

From: Newsletter
To: [Elliot Hance](#)
Subject: Breakfast Today, 13th May 2016
Date: 13 May 2016 08:00:34

[View in browser](#)

BEAUFORT

Breakfast Today

Friday 13th May 2016

[Contact us](#) [Client login](#)

FTSE-100



FTSE-100 1 Year Chart

"Equities are expected to open slightly weaker, with the FTSE100 see down around 10 points. Mixed messages overnight from the Fed left investors seeking direction, as Chairwoman Yellen refused to rule out negative interest rates while Rosengren and George suggested future opportunity for raise them. This left US markets marginally down, with the tech heavy NASDAQ most impacted. Meanwhile in Asia, markets looked beyond the BoJ Governor's suggestions of additional QE and cutting deposit rates, to focus back on mining and minerals sector earnings as oil dipped marginally in early trade on profit taking, leaving the Nikkei down 1.1 at the end of a volatile week, with the region's other principal country indices following suit. Today expect the IMF to conclude its annual check-up of the U.K. economy and construction figures to be released, while in the Eurozone, German GDP are due, followed this afternoon by U.S. retail sales."

- Barry Gibb, Research Analyst

The markets

Europe

The FTSE-100 finished yesterday's session 0.95% lower at 6,104.19, whilst the FTSE AIM All-Share index closed 0.26% lower at 725.07. On the continent, equities ended in the red due to a renewed decline in oil prices and a sharp fall in mining stocks. Germany's DAX and France's CAC 40 shed 1.1% and 0.5%, respectively.

Wall Street

Wall Street remained largely unchanged despite a decline in the healthcare and technology sectors. Apple shares plunged to their lowest level since 2014, and initial jobless claims in the US hit a 14-month high. The S&P 500 ended the session on a flat note, losing 0.02%.

Asia

Markets retreated on discouraging cues from global markets. A strengthening yen exerted further pressure on Japanese stocks. The Nikkei 225 shed 1.4% as mining and material stocks declined. Meanwhile, the Hang Seng was trading 1.2% down at 7:00 am, with energy and technology shares leading the decline.

Oil

Yesterday, Brent and WTI crude oil prices increased 1.0%. The spread between the two varieties stood at US\$1.4 per barrel.

Headlines

BoE warns of recession if UK leaves EU

The Bank of England (BoE) has cautioned that the UK could slip into recession if it exits the European Union. Furthermore, the bank trimmed the country's growth forecast to 2.0% from its February estimate of 2.2%; however, it kept interest rates unchanged. The referendum would be held on 23rd June 2016.

Company news

Eurasia Mining ([EUA.L](#), 0.62p) - Speculative Buy

Yesterday, Eurasia Mining announced that it raised gross proceeds of £500,000 through the placement of 90,909,091 ordinary shares of 0.1 p at a price of 0.55p per share. The new shares are expected to be admitted to AIM for trading on 26th May 2016 and will rank pari passu in all respects with the company's existing ordinary shares in issue. Following the placement, the company's enlarged share capital now comprises 1,395,863,328 shares with voting rights attached. The net proceeds of the placing will be used to repay the loan provided by Sanderson Capital Partners Limited, announced on 12th February 2016, support underlying working capital requirements and allow the completion of the work programme at

Monchetundra and the test work on the Semenovskiy Tailings Project.

Our view: *The successful placement of shares to raise money for repayment of loans bodes well for the company. In addition, the proceeds would enable it to fulfil its underlying working capital requirements and support the completion of the work programme at Monchetundra and the test work on the Semenovskiy Tailings Project. Earlier this month, the company signed an agreement with Metal Tiger to acquire exclusive right to a 67% stake in the Semenovskiy Tailings Project owned by Golden Sands. The pre-feasibility study equivalent for the project, a TEO of Conditions in Russia, has now been approved and metallurgical testing is now underway. We look forward to further updates from the company and therefore maintain a Speculative Buy rating on the stock.*

Beaufort Securities acts as corporate broker to Eurasia Mining plc

Jubilee Platinum ([JLP.L](#), 3.18p) - Speculative Buy

Jubilee Platinum, the mine-to-metals specialist, focused on platinum mining and recovery, announced yesterday a performance update on its recently commissioned chrome recovery plant. The now fully operational chrome plant is part of the PGM-bearing tailings processing project on the Dilokong Chrome mine (DCM project). Sustainable feed rate has exceeded design capacity by 30% to 65 tons per hour. The first 3,000 tonnes of chromite produced has been sold generating c £0.188m in revenue for the project. Management is now targeting 6,000t of chromite for May 2016 and 8,000t for June 2016.

Our view: *We are encouraged with the first chromite revenues generated from the DCM plant and look forward to the processing of the enriched platinum tailings. The DCM plant continues to exceed the original design capacity and enrichment targets for platinum. Jubilee has been approached by platinum producers and plant trials have been successfully completed on the enriched platinum. We look forward to an updated platinum processing strategy by end of May 2016. In the meantime, we reiterate our Speculative Buy on the stock.*

Beaufort Securities acts as corporate broker to Jubilee Platinum plc

Savannah Resources ([SAV.L](#), 3.25p) - Speculative Buy

Savannah Resources, the diversified mining group focused on exploration and development of mineral sands in Mozambique and copper-gold projects in Oman, announced yesterday the commencement of the next round of drilling on its Blocks 4 and 5 properties in Oman. Savannah owns a 65% shareholding in Al Fairuz Mining, the owner of the Block 5 licence and is earning a 65% shareholding in Al Thuraya LLC, the owner of Block 4, both are highly prospective for copper and gold. The proposed 2,930m of diamond drill programme will focus on the Maqail South and Mahab 4 prospects in Block 5 as well as the Dog's Bone and Bayda prospects in Block 4. Savannah is targeting an increase in the overall resource potential and upgrade the current resource classification. Drilling will also assist in the

completion of initial geotechnical and metallurgical test work which will ultimately feed into feasibility studies as the company continues to target production in late-2017.

Our view: *We look forward to results from the next round of drilling with a potential to increase the overall resources and the resource classification from the current Inferred and Indicated mineral resource estimate of 1.7Mt grading 2.2% Cu. In the meantime, we maintain a Speculative Buy rating on the stock.*

Beaufort Securities acts as corporate broker to Savannah Resources plc

Caledonian Mining Corporation ([CMCL.L](#), 68.50p) - Speculative Buy

Yesterday, Caledonia Mining Corporation announced the operating results for Q1 2016. During the period, the company's revenue improved to US\$13.4m compared with US\$12.9m in Q1 2015; however, production costs during the period increased to US\$8.0m from US\$7.7m a year ago. Pre-tax profit for the period was US\$1.974m, down from US\$2.595m, due to costs related to margin call on gold hedge and lower gains on foreign exchange. Consequently, profit for the period declined to US\$848,000m from US\$1,627,000 in Q1 2016 due to a higher tax charge. On the operations front, the company's gold production improved 8.7% to 10,822oz and the on-mine cost declined 3.8% to US\$689/oz. The average realised gold price too dropped to US\$1,166/oz, reflecting the prevailing gold prices in the quarter. Following the implementation of indigenisation in September 2012, Caledonia owns 49% of the Blanket Mine in Zimbabwe. On 18 February 2016, a special meeting of Caledonia's shareholders voted to approve the continuance of the company from Canada to Jersey, Channel Islands. The meeting also adopted new charter documents and changed its name to Caledonia Mining Corporation plc. Meanwhile, the company continues to focus on the implementation of the Revised Investment Plan at its Blanket mine that is likely to result in increased production, reduced operating costs and greater flexibility to undertake further exploration and development.

Our view: *Caledonia's financial and operating results for the first quarter of 2016 look promising despite the low realised price of gold. The company was also successful in reducing the fixed cost per ounce of gold produced. Moreover, the projected increase in production in 2016 is expected to result in improved cash generation due to higher sales volume and lower costs per ounce of gold, as fixed costs are spread over more gold ounces produced. The higher gold price, if sustained, will further enhance cash generation. Meanwhile, the company remains on track to implement the Revised Investment Plan at the Blanket mine. In view of these factors, we reiterate a Speculative Buy rating on the stock.*

Galliford Try ([GFRD.L](#), 1,295.0p) – Hold

Galliford Try ('Galliford'), the housebuilding and construction group, yesterday provided trading update for the period from 1 January to 11 May 2016. The Group said its

performance so far in the year was in line with its strategy to 2018 of disciplined and sustainable growth in all three divisions, Linden Homes, Galliford Try Partnerships and Construction. Linden Homes secured £820m of sales reserved, contracted or completed for the FY2016, up by +13.7% (Year to Date: £1,086m) at a selling rate of 0.72 per outlet per week (2015: 0.68). The landbank stood at 12,400 plots (2015: 13,200 plots) and all plots secured for FY2017, as well as 77% of plots secured for FY2018. Galliford Try Partnerships had contracting order book of £0.85bn, (31 December 2015: £0.65bn) and £61m of sales are reserved, contracted or completed for the FY2016, up +7% (Year to Date: £96m) with its landbank stood at 2,700 plots (2015: 1,800). Construction recorded order book of £3.6bn (31 Dec 2015: £3.3bn) with 76% of FY2017 revenue already secured (2015: 83%). Its CEO, Peter Truscott commented “the Group's businesses continue to trade in accordance with plan and we anticipate reporting full year results in line with management's expectations, with all three businesses encouraged by future opportunities.”

***Our view:** Galliford continues to make strong progress across all three divisions, supported by positive land market conditions, housing shortages, government incentives and mortgage availability. Linden Homes witnessed an encouraging increase in its sales rates with a strong carry forward position at year end. Despite the effects of last year's rent reforms, Galliford Try Partnerships remain confident of continuing growth both in mixed tenure and contracting, while also remaining on track for regional expansion. Construction also sees a continuing good level of new opportunities. As such, the Group confirmed that it remains on track with its 2018 planning to deliver disciplined and sustainable growth in all three businesses and to match expectations. Despite such confidence, however, earlier this year Beaufort took the precautionary step of downgrading the all UK Housebuilding and Building Material sector equities, including Galliford Try, from 'Buy' to 'Hold'. This was in anticipation of a cautionary reaction by the market to recent tax moves, such as the stamp duty hikes that particularly affected premium and Buy-to-Let properties, BREXIT concerns, etc. Their subsequent sharp underperformance in shares reflected these fears with, in particular, a vote for BREXIT expected to discourage international property buyers while possibly pushing the UK into recession and, in tandem, importing a further hit on Sterling that would increase both materials and labour costs. That said, a current year 2015/16 P/E multiple of less than 10x (followed by a little over 8x in 2016/17), together with a yield of 6.2%, suggests the shares now price in much of this scenario. Given the extent of the correction already suffered by both the housebuilding and the materials sectors so far this year, Beaufort expects to upgrade both (which, of course, includes Galliford Try) back to 'Buy' as soon as it has reasonable confidence that the 'Remain Camp' will be victorious on June 23rd.*

Horizon Discovery Group ([HZD.L](#), 172.50p) - Speculative Buy

Yesterday, Horizon Discovery informed that it signed two manufacturing agreements with an unnamed next-generation-sequencing (NGS) platform company. The agreements are

expected to gain further deals in future. However, the financial details of the deal were not disclosed. As per the agreements, Horizon will supply two HDx Molecular Reference Standards, which would be incorporated into assay kits made by the partner.

Our view: *The inclusion of Horizon's Reference Standards as a standard kit component by a leading NGS platform provider demonstrates a shift toward independent and highly characterised reference materials to support the deployment of NGS assays in cancer. Recently, the company announced upbeat results for the full year that saw it reinforce its business engine through targeted investment in internal infrastructure, including e-commerce and ERP systems. Moreover, with the integration of recent acquisitions into the company, Horizon was successful in creating a fully integrated life science gene-editing service company. New marketing channels were established through partnerships with leading organisations such as ThermoFisher and Abcam. During the year, the company grew in strength on the core capabilities front and expanded its catalogue of products to over 23,000. Horizon is at the forefront in these game-changing areas of medicine as we believe that a new era of personalised and genomic medicine is here to stay. The company's pipeline of innovative products leads us to believe in a positive outlook. Thus, in view of the above developments, we maintain a Speculative Buy rating on the stock.*

IP Group ([IPO.L](#), 156.30p) - Buy

IP Group announced at its AGM yesterday the progress of the Group for the period from 1 Jan to 30 April. The fair value of the portfolio decreased 2% to £539.3m. This reflects i) the disposal of IP Group's holding in Tracsis in March for £13.1m (from an investment of £400k), ii) net of investments of £8.4m and iii) a decrease of £7.7m reduction in the AIM companies. As at 30 Apr 16, IP Group reported a net cash of £165m, in line with expectations. NAV as at 30 April totalled £704m or 124p per share.

Our view: *The shares trade on 1.3x NAV, but if you reflect the investment uplift generated to date (cf and the most recent Tracsis x38 investment), then we believe there is plenty of upside and we regard the shares as excellent value at these levels. We reiterate our Buy stance.*

To read Beaufort's full research archive [click here](#)

Compiled by:

Barry Gibb, Harry Stevenson, Sheldon Modeland & Charles Long

(t) +44 (0) 207 382 8384

(e) info@beaufortsecurities.com

Economic news

US initial jobless claims

The number of Americans that filed their first initial claims for unemployment benefits

increased by 20,000 to a seasonally adjusted 294,000 in the week ended 7th May, the Labor Department stated on Thursday. Economists had forecasted a reading of 270,000. Last week's unrevised figure was much lower at 274,000. Meanwhile, the four-week moving average of continuing claims fell by 3,750 to 2,137,250, its lowest level since November of 2000.

Weekly diary



[Click here](#) to see all this week's planned corporate and economic announcements.

Recommendations

During the three months to end-April 2016, the number of stocks on which Beaufort Securities has published recommendations was 342, and the recommendations were as follows: Buy - 107; Speculative Buy - 182; Hold - 53; Sell - 0.

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

Important Risk Warnings and Disclaimers

This report is published by Beaufort Securities Ltd ("Beaufort Securities"). Beaufort Securities Ltd is Authorised and Regulated by the Financial Conduct Authority and is a Member of the London Stock Exchange.

RELIANCE ON THIS NOTE FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE YOU TO A SIGNIFICANT RISK OF LOSING ALL OF THE FUNDS, PROPERTY OR OTHER ASSETS INVESTED OR OF INCURRING ADDITIONAL LIABILITY.

This document is not an offer to buy or sell any security or currency. This document does not provide you with individually tailored investment advice. It has been prepared without regard to the your financial circumstances and objectives The appropriateness of a particular investment or currency will depend on your individual circumstances and objectives. The investments and shares referred to in this document may not be suitable for you.

This research is non-independent and is classified as a Marketing Communication under FCA rules. As such it has not been prepared in accordance with legal requirements designed to promote independence of investment research and it is not subject to the prohibition on

dealing ahead of the dissemination of investment research in COBS 12.2.5. However Beaufort Securities has adopted internal procedures which prohibit analysts from dealing ahead of non-independent research, except for legitimate market making and fulfilling clients' unsolicited orders.

By receiving this document, you will not be deemed a client or provided with the protections afforded to clients of Beaufort Securities. When distributing this document, Beaufort Securities is not acting for you and will not be responsible for providing advice to you in relation to this document. Accordingly, Beaufort Securities will not be responsible to you for providing the protections afforded to its clients.

Beaufort Securities may effect transactions in shares mentioned herein and may take proprietary trading positions in those shares, and may receive remuneration for the publication of its research and for other services. Beaufort Securities may be a shareholder in any of the companies mentioned in this report. Accordingly, this document may not be considered as objective or impartial. Additionally, information may be available to Beaufort Securities or the Group, which is not reflected in this material. The remuneration of the author of this report is not tied to the recommendations on any shares mentioned nor to the any transactions undertaken by Beaufort Securities or any affiliate company. Further information on Beaufort Securities' policy regarding potential conflicts of interest in the context of investment research and Beaufort Securities' policy on disclosure and conflicts in general are available on request. Please refer to <http://www.beaufortsecurities.com/important-info>.

Past performance is not a guarantee of future performance. Investments may go down in value as well as up and you may not get back the full amount invested. The listing requirements for securities listed on AIM or the ICAP Securities & Derivatives Exchange are less demanding and trading in them may be less liquid than main markets. This may make it more difficult to buy and sell these securities.

This document includes certain statements, estimates, and projections with respect to the anticipated future performance of securities listed on stock exchanges and as to the market for these shares. Such statements, estimates, and projections are based on information that we consider reliable and may reflect various assumptions made concerning anticipated economic developments, which have not been independently verified and may or may not prove correct. No representation or warranty is made as to the accuracy of such statements, estimates, and projections or as to its fitness for the purpose intended and it should not be relied upon as such. Opinions expressed are our current opinions as of the date appearing on this material only and may change without notice. Other third parties may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views, and analytical

methods of the analysts who prepared them. This report has not been disclosed to any of the companies mentioned herein prior to its publication.

This document is based on information Beaufort Securities has received from publicly available reports and industry sources. Beaufort Securities may not have verified all of this information with third parties. Neither Beaufort Securities nor its advisors, directors or employees can guarantee the accuracy, reasonableness or completeness of the information received from any sources consulted for this publication, and neither Beaufort Securities nor its advisors, directors or employees accepts any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document (except in respect of wilful default and to the extent that any such liability cannot be excluded by the applicable law). You should not rely on this document and should not use it substitution for the exercise of the independent judgment of yourself or your adviser.

The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person or published, in whole or in part, for any purpose. Other persons who receive this document should not rely on it. Beaufort Securities, its directors, officers and employees may have positions in the securities mentioned herein.

Beaufort Securities Limited, 131 Finsbury Pavement, London, EC2A 1NT.
Authorised and regulated by the Financial Conduct Authority (Register No. 155104).
Members of the London Stock Exchange and ISDX.

Beaufort Securities 131 Finsbury Pavement London, EC2A 1NT 020 7382 8300

You received this email because we believe you have an interest in our products and services. If you would like, you can [manage your subscription preferences](#).