From: Newsletter
To: Elliot Hance
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BEAUFORT

Breakfast Today

Thursday 18th August 2016

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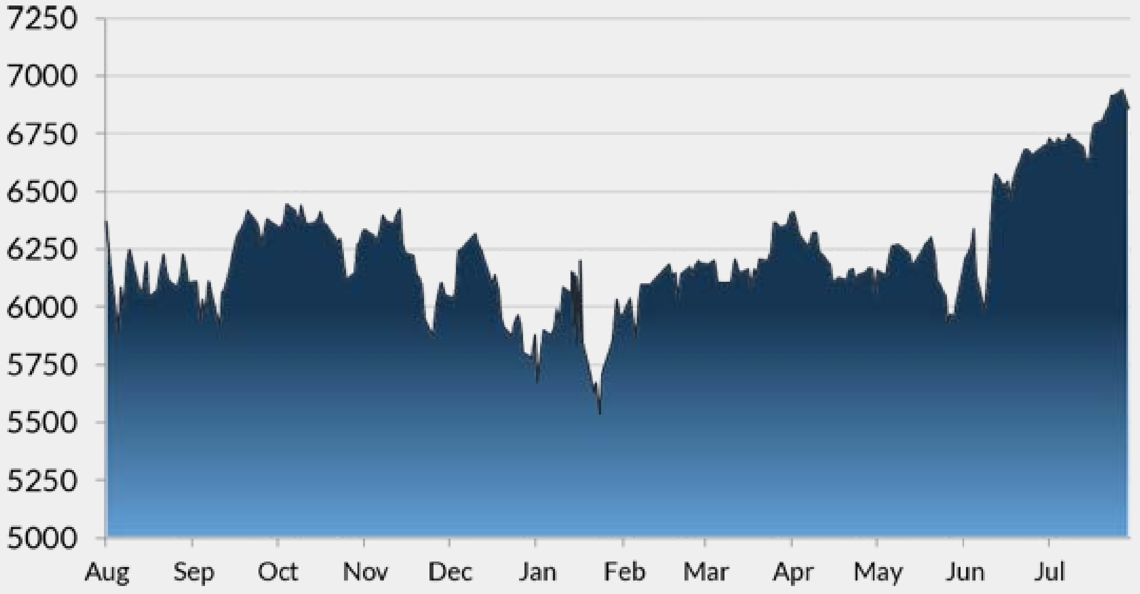
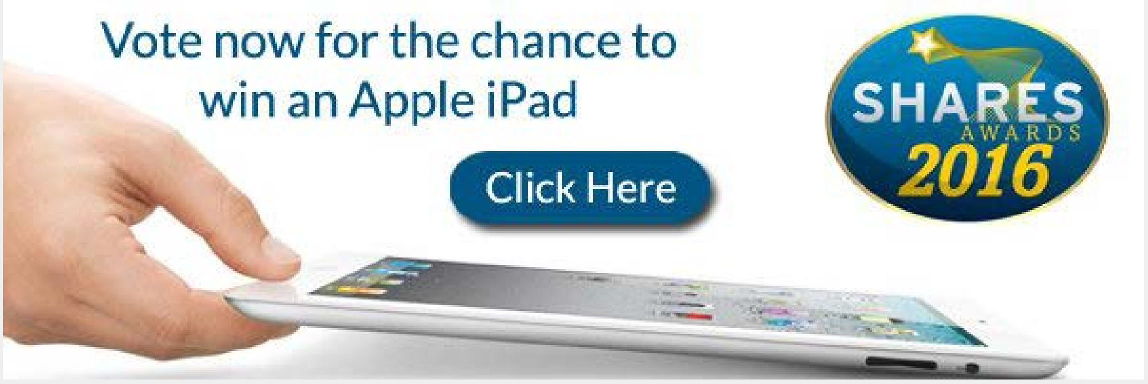
FTSE-100



FTSE-100 1 Year Chart

"Yesterday's FOMC minutes highlighted the split amongst Fed officials regarding their next move in interest rates. The absence of consensus of regarding the economic outlook, with those pointing at the US's currently strong employment data meeting arguments over the need to first achieve the Fed's 2% inflation objective, means options are likely to be kept open while additional data is gathered over the Fall. With a September hike now seeming less likely the Dollar was the main casualty, against which the pattern for US equities set up since early summer, of fractional upward movements on light volumes across all principal indices, continued yesterday evening. Asian equities ended mixed, with the Nikkei remaining under pressure on Yen strength as economic data confirmed Japanese exports fell for the 10th consecutive month and Prime Minister Abe suggested the BoJ's only choice now can be to provide yet more easing. China moved modestly either side of unchanged during the session in response to release of housing data showing July prices remained steady month-on-month, while the ASX edged down despite better than expected employment figures. Such an uncommitted background leaves London to simply recover yesterday's losses, with the FTSE-100 seen up some 35 points in early trading. Direction will then be sought from the release of new macroeconomics including UK Retail Sales figures for July, followed by Eurozone CPI and ECB Minutes. UK corporates due to release earnings figures or trading updates today include Byotrol (BYOT.L), Empresaria Group (EMR.L), Evraz (EVR.L), Kaz Minerals (KAZ.L) and Kingfisher (KGF.L)."

- Barry Gibb, Research Analyst



Markets

Europe

The FTSE-100 finished yesterday's session 0.50% lower at 6,859.15, whilst the FTSE AIM All-Share index closed 0.38% lower at 780.52. In continental Europe, markets ended in the red, as investors were cautious ahead of the release of the Fed's minutes to assess the possibility of an increase in interest rate. Investors digested a mixed set of corporate earnings releases. Germany's DAX and France's CAC 40 dropped 1.3% and 1.0%, respectively.

Wall Street

Wall Street ended marginally higher after the Fed's minutes of meeting indicated that the policymakers were divided on the possibility of an interest rate hike. The S&P 500 increased 0.2%, with the utilities sector gaining the most.

Asia

Equities are trading mixed, as investors focussed on the Fed's minutes of meeting. The Nikkei 225 fell 1.6% after poor export and import data released in Japan. Additionally, a stronger yen exerted pressure on export-driven stocks. The Hang Seng was trading 1.2% up at 7:00 am.

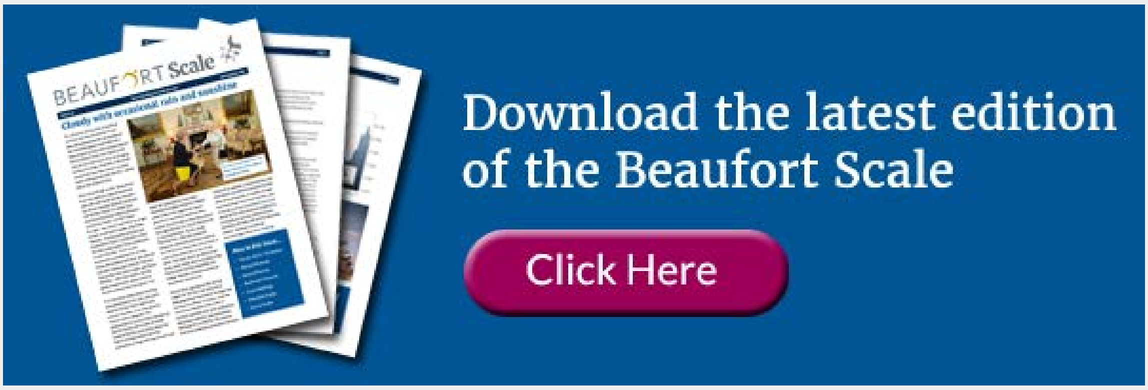
Oil

Yesterday, Brent oil prices increased 1.3% to US$49.85 per barrel, while WTI prices rose 0.5% to US$46.79 per barrel.

Headlines

Unemployment rate in UK remains at 4.9%

As per the Office for National Statistics, the UK’s unemployment remained at 4.9% in the three months to June, in line with market expectations. The number of individuals in work rose 172,000 to 31.75 million, while the number of unemployed individuals declined 52,000 to 1.64 million.



Company news

Jubilee Platinum (JLP.L, 3.37p)– Speculative Buy

Jubilee has published an operations update which describes increased chromite concentrate production rates at its Dilokong chrome operation and steady construction progress at the Hernic project. The Hernic chrome recovery and platinum flotation plant, which will have a 660ktpa capacity and be the largest in the world, is on budget and on track for commissioning in December. At Dilokong, in July the plant produced 9,670t of fine chrome, up 29% from June. This generated revenues of ZAR 12.1m (£0.69m), up 33% versus June. Projected earnings at the project level for July are £0.52m, of which £0.29m is attributable to Jubilee, up 30% versus June. The Dilokong chrome operation is also producing high-grade platinum material, higher grade than the design specifications, which needs to be processed by flotation. Jubilee is currently investigating whether to build its own flotation plant or process this material through a toll-treatment agreement at a nearby facility.

Our view: *It is good to see operations at Dilokong performing well and that Hernic is on time and on budget. We expect Jubilee to soon update the market on whether it will build a platinum flotation plant at Dilokong, or get the material toll treated. If it decides to build, Jubilee’s Hernic and Dilokong operations will look very similar, albeit Hernic will be larger scale. However, if Jubilee chooses the toll-treatment* *route, it will save on capex. Management is also considering opportunities to treat 3rd party run of mine chromite at Dilokong which would provide an additional revenue stream. This is only possible because Jubilee currently has management control of the Dilokong primary chrome concentrator. We retain our speculative Buy recommendation.*

Beaufort Securities acts as a corporate broker to Jubilee Platinum plc

REQUEST A CALL FROM A BROKER REGARDING THIS RECOMMENDATION

Admiral Group (ADM.L, 2,081.0p) - Buy

Admiral Group declared its results for the half year ended 30th June 2016 (H1 2016). During the period, the group's turnover increased 19% y-o-y to £1.26bn, with total customers increasing 15% to 4.82 million. The UK car insurance division reported a 16% increase in turnover to £993m, with customer numbers rising 11% to 3.52 million. The international car insurance division's turnover rose 44% to £159m, while its customers increased 20% to 757,900. The group's pre-tax profit increased 4% to £193m, leading to an EPS of 55.9p, 2% higher than that in H1 2015. Return on equity stood at 49% compared with 50% in H1 2015. The solvency ratio (after dividend) stood at 180% (FY 2015: 206%). Admiral declared a total interim dividend of 62.9p (£174.7m), comprising three elements: 36.8p in normal dividend, a special dividend of 14.2p and an additional return of capital of 11.9p. The total interim dividend is 23% higher than that declared in H1 2015.

Our view: *Admiral performed robustly in H1 2016. The group reported an increase in turnover as well as profit levels. This growth was led by the UK car insurance division, which recorded higher revenue and customers along with improved margins. The improvement in pre-tax profit was mainly due to a better combined ratio of 72.0% (H1 2015: 73.1%) and higher reported investment income. Admiral's losses in the international business were mainly due to growth activities in France and the US. The group generated profit from its Italian business Conte, with more than 360,000 vehicles insured at the end of June 2016, 22% higher than H1 2015. Admiral's solvency ratio remains healthy despite of the Brexit impact. The group continued to enhance shareholder value as it increased the dividend payable to shareholders. We are optimistic about the group's prospects due to its large customer base and fundamentally strong position. Therefore, we maintain a Buy rating on the stock.*

REQUEST A CALL FROM A BROKER REGARDING THIS RECOMMENDATION

Balfour Beatty (BBY.L, 251.80p)– Hold

Balfour Beatty (Balfour) declared its results for the half year ended 1st July 2016 (H1

2016). During the period, revenue including the share of JVs and associates remained broadly the same at £4.1bn. Underlying profit before tax stood at £7m (H1 2015: loss of £130m). Pre-tax loss narrowed to £21m compared with a loss of £150m in H1 2015. Consequently, loss per share narrowed to 2.0p from 22.0p in H1 2015. The company's order book stood at £12.4bn (FY 2015: £11.0bn). Net cash at the end of period stood at £115m (FY 2015: £163m). On the operational front, Balfour continued to work on the Build to Last programme announced last year. The company declared an interim dividend of 0.9p; the ratio of interim to final dividend was estimated at 1:2.

Our view: *Balfour delivered a decent performance in H1 2016. The company narrowed its losses and reported an increase in the order book. Balfour progressed well in implementing Build to Last programme and delivered a second successive half of underlying profit. The company remains on track to complete the first phase of the programme by the end of 2016 and achieve initial targets of '£200m cash in; £100m cost out'. In Phase one, Balfour is focusing on four key areas – lean, expert, trusted and safe – to bring each business unit up to industry standards. The company progressed well on each of these parameters. Balfour's solid performance allowed it to pay dividends to shareholders after paying no dividends last year. We are encouraged by its performance in H1 2016 and look forward to further updates. In light of the company's good progress and ongoing implementation of its transformation programme, we upgrade its rating to Hold from Sell.*

REQUEST A CALL FROM A BROKER REGARDING THIS RECOMMENDATION

Evgen Pharma (EVG.L, 25.50p) - Hold

Evgen, the clinical stage drug development company focused on the treatment of cancer and neurological conditions, yesterday announced that it has received a Clinical Trial Approval from the UK's regulatory agency for the commencement of its Phase II clinical trial of SFX-01 in breast cancer. Patient recruitment will begin in the UK at Manchester's Christie NHS Foundation Trust following Research Ethics approval, which is expected during the coming weeks. Further regulatory ethics approvals are also expected shortly at various sites across Europe in this multi-centre study. The STEM (SFX-01 in the Treatment and Evaluation of Metastatic Breast Cancer) trial will investigate SFX-01 in combination with different hormone-based therapies in 60 metastatic breast cancer patients whose cancer cells are estrogen-receptor positive (ER+). The primary objectives of the STEM trial are to evaluate safety and efficacy (via tumour imaging) in patients starting to become resistant to mainstream hormone therapy. Patients will be enrolled into one of three study arms (SFX-01 in combination with either aromatase inhibitors, tamoxifen or fulvestrant) based on their current therapy. One proposed mechanism for the generation of resistance to hormone therapy is via the proliferation of hormone-independent breast cancer stem cells. Such cells are known to proliferate during treatment with hormonal agents and it is thought they could have the effect of repopulating the tumour to render it hormone-independent. Earlier work by the Company with xenograft models suggests that SFX-01 has the effect of reducing the number of hormone-independent cancer stem cells.

Our view: *Good news indeed, although very much in line with what shareholder had been expecting! SFX-01 is a synthetic and stabilised version of the naturally occurring plant compound sulforaphane, a known anti-cancer agent and neuro-protective. Many therapies used in cancer ultimately fail as patients develop resistance - one hypothesis is that this resistance is driven by cancer stem cells which, unlike a mature cancer cell, do not respond to current standards of care. SFX-01's USP, however, is that it targets the cancer stem cell population and therefore has the potential to improve the efficacy and longevity of a range of drugs used in cancer therapy - both approved drugs and those in clinical development. Evgen's mouse models along with much academic research suggests it may have a positive therapeutic role in its first indication, which is for the treatment of breast cancer. Evgen presently has sufficient cash resource to get these trails underway and is positioned to create value as results start to confirm success. But as with all early stage drug development, risk of failure is high and the funding required to take the trails beyond Phase II is exceptionally high. While Evgen's highly experienced management have the knowledge and experience to take SFX-01 forward, the quite dramatic recent incline in the share price now appears to fully price this opportunity. Beaufort accordingly takes its Speculative Buy recommendation down to Hold while it awaits further positive confirmation from the Company.*

REQUEST A CALL FROM A BROKER REGARDING THIS RECOMMENDATION

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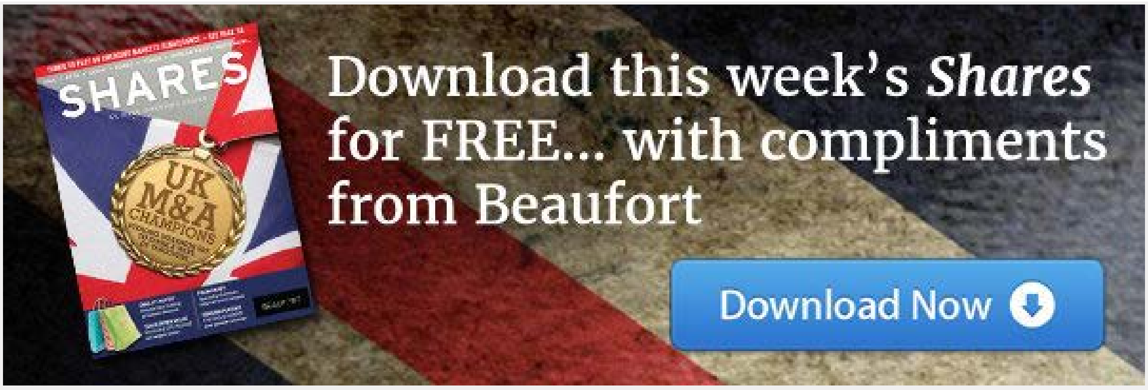


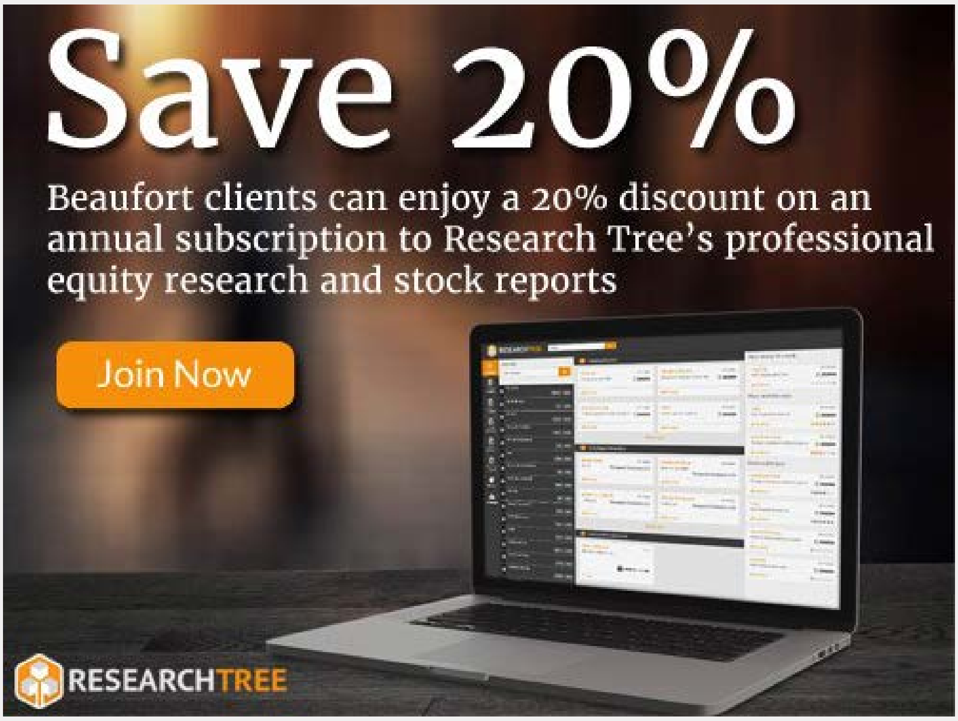
Economic news

UK claimant count rate

The claimant-count rate in the UK remained at 2.2% in July, in line with the market expectations.

US MBA mortgage applications

US home mortgage applications, including both refinancing and home purchase, dropped 4.0% in the week ended 12th August, after a 7.1% rise in the preceding week, the Mortgage Bankers Association said yesterday.



Weekly diary

Click here to see all this week's planned corporate and economic announcements.

Recommendations

During the three months to end-July 2016, the number of stocks on which Beaufort Securities has published recommendations was 316, and the recommendations were as follows: Buy - 127; Speculative Buy - 131; Hold - 56; Sell - 2.

Full definitions of the recommendations used by Beaufort Securities in its publications and their respective meanings can be found on our website here.

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