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BEAUFORT

Breakfast Today

Tuesday 12th July 2016

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FTSE-100



FTSE-100 1 Year Chart

"Political uncertainty evaporated on Monday with confirmation that Home Secretary and investor's favourite, Theresa May, was now the Prime-Mminister-in-waiting. This pushed UK equity markets sharply higher. Closing up 1.4% yesterday, having now spiked more than 20% since its mid-February low, the FTSE-100 officially entered bull market territory although it is likely to take a breather in first trading this morning opening 10 or so points lower. Any further boost to Sterling may, however, also push investors to favour the FTSE-250 which contains a significantly lower level of international earnings, particularly should pundits and media speculate further regarding May's true commitment to steer the UK permanently out of the European Union. The S&P 500 hit a new record on Monday, with all principal US indices closing modestly higher as optimistic chatter tempted traders in ahead of the blue chip quarterly reporting season that kicks off in earnest next week. As of end-June, Factset data suggested analysts expect overall corporate profits to fall 5.3% in Q2'16

figures compared with the prior year, representing a fifth consecutive quarterly contraction. The mood in Asian markets, by comparison, was dominated by a sharply weaker Yen, as talk again circulated that Shinzo Abe's ruling coalition will press imminently for new fiscal stimulation. The Nikkei enjoyed a further sharp gain, while other markets in the region ended mixed. The Bank of England this morning is due to release its Quarterly Bulletin, while the US will be listening carefully to various Fed speakers, including Bullard, Kashkari and Tarullo, for hints on economic confidence and timing of prospective rate moves. Corporate results and trading updates are due from [ASOS](#), [Premier Oil](#), [Galliford Try](#), and [Beggies Traynor Group](#) this morning, while traders will also be listening for any further media comments following The Wall Street Journal's suggestion that a US Justice Department review recommended prosecution of UK banking major, [HSBC Holdings](#). "

- Barry Gibb, Research Analyst



Beaufort's Tips for 2016 (Half Year Update)

We are pleased to report that our stock selections have continued to perform well over the second quarter of the year (+33.1%) against a FTSE-100 rise of 15.21%. Read the full report now.

[Full Report](#)

Markets

Europe

The FTSE-100 finished yesterday's session 1.40% higher at 6,682.86, whilst the FTSE AIM All-Share index also closed 1.40% better-off at 715.40. In continental Europe, markets ended higher, taking positive cues from strong US jobs data. Investors gauged the possibility of additional monetary easing by global central banks. Germany's DAX and France's CAC 40 surged 2.1% and 1.8%, respectively.

Wall Street

Wall Street extended its rally to end in the green, led by better-than-expected jobs data released last week. Moreover, investors cheered Japanese Prime Minister Shinzo Abe's landslide victory in the elections. The S&P 500 advanced 0.3%, with the information technology sector gaining the most.

Asia

Equities are trading higher, as expectations of additional stimulus increased after Japanese Prime Minister Shinzo Abe's huge victory in the elections. The Nikkei 225

rose 2.5%, supported by a weaker yen. The Hang Seng was trading 0.9% up at 7:00 am.

Oil

Yesterday, WTI prices decreased 1.4% to US\$44.76 per barrel, while Brent oil prices fell 1.1% to US\$46.25 per barrel.

Headlines

Like-for-like sales in UK fall in June

As per the British Retail Consortium (BRC), like-for-like (LFL) sales in the UK declined 0.5% y-o-y in June after a 0.5% y-o-y increase in May. For Q2 2016, overall sales rose 0.5% q-o-q and 1.2% y-o-y.

Company news

Jubilee Platinum ([JLP.L](#), 3.32p) – Speculative Buy

Jubilee Platinum yesterday published its 2Q16 operational update. At its Dilokong operation, fine chromite production ramped up during the period to steady state of circa 7,500 tonnes per month with 15,188 tonnes produced over the quarter - 3Q16 production should be closer to 22,000 tonnes. The 15,188 tonnes of chromite fines generated revenue of R19.1m (approximately £1m) and a project level profit of £0.74m of which £0.46m is attributable to Jubilee. Jubilee's original Dilokong plan had been to produce chromite fines from surface dumps and then to float the tailings to produce platinum group metals. It is now investigating the possibility of getting the enriched platinum material toll treated at one of several nearby platinum mines. It is also seeking more chromite primary ore to process. Meanwhile at Hernic, Jubilee is about 40% through building the fine chrome and platinum recovery circuits. 45% of the capex has been spent and commissioning is targeted for December.

Our view: *Things appear to be progressing well on all fronts. The Hernic fine chromite and platinum recovery plants are on track while at Dilokong, although plans are changing, the project has the potential to be much more significant for Jubilee than originally thought. The potential to toll-treat locally produced primary chromite ore is an interesting development. It could result in Jubilee becoming a significant primary chromite player. Obviously the small project level profit at Dilokong is also a welcome development. We look forward to further updates from Dilokong as Hernic gets built in the background. We retain a Speculative Buy recommendation.*

[Click here](#) to request a call back from a broker regarding this recommendation.

Beaufort Securities acts as a corporate broker to Jubilee Platinum plc

Ortac Resources ([OTC.L](#), 0.04p) – Speculative Buy

Ortac Resources, the diversified mineral exploration and mine development company, announced yesterday an update on the Sturec project in Slovakia. Ortac reported a positive conclusion to the judicial proceedings brought against the District Environmental Office (DEO) in Ziar nad Hronom made in favour of the company. The proceedings relate to Ortac's underground mining application submitted in 2014, which the DEO approved and subsequently an appeal was lodged by a local NGO group and the local municipality. The regional court has dismissed the appeal and further judicial proceedings with respect to a decision by the Central Mining Bureau for the same application are currently underway. The company has also been advised by its lawyers that it has been cleared to proceed with a surface mining application which had been held up by local opposition groups. The Sturec project has a combined JORC-compliant code of 1.32Moz of gold with an average grade of 1.42g/t.

Our view: *We are encouraged with the positive ruling on the appeal for the underground mining application and note that Ortac's application has passed both the environmental and regional courts rigorous scrutiny. We look forward to further updates on the Sturec project as well as Ortac's strategic investments in Eritrea, Zambia and the DRC. In the meantime, we maintain a Speculative Buy rating on the stock.*

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Beaufort Securities acts as a joint corporate broker to Ortac Resources plc

Collagen Solutions ([COS.L](#), 6.88p) - Speculative Buy

Collagen Solutions declared its results for the year ended 31st March 2016 (FY 2016). During the period, revenue and other income increased to £3.24m from £1.04m in FY 2015. Administrative costs increased to £2,473,690 from £1,265,918 in FY 2015. Losses before interest tax and depreciation and amortisation (LBITDA) decreased to £410,016 (FY 2015: £689,816). As a result, loss per share narrowed to 0.57p from 1.17p in FY 2015. Net cash balance at the end of period stood at £2.49m (FY 2015: £3.39m). On the operational front, the company acquired the assets and an exclusive worldwide licence for the associated intellectual property to the ChondroMimetic family of pipeline products from Orthomimetics Limited and Cambridge Enterprise Limited. Collagen Solutions set up new distribution channels with Sigma, a part of Merck KGaA, and BBI Solutions. After the period, the company formed a joint venture with Cre8ive to exploit distribution channels in China. In May 2016, Collagen Solutions was granted a US patent for novel processing of

pericardium for heart valve replacement. Jamal Rushdy was appointed as the Chief Executive Officer, and Dr Stewart White would take up the role of Chief Scientific Officer. The company's AGM would be held in Glasgow on 24th August 2016 at 11:00am.

Our view: *Collagen Solutions delivered strong performance in FY 2016 on both operational and financial fronts. The company's FY 2016 revenue was more than three times its FY 2015 revenue, well ahead of market expectations. Revenue from North America soared 231% to £1.8m, benefitting from the acquisition of Southern Lights Biomaterials and organic growth from a broad base of existing customers. Revenue from Asia advanced 311% to £1.2m, making it the fastest-growing region, driven by customer growth from the existing Southern Lights Biomaterials base. Collagen Solutions participated in various collaboration projects with leading academic and industry partners. The company made investments in global R&D facilities and sales and marketing operations to enhance its global presence. The acquisition of ChondroMimetic offers a regenerative orthopaedics platform for cartilage, bone, meniscus, tendon and ligament surgery. Collagen Solutions would commercialize the platform through licensing and distribution partnerships. We are buoyed by the company's progress and results in FY 2015 and look forward to further updates. Therefore, we reiterate a Speculative Buy rating on the stock.*

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IG Design ([IGR.L](#), 174.50p) - Speculative Buy

IG Design (formerly known as International Greetings), is a designers, manufacturers, importers and distributors of gift packaging and greetings, stationary and play products. The Group yesterday announced that it has acquired entire share capital of Lang Companies Inc. ('Lang'), a US-based supplier of high-quality gift and speciality products. The acquisition was satisfied by a net cash consideration of US\$3.6m plus a working capital adjustment of US\$1.7m, equivalent to 4.24x the estimated EBITDA of US\$1.25m to 31 March 2016. In the year to 31 May 2015, Lang's audited accounts reported turnover of US\$34.4m and loss before tax of US\$2m. IG Design will not acquire Lang Companies' historical debt structure and net liabilities of US\$14.9m, the business instead being delivered with US\$8.3m of net working capital. The expected total transaction and restructuring costs of c.£1m will be treated as an exceptional item in IG accounts. IG Design's CEO, Paul Fineman commented "Lang's slogan is "We Start with Great Art" and this fits exactly with Design Group's own natural focus. In terms of product, markets and culture, Lang is highly complementary to what we already do, offering scale, synergies and additional channels to market for Design Group Americas, our fastest growing business."

Our view: This acquisition is an encouraging move. Lang Companies operates under three brands; 1) LANG, 2) Wells Street, and 3) Turner Licensing which, between them, produce organisational products, calendars, indoor and outdoor home décor product as well as ceramic mugs, kitchen products and other memorable gifts. The product range is highly complementary to IG Design's existing offering. It also adds a new category to IG Design's portfolio of licences through Turner Licensing, which is an industry leader in licensed sports calendars, stationery, back-to-school and gift products, featuring over 200 teams including the National Football League and National Basketball Association. In terms of synergies, the acquisition not only brings management and sourcing synergies, but also opens up IG Design to Lang's consumer sales channel, which contains over 150,000 direct customers, for cross-selling opportunities. Crucially, Lang's trading relationships with multi-US based national chains and over 3,000 specialist gift stores will accelerate IG Design's strategy to broaden its channels and regional presence in the US. In FY2016, US business's revenue represented as 28% of the Group total, while margin improved by +1.3% to 6.3% and its operating profit grew +34%. We are excited by the further growth potential the acquisition creates. IG has a strong balance sheet with a significant debt facility already in place and sees no significant impact from BREXIT. Beaufort reiterates its Speculative Buy rating on the shares. [Click here](#) to request a call back from a broker regarding this recommendation.

IP Group ([IPO.L](#), 160.90p) - Buy

IP Group's portfolio company Diurnal Group (45% stake) informed that it had received positive data from its European phase III study on Infacort for the treatment of paediatric adrenal insufficiency. Adrenal insufficiency is characterised by deficiency in cortisol, an essential hormone in regulating metabolism and response to stress. Diurnal stated that the disease is rare in Europe with around 4,000 sufferers below the age of six estimated to be suffering from the disease. Diurnal plans to submit the next regulatory document to the Paediatric Use Marketing Authorisation by the end of 2016.

Our view: Diurnal receiving positive data from its study on Infacort is a positive development. The study was completed ahead of schedule and achieved its primary end point of targeting cortisol levels in children below the age of six years. As of now, there are no licensed treatments for hydrocortisone, the synthetic version of cortisol, designed to treat young patients. Infacort, on approval, has the potential to become the first treatment of its kind in Europe. We believe the product has strong potential and look forward to further developments. Therefore, we maintain a Buy rating on the stock.

[Click here](#) to request a call back from a broker regarding this recommendation.

Tissue Regenix ([TRX.L](#), 19.0p) - Speculative Buy

Tissue Regenix provided an update on its strategy for OrthoPure™ XT and XM (porcine tendon and meniscus) market clearance pathways. The company is currently undertaking clinical trials for both the products within the EU. Tissue Regenix received positive clinical data for OrthoPure™ XT to date and it expects to receive CE mark for the product by the end of 2016, that is, over six months ahead of schedule. In addition, positive FDA discussions allowed Tissue Regenix to apply for a US pilot clinical trial, with submission expected in Q4 2016. Separately, the company established that 510(k) market clearance could be possible for OrthoPure™ XM. Tissue Regenix would bring only one version of the product to the market. Hence, the current EU trial would be superseded by a new study, with an identical protocol, using the updated implant. The regulatory application for the second trial is expected to begin before the end of 2016.

Our view: *The update is a positive development for Tissue Regenix. The company not only expects to receive earlier than expected regulatory approval for OrthoPure™ XT in the EU, while also receiving positive data from the OrthoPure™ XM EU clinical trial and confirmation of a 510(k) route to the US market. The latter allows Tissue Regenix to undertake additional studies in order to implement improvements and work towards one common version of the product. Recently, Tissue Regenix reported its results for the financial year ended 31st January 2016. During the year, the company made significant progress both in the commercialisation and regulatory pathways across its key focus areas. The performance of DermaPure in its first commercialised year exceeded Tissue Regenix's expectations and gives the management the confidence as the company progresses with a number of line extensions in different clinical applications. In light of the overall developments, we maintain a Speculative Buy rating on the stock.*

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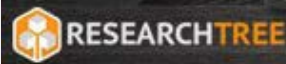
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