

Puma AIM Inheritance Tax Service

Q4 2022 Report

INVESTMENT TEAM



Dr Stuart Rollason
Investment Director



Joseph Cornwall
Investment Manager

In Q4 2022, the portfolio increased by +10.69%, outperforming the FTSE AIM All-Share Index, which increased by +3.09%, and the FTSE All Share Index, which increased by +8.28%. Since inception in July 2014, the portfolio has increased by +86.24%, outperforming both the FTSE AIM All-Share Index (+5.85%) and the FTSE All-Share Index (+13.19%).

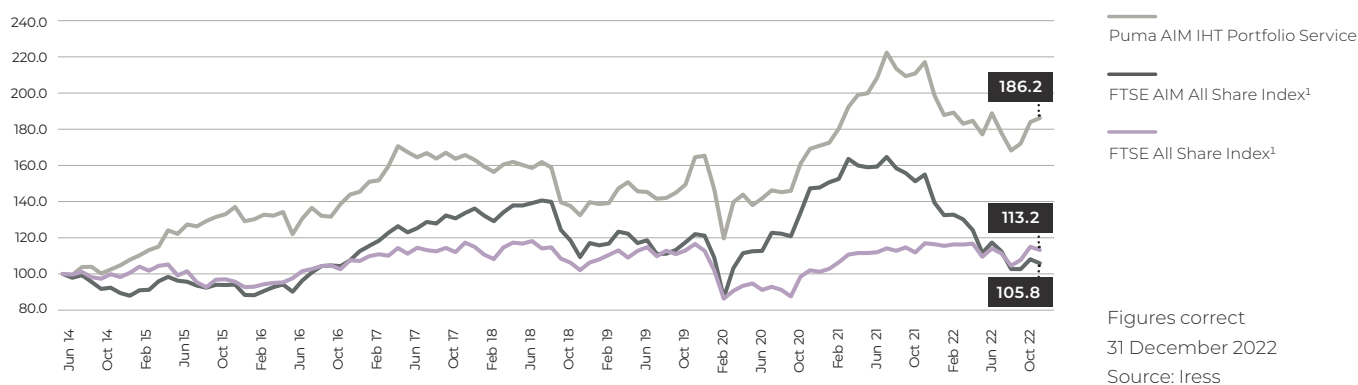
Inflation to fall gradually

In this reporting period, the Bank of England increased interest rates from 2.25% to 3.5% in two steps, as did the US and Europe Central Banks. These increases were in response to persistently elevated domestic wage and price pressures. Nevertheless, CPI inflation has fallen, albeit only from 11.1% to 10.7%, and is expected to fall gradually in Q1 2023, as Russian invasion-induced increases in energy prices, leading to knock-on goods price increases, drop out of the annual inflation comparison. The first estimates of GDP indicate that the UK grew at 4.2% in 2022, but growth deteriorated over the year. Forecast growth in 2023 is in the range -1.3% to +0.2%, and -0.3% to +0.6% in 2024. More positively, other indicators point to global supply chain bottlenecks easing, a fact that has been apparent from announcements made by the Puma AIM IHT company management teams. To date, portfolio company results and cautiously optimistic outlook statements have demonstrated that good profitability and cash generation can be delivered in the type of energy-induced inflationary economic conditions that many smaller companies would not have encountered before. I appreciate this remarkable performance was not reflected in the share price performances as market confidence remains very low but did help relative performance.

The start of the calendar year brings a slew of trading updates, while the end of the first quarter is dominated by company results and accompanying outlook statements. A backdrop of slowly easing economic headwinds creates confidence that our portfolio companies will continue to deliver on the profit and cash trends seen to date. Market confidence will return, and with it, share price recovery. However, the timing is not one we would ever wish to try to predict. Our focus remains on the portfolio companies, the management teams and their continued success, by and large, to deliver growth despite current economic and market conditions.

Dr Stuart Rollason, Investment Director

Performance graph of the Puma AIM IHT Service's portfolio



Cumulative investment performance %

| | 3 MONTHS | 1 YEAR | 3 YEARS | 5 YEARS | Since inception |
|---|----------|--------|---------|---------|-----------------|
| PUMA AIM IHT Portfolio Service | +10.69 | -14.24 | +13.21 | +12.36 | +86.24 |
| FTSE AIM All Share Index (AXX) ¹ | +3.09 | -31.69 | -13.25 | -20.80 | +5.85 |
| FTSE All Share Index (ASX) ¹ | +8.28 | -3.16 | -2.89 | -3.47 | +13.19 |

Discrete investment performance %

| | 2022 | 2021 | 2020 | 2019 | 2018 | CAGR ² |
|---|--------|--------|--------|--------|--------|-------------------|
| PUMA AIM IHT Portfolio Service | -14.24 | +28.39 | +2.81 | +24.23 | -20.11 | +7.58 |
| FTSE AIM All Share Index (AXX) ¹ | -31.69 | +5.17 | +20.74 | +11.61 | -18.20 | +0.67 |
| FTSE All Share Index (ASX) ¹ | -3.16 | +14.55 | -12.46 | +14.19 | -12.95 | +1.47 |

¹ The indices shown are for illustrative purposes only and are not considered directly comparable to the performance of this Service. Source: Iress

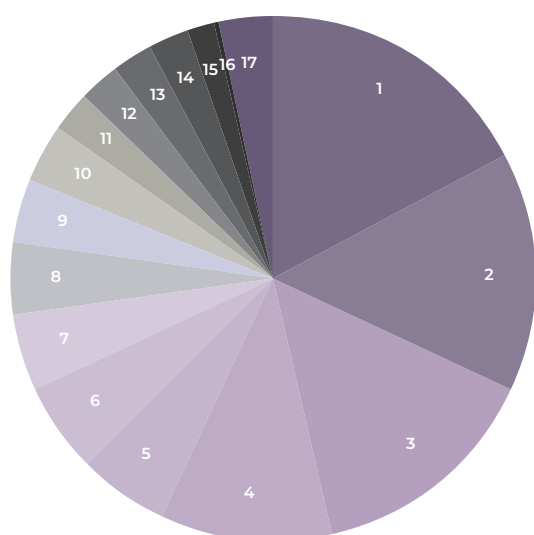
² Compound Annual Growth Rate.

All performance data is quoted net of management and dealing fees and applies to actual initial investors' portfolios that remain invested.

Please note that from Q2 2021 the performance data no longer applies the previous Investment Director's portfolio, but instead applies to the next portfolio that remains in existence that has been invested since inception. Small variations in performance may apply as each individual investor has their own discrete portfolio of assets. Discrete performance data is calculated as full year periods from 1 January to 31 December of the year displayed. Past performance is no guarantee of future results | Source: Puma Investments, unless otherwise stated.

Date of inception: 01.07.2014

Portfolio companies by sector % of portfolio



| | | |
|----|---|--------|
| 1 | Software and computer services | 17.49% |
| 2 | Support services | 14.57% |
| 3 | Construction and materials | 14.34% |
| 4 | Electronic and electrical equipment | 10.52% |
| 5 | Technology hardware and equipment | 5.78% |
| 6 | Finance and credit services | 5.51% |
| 7 | Leisure goods | 4.58% |
| 8 | Investment banking and brokerage services | 4.49% |
| 9 | Retailers | 4.01% |
| 10 | Property services | 4.49% |
| 11 | Medical equipment and pharmaceutical | 2.59% |
| 12 | Consumer services | 2.52% |
| 13 | Beverages | 2.51% |
| 14 | Health care providers | 2.35% |
| 15 | Telecommunication service providers | 1.70% |
| 16 | Industrial engineering | 0.23% |
| 17 | Cash | 3.40% |

As at 31 December 2022. Figures may be subject to rounding errors.

Portfolio's top 10 holdings

| Company | % holding |
|-------------------|---------------|
| Judges Scientific | 7.48% |
| Renew Holdings | 6.90% |
| Thorpe (FW) | 5.78% |
| H&T Group | 5.51% |
| Cerillion | 5.25% |
| Focusrite | 4.58% |
| Emis | 4.34% |
| Impellam | 4.17% |
| Vertu Motors | 4.00% |
| Breedon | 3.31% |
| Total | 51.32% |

As at 31 December 2022

36

Total holdings in the portfolio

Spotlight on a portfolio holding



Renew Holdings provides scheduled maintenance and renewals tasks, as well as emergency reactive works across all UK infrastructure segments.

Founded as YJ Lovell, Renew has been on a transformation since the 1990s, to become a market leader in providing repair and maintenance activities across UK infrastructure. This covers sectors such as rail, nuclear, water, highways and telecoms. Paul Scott and Sean Wyndham-Quin, Chief Executive and Chief Financial Officer respectively, have an aversion to involvement in large capital spending projects, and the group intentionally retains its focus on the repair and maintenance of critical infrastructure networks.

The business has been built up through acquisition of maintenance businesses that typically have skills related to one industry. Brand names are usually retained if well known. It has a small specialist building services division, which selectively offers construction services, with recent schemes being for medical and laboratory developments.

Quality

Renew has lower profit margins than the average of our portfolio, at 7%. However, with a cost structure based on contracts that allow for variations in the price of materials, margins are very consistent from year to year. The workforce is directly employed, meaning that labour costs are well controlled, despite a tight labour market. Renew is a capital-light business, with returns on capital exceeding 30%.

Growth

Given the industry segment in which it operates, and how selective management is on pricing new work, Renew is unlikely to significantly grow above the rate of infrastructure spending. The opportunity arises from acquiring new businesses in growing segments, with the focus on ongoing maintenance. Renew has a net cash balance and remains acquisitive.

Valuation

Renew has a high return on capital and stable profit margins, however the lower growth nature of its industry and its lower profit margins, warrant a lower rating than businesses with similar returns on capital. Nevertheless, a P/E multiple of 16 and a free cash flow yield of 8% appear too low for a business that has had an earnings-per-share CAGR of 18% over the past 11 years.

£577m

Market capitalisation

Source: London Stock Exchange

732p

Price at end of quarter

Source: London Stock Exchange

1786

Year founded

Source: Companies House

As at 31 December 2022.

Overview of the Service



Portfolio service

An award-winning discretionary portfolio service that seeks to deliver long-term growth focusing on quality companies quoted on AIM.



Inheritance tax

It is intended that investors will benefit from relief from Inheritance Tax provided investments are held for at least two years prior to and at the point of death.



Subscription amount

Minimum subscription of £20,000 with no maximum.



Available in ISAs

Investing in a portfolio of qualifying AIM stocks allows holders to mitigate inheritance tax while still retaining the benefits of an ISA.

Launch date: 01.07.2014

Access through adviser platforms



Risk factors

An investment in the Service carries risk and may not be suitable for all investors. Investors should refer to the Investment Details and Investor Agreement, copies of which are available on the website www.pumainvestments.co.uk. Below are the key risks of the Service.

Past performance is not a guarantee of future performance.

- Tax reliefs are not guaranteed, are subject to personal circumstances and subject to change
- You may lose money
- Long-term investment
- Potentially illiquid investment

Get in touch

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Fees and expenses

| | Direct with Puma | Through a platform ¹ |
|-----------------------|--|--|
| INITIAL FEE | 1% (of amount subscribed) | No initial fee charged to investors accessing the service through a Platform |
| ANNUAL MANAGEMENT FEE | 1.25% + VAT (of portfolio value) | 1.25% + VAT (of portfolio value) |
| DEALING FEE | 1% (applied to purchase or sale of stocks) | Platform and dealing fees may vary across Platforms |

¹ Other Platform fees may apply

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