hotels & Casino Resorts
2009: Trump Entertainment Resorts

In this issue....

FINANCIAL SYNOPSIS

Global stockmarkets suffered a truly miserable week last week, primarily because of uncertainty over the result of Tuesday's US presidential election.

Last Friday, a modest rise in the **S&P 500**, prompted by decent non-farm payroll figures, finally snapped an 8-day losing streak – its longest since October 2008. After falling to a 4-month low, the index lost 1.4% over the week.

The **FTSE 100** fared far worse, down 4.2%, its biggest weekly drop for 10 months. Friday was the fifth consecutive daily decline. Smaller companies got off somewhat more lightly, but it was still a poor week for them, with losses ranging from -1.4% for the **FTSE SmallCap** and **Fledgling** indices to -2.6% for the **FTSE AIM All Share**.

The **FTSE Eurofirst 300** dropped 3% and Tokyo's **Nikkei 225** shed 3.1%, its biggest weekly decline since August.

Things were just as bad, if not worse, in the energy markets. **Brent crude** fell to a near three-month low of $45.43 a barrel on Friday, its sixth consecutive daily decline. On the week, it plunged 9.4%. This was as a result of US crude stocks rising to record levels

Gold had a much better week, benefiting from all the uncertainty. It closed the week $28, or 2.2%, higher on the week at $1,304 an ounce. However, by the close on Tuesday of this week, it was back down to $1,279.

In currencies, **sterling** had its best weekly gain against the US dollar since early March. Buyers pushed the rate up from around $1.21 to more than $1.25, thanks to Mr Carney's decision to see out his term at the Bank of England, plus Thursday's High Court ruling against the government over Article 50. Conversely, the **dollar** had a poor week, falling 1.4% against a weighted basket of its peers.

TRENDWATCH Barometer
London-listed shares

% of total no. of shares monitored	28-Oct	04-Nov	% change on fortnight
Uptrends	21.52%	8.19%	-13.33%
Indeterminate	62.34%	66.30%	+3.96%
Downtrends	16.14%	25.51%	+9.37%
AIM-LISTED:			
Uptrends	15.23%	11.52%	-3.71%
Indeterminate	69.43%	71.74%	+2.31%
Downtrends	15.34%	16.74%	+1.40%
INVESTMENT TRUSTS:			
Uptrends	30.03%	7.29%	-22.74%
Indeterminate	61.81%	79.59%	+17.78%
Downtrends	8.16%	13.12%	+4.96%
EXCHANGE TRADED FUNDS:			
Uptrends	46.11%	4.44%	-41.67%
Indeterminate	43.33%	88.34%	+45.01%
Downtrends	10.56%	7.22%	-3.34%

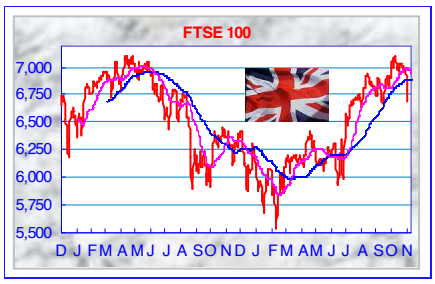
Investment overview (continued)

frequent appearances in court.

For the record, just before the vote, both candidates were running neck and neck in terms of distrust, with 60% of the electorate distrusting both Trump and Clinton. The people have been asked to vote for two candidates that the majority of the people don't like.

Incidentally, contrast that with a 57% approval rating for President Obama, according to a Gallup poll taken between October 19 - 21. And that's a poll of both Democrats and Republicans.

Even worse, according to polls, 90% of Trump supporters feel "disgust, disdain, fear and/or outright hatred" for Clinton. And 89% of Clinton supporters feel the same about Trump. So whoever won the contest was destined to leave nearly half the electorate with feelings of disgust, distain, fear and/or outright hatred of their president.



That's a toxic situation in a country where there are millions of privately owned guns. Regardless of the result, there are 100 million angry, frustrated people in America as you read these words. Some of those – Trump supporters in particular – will take to the streets to agitate for investigations of alleged criminal activities on the part of Clinton (at least we'll be spared their claims that the election was rigged). And a small minority of extreme, mainly right-wing hotheads will be motivated to take up arms and seek to further their aims by force. So things could get really ugly.

America has just seen 17 successive months of rising gun sales, with September sales breaking the November 1998 record. Based on the National Instant Criminal Background Check System (NICS), almost 2 million guns were sold in September alone, bringing

(Continued on page 11)

London sector selector – what's hot and what's not, sector by sector

High Court deals a glancing EU blow to May

TERESA MAY was dealt a bit of a blow by last week's ruling in the High Court that the government must get parliamentary approval to trigger Article 50 and light the blue touch-paper for Britain's departure from the EU. Mrs May had hoped to have a clear run at Article 50 so as not to give away her negotiating hand. Most people were under the impression that parliament had already given its approval when it passed the European Union Referendum Act of 2015, giving the people the right to decide. But the judges ruled that the referendum result was only advisory, not binding, hence the need for another Act.

We doubt whether the blow is serious. Even if the government loses an appeal to the Supreme Court, chances are that Mrs May will simply push a one-line Act through parliament. It's thought unlikely that a majority of MPs would oppose this, as doing so would override the will of the majority of their constituents to leave the EU.

The case was brought by anti-Brexiteer Gina Miller, whose main motivation was presumably to try to defeat the will of the people. She is no doubt one of those who believe that our withdrawal from the EU will lead to disaster for Britain.

We very much liked Jim Mellon's characterisation of the (possibly diminishing) band of such anti-Brexiteers. Writing in his *Master Investor* newsletter: "*The legions of worthies... who predicted disaster for the UK immediately post a vote to leave are now deferring their timetables. They remind me very much of the religious maniacs who from time to time trudge to the top of mountains to await the Second Coming, only to trudge down forlornly when it doesn't happen. They, of course, have the same resilient hope for disaster as the Remainers – that they just got their timing wrong, and redemption won't be long in coming (in their deluded minds.*"

There's certainly little sign of Armageddon happened any time soon. Mr Mellon went on to observe that, four months on from the vote, the economy is likely to be the strongest in the G7 yet again, leaving the EU in its trailing in its wake. Even sterling perked up after High Court ruling, in the belief that the government would have to show more of its EU exit strategy soon, and that this would likely pressure the government into veering more towards a soft rather than a hard exit. We rather doubt that. From what we've seen of Teresa May so far, she has enough steel in her backbone to get the best possible deal for Britain, whether that deal is hard or soft.

Meanwhile, all major equity markets, including ours, have been dominated by the US presidential elections. We think Clinton has won. If we're right, you will have just seen a strong relief rally on Wednesday. It's sorely needed.

Forget about any impressions you may have that the London stockmarket is relatively buoyant. It isn't, as you can see from our page 1 *Barometer*. Over the past week alone, there has been a quite dramatic reduction in the number of Official List shares in uptrend, the percentage of which is now just 8.2%, the lowest figure we've seen for a very long time. Similarly the percentage of shares in downtrend has surged to over 25%. It's the same story with AIM shares, though fortunately less pronounced.

It's no use us analysing this in more detail. It's almost entirely due to the distorting effect of the US election. By the end of the week, the *Barometer* might look considerably different.

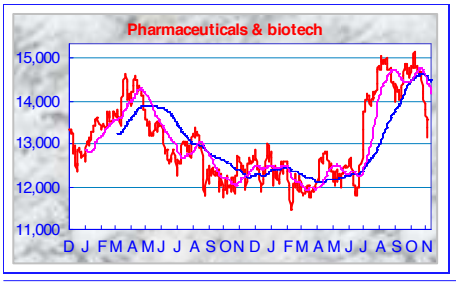
It woll be revealing to compare the *Barometer* in this issue to the one that will appear in the upcoming *Weekly Update*. ❑

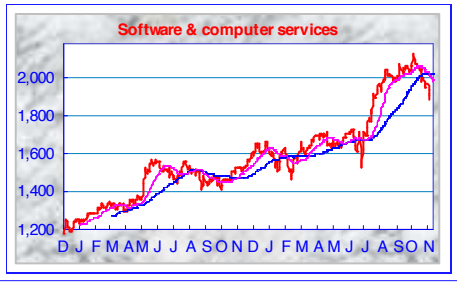
World stock markets
☺ uptrends
Chile (IGPA Gen.) 200
China (Shanghai A) 80
Egypt (EGX 30) 30
Hungary (Bux) 80
Morocco (MASI) 60
Pakistan (KSE-100) 165
Slovakia (Sax) 45
Venezuela (ZSE Ind) 25

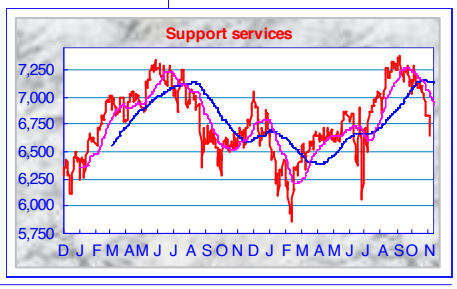
World stock markets
☹ downtrends
* Belgium (BEL20) -5
* Germany (M-DAX) -10
* India (BSE Sensex) -10
* Netherlands (AEX) -5
* Portugal (PSI Gen) -10
* South Korea (KorCpEx) -5
* Sri Lanka (CSE All Share) -5
Australia (All Ord.) -15
New Zealand (Cap 40) -15
Singapore (SES All S'pre) -20
South Africa (JSE All Sh.) -20
Switzerland (SMI) -20
UAE (Abu Dhabi Gen,) -30
US (Dow Jones Ind.) -20

Stock market sectors
☺ uptrends
NONE

Stock market sectors
☹ downtrends
* Fixed line telecoms -8
* FTSE 250 ex Inv Co -1
* Household goods -1
* Nonlife insurance -3
* Pharmaceuticals & bio. -8
* Real estate inv. & serv. -1
* Software & comp. serv. -4
* Support services -9
Food producers -21
Gas, water & multiutilities -26
Health care eq. & serv. -27
Media -12
Tech. hardware & eq. -13
Tobacco -15







***Performance review** – where we keep a close eye on the TrendWatch portfolio*

Uncertain markets pin us back to just one double-digit gain

IT SEEMS to us that investors are having just too much to cope with right now as uncertainties, real and imagined, abound, From time to time we're seeing our judgement confirmed in respect of this recommended stock or that as it publicly confirms what we thought was going to happen (well most of the time anyway) – only for the price to fall again a few days or hours later as nervous nellies disembark. So it is that this month we're looking at just the one double-digit winner, alas – and two, oil-related, losers.

The solitary winner was **Avation**, the aircraft leasing company. There were two items of news. First the company has sold a new Airbus 321-200 to a Chinese lessor for an undisclosed sum. Second, the company has received an expression of interest for the purchase of 22 of its fleet of 24 ATR72 turboprop aircraft, manufactured by the Franco-Italian company ATR (Avions de Transport Regional). The company is always willing to consider such offers so as to finance the purchase of new aircraft. The company has warned that there is no certainty that the transaction would complete – but that didn't stop the shares from rising 10.5%.

Biggest faller was **Petrofac.** The last news to hand came when the group claimed a strong interim performance underpinned by progress across the business and successful execution of a long-term two-stage strategy, which it said had started to deliver significantly improved growth despite the more moderate macro-environment in the Middle East. Growth in revenue to $3.9 billion reflected record activity levels and the company expects to deliver net profit in 2016 in line with expectations; the consensus being approximately $440 million before recognising the final charge on the *Laggan-Tormore* fiasco. The balance sheet showed net debt of $877 million. The interim dividend was maintained at 22 cents per share. But now the shares are down by 18.0%.

The other faller was our Nigerian venture, **Eland Oil & Gas,** covered in our last issue. Brent Crude is $46 at the time of writing and nothing else has changed. The company's *Africa Oil Conference* presentation on 'Field Rehabilitation and Production Growth in a Low Oil Price Environment' is now available to view on Eland's website: *www.elandoilandgas.com*. The shares were down 12.5% last week and were stopped out on Monday of this week..

As is normally the case at this time of year, none of the companies in our portfolio has reported interim or full-year figures. But there was the usual fistful of trading updates.

Amino Technologies the Cambridge-based provider of digital entertainment solutions for IPTV, Internet TV and in-home multimedia, is trading ahead of expectations, driven by record orders in August coupled with currently favourable foreign exchange effects. In addition, the strength of the current order book gives management confidence in continued growth for the year ahead. The shares rose 6.8% in the month.

Drinks retailer **Conviviality**'s unaudited revenues for the half year period were 211% ahead of last year at £783 million. Following its recent material acquisitions, Conviviality has been organised into three business units:

- *Conviviality Direct*: The UK's largest independent wholesaler to

The TrendWatch portfolio: Valuation as at 7 November 2016

Share (and EPIC code)	Date bought	Buy price (p) *	Price now (p)	gain/ loss (%)	F/c gross yield (%)	Mkt. gain/ loss (%)	Outperf. (%)	STOP-LOSS **
Accesso Technology Group (ACSO) AIM	16/10/14	535.00	1472.50	175.2	-	9.7	151.0	1312
Action Hotels (AHCG)	28/04/16	58.50	54.00	-7.7	4.8	4.9	-12.0	50
AFH Financial Group (AFHP) AIM	20/08/15	161.50	162.50	0.6	2.2	4.0	-3.3	152
Air Partner (AIR)	15/09/16	462.50	452.50	-2.2	5.4	-1.0	-1.2	388
Amino Technologies (AMO) AIM	04/02/16	115.00	149.50	30.0	4.7	12.2	15.8	123
AO World (AO.)	15/09/16	164.30	168.60	2.6	-	-1.0	3.6	144
Arrow Global (ARW)	15/09/16	277.75	295.00	6.2	3.8	-1.0	7.2	242
Ashstead Group (AHT)	23/06/16	1045.00	1217.00	16.5	2.0	4.4	11.6	1060
Augean (AUG) AIM	26/05/16	50.00	52.50	5.0	1.9	5.5	-0.5	42
Avation (AVAP)	04/02/16	144.50	174.00	20.4	1.9	12.2	7.3	139
Avingtrans (AVG) AIM	15/10/15	114.00	194.50	70.6	1.7	4.7	63.0	157
Beazley Group (BEZ)	04/02/09	103.90	361.90	248.3	4.5	37.1	154.0	324
BGEO Group (BGEO)	23/06/16	2630.00	2903.00	10.4	3.8	4.4	5.7	2345
boohoo.com (BOO) AIM	20/08/15	28.50	120.75	323.7	-	4.0	307.4	98
Clinigen Group (CLIN) AIM	21/07/16	686.50	733.00	6.8	0.6	0.1	6.7	619
Colefax Group (CFX) AIM	18/07/13	252.50	485.00	92.1	1.0	3.4	85.7	400
Constellation Healthcare Tech. (CHT) AIM	18/07/16	146.50	190.00	29.7	-	-2.7	33.3	164
Conviviality (CVR) AIM	18/07/16	224.25	206.25	-8.0	6.0	-2.7	-5.4	181
Direct Line Insurance Group (DLG)	20/06/13	213.50	344.60	61.4	7.2	11.2	45.2	327
Eco Animal Health (EAH)	08/01/15	210.50	475.00	125.7	1.3	2.7	119.7	408
Eland Oil & Gas (ELA) AIM	13/10/16	44.13	38.63	-12.5		-4.0	-8.8	38
Finsbury Food Group (FIF) AIM	05/02/15	65.50	123.50	88.5	2.4	-1.6	91.6	105
Frontier Developments (FDEV) AIM	13/10/16	199.00	196.50	-1.3		-4.0	2.8	160
Good Energy Group (GOOD) AIM	13/10/16	253.50	267.75	5.6		-4.0	10.0	222
IG Group Holdings (IGG)	27/10/11	468.40	804.50	71.8	4.0	22.9	39.7	766
IMImobile (IMO) AIM	25/06/15	147.50	173.50	17.6	-	-2.2	20.3	154
Inspired Energy (INSE) AIM	15/09/16	13.75	13.38	-2.7	3.4	-1.0	-1.8	11
iomart Group (IOM) AIM	31/03/16	270.00	262.75	-2.7	1.5	7.1	-9.1	248
John Laing Group (JLG)	11/01/16	205.20	267.00	30.1	3.3	8.9	19.4	220
Just Eat (JE.)	21/07/16	474.10	553.00	16.6	-	0.1	16.5	472
K3 Business Technology (KBT)	06/03/14	181.50	340.50	87.6	0.6	-0.9	89.4	299
Kerry Group 'A' (KYGA)	17/03/11	26.75	66.91	150.1	0.9	22.4	104.4	66
Keywords Studios (KWS) AIM	06/02/14	147.50	425.00	188.1	0.4	2.9	180.1	366
Maintel Holdings (MAI) AIM	13/11/14	582.50	895.00	53.6	3.5	2.3	50.2	847
Mortice (MORT) AIM	13/10/16	87.50	95.00	8.6		-4.0	13.1	77
NMC Health (NMC)	10/12/15	907.00	1358.00	49.7	1.0	8.2	38.4	1180
Paysafe Group (PAYS)	20/08/15	269.00	425.70	58.3	-	4.0	52.2	368
Petrofac (PFC)	18/08/16	872.00	766.50	-12.1	5.6	-2.7	-9.6	749
Quarto Group (QRT)	03/03/16	244.00	281.00	15.2	3.9	7.9	6.7	232
Rolls-Royce Holdings (RR.)	21/07/16	744.00	712.50	-4.2	1.8	0.1	-4.3	639
S&U (SUS)	23/06/16	2550.00	2287.50	-10.3	4.0	4.4	-14.1	1985
SafeCharge Intl. Group (SCH) AIM	18/08/16	251.50	219.50	-12.7	6.1	-2.7	-10.3	213
Secure Bank Trust (STB) AIM	13/10/16	2375.00	2234.00	-5.9		-4.0	-2.0	1911
Serica Energy (SQZ) AIM	18/08/16	14.63	14.25	-2.6	-	-2.7	0.2	12
Severfield (SFR)	18/08/16	54.38	61.00	12.2	3.3	-2.7	15.3	48
Somero Enterprises (SOM) AIM	04/02/16	140.00	174.00	24.3	3.8	12.2	10.8	147
Stride Gaming (STR) AIM	13/10/16	267.50	261.00	-2.4		-4.0	1.6	172
Tarsus (TRS)	30/04/15	233.50	250.00	7.1	3.6	-3.5	11.0	224
Wincanton (WIN)	23/06/16	201.00	190.00	-5.5	4.6	4.4	-9.4	164
	Averaged gains (%):			41.2	3.2	3.6	36.3	

TrendWatch portfolio's percentage profit: 41.17% Change since last full TW: -2.53%

Market's percentage profit (tracker fund)†: 3.59%

TrendWatch has outperformed market by: 36.28%

* Buy price is the price as at close of business on the Thursday following publication of the recommendation.

** A blue stop-loss limit means that the limit has been raised since the last issue; red means it has been lowered.

† 'Market gain' is the resultant gain/loss if the holding had been invested in a tracker fund. (See 'Technical Notes' on back page).

Performance review (continued from page 3)

the on-trade serving 23,000 outlets from national prestige hotel chains to independent food-led pubs and restaurants.

- *Conviviality Retail*: The UK's largest franchised off licence and convenience chain with 358 Franchisees and more than 700 retail stores trading primarily under the Bargain Booze, Bargain Booze Select Convenience and Wine Rack fascia.
- *Conviviality Trading*: A full service brand and wine agency with activation capability including festivals and events. New products can be developed through the whole lifecycle and through to the on-trade and off-trade.

Conviviality reports that sales in each business unit for the 26 weeks ending 30 October are above the corresponding prior period:

Conviviality Direct sales are up 5.2%
Conviviality Retail sales are up 2.5%
Conviviality Trading sales are up 5.1%

The shares were down by 5.3% in the month

Just Eat's total orders in the third quarter were 33.3 million, showing growth of 34% year-on-year on both a reported and like-for-like basis. UK orders were up 28% in the quarter, notwithstanding a significantly warmer and dryer summer than 2015. Further penetration into mobile usage with more than 80% of UK orders being made via mobile devices (Q3 2015: 74%) and over 46% of UK orders being made by app (Q3 2015: 41%). Over 30% of UK orders are now being processed on the Orderpad restaurant platform, and it has successfully commenced the rollout of this technology in Spain, Denmark, Italy, Canada and Ireland. The shares rose 1.1%.

In the nine months to 30 September, business volumes at Irish food group **Kerry** increased by 3.2%. Pricing declined by 2.2% against a background of 4.5% lower raw material costs. Reported revenues increased by 0.4% reflecting the business volume growth, lower pricing, adverse currency translation impact of 4.5%, adverse currency transaction impact of 0.3%, and the effect of acquisitions net of disposals of 4.2%. The group trading-profit margin increased by 70 basis points. This reflects a 70-point improvement in Taste & Nutrition, a 30-point improvement in Kerry Foods' margin and reduced spend on the Kerryconnect Programme. Despite the uncertainty and sterling devaluation resulting from the UK electorate voting to leave the European Union, Kerry Foods continued to perform well in the UK and Irish markets. The consumer foods division also maintained good growth in its selected mainland European markets and in the fast growing e-tail channel. The shares fell 4.4%.

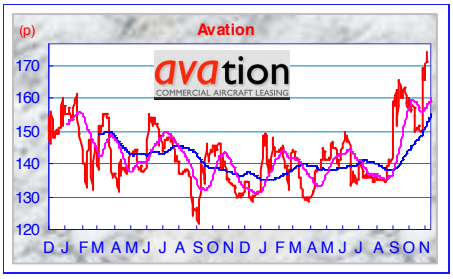
Mortice, the security and facilities management company covered in our last issue, has experienced strong period of trading in first half of the year, with year-on-year revenue growth of over 57%, including the first full contributions from *Office & General* and *Frontline Security*, which were acquired during the previous financial year. Both acquisitions have performed well and the company expects to announce total revenues for the first half of at least $80 million as against a comparative figure of $51 million. Security services revenues are expected to be approximately $43 million, with revenues from Facilities Management services of around $37 million Given both the existing client base and potential to win significant new clients, the company said that it remains on track to deliver full year revenues of at least $170 million, in line with market expectations. The shares gained 8.6%.

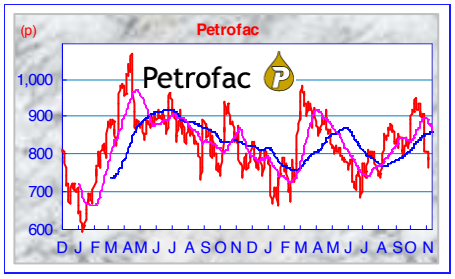
Publisher **Quarto Group**'s revenue for the 9 months ended 30 September of $130 million was up 5.9%. Underlying revenue was up 1.2%. But revenue for the quarter ended 30 September of $57 million was only up 3%. Underlying revenue for the quarter was down 6.9% reflecting the surge in sales of adult colouring books last year. On the basis of current levels of trading and order book visibility, however, the group remains confident that it will meet management expectations for the full year and deliver both debt reduction and earnings growth. The share price was unchanged.

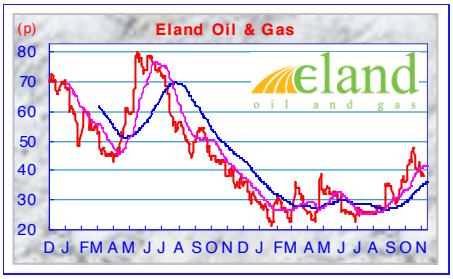
Exhibition organiser **Tarsus Group**'s trading in the second half to date has been in line with expectations, with key events performing well. The outlook for 2016 as a whole remains in line with management expectations, with current like-for-like bookings 8% ahead and buyer growth 7% ahead of 2015 (adjusted for biennial events). Forward bookings for the group's major events in 2017 remain strong, it was said. The shares are down 3.7%.

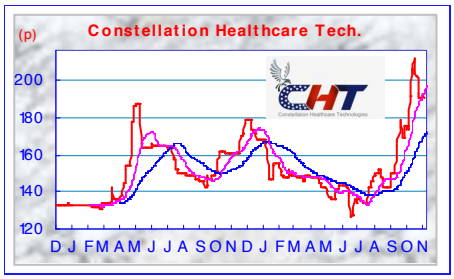
Other News in Brief:

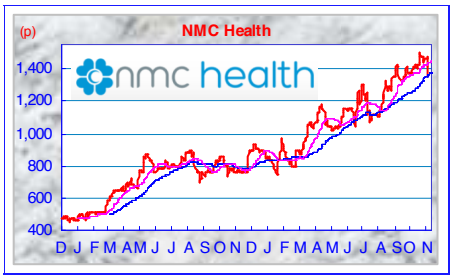
The shareholders of **Inspired Energy** the leading energy procurement business have placed 7.8% of the shares at a price of 13.25p 'to satisfy strong institutional demand'. The shares fell 7.8%. **Severfield** the market leading structural steel group, announced that it has recently secured six new contracts worth £72 million including being appointed to work on the development of 22 Bishopsgate in the City of London. The shares rose 1.7%. ❑

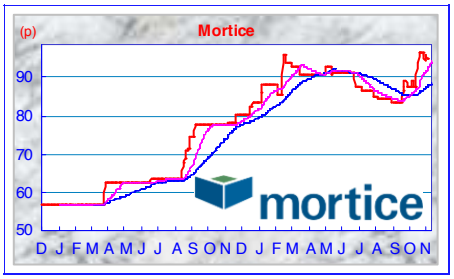












Bottom-up recommendation – high-fliers bucking their sector's trend

Is Petropavlovsk hugely undervalued or hugely risky?

ONCE UPON a time, long after our Chancellor decided that gold was *passé* and sold off huge chunks of our reserves to the credulous – like the Swiss for example – another believer from the financial *ancien regime*, one Peter Hambro, alighted from the Trans-Siberian express at Pokrovskoye. (If you want to do the same you'll find the town located between Khabarovsk to Tygda in the Amur region of the Russian Far East). His objective was to gain a controlling interest in local company *OJSC Pokrovskiy Rudnik*. That company had produced 90,000 ounce of gold in the past and sat on what it believed to be at least 1.6 million ounces more. Moreover, it had a new process plant designed to treat a million tonnes of ore every year.

The year was 2002 and AIM-quoted *Peter Hambro Mining PLC* (as

Bottom-up recommendation *(Petropavlovsk – continued from previous page)*

it then was) had raised £2m at 130p to effect the transaction. A multi-national board faced westwards, so to speak, whilst abundant local technological expertise, as well as indigenous plant and equipment, got on with things on the ground. Not the least of the factors that had attracted the principals was another promising property located about 40km away from the existing workings – *Pioneer* by name.

Well, a lot has happened in the intervening period. For one thing the company changed its name to **Petropavlovsk.** For another, the company got into the iron ore business with China the handily-placed customer for the resource through a venture with *IRC* a Hong Kong listed group,

And at some point Petropavlovsk transferred to the Official List.

Here is the recent record:

Year:	2011	2012	2013	2014	2015
Revenue ($m)	1,262.49	1,235.49	1,199.78	864.96	599.9
Pre-tax profit ($m)	230.9	(73.6)	(0.5)	(260.7)	(238.8)
Earnings / share (c)	44.07	21.50	-	-	-
Dividends per share (c)	6.68	6.00	-	-	-

Half a decade ago cash costs of *circa* $300 per ounce had confirmed the group as one of the lowest cost gold producers in the world. But then at all turned pear-shaped.

When we last visited this company we noted that, despite the major black mark (albeit some time ago) by those exposed to the rouble, and from time to time, troublesome events, unlike those encountered by investors in other foreign lands in the main, the compelling logic of Russian trade had rightly or wrongly, papered over the cracks. But on a purely indigenous level we thought it might be wise to note that, because of market conditions, the company had already had to suspend sales of pre-concentrate and had scaled back mining activities so as to minimise operating costs. So Russian wage inflation and rising energy costs already entered into the investment equation.

And how! The falling price of gold swiftly revealed what the ugly sub-structure of Petropavlovsk had become – something which it had deat with or die, so to speak. Announcing the 2015 figures, chairman Hambro revealed that the company had achieved a 15% reduction in *Total Average Cash Costs* per ounce - to $865. For the first time he disclosed the *All-In Sustaining Costs* (AISC) and *All-In Costs* (AIC) noting that in 2014, the group achieved a 22% reduction in AISC to $970 and a 24% reduction in AIC to $1,088. There was a further 17% reduction in central administration costs, to $38m, and a 60% reduction in total capex for the gold division to $97m.

But note: none of this would have been of any interest at all had the group not just raised £155 million by way of a rights issue. A brave 35% of the shareholders had stumped up. But for new shares not taken up in the rights issue or placed in an associated rump placing, certain bondholders had committed to exchange bonds for shares for up to £104 million. And that's not all. A new, five-year $100 million convertible bond was issued too and the company had signed definitive waiver documentation with its banks, *VTB, ICBC* and *Sberbank* to allow the whole package to proceed.

Largely as a result of these developments, at the half year to June the group had returned to profitability with an increase in operating profit to $38 million and profit after tax of $9 million principally due to the success in cutting production costs and overheads and weakening of the rouble. The first half of the year is usually the weaker of the two.

The value of the shareholding in IRC was also said to be beginning to reflect IRC's recent success. IRC is progressing the commissioning and ramping up process at its flagship *K&S* mine and has recently started shipping iron ore concentrate to customers across the border in China, with regular commercial production anticipated soon. Petropavlovsk continues to guarantee a whopping $255 million of debt of IRC to *ICBC/Sinosure.*

The financial and operational recovery has enabled Petropavlovsk to progress the development of its current flagship project, the unfortunately named POX, which is expected to unlock the value in over 9 million ounces of refractory gold reserves and resources. In addition the company completed the underground mine portal and started access and ventilation declines. The first ore from underground is planned to be mined at Pioneer in 2017. This is a significant milestone for the Group, which has hitherto been solely an open pit mining venture.

But for connoisseurs of risk, note that the company has not yet achieved its main strategic objective of amending the maturity profile of its bank facilities with its Russian lenders with a back-ended repayment profile. Key terms had been agreed in principle for the rebalancing of the group's debt maturities with its production profile. And by the way, annual gold production was in line with the lower end of the original guidance of c.460,000 - 500,0000z due to effects of severe flooding in the region.

Here are the forecasts (right).

Year to March:	2016	2017
Revenue (£m)	466.67	521.67
Pre-tax profit (£m)	38.27	108.50
Earnings per share (p)	0.16	1.77
Dividends per share (p)	-	-

The company has now received major support from its Russian lender, Sberbank (c.75% of total bank debt) to extend the maturity profile of the group's facilities to 2022, subject to certain conditions, with a back-ended repayment schedule to match the company's production schedule. Group indebtedness is circa $600 million at present.

The average price per ounce of gold sold recently was $1,194 against the price at the time of writing of $1,304.

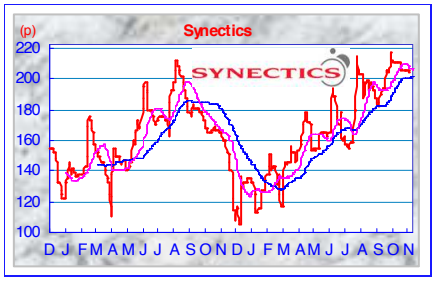
Since we commenced this report by having a laugh at the expense of politicians, we'd better put on record that the last time we pitched for this stock the price was about 99.5% higher than it is now – although we did note that it was speculative. Well, if it were speculative then what the hell is it now? An outrageous speculation to be sure; and you might even argue that the prospective 2017 price:earnings ratio of 4 is about right. Incidentally the 'rights' price was 5p. But our last Russia/Gold spec turned out very well. We reckon we can afford the risk – and if the price of gold is not due for an upwards re-rating it's not for the want of effort on the part of the major players on the world stage.

BUY (8.675p; yield: nil; market capitalisation: £264 million; initial stop-loss: 7p; EPIC: POG; sector: Mining; classification: FTSE Small-Cap; website: *www.petropavlovsk.net*; tel: 020 7201 8900). ❑

Don't be afraid – Synectics' systems are watching over you

A CHANGE of name can sometimes signal a lot – not always something beneficial either. But such changes are always worth examining, for they sometimes indicate something new afoot, ideally a renewed sense of purpose or confidence. Even if this not the case, drawing attention to the company concerned has the useful purpose to researchers of causing them to re-examine the investment pigeon holes into which the company has been slotted.

So, did the new kid on the block, in this case, **Synectics,** demonstrate the qualities we normally seek? In this case the answer is a qualified yes.



Under the previous names, *Quadrant* and *Quadnetics* this enterprise has been around for a long time, well known for enjoying a leading position in the installation and maintenance of large-scale CCTV systems, in town centres for example or on buses. Over its AIM years (it previously had a full listing) it had grown pretty largely by acquisition (e.g. *Look CCTV*, *Coex* (specialising in hazardous environments) – and had merged with fellow AIM-listed *Protec*. All the while it had spent money on development. concentrating on the small number of customer sectors whose requirements are substantially different from the

Top-down selection (Synectics – continued from previous page)

mainstream (due to high cost of failure, demanding conditions etc), and in which a significant market share could be achieved.

In 2013, it acquired a 51% shareholding in *Indanet AG* for an initial cash consideration of €2m – the remaining 49% was to be acquired for between €1 and €8m (based on profitability) payable in three tranches between 2013 and 2015. Based in Germany, Indanet is a leading provider of integrated surveillance and security management systems to the transport industry. Its customers include *Deutsche Bahn* and the organisations responsible for public transport in Berlin, Munich and Frankfurt. Very soon afterwards Synectics agreed to vary the original acquisition terms so that the entire outstanding share capital in Indanet was purchased for a total consideration of €1.64m in cash. Therefore Synectics now owns 100% of the shares of Indanet AG which it acquired for a total consideration of €3.64m, with no further earn-out payments to be made.

Here are the historic figures:

Year:	2011	2012	2013	2014	2015
Revenue (£m)	69.03	77.04	82.36	64.59	68.50
Pre-tax profit (£m)	2.46	4.71	6.62	(3.75)	0.51
Earnings per share (p)	16.40	26.30	34.20	-	8.00
Dividends per share (p)	7.00	7.50	8.50	-	1.00

In October 2014 Synectics announced that it had experienced continued delays both in the award of large, expected, contracts and from the extension by customers of delivery periods for contracts already won. These issues primarily affected the oil and gas sector. In particular, the major oil and gas companies and their prime contractors had progressed energy development projects globally more slowly in the second half of 2014 than originally planned by them, and therefore the timing of demand for sub-systems, such as those supplied by Synectics, had been disrupted. Until then Synectics' sales into projects in this sector, characterised by long gestation periods and a high degree of revenue visibility, were delivered consistently in line with management's plans. This historical record of consistency led to a degree of confidence in forecasts for oil and gas sector revenues, which – like many another entity – fell to the ground.

Of course, it never rains but it pours. In addition, trading in the group's UK security integration activities in the fourth quarter of 2014 were said to be likely to be below previous expectations. This shortfall was also mainly due to the lengthening of procurement cycles for larger projects, in this case mostly within the UK public sector.

The dismal outcome is reflected in the table above, starting with 2014.

When the going gets tough, the tough get going. A full-scale business review (which may or may not have been connected with the replacements of both chief executive and the financial director) has now organized the company into two distinct divisions:

Synectics' Systems division provides specialist electronic surveillance systems, based on its own proprietary technology, globally to end customers with large-scale highly complex security requirements, particularly for oil & gas operations, gaming, infrastructure protection, high security and public spaces.

Systems Division	
Revenue	£32.7m
Gross margin	37.5%
Operating profit	£1.3m
Operating margin (p)	4.1%

The Systems division began 2015 with the difficult combined task of bedding in its new organisation and expanded central operations facility opened the previous year, while at the same time completing significant overhead and direct cost reductions to adapt to changed market conditions in the oil & gas industry.

The market for security and surveillance systems in the oil & gas sector has continued to experience volatility and changing customer intentions. But, against that difficult background, Synectics grew its revenues in the sector and increased its market share. The gaming sector performed well in 2015, both through strong repeat business from existing core customers and from securing new customers particularly in the Far East. Synectics' *Synergy 3* command and control platform has been adopted by a significant number of new casinos, as well as being rolled out to many existing sites as part of upgrade projects. This was notably the case in the North American market where Synectics now supports around 100 gaming businesses.

Synectics' Integration & Managed Services (IMS) division is one of the leading UK providers of design, integration, turnkey supply, monitoring and management of large-scale electronic security systems. Its main markets are in critical infrastructure, transport, public space and multi-site systems. Its capabilities include a nationwide network of service engineers, UK government security-cleared personnel and facilities, and an in-house 24-hour monitoring centre and helpdesk.

Integration & Managed Services Division	
Revenue	£36.8m
Gross margin	24.8%
Operating profit	£2.2m
Operating margin (p)	6.0%

The focus of the IMS division's managed services activities continues to be on delivering security and facilities management services for clients with large and complex multi-site estates. Recent investment in a bespoke operations system to accommodate a more interactive service tracking solution has significantly enhanced its core proposition and has opened up opportunities to secure new clients in adjacent sectors. Synectics achieved significant contract renewals in the period with Jewson, WH Smith, Aurum Group and Argos. More focus has been given to larger commercial, high security and infrastructure projects, where Synectics' businesses have traditionally done well. Examples include the successful retention of a power utility service contract for a further three-year term, and the first significant project with a large global construction company.

The forecasts (right) imply a prospective price:earnings ratio of around 19 for the year just about to end, dropping to about 11 the following year. But given the disruption of a major market we think that Synectics has fought back very well. The accompanying PEG ratios – 0.5 and 0.2 – bear witness to this.

Year to Nov.:	2016	2017
Revenue (£m)	75.23	80.51
Pre-tax profit (£m)	2.40	4.00
Earnings per share (p)	10.90	17.80
Dividends per share (p)	n/a	7.75

Over the five years from 2009 to 2013, Synectics grew its underlying profits from £1.5 million to £7.1 million, a compound growth rate of 47% per year, and in the process established itself as an important player with unique technology offerings in several attractive high end sectors of the global electronic surveillance market. To enable it to service and manage further growth, the company made significant investments in facilities, people and new products during 2013 and early 2014. This increased cost base exacerbated the impact on the group's profits of reduced current revenues; but such a painful adjustment was necessary.

The question is, has the mould been broken? The company has never exhibited any financial strain and doesn't now. We all know about the price of crude and what that does to activity levels in the field. But unexpected threats in the world seem more prevalent than ever before – one just happened, ask Synectics – and who is to say that this market will not revive? But we think the shares are well worth backing on the intrinsic merits of the business alone. **BUY** (200p; yield: 2.4%(forecast); market capitalisation: £36 million; initial stop-loss: 160p; EPIC: SNX; sector: Support Services; classification: AIM; website: *www.quadnetics.com*; tel: 01527 850 080). ❑

How Utilitywise helps industry get the best energy deals

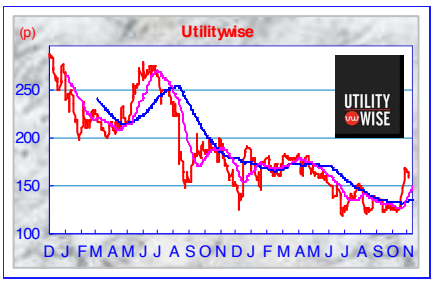
IN THE PAST we've rarely been able to find fault with **Utilitywise**. But the last time round – about 18-months ago - we were wrong and went into the stock about 100p north of where the share price stands today.

The company is an independent utility cost-management consultancy offering energy procurement and energy management products and services to its business customers throughout the UK. It has established trading relationships with a number of the major energy suppliers and its services are designed to assist its customers in achieving better value from their energy contracts, reducing their energy consumption and lowering their carbon footprint. Founded in 2006, growth has been achieved it claims as a result of its focus on three key areas: investment in IT infrastructure, concentration on business-process management and the development of its energy

Bottom-up recommendation *(Utilitywise – continued from previous page)*

management products and services.

Utilitywise operates by assigning a dedicated energy consultant to every client, and making it easy for the parties to stay in touch. Each consultant is part of a small team which makes it easy to swap knowledge and expertise, adding to the overall knowledge base on tap. Each team is led by an energy manager, an individual with years of experience in the business energy sector. They have generally also trained energy auditors and those who carry expertise in other areas, – smart meters for example. Where a client's energy needs are particularly complex, they will be serviced after by several consultants – all within the same team. All teams utilise the services of a central core of specialists in relevant disciplines. Customers are based throughout the UK and in the Republic of Ireland, across a variety of industry sectors and the public sector, and range in size from small single site customers to large multi-site customers



Looking outwards, the company has forged close links with all of the major suppliers with the aim of unlocking the best price structures and sharpest offers through their ability to negotiate rates on behalf of business customers.

Getting more technical, Utilitywise offers full European compliance for utility procurement and will adhere to all rules and regulations set out by the OJEU (*Official Journal of the European Union)* tendering process. The company assists throughout the whole process and helps to increase the number of suppliers who have access to a tender; whilst also actively following up with any suppliers who had not expressed an interest. This, it is said, greatly increases the amount of competition a tender attracts and guarantees that all suppliers have had equal opportunity to tender for any business. Clients get full visibility of all responses and if any supplier decline, full explanations of the reasons.

Apart from dipping its toes into the water industry by obtaining control of a small supplier of water consultancy services (a deal which also secured 'Osiris', the intellectual property used to develop Utilitywise's multi-utility reporting platform) the company paid £10 million for *t-mac*, whose modern, cloud-based technology was to provides the assets and skills to offer new value-added subscription services to its customers as part of a complete utility management plan covering procurement, management, monitoring, and usage reduction of electricity, gas and water. Through its own proprietary technology and software, *t-mac* provides business energy management systems enabling clients to monitor and reduce their utility consumption, make savings and comply with legislation.

Year to July:	2012	2013	2014
Revenue (£m)	14.69	25.26	48.64
Pre-tax profit (£m)	3.78	6.22	11.37
Earnings per share (p)	5.96	8.83	12.82
Dividends per share (p)	1.00	2.60	3.90

Here is the public record which we had to hand at the time of our last foray into the shares (bottom of this page).

Year to July:	2015	2016
Revenue (£m)	69.11	84.83
Pre-tax profit (£m)	14.12	18.41
Earnings per share (p)	14.12	16.32
Dividends per share (p)	5.00	6.50

And here are the figures that have hit the screens since (right). Still not too bad, is it?

So why the share-price slide? Well, Utilitywise had earned a premium rating and the deceleration of the rate of earnings growth hit hard

As we said, the management clearly sees the growth of trained and effective consultants as the key to its business model. Alongside driving its financial and operational performance, it strives to ensure continued quality assurance. The following table is of interest:

Six months to January	2016	2015	Change
Energy consultants at period end	625	449	+39%
Secured pipeline (gross secured future unrecognised revenue at period end (£m)	£24.7m	£23.5	+5%
Total group customers	29,288	22,048	+33%

That tells you a lot and tells you too what a key role is that of the new *People Operations Director*, brought in to focus focused on reducing the attrition rate which we are told increased throughout the year – said to be now reducing with the focus on improving the quality of hiring and building recruitment strategy 'to match the multi-channel strategy and developing team manager skills/capabilities'. Hiring bodies does not come cheaply and losing them even less so– and 'attrition' is a term which rarely surfaces to the level of affecting investor judgements. Is it by chance that is a new chief executive *in situ* now too?

Here are the forecasts (right):

Year to July:	2017	2018
Revenue (£m)	95.4	106.4
Pre-tax profit (£m)	14.8	17.2
Earnings per share (p)	19.8	22.5
Dividends per share (p)	7.00	7.85

It's clear that whatever one might think about the way in which energy is owned, regulated and marketed in this country that businesses for certain are not sitting ducks; and as long as Utilitywise and its competitors can offer a value proposition, they should be able to continue to expand albeit at a slower rate than hitherto.

And the numbers? If all goes to plan we are looking to a current-year earnings multiple of about 8 – and around 7 next year. The prospective yields on offer are a handy 4.5% and 5%. Okay, the market (and we too) overvalued Utilitywise – as markets do. Now we think it is undervalued – as markets also do, but we try not to. We're backing the new team.

BUY (160p; yield: 4.5% (forecast); market capitalisation: £127 million; initial stop-loss: 128p; EPIC: UTW; sector: Support Services; classification: AIM; website: *www.utilitywise.com* tel: 0870 6260559). ❑

Pssst… wanna buy a domain name? CentralNic's got loads

DOMAIN NAMES (for example *trendwatch.co.uk*) are managed under a hierarchy of organisations headed by the *Internet Assigned Numbers Authority* (IANA), which manages the top of the Domain Name System (DNS) tree by administrating the data in the root-name servers – they're the computer systems that look up the domain name and translate it into a form that computers can understand, such as 192.71.80.109.

It was against this backgrounds **CentralNic** made its market debut about three years ago. The company is not an operator of city centre prisons, but is a registry service provider, which supports top level domains (TLDs) such as *.la*; and second level domains (SLDs) such as *.uk.com*., distributing and powering domain names that end with such TLDs and SLDs. The company uses its in-house developed IT platform to provide the (DNS) infrastructure, and to distributes its own portfolio of domain names to third party owners of TLDs and SLDs (the latter also known as 'registry operators'.) CentralNic distributes to a global network or 'registrars, giving an example retailers such as *GoDaddy* and *Network Solutions* which sell these to end users.

So if we wanted to buy domain name *www.trendwatch.uk.com,* we would approach a registrar such as GoDaddy, who would have obtained that domain name from CentralNic.

On flotation the company owned a portfolio of 24 premium domain names including *.uk.com* and *.eu.com,* which enable it, it said, to market subdomains such as *avon.uk.com* and *bdo.uk.com* to customers through its distribution network and had contracts to provide distribution services for seven other domains including two country codes, *.LA* (Laos) and *.PW* (Palau – an island in the Pacific).

Here is the record since flotation.

Year:	2013	2014	2015
Revenue (£m)	3.05	6.07	10.39
Pre-tax profit (£m)	0.79	0.52	1.45
Earnings per share (p)	1.00	0.60	1.40

As the table shows, despite a healthy increase in revenue the bottom line looked pretty sickly in 2014 as a more than £1 million increase in running costs had to be added to hefty amortisation and other non-cash charges. Financial health overall was manifest in the shape of net cash of £19 million boosted by the equity raising of £10 million during December 2015, with a view to completing the acquisition of the *Instra Group*.

Bottom-up selection (CentralNic – continued from previous page)

Instra Group was formerly a privately-owned domain name retailer serving the global market with domain names for over 150 country codes (the equivalents of .co.uk) as well as for all new Top-Level Domains available to consumers. It offered three main services, viz.;

- domain portfolio registration allowing corporate clients to build websites and protect their brands online all over the world
- domain names and website hosting for small businesses and individuals;
- white label domain sales platforms.

Instra Group had strong recurring revenues at circa 57%, high margins and was profitable and cash generative.

The first chance we had of looking at CentralNic in its new, enhanced, form came with the June interim figures. We liked what we saw even if the figure were still distorted by the very recent nature of the transforming transaction; total revenue was £9 million; and cash and cash equivalents were £9.25m with net cash after borrowings of £6m. Cash balances reflected a temporary increase in net working capital due to the timing of a 2 June anniversary marketing campaign.

The enlarged group had manifestly improved its quality of earnings over the period as well, increasing recurring revenues by 130% to £5.3 million representing 60% of reported revenue. This can now be clearly broken down into three clear divisional segments.

The results for the *Retail* business delivered total revenue of £6.8 million and an EBITDA contribution of £1.1m. Instra Group contributed revenue of £4.9m and an EBITDA contribution of £1m for the period under CentralNic's ownership

The *Enterprise* division generated revenue of £0.5m and anEBITDA loss of £0.05m. There was a change of mix in the division, notably premium domain name sales when compared to the first half of the previous year.

The *Wholesale* division generated revenue of £1.64m and an EBITDA contribution of £0.7m. This reflected a change in revenue mix, in line with management expectations, combined with favourable movements in foreign exchange rates. The growth saw the wholesale business increase from 20% to over 34% of global market share by volume, supporting six of the Top 25 new Top-Level Domains, including the leader, *.xyz*. New client wins as a registry service provider included *.store, .fm, .am,* and *.art*

Here is how the group Chairman sees it:

"In our wholesale business, where our strategy focusses on achieving scale through automation, our technical systems have been able to scale at an unprecedented pace to accommodate the additional volumes achieved by our clients as they gained market share. This presents an opportunity for future renewal revenues. It was also pleasing that the Group won additional wholesale clients during the period. In our Enterprise business the Group made progress in discussions with channel partners to access corporate customers. Whilst the results in the first half were modest, the Group is excited about the future prospects for this division as we seek to deploy our technology platforms and service offerings.Trading in our core businesses overall has remained in line with the Board's expectations since the half year. Our team is in discussions with trade buyers for premium domain name sales, and anticipating that these sales will proceed, the Board is confident of achieving the market expectations for the year."

Here are the forecasts:

Year:	2016	2017
Revenue (£m)	22.60	26.70
Pre-tax profit (£m)	4.95	6.80
Earnings per share (p)	3.45	4.30

We think that the prospects for the disruptive growth of the internet world-wide are still in their infancy. Put it another way, we've always thought that CentralNic had valuable assets but with lack of clear vision (on our part perhaps) about the risks and the competitive environment and, formerly, very testing forward multiples, we stood back. Now with the prospect of a p/e ratio of 13 this year and into single-digit next, we're much more interested. There's no yield – yet – but we think that that will be addressed. And we note wryly too that the original issue price was 55p, but that subsequent cash injections took place at 40p. Now we're talking business. **BUY** (45.5p; yield: nil; market capitalisation: £44 million; initial stop-loss: 36p; EPIC: CNIC; sector: Software and IT Services; classification: AIM; website: *www.centralnic.com*; tel: 0207 389 7700). ❑

Growing a defence business in an ever more dangerous world

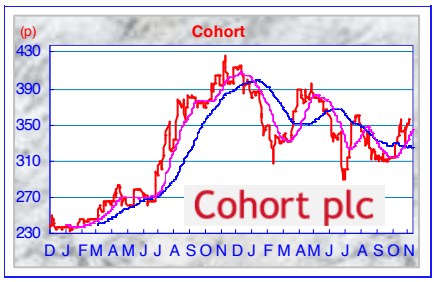
OVER THE years we have often cast an eye over **Cohort.**

How quickly time passes! When it listed almost a decade ago, it had but one trading subsidiary, *Systems Consultants Services,* which provided a range of technical services to clients in the defence and security sectors. Its principal client was the *Ministry of Defence* (MoD). Other clients included other UK government departments, NATO and defence contractors. The services provided include training support, military equipment trials, network-enabled warfare, applied research et al.

Very quickly into public life, agreement was reached to acquire *MASS Consultants*. MASS is a systems house, with a focus on defence and aerospace, providing systems engineering, software and electronic engineering design services to government and industry. Its particular strength is secure IT systems. The MoD accounted for 70% of sales.

The following year, agreement was reached to acquire *SEA,* a systems engineering and software company. Its core technical capability is in electronic surveillance systems based on sensors for vibration, radar, sonar and laser; and skills in signal processing, data analysis and recording, data fusion and secure communications. At this time, three quarters of sales came from the defence budget.

In 2014 the company reported the acquisition of a 50% (plus one share) stake in *Marlborough Communications* – the remaining shares will be acquired after the end of the year to September 2016 for a consideration based on performance. Marlborough is a specialist supplier of electronic warfare, communications and surveillance technology to UK and overseas customers, with over 30 years' experience in supporting the UK's intelligence, surveillance, target acquisition, and reconnaissance programmes.



The following year came the turn of *Empresa de Investigação e Desenvolvimento de Electrónica, S.A., (EID)*, a Portugal based supplier of advanced electronics, communications and command and control products and systems for the global defence market – and which was to cost £20m. In the event, just less than half that sum – eventually – secured a 57% interest in the business with Cohort still hoping to wrest enough remaining shares for an 80% holding.

Well, you can clearly see where the group is positioned. However, rarely do we believe that what are basically consultancy services can give us the type of returns we seek within the time scale in which we operate. But we must admit that Cohort hasn't done badly for its shareholders, despite a top line which was pretty uninspiring when we visited the company two years ago – but which was notably changed thereafter as the following table shows:

Year to April:	2011	2012	2013	2014	2015	2016
Revenue (£m)	65.14	75.41	70.87	71.50	99.9	112.6
Pre-tax profit (£m)	2.76	4.57	8.34	5.90	5.63	7.78
Earnings per share (p)	7.9	11.3	17.1	22.2	15.0	20.1
Dividends per share (p)	2.40	2.90	3.50	4.20	5.00	6.00

The 2015 earnings per share were hammered by a number of extraordinary cost items mainly those concerning amortisation.

We have neither the space, nor is it relevant, even to outline the structure of the company; but there are a few basic points worth making. MASS is now the most dominant in terms of the contribution of what are now four operating divisions, all of which are now served from a single manufacturing unit. Defence is the source of 80% of the group revenue, with the MoD chipping in a more modest figure of 70%. A couple of years ago, the group was prey to something that, for one reason or another, defence contractors seem especially prone – accounting mistreatment of contractual income. But that probably served only to help

Bottom-up selection (Cohort – continued from previous page)

tighten things up.

Here are the forecasts (right), which if achieved will result in a p/e ratio of 14, a PEG ratio of 0.9 and a yield nearing 2%. And in 2018 comparative figures of a p/e of 12 and a yield of 2.4% - which, if that is forthcoming means that PEG devotees can go to our next report. But, although admittedly, a company dependent on contract awards is a two-edged sword in investment terms the same kind of reservation would have been possible throughout the time that we have known Cohort and it must be admitted that the group has done very well by its shareholders. We only unwillingly quit last time due to being shaken out by our stop-loss policy.

Year to April:	2017	2018
Revenue (£m)	130.4	102.7
Pre-tax profit (£m)	11.3	12.2
Earnings per share (p)	25.4	29.3
Dividends per share (p)	7.0	8.0

But what of the quality of earnings?

Three things have caused us reservations in the past. The first of these is that recurring need to win contracts. The second is the paucity of recurring income. The third was the unpopularity of defence spending in Whitehall.

The first problem is endemic. But as regards the second, recurring income from long-term contracts and a growing income from software development is growing.

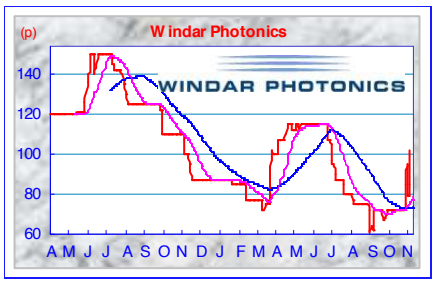
And Whitehall? Some time ago the MoD decided to abandon the idea of moving to a government-owned, contractor operated defence acquisition organisation. This has removed a considerable source of future uncertainty for Cohort. The Defence Equipment Plan shows a stable procurement programme, with the largest expenditure area by far being submarines. Non-defence activities are there too, in respect of its continuing interests the educational, cyber-security and transport markets, prospects in all of which are said to be encouraging.

And defence spending writ large? Well. We're not gurus but it seems to us that the world is becoming a very dangerous place again and that in this modern age, the advanced hardware and software development skills encapsulated within Cohort represent a form of goodwill (£30 million in the balance sheet) which has more substance than what stands behind many others in this accounting construct.

BUY (362.5p; market capitalisation: £147 million; yield: 2.1% (forecast); initial stop-loss: 290p; EPIC: CHRT; sector: Aerospace & Defence; classification: AIM; website: *www.cohortplc.com*; tel: 0118 909 0930). ❑

An innovative way to boost wind turbine efficiency

FINALLY, HERE'S a small Danish outfit that caught our eye – a one-product company to be sure, but with what appears to be a very credible business model and addressing a vast market – those burgeoning wind farms marching across our fields and seas – and not only ours of course. The company is called **Windar** Photonics, which made its market debut about 18 months ago. Its product: the *WindEye Sensor*. .



The origin of the WindEye Sensor lies in the development of a LiDAR (Light Detection and Ranging) wind sensor that accurately measures wind speed and direction at a lower cost than competing LiDAR wind sensors.

As far back as 2002, Jørgen Korsgaard Jensen, the present chief operating officer, founded *OPDI Technologies* to work in conjunction with the Technical University of Denmark to exploit commercially certain optical technologies. This progressed in 2006 with the start of a LiDAR wind-sensor development project, the technology of which is now owned by the Windar Photonics.

LiDAR wind sensors in general are designed to remotely measure wind speed and direction. The group's WindEye sensor measures wind direction and wind speed by scanning a laser beam ahead of the wind turbine. The light emitted by the sensor identifies the movement of tiny particles in the air and can transmit data every second to the wind turbine control. Software algorithms can then calculate the oncoming wind speed and direction relative to the turbine direction, enabling the turbine control to respond and optimise the performance of the turbine.

The WindEye sensor is designed to be both safe and robust and has been purpose-built to be installed on most commercial wind turbines. It has been further designed to have a multi-year lifecycle with little maintenance other than the replacement of the light source every two years. Due to the use of a semi-conductor laser, the directors have stated their belief that the company is able to offer the sensor at a lower cost compared to competing products – whilst still retaining an attractive margin. The sensor, it is said, can be differentiated from comparable products currently available on the market by its lower price and better durability, which typically enables a return on investment within a challenging one to four years.

Windar Photonics has only been actively marketed to potential customers over the past three years and has secured orders from both OEMs and retro-fitted to wind park operators' turbines.

The sale process typically involves a product trial/demonstration over a two to three month period. Upon completion of the trial period, Windar Photonics performs analysis of the collected data and presents the results to the potential customer. Following verification, negotiations regarding further installation/control integration will usually commence it was claimed.

The group has its headquarters in the UK with the business primarily being operated by Windar Photonics A/S in Copenhagen, Denmark. The group also has sales representation in USA, Canada, Europe and China.

Well, we've all been there before – was there ever any new business idea that was not compelling? Then the real world, with its ugly complexity, contrary nature and interminable delays sets out to sap the strength of the enterprise; the essential costs of dealing with all this continue to mount; whilst projections of revenue rarely correspond with best hopes and often do not materialise at all whilst looking over one's shoulder anxiously to see what competitors are cooking up.

So how has it been with Windar?

The early news was not very encouraging as the company advised that it had given six months' notice to terminate an exclusive distribution agreement in China because the necessary sales level target for 2015 had not been achieved; and received the response that this was a case of unjustified termination, conducted in a manner that is not in accordance with the terms of the agreement; and that the Chinese would be reserving its rights under the agreement. A lawsuit! Just what we need! Thanks!

But orders were coming in, although the group did have to raise another £1 million and signed an agreement to a factoring facility of up to €400,000 with an understanding to increase this later in the year up to €1.5 million, as the company makes further progress with orders. Meanwhile the company is marketing directly into China and claiming an encouraging response – but the EU and North America are the major current markets.

Nevertheless it was just recently that the group had both to raise £0.5 million more and admit to its shareholders that its previous expectations for current year sales would not be met. But the initiation of an Energy Technology Development and Demonstration Pro-

Bottom-up selection *(Windar Photonics – continued from previous page)*

gram, an R&D project in conjunction with its old partner Danish Technological University, Department of Wind Energy, was doubtless welcome. The project includes a combined cash grant of €1.0 million over the coming 24 months, to be split equally between the project partners.

But the latest news could be a game-changer. This concerns a repeat order for the five units expected to be installed on *Suzlon S88 2.1 MW* wind turbines in the US, where the next step will be to integrate all delivered units directly with the wind turbines' control systems. The integration process will allow the wind turbine control system to receive measurement data directly from the Windar Photonics LiDAR sensor, enabling the wind turbine to yaw according to the oncoming wind, hence increasing the annually generated power by 1-4% and potentially enhancing the life span of the wind turbine by reducing the damaging loads that affect a misaligned wind turbine.

This is how the chief executive sees it:

"We are looking forward to continuing our collaboration with this major US utility, and we are pleased that the previously ordered LiDAR units performed according to expectations. We are excited about this next step, which will mark the first WindEYE™ LiDAR wind sensor to be integrated directly with the wind turbines' control system within the retro-fit market segment. With direct turbine integration solutions Windar will in future be able to offer solutions that utilise the data provided by the sensor to a higher extent within the retro-fit market segment."

A game changer is certainly what this analyst expects (right).

Year:	2016	2017
Revenue (£m)	2.17	14.93
Pre-tax profit (£m)	(2.02)	5.00
Earnings per share (p)	-	12.22

Anything in the 2017 ball park in relation to these figures will probably send the shares rocketing. Is it going to happen? We don't know, even if life *has* made us sceptics But we did say that the business plan was credible and we do sometimes speculate – with occasional success. And most of the money raided has been around the present share price. Certainly worth a punt, given the world's wind turbine population in the hundreds of thousands. (**BUY** 96.5p; yield: nil; market capitalisation: £38 million; initial stop-loss: 77p; EPIC: WPHO; sector: Electronic Equipment & Parts; classification: AIM; website: *www.windarphotonics.com:* tel: n/a). ❑

TAM – a progress report

Stockmarkets have been under a lot of pressure recently, especially last week. The main reason is of course the uncertainty over the outcome of the US presidential election, compounded by the uncertainty of the UK's path towards Brexit. As we all know, markets hate uncertainty.

This uncertainty has inevitably taken its toll on both TAM and TGF.

Some of that uncertainty has cleared. We now know who will be the next president. At about 3:30 am our time on Wednesday morning, there was a tremendous momentary surge in the Vix, appearing to presage a market collapse. But it didn't happen.

The Footsie actually finished up 69 points today (Wednesday). And at the time of writing, the S&P 500 was up 0.8%.

So is that it? Were the pundits wrong to predict Armageddon if Trump won? We certainly hope so. In fact, we have strong feelings of *déjà vu*. We're we not told exactly the same thing before the Brexit vote?

[The charts reflect the position in the early hours of Wednesday morning.]

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The chart accurately reflects the performance of the master account from its inception on 1 October 2012.

However, even a TAM client who invested at inception will see an appreciably different performance from the master account, for two reasons.

First, the master account does not include client charges.

Second, the trade sizes on the master account are fixed, whereas the trade sizes on client accounts will grow as the NAV of these accounts grow. This is achieved through a real-time adjustment of the multipliers on client accounts each time a trade is placed on the master account. The effect of this will be that, other things being equal, a profitable client account will show a bigger NAV gain than the master account gain.

To show the effect of these two opposing factors, the chart includes the compound annual growth rate (CAGR) of the account of a real client who invested £5,000 at TAM's inception – the red line on the chart.

Clients investing after this date may see a very different performance profile.

Remember too that these are historic figures. While they give an indication of the skill of the investment managers, past performance is not a guide to future performance.

Investment overview (continued from page 2)

the 2016 year-to-date-total to nearly 20 million guns.

Do you think this is all a touch too melodramatic? We hope so, but we don't think so. Consider what happened after the Brexit vote. It led to an up-swelling of racist and Islamophobic attacks by right-wing yobs. Fortunately, the scale of these attacks was never that great, though no doubt they still continue vat a low level

Bur there are two differences between us and America. First, none of our leaders spoke in racist or xenophopic terms. Trump has. Many extremists in America will interpret Trumps words and demeanour to believe that it's open season to torment immigrants, failing to understand that America was built by immigrants.

The second difference is gun ownership. America can be a violent place at the best of times. Guns and xenophobia are a toxic mix.

What of Trump's claim that the election was being rigged against him? It seems like a dead issue, now that Trump is the victor. But could he be right? Maybe. As my colleague Phil observes, isn't it strange that the FBI spent 18 months going through 53,000 emails on Hilary Clinton's server, and then magically managed to go through another 650,000 in 9 days before declaring: "Move along there; nothing to see here".

Actually, if you think that the FBI has cleared Hillary Clinton, think again. It has said that it won't recommend prosecution for running a private email server – but the FBI has another investigation running: the Clinton Foundation affair. The allegation is that donors gave generously to the Foundation in exchange for political favours. That's utterly illegal, and if that's what happened, the FBI will throw the book at the Clintons. And if they don't, Trump probably will.

One reason why US politicians are held in such incredibly low esteem is that the two-party system has almost broken down. Instead of working together to try to resolve the many huge problems facing the country, each party expends most of its energy trying to block the proposals of the other.

Meanwhile, the people just go on getting poorer. That's all relative, of course. America isn't Africa or Eastern Europe. Nevertheless, the people have had to accept that, unlike any generation before them, their children are likely to have a lower standard of living than them. For that, they blame the politicians and the bankers, and rightly so. Here's why.

According to the National Bureau of Economic Research, in 1978, the richest 0.1% of America's households owned 7.1% of the nation's wealth.

In 2015, that same tiny slice of the population owned 24%. So the rich have tripled their ownership of the nation's wealth since 1978.

The last time there was a concentration of wealth on this scale was in 1929, just before the Great Crash. But the current level of wealth concentration is about 40% higher than it was in 1929.

So who are these super-rich people that own so much of America's wealth. Leaving aside the sprinkling of pop starts, actors, highly successful entrepreneurs and Donald Trump, most of the wealth is now held by bank CEOs, their major shareholders, their most successful traders on multi-million dollar bonuses and their closest corporate clients, including hedge funds.

How did this happen when the banking system almost collapsed in 2008? First, huge bailout programmes such as TARP, executed by the US Treasure, pumped billions of dollars into the biggest banks, helping to perpetuate the quasi-monopoly of the five biggest banks: JPMorgan Chase, Citybank, Goldman Sachs, Bank of America and the now-discredited Wells Fargo. These five banks represent only one-thousandth of the population of US banks; yet they control 46% of all bank assets in America.

Second was the relentless 8-year push-down of interest rates to near zero. This had two effects. It enabled those banks to borrow money cheaply so as to speculate on the global financial markets, thus making them richer than ever. And it prevented the rest of America from generating any meaningful return on their savings and pension plans.

So does this wealth inequality really matter? If course it matters! That 24% of the wealth owned by the super-rich banks and their major clients is the same 24% that is now out of reach of the rest of the population. So the rich get richer and the poor get poorer.

Some people might say that's how capitalism works. But capitalism in America has been deformed by the actions of the government and the central bank, to the detriment of 99% of the population.

❍ ❍ ❍

Perhaps the most striking thing about this whole bizarre election is that there has been almost zero meaningful statements or debates on policy – unless you regard statements such us "*We're gonna build a wall, folks, a beautiful wall; and by the way, Mexico's gonna pay for it, I promise you*" is a meaningful policy statement.

Instead, the candidates have concentrated their firepower on quarrelling about each other's personalities, like Tweedledum and Tweedledee in the nursery rhyme popularised by Lewis Carroll's *Through the Looking Glass and What Alice Found There*.

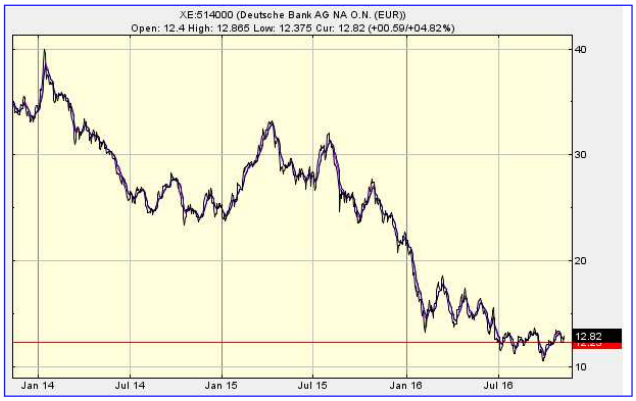
There's so much that needs sorting out in America today: the crumbling infrastructure, massive federal deficits, social security, Medicare, veterans' benefits, immigration, combating terrorism, international relations in an ever-more fractious world... yet all the politicians can do is snap and snarl at each other.

It isn't just the presidential debate. We have an increasing feeling that the world in which we live is becoming more and more like Alice in Wonderland. We're getting to the point where nothing in the financial world makes any sense any more.

Take a look at the chart. This is the share price of the once-mighty Deutsche Bank. Why has it fallen so far? Because investors believe it's likely to fail.

Of course, it passed the latest European Central Bank (ECB) so-called "stress tests". These tests are carefully designed so that almost all banks get a pass-mark. Their only purpose is to say to the rest of the world: "move along – everything's just fine". How can it be otherwise? Imagine what would happen if the ECB said that Deutsche Bank had failed. It would almost certainly lead to a run on the bank.

But that's quite likely to happen anyway. Deutsche Bank's problem is not that it's undercapitalised. The problem is that, thanks to negative interest rates, courtesy of the ECB, Deutsche Bank cannot make adequate profits. Banks would typically expect to make a return on capital of 30%. Deutsche Bank is making 5% or less. That means it will not have adequate reserves to protect itself from, for example the collapse of a bunch of Italian banks, which many analysts consider to be a near certainty. And Mrs Merkel cannot legally bail out Deutsche Bank because a 2014 EU directive prohibits it.



So far so crazy. But here's the really Alice in Wonderland bit. Banks all over Europe are in a dire state, many of them being basket cases. To shore up their balance sheets, regulators have ordered them to buy supposedly-safe government bonds.

Once upon a time, before central banks started meddling in matters they didn't understand, that was true. Bonds were safe. But now, they're like smoking bombs. Forcing banks to hold them is a terrible mistake. With interest rates set to rise), bond price are set to tank.

Actually, they're already tanking.

- UK government 30-year bonds have dropped around 12%v since last July despite the ramped-up bond-buying programme by the Bank of England.
- Germany's benchmark 30-year bond has fallen to its lowest price since June.
- The US 10-year Treasury note had a yield of 1.2% in July. Last week it rose to almost 2%. Recall that yields move inversely to bond prices (as indeed dividend yields do with shares). So falling bond prices result in rising yields.

The are at least two reasons for this. The first is that the Fed is thought likely to start raising interest rates again next month. The

Investment overview (continued from previous page)

second reason is that investors are becoming increasingly convinced that the central banks bond-buying spree that has been labelled quantitative easing (QE) might be coming to an end. Even the central banks are having to acknowledge that, despite driving bonds yields below zero, QE has not only failed utterly; it is also threatening the very existence of the banks, whose lending QE was supposed to stimulate.

If you're not familiar with the way the bond market works, you may wonder why on earth a rise in yields from 1.3% to 2% is such a big deal. Here's why. A mere 1% rise in yields equates to roughly a 7% fall in the value of the bonds. Most people buy bonds primarily for the fixed annual interest that they pay. With yields being so low, a fall of 7% is enough to wipe out several years-worth of interest payments.

No wonder bondholders are dumping their bonds.

We now have an Alice in Wonderland situation where if the economy crashes, the central banks won't be able to lower interest rates any more – they've run out of rope. But if they raise rates in anticipation of a future crash, they'll probably precipitate the crash they're anticipating.

But even that's not the craziest chapter in this Alice in Wonderland story.

With some $12 trillion in global government bonds now trading with negative interest rates, and investors desperate to get some positive return, countries are now starting to issue bonds maturing in 50, 70 or even 100-years. For example:

- So far this year, France, Spain, Italy and Belgium have all issued 50-year bonds, raising €14 billion for their countries
- A couple of weeks ago, Austria sold a 70-year bond, paying 1.53% a year in interest.
- And now [drum-roll...], the ultimate insanity (to date): this year Belgium and Ireland have sold €100 billion each of 100-year bonds.

Why is this insane? It's all to do with the yield curve. You don't have to know anything about that, except that it means that the further in the future a bond matures, the more sensitive the price of that bond to even tiny movements in bond yields. When the bond market crashes, holders of these bonds will be the first to be wiped out.

Just a week or so ago, bond prices generally came under a lot of pressure. Buyers of those bonds lost three years-worth of annual interest payments in just a week! What on earth induces otherwise sane investors to buy such bonds when they must know that bonds are a bubble waiting to be pricked.

What might prick it? Well, that brings us right back to the US presidential election again.

When you think of a bubble, what goes through your mind? Very likely, it's a balloon, inflated to bursting point. It's waiting for some sort of event to happen that will burst it – a pin, maybe, or a lit cigarette brushing it.

But maybe a better analogy would be a soap bubble, a fragile thing with an outer skin of only around 200 nanometres (a human hair is around 90,000nm. It sits there, wobbling violently in the slightest draught, threatening to break away from its moorings. It's extreme unstable. And it will burst at the slightest provocation.

That's probably where we are with the financial system at the moment. The whole system is extremely unstable. The policies of the central banks are discredited; they have no more ammunition to stimulate their economies; the banking system is in the verge of collapse, especially in Europe, there are negative interest rates, unprecedented in history, people and organisations are buying bonds that will wipe them out; banks are even being forced to buy such bonds by their regulators; banks and other corporations are the subject of repeated cyber-attacks; national and personal debt is rocketing to even higher levels than before the great banking collapse of 2007-08; wealth inequality is even greater than it was in the Great Depression of the 1930s...

And now we have the US presidential election. Ordinarily, that would exert a calming effect on the markets as the uncertainty of who will lead the nation melts away, and power passes smoothly to the new president. But unless he's bluffing Trump has made it clear that he's going all out to break the establishment. That has led to huge uncertainty, especially in financial markets, which hate uncertainty. And the winds of change may just be enough to blast that soap bubble to kingdom come. ❑

Share sales (continued from back page)

sells, who marched the shares all the way back to where we bought, plus a bit more. Thus our loss was an insignificant 4.3%.

Next, car dealer **Marshall Motor Holdings**, which we bought towards the end of June. The shares never gained any traction, which we find incomprehensible. It was certainly nothing to do with its August interims, which could hardly be faulted, despite a slowing of the new car market after several years of above-average growth. For example, its revenue increased by 30.7%, adjusted pre-tax profit was up by 33.6% and the interim dividend was trebled. The shares were dirt cheap when we bought; now they're an absolute steal, with a current-year p/e of under 6 and a PEG of a mere 0.23 – and that from a company forecast to grow earnings at 20% a year averaged over this year and next. When the shares return to uptrend, it will be difficult to come up with any significant reason why we wouldn't come to exactly the same decision as we made in June. Meanwhile, we exit nursing a 26% loss.

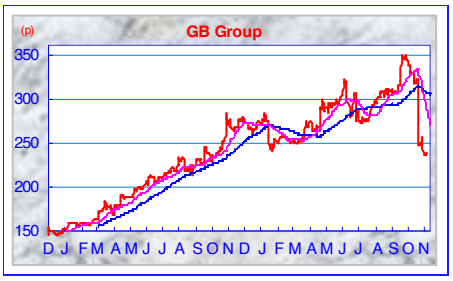
Next, Israel-based contracts for difference dealer **Plus500**. This appeared to be a money-making machine when we bought it towards the end of last year. However, the problem with the company is that it has to spend a large amount – currently $1,300 – on marketing to win each new customer. This expenditure is certainly paying off, helping to drive record revenues. But this is also impacting profitability. So much so that, in its latest trading update, it said that it "*intends to focus on profitability for the remainder of the year and consolidate the benefits of this [marketing] expenditure*". Forecast annual earnings growth is now only around 8%, a rate which falls short of our definition of a growth company. Furthermore, with PEGs of 1.0 and 1.2 for this year and next respectively, the shares no longer looked as undervalued as they were when we bought. So on balance, we're not too disappointed with a decent enough 40% gain.

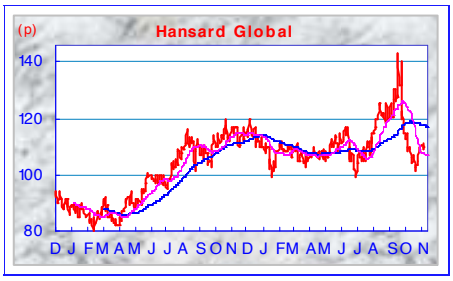
Premier Foods behaved somewhat similarly to Hansard Global – a promising start since we bought in July, then a disappointing retracement, giving us a small-ish loss of 7%. Premier has some great brands, including Ambrosia, Bisto, OXO, Paxo, Sharwood's, Loyd Grossman, Homepride, Batchelors, Smash, Bird's, Paul Hollywood, Marvel, Angel Delight; and cake brands including Mr. Kipling, Cadbury and Lyons. It scooped up so many brands that it seriously overstretched itself, running up a huge debt of £1.3 billion in 2011. We recommended the share for recovery, as its recovery plan seemed to be delivering. Last year, its debt had been more than halved to £534m. But investors are twitchy, fickle beings. A trading update in mid-October reported grocery sales 4% lower in the first half, which the company attributed to unusually warm weather. Even though it said its profit expectations were unchanged for the full year, the lower sales provided all the excuse the twitchy ones needed to hit their panic buttons.

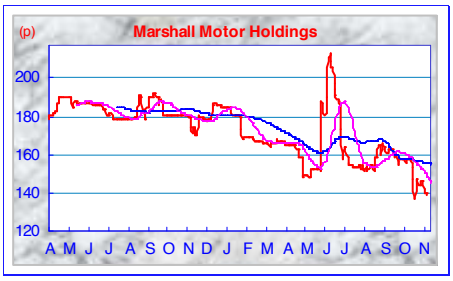
Next, **Sportech**, whose businesses mainly comprise football pools and horserace betting. For the first few weeks after we bought in mid-June, the shares went nowhere. Then, in September, they rose sharply on news that it was in negotiations to sell its football pools business for £97.25m (the prospect of such a development was one reason that we recommended the share). Alas, six weeks later it announced that the talks had been terminated. Exit Sportech stage right for a loss of 17.4%.

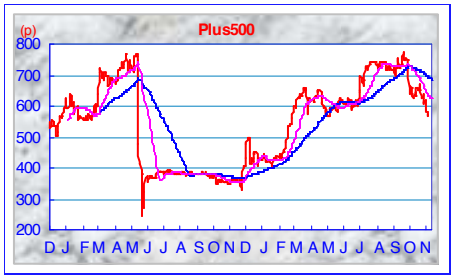
Finally to **Tasty**, operator of over 50 restaurants branded as DimT and Wildwood. The CEO is Samuel Kaye, whose family has a distinguished track record as successful restaurateurs. We bought the shares towards the end of May. It didn't take long before they started drifting southwards. Ahead of its interim results in early September, buyers took control; but they didn't much like the results once they had sight of them. We assume this was mainly as a result of a non-cash impairment charge totalling £3.6m on five of its sites. That meant that it declared an after-tax loss of £2.637m compared to a profit of £1.05m in the corresponding period in 2015. After that, the shares just kept on dropping until they hit our stop, delivering a loss of 15.7%. ❑

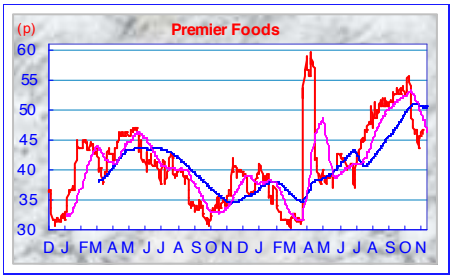
Share sales (continued from back page) *continued*

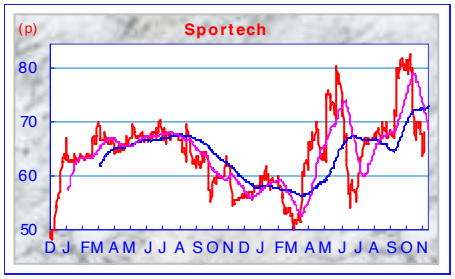












Turning points: Our verdict on the asterisked shares in our uptrend list

New uptrends whose positives seem to outweigh the negatives. There is a good probability that the trend will persist.

HIT!	BULL POINTS	BEAR POINTS
Petropavlovsk	See page 4.	
Synectics	See page 5.	
Utilitywise	See page 6.	
CentralNic	See page 7.	
Cohort	See page 8.	
Windar Photonics	See page 9.	

New uptrends whose bull and bear points appear to counterbalance each other

MAYBE	BULL POINTS	BEAR POINTS
NONE		

New uptrends we think you should ignore – unless, of course, you know otherwise continued

MISS

AIM-listed **Active Energy Group** is a timber processing, forestry management and renewable energy business which has managed to lose a lot of money to date with no known prospect of amelioration. **Altona Energy** is a Chinese-Australian venture into the conversion of coal deposits into liquids – but with a 12-month licensing period just about to commence, it looks early days to be taking a position. **DekelOil** an early-stage Cote d'Ivoire vertically-integrated palm-oil project has done what few of its peer group manage, done what it said it would and looking good and very cheap. But it's a market and a country which requires the kind of expertise we haven't got. Loss-making **Electric Word** publishes newsletters, magazines and websites – its biggest market is education – and shows little if any sign of the step-change which would restore it as a serious investment prospect.

Fully-listed specialist chemical company **Elementis**'s charms are hard to discern, and challenging forward ratings against a pretty humdrum record tend to inhibit one from trying. AIM-listed **Energiser Investments** is a tiny owner of some residential properties. Satellite communications equipment provider **Global Invacom Group** is showing good form but it being still early-stage, Singapore based and capitalised at just £20 million, there are obvious barriers to great enthusiasm. **Gulfsands Petroleum**, embroiled *inter alia* in the Syrian mess has no history of profitable trading and no forecasts.

Looking at the number of 'strong buy' forecasts for Official-List **International Consolidated Airlines** (BA and Iberia that is) and cross-referencing these to the record and forecasts and you simply have to wonder who is living on the wrong planet even if the earnings multiples are undemanding. **International Personal Finance** is a stock for which we once had a penchant; but pretty turgid results and uninspiring forecasts put paid to that.

AIM's **IronRidge Resources** is a very small cap outfit focused on the exploration and development iron ore projects with its flagship project located in West Gabon, Africa – but the project has been put on hold given the current ruling world prices and the search has commenced for alternative things to do, lithium and gold being to the fore now. But it's all in the future. **Lead All Investments** has found lead-all to invest in so far. **Lifeline Scientific** is a medical technology company focused on the worldwide commercialisation of its *LifePort Kidney Transporter*, a product designed to address the global challenge of human donor organ shortages. It looks viable and cheap, but it is a bit of a narrow field, and there are no forecasts. The business of **MP Evans** is Indonesian palm oil and Australian cattle but the shares right now are reacting to a bid for the company. **Regal Petroleum**'s colourful public life took it finally to the Ukraine

Turning points *continued*

New uptrends we think you should ignore – unless, of course, you know otherwise. (cont.)

MISS

where it now deals with a series of multiple problems, not the least of which is being in the Ukraine. Copper, gold and lithium exploration is what defines **Savannah Resources**. Its mining projects in are in Oman, Mozambique and Finland. It is early stage. By the same token, **Sula Iron & Gold** is a Sierra Leone-focused multi-commodity exploration company – early stage too. **Versarien** is engaged in the advanced engineering materials business developing valuable new materials through the commercialization of new manufacturing processes; but real progress nearly always takes longer than one would wish and you have to wait until June 2018 for the maiden small profit – if it comes, that is. ❑

☺ OFFICIAL LIST SHARES IN UPTREND (excl. inv. cos & warrants) 8.2%

* Elementis 6	Avation 47	Consort Medical 85	Indivior 116	PayPoint 30	SSP Group 30
* Intl. Cons. Airlines 6	Barclays 30	CYBG 24	Kainos Group 40	Petropavlovsk 14	Telecom Plus 30
* Intl. Personal Fin. 6	Bisichi Mines 39	Dee Valley 74	KAZ Minerals 63	PV Crystalox Sol. 51	Vedanta 166
Afarak Group 51	Braime (T & J) 'A' 83	Entertain. One 69	Lancashire H. 92	REA Holdings 23	
Anglo American 74	Cadogan Pet. 22	Ferrexpo 93	Marks & Spencer 13	Record 21	
Anglo Pacific 161	Canadian O'seas 87	Go-Ahead Group 30	Nostrum Oil & G. 17	Rio Tinto 73	
Anglo-Eastern 47	CML Microsys. 22	Greencoat UK W. 25	OneSavings Bank 29	Sainsbury (J) 38	
Aseana Prop. 38	Coats Group 61	Hostelworld 50	Paddy Pow.Betf. 11	Smart (J) & Co. 29	

☹ OFFICIAL LIST SHARES IN DOWNTREND 25.5%

* AA PLC -1	* Filtronic -6	* St James Place -1	Brit Am. Tobac. -11	Harvey Nash -11	Randgold -29
* Aberdeen Ass. M -3	* Flybe Group -10	* Stagecoach Gp. -1	Britvic -21	Hikma Pharma. -34	Rank Group -21
* Acal -8	* Gleeson (MJ) -5	* Synthomer -8	Bunzl -21	Howden Joinery -18	Regus -28
* Acorn Minerals -2	* Goodwin -10	* Trinity Mirror -2	Capita -27	IG Group -12	RM -14
* Aquila Serv. -4	* Helical Bar -7	* U and I Group -1	Carclo Engineer. -48	Informa -20	Senior -12
* AstraZeneca -7	* Hill & Smith -1	* Urban&Civic -10	Card Factory -21	Intertek Group -15	Severn Trent -23
* Auto Trader -1	* Huntsworth -2	* Wetherspoon (J) -1	Carillion -12	ITE -15	Sky -18
* Aveva -8	* IMI -8	* Whitbread -9	CarpetRight -20	ITV -20	Smith & Nephew -23
* Babcock Intl. -1	* IP Group -9	* Zotefoams -9	Circassia Pharm. -27	JKX Oil & G. -19	SuperGroup -16
* Bovis Homes -1	* Legal & General -1	Admiral -17	Clarke (T) -18	Keller Group -19	Tarsus -23
* Cap. & Regional -6	* Morgan Adv.Mat. -1	Aggreko -57	Cobham -15	Kerry Group -103	Taylor Wimpey -12
* Carr's Group -5	* Non-Standard F. -2	Ashley (Laura) -28	Connect Group -18	Laird -15	Titon Holdings -24
* Castings -9	* Phoenix Gp.H. -9	Atlas Mara -143	Countrywide -108	Macfarlane -13	Topps Tiles -20
* Cathay Intl. -4	* Premier Foods -10	Avocet Mining -25	DCC -14	Market Tech -12	Travis Perkins -18
* Charles Stanley -8	* Rightmove -8	B&M Europ'n Val -20	De La Rue -18	Marston's -11	Unilever -17
* Chesnara -1	* Safestore -6	BATM Adv. Com. -16	Devro Intl. -69	Melrose -63	UNITE Group -19
* Cineworld -9	* SAGA -9	Beazley -19	Domino's Pizza -18	Menzies (J) -18	Vectura -94
* Communisis -1	* Sage Group -4	Berendsen -15	Gem Diamonds -26	Mothercare -51	Vernalis -19
* Cranswick -10	* Savills -7	Berkeley -20	Genel Energy -74	NCC Group -12	Victoria -40
* Dairy Crest -4	* Servelec -2	Big Yellow -19	Glanbia -26	Pennon Group -27	Volex Group -15
* Dixons Carphone -1	* ServicePower T. -2	Bloomsbury Pub. -27	Greene King -20	Pets at Home -21	Workspace -18
* e2v Tech. -8	* Shire -6	Bonmarche -148	Greggs -14	Premier Veterin. -51	XAAR -12
* FDM Group -6	* Smith (WH) -10	Braemar Shipp. -93	Hargreaves Lan. -18	PureCircle -27	

☺ AIM-LISTED SHARES IN UPTREND (excl. inv. cos. and warrants) 11.5%

* Active Energy 1	Akers BioScienc. 159	Central Asia Met. 64	Hotel Chocolat 40	Palace Capital 29	Taliesin Property 210
* Altona Energy 2	Alba Mineral Res. 40	CentralNic 14	IBEX Global Sol. 11	Panmure Gordon 18	Thorpe (F W) 33
* Cohort 4	Amedeo 14	Chaarat Gold 13	ITM Power 70	Patagonia Gold 30	Total Produce 60
* DekelOil 7	Amino Tech. 84	Circle Property 24	Jiasen Intl. 22	Petards 73	Tristel 76
* Electric Word 1	Andes Energia 12	Cyprotex 127	Kennedy Vent. 12	Petro Matad 26	Ukrproduct 12
* Energiser Inv. 5	Anglo Asian M. 12	Dragon-Ukranian 13	LIDCO Group 18	Plastics Capital 11	ULS Technology 29
* Global Invacom 10	Applied Graphene 16	Draper Esprit 20	Livermore Inv. 42	Plutus PowerGen 38	Utilitywise 11
* Gulfsands Pet. 7	Arden Partners 44	Driver 30	Mariana Res. 20	ProPhotonix 42	Velocys 20
* IronRidge Res. 1	Artilium 47	Earthport 43	MaxCyte 85	Randall & Quilter 48	Verona Pharma 19
* Lead All Inv. 9	Aurum Mining 80	Enteq Upstream 108	MayAir Group 55	Red Emperor R. 39	Vipera 110
* Lifeline Scientific 1	Base Resources 180	Equatorial Palm O 58	Mincon Group 31	Richoux Gp. 51	Wentworth Res. 12
* MP Evans. 9	Belvoir Lettings 23	Ergomed 11	Mobile Streams 47	SacOil 14	Wynnstay Group 71
* Regal Petroleum 5	Beowulf Mining 37	Falanx Group 45	Mortice 22	Shanta Gold 75	Yolo Leisure 80
* Savannah Res. 3	Beximco Phar. 139	Firestone Diam. 183	mporium Group 16	SimiGon 66	YouGov 137
* Sula Iron & G. 4	Bioventix 54	Fulcrum Utility 25	Nichols 14	Sirius Petroleum 64	
* Versarien 8	Bond Intl.Soft. 91	Fusionex Intl. 39	Northacre 19	SolGold 84	
* Windar Photonics 2	Borders & Sthn. 13	Galileo Res. 46	Obtala Res. 170	Surgical Innovat. 54	
ADVFN 82	BOS Global 49	Hargreaves Serv. 52	OMG 48	Taihua 51	

Technical Notes

TREND DEFINITION

The analytical criteria that we use to identify uptrends and downtrends are tightly defined. Our criteria are designed to filter out data series which are technically in uptrend or downtrend, but which are in reality only drifting sideways.

Here is a full list of the criteria we require for a data series to be formally identified as an ***uptrend***:

- The actual value must lead the 25-day moving average;
- the 25-day moving average must lead the 65-day moving average;
- the 25-day moving average must have been rising for at least 5 days;
- the 65-day moving average must have been rising for at least 1 day;
- to filter out passive uptrends, the data must show a rise of at least 2.5% on the month.

The analytical criteria for a ***downtrend*** are exactly the converse of the above criteria.

Any data series not conforming to either set of criteria we describe as having an *indeterminate* trend They are not listed. Note that it is quite normal for a data series to alternate between determinate and indeterminate trends from time to time, but not for it to jump directly from an uptrend to downtrend, or vice versa without an interval of several days.

The percentage figures which appear in the title box of each section represent the percentage of securities in uptrend or downtrend relative to all securities that we monitor in that section. These figures correspond with the latest uptrend and downtrend percentages shown in the various *TrendWatch* barometers. ❑

PRICE CHART KEY:

——— 65-day moving average.

——— 25-day moving average.

☹ AIM-LISTED SHARES IN DOWNTREND 16.7%

* Abzena -10
* Adv. Medical Sol. -5
* AFC Energy -1
* Agriterra -1
* Alliance Pharma -1
* Asian Growth Pr. -4
* Bagir Group -10
* Baron Oil -6
* Brave Bison -8
* Braveheart Inv. -5
* Cello -1
* CityFibre Infra. -8
* Craven House C. -1
* Digital Barriers -9
* EG Solutions -2
* Epwin Group -8
* Finsbury Food -7
* Fishing Republic -1
* Fulham Shore -6
* IGas Energy -1
* Leaf Clean Ener. -5
* MBL Group -10
* Midwich Group -7
* Mi-Pay Group -5
* Northamber -9
* Park Group -6
* Patisserie -5
* Pires Invest. -7
* Premaitha Health -2
* President Energy -3
* Proton Power S. -3
* Quartix Holdings -7
* Redde -7
* Safestyle UK -5
* Science in Sport -2
* SEC S.p.A. -1
* Stadium Group -4
* Surface Transf. -1
* Tissue Regenix -2
* WYG -1

1Spatial -118
7digital -16
Adv'd Oncother. -21
Amiad Water S. -88
Amphion Innov. -15
AorTech Intl. -15
APC Technology -33
Aquatic Foods -12
Arbuthnot -12
Ariana Res. -18
Aureus Mining -116
Bacanora Miner. -34
Bilby -91
Billington -14
BlueRock Diam. -211
Blur Group -133
BPC -151
Cenkos Secur. -80
Character Gp. -18
Cogenpower -100
Collagen Sol. -17
Connemara M. -61
Croma Security -172
Curtis Banks -127
Defenx -74
Deltex Medical -14
Diamondcorp -41
Ebiquity -15
Eckoh -46
EMIS Group -15
Empyrean Ener. -12
Ensor -18
Entu (UK) -94
Fairpoint Group -140
Fastjet -41
Formation -164
GB Group -12
Globalworth -25
GoldStone Res. -67
Grafenia -77
Green Dragon G. -17
Gulf Keystone P. -48
Gunsynd -81
HaloSource -71
hVIVO -31
Hydrodec -17
IDOX -13
Imperial Innov. -15
Infrastrata -13
Infrastruct. India -69
Inland Homes -17
iomart -15
Jaywing -97
Karelian Diam. -62
KEFI Minerals -52
Kimberly Ent. -39
KSK Power V. -22
Magnolia Pet. -339
Majestic Wine -35
Manx Financial -26
Marshall Motor -16
Medaphor -135
Metal Tiger -32
Metals Explorat. -61
Michelmersh -11
Microsaic Sys. -349
Mkango Res. -20
MobilityOne -28
Mosman O&G -25
Motorpoint -18
Murgitroyd Group -24
MXC Capital -21
Nanoco Group -20
Nektan -13
NetScientific -19
Newmark Sec. -148
North River Res. -13
Pantheon Res. -52
Papua Mining -90
Personal Group -172
PhotonStar LED -94
PHSC -55
Pittards -12
Plus500 -25
PME African Inf. -91
Polar Capital -18
Proteome Sci. -103
Purplebricks -14
RapidCloud Intl -29
Redcentric -12
Robinson -58
Rockhopper Ex. -74
Rotala -17
RTC Group -110
Sigma Capital -34
Slingsby (HC) -363
Snoozebox -25
Solo Oil -149
Spaceandpeop. -130
Stanley Gibbons -12
StratMin Glob.R. -13
Synairgen -18
Tasty -18
Tavistock Inv. -54
TLA Worldwide -72
Tower Resources -84
Tyratech -80
United Carpets -16
Vertu Motors -17
WANdisco -12
West African Min. -73
Xtract Res. -313
Zamano -29
Zoltav Res. -20

☺ EXCHANGE TRADED FUNDS (ETFs / ETCs) IN UPTREND 4.4%

* ETFS Aluminium 5
* ETFS Copper 2
* ETFS Industrial Metals 6

ETFS Coffee 125
ETFS Physical Gold (£) 18
ETFS Soybean Oil 32
ETFS Zinc 187
Lyxor Gold Bullion GBP 18

☹ EXCHANGE TRADED FUNDS (ETFs / ETCs) IN DOWNTREND 7.2%

* iShares FTSE EPRA/NAREIT Global Prop. Yield -8
* iShares FTSE UK Div. Plus -1
* iShares FTSE/EPRA Euro Prop. Index -7
* iShares MSCI AC Far East ex Japan SmallCap $ -4
* iShares MSCI Em. Markets Islamic ($) -4
* iShares S&P Em. Mkts.Infrastructure -7
* iShares S&P SmallCap 600 $ -9

DB X-trackers STOXX Europe 600 Banks Short Daily -30
DB X-track. STOXX Eur. 600 Health C. -12
ETFS Physical Palladium -16
iShares FTSE EPRA/NAREIT US Prop.Yield -12
iShares MSCI USA Islamic ($) -19
iShares MSCI World Islamic ($) -17

☺ INVESTMENT COMPANIES IN UPTREND (excl. warrants) 7.3%

* Northern Venture Trust 10

Aberdeen Frontier Mkts.Inv. 167
Aberdeen Private Equity 138
Artemis AIM VCT 2 32
AXA Property Trust 30
Chelverton Growth Trust 186
DW Cr.Catal.Ord Red NPV £ 20
EPE Special Opportunities 118
Establishment IT 92
Foresight 3 VCT 48
Foresight 4 IT 30
Hargreave Hale AIM VCT 1 41
Hygea VCT 20
India Cap. Growth 144
JPMorgan Private Equity 111
JZ Cap. Prtnrs. 6% Conv. Un sec.Sub.Ln.Stock 2021 61
Mithras IT 67
New Star IT 134
Oakley Capital Investments 38
Pantheon Intl. Particip. Red. 121
Premier Energy & Water 150
Riverstone Energy 151
Scottish IT 92
SVG Capital 86
Trading Emissions 50

☹ INVESTMENT COMPANIES IN DOWNTREND (excl. warrants) 13.1%

* Amati VCT -2
* Amati VCT 2 -5
* Biotech Growth Trust -10
* City of London IT -3
* Diverse Income Trust -2
* Dunedin Income & Growth -8
* Edinburgh Investments -8
* Edinburgh Worldwide -2
* Empiric Student Property -7
* Finsbury Growth & Inc. -1
* Investment Co. (The) -3
* Mercantile Investment Trust -1
* Merchants Trust -5
* Montanaro UK Smaller Cos. -2
* Murray Income Trust -3
* NewRiver Retail -1
* Redefine Intl. -7
* Schroder Income & Growth -3
* SEGRO -5
* Shires Investments -1
* Standard Life Eq. Inc. Sub. -6
* TR Property Investments -1

Aberdeen Smaller Cos.Inc. -47
Albion VCT -16
Artemis Alpha Sub Sh. -443
Derwent London -20
GLI Finance -25
Green Reit -18
IBIS Media VCT 1 -263
Inland Homes ZDP -17
INVESCO Inc. Growth -18
JPMF Mid Cap -15
LMS Capital -21
LondonMetric Pr. -19
Ludgate Environmental -443
LXB Retail Properties -12
M&G High Inc. Cap.Shares -101
Maven Inc. & Growth VCT -43
Neptune-Calc.Inc.& G.VCT -130
Oxford Technology 2 VCT -16
Oxford Technology 3 VCT -109
Oxford Technology 4 VCT -98
Perpetual Income & Growth -18
Schroder UK Mid & Sm. Cap -11
Town Centre Securities -12

Technical notes

OUR SHARE SELECTION PROCESS

Our strategy for selecting the 6 shares recommended in each issue is systematic, easy to understand, transparent – and very effective.

Our starting point is the uptrend list. Note that each share in our uptrend and downtrend lists carries a numeric suffix. This number represents the number of days that the 65-day moving average has been in uptrend or downtrend. For uptrend lists, this number is always positive. For downtrend lists, it is always negative.

All new uptrends (or downtrends) are collected together at the beginning of the lists, prefixed by an asterisk. New uptrends are those that have occurred since the last issue. Note that the numeric suffix will always be 10 or less, because 10 is the number of business days since the last issue of *TrendWatch*.

New uptrends are the ones of most interest to investors because it is desirable to get into the trend early.

Having identified the new uptrends (those prefixed with an asterisk), our next step is to perform limited fundamental analysis on them to classify them as a 'Hit', 'Maybe' or 'Miss'. We give our reasoning so that you can judge for yourself whether, in your view, our reasoning is sound.

Finally, we do in-depth fundamental research on the shares in the 'Hit' list. The six shares that, in our view, are the best of the bunch become our six formal share recommendations.

As described in the previous Technical Note (*Trend Definition*), the 65-day moving average is our prime moving average. Remember that, for a share to get into the list, all other criteria as set out in the above Technical Note have to be satisfied. If they are not, the share will disappear from the list. If all criteria are subsequently satisfied and the 65-day MA was not affected, the share will reappear in the list as a mature (non-asterisked) trend. If the setback was such that the 65-day MA suffered a reversal, the recovery will see the share reappearing in the list as a new (asterisked) trend. ❑

Share sales

TURMOIL IN the markets in the wake of Brexit and ahead of the Trump/Clinton vote continues to take its toll. Our stop-loss system has taken another seven shares from our portfolio, whether they deserve it or not.

But once again, the result is a net gain of 17.7%, outperforming the fragile market by just over 9%.

We'll work through them in alphabetical order – which means that we start with our biggest winner by far: **GB Group**. This electronic identification specialist has been in our portfolio almost since the dawn of time; to be exact, since April 2013. Still, all good things must come to an end. The end of GB's terrific run came abruptly in mid-October when the company issued a brief trading statement. The statement said that "the Board remained confident in the outlook for the full year". For that, the share price was punished with a 30% drop in value over just two days! Go figure. Mad volatility is what we have to contend with these days. Stockbroker finnCap showed what it thought of the price fall by slapping a 'Buy' label on the stock, together with a target price of 350p compared to its current price of 238p.

Perhaps the underlying explanation for the fall was that the valuation was getting somewhat ahead of itself. Even after the recent price fall, the forward p/e for this year is a fairly heady 25.2, which gives a prospective PEG of 1.26. And averaged over this year and next, the forecasts indicate a small net fall in earnings per share. The shares are much more fully valued than they were when we bought all that time ago. So all in all, we're very pleased with the gain of 154%.

Hansard Global, the provider of savings and investment products, was also doing splendidly up to mid-September, by which time the shares had risen from 111p in May to 143p. But then the company issued its full year results, in which it reported pre-tax profit down from £14.9m to £8.4m. The company says this fall was as expected (for example, partly due to the discontinuing of its European business); but investors' memories of what the company said in the past is often deficient, so the results brought forth the

(Continued on page 12)

TrendWatch Portfolio performance summary

Stop-loss sales during 2016

Share	Date bought	Date sold	Buy price (p)	Sell price (p)	Gain/ loss (%)	Mkt. gain/ loss (%)	Out-perf. (%) *
Sales previously reported in Jan. - Nov. (75 shares):					*1.80*	*-3.15*	*5.12*
Sales since last issue:							
GB Group	25/04/13	21/10/16	97.00	246.75	154.38	11.68	127.78
Hansard Global	26/05/16	11/10/16	111.00	106.25	-4.28	11.31	-14.00
Marshall Motors Holding	23/06/16	17/10/16	185.50	137.00	-26.15	8.24	-31.77
Plus500	10/12/15	02/11/16	414.00	580.00	40.10	10.44	26.85
Premier Food	21/07/16	26/10/16	46.75	43.50	-6.95	3.75	-10.32
Sportech	15/06/16	02/11/16	78.25	64.63	-17.41	1.09	-18.30
Tasty	26/05/16	31/10/16	172.50	145.50	-15.65	9.21	-22.76
Averaged gain / loss (%):					**17.72**	**7.96**	**9.04**

Percentage profit on most recent sales:	**17.72%**
Percentage market gain (tracker fund):	**7.96%**
Trendwatch has outperformed market by:	**9.04%** *

* See 'Benchmarking' note [panel, right] to see how this figure is calculated.

Technical notes

BENCHMARKING

Accurate monitoring of our investment performance is of critical importance, both for you and for us. It is not enough to simply monitor the profit (or loss) on our selections. You are entitled to know how we have done *relative to the market as a whole*. It is no use us boasting of a 20% profit if the market as a whole has risen 30%.

We therefore monitor each of our recommendations against a **benchmark index.** Ours is the *FT All-share Index (exc. investment companies)*.

Whenever we recommend a share, we record the value of this index as at the date the share was bought. When we do a valuation or when we sell a share, we record the latest value of the index. We then add the percentage change in the index to the cost of buying the share. This tells us how much our investment would have grown had we invested in a market tracker fund rather than in the actual share – the **market gain/loss**.

To determine how much we have outperformed (or under-performed) the market, it is tempting to subtract the tracker gain from the actual gain – but this is mathematically flawed. The industry-standard formula for outperformance / underperformance is:

((100 + actual gain) / (100+ tracker gain) x 100 – 100

If we sell a share at a profit, but the tracker index for that share shows an even bigger rise, we record it as a loss against the market. If we sell a share at a loss in a rising market, we record it as an even bigger loss against the market. ❑

The TrendWatch Top Twenty – our all-time best-performing recommendations

Rank	Share	Date bought	Date sold	% gain	Rank	Share	Date bought	Date sold	% gain
1	ARM Holdings	04/02/99	24/03/00	937.5	11	boohoo.com	20/08/15	-	323.7
2	Amstrad	25/11/98	31/03/00	879.5	12	Bizspace	10/04/03	30/06/05	320.2
3	Bloomsbury Publishing	03/09/98	18/02/01	522.5	13	easyJet	09/06/11	16/06/14	308.0
4	Flomerics	20/08/98	18/04/00	489.3	14	Peter Hambro Mining	03/01/03	10/05/04	302.0
5	West China Cement	05/03/09	21/05/10	473.3	15	Adv'd Computer Software	11/10/10	27/03/15	295.8
6	Tanfield	11/05/06	15/08/07	468.6	16	Burren Energy	01/04/04	18/05/06	294.9
7	Alphameric	22/07/99	17/03/00	422.2	17	Independent Energy	18/02/99	18/04/00	293.8
8	Trafficmaster	12/11/98	05/04/00	407.8	18	Domino's Pizza	04/12/03	01/10/07	291.1
9	Psion	21/01/99	31/03/00	394.0	19	Misys	14/02/96	13/08/98	285.5
10	Axon Group	22/07/99	06/04/00	349.0	20	WANdisco	13/09/12	16/01/13	274.6

THIS TABLE shows our all-time biggest gainers since *TrendWatch* was published.
IN THE NEXT ISSUE we'll show our best performers over the past 12 months, including shares still in the portfolio (regardless of when they were bought).