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ATLANTIC CAPITAL MARKETS

4 Great Stocks for your ISA

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With the end of the current tax year fast approaching, time is running out for investors to make use of their annual ISA allowance. As such, we've hand-picked five stocks with excellent prospects and attractive share prices.

Prudential

We see Prudential as undervalued at current prices. Largely due to the current demerger, which is going to plan, but has left investors cautious ahead of any final developments. The outcome will be two separate listings, with the Asian and US operations under the name of Prudential, while the other will be its UK division called M&G Prudential. The idea being that they will be able to create more value for shareholders.

Prudential also continues to develop its Asian arm and is now the leading European insurance player in that area. The rise of the middle class across Asia should provide a good growth for some time to come. The Asian market has driven a 13% rise in new business profit and 6% growth in underlying cash generation for the life and asset management businesses. All the right ingredients for a company with strong long-term prospects.

Overall, we see the market applying a significant discount to the UK valuation of Prudential due to the uncertainties of the proposed UK demerger. Once the demerger is complete it should leave the share price free to return to fair value.

Lloyds

Lloyds continues to make progress with a strong start to the Group's latest strategic plan and the planned integration of Zurich and MBNA and the launch of Lloyds Bank Corporate Markets all going to plan. One thing that Lloyds has long been known for is its ability to keep a tight rein on costs and that's where a lot of the profit improvement is coming from. Lloyds has the lowest cost base of the big four banks.

It also has a very strong capital position. Its tier 1 capital ratio (a measure of a bank's financial strength) has climbed to 15.1 (14.5% post dividend) That's more than double the minimum allowable level. What's more, Lloyds has no net reliance on wholesale funding – meaning it's self-funded.

Today Lloyds is a safer, simpler and stronger bank.

It has stripped back its business model and proven banking doesn't have to be complex or esoteric to make a profit. That makes it stand-out from the other UK banks. It's narrow focus on the UK makes it easier to understand, but leaves it vulnerable to shocks to the British economy, such as Brexit. This will also limit its future growth prospects.

We see Lloyds as a well-managed bank with leading market positions across many product lines. It's low PE and high dividend yield are clear signs of a stock that is under-rated, under-owned and under-valued.

Vodafone

Vodafone shareholders have suffered through years of slicing and dicing. There's been so much change, it's been hard to know whether the overall business is moving forwards or backwards – perhaps that was deliberate. While the dividend yield is highly attractive, it's been more than offset by negative capital returns. For existing shareholders this has been at least a little bit of sugar to help with the bitter taste of the poor performance. For those considering a buy now it does make an appealing proposition for both income and the potential for capital growth.

The new CEO has the opportunity to deliver the one thing that has eluded Vodafone for far too long: growth.

It's hard to look too far ahead in the telecoms industry as change is constant and continuous. However, over the coming years we believe Vodafone may be about to enter a sweet spot in terms of growth, product cycle and cash flow. These could well be the catalysts needed to bring investors back to this fallen giant.

The new strategy unveiled looks good and focus' on a few key points, firstly the cut to annual operating costs by 1.2bn euros by 2021. They will also set up a new division to manage European mobile towers and may even sell a minority stake in this unit. Finally, there will also be a big push on extra products like fast broadband and TV on the 42bn euro company's existing customers.

SMURFITT KAPPA

Smurfit Kappa is one of the leading providers of paper-based packaging in the world, with operations in 21 European countries and 12 countries in the Americas. Producing corrugated packaging, containerboard and 'bag in box' and are the only Pan-American producer of containerboard and corrugated packaging.

Almost all the raw materials are sourced from their own paper mills. Their products are 100% renewable and produced sustainably and the business manufactures approximately 7 million tonnes per annum of paper and card. They also provide recycling solutions to ensure clients' corrugated packaging and paper is recycled responsibly, efficiently and reliably. To maintain sustainability, they have approximately 103,000 hectares of forest globally.

2018 was a strong year for the firm with a significant year on year improvement across several metrics including underlying revenue growth of 7% with EBITDA growth of 27% at a much-improved

margin rate of 16.9%. Figures released this year have also highlighted a strong start to 2019. They also received an unsolicited bid approach from International paper (the world's largest paper and pulp business) in 2018 and although they knocked it back, it highlights the potential for a bid approach to re-emerge.

About Atlantic Capital Markets

We are a multi-Asset brokers offering clients the ability to buy the shares either in a traditional fashion with standard shares or taking advantage of leverage and purchase via a CFD.

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