THE UK'S NO. 1 FREE INVESTMENT PUBLICATION

MAGAZINE
masterinvestor
RESEARCH • ANALYSE • INVEST

THE EMPIRE STATE BUILDING:
THE PINNACLE OF BRICKS & MORTAR INVESTMENT
OWN A PIECE OF HISTORY THROUGH THE REIT

MASTER INVESTOR SHOW - APRIL 25TH 2015, LONDON

OVER 3,500 TICKETS SOLD ALREADY.

RECORD BREAKING EVENT WITH EXCITING NEW EXHIBITORS. SEE PAGE 61 FOR MORE INFORMATION.

PLUS...

EVIL KNIEVIL
THE UK'S GREATEST SHORT-SELLER DISSECTS AIM'S REGULATORY SHORTCOMINGS

OIL & GAS SERVICES
M&A ACTION IS ABOUT TO SHAKE-UP THE SECTOR – READ OUR SPECIAL REPORT

AL CHALABI INTERVIEW
FAST-FORWARD CO-WRITER AL CHALABI REVEALS ALL

THE MIND OF THE MASTER
JIM MELLON SHARES HIS LATEST THOUGHTS ON THE MARKETS

ISSUE 01 - APRIL 2015
WWW.MASTERINVESTORMAGAZINE.CO.UK

FEATURING...


ROBBIE BURNS


JIM MELLON


ALPESH PATEL


EVIL KNIEVIL

WELCOME

The new Master Investor Magazine is a result of merging several well known, highly respected publications, including Spreadbet Magazine, T1ps.com, UK-Analyst and the Evil Knievil Diaries. The resulting product is blazing a new trail for private investors.

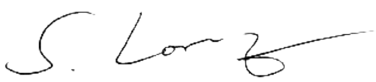
Entirely free for readers, our magazine provides you with insights and ideas from experts who have truly mastered the art of investing. Our founder and backer, Jim Mellon, has amassed a personal fortune approaching £1 billion, purely on the back of making the right investment decisions at the right time. Jim is a genius when it comes to identifying long-term, major trends. No points for guessing which publication will provide you with exclusive insights into Jim's latest ideas...

I am also delighted to have partnered with Simon Cawkwell, better known as Evil Knievil. The UK's most legendary forensic accountant, short-seller, and market commentator will be delivering his invaluable insights on how best to protect and preserve wealth in a world where financial regulators are myriad but sadly ineffectual.

Master Investor Magazine aims to provide readers with a breadth and depth of information that you will not find anywhere else. You will be able to find our content in the monthly magazine, on our newly launched and daily updated website www.masterinvestormagazine.co.uk, and at our annual Master Investor show in London. And don't forget to sign up to our social media channels!

So a very warm welcome to Master Investor Magazine, a product that has been a long time in the making and which we hope will surprise you even further during the months to come.

All the best for April,



Swen Lorenz, Editor

P.S. Ticket bookings for our Master Investor show on 25th April 25th are already 100% ahead of last year's event. More than 3,500 investors are already signed up, and the number is increasing by the day. It promises to be a record-breaking, inspiring and exciting day. If you haven't already signed up, **click here** to claim complimentary tickets – or even better, purchase the VIP tickets to ensure you are seated in one of the front rows and gain access to the exclusive VIP lounge.

CONTACTS

Advertising
swen@masterinvestormagazine.co.uk

Editorial Enquries
james.faulkner@masterinvestormagazine.co.uk

Subscriptions
admin@masterinvestormagazine.co.uk

FOLLOW US

WANT TO SUBSCRIBE?

Turn to page 69 for subscription details and a chance to win FREE tickets to the Master Investor show in April

WANT TO CONTRIBUTE?

If you think you have what takes to be a Master Investor contributor then email us at admin@masterinvestormagazine.co.uk

Burnbrae Media Ltd.
101 Finsbury Pavement
4th Floor, London
EC2A 1RS, UK

Editorial

Editor Swen Lorenz
Editorial Director James Faulkner
Creative Director Lee Akers
Copywriter Simon Carter

Editorial Contributors

Alpesh Patel
Filipe R Costa
Simon Carter
James Faulkner
Samuel Rae
Robert Sutherland - Smith
Jim Mellon
Maria Psarra
Dave Evans
Keith Heddle
Adrian Kempton-Cumber

Printed in the UK by The Magazine Printing Company

ISSUE 01 - APRIL 2015
WWW.MASTERINVESTORMAGAZINE.CO.UK

CONTENTS

ON THE COVER


078
Edit
Open
7.65
1 day
1 month
6 months
1 year
5 years


073
FEINGOLD 999.9
100g


Bloomberg
086


052

AROUND THE WORLD IN A DOZEN PROPERTIES (PART 1)

INVESTING IN THE WORLD'S MOST FAMOUS OFFICE BUILDING

BY SWEN LORENZ

This is the first in a 12-part series of articles by Swen Lorenz, reporting on easy-to-access investment opportunities in high quality real estate around the world. This month, Swen has travelled to the Big Apple to visit an American icon.

"AS A REAL ESTATE LOCATION, NEW YORK HAS COME A LONG WAY."

Of the world's record-breaking real estate locations, none beats more records than that tiny island in the Hudson River – Manhattan!

Despite being just 87 square kilometres in size, it is home to a larger number of Fortune 500 corporate headquarters than any other metropolitan area in the US. Its economic output per square kilometre is mind-boggling, and that's not just because of its role as the leading financial hub of the world's largest economy. A few smaller US cities claim records in a number of other aspects, such as San Francisco's extraordinarily high median income due to the tech elite's sky-high salaries; San Francisco, however, is not on the same scale. Manhattan's sheer overall size is staggering. Together with its neighbouring boroughs, which feed into its economy and provide its workforce, it has twice the economic output as the US's next largest metropolitan area, Los Angeles.

As a real estate location, it has come a long way since changing hands in 1626 for beans and trinkets worth about $24. Being a densely populated island, space is naturally restricted in Manhattan which in turn fuels price increases. Following the most recent price spurt, the properties located in Manhattan represent a combined value of nearly $4 trillion - that's $4,000 billion. To put this into context, just imagine four million suitcases containing a million dollars each.

Even in New York, prices sometimes fall

My first acquaintance with America's foremost economic centre happened in 1990. Visiting as a high school student, I experienced Manhattan when it had reached its lowest point in decades: rampant crime, businesses leaving for greener pastures, and depressed real estate prices. It took a heavy-handed mayor, Rudolph "Rudy" Giuliani, to clean up the mess and get New York back on track.

No market goes up in a straight line, and that counts for New York property, too. The city experienced two major declines, both lasting longer than most investors would have kept their patience. Between 1974 and 1980, as well as from 1989 to 1996, prices declined.

"A TOP NEW YORK CITY TOURIST ATTRACTION WITH 4.3 MILLION VISITORS IN 2014, IT GENERATED $111.5 MILLION IN REVENUE IN 2014, DOUBLE THE EQUIVALENT FIGURE 10 YEARS AGO"

However, despite such troughs, in the long run the market always did what the overall economy of New York does: outperform the rest of the US, and by a margin. Since 1974, prices are up eightfold across the board.

But how does one best gain access to the growth of this market, especially as a typical private investor, with insufficient funds to buy a building or even a studio flat? (Especially since the latter can nowadays easily set you back half a million dollars.) And how can one avoid having to deal with nagging tenants, burst water pipes, and different legal systems?

Owning Manhattan through Real Estate Investment Trusts

Luckily for private investors, there is a convenient, safe and effective way for investing in Manhattan property, with a minimum investment that's within any investor's reach. They are called **Real Estate Investment Trusts (REITs),** and anyone with a brokerage account can buy into them.

REITs were designed as tax efficient investments funds purely aimed at investing in real estate. Among those focusing on Manhattan and the wider New York area, one that stands out is the Empire State Realty Trust, a $5 billion company listed on the New York Stock Exchange (ticker symbol: ESTR).

As its name indicates, this REIT holds one of the most treasured pieces of property of the New York real estate market and quite possibly the most famous historic office building in the world: the Empire State Building.

This landmark building is the flagship for the trust's entire portfolio, of which it makes up nearly 30%. It's located in the midtown district of Manhattan where demand for office space is particularly high. In order to make it attractive to modern companies, the building has undergone extensive refurbishments, including significant investments into energy-saving technology and other steps to make the offices greener and more sustainable. Its tenants now include tech companies such as LinkedIn and Shutterstock. These are more likely to be able to pay top dollar for space than many old economy companies, and they are also helping to give the building a more modern image. Occupancy is up from 75% since it was refurbished a few years ago to 84% currently, but has further to rise to catch-up with the current market average of over 90% occupancy.

> **"NOT ONLY WOULD AN ECONOMIC CRISIS BE UNLIKELY TO LEAD TO THE COMPANY RUNNING INTO DIFFICULTIES; THERE IS EVEN ROOM TO EXPAND THE PORTFOLIO FURTHER"**

The world-famous observatory deck is an additional feature of the building. A top New York City tourist attraction with 4.3 million visitors in 2014, it generated $111.5 million in revenue in 2014, double the equivalent figure 10 years ago. If ever there was a property investment that you could go to visit, inspect and enjoy yourself, the Empire State Building is it! On my own recent visit, I bought the express ticket to by-pass all queues and I paid a staggering $75. The platform is now open from 8am to 2am and despite nascent competition from the new platform in the World Trade Center, it is bound to go from strength to strength. King Kong climbed up the outside of the Empire State Building, and virtually every tourist visiting the city has the building high up on the priority list of once-in-a-lifetime visitor sites. Furthermore, to help compete with the new World Trade Center, the Rockefeller Center and other comparable sites, the management of the Empire State Building has recently been investing heavily in state-of-the-art, interactive attractions.

Besides the Empire State Building, the fund owns a further eight high-rise buildings in Manhattan, which together with the Empire State Building make up 80% of the portfolio and offer a mix of office and retail space. A further 20% of the investments are located throughout the wider metropolitan area of New York. ESRT is clearly as pure a bet on the future of New York City's economy as you can get. The company publishes the full list of its buildings and you can stroll around Manhattan for a day and visit all of them.

Is it a buy?

For a start, ESRT has funded its portfolio with 75% equity and just 25% debt. In other words, not only would an economic crisis be unlikely to lead to the company running into difficulties; there is even room to expand the portfolio further, and to do so without getting to an irresponsible debt level for quite some time. That makes it, at least for now, eminently suitable for long-term investors. There is also still significant scope for creating value through replacing older tenants, modernising space, and upping the rents of existing tenants – all of which the management is currently doing.

The downside is that Manhattan real estate prices have now been increasing significantly for five years already. Is the market at its top? Will interest rate hikes lead to a downturn in real estate prices? As the historical figures show, the real estate market isn't a one way street, not even in New York.

Trading at $19 per share, the REIT had earnings per share of $0.89 last year. With estimated earnings per share between $0.90 and $0.95 in 2015 and an expected dividend payment of $0.36 (yield: 1.9%), the shares aren't extremely expensive, but it's not a screaming bargain either. The company does not provide the "net asset value per share" that REITs used to provide in the past, and instead reports on the basis of earnings adjusted for depreciation and one-off sales gains. On balance, investors are not yet paying a huge premium to get in on this opportunity, but neither are they able to pick up these assets at a discount.

What's in it for investors? The world's super-wealthy have come to regard global mega-cities such as New York as a safety deposit box for their nest eggs, and properties in New York are bought as a long-term safe-haven asset. Much is to be said in favour of such an approach, and ESRT makes this strategy available to those who have more modest sums to invest. Outside of that, owning a stake in the Empire State Building is guaranteed to give you bragging rights at next week's family party.

Next month: Swen pays a visit to Germany to check on opportunities there.

MELLON ON THE MARKETS

EUROPE'S PHONEY RECOVERY

BY JIM MELLON

I am writing this in my flat in Berlin, looking out over the Reichstag, scene of heavy fighting at the end of the last war. It's a beautiful morning and the building, topped by Norman Foster's remarkable cupola, is now the crucible of a verbal war raging around the extent of German subvention of the poorer members of the Eurozone, notably Greece.

This argument is not just academic, and while the posturing of the ludicrously attired ersatz economist Greek finance minister has a comic element attached, the consequences of this spat are anything but funny.

Literally, the whole of the world's currency dynamic, the future trends of global trade, and the allocation of portfolios worldwide are being shaped by this crucial debate. Germany has absolutely no need of a weaker euro, and indeed most of Europe doesn't need one either. But it has got it, and while in my last few articles I have emphasised the need to be short the euro against just about anything that moved, the extent of its fall – a direct result of the aforementioned debate – is now overdone.

When Mario Draghi announced his **QE programme** some months ago, in the teeth of German reluctance, if not downright resistance, he signalled a huge change in the character of the European currency union.

Now that the programme has started, the inevitable consequence of a collapsed euro has occurred. The euro has lost over a quarter of its value against the rampant dollar in the past year; it has also lost nearly 20% against the pound, and is now undervalued on nearly every indicator I look at.

"WHILE THE POSTURING OF THE LUDICROUSLY ATTIRED ERSATZ ECONOMIST GREEK FINANCE MINISTER HAS A COMIC ELEMENT ATTACHED, THE CONSEQUENCES OF THIS SPAT ARE ANYTHING BUT FUNNY."

Meanwhile, Eurozone interest rates, particularly at the core, are at record lows. The ECB has been buying German bonds, largely because there are more of them, with the intention of driving yields across the Eurozone down. The general hope is that this will force banks and others, unimpressed by the derisory (or even negative) yields on cash, to lend to productive causes.

The extent of QE as announced will be €1 trillion over eighteen months, and it's certainly a large figure. Stocks in Europe have soared, as investors believe that the declining euro will boost earnings, QE will revive growth, and dividends on stocks are much more attractive than bond coupons.

Jim's top 3 thoughts of the month:

1. QE will not successfully stimulate European economies.
2. After making 130% on Apple, I would now go short.
3. Synergy Pharma as trading buy.

"THE EXTENT OF QE AS ANNOUNCED WILL BE €1 TRILLION OVER EIGHTEEN MONTHS, AND IT'S CERTAINLY A LARGE FIGURE."

So far, so good. But there are tremendous problems with the ECB's approach. First, Europe, which overall runs a huge trade surplus (6% of GDP) with the rest of the world, doesn't have a balance of payments problem. Germany suffers from anaemic domestic demand, France and Italy have sclerotic economies, and the peripheral economies have already undergone massive internal devaluations characterised by high unemployment and collapsed domestic demand. A weak euro will do little to encourage exports but might crimp imports, further adding to the inevitable savings glut that comes from huge trade surpluses.

One of the consequences of QE, meanwhile, is to distort the allocation of capital, which is swirling around in government bond markets and not finding its way out of the still undercapitalised banking sector in Europe to the SME sector, which is where the money is needed. The big multinationals can meantime borrow at near government rates, but it's not them that need money – it's the small, job creating businesses which continue to be squeezed all across Europe.

That is why there is no productivity growth in Europe (or for that matter in the UK, the US or in China, all exponents of QE as well).

Capital is not being properly allocated, and while growth is ticking up slightly, to about 1% across the Eurozone, it is still at a derisory level which will not be significantly boosted either by the euro's weakness or by QE. In my opinion, what Europe needs is a concerted effort to boost growth by cutting taxes.

That's not going to happen – and that takes me back to my view of the Reichstag. The Germans are very reluctant participants in QE, and are not keen on the already evident consequence of the debased currency. The idea of a federalised European tax system is a leap too far for the populist press in Germany, already highly accomplished in railing against the feckless Southerners sucking German taxes down to their deckchairs and tavernas.

"A WEAK EURO WILL DO LITTLE TO ENCOURAGE EXPORTS BUT MIGHT CRIMP IMPORTS, FURTHER ADDING TO THE INEVITABLE SAVINGS GLUT THAT COMES FROM HUGE TRADE SURPLUSES."

So what do we, eternally engaged in the hunt for investments that make a profit, do in these circumstances?

Firstly, although the **euro/dollar** rate will be very volatile, and indeed the **euro/sterling** rate as well, I think both are either at or close to the bottom.

So – and here comes a big step for me, so long a euro bear – I would close out euro short positions. I am not sure on **European stocks**, where foreign buying has been particularly evident. On the one hand, they aren't particularly cheap, and the Euro banks still need to raise more capital; on the other hand, there isn't much for, say, Germans to invest in when yields on bank deposits are so low. I am of the view that the European stock markets, now the market du jour, are probably best avoided until it becomes clear that QE doesn't really work in Europe, at which point there may be a correction.

There will be no great European renaissance as a result of these policies; sadly, I think Europe will limp along at best.

Meanwhile, the US economy seems to be stalling somewhat, China is definitively slowing down, and emerging markets, particularly the commodity dependent ones, are under severe pressure.

As I keep on saying, we only need one or two investments to go right per year to do well overall. My call this year was for the outperformance of the Japanese market and for the flat lining of the yen/dollar rate, and both of these things have happened. My target on the **Nikkei** was for 20,000, and we are within a whisker of that. I now raise that target to 22,000 and I would leave the currency unhedged.

The US market is overvalued and I am going to make a controversial call. Two years ago, at Master Investor, we called a rally in **Apple**, and boy has it rallied, way beyond our target. I now think Apple, the world's most successful company, is a SELL and indeed, even a short. I think we are on the verge of some disruption that I can't properly articulate, and in the same way that Apple crunched Nokia, it too could be crunched. I will reveal an idea at **Master Investor** on this theme.

"THERE WILL BE NO GREAT EUROPEAN RENAISSANCE AS A RESULT OF THESE POLICIES; SADLY, I THINK EUROPE WILL LIMP ALONG AT BEST."

In the meantime, a hunch and a look at trading patterns tell me to buy **Synergy Pharma** in the US. It has a drug for chronic constipation, and there's lots of that in the US. It's in late stage Phase 3 and I think it will end up being a blockbuster.

The company will be at **Master Investor show** on 25th April at the **Business Design Centre in Islington.**

Evil Knievil, Merryn Somerset Webb, James Ferguson, and I will be there along with many others and a lot of futuristic technology and entertainment.

Ticket sales are already twice what they were last year and it will be a heck of a day so please come along!

Happy hunting!

Jim Mellon

Click HERE to follow Jim's trades on twitter

What Jim read this month...

'10 enterprise technology startups you should keep an eye on'

True to form, Jim keeps his finger on the pulse of technology investment as Hot Topics round up their top ten enterprise technology start-ups with some surprising contenders.

From Hot Topics - CLICK HERE

'If an Algorithm Wrote This, How Would You Even Know?'

The New York Times' Shelley Podolny looks at the internet trend that went unnoticed: computer generated articles. Podolny looks at how advanced algorithms can fool anyone into thinking what they were reading was written by a human, when in fact it was formulated by a computer program, and that the practice is more common than one may think.

From NYT Sunday Review - CLICK HERE

'The truly personal computer'

The Economist explores the era-defining technology that is the smartphone. With around a third of the world's population carrying one around, the article looks at how the smartphone is changing humanity. With a brain in our hands as well as our heads, will mankind forever be in two minds about our existence?

From The Economist - CLICK HERE

'This Article Was Written With the Help of a 'Cyber' Machine'

WSJ's tech duo Danny Yadron and Jennifer Valentino-Devries offer a look at internet nomenclature, in particular the over-use of the word 'cyber', but opine that we have very few alternatives as even language struggles to keep up with the fast pace of modern technology.

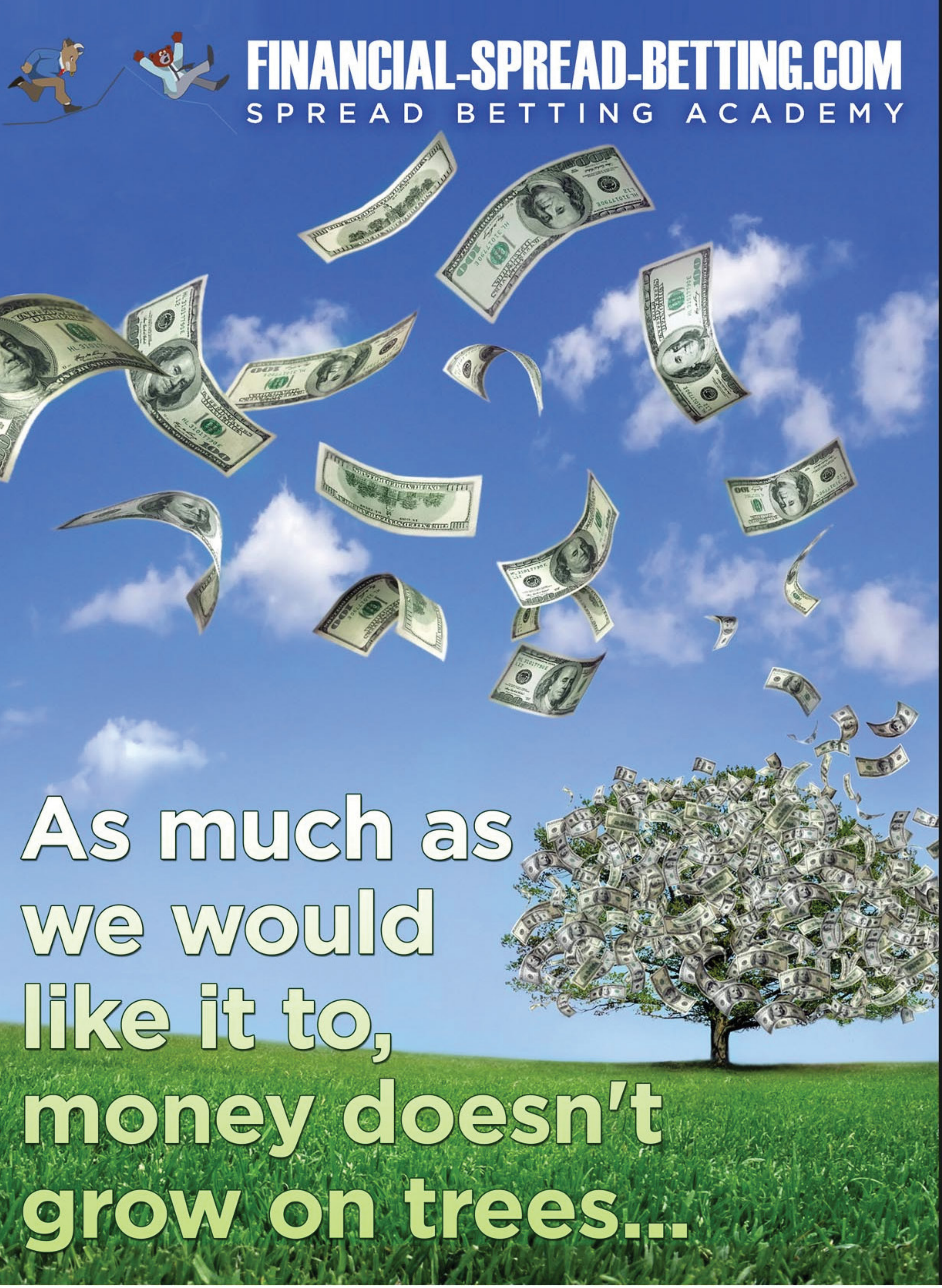
From the WSJ - CLICK HERE

'Robots Rub Shoulders With Human Buddies'

This article looks at co-bots or "collaborative" robots, a new generation of affordable robots set to revolutionise auto-mated manufacture and removing the need for a human overseer. Robots may well be taking our jobs after all...

From the Financial Times - CLICK HERE

Click here to grab your copy of Jim's latest book, Fast Forward, for more on investment opportunities in the tech industry - Available on Amazon, Fruitful Publications £16.99.



Note: Our website guide is purely educational in nature, we do not give advice and any illustrated example trades on the website are for educational illustration purpo

...but we can give you the opportunity to plant the seeds of your own success!

In our own experience with hundreds of traders from around the world, the 'secret' - if there is one, as to why some of these guys always seem to make money right from the start, is that they keep things simple.

First you must grasp a good understanding of basic market mechanics. Trading with trend lines for example is not rocket science, and is more akin to simple geometry - it does not take a genius to draw a line on a chart. Momentum ndicators require a few more brain cells, but any 10 year old can be taught to recognise a divergence of momentum indicator and price.

It is a known fact that the traders who lose money seem to let emotion affect their judgement and this makes trading very risky. But get past that hurdle, and trading can be incredibly profitable.

You need to work with facts only. That's what our spread betting and technical analysis courses teach you. How to work with hard facts not soft emotions.

Start planting the seeds of your trading future with our completely FREE Stock Market Training!

Access all our free financial tools, including:

Q&A - All your spread betting questions answered.

Training - In-depth technical analysis and money management courses teaching you how to trade.

Videos - Check out our finance and audio interviews.

Reviews - Unbiased reviews and perspectives on spread betting companies.

Deals - The best spread betting offers and freebies around right now.

Tips - Pearls of financial wisdom and tactics to help improve your trading.

Discuss - Blog your trading journey in our Trading Community section.

Simply visit: www.financial-spread-betting.com

EVIL KNIEVIL (AKA SIMON CAWKWELL)

THE BEST OF THE EVIL DIARIES

A big man with a bigger reputation, Evil Knievil famously made £1 million by short selling shares in Northern Rock during its collapse. He also uses his knowledge and experience to buy shares, often resulting in the same devastating effect.

At least three times a week, Evil provides his thoughts and musings on the markets. Now writing EXCLUSIVELY for Master Investor Magazine at http://www.masterinvestormagazine.com/blog/category/evil-diaries.

He doesn't just deliberate about the financial markets on The Evil Diaries, but also comments on politics, current affairs, which horses/sports bets are his latest favourites, with the occasional film and book review thrown in for good measure. Here we take a look back on the highlights of Evil's diaries in the month of March.

5th March

Since the rewards of pigging and porking (see comments passim) are so high it is easily understood why stock promoters engage in the practice.

The most recent instance of which I am aware is going on at **Mar City (MAR)** where the controlling shareholders, Tony and Maggie Ryan - they hold about 50% of Mar City - have seen this company sell on credit to Mar City Developments Limited (henceforth MCDL), a company privately owned by the Ryans. The problem is that MCDL has not been able to pay for goods purchased on time or anything like.

"BUT, ON THIS OCCASION, THE EFFECT IS THE SAME: THE MARKET IS VERY SCEPTICAL AS TO THE TRUE TRADING STRENGTH OF MAR CITY."

This is not quite as villainous as it first appears since the Ryans have never hidden the common ownership of these two companies - as longstanding readers know, serious pig and porking in its purest form requires the private company seemingly to be unconnected with the quoted vehicle. But, on this occasion, the effect is the same: the market is very sceptical as to the true trading strength of Mar City.

The Ryans have now borrowed £10m personally on the security offered by their Mar City shareholding and paid this over to Mar City on behalf of MCDL, which still owes a lot. Good on the Ryans. But their lender/financier is HSBC who have the right to ditch the security should it fall below 34p. Mar City is currently 48p bid. 34p is only a shiver downwards.

There will be some who will claim that Mar City's share price cannot possibly decline - after all, it's property innit. But Mar City's field of operations is not prime; indeed it is most undistinguished.

And when this portfolio/stock for sale catches a cold it could be the death of it. So I discount tnav claimed to be 62p at least. I am short at 48p.

10th March

I start with a letter from today's Times. It could hardly be clearer:

"A failure to commit to a minimum of 2 per cent of GDP for defence could cost the Conservatives dear at the general election

Sir, The £38 billion black hole in the defence budget, first identified by the coalition government in 2010, is still cited as the reason for the draconian defence cuts since then, resulting in a 20-30 per cent reduction in our military capability. And yet the National Audit Office cannot support the figure, and attempts by the Commons defence select committee to be allowed access to the data were rebuffed in 2011-12.

The "black hole" nonsense has been used as an excuse to cut the defence budget to a dangerous level in a very unsafe world. A Royal Navy temporarily without carriers and fixed-wing aircraft, and with only 19 escorts, is insufficient for our security needs. The carrier situation will be resolved by 2020, but will we have the Sea Lightnings to embark in them?

On the Army, the measures announced are a courageous attempt to match capability with reduced resources, but one has to doubt the readiness of the reserve element.

In the RAF there are insufficient fast jets of the type we need.

We need to take a hard look at the impact of frontline cuts; we are in danger of changing our global status by default and without debate. As a minimum, the two main parties should make a manifesto pledge to increase the percentage of GDP spent on defence to 2 per cent throughout the next parliament.

Admiral Lord West of Spithead
House of Lords"

It should be borne in mind that the LibDems have sought to see that a minimum 0.7% of GDP is spent on overseas aid. These expenditures include military equipment for India which we, the donors, can't afford ourselves. Those whom the gods would destroy, they first drive mad.

*****

Yesterday evening, I was visited by Vassilios Carellas and Andrew King. Vassilios is of course a friend from **Kryso (now CNG)** days and heads **Ortac (OTC).** Andrew is a geologist and banker by upbringing and experience. Aged 50, he is married with two children and lives south of London. However, he has formed Highland Metals, incorporated in Singapore but entirely concentrated on developing tin/tungsten extraction in Burma, more recently known as Myanmar.

He described recent times in that country and, quite clearly, things are looking up. The military are proving slow to relinquish power but the forces lined up against them are irresistible. An election later this year will take matters along: the US will see serious development money put to work.

> **"THOSE WHOM THE GODS WOULD DESTROY, THEY FIRST DRIVE MAD."**

country and, quite clearly, things are looking up. The military are proving slow to relinquish power but the forces lined up against them are irresistible. An election later this year will take matters along: the US will see serious development money put to work.

I am not subscribing for new at this time despite the fact that Andrew's description of events is entirely plausible and most encouraging. In my opinion, Highland Metals is still an early stage company best grown in private.
However, Andrew persuaded me that there are many sectors of Myanmar's economy awaiting unlocking, particularly those in tourism. I suspect that there are huge opportunities for courteously managed capital.

16th March

Events at **Trinity Mirror (TNI)** and its subsidiary, MGN or Mirror Group Newspapers, moved on in Court last week. The defendants have accepted their liabilities and therefore the judge was not sympathetic to attempts to impugn the reliability of James Hipwell as a witness. James was grossly improperly attacked by Patricia Hewitt's DTI and as a result subsequently imprisoned for a few months getting on for fourteen years ago. It is a curious idea that because a fellow has been found guilty he is to be treated as a liar. There is no logical connection and such an attitude on the part of the accusers is, I suppose, derived from their trying to deflect attention from the fact that they themselves lie.

Anyway, Trinity at 188p is still capitalised at £485m and vulnerable to the non-stop assault on their bank balance. If, as is rumoured, the CPS prosecute MGN on a corporate basis, the financial result could be catastrophic. I have increased my short. Those who disagree may care to read the following from Media Week - I have encountered Chris Blackhurst and confirm that he is not a fool: http://www.mediaweek.co.uk/article/1337592/trinity-mirror-brink-phone-hacking-disaster

(The defence legal team put it to James that he had given evidence as he had since he dislikes Piers Morgan. It is said that James replied that everybody dislikes Piers Morgan.)

18th March

The best investment commentator in any mainstream newspaper today is John Ficenec, Questor of the Daily Telegraph. He consistently confines himself to common sense.

Take for instance his bearish review today of **Just Eat (JE.),** now c. 350p. John makes this 32p net asset value where, if he will forgive me, I make it more like 20p since I write off intangibles, especially for a company such as this which has absolutely no patents or patent protection. This is a smallish point but it underlines Just Eat's uphill climb ahead of it in the stock market.

The business supplants those very irritating fliers that keep coming through one's letter box. This is because the potential diner visits the Just Eat website, inserts his postcode and selects his preferred cuisine. The restaurant that is selected may be able to oblige but has the option of ignoring the diner's approach - it is not committed to any implied or suggested offer. Put another way, the diner will only be accommodated if he seeks to draw upon unused resources.

Resources can be human, time slots and even basic material. Thus the restaurant is happy to pay away Just Eat's 12% commission if the restaurant in its sole discretion always benefits.

> "I THINK THE REALLY INTERESTING TEST IS WHETHER IT WOULD BE POSSIBLE TO RUN A COMPETITOR ON, SAY, 10% COMMISSION. AS MATTERS STAND, AND GIVEN JUST EAT'S OWN FIGURES, I BET IT WOULD."

Just Eat's finance director reckons this 12% margin rate is going to be maintained since the competition charges 14%. I think the really interesting test is whether it would be possible to run a competitor on, say, 10% commission. As matters stand, and given Just Eat's own figures, I bet it would. Just Eat claims that it has first mover advantage. But this status is not economically necessary since momentum/dominance in any particular geographical location is not important.

All that matters is whether eateries prefer to pay 10% instead of 12%. Astonishingly, I forecast that they will so prefer.

THE HOT SEAT

AL CHALABI

SWEN LORENZ INTERVIEWS THE CO-AUTHOR OF FAST FORWARD

Al, how does one get the job of being a book author working alongside Jim Mellon? Where do I need to apply?

I've known Jim since the late 1990s when he used to live in Hong Kong. It was on one of his visits to the Territory back in 2003 when we were catching up and chatting about various things that we started talking about the global economy and how it had embarked on an unsustainable path. Jim then mentioned that he was thinking of writing a book and asked me if I would be interested in co-authoring it with him. Neither of us had written a book before but we were both up for a new challenge. By the end of 2005, our first book "Wake Up! Survive and Prosper in the Coming Economic Turmoil" was published by Wiley in the UK. We both enjoyed the experience and process of researching and learning about new things and have continued to co-author books on a number of topics since.

"WE ALWAYS SET OUT TO EXPLAIN TOPICS THAT ARE OFTEN COMPLEX IN A WAY THAT IS MORE DIGESTIBLE AND LESS INTIMIDATING TO READERS WHO ARE NOT FAMILIAR WITH THE SUBJECT MATTER."

You are working from Hong Kong. Does being in Asia influence your perspective when writing a book about future trends in technology? Aren't most of these trends shaped in the US?

That may be the case, but in today's world of instant information dissemination, it is not difficult to access the latest publications, breakthroughs and trends in the private sector and at universities in the US. Being based in Hong Kong allows me to be more objective and less biased. Amazing things come out of other parts of the world, too, especially from Europe, Japan and, increasingly, China.

The book has been out for a few months now. What are some of the reactions you have been receiving from readers?

They love the way it looks and feels, which is great as we spent more time and effort with that this time round. Also, many readers have complimented us in how well the book reads and flows. Again, this is reassuring to hear, as we always set out to explain topics that are often complex in a way that is more digestible and less intimidating to readers who are not familiar with the subject matter.

Let's speak about some of the key themes of the book. On a purely personal level, which one of the chapters of the book do you believe will affect your life and that of your family the most, and why?

It would be impossible to pick one; they all will, from the automation of cars to living a longer, healthier life. Within a decade all of the chapter themes will be mainstream and indispensable to our way of life, in the same way that smartphones have become today.

I was fascinated by the chapter on driverless cars. This is a trend that will affect all of us and can lead to massive shifts in entire industries, e.g. it will have massive reverberations on a number of insurance companies which in turn affects investors. What are the latest developments in terms of driverless cars?

Driverless cars continue to be extensively tested in the US and other countries, such as the UK, Germany and Japan. The Google driverless car project has been a great call to action for the traditional auto makers, many of whom have decided to get in on the act or risk becoming irrelevant in the future. California is the most prepared place to accept driverless cars and we're likely to see them go on sale there by 2017 or so.


200
000
200
400
600
800

You are correct about insurance companies; current policies and laws will have to be updated. Algorithms in driverless cars will also be open to law suits if it is deemed that poor judgement was made that resulted in a loss of life or injury. There probably needs to be a standardized set of decision-making algorithms for driverless cars, managed by a dedicated body. These algorithms can be reviewed periodically and upgraded when necessary. That will allow driverless cars to predict how other driverless cars will behave, thus reducing the likelihood of an accident. Undoubtedly, driverless cars will make our roads safer in the future as most accidents are caused by human error, and we will see less traffic-related fatalities as a result. Longer term, driverless cars will reduce the need of owning a car altogether as we will be able to call upon a car as and when we need one for specific journeys.

Let's speak about Crypto currencies. I love how you make this subject easily comprehensible for readers of your book. The price of a Bitcoin is down by three quarters since its peak and the initial hype seems to be over. Is it time to buy?

True, the price of Bitcoin seems to have stabilized in the US$200-300 range, and it may be worth a small punt for the more adventurous investor. The concept of a crypto-currency is fantastic and it seriously challenges traditional currencies and banks alike. That said it is still too soon to determine whether Bitcoin will be the crypto-currency of choice in the future, as there are other crypto-currencies that could emerge as a favourite. The very fact that Bitcoin is not backed by anything makes many people very uneasy about holding it. Most people who buy things with Bitcoin will convert only what they need for the transaction, and those who receive Bitcoin tend to convert it to dollars so as not to have to worry about its wild daily volatility.

At our yearly event, the Master Investor show on April 25th in London, we will have a Tesla S on display. In your book, you mention that in your view, the shares of Tesla are over-valued. The company is worth a staggering $25bn.

Last year's sales were $3.1bn. Given the hype surrounding technology shares, would now be a good time to look for shares you can short?

At current levels, Tesla's shares are down some 30% from their highs of last year. Its shares are now trading at "only" 8 times 2014 revenues, despite announcing a loss of $294 million for last year. The Tesla S is a beautiful car and I notice they have become very popular in Hong Kong over the past year, where electric cars are exempt from the 100% duty levied there on most new car purchases. Although I am reasonably bearish on Tesla (there are an increasing number of alternative electric cars from the traditional auto makers), I acknowledge that Tesla has a "wow" factor that can allow it to trade at elevated levels for beyond what my patience can bear. I do think it is a good time to have some NASDAQ shorts as a hedge, with companies such as Amazon and LinkedIn being more vulnerable to a market correction.

One of the chapters of the book is about new media, and how the rise of entirely new channels has changed the fortunes of existing companies. How have all these changes affected your own media consumption? I imagine that you spend most of your time reading?

Indeed I spend several hours of my work day reading articles from various newspapers, magazines, journals and analyst reports. I have been doing this for the past decade, so not much has changed for me on that front. However over the past few years, I have pretty much stopped reading from printed magazines and newspapers altogether and only occasionally do I read a printed book. Electronic media is far more accessible, portable and constantly updating itself.

Any favourite blogs or apps you would like to recommend to our readers?

I'm not a follower of any specific blogs as I tend to read material from all over the place, but I do love to watch the TED Talks when I get the chance. I have learned some fascinating things over the years from TED. In terms of apps, I'm a fan of Duolingo, which is a great way to learn a new language.

For an occasional challenge, I like to play an app called QuizUp, which matches you against people across the world to answer quiz questions on a wide range of topics.

"IT IS STILL TOO SOON TO DETERMINE WHETHER BITCOIN WILL BE THE CRYPTO-CURRENCY OF CHOICE IN THE FUTURE."

Speaking of blogs, I believe our readers will regularly hear from you on the blog of Master Investor. Fast Forward is filled with massive amounts of information about a wide variety of subjects. If you had to pick one chapter to write an update about right now, which one would it be? Even in the space of just a few months since finishing the book, there must have been many exciting developments?

All the chapters are about technology, which means that they continue to develop at a frenetic pace. It wouldn't be possible to isolate one chapter as having made more advances than the others since the book was published.

Besides private investors, who do you think should read your book?

I think Fast Forward would be an enjoyable read for anyone who is curious about the future. The book would also be interesting for teachers and academics, even those who are not involved in the technology sector. I also believe that it would be an invaluable read for students, as it can spark an area of interest that they may wish to pursue as a career, or even to study at a post-graduate level.

Last but not least, and forgive my being nosy, is the next book already in the making?

Currently, Jim and I are still enjoying promoting Fast Forward. We may bounce a few ideas off each other this summer when we catch up. We are always open to suggestions!

Al Chalabi
al@chalabi.hk

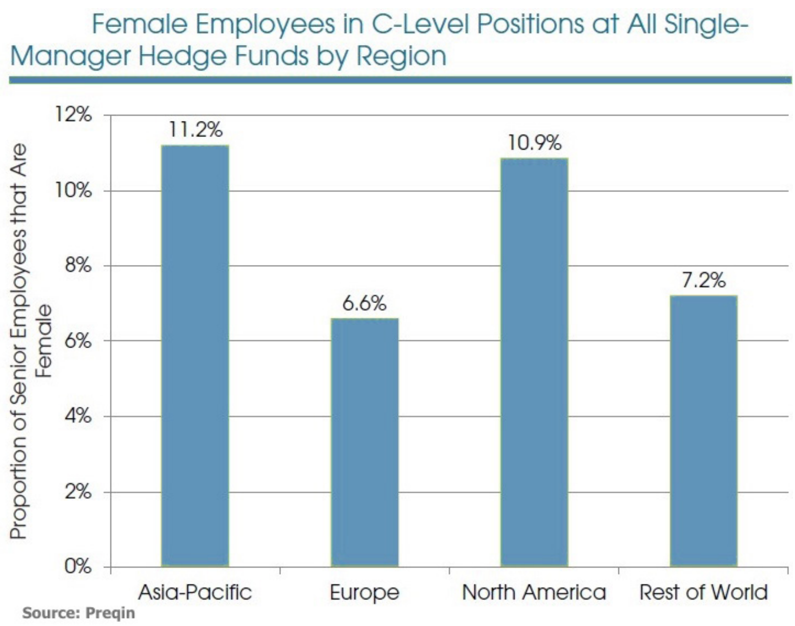
FUND MANAGER IN FOCUS
LEDA BRAGA

BY FILIPE R. COSTA

On 22nd February, Patricia Arquette came to the stage of the Dolby Theatre in Hollywood to be awarded the Oscar for the Best Performance by an Actress in a Supporting Role for her superb performance in Boyhood. But while her award did not take many of us by surprise, her speech did, as she took the opportunity to highlight the need to end the pay gap between men and women and relaunch the debate on gender inequality.

While the female participation rate in the workforce has been steadily increasing over the years in the developed world, the statistics still show that women are paid less than men for the same jobs and that there are certain senior positions that are almost unattainable for women. While the participation of women within education roles is huge, it is much more moderate in the investment industry in general and in the hedge fund world in particular. Clearly, it is not the case that women cannot research equities or trade futures on a par with men; it is simply down to the fact that this has been an industry dominated by men for years, and one in which the few interested women have a tough time getting to the top.

According to a recent study conducted by Preqin, gender equality at single-manager hedge funds reveals that men get almost all C-level positions and that women only have a representation of 1 in 10 at senior roles. Europe is a particular offender, with only 6.6% of existing senior roles allocated to women. When looking at country-level data, Switzerland is the worst performer, with women getting just a 3.8% share of the available senior positions at single-manager hedge funds.



But strangely enough, it is in Geneva, Switzerland that the most powerful female hedge fund manager is based. Supported with a staff of 100, Leda Braga manages two hedge funds with more than $9 billion in assets. The "Carioca" girl, who came to London in her early twenties, quickly turned into one of the most profitable assets inside the hedge fund industry, using one of the most unlikely strategies for a woman, a quantitative approach based on complex algorithms. Leda Braga is an outstanding female success within a male-dominated industry, and serves as a source of inspiration and motivation for all our female readers with an interest in finance and investment. But perhaps more importantly from an investment perspective, Braga serves as evidence that adding women to the investment team is always a good diversification strategy that can only *maximise portfolio value.*

"BRAGA SERVES AS EVIDENCE THAT ADDING WOMEN TO THE INVESTMENT TEAM IS ALWAYS A GOOD DIVERSIFICATION STRATEGY THAT CAN ONLY MAXIMISE PORTFOLIO VALUE."

From Rio de Janeiro to London and Geneva

Leda Braga was born and raised in Rio de Janeiro, Brazil. In 1987, in her 20s, she moved to London to undertake a doctoral programme in engineering at Imperial College. She even lectured some classes during her time there, but she ended up accepting a job as a quantitative analyst for the derivatives research team at JP Morgan Chase. Although not having a background in finance, Leda Braga had the maths skills to enter the complex world of derivatives and structured products pricing and analysis, which would then give her the leverage she needed to build a brighter and more promising career in an investment position.

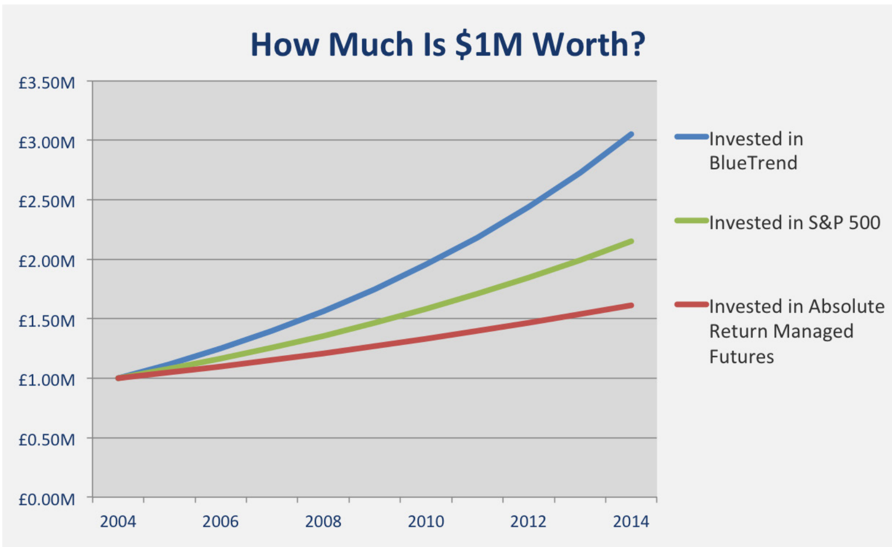
During a seven-year stint at the derivatives team, she met Michael Platt, a colleague who would become highly influential in her career. In 2000, Platt quit JP Morgan to co-found with William Reeves what would become one of the largest hedge funds in Europe - BlueCrest Capital Management. The company was founded under the offshore privileges of Guernsey but quickly grew to open offices around the world in London, New York, Geneva, Singapore and Connecticut. Platt quickly turned himself into one of the richest billionaires in the UK and his company would become the third largest of its kind in Europe.

Still within the JP Morgan sphere, Braga worked at Cygnifi Derivatives Service (a JP Morgan spin-off) for a while but ended up leaving the company to join Platt at BlueCrest in 2001. A background in engineering, mixed with the experience achieved in complex derivatives pricing, would allow her to apply a systematic strategy to portfolio management. At first, Platt allocated Braga to an existing portfolio worth $300 million, the BlueCrest Capital International Fund. But after a few years of good performance, Platt gave her the opportunity to create and manage her own fund. In 2004, Platt and Braga created the BlueTrend fund and Braga was allocated the responsibility to manage it alone.

BlueTrend was a managed futures*, trend-following fund, which aimed at capturing profits through a systematic investment strategy using complex algorithms and computer-driven trading styles to make money from identifying patterns across financial markets. With a passion for technology and maths, Braga improved the system over the course of a decade and ultimately turned it into one of the most powerful quantitative-based trading systems around.

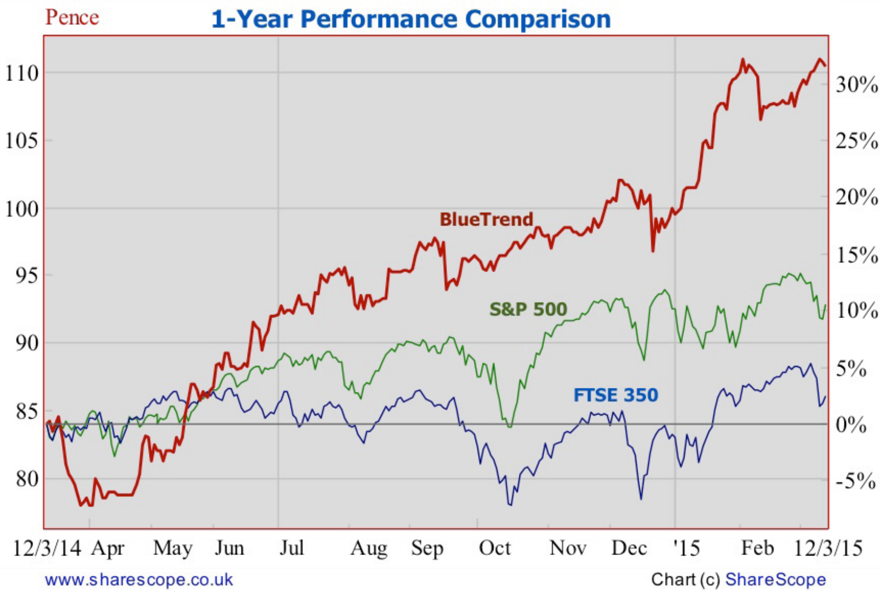
> **"WITH A PASSION FOR TECHNOLOGY AND MATHS, BRAGA IMPROVED THE SYSTEM OVER THE COURSE OF A DECADE AND ULTIMATELY TURNED IT INTO ONE OF THE MOST POWERFUL QUANTITATIVE-BASED TRADING SYSTEMS AROUND."**

During the first few years the fund didn't attract much attention from investors, but that would change when it returned 43% in 2008. At a time when most investors were being decimated amidst the Lehman collapse, most hedge funds were fighting to keep their neck just above water, let alone record a barnstorming performance like the one achieved by Braga. With the exception of the Paulson & Pellegrini duo from Paulson & Co., who made a 590% profit in 2007 on the best trade ever, there aren't many success stories among hedge funds during the financial crisis. From a $300 million portfolio, Braga grew BlueTrend into a $9 billion titan in just over a decade of trading. BlueTrend recorded an average performance of 11.8% between 2004 and 2014 and it recorded a loss in just one calendar year.



By 2013, with interest rates near zero, the link between asset classes that is often exploited by quantitative funds was being broken, making it ever more difficult to make a profit out of the strategy, which led BlueTrend to a loss of 11.5%. At the same time, as technology advanced, so too did computer-based trading, which allowed for assets under management globally assigned to quantitative strategies to grow from $100 billion to $260 billion since 2008. This severely increased the level of competition and contributed to an erosion of profitability. But Braga is the kind that never gives up and was able to reverse the loss with a 12.7% gain in 2014. In fact, if we consider a one-year time window, the BlueTrend fund is currently up 31.6%, surpassing even the high-flying Nikkei and the QE-boosted Euronext.

"My colleague said at the time, 'Only the fools and the trend followers are long fixed income in 2014.' But it paid off," Braga explains. "We were not long as a punt, but because we had analysed the data. Because the systematic approach does this in an objective way, it means we can be contrarian."



Bluetrend Performance Compared

	YTD (%)	1-Year
Bluecrest BlueTrend	10.5	31.6
Nikkei 225	10.3	29.8
Euronext 100	17.1	20.8
S&P 500	0.3	10.6
FTSE 100	3.0	2.1

The Rise of Systematica Investments

After being on the verge of hitting the $50 billion level in terms of assets under management, BlueCrest experienced a setback. The year of 2013 was not great in terms of performance for the company's funds. Computer-based trading didn't return a profit and the company's new venture into equities also ended with several portfolio managers being fired. At the same time, the company was accused of opacity regarding its strategy, and the fact that it was managing an internal fund at the same time as it was managing its open funds didn't help on transparency. Investors pulled out some money from the company.

Even though Braga and Platt still share common interests, two of the funds managed by Braga spun off from the parent company at the beginning of this year. Was it a consequence of the recent criticism or just a step towards a more efficient allocation of the funds?

We can't know for sure. Braga was allowed to depart with a hundred staff to found Systematica Investments while keeping the $9.2 billion in assets under management from the BlueTrend and BlueMatrix funds. BlueCrest retains a minority interest in the new venture but Braga is its majority owner. There is now a clear detachment of Braga from Bluecrest.

Systematica Investments could not have got off to a better start. First of all, with so much assets under management, Systematica easily ranks among the top 100 hedge funds. Secondly, during the first month of its existence as a separate entity, the BlueTrend fund achieved a 9.5% performance, its third best month ever. Well-timed bets in fixed income helped the fund achieve such a high performance while it cleverly escaped the Swiss National Bank decision to end the peg of the franc to the euro that hit many other hedge funds. Since the separation, the assets attributed to BlueTrend have already grown from $8.4 billion to $9.2 billion, as Braga continues to beat many other hedge funds at a time the quantitative strategy is not driving the kind of results it used to in the past. With a standard fee of 1.5% of assets plus 20% of profits, BlueTrend charges slightly less than the industry 2-20 norm, which is perhaps a necessary step for the fund to recover from its peak at $15.4 billion in April 2013.

Final Remarks

Leda Braga continually seeks to improve the algorithms that allow BlueTrend to exploit profit opportunities at the lowest risk possible. The algorithms that work under one scenario don't always work under a different one, and it is particularly difficult to develop a model to work well when central banks are breaking the old correlations between assets.

> **"WITH A PASSION FOR TECHNOLOGY AND MATHS, BRAGA IMPROVED THE SYSTEM OVER THE COURSE OF A DECADE AND ULTIMATELY TURNED IT INTO ONE OF THE MOST POWERFUL QUANTITATIVE-BASED TRADING SYSTEMS AROUND."**

That explains why 2013 was such a tough year for Braga. But nevertheless, surviving a financial crisis without a loss and averaging a 12% gain in the period between 2004 and 2014 is something that deserves attention and indeed makes Leda Braga a top hedge fund manager.

Managed Futures

Managed futures has existed for more than three decades as an investment style or strategy. It consists of trading futures contracts on metals, grains, equity indexes, soft commodities, foreign currencies, and government bonds, while attempting to uncover trends in the movements of their prices. The strategy is often referred to as trend following.

More than being a simple strategy, trend following may indeed help to reduce portfolio risk. It is not unusual for portfolio managers to refer to it as an alternative investment class, providing diversification to the assets already in a portfolio. When compared with bonds and equities, managed futures usually returns less profit, but for such a comparison to be fair we should also look at its risk. When the risk-adjusted performance is considered, managed futures has actually outpaced bonds and equities. When the period between 1980 and 2003 is considered, the maximum drawdown experienced by the Nasdaq and the S&P 500 was -75% and -45% respectively, while just -16% on managed futures.

ZAK MIR'S MONTHLY PICK

BUY BG GROUP (BG.)

ABOVE 825P TARGETS 1120P

BG GROUP

Recommendation Summary

BG Group has gone from being a part of nationalised British Gas, to being an international oil & gas player – one that is approaching the top tier. However, it has been evident over the past couple of years that the journey has become somewhat rocky – a position not helped by the plunge in the oil price in the latter part of 2014.

Nevertheless, it would appear that all the conventional bad news may be in the price, especially as the stock was slammed hard even before fuel prices fell. The key here is likely to be what comes on stream for the rest of 2015, a potential recovery in crude oil, and the massive promise of what the group is sitting on in Brazil.

While it may be that the perennial talk that the company is a bid play is a little too far-fetched, this talk does underline the way that resources-hungry China, or one of BG Group's largest competitors, may eventually decide it is easier to take the group over for strategic interests, as much as anything else.

Technicals

Although it may be somewhat ambitious to suggest that the post December price action on the daily chart of BG Group consists of a triple bottom formation, this is the closest approximation to what we have seen over the past few months. Perhaps it is fair to say that the key feature from the autumn comes in the form of the November gap to the downside, a feature which was filled in February. In the near term, with regard to what is still dominating this situation we have the pressure of the 200 day moving average of £10.47.

However, the higher low from March and the unfilled gap to the upside of the latest support for the shares do suggest that we should be treated to at least an intermediate rally here. The favoured destination while there is no end of day close back below the March gap floor at £8.28 is as high as the top of a rising trend channel from October with its resistance line projection currently heading towards £11.20.

"ONE OF BG GROUP'S LARGEST COMPETITORS, MAY EVENTUALLY DECIDE IT IS EASIER TO TAKE THE GROUP OVER FOR STRATEGIC INTERESTS, AS MUCH AS ANYTHING ELSE."

At this stage only cautious traders would wait on an end of day close back above the 50 day moving average of 907p before taking the plunge on the upside.

"AT THIS STAGE ONLY CAUTIOUS TRADERS WOULD WAIT ON AN END OF DAY CLOSE BACK ABOVE THE 50 DAY MOVING AVERAGE OF 907P BEFORE TAKING THE PLUNGE ON THE UPSIDE."

This is especially the case given the way that the decline we have seen from the beginning of last year has all the hallmarks of an extended top and a negative re-rating.

Both of these factors will be difficult to shake off easily, something we are seeing clearly now via the obvious struggle between the bulls and the bears, and the way that it may yet require another test for support towards 800p before any recovery finally takes off.

Recent Significant News

22nd March – Reuters:

Britain's BG Group and Australia's Woodside Petroleum Ltd (WPL.AX) will invest up to $1.08 billion (£0.72 billion) to explore for oil and gas in four blocks off the coast of Myanmar's western Rakhine state. The two firms were the winners of two shallow water blocks and two deepwater blocks in the country's auction last year.

17th March – Morningstar:

We are changing our fair value estimate for BG Group to £12 per share from £14 after reducing our mid-cycle price estimates for oil and natural gas. Our valuation methodology incorporates three years of strip prices, with terminal prices defined by these longer-term forecasts. We currently believe the appropriate mid-cycle prices for oil and natural gas are $75/barrel Brent, $69/barrel West Texas Intermediate, and $4 per thousand cubic feet Henry Hub.
Our new fair value estimate also includes reduced capital costs and operating expenses, based on our expectation for falling oil-service fees.

3rd February – The Guardian:

The energy company BG Group has become the latest corporate casualty of the oil price slump, writing down the value of its assets by £6bn and sharply cutting back on spending plans. The company said it was taking the hit after oil prices – down by half since last summer – fell more steeply than it had expected.
BG said it would cut investment by almost a third this year to between £4bn and £4.7bn, after the lower oil price contributed to a £1.5bn pretax loss in 2014. "Planned capital expenditure on a cash basis in 2015 is expected to be significantly lower than 2014, as projects complete and the group reacts to a lower oil price environment," BG said.

10th December – BBC News:

BG Group has sold its Australian gas pipeline network to APA Group for $5bn (£3.2bn).

The 543km pipeline links BG gas fields in Queensland to a liquefied natural gas (LNG) export facility at Gladstone on Australia's east coast.

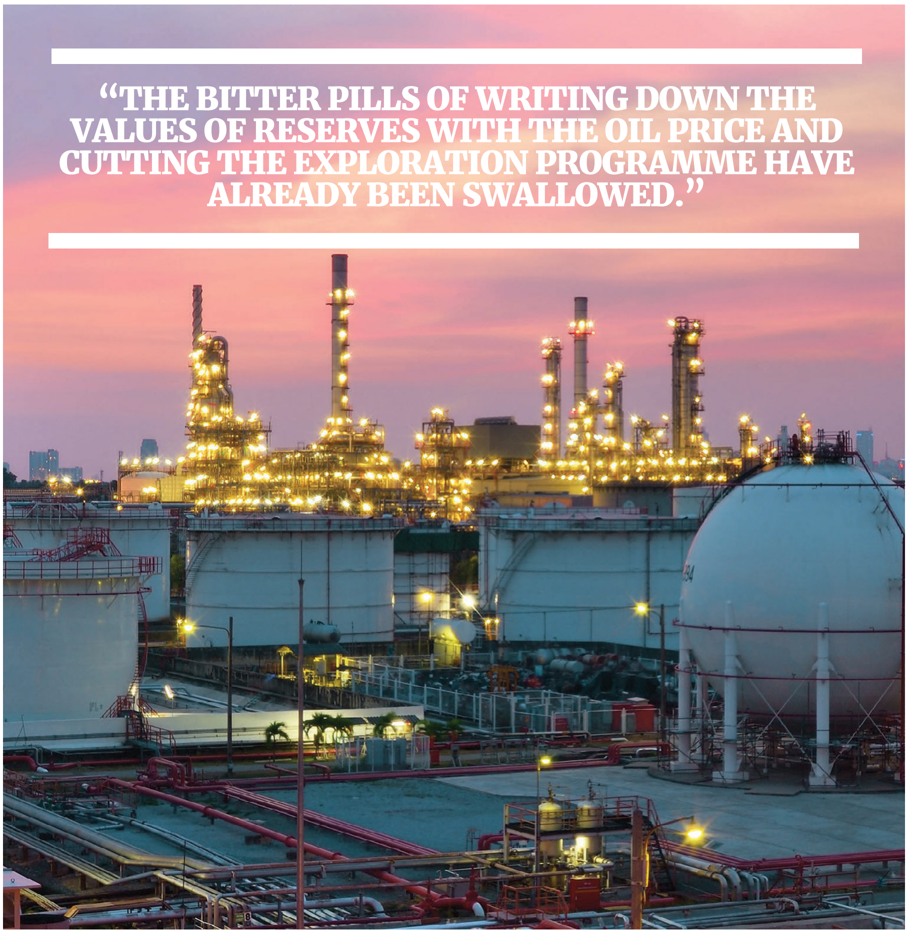
BG Group said the sale of its Australian subsidiary was conditional on the start of LNG deliveries from Gladstone. The firm expects to make a post-tax profit of $2.7bn on the deal.

BG Group said it was reviewing its gas flow rates, long-term price assumptions and business plans in the light of movements in oil prices, which have slumped in recent months. The deal is expected to be completed in the first half of 2015.

Fundamentals

BG Group currently provides a fascinating education for us all on a fundamental front, from many angles. The most obvious one is that it is a play on the price of crude oil, with its shares tracking the halving of the underlying commodity. The other factors involved are that this company was already on the back foot relative to its peers, with heads rolling on the management front, as well as storms in teacups regarding executive remuneration.

All of this might suggest to some that the company should be avoided for an extended period unless or until there is



a clear reason to get back into the fray. However, if there is one message which we should all be aware of in terms of the stock market, it is not only that bells are not rung at the top and the bottom of a move; it is also that the market tends to overshoot on both the downside and the upside.

In the case of BG Group, this is likely to be more so than most given the way that the stock has been hit by production warnings and various other negative events since the autumn of 2012. This would imply that the de-rating in the company's value has been in place for nearly two and a half years, with the result that the worst case scenario – i.e. the plunge in the value of crude oil and associated hydrocarbons – will have been factored in.

But we can go into more specific detail than this. For instance, the expectation from most analysts in the know is that the oil price will not remain below $50 for long, if only because at these levels new exploration projects are being abandoned and this will impact on supply. For BG Group itself, March witnessed the first production from the Knarr Field in Norway which holds 80 million barrels in reserves. Later this year there will be the contribution from Queensland Curtis LNG (QCLNG) in Australia, with of course the biggest prize being the position in Brazil. Here the initial 3 billion barrels in reserves were upgraded to as much as 6 billion, all of which appear to be relatively easily recoverable.

But perhaps the best aspect of beaten down BG Group is the way that the bitter pills of writing down the values of reserves with the oil price and cutting the exploration programme have already been swallowed in February. That should have been the fundamental selling climax, and may explain why sentiment and share price have been improving ever since.

THE OIL SERVICES SECTOR LOOKS RIPE FOR M&A

BY JAMES FAULKNER

In a booming market, many of the best opportunities are to be found using a picks 'n' shovels investment approach – in other words, via investing in those companies that facilitate rather than produce. To a large extent, the same was true of the last bull market in the oil & gas sector. While the share prices of many an oil exploration company went up and down on the back of the latest news from the drill bit, the share prices of oil & gas services companies tended to advance steadily, on the back of the premise that demand for their wares was being underpinned by an incessant search for a finite resource that was becoming ever more difficult (and expensive!) to find and extract.

But then the party came to an end – abruptly. Global forces conspired to push the oil price to lows not seen since the financial crisis. Oil services companies, whose fortunes are closely correlated with the price of black gold, are now beginning to realise that the old picks 'n' shovels adage cuts both ways. The question now on the lips of oil company bosses: How long will the oil slump last?

Such a question is of paramount importance in the capex-heavy oil industry, where projects have to be committed to on a long-term basis and where the costs of mothballing projects can be very high indeed.

The truth is that forecasting the oil price is essentially a mug's game. North Sea Brent crude oil spot prices increased by $10 a barrel in February to reach an average of $58 a barrel, marking the first month in which Brent prices increased since June 2014. However, no-one really knows whether this marks the start of a sustained recovery or merely a 'dead cat' bounce. For what it's worth, the EIA projects the Brent crude oil price will average $59 a barrel in 2015 and $75 a barrel in 2016.

The trillion dollar question

The statistics stacking up against the oil and gas services sector do not look pretty. Goldman Sachs looked at 400 of the world's largest new oil and gas fields and found projects representing $930 billion of future investment that are no longer profitable with Brent crude at $70 per barrel. That puts almost a trillion to readers who are not familiar with the subject dollars of projects at risk if the oil price doesn't bounce back – and that's not including US shale projects, which the Saudis are implicitly trying to wipe out.

In the US, low oil prices are rapidly turning boom into bust. According to the latest statistics released from Houston-based oilfield services company Baker Hughes, rigs engaged in exploration and production in the US totalled 1,192 for the week ended 6th March 2015, down from 1,792 a year ago and representing the lowest level in five years.

"GOLDMAN SACHS LOOKED AT 400 OF THE WORLD'S LARGEST NEW OIL AND GAS FIELDS AND FOUND PROJECTS REPRESENTING $930 BILLION OF FUTURE INVESTMENT THAT ARE NO LONGER PROFITABLE WITH BRENT CRUDE AT $70 PER BARREL"

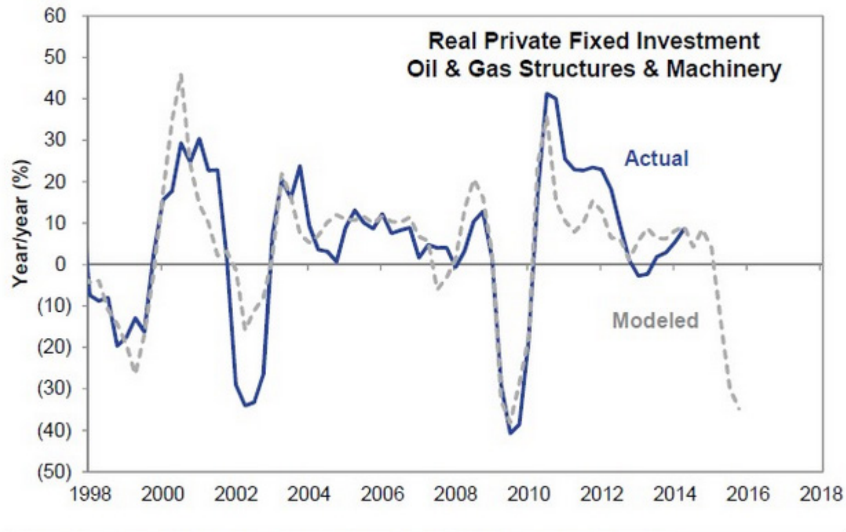
In particular, the number of horizontal rigs (encompassing new drilling technology that has the ability to drill and extract gas from dense rock formations, also known as shale formations) was down by more than 25% versus a year earlier, which suggests the Saudi stance of not cutting back on supply is beginning to have its desired effect.

What's more, there's growing evidence that oil bosses think that lower prices may be here for some time. BP, BG Group, ConocoPhillips and China's Cnooc have all announced cuts to capital expenditure for 2015. In the US, Goldman Sachs expects total energy capex will collapse by 25% in 2015. This looks set to put a major dint in forecasts for oilfield services companies. According to Moody's, sector earnings could fall by 12-17% if oil averages $75 a barrel in 2015, while an average price below $60 a barrel could drive earnings down by 25-30%.

Opportunity knocks

In what could be a sign of things to come, US oil services giant Halliburton is currently attempting to buy smaller rival Baker Hughes in a deal worth $35 billion. There are two factors at work here. With its rival's share price at its lowest in more than a year, Halliburton obviously sees an opportunity to consolidate its market-leading position at a discount. On the other hand, Baker Hughes, perhaps recognising that market conditions might remain tougher for longer, could welcome the reassurance provided by being part of a much larger entity. The same logic was no doubt in play with Verisk Analytics' recent deal to buy energy consultancy group Wood Mackenzie for $2.8 billion.

In addition to industry peers on the hunt for bargains, M&A action could just as well emanate from the private equity sector. Indeed this was a key theme at February's annual private equity SuperReturn conference in Berlin, where leveraged buy-out firms such as Blackstone said they were "very busy looking at energy deals".



Source: Department of Commerce and Goldman Sachs Global Investment Research.

In the UK, the sector is relatively fragmented and there are no major consolidated players like Halliburton or Schlumberger. This could mean that the UK oil services sector is particularly open to consolidation, either from overseas rivals looking to pick up some of the specialist capabilities on offer, or from national peers looking to simply consolidate their own situation and generate efficiency savings. The UK sector also looks attractive in that it generally competes on the basis of skills and technology rather than purely on costs. It is also relatively asset light versus international peers, which generally makes it more able to adapt in the face of a downturn.

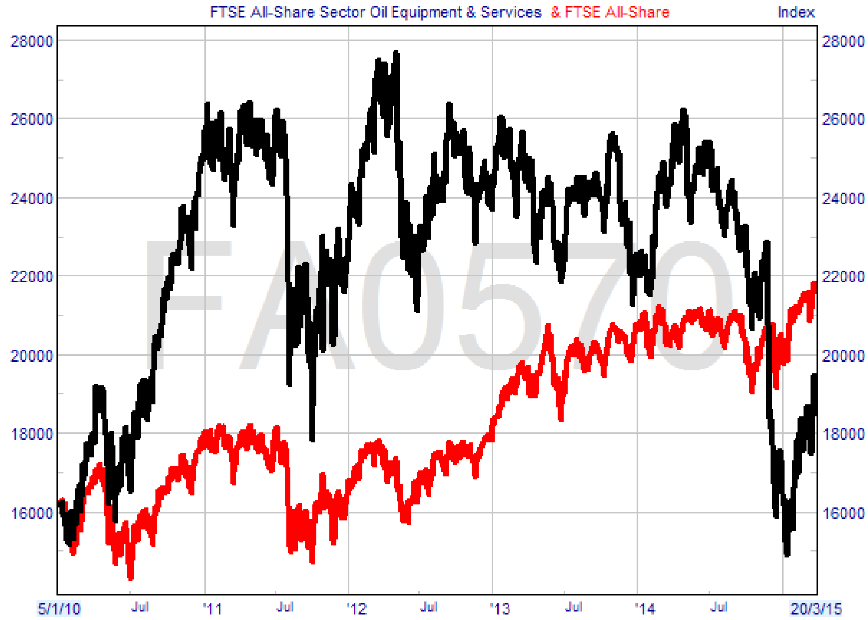
Back in December, Deutsche Bank said that the prevailing prices represented *"a reasonable starting point for long-term investors to begin building positions in asset light engineering service companies."* Citigroup also chimed in, arguing that *"While the free falling oil price impacts all companies in the OFS space, we see it creating opportunity as high quality names become devalued."* In terms of the criteria that investors should look for when making their selection, Deutsche recommends avoiding stocks with operational risk, low balance sheet flexibility and significant earnings downside. Meanwhile, Citigroup suggests that investors should favour asset light (engineers) as opposed to asset heavy (seismic, drilling) business models and look for a combination of low risk backlog, free cash flow and a healthy balance sheet.

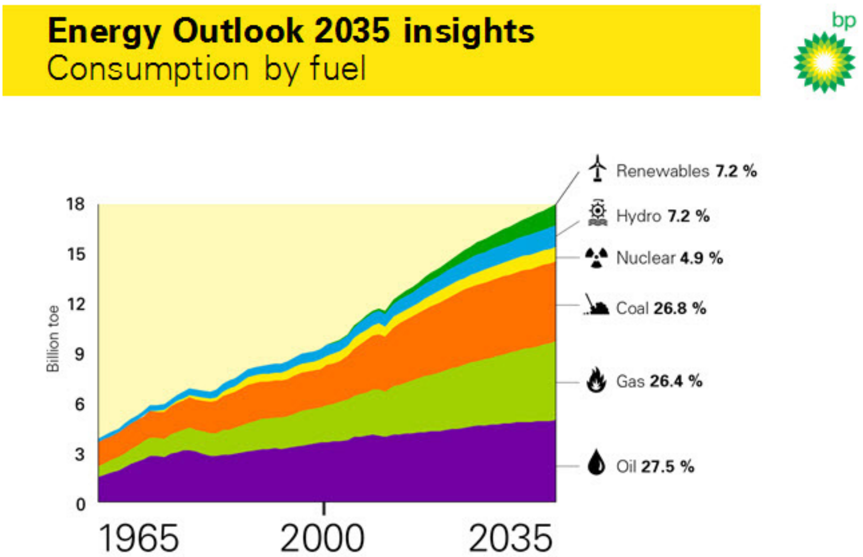
"BACK IN DECEMBER, DEUTSCHE BANK SAID THAT THE PREVAILING PRICES REPRESENTED "A REASONABLE STARTING POINT FOR LONG-TERM INVESTORS TO BEGIN BUILDING POSITIONS IN ASSET LIGHT ENGINEERING SERVICE COMPANIES."

The bigger picture

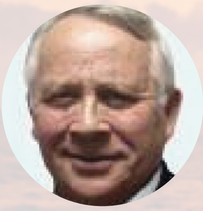
In the short-term the market is a voting machine but in the long-term it is a weighing machine, or so the saying goes. Although the market is currently focused on the collapsing oil price, the longer term picture remains one of growing demand for energy, underpinned by the rise of the middle classes in developing economies. According to the new edition of the BP Energy Outlook 2035, global demand for energy is expected to rise by 37% from 2013 to 2035, which equates to an average rate of 1.4% a year. Given that oil fields naturally decline at a rate of more than 10% per year, the current mothballing of projects will only serve to exacerbate the whiplash effect on prices further down the line. Indeed, Chevron CEO John Watson recently predicted that capex cuts would "bring supply and demand into balance in 2016, and move prices up".

All this means that the longer-term picture for oil services companies remains positive. In its recent quarterly publication of "The World Oilfield Services Market Forecast", Douglas-Westwood said it expects "sustained and substantial growth" in the global oilfield services market, which it forecasts will grow from $354 billion in 2014 to $521 billion n 2018. This stands to reason when we consider that the majority of major new oil discoveries are generally harder to get at than they were in the past, and therefore require more sophisticated technology to exploit. While the providers of such technology may find themselves left out in the cold under the current situation, we should be in no doubt as to the short-term nature of their predicament (barring some major advance in clean energy, of course, which seems unlikely at present). Indeed, the longer-term risks to the oil price – and thus oil services companies – are to the upside.





THE LIMPOPO DISPATCHES



"THE NORTHERN LIGHTS OF AULD ABERDEEN"

BY ROBERT SUTHERLAND SMITH

Detachment is everything in investing. And there is bucket loads of detachment here on the Limpopo. They once ascribed the mystique of the superiority of the Edinburgh fund mangers to the fact that that they were far from the London market with all its distractions and crowd following investors. Here on the Limpopo a man may keep a clear head.

I have been thinking about oil: not the sun tanning variety – I use the local cocoa nut oil. I learn over the bush telegraph that that the world oil price has come down substantially since last year. Unfortunately, the FT does not reach us here on the banks of the glorious Limpopo. The last one, lent to me by the local Church of Scotland missionary was dated 1947. (I assume that Mr. Attlee is no longer in power?) Not that a lower oil prices affects life here, where one gets about by dug-out canoe, swinging through the jungle on hanging vines like that noisy young Tarzan – a bit of a hooray Henry in my opinion (I have doubts about his true parentage) – or cutting through the undergrowth with a trusty blade issued – so it says on the blade – by the Colonial Office. It has the words "'The King-Emperor, George V' – Return if found" etched into it.

It is dusk on the Limpopo and I am appropriately attired – in evening dress – for a splendid dinner prepared by my cook Umbopo. It's not exactly Downton Abbey here, but I do not let standards slip even when dining alone in the jungle; one doesn't wish to "go native" as they used say at the Colonial Office. Umbopo – who informs that he is really king of a lost people beyond the Mountains of the Moon and is preparing to return there with an outlandish game hunting chap called Alan Quartermain, to claim the throne – is meanwhile preparing a dish of roast beef and Yorkshire pudding which would do credit to Simpsons in the Strand. Well done my good and faithful cook! His 'lost' people are in for a gastronomic treat once he is rightfully returned to them. A king that can cook roast beef and Yorkshire pudding with all the trimmings, like Umbopo, has a racing start in the popularity stakes.

The night sky will soon be spangled by a thousand stars suspended like camp site hurricane lamps in the great vault. The local witch doctor may pop in later for a port and cigar; decent type - former Balliol man and alumnus of McKinsey & Co - who enjoys a glass of late bottled Cockburn's and a Monti Cristo before bedtime. Interestingly, he finds time for distance learning, studying for a higher diploma in Alpha hedge fund management from the Hedge Fund Management College, situated conveniently above Luigi's Golden Fleece Restaurant, Shepherds Market, Mayfair (where a half decent bottle of claret starts at a £1,000). He explains that as a fully qualified witch doctor, he is exempted from taking Part I of the Diploma arising from his skill in making short things long and long things short.

"UNFORTUNATELY, THE FT DOES NOT REACH US HERE ON THE BANKS OF THE GLORIOUS LIMPOPO."

I understand that the King of Saudi Arabia, who is said to command most of the planet's cheap to extract oil reserves, just keeps pumping the stuff, so bringing down the crude oil price, in line with an economist's price and demand curve. Some suggest he wants to close down those jumped up American "frackers" (a sentiment heartily endorsed by some sections of White's Club); others suggest that he may think that the age of oil – like the age of reason – is over and wants to sell his oil in the way that Harry Cohen of Tesco used to sell groceries – plentifully and cheaply.

The Church of Scotland missionary, who hails from Aberdeen, has lamented at length on the impecuniousness brought about by low oil prices to his "ain folk" back home in the oil services sector of the Granite City and "The northern lights of auld Aberdeen" – as Scots exiles used to wistfully sing at closing time at "Robbie Burns" public house in King's Cross.

"Have a wee look at some of those companies" Sutherland Smith, he advises! "Ye will find value there if I am no mistaken?" Being, as he is, methodical in everything, including religion, I shall heed his advice, starting with a glance at the John Wood Group.

John Wood Group (WG.) at 603p

John Wood Group has recently produced its results for the year to 31st December 2014. The market was clearly anticipating some pretty dreadful stuff by the look of the downtrend in the share price beforehand. The reported results for last year were surprisingly good. Revenue rose a reported near-14%; reported net income rose almost 24%; and the annul dividend was raised 25%. There was an operating margin of 7.1 %, which contrasted with an operating margin of 6.3% the previous year. One was invited to conclude that if this is what falling crude prices does then the more the merrier. However, that would be dangerous thinking.

"THE MARKET WAS CLEARLY ANTICIPATING SOME PRETTY DREADFUL STUFF BY THE LOOK OF THE DOWNTREND IN THE SHARE PRICE ."

Nevertheless, there is a paradox at work in that operating oil and gas companies, John Wood's customer and clients, need the services of John Wood Group to improve the efficiency of their own production and operations in order to boost profits and cash flow; on that side of the business, John Wood Group are doing well enough. It is also important to understand that although its name is associated with North Sea oil production and work, John Wood is now a truly global company.

The consensus estimates of prospects for John Wood Group tell a somewhat different story; however it is not a dire one. It is estimated that sales revenue will decline by between 2% and 3% in the next couple of years and, thanks to cost cutting, the decline in earnings per share will be of a similar order. That is helped by a below average equity gearing of 20%. It is astonishing how highly financially geared the equity on most company balance sheets is. These consensus estimates of prospective forecast earnings and dividends are encouraging. If proved correct, it will put comparable earnings per share at 63.8p for this year, 56.3p for next year and 54.4p for 2017.

However, on the basis of the last annual balance sheet at 31st December 2014, net equity assets per share attributable to ordinary shares is an estimated 446p, which suggests that shareholders are paying just 157p for the estimated earnings, after subtracting equity.

The outlook for dividends is more certain insofar as the management have guided the market by saying that it expects to increase dividends from 2015 onwards at a double digit rate. Consensus estimates are for a 15% increase in dividends next year and 8% for 2017. That indicates estimated prospective annual dividend yields of 2.9% for this year, 3.4% for next year and 3.6% for the following year. Encouraging factors supporting such estimates are the low gearing figure and the improvement is cash flow last year.

As a result of a lower working capital requirement and cost cutting, operating cash flow increased by 26% to $183 million and year end balance sheet cash climbed by 26% to £183 million. That represents generous cover for an annual dividend cost of £87 million, which had been raised by 30%.

It is my opinion that these shares offer good value. However, it is hard to deny that the technicals do not look appealing. My view is to watch for a change in sentiment and look for a buying opportunity once the market finds its footing.

Amec Foster Wheeler at 923p

Amec, now known as Amec Foster Wheeler (AMFW) following its acquisition, is capitalised at £3.6 billion with estimated sales of £5.8 billion. It engages in the design, construction and processing of up stream oil, gas, LNG, organic and petro chemicals, minerals and metals. It also designs steam generating equipment for power stations. It is immediately attractive to potential investors for three reasons: its dividend, the impact of a new significant acquisition and the fact that the share price chart appears to have bottomed out and is now trending up as a momentum buy.

The annual preliminary results for the year to 31st December 2014 were economic and financial summary without much supporting information and data. The acquisition of Foster Wheeler occurred very late in 2014 so it will not have had a significant impact on the 2014 annual numbers. What we have been told is that revenue rose 2% £3,920 million and one may reasonably infer that some or all of that percentage increase arose from the year end consolidation of Foster Wheeler. On a full annual reporting basis Foster Wheeler is expected to add something like 45% to sales revenue, giving the company greater scales of economy and diversity in its market base.

The numbers given under IFRS accounting conventions were pretty stark in their regression. On that basis profit before taxation was reported 39% down; operating cash was unsurprisingly down 32%. Diluted earnings per share were reported down 44% but the annual dividend was increased by 3% to 43.3p a share.

However, the statement also provided management adjusted figures which show that operating profits fell only 6% on an adjusted basis and that similarly, adjusted trading profit declined only 6% on that basis. It also pointed out that cash flow at the trading level, although down, was only lower by 17% and not by the reported -32% at the operating level. We are told that the cash conversion rate, although lower than last year's 99%, was still a thumping 88%. Finally, we are informed that adjusted earnings declined only 9% to 79.5p. In short, management has told us that things on an underlying basis are not as poor as the dramatic falls in the reported statutory numbers.

The increased annual dividend may be taken as a good sign. The market consensus sees last year's declared annual dividend of 43.3p increased by a further estimated 2% this year to a forecast dividend of around 44.2p and an estimated 45.8p next year. That puts the shares on forecast prospective dividend yields, at 923p (last seen) of 4.5% for this year and 4.7% for next year.

The successful execution of the integration of the Foster Wheeler acquisition is crucial to future dividend payments, as a means of reducing costs and growing profits. The company states that it is diversifying its customer base evidently to help insulate it from shocks to profitability.

Technically speaking, the shares broke out from the previous downtrend in the share price in December and the chart bears the interpretation that support may lie somewhere at about 900p, at which level the shares would yield an estimated 5% for this year. So such support looks reasonably credible.

In conclusion to my views and observations on this share, I merely add that it needs an above average dividend yield to justify the risk of holding it at this stage. But a 5% annual dividend yield at a share price of 900p is probably attractive enough to attract buyers.

Conclusion.

It is astonishing to recall that the price of Brent crude peaked at $123 only nine months ago in July 2014. Crude oil prices have always been volatile, but as the oil price rose to new peaks, the swing when it came was bound to be much greater than those seen earlier. From 1988, the price of a barrel of Brent crude traded between $10 and $36. The values may be much smaller than we have more recently become used to, but the percentages are very high with the crude oil price rising by 260% from trough to peak. Then in April 2004, the oil price broke through the previous high and peaked at $132 in July 2008. From there it plunged $40 in December 2008 before rising, Titan-like, to $125 in March 2012, only to plunge once again to $47.76 last January. So the current price of $55 allows plenty of scope for recovery once stocks have cleared. Unless you believe that electric cars and clean energy will be with us sooner than seems likely, my instinct is that John Wood Group and Amec Foster Wheeler will see higher share prices in due course.

SMALL CAP OIL SERVICES PLAYS

BY JAMES FAULKNER

Sell-offs are often a great opportunity for patient investors to acquire prime assets on the cheap, and the recent sell-off in the oil & gas services sector appears to be a case in point. In this month's small-cap section we have put together a selection of the most exciting companies in the sector, all of which have seen their valuations dragged significantly lower of late.

All of the companies featured boast specialist capabilities and technology, which could make them prime targets when it comes to industry consolidation. They also boast relatively strong balance sheets, which should mean that each company is relatively well placed to weather the current downturn.

KBC Advanced Technologies at 99p

Walton-on-Thames based KBC Advanced Technologies (KBC) is a specialist provider of proprietary simulation software (70% of EBITA in FY 2014) and associated consultancy services (30%) to the oil & gas sector. It is also the market leader for profit improvements in refineries and processing plants. In upstream the firm's proprietary software helps oil & gas firms minimise capital spending, through accurate modelling of reservoirs and flow assurance. Downstream, KBC can help clients manage their facilities more efficiently through optimising processes, eliminating bottlenecks and maximising yields. With the energy industry set to cut capex by $250 billion per annum by 2018 (according to Wood Mackenzie), KBC's technology is likely to be in high demand.

KBC

The fact that KBC offers customers end-to-end services incorporating the entire production process from extraction to refining means that it is able to position itself as a 'one-stop shop' and punch above its weight. KBC currently has operations in 60+ countries with clients including state-owned oil companies, blue-chip integrated majors and 2nd-tier independent E&Ps. To operators such as these, even a minor reduction in costs in percentage terms can quickly stack up to millions of dollars in savings.

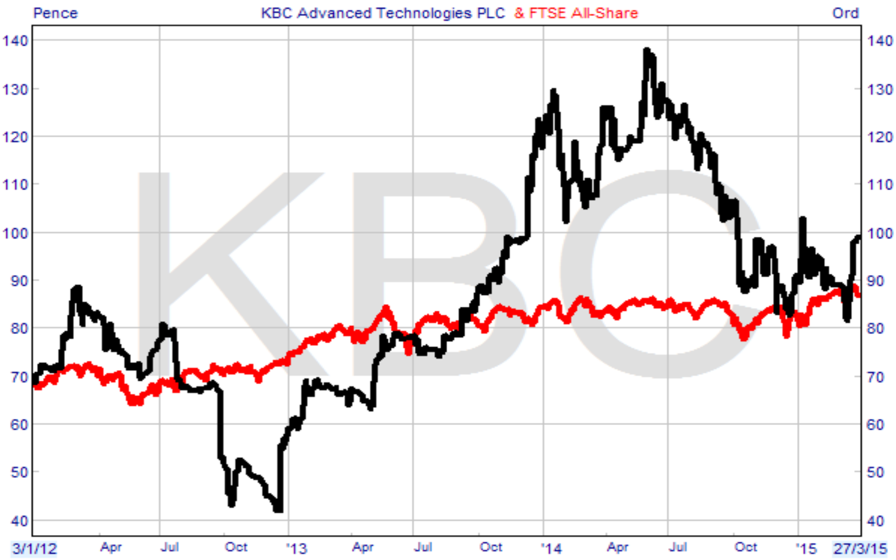
"THE FACT THAT KBC OFFERS CUSTOMERS END-TO-END SERVICES INCORPORATING THE ENTIRE PRODUCTION PROCESS FROM EXTRACTION TO REFINING MEANS THAT IT IS ABLE TO POSITION ITSELF AS A 'ONE-STOP SHOP' AND PUNCH ABOVE ITS WEIGHT."

At the beginning of December, KBC won a two-year contract from a South American oil and gas company, to expand its support to the refinery with a focus on providing operational readiness and management support for the upcoming revamping of its facilities.

The contract is said to be worth more than $48.6 million to KBC over a 24 month period and extends the current contractual relationship to 2018. What's more, the contract came as a direct consequence of improving plant performance, with savings of c.$100 million said to have already been delivered. As Executive Chairman Ian Godden observes, "This is the third largest award in the Company's history and gives us excellent revenue visibility into 2015 and beyond."

More recently, at the end of December the firm secured a seven year, £3.3 million landmark contract to license KBC's simulation software. The agreement includes the Maximus, Multiflash and Petro-SIM modules covering all E&P stages from reservoir chemistry and well bore/pipeline modelling, through to process facilities simulation. This deal in particular is evidence that recent acquisitions intended to augment the firm's upstream offering are having the desired impact, with the upstream market estimated to be worth c.10x the downstream market.

As of January KBC still had around £15 million in net cash on its balance sheet,



which means that further such acquisitions could be on the way in 2015. With the focus moving towards higher margin and more reliable software revenues, and the consultancy division becoming more selective in the type of work it takes on, the outlook for revenue quality is improving.

2014 results released last month showed that KBC has maintained its momentum in the face of the falling oil price. Adjusted EBITA climbed 15.1% to £10 million on sales up 16.7% at £76 million, driven by a record year for the software division. However, the standout metric was the record order book, which at £88 million was up by a whopping 40% since June and represents a H2 book:bill ratio of 1.25. With £40.5 million of this backlog set to crystallise in 2015, this provides excellent visibility and should help dispel any concerns the market may have over the impact of the oil price on the group. KBC noted that 2015 has got off to a good start with the market for its services decribed as "steady".

Nevertheless, KBC isn't about to become complacent, and it has put in place "further contingency plans, should the market deteriorate".

The markets seem to have taken an overly harsh view of KBC's prospects in a lower oil price environment. Lower oil prices will force operators in the sector to become more efficient, and KBC can help them do that. Research house Equity Development has a price target of 162p for the shares, which still trade on a significant discount to the wider oilfield services sector. With the prospective earnings multiple only just into double figures, the valuation looks unduly cautious given the proprietary nature of the group's technology offering, the strong growth prospects (Equity Development expects double-digit profit growth in each of the next three financial years) and the strong balance sheet.

Pressure Technologies at 215p

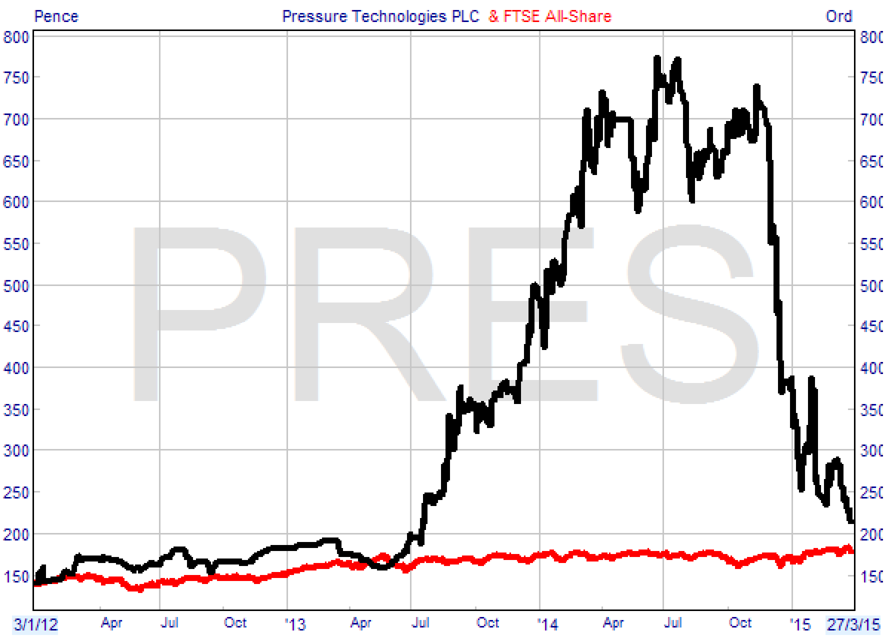
After a remarkable ascent in 2013/14, shares in speciality engineering firm Pressure Technologies (PRES) have more than halved since November 2014, mainly on the back of investor concern over its exposure to the deepwater drilling and hydraulic fracturing 'fracking' markets. The fact that these are the areas of the market most exposed to the downturn in the oil price (given the marginal nature of many of these resources) means that Pressure Technologies carries the most short-term risk of the three stocks mentioned in this piece – but on the flipside, it also suggests the shares have much to gain in a recovery.

Under its original identity as Chesterfield Special Cylinders (CSC), Pressure Technologies has been a leader in the design, development and manufacture of high pressure seamless steel gas cylinders for over 100 years. technical advances in seamless steel cylinders throughout the 20th century.

The group comprises three key trading divisions: Chesterfield Special Cylinders (CSC), Chesterfield BioGas (CBG) and Engineered Products. CSC supplies Air Pressure Vessels (APVs) for oil rig motion compensation systems and deepwater offshore platforms, as well as breathing air cylinders and gas storage. In addition to the oil & gas market, CSC also has a world-class reputation in the submarine sector, delivering design, development and retesting services to a number of the world's navies. Meanwhile, the Engineered Products division provides a wide range of control and testing equipment for drilling systems and precision engineered valve wear parts used for flow control in the subsea and surface oil and gas industries. The smallest trading division, albeit rapidly growing in importance, is Chesterfield BioGas (CBG), which was established in 2008 following the signing of a co-operation agreement with Greenlane Biogas Limited, the world leader in biogas upgrading, which was acquired outright by the company in September 2014.

"SINCE THE COMPANY WAS FOUNDED IN 1997, ITS TECHNOLOGY HAS BEEN USED IN MORE THAN 350 OIL AND GAS WELLS WORLDWIDE, AND MAJOR OPERATORS ARE INCREASINGLY ADOPTING ITS SOPHISTICATED TECHNOLOGY."

Pressure Tech has been active on the M&A front of late, adding areas of technical capability and exploiting opportunities to utilise the group's infrastructure to drive growth.



Although this has left it somewhat more exposed to the downturn in some of 'growth' markets such as US fraccing, the balance sheet has not been left exposed as much of this was funded through fresh equity rather than debt. At the end of the financial year ended 27th September 2014, the firm had net funds of £5.8 million, and newly negotiated bank facilities have provided a further £25 million revolving credit line, which provides ample room for further acquisitions plus any deferred considerations from recent deals. Ultimately, the firm sees itself as a consolidator offering an attractive 'umbrella' platform for small but nevertheless very capable businesses operating in niches within the engineering sector.

A trading update in February made it clear that the group faces considerable near-term challenges. In particular, short lead times and pricing pressures are expected to present a tougher trading backdrop in H2, despite sales and ordering currently being in line. In addition, major oil and gas end markets for SCS still show no firm indications of recovery, and other divisions have experienced some contract slippage. While we believe forecast risk could still be to the downside over the near term, this is already reflected in a prospective current rating of 7.3x, falling to just 5x for FY16 (based on house broker Charles Stanley's forecasts). There is also a historic dividend yield of c.3.7% on offer and management has pledged a continuation of the firm's progressive dividend policy. The house broker's current price target of 520p suggests there is scope for the shares to more than double from here.

Plexus Holdings at 237p

Plexus Holdings (POS) is living proof that small companies can compete with the big boys, given the right product. Utilising its proprietary "POS-GRIP" technology, Plexus has developed a safer, more cost effective, reliable and technically superior wellhead which it supplies to an impressive list of blue-chip oil and gas operators worldwide. Revenues predominantly derive from the rental of POS-GRIP wellheads for jack-up exploration, although the range of commercial and safety benefits of POS-GRIP also apply to surface production and subsea wellheads. Since the company was founded in 1997, its technology has been used in more than 350 oil and gas wells worldwide, and major operators are increasingly adopting its sophisticated technology, which is gaining significant traction in the face of strong incumbent competition from the established majors.

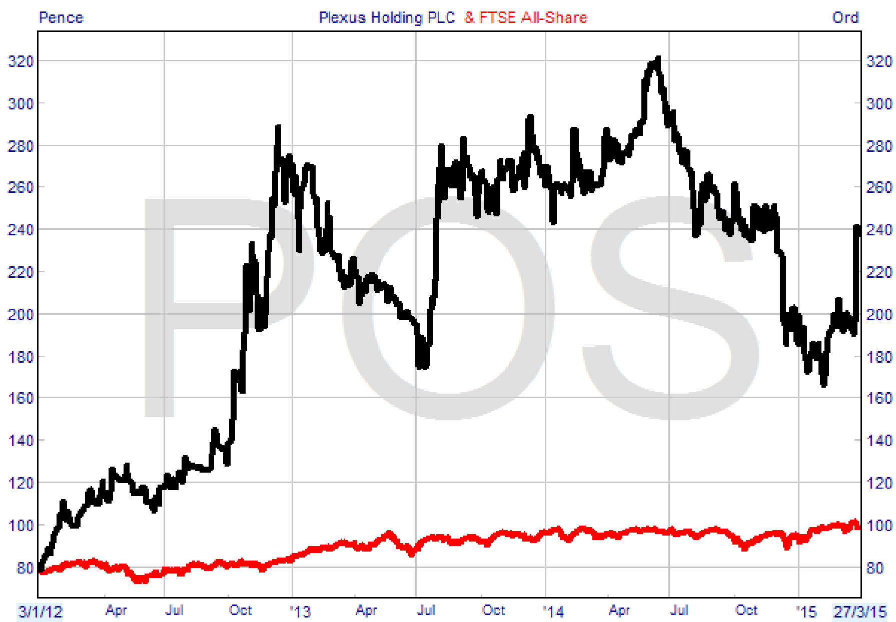
From its base in Aberdeen, the UK's oil capital, Plexus currently has capacity for between 12-16 operations at any one time. However, in order to address the huge potential market for its technology, it recently secured a new factory directly opposite its current site from Baker Hughes, and it has also established a subsidiary in Singapore to address the booming Asian energy industry. But the real opportunities facing the company lie in translating the technology for other industry verticals. One major example is the firm's Joint Industry Project (JIP) for a new subsea wellhead design labelled "HGSS", which management reckons could deliver cost savings in the region of $506 million per well. This has attracted some high profile partners, including Senergy and BG Group, and a prototype is expected to be running by H2 2015. Management also believe that the company's proprietary technology has additional wide ranging applications outside the oil and gas industry, and may well extend beyond conventional oil and gas to, for example, undersea deposits of methane hydrates, and geothermal drilling.

Results for the year to June 2014 saw a 5.7% rise in revenue to £27 million and EBITDA up 19% to £9 million. EBITDA margins grew an impressive 300 basis points to 33%, while net margins advanced by 700 basis points to 19%. This was primarily driven by growth in international revenues and HPHT (High Pressure High Temperature) wellhead rentals. The importance of product development and innovation to the group was highlighted by a 61% increase in R&D spend, to £2.37 million, while spending on intellectual property, patent development and filings also increased strongly, by 42.7% to £0.18 million. The momentum was maintained at the interim stage, with the firm's results for the six months to 31st December 2014 showing a 7% rise in revenue to £13.51 million and a 14% increase in EBITDA to £4.16 million. The balance sheet looks relatively conservatively managed, with net borrowings of £4.07 million as of 31st December 2014.

One of the biggest issues investors have historically had with Plexus is the lofty valuation.

"WE SUSPECT THAT RATHER THAN OFFLOAD THE SHARES TO THE MARKET, BILDERBEEK IS HOLDING OUT FOR A TRADE SALE."

While the quality of the product and strong growth prospects are pretty much undeniable, the fact that the shares have at times traded on earnings multiples well in excess of 50x has left it easy to argue that the upside is reflected in the valuation. However, the Plexus share price has pulled back significantly since the high of 321p reached in June 2014, and current forecasts from house broker Cenkos put the shares on a prospective multiple of c.40x for the current financial year. That may not sound 'cheap', but it is well towards the lower end of the spectrum in terms of the shares' historic trading range and Numis's "bull case" valuation of 1,145p. It is also worth bearing in mind the wider potential applications for the firm's technology, and that Plexus's founder Ben van Bilderbeek still owns a majority stake in the company, even after all these years. We suspect that rather than offload the shares to the market, Bilderbeek is holding out for a trade sale in the hope that Plexus's competitors appreciate the potential value of its technology better than the market does.



BY FILIPE R. COSTA

PLANTING THE SEEDS

The financial crisis of 2007-2009 is often seen as one of the worst ever crises faced by the US economy. The capitalisation of the S&P 500 was halved, the unemployment rate was doubled, and the Federal Reserve had to go out of bounds in rescuing the economy to avoid the collapse of the whole financial sector. But while the crisis was severely detrimental to the lives of a large minority, in terms of human suffering it was in fact relatively moderate, particularly when we compare it with the Great Depression of the 1930s. If a 10% peak in the unemployment rate and a 4.3% decline in GDP seem damaging, just imagine how decimating the 24.9% unemployment rate and 26.7% decline in GDP were in the 1930s.

What was not so moderate this time round was the intervention of the Federal Reserve. In an attempt to a) provide the needed liquidity; and b) massively increase equity prices and reflate the economy, the Federal Reserve cut its key rate to near zero and injected trillions of dollars to contain the spill-over effects from the financial the crisis. Six years after the peak of the crisis the Federal Reserve is preparing for its first rate hike.

But while everything seems under control in the US, it certainly isn't in Europe. The spill-over from the US financial sector has engendered huge damage in the fragile Eurozone construction. Without the same kind of help from the ECB that corporate America received from the Federal Reserve, some peripheral countries quickly dove into the cold waters of the Atlantic while others were eventually lost in the Calypso deep of the Mediterranean Sea. But the ECB seems to have learned its lesson and is preparing to follow in the footsteps of the Federal Reserve, in an attempt to revive the drowned European patient by injecting €1.1 trillion directly into his veins.

Ultra-loose monetary policy is the modern solution for all kinds of growth problems; one that is welcomed by investors and emerging markets in general. The near-zero interest rates mixed with large-scale asset purchases led asset prices to explode and made it easier for emerging markets to cut interest rates and issue new debt at a much lower cost. But the ultra-loose cycle always ends in tears when the policy is reversed, often leading to massive currency crises in emerging markets. With the Federal Reserve paving the way for its first rate hike, we can only predict tough times ahead for emerging markets. The first signs are already in place but it is still not too late to act and protect portfolio profits.

Surprise! I Just Cut the Interest Rate...

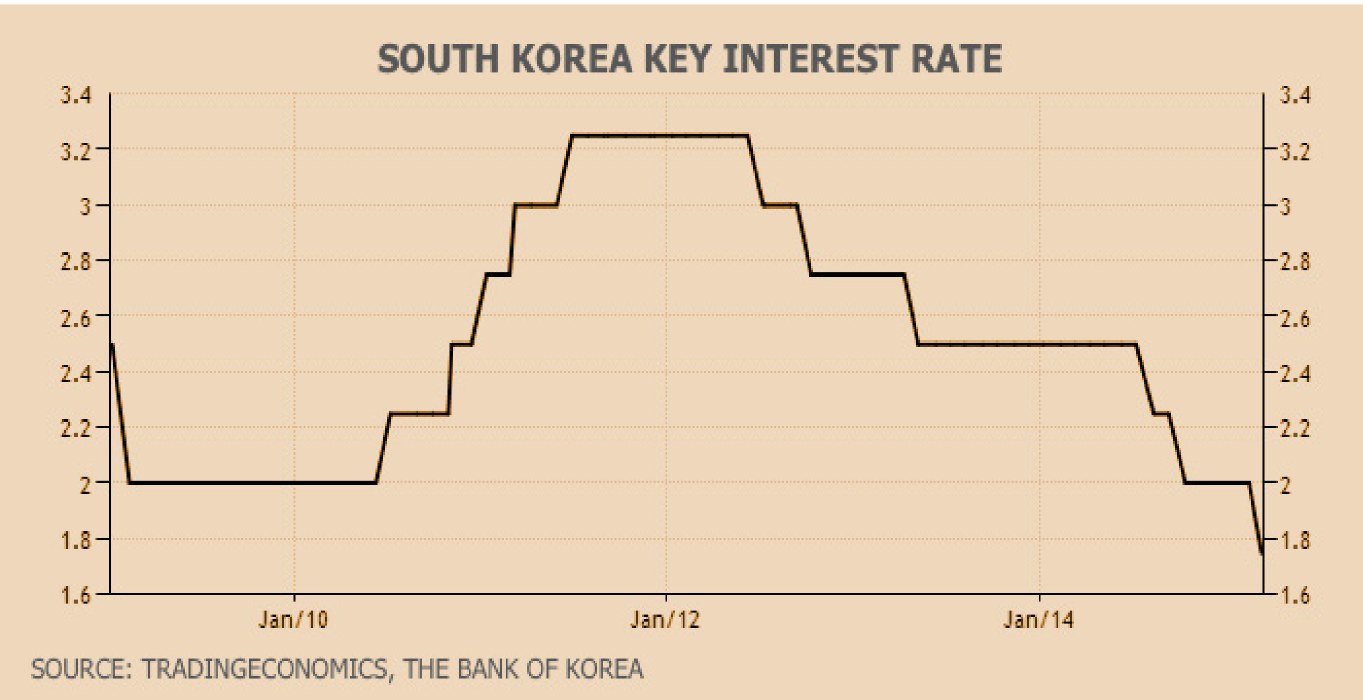
Since the beginning of 2015, the only business model followed by central banks around the world has been that of cutting interest rates. Asian emerging economies have been particularly busy on the matter, with Singapore, Indonesia, China, Thailand, India and South Korea being just a few examples in a long list of countries following that path – and many of them taking markets by surprise. With the price level under control and record high capital inflows emanating from the zero-yield, developed world, these countries had an epic opportunity to cut rates and regain some economic strength through competitive exchange rate devaluations. In normal times, they would need to keep relatively high interest rates to avoid downward spiralling currency depreciations and the consequent uncontrolled rise in prices, but with major central banks around the world keeping very low interest rates and oil prices plunging, these countries were able to tweak their original business model in their favour.

Situated near Japan and heavily influenced by such a big trading partner, many Asian economies have been benefiting from "Abenomics". Let's take the case of South Korea as an example. The country was able to reverse the upward pressure on interest rates in January of 2012, which coincides with Shinzo Abe's ascent to power and the resulting introduction of a bold plan to reflate the Japanese economy through large-scale asset purchases via the central bank. From a level of 3.25% in 2012, the Bank of Korea has been cutting its benchmark rate to the current record low level of 1.75%, settled on 12th March.

According to IMF data, emerging markets have been experiencing a surge in capital flows from the industrialised world in recent years. Between 2009 and 2012, these countries received inflows amounting to $4.5 trillion (£3.1 trillion). With the advent of negative interest rates in some European countries and the consequent crash in yields, many investors from Europe have been contributing to this trend, which pushes the currencies of these countries higher and helps to sustain abnormally low interest rates.

While there's no reason to turn away capital inflows, neither is there any reason to open the best French Champagne to celebrate it. These countries should distinguish productive capital, which is long lasting and stimulates growth, from hot money flows, which just keeps looking for the best yields and disappears overnight. During recent years, emerging economies have received inflows from many international institutions aimed at building infrastructure, but the bulk of the movement has been speculative in nature and is expected to reverse some time soon.

"CENTRAL BANKS IN ASIA ARE NOT FULLY DISCOUNTING THE RISKS OF AN INTEREST RATE INCREASE IN THE US, WHICH WILL MOST LIKELY POSE SEVERE DIFFICULTIES FOR THEM, AS HOT MONEY WILL VERY QUICKLY FLY AWAY."



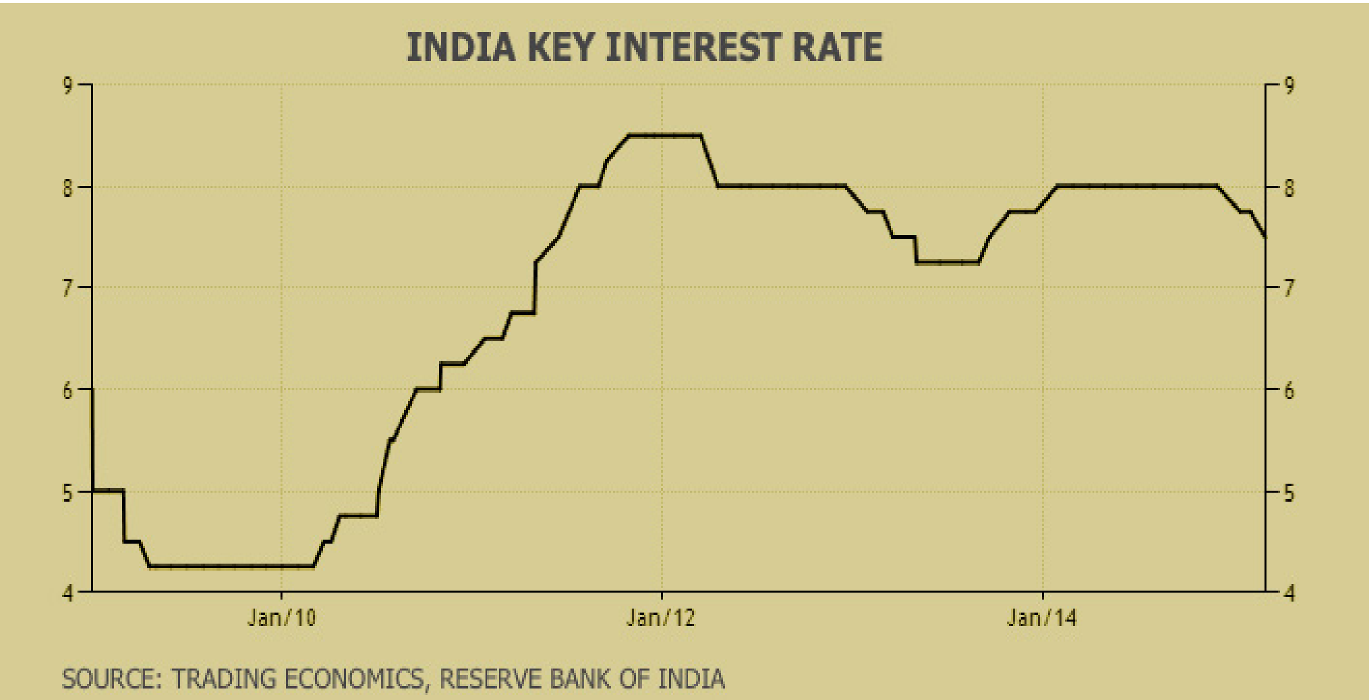
Central banks in Asia are not fully discounting the risks of an interest rate increase in the US, which will most likely pose severe difficulties for them, as hot money will very quickly fly away.

We have already had a glimpse of what could happen, when in 2013 the "taper tantrum" episode led to massive outflows in India and Turkey, as Ben Bernanke hinted the quantitative easing programme would be progressively wound down. If the reaction to a hint of a deceleration in easing is huge, just imagine what would happen when the threat of higher interest rates crystallises into real action.

At that point interest rates will rise exponentially in emerging markets to contain massive capital outflows. At a time when economic growth is fading and with country-specific reforms having been postponed, the odds for an emerging markets collapse are very high.

In addition to the potential for capital outflows, there's another big issue emerging. During the last few years, many companies in emerging countries borrowed funds in US dollars, as they were seduced by a mix of a depressed dollar and an ultra low interest rate.

Corporate debt has risen too quickly over the last few years to hit very high levels. When their home currency gets pressured these companies will find it difficult to repay the loans. India is an example of a country that will eventually face such a situation. The Reserve Bank of India does not seem to acknowledge the problem as they joined the group of countries cutting interest rates this year. With a highly indebted corporate sector, the rupee will be one of the first currencies to be pressed, which will force the central bank into action if it is to avert a collapse.



America Vs Asia - Two Different Realities

While everything seems fine in Asia (for now), the pressure has already begun in America. Brazil, the second largest emerging economy, is walking on very thin ice, and has been shaken by a mix of political scandals and a stronger dollar. Even though one cannot forget the political issues involved in the current picture, the rising dollar is still largely responsible for the looming crisis.

The rising dollar presses Brazil in two ways. Firstly, as commodities are quoted in US dollars in international markets, a rising dollar often means declining commodity prices. For a country so heavily dependent on commodity exports, GDP growth is severely affected by such a decline. Secondly, the rising dollar leads Brazil to import inflation, which is already reflected in the acceleration of its inflation rate to 8% per year.

The Brazilian central bank's key rate is currently set at 12.75% – the highest level in six years – but that is still not enough to contain the depreciation of the Brazilian real against the US dollar. The central bank assumed its currency would trade at an exchange rate of R$2.65 per dollar over the next 2 years (on average), but the current rate is already at R$3.25, or 22% above its 2-year projection. The advent of the financial crisis helped the Brazilian real, which traded at a high of R$1.50 in July 2011, but as the dollar started strengthening with the prospects of a monetary policy inversion in the US, the currency lost value very quickly.

The dollar has gained 22% against the Brazilian real year-to-date. An interest rate rise to the 20% seen in 2005 should not be ruled out for the near future; a level that may prevent further depreciation but would certainly throw the country into a heavy recession.

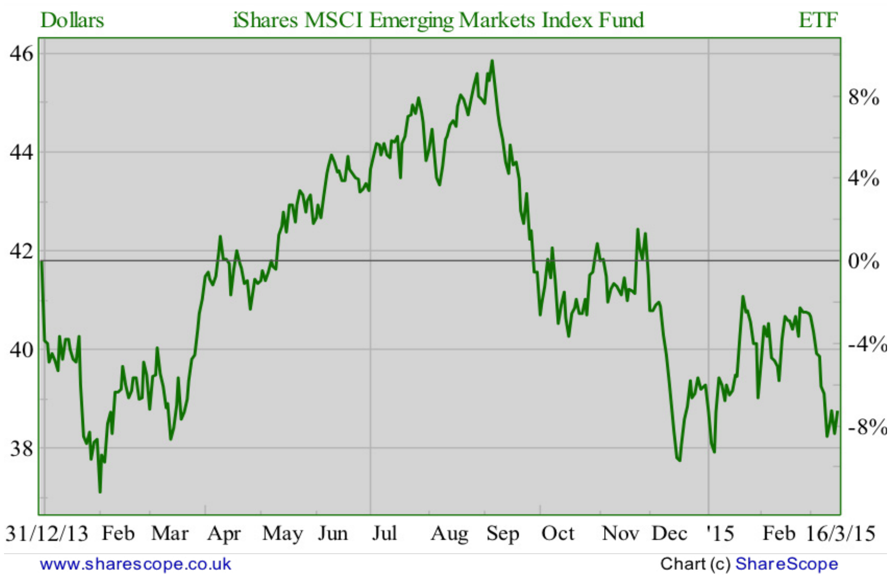
Now let's take a look at the US's southern neighbour - Mexico. The *Banco de Mexico* has its key interest rate at 3%, as inflation is still subdued. But the exchange rate between the dollar and the Mexican peso is quickly appreciating. While you could buy a dollar with Mex$12.8 in May 2014, you now need Mex$15.5. I guess it won't take long for inflation to start rising, pressing the central bank to increase interest rates to avert a currency crisis. For now, many still predict a further rate cut of 25 bps, which seems ever more unlikely for me, especially given the likely scenario of rate increases in the US.

Final Comments

Declining global US dollar liquidity growth mixed with falling commodity prices are the necessary ingredients for an emerging markets crisis. For now the emerging markets world seems very quiet and the main equity indices are still not showing any severe weakness, as plunging oil prices have helped contain production costs in many of these countries and European QE has offset some of the fears over Federal Reserve tightening. But I expect the current trend to be reversed very quickly as the first rate hike in the US approaches. The pressure in South America is already visible and should serve as a preview for what the future holds for the other countries.

In a world led by central bank action and by manipulated interest rates instead of substantive action to address the real problems facing the global economy,we will simply lurch from one crisis to another. Today's crisis in country A becomes tomorrow's crisis in country B, in a Ponzy scheme that can only end in disaster.

Instead of allowing malinvestments to be liquidated, central banks keep adding credit to a bankrupt system. But such a system is unable to generate any wealth and only looks temporarily profitable due to the artificially low interest rates set by central banks. When monetary policy ultimately returns to some kind of normality, the problem will by then be bigger than ever, albeit shuffled to a different place... that place is now the emerging markets.



"DECLINING GLOBAL US DOLLAR LIQUIDITY GROWTH MIXED WITH FALLING COMMODITY PRICES ARE THE NECESSARY INGREDIENTS FOR AN EMERGING MARKETS CRISIS."

ROBBIE BURNS' TRADING DIARY

One of the best things about spread betting is the ability to cheaply trade shares you might only want to be in for a few days or even just a month or two. There isn't much cost and you can quickly bank (hopefully) a nice profit.

My favourite was to spread bet is to find some shares trading in a range which they repeat time and time again. Let's take a look at a few examples of ones I have traded recently and ones that might maintain the same ranges for a while longer.

Utilitywise (UTW) has been establishing a range of 195-240p. Recently, a buy anywhere around the 195-210p followed by a sell in the 225-240p area has been paying dividends.

Usually with these ranging shares the market is saying, "Well, it seems cheap near the bottom of the range and starts to look fully valued at the top". Often it will take a statement, results or a contract win to push the shares out of the range one way or the other.

The plan with Utilitywise could be the following: If it falls below the 190p area, something is wrong and that could be shorted down further. However, a break much above the 230-240p area could see the good times roll and a move back up to the 300p area. For instance, if you went long at 200p-ish, a stop could be established at around 190p to ensure you're not caught by a move down.

The best trading shares are usually ones where the company is quite solid, as you don't want to be caught by, say, a small oil company which finds water instead of oil.

Here's another, **Telecom Plus (TEP):** a nice company where I have a large long-term holding which I expect to hold for the next 5-10 years for income but one you can make a few quid out of a little more short-term too. There is rock solid support for the share at just under a tenner and it runs out of steam near the 1200p mark.

The £10 to £12 range could carry on for a while.

You'd previously have made a packet through buying at a tenner and selling at just under the 1200p mark, then shorting back to a tenner, then buying back on the up etc. If Telecom Plus can break out through 1200p then there's a possible 200/300 points available to the upside back up to 1400p or 1500p eventually.

As I write it is nearer the 1000p area, where it's a buy. Once it moves it can quite quickly go up 150-200 points, which is fantastic for a spread bet. A stop at 975p would prevent any major damage being done.

A break out at the top of a range can often see even more gains.

It's often worth waiting to see whether your trading range share breaks out of its previous range.

A case in point is **Dominos Pizza (DOM),** the famous seller of very expensive cheese on toast. This one established a range of 650-700p over the last six-months or so. However, it broke through the 700p area all of a sudden, and not long later you'd have been able to bank 100 points as it soared up to 800p.

At this point there's a good chance it will establish another new trading range, possibly 800-750p. Indeed, Dominos has been a splendid trading range share for years with an underlying uptrend. It's worth keeping an eye on this one as it could bring home short-term gains for years to come without any worries about people stopping to eat pizzas, so you do your dough with a profits warning...

Finally, (I need to order a pizzas urgently) one with a super range is **Regenersis (RGS).** The last six months have seen a super range of 200p-ish to 230p-ish or 250p-ish, and it has repeated this a number of times, giving traders many a chance to bank profits.

There is very strong support for the shares at just under 200p, so if you can get any around 190-205p it's usually a good trade. Like the others, there is potential for further gains should it break up out of its range.

So any move above 250p would be a very strong signal for a big and possibly quick move up to the 300p mark. Right, my pizza's here so I'm off to establish an eating range.

"A BREAK OUT AT THE TOP OF A RANGE CAN OFTEN SEE EVEN MORE GAINS. IT'S OFTEN WORTH WAITING TO SEE WHETHER YOUR TRADING RANGE SHARE BREAKS OUT OF ITS PREVIOUS RANGE."

P.S. I'm off for a skiing trip so I won't see you next month, but I'll be back the month after.

Happy trading! Robbie

ALPESH PATEL ON THE MARKETS

WHY WOULD YOU INVEST IN THE FTSE 100 RIGHT NOW?

A question that almost every trader and investor in the UK has in mind is quite simply "where's the FTSE 100 headed a few weeks down the road?" I know this because from all the people I meet on various occasions this is the most posited question. To put it in simple words so we can really drill down to the core of it: is the FTSE 100 headed higher over the medium term or not?

Now this is a question that has no simple answer and the reason is that the FTSE's performance doesn't hinge on just one thing. When I am faced with a question as complex as this I first try to understand "the nature of the beast", meaning to map out the various forces affecting the object of my interest and then see how these play out.

I will keep this plain and tidy because I know that many readers will find this analysis helpful. So here goes. The FTSE 100's performance is influenced by roughly three forces: the performance of the British Pound, the interest rate policy and the performance of the other global indices, namely the major US stock markets. Now if we take each of these forces and detail how we expect them to affect the FTSE 100 over the next few weeks, we will get a good indication of its outlook, right?

Reading the forces

So starting with the British Pound, we can assess that Sterling has been trading relatively sideways against its counterparts in recent times. It has declined against the US Dollar, and I think it will continue to do so, but at the same time it has appreciated versus the Euro, and I believe this trend will also continue, especially with the Euro-zone now undergoing another easing programme. So to sum it up, I expect the Pound to remain flat on average against the other currencies. Thus I expect no upward or downward pressure on the FTSE from the Pound.

Now taking a look at the matter of the interest rate policy and the Bank of England's future intentions, we know what they intend to do: raise interest rates. But we also know that they won't do it soon due to two reasons: domestic economic progress is not yet sufficient and they probably want to wait for the US Federal Reserve Bank to pull the trigger first. The Fed will most likely pull the trigger some time after June, so no rate change from the BoE is expected either before that.

"THE FED WILL MOST LIKELY PULL THE TRIGGER SOME TIME AFTER JUNE, SO NO RATE CHANGE FROM THE BOE IS EXPECTED EITHER BEFORE THAT."

As long as the Bank of England leaves interest rates at their current levels, we know that this is a bullish indicator for the stock market as investors love cheap money supply. Hence we can count that as a precursor towards further gains for the FTSE 100, at least until the BoE becomes more serious about a rate hike.

But what about the US stock market and its correlation with the domestic stock index? It is true that the FTSE 100 takes its cue from the US markets most of the time, as investment sentiment is a global affair nowadays. And as I mentioned above, the Fed's reluctance to hike interest rates means that the likes of Dow Jones and co. will have more room to continue to move on the upside.

Interestingly enough, at the same time it appears that the stronger Dollar doesn't bode too badly for US companies either. According to a well circulated study from Goldman Sachs, a stronger currency doesn't tend to weigh down on the domestic stock market. Actually, the study premises that the benchmark S&P 500 index's performance is almost uncorrelated to currency moves, so an expensive Dollar doesn't affect companies' earnings expectations.

So with the Fed keeping rates unchanged for now and a pricy Dollar not hampering companies' growth, the US stock indices are looking bullish and they will affect the FTSE 100 accordingly.

The verdict?

So keeping score we find that two out of the three important forces weighing on the FTSE 100 suggest a further climb and one of them is neutral. Our conclusion should therefore be that the FTSE 100 seems more likely to break into fresh highs and take advantage of this low-rates environment for as long as it lasts.

And finally, with most people thinking "it can't be, it needs to correct lower", I think this looks as good an opportunity as any for the smart investors to make their move, catch the rest off guard and rake their profits. Oh yes, and a good opportunity for us to join them...

Happy Trading

Alpesh B Patel

"THE FTSE 100 SEEMS MORE LIKELY TO BREAK INTO FRESH HIGHS AND TAKE ADVANTAGE OF THIS LOW-RATES ENVIRONMENT FOR AS LONG AS IT LASTS."

Alpesh is a hedge fund manager who set up his asset management company in 2004. His Sharescope Special Edition has outperformed every UK company's fund manager over the past decade, as well as Warren Buffett. He has written over 200 columns for the Financial Times and presented his own investment show on Bloomberg TV for three years. He is a former Visiting Fellow in Business & Industry at Oxford University and the author of 18 books on investing. Find out more at http://www.investingbetter.com and http://www.inter.tradermind.com

SCHOOL CORNER

REFUSING TO CRYSTALLISE LOSSES

BY MARIA PSARRA, HEAD OF TRADING AT PRIME WEALTH GROUP

This is the sixth in a series of educational articles on the best habits of winning traders and investors, the most common mistakes traders make and the best ways to avoid them.

Today, we are looking at refusing to crystallize trading losses, the irreparable damage this can cause to your trading account (let alone to your soul), and how you can avoid this.

This subject is actually related to two of my previous articles, namely ''How to Efficiently Set Stop Loss Orders'', and the more recent ''Arrogance IS a Sin''. Let's explore why.

As I hope all of you realize, when one trades or invests, one should always accept the risk of incurring losses. Not every trade will be a winning trade; some trades are going to be unsuccessful and they will come at a monetary cost. This, as any successful trader can testify, is just part of the game, and has not "killed" them in monetary terms or otherwise.

So what's the problem with refusing to crystallise losses?

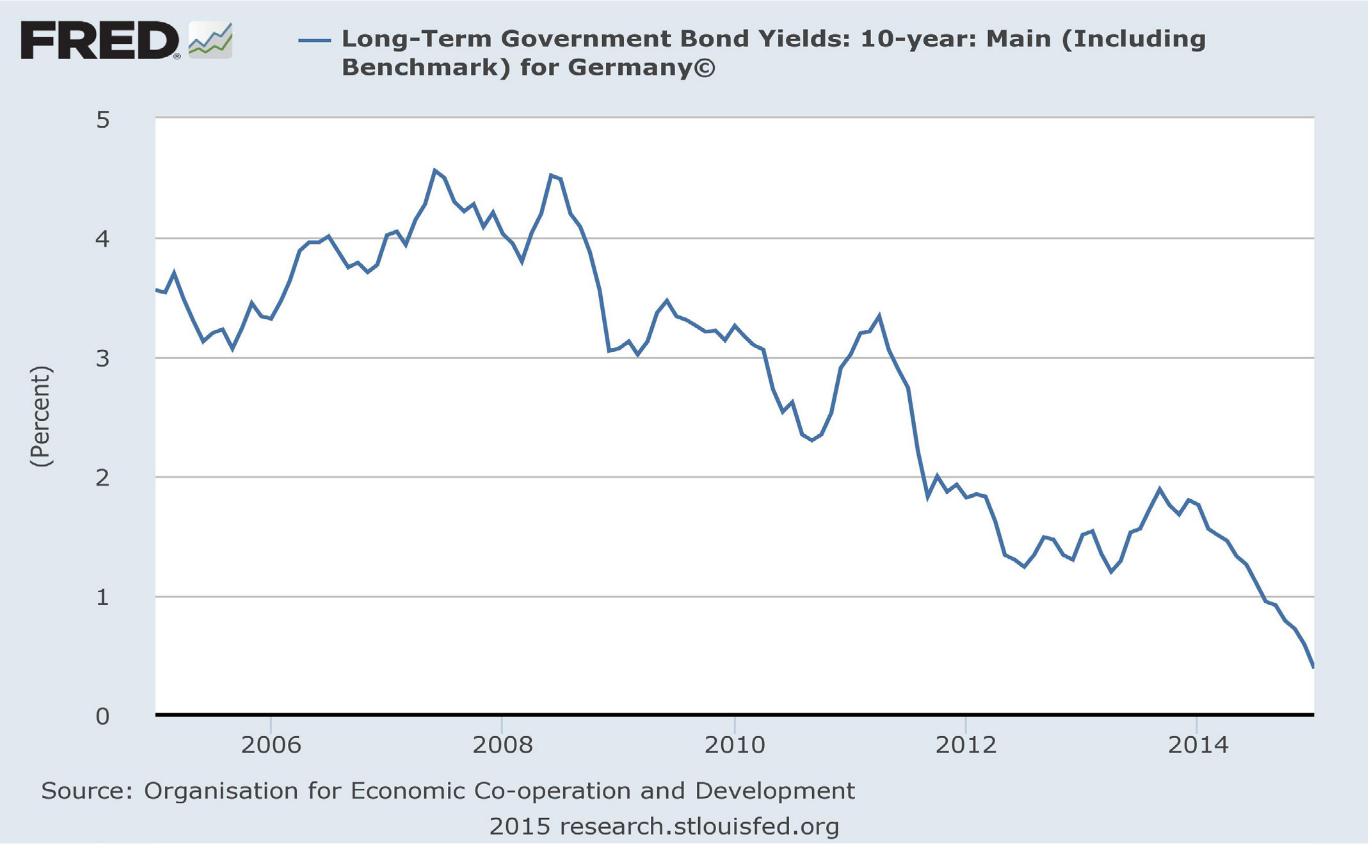
I refer to this as the ''It WILL come back'' syndrome. This is the belief that any losing trading position or any losing medium/long-term investment you currently hold, will eventually turn into a winning one. *It may be down now*, you tell yourself, *but if I hold on to it for long enough, and take enough pain watching it move against me, I will eventually be proved right, it will make me money… eventually.*

Now I am not here to dispute the basis of the theory of ''mean reversion''.As you may know, according to mean reversion theory, financial assets like bonds or stocks tend to trade within a price range for relatively long periods of time, and as such, do eventually return to the mean.

However, there are a few problems with taking the above assumption too much to heart.

Problem 1

Financial assets do NOT always mean revert within a reasonable period of time.



Take for example the German Government 10 year Bonds (German Bunds). Above is a chart of their Yield over the last 10 years.As many of you know, a bond's yield moves inversely to its price. In simple terms, when a bond's yield is falling, its price is rising, and vice versa.

As can been seen from the chart, the 10-year German bond yield has been falling since 2008 (late 2007 to an extent). All this time, its price has been rising, not in a straight line (nothing does in markets) but nevertheless indisputably in this case, price has been moving up for the last eight years now.

This means that you could have shorted the 10 year Government Bond (or as would be the case its related Futures) at any point over the last seven years, and still be waiting in vain for its rising price to mean revert. As you can see, to this day, it has NOT reverted back to its pre-2008 levels. Of course, it may do... eventually, but even if you had the financial resources of a large institution, it is rather unlikely that you could or should have stayed with this trade.

Just to spice things up a bit, let me add a short personal story. There was a time when I used to trade German bond futures of different maturities. I will not bore you with the specifics of how I used to trade them, but I will confess that I was sometimes too 'creative'.

"AS CAN BEEN SEEN FROM THE CHART, THE 10-YEAR GERMAN BOND YIELD HAS BEEN FALLING SINCE 2008."

Unfortunately, this led to my finding myself short a considerable amount of German Bund Futures on the morning that Ireland asked the European Union for a bailout, and guess what? The Bund Futures rallied.

Now, I could have waited to this day for the price to come back to my entry, but I can ensure you that it would have been in vain. Luckily, instead I just took a loss on that same day, and moved on. And this is exactly what you should do too when a trade really does not work.

Problem 2

Any financial asset can take longer to mean revert (assuming it one day does) than you can remain liquid for. You may have heard the saying that "the markets can remain irrational for longer than you can stay solvent". It IS true. So even if you are determined to be proved right via holding your current lossmaking positions into the future, there is a huge probability that after some point you will no longer be liquid enough to hold on to anything.

"YOU MAY HAVE HEARD THE SAYING THAT "THE MARKETS CAN REMAIN IRRATIONAL FOR LONGER THAN YOU CAN STAY SOLVENT". IT IS TRUE."

Problem 3

Even if you are liquid enough to hold on to bad positions for prolonged periods of time, doing so is definitely not the best use of your available trading capital. No one has unlimited resources. So why waste yours by tying up your money in loss-making positions? You are much better off crystallizing your losses at the right time, and using your capital in order to make money elsewhere.

Problem 4

Some financial assets never revert to the price at which you bought them. A good example of this is the stocks of ''junior'' oil explorers. Some of these companies never discover oil, or at least not enough oil, and one day go bankrupt.

So to conclude, next time you refuse to crystallize a loss despite your trading system's clear indication that you should, do please try to remember the above, and ask yourself whether or not the real reason that you refuse to take this loss is just to protect your ego.

If it is, may I please remind you that the markets hardly ever stay merciful for long enough with any trader or investor that does not control his or her ego?!

Until next month,
Happy trading everyone!

Maria Psarra is Head of Trading at Prime Wealth Group (PWG), supervising a team of experienced brokers and advising high-net-worth individuals on suitable investment strategies.

Maria employs different investment styles in order to construct personalised portfolios best suited to the risk and return preferences of PWG's clients. Typical portfolios primarily comprise of UK and European equities and equity indices, and, to a lesser extent, commodities and fixed income exposure.

2015 masterinvestor
RESEARCH • ANALYSE • INVEST

THE INVESTOR SHOW OF THE YEAR!

For 13 years, Master Investor has brought together investors, entrepreneurs, listed companies and noted experts. Whether you want to find out about exciting investment opportunities, meet and talk with CEOs of quoted companies, or learn about new technologies, Master Investor is the place to be.

The exhibition showcases a multitude of investment ideas and opportunities under one roof. Held in the convenient location of the Business Design Centre in Islington, London, this year's show will be held on Saturday 25th April from 9am to 5pm.

Main stage speakers

Our Main Stage plays host to some of the biggest and most successful names in the world of business and investment:

A real-life Master Investor, **Jim Mellon** made his fortune in the emerging markets of the 80s/90s, before branching out into areas as diverse as mining, property and most recently the biotech arena. According to the Sunday Times Rich List, Jim has an estimated fortune of £850 million and is the 117th wealthiest person in the UK. Jim is a passionate, entertaining and insightful speaker.

Gervais Williams is an award-winning fund manager, currently in charge of more than GBP 1bn of client assets. He manages the Diverse Income Trust plc, as well as Miton Group plc, the independent listed fund management group. Gervais published his first book 'Slow Finance' in the autumn of 2011, and his second book, 'The Future is Small', was published in November 2014. He was recently awarded Fund Manager of the Year 2014 by *What Investment.*

Sir Steven Redgrave, five times Olympic Gold Medallist and sporting icon, will speak about the factors that led to his success both in sport and business - and reveal the investment opportunity with which he is currently involved!

In a major coup for Master Investor, the Main Stage will also host the man of the moment, UKIP leader **Nigel Farage.** A former metals trader in the City of London, *The Times'* Briton of the Year in 2014 and a highly controversial figure in UK politics, Nigel is sure to give a thought provoking speech about his plans to further investment into this country's economy, just days before the UK general election. Your friends will see him on TV; you can experience him face to face!

"ACCORDING TO THE SUNDAY TIMES RICH LIST, JIM HAS AN ESTIMATED FORTUNE OF £850 MILLION AND IS THE 117TH WEALTHIEST PERSON IN THE UK."

Other Main Stage speakers include **Merryn Somerset-Webb,** the editor of *Moneyweek* and regular commentator in the *Financial Times*; **James Ferguson**, who has over 25 years' experience as a stockbroker, sector analyst and macro-economic strategist; **Simon Weston OBE**, the Falkland Islands war veteran and philanthropist who was crowned the Nation's Hero in 2014; the notorious short-seller **Simon Cawkwell**, **aka 'Evil Knievil'**; and once again one of our most popular speakers from previous events, **Zak Mir**, the UK's best known technical analyst.

Master Investor provides direct access to the men and women in charge of running public companies. With companies being represented at CEO and Finance Director level, attendees can gain unique insights into both current and potential new investments. We expect nearly 100 exhibiting companies at this year's show, with a selection of those currently signed up including...

Inspired Asset Management, Tradeslide Ventures, **Prime Wealth Group**, Portage, **Vox Markets**, Vector Vest, **Port Erin Biopharma**, Webis, **Manx Financial Group**, Forbidden Technologies, **Aegis Power**, Avation, **Condor Gold**, Cytox, **The Diabetic Boot Company**, ECR Minerals, **Plastics Capital**, Eleco, **Plethora Solutions**, REX Bionics, **Summit Therapeutics**, Synergy Pharmaceuticals, **Thundelarra,** Stroma Medical Corporation, **Stanley Gibbons**, Tri-Star Resources, **Ventri-point**, Viveve Inc, **Symphony Environmental**, Binary.com, **Rare Earth Minerals**, Miraculins, **Arria NLG**, Cyan Technology, **Rhinomed** and VectorVest.

For the full list of exhibitors visit http://www.masterinvestor.co.uk

Investors are also able to chat to other attendees and relax with a coffee in our special Networking Zone. The restaurants, bars and other delights of Islington are also available just a short walk away.

Breakout sessions

Master Investor also showcases a variety of other investment speakers across breakout rooms and our "Rising Stars" stage.

The breakout sessions kick off at 9:15am with our special breakfast presentation, where four handpicked companies will present their investment cases. Lunch sees the ever popular "Trader's Session". Hosted by technical analyst and market commentator **Zak Mir**, this is an hour long session with other top traders including our magazine contributor **Maria Psarra.**

"ATTENDEES CAN GAIN UNIQUE INSIGHTS INTO BOTH CURRENT AND POTENTIAL NEW INVESTMENTS"

An ever present and ever popular speaker at Master Investor is **Simon Cawkwell**, the UK's best known short-seller, perhaps even better known by his pen name "Evil Knievil". In a private session Simon will be giving some of his best short selling ideas at the show, along with a few long options thrown in for good measure. Traditionally known for retiring to his dedicated sofa, attendees have the opportunity to meet Simon personally after his speech.

Over on the Rising Stars stage, our more intimate location, there are a multitude of exciting small cap companies presenting including **Thundelarra**, Summit Therapeutics, **Cyan Technology**, Asia Plantation Capital, **Rhinomed** and Symphony Environmental Technologies, along with many more throughout the day.

Complimentary tickets for our readers
Master Investor takes place from 9am to 5pm at the Business Design Centre is Islington, London on Saturday 25th April. Our readers can claim up to 4 free tickets for the event (worth up to £20 each). Alternatively, purchase a VIP ticket for GBP 49.99 and enjoy a reserved seat in one of the front rows.

To book your free tickets CLICK HERE and apply the promo code SBM2015. The same link offers you the opportunity to order the VIP tickets (limited availability).

For more information visit http://www.masterinvestor.co.uk or follow us on Twitter or Faceboook (www.facebook.com/masterinvestor).

THE MASTER INVESTOR START UP PRIZE 2015

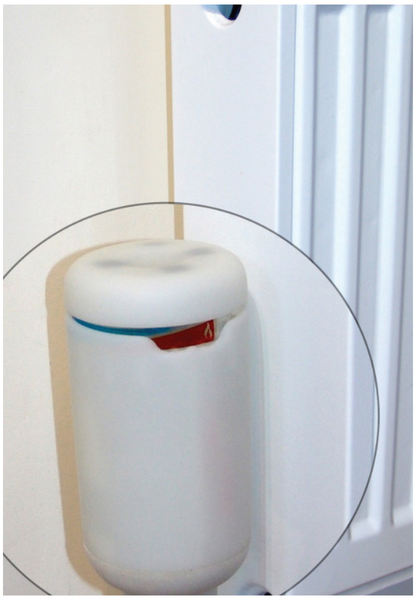
masterinvestor
RESEARCH • ANALYSE • INVEST

Join us at Master Investor on April 25th 2015 to meet the founders and CEOs of an array of exciting start-ups who will be showcasing their products and services. Choosing from among the dozen start-ups present at the event, Jim Mellon and one co-judge will nominate the "Most Likely to Succeed" winner, who will then present their company on the Rising Star Stage.

OpenTRV is trying to find a solution for UK housing stock being notoriously inefficient when it comes to heating. A large portion of that waste comes from inadequate heating controls, including the inability to "call for heat" room by room and blindness to room occupancy, which leads to to the heating of unused rooms and entire houses where no one is present, and also failing to concentrate the heat where it would provide most comfort. These problems apply to many SMEs too, such as small hotels. More than half of domestic energy goes on space heating and about half of that, GBP5bn/year in gas bills alone, is wasted. OpenTRV has developed a cheap user-installable smart wireless enabled radiator valve which can save as much as 30% of your heating costs and carbon footprint, even if you never touch it. Install OpenTRV's simple boiler control and 50% savings are reasonably achievable – around GBP300 a year for a typical household. The target price, once launched, will be GBP10 per radiator (and it is possible to start with just one radiator) or about GBP100 for a typical household, leading to a financial payback within one winter. In the UK the total addressable market is around 100 million radiators.

> **"INSTALL OPENTRV'S SIMPLE BOILER CONTROL AND 50% SAVINGS ARE REASONABLY ACHIEVABLE – AROUND GBP300 A YEAR FOR A TYPICAL HOUSEHOLD."**

Across the EU there are 500 million radiators. OpenTRV is now looking for strategic angels/advisors to help ensure that first product reaches shelves this winter. The founder team consisting of Damon Hart-Davis and Mark Hill will be at Master Investor to discuss their plans with you.



Gliide is an innovative tech startup bringing sustainable transport to London. The company provides a chauffeur driven transport service exclusively using the Tesla Model S, the world's most highly advanced high-range electric vehicle. Gliide combines a cloud based on-demand booking platform with offering the first zero-emission road-based transportation service. It will give organisations and individuals the option to choose an affordable but sustainable alternative for the first time. Among the features the company offers is the ability to book, track and pay for journeys within an easy to use corporate booking portal and mobile app, as well as Corporate Social Responsibility reporting for businesses. Gliide will be exhibiting a Tesla S at the show, and its CEO/founder, Mark Waters, will be fielding questions from attendees.

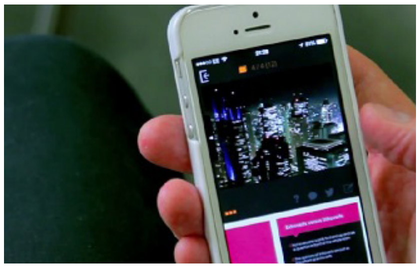
Glisser has developed an app that socialises presentations. It takes regular PowerPoint or Keynote slide decks and pushes them out live to audience's mobile devices, slide-by-slide, as they are presented. It then enables members of the audience to interact with the presenter or each other, and collects valuable feedback. Attendees can also electronically mark-up the slides with notes, and keep them for future reference. Glisser seamlessly integrates slide-by-slide 'like' voting, live audience questions, Twitter (plus 'Tweet-a-Slide'), as well as polling and feedback slides within the original deck. At Master Investor, we will not only have CEO/founder Mike Piddock, but we'll actually integrate the use of the app into the presentations of several keynote speakers. All attendees will receive a download link for the app ahead of the event and we encourage everyone to try out the app themselves.

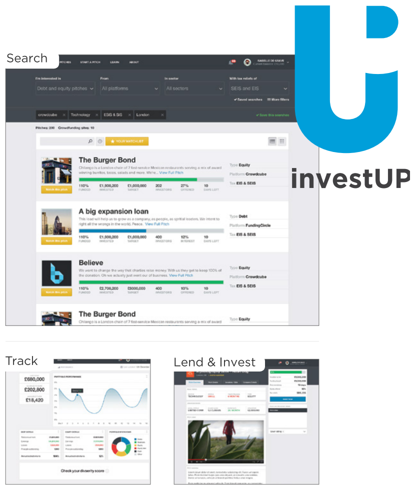
InvestUP is aiming to become "the eBay of alternative finance". UP is a crowdfunding supermarket, allowing you to invest across all your favourite crowd-funding sites using just one account, to accumulate one centralised

portfolio. UP is completely free and aims to make sure that it is the only crowdfunding site an investor ever need join. You'll meet Dom Wolf, the marketing director of the company, and other team members who will introduce both the service as well as the business case to you.

"INVESTUP IS AIMING TO BECOME "THE EBAY OF ALTERNATIVE FINANCE.""

Virtusize app is an online wardrobe that stores measurements of clothes. If a shopper finds an item online, the app compares it to items that are already in their wardrobe by placing the clothes on top of each other - which gives a direct comparison. Virtusize shows how the length of the arms compare, bust size and the waistline. Once the shopper has done the comparison, he or she can select different sizes from the online store without leaving the app. Studies have shown that 40% of the British population don't buy clothes online because they can't try them on, and almost 20% of online purchases are returned because of poor fit. Virtusize solves all of these problems, and has already secured contracts with major retailers.





The head of its UK division, Carlotta Frisk, will join the Master Investor show and give our attendees not just an overview of the investment case, but also help anyone who wants to sign up and try the product to do so.

Further participants will be revealed in the run-up of the show on our website www.masterinvestormagazine.co.uk and there will be features about these companies in future issues of the magazine as well as on our blog.

FOOT SOLDIERS IN PRACTICE

BY SIMON CAWKWELL (AKA EVIL KNIEVIL)

As my contribution to this first edition of Master Investor, I have decided to clarify some points concerning regulation of AIM. This is partly because it is not understood and partly because it is complex and unusual.

AIM is a division or franchise (as the LSE likes to promote it) of the London Stock Exchange. There have always been fully-listed companies on the "main list". But AIM recognises that many companies that might apply for full listing have no chance of succeeding since they are too early in their development to offer a reasonable expectation of constancy of successful endeavour. They can be too small to allow proper internal audit procedures or they can be based on unproved products and services. AIM allows public exposure without sullying the main list.

There was a time when the LSE was a monopoly in practice and was therefore thought casually by many investors to be responsible for general standards that must be observed if listing is to be maintained. Understandably, as AIM emerged, many investors supposed that this tradition, if such it can be termed, would persist.

The brutal truth is quite otherwise: the entire basis of AIM is on commercial wisdom as the LSE sees it.

For AIM now has well over 1,000 AIM-listed companies who each pay the AIM franchise managers well upwards of £10,000 per annum on average. So the AIM franchise managers have a direct and constant interest in maximising the number of companies quoted on AIM. They are not concerned to identify whether an AIM-quoted company is properly run or valued. The test is whether the company can reasonably be expected on the balance of the probabilities to bring AIM and, ultimately, the LSE into disrepute. If so, out it goes.

To this end the AIM franchise deputes quality control to a Nominated Adviser, which is also answerable to AIM and has a massive interest in fees generated from their AIM-listed clients and which also must resign from such a position if it seems to the Nomad that their client company is behaving improperly. One can readily see the scope for slippage of standards.

For instance, should an AIM-listed company issue an RNS, which it might do by way of offering information or must do in terms of compliance with disclosure rules, the Nomad must verify such a statement. There are of course many standards to apply: is the statement reasonable as regards being probably true? Does it concur with documentary evidence which a Nomad would reasonably accept as supportive of the proposition that the RNS is neither misleading nor reckless?

"THE ENTIRE BASIS OF AIM IS ON COMMERCIAL WISDOM AS THE LSE SEES IT."

This is a hard test for a non-specialist as regards the AIM-listed client's business. But the Nomad must just do his best.

> **"AIM WORKS AS A FEATURE OF THE BRITISH ECONOMY FOR AS LONG AS INVESTORS ARE PREPARED TO GO ON PUTTING UP HARD CASH."**

As far as I am aware, no investor has yet successfully sued a Nomad for the consequences of alleged failure to carry out these checks. However, there must remain the possibility of such an action and this would certainly keep a Nomad on its toes.

AIM works as a feature of the British economy for as long as investors are prepared to go on putting up hard cash whether when subscribing for new or when acquiring stock in the market. The day they tend to lose the will, AIM is finished.

So far this has not happened. But I expect that one day it will for a while. However, it will always return in one form or another since investors are addicted to taking risk. It's just a question of when they will come out of their trenches and have a go.

A case in point

Last month I commented upon Gate Ventures (GATE) noting that it is grotesquely overvalued in relation to its probable worth. Indeed on 12th March Gate itself pointed out that they are mystified by the rise in the share price. It had been floated only a couple of days previously. But I think Gate are coming the raw prawn.

At the time of my snippet Gate stood at around 73p. On 20th March it excelled itself, touching 180p. When suddenly, late on in the day, Gate announced that they are still mystified by the rise given that the only investment contemplated by Gate is of the order of £300,000 at most and, in any event, not very exciting.

Given that the initial subscriptions raised around £3m, there is still £2.7m to hand for lunch or lunches (this latter if you really want to make a point).

Ever in the service of the public, I had earlier written to AIM's regulation department as follows: "Dear Sirs, You may be interested to know that GATE is a stock distribution fraud engineered by in effect a nil public float and an undisclosed concert party of all the initial subscribers.

They lend their stock to others who sell into the strength generated by suckers coming through Far Eastern brokerage businesses which in turn place orders with London brokers. When the suckers want to sell they get the run around.

Even the mildest inspection will disclose that GATE is insanely overvalued at 170p. See the RNS of 12th March 2015."

One cannot borrow stock. But one can marvel at man's inhumanity to man.

On Saturday 25th April Master Investor again hosts the annual show at The Exhibition Centre in Islington. I am sure that there will be many engaging speakers bringing their experience alive in public. I look forward to meeting you all. Evil Knievil

CURRENCY CORNER

RISK & MONEY MANAGEMENT

A REAL LIFE LOOK

BY SAMUEL J. RAE

Those familiar with my trading strategy will be more than aware that my operations in the Forex markets are primarily risk management driven. However, when I say this to people, I often see confusion regarding the exact meaning of a risk management driven approach – specifically rooted in the difference between risk management and money management. With this in mind, I thought it would be good to cover the topic with a real-life example in this month's edition.

So, where to start?

Well, naturally, let's define the two concepts in question. Risk management is all about weighing up – as the term suggests – risk, against reward. Different textbooks and educational material will quote different figures, but generally the concept posits that you should avoid entering any trade from which you stand to gain less than you stand to lose. In other words, you should never enter any trade with a risk reward ratio of worse than 1:1. I myself prefer to stick with a ratio of 1:2, where I stand to gain at least twice that which I stand to lose, or even 1:3, when the potential reward outweighs my potential risk by three times. The beauty of the Forex markets is that the execution of a sound risk management strategy is simple. The implementation of stop losses and profit targets make both your risk and reward strictly definable pre-entry, making it very easy to calculate and control your risk profile.

Money management is a concept that dictates a percentage amount (often between 1% and 5%) of your total equity that you are willing to risk on anyone trade. The more risk averse you are, the lower your percentage. In theory, at least, sticking to a maximum total percentage risk on every trade suggests that you will never run out of tradable capital, as every time your account equity decreases, so does your total quantifiable exposure.

Obviously in reality, margin requirements and minimum lot sizes encroach on this theory, but to a point, it can be very effective.

In other words, risk management is all about making sure that entry is worth your while. Money management is all about making sure that you always have enough capital to place another trade.

So, how do I maintain these two individual risk profiles in my trading?

Well, again, those who know my strategy will be aware that I primarily use candlestick patterns to dictate my entry. I do this for two reasons. First, I find them to be very reliable on the hike timeframes, especially when forming around key levels – i.e. levels that have previously served as support or resistance for the asset in question. Second, they have defined parameters, making it very easy for me to control my risk.

As an example, consider the bullish pin bar that formed on 20th February 2015, highlighted in the chart above. My strategy dictates that for a bullish pin bar (one of my favourite patterns) I enter at the close (New York close) with a stop loss at the tail of the pin and a target of the next key level to the upside. So, in this scenario, risky defined by the difference between my entry price (118.98) and the day's low (118.29) i.e. circa 69 pips. The next key level I was looking for on the upside was 120.43 (the most recent swing high hit on the 11th and 12th of February), meaning my reward is the difference between this level and my entry (i.e. the difference between 120.43 and 118.98, or 145 pips). It takes little or no mental arithmetic to realise that this gives me slightly higher than a 1:2 risk reward profile. In this scenario, we traded sideways for the next 10 days or so, before getting a break higher on 6 March to take out my profit target for a gain.

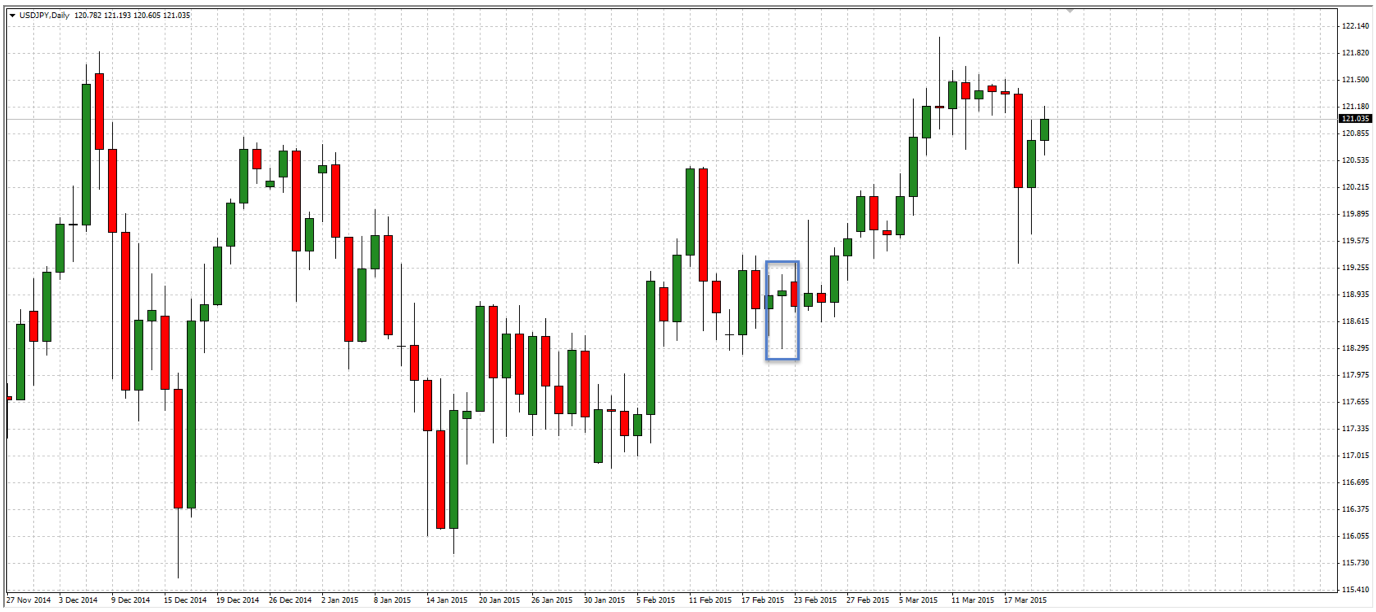
"MUCH OF THE STRESS ASSOCIATED WITH TRADING COMES FROM FOLLOWING OPEN TRADES AS THEY MATURE."

One thing that is important to mention when using predefined risk and reward parameters, is that you must not tamper with your predetermined levels before a trade completes. On entry, I'm aware that I will be taken out of the trade automatically in one of two ways: either my profit target will be taken out for a game, or my stop for a loss.

This approach also has another – primarily psychological – benefit. Much of the stress associated with trading comes from following open trades as they mature. The real-time profit and loss figures in your MT4 platform initially look as though they are a quite handy feature, but in reality, they can put strain on your ability to follow strategy. A set and forget approach suggests that the levels which I incorporate afford me the ability to completely remove this element from my trading. For those who watch the real-time profit/loss indications in your terminal, try and minimize it on your charts – see if it makes a difference!

Anyway, I hope this helps clear up these two concepts a little.

As ever, happy trading!



HISTORY, HEROES AND HERITAGE

PREMIUM COLLECTIBLES CAN BE A STRONG ALTERNATIVE INVESTMENT OPTION

BY KEITH HEDDLE, MANAGING DIRECTOR OF STANLEY GIBBONS INVESTMENTS

Stock market volatility is nothing new, be the cause the Euro crisis, Ukraine, the geo-political situation in the Middle East or the upcoming UK General Election in May. Investment options are then made harder with daily headlines of falling oil and commodity prices, currency fluctuations and potential cooling of property markets.

As a result of such constant uncertainty, particularly since 2008/09, alternative investments have become increasingly popular, as they can diversify risk exposure in an investor's portfolio. By investing in tangible, heritage assets such as rare stamps and coins, investors can benefit from a stable anchor within their portfolio and a solid 'buy and hold' option.

Certain key premium collectibles have shown indications of being a strong, stable, safe haven investment through times of economic, social and political turbulence, which makes them an attractive diversification option for the longer term investor.

> **"BY INVESTING IN TANGIBLE, HERITAGE ASSETS SUCH AS RARE STAMPS AND COINS, INVESTORS CAN BENEFIT FROM A STABLE ANCHOR WITHIN THEIR PORTFOLIO AND A SOLID 'BUY AND HOLD' OPTION.**

In fact, owning something that is financially valuable, emotionally pleasing and culturally significant has been practiced by the wealthy for generations. The most comprehensive collection of British and British Commonwealth stamps is owned by Queen Elizabeth.

Her grandfather, George V, started the collection, and unlike the Crown Jewels it belongs to the Queen herself, not the state. It is one of her largest personal assets.

Nowadays, it is more widely accepted that alternative investments can provide long-term benefits, including steady capital growth over time. Investment into the collectibles market is expanding, driven both by an increasing number of collectors from BRIC countries and investors looking to diversify and protect their wealth, resulting in a profitable and more liquid market.

Est 1856
STANLEY GIBBONS
Investment

Stanley Gibbons Investments is a division of The Stanley Gibbons Group plc – the world's leading rare stamp and prestige collectibles merchant with offices in the UK, US, Hong Kong, Singapore and the Channel Islands. Established in 1856 and holder of the Royal Warrant as philatelists since 1914, Stanley Gibbons serves pre-eminent collectors, investors, philatelists and numismatists all over the world.

Keith Heddle joined Stanley Gibbons in 2009 having built an enviable track record of commercial success with major blue chips from Singapore Airlines to Fosters Brewing Group and Direct Wines Ltd. He now brings his considerable commercial nous and marketing experience to Stanley Gibbons with a focus on developing the Investment offering in the UK, Channel Islands, Asia and internationally.

Awarded the Royal Warrant for services to philately by King George V in 1914, Stanley Gibbons offers investors access to a range of premium, heritage assets from stamps, coins and military medals, to first edition books, limited edition prints and rare autographs and manuscripts. Its globally-recognised brand is synonymous with quality and expertise.

AH Baldwin & Sons, one of the oldest and most respected coin merchants in the world, offers collectors and investors access to the best in the rare coin market, whilst the recent acquisition of Mallett Antiques and Dreweatts & Bloomsbury Auctions completes the Stanley Gibbons Group.

A strong snapshot of the rare stamp and coin market is shown in Stanley Gibbons' three indices, the GB30 Rarities Index, the GB250 Rare Stamp Index and the English Coin 200 Index, which are listed on the Bloomberg Professional® service and Thomson Reuters. The GB250 has never fallen in value and the GB30 has achieved a 40 year Compound Annual Growth Rate of 10.27%. At the height of the financial crisis, the GB30 Rarities Index actually rose by 38.6% and the GB250 by 32%; the English Coin Index also grew by 12.8% in 2008/9. Their strong, stable upward curves clearly show the lack of volatility, lack of correlation with other mainstream assets and healthy potential upside.

According to Knight Frank's Luxury Investment Index, heritage investments have increased by 174% over the past 10 years, easily outstripping the FTSE 100's 55% return over the same period. The other important point of note with the index is its volatility ratings. The most volatile asset over the last decade has been art. By contrast, rare coin and stamp prices have been less volatile than the index as a whole over the ten year period, providing stability as well as growth.

Besides Russian art, coins were the only other asset class to achieve double-digit growth in 2014 with gains of 13%.

"THERE WILL BE NO GREAT EUROPEAN RENAISSANCE AS A RESULT OF THESE POLICIES; SADLY, I THINK EUROPE WILL LIMP ALONG AT BEST."

Indeed, in 2014 both stamps and coins set world records: A rare 1937 Edward VIII gold proof sovereign achieved £516,000 – the highest sum ever paid for a British coin – when auctioned by Baldwin's; and the British Guiana 1c Black on Magenta set the world record price for a stamp, achieving $9.5m at auction in June.

Not only is the collectibles market strong in the UK but it is also growing worldwide. There is a continuous demand and interest for large denomination coins in the US, and an ever increasing global middle-class who want to buy back their heritage, combined with a growing collector base in strong emerging markets.

A report by Ledbury Research for Barclays, 'Wealth Insights: Profit or Pleasure? Exploring the Motivations Behind Treasure Trends', found that in 2012 wealthy individuals held on average 9.6% of their total net worth in treasure assets, although in some countries such as the United Arab Emirates, Saudi Arabia and China the figure was as high as 18%. The report also found that the proportion of wealthy individuals who own treasure assets has increased compared to five years ago.

According to Andrew Shirley, Editor of the Knight Frank Wealth Report, stamps are growing in popularity as a luxury investment vehicle in Africa, whilst of the estimated 60 million stamp collectors around the world, two thirds are based in Asia with approximately 20 million in China alone. In Australia, investors can even include collectible assets in their pensions via Self-Managed Super Funds.

With the UK Election looming and more potential market uncertainty to come, now could be a perfect time to allocate part of your investment portfolio to tangible assets like stamps and coins. As a former Head of Credit Suisse private banking described it, "They're a classic 'buy and hold' investment"; an investment in history with a potentially strong upside.

When investing in stamps and coins, you own a slice of history; you become the owner of something physical and an important piece of world heritage, whether that's a mint Penny Black, the world's first ever pre-paid postage stamp, or a coin of Alexander the Great.

Tangible, heritage assets, which can be enjoyed as well as provide a potentially good return, are increasingly being used to spread risk in a diversified portfolio. Spreading that portfolio risk is undoubtedly the best advice of all, and if you get to enjoy it too – well that's the icing on the cake.

To find out more, visit:
www.sginvest.co.uk/master

0845 026 7170
investment@stanleygibbons.com

BINARY CORNER

WHEN THE FED ERRS, IT'S TIME TO BUY GOLD

BY DAVE EVANS OF BINARY.COM

In the UK, the Budget took centre stage and garnered all the front page headlines, but in reality this was a mere sideshow to last month's US FOMC statement.

The US dollar plunged on the back of the statement, propelling most other currencies higher. Why? The Federal Reserve removed the word "patient" from its statement with regard to the timing of interest rate hikes, but at the same time hinted at a slower path thereafter.

Disclaimer: This financial market report is intended for educational and information purposes only. It should not be construed as investment or financial advice and you should not rely on any of its content to make or refrain from making any investment decisions. Binary.com accepts no liability whatsoever for any losses incurred by users in their trading. Fixed odds trading may incur losses as well as gains.

Why so much attention on a single word? Fed Chair Yellen and her predecessor Ben Bernanke have been keen to stress that it's not the timing of a rate hike that's important per se, but the expected momentum from that point forward. In what has been described as a "good cop, bad cop" routine, the Fed balanced the dropping of "patient" with warnings about a more gradual pace going forward amid slowing export gains. The upshot is that an interest rate hike might well arrive in June, but there will be no race back up to the historically typical levels of around 5%.

After months of certainty that the Fed was not only going to hike rates soon, but then keep up a measured pace, markets are no longer sure what to think.

S&P 500

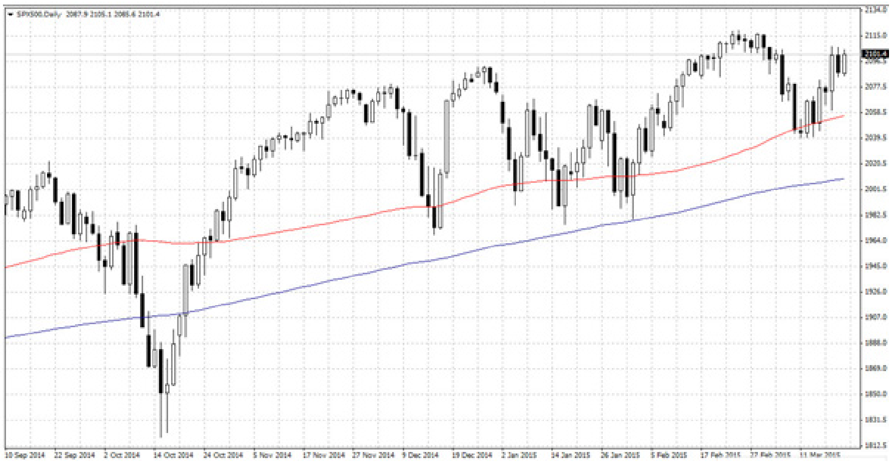
Binary chart 01 to the right shows the S&P 500 depicted with its 100 and 200 day moving averages. Aside from a brief dip in October, both these lines have acted as continual support during the rally and the reversal on Wednesday only cemented the latest rebound off the 100 day average to put equities back within striking distance of their all-time highs.

US Dollar Index Weekly

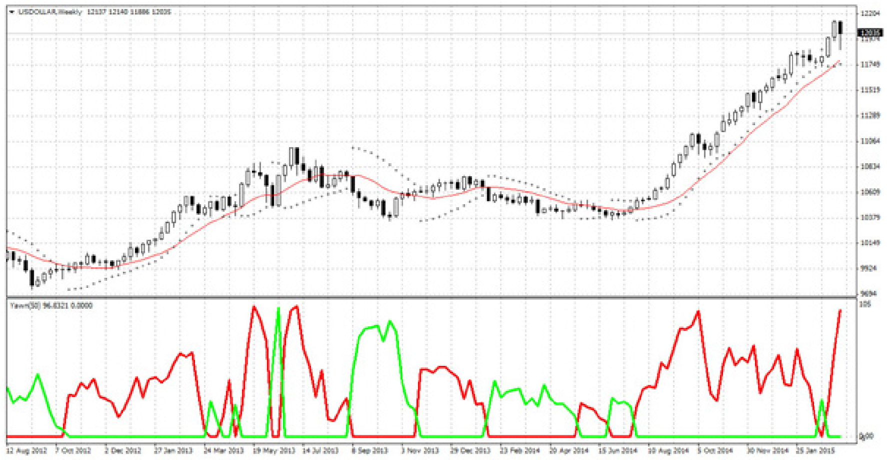
The dollar index has moved in line with the S&P 500 throughout its rally by and large, but we have seen some dislocation of this trend of late. Higher rates are not on the stock market's wish list, but the prospect of further and imminent rate hikes has been the primary driver behind the dollar rally since mid 2014. However, there are some clear indications that the dollar index has been running too hot.

The chart to the right plots the dollar index alongside the Parabolic Stop and Reverse Indicator (PSAR). The bottom panel is a bespoke indicator that measures the size of the gap between the price and the PSAR as compared to the last 50 periods. Extreme moves are normalised between a bounded range of 0-100.

"THAT IT'S NOT THE TIMING OF A RATE HIKE THAT'S IMPORTANT PER SE, BUT THE EXPECTED MOMENTUM FROM THAT POINT FORWARD."



BINARY CHART 01



BINARY CHART 02

The upshot is that large red spikes indicate that the dollar to PSAR spread is significantly bigger than it has been in the past on the upside and that a pull back is due. A large green spike indicates that the PSAR spread is significantly bigger than it has been in the past on the downside and that a rally is overdue. At extreme levels, this PSAR stretch indicator has consistently spotted the times when the dollar is running too hot.

These pullbacks have been relatively shallow, but they were still good for at least two weeks of negative activity before the relentless uptrend started again. Selling the dollar since June has not been a successful strategy, but waiting for the extreme situations will have reduced risk-rewards on counter trend trades considerably.

Gold Weekly Chart

A similar chart for gold shows the PSAR spread indicator with less extreme levels since 2012 due to the lack of any sort of trend since mid-2013. The red line spiked recently at the turn of 2014, setting up a golden sell opportunity, just as it did back in 2012.

However, now the PSAR spread has its highest green level for over three years. Gold has traditionally been seen as a safe harbour in troubled waters, but as the precious metal is primarily denominated in US dollars, it has been a terrible asset to hold since 2002. As the dollar rises, it makes it harder for goldbugs to justify holding their favourite asset.

However, now we have a unique intersection where US rate expectations are uncertain, an overbought US dollar and an undervalued precious metal.

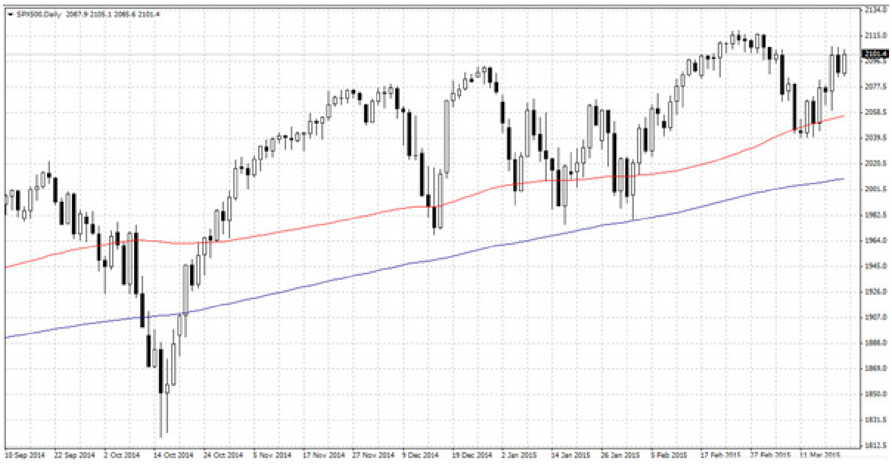
This presents three strong hints that gold could have a renaissance in store, at least in the short term.

However, there's one more reason to buy gold right now:

Greece and the spirit of mutual trust

Greece has never been far from the headlines in 2015 and this week has seen further tough negotiations between Greece and its creditors.

A four month extension of the country's bailout was agreed last month, but many billions of euros have not yet been released. The truth is that the recent Greece agreement was merely the first step in a long process of Greek reforms. The negotiations are riven by divisions within divisions, with the European Commission urging a more collective approach "in the spirit of mutual trust", and Angela Merkel pushing a more hard-line approach. On the Greek side, Greek Prime Minister Tsipras appears to



BINARY CHART 03

have taken a conciliatory tone, but still there is no firm agreement that has been made.

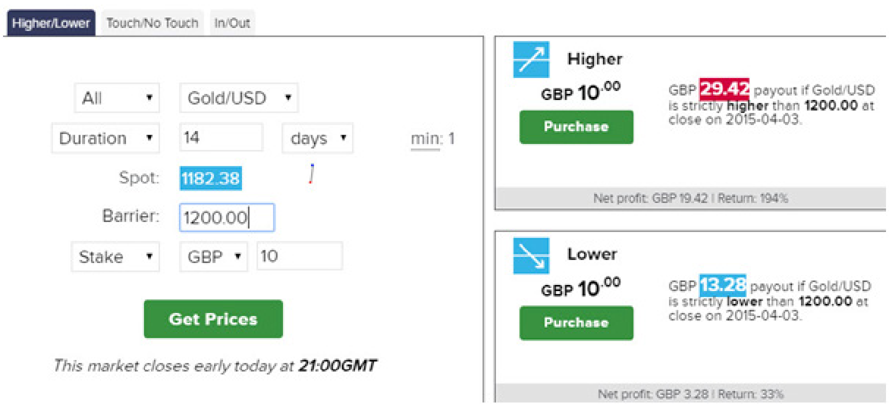
As Michael Cartine of Thomson Reuters noted recently, "Given the situation, one almost gets the feeling that if Europe's leaders feel a need to publicly assert a "spirit of mutual trust", then distrust and discord between the two sides must run very deep indeed."

With many economists including former Fed Chairman Alan Greenspan pointing out the fairly obvious – namely, that Greece will never repay its bailout loans – the prospect of a Greek exit remains higher than ever. A 'Grexit' is supposedly more contained than it has been in the past, but this is still likely to cause significant market volatility as traders are likely to get out of the water just in

Four reasons to buy gold

The upshot is that there are now four good reasons to bet on a gold rally over the next couple of weeks at least.

A good way to play this is a HIGHER trade predicting that gold will close HIGHER than $1200 in 14 days time could return 198% if successful. Or put another way, betting that gold will rise and close above $1200 on April 3rd 2015 could return £29.63 from every £10 put at risk.



BINARY CHART 04

TECHNOLOGY CORNER

THE TOP APPS FOR TRADERS

BY SIMON CARTER

MI's resident technology specialist, Simon Carter, puts the best trading apps through their paces...

If you're anything like us here at Master Investor, your smartphone will never be out of arm's reach. Whether on the tube, at the gym, in the pub or simply relaxing in front of the TV, the lure of 24 hour connectivity and the whole world in the palm of your hand is one that's hard to resist. Throw trading into the mix and you have an intoxicating combination.

Yet the sheer amount of options (no pun intended) available from various app stores for the intrepid trader can make picking stocks look like the easy part. Spiked ratings, planted reviews and contrived features that seem great at first but serve only to distract from buggy core functionality lead to at best frustration, and at worst, missed opportunities and lost money.

“MIXING THE GOOD WITH THE BAD AND THE BIG WITH THE SMALL, TO BRING OUR LOYAL READERS OUR PICK OF THE VERY BEST APPS FOR TRADERS.

So Master Investor have done the leg-work for you, seeking out and testing a range of apps for both iOS and Android devices, mixing the good with the bad and the big with the small, to bring our loyal readers our pick of the very best apps for traders. **Agree? Disagree? Have a particular favourite? Please, get in touch and let us know!**

Monitoring

Undoubtedly the most saturated section of the market are the apps that allow you to monitor your portfolio, and not surprisingly there are a lot of 'cobbled together' apps with clumsy interfaces and poor usability. However, there are a few good ones.

Yahoo! Finance

Yahoo may have lost out in search, email and news, but one area in which they're almost unrivalled is Yahoo! Finance. The smart app is clearly the result of a lot of hard work, and as long term users will know, it's under constant development, with neat new features arriving every few months. Great app, well executed.

Bloomberg for Smartphone

Keeping an eye on the news has to be part of your trading strategy and Bloomberg is, of course, ubiquitous. Often media big boys are, rightly, accused of trading on their name and relying on brand awareness to obscure a badly made app, but fortunately Bloomberg haven't fallen into the complacency trap with an easy to use, well featured effort.

Stocks, Forex, Gold & Futures

The snappily named app from Investing.com has been a bit of a sleeper hit, garnering rave reviews from almost all who download it. Like most successful ventures, it simply takes what it does – real time quotes, charts, TA, portfolio tracking, all of the standard fare – but does it well. It seems simple, but so few manage to pull it off as well as these guys have.

"YAHOO MAY HAVE LOST OUT IN SEARCH, EMAIL AND NEWS, BUT ONE AREA IN WHICH THEY'RE ALMOST UNRIVALLED IS YAHOO! FINANCE."

Trading

But that's enough with the monitoring. What good is having all of that information in your pocket if you're not putting your money where your, erm, finger is?

Forex.com

The Forex app is designed to make trading as simple as possible, taking full advantage of the immediacy that mobile offers. With that in mind, it matters little that the app is visually unimpressive – boring would perhaps be the appropriate word – but if currency, gold and silver are your thing, then this is a no-brainer.

*E*Trade Mobile*

If you're a fan of the American markets, then you'd be hard pushed to find a better companion app than E*Trade Mobile. Including everything you would want and expect from a trading app, it's easy to use, reliable and secure. It also has a cool feature which allows you to use your phone's camera to scan any barcode or company logo and see full info on that company.

Robinhood

The new kid on the block, Robinhood splashed into the marketplace in December last year to a fanfare of commission free trading, a 500,000 strong waiting list and investments totalling over $15m. The app, which is currently iOS only, does exactly as promised, allowing users to trade absolutely commission free, with the company making its money from interest on deposited cash. The question of whether or not this model is sustainable is one that only time will answer, but it's definitely worth keeping your eye on.

Other

Outside of monitoring the markets or trading, there are also various apps to let you try out your theories, using virtual money to execute those trades. Experience the curious thrill of frustration when you hit it big, only to remember you're using virtual cash. On the other hand, feel the comforting glow you get when it goes disastrously wrong, but leaves your real bank account intact. Good for those still on the learning curve.

"IF YOU'RE A FAN OF THE AMERICAN MARKETS, THEN YOU'D BE HARD PUSHED TO FIND A BETTER COMPANION APP THAN E*TRADE MOBILE."

Stock Trainer: Virtual Trading

The best of the bunch, this is one of the handful of apps that uses real life data and prices to inform its content. In a neat real life twist, you're also only given a limited account initially to play with, to mirror the conditions under which you'll actually be trading. Nicely done and a must for those who are just starting out.

FEBRUARY 2015

BEST OF THE BLOG

Zak Mir's "Unlikely" Recovery Plays: Blinkx, Globo and Monetise

Perhaps just as interesting as the record high for the FTSE 100 is the way that over the past week or so we have seen some remarkable recoveries in stocks which have hitherto been on the back foot. Many of these are also stocks that private investors are up to the eyeballs in from higher levels, and are wishing would come back on side.

None are more significant than **Gulf Keystone (GKP)** and **Quindell (QPP)** where both companies appear to be hanging the "for sale" sign outside company headquarters in one way or the other. To say that the sharp recoveries we have seen here were unexpected would be something of an understatement. All we can do now is to wait and see whether or not the Bears will have the last laugh?

Off the back of this it seems appropriate to look at a trio of stocks which have been beaten down over the past couple of years and which exhibit the first signs of stabilisation. Whether this will simply be sold into again by the forces of darkness is difficult to fathom at this stage.

Nevertheless, it seems an appropriate exercise to check out the charting position in order to glean whether it may be worth chancing one's arm on the long side from current levels in order to at least get exposure to an intermediate recovery, while the FTSE 100 "parties like it is 1999".

"OFF THE BACK OF THIS IT SEEMS APPROPRIATE TO LOOK AT A TRIO OF STOCKS WHICH HAVE BEEN BEATEN DOWN OVER THE PAST COUPLE OF YEARS AND WHICH EXHIBIT THE FIRST SIGNS OF STABILISATION"

First up is **blinkx (BLNX)**, a company where I suspect Professor Ben Edelman is still not on the Christmas card list. What can be seen here on the daily chart is the way that it is still dominated by the massive unfilled gap to the downside made at the beginning of July.

Ordinarily, one would suggest that until this gap is filled, or is met with an equal and opposite signal to the upside, one would stand aside in terms of thinking of buying blinkx.

But for aggressive traders there is the opportunity to go long or remain long while above the old July floor at 27p, especially given the way that since the beginning of this year support has generally come in above the now rising 50 day moving average 28p. The initial target on this basis would be the 200 day moving average of 36.55p, while the best case scenario over the next couple of months would be a top of July price channel destination at 50p plus. However, one would stress that a very strictly enforced stop loss would be placed just below 27p.

To read the full article visit...

http://www.spreadbetmagazine.com/blog/unlikely-recovery-plays-blinkx-globo-monitise.html

Robert Sutherland-Smith on Ladbrokes: Worth a Punt?

As a "stale bull" of Ladbrokes ordinary shares I opened Ladbrokes' (LAD) preliminary results for the year to December 31st with much interest and some apprehension.

I am glad to say that on balance, I found things encouraging. Ladbrokes is a long established and widely recognised high street brand name and has been in the bookmaking business for many a year.

I do not myself frequent the bookie shops - except Foyle's in Charing Cross Road - but I understand that the company has a steadfast body of brand-loyal customers writing out their slips. Indeed, the latest figures seem to provide a clear indication of that.

The first attraction of Ladbrokes at the moment is the share price chart. You will see that the shares have been on a long, steep downtrend which began in early 2012. That downtrend was broken last month; so we have in 'technical' terms a breakout. That in turn leads to a second attraction in the preliminary results for the year to 31st December 2014, published on Thursday: they were not as bad as a first glance would suggest in three respects.

First, tip line sales revenue was up nearly 4%. Second, the underlying adjusted figures, which are meant to correspond with those contained in market consensus forecasts, were better than the bald statutory version which included some significant exceptional items which are unlikely to be repeated. Whereas the published statutory results showed operating profits down 29% and basic earnings per share down nearly 40%, the reported estimated underlying figures (to make them properly comparable with the previous year) were down only 9.3% and 13.7% respectively - still down but not horrifyingly so.

Third, a little analysis reveals that the

published annual figures hid the fact that the second half was dramatically better that the first half, and that the solid second half result was masked by the annual result. The reported fact is that operating profit was up 30% in H2 and 34% down in H1. That has to be encouraging.

To read the full article visit...

http://www.spreadbetmagazine.com/blog/ladbrokes-worth-a-punt.html

Warren Buffett's Letter to Shareholders – A Selection of the Best Pearls of Wisdom

On the US economy...

"...Charlie and I have always considered a"bet" on ever-rising U.S. prosperity to be very close to a sure thing.

Indeed, who has ever benefited during the past 238 years by betting against America? If you compare our country's present condition to that existing in 1776, you have to rub your eyes in wonder.

In my lifetime alone, real per-capita U.S. output has sextupled. *My parents could not have dreamed in 1930 of the world their son would see.... The dynamism embedded in our market economy will continue to work its magic.* ***Gains won't come in a smooth or uninterrupted manner; they never have.*** *And we will regularly grumble about our government. But, most assuredly,* ***America's best days lie ahead."***

"AMERICA'S BEST DAYS LIE AHEAD."

On investing in general...

"The unconventional, but inescapable, conclusion to be drawn from the past fifty years is that ***it has been far safer to invest in a diversified collection of American businesses than to invest in securities – Treasuries, for example – whose values have been tied to American currency.*** *That was also true in the preceding half-century, a period including the Great Depression and two world wars. Investors should heed this history.* ***To one degree or another it is almost certain to be repeated during the next century."***

On 'risk'...

*"Stock prices will always be far more volatile than cash-equivalent holdings. **Over the long term, however, currency-denominated instruments are riskier investments – far riskier investments – than widely-diversified stock portfolios that are bought over time** and that are owned in a manner invoking only token fees and commissions. That lesson has not customarily been taught in business schools, where volatility is almost universally used as a proxy for risk. Though this pedagogic assumption makes for easy teaching, it is dead wrong: **Volatility is far from synonymous with risk.** Popular formulas that equate the two terms lead students, investors and CEOs astray."*

To read the full article visit...

http://www.spreadbetmagazine.com/blog/ladbrokes-worth-a-punt.html

James Faulkner on Tate & Lyle: Shares in a Sweet Spot?

Tate & Lyle (TATE) recently issued its third profit warning in a year, after it was hit by weak trading at its sweetener business. The company warned that annual profits would be "modestly below" the range of £230 million to £245 million that it forecast in September, and blamed the setback on competition from cheaper Chinese sweeteners and falling sugar prices in Europe.

As a result, the shares are now trading at 588p, down from highs of almost £9 back in 2013. However, at these prices, Tate & Lyle is worthy of further appraisal, not least given that the dividend yield is now around 5%.

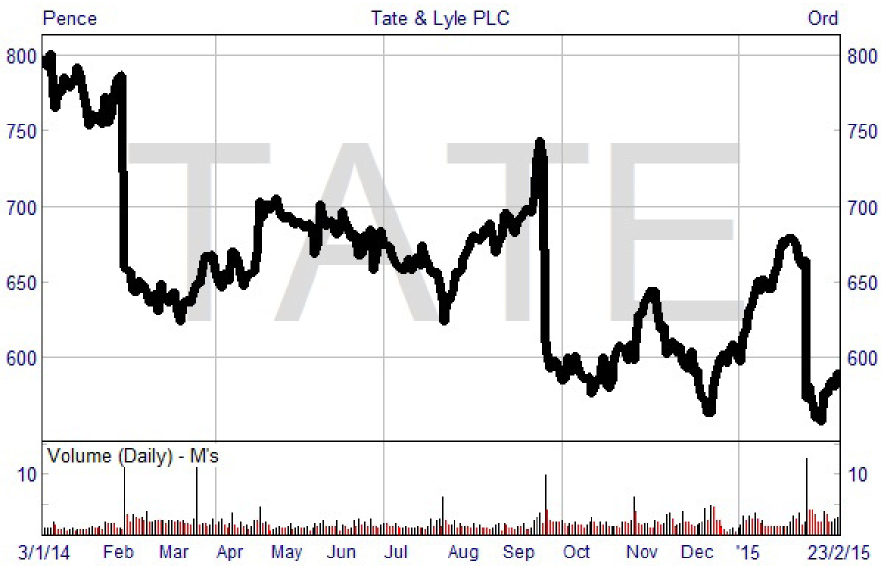
The basis of Tate & Lyle's strategy in recent years has been one of refocusing its efforts away from low-margin commoditised operations, and towards higher-margin speciality food ingredients and product innovation. As part of this new approach, the firm's famous sugar arm was sold off back in 2010, and the company was reorganised into two global divisions - Speciality Food Ingredients and Bulk Ingredients - supported by Innovation, Commercial Development and Global Operations groups. Essentially, the cash generated by the Bulk Ingredients arm is being used to grow the Speciality Food Ingredients business, via its Innovation department.

This is an important point, as the mix of R&D and marketing employed by Tate actually conveys some very significant competitive advantages in that it is complex, difficult to replicate and protected by patents. This creates barriers to entry and, ultimately, higher profit margins. In particular, the company is focusing on the texturants, sweeteners and health & wellness markets, where it believes it benefits from *"deep relevant scientific and technical knowledge; a portfolio of very high quality products with market leading positions; an efficient and scale manufacturing asset base; and long-standing customer relationships with some of the largest global and regional food companies."*

TATE & LYLE

CONSISTENTLY FIRST IN RENEWABLE INGREDIENTS

"TATE & LYLE IS WORTHY OF FURTHER APPRAISAL, NOT LEAST GIVEN THAT THE DIVIDEND YIELD IS NOW AROUND 5%."



So what does the company have up its sleeve in terms of new and upcoming products that will drive future growth?

To read the full article visit...

http://www.spreadbet-magazine.com/blog/james-faulkner-on-tate-lyle-shares-in-a-sweet-spot.html

READ TO SUCCEED

"FRONTIER: EXPLORING THE TOP TEN EMERGING MARKETS OF TOMORROW"

BY GAVIN SERKIN

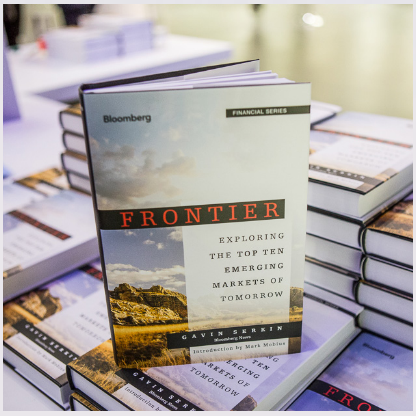
A BOOK REVIEW BY SWEN LORENZ

Wiley / Bloomberg Press, GBP 20.39 (Hardcover).
Available on Amazon and on www.frontierfunds.org

Everyone's investment strategy is shaped by personal experiences. One of my most lasting experiences was that of visiting Nigeria in 2006. On the look-out for investment opportunities in residential property, I found Nigeria to have the world's most outstanding residential property opportunity at that time. Anyone who was able to get Western standard apartments built in the country could rent them out for a 50% p.a. rental yield and ask for two years' rent upfront. To my deep regret, I never followed up on this opportunity, and missed Nigeria's subsequent meteoric rise. If only I hadn't allowed the look, smell and feel of Lagos to put me off.

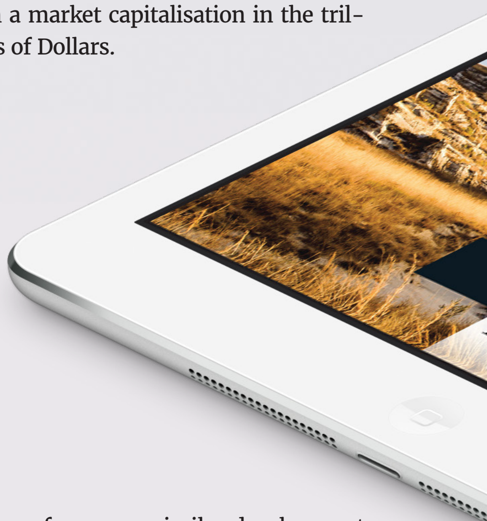
That's why Gavin Serkin's new book caught my attention. Serkin can draw on two decades' worth of experience in developing economies through having been the editor of Portfolio International and most recently the head of the emerging markets international desk at Bloomberg News in London.

His book, which was introduced at an event in the City just days before we finalised our first issue, is the result of his travelling to many countries that would, first and foremost, be thought of as exotic, remote, or even outright dangerous.



Despite their reputation, Serkin makes a convincing case for these countries, which represent some of the world's most promising investment opportunities.

He points out that over the course of the last 25 years emerging markets have grown from being obscure, exotic countries to representing a major asset class with a market capitalisation in the trillions of Dollars.



He now foresees a similar development for countries that are not yet on the list of established emerging markets, but instead count as "frontier" markets – countries like Myanmar, Ghana, Sri Lanka and Egypt.

Frontier markets account for 24% of the world's land area, 22% of the world's population, but only 8% of the world's gross domestic product. There is a gap, and the gap is likely to close. The IMF estimates that by 2017, 12 of the 20 fastest growing countries on earth will be in Africa. These countries generally have little external debt, and often benefit from having unexploited resources.

These frontier markets are also under-researched, which is where the opportunity for investors arises. The book provides a broad range of advice for any investor seriously interested in finding the right investments in these markets, whether that's locally listed shares, internationally listed shares, or funds.

Serkin observes a range of investment approaches and their application.

He teaches his readers how to spot opportunities, avoid pitfalls, and minimise risk. The book also contains a useful list of all the stocks and bonds mentioned throughout the individual chapters.

Master Investor rating: Instead of writing from a glass tower, Serkin travelled to all of these countries to experience them first-hand. His book makes not just for a fascinating account of his travels, but is also a useful guide for investors interested in these opportunities.

Win Serkin's book: On April 30th, we will give away 3 copies of this book among our Facebook community. Friend us on www.facebook.com/masterinvestor for a chance to win a copy.

"THE IMF ESTIMATES THAT BY 2017, 12 OF THE 20 FASTEST GROWING COUNTRIES ON EARTH WILL BE IN AFRICA."

THE FINAL WORD

OWN YOUR OWN TRADES

TAKING RESPONSIBILITY FOR YOUR ACTIONS

BY ADRIAN KEMPTON-CUMBER

We live in an age where nothing is seemingly anyone's fault any more. With the exception of meteorites and suchlike, that is just nonsense. "Have you had an accident at work that wasn't your fault?" Well, legally must be someone's fault, and if the lawyers can work out who, you'll get paid. Boiling hot coffee is MacDonald's fault, apparently. The financial crisis was the fault of somebody. Actually, here in the UK it was the regulator (the FSA) and the failure of government.

So, whose fault is it when you have an investment that doesn't work? It's yours. Assuming no one held a gun to your head (which I'm saying is highly unlikely), then it's yours. I think there's a general cognitive dissonance between when people make money on an investment tip, and when they lose on one. This can be illustrated by examining a simple language exercise:

You get a good stock tip: "I made money on my shrewd investment decision. Aren't I clever!"

You get a bad stock tip: "They gave me a bad investment advice. Poxy morons!"

It's the same scenario, but when the investment starts to go one way or the other, the fact that someone else came up with it seems to mean people will claim ownership themselves when it works, probably without even acknowledging the real 'hero' who actually did the work, but if it fails the investor will completely disown the decision process and claim they were duped, misled, given bad advice, etc. It's pathetic.

Similarly, there's a cognitive dissonance issue when it comes to the ability to make investment decisions. Most people seem to think that because they already have a job that requires some level of qualification – although presumably they wouldn't expect to be able to pilot the Space Shuttle without further training – for some reason they imagine investing can't be that hard, and they'd certainly be well equipped to do it.

"THERE'S A GENERAL COGNITIVE DISSONANCE BETWEEN WHEN PEOPLE MAKE MONEY ON AN INVESTMENT TIP, AND WHEN THEY LOSE ON ONE."

After all, stocks can only go up and down, can't they? Simples! It's good old Darwin at work when they lose money. Why would it be any easier to be a successful investor/trader than it is to be a successful surgeon? You'd never hear of courses boasting "become a successful plastic surgeon on our weekend course, and join the 3 hour work week", because it's palpably nonsense. But for some reason people expect to be able to go on a course for two days and become a hedge fund manager. No. A hedge trimmer? Maybe.

If you want easy money then become a London tube driver, and earn more than £50k "for sitting on your arse all day", as the song by the Amateur Transplants goes. In fact if you earn less than £50k in London then you've already made a poor investment decision by not becoming a tube driver. The person driving you to work earns more than you. Own it!

So, if you're not still in denial (in which case go back to the beginning of the article and re-read) then how do you get the information with which to 'own' an investment decision?

That's a little more complicated. I think the key to it is being able to eliminate the false information and interpret the biased information. You have to establish the intent of the author.

Government data is usually intended to show that policy is working. Be most suspicious of the data that underpins key policies. As a result of this phenomenon, inflation levels have been way understated in official figures, both here and in the US, in order to avoid pressure to increase wages. They've also been in a constant state of flux in terms of constituents for decades now. In the US there's a site called ShadowStats.com which produces data without the gerrymandering adjustments made by incumbent administrations. It tells a tale. And a consistent benchmark is of more value when looking for the real goalposts, which is what you need to do. It's no good making a 9% return thinking that inflation is 2.7%, and you've done really well, when in reality it's in the range of 8%-10%. If you must use

official figures try at least to establish what they might be trying to tell you and back-engineer them if possible.

In terms of company announcements, the same applies. You have to weed out the spin from the momentum. Companies obviously want to paint things in as good a light as possible a majority of the time. They'll tend to focus, in official releases, on things that are going well and give less emphasis to those that aren't. Accountancy standards don't seem to be helping here either. Not including profits unrealised at the date of reporting is a key point. One that Tesco seems to have misunderstood to the tune of £250m. Examine the sector and the competitor companies. You should be able to identify the reason(s) why a variance exists for the outlier company you're looking at. If they're performing differently to the competition there has to be a reason. You can't make money without genuine variance.

You need to do due diligence as well. For example, it's no good buying a share only to find that when you think you've made a good return, a large proportion of that is taken away by costs and the bid-offer spread because the stock is very illiquid. Make sure you check the financial health of the company too. Be wary if it has any pending court cases, etc. I mean, this isn't rocket science but it's just the sort of stuff people don't do when they abdicate responsibility because, well, it's a "tip from someone I really trust".

Don't be lazy! And never rush in either.

In terms of tipsters: forget Shakespeare's plays. You need a lot fewer monkeys and typewriters to make more good stock picks than bad stock picks in a bull market! In fact, a game of Pin the Tail on the Donkey with the FT markets pages will usually suffice. Where things are relatively imprecise in terms of timeframe and binary in nature, then making pronouncements is a good business to be in. It's the same confirmation bias that makes people think praying works, when in fact the opposite can be demonstrated to be true by even the most rudimentary analysis.

I thought the maxim caveat emptor would (and should) always apply, but people have more and more of a sense of entitlement, and legislation does little to assuage that view, (bailing out banks, the Iceland savers, the over-borrowed). People expect to be held less accountable for their own actions.

And so there they go. The Great Undoshed. Don't be one of them. Do your due diligence. To use a sports analogy, which some seem keen to do these days: mate, you've missed completely, didn't you practise? I know very little about sports incidentally. The moral of the story (not that there always has to be one): you snooze: you lose. Own it!

Until next time,

Adrian K-C

MARKETS IN FOCUS

MARCH 2015

GLOBAL INDEXES

Index	1M %	YTD %
Nikkei 225	6.3	13.2
DAX (Xetra)	5.8	21.0
FTSE MIB	5.5	21.7
IBEX 35	3.8	11.5
CAC 40	2.8	17.5
Euronext 100	2.5	17.1
FTSE 100	0.8	6.5
S&P/ASX 200	0.5	10.4
Russian Trading System	0.2	13.1
Bovespa	0.1	3.7
Hang Seng	-1.0	3.9
S&P 500	-2.5	0.1
NASDAQ 100	-2.5	2.2
Dow Jones	-2.8	-0.6

FOREX

Forex	1M %	YTD %
USD/CHF	1.2	-3.4
USD/CAD	0.8	7.8
EUR/GBP	0.7	-5.1
USD/JPY	0.6	-0.1
AUD/USD	-0.7	-4.1
EUR/CHF	-2.4	-12.5
EUR/JPY	-3.0	-9.5
EUR/USD	-3.5	-9.4
GBP/AUD	-3.5	-0.4
GBP/USD	-4.2	-4.5

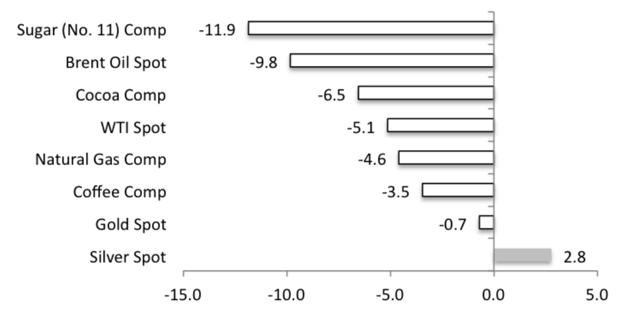
INTEREST RATES

Central Bank	Key Rate	Next Meeting
BOE	0.50%	Apr 9
ECB	0.05%	Apr 15
FED	0.25%	Apr 29
BOJ	0.10%	Apr 8
SNB	-0.75%	Jun 18
BOC	0.75%	Apr 15
RBA	2.25%	Apr 7
RBNZ	3.50%	Apr 29
BOS	-0.25%	Apr 29
BON	1.25%	May 7

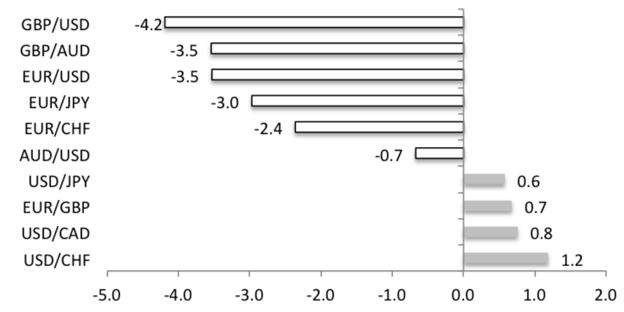
COMMODITIES

Commodity	1M %	YTD %
Silver Spot	2.8	8.3
Gold Spot	-0.7	1.1
Coffee Comp	-3.5	-14.4
Natural Gas Comp	-4.6	-5.9
WTI Spot	-5.1	-10.1
Cocoa Comp	-6.5	-6.7
Brent Oil Spot	-9.8	-3.1
Sugar (No. 11) Comp	-11.9	-14.0

COMMODITIES 1M%



FOREX 1M%



FTSE 350 BOTTOM

Sector	1M %	YTD %
SOCO International PLC	-40.7	-44.2
Brown (N) Group PLC	-23.9	-12.6
Cairn Energy PLC	-21.6	-9.3
Tullow Oil PLC	-20.4	-23.7
Lonmin PLC	-17.8	-25.6

FTSE 350 SECTORS BOTTOM

Sector	1M %	YTD %
Mining	-4.6	1.8
Food Producers	-2.4	-4.9
Oil & Gas Producers	-2.3	1.2
Electricity	-1.7	-4.8
Tobacco	-1.6	6.2

FTSE 350 TOP

Sector	1M %	YTD %
Allied Minds PLC	40.0	90.7
Betfair Group PLC	32.2	24.2
TSB Banking Group PLC	28.8	20.1
Virgin Money Holdings UK PLC	27.5	42.0
Domino Printing Sciences PLC	23.8	41.7

FTSE 350 SECTORS TOP

Sector	1M %	YTD %
Oil Equipment, Services & Dist	8.3	17.8
Life Insurance	6.2	17.3
Fixed Line Telecommunications	5.6	16.4
Household Goods & Home Const	4.3	12.9
General Industrials	4.1	16.9