SHARESOC INFORMER

Welcome to our July newsletter

A hung parliament, power sharing with the DUP, Jeremy Corbyn favoured by the pollsters; much has happened since our last newsletter, and we are left with more uncertainty over the Brexit process and its effects than ever. But overall, UK stock markets have proved again to be remarkably resilient at FTSE 100, FTSE 250 and AIM level, as has the pound. Commentators remain split between those who argue that stocks are overvalued, and those who argue they are fundamentally cheap, although the voices in the former camp are becoming more strident of late.

From a policy perspective, the election result is problematic. Theresa May's promising rhetoric on governance and on taming corporate excess is likely to lose focus and support in the horse trading which will characterise the coming two years. Even where issues manage to find government attention and support, the parliamentary majority is too narrow to guarantee action. We will watch with interest the output from the Green Paper.

Closer to home, we are delighted that the new ShareSoc website is now up and running. It represents a major advance in the quality of service we offer our members and lays the foundations for further improvements to come. The board is very grateful to ShareSoc Director Mark Bentley, who volunteered to manage this project, and to those of you who made generous donations to fund the project. If you haven't yet visited the site, please take the time to do so.

June's London seminar was a particular success, with presentations from Avacta, Gresham House Strategic, Caledonia Mining and SigmaRoc. Cliff Weight's report on the meeting is included in this newsletter. If you haven't been to a ShareSoc company event recently I would encourage you to come along to one of the July meetings and take the opportunity to hear directly from management, network with fellow investors and enjoy a buffet and a glass of wine.

Mark Northway

Chairman

INSIDE THIS ISSUE

The changing role of non-Executive Directors

Chris Spencer-Phillips - Director of ShareSoc and of First Flight

Boards in the UK and across the globe are experiencing increased pressure driven by high profile corporate scandals, investor dissatisfaction, questioning of Director Remuneration, the lack of contribution from many Non Execs and financial regulation.

In an ever changing landscape, the expectation of Non-Executive Directors is higher than ever with greater responsibilities, the need to ask the difficult questions, think about the long term, uphold the highest Corporate Governance standards, defend the interests of shareholders and to act truly independently; sadly we see many companies where this is just not happening.

"There is not a strong consensus on how to set the expectations of Boards so that they can perform their role … Demands on Non-Executives have risen to the point where it is time to stand back and take stock and find ways to improve the approach." Andrew Bailey, Chief Executive Officer, Prudential Regulation Authority.

Change comes about not only because of legal and regulatory requirements, but in some cases simply because Boards are under continuing pressure to improve their performance. There are a number of important questions about what makes for an effective Board that remain unanswered. Diversity is a key catalyst to effective conversation in the Boardroom, not only addressing areas such as age, ethnicity and gender but also skills, competencies, and business experience.

Board members are required to demonstrate expertise in many areas of risk: IT, digital/on-line, cyber security, the effects of Brexit, shareholder activism, M&A and Corporate Social Responsibility. Boardrooms have to become more agile and spend more time focusing on getting their strategy right. Chairmen will have to be more innovative and must expect to be challenged.

The impact of these changes means refreshing Boards to achieve successful succession planning is crucial. The importance of a thorough Board skills analysis will ensure Directors are being properly utilized and Non Execs appointed to fill the gaps. Scrutiny of Board members by shareholders will inevitably drive recruitment of more 'independent' and effective Directors which has to be a good thing. Evolving the role and contribution of Non-Exec Directors is the most effective means of improving the quality and effectiveness of Boards.

Ten years ago the average UK Non Exec had in excess of ten roles now it is rare to find a Non Exec with more than four roles and the additional time and commitment they are putting in to contribute effectively is a major step in the right direction to improving Board performance.

Lessons from Monitise

Roger Lawson

A takeover bid was announced this month for Monitise (MONI) at 2.9p per share (valuing the business at £70m when it was once worth £1 billion.

Monitise developed on-line banking apps and other e-payment products. Revenues bounded ahead up to £95 million in 2014, but losses increased in line. Pre-tax losses were £63 million in that year and £243 million two years later after the bubble collapsed when customers decided to build their own apps and a partnership with Visa was cancelled. Major write-offs resulted.

More latterly the company has been promoting a development kit for banking applications, but has had difficulty in selling it apparently. I was sceptical about the prospects for this because selling "tools" rather than ready made applications is always difficult and I have a holding in a private company that has faced the same difficulties. There may be some value in it though because the bidder, Fiserv, are knowledgeable in this area and may be a more credible seller of the new product.

I first bought a few shares in January 2012 at 29p and more later, but sold out in 2016 at around 60p. I did not like the continual fund raising, the persistent losses, the excessive pay of the CEO, general profligacy and unkept promises of future profitability. That was combined with poor cash flows plus general over-optimistic noises emanating from the business.

I did buy back some shares in early 2016 at less than 2.00p (which I still hold) when I considered the "legacy" revenue and future prospects justified, and after the CEO was changed. At the time I wrote an article for the ShareSoc newsletter about this and two other companies which I called "real dogs" and questioned whether they could recover (Feb 2016 Informer Newsletter). Incidentally I did declare my interest in the shares for those who worry about such matters.

So what are the morals of this story?

1. Be wary of companies which never show they have a profitable business model. Sales are not enough!

2. Are the management conservative or consistently too bullish about the prospects for the business?

3. Avoid companies that need to keep raising cash rather than generating it themselves.

4. But there comes a point sometimes in technology businesses where after a change of management the business may be worth reconsidering when all the speculators have long gone and it's one of those unloved stories that many would prefer to forget about.

5. Investors in this stock would also have found it useful to read the reports of the company's AGMs in 2012, 2013 and 2016 written by the writer, by Alex Lawson and by Mark Bentley. These are available on the ShareSoc Members Network.

ShareSoc Launches our New Website

Mark Northway

AFTER ALMOST A YEAR OF DEVELOPMENT, WE ARE PROUD AND EXCITED TO ANNOUNCE THE LAUNCH OF THE NEW SHARESOC WEBSITE. YOU WILL FIND THE NEW WEBSITE IN ITS USUAL PLACE: WWW.SHARESOC.ORG

I would like to thank all those members who donated generously to fund this development. I would also like to thank ShareSoc Director Mark Bentley for volunteering a huge amount of his time to manage the project. Mark was ably supported by our developers Chillibyte, and my thanks also go to them and to Marketing and Communications Officer Angela Watt, for volunteering to transfer much of the content of our old website to the new one.

As well as having a modern, professional appearance, the new site is designed to be more usable. It is now "responsive", meaning that it can be used more easily on mobile phones and tablets, as well as on desktop computers. In addition to the search facility at the top right of each page, you will find a comprehensive menu system, making it easier to navigate the site and find what you're looking for.

Details of the services we offer, including campaigns and consultations we're involved in, can be found under the "About" menu. You will find ShareSoc news, our blog, AGM report and Newsletter summaries under the "News" menu. Our blog is now fully integrated into the new website.

A major new feature of the site is the "ShareSoc Investor Academy" (SIA), which is where our educational content lies. Existing educational resources have been moved from the old site to the SIA, and some new content has been created, with more to be added over the coming months. As a result, certain pages in the SIA are marked as "under construction".

If you view a blog post, or a ShareSoc event, you'll find the ability to subscribe to each of those, in order to receive notifications to your email inbox whenever a new blog post or event is published. Do take advantage of that, to keep up to date with what's going on. NB if you subscribed to receive notifications from our old blog, you will need to re-subscribe on the new blog.

Finally, every page offers a "Feedback" tab, at the bottom of the page. Please use this to report any issues or comments.

The launch of the new site represents the first major phase of our IT Upgrade Project. There is much more work we'd like to do, to improve the service we offer you. The next phase involves implementation of a membership "back end" to the site, which will allow us to offer a wide range of member focused enhancements, including:

• Speedier sign up to our events - no need to re-enter your details each time.

• Self-maintenance of your "profile", allowing you to specify more accurately what emails you do & don't want to receive from us, thus ensuring that you only get what you want.

• Integrating exclusive content from our Ning website, whilst ensuring that only full members can access that content (e.g. AGM Reports). This will make that content easier for our full members to access. See this page for details of the exclusive content available to full members of ShareSoc.

In order to complete these later phases, we will need to raise further funds, as detailed on the IT Upgrade Project page. Please visit that page, if you can help us to reach that target by making a contribution.

We hope you enjoy exploring and using the new ShareSoc website.

Column - Leon Boros

Three and a half years ago I wrote an article for the ShareSoc newsletter which explained my journey to becoming an ISA millionaire. The article was subsequently published by Stockopedia and it has since been read over 40k times. At the start of 2016 I updated my results for an ebook entitled, "Ten key investing lessons from an ISA Millionaire" which was published by ShareSoc.

At the end of 2015 the value of my and my spouse's ISAs had reached £1.73m. From January 1st, 2016 through to June 22rd, 2017 the value of the ISAs has increased further to £2.367m. Year to date the return has been 21.4%.

The key contributor to this success has been Bioventix which I originally acquired at £2.60 in April 2013 and have bought at higher prices on four subsequent occasions. The stock is currently trading at £18.60 and represents around 30% of my overall portfolio. I believe the recent launch by Siemens of its Troponin assay which includes the Bioventix's antibody will see earnings per share rise to at least £1.30 over the next few years.

> The focus continues to be on companies which are growing top line revenues, generate significant free cashflows and high returns on total tangible assets.

Other winners since the end of 2015 across all portfolios include Boohoo (up 572%), XL Media (up 59%), Empresaria (up 51%), Beazley (up 24%), PV Crystalox (up 124%) and Nintendo (up 180%). All of these stocks with the exception of Empresaria are in my top ten. Other top ten holdings include Best of the Best (BOTB) and National Accident Helpline (NAHL).

Mistakes over the period have included shorting the FTSE 100 following the EU Referendum, selling Gateley at £1.05 now valued at £1.87, heavily reducing Tristel at £1.19 now trading at £1.92 and some errors of omission, namely FeverTree (had a chance to buy at £9, now £16.58), Blue Prism (chance at £4.20, now £7.43) and AB Dynamics (chance at £3.10, now £5.73).

The focus continues to be on companies which are growing top line revenues, generate significant free cashflows (after CAPEX and spending on internally generated intangibles) and high returns on total tangible assets. Additionally, I like asymmetric risk and reward opportunities such as PV Crystalox which I acquired on numerous occasions at below 10p.

Markets continue to perform strongly despite what feels like heightened risks. In the UK political uncertainty (unstable minority government and the shift to the left) and economic uncertainty (Brexit) continue to be largely ignored by the markets. Trump continues to be a destabilising force. Cash now makes up just over 10% of my portfolio and is likely to increase. I also hold some Gold ETFs.

Hubris is a terrible thing. Theresa May only considered what she would feel like if she won the general election with a landside and not how she would feel if she "lost". This is a good lesson for all investors. To simulate the feelings of loss, why not value your current portfolio at 2009 prices and see how you might feel if markets were to do the unthinkable!

Leon Boros is a founding director of Equity Strategies and an active private investor. Find him on Twitter at @Boros10

RBS payout may trigger other group litigations

Cliff Weight

RBS £200M PAYOUT COULD LEAD TO SIMILAR GROUP LITIGATION BROUGHT BY SMALL INVESTORS IN OTHER COMPANIES.

You may recall that investors alleged that RBS had misled them over the state of its health before a £12bn rights issue in spring 2008. Most of that investment was wiped out soon after, when RBS required a £45.5bn taxpayer-backed bailout.

Thousands of retail investors and institutions worked together to bring a court case that was due to start in May. But over the previous few months, a number of institutions and other investors — representing nearly 90 percent of claims by value - agreed to a settlement worth between 41p and 43.2p per share.

The deal struck in early June with thousands of retail investors at double that price is a sign that individuals can successfully pursue a group litigation case. So expect similar action in the future.

Other group litigation cases with similarities to RBS are already in the pipeline. A case against Lloyds Banking Group, which was only freed from the shackles of government ownership last month, is due to commence in October. Again, it is being brought by thousands of investors who complain about the bank's rescue of the beleaguered HBOS in 2008. Annoyingly the action group is no longer open to new members so I cannot join it! I found out too late.

Investors allege they lost about £400m as a result of the deal and that HBOS shares were "valueless" at the time. They claim they were misled into approving the HBOS merger as key information over the true financial health of the bank was withheld.

Stephen Rosen, a partner at law firm Collyer Bristow was quoted as saying "there are litigation funders who are actively looking to fund shareholders' actions."

With more litigation funding readily available, the success of the RBS investors could inspire more small shareholders to take action.

RBS case shows why trust must be rebuilt in business

LETTER PUBLISHED IN THE FT ON 31ST MAY FROM SHARESOC DIRECTOR CLIFF WEIGHT ON WHY THE SFO, CPS AND/OR BEIS SHOULD BE GIVEN MORE RESOURCES AND TOLD TO PURSUE PROBLEM CASES MUCH MORE SPEEDILY. COMPANIES SHOULD NOT BE ALLOWED TO HIDE BEHIND EXPENSIVE LAWYERS:

"Sir, It seems that the major players in the RBS Action Group have accepted the latest RBS settlement offer (May 30). This has, in effect, enabled RBS to bully the small individual shareholders into also accepting the settlement. I say "bully" because RBS is threatening anyone who pursues the case to risk having costs awarded against them.

So now the case will be settled. No one will be found responsible. RBS will pay out £800m (of shareholders' money) to a group of its shareholders without admitting any culpability or liability. It all gets swept neatly under the carpet and no one goes to jail. It has taken nine years for this to happen. It is not just RBS — the HBOS Reading trial took nearly 10 years to be investigated and brought to court.

The key players do not come out of this well. Something is wrong with the Serious Fraud Office, Crown Prosecution Service, Financial Conduct Authority, Financial Reporting Council, Department for Business, Energy and Industrial Strategy, etc when £12bn of RBS shareholders' money raised in a rights issue can disappear so quickly.

Very, very few people in the UK have gone to jail as a result of their actions that led to the 2007/08 financial crisis, yet millions of people have suffered severe hardship as a result. The SFO, CPS and/or BEIS should be given more resources and told to pursue problem cases much more speedily. Companies should not be allowed to hide behind expensive lawyers. The whole process of settlements, where management admit no blame and shareholders pay the fines/settlement amounts, mean management get off scot-free and also needs a review.

These steps — plus others no doubt — are required to rebuild trust in business and to tackle what Prime Minister Theresa May calls the "anything goes" business culture."

Cliff Weight - Director, ShareSoc

If Carlsberg did...Capital Market Days, they'd be like HarbourVest

Mark Bentley

As part of its mission to support individual investors, ShareSoc encourages companies to engage with their retail shareholder base. There is little more annoying than companies that issue RNSs announcing Capital Market Days (i.e. major events at which companies "display their wares" to investors and prospective investors) on the morning those events take place. Favoured institutional investors will have been invited to those events weeks in advance – and retail investors find themselves excluded, even if they're able to get to the event in time (unlikely). The RNS is just a token gesture, so that the company can't be accused of conducting the event in secret and imparting inside information to "the chosen few". Companies that do this clearly don't care about their individual investor base. Often they are poorly advised by their corporate brokers, who may prefer to have cosy relationships with institutions, rather than having to deal with us "hoi polloi".

HarbourVest Global Private Equity (HVPE) is a shining star amongst this darkness, and sets an example other companies should follow, so it gives me great pleasure to report on what they have done. For full disclosure, I have held HVPE shares since March 2014 and they are now one of my largest shareholdings, delivering a highly satisfactory annualised IRR (allowing for some judicious trading) of 23.9% over that period, with low volatility. HVPE is now a fully listed FTSE250 investment company, investing exclusively in HarbourVest private equity funds. HarbourVest itself (HVPE's fund manager) is a private equity asset manager, with a 30 year track record and over $40bn AUM.

When I first invested in HVPE, they had a bit of a problem: they were little known and, as a result, the shares were trading at a hefty 24% discount to NAV, despite years of good performance. Since then the company has substantively improved its investor relations and the effect can be seen in a discount now shrunk to 15%, which has been a significant contributor to TSR (on top of good NAV growth).

One of HVPE's first efforts to reach out to its individual shareholder base was to present at one of ShareSoc's growth company seminars, in November 2015. ShareSoc full members can read about that seminar from this members' network post onwards: http://bit.ly/2tePB7Y – do read on to the next page of posts, which includes Sam Allen's report on proceedings. The shares at the time were trading at £8.64 and have grown to £12.80 at the time of writing, so anyone purchasing shortly after that seminar should be rather pleased with their returns!

Now a problem that investors can have investing in companies like HVPE, is that they are often registered in offshore jurisdictions, for tax reasons. HVPE is registered in Guernsey and, like several other investing companies, that is where its AGM is held. Unlike its peers, however, HVPE recognises that investors are unlikely to travel to Guernsey and therefore, for the last two years, has arranged a separate event enabling investors to meet with management. This year's event ticks all the right boxes:

Announcement

The event was announced well in advance. In its results announcement: http://bit.ly/2sBDU9j on 12th May, HVPE said:

"In advance of the formal AGM HVPE will hold an informal meeting for interested shareholders at Sofitel St James, 6 Waterloo Place, London SW1Y 4AN from 8.30am on Thursday 8 June 2017. The Investment Manager has recently issued invitations and details by email to major shareholders. Any shareholder who has not received an invitation but would like to attend should contact Charlotte Edgar at cedgar@harbourvest.com."

…and this was repeated in the company's published annual report. Moreover, those investors who had registered an interest in the company received individual invitations to the event by email.

Venue, Timing and Facilities

For investors in the south east, the central London venue is convenient. At first sight, the announced start time of 08:30 may appear off putting, but anyone expressing an interest to HVPE would then learn that the event had been structured into several sessions (see below) and a start time of 10:30 was also offered.

Those attending the early session were also offered breakfast, and all delegates staying through to the end of the event at 1pm were offered lunch (a proper hot lunch, with wine, not curly sandwiches!).

Event Structure

The event was very well structured, into three main sessions:

The first session, from 09:00 - 10:00 was entitled "PE 101: De-mystifying private equity jargon" – very useful for investors not familiar with the private equity world, and such concepts as "Limited partnerships", "General Partners", "Carried interest", "Primary, Secondary and Co-investment". Fortunately, I already had some experience of the field, so did not need to make the early start to catch this segment!

The "guts" of the event were in the second session, from 10:30 – 11:45. This, in turn, divided into two main presentations, following an introduction from the Chairman, Sir Michael Bunbury. The first of these was the most interesting part of the day, for me, and justified my attendance alone. It was delivered by one of HarbourVest's founding partners, Peter Wilson, and entitled "Global Markets Update". I report on it below.

The second presentation was delivered by London director, Richard Hickman, and offered an overview of HVPE's results for 2016/17 (their year end is 31st January).

This second session was followed by a coffee break and then the morning's events were rounded off with a panel discussion involving managers from a small selection of the private equity funds HarbourVest invests in. This led up to the close, followed by lunch.

All in all, a very productive, educational, and congenial morning.

Notable Points

One of my key reasons for attending was to get a better feel for how private equity was coping with seemingly frothy public markets right now. Peter Wilson reported that, in general, there were an excess of distributions from PE funds over capital calls. Moreover, he felt that funds were being disciplined and not overpaying to acquire private assets.

I asked whether this was likely to lead to cash-drag on HVPE's performance. Richard Hickman pointed out that HVPE had actually invested slightly more than it had realised from its investments in 2016/17 (whilst retaining a good liquidity buffer). This excess had been deployed mainly to provide additional capital to underlying investee companies (rather than acquiring new companies), to fund their growth, including participation in attractive co-investment opportunities. Better value is also being found amongst smaller assets.

Over the last year, Harbourvest has invested more in quantitative risk analysis, using a large database of investment data, and believes that this will enhance performance in years to come.

I remain a satisfied investor.

Glossary of Abbreviations

AGM - Annual General Meeting
AUM - Assets Under Management
CMD - Capital Markets Day
NAV - Net Asset Value
RNS - Regulatory News Service announcement
TSR - Total Shareholder Return

Enormous Management Fees at British Smaller Companies VCT

Roger Lawson

British Smaller Companies VCT (BSV) has been one of the more successful Venture Capital Trusts in terms of fund performance – it is managed by YFM. The NAV Total Return has been 106.9 over the last ten years according to the AIC (i.e. investors have doubled their money), beating the sector performance for generalist VCTs of only 64. With high, tax-free dividends being paid, investors have probably been happy.

But back in 2009 the managers performance incentive fee was changed to be primarily dividend based. I protested strongly at the time because I had experienced the perverse outcome of such an arrangement previously at the Spark/Quester VCT where massive dividends were paid out when there were no profits to cover them. This resulted in a very large payment to the retiring fund managers which was totally unjustified.

VCTs often pay out more in dividends than the reported accounting profits because they can do so from investment realisations, while ignoring the unrealised losses on the portfolio.

The change at BSV has now resulted in a similar anomaly. Last year the company paid the manager a performance fee of £3.6 million on top of their base fee of £1.9 million when the balance sheet assets at the start of the year were only £96 million and fell during the year (year end is March) due to dividend payments.

The incentive fee was crystalised because of very high dividend payments including 22.0 pence paid in the year when reported earnings per share were only 4.6 pence. These massive payments have resulted in total fees (including administration costs) being 6.9% of net assets at the end of the year when it was 2.8% in the prior year and 2.6% in the year before that, i.e. more typical of the fees paid for managing VCTs albeit they are high anyway.

Now director Philip Cammerman who has links to YFM is stepping down from the board after 21 years of service (way too long of course), but I will be voting against Chairman Helen Sinclair who has consistently supported the above arrangements and probably against the other directors also. I suggest other shareholders might wish to do the same unless the board has a change of heart about the merits of these arrangements.

Incidentally BSV did raise more capital by a new share issue earlier this year. That raised £4.1 million. Will investors be happy when they realise that most of that may simply have been used to pay the manager's performance fee? A quick read of the prospectus issued at the time does not appear to highlight the pending fee payment.

This case surely reiterates the necessity for publishing some guidelines on what are good and what are bad performance fee incentive arrangements for VCT fund managers. That's if they need them at all when they already have a fixed base fee in place which I believe should be sufficient. Amati VCT2 whose AGM I will be attending today manage to do well without any performance incentive fee (total return last year of 22%).

Voting Issues

Roger Lawson

It's certainly getting more difficult to vote of late; I am not talking about voting at General Elections but just for resolutions at the General Meetings of companies we own. This seems to be a particular problem with Capita Registrars. For example:

1. Whitbread: As a personal crest member, I am on the register and expect to be sent an annual report and proxy voting form (and at least the latter on paper). No longer, it seems. Whitbread sent me a single page letter advising me that the Annual Report and AGM Notice were available on-line and inviting me to vote on-line. No paper Annual Report. I phoned them up to ask for a paper copy and a proxy voting form. They (twice) sent me the previous year's annual report by mistake and no paper voting form until I reminded them.

2. National Grid: Similarly I only received a single page letter. So I tried to vote on-line. Though the instructions were unclear, and Capita were unable to advise me on the phone. The system simply rejected my ID. They seem to have a technical problem and clearly the system has not been adequately tested.

Is it not ridiculous that one should have such difficulties with voting, getting a notice of the meeting or an Annual Report? This is another example of how shareholder democracy is being undermined.

I will be raising these issues at the AGMs of these companies.

Company Seminar Suggestions

Would you like to see a particular company present at one of our seminars? Now Full Members can suggest companies by doing so on a new Forum on the Members Network.

The Forum is entitled "Company Seminar Suggestions" and can be accessed directly by clicking on the link below.

Event organisers will monitor the Forum for new ideas, so if you think a company may be worth researching, just add their name to the Forum. Company Seminar Suggestions: http://bit.ly/2slsU0N

Notes from an UKSA meeting with the Management of Young and Co's Brewery PLC

Mike Dennis

Many of you will know that we have a "sister" organisation called UKSA (UK Shareholder's Association). I am a member of UKSA as well as being a director and member of ShareSoc because I believe that both organisations have something to offer in their own way and both organisations are keen supporters of the rights of individual shareholders.

UKSA organise visits to many, mainly large cap, listed companies such as HSBC and a few smaller cap companies such as Young and Co. As I have a passing interest in beer and pubs (!), I thought I'd go along to this particular meeting to find out more.

The meeting took place on a hot day by the river in Putney in the upstairs restaurant of one of Young's pubs. We sat under a glass roof which wasn't ideal given the weather! But the aircon helped to alleviate the worst of the greenhouse effect. I estimate about 30 members in the audience.

The meeting was hosted and presented jointly by Young's CEO, Patrick Dardis and the CFO, Steve Robinson.

They took us through the presentation they had used recently for their results for the year ended 3rd April 2017.

You can find a copy on their website here - http://www.youngs.co.uk/results presentation 2017

MY BRIEF OBSERVATIONS FROM THE PRESENTATION

I had rather assumed that, given the company's name, they would be discussing their pub estate AND their breweries but, it became clear during the presentation that they no longer own a brewery and now have a contract with Marston's to brew all the Young's branded ales.

Date: 15th June 2017

Location: The Boathouse Pub, 32 Brewhouse Lane, Putney SW15 2JX

Young's now focus on maintaining and growing their premium market position in the pub market. Their preferred model is to own the freehold and manage the pub directly through their Young's brand but they also have a smaller tenanted pub business called the Ram Pub Company and often try to convert these into the managed estate where/when opportunities arise to do so. Young's are always looking to set new trends and initiatives within their market such as the recent Gintastic campaign which pushed gin volumes above vodka for the first time in years or craft beer campaigns which have attracted new customers.

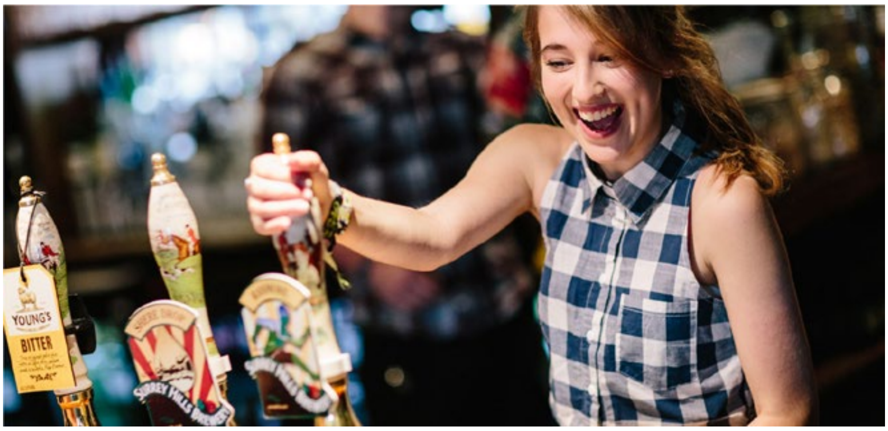
The numbers all looked good with decent LfL growth across the board. But Patrick pointed out that growth had been above "the industry norm" for a few years now and wasn't expected to continue at quite the same rate in the next few years. He also pointed out that they expected to need LfL revenue growth of 3 to 4% just to stand still vs min wage and business rates increases in future.

Young's are proud of their reputation for keeping debt well below peer group averages and they will continue to do so going forward. Maintenance capex for their estate is c£13m per yr run rate. This doesn't include major refurbs.

I hadn't realised in my various pub visits but, a few years ago, Young's refused to agree new prices with Guinness and withdrew their products from all their pubs. The "Mexican Standoff" continued for 3 years until, it appears, Guinness blinked first and Young's now claim to have an excellent deal and have re-introduced Guinness to all their outlets. I get the feeling that, despite their relatively small estate of 160 pubs, they are almost all in affluent areas of London and the South East and are therefore above average for financial attractiveness and market influence.

With regards to staff recruitment and development, Young's has the usual industry concerns about Brexit but points out that, by industry standards, they are good payers and have a very good retention rate of key apprentices who seem to appreciate the training and development they get.

A QUICK SUMMARY OF THE MOST SALIENT POINTS FROM THE Q&A



Q: Why if you can get 25% ROC on Recent investments do you have ROCE overall of only single figures?

A: We believe we are Capital efficient and cannot reduce capex costs without affecting quality. Our cost of debt is 4.5% which we agree is too high and we are reducing this with all new loans being at 1.5%. But we don't believe we can get our refurb and maintenance costs any lower. Also note the estate is revalued every year so the true ROCE is about twice this number.

Q: What is driving LfL sales GROWTH?

A: 50% price (some of this is mix) and 50% volume. Expect 67% from price in future.

Q: You have poor scores on TripAdvisor for some pubs. What's going on?

A - We monitor the opinions out there and we use our own surveys. We also monitor hi quality competitors for comparison purposes. We know we have room for improvement, and some of this is about cask ale awareness and training. I agree we have slipped slightly and need to refocus.

Q - Why are you still on AIM?

A - A lot of our shareholders like the IHT benefits. And AIM's reputation is improving so there's less concern about its affecting our share price and brand.

Q - Are your foreign workers moving to other countries due to fall in pound?

A - We have seen no change. 50% of staff are presently overseas origin

Q - What % of your staff are on minimum wage?

A - About 50% are on basic level but they get tips on top and we quickly promote the good staff and those with recognised talent so they soon earn well above min wage. We are definitely competitive with other pub chains. We do use zero hours contracts but without restricting our staff with regards to commitment to other employers. 30 to 40% of our staff are part timers.

Q – Its great that you carefully plan so far ahead – so can you tell me what your dividend yield will be in 2022?

A - Can't tell you but we aim to continue to grow dividend every year.

Q - Why keep the Geronimo brand when it is much smaller than the Youngs brand?

A - Because the internal friendly competition is good for us. (I was quite surprised by this answer as I was expecting them to say it targeted a different market segment or something?).

Q - You have started a restaurant concept in Wimbledon village. Is this a new strategy or brand?

A - It's an experiment and didn't work so we are not rolling it out. We shall continue to experiment in various places.

LUNCH

That was the end of the formal meeting and Patrick had to rush off but Steve mingled with the audience over a good buffet all washed down with pints of Young's ale which seemed to go down well (and quickly!) with the assembled members. I can see why this one is a popular gig! An afternoon nap was in order before I could recover my composure…

Report: ShareSoc Investor Seminar 14 June 2017

Cliff Weight

Avacta presentation by Alastair Smith, Chief Executive

To date, antibodies have dominated the market for binding agents. Avacta have produced an alternative, under the trademarked name Affimer.

£58m market cap, with £2m turnover, burning cash – the capex for last 7 years has been in range £6 to £7m p.a. Raised money in 2015.

They used 10 million Affimers in a pot with slightly different binding surfaces and their approach in simple terms is to see which works best. Used this to generate antibodies against the Zika virus. They do it in a laboratory and not in an animal which is the only way that antibodies can be generated.

Market size £11 bn diagnostics, $2bn for Research, and $75 bn for Therapeutics. Experienced team led by founder Dr Smith in 2006. 2 new hires in 2016, CFO and CCO. CTO joined in 2014.

3 areas of focus, Affinity Separation, Immunoassays and Lateral Flow Diagnostics.

Strategy is on track. 70% Year on Year growth in order intake.

Competitive Edge. Key benefits small size, stability and ease of expression; and ease of creating and manufacturing multimers (ie stringing 2, 3 or 4 affimers together) this differentiates them.

Lots of de-risking over the past 12 months as key milestones have been achieved.

Questions

Q. how long to significant commercial revenues from Therapeutics?

A. deals tend to be payments up front and then miles stone payments. So won't be 5 to 10 years. Don't want to do too many deals as we want to keep some deals back so as to deliver best value to shareholders.

Q. Seems a long time from acquiring patents to current stages.

A. 3 years after acquiring the patents we had done enough to raise £15 million.

Q Should I sell my antibody companies. Will you wipe them out?

A. you should see our technology as complimentary. Eg Abcam have 150,000 products in their catalogue. We could not replace all 150,000. We will go head to head on new products. Our 2 hires from Abcam know the market and are great hires.

Caledonia Mining Company presentation by Mark Learmouth CFO and Maurice Mason VP Corporate Development and IR

Gold mining $65m market cap. Jersey domiciled company. Listed on AIM and TSX. Seeking shareholder approvals to list on NYSE MKT.

Production target 80,000 ounces by 2021.No debt and $12m in the bank. Dividend yield 3.5% to 4%.

Mine is in Zimbabwe. Locals must own 51% of businesses. They comply and own 49%. Workers 10%, local town community 10%, 16% Government and 15% by local businesses. Company loaned money to locals to buy their shares, so get 80% of the money for next 8 years and then will hold 49%.

Zimbabwe need miners and tobacco companies to get foreign exchange.

Management own only 2.32% but have cash settled LTIP.

1.3 million ounces of resources = 10 years of mine life, best estimate. N.b mine is 100 years old so they consistently find more gold ore. Currently at depth of 750 metres. Can only test to 200 metres below current workings so trend suggests they will find more ore at lower levels. Mineral estimation standards define what they can declare as "resources".

Investment plan includes new central shaft to 1,080 metres. Approx. $70 capex program from cash flow. High margin, high return.

Pays dividend 4 to 5% and will increase over the next few years

Questions

Q. production costs?

A. High end of second quartile.

Q. What happens after Mr Mugabe?

A. We think there are adequate structures in Zanu PF to appoint a successor and relations are likely to become warmer. Not appropriate really for me to comment on local politics.

Q. How far progressed is the central shaft?

A: 80%.

Q. What is risk of expropriation? They own 51%.

A. Locals would also lose out as they own part of the mine. They have learnt from expropriating the farms was a mistake. So realisation that not a good idea to do it for the mine. Other mines are better cases.

Q. I think you have wrong data for Pan African Resources dividend yield.

A. These numbers tend to move around a bit.

Q. What is the discount rate for Zimbabwe.

A. 35% to 40% to get my DCF model to work. But look at others, Egypt, Mali, Tanzania. Our workers have not gone on strike for years and labour relations are good.

Q. Mine shut downs in South Africa. Is it likely for you?

A. South Africa approach is over zealous, almost open hostility from inspectorate. We had a fatality recently. It was sad, but we investigated and mine has restarted within days. We have a very good track record on health and safely.

SigmaRoc presentation by Max Vermorke CEO and David Barrett, Chairman

£43m market cap.

Buy and build model. Started as a cash shell. Raised £50m.

Ex Holcim team.

Construction materials. Focus on high quality local quality companies – local quarries. Active in local areas - with higher margins.

Slides are on website www.sigmaroc.com

Q. do you set criteria for each target? And what are they?

A. Yes. Start by asking why is that business unique? Then ask how much we have to spend. 8/9 times EBITDA or less. Geography = Western developed markets.

Q. How old is the boat, etc

A. 35 years old. 15 years of life left. Has been well maintained. Only dry bulk ship in North Sea that can enter the harbour of Guernsey. £200,000 of EBITDA from investment of £x. In use ¾ of year for us and ¼ for others.

Q. you bought ship from Holcim. You are from Holcim, etc. you are all Holcim!

A. True, but we have variety of experience. We have networks individually with lots of other companies. Most majors are divesting so there are lots of opportunities out there.

Q. Are you paying top whack. Have you entered at the end of the cycle?

A Fair question. We think there is scope for deals.

Q. Hurdle IRR for acquisitions? What is you net debt:EBITDA target?

A. 2.7 debt to EBITDA target. Convertible loan has 3.5 times limit so we want a bit of spare capacity. Payback period on businesses are well within 8 years. IRR target nicely in the two digit range but don't wish to tie us down: high teens after we have carried out operational improvements to the acquired businesses.

Q. Remuneration

A 10% options pool, vesting over 3 years at 40P. Invested 1%= £0.5m. Salaries are shown in the offer document.

Gresham House Strategic plc presented by Jonathan Dighe, Commercial Director and Pardip Khroud, Investment Director

"Trading discount stripping out cash is 30%! We think it will be reduced." Valuation is effectively 6.5x EBITDA, so very attractive. We think this is a double discount.

Smaller companies tend to be undervalued relative to larger companies so good time to invest. Half of all realised profits will be returned to shareholders so just announced 15p maiden dividend.

Value stocks have been overlooked for last 5 years. History shows that a rotation tends to occur. Small companies are valued at 8.6x EBITDA v 12.3x for >£250 m market cap. Thinks dislocation will widen. Not commercial for advisers and wealth managers to focus on this area, so scope to identify value opportunities.

Stressed they do a lot of due diligence and get involved with management early on. Also they have a "Value Enhancement Team".

£17m of their investments are in IMI. Flagged many issues and helping the company to address them. Recent wins suggest scope for further growth and a re-rating. They own 19% of IMI and intend to hold. They are very bullish on IMI.

We aim to hold 5 to 15%. With >5% we can influence management. We buy companies we like and where we can be supportive of management. When necessary we suggest things to management to improve performance.

Q. Fees and carry structure?

A 1.5% management fee and 10% performance fee with 7% hurdle

Q How you will shrink the discount?

A. By good performance. Discount has been 35%, currently 20% (excl cash). Need to remove legacy shareholders. IMI large stake is awarded a discount. We are very positive about IMI but it will be a bigger % share of the portfolio. A IMI dividend would create a wider shareholder base.

Q. History of cash balance.

A. as large as £20m. realised some investments and made some more. Plan to invest the cash over the next 12 months. This year YTD over £4m. We have a strong pipeline.

Q. you have a lot of investments. Is there a particular focus? Sector? Common theme?

A. no, no sector focus. The common theme is Value.

The above meeting notes were written by Cliff Weight, ShareSoc Director. No guarantees as to accuracy or veracity should be expected or construed.

Personal Comment: I did not own shares in any of the above companies. However, I particularly liked the Gresham House Strategic plc story and bought some at 8am the next day. There is quite a large spread: I was quoted 890p to 920p, but TD Waterhouse (now part of Interactive Investor) manged to make my purchase at 911p, which seemed OK, but if anyone knows a better broker please let me know. My main concern about Gresham House Strategic is the 1.5% management fee, which seems a bit high and I think I shall write to the Chairman and NEDs suggesting they negotiate a better deal with the fund manager. The problem is one of scale. This is a subscale business and at £34 m market cap the costs looks high. Lower fees might help narrow the discount.

Events Calendar

Don't miss this opportunity to learn more about interesting growth companies and meet some of your fellow investors! These events consist of a 25 minutes presentation by each company followed by 20 minutes of questions and answers. Refreshments and a buffet are provided free of charge and you get the opportunity to talk directly to the directors of the presenting companies.

- **11 of July**: ShareSoc Growth Company Seminar in **Manchester**. Companies presenting are AVACTA (AVCT), CALEDONIA MINING CORPORATION (CMCL) and others to be announced. Go here for more information and registration http://bit.ly/2s33ZCV

- **12 of July**: ShareSoc Growth Company Seminar in **London**. Companies presenting are CLOUDCALL (CALL), ERGOMED (ERGO) and others to be announced. Go here for more information and registration. http://bit.ly/2sChzbJ

- **13 of September**: ShareSoc Growth Company Seminar in **London**. Companies to be announced. Go here for more information and registration http://bit.ly/2sCBZBg

- **19 of September**: ShareSoc Growth Company Seminar in **Leeds**. Companies to be announced. Go here for more information and registration http://bit.ly/2tFXTbW

Accessing the Members Network

Many subscribing Full Members rarely, if ever, access the Members Network—an important source of information with discussion forums, seminars and AGM reports.

All Full Members are issued with an invite to join the Network when they become a Member, but some do not join. This maybe because the invitation has been treated as spam. Others seem to later forget their log-in and password. If you need a new or replacement invite to join the Members Network, please contact the Membership Secretary.

AGM REPORTS

AGM Reports are available exclusively to our full members. If you have any difficulty accessing these reports on our members' network, please contact the ShareSoc office. We will be happy to assist.

Whitbread (WTB)

Roger Lawson attended the Annual General Meeting of Whitbread Plc (WTB). Whitbread is celebrating 275 years in business this year. Its main lines of business are Costa coffee shops, Premier Inns (budget hotels) and the currently de-emphasised restaurants.

The full report can be found here.

Ergomed (ERGO)

Tim Grattan reports on Ergomed, a hybrid Pharmaceutical Services company offering a complete Clinical Development service for investigational drugs and a Pharmacovigilance monitoring service for marketed products.

The full report can be found here.

TouchStar Plc (TST)

Paul Bailey's report on TouchStar's 2017 AGM. The Company operates in the mobile computing solutions market and is a turnaround/ future growth stock after years of erratic underachievement.

The full report can be found here.

LoopUp (LOOP)

Report by Tim Grattan. Loopup (LOOP) provide a SaaS based premium remote meetings (teleconference) solution. The company was founded in 2003 and listed on the AIM market during August 2016.

The full report can be found here.

AudioBoom (BOOM)

AudioBoom (BOOM) describe themselves as "The leading spoken-word audio platform for hosting, distributing and monetising content" (or in layman terms, they derive income from podcasts). The company first listed on the AIM market in 2014 through a reverse takeover of One Delta PLC, raising £3.5m through the issue of new shares at 1.5p/share. This valued the company at around £7m.

The full report can be found here.

CentralNic PLC (CNIC)

Alex Lawson was the only shareholder to attend the AGM!

The full report can be found here.

Foresight VCT (FTV)

Tim Grattan attended this year's Foresight VCT AGM. There were around 25 attendees, which included about 10 ordinary shareholders, the BOD and representatives from the manager and two investee companies.

The full report can be found here.

RedstoneConnect PLC

Report by Alex Lawson. RedstoneConnect is a provider of technology and services for smart buildings and commercial spaces. A positive AGM statement highlighted a year of progress for Redstone with the completion of the company's restructuring and progress on its new strategy.

The full report can be found here.

News and social media

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Editorial, General Information and Membership Secretary Email:
info@sharesoc.org
Telephone:
0333-200-1595 (Int: +44-33-3200-1595)
Web: www.sharesoc.org
Address: ShareSoc, Suite 34, 5 Liberty Square, Kings Hill, WEST MALLING, ME19 4AU

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