

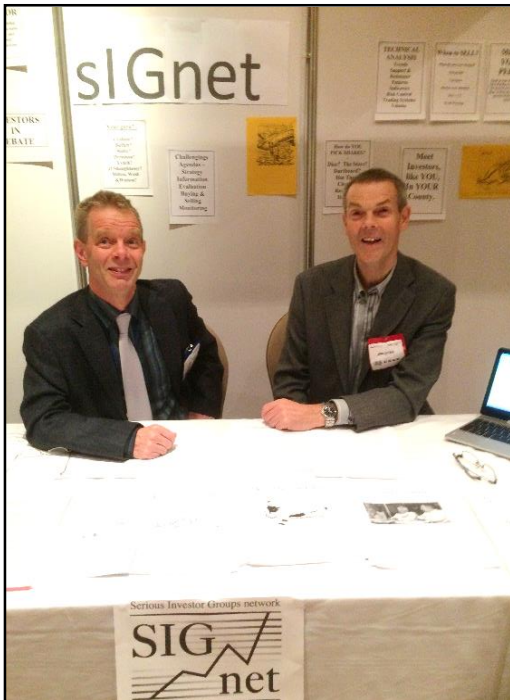


SIGnet Newsletter

Newsletter of the Serious Investors Groups Network

Spring 2016

THE LEEDS SHOW



SIGnet’s Leeds Group manned a free stand provided by the London Investment Show at the Leeds Business Show on 15th October. The photograph shows John Scholfield (left) and the Convenor Paul Fisher on the SIGnet stand. Both had thirty years of investment experience.

John started with a talk on Investing for Income and the use of AIM shares to avoid inheritance tax while Paul showed the Benefits of SIGnet membership and avoiding high charges with numerical charges.

Three members of our Belfast group flew over to join them. However, the attendance at the exhibition was disappointing. The website visits at that time were above average.

BEAR MARKET PROSPECT?

Frederik Vanhaverbeke’s definition of a bear market is a period in which a stock market loses at least 20% versus a previous market top. This would be FTSE 100 @ 5,600.

Two bear markets ago Lea Patterson researched the history of bear markets.

<u>Peak</u>	<u>Trough</u>	<u>% Decline</u>	
			Months to recover to previous level
Nov 1809	132	Jan 1813	30
Dec 1827	361	Oct 1841	48
Jun 1845	165	Oct 1849	43

Mar 1873	100	Nov 1887	36
Feb 1900	270	Dec 1921	42
		WW1	
Sep 1929	144	Jun 1932	52
		Gt.Recession	
Dec 1936	46	Jun 1940	52
		WW2	
Apr 1972	45	Nov 1974	71
		Oil shock	
Dec 1999	85	Mar 2003	49
		Dot com	
Oct 2007	72	Mar 2009	51
Apr 2015	?	?	?

So when will the trough be? If the decline is 50% the FTSE 100 will sink to around 3,500.

Is it different this time? What do you think?
What are you going to do?

David Watson(member) in his book "Business Models" p.144 recommends buying the Beverages, Food producers and processors, Pharmaceutical, Health and personal care, tobacco, Food and drug retailer, Telecommunication and Utility sectors if we are at the start of a declining market.

SHOE STRING SIGnet

SIGnet has been run on a shoestring since it began with a minimum of central resources. In effect it only covers a minority of the postcode areas. If we are to provide the benefits of membership that we have discovered to the rest of the populated parts of the UK, there is work to be done and we need the resources to do it. We need help with:-

Handling Membership Enquiries

Supporting Groups

Maintaining external relationships

Circulating subjects for discussion.

SIGnet representation at exhibitions and seminars

BRITAIN'S MOST ADMIRER COMPANIES 2015

Management Today has been assessing this annually for the last 25 years. There will be a review in the forthcoming *Serious Investor*. It is based on nine measures of success. The top 10 companies for 2015 are:- Unilever, Johnson Matthey, Derwent London, Easyjet, Berkeley Group, Betfair, Great Portland Estates, Paddy Power, RB (Reckitt Benckiser) and Rotork.

WEBSITE

New features on our website in 2015:

*Understanding the oil industry by D Stark

*Technical Analysis, an outline by Christopher Pratt

High Yield Shares Update (latest) by John Lander

Flash Boys: Cracking the Money Code by Michael Lewis review by Jeremy Prescott

Psychology, Investor extract from Frederik Vanhaverbeke

*British Manufacturing Industry "I'm All Right Jack" by John Lander

*Fledgling v. Aim- March 2015 - A research paper by John Lander

*The Building Societies Commission - Fact and Fantasy by Christopher Pratt.

This edition of the website has had over 5,000 visits with an average visiting time of 8 minute

EXHIBITIONS, SHOWS & SEMINARS

London Investor Show

Lisa Campbell (Member) has brought back training seminars which her firm ran under "Training for Profit" some years back in addition to her exhibition series:-

How to Select Shares like a City analyst and become a self-reliant investor

One-day investment workshop for private investors by Phillip Oakley at 220GBP + VAT with 20% discount for members of SIGnet.

5 th April	Birmingham
6 th April	London
7 th April	Bristol
13 th April	Manchester
14 th April	Edinburgh

London Forex Show 19 February

London Investor Show 21 October.

Shares Magazine

Innovators & Investors Forum 2 February 2016, Business Design Centre Showcasing over 30 pioneering technology-led firms. Contact:

www.sharesmagazine.co.uk/events

Master Investors Show - Design Centre Islington - 23 April 2016 from 0900 to 1730

Investors can claim up to 4 free regular tickets that are "queue-busting". Contact:

www.masterinvestor.co.uk

Subscriptions for 2016

After 17 years at £25 subscriptions are under review and the result will be communicated by convenors and the website.

Recession resistance

Under the heading *The economic cycle of opportunity* member David Watson's book *Business Models*, he assesses the recession resistance of each of the FTSE Sectors. From his assessment he concludes that at the top of a cycle you buy the non-cyclical consumer goods, non-cyclical services and utilities. At the bottom you buy resources, basic industries, general industrials, cyclical consumer goods, cyclical services, information, technology. For the second half of the economic cycle, selling replaces buying in the reverse sequence. He follows with a section about each sector. His book can be obtained from our publisher – Harriman House www.harrimanhouse.com 01730 28870: 3A Penns Road, Peterfield GU32 2EW.

PUBLICITY

In addition to the Leeds Groups stand at the Leeds Business Week, SIGnet had a speaker's slot at the London Business Show's event at Novohotel Hammersmith. This was filled by John Lander but unfortunately it coincided with a talk by Phil Oakley that drew the crowds.

Several thousand SIGnet leaflets were distributed at exhibitions during 2015. The latest leaflets show a SIGnet Group in action! The concentration on exhibitions has strengthened areas where investor travel from to London venues. Emphasis will now be obtaining press references so that we reach the whole of the UK.

The Old Order Changeth

It is sad to record the passing of Jim Slater. His articles and books were followed by many SIGnet members. He appeared in the 90s in the *Mail on Sunday* with the concept of PEG. His best known books are *Investment Made Easy*, *Zulu Principle*, *Beyond the Zulu Principle* and *REFS*.

A new face is Phil Oakley who has joined ShareScope after 13 years as an analyst and 3 years Senior investment writer for MoneyWeek.

He was a speaker at the London Investment Show in October and running training seminars for the

London Investment Shows provincial tour (see Exhibitions above).

Have you a "robo-adviser"

In a May issue of *Saga Magazine*, Merryn Somerset Web comments:-

"What you really need in a fund manager:- it is not a person but a robot - one who can't be distracted by the shifting moods of the markets; who can be programmed not to care about what everyone else is doing; and who, crucially, comes cheap."

Apparently robo-advisers have been in use in America for nearly ten years and BlackRock has recently bought a small firm called FutureAdvisor. In the UK they are dealt with by Nutmeg.

We would like to like hear from any reader with experience in this field. If you are using an Independent Financial Advisor how do you know whether he is using a robot?

SECURITY

This is coming more and more into the news. The City of London Police had a stand at the London Investment show in October which shows they are aware that investors are a significant target for fraud. The Fraud Squad are operating nationally and they advised investors who needed to to contact Action Fraud(0300 123 2040)

SIGnet's confidential database of serious investors could be of considerable value to a range of businesses - good and bad. Consequently it is stored and processed on a computer not connected to the web. If it is copied to another computer, then that is by flash drive through the post. Groups may have extracts relating to their membership but these are too small to be a target. If however any member concludes that we have any security problems they are requested to report it.

HIGH YIELD UPDATE JANUARY 2016

The combination of low interest rates, inflation risk, currency worries and uncertainty of market direction in 2013-16 have concentrated the mind. A screen to identify low risk high yield equities has been run since 2008. As screening can just lose first rate companies, the tables below include borderline results in an attempt to reduce such omissions.

To counter low interest rates the prospective dividend yield - DY(pr)% - 4 %+
 To protect the dividend the dividend cover – (Div. cover) – 1.3+.
 To counter the inflation risk the Prospective Earnings/share Growth – Eps grw (pr) 5%+
 As protection against market risks the net gearing be less than - 50%
 Market Capitalisation – MCap – for liquidity should exceed £50 million.

Company	Sector	Indx	DY% (pr)	Div Cov	Sales Tren%	PER (pr)	PE G	Eps Gr (pr)%	%Net Gear	O'Seas Sales%
Amino Tech	TechH	AIM	5.61	2.2	2.5	11.6		30.8	-81	80+
Central Asia Metals	Min	AIM	7.21	3.4	114	11.2		53.3	-25	100
Charles Taylor	SupSy	SCap	4.00	4.0	3.9	12.0		7	-38	72
Harvey Nash	SupSy	Fledg	4.67	2.7	13	8.7	1.12	7.8	-3	67
Huntsworth	Media	SCap	4.43	1.9	-5.7	10.9		24.4	18	65
Low & Bonar	ConM	SCap	4.55	1.7	1.3	10.3		12.3	-8	50+
Spirent Commun.	TechH	SCap	4.35	1.3	1.4	20.8		22	-11	86+
Tullett Prebon	FinSv	250	4.56	1.4	-5.7	11.5		14	-14	50+

The tables shows the result using REFS 1/16.
 The 8 selected companies above come from 6 sectors.

Indices FTSE100 – 0; Mid250 - 1; Small Cap - 4 ; Fledgling – 1; AIM – 2; non-index - 0.

Companies satisfying the criteria with the exclusion of the 50% overseas business are:-

Barratt, Berkeley, Bloomsbury, Bovis, Brown(N), Communisis, Crest Nicolson, Debenhams, Epwin, F&C RE Inv, Fairpoint, Guillford Try, H&T, Keir, Lion Asset Man., MITIE, Morgan Sindall, Matchtech, NAHL, Netcall, Numis, PayPoint, Persimmon, River & Mercantile, Royal Mail, Schroder Real Estate, ScS, Shoe Zone, Taylor Wimpey and UTV Media.

This is a mechanical selection based on data in the January 2016 issue of REFS and not a recommendation. The forecasts of growth are based on a consensus of brokers' estimates. This is a short-term strategy but some of these companies

may provide a bonus of capital growth if they are in recovery mode (see audit of last three years).

Prospective investors must do their own research, make sure they understand the business model, select more than one if possible, look at possible political risks, market trends and preferably discuss their selection with their peers.

SERIOUS INVESTOR

No. 29 is being prepared, likely subjects are:

The End of the Trend

Development of replacement of the 10yr consistent Eps sieve.

Book Reviews

Britain's most admired companies

Fund performance.