Top Picks 2019 - **UK Equities**

FREDERICK & OLIVER

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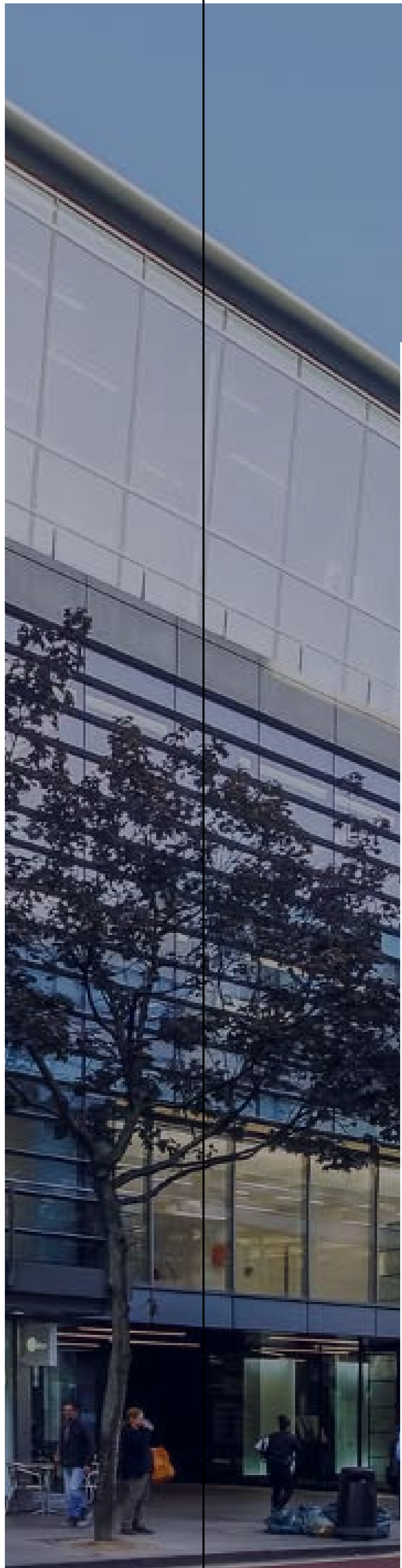
Frederick & Oliver's top UK Equity Picks for 2019 - The Year of Brexit.



Welcome

For UK investors, 2019 will be remembered as 'The Year of Brexit'.

Undoubtedly, investors and traders will be adjusting the exposure within their portfolios ahead of 29th March 2019.

Thereafter the market will adjust to life after Brexit - whatever that looks like.

At Frederick & Oliver, we believe 2019 is not the year to be a hero. Uncertainty will be rife throughout the first half of 2019, possibly the entire year, we know this from our understanding of the Brexit referendum of 23rd June 2016.

After UK voters confirmed the country's exit from the EU, the pound crashed and UK focussed stocks were hit hard. Taylor Wimpey took the wooden spoon on the trading session following the vote, falling almost 45% on the day. The entire housebuilder sector followed suit, so too the banking and insurance sectors.

Thankfully the market recovered, bargain hunters snapped up battered stocks, and the 'pumped up' American economy dragged global stocks higher.

But as Brexit nears, there is a real risk of uncertainty leading to significant 'risk-off' investor behaviour once again.

This report highlights stocks we believe will bring stability to one's portfolio, preferring stocks that have demonstrated low sensitivity to the challenges of Brexit - stocks within defensive sectors, dividend paying, dollar earners with global exposure.

We have scrutinised the performance of these company's shares, during and after the Brexit Referendum, the details of which can be found on each page in the table titled 'Brexit Referendum Reaction'.

Attention should also be paid to the 'reassess levels' for each stock. Not all trades prove profitable and we champion the market maxim 'cut your losses'.

Good luck with your investments.

Frederick & Oliver.

Fresnillo

Precious metals miner Fresnillo, currently trades less than 10% from a 3 year low, and 140% from the high.

The Mexican-based gold and silver miner, Fresnillo, ticks many boxes for the research team at Frederick & Oliver. In what is likely to be a turbulent year for stocks, the safe-haven of precious metals is welcome.

An example of Fresnillo's apparent immunity to an under performing stock market came during October 2018, the FTSE 100 fell almost 10% whilst shares in Fresnillo gained 30%.

Having topped out at 2000p back in July 2016, the shares have steadily fallen as the stock market recovered from the Brexit referendum fallout. Now trading at 835p, just 6% from 785p, (a key trading level providing both resistance and support since 2013) the shares are a 140% gain from former glory at 2000p.

Challenges such as the U.S.-China trade war, Brexit negotiations and Italian-EU tensions, coupled with gold trading just 3.5% from 2018 lows yet 13.5% from highs, should keep precious metal prices smelting.

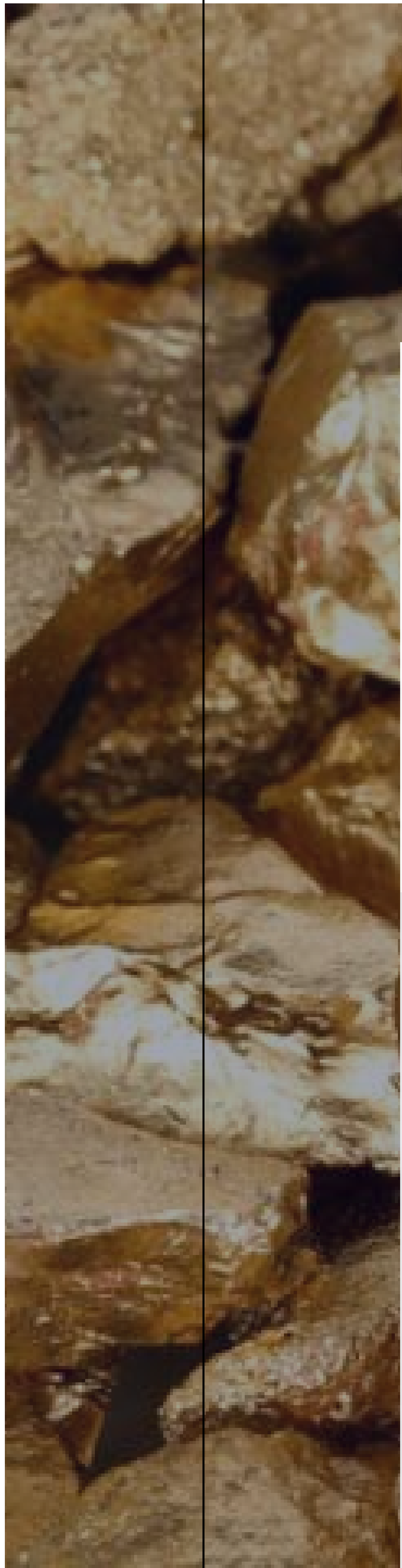
An optimist's view may see Fresnillo as a 'win-win' potentially providing handsome gains in the face of adversity - yet a price decline in reaction to a wider market rally should mean the majority of one's portfolio is performing.

No brokers rate this stock as 'sell'.

Brexit Referendum Reaction

1st trading session after the vote	**+12%**
2 weeks after the vote	**+55%**
12 months after the vote	**+29%**

Reassess at 700p – Long term trend may have been compromised.



BUY

Fresnillo Plc - current price 830p

Background

Fresnillo Plc provides mining and exploration services. The Company owns and operates silver and gold mines, as well as holds a portfolio of development and exploration projects located along the silver and gold belts..

Listing	Market Cap	52-week range	Dividend yield
FTSE 100	£6.2bn	755p - 1461p	3.5%

Analyst Ratings

A collection of current ratings (Buy/Hold/Sell) issued by city analysts, accompanied by the average 12-month target price. Data compiled by Bloomberg.

BUY ratings	**HOLD** ratings	**SELL** ratings	**12-month av. TP**
9	7	0	1167p (+41%)

Technical Levels

Potential support level 770p / Potential resistance level 1200p

Support and resistance levels are prices at which a stock stops declining (finds support) and stops rising (finds resistance), these levels are derived from historical price analysis and are often considered when identifying future prices at which to buy and sell.

National Grid

The UK's largest utility company expects 7% growth in the near term and boasts a 5.4% dividend.

The UK's largest gas and electricity company, by default offers an element of stability to investor portfolios, providing services of necessity regardless of economic boom or bust.

Solid trading was reported in National Grid's latest full-year update, profit of £3.5bn was generated from revenue of £17bn.

Chief Executive, John Pettigrew's accompanying statement read well for investors "looking ahead, National Grid expects growth at the top end of the 5-7% range for the medium term, and at least 7% in the near term, which we will deliver with continued capital discipline and improved efficiency across the Group. The business is well positioned with a balanced portfolio and an efficient balance sheet that underpins asset and dividend growth."

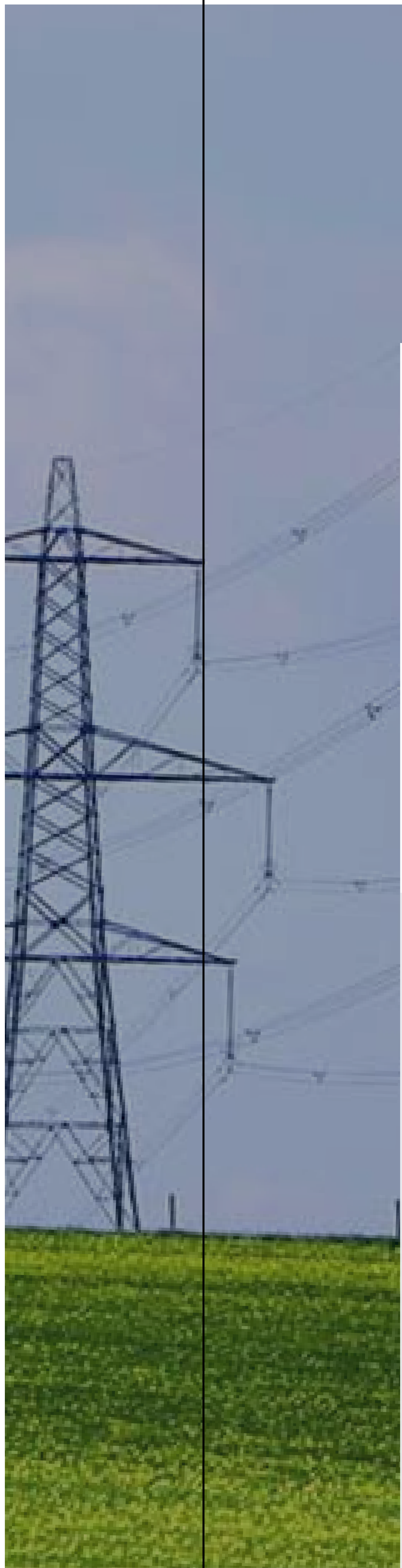
National Grid pays a dividend of 5.4% at the current share price, establishing it as one of the better dividend pays on the FTSE 100, yet according to Pettigrew, there is a focus on increasing this further.

National Grid has given assurances there will be no legal barriers to continued cross-border electricity trading with European counterparts in the case of a no-deal Brexit.

Brexit Referendum Reaction

1st trading session after the vote	+1%
2 weeks after the vote	+13%
12 months after the vote	+3%

Reassess at 700p – Would be the lowest price in almost 6 years.



BUY

National Grid Plc - current price 827p

Background

National Grid plc is a gas and electricity utility company. The Company owns and operates gas and electricity transmission networks in Great Britain and in the Northeastern United States.

Listing	Market Cap	52-week range	Dividend yield
FTSE 100	£29.3bn	733p - 904p	5.4%

Analyst Ratings

A collection of current ratings (Buy/Hold/Sell) issued by city analysts, accompanied by the average 12-month target price. Data compiled by Bloomberg.

BUY ratings	**HOLD** ratings	**SELL** ratings	**12-month av. TP**
10	8	1	917p (+10%)

Technical Levels

Potential support level 730p / Potential resistance level 900p

Support and resistance levels are prices at which a stock stops declining (finds support) and stops rising (finds resistance), these levels are derived from historical price analysis and are often considered when identifying future prices at which to buy and sell.

Reckitt Benkiser

Less than 10% of profits generated in the UK, Reckitt Benkiser has also moved into the Chinese market.

Reckitt Benkiser's strap line is 'Health, Hygiene, Home' - three H's so very important to us humans, and like many companies described as "defensive" Reckitt Benkiser's products are in constant demand.

Reckitt Benkiser is the group behind consumer brands such as Dettol, Durex, Nurofen, and Vanish and operates globally, recently gaining exposure to the lucrative Chinese market through the recent acquisition of Mead Johnson at a cost of $17bn.

Reckitt Benkiser recently announced a solid third-quarter trading update, confirming full-year profit should exceed £2bn.

This echoed the first-half trading update published back in July, when the company raised its revenue growth targets to 14%-15% for the year, with like for like revenue growth expected to reach the upper end of 2%-3%.

Shareholders are afforded some Brexit reassurance based on the company's limited exposure to domestic markets (less than 10% of profits are generated in the UK), whilst any weakness in the pound only boosts the value of profits generated abroad.

Brexit Referendum Reaction

1st trading session after the vote	+1%
2 weeks after the vote	+12%
12 months after the vote	+16%

Reassess at 5400p – Upward trend may have been compromised.

BUY

Reckitt Benkiser Plc - current price 6230p

Background

Reckitt Benckiser Group Plc manufactures and distributes a wide range of household, toiletry, health and food products and over the counter drugs on a global basis.

Listing	Market Cap	52-week range	Dividend yield
FTSE 100	£44.2bn	5255p - 7174p	2.7%

Analyst Ratings

A collection of current ratings (Buy/Hold/Sell) issued by city analysts, accompanied by the average 12-month target price. Data compiled by Bloomberg.

BUY ratings	HOLD ratings	SELL ratings	12-month av. TP
11	10	4	6975p (+7%)

Technical Levels

Potential support level 5500p / Potential resistance level 8100p

Support and resistance levels are prices at which a stock stops declining (finds support) and stops rising (finds resistance), these levels are derived from historical price analysis and are often considered when identifying future prices at which to buy and sell.

Diageo

Confident CEO Ivan Menezes declares "we will take Brexit in our stride".

Diageo may not be a household name but its brands certainly are - Gordons, Smirnoff, Bells, Johnnie Walker and Guinness to name a few.

Like British American Tobacco, consistent sales volumes and a global reach lessen the company's dependency on the UK and European markets. In fact, more than two-thirds of sales are generated outside of Europe, ensuring some defence against Brexit uncertainty.

CEO Ivan Menezes declared "we will take Brexit in our stride" and also said he "does not see a scenario where we are concerned about Brexit" claiming a worst-case-scenario 'no-deal' would have no impact, "our trade within the European Union EU will be tariff-free because of the World Trade Organisation arrangements"

Diageo is said to be eyeing expansion into cannabis-infused beverages, following in the footsteps of U.S. peers Constellation Brands and Molson Coors. Bloomberg recently reported Diageo has held "serious discussions" with at least three major cannabis producers.

Just 2 of 29 brokers rate this stock as 'sell'.

Brexit Referendum Reaction

1st trading session after the vote	**+3%**
2 weeks after the vote	**+18%**
12 months after the vote	**+26%**

Reassess at 2500p – 2 year uptrend may have been compromised.

BUY

Diageo Plc - current price 2728p

Background
Diageo Plc produces, distills, and markets alcoholic beverages. The Company offers a wide range of branded beverages, including vodkas, whiskeys, tequilas, gins, and beer.

Listing	Market Cap	52-week range	Dividend yield
FTSE 100	£66.7bn	2345p - 2885p	2.4%

Analyst Ratings
A collection of current ratings (Buy/Hold/Sell) issued by city analysts, accompanied by the average 12-month target price. Data compiled by Bloomberg.

BUY ratings	**HOLD** ratings	**SELL** ratings	**12-month av. TP**
15	12	2	2945p (+5%)

Technical Levels
Potential support level 2600p / Potential resistance level 2900p

Support and resistance levels are prices at which a stock stops declining (finds support) and stops rising (finds resistance), these levels are derived from historical price analysis and are often considered when identifying future prices at which to buy and sell.

GlaxoSmithKline

Pharmaceutical behemoth pays over 5% in dividends and UK accounts for less than 4% of total sales.

GlaxoSmithKline is probably best known for its consumer brands such as Aquafresh, Beechams Cold & Flu and gym-goers favourite, MaxiNutrition. However, the company is also engaged in the research and development of key treatments for serious conditions such as heart disease and cancer.

GlaxoSmithKline's latest trading update was coupled with an upward revision to 2018's outlook. Strong performance has been reflected in a 20% increase in the share price this year.

Brexit is seemingly of little concern to GlaxoSmithKline, of total sales generated, currently just 3.8% comes from the UK.

That said GlaxoSmithKline has already diverted £70m to prepare for the potential impact of Brexit, which includes building new facilities in Europe and starting the process of moving the EU-wide marketing authorisation for more than 1,000 drugs form the UK, to other EU countries, mainly Germany.

Investor appetite for shares in GlaxoSmithKline following the vote to leave the EU was strong given its global diversification and strong dividend payment.

Brexit Referendum Reaction

1st trading session after the vote	**+4%**
2 weeks after the vote	**+16%**
12 months after the vote	**+20%**

Reassess at 1200p – This would represent the lowest price since 2011.

BUY

GlaxoSmithKline Plc - current price 1560p

Background

GlaxoSmithKline Plc is a research-based pharmaceutical company. The Company develops, manufactures, and markets vaccines, prescription and over-the-counter medicines as well as health-related consumer products.

Listing	Market Cap	52-week range	Dividend yield
FTSE 100	£78.4bn	1236p - 1625p	5.1%

Analyst Ratings

A collection of current ratings (Buy/Hold/Sell) issued by city analysts, accompanied by the average 12-month target price. Data compiled by Bloomberg.

BUY ratings	**HOLD** ratings	**SELL** ratings	**12-month av. TP**
14	14	2	1633p (+4%)

Technical Levels

Potential support level 1430p / Potential resistance level 1740p

Support and resistance levels are prices at which a stock stops declining (finds support) and stops rising (finds resistance), these levels are derived from historical price analysis and are often considered when identifying future prices at which to buy and sell.

Rio Tinto

Global miner Rio Tinto boasts diverse precious and industrial metals portfolio.

Rio Tinto is a favoured mining company with investors for two main reasons.

1. Product diversity - precious commodities gold, silver and diamonds as well as industrial staples aluminium, copper and lead are all present in Rio Tinto's portfolio.

2. Location - Rio Tinto has operations on six continents and a global client base. Much of Rio Tinto's success derives from its Australian and Canadian mines, and customers in emerging markets. 40% of Rio Tinto's revenue comes from China, whilst the company is the largest supplier of iron ore to Japan.

The share price barely flinched when the UK voted to leave the EU, the UK contributes just 1% of Rio Tinto's global sales, and like many international earners listed in London, Rio Tinto stands to gain from any currency weakness from Brexit uncertainty.

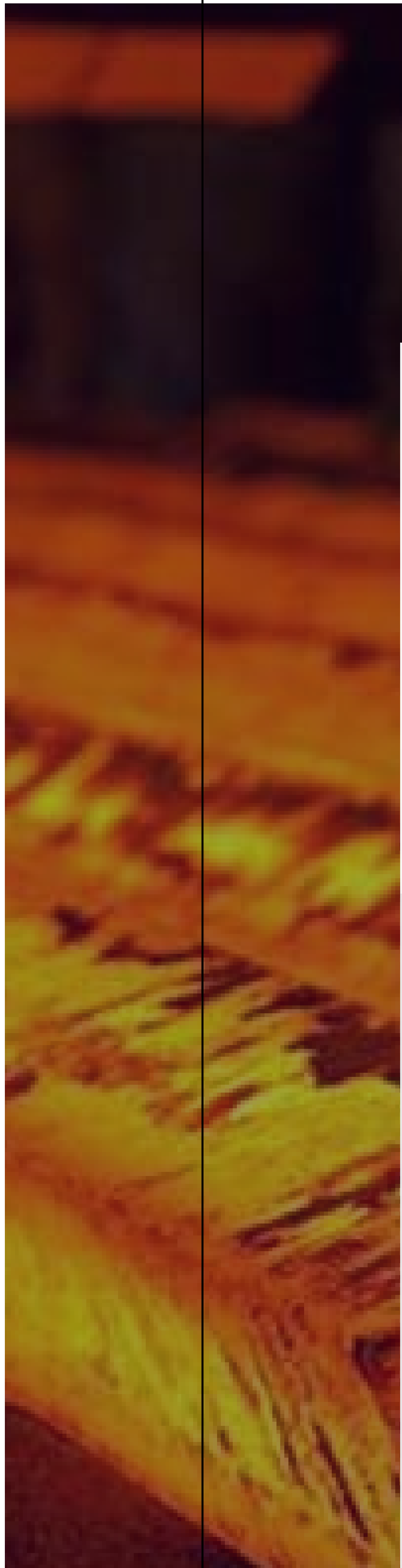
The greatest risk to Rio Tinto is Chinese growth which the IMF forecasts to come in at a very respectable 6.2% for 2019.

Rio Tinto's latest trading update revealed record earnings resulting in an increased dividend payment, currently at 5.9%, and a share buy-back programme totalling $3.2bn.

Brexit Referendum Reaction

1st trading session after the vote	**0%**
2 weeks after the vote	**+12%**
12 months after the vote	**+46%**

Reassess at 3400p – 3 year uptrend may have broken down at this price.



BUY

Rio Tinto Plc - current price 3800p

Background

Rio Tinto Plc is an international mining company. The Company has interests in mining for aluminum, borax, coal, copper, gold, iron ore, lead, silver, tin, uranium, zinc, titanium dioxide feedstock, diamonds, talc and zircon.

Listing	Market Cap	52-week range	Dividend yield
FTSE 100	£67.9bn	3399p - 4541p	5.9%

Analyst Ratings

A collection of current ratings (Buy/Hold/Sell) issued by city analysts, accompanied by the average 12-month target price. Data compiled by Bloomberg.

BUY ratings	**HOLD** ratings	**SELL** ratings	**12-month av. TP**
15	12	4	4196p (+9%)

Technical Levels

Potential support level 3700p / Potential resistance level 4550p

Support and resistance levels are prices at which a stock stops declining (finds support) and stops rising (finds resistance), these levels are derived from historical price analysis and are often considered when identifying future prices at which to buy and sell.

CRH

CRH has expanded operations further into the U.S. and Canadian markets just in time.

UK housebuilder stocks were completely trashed following the Brexit referendum, so to list CRH as a 'top pick' for the year of the UK-EU divorce, seems somewhat counter-intuitive.

That said, back in 2016, once the Brexit vote concluded, shares in CRH demonstrated solid foundations, barley moving during the fortnight that followed, before gaining 35% by the first anniversary of the vote.

Following recent acquisitions, CRH has established a firm footing in the United States, which is now responsible for over 65% of the company's business.

The latest trading update revealed CRH had experienced continued growth in Europe and the United States, allowing the company to increase its dividend payment.

Shares have fallen 23% from the 2018 high, yet trade just 7% from the low at 2080p, which coincidently is the same price the shares were trading at post-Brexit vote.

The absence of a broker 'sell' rating, as well as an average target price 35% higher is notable.

Brexit Referendum Reaction

1st trading session after the vote	**-1%**
2 weeks after the vote	**+1%**
12 months after the vote	**+35%**

Reassess at 2000p – A 4 year uptrend is threatened at this price.

BUY

CRH - current price 2190p

Background
CRH Plc is a global building materials group. The Company manufactures and distributes a range of construction products to a wide customer base in the areas of residential, non-residential and infrastructure.

Listing	Market Cap	52-week range	Dividend yield
FTSE 100	£18.4bn	2067p - 2891p	2.7%

Analyst Ratings
A collection of current ratings (Buy/Hold/Sell) issued by city analysts, accompanied by the average 12-month target price. Data compiled by Bloomberg.

BUY ratings	**HOLD** ratings	**SELL** ratings	**12-month av. TP**
18	6	0	2991p (+35%)

Technical Levels
Potential support level 2100p / Potential resistance level 2400p

Support and resistance levels are prices at which a stock stops declining (finds support) and stops rising (finds resistance), these levels are derived from historical price analysis and are often considered when identifying future prices at which to buy and sell.

BP

After a recent 20% decline in oil prices, is now the time to buy BP ahead of Brexit?

BP has operations in 72 countries, with the bulk of business generated in the United States and Russia.

The U.S. operations comprise approximately one-third of BP's global business interests, whilst it boasts sizeable exposure to the Russian market through its near-20% stake in Russia's largest oil company, Rosneft.

An international business, dealing in a dollar denominated commodity, ensures BP benefits from any weakness in the pound. This immunity from domestic woes was demonstrated during, and after, the UK referendum melee when shares gained 2% the day following the vote, and gained 17% just two weeks after.

BP shares closely track the underlying price of oil and have benefitted from the more-than-doubling of crude prices since the low of 2016.

By default, BP is exposed to a declining oil price, but perversely, benefits from geopolitical tensions and OPEC's desire to control production levels should the price of oil fall 'too far'.

On average brokers are tipping the stock to reach 646p in the next 12 months, 22% higher.

Brexit Referendum Reaction

1st trading session after the vote	+2%
2 weeks after the vote	+17%
12 months after the vote	+18%

Reassess at 475p – 3 year uptrend may be compromised.

BUY

BP Plc - current price 505p

Background

BP Plc is an oil and petrochemicals company. The Company explores for and produces oil and natural gas, refines, markets, and supplies petroleum products, generates solar energy, and manufactures and markets chemicals.

Listing	Market Cap	52-week range	Dividend yield
FTSE 100	£103bn	452p - 603p	6.1%

Analyst Ratings

A collection of current ratings (Buy/Hold/Sell) issued by city analysts, accompanied by the average 12-month target price. Data compiled by Bloomberg.

BUY ratings	**HOLD** ratings	**SELL** ratings	**12-month av. TP**
19	9	1	646p (+22%)

Technical Levels

Potential support level 500p / Potential resistance level 605p

Support and resistance levels are prices at which a stock stops declining (finds support) and stops rising (finds resistance), these levels are derived from historical price analysis and are often considered when identifying future prices at which to buy and sell.

Compass Group

Compass Group puts food on plates in 50 countries, just 10% of profits come from the UK.

A food services company, with operations in 50 countries, Compass Group delivers a service of necessity on a global scale.

Compass Group serves office workers (operates staff canteens at companies such as Google and Mercedes), pensioners (in retirement homes), school kitchens, and military personnel both home and abroad.

The company receives the bulk of profits in dollars, as 60% of its business derives from the United States and Canada, whilst just 10% of profits come from the UK, ensuring any Brexit induced sterling weakness boosts the bottom line.

Compass Group has a long track record for delivering earnings growth, which has filtered through to steady dividend increases.

The company has pursued a progressive dividend policy in recent years with increases in shareholder payouts of between 5-10% for the past 7 years.

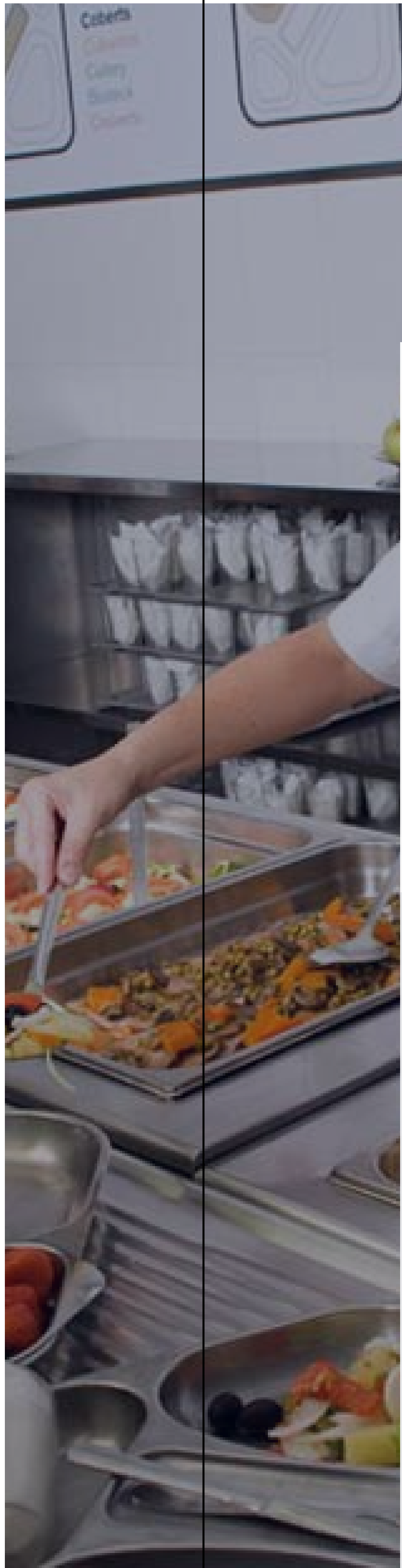
A near 10% decline from year highs offers investors another bite of the cherry.

Of 27 broker ratings, only 2 are rated as 'sell'.

Brexit Referendum Reaction

1st trading session after the vote	**+4%**
2 weeks after the vote	**+12%**
12 months after the vote	**+29%**

Reassess at 1350p – Represents a 2 year low and breakdown of 2.5 year uptrend.



BUY

Compass Group Plc - current price 1565p

Background

Compass Group Plc provides global catering and support services. The Company offers services to offices, factories, hospitals and care homes, schools and universities, sports venues, military facilities, offshore platforms, and other remote locations.

Listing	Market Cap	52-week range	Dividend yield
FTSE 100	£25.1bn	1396p - 1722p	2.2%

Analyst Ratings

A collection of current ratings (Buy/Hold/Sell) issued by city analysts, accompanied by the average 12-month target price. Data compiled by Bloomberg.

BUY ratings	HOLD ratings	SELL ratings	12-month av. TP
14	11	2	1770p (+10%)

Technical Levels

Potential support level 1500p / Potential resistance level 1720p

Support and resistance levels are prices at which a stock stops declining (finds support) and stops rising (finds resistance), these levels are derived from historical price analysis and are often considered when identifying future prices at which to buy and sell.

First Class

A boutique brand with traditional values, Frederick & Oliver is focussed on delivering a premium broker-client service.

Traditional broker-client relationship
Relationships are almost non-existent in the world of finance today. Sterile, call centre interaction is commonplace. Frederick & Oliver understands the importance of reassurance to its clients, knowing your broker is working for you, and not just themselves, is critical in forming a relationship of trust.

Unrivalled market information and reports
Stock market data is plentiful and often complex when presented in industry terms. Cutting through the noise and delivering the need-to-know information, and its consequences, will aid clients with their decision making process.

Proactive and reactive broker contact
Stock market news and data is relentless in its streaming. Timely delivery of relevant and influential information, via telephone and email, ensures clients are close to the market when often their daily commitments prevent them from being so.

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A streamlined and niche client base, means time can be devoted to clients' individual needs, ensuring an optimum level of service.

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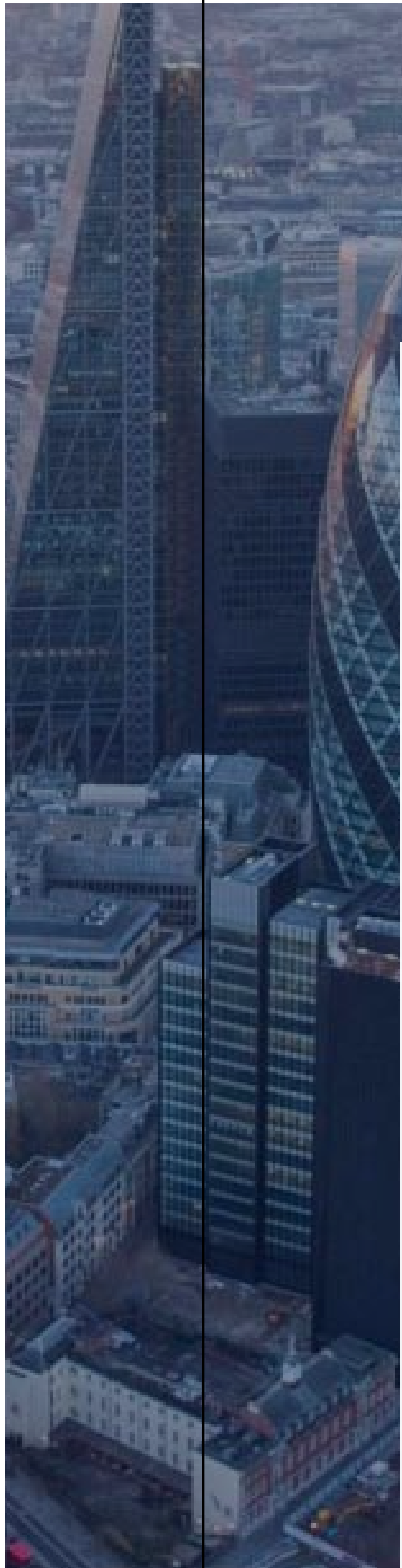

Risk Warning

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