

# UK Value Investor

For Defensive and Dividend-Focused Value Investors

## The Rip Van Winkle approach to investing

One of the reasons why I decided to launch UK Value Investor as a monthly newsletter, despite that format being somewhat out of date, was that it encapsulated my preference for carrying out portfolio reviews and adjustments only once each month.



John Kingham  
Editor

Much like Rip Van Winkle, who missed out the American Revolution by sleeping for 20 years in the woods, most investors would avoid a great deal of unpleasantness and perhaps even improve their returns by effectively “sleeping” (or at least not watching their investments) most of the time. Having spoken to quite a few investors about the benefits of detachment and inactivity, they are almost always surprised. After all, how can knowing less be better than knowing more, and how could less activity be better than more activity?

There are several reasons. One is that by ignoring the stock market for most of the time you become less aware of its volatility, and volatility is one of the main reasons why many active investors buy high and sell low. For example, in October 1987 investors suffered Black Monday, with the FTSE 100 falling by more than 20% in just a couple of days. Market participants were panicking and I can only imagine how many private investors left the market as a direct consequence of that crash. But a Rip Van Winkle investor who had checked the market on January 1<sup>st</sup> 1987, gone to sleep for a year and then checked it again on Jan 1<sup>st</sup> 1988, would have instead seen a slight increase in the market’s value and none of the extreme volatility that happened during the year.

The same thing happened with the recent so-called bear market. By measuring the FTSE All-Share on a monthly basis rather than on a second-by-second basis, the largest fall recorded over the last year was barely more than 10%, which is a long way short of the 20% required for a bear market.

There are other benefits to the Rip Van Winkle approach to investing, but being (largely) oblivious to the market’s daily and weekly gyrations is surely one of the most beneficial.

**“If Rip had fallen asleep during the worst 20-year period for the U.S. stock market, the 20-year period from 1926 to 1948, he would have slept through the stock market crash of 1929, the Great Depression and all of World War II. Yet, it is a 20-year period that rewarded investors in the U.S. stock market with a return of almost 3% per year. Not bad despite all that happened during that period.” - Sheldon McFarland, LWI Financial Inc**

John Kingham, 5<sup>th</sup> April 2016

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**IMPORTANT NOTICE:** UK Value Investor provides information for investors who can make their own investment decisions without advice. This newsletter does not contain financial advice and it should not be thought of as advice. If you think you need advice then you should seek a regulated independent financial advisor. Please see the important notes on the back page.

# FTSE 100: Long-term valuation

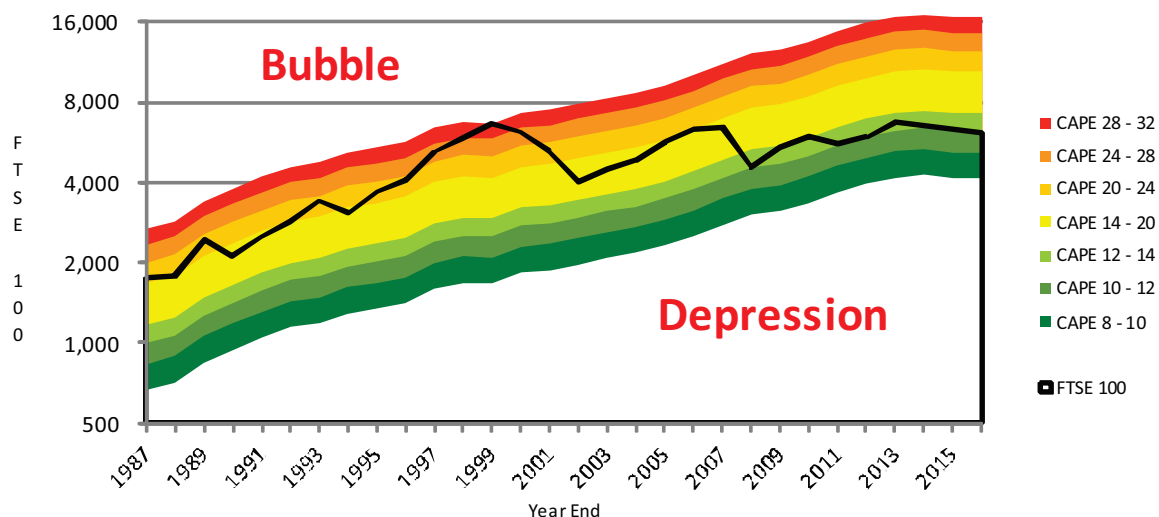
*Valuing the market: Although stock market valuations change over time they tend to stay fairly close to their long-term average. Investors can take advantage of this tendency as it implies that markets are more likely to go up when valuations are below average and more likely to go down when above average.*

Cyclically Adjusted PE ratio (CAPE)	Historic frequency of this CAPE (based on S&P 500)	FTSE 100 (currently at 6,175)	Current CAPE ratio relative to historic norms
Above 32	2%	Above 16,500	Bubble
28 - 32 (e.g. yr 2000)	5%	14,500 - 16,500	Very Expensive
24 - 28	10%	12,400 - 14,500	Expensive
20 - 24	20%	10,300 - 12,400	Slightly Expensive
14 - 20	30%	7,200 - 10,300	Normal
12 - 14	15%	6,200 - 7,200	Slightly Cheap
<b>10 - 12</b>	<b>10%</b>	<b>5,200 - 6,200</b>	<b>Cheap</b>
8 - 10 (e.g. yr 2009)	5%	4,100 - 5,200	Very Cheap
Below 8	3%	Below 4,100	Depression

As has been the case for a long time now, weak earnings and economic uncertainty are keeping the FTSE 100 at relatively subdued valuation multiples compared to historic norms. Perhaps the clearest indication of investor disinterest in equities is the large-cap index's dividend yield, which currently remains north of 4%. As a result the FTSE 100 has now gone sideways for almost three years. I was asked about this recently. Specifically: why has the FTSE 100 failed to make any meaningful headway since mid-2013, while the S&P 500 has gained around 25% over the same period? It's an interesting question and there is a clear break in the fortunes of the two indices in mid-2013 and again in mid-2014.

Here's my speculative answer: Having recovered back to near-record highs after the post-crisis lows of 2009, it seems that the FTSE 100 was held back initially by a series of negative news stories and more recently by significantly declining earnings. The negative news ranged from a slowdown in China to - perhaps more importantly - recurring problems with the European economy. These bad news stories were enough to kill off any momentum that was building post-2009, and what bull markets need more than anything else is momentum. The US market, being more distant from the European economy, was able to maintain its momentum to the point where the market continued to go up simply because it was already going up. That situation has ended (at least for now) leaving the S&P 500 with much higher valuation multiples and perhaps much higher risk of a bear market than the more lowly valued FTSE 100.

**FTSE 100 CAPE Valuation "Rainbow"**



# Model Portfolio: Monthly review

*Reviewing the portfolio: In order to keep a portfolio on track it's important carry out regular reviews. These reviews should include tasks such as checking overall performance against a suitable benchmark, re-analysing existing holdings when new annual results are announced and dealing with corporate actions such as mergers, acquisitions or rights issues.*

## Last month's trade

On March 3<sup>rd</sup> I sold all 500 of the portfolio's Hill & Smith shares, for a total sum (net of fees) of £3,766. This produced a total return of 83% over two years and nine months; an annualised return of 25%. That's far more than I would normally expect, although of course better than expected results are always welcome.

## Performance review

As I mentioned in the FTSE 100 valuation, the UK large-cap market has remained more or less flat over almost three years and the same is true of the FTSE All-Share, against which the model portfolio is benchmarked. Once dividends are included the All-Share benchmark has returned 9% over those three years. The model portfolio has performed somewhat better, with a healthy three year return of almost 40%.

Now that the portfolio is over five years old it finally has performance data over what I would consider to be the minimum period for measuring performance, i.e. five years. The initial set of results are encouraging, with the portfolio's current five year total return more than double the All-Share's total return, at 66.8% and 30.8% respectively.

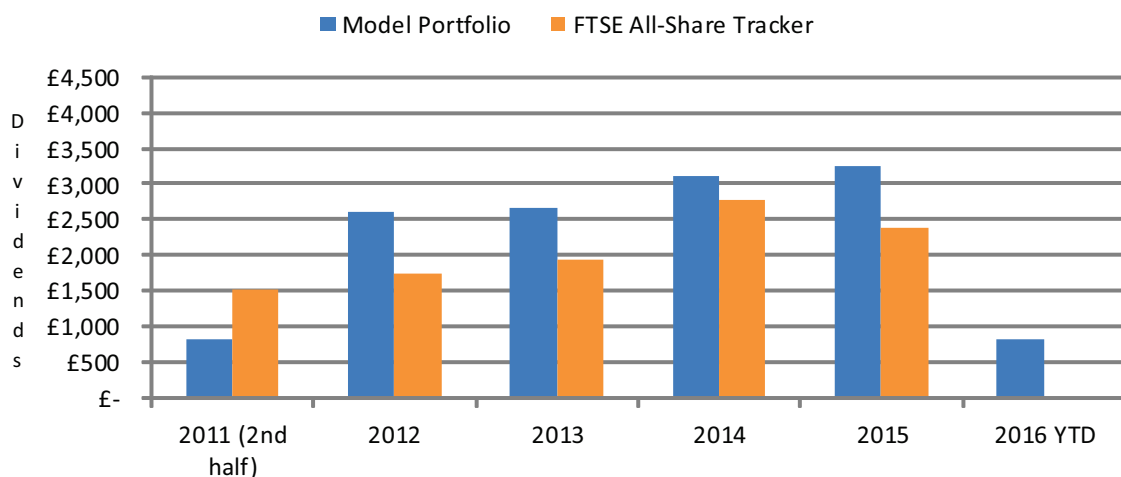
Performance over the far less important one year period is also good at 9.7% compared to the All-Share tracker's -6.4%.

## Holdings review

One holding I would like to mention this month is the model portfolio's large cash holding. It is currently at 12.6% and will only reduce to around 8% or so even after this month's purchase. I would normally expect this cash balance to be closer to the default holding position size of 3.3%. New holdings are being added at around 4% of the portfolio, i.e. larger than the default position size of 3.3%, in order to soak up some of this excess cash. I also expect to sell some underperformers at some point, and their small position size (e.g. 0.6% in the case of Chemring) will lead to the cash balance going down.

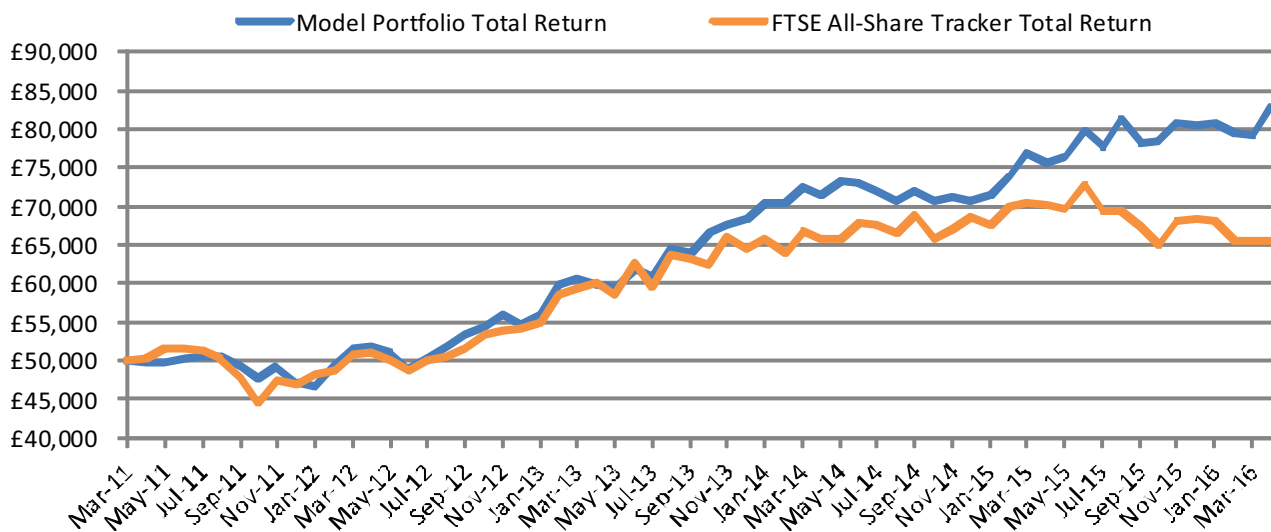
For now I expect this high cash balance to reduce back towards three or four percent over the course of 2016, but if it doesn't then I will reinvest some of it directly into some of the portfolio's existing holdings.

## Annual Dividends



# Model Portfolio: Performance and diversification

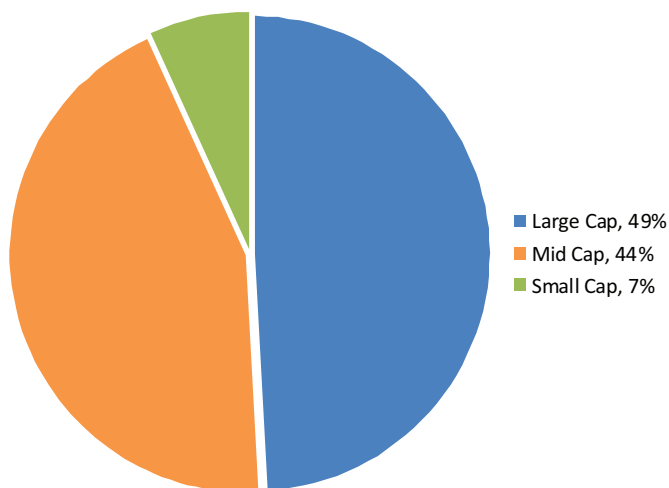
The Model Portfolio represents the portfolio of a typical investor who is still in the capital accumulation phase. It started with £50,000 in March 2011 and reinvests all dividends to generate additional growth.



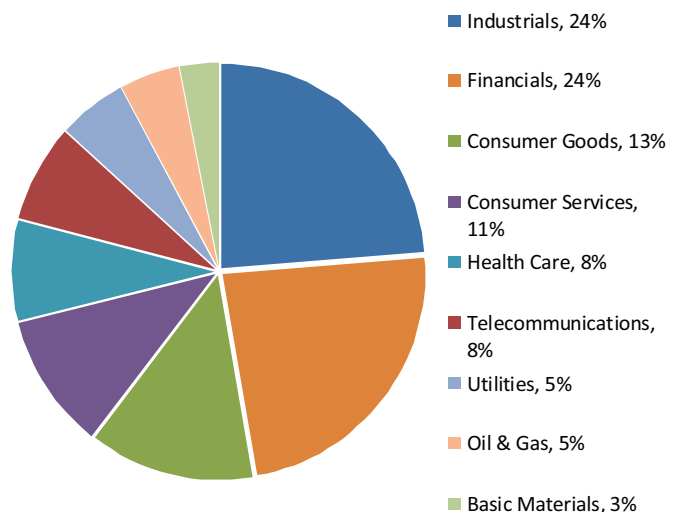
Performance	Model Portfolio (A)	FTSE All-Share Tracker Trust (B)	Difference (A) - (B)
Total return over 1 year	9.7%	-6.4%	16.2%
Total return over 3 years	38.6%	9.1%	29.5%
Total return over 5 years	66.8%	30.8%	36.0%
Total return from inception	65.9%	31.2%	34.7%
Annualised return from inception	10.5%	5.5%	5.0%
Current cash value	£82,952	£65,581	£17,371
Historic dividend yield	4.4%	3.6%	0.8%
Maximum decline over 5 years	-8.0%	-13.5%	5.5%

Average Percentage of Revenues from UK	Number of Holdings in Cyclical Sectors
39.6% (max = 50%)	15 (max = 15, i.e. 50%)

## Size Allocation



## Industry Allocation





# Model Portfolio - Current Status

Rank	Name	EPIC	Index	Sector	Would I add to this position today?	Why?
8	Aberdeen Asset Management PLC	ADN	FTSE 250	Financial Services	Yes	Currently fits my definition of a good business at an attractive price.
1	Admiral Group PLC	ADM	FTSE 100	Nonlife Insurance	Yes	Currently fits my definition of a good business at an attractive price.
27	Aggreko PLC	AGK	FTSE 250	Support Services	Yes	Currently fits my definition of a good business at an attractive price.
63	AstraZeneca PLC	AZN	FTSE 100	Pharmaceuticals & Biotechnology	No	AstraZeneca's Growth Rate is below zero.
135	BAE Systems PLC	BA.	FTSE 100	Aerospace & Defense	No	BAE's Pension Ratio is 21.6, which is well above the rule of thumb maximum of 10. It is also one of the bottom five holdings by rank which means it could be sold soon.
43	Beazley PLC	BEZ	FTSE 250	Nonlife Insurance	Yes	Currently fits my definition of a good business at an attractive price.
10	BHP Billiton PLC	BLT	FTSE 100	Mining	Yes	Despite an impending dividend cut BHP still fits my definition of a good (if highly cyclical) business at an attractive price.
95	BP PLC	BP.	FTSE 100	Oil & Gas Producers	No	BP's Growth Rate is below zero. BP is also one of the bottom five holdings by rank which means it could be sold soon.
69	Braemar Shipping Services PLC	BMS	Small Cap	Industrial Transportation	No	Braemar's Growth Rate is below my rule of thumb minimum of 2%.
47	British American Tobacco PLC	BATS	FTSE 100	Tobacco	Yes	Currently fits my definition of a good business at an attractive price.
38	Brown (N) Group PLC	BWNG	FTSE 250	General Retailers	Yes	Currently fits my definition of a good business at an attractive price.
33	Burberry Group PLC	BRBY	FTSE 100	Personal Goods	Yes	Currently fits my definition of a good business at an attractive price.
17	Centrica PLC	CNA	FTSE 100	Gas, Water & Multiutilities	Yes	Currently fits my definition of a good business at an attractive price.
150	Chemring Group PLC	CHG	Small Cap	Aerospace & Defense	No	I wouldn't add Chemring to the portfolio today as its revenues, earnings and dividends have been declining for a few years and it does not have a progressive dividend policy.
60	GlaxoSmithKline PLC	GSK	FTSE 100	Pharmaceuticals & Biotechnology	No	Glaxo's growth rate has fallen close to zero which means it is far below my rule of thumb minimum of 2%.
56	Homeserve PLC	HSV	FTSE 250	Support Services	Yes	Currently fits my definition of a good business at an attractive price.
16	IG Group Holdings PLC	IGG	FTSE 250	Financial Services	Yes	Currently fits my definition of a good business at an attractive price.
12	ITE Group PLC	ITE	Small Cap	Media	Yes	Currently fits my definition of a good business at an attractive price.
6	Mitie Group PLC	MTO	FTSE 250	Support Services	Yes	Currently fits my definition of a good business at an attractive price.
112	Morrison (Wm) Supermarkets PLC	MRW	FTSE 100	Food & Drug Retailers	No	Morrison's combined debt and pension ratio is above the maximum of 10. It is also one of the bottom five ranked holdings and could be sold soon.
2	Petrofac Ltd	PFC	FTSE 250	Oil Equipment, Services & Distribution	No	Petrofac's debt ratio is now far above my rule of thumb maximum of 4 for cyclical stocks.
92	Reckitt Benckiser Group PLC	RB.	FTSE 100	Household Goods & Home Construction	Yes	Currently fits my definition of a good business at an attractive price.
66	Rio Tinto PLC	RIO	FTSE 100	Mining	Yes	Despite an impending dividend cut Rio still fits my definition of a good (if highly cyclical) business at an attractive price.
50	SSE PLC	SSE	FTSE 100	Electricity	Yes	SSE's debt ratio is fractionally above my rule of thumb maximum of 5, but I would still add it to the portfolio today as it otherwise fits my definition of a good business at an attractive price.
85	Standard Chartered PLC	STAN	FTSE 100	Banks	No	The dividend has been suspended and a rights issue announced so I would not add to this holding at the moment.
14	Telecom plus PLC	TEP	FTSE 250	Fixed Line Telecommunications	Yes	The PE10 ratio is above my rule of thumb maximum of 30 but the yield is above 4%, so I would still add to this holding.
82	Tesco PLC	TSCO	FTSE 100	Food & Drug Retailers	No	Tesco's debt ratio is too high (above 5) and the company is facing a potentially difficult turnaround situation, so I would not buy it today.
103	Tullett Prebon PLC	TLPR	FTSE 250	Financial Services	No	Tullett's growth rate is below zero. It is also one of the bottom five ranked holdings and could be sold soon.
39	Vodafone Group PLC	VOD	FTSE 100	Mobile Telecommunications	Yes	Currently fits my definition of a good business at an attractive price.

# Model Portfolio: Latest annual results

## 1<sup>st</sup> Mar - Tullett Prebon, Financial Services (cyclical), Mid-Cap (£0.8bn)

“Tullett Prebon is one of the world's leading interdealer brokers. Primarily operating as an intermediary in the wholesale financial and energy sectors, Tullett Prebon facilitates the trading activities of its clients, in particular commercial and investment banks.” ([www.tullettprebon.com](http://www.tullettprebon.com))

<b>Revenue</b> <b>Up 13%</b>	<b>10-Year average earnings</b> <b>Down 3%</b>	<b>Dividend</b> <b>Unchanged</b>
<b>Debt Ratio (max 4)</b> <b>2.6</b>	<b>Pension Ratio (max 10)</b> <b>5.9</b>	<b>Does it pass the buy tests?</b> <b>Yes</b>

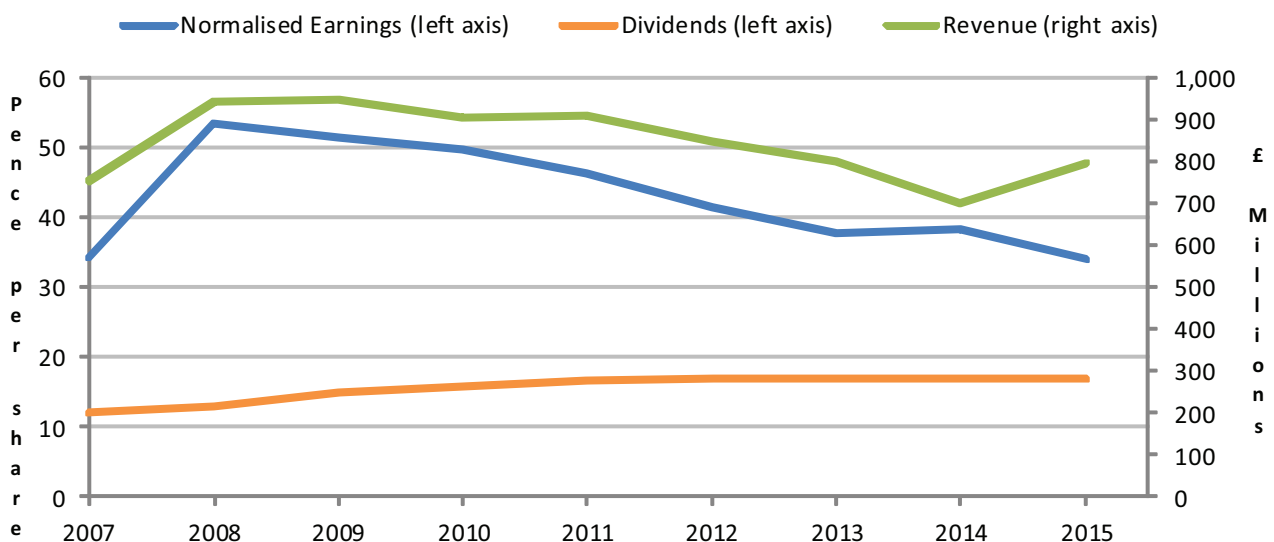
### Quotes from the annual results

“We achieved a good overall financial performance in 2015 against the backdrop of a challenging trading environment and subdued client demand.”

“Activity in many of the traditional interdealer broker products remained subdued throughout 2015 although after a slow summer period there was some pick-up in activity in some products and markets in the last two months of the year. In contrast, activity in the Energy and commodities markets, particularly in oil and oil related financial products, was buoyant reflecting the significant changes and volatility in oil prices throughout the year.”

“It is not possible to predict when the structural and cyclical factors currently adversely affecting the interdealer broker industry will ease, or when the level of activity in the wholesale OTC financial markets may increase. Our recent performance has benefited from the buoyant level of activity in the Energy and commodities markets, particularly in oil and oil related financial instruments, and this level of activity may not persist. We have taken further cost improvement action and we will continue to actively manage our cost base to reflect market conditions.”

“We took a number of initiatives during 2015 in pursuit of our goal to become the world's most trusted source of liquidity in hybrid [Over The Counter] markets and the best operator in global hybrid voice broking. The agreement for the acquisition of ICAP's global hybrid voice broking and information business provides a unique opportunity to accelerate the delivery of our strategy, and we are in the process of planning the integration of the two businesses to be implemented after completion of the transaction which we expect will be during 2016.”



# Model Portfolio: Latest annual results

## 3<sup>rd</sup> Mar - Admiral Group, Nonlife Insurance (defensive), Large-Cap (£5.5bn)

“In the UK, Admiral is one of the largest and most recognised car insurance providers, and the Admiral Group includes Confused.com, one of the leading price comparison websites, as well as a budding household insurance business.” ([admiralgroup.co.uk](http://admiralgroup.co.uk))

<b>Book value</b> Up 8%	<b>10-Year average earnings</b> Up 4%	<b>Dividend</b> Up 16%	<b>Debt Ratio (max 5)</b> 0.1
<b>Pension Ratio (max 10)</b> No Defined Pension	<b>5-Yr Premium to Surplus Ratio (max 2)</b> 1.1	<b>5-Yr Combined Ratio (max 95%)</b> 88.9%	<b>Does it pass the buy tests?</b> Yes

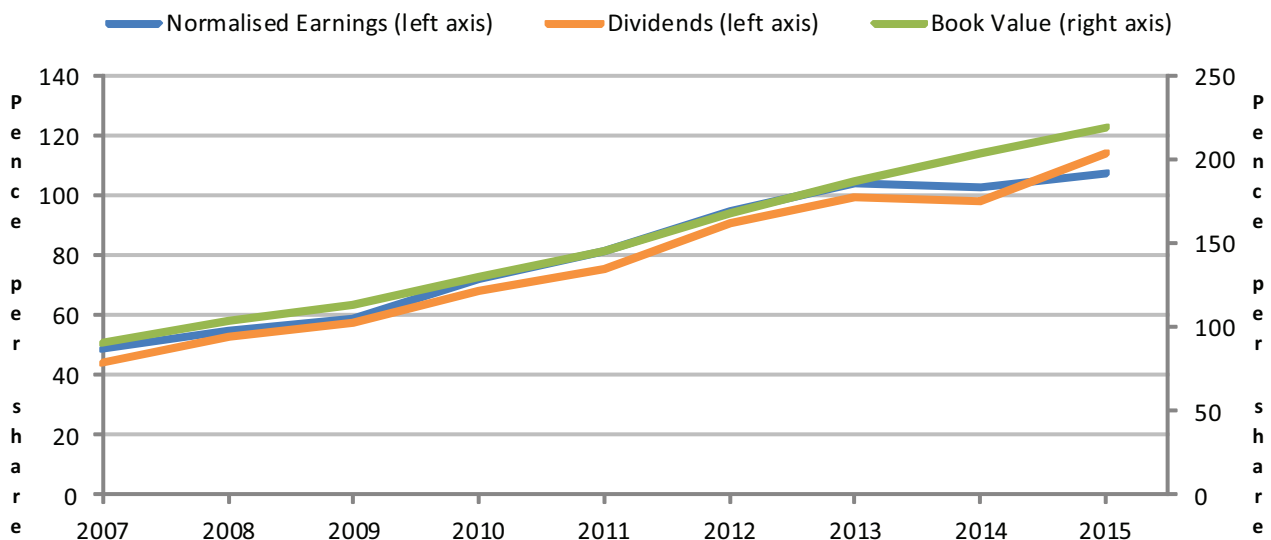
### Quotes from the annual results

“[...] we recognise that in a cyclical business there are periods for growth and periods for consolidation, seeking purely to maintain one's existing market position and focus on building capability to support growth when conditions render that both profitable and sustainable. It is encouraging that in 2015 it was appropriate to grow in four of our five car insurance businesses and particularly that market conditions were right to resume modest growth in the UK. We were also pleased to grow further our young UK household book, itself reaching over 300,000 customers at 31 December.”

“The turn of the market, strong claims experience and our low cost culture allowed our UK car insurance business to improve profits by 11% to £443 million. This in turn supported increased investment in our young international car insurance and price comparison businesses, in particular in the US, whilst at the same time growing by 6% the level of Group pre-tax profits as a whole. ”

“It is well understood that our [claim] reserving practice is to adopt a very prudent assessment against the range of possible outcomes whilst claims are in the early stages of development and then to release as we understand better the final cost of the claim. Alongside growth of our book in the UK last year we also experienced pleasing development of past years' motor claims, allowing us to make a higher than normal release of reserves whilst maintaining a prudent position overall.”

“This year's available [cash flow] surplus allows full year normal and special dividends of £283 million, representing a 96% distribution.”





# Model Portfolio: Latest annual results

## 3<sup>rd</sup> Mar - Aggreko, Support Services (cyclical), Mid-Cap (£2.6bn)

“Aggreko is the global leader in the provision of modular, mobile power and associated products. Through our Rental Solutions and Power Solutions business units we have diversified our exposure to both fast-growing emerging markets and developed markets.” ([www.aggreko.com](http://www.aggreko.com))

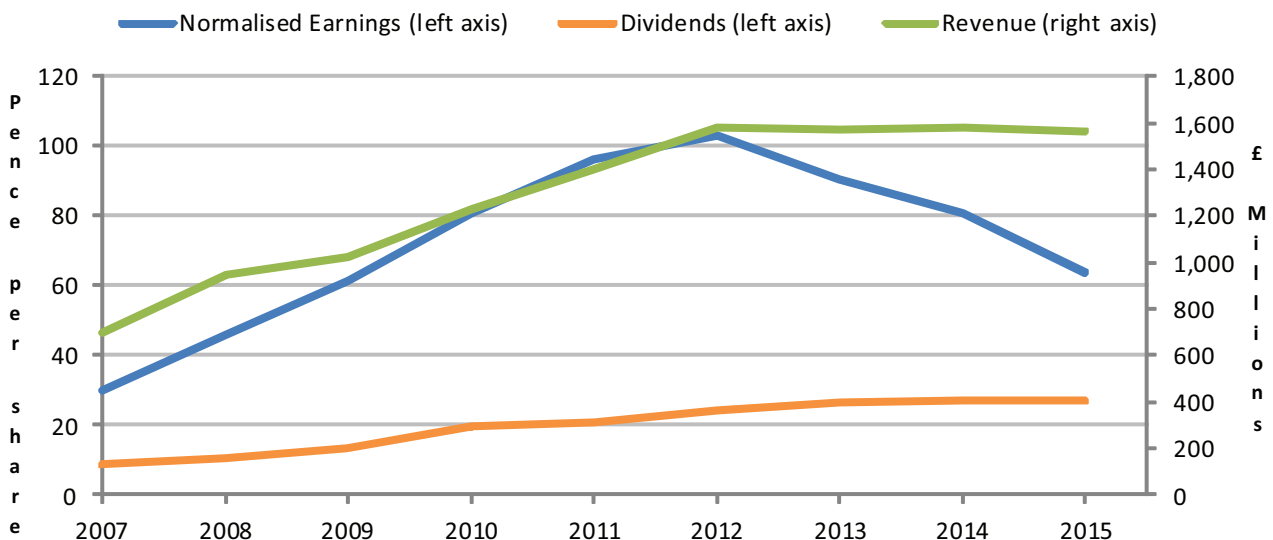
<b>Revenue</b> <b>Down 1%</b>	<b>10-Year average earnings</b> <b>Up 7%</b>	<b>Dividend</b> <b>Unchanged</b>
<b>Debt Ratio (max 4)</b> <b>2.3</b>	<b>Pension Ratio (max 10)</b> <b>0.4</b>	<b>Does it pass the buy tests?</b> <b>Yes</b>

### Quotes from the annual results

“Rental Solutions revenue was in line with last year with growth in the majority of our key sectors, particularly petrochemical & refining and events, offsetting the impact lower commodity prices had on our oil & gas and mining revenues. Power Solutions revenue was down 5%. Within this, our Industrial business grew strongly with revenues 10% higher driven by growth in our Middle East, Russian and African businesses. In contrast, trading conditions in Brazil remain difficult given the macro environment and we have taken steps to further reduce the cost base as a result. Power Solutions Utility revenue was down 11% driven by the renegotiation of our 325MW gas contract in Bangladesh and the off-hiring of our 104MW contract in Panama.”

“Rental Solutions margin was down slightly on last year driven by North American pricing and volumes in the oil & gas sector. Power Solutions margin was down three percentage points overall. Within this, Industrial was up four percentage points, reflecting the incremental benefit we get from major events. Utility margin was down five percentage points due to the contract renegotiation in Bangladesh and a higher debtor provision driven by slower payments, particularly in Venezuela and Yemen. The lower margin, as well as a slight increase in net operating assets, impacted the Group return on capital employed, which was 16% (2014: 19%).”

“We have ended 2015 with a strong balance sheet, with net debt slightly down; as we continue to generate good levels of operating cashflow; and maintain discipline in our investment in new fleet. We have also maintained the full year dividend in line with last year, reflecting our continued confidence in the strength and prospects of the business which provides a much needed service to our customers. As we enter 2016 I am encouraged by the prospect pipeline we are seeing and pleased by the progress we are making with our business priorities.”



# Model Portfolio: Latest annual results

## 10<sup>th</sup> Mar - Wm Morrison, Food & Drug Retailers (defensive), Large-Cap (£4.9bn)

“Yorkshire food retailer serving customers across the UK over more than 500 stores and an online home delivery service. Our business is mainly food & grocery and, uniquely, we source & process most of the fresh food that we sell through our own manufacturing facilities.” ([www.morrisons-corporate.com](http://www.morrisons-corporate.com))

<b>Revenue</b> <b>Down 4%</b>	<b>10-Year average earnings</b> <b>Unchanged</b>	<b>Dividend</b> <b>Down 63%</b>
<b>Debt Ratio (max 4)</b> <b>4.6</b>	<b>Pension Ratio (max 10)</b> <b>6.4</b>	<b>Does it pass the buy tests?</b> <b>No (debt + pension too high)</b>

### Quotes from the annual results

“We will become a stronger, broader business, while maintaining capital discipline and delivering robust free cash flow. The strategy has three phases - Fix, Rebuild and Grow.”

“Phase 1, Fix, has got off to a good start. Our initial aims last year were to deliver a better shopping trip for customers and begin to stabilise [like-for-like] sales. We needed to reduce costs and operate the business efficiently at that lower level.”

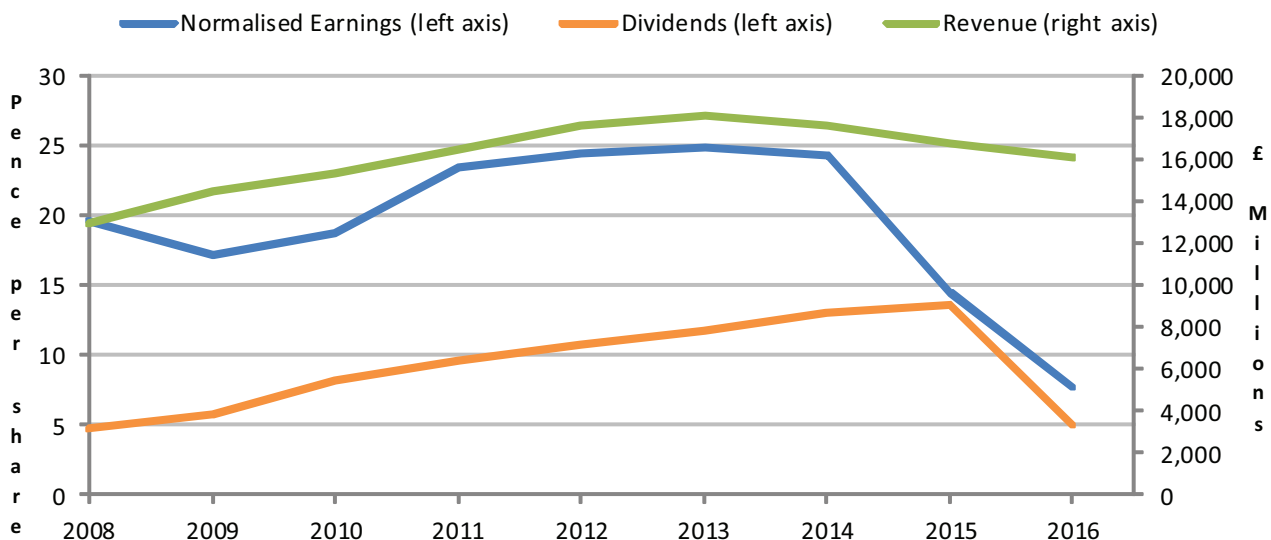
“[Like-for-like] improved during the year, and was positive in Q4 at 0.1% with volume growth offsetting deflation as we continued to cut prices for customers.”

“We continued to focus on costs, and remain confident of saving £1bn in the period from 2014/15 to 2016/17.”

“Phases 2 and 3 - Rebuild and Grow - will be driven by our six priorities: 1) To be more competitive, 2) To serve customers better, 3) Find local solutions, 4) Develop popular and useful services, 5) To simplify and speed up the organisation, 6) To make core supermarkets strong again.”

“We continue to grow Morrisons.com and now cover more than half of the households in Britain.”

“We have opportunities to become a broader, stronger business, extending our brand reach and leveraging our manufacturing, distribution and wholesale skills in a capital light way. We recently started a pilot with Motor Fuel Group to operate a franchise convenience store format, 'Morrisons Daily'. In addition, after the year-end, we announced a wholesale supply agreement with Amazon that will launch in the coming months.”



# Buying: The Restaurant Group PLC (RTN)

*Improve the portfolio : As companies grow (or shrink) and as their share prices go up (or down) the attractiveness of the investment changes. If a company's share price shoots up quickly its shares may no longer represent good value for money, while a company that falls into a long-term decline may no longer be remotely defensive. In both situations selling can be the right course of action.*

<b>Price on 1st April 2016</b> 393p	<b>Index</b> FTSE 250	<b>Sector</b> Travel & Leisure
<b>FTSE Market Cap</b> £790 million	<b>Revenue</b> £685 million	<b>Normalised Post-tax Profit</b> £69 million

“[we] operate over 500 restaurants and pubs in the UK’s casual dining sector, with a plan to double in size over the next 8 to 10 years. Our guests are at the heart of everything we do with a simple aim to deliver great food and drinks with excellent service in relaxed, comfortable surroundings.” ([www.trgplc.com](http://www.trgplc.com))

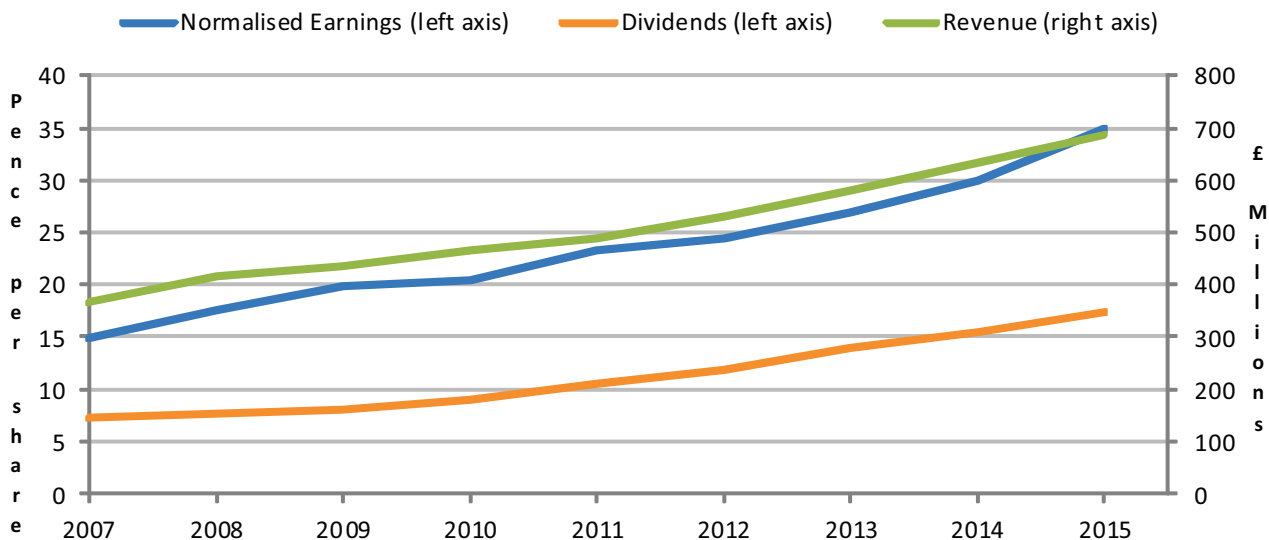
## Overview

The Restaurant Group (which I’ll shorten to TRG) started life in 1987 as City Centre Restaurants. Its purpose was to take over and run the Garfunkel’s chain of primarily London-based themed restaurants, which had in turn been launched in 1979 by the “godfather” of UK casual dining, Philip Kaye. The company quickly grew to become the largest independent operator of branded restaurants in the UK, operating brands such as Cafe Uno, Garfunkel’s, Deep Pan Pizza and Frankie & Benny’s at sites ranging from the high street to leisure parks and airport concessions.

At the start of the new millennium the company ran into a weak economy and found itself struggling. Profits turned to losses and a new Chairman, CEO and management team were brought in. The key problems were seen as excessive debts combined with too many brands and too much exposure to the highly competitive high street market. The turnaround strategy was to sell off underperforming businesses to pay down debts and focus the remaining more profitable businesses on cash generation. That cash would be used to grow the business by expanding high performance brands into areas of the market with high returns, high barriers to entry and good growth prospects; i.e. leisure parks and concessions. That same strategy continues today.

<b>Growth Rate</b> 10.0% (min 2%)	<b>Dividend Yield</b> 4.4%	<b>Profitability</b> 18.6% (min 7%)	<b>PE10</b> 16.7 (max = 30)
<b>Growth Quality</b> 100% (min 50%)	<b>Debt Ratio</b> 0.8 (max 5)	<b>Pension Ratio</b> No Pension	<b>Rank</b> 4 (out of 235)

Green = Better than FTSE 100; Pink = Worse than FTSE 100; Red = Outside the “rule of thumb” minimum or maximum values



## Investment checklist

Successful investing requires the methodical application of a systematic approach in order to achieve specific objectives, and a checklist is a great aid towards that end. This checklist helps to ensure that the company under investigation is high quality and that its shares are likely to improve the portfolio in the long-run.

### Maintaining and increasing portfolio diversification

#### 1. Will this purchase leave the portfolio's average UK revenues at less than 50%?

**YES** TRG's businesses are focussed 100% on the UK. However, the model portfolio's average UK exposure is currently less than 40%, so it will still be under 50% after the addition of TRG.

#### 2. Will this purchase leave the number of holdings from cyclical sectors at 15 or less?

**NO** The portfolio currently holds 15 cyclical sector stocks and TRG is also from a cyclical sector (Travel & Leisure). I am willing to bend this rule of thumb to a small degree because there is a lack of attractively valued defensive stocks at the moment.

#### 3. Will this purchase leave the number of holdings from this company's sector at 3 or less?

**YES** There are currently no Travel & Leisure stocks in the portfolio.

### Avoiding value traps

#### Good management

##### 1. Is the company focused on a clear and consistent goal and strategy?

**YES** The company has consistently pursued the same goal and strategy since it began its turnaround in 2000/2001. The goal is described in the annual reports as:

"Our core objective is to grow shareholder value by building a business capable of delivering long-term sustainable and growing cash flows. We do this by providing great food, drink and service in well-appointed restaurants and pubs."

The company's strategy is also clearly described in multiple annual reports, for example:

"The Group's strategy for growth is focused on those brands that have a high return on capital, good growth prospects and significant barriers to entry - Leisure Parks and Concessions display these three characteristics."

"Our business model is to grow through a combination of like-for-like sales growth and new site development. The profits from this growth are converted into cash at a healthy rate, which we use to maintain our existing estate in good order, pay dividends and invest in more new sites generating high levels of return. This has proven to be a very successful and value-accretive business model which has enabled the Group to grow in a predominately organic way funded principally by internally generated cash flows. This model delivers high returns, growth and income for shareholders in the form of dividends."

##### 2. Does the company have an obvious core business that the strategy is focused on?

**YES** TRG's core business is the management of branded restaurants across the UK.

#### Adequate financial control

##### 3. Do the Key Performance Indicators (KPIs) focus on factors beyond revenue and EPS growth such as profitability, leverage, liquidity and investment?

**YES** The company's KPIs include operating profit margin and return on invested capital, both of which are measures of profitability. Leverage indicators are not included, but the company has almost no debt.

## Low costs

### **4. Scale: Is the company in the leading group in terms of market share?**

**YES** TRG is currently fourth (behind Pizza Express, Nando's and Pizza Hut) in a league table of UK casual dining businesses by number of sites.

### **5. Experience: Has the company had the same core business for many years?**

**YES** TRG has had the same core business from day one in 1987.

## Caution with big projects

### **6. Is the company free of “bold” projects which could push it into a major crisis?**

**YES** I cannot see any bold bet-the-company projects underway at the moment.

### **7. Is the company free of the need for large capital expenditures (capex)?**

**NO** TRG is a high capex company because it consistently spends more on capex than it generates in profit after tax. This is because the company must build and/or fit out restaurants before they generate a penny of revenue. As a growth business the company is constantly adding new sites, at a rate of almost 50 per year at present.

Companies that need to spend large amounts on capex in order to grow are more susceptible to slowdowns in cash generation as they will then not have sufficient cash to fuel their capex-intensive growth. They are also more likely to take on large amounts of debt in order to fuel growth when organic growth is too slow for the CEO's liking. In TRG's case, I am not overly worried about its high capex requirements. From a recent annual report:

“Our philosophy regarding capital expenditure remains consistent – we focus on cash generation and on securing a return on invested capital at rates ahead of TRG's weighted average cost of capital. We continue to apply the same levels of analytical rigour, commercial analysis, experience and risk adjustment to each capital project that we undertake. This approach has served TRG well and we do not intend to deviate from it. This disciplined and consistent approach has also ensured that our new openings continue to deliver strong returns. It is particularly encouraging that returns from our openings in recent years have been at some of the highest levels achieved in the past decade.”

The company's high profitability score of almost 19% (well above the average of 10%) backs up this notion that these large capital expenses are in fact a good use of shareholder funds.

### **8. Are revenues generated by the sale of a large number of small-ticket items rather than major one-off contracts?**

**YES** Revenues are generated through the sale of millions of individual meals each year, served to diners across the UK on a daily basis.

## Caution with acquisitions and mergers

### **9. Has the company avoided mergers or large acquisitions in the last few years?**

**NO** There was one “large” acquisition (i.e. greater than that year's profit) during the last ten years. The acquisition came in 2007 and was for the Brunning & Price pub restaurant business. The acquisition doesn't seem to have created any major problems and Brunning & Price is still a successful part of TRG today.

### **10. Has the company avoided large acquisitions that have little to do with its core business?**

**YES** As a pub restaurant business the Brunning & Price acquisition was closely related to TRG's own core restaurant business.

## Ability to adapt to changing market demand

### **11. Does the company operate in defensive markets?**

**NO** The casual eating out market is cyclical. Although peoples' need to eat is defensive (i.e. not materially affected by recessions) they do not need to eat out. When times are tough people can very easily choose to eat cheaply at home, rather than more expensively at a restaurant. Another factor relevant to TRG is that many of its restaurants are located on leisure parks next to entertainment venues such as cinemas. In a recession it seems reasonable to assume that people will be less willing to visit cinemas and are therefore less likely to be anywhere near one of TRG's restaurants. The same applies to its concessions at airports.

However, during the recession of 2009/2010 TRG's business proved to be extremely resilient and actually managed to grow during that period rather than stagnate or decline. This is at least some evidence that TRG is more resilient than most restaurant businesses, although of course that does not mean it will be impervious to future recessions.

### **12. Does the company operate in markets where the pattern of demand (whether cyclical or defensive) is unlikely to be disrupted in the short or medium-term?**

**YES** I don't see any obvious reason why the pattern of demand within the eating out market will change significantly in the medium-term. Yes, people can now order Pizza/Chinese/Indian/etc. online, but I don't see how that's any different to being able to order food from a leaflet stuffed through your letter box.

### **13. Does the company operate in markets where demand is expected to grow?**

**YES** The company thinks it will be able to expand from its current portfolio of approximately 500 restaurants, to somewhere between 850 and 1,000 as the eating out market continues to grow over the next ten years. At that point the UK market would be saturated with TRG's restaurants and additional growth would likely be around the rate of UK GDP growth. International expansion would be the next logical step if double digit growth rates are to be produced beyond that point.

## Competitive product, service and price

### **14. Does the company generate most of its profits from products or contracts that do not need to be replaced in the next 10 years?**

**YES** Although meals and menus have to be continually improved, changed and even replaced, this is more of an ongoing process rather than a big periodic high-risk "replacement" project.

### **15. Does the company sell differentiated products that do not compete purely on price?**

**YES** In my layman's opinion, the strong branding of TRG's restaurants means that it does not have to compete purely or even primarily on price, and I think that opinion is backed up by its high levels of profitability.

When people visit a leisure park cinema and want to have a pre- or post-movie meal, they will either want to eat (for example) pizza (Pizza Hut), Mexican (Chiquito), or Italian/American (Frankie & Benny's), and price is probably not the key differentiating factor between the various options, although of course it is still one of the factors.

## Indifferent to commodity prices

### **16. Is the company relatively immune to commodity price movements?**

**YES** Food ingredients are mostly commodities and so TRG is affected by their price movements. However, I think there are probably enough substitutes within its menus to mitigate the impact of price fluctuations in any one food commodity, e.g. if pasta is expensive then people can eat a potato-based meal instead. I also don't think broad food price inflation would be strong enough to make people switch from eating out to eating in, as marginal demand for food is mostly in poor countries rather than rich countries like the UK, so it is the poor people of the world who are first to reduce demand in the face of rising food prices.

## Sound financial policy

### **17. Does the company have a target rate of return on investment of more than 10%?**

**NO** Although the company produces consistently high rates of profitability it does not have an obvious profitability target within its annual reports. Return on invested capital is one of its KPIs, but no target figure is provided. However, given the company's track record and stated focus on profitability and cash flow, this is less of a concern that it otherwise might be.

### **18. Is the company's use of leverage conservative enough given the preceding answers?**

**YES** TRG uses almost no debt because it already has a high level of leverage from its heavy use of leased rather than mortgaged property. In other words, paying rent is like paying a mortgage, but with a mortgage the debt would be visible on the balance sheet whereas with a lease the financial obligation is effectively kept off the balance sheet. However, the obligation to pay the rent is still there.

Because of this fixed rental expense it would be prudent to avoid piling on additional financial obligations in the form of debt, so I am happy that TRG takes this view.

### **19. Are the chances of this company becoming a value trap acceptably low (and if so, why are the shares attractively priced)?**

**YES** I cannot see any obvious reason why TRG would be a value trap. The company appears to have a highly profitable business, low levels of debt and a proven ability to ride out tough environments with its current strategy. Why then is the share price so low compared to similarly successful companies?

I think the main reason is some recent bad news. In recent updates the company has stated that the trading environment is becoming more difficult and like-for-like growth may not be possible in the short-term. However, it has also said that overall growth is still likely as new sites continue to be added. Other negative factors mentioned include the referendum on the UK's continued membership of the European Union, the National Living Wage and global economic uncertainty. Management suggested that these were likely to be short-term problems rather than long-term, and that the underlying strengths of the business remained in place, all of which I am inclined to agree with.

To my eyes this all appears to be fairly normal. The economy is slowing down and we have a few one-off uncertainties. This is the sort of thing that all companies will have to face, over and over again, during their lifetimes. A good company should be able to cope with downturns and uncertainties with relative ease, and good companies can in fact often benefit from these situations as weaker competitors go out of business. My expectation is that TRG can ride out these problems and continue to succeed over the longer-term.

## **Uncovering competitive advantages**

### **1. Does the company have any intangible asset advantages (brand names, patents, regulatory barriers)?**

**YES** TRG's restaurants are strongly themed and branded so that people recognise them and know exactly what they're going to get, much like McDonald's, Pizza Express and other famous restaurant brands. Its existing dominant footprint of leisure park restaurants may also be an intangible asset, as leisure park developers may prefer to lease new restaurant space to TRG as they are a known quantity to both the developer/landlord and to the leisure park's future visitors.

### **2. Does the company gain an advantage from "switching costs", i.e. the effort required for customers to switch to a competitor?**

**YES** One of the key features of the company's strategy is that it focuses on leisure parks and airport (or other) concessions as each location only has space for a limited and fixed number of restaurants.

Once an out-of-town leisure park has been built, with for example a 20-screen cinema and three restaurants, there is no more space for additional restaurants. Each restaurant will usually be distinctly different, catering to different a demographic sector (e.g. young people, families with kids, or older/quieter customers) and as a result competition between them isn't too fierce. If TRG opens a Chiquito restaurant at the previously described leisure park and it is wildly successful, a competitor will not be able to open a similar Mexican-themed restaurant nearby, or at least not within the leisure park. This is a massive barrier to entry for competitors. It is also a switching cost for customers, because if they want to eat a Mexican meal after watching a film their only choice is Chiquitos, unless they want to drive or walk miles to find a competitor.

### 3. Do the company's products or services have a "network effect", i.e. become better as more people use them (e.g. Facebook, eBay)?

**YES** I have answered yes, although I think the effect is not of the same order of magnitude as it is for companies such as Facebook or eBay. The network effect for restaurants is that a full restaurant is more attractive to potential customers than an empty one. People naturally assume that the full restaurant must be better, otherwise why would it be full and the other restaurant empty? This assumption may or may not be correct in any given situation, but the network effect is still there.

However, it is only effective at the local level, in individual restaurants. The real power of the network effect happens when it extends across the entire company, as it does for Facebook and eBay.

### 4. Does the company have any durable cost advantages (e.g. unique location, unique low cost source of raw materials, greater scale)?

**NO** I don't think TRG has any cost advantages over its competitors.

### Making the trade - Are you happy to own these shares for at least 5 years?

**YES** I think TRG is a highly successful company with a sensible and prudent business plan. It looks to me as if it is facing a difficult trading environment, which is not a surprise as the UK environment has been pretty tough for almost a decade. In the longer-term I think it is quite likely that the company will continue to grow and so I don't think this is an obvious value trap.

As a result I will be adding The Restaurant Group to the model portfolio and my personal portfolio a few days after this newsletter is published.

Higher ranked stocks that were not selected	Reason for not selecting
Amec Foster Wheeler	Debt ratio too high

**"What we refer to as Wall Street has become a casino, one in which enormous — but momentary — changes in short-term stock prices are treated as intrinsic reality, rather than ephemeral perception."**

**— John C. Bogle, Remarks to the To the Student Body at the Roxbury Latin School**

**IMPORTANT NOTICE:** This analysis is for information only. It is an example of how one investor applies a checklist approach to analysing a company and it should not be construed as investment advice and should not be relied upon in isolation before investing. You should always perform your own analysis and factual verification before making investment decisions. If you need advice you should seek a regulated financial advisor. See the important notes on the last page.



## Readers' Q & A

*Interesting and/or helpful questions from readers*

**Q: Why do some stocks rank highly on the screen even though they have “red flags”, such as Petrofac (debt ratio) or Telecom Plus (PE10), while others that rank further down have no red flags or only pink ones?**

**A:** There are two separate issues here. The first is that the stock screen rank is calculated by individually ranking five factors: Growth rate, growth quality, profitability, PE10 and PD10. These factor ranks are then added together and the stocks re-ranked according to their total. So a company such as Telecom Plus may have a “red flag” regarding its PE10 ratio, as its ratio is currently above my rule of thumb maximum of 30. However, Telecom Plus’s other factors are significantly above average (e.g. growth rate = 17.4%, profitability = 36.3%) and their individual factor ranks low enough to offset the high PE10 ratio and associated weak PE10 rank (the individual factor ranks are not shown on the screen).

The idea is that the stock screen favours stocks that have the best combination of factors, even if one or perhaps two of those factors are weak, and even weak enough to have red flags. It is the balance of factors that is important. However, I will avoid stocks if one factor is “too weak”, which is a deliberately ambiguous definition. For example I don’t think I would buy a stock where the PE10 ratio was above 40, but I might buy if it was 31 or 32 as that is only slightly outside of my preferred maximum.

As you may have noticed, I didn’t list the debt ratio in the list of ranking factors; that’s because the debt ratio isn’t used to calculate the stock screen rank. Instead it is used to rule out companies that have too much debt. So for Petrofac, although it has a debt ratio which is currently too high, that fact doesn’t affect its ranking, as its growth rate, growth quality etc. are still attractive. However, I wouldn’t buy it or add to the existing position until its debt ratio comes down.

## Defensive and Cyclical sectors

*The Model Portfolio aims to be at least 50% invested in defensive FTSE Sectors as defined in the Capita Dividend Monitor. The definitions are repeated here:*

### Defensive Sectors

- Aerospace & Defense
- Beverages
- Electricity
- Fixed Line Telecommunications
- Food & Drug Retailers
- Food Producers
- Gas, Water & Multiutilities
- Health Care Equipment & Services
- Mobile Telecommunications
- Non-life Insurance
- Personal Goods
- Pharmaceuticals & Biotechnology
- Tobacco

### Cyclical Sectors

- Automobiles & Parts
- Banks
- Chemicals
- Construction & Materials
- Electronic & Electrical Equipment
- Financial Services
- Forestry & Paper
- General Industrials
- General Retailers
- Household Goods & Home Construction
- Industrial Engineering
- Industrial Metals & Mining
- Industrial Transportation
- Leisure Goods
- Life Insurance
- Media
- Mining
- Oil & Gas Producers
- Oil Equipment, Services & Distribution
- Real Estate Investment & Services
- Software & Computer Services
- Support Services
- Technology Hardware & Equipment





# Stock Screen - Sorted by Rank

Colour coding rules and column descriptions can be found in the appendices

Rank	Name	EPIC	Index	Sector	Share Price	PE Ratio	Dividend Yield	PE10	Growth Rate	Growth Quality	Net Prof.	Debt Ratio	Earnings Power
161	Schroders PLC	SDR	FTSE 100	Financial Services	£26.83	15.9	3.2%	25.2	15.1%	75%	3%	N/K	£376
162	Sage Group (The) PLC	SGE	FTSE 100	Software & Computer Services	£6.29	26.3	2.1%	34.1	5.5%	83%	13%	2.5	£246
163	Ricardo PLC	RCDO	Small Cap	Support Services	£8.37	19.6	2.0%	26.6	5.4%	75%	14%	2.5	£18
164	Headlam Group PLC	HEAD	Small Cap	Household Goods & Home Construction	£5.17	15.4	4.0%	18.8	0.5%	75%	9%	1.1	£21
165	Speedy Hire PLC	SDY	Small Cap	Support Services	£0.39	3.5	1.8%	5.8	-15.8%	67%	4%	6.5	£16
166	Communis PLC	CMS	Small Cap	Support Services	£0.47	5.3	4.7%	8.1	0.3%	67%	4%	7.5	£8
167	Hogg Robinson Group PLC	HRG	Small Cap	Support Services	£0.62	9.9	3.7%	10.2	1.1%	63%	7%	4.1	£23
168	National Grid PLC	NG.	FTSE 100	Gas, Water & Multiutilities	£9.87	17.4	4.3%	17.7	3.7%	75%	5%	12.4	£2,086
169	Unilever PLC	ULVR	FTSE 100	Personal Goods	£31.52	24.3	2.8%	26.1	3.1%	67%	15%	3.0	£3,501
170	Costain Group PLC	COST	Small Cap	Construction & Materials	£3.56	16.8	3.1%	18.3	1.9%	67%	12%	0.0	£14
171	Morgan Sindall PLC	MGNS	Small Cap	Construction & Materials	£8.07	-34.7	3.6%	13.6	-12.7%	38%	12%	4.0	£15
172	Aviva PLC	AV.	FTSE 100	Life Insurance	£4.56	16.0	4.6%	12.4	-4.4%	46%	9%	N/K	£1,166
173	Investec PLC	INVP	FTSE 250	Financial Services	£5.13	15.1	3.9%	12.9	-0.6%	58%	9%	120.7	£324
174	Fuller Smith & Turner PLC	FSTA	Small Cap	Travel & Leisure	£10.34	20.6	1.6%	28.1	8.7%	96%	6%	6.7	£25
175	Huntsworth PLC	HNT	Small Cap	Media	£0.41	10.2	4.3%	6.4	-3.0%	38%	5%	2.8	£16
176	S & U PLC	SUS	Small Cap	Financial Services	£21.85	-18.9	3.5%	36.6	5.3%	79%	10%	4.2	£13
177	Oxford Instruments PLC	OXIG	Small Cap	Electronic & Electrical Equipment	£6.70	64.6	1.9%	26.6	22.7%	67%	7%	6.9	£21
178	FTSE 100				6,175	26.5	4.0%	14.3	1.9%	50%	10%		
179	Go-Ahead Group (The) PLC	GOG	FTSE 250	Travel & Leisure	£26.50	15.2	3.4%	17.6	1.0%	58%	12%	5.6	£60
180	InterContinental Hotels Group PLC	IHG	FTSE 100	Travel & Leisure	£28.71	27.8	2.0%	33.4	4.8%	75%	19%	4.6	£242
181	BBA Aviation PLC	BBA	FTSE 250	Industrial Transportation	£2.00	22.9	4.5%	16.4	4.2%	63%	7%	4.0	£88
182	Anglo-Eastern Plantations PLC	AEP	Small Cap	Food Producers	£5.53	11.0	0.5%	7.9	4.9%	58%	11%	0.6	£35
183	Kingfisher PLC	KGF	FTSE 100	General Retailers	£3.77	15.3	1.8%	17.3	6.7%	63%	8%	0.5	£640
184	Marston's PLC	MARS	FTSE 250	Travel & Leisure	£1.52	12.1	4.6%	10.3	-1.2%	63%	3%	17.2	£84
185	Xaar PLC	XAR	Small Cap	Electronic & Electrical Equipment	£4.88	19.5	1.9%	29.7	23.5%	54%	12%	0.0	£19
186	Low & Bonar PLC	LWB	Small Cap	Construction & Materials	£0.62	13.5	4.5%	13.4	3.7%	58%	4%	7.7	£18
187	Experian PLC	EXPN	FTSE 100	Support Services	£12.45	24.1	2.0%	34.4	8.9%	71%	12%	5.7	£390
188	Home Retail Group PLC	HOME	FTSE 250	General Retailers	£1.66	11.7	2.3%	8.0	-11.5%	42%	6%	0.0	£120
189	Old Mutual PLC	OML	FTSE 100	Life Insurance	£1.93	10.4	4.6%	15.8	6.0%	54%	6%	N/K	£660
190	Ashtead Group PLC	AHT	FTSE 100	Support Services	£8.64	15.8	1.8%	43.0	19.6%	88%	5%	12.1	£140
191	Millennium & Copthorne Hotels PLC	MLC	FTSE 250	Travel & Leisure	£4.16	9.7	1.5%	10.1	6.5%	50%	4%	5.7	£162
192	Darty PLC	DRTY	Small Cap	General Retailers	£1.31	30.8	2.0%	14.0	-15.1%	38%	10%	5.6	£40
193	Lavendon Group PLC	LVD	Small Cap	Support Services	£1.34	8.3	4.0%	7.2	-4.5%	67%	6%	5.8	£23
194	Greene King PLC	GNK	FTSE 250	Travel & Leisure	£8.72	14.3	3.4%	15.8	3.8%	71%	4%	12.8	£124
195	Associated British Foods PLC	ABF	FTSE 100	Food Producers	£33.49	32.9	1.0%	45.2	9.6%	92%	7%	1.3	£703
196	Porvair PLC	PRV	Small Cap	Industrial Engineering	£3.20	20.8	1.1%	35.4	11.6%	88%	6%	0.5	£5
197	RSA Insurance Group PLC	RSA	FTSE 100	Nonlife Insurance	£4.76	18.6	2.2%	16.5	-19.4%	38%	10%	N/K	£213
198	SABMiller PLC	SAB	FTSE 100	Beverages	£42.56	30.0	1.7%	39.8	10.0%	83%	7%	4.1	£2,067
199	Carclo PLC	CAR	Small Cap	Chemicals	£1.27	8.3	2.2%	14.5	2.8%	75%	7%	6.2	£6
200	Henderson Group PLC	HGG	FTSE 250	Financial Services	£2.58	19.1	4.0%	32.0	5.1%	67%	10%	1.7	£88
201	Centaur Media PLC	CAU	Small Cap	Media	£0.52	12.3	5.8%	12.7	-3.9%	58%	3%	4.0	£5
202	Dignity PLC	DTY	FTSE 250	General Retailers	£24.79	21.7	0.6%	37.1	10.8%	83%	8%	13.8	£44
203	Vp PLC	VP.	Small Cap	Support Services	£6.60	16.8	2.5%	27.7	5.2%	79%	7%	6.5	£11
204	Randgold Resources Ltd	RRS	FTSE 100	Mining	£63.70	47.0	0.7%	47.1	24.7%	75%	7%	0.0	£208
205	DCC PLC	DCC	FTSE 100	Support Services	£61.50	33.4	1.4%	45.5	11.1%	79%	8%	10.8	£136
206	British Polythene Industries PLC	BPI	Small Cap	General Industrials	£7.03	10.4	2.6%	15.7	3.4%	63%	7%	1.9	£13
207	UBM PLC	UBM	FTSE 250	Media	£6.01	28.0	3.6%	19.0	-1.8%	54%	11%	5.7	£99
208	Genus PLC	GNS	FTSE 250	Pharmaceuticals & Biotechnology	£15.29	20.3	1.3%	36.4	8.7%	92%	5%	2.8	£34
209	BT Group PLC	BT.A	FTSE 100	Fixed Line Telecommunications	£4.41	15.3	2.8%	22.4	0.9%	67%	10%	5.3	£1,846
210	Bellway PLC	BWY	FTSE 250	Household Goods & Home Construction	£26.23	11.7	2.9%	31.5	13.4%	71%	7%	0.6	£141
211	Barclays PLC	BARC	FTSE 100	Banks	£1.50	-154.6	4.3%	9.7	-15.6%	38%	2%	N/A	£1,319
212	Boot (Henry) PLC	BHY	Small Cap	Construction & Materials	£2.26	13.1	2.7%	27.4	8.9%	67%	4%	3.3	£12
213	DS Smith PLC	SMDS	FTSE 250	General Industrials	£4.08	20.1	2.8%	34.2	10.9%	71%	6%	6.3	£126
214	Shanks Group PLC	SKS	Small Cap	Support Services	£0.83	24.9	4.2%	12.4	-1.4%	50%	3%	19.2	£23
215	Mondi PLC	MNDI	FTSE 100	Forestry & Paper	£13.36	13.0	2.9%	27.2	12.8%	63%	5%	4.8	£285
216	Berendsen PLC	BRSN	FTSE 250	Support Services	£12.03	22.5	2.6%	30.6	5.8%	75%	6%	6.4	£78
217	Regus PLC	RGU	FTSE 250	Support Services	£3.17	23.9	1.4%	40.7	8.0%	79%	9%	3.4	£75
218	RELX PLC	REL	FTSE 100	Media	£12.94	26.7	2.3%	32.9	4.2%	63%	14%	3.9	£999
219	Severn Trent PLC	SVT	FTSE 100	Gas, Water & Multiutilities	£21.73	37.3	3.9%	24.0	3.0%	71%	3%	23.6	£209
220	Charles Taylor PLC	CTR	Small Cap	Support Services	£2.80	18.0	3.6%	16.9	-1.3%	58%	5%	6.8	£6
221	Dairy Crest Group PLC	DCG	FTSE 250	Food Producers	£6.18	17.6	3.5%	16.5	-2.6%	54%	7%	5.5	£48
222	United Utilities Group PLC	UU.	FTSE 100	Gas, Water & Multiutilities	£9.23	21.5	4.1%	18.8	-2.2%	63%	3%	20.3	£327
223	Informa PLC	INF	FTSE 100	Media	£6.94	24.6	2.9%	27.6	4.9%	67%	6%	5.1	£179
224	Rexam PLC	REX	FTSE 100	General Industrials	£6.34	17.0	2.8%	20.2	2.2%	58%	6%	5.4	£277
225	Zotefoams PLC	ZTF	Small Cap	Chemicals	£2.91	26.7	1.9%	30.6	4.9%	67%	9%	0.5	£4
226	G4S PLC	GFS	FTSE 250	Support Services	£1.91	1061.1	4.9%	21.3	-7.4%	63%	5%	22.0	£96
227	Laird PLC	LRD	FTSE 250	Technology Hardware & Equipment	£3.81	30.9	3.4%	28.9	2.6%	71%	4%	7.2	£37
228	St Ives PLC	SIV	Small Cap	Support Services	£2.27	30.4	2.4%	17.9	-6.2%	50%	7%	5.8	£14
229	Acal PLC	ACL	Small Cap	Support Services	£2.43	18.5	3.1%	25.6	3.1%	50%	5%	7.0	£7
230	Dechra Pharmaceuticals PLC	DPH	FTSE 250	Pharmaceuticals & Biotechnology	£12.06	52.3	1.4%	66.6	3.6%	83%	8%	2.1	£16
231	QinetiQ Group PLC	QQ.	FTSE 250	Aerospace & Defense	£2.28	12.2	2.4%	18.8	0.7%	63%	6%	0.0	£80
232	London Stock Exchange Group PLC	LSE	FTSE 100	Financial Services	£28.20	36.6	1.3%	43.2	6.9%	63%	8%	6.6	£225
233	Melrose Industries PLC	MRO	FTSE 250	Industrial Engineering	£3.57	1020.0	1.5%	48.0	4.9%	71%	4%	5.1	£113
234	CRH PLC	CRH	FTSE 100	Construction & Materials	£19.66	26.5	2.3%	22.8	-4.3%	54%	3%	14.4	£472
235	Greencore Group PLC	GNC	FTSE 250	Food Producers	£3.75	25.4	1.0%	33.4	4.6%	54%	7%	4.8	£58
236	UDG Healthcare PLC	UDG	FTSE 250	Health Care Equipment & Services	£5.84	31.8	1.4%	34.6	0.3%	71%	7%	7.7	£42
237	Consort Medical PLC	CSRT	Small Cap	Health Care Equipment & Services	£10.75	27.1	1.7%	28.3	-0.7%	42%	9%	11.4	£13
238	Marshalls PLC	MSLH	FTSE 250	Construction & Materials	£3.56	25.4	2.0%	38.9	-2.0%	46%	5%	2.1	£17





# Stock Screen - Sorted by Name

Colour coding rules and column descriptions can be found in the appendices

Rank	Name	EPIC	Index	Sector	Share Price	PE Ratio	Dividend Yield	PE10	Growth Rate	Growth Quality	Net Prof.	Debt Ratio	Earnings Power
53	Paddy Power Betfair PLC	PPB	FTSE 100	Travel & Leisure	£97.05	38.2	1.9%	55.0	17.1%	92%	39%	1.4	£105
131	Paragon Group of Companies (The) PLC	PAG	FTSE 250	Financial Services	£3.23	8.8	3.4%	6.7	-2.6%	71%	12%	100.6	£100
9	PayPoint PLC	PAY	FTSE 250	Support Services	£7.48	13.0	5.1%	18.9	8.1%	88%	34%	0.0	£31
158	Pennon Group PLC	PNN	FTSE 250	Gas, Water & Multiutilities	£8.11	21.7	3.9%	22.8	5.6%	83%	4%	20.5	£145
2	Petrofac Ltd	PFC	FTSE 250	Oil Equipment, Services & Distribution	£9.21	328.9	4.8%	13.8	12.3%	79%	29%	7.1	£263
90	Playtech PLC	PTEC	FTSE 250	Travel & Leisure	£8.66	26.1	2.4%	34.3	16.5%	71%	15%	2.2	£87
196	Porvair PLC	PRV	Small Cap	Industrial Engineering	£3.20	20.8	1.1%	35.4	11.6%	88%	6%	0.5	£5
81	Premier Farnell PLC	PFL	Small Cap	Support Services	£1.13	12.6	5.5%	8.1	0.7%	29%	13%	5.5	£55
126	Provident Financial PLC	PFQ	FTSE 100	Financial Services	£29.65	19.8	4.1%	29.8	9.5%	75%	9%	8.9	£168
25	Prudential PLC	PRU	FTSE 100	Life Insurance	£13.01	12.7	3.0%	20.2	11.5%	83%	18%	N/K	£1,891
138	PZ Cussons PLC	PZC	FTSE 250	Personal Goods	£3.02	17.4	2.6%	21.0	6.6%	75%	10%	3.0	£71
231	QinetiQ Group PLC	QQ.	FTSE 250	Aerospace & Defense	£2.28	12.2	2.4%	18.8	0.7%	63%	6%	0.0	£80
204	Randgold Resources Ltd	RRS	FTSE 100	Mining	£63.70	47.0	0.7%	47.1	24.7%	75%	7%	0.0	£208
159	Rathbone Brothers PLC	RAT	FTSE 250	Financial Services	£21.12	21.7	2.6%	28.8	4.9%	71%	14%	38.1	£37
92	Reckitt Benckiser Group PLC	RB.	FTSE 100	Household Goods & Home Construction	£67.30	26.0	2.1%	32.1	7.4%	83%	21%	1.5	£1,705
217	Regus PLC	RGU	FTSE 250	Support Services	£3.17	23.9	1.4%	40.7	8.0%	79%	9%	3.4	£75
218	RELX PLC	REL	FTSE 100	Media	£12.94	26.7	2.3%	32.9	4.2%	63%	14%	3.9	£999
46	Renishaw PLC	RSW	FTSE 250	Electronic & Electrical Equipment	£18.35	11.0	2.5%	26.1	18.2%	79%	17%	0.0	£75
4	Restaurant Group (The) PLC	RTN	FTSE 250	Travel & Leisure	£3.93	11.2	4.4%	16.7	10.0%	100%	19%	0.8	£52
224	Rexam PLC	REX	FTSE 100	General Industrials	£6.34	17.0	2.8%	20.2	2.2%	58%	6%	5.4	£277
163	Ricardo PLC	RCDO	Small Cap	Support Services	£8.37	19.6	2.0%	26.6	5.4%	75%	14%	2.5	£18
65	Rightmove PLC	RMV	FTSE 250	Media	£42.11	37.4	1.0%	68.1	18.7%	88%	188%	0.0	£70
66	Rio Tinto PLC	RIO	FTSE 100	Mining	£19.56	26.5	7.3%	6.0	4.7%	54%	11%	2.6	£5,960
84	RM PLC	RM.	Small Cap	Software & Computer Services	£1.34	8.1	3.7%	8.2	-4.4%	58%	19%	0.0	£13
130	Robert Walters PLC	RWA	Small Cap	Support Services	£3.09	15.8	2.3%	24.8	6.5%	75%	14%	2.9	£8
143	Rolls-Royce Group PLC	RR.	FTSE 100	Aerospace & Defense	£6.82	122.7	2.4%	15.9	5.1%	75%	8%	5.7	£925
28	Rotork PLC	ROR	FTSE 250	Industrial Engineering	£1.83	21.6	2.8%	24.8	8.6%	92%	30%	1.3	£89
132	Royal Dutch Shell PLC	RDSB	FTSE 100	Oil & Gas Producers	£17.00	23.2	7.4%	8.3	0.3%	54%	9%	3.2	£12,434
149	RPC Group PLC	RPC	FTSE 250	General Industrials	£7.59	17.6	2.0%	28.9	13.6%	83%	9%	7.0	£73
119	RPS Group PLC	RPS	Small Cap	Support Services	£2.08	15.9	4.7%	14.4	5.8%	75%	7%	3.3	£29
197	RSA Insurance Group PLC	RSA	FTSE 100	Nonlife Insurance	£4.76	18.6	2.2%	16.5	-19.4%	38%	10%	N/K	£213
176	S & U PLC	SUS	Small Cap	Financial Services	£21.85	-18.9	3.5%	36.6	5.3%	79%	10%	4.2	£13
198	SABMiller PLC	SAB	FTSE 100	Beverages	£42.56	30.0	1.7%	39.8	10.0%	83%	7%	4.1	£2,067
162	Sage Group (The) PLC	SGE	FTSE 100	Software & Computer Services	£6.29	26.3	2.1%	34.1	5.5%	83%	13%	2.5	£246
57	Sainsbury (J) PLC	SBRY	FTSE 100	Food & Drug Retailers	£2.76	10.9	4.8%	11.5	6.4%	75%	5%	5.2	£533
161	Schroders PLC	SDR	FTSE 100	Financial Services	£26.83	15.9	3.2%	25.2	15.1%	75%	3%	N/K	£376
49	Senior PLC	SNR	FTSE 250	Aerospace & Defense	£2.28	13.7	2.7%	16.8	12.0%	79%	12%	2.9	£72
219	Severn Trent PLC	SVT	FTSE 100	Gas, Water & Multiutilities	£21.73	37.3	3.9%	24.0	3.0%	71%	3%	23.6	£209
214	Shanks Group PLC	SKS	Small Cap	Support Services	£0.83	24.9	4.2%	12.4	-1.4%	50%	3%	19.2	£23
20	Sky PLC	SKY	FTSE 100	Media	£10.24	22.5	3.2%	25.3	11.1%	92%	21%	7.7	£1,026
107	Smith & Nephew PLC	SN.	FTSE 100	Health Care Equipment & Services	£11.48	21.2	1.8%	27.3	8.9%	83%	14%	2.4	£416
98	Smiths Group PLC	SMIN	FTSE 250	General Industrials	£10.76	12.6	3.8%	13.8	4.0%	67%	11%	3.8	£348
64	Spectris PLC	SXS	FTSE 250	Electronic & Electrical Equipment	£18.44	18.6	2.7%	21.0	10.1%	79%	12%	1.2	£126
165	Speedy Hire PLC	SDY	Small Cap	Support Services	£0.39	3.5	1.8%	5.8	-15.8%	67%	4%	6.5	£16
101	Spirax-Sarco Engineering PLC	SPX	FTSE 250	Industrial Engineering	£36.40	27.0	1.9%	31.4	8.5%	83%	17%	1.0	£99
50	SSE PLC	SSE	FTSE 100	Electricity	£14.92	14.0	5.9%	15.7	5.3%	83%	8%	5.2	£1,179
228	St Ives PLC	SIV	Small Cap	Support Services	£2.27	30.4	2.4%	17.9	-6.2%	50%	7%	5.8	£14
93	St James's Place PLC	STJ	FTSE 100	Life Insurance	£9.19	24.4	3.0%	42.2	19.7%	83%	13%	N/K	£141
7	Stagecoach Group PLC	SGC	FTSE 250	Travel & Leisure	£2.52	10.0	4.2%	12.0	8.1%	92%	14%	5.4	£145
85	Standard Chartered PLC	STAN	FTSE 100	Banks	£4.73	-13.9	2.0%	5.3	-0.3%	54%	11%	N/A	£2,105
142	Standard Life PLC	SL.	FTSE 100	Life Insurance	£3.56	19.7	5.2%	18.6	4.0%	67%	10%	N/K	£453
113	SThree PLC	STHR	Small Cap	Support Services	£3.14	15.0	4.5%	19.1	1.3%	54%	26%	1.2	£20
121	Tate & Lyle PLC	TATE	FTSE 250	Food Producers	£5.78	15.7	4.8%	12.7	2.0%	63%	10%	3.4	£227
80	Ted Baker PLC	TED	FTSE 250	Personal Goods	£27.23	27.3	1.3%	49.3	15.4%	88%	23%	1.0	£27
14	Telecom plus PLC	TEP	FTSE 250	Fixed Line Telecommunications	£9.20	22.9	4.3%	32.8	17.4%	88%	36%	2.6	£26
82	Tesco PLC	TSCO	FTSE 100	Food & Drug Retailers	£1.92	17.0	0.6%	7.2	2.1%	67%	8%	5.4	£2,334
122	Tribal Group PLC	TRB	Small Cap	Software & Computer Services	£0.51	8.3	1.4%	5.0	-8.9%	50%	12%	3.8	£10
103	Tullett Prebon PLC	TLPR	FTSE 250	Financial Services	£3.52	12.8	4.8%	8.3	-1.0%	46%	13%	2.5	£88
207	UBM PLC	UBM	FTSE 250	Media	£6.01	28.0	3.6%	19.0	-1.8%	54%	11%	5.7	£99
236	UDG Healthcare PLC	UDG	FTSE 250	Health Care Equipment & Services	£5.84	31.8	1.4%	34.6	0.3%	71%	7%	7.7	£42
21	UK Mail Group PLC	UKM	Small Cap	Industrial Transportation	£2.90	9.4	7.5%	12.6	5.4%	67%	18%	0.7	£14
118	Ultra Electronics Holdings PLC	ULE	FTSE 250	Aerospace & Defense	£18.05	38.5	2.6%	22.0	7.8%	67%	15%	5.2	£66
169	Unilever PLC	ULVR	FTSE 100	Personal Goods	£31.52	24.3	2.8%	26.1	3.1%	67%	15%	3.0	£3,501
222	United Utilities Group PLC	UU.	FTSE 100	Gas, Water & Multiutilities	£9.23	21.5	4.1%	18.8	-2.2%	63%	3%	20.3	£327
23	Vedanta Resources PLC	VED	FTSE 250	Mining	£3.43	0.3	11.8%	1.5	15.9%	67%	3%	13.0	£863
13	Victrex PLC	VCT	FTSE 250	Chemicals	£16.48	16.8	2.8%	23.7	14.8%	92%	22%	0.0	£76
114	Vitec Group (The) PLC	VTC	Small Cap	Industrial Engineering	£5.70	10.1	4.3%	11.1	3.3%	54%	11%	3.5	£26
39	Vodafone Group PLC	VOD	FTSE 100	Mobile Telecommunications	£2.21	10.0	5.1%	12.1	3.9%	92%	7%	2.0	£9,979
203	Vp PLC	VP.	Small Cap	Support Services	£6.60	16.8	2.5%	27.7	5.2%	79%	7%	6.5	£11
72	Weir Group PLC	WEIR	FTSE 250	Industrial Engineering	£11.08	27.5	2.7%	11.8	12.4%	71%	11%	3.5	£300
99	WH Smith PLC	SMWH	FTSE 250	General Retailers	£18.18	20.8	2.2%	32.7	9.0%	75%	39%	0.2	£87
106	Whitbread PLC	WTB	FTSE 100	Travel & Leisure	£39.60	19.1	2.1%	32.1	13.8%	100%	10%	2.0	£290
78	William Hill PLC	WMH	FTSE 250	Travel & Leisure	£3.27	16.4	3.8%	14.1	3.9%	79%	10%	3.5	£193
109	Wood Group (John) PLC	WG.	FTSE 250	Oil Equipment, Services & Distribution	£6.15	13.8	3.3%	8.6	9.2%	63%	9%	2.0	£161
116	WPP Group PLC	WPP	FTSE 100	Media	£16.27	11.7	2.7%	22.5	13.2%	88%	7%	4.3	£1,115
185	Xaar PLC	XAR	Small Cap	Electronic & Electrical Equipment	£4.88	19.5	1.9%	29.7	23.5%	74%	12%	0.0	£19
15	XP Power Ltd	XPP	Small Cap	Electronic & Electrical Equipment	£16.00	15.6	4.1%	21.0	14.6%	79%	22%	0.5	£19
225	Zotefoams PLC	ZTF	Small Cap	Chemicals	£2.91	26.7	1.9%	30.6	4.9%	67%	9%	0.5	£4

# Appendix 1: Metrics, maximums and minimums

## Financial metrics on the stock screen

**Rank:** The company's rank on the screen, with 1 being the highest rank. The rank is calculated by sorting all of the companies on the screen by each key factor (Growth, Quality, PE10, PD10, Profitability), creating a rank for each factor and then adding those individual ranks together.

**PE:** The price to earnings ratio. This is included just for information and doesn't form part of the ranking calculation.

**Yield:** The historic dividend yield. This is included for information only and doesn't form part of the ranking calculation. Instead, each company's rank is based on PD10, the ratio between the current share price and the average dividend paid over the past 10 years.

**PE10:** The ratio between the current share price and the company's average adjusted earnings per share over the past 10 years. This is used in the rank calculation. (MAXIMUM = 30)

**Growth:** The company's Growth Rate. This is used in the rank calculation. It is the average growth of revenues, earnings and dividends where growth in each is measured as the annualised growth of a 3-year rolling average over the past 7 years. (MINIMUM = 2%)

**Quality:** The company's Growth Quality. This is used in the rank calculation. It is the percentage of times that a profit has been made, and that revenues, earnings and dividends have increased, measured over the past decade. (MINIMUM 50%)

**Net Prof.:** The company's 10-year median net (post-tax) profitability. (MINIMUM 7%). Calculated as:

*ROCE (for non-financial companies): Adjusted profit after tax / (fixed assets + working capital)*

*ROE (for banks and insurance companies): Adjusted profit after tax / shareholder's equity*

**Debt:** Debt Ratio – The ratio between a company's total borrowings (total interest bearing debt) and its Current Earnings Power (CEP). Provides a rough guide to a company's ability to carry its debts in good times and bad. This is "N/A" (not applicable) for banks (where I use a series of ratios defined by banking regulators: Common Equity Tier 1 Ratio for leverage and the Liquidity Coverage Ratio and Net Stable Funding Ratio for liquidity). For insurance companies the Debt Ratio is "N/K" (not known) as I do not have data on borrowings for insurance companies. (MAXIMUM = 4 for cyclical sector companies, 5 for defensive sector companies)

**Earnings Power:** Current Earnings Power (£m). Calculated as 5-year average normalised profit after tax. Used in the Debt Ratio and Pension Ratio.

## Financial metrics used to analyse companies but which are not on the stock screen

**Pension Ratio:** The ratio between the company's defined benefit pension obligations and its Earnings Power. (MAXIMUM = 10)

**Sum of Debt and Pension Ratio:** (MAXIMUM = 10)

**FCF/Div:** 10-yr total free cash flow to 10-year total dividend ratio. Preferred value is above 1, but this is not a hard rule.

**Capex/earnings:** 10-yr total capital expenditure to 10-yr total adjusted earnings (post-tax profit) ratio. No hard rule but below 0.5 is defined as LOW, 0.5 to 1 is MEDIUM, above 1 is HIGH.

**Acquisition Ratio:** The ratio between cash spent on acquisitions and earnings. (MAXIMUM 10-YR AVG = 1)

## Insurance company metrics

**Premium to Surplus Ratio:** A measure of how cautious an insurance company's underwriting business is. Calculated as the ratio between Net Written Premium and Tangible Net Asset Value. (MAXIMUM 5-YR AVG = 2)

**Combined Ratio:** Shows whether or not an insurance company is making a profit on its underwriting business. Calculated as the sum of Loss Ratio and Expense Ratio. (MAXIMUM 5-YR AVG = 95%)

## Bank metrics

**Common Equity Tier 1 Ratio (CET1):** A measure of bank leverage. Calculated as the percentage of "high quality" capital relative to risk-adjusted assets. (MINIMUM 5-YR AVG = 12%)



## Appendix 2: Strategy overview and stock screen colour-coding

### Portfolio management

**Deliberate diversification** - To reduce the risks that come with each individual company it is generally considered a good idea to hold a widely diversified portfolio. The Model Portfolio is diversified in terms of the number of companies (with a target of 30 equally weighted holdings), the industrial spread of those companies (no more than 2 or 3 from the same Sector) and their geographic spread (no more than 50% of portfolio revenue to be generated in the UK).

**Continuous portfolio improvement** - A portfolio is a dynamic entity much like a garden. If left unmanaged (as with a pure buy-and-hold portfolio) there is a risk that over time it will drift away from its original goal. For example, a high yield portfolio may become an average yield portfolio if the share prices of all the holdings increase faster than the dividends.

To avoid this the portfolio is actively managed so that it always contains a majority of high quality companies with attractively valued shares. Each month a company is either added to or removed from the portfolio based on its Stock Screen rank and various other factors.

### Monthly buy and sell decisions

**Buy decisions** - The first step in each buy decision is to look through the Stock Screen for the highest ranked stock which is not already in the portfolio and which meets all the initial criteria (e.g. Debt Ratio under 5, Profitability above 7%).

The second step is to enter the company's financial results from the past decade into the investment analysis spreadsheet (available on the website) so that some additional quantitative checks can be carried out (such as calculating the Pension Ratio, Free Cash Flow to Dividend Ratio or Premium to Surplus Ratio).

If all the financial results look okay then the next step is to review the operational history of the company over the past decade. This involves reading the opening sections of each annual report, as well as more recent interim and quarterly results, in order to build up a picture of what the company does and what problems it has faced or is facing. This analysis is used to answer the YES/NO questions in the investment worksheet (available on the website), which are then used in combination with the financial results to make a final buy or no-buy decision.

**Sell decisions** - Sell decisions are based primarily on a company's stock screen rank, with the lowest ranked companies most likely to be sold. However, there is a degree of subjectivity involved and it isn't a purely mechanical process. For example, companies which are surrounded by a reasonable amount of good news are more likely to be sold than those which are still unloved, or which are still in the middle of a turnaround strategy.

### Stock screen colour coding

- **Ranking Factors (PE10, Growth, Quality, Net Prof.) and Yield:**

- Green** = Better than FTSE 100
- Light Red** = Worse than FTSE 100
- Dark Red** = Above maximum or below minimum

- **Debt Ratio:**

- Green** = Below 4 (acceptable for all companies)
- Light Red** = Between 4 and 5 (only acceptable for defensive sector companies)
- Dark Red** = Above 5 (too high for all companies)

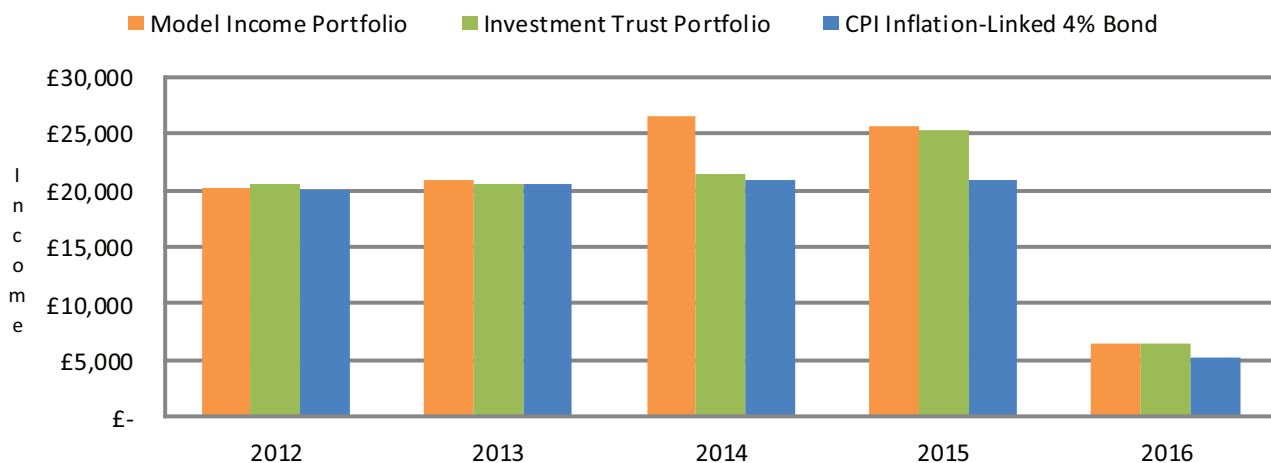
- **Rank:**

- Green** = Above average rank; **Amber** = Average rank; **Dark Red** = Below average rank

## Appendix 3: Model Income Portfolio

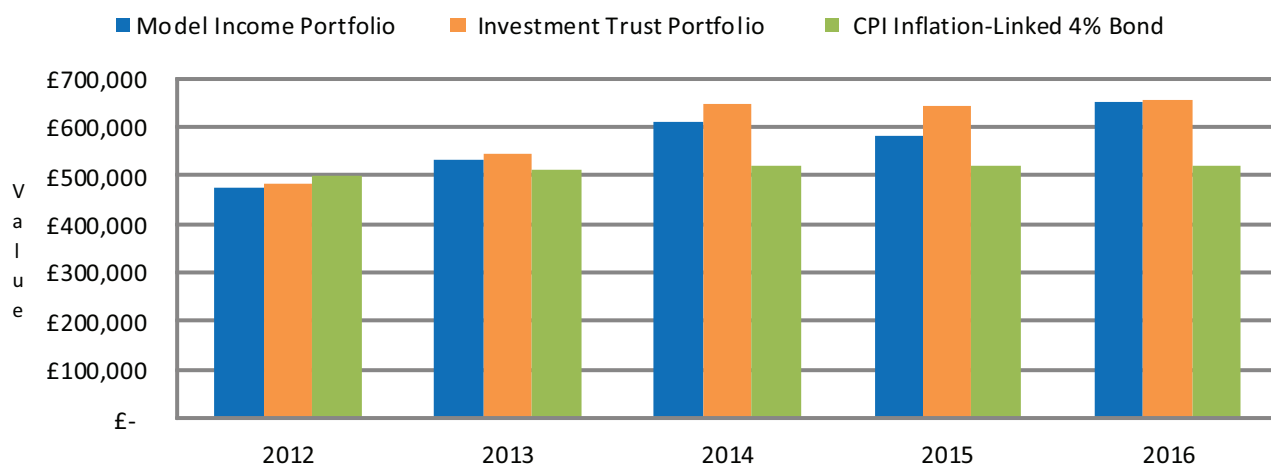
This portfolio holds the same shares as Model Portfolio and represents the portfolio of an investor who is in the income drawdown phase. It started with £500,000 in March 2011 and pays out all dividends as income. The goal of the portfolio is to show that equities in the drawdown phase can produce inflation-beating dividend and capital growth over the medium to long-term. The Model Income Portfolio is benchmarked against an Investment Trust Portfolio and a 4% Inflation-Linked Bond.

### Dividends Withdrawn



Annual Dividend Income Withdrawn	Model Income Portfolio	Investment Trust Portfolio	4% Inflation-Linked Bond
2012	£20,250	£20,525	£20,000
2013	£20,856	£20,575	£20,504
2014	£26,512	£21,408	£20,797
2015	£25,665	£25,215	£20,846
2016	£6,527	£6,425	£5,215
Cumulative income	£99,810	£94,148	£87,362

### Capital value as at 1st January



This chart of capital value is included to show how capital growth should approximately track dividend growth over the years. The 4% Inflation-Linked Bond has a capital value which increases in line with CPI inflation from £500k on 01/01/12. The Model Income Portfolio and the Investment Trust Portfolio should both produce capital gains which at least match the Inflation-Linked Bond over the long-term.

## Appendix 4: Index of current holdings reviews

Name	EPIC	Index	Sector	Purchase Review	Annual Reviews	Interim Reviews
Aberdeen Asset Management PLC	ADN	FTSE 100	Financial Services	February (2016)	None yet	None yet
Admiral Group PLC	ADM	FTSE 100	Nonlife Insurance	November (2013)	April (2014, 2015, 2016)	September (2014, 2015)
Aggreko PLC	AGK	FTSE 250	Support Services	January (2016)	April (2016)	None yet
AstraZeneca PLC	AZN	FTSE 100	Pharmaceuticals & Biotechnology	July (2015)	March (2016)	August (2015)
BAE Systems PLC	BA.	FTSE 100	Aerospace & Defense	Purchased before issue # 1	March (2012, 2013, 2014, 2015, 2016)	August (2012, 2013, 2014, 2015)
Beazley PLC	BEZ	FTSE 250	Nonlife Insurance	September (2015)	March (2016)	None yet
BHP Billiton PLC	BLT	FTSE 100	Mining	Purchased before issue # 1	September (2012, 2013, 2014, 2015)	March (2012, 2013, 2014, 2015, 2016)
BP PLC	BP.	FTSE 100	Oil & Gas Producers	Purchased before issue # 1	March (2012, 2013, 2014, 2015, 2016)	August (2014)
Braemar Shipping Services PLC	BMS	Small Cap	Industrial Transportation	Purchased before issue # 1	June (2012, 2013, 2014, 2015)	November (2012, 2013, 2014, 2015)
British American Tobacco PLC	BATS	FTSE 100	Tobacco	September (2013)	March (2014, 2015, 2016)	August (2014, 2015)
Brown (N) Group PLC	BWNG	FTSE 250	General Retailers	November (2014)	May (2015)	November (2015)
Burberry Group PLC	BRBY	FTSE 100	Personal Goods	November (2015)	None yet	December (2015)
Centrica PLC	CNA	FTSE 100	Gas, Water & Multiutilities	August (2012)	March (2013, 2014, 2015, 2016)	August (2013, 2014, 2015)
Chemring Group PLC	CHG	Small Cap	Aerospace & Defense	Purchased before issue # 1	February (2012, 2013, 2014, 2015, 2016)	July (2012, 2013, 2014, 2015, 2016)
GlaxoSmithKline PLC	GSK	FTSE 100	Pharmaceuticals & Biotechnology	January (2015)	March (2015, 2016)	August (2015)
Homeserve PLC	HSV	FTSE 250	Support Services	August (2013)	June (2014, 2015)	December (2013, 2014, 2015)
IG Group Holdings PLC	IGG	FTSE 250	Financial Services	September (2014)	August (2015)	February (2015, 2016)
ITE Group PLC	ITE	Small Cap	Media	March (2015)	January (2016)	July (2015)
Mitie Group PLC	MTO	FTSE 250	Support Services	Purchased before issue # 1	June (2012, 2013, 2014, 2015)	December (2012, 2013, 2014, 2015)
Morrison (Wm) Supermarkets PLC	MRW	FTSE 250	Food & Drug Retailers	May (2013)	April (2014, 2015, 2016)	October (2013, 2014, 2015)
Petrofac Ltd	PFC	FTSE 250	Oil Equipment, Services & Distribution	March (2014)	March (2015, 2016)	September (2014, 2015)
Reckitt Benckiser Group PLC	RB.	FTSE 100	Household Goods & Home Construction	February (2014)	March (2014, 2015, 2016)	August (2014, 2015)
Rio Tinto PLC	RIO	FTSE 100	Mining	September (2012)	March (2013, 2014, 2015, 2016)	September (2013, 2014, 2015)
SSE PLC	SSE	FTSE 100	Electricity	November (2011)	June (2012, 2013, 2014, 2015)	December (2012, 2013, 2014, 2015)
Standard Chartered PLC	STAN	FTSE 100	Banks	July (2014)	April (2015) March (2016)	September (2014, 2015)
Telecom plus PLC	TEP	FTSE 250	Fixed Line Telecommunications	May (2015)	July (2015)	December (2015)
Tesco PLC	TSCO	FTSE 100	Food & Drug Retailers	June (2012)	May (2013, 2014, 2015)	November (2012, 2013, 2014, 2015)
Tullett Prebon PLC	TLPR	FTSE 250	Financial Services	Purchased before issue # 1	April (2012, 2013, 2014, 2015, 2016)	August (2012, 2013, 2014, 2015)
Vodafone Group PLC	VOD	FTSE 100	Mobile Telecommunications	Purchased before issue # 1	June (2012, 2013, 2014, 2015)	December (2012, 2013, 2014, 2015)

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