July 2016

A • GUIDE • TO • TECHNOLOGY • GROWTH • SHARES

TECHINVEST

Stockmarket Newsletter

MARKET COMMENT

Share prices were on the retreat following news of the UK's Brexit vote. Since the last issue of *Techinvest*, the techMARK Focus has fallen by 2.4%.

With the Brexit vote taking the markets by surprise, a marking down of equities in the immediate aftermath was inevitable. Trading is likely to remain volatile for a time while markets establish a level that reflects the real possibility of an EU without UK membership. So far, the damage to share prices overall has been relatively modest, particularly when bearing in mind that prices fell more sharply earlier in the year following concerns about slowing growth in China.

There may, of course, be further pain to absorb as the implications of the vote become clearer, though this is likely to play out over a longer time frame and with less volatility. Given that economic fundamentals are the ultimate driver of markets, it remains to be seen how far a renegotiated relationship between the UK and EU affects the balance of economic forces across Europe. The broad impact may be less than feared, but the devil will likely be in the detail. In other words, there will be winners and losers from the rebalanced relationship and the challenge for investors will be to anticipate how the fallout will affect particular companies and sectors. Shares in UK housebuilders and banks have been heavily marked down since the vote, while businesses with significant overseas earnings have been among the winners as they are seen to benefit both from a weaker pound and lower exposure to the domestic economy.

For the tech sector, the picture is mixed. ARM has warned about potential recruitment difficulties if tighter restrictions are placed on migration into the UK post-Brexit and for start-ups there are concerns about the potential loss of EU grants and collaboration with research partners. Software providers relying on the sale of big ticket items will also worry that the political uncertainty will lead to a temporary freeze on expenditure among their clients. At the same time, technology remains an international currency and a rebalanced UK/EU relationship is unlikely to pose significant obstacles to the sale of technology across borders. Tech companies also generally have close supplier and client relationships that would not easily be broken by shifts in relations between governments. Too soon to be drawing firm conclusions, but Brexit is sure to create some opportunities for investors alongside any downside it brings.

IN THIS ISSUE

FTSE100	**6140.39**
FTSE Small Cap (excl Inv Cos)	**3796.67**
FTSE techMARK Focus (formerly techMARK 100)	**3703.49**

All prices are as of the close of business on Tuesday June 28

UPDATE

New subscribers should note that Update provides comment and reviews of previous Techinvest New Buy ratings until they are no longer worth holding in our view. This is a service to regular readers and as such the notes are written in the context of the original tip.

A rating such as "Hold" means that someone who bought at or close to the tip price is advised that the shares are worth holding, even though they could still be a worthwhile buy.

Sometimes a previous tip is again rated a buy. This normally arises where for no apparent reason the price is below the original tip or where subsequent good news justifies a further purchase at a higher price.

Except where noted shares are on the London Official List.

Bond Intl Software (BDI; AIM) # 93p

Constellation Software (CSU; Toronto; C$500.84) finally showed its hand on June 3, offering 105p in cash for the shares it doesn't already own. At that date, it controlled 12.48 million, 29.6% of the shares in issue.

In response, Bond said the board of directors will consider the offer and "a further announcement will be made in due course".

A week later, Bond said it would not currently recommend the offer to shareholders. More importantly perhaps, Bond went on to say it had received multiple offers for other operating divisions, with advanced negotiations underway for the sale of its recruitment software division and the HR & Payroll Software and Services Division.

A conclusion to this very long drawn out saga looks to be nigh. Strong hold.

BATM Advanced Comms 12.75p (BVC; Tech Hardware and Equip.)

The Company has announced the supply of 10GE (10 Gigabit Ethernet) demarcation devices to a Tier 1 communications service provider in Southeast Asia. Three weeks later, it announced the successful deployment of a new high capacity 10GE network for the Kenya Education Network.

Continue to Buy.

First Derivatives(FDP; AIM) # 1770p

The shares took an alarming dip early on the morning the Brexit result was announced, with a few relatively small sales at as low as 1450p, well down from the record high of 2114p achieved as recently as May 25. No sense in that, especially as more than 40% of Company revenue comes from the Americas.

Even so, the shares are still almost a twenty bagger, based on our original New Buy tip at 90p in September 2005. Continue to hold.

Sandvine (SVC; Toronto) # C$2.53

Early in the month, Sandvine announced orders totalling over $3m from a major CALA wireless operator. This includes deployment of the market-leading Policy Traffic Switch 32000 in the customer's largest property.

Sandvine will release results for its second quarter to May 31 on the morning of July 7. This will be followed by a Conference Call that day at 1.30pm GMT which will be webcast at www.sandvine.com/investors .

The shares continue to languish at levels that make no sense. SVC remains market-leader at what it does, supported by net cash of C$1.30 a share, some half the share price.

Continue to buy.

Small Cap Awards 2016

At a ceremony held at London's Montcalm Hotel on 16th June 2016, Conor McCarthy and co-manager Darren Freemantle were presented with the Fund Manager of the Year award for the *MFM Techinvest Special Situations Fund.*

Inaugurated in 2013, the Small Cap Awards is an annual event "celebrating the best and rewarding the finest in the sub-£150m market cap quoted company sector."

The latest Investment Association (IA) data for the UK Smaller Company sector shows the *MFM Techinvest Special Situations Fund* in top spot out of 45 funds, both on a one-year and three-year performance basis, with gains of 7.7% and 68.1% respectively. *Data source: Trustnet*

Information on how to buy or sell shares in the Fund is contained on the back page of this newsletter. It should be noted that transactions are carried out once a week, based on the price calculated each Wednesday.

As always, remember that "the past is not necessarily a guide to future performance".

Eckoh (ECK; AIM) # 48.25p

Supported by significant US progress, Eckoh has reported a third year of double-digit revenue and margin growth. For the year to March 31, revenue grew by 31% to £22.5m, with US revenue increasing from £0.2m to £4.0m. UK recurring revenue is now 79% of total revenue. Excluding the contribution from the acquisition of US-based Product Support Solutions, organic revenue growth rose 7% to £18.5m. Much of this came from the strong inflow of high margin payment customers with organic gross margin increasing by 17% to £15.3m. Cash flow from operations was strong at £5.2m, leading to cash increasing by 50% to £6.6m (2.8p per share).

Operational highlights included the acquisition of Product Support Solutions to further establish a presence in the US. Nine contracts were won in the US Secure Payments operation, including the first through an agreement with West, a major US distributor. Thirteen new UK deals were secured including Thames Water, the Co-operative Group, Ecotricity and a global on-line retailer. Two of the largest UK clients renewed for a minimum of four years and all other significant clients renewed.

Since launch in May 2015 the tokenisation solution has rapidly become the leading sales proposition in the Group's Secure Payments. Eckoh anticipates that sales interest will grow significantly as appreciation of the EU General Data Protection Regulation becomes more widespread.

Post-period end, the Company has announced two major US contracts worth over $7.0m. The first contract has been secured through West and is a three-year agreement for Eckoh to provide secure payment services to a global insurance company in the Fortune 500. The contract, which has a minimum value of $2.0m, will see Eckoh provide its patented tokenisation solution across 5,000 US-based contact centre agents employed by the corporation. The second contract is a three-year agreement to provide a variety of contact centre infrastructure support services to a major US telecommunications company. The contract will generate a minimum of $3.0m revenue over the three-year term but with anticipated revenue in excess of $5.0m.

The acquisition of Product Support Solutions has meant that Eckoh is now able to offer both Secure Payments and Customer Contact solutions in the US, as it does in the UK. This has been a key factor behind the transformational growth in US demand for Eckoh's products and services. Continue to buy.

Lombard Risk Mgmt (LRM; AIM) # 8.25p

Results for the year to March 31 showed a solid 10.3% increase in revenue to £23.7m, giving a five-year compound annual revenue growth rate of 15%. Recurring revenue grew by 12.4% to £10.2m. The Regulatory Reporting division saw revenues rise 25.6%, while Risk Management revenues were down by 3.0% as a result of declining sales for the legacy Oberon product. Licence revenues were broadly flat at £9.5m. Increased investment in strategic repositioning was largely responsible for a 54% drop in adjusted EBITDA to £2.1m, with loss before tax of £2.2m compared to a profit of £2.3m last time. Cash at year-end was £3.3m. The current year has started with a record order book of £7.5m.

Operational highlights included the launch of AgileREPORTER to meet the latest standards for global regulatory reporting and the signing of a technology licence with Oracle America. The Company has also unveiled a new global corporate identity. The leadership team has been refreshed with the appointment of Alastair Brown as CEO and the post year-end appointment of Mike Payne as Chief Technology Officer. Following a strategic review, Lombard will focus exclusively on the regulatory reporting and collateral management needs of its clients. Separately, AgileREPORTER has been selected by a major global bank through the partnership with Oracle.

Lombard plans to focus exclusively on regulatory reporting (AgileREPORTER) and collateral management (COLLINE). The Company has realised that, in order to take advantage of regulatory changes around banking supervision and with clients increasingly looking to standardise on particular technology offerings, it must invest in its product portfolio to improve functionality, support and cloud capabilities. This will help it to capitalise on the opportunities presented through the Oracle partnership. In order to make these investments and to strengthen the balance sheet, Lombard has raised £8.0m via a share placing at 8.75p per share. Four Directors and certain senior managers subscribed for a total of around £475,000 in the placing. In addition, an Open Offer (planned for July) will raise around £0.76m on a 1-for-35 basis.

The proceeds of the fund raising will be used to: accelerate investment in AgileREPORTER (c£2.35m) to comply with forthcoming bank supervision requirements; invest in COLLINE in the cloud (c£1.7m), to deliver a revised Software-as-a-Service (SaaS) offering; and to invest in development infrastructure (c£3.0m) to diversify development capability from its centre in Shanghai. This will help Lombard to more readily meet client demand. In addition, Lombard plans to complete restructuring work (c£0.45m) around sales and product teams.

These soon-to-be-made investments, coupled with the advantages of a key strategic relationship with Oracle (which, we believe, should not be underestimated), have significantly strengthened the underlying business. The new management team is experienced enough to capitalise on the opportunities. Continue to add.

Elecosoft (ELCO; AIM) # 21.5p

For the four months ended 30 April 2016, Elecosoft achieved revenue of £5.9m, an increase of 10 per cent over the same period last year. Trading profit for the period was £0.52m, up 15 per cent. After accounting for a director's termination payment of £0.11m, pre tax profit was £0.41m. For the full year to 31 December, house broker FinnCap expects pre tax profit of £1.4m. This corresponds to earnings per share of 1.3p.

A reassuring statement. Strong hold.

APC Technology (APC; AIM) # 8.25p

Results for the six months to February 29 saw revenue dip to £12.8m from £14.5m a year earlier due to weak component bookings in the second half translating into lower invoicing, as well as an emphasis on avoiding low margin sales. The operating loss before exceptional items £0.2m, represents a significant improvement from the £1.4m loss in the corresponding period last time, as operational review measures began to impact. Gross margin increased to 34% from 25% in full year 2015 due to tighter cost controls. Operating costs reduced by more than £1.0m through a 10% reduction in headcount and other operational efficiencies. Component bookings at period end were the highest in five years at £7.2m and this is expected to translate into stronger second half revenues.

APC report that a focus on products and solutions with immediate revenue potential has delivered significant new contracts across all operating units. The LED supply chain has been completely overhauled with a new European distribution agreement signed, lead times and freight costs dramatically reduced and product range greatly extended. Profitability in Minimise Group was restored after a full year loss in 2015. Revenue declined marginally from the same period last year by £0.4m. The Energy division achieved revenue growth of £0.3m year-over-year with a focused attention on growing the smaller but more profitable design, specification, supply and installation projects across a broader customer base. Water division revenue was slightly lower than the prior year due to contract churn at the end of 2015.

Post period end, Minimise Energy has received £1.5m of new LED orders, including £1.0m from a major high street food and fashion retailer for product to be delivered before year end as the first phase of a larger planned store roll out. In addition, first orders were received from a preferred supplier agreement with a major property management group. EEVS, the measurement and verification team within Minimise Solutions, has won a new, long-term contract with a major UK financial services business to provide services to ensure the accurate monitoring and reporting of its compliance and resource reduction achievements across its significant property portfolio. Year-to-date component bookings had risen to £10.3m by the end of May, demonstrating strong revenue recovery. The Company also launched APC Smartwave to consolidate its existing range of Internet of Things (IoT) products under one banner to capitalise on the huge potential of the IoT marketplace. APC Smartwave will provide a combined IoT and Cleantech offering, with products including sensors, display products, computing solutions, wireless products, LED components and energy harvesting and storage technologies.

APC's strengthened management team have put in place the groundwork for a significant revenue recovery in a business that is now much better focused on key areas of growth, including the fast expanding market for IoT products. Continue to buy.

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The editorial team shareholdings of companies covered in this issue: Gresham House Strategic and Sandvine.

Techinvest Fund Performance

Most relevant Trustnet 5-year performance table data to hand (30 June 2016) covers a total of 3,114 UK-authorised unit trusts and OEICs. We are pleased to note that both funds managed by Techinvest Ltd are in the top 13% best performers for the period. The *MFM Techinvest Special Situations Fund* is ranked at number 102 in the table while the *MFM Techinvest Technology Fund* is at 398.

The smaller of the two, the *MFM Techinvest Special Situations Fund*, invests in a multi-sector variety of quoted stocks on the London (including AIM) and Dublin markets. The majority of these are in the small and microcap category, although the fund manager also invests in a few large cap positions. Typically, some 35% is invested in technology stocks, mainly those too small for the much larger Technology fund.

The *MFM Techinvest Technology Fund* is typically some 75% invested in North American-listed (US and Canada) technology stocks, with the balance primarily in London. It focusses on smaller cap stocks and, to the best of our knowledge, is the only fund of its type offering a high level of exposure to the smaller cap end of the technology sector on both sides of the Atlantic.

Up-to-date information on the two funds can be found on the back page of this newsletter. Please note that Bolton-based Marlborough Fund Managers (MFM) are the ACD (Authorised Corporate Director) for the funds, both of which are authorised by the FCA in the UK.

Also see back page if you wish to buy or sell shares in either Fund. ***However, always keep in mind that "the past is not neccesarily a guide to future performance".***

Blue Prism (PRSM; AIM) # 107.5p

In its first set of results since its March IPO, Robotic Process Automation (RPA) specialist Blue Prism announced total contracted revenue of £14.8m for the six months ended April 30. This represents an increase of 124% compared with the same period last year. Overall revenue was £4.0m, up 21%, with recurring licence revenues accounting for £83% of the total (H1 2015: 51%). The exit run rate of recognised recurring licences was £662k per month at April 30. This compares with £390k per month at 31 October 2015. Revenue from UK customers rose 41% and represented 81% of the total, with the balance coming via the US, which jumped 350%.

Operating losses (adjusted for share based payments and IPO costs) were £1.4m (H1 2015: £72k profit). Loss per share: 7p. Cash at period end was £11.8 (18p per share). This includes £8.8m of IPO proceeds.

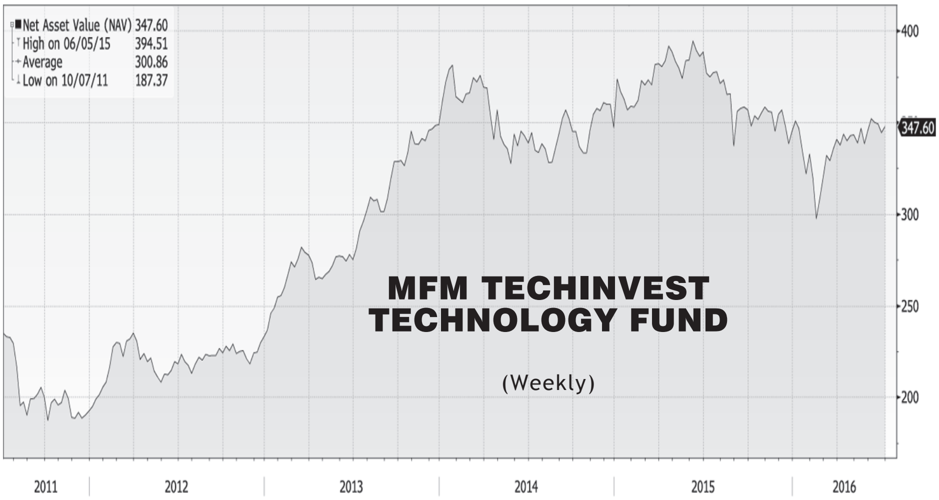
The Company won 64 licence contracts in the period, compared with 40 for the whole of FY2015. After signing 33 new customers, the total customer base now stands at 90. The number of new contracts reflects the success of the partner model and 90% of new customers were signed via this channel.

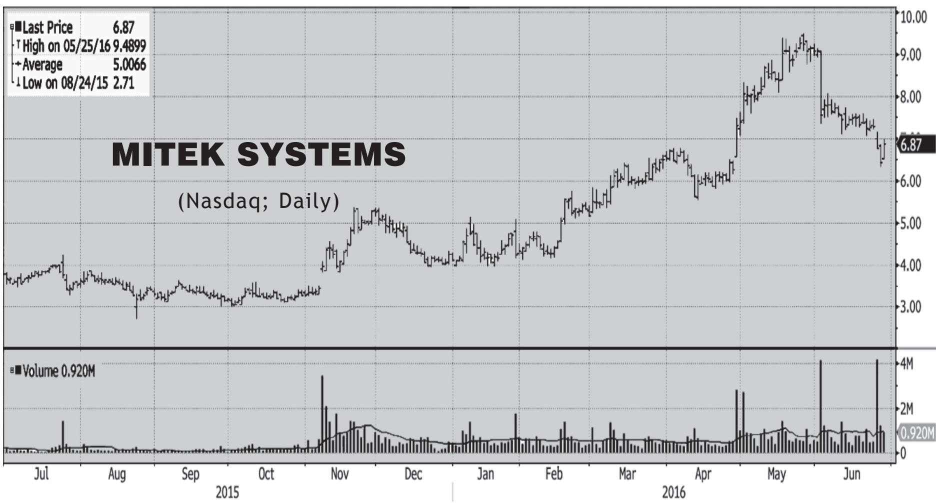
Blue Prism believes it could be heading into a period of rapid growth. It sees increased market opportunities for RPA products and has decided to bring forward investment in sales and marketing, originally planned for 2017, to the second half of the current year. Large enterprises with significant back-office operations are increasing adoption of RPA as they consider building a Virtual Workforce to complement existing human resources.

Trading wise, Blue Prism has got off to an excellent start since joining AIM. Continued speculative buy.

SELECTED CHARTS

Charts Courtesy of Bloomberg





Cloud Storage Surpasses Filesharing as Largest Source of Upstream Traffic

Sandvine has released its latest Global Internet Phenomena Report focusing on Latin America and North America. The report is based on data from a selection of Sandvine's 300-plus communications service provider (CSP) customers and contains findings from both fixed and mobile networks.

Highlights include:

• Netflix represented 35.2% of traffic on North America fixed networks. While this was a modest decline from the 37.1% of traffic it represented six months ago this change is likely the result of improvements by Netflix to better compress their video library. Even with these improvements in streaming efficiency, Netflix's traffic share on fixed networks in Latin America increased from 6.6% to 8.3%.

• Amazon Video is now the third ranked downstream application (up from eighth a year ago) in North America, accounting for 4.3% of fixed traffic. Sling TV now appears among the top 20 applications on most US networks, but still accounts for less than 1% of traffic.

• Streaming audio and video now accounts for 71% of evening traffic in North American fixed access networks. Sandvine expects this figure will reach 80% by 2020.

• Cloud Storage (Dropbox, iCloud, Google Drive, etc.) has surpassed Filesharing as the largest source of upstream traffic during peak period on North American fixed access networks. BitTorrent now accounts for less than 5% of total daily traffic in the region.

• The addition of video and voice calling is driving growth in Communications apps on mobile networks in both Latin America and North America. In Latin America, Whatsapp traffic share is now 7.4%, more than triple what it was two years ago.

• In Latin America, Facebook and Google account for over 70% of total mobile traffic in the region, this is up from 60% reported last year.

• Over 60% of mobile traffic in both Latin America and North America is now encrypted and Sandvine predicts some networks will surpass 80% this year.

Canada Newswire, 22 June 2016

Eagle Eye Solutions (EYE; AIM) # 109p

In a trading update for the year to June 30, the Company reported that it expects to grow revenue by circa 34% to £6.5m. Revenue growth accelerated in the second half by 20% compared to the first half.

As stated in the interim results announcement in March, revenue for the year is lower than previous management expectations. The shortfall has been driven by three factors: the timing of significant contracts being deployed to live, the knock on impact on the ability to drive FMCG brand campaigns through those clients, and the messaging business generating lower than expected new business revenue.

Recurring subscription and transactional AIR platform revenues are expected to be up c87% at £3.6m. Expected redemption volumes will be in the region of 38 million, an increase of 120%, while expected messaging volumes will be maintained from prior year at around 40 million per year. Cash year-end is set to be £1.1m (4.5p per share).

The momentum achieved by Eagle Eye demonstrates the major structural shift of the promotions and rewards market towards digital issuance and redemption. However, a placing of new shares at a discount to raise cash looks inevitable which is probably why we were stop-lossed out at 178p.

Digital Barriers (DGB; AIM) # 38.25p

The year to 31 March saw Digital Barriers divest its Services division, acquire US security solutions specialist Brimtek and raise £27.1m via a share placing at 35p per share. Revenue attributable to continuing operations was £21.1m compared with £11.9m a year earlier. Gross margin was 50%, up from 43% last time. Loss before tax (adjusted for amortisation, share-based payments and acquisition costs) was £4.7m (2015: £10.6m loss). This corresponds to a loss per share 3.8p (2015: 14.3p loss). Net cash ended the period at £10.8m or 6.5p per share.

The Solutions division achieved a 53% increase in organic revenue to £18.2m. The unit traded especially strongly in the second half, with organic revenues up 72% compared with the first half. International revenues rose 113% organically to £15.1m and accounted for 83% of total organic revenues.

The acquisition of Brimtek, provides Digital Barriers with a platform for future growth into the US, the largest defence and homeland security market in the world. Brimtek designs specialist surveillance solutions for customers across defence, law enforcement and counter-terrorism. Historically, it has partnered with a range of technology providers. In future, solutions will be increasingly built around Digital Barriers' technology, along with a select number of other providers.

Digital Barriers commented that global security context has worsened this year and customers are increasingly focused on combating terrorist threats. As well as traditional defence and security services, these customers include operators of critical infrastructure, mass transportation networks and key natural resources. Demand is strong across the US, Asia, Africa, Middle East and Europe. Revenue growth during the period was particularly strong in Asia Pacific and the US and, thanks to increasingly long-standing relationships with customers and partners, much of the sales pipeline is now repeat sales.

The UK had a difficult year as pressure on public spending led to delays in procurements. However, the Company feels well positioned for when normal spending patterns return. As regards the UK exit from the European Union, the management do not envisage material trading implications and also commented that the Group has entered the new financial year in better shape than ever before.

Success in the current year will depend on the level of new business secured via Brimtek in US and how quickly the global business pipeline can be converted into sales. The strong second half performance bodes well. Speculative buy.

NetDimensions (NETD; AIM) # 57.5p

NetDimensions announced two new contracts during the month. The first was with Keepmoat, a UK market leader in community regeneration and housing solutions, that each year builds around 4,500 new homes and completes 250,000 responsive repairs. Keepmoat selected NetDimensions Learning to manage learning and development for up to 3,500 employees and supply chain contractors. In addition to managing all internal training and certification, Keepmoat expects to use the NetDimensions system to manage compliance training for its supply chain contractors.

The second contract was with Omega Performance which has implemented NetDimensions Analytics as part of an analytics reporting solution. Omega is part of TwentyEighty, a global group focused on training and workforce performance.

No value for the deals was provided, but they are both highly prestigious and could help open doors to similar wins. Add.

Acal (ACL; Support Services) 217p

Results for the year to March 31 showed good progress towards key performance targets despite adverse currency moves. Revenue was up 6% to £271.1m and by 14% at constant exchange rates to £287.7m. A move to supplying higher value products saw operating margin increase to 5.7% from 4.9% last time. Operating margins have almost doubled over the last two years. Underlying pre-tax profit grew 23% to £14.5m, with diluted earnings per share of 17.0p versus 15.4p a year earlier. Operating cash flow was 100% of underlying operating profit. The year-end order book a highest ever £85.0m.

Over 50% of ongoing revenue is from the higher margin Design & Manufacturing division, which generates almost 80% of Group profits. Revenue from this division increased by 50% to £137.6m at CER, of which 3% was organic growth and the rest from the acquisitions of Noratel and Foss in 2015 and Contour, Flux and Plitron in 2016. Underlying operating profit grew by 53% to £16.5m at CER, with an operating margin of 12.0%, up 0.7ppts over last year. The division won a number of new large customer contracts during the second half, which are expected to support medium term growth plans.

Revenue from the lower margin Custom Distribution division was 7% below the previous year at of £150.1m, largely reflecting two large non-repeating orders and a discontinued supplier from the prior year. Underlying operating profit of £4.7m was down £1.6m CER. International sales across the Group's two divisions increased to 17% of sales from 12% last time. Cross-selling now accounts for 5% of revenues. Whilst challenging trading conditions are likely to continue in the first half of the year, management anticipate an improvement in H2 in line with expectations for the full year. Over £20.0m of funding is available for acquisitions that will enhance growth and shareholder value. Following the results, broker FinnCap reiterated its buy rating on the shares, with a target price of 339p.

Acal is building a highly differentiated international business, supplying essential technologies to growth markets. Forward prospects are encouraging. We were stop-lossed out during the month.

Amino Technologies (AMO; AIM) 110.5p

Updating the market for the six months to May 31, Amino reported a strong performance with record order intake and an encouraging backlog moving into the second half of the year. Revenue and pre-tax profit was in line with market expectations. Net cash at period end was ahead of expectations at £3.1m (4.5p per share). Integration of the 2015 acquisitions of Booxmedia and Entone have completed, broadening the Company's product offering and addressable markets. Cost savings are in line with expectations.

Sales performance has been particularly strong in Latin America, with repeat orders from existing customers and new contract wins from operators transitioning to IPTV deployments as part of fibre network roll-outs. There has also been continued traction in North America, across both IPTV and cable customers, with good progress in the previously announced contract with Cincinatti Bell to migrate its legacy IPTV devices to Amino's Enable TV software platform. Interim results will be announced on July 11.

Good to see the strong underlying momentum is now translating into solid financial results. With the integration of Booxmedia and Entone complete and clearly defined propositions for target markets, supported and driven by a strengthened and focused sales team, the outlook is very promising. Buy.

Instem (INS; AIM) 230.5p
During the month, the Company acquired Samarind, a UK-based provider of Regulatory Information Management (RIM) solutions for a maximum £2.5m, funded via a mixture of cash and shares. This is the first deal since Instem raised £5m via a share placing in February. Samarind is profitable and cash generative. For the year to 31 March 2016, it achieved revenue of £1.2m (c£0.8m recurring) and operating profit of £0.4m.

Samarind provides RIM software to the life sciences sector. The Company has worked extensively with the European Medicines Agency (EMA) and importantly, its solution is designed to adapt to forthcoming common global standards for data exchange, formats and terminologies for the unique identification of medicines. It is expected that Samarind's solutions will be integrated with Instem's SaaS infrastructure.

Broker N+1 Singer commented that the acquisition is a good fit with Instem's existing regulatory expertise and broadens the offering into post-marketing regulatory affairs services. The vast majority of Samarind's 33 customers are new to Instem. The deal is expected to be immediately earnings enhancing, prompting N+1 to upgrade earnings expectations. For the current year to 31 December, the eps forecast has moved from 10.0p to 10.4p (assuming a seven month contribution from Samarind). For next year the number moves from 11.4p to 13.0p.

A sensible acquisition. Instem may have other targets in its sights as it implements its plan to consolidate the sector. Hold.

Sanderson (SND; AIM) 63.5p
Continued profit growth and a strong order book were highlights from Sanderson's results for the six months to March 31. Revenue for the period increased by 8% to £9.86m and operating profit was £1.47m against £1.37m last time. Basic earnings per share saw a 13% increase to 1.7p. Half-year profitability has now surpassed the level prior to the strategic sale of the EPOS division in 2012. Gross margin improved by one percentage point to 86%, reflecting continuing emphasis on the supply of Sanderson's own proprietary software and services. The recurring revenue from pre-contracted licence and ongoing support services grew to £5.19m (2015: £4.76m), representing 53% of total revenue. Over the period, Sanderson's order book increased by £0.85m to £3.20m. Net cash ended at £3.39m (6.2p per share).

Sanderson has recently moved to a new reporting structure comprising two divisions: Digital Retail Division providing IT solutions to businesses operating in ecommerce, mobile commerce and retail sectors in the UK; and the Enterprise Division comprising two market focused businesses based on manufacturing (principally food and drink processing industries) and wholesale distribution and logistics. Digital Retail revenue increased to £2.95m from £2.80m following strong demand from existing customers including Hotel Chocolat and Scotts of Stow, and the successful completion of the phase two European roll-out for Superdry.

The Enterprise Division recorded revenues of £6.92m (2015: £6.29m) and operating profit of £1.15m compared to £0.89m a year earlier. New manufacturing customers included Thistle Seafoods and Dunkleys, with average order value significantly higher than in the comparative period. Following the results, broker WH Ireland raised its target price for the shares to 92p.

Good progress all round from Sanderson, with the strong order book supporting expectations for further growth. However, we have been stop-lossed out.

Filtronic (FTC; AIM) # 9.5p
Investors will have been pleased by Filtronic's positive trading statement of June 20. Revenue for the year to 31 May 2016 was £13.6m, a fall of £3.9m on the prior year. However, this masks a very strong sequential second half performance - H2 revenue was £9.1m versus £4.5m for the first half.

The Wireless unit achieved revenue of £9.0m, with £7.0m recorded in the second half. Order flow for integrated ultra-wide antennas has been positive over the past few months and a substantial proportion of those orders are still to be fulfilled. The Company believes that the strong order momentum looks set to be maintained. Production of antennas increased through the year and a second production line was started at Filtronic's manufacturing partner's facility. Initial production margin has been low, but has improved as volumes have increased.

Within the Broadband arm, revenue was £4.6m. Sales of legacy products continued to fall and market adoption of E-band transceivers for wireless backhaul has so far failed to make up for the shortfall. However, sales of the latest transceiver product, Orpheus, are coming through. And, from launch in November 2015 through to 31 May 2016, more than 1,500 units were shipped to the lead customer. Interest from other customers is growing and, so far, orders have been received from eight clients.

George O'Connor, analyst at broker Panmure Gordon, commented that following a long period of uncertainty, there are reasons to be encouraged; the order book is building, remedial measures are showing progress and market conditions are improving. He 'tentatively' reintroduced forecasts for FY2017 and is looking for an adjusted pre tax profit of £1.2m on revenue of £34.6m, an increase of more than 150% on the year just ended. Eps is pencilled in at 0.4p.

We commented last month's that the turnaround at Filtronic appears well-underway. The trading statement cements this view. The shares were a New Buy in March 2016 at 5.38p. Gain so far: 77%. Strong hold / Add.

Gresham House Strategic (GHS; AIM)775p
The year to March 31 was transformational as it completed the realisation of assets from the SPARK Ventures portfolio and appointed Gresham House Asset Management to follow a "Strategic Public Equity" investment strategy. A share placing raised £14.3m and, since then, £6.2m has been deployed in new investments. The total portfolio valuation at the year-end stood at £36.8m. The discount to NAV reduced from 34% at the start of the year to end the period at 20%.

Gresham plans applying a private equity style approach to publicly-listed investment opportunities. This involves taking large strategic stakes in investee companies and engaging with management to help grow shareholder value. The Company now holds six investments, with a medium-term target of between ten and fifteen stocks representing more than 80% of the portfolio. The strategy is to invest primarily in UK and European smaller public companies. However, the pipeline of potential opportunities also includes some private companies which are potentially at the pre-IPO stage.

The current portfolio consists of IMImobile (a provider of digital messaging software for mobile operators and large enterprises), Quarto Group (the global illustrated book publisher), Miton Group (an investment manager led by highly-regarded fund manager Gervais Williams), SpaceandPeople (a business that facilitates and manages space on behalf of property managers for marketing campaigns in high footfall areas), Be Heard Group (an internet digital marketing specialist focusing on e-commerce applications) and Northbridge (a specialist manufacturer/hirer of electrical and oil and gas related equipment which was added to the portfolio post year-end). All the holdings are quoted on London's AIM market, with the exception of Quarto Group which has a Main Market listing.

Like Techinvest, Gresham seeks opportunities in small companies that are under researched and unloved by investors. Plenty of candidates out there. Keep holding.

ULS Technology (ULS; AIM) 64p
Results for the year to 31 March showed revenue up 28% to £20.7m. Excluding the acquisition of Legal Eye, revenue grew 22%. Underlying pre tax profit rose 31% to £3.8m and earnings per share jumped 106% to 3.7p. Net cash ended the period at £2.9m (4.5p per share). Cash inflow from operations was impressive at £4.7m.

During the year ULS made two acquisitions: Legal Eye, a provider of risk management and compliance services to solicitors; and an initial 35% stake in HomeOwners Alliance (HOA), a website offering information to homeowners. Both businesses are performing well. Looking ahead, ULS commented on the result of the Brexit vote and said that it expects the uncertainty around the UK housing market to continue. The impact of tax changes to the buy-to-let sector are also yet to be felt.

A progressive set of results. However, there are near-term concerns around the UK housing market following the Brexit vote. Therefore, it is worth leaving the stop-loss in place at 56p.

STOP-LOSS SUMMARY

We do not advocate universal use of stop-losses as a safety measure. However, for a monthly publication they do provide an element of protection against unexpected moves between issues.

In general, stop-losses are best suited to protect big gains. They are least helpful in early recovery situations where timing is virtually impossible to predict and can often result in premature and unnecessary sales.

The table below summarises our current suggested stop-loss limits. Most of our current buy/hold recommendations are not covered. Subscribers are advised to use these as a guide, keeping in mind that the more liquid a stock the more valid breaching a stop-loss is likely to be. Also bear in mind that rigid application of the limits is less appropriate in the event of a major market correction or in very volatile conditions.

Company	Current Price (p)	Stop Loss (p)	Comment
Acal	217	230	Stop-loss triggered during month
Eagle Eye	109	178	Stop-loss triggered during month
Instem	230.5	205	Cancelled
K3 Business Tech.	332.5	320	Unchanged
NCC	246.9	250	Stop-loss triggered during month
RM	114.5	125	Stop-loss triggered during month
Sanderson	63.5	76	Stop-loss triggered during month
Sophos	182	190	Stop-loss triggered during month
Trakm8	202.5	225	Stop-loss triggered during month
ULS Technology	64	56	Unchanged

IS Solutions (ISL; AIM) # 116p
Results for the year to 31 March 2016 beat market expectations, thanks mainly to a very strong trading performance over the second half. Revenue for the year was £18.6m, up 45% on the prior 15 month period. The core data analytics business rose 126% period-on-period. Underlying pre-tax profit (adjusted for amortisation, share-base payments and acquisition charges) jumped 187% to £3.5m. This corresponds to earnings per share of 8.24p (15 month FY2015: 3.86p). Cash generation was very strong, with operating cash flow coming in at £6.4m, boosted by a £2.6m improvement in working capital. Net cash ended at £3.4m (9.2p per share).

The results were ahead of revenue and earnings forecasts from FinnCap which had already been upgraded. For the current year, the broker expects an adjusted pre tax profit of £4.0m on revenue of £21.0m and adjusted earnings per share of 8.9p.

IS Solutions, soon to be renamed D4T4 Solutions, is now entirely focused on data collection and management. Looking forward, the business is seeing strong demand from new and existing customers in the financial services and retail sectors and discussions on a number of major projects are underway. The Company is confident of meeting market expectations for the current year. On the day of the results, Chairman Peter Simmonds bought 40,000 shares at 118.6p, raising his holding to 181,500 shares.

The Company's superbly executed transformation into a pure-play data management and analytics is now complete. Recent investments in the US and European operations should help to drive future growth. Add.

CityFibre (CITY; AIM) # 57p
The Company has inked a five-year deal with a Berkshire-based IT solutions provider, Between the Lines Communication (BtL), valued at £3.1m. The contract commits BtL to a minimum of 250 customer connections in the Reading and Bracknell areas and represents the seventh agreement signed on CityFibre's expanded asset base since it was acquired in January. Agreements have been signed to bring seven of the 21 acquired city markets into commercialisation. These have an initial contract value of £18.8m and cover 1,200 customer connections.

Later in the month, CityFibre announced the signing of a national Master Services Agreement (MSA) with Level 3 Communications, a provider of international network, voice and data services. In addition, the first call-off under the MSA will see Level 3 connect local customers to a dark fibre metro ring on CityFibre's Edinburgh network.

Add.

Statpro (SOG; AIM) # 81.5p
Two new contracts for the flagship Statpro Revolution Performance module were signed during the month. The first, with a large Australian financial institution, is valued at A$4.5m (£2.3m) over a three-year period. The second is with a global American financial institution for a minimum US$1.75m (£1.2m) over five years.

Statpro claims that Revolution is the only cloud-based platform available on the market today that provides complete analytics and data management. Revolution Performance is the core transaction-based performance measurement module that will enable Statpro to complete the process of migrating clients away from the older Statpro Seven platform.

These deals represent a significant endorsement for a product not due for formal release until September 28. The news comes on the back of strong trading for the first quarter (see last month; Page 2). Buy.

Photo-Me (PHTM; Leisure Goods) 131.75p
Photo-Me has announced a special dividend of £10.6m after achieving record profits for the year to April 30. Revenue increased by 3.8% to £184.0m, boosted by demand for the new laundry product and higher volumes in the ID photo business in Asia. At constant currency, the growth in revenue was 6.3%. Pre-tax profit was up by 4.1% to £38.5m, while underlying diluted earnings per share increased by 15.2% to 7.72p. Cash at year end was £62.4m (equivalent to 16.5p per share).

Volumes in the photobooth estate were boosted by the gradual rollout of the new Japanese identity card (My Number) and new agreements were signed with Moneygram for money transfer capability in booths and ANTS in France for driving licence applications, which should further enhance returns in the medium-term. Further progress was made in the roll-out of laundry product Revolution and the Company reports that returns remain very satisfactory. Photo-Me now has laundry units in twelve countries globally, with most in France, Belgium, Portugal and Ireland.

The European photobooth estate increased by 0.5% year-on-year with the main areas for growth being France, Germany and Switzerland. The roll-out of the higher-margin Starck booths continues and there are now 3,780 deployed across Europe, an increase of 567. Broker FinnCap has reduced its 2017 forecast for pre-tax profit by 5% from £44.0m to £42.0m to take account of deferred volume in the Japanese ID card programme, caused by local government administrative and technical issues. FinnCap expects adjusted eps of 8.0p for the current year.

Prospects for Photo-Me's products remain extremely positive and the development and addition of 3D capability within the booths is an exciting feature for the medium-term. Continue to buy.

Clinigen (CLIN; AIM) 553p
Clinigen's Idis Global Access (GA) division has announced its first exclusive supply agreement since the unit was acquired in 2015. The deal with Galen, a privately-owned pharma sales and marketing business, will see GA provide Galen's chemotherapy drug DaunoXome within 20 European countries, Australia, New Zealand and Hong Kong.

N+1 Singer commented that while this is "a nice incremental win" it is part of the normal course of business. Therefore, the broker has decided to leave its forecasts unchanged and expects earnings per share of 32.5p for the year ended 30 June 2016. For FY2017, a figure of 39.7p is pencilled in.

Continue to buy.

Norcon (NCON; AIM) 18.5p
Having made Norcon a New Buy last month at 18p per share, we were surprised and disappointed to read that the Company plans to cancel its AIM listing, citing management time, costs and the regulatory burden. The news follows a very positive Annual Report, released April 19, which described an encouraging outlook for the new, wider portfolio of project management and engineering solutions. The Company has a growing order backlog and very strong balance sheet to support growth. Therefore, long-suffering shareholders have a right to be frustrated at the timing of the delisting.

One saving grace is that Norcon plans to offer shareholders 19p per share via a tender offer following cancellation. In the meantime, it has been buying in shares (up to a maximum of 8m) in the market, at 19p each.

We will cease coverage. As the announcement was made at 7.00AM on the first trading day (May 31) following publication, the New Buy is not considered activated.

CentralNic (CNIC; AIM) # 45.5p
For the year to December 31, revenue rose 71.3% to £10.4m, with pre-tax profit £1.45m from £0.52m a year earlier. Net cashflow from operating activities was up 302% at £5.69m. All three divisions (Retail, Wholesale and Enterprise) saw growth, while total billings (including partners' shares) rose 172% to £26.87m due to high demand for new Top-Level domains (TLDs). Adjusted EBITDA of £3.25m (2014: £1.72m) reflected gross profit growth, with minimal increase in operating costs. The retail EBITDA contribution increased to £0.17m (2014: loss £0.01m), reflecting a full year effect and growth of Internet.BS, acquired in 2014. Wholesale EBITDA rose 12% to £1.40m reflecting the increase in new TLDs. Enterprise EBITDA was £2.61m (2014: £1.41m) from premium domain name trading and software licensing.

Post year-end, the acquisition of Instra Group was completed in January for £16.02m (£14.56m cash, £1.46m equity). Instra generated unaudited revenue of £7.86m and Adjusted EBITDA of £1.18m in the year ended June 30. Scaling of the Wholesale business has continued with 100% increase in volumes from two million to four million between November 2015 and April 2016.

Broker Zeus Capital expects net sales to reach £26.5m in FY2017, with EBITDA rising to £7.6m. The broker argues that the current valuation fails to reflect the progress made or the opportunities that should arise to establish itself as a major player in the TLD market over the medium term.

The opportunity in CentralNic's market is considerable, with the continuing roll out of new TLDs and enduring demand for established generic and country code TLDs presenting the Company with retail and wholesale opportunities across the majority of the world's markets. Increasing access to mobile data devices across emerging markets, in particular, is set to fuel growth. Hold.

Gloo Networks (GLOO; AIM) # 120.5p
Gloo has issued its first results for the period since joining AIM in February. For the period from February 16 to March 31, the Company made a loss after taxation of £2.7m, reflecting operating expenses and diligence costs incurred in pursuing its stated investment strategy. At period end, Gloo's cash balance was over £27.2m (106p per share).

Later in the month, the Company announced the appointment of Bill Davies as CFO. From May 2012 to June this year, Mr Davies served as CFO at US-based global education and learning technology specialist Blackboard. Prior to that he was CFO at Allscripts Healthcare (MDRX; Nasdaq) for nearly a decade where he helped grow revenue at a compound annual growth rate of 25% and executed $2.4bn in M&A transactions.

Gloo is aiming to benefit from the drive to digitisation in media and content industries. The search for a suitable platform continues. The appointment of a heavyweight CFO might suggest that the first acquisition is not too far away. Speculative buy.

Bond Intl Software (BDI; AIM) # 93p
As well as receiving and responding to a formal takeover offer during the month (see page 1), Bond announced results for the year to 31 December 2015. All operating businesses are treated as discontinued operations in the accounts since they are up for sale. The loss on these activities was £0.44m (2014: profit £3.57m). The loss before tax on continuing activities (the holding company) was £1.64m (2014: £1.36m). The result is a loss per share of 5.2p (2014: eps 5.2p). Cash generated from operations was £6.59m (2014: £7.06m).

Await developments (also see front page).

SECOND-HALF BEST BUYS

Company	Price (p)	Rating (see text)
APC Technology	8.25	7
Amino Technologies	110.5	6
CityFibre Infrastructure	57	7
Dialight	505	7
Eckoh	48.25	9
Escher	135	8
Gresham Computing	96.5	8
Kalibrate	67.5	9
NetDimensions	57.5	8
Statpro	81.5	9

Funds managed by Techinvest Ltd have a holding in each of the above, with the current exceptions of Amino Technologies, Dialight and Gresham Computing.

Above is a list of ten stocks that we fancy for the second half of the year. We think all could usefully outperform the market over the next six months. All have been tipped as New Buys in previous issues of Techinvest, with regular follow-up Update coverage. Two exceptions: Dialight and Escher, both New Buy recommendations this month.

Most have been selected on the basis of fundamentals such as prospective P/E, PEG (price-earnings growth factor) and the state of the balance sheet, with a good score awarded for high levels of net cash. However, our search did not exclude recovery situations as long as recovery in the near-term looked likely, supported by reasonable fundamentals.

Each on the list is given a rating on a scale of 1 to 10. This relates solely to the degree of risk and is emphatically not an absolute figure of merit. 1 means highly speculative; 2 somewhat less so; and so on, up to a very conservative and relatively risk-free 10.

However, 10 does not mean the price will definitely go up, any more than 1 means it is almost sure to go down. In general, a 1 could go up a lot more than a 10 but, however, it is also far more likely than a 10 to take a dive.

There is no such thing as a dead cert. So don't go and buy just one from the list, no matter how high its rating. Besides, that gives no spread; an element of diversification is always wise.

Also, beware market-makers' mark-ups first thing Monday morning. In the case of smaller stocks, this can be quite steep, even in current markets. Instead, set a reasonable buy-limit. Prices normally ease after a few hours. If not, wait a day or two, or pick one of the others that may have scarcely budged.

APC Technology (APC; 8.25p) was a New Buy (at 9.12p) in the February issue earlier this year. Update notes followed in both the March and April issues.

Interim results for the six months to February 29 are covered elsewhere in this issue (see Page 2). Despite a soft order book in the Component division coming into the year, overall the half showed a significant turnaround driven by a marked improvement in gross margin.

Chief Executive Richard Hodgson stated that the daily disciplines (now) instilled across the business have resulted in strong growth in the order book, with the Component division achieving record levels of bookings in the period. He went on to point out that "the markets in which we operate – from delivering components and solutions into the Internet of Things, to offering a full suite of LED products into refit and new build projects, to guiding businesses towards the deregulation of the water industry through strategic water management – are exciting and growing and we now have a business that is set to take full advantage of them". Overall, group trading is in line with market expectations for the year.

Amino Technologies (AMO; 110.5p): Results for the year to November 30 last were covered in an extensive Update note in the March issue (Page 2). Page 4 this issue covers a trading update for the subsequent six months, released June 6.

This showed a strong first half, with record order intake and a very encouraging backlog. Sales performance was particularly strong in Latin America, as well as continued traction in North America across both IPTV and cable customers. Last year's acquisitions, Booxmedia and Entone, have now been fully integrated. The prospective P/E of 10.6 for the year to 30 November 2017 (eps: 10.4p) leaves plenty of scope for further upward revaluation.

CityFibre Infrastructure (CITY; 57p) has been covered in every issue of Techinvest so far this year, including a New Year Nap Tip selection (at 63p) in the January issue. We still believe there is considerable upside potential in the shares, as the Company continues to steadily expand its dark fibre broadband metro infrastructure coverage to mid-sized cities and major towns throughout the UK. The rise in demand for ever-increasing bandwidth capacity appears insatiable for years to come.

Dialight (DIA; 505p) is the subject of a two-column New Buy write-up in this month's issue (see Page 8). After several years of excellent growth, the LED lighting technology specialist badly disappointed followers in FY15, even cancelling its final dividend. However, the refocused business now looks set for a nice comeback in a sector that looks to still have considerable growth potential.

Eckoh (ECK; 48.25p) was the subject of a New Buy write-up at 48.9p in the recent May issue (Page 6). Although the Company has been listed on AIM for over 16 years now, the shares have only really taken off over the past few years, driven by escalating demand for its secure payment products and services.

In particular, in the past couple of years it has begun to enjoy increasing levels of success in the US. Full year results for the recent year to March 31 are covered on Page 2 this issue. In addition to 13 new UK contracts, nine new contracts were won by the US Secure Payments operation, including a three years contract worth an estimated $5m with a US telecommunications provider. Eckoh believes it is well placed to capitalise on the opportunity in the US for credit card and data security, a market it estimates to be "at least seven times larger than the UK".

Escher (ESCH; 135p): We were stop-lossed out of the shares at 160p in mid-January earlier this year, just a day or two before a pretty positive trading update (see Page 5, February issue). Since then, there have been several positive announcements which have largely left the share price unmoved.

As well as the release of progressive results for 2015, the Company announced contract wins from PTTs in Saudi Arabia, Vietnam, South Africa as well as the expansion of its customer base in Ireland to include the PRSA (the regulatory body for Auctioneers, Estate Agents, Letting Agents and Property Management agents). More recently a contract was signed with Just Falafel in the UK. In addition, Escher has just announced patent approval from the US Patent and Trademark Office and from its equivalent in Singapore for its electronic business postal system.

Consensus eps forecast for FY2016 is 13.6 US cents (9.6p) and for 2017 16.5 US cents (11.6 pence), although Panmure Gordon's George O'Connor is at 21 cents (15.0p). We are therefore rerating the shares as a New Buy at the current price.

Gresham Computing (GHT; 96.5p): The shares are essentially unchanged from where we made them a New Buy at 100p in the September issue last year. Regular update notes followed including February this year, followed by each of April, May and June.

The latter covered the AGM on April 28 which confirmed a strong start to 2016, with four new customers for its upmarket big-ticket CTC product, all from within the fund management/ administration sector. All four were received in Q1, with hints of more to come before the end of Q2.

Further news on this front should drive the shares usefully higher over coming months.

Kalibrate(KLBT; 67.5p): Back in the January issue, we nominated the shares (at 91p) as one of our Nap Tips for the year. So far, not so good. The shares are actually down as much as 25.8%.

Admittedly, interim results in March (for the six months to December 31) were a tad flat, with revenue up only 2% to $15.9m and profit before tax well down on the new international customer and order book front, with recurring revenue an increasingly important feature. The statement also mentioned that three strategic perpetual pricing licence deals had been signed since December 31.

Based on N+1 Singer's forecast for the year to end-June 2017, the shares are on a prospective P/E of 9.6 following a 43% rise in eps to 7.0p.

NetDimensions(NETD; 57.5p):We first tipped the shares at 12p back in October 2008 and have remained favourably disposed ever since. The subsequent high of 87p was touched in May last year.

Arguably, the price at that point had gotten a bit ahead of itself. A sale of new shares (12 million at 60p for gross proceeds of £7.2m) took advantage of this a few months later, leaving the price somewhat depressed ever since. Wrongly in our view, especially in the light of the increasing international success of its SaaS offerings in the fast-growing talent management space.

Statpro(SOG; 81.5p): We have been monitoring the Company and its fortunes carefully for a number of years now but it wasn't until the January issue earlier this year that we finally committed to a New Buy recommendation (at 76.5p). However, it took until mid-May for the shares to finally start moving.

This coincided with a very positive trading update at the AGM on May 19. This confirmed that the Company's multi-year transition to becoming a pure cloud-based analytics solutions provider for the investment management sector was finally starting to accelerate growth on both the top and bottom lines. Subsequent news on the order front (see Page 6 of this issue) has emphasised this.

NEW YEAR TIPS REVIEW

Company	Price (p) 05-01-16	28-06-16	Change %
Amino Technologies	113	110.5	-2.21
Blancco Tech*	181.5	182.5	0.55
CentralNic*	45	45.5	1.11
CityFibre Infrastructure*	63.5	57	-10.24
Digital Barriers	44.5	38.25	-14.04
IS Solutions*	132.5	116	-12.45
Kalibrate*	79	67.5	-14.56
Keyword Studios	270	260	-3.70
Lombard Risk Mgt	9	8.25	-8.33
Net Dimensions*	56.5	57.5	1.77
Statpro	82.5	81.5	-1.21
Venn Life Sciences	27.25	24.5	-10.10
Average Gain (Naps)			-5.64
Average Gain (All)			-6.12
FTSE 100	6137.24	6140.39	0.05

* Denotes Nap Tip

Unlike last year, first half performance of this year's New Year tips has been less than satisfactory. Instead of a gain, the average loss so far for the six Nap Tips is 5.64%. For the full list of 12, the average loss is 6.12%. By comparison, the benchmark FTSE100 index is up just 0.05%.

Only three are showing a gain, albeit a very small one, for the period. The five biggest losers are CityFibre, Digital Barriers, IS Solutions, Kalibrate and Venn. In our view, all five should be retained, if not added to. We see no reason why each shouldn't show at least some measure of recovery once the current turmoil ends and a more balanced view of future prospects returns. At least several should stand a whole lot higher three/ four years from now.

Our North American New Year tips have also disappointed year-to-date. The average loss so far is 5.56%, a little worse than the decline of 4.08% in the Nasdaq Composite.

Two of the six selected turned in a positive performance, with Mitek the star. Despite the attention of shorters more than once during the half year, the stock ended with a gain of over 65%. In the wake of the most recent of these attacks, Roth Capital issued a buy note with a price target of $9.75. Two weeks later, Mitek reported the grant of two new US patents for mobile capture of payments documents. At the beginning of this week, it was announced that Mitek had been added to the prestigious Russell 2000 index and the broad-market Russell 3000 index, with effect from the close of markets on June 24.

ID Systems was the second of the six to turn in a positive return. Shortly before the end of May, the Company announced new orders (in the plural) from a leading global consumer goods company continuing a global rollout of ID Systems' Powerfleet Industrial Vehicle Management System (VMS) for a new distribution centre. Included was a global maintenance agreement to cover up to 2300 industrial trucks for at least two years at more than 30 sites worldwide.

Westell continued to perform poorly on low volume. First visible signs of turnaround should become apparent with the results for the September quarter, preceeded perhaps by positive commentary with the June quarter results in a few weeks time.

Company	Price ($) 05/01/16	28/06/16	Change %
Digi International	11.03	10.05	-8.88
ID Systems	4.46	4.85	8.74
Mitek Systems	4.16	6.87	65.14
NetScout Systems	29.62	21.29	-28.12
Sandvine (C$)	3.39	2.53	-25.37
Westell Technologies	1.27	0.70	-44.88
Average Gain			**-5.56**
Nasdaq Comp.	4891.43	4691.87	-4.08

The MFM Techinvest Technology Fund has a holding in each of the above.

DIALIGHT

Dialight is a world leader in applied LED technology for industrial, commercial and hazardous areas and is the number one in traffic lights. We last made the shares a New Buy at 885p in July 2014, pointing out the considerable potential for the business to become a major player in the fast growing LED lighting market. The shares traded around 900p for a few months, but then came under pressure as weakness in the Oil & Gas sectors in particular adversely affected the demand. Our stop loss was triggered at 685p in February 2015, after which the shares fell to a low of 380p in February 2016.

Given the considerable market potential for sales of LED lighting, the shares remain interesting and now may be a good time to re-invest following the conclusion of a strategic review that promises to deliver a significant strengthening of the business. The Signals & Components division is to be run for value on a reduced footprint and Lighting is moving towards a contract assembly model. The latter's range of products is being re-engineered, to make them modular and more appropriate for 'mass customisation'. Management is getting on with the detailed actions to make this transformation happen, a process expected to be completed by the end of the year. A recent statement confirmed that good operational progress continues and trading is in line with expectations.

Leading Technology

LED lighting is a disruptive technology that is rapidly gaining market share at the expense of traditional lighting. According to McKinsey, the LED market is expected to grow by 5% per annum to €83bn by 2020. In 2011, LED market share by value amounted to 12%, but is expected to rise to 45% this year and 69% in 2020. Dialight has specialised in LED technology for 40 years and reliability is demonstrated by millions of units installed in demanding applications. More than 250,000 of new generation SafeSite and DuroSite LED white lighting fixtures have been installed worldwide since launch in 2009, giving the business a fast-growing base of international customers.

Dialight's SafeSite LED lighting is designed to replace conventional lighting in a variety of hazardous area applications both indoor and outdoor where explosion protection is required. These include oil, gas & petrochemical, power generation, mining, chemical, pharmaceutical, water & sewage, and food & beverage facilities. DuroSite LED lighting is designed for heavy and general industrial applications both indoor and outdoor. These include manufacturing, warehousing, cold storage, and data centres.

Headquartered in the UK, Dialight has manufacturing facilities in Brazil, Denmark, Malaysia, Mexico and the US. Further offices are located in Australia, Germany, Singapore, and in the UAE. With over 1100 employees worldwide, the Company claims to deliver the most energy efficient and reliable LED lighting solutions available. This translates into high energy and maintenance cost savings for customers whose usage and operating environment place a demanding burden on lighting systems. Dialight is also well positioned to benefit from a number of long-term global trends, many of which are driven by government regulations and environmental initiatives. These include the current global infrastructure build-out, and the need for improvements to the efficiency, reliability and productivity of the electrical grid.

Cost Efficient

LED lighting offers the highest energy savings of any lighting source on the market. Typically the replacement of 400W conventional HID light sources with Dialight's 150W LED High Bays will deliver immediate energy savings of 60% plus. If the LEDs are combined with dimming and proximity sensors these savings are even higher. The result is that the lights pay for themselves several times over in their lifetime. Another advantage of LED lighting is that it significantly reduces CO_2 emissions to meet legislative requirements. Moreover, as LED light fixtures are mercury-free and contain no hazardous materials, they are environmentally safe and recyclable.

LED lighting also offers customers the advantage of reduced maintenance due to the long-life and high reliability of the fittings. Industrial lighting is costly to operate and a major drain on maintenance resources for most organisations. With its exceptionally long lifespan LED lighting reduces the maintenance burden. Dialight LED lighting is rated L70 for 100,000 hours, meaning that it will still be producing 70% of its original lumen output at the end of this operating period. There is no burnout or end-of-life failure and no need to open the fixture; instead the output just gradually fades over time, allowing organisations to anticipate and plan maintenance on a much reduced scale.

Restructuring Gains

Results for the year to December 31 showed revenue little changed on the previous year at £161.4m. Lighting revenue was up 3% to £120.6m, while Signals and Components fell 5% to £40.8m. Underlying operating profit fell 66% to £6.1m, partly due to a decision to employ additional headcount in advance of expected growth that did not materialise. There were also manufacturing inefficiencies relating to material sourcing, shop floor planning and tooling. These issues were addressed in the second half of 2015 with a 12% headcount reduction undertaken and a number of initiatives on the factory floor to address inefficiencies. Normalised earnings per share fell to 13.1p from 37.6p.

In April, Dialight confirmed that progress is being made with the restructuring of the business, and trading is in line with expectations. The current year will be an important period, as the lighting product portfolio is being re-engineered into a series of platforms which will allow assembly to be switched from in-house to a leading outsourced contract manufacturer, Sanmina. The resulting product platforms are expected to facilitate more scalable, flexible and efficient production, allowing Dialight to cut costs, improve margins and reduce capital expenditure. Broker Investec expects pre-tax profit of £9.7m for 2016, with corresponding earnings per share of 19.6p. These figures rise to £17.2m and 34.6p respectively for 2017, putting the shares on a modest prospective PER of 14.6 eighteen months out.

Buy the shares for the recovery potential in the restructured business, allied to the growing worldwide demand for LED lighting.

FACT FILE

Address:	**Exning Road, Newmarket, Suffolk, CB8 0AX**	
Stockbroker:	**Investec Securities**	
FTSE Class:	**Investec Securities**	
EPIC Symbol:	**DIA**	
Shares in Issue:	**32.5m**	
Price:	**505p**	
Market Capitalisation:	**£164m**	
Year-end:	**31 December**	
Earnings per share:	**2015**	**0.37p**
	(Investec est) 2016	**19.6p**
	(Investec est) 2017	**34.6p**
Price Earnings Ratio:	**2015**	**1364**
	2016	**25.8**
	2017	**14.6**

HALF YEAR INDEX

Index for issues in first half of 2016
Key to abbreviations:
F=Feature. G=General. LN=Late News.
NI=New Issues. P=Trader Portfolio.
T=Techmarket Miscellany. U=Update.

TECHINVEST TRADER PORTFOLIO 4

	Performance Data		
	1 month	12 months	since 1/1/00
Trader Portfolio	-11.3%	-4.3%	381.2%
FTSE 100	-1.3%	-10.2%	-11.4%
FTSE techMARK Focus	-2.4%	-6.0%	-2.0%

In percentage terms, it was the worst one month performance by the Trader Portfolio since the ignominious issue of October 2008 which recorded a fall of 9.9%. This time, the decline was an even greater 11.3%. By way of contrast, the FTSE 100 is down by only 1.3%, while the fall in the techMARK Focus is 2.4%. It is also relevant to note that the FTSE SmallCap index is down 5.0% for the month.

However, despite the one month horror, the Portfolio has outperformed both benchmarks on a 12 months basis. Taking the much longer-term view, based on the start-date of 1 January 2000 for the Trader Portfolio, it is even more spectacular. In particular, it has outperformed the FTSE 100 by over 392 percentage points since then.

We therefore suspect that the present bearmarket may not be too far off its bottom, although it would be unrealistic to expect any meaningful upward move until the UK/EU standoff calms down. It is certainly not in either party's interest for the current impasse to be allowed fester for too long.

Two sales and one addition to report. Following a disappointing trading update from Eagle Eye (see Page 7 inside), the shares started a sharp decline which saw them quickly fall below our 178p stop-loss. By the time we managed to act, the best we could get was 130p.

The second sale was of Trakm8 (at 225p) as the shares continued their fall from the mid-December high of 409p. The charts suggest the decline is not yet over.

This month's only purchase was APC Technology (at 8.45p). The shares were a New Buy at 9.12p in February but have done very little since. An extensive Update note (Page 2 this issue) reviews results for the six months to February 29. Although not brilliant, they nonetheless highlighted excellent progress under the strengthened management team. The shares are also one of our Second-Half Best Buys at 8.25p (see Page 7).

Techinvest Trader Portfolio 1	
Starting Capital (1.3.85):	£20,000
Termination Value (31.3.93):	£462,874
Gain (8 years and 1 month):	2214%
Techinvest Trader Portfolio 2	
Starting Capital (1.1.93):	£50,000
Termination Value (30.4.96):	£276,691
Gain (40 months):	453.3%
Techinvest Trader Portfolio 3	
Starting Capital (1.4.96):	£50,000
Termination Value (27.3.00):	£570,402
Gain (4 years):	1040.8%

No. of Shares	Company	Bought When	Bought At (p)	Total Cost (£)	Present Price (p)	Value (£)
2,000	First Derivatives *	20-10-05	90	2428	1770	35,400
7,800	NCC *	26-10-05	36.67	4087	246.9	19,258.2
20,000	Vislink	13-09-10	17	3513	31.5	6,300
3,500	Sandvine	07-10-10	125	4512	144.8	5,068
4,000	Sandvine	17-06-11	111	4583	144.8	5,792
50,000	dotDigital	08-08-11	7.7	3974	42.25	21,125
24,000	Vislink	08-11-11	18	4455	31.5	7,560
3,500	Escher	12-12-11	160	5767	135	4,725
10,000	Bond International Software	03-04-12	50	5153	93	9,300
35,000	Ideagen	17-12-12	18.88	6796	50.25	17,587.5
6,000	Sandvine	10-01-13	100	6177	144.8	8,688
16,000	IS Solutions	21-11-13	52.38	8615	116	18,560
22,000	Ideagen	04-03-14	33.62	7608	50.25	11,055
12,000	NetDimensions	07-04-14	73	9005	57.5	6,900
10,000	Digital Barriers	07-05-14	96.75	9988	38.25	3,825
2,500	Blancco Technology	01-07-14	316	8124	182.5	4,562.5
20,000	ULS Technology	05-08-14	45.1	9271	64	12,800
12,000	NetDimensions	13-10-14	67	8305	57.5	6,900
2,500	Blancco Technology	20-11-14	202	5204	182.5	4,562.5
20,000	Digital Barriers	27-11-14	42.5	8738	38.25	7,650
12.000	CityFibre Infrastructure	27-11-14	68.75	8482	57	6,840
60,000	Venn Life Sciences	23-12-14	16	9865	24.5	14,700
40,000	Venn Life Sciences	05-01-15	19.7	8103	24.5	9,800
4,000	Cohort	16-01-15	233	9580	301.5	12,060
12,000	NetDimensions	05-02-15	75	9224	57.5	6,900
10,000	Bond Internatinal Software	02-04-15	125	12813	93	9,300
9,135	NCC	14-05-15	95.06	8684	246.9	22,554.3
16,000	CityFibre Infrastructure	26-05-15	61	10029	57	9,120
9,000	Kalibrate	16-07-15	100.5	9297	67.5	6,075
4.000	Kainos	21-09-15	208.4	8570	125.5	5,020
5,000	Keywords Studio	22-09-15	188	9660	260	13,000
40,000	Venn Life Sciences	25-09-15	22.5	9251	24.5	9,800
12,000	IS Solutions	28-09-15	74	9128	116	13,920
15,000	NetDimensions	01-10-15	59	9097	57.5	8,625
30,000	Elecosoft	26-10-15	27	8328	21.5	6,450
100,000	Lombard Risk Managment	05-11-15	10.83	11117	8.25	8,250
20,000	Digital Barriers	16-11-15	48	9825	38.25	7,650
12,000	Kalibrate	07-12-15	89	10965	67.5	8,100
22,000	Digital Barriers	11-12-15	41.5	9384	38.25	8,415
16,000	CityFibre Infrastructure	14-12-15	56.9	9357	57	9,120
8,000	IS Solutions	01-02-16	116	9537	116	9,280
4,000	Blancco Technology	05-02-16	204.5	8410	182.5	7,300
150,000	Filtronic	21-03-16	5.7	8789	9.5	14,250
3,000	Keywords Studios	13-04-16	245	7560	260	7,800
18,000	Eckoh	05-05-16	49.3	9095	48.25	8,685
100,000	APC Technology	10-06-16	8.45	8687	8.25	8,250

All purchases adjusted for subsequent rights/scrip issues

* Denotes part profits taken — Cash 12,314

** Position received as part of NCC acquisiton of Accumuli

Starting Capital £100,000 (1-1-2000) — Total 481,197

The Trader Portfolio is an unaudited paper fund which is run to illustrate the dynamics of managing an active technology sector portfolio. No new share goes into the portfolio until after it has been rated as a New Buy in an issue of *Techinvest*. After that, the fund can act just like any subscriber, using its judgement to buy, hold or sell in accordance with subsequent price movements and news flow within the sector.

All transactions take full account of prevailing bid-offer spreads. Commission is charged at a rate of 1.95% on deals up to £10,000, less thereafter. No credit is taken for dividends paid by companies nor for interest on cash balances. Current holdings are valued using mid-market prices.

TECHINVEST FUNDS

Techinvest Ltd is investment manager of the MFM Techinvest Technology Fund (CFTTECA) and of the MFM Techinvest Special Situations Fund (CFTISSA). Both are open-ended investment companies (OEICs) authorised by the FCA in the UK. Fund Operator is Marlborough Fund Managers (MFM).

If you are interested in buying or selling shares in the Funds or would like any assistance in administrative matters, please contact Marlborough Fund Managers at Marlborough House, 59 Chorley New Road, Bolton BL1 4QP. Telephone: General Enquiries: +44 (0)1204 380 060; Dealing: +44 (0)1204 545580; Fax: +44 (0)1204 533045. Email: dealing@marlboroughfunds.com

The Funds are not authorised for sale to the public in the Republic of Ireland.

Technology Fund	
Launched	19 May 2003
Latest Price	347.60p
Change since Launch:	
Share Price	247.60%
FTSE 100	59.36%
FTSE techMARK All-Share	286.74%
FTSE AIM AllShare	14.75%

Special Situations Fund	
Launched	5 July 2005
Latest Price	134.41p
Change since Launch:	
Share Price	34.41%
FTSE 100	21.01%
FTSE All-Share	31.00%
FTSE AIM AllShare	-30.72%

Valuation Date:	29 June 2016
Next Valuation Date:	6 July 2016

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