July 2026

A • GUIDE • TO • TECHNOLOGY • GROWTH • SHARES

TECHINVEST

Stockmarket Newsletter

MARKET COMMENT

After two months of strong gains, London-listed tech stocks succumbed to profit-taking in June. Since the last issue of *Techinvest*, the techMARK Focus index has fallen by 5.37%.

Factors driving the tech stock market in June included shifting monetary expectations, renewed concern about the level of AI spending, and the SpaceX listing in the US. UK investors have been particularly focused on the Bank of England's evolving stance on interest rates. With inflation easing more slowly than expected, the prospect of delayed rate cuts has weighed on growth-oriented stocks, especially those with high future earnings expectations. Companies in cloud services, cybersecurity, and fintech have felt this pressure most acutely, as their valuations are more sensitive to discount rate assumptions. By contrast, semiconductor and advanced computing companies have benefited from continued global demand for high-performance chips, though that is a comparatively small part of the UK tech sector. Looking ahead, government-backed initiatives to expand domestic chip design capabilities may be worth monitoring. This aligns with broader European efforts to reduce reliance on overseas suppliers, a theme that has gained momentum as geopolitical tensions remain elevated.

Support for equity prices in the first half of 2026 has also come from an uptick in corporate activity. Figures from the Global Banking and Finance Review reveal a surge in UK M&A to a record-breaking £142.0bn in the year-to-date, more than triple the level a year earlier. Key deals in the tech sector include **Intertek**, **Augmentum Fintech**, and **Idox**. By value, UK-targeted M&A accounts for 10% of total global M&A announcements this year, the highest year-to-date share since 2015. Overseas buyers (both trade and private equity) have been particularly active. One of the drivers of the dealmaking has been attractive valuations, with many UK stocks trading at a significant discount to their European and US counterparts. We consider this trend has much further to run, supported by a low-growth environment that places a greater onus on companies to deliver shareholder value through acquisition-led initiatives and rationalisation of the cost base (through disposals, for example).

One of the most significant external influences on UK tech sentiment in recent weeks has been the US market's renewed appetite for blockbuster listings. The long-anticipated float of SpaceX in early June was one of the largest in history, reigniting enthusiasm for high-growth, high-risk technology plays. UK investors, who had been cautious after a subdued IPO environment in 2024 and 2025, took the SpaceX debut as a sign that the window for major tech listings may be reopening. This has led to increased speculation about whether London might now see its own wave of tech IPOs following a dearth of activity in recent years. That could bring to market some attractive investments that have been privately funded to date, showcasing the UK's strengths in early-stage fintech, cybersecurity, and environmental technology in particular. The SpaceX listing also had a psychological effect: it reminded markets that transformative technologies - satellite broadband, reusable rockets, and space-based infrastructure - are no longer fringe concepts but investable themes.

Another major US development influencing UK markets has been the proposed floats of Anthropic and ChatGPT-related entities. While neither company has yet confirmed a final timetable, the mere prospect of two AI giants entering public markets has intensified global interest in artificial intelligence. Investors appear eager to position themselves ahead of what many expect to be a multi-year cycle of AI-driven productivity gains. US stocks making runaway gains on the back of this trend include two of our 2026 North American New Year Tips, **Micron Technology** and **Marvell Technology**, up 240% and 172% respectively year-to-date. However, the enthusiasm surrounding these potential listings has also sparked debate about valuation discipline. Analysts have warned that the AI sector's rapid growth could lead to inflated expectations, drawing comparisons to previous periods of tech exuberance. However, we would counter that AI adoption is more mature today than during earlier hype cycles, with real revenue growth already visible.

Whether the returns from AI will ever be sufficient to repay the exceptional levels of investment in the technology being deployed by the hyperscalers is another matter. But for companies supplying the key components for advanced computing power and data centre infrastructure, the outlook for at least the next few years is exceptionally attractive. Businesses well-positioned to implement AI services at enterprise level will also benefit, and we are seeing evidence of that with stocks such as **Computacenter** and **Softcat** being strongly uprated in recent months.

IN THIS ISSUE

FTSE 100	**10497.12**
FTSE Small Cap (excl Inv Cos)	**6427.32**
FTSE techMARK Focus (formerly techMARK 100)	**8786.40**

Figures are as of the close of business on Tuesday, June 30

UPDATES

New subscribers should note that these Updates provide 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, as we feel that the prospects for the underlying business remain good. 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.

Nexteq
55.5p (NXQ; AIM)

Nexteq has issued a cautious trading update, reflecting continued weakness in its core Quixant gaming division amid a difficult macroeconomic backdrop. The group said geopolitical uncertainty, combined with the indirect impact of US tariffs and sharply higher memory and storage component costs, has reduced customer demand and weakened order visibility. As a result, management now expects current year (fiscal 2026) revenue to come in around 15% below previous market expectations. Densitron, the company's other core division, remains more resilient and is still expected to deliver year-on-year growth.

Before the update, consensus forecasts had been for revenue of US$85.0m, adjusted EBITDA of US$4.8m and adjusted pre-tax profit of US$2.0m. The downgrade, therefore, implies a meaningful reduction in anticipated earnings, although the company noted that gross margins are holding up better than expected and are likely to remain resilient through fiscal 2026. Management is also focused on cost control measures to limit the impact on profitability. The pressure is concentrated in Quixant, which supplies technology to the land-based gaming market. Encouragingly, Nexteq reported 100% customer retention and believes the current slowdown is temporary rather than structural, with a return to normalised volumes expected through 2027 as customer demand recovers. Although near-term visibility remains weak, we feel that the longer-term growth case remains intact, supported by new LaunchPad software wins and emerging growth prospects in Brazil. Hold.

MTI Wireless Edge
72.5p (MWE; AIM)

MTI Wireless Edge has delivered a solid start to 2026, with first quarter results showing continued growth in revenue and profits. Order momentum across most of the business also impressed. Revenue increased 6% to US$12.8m, while operating profit rose 21% to US$1.5m. Net profit attributable to shareholders advanced 18% to US$1.2m, with earnings per share also up 18% to 1.4 US cents. The group ended the quarter with net cash of US$8.5m (equivalent to 7.2p per share), maintaining a strong balance sheet despite lower cash levels than the year-end following exceptionally strong collections in the last quarter of 2025.

MTI continues to benefit from exposure to long-term defence, infrastructure and water management trends, with strong backlog growth and healthy cash generation supporting confidence for the remainder of 2026. Performance across the group was mixed but generally encouraging. The Water Control & Management division, operating under the Mottech brand, was the standout performer, with revenues rising 19% year-on-year as international demand strengthened across North America, Italy and the Arabian Gulf. The Distribution & Professional Consulting Services division also delivered strong growth, with revenues up 20% and profitability improving. The Antenna division experienced a softer quarter, with revenues falling 20% due to lower E-band 5G backhaul sales in India. However, demand for military antennas strengthened significantly amid rising global defence spending, resulting in a record level of defence-related orders worth more than US$9.0m entering the second quarter. The broker consensus forecast for the current year is for net profit of US$5.0m and earnings per share of 5.8 US cents. On a prospective P/E of 16.6, we feel the shares represent solid value. Strong hold.

Cohort
1234p (CHRT; AIM)

Cohort delivered a strong finish to the financial year ended April 30, with revenue and adjusted operating profit both ahead of market expectations, supported by robust demand across its defence and communications businesses. Preliminary results indicate revenue of £303.0m, up 12% year-on-year and ahead of consensus expectations of £293.9m, whilst adjusted operating profit is expected to be around £36.0m versus market forecasts of £34.7m. A net margin of 11.9% was an improvement from 10.2% in the prior year. Order momentum remained particularly strong with intake increasing to approximately £313m, again exceeding annual revenue and lifting the closing order book to a record £620m. Importantly, around £253m of expected fiscal 2027 revenue is already covered by existing orders, providing approximately 80% visibility for the new financial year.

The standout performance came from the Communications and Intelligence division, where revenue rose sharply to £159.0m from £125.4m, and net margins increased to around 20%. The inclusion of a full-year contribution from EM Solutions was a major driver, with management highlighting strong progress in integrating the business and capturing collaborative opportunities across the group. The division also benefited from solid performances at EID and MASS, reflecting continued strength in defence communications and electronic warfare markets. The Sensors and Effectors division was more subdued, with revenue broadly flat at £144.0m and margins easing to around 7% from 8.6%. Profitability was affected by cautious execution on ELAC's Italian sonar contract and the disposal of SEA's higher-margin transport business. Nevertheless, all businesses within the division remained profitable.

This was a positive update that reinforces Cohort's position as a high-quality defence technology business with strong earnings visibility and sustained structural growth drivers. Although year-end net funds declined slightly to £2.9m, Cohort demonstrated a significant second-half cash recovery from a £32.5m interim net debt position. Combined with a new £175m five-year banking facility, the balance sheet remains well-positioned to support future investment and acquisitions as Cohort continues to build scale. Full-year results scheduled for release in mid-July will provide an opportunity for a more detailed assessment. Strong hold.

Computacenter
4274p (CCC; Software & IT Services)

Computacenter has announced the acquisition of Government Acquisitions (GAI), marking a strategic expansion into the US federal government technology market. The deal, valued at up to US$92.0m, is expected to be completed shortly following clearance from the Committee on Foreign Investment in the United States (CFIUS). GAI is a specialist value-added reseller serving US federal agencies and brings more than 35 years of sector experience. The company generated approximately US$390m of gross invoiced income in 2025 alongside adjusted EBITDA of around US$8.0m. Computacenter will pay an initial US$63m in cash, with up to US$29m of additional performance-related payments through 2027. The acquisition will be funded from existing cash resources and is expected to be immediately earnings accretive.

This looks to be a good deal for Computacenter, with the acquisition multiple being comparatively modest for a business operating in a structurally attractive and highly regulated market. Strategically, the transaction represents an important step in broadening the company's North American operations, providing a foothold in the sizeable US federal IT procurement market and complementing an already well-established public sector presence in Europe and Canada. GAI's strong reputation, including recognition as Nvidia's US Public Sector Partner of the Year in 2025, should also strengthen Computacenter's credentials in AI-related infrastructure and high-performance computing solutions. Management intends to retain GAI's leadership team and operate the business as a specialist federal-focused unit, reducing integration risk. Overall, the acquisition appears strategically sound, financially disciplined and supportive of Computacenter's longer-term US growth ambitions, while adding further diversification to the group's customer base and end markets. After a strong run this year, however, the share price looks up with events. Strong hold.

Cerillion
1090p (CER; AIM)

Cerillion delivered a mixed set of results for the six months ended March 31, characterised by sharply lower reported revenue and profit but exceptionally strong order intake and record forward visibility. The group remains confident in meeting full-year expectations, with performance heavily weighted toward the second half. Revenue fell 14% to £18.0m, down from £20.9m in the corresponding period last time, reflecting the anticipated phasing of contract activity and the near-absence of high-margin software licence revenue recognised in the period. This mix shift had a pronounced impact on profitability. Adjusted EBITDA declined 38% to £6.2m, while adjusted pre-tax profit fell 41% to £5.5m. Adjusted basic earnings per share dropped to 14.1p from 23.9p, a 41% reduction.

Despite the weaker income statement, underlying trading momentum was significantly stronger than the headline numbers suggest. New orders more than doubled to £39.6m, up 102% year on year, driven by Cerillion's largest ever contract win: a £42.5m, five year subscription deal with Omantel, signed in January. This contributed to a 64% increase in the back-order book, which reached a record £82.1m at the period end. Annualised recurring revenue rose 5% to £19.1m, reflecting continued expansion of the subscription base. The new customer pipeline also reached a fresh high of £271.0m, up 4% even after removing the Omantel contract. This provides a strong foundation for future licence and services revenue. The balance sheet also remains strong, with net cash increasing to £32.5m (108p per share) from £31.2m a year earlier, supporting continued investment and an interim dividend increase of 15% to 5.5p per share.

These declines in Cerillion's first-half revenue and profits were driven almost entirely by revenue phasing and the timing of high-margin licence recognition rather than any deterioration in demand. Looking beyond these short-term factors, the underlying fundamentals of the business and forward indicators remain encouraging. Management reiterated that fiscal 2026 performance will be heavily weighted toward the second half, consistent with the group's contract-driven model. From a valuation perspective, the most important takeaway is the strength of Cerillion's forward visibility, supported by the landmark subscription contract with Omantel and a substantial new business pipeline. These metrics provide unusually high confidence in revenue acceleration through the second half and into fiscal 2027. Continued product innovation, with the latest release enhancing automation capabilities, and a robust cash position provide further support for the investment case. Continue to buy.

ME Group
101.6p (MEGP; Industrials)

ME Group's trading update for the first half ended April 30 outlines a period that began in line with expectations but ended with a noticeable softening in activity, particularly in April, prompting the board to adopt a more cautious full-year outlook. For most of the period, operational performance tracked the assumptions set out in the 2025 annual results. However, April brought a clear slowdown in consumer-driven revenue streams, especially in France, the group's largest market. Revenue increased 2%, supported by steady performance across the estate until April. The photobooth division, Photo.ME, was affected by reduced demand for official ID photos as travel uncertainty persisted. Revenue in this segment fell 6% across the first half but dropped 17% in April alone, highlighting the sensitivity of the business to shifts in consumer confidence. The laundry division, Wash.ME, which carries structurally higher margins and has been a key growth engine, also saw a marked slowdown. Revenue grew 17% across the period but only 3% in April, reflecting weaker discretionary spending. Equipment sales fell 14% year-on-year, consistent with the group's strategy of prioritising recurring revenue from operating its own machines rather than selling units.

Management attributed the April weakness primarily to lower consumer confidence linked to the ongoing conflict in the Middle East, which has weighed on spending patterns across several European markets. Although trading improved in May, the board does not expect conditions to normalise while geopolitical uncertainty persists. As a result, full-year pre-tax profit is now expected to fall within the £69m to £74m range, signalling a more cautious stance compared with earlier expectations. Despite this, the board emphasised the group's strong balance sheet and reaffirmed confidence in its long-term strategy, supported by the rollout of more than 1,300 new Wash.ME machines in fiscal 2026.

It is worth emphasising that the shares continue to trade at a discount to peers in the consumer services and vending technology space, despite ME Group's strong cash generation, high returns on capital and consistent dividend record. Trading on a prospective P/E of 7.9 for the current year, the valuation appears undemanding, particularly given the group's recurring revenue characteristics and defensive end-markets. The key question now is whether April's weakness proves temporary. Until visibility improves, the market is likely to remain cautious. We would be inclined to take a 'wait-and- see' approach at this stage, given the solid underlying fundamentals of the business and the undemanding valuation. Interim results scheduled for release in the second half of July should reveal more. Strong hold.

GB Group
198.4p (GBG; Software & IT Services)

GB Group's results for the year ended March 31 were met with a muted market reaction. The shares drifted lower as investors focused on a sizeable impairment charge related to the America Identity business and continued weakness in parts of the digital identity market. Revenue for the year was up 3.2% at £285.0m. Within this, Identity and Location, which together represent the core of GB's business, delivered combined revenue growth of 5.7% in the second half. Adjusted operating profit came in at £67.5m, up 0.7%, reflecting tighter cost control and early benefits from the group's efficiency programme. Adjusted earnings per share rose 9.3% to 19.0p, while net debt was up 65% to £80.1m, mainly reflecting £45m spent on buybacks. The troubled American Identity business returned to growth in the final quarter of the year, but the prior periods of underperformance since acquisition were reflected in the board's decision to record a non-cash impairment charge of £73.1m against goodwill. Reflecting this charge and a smaller write-off for a legacy product, the statutory loss for the period was £75.1m.

While the group delivered stable underlying progress, the results did little to shift sentiment around the pace of recovery in GB's core segments. In particular, there are ongoing concerns that the recovery in digital identity remains uneven and vulnerable to macro-driven delays in customer onboarding activity. Despite this, the results contained several positives, including improved profitability, strong cash generation, and continued progress in integrating the group's platforms to enhance cross-sell potential. Management also reiterated confidence in medium-term growth drivers, including regulatory tailwinds, rising fraud complexity and increasing digital identity adoption. From a valuation standpoint, the stock trades at a discount to its historical averages and to global identity verification peers. With stabilising margins, revenue momentum in the second half, and a clearer strategic focus, the shares offer significant potential upside if the final quarter improvement in the America Identity business can be maintained into fiscal 2027. On balance, we think the stock is worth adding to, taking into account the attractive longer-term opportunities for the business and historically low valuation metrics. Buy.

Gooch & Housego
946p (GHH; AIM)

Gooch & Housego's results for the six months ended March 31 were in line with market expectations. Revenue rose 15.5% to £81.9m, or 9.1% organically at constant currency. Segmental performance was mixed. Aerospace & Defence delivered a strong 51.7% increase to £35.6m, supported by programme ramp-ups and robust demand for precision components. Industrial revenue was broadly flat at £30.3m, reflecting ongoing softness in end markets. However, management reported some improvement in the industrial laser and semiconductor segments in the period, and order intake across the Industrial division has increased significantly. Life Sciences revenue fell 7.7% to £16.0m due to customer phasing and supply chain constraints.

Group adjusted operating profit increased 16.9% to £7.2m, while adjusted pre-tax profit rose 13.9% to £5.8m. Adjusted basic earnings per share grew 13.3% to 20.4p, supported by an improved mix in Aerospace & Defence and early benefits from operational streamlining. Cash generation was weaker, with working capital absorption contributing to a rise in net debt to £36.6m excluding leases, or £49.8m including leases, up from £24.1m and £35.5m respectively.

Shares in Gooch & Housego have been on a strong run this year, supported by increasing demand from the Aerospace & Defence segment, acquisition benefits, and improvements in operational efficiency. In that context, it was unsurprising to see some profit-taking following the release of the interim results. Looking ahead, however, the investment case remains *attractive, with the order book reaching a record £167.3m at the end of the first half. That provides near full cover for fiscal 2026 revenue. If management can efficiently convert the enlarged order book, stabilise the Life Sciences division, and improve cash generation, we see ample scope for the upward re-rating of the shares to continue. Strong hold.*

Beeks Financial Cloud
205p (BKS; AIM)

Shares in Beeks Financial Cloud rose by 33% during the month after management reported a series of significant commercial developments highlighting accelerating demand for its solutions across global financial markets. The group secured its first contract for Market Edge Intelligence, its newly launched AI-powered analytics platform designed to deliver real-time insight directly at the co-location edge. The five year agreement, valued at US$4.8m, was signed with one of the world's largest banks following a successful proof of concept earlier in fiscal 2026. Revenue recognition begins immediately, and Beeks emphasised the strong potential for wider deployment across the customer's global trading infrastructure.

Alongside this flagship win, the company also announced three additional contracts across its Analytics, Proximity Cloud and Private Cloud offerings, with a combined total contract value of approximately £1.7m. These include a 34-month software contract worth around £0.5m with an existing global financial services client for Analytics and Market Edge Intelligence deployment in London; a three-year Proximity Cloud contract valued at roughly £0.6m with a new global technology customer; and a three-year Private Cloud contract worth about US$0.8m with a long-standing strategic partner.

Revenue collection from the Analytics and Proximity Cloud agreements will contribute immediately, supporting current year expectations, while the Private Cloud contract will contribute from fiscal 2027. Notably, the Analytics contract represents the second commercial deployment of Market Edge Intelligence, indicating good early customer interest in Beeks' advanced analytics and AI-driven insight tools. The company is positioning Market Edge Intelligence as the first AI and machine learning solution capable of passive monitoring of capital markets data at the network edge. Its open architecture allows it to operate as part of Beeks Analytics, as a stand-alone product, or integrated with existing client systems, broadening the group's addressable market and creating further upsell potential. Strong hold.

Mpac
275p (MPAC; AIM)

Mpac's share price fluctuated during the month after management confirmed that market conditions remained difficult during the first five months of the calendar year. The challenges relate to customer hesitation on capital investment, intensified pricing competition and reduced operational leverage due to lower original equipment volumes. As a result, first half margins are expected to fall below the prior year, and full year 2026 underlying pre-tax profit is now anticipated to be substantially below market expectations on a like for like basis. In response, management has taken further steps to drive volume, align capacity with current demand, reduce overheads and improve cash generation. These measures, combined with recent order intake, have lifted the order book to £98.8m at the end of May, up from £90.0m at year-end 2025.

Mpac also announced that, as part of a strategic review initiated in late 2025, management concluded that Lambert's bespoke, highly customised automation projects no longer align with the group's focus on scalable, full line packaging machinery solutions. The company has therefore agreed to sell Lambert, including its SIGA Vision subsidiary, to Italy based Mech.i.Tronic for an initial £16.0m, with up to £4.0m in potential earnout payments depending on Lambert's 2026 performance. Lambert, which was acquired by Mpac in 2019 for £15.0m, generated a £1.6m pre-tax loss in fiscal 2025 and had net assets of £2.1m. Proceeds from the sale will be used to significantly reduce group net debt, which stood at £47.9m at the end of 2025.

Mpac's business is exposed to cyclical demand factors, especially given the comparatively high value of the machinery it supplies, which was a concern in the context of a balance sheet that was starting to look stretched. However, proceeds from the Lambert disposal will now help lower debt and provide a firmer base from which the business can recover once market sentiment improves. The disposal also helps sharpen Mpac's strategic focus on full-line packaging machinery, where the company has several competitive advantages. But on the downside, this was the second profit warning from Mpac in a year. The company's broker, Shore Capital, responded by reducing its adjusted earnings per share forecast for fiscal 2026 by 44% to 21.0p, and for fiscal 2027 by 35% to 28.2p. That leaves the shares trading on a prospective P/E of 10.1 for the current year. Looking further out, the business remains well-positioned to benefit from automation and secular growth in the packaging market. In the near term, the key requirement for management is to guide the group through the current cyclical downturn in demand so that the benefits of recent acquisitions and strategic changes can be claimed once market conditions improve. Until there is evidence that market conditions are improving for Mpac, we would be wary about adding to existing holdings. Hold.

Vianet Group
66p (VNET; AIM)

Vianet has reported a year of steady operational and financial progress for the twelve months ended March 31, delivering modest top-line growth, higher recurring income and a significantly improved balance sheet. Group revenue increased 1.5% to £15.5m, while recurring revenue rose 3.3% to £13.6m. Gross margin remained robust at 68%, reflecting the resilience of Vianet's operating model and the benefits of a more predictable revenue mix. Adjusted EBITA edged up to £3.61m from £3.59m, and adjusted EBITDA increased 2.1% to £4.22m. The hospitality division delivered a strong performance, with revenue up 6.4% to £9.6m and operating profit rising 7.7% to £4.51m, driven by new installations, contract wins and the integration of Beverage Metrics. Yearend cash increased 22% to £3.4m, and Vianet moved from net debt of £0.38m to a net cash position of £0.44m. Cash conversion remained strong at 96% of EBITDA.

These results provide further evidence that the shift toward higher quality, subscription-driven revenue is paying off for Vianet, supporting stable margins even as certain markets remain uneven. Cash generation has been robust, enabling the group to move into a net cash position and materially improve financial flexibility. Operational progress in hospitality and narrowing losses in the fledgling Americas business show that the strategy is gaining traction. The company also completed a planned leadership transition, appointing Craig Brocklehurst as CEO, with James Dickson returning as non-executive chairman. Overall, Vianet enters fiscal 2027 with strengthened financial foundations, a growing base of recurring revenue and strategic momentum across its core markets, positioning the group for continued progress despite broader market uncertainties. However, much of this is reflected in the current valuation, with the shares trading on a prospective P/E of 19.1 for fiscal 2027. On that basis, our recommendation remains Hold.

NCC
121.4p (NCC; Software & IT Services)

NCC delivered a solid performance in the six months to March 31, with trading broadly in line with board expectations. Revenue on a constant currency basis rose approximately 5% year on year to £151.3m, supported by a 5.9% increase in Cyber revenue to £118.4m and a 1.9% rise in Escode revenue to £32.9m. Margins strengthened meaningfully. Group gross margin improved by 2.7 percentage points to 45.9%, reflecting better pricing discipline and operational efficiencies. Cyber gross margin increased by 3.2 percentage points to 38.4%, while Escode's margin rose 2.9 percentage points to 72.9%, underscoring the high value nature of its software-led offering. Profitability also advanced. Group adjusted EBITDA grew 27.7% to £23.5m, with Cyber adjusted EBITDA rising sharply to £8.3m, an increase of more than 130%, driven by improved utilisation and cost control. Escode delivered adjusted EBITDA of £15.2m, up 2.7% on the prior year. The balance sheet remained stable, with net debt at £10.2m at the period end.

These results reflect the last contribution from Escode for a full trading period. The sale of the business was completed at the end of May for proceeds of £262.8m before transaction costs. NCC will provide certain services to Escode for twelve months to May 2027, for a fee of £4.9m. Proceeds from the disposal will be used to strengthen liquidity and fund a £170m tender offer followed by a new £15m share buyback scheme. NCC also confirmed that its strategic review of the Cyber division is now complete, and that no sale of the business is currently on the agenda. Instead, NCC's operations will now be focused entirely on its cybersecurity operations. The market backdrop for the slimmed-down business remains favourable. Demand for cyber assurance, resilience and managed security services continues to rise, *driven by regulatory pressure, cloud migration and escalating threat complexity. NCC also has strong brand recognition in penetration testing and assurance, and its global footprint gives it access to enterprise scale clients that value long-term relationships. Execution will be the key challenge. Management will need to continue improving utilisation, pricing discipline and delivery efficiency to close the profitability gap with larger peers. As a standalone entity, however, the cyber operations could benefit from sharper capital allocation, a simplified operating model and investment targeted directly at growth areas such as managed services and AI-enabled security testing. That suggests a credible path to becoming a higher margin, more scalable business, provided the company maintains operational momentum and continues shifting toward recurring, service-led revenue. Strong hold.*

RWS
71.925p (RWS; AIM)

RWS' results for the six months to March 31 provided evidence of both financial and strategic progress across the group. Revenue rose 5% to £360.3m, supported by strong organic constant currency growth of around 7%. Adjusted EBITDA increased 20% to £45.7m, reflecting improved efficiency and operational leverage. Adjusted pre-tax profit grew 33% to £24.0m, while the reported pre-tax loss narrowed to £9.5m from £12.7m. AI-related products and services continued to expand rapidly, accounting for 32% of group revenue compared to 26% in the prior period, driven by significant growth in the TrainAI business, which supported a major client preparing a new product launch. Client retention remained high, and the group reported new client wins across all segments, including two significant TrainAI contracts. Operational free cash flow conversion was 67%, compared with 92% in the prior first half, reflecting the timing of investments and exceptional items. Net debt stood at £32.5m at the period-end, compared with £25.4m six months earlier.

These results suggest that RWS' shift toward a technology-first operating model is beginning to benefit the business, with contributions from AI-related products starting to make a meaningful impact. The standout feature was the rapid expansion of AI-related revenue, driven by strong demand in TrainAI and early traction from new platforms such as Language Weaver Pro. This mix shift positions RWS well for structurally higher growth segments of the language and data services market. The group's transformation programme is also gaining traction. Efficiency initiatives are improving margins, while the refreshed go-to-market strategy is delivering broader client wins across end markets. The recent acquisition of Obviously Group adds further capability in AI-enabled IP and brand protection, strengthening RWS's competitive positioning in a consolidating industry. One key challenge for management will be to monetise the AI potential of the company's technology and IP, without diluting margins to a point where investment across all segments of the group becomes constrained. The board sees particularly strong growth prospects in the brand protection sphere, and that was part of the rationale for acquiring Obviously. Significant further investment will likely be required to derive full benefit from this strengthening of the Protect division where adjusted operating profit declined by 36% in the first half, partly reflecting an increase in overhead costs. The consensus broker forecast for the full year is for group adjusted pre-tax profit of £68.4m and adjusted earnings per share of 13.8p. A prospective P/E of 7.5 remains extremely attractive for a business with strong technology and data-based assets, but a better showing from Protect and more evidence of success with AI-related products may be required before we can expect a strong upward re-rating in the share price. Strong hold.

Paypoint
576.5p (PAY; Industrials)

Paypoint has delivered record profitability for the year ended March 31, supported by resilient trading across its core operations, strong growth in digital payments and open banking, and continued expansion of its parcel and gifting platforms. Revenue for the period rose 8.5% to £337.0m, while net revenue increased 1.7% to £190.8m. Underlying EBITDA grew 2.2% to £92.0m, and underlying pre-tax profit increased 1.5% to £69.0m, marking another year of consistent earnings progression despite a weak consumer backdrop and specific operational headwinds. Statutory pre-tax profit more than doubled to £55.5m, driven by a sharp reduction in adjusting items compared with the prior year. Diluted underlying earnings per share rose 6.5% to 73.6p, while diluted statutory earnings per share increased to 58.4p from 26.3p.

On a divisional basis, Shopping net revenue rose 1.7% to £66.3m, supported by higher service fee income. E-commerce net revenue fell 4.9% to £15.6m, with parcel volume growth offset by the commercial reset with InPost/Yodel. Payments and Banking net revenue increased 1.8% to £55.4m, while total digital net revenue, including MultiPay and Open Banking, grew 25.8% to £19.5m. Love2shop net revenue rose 3.5% to £53.5m, with billings up 5% to £385.8m. A major reorganisation was announced, simplifying the group into four business units: Network Services, Digital Payments and Open Banking, Love2shop and Merchant Services. For the full year, Paypoint returned over £90m to shareholders through a combination of buybacks, dividends and a special dividend, with the final dividend lifted 2% to 20p per share. Net debt at the period-end was £132.5m compared to £97.4m a year earlier, reflecting strategic investments and the continuation of the buyback programme.

These were solid results from Paypoint. The core retail network remains resilient, supported by stable service fee income and continued parcel volume growth, while Love2shop provides a dependable earnings stream with mid single digit billings growth. The strategic shift toward digital payments, open banking and merchant services is increasingly central to the investment case, with MultiPay, Open Banking and card deposit services all delivering strong momentum. The new four unit structure is designed to sharpen focus and accelerate growth, but investors will want evidence that it can unlock operating leverage and improve cash conversion, which softened in fiscal 2026 as net corporate debt rose to fund investment and buybacks. We view management's medium term target of 5–8% annual net revenue growth as achievable, but it will require successful execution in the group's higher growth digital and open-banking activities. Overall, Paypoint's diversified, cash generative model with expanding digital capabilities underpins a strong investment case. The broker consensus forecast for this year is for net profit of £49.5m and earnings per share of 84.3p, placing the stock on a prospective P/E of 6.6. The anticipated dividend yield is 7.5%. Buy.

SThree
157.8p (STEM; Industrials)

SThree's trading update for the six months ended May 31 reflects early signs of stabilisation in a global staffing market that has been challenging over the last two years. Net fees declined 7% year-on-year at constant currency to £147.7m, but the rate of decline eased through the half, with the second quarter down 6% compared to an 8% fall in the first quarter. The Contract division, which represents 85% of group net fees, fell by 8%, while Permanent declined 5%. The contractor order book grew 3% to £157m, providing around five months of forward visibility. Regional performance was mixed. The US was the standout, with net fees up 12%, driven by strong demand for Engineering and Technology skills. Japan also delivered robust growth, up 36%. By contrast, DACH (Germany, Austria, Switzerland) fell 15%, the Netherlands (and Spain) declined 19%, and the UK was down 19%, reflecting softer demand for Technology roles across Europe. The balance sheet remains robust, with £43m of net cash (33p per share) at the period end and a £20m share buyback programme underway, of which £7.8m has been completed.

Trading conditions clearly remain difficult for SThree, but the growth reported in the US and Japan provides hope that conditions are beginning to recover in some key territories. Operationally, the group continued to improve productivity despite a mid-teens reduction in sales headcount, reflecting the benefits of its Technology Improvement Programme. Headcount ended the period 4% lower than at the fiscal 2025 yearend, consistent with selective hiring and ongoing cost optimisation. Cost saving initiatives are on track and weighted to the second half. Management reiterated that full year performance is expected to be in line with the previously guided £10m pre-tax profit. Given a strong order-book and stabilising trading conditions, we view the stock as an attractive recovery play. Buy.

Oxford Metrics
39.3p (OMG; AIM)

Oxford Metrics' results for the six months to March 31 reflected a period of improving profitability and continued strategic repositioning. Revenue rose 3% to £20.7m, driven by a strong performance in Motion Capture, where sales increased 10% to £16.3m. Growth was supported by solid demand in Entertainment and Engineering, alongside significant international contract wins in Eastern Europe, Japan and India. Vision Metrology revenues fell to £4.4m from £5.3m, reflecting the timing of customer projects that are now expected later in fiscal 2026. Group gross margin improved to 66%, benefiting from a favourable mix and continued cost discipline. The adjusted EBIT loss narrowed to £0.2m from £0.4m, reflecting higher revenue and tighter cost control. On a statutory basis, the pre-tax loss was £1.0m, broadly unchanged year on year. Cash and fixed term deposits stood at £31.7m (25.6p per share), down from £39.9m, after dividend payments of £3.7m and £1.3m of share buybacks.

Oxford Metrics' valuation is driven primarily by the strength and growth profile of its Vicon Motion Capture division, which continues to deliver high-margin revenue, strong international demand and a robust pipeline. The 10% increase in Motion Capture revenue in the first half, supported by major international contracts, reinforces the division's role as the group's core value engine. Gross margin remains high at 66%, reflecting premium positioning and disciplined cost control. The balance sheet, with £31.7m of cash, provides strategic flexibility and underpins options for selective M&A and product investment. Broadening the business base through the newer Vision Metrology operations makes sense. However, Vision Metrology remains more project-driven and contributes greater timing variability, as seen in the first half with the project delays. Management reiterated full-year expectations, with revenue anticipated at around £56m. Oxford Metrics has medium term ambitions to double revenue, lift adjusted EBIT margins to the mid-teens, and increase recurring revenue to around 25%. Delivery against these targets, alongside progress in markerless capture and cost optimisation, will be key catalysts for a re-rating. Strong hold.

CML Microsystems
267.5p (CML; AIM)

CML Microsystems' results for the year ended March 31 revealed solid operational progress despite a challenging backdrop for global semiconductor markets. Revenue declined to £20.45m from £22.9m, but performance strengthened significantly in the second half as customer inventory levels normalised and order activity improved. Gross profit fell to £12.89m, with gross margin easing to 63% from 69%, largely due to a higher contribution from non-recurring engineering income linked to the early design phase of the group's major new GNSS contract. Profitability was affected by the lower revenue base and product mix. The group recorded an operating loss before exceptional items of £1.93m, improving to a pre-tax loss of £0.07m after including gains from the sale of excess land at Oval Park and development cost impairments. Cash at the year-end was £12.8m (80p per share), up from £9.9m a year earlier.

Operationally, CML completed its multi-year transformation into a pure-play communications semiconductor business. Investment in innovation remained substantial, with £5.5m directed to R&D and continued expansion of the RF and microwave portfolio. Issues flagged at the interim stage relating to supply chain constraints and unplanned engineering work on specific SμRF products were resolved, with availability restored in the second half. Looking ahead, management expects a return to revenue growth in fiscal 2027, supported by an expanding product portfolio, a broader customer base and a healthy pipeline of opportunities.

The 12-year design and supply GNSS contract, valued at more than US$30m, was a defining achievement for CML in the period. It positions the business not just as a component supplier but as a systems-level partner capable of meeting high-precision wireless communications requirements. The initial design phase is underway and is expected to lead to substantial long-term product revenue. With a clearer strategic focus now in view, the company intends to concentrate on four core verticals: Professional and Industrial Communications, Network Infrastructure, Industrial IoT, and Aerospace and Defence. While global uncertainties persist, CML enters the new year with a strengthened financial position, improved long-term earnings visibility resulting from the GNSS agreement, and growing momentum in its core communications markets. Future valuation catalysts are potentially strong, including execution on the GNSS programme, margin expansion from cost optimisation, and commercial traction across the expanded RF and microwave portfolio. However, progress in these areas, alongside pipeline conversion in Industrial IoT and Aerospace and Defence, will be needed to rebuild market confidence after a long period of financial underperformance by the group. A strong, property-backed balance sheet has helped CML maintain a relatively high rating despite recent trading challenges, and the book value of the business remains broadly equivalent to CML's current market valuation. But quality and growth metrics have been declining, and that is likely to test investor patience if management is unable to reverse the trend following the recent restructuring and strategic shift. On balance, we suggest taking a cautious view until there is further evidence of momentum building in the business. Hold.

Iomart
14.125p (IOM; AIM)

Iomart has delivered a mixed set of results for the year ended March 31, with headline revenue growth masking continued organic pressures and elevated customer churn. Total revenue increased 8% to £154.9m, driven primarily by the full year contribution from the Atech acquisition. However, underlying organic revenue declined due to churn in private cloud managed services and lower-margin Microsoft Modern Work offerings. Recurring revenue represented 86% of the total, down from 89% the prior year, reflecting the shift in mix. Gross order bookings reached £20.6m ARR, but this was offset by churn of £21.2m, including £8.4m in the final quarter as legacy backup platform customers rolled off and competition intensified in Microsoft-related services.

Profitability weakened as the group continued to reposition toward higher value cloud, cybersecurity and data protection services. Adjusted EBITDA fell to £25.6m from £34.3m, while adjusted EBIT declined to £5.2m (margin 3.3%), and the group reported an adjusted pre-tax loss of £4.0m versus a £6.5m profit the prior year. The statutory pre-tax loss was £13.6m, though profitability improved in the second half as restructuring benefits began to materialise. Operationally, Iomart delivered £4.0m of annualised cost savings, integrated Extrinsica into Atech to consolidate Microsoft capabilities, expanded its India operations and separated its data centre infrastructure into a stand-alone unit. These actions form part of a broader transformation aimed at improving efficiency, strengthening accountability and aligning the business with evolving customer demand. The board pointed to a modest revenue decline in the near term but an improving profit profile in the second half of fiscal 2027 as cost actions take full effect and the business mix continues to shift toward next generation platforms.

After a sharp decline in Iomart's share price in recent years, hopes for recovery depend on the pace and credibility of its operational turnaround, particularly management's ability to stabilise churn and shift the revenue mix toward higher-margin cloud, cybersecurity and data protection services. A key factor to monitor is whether the group's strengthened Microsoft capabilities and upcoming VMware licensing changes will lead to sustainable ARR growth. Margins also need to be rebuilt, and that should be helped by the £4.0m annualised cost-saving programme and restructuring of data centre operations. Iomart's debt level at £108.6m remains a concern, but at least cash generation remains strong with an adjusted EBITDA to operating cash flow conversion ratio of 96%. Post period-end, the group also extended its £115m revolving credit facility to June 2028, providing financial flexibility during the strategic transition. Overall, Iomart enters the new financial year as a leaner and more focused business than it was twelve months ago. Much will now depend on the group's ability to expand its higher-value managed cloud and security offerings, where demand is structurally stronger. Hold.

NEW YEAR TIPS UPDATE

Company	Price 6/1/26	Price 30/6/26	Change %
Augmentum Fintech*	92.9	111	19.48
Dotdigital*	67.5	42.225	-37.44
Eleco*	126	117.5	-6.75
GB Group	243.5	198.4	-18.52
NCC*	133.9	121.4	-9.34
Netcall*	110.5	116.5	5.43
On the Beach Group	219.75	174	-20.82
Oxford Metrics*	51	39.3	-22.94
Qinetiq	477.1	420	-11.97
SDI Group	79	88	11.39
Softcat	1393	1826.5	31.12
Tracsis	305	320	4.92
** denotes Nap Tip*			
Average Change			**-4.62**

Our UK New Year Tips have made a mixed start, reflecting an uneven picture for London-listed tech stocks over the last few months. Performance across the twelve picks has oscillated between a small average gain and a small loss over that period. We got off to a good start at the beginning of the year with an agreed takeover offer for **Augmentum Fintech**, which was completed last month with a gain of 19.5%. Shares in **Qinetiq** also advanced in

January, reflecting rising demand for defence-related stocks. Positive trading updates from **Dotdigital** and **Eleco** underpinned early gains in their respective stock prices.

However, by the end of March, growing macroeconomic concerns and conflict in the Middle East were beginning to weigh on investor confidence. Trading updates increasingly mentioned extended sales cycles and order delays as recent headwinds. Growing concern about competition from autonomous AI agents was another factor impacting demand for software and IT services stocks. The so-called SaaSpocalypse saw billions wiped off the value of US behemoths like Intuit, Salesforce, and ServiceNow. Spillover on the London market was less severe, confined mainly to larger operators such as accountancy software specialist Sage. From the New Year Tips, those adversely affected by AI competition fears included Dotdigital, **GB Group**, and **NCC**.

Stocks chosen for their high-quality ratings have shown resilience so far. This includes **Softcat**, and **Netcall**. Neither of these stocks is cheap, but that reflects the strength of their respective business models and financial performance over many years. In each case, broker consensus forecasts have been rising this year, which has also contributed to the solid share price performance. In fact, most of the picks have seen forecasts for the current year either hold steady or edge up. The main exception is **On the Beach**. Due to the disruption to travel and tourism caused by the Iran War, the company's full-year earnings expectations were significantly lowered in May. Long-term, we feel On the Beach is a well-positioned disruptor within the holiday booking market, but the shares may continue to struggle this year, assuming no immediate resolution to the conflict in the Middle East.

Tracsis has been one of the better performers. A positive first-half trading update and news of a major North American contract win in late February have triggered steady gains for the stock. Interim results published in April confirmed the solid momentum in the business, with revenue and margin growth in both divisions. Although near-term UK rail market headwinds remain, we believe Tracsis is well-placed to benefit from compelling long-term structural trends in its end markets. A prospective P/E of 11.5 for fiscal 2027 will look cheap if the current trend in margin growth and higher earnings quality can be sustained. Reported delays affecting UK defence spending have knocked Qinetiq's share price in recent weeks. Other stocks in the defence sector have been similarly affected.

Shares in **Oxford Metrics** reached a twelve-month high in late February but have since fallen back on a lack of follow-through buying. This is despite the company delivering an improved trading performance for the six months ended March 31. Cash conversion remains strong, and the business retains a large cash buffer worth 25.8p per share. News of where the cash might be deployed could be transformative for the shares, but the board is rightly taking time to assess the best options. Finally, shares in **SDI** have been recovering after price slippage in March. The stock is thinly traded, and it is not usual to see the price move erratically on little or no company-specific news. A recent trading update for the year ended April 30 noted second-half momentum in the business and a strong order book moving into fiscal 2027. Further integration benefits from recent acquisitions also underpin the investment case.

SECOND HALF BEST BUYS

Company	Price 30/6/26
Alfa Financial Software	155.2
Arcontech	83.5
Dotdigital	42.225
Kainos Group	771
Paypoint	576.5
Porvair	802

Our strongest Buy recommendations for the second half of the year are represented in the six selections above. They are a mix of stocks that look oversold on valuation grounds and/or have received recent broker upgrades. Some, like Arcontech and Dotdigital, have significant net cash on the balance sheet, and only Paypoint among the six picks has any debt. All have attractive profiles for medium-term growth.

Alfa Financial Software (ALFA; 155.2p) develops mission-critical asset-finance software for global specialist lenders and automotive-finance providers. Its flagship platform, Alfa Systems, manages the entire operational lifecycle from origination to analytics. A blue-chip customer base and lengthy implementation cycles ensure that the business enjoys high recurring revenues, exceptional retention, and deep client integration. Trading on a prospective P/E of 16 for the current year, the valuation is undemanding for a capital-light business boasting operating margins above 30% and excellent cash conversion. Driven by operational leverage and licence expansion, earnings growth has been compounding at nearly 11% per annum since 2020. While the shares previously traded higher during peak software-investment cycles, we consider Alfa is well-positioned for the next wave. Lenders are modernising legacy infrastructure, creating strong demand for the company's next-generation cloud-native platform. The ongoing shift to subscription-based deployments provides a further structural tailwind.

Arcontech (ARC; 83.5p) develops real-time market data management and distribution software used by banks, trading firms and financial institutions. Its product suite includes high-performance feed handlers, desktop display systems and middleware designed to reduce latency and improve data efficiency across trading operations. On current forecasts, Arcontech trades on a prospective P/E of 7.5 for the current financial year, which is modest for a business with high recurring revenue, minimal customer churn and operating margins consistently above 20%. Further attractions include a capital light business model and a balance sheet with no debt and significant cash reserves. Although the shares have edged lower in the year-to-date, the company's ongoing investment in its next-generation data distribution platform provides a potential catalyst for an upward re-rating. Management has also been strengthening the marketing team, reflecting the anticipated increase in demand for low latency data solutions as trading environments become more complex and data intensive.

Dotdigital (DOTD; 42.225p) provides omnichannel marketing automation software used by e-commerce retailers, brands and digital agencies to manage customer engagement across email, SMS, social and push notifications. The shares are currently at the low end of their historical trading range, having traded as high as 100p a little under two years ago. We feel that the sell-off since 2024 has now gone too far, creating a good buying opportunity with the shares on a prospective P/E of just 10.3 for the current year. The balance sheet is debt free with a substantial net cash position worth around 11p per share, giving the company flexibility to invest in product development and selective acquisitions. With Dotdigital continuing to enhance its AI-driven personalisation capabilities and deepen integrations with major e-commerce platforms such as Shopify, Adobe Commerce and BigCommerce, we feel that the company is well-positioned to benefit as retailers shift toward more automated, data-driven customer engagement strategies. Recent expansion in North America and APAC is a further growth driver.

Kainos Group (KNOS; 771p) is a UK based digital services and software group specialising in large-scale digital transformation projects and Workday related services. With long-standing relationships across government, healthcare and global enterprises, the group benefits from high visibility, strong recurring revenue and a reputation for delivery. Based on current forecasts, Kainos trades at a prospective P/E of 17.2, which is modest relative to its track record of double-digit revenue growth, operating margins typically above 12% and a capital light model that consistently generates cash. The balance sheet is debt free with net cash of around 69p per share, giving the company flexibility to invest in talent, expand internationally and pursue selective acquisitions. With Kainos continuing to expand its global Workday footprint and deepen its capabilities in cloud engineering, AI-enabled automation and user centred design, we consider the company is well-positioned to benefit from ongoing modernisation across both government and commercial clients.

Paypoint (PAY; 576.5p) operates a diversified platform spanning digital payments, retail services, parcels, open banking and gifting. Customers include a network of more than 28,000 UK convenience stores, which underpins a resilient cash generative business model. The business has evolved well beyond its original focus of cash payments, with a growing emphasis on digital transaction flows and merchant services. Trading on a prospective P/E of 6.8 and a PEG of 0.8, Paypoint has the characteristics of a classic GARP (growth at a reasonable price) stock. Recently reported results for the year ended March 31 revealed record profits and enhanced shareholder returns, with a particularly strong contribution from the expanding digital payments and open banking operations. The board also announced actions to strengthen the next phase of growth, including simplifying the business structure into four focused units. Following a period of significant investment to diversify operations, we believe Paypoint is now well-positioned to benefit from its exposure to open banking, e-commerce, and digital solutions.

Porvair (PRV; 802p) is a specialist filtration and environmental technology group serving aerospace, industrial, laboratory and molten metal markets. Its portfolio spans high-performance filters, emissions control systems and advanced materials used in applications where reliability, precision and regulatory compliance are critical. With long-standing customer relationships and a strong engineering heritage, the company benefits from high barriers to entry and a steady flow of repeat business. Compound annual growth since 2020 has been 7.5% for revenue and 16% in earnings per share, reflecting a business that has been steadily building profitability and margins. Broker consensus forecasts for the next two years have been steadily rising over recent months, supported by solid momentum within the business, particularly the aerospace segment. The stock also looks good value on an EV to EBITDA basis, as the current rating of 11.3 is low compared with the average take-out price for similar businesses in recent months.

TECHINVEST TRADER PORTFOLIO 5

Number of Shares	Company	Ticker	Date Bought	Buying Price	Total Cost £	Present Price p	Value £
6,000	Team Internet Group	TIGL	02/11/2020	78	4715.35	**46**	2760.00
2,500	QinetiQ	QQ.	30/11/2020	300	7549.45	**420**	10500.00
1,200	RWS	RWS	19/01/2021	524	6331.39	**71.925**	863.10
1,000	Cohort	CHRT	27/01/2021	625	6293.20	**1234**	12340.00
800	Tracsis	TRCS	23/02/2021	641	5165.59	**320**	2560.00
8,000	MTI Wireless Edge	MWE	30/04/2021	69.5	5599.75	**72.5**	5800.00
2,200	Iomart	IOM	01/06/2021	274	6070.09	**14.125**	310.75
6,000	EKF Diagnostics	EKF	27/09/2021	82.5	4986.70	**26.5**	1590.00
1,000	GB Group	GBG	26/11/2021	751	7559.50	**198.4**	1984.00
3,500	Spectra Systems	SPSY	27/01/2022	148	5217.85	**204**	7140.00
800	Cerillion	CER	25/02/2022	674	5430.91	**1090**	8720.00
600	FDM Group	FDM	25/02/2022	844	5101.27	**103.2**	619.20
1,400	SThree	STEM	26/05/2022	360	5075.15	**157.8**	2209.20
15,000	Mercia Asset Management	MERC	25/07/2022	30	4532.45	**27**	4050.00
250	Computacenter	CCC	12/09/2022	2200	5537.45	**4274**	10685.00
923	Paypoint	PAY	12/09/2022	603	5603.47	**576.5**	5321.10
1,000	Gooch & Housego	GHH	31/10/2022	480	4833.95	**946**	9460.00
4,500	Oxford Metrics	OMG	24/02/2023	106	4803.80	**39.3**	1768.50
1,000	CML Microsystems	CML	24/07/2023	452	4552.55	**267.5**	2675.00
500	Gamma Communications	GAMA	05/09/2023	1083	5452.03	**844.75**	4223.75
250	AB Dynamics	ABDP	26/01/2024	1681	4233.46	**1066**	2665.00
6,000	SDI Group	SDI	01/07/2024	65	3929.45	**88**	5280.00
15,000	hVIVO	HVO	01/10/2024	28.25	4268.64	**6.85**	1027.50
1,700	Journeo	JNEO	28/04/2025	264	4520.39	**470**	7990.00
4,000	Netcall	NET	23/05/2025	104.5	4210.85	**116.5**	4660.00
5,000	DotDigital	DOTD	01/12/2025	66.5	3351.58	**42.225**	2111.25
400	Kainos	KNOS	02/02/2026	742	2992.79	**771**	3084.00
3,000	Eleco	ELCO	30/03/2026	106	3205.85	**117.5**	3525.00
All purchases adjusted for subsequent rights/scrip issues							
* Denotes part profits taken						Cash	£4,866
Starting Capital £150,000 (01/09/20)						**TOTAL**	**£130,788**

After two months of solid gains, London-listed small-cap stocks edged down in June as institutional investors sold into strength. This is a familiar pattern now. Prices edge up for a few weeks, reflecting the value on offer among small-cap stocks. Institutional investors then seize the opportunity to reduce exposure to the sector by selling down key holdings, with the result that prices fall back again. The value of the Portfolio fell by 3.60% in June, but remains up by a little over 7% since the start of the calendar year.

Institutions have been net sellers of small-cap stocks for some time, due to several factors. Concern about diminishing liquidity in the sector has made institutions wary of building positions in stocks that may be difficult to exit promptly. The huge outperformance of large-cap tech stocks in recent years has also attracted money away from small caps. Increased investor interest in passive funds that focus on broad equity exposure rather than specific companies has been similarly detrimental to the small-cap sector.

Against this background, small-cap funds and investment trusts have come under increasing pressure to improve performance, including by liquidating portfolios and returning funds to investors. In turn, this has put further pressure on liquidity, with sellers often outnumbering buyers by a significant margin, creating a vicious circle where prices of less liquid stocks can remain depressed for some time as larger holders seek an exit. Outflows from the UK small-cap sector over the last four years total £4.9bn, with much of this reflecting fund redemptions.
On the positive side, the scale of the selling indicates we are now much nearer the end of the process than the beginning. In fact, it may not take much for the trend to reverse in the next few months, particularly as the recent increase in takeover activity and shortage of IPOs has significantly reduced the investment pool of listed stocks, especially on the London market. Notably, many asset classes that have outperformed the small-cap sector in recent years are currently in a downtrend. That includes gold, crypto, and many US mega-tech stocks. Sellers will be looking to reallocate their capital and, on value grounds at least, smaller-cap stocks offer obvious attractions at this time.

What we could do with seeing is some stabilisation at the macroeconomic and geopolitical levels. Falling interest rates would be especially positive for tech growth stocks. Reassuringly, most of the holdings in the Portfolio continue to deliver good operational and financial performance, and many are trading on historically low valuations despite generating positive shareholder returns at the underlying level (dividends, share buybacks, asset strengthening, and overall operational improvement). These are conditions where history suggests the market can turn very quickly in favour of small-cap stocks. Examples include March 2003, when the sector suddenly experienced a strong and sustained breakout following a prolonged bear market associated with the bursting of the dot.com bubble. It was a similar story in March 2009, when stocks bucked the gloom and despair of the Financial Crisis 2007-2009 and rapidly proceeded to set a series of new all-time highs during a bull market that lasted until the Covid pandemic in 2020. Small-cap stocks outperformed large caps by some margin during both of those bull runs, and for each decade, apart from the 1990s, in the period between 1950 and 2020. We see no reason why that pattern should not continue in the decades ahead. There were no transactions to report for the Portfolio this month.

The Trader Portfolios are unaudited paper funds which are run to illustrate the dynamics of managing an active technology sector portfolio. No new share goes into a portfolio until after it has been rated as a New Buy in an issue of *Techinvest*. After that, a portfolio 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 flat rate of £7.00 on deals of any size, to reflect current online dealing rates. No credit is taken for dividends paid by companies nor for interest on cash balances. Current holdings are valued using mid-market prices.

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