

## press release

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What difference does 100 days make? For UK companies quite a lot according to The Share Centre

As the Coalition Government marks its first 100 days in power, Sheridan Admans, Investment adviser at The Share Centre, gives his thoughts on what lays ahead for UK companies in light of the current economic situation and Government proposals laid down to date.

### **Where we are now**

“Economic stress in recent years has resulted in companies having to raise equity and issue debt to support corporate balance sheets. While banks still seem reluctant to lend, those companies with sound balance sheets are in the fortunate position to expand without bank input. The question is - do they expand through organic means or via acquisition? We are of the opinion that acquisition is likely to be the preferred route for many and while consumer confidence remains low, organic growth seems challenging.

“Given the uncertainty over how to achieve growth, we currently prefer companies with a growing percentage of their earnings coming from overseas operations, particularly those in emerging markets, such as **Vodafone, GlaxoSmithKline, BHP Billiton, Tesco, Arm Holdings** and **Barclays Bank**. One threat to this is the fight among nations to have the weakest currency in order to aid export driven growth, which could result in markets getting more volatile before settling into more normalised conditions.

### **What the short term holds**

“As the Coalition Government tightens its collective belt around the country’s finances, companies in certain sectors could find new Government contracts light on the ground. **Serco, Balfour Beatty, Capita** and **BT** are among the big names that we fear could tread water in the future if, as we anticipate Government contracts are restricted. In the event this does happen it will be interesting to see how they re-focus their strategies.

“High street banks may also experience some favorable activity in the next 12 months - potentially a benefit to the coalition and tax payers and investors alike. Over the past 100 days we have seen improving results posted from Lloyds and Royal Bank of Scotland. The issue now is when the Coalition Government chooses to lay down its cards about how it will recoup its own and the tax payers’ investment in some of these companies. Interest also surrounds whether it will choose to implement the proposed tax on banks that fail to curb bonuses and dividends.

“A major issue that does lie ahead is the tackling of the £200bn deficit. Although clearly at the centre of any long-term plans, the continuing worries about the strength of the recovery and concerns of deflation could result in further quantitative easing by the end of 2011. This will ultimately lead to further volatility in the equity markets, and for the brave, some trading opportunities.

### **Investors urged to remain cautious**

“Whatever happens in the next 100 days, one thing guaranteed is the continued volatility of an uncertain stock market, as the fallout of the cuts become visible, not only to companies, but also the businesses and consumers they depend upon. Though there will certainly be opportunity for a quick buck to be made, there will also be challenges ahead. We are advising existing and would-be investors to research carefully to avoid being caught out.”

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**About The Share Centre:**

The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment 'wrappers' including ISAs, CTFs and SIPP's are also available.

The Share Centre's Advice team provides comment on market sectors, individual shares and funds on [www.share.com](http://www.share.com). Access is available to customers and registered users of the site. Registration is free. To understand how our Advice team arrive at their views please read our [Investment Research Policy](#)

In addition, account customers can receive individual telephone advice on UK-listed shares and on funds traded via the CoFunds trading platform.

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