

# NEWSLETTER

## CONTACTS:

### Dealing & Advice

Ian Bolton  
 Martin Entwistle  
 Steve Ross  
 Ian Thompson

### Compliance & Settlements

Mike Tulip  
 Phil Lloyd

### ISAs

Phil Mackintosh  
 Sarah Entwistle  
 Janine Wilding

### Statements & Valuations

Sarah Platt

### Nominee & Safe Custody

Tina McGuinness  
 Stuart Bingham

### Banking & Cash Accounts

Angela Greenwood

### James Sharp & Co

The Exchange  
 5 Bank Street  
 Bury  
 Lancashire BL9 0DN  
 0161 764 4043

**NOTE!!**

*Authorised & Regulated by the FSA*

*Member of:*

*London Stock Exchange*

*Plus MARKETS*

| Indices      | 30/09/11  |
|--------------|-----------|
| FTSE100      | 5,128.48  |
| FTSE250      | 9,819.38  |
| FTSE AIM A/S | 700.34    |
| Dow Jones IA | 10,913.38 |

## Reflecting on Previous Suggestions...

### An Update...

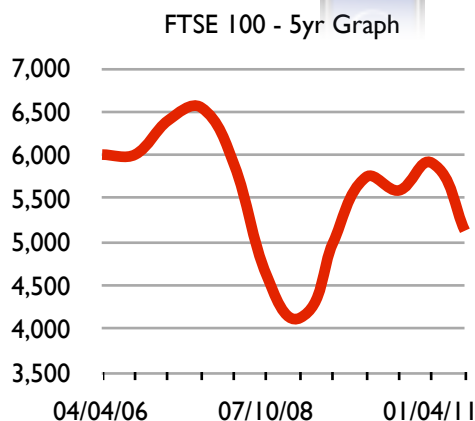


We believe that in the short-term, equities will remain volatile. The lack of a resolution to sovereign debt problems in Europe will continue to weigh on share prices.

However, despite these near term risks, we still believe many equities we have previously highlighted, offer long-term value.

Dividend increases - in the FTSE100 and also in many smaller-cap stocks which we have favoured - have further encouraged our support.

Accordingly, we give a brief update on those companies as follows:-



### SECTOR COMMENT

#### Water

**Northumbrian Water**, having been mentioned in our Autumn 2009 newsletter at 242.4p, is currently being taken over at 465p. We continue to favour **Pennon Group** (South West Water and Viridor Waste Management Group) at 675.5p yielding 3.8%

**United Utilities**, the North-West water and sewage business, has embarked on a cost cutting exercise to improve efficiencies. At 624p the shares yield 5%.

**Dee Valley Water**, covering Wrexham and Chester, is a much smaller company & the shares can be difficult to trade. The shares are currently at 1200p and yield 4.8%.

### JUNIOR ISAs

Following the closure of Child Trust Funds (CTFs) to children born on or after 3 January 2011, the government has announced a replacement product which promises to be a simple and clear way for families to save and invest for their child's future.

#### The Junior ISA will have the following features:

- children living in the UK who do not have a CTF will be able to have a Junior ISA
- Investors will be able to put money into a cash account or 'stocks and shares' account
- each child will be able to have one cash and one 'stocks and shares' Junior ISA at any one time
- there will be a total annual limit of £3,600 for all payments into these accounts
- accounts will become ISAs when the child is 18
- unlike the CTF, the government will not make any payments into the Junior ISA.

#### As with Child Trust Funds, the following will apply to Junior ISAs:

- the accounts will belong to the child and they are not able to get the money out until they are 18
- the child can become responsible for the account when they are 16
- any money the accounts make will be tax free

We will publish further details via our website once we commence offering a 'stocks and shares' Junior ISA. In the meantime, if you have any queries regarding the forthcoming Junior ISA, please contact Philip Mackintosh or Sarah Entwistle.

Please note that James Sharp & Co has not previously offered CTFs and will not be able to offer 'cash' Junior ISAs.

# JS&Co

## UPDATES

Data as at 30/09/2011, per FT and/or Bloomberg

|   |   |  |
|---|---|--|
| <b>ROYAL DUTCH SHELL</b><br>Oil             | <b>Mid Price</b> 2012p<br><b>P/E Ratio</b> 7.5x<br><b>Div Yield</b> 4.9%<br><b>Spring 09</b> 1576p  | <b>Royal Dutch Shell</b> has not cut its dividend since WWII and looks increasingly attractive, having improved its operational profile. A yield of 4.9% and a P/E of 7.5x make the shares an attractive long-term proposition.<br><br>The price when first recommended in Spring 2009 was 1576p.  |
| <b>DIAGEO</b><br>Beverages                  | <b>Mid Price</b> 1232p<br><b>P/E Ratio</b> 16.5x<br><b>Div Yield</b> 3.2%<br><b>Spring 09</b> 790p  | <b>Diageo</b> – The drinks group with leading brands such as Johnnie Walker, Smirnoff, Baileys, Captain Morgan and Guinness, produced results to the end of June. Profits of £2.96bn on revenues of £9.9bn confirmed operating margins of 29% were maintained. Efficiency gains are aimed at improving operating margins by 2% by 2014.  |
| <b>MORRISON</b><br>Retailers                | <b>Mid Price</b> 290.5p<br><b>P/E Ratio</b> 11.5x<br><b>Div Yield</b> 3.6%<br><b>Spring 09</b> 263p | <b>Wm Morrison Supermarkets</b> is responding to the “challenging trading environment” by focussing on fresh produce, opening longer hours and emphasising value products. An anticipated on-line shopping operation together with a convenience store opening programme will form part of the growth strategy.<br><br>Gearing at 20%, a P/E of 11.5x and yield of 3.6% reconfirm our support.   |
| <b>BHP BILLITON</b><br>Diversified Minerals | <b>Mid Price</b> 1738p<br><b>P/E Ratio</b> 6.9x<br><b>Div Yield</b> 3.7%<br><b>Spring 09</b> 1441p  | <b>BHP Billiton</b> – The international resources company’s principal business lines are mineral exploration & production including coal, iron ore, gold, titanium, nickel and copper, as well as petroleum exploration production and refining. Since 2005 revenue has grown by 170% and earnings by 310%. We accept that the shares will continue to be volatile as the world economy swings between the brink of recession and commodity stockpiling, but believe that buying on weakness for long term investment could reap reward.   |
| <b>GOODWIN</b><br>Engineering               | <b>Mid Price</b> 1038p<br><b>P/E Ratio</b> 20x<br><b>Div Yield</b> 2.9%<br><b>Spring 09</b> 760p    | In August, <b>Goodwin</b> announced full year results reflecting pre-tax profits down by 38% (£8.2m Vs £13.3m in 2010) on similar turnover. Although disappointing, part of this drop in pre-tax profits relates to increased overheads associated with 50 additional managers being hired to assist with aspired growth over the next 5 years. The final dividend was increased.<br>This is an engineering group of quality and a more recent Interim Management Statement (12 Sept) indicated performance in line with expectations.   |
| <b>DEVRO</b><br>Food & Beverages            | <b>Mid Price</b> 235.1p<br><b>P/E Ratio</b> 9.2x<br><b>Div Yield</b> 3.0%<br><b>Spring 09</b> 90p   | Operating margin improvements (from 16.7% to 18.2%) helped <b>Devro</b> to report an operating profit increase of 11% from revenues 2.4% higher, in interim results to the end of June. The interim dividend was raised by 25%; debt increased to £24m (from £17m) as the company carries out a £45m programme of capital projects to raise capacity.<br>The global market for collagen meat-casings continues to grow, driven by economic growth and increased meat consumption in emerging markets. The alternative, sheep-gut, is witnessing higher prices & limited availability, hence providing increasing opportunities in developed markets for collagen casing. With a dividend yield of 3.0%, we view the recent price-fall as an opportunity. |

### SECTOR COMMENT

#### Palm Oil

**New Britain Palm Oil** is a vertically integrated industrial producer of sustainable palm oil. The company owns and operates palm plantations, seed production, plant facilities and refineries. The commodity still trades around \$1,100 per tonne compared to a peak level of \$1300 and a low of \$600 within the last three years.

**MP Evans** produced a significant uplift in profits from US\$ 12m to US\$ 22m. Additionally, an increase in the interim dividend from 2p to 2.25p, having been unchanged for the previous 6 years, signifies a further vote of confidence for growth prospects. Palm oil production is forecast to reach 500,000 tonnes by 2015 from 200,000 tonnes in 2010.

JAMES SHARP & CO moves to larger premises over the weekend of 15-16<sup>th</sup> October. The new address is **The Exchange, 5 Bank Street, Bury, Lancashire, BL9 0DN**. Telephone numbers and e-mail addresses will remain the same. We will have three meeting rooms which we encourage you to use as an opportunity to meet your respective advisor.

**RISKS:** Readers are reminded that **investments carry risk**. Share prices can fall as well as rise and the investments outlined in this Newsletter may not be suitable for every investor - please discuss before taking further action. In particular, investments in AIM shares can be illiquid and difficult to buy or sell.