

## UK Small and Mid Caps

### Monthly Review of June 2014: Interesting...

UK equity indices ground down lower over the course of June. The FTSE 250 finished the month 1.8% lower, underperforming the FTSE 100 and the Small Cap index. Weakness came in the context of comments from the Bank of England that seemed to suggest a more hawkish stance. This led to a strengthening of sterling, with consequent repercussions for the forward estimates of UK companies deriving revenue from overseas.

- **Performance of the indices.** The FTSE 250 finished the month 1.8% lower at 15,724. The FTSE 100 did better, losing only 1.5% and the Small Cap index better still – down just 0.9%.
- **Top and bottom performers.** The best stock to own in the FTSE 250 in June was Kentz, which was bid for by SNC-Lavalin, taking its shares up nearly 30%. Not far behind was Petra Diamonds, up 23%: Petra found a 122.5-carat blue diamond at a mine in South Africa. Two capital goods companies, Xaar and Domino Printing, both issued profit warnings and were the worst performing stocks in the FTSE 250 in June.
- **Price sensitive news.** Other than the events discussed above, other price sensitive news items included a profit warning from Croda, an earnings beat by Imagination and news of a ‘in principle’ agreement with the AMCU during Lonmin’s platinum miners’ strike.
- **Initiations of coverage.** During June, we initiated coverage of Inchcape with an OW rating and 735p price target (Matthew Webb) and Ocado with an OW rating and 500p price target (Borja Olcese).

#### UK Small and Mid Caps

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#### Best performing stocks in the FTSE 250 during May 2014

Ticker	Name	Sector	Move
KENZ	Kentz Corp Ltd	Industrials	27.9%
PDL	Petra Diamonds Ltd	Materials	22.5%
BWY	Bellway Plc	Consumer Discretionary	13.4%
ALNT	Alent Plc	Materials	13.0%
IPO	IP Group Plc	Financials	11.9%

Source: Bloomberg.

#### Worst performing stocks in the FTSE 250 during May 2014

Ticker	Name	Sector	Move
XAR	Xaar Plc	Information Technology	-39.7%
DNO	Domino Printing Sciences Plc	Information Technology	-23.1%
BPTY	Bwin.Party Digital Entertain	Consumer Discretionary	-19.8%
TCG	Thomas Cook Group Plc	Consumer Discretionary	-19.5%
PER	Perform Group Plc	Consumer Discretionary	-16.9%

Source: Bloomberg.

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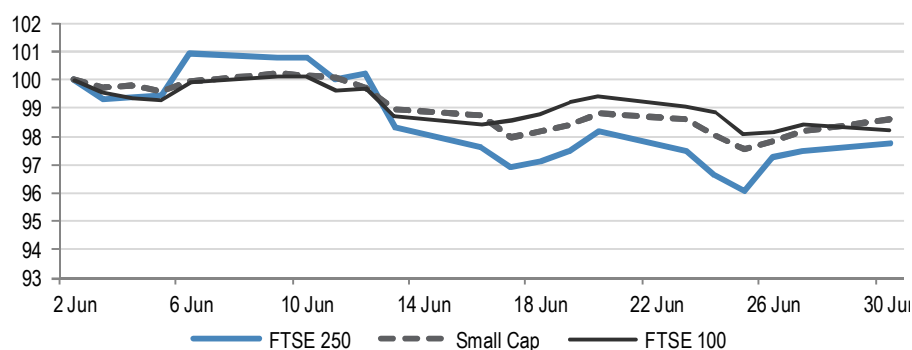
## Performance of the Indices

Table 1: Performance of the Indices

Index	Open	Close	Move	High	Low
FTSE 250	16010	15724	-1.8%	16273	15380
Small Cap	4485	4442	-0.9%	4522	4394
FTSE 100	6845	6744	-1.5%	6879	6702

Source: Bloomberg.

Figure 1: Performance of the Indices (rebased to 100)



Source: Bloomberg.

## Best and Worst

Table 2: Best performing stocks in the FTSE 250 during June 2014

Ticker	Name	Sector	Open	Close	Move
KENZ	Kentz Corp Ltd	Industrials	724	926	27.9%
PDL	Petra Diamonds Ltd	Materials	154	188	22.5%
BWY	Bellway Plc	Consumer Discretionary	1381	1566	13.4%
ALNT	Alent Plc	Materials	324	366	13.0%
IPO	IP Group Plc	Financials	179	200	11.9%
INFI	Infinis Energy Plc	Utilities	206	230	11.5%
SYR	Synergy Health Plc	Health Care	1281	1410	10.1%
KAZ	Kazakhmys Plc	Materials	277	304	9.7%
POLY	Polymetal International Plc	Materials	528	579	9.6%
PFG	Provident Financial Plc	Financials	2102	2284	8.7%

Source: Bloomberg. Data from open on 2 June 2014 to the close on 30 June 2014.

Table 3: Worst performing stocks in the FTSE 250 during June 2014

Ticker	Name	Sector	Open	Close	Move
XAR	Xaar Plc	Information Technology	864	521	-39.7%
DNO	Domino Printing Sciences Plc	Information Technology	780	600	-23.1%
BPTY	Bwin.Party Digital Entertainment	Consumer Discretionary	120	96	-19.8%
TCG	Thomas Cook Group Plc	Consumer Discretionary	166	134	-19.5%
PER	Perform Group Plc	Consumer Discretionary	278	231	-16.9%
CRDA	Croda International Plc	Materials	2644	2201	-16.8%
EVR	Evrax Plc	Materials	106	89	-16.1%
OPHR	Ophir Energy Plc	Energy	259	220	-14.8%
SMDS	DS Smith Plc	Materials	320	277	-13.4%
TEP	Telecom Plus Plc	Utilities	1521	1337	-12.1%

Source: Bloomberg. Data from open on 2 June 2014 to the close on 30 June 2014.

## Price sensitive news events

### 12 June

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**Lonmin (LMI), +8.9% movement on the day**

Shares in Lonmin rose sharply after an 'in principle' agreement was reached with the AMCU leadership on wage increases and other employment conditions, raising hopes of an end to strike action.

### 13 June

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**Petra Diamonds (PDL), +7.7%**

Shares in Petra Diamonds rose after it discover a 122.5-carat blue diamond at its Cullinan mine in South Africa.

### 17 June

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**Xaar (XAR), -27.7%**

Xaar guided to a 3% y/y decline in sales, with average sales prices impacted by increased competition.

### 23 June

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**Kentz (KENZ), +32.2%**

SNC-Lavalin announced it had agreed to acquire Kentz for £9.35 per share in cash (£1.2 billion).

### 24 June

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**Domino Printing (DNO), -16.7%**

Domino Printing warned that earnings next year may show no improvement on this year. The company raised concerns that it could be hit by the 'competitive environment in Asia and other developing markets'.

**Croda (CRDA), -9.1%**

Croda reduced its profit guidance (to a level below that of 2013) due to FX headwinds and more subdued demand.

**Imagination Technologies (IMG), +7.7%**

Imagination beat expectations in its FY2014 results. This was driven by a sales beat in Technology and better margins arising from cost discipline. There was positive traction in all three licensing segments.

## Monthly Ideas, June 14 – Performance

The companies shown in Table 4 were highlighted in the UK SMid Monthly Ideas report, dated 2 June 2014. The arithmetic average movement of our ideas for May was +0.3%. The FTSE 250 fell by -1.8% during the month. Five of our ideas outperformed the index (notably Mothercare and Bellway) and five underperformed (notably Connect Group, Intermediate Capital and Interserve).

**Table 4: UK SMid Monthly Ideas May 14 - performance**

Ticker	Name	Open	Close	Move
BWY LN Equity	Bellway Plc	1392.00	1566.00	12.5%
CINE LN Equity	Cineworld Group Plc	347.00	326.90	-5.8%
CNCT LN Equity	Connect Group Plc	203.50	182.25	-10.4%
ENQ LN Equity	EnQuest Plc	140.70	141.20	0.4%
HTY LN Equity	HellermannTyton Group Plc	309.50	311.40	0.6%
ICP LN Equity	Intermediate Capital Group	423.10	390.40	-7.7%
IRV LN Equity	Interserve Plc	648.50	600.00	-7.5%
JUP LN Equity	Jupiter Fund Management	404.90	399.50	-1.3%
MTC LN Equity	Mothercare Plc	185.50	238.75	28.7%
QED LN Equity	Quintain Estates & Dev Plc	95.00	88.50	-6.8%

Source: Bloomberg.

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