PUMA INVESTMENTS

CELEBRATING 10 YEARS PUMA AIM IHT SERVICE

QUARTERLY REPORT: Q4 2024

Puma AIM Inheritance Tax Service

Puma's AIM IHT Service seeks to offer investors the potential growth opportunities of a carefully selected portfolio of AIM stocks, combined with the benefits of IHT mitigation.

+5.99%	£ 237.2 m	91.9%
Compound Annual Growth Rate	Portfolio AUM	Companies in the portfolio with a market cap above £100m

Figures correct at 31 December 2024.

GROWTH INVESTOR 2022 AWARDS WINNER BEST BR INVESTMENT MANAGER (LISTED)

GROWTH INVESTOR 2024 AWARDS WINNER BEST BR INVESTMENT MANAGER (LISTED)

defaqto AIM BR Service 2024 EXPERT RATED

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PRI Principles for Responsible Investment

Six features of the Service

1

EXPERIENCED INVESTMENT TEAM

The investment team at Puma Investments is led by Dr Stuart Rollason, and supported by Daniel Cane and Joseph Cornwall. Together they have a track record of over 50 years of investing in small and medium-sized enterprises.

2

ESTABLISHED TRACK RECORD OVER TEN YEARS

Since inception in July 2014, the cumulative performance of the model portfolio has increased by +84.36%, outperforming both the FTSE AIM All-Share Index (-8.37%) and the FTSE All-Share Index (+24.10%).[1]

3

A DIVERSIFIED PORTFOLIO OF LARGER AIM COMPANIES

Targeting companies with good revenue visibility and generating positive cashflows. The portfolio does not typically invest in early-stage companies or smaller companies with a market capitalisation of less than £50 million. The portfolio is invested across 17 different sectors with no more than 20% in any one sector at present.

4

IHT SAVING INSIDE AND OUTSIDE ISAS

Seeks to mitigate IHT by selecting companies that qualify for Business Relief. Can be held inside and outside ISAs, enabling investors to combine IHT relief with the other tax benefits of ISAs (provided investments are held for at least two years and on death).[2]

5

LONG HISTORY ON AIM

Puma Investments is part of the Shore Capital Group, the third largest market maker on AIM. Shore Capital has been analysing AIM companies since the market opened in 1995.

6

PLATFORM ACCESS

Available for advisers to access on leading platforms: M&G Wealth, Transact, abrdn Wrap, Fidelity FundsNetwork, Platform One, Nucleus, 7IM and Succession.

7IM M&G wealth abrdn Fidelity INTERNATIONAL transact take control Platform One nucleus

Past performance is no indication of future results and share prices and their values can go down as well as up.
Source: London Stock Exchange, taken at 31 December 2024 unless otherwise stated.

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

[2] Tax reliefs depend on the individual investor's circumstances and may be subject to change.

Investment Director's quarterly portfolio review

The investment team

Pictured left to right: Daniel Cane - Investment Director, Dr Stuart Rollason - Investment Director, Joseph Cornwall, CFA - Investment Manager

In Q4 2024, the Puma AIM IHT model portfolio decreased by -6.24%, underperforming both the FTSE AIM All-Share Index, which decreased by -2.81%, and the FTSE All-Share Index, which decreased by -0.96%. Since inception in July 2014, the cumulative performance of the model portfolio has increased by +84.36%, outperforming both the FTSE AIM All-Share Index (-8.37%) and the FTSE All-Share Index (+24.10%).[1]

In Q3, the portfolio delivered four profit warnings, two companies reported progress below expectations, 19 reported in line and three companies reported news ahead of expectations. Cash-generative businesses in the Puma AIM IHT model portfolio continue to buy back their own shares. This is a flexible method to increase earnings per share and return capital to shareholders in a tax-efficient manner. It is also a strong indication that valuations are so low that there is a disconnect from the company's fundamental profitability. This portfolio trend continues. Sizeable model cash, mainly due to both Mattioli Woods and Alpha Financial Markets Consulting acquisitions completing in Q3, was invested either side of the Autumn Budget. We exited one underperforming company and added six new companies, broadly spread across sectors. In addition, we increased the model's exposure to five companies and trimmed a top ten holding. Since the year-end, the acquisition of Eckoh has completed, Gamma Communications has confirmed its move to the Main List as a FTSE 250 constituent, and Brooks Macdonald has announced that it will move to the Main List, as a FTSE Small Cap constituent.

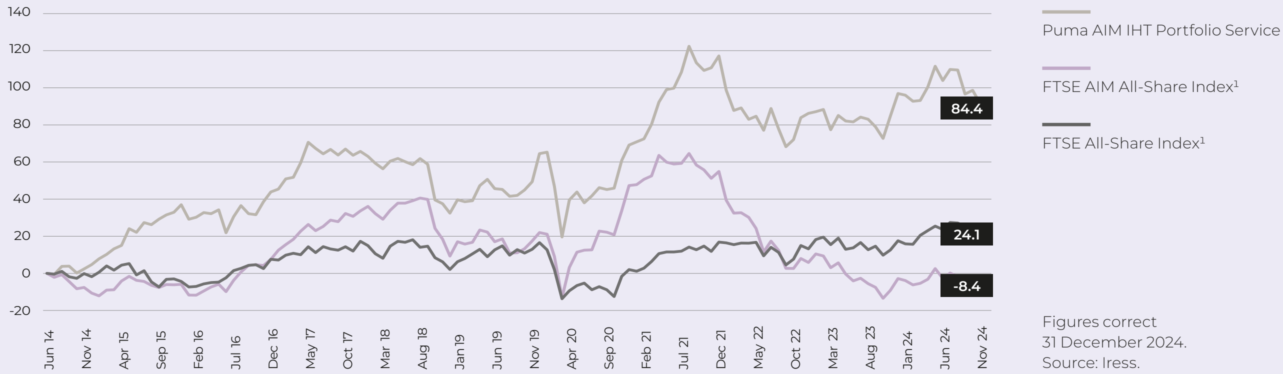
The economy grew more strongly than expected in H1 2024, but exhibited much weaker growth in H2 2024.[2] In Q4, the Bank of England reduced interest rates by 0.25% points in November, citing the normalisation of inflationary persistence as service price inflation fell. Also, forward-looking Service and Manufacturing confidence surveys fell, suggesting a mix of domestic, Budget and global factors (weakening Germany and China),[3] while the labour markets began loosening at pace. However, 0% GDP growth in Q3 2024 was disappointing. Output fell also in October and November. The evidence suggests that this is due to weaker demand at the same time as weaker inflation.[4] The Autumn Budget added new surprises as the economy slowed. The Bank of England has cited the uncertain effect on growth from the significant increase in National Insurance Contributions (NICs) and National Living Wage (NLW). This included the extent to which companies would, over time, react to the indirect spillovers to private demand from higher public spending. The Bank's view was that the Budget would boost GDP by 0.75% points at peak versus previous predictions, and boost inflation by 0.5% points.[3] The NIC and NLW increases are a new shock. Businesses pass the entire cost into lower wages over time. Typically, in the short term, prices are increased, then in the medium term, there is a fall in employment and profit margins. The pass-on rate depends on demand dynamics for each sector and company. How quickly each element transmits its effect through the economy, as well as the order and magnitude, are not known. Overall, it will feed into consumer spending and business investment: key drivers of GDP growth. UK companies are navigating this new economic backdrop now. The budgetary effects are being quantified by companies in recently announced outlook statements as well as the planned mitigation strategies, including increasing prices, attempts to improve productivity and cost savings, including redundancies, to maintain margins and growth.

However, there are other responses. Despite the fiscal headwinds, the Bank of England can dampen the macroeconomic and Budget, plus other fiscal, effects, through an interest rate response. Currently, interest rates at 4.75% are restricting economic activity to control inflation. If post-energy spike inflation persists alongside Budget-induced inflation pressures, interest rates are still forecast to be cut, but only once or twice in 2025. If growth continues to stagnate as it did in H2 2024, and inflation continues its slow fall, then interest rates could be cut three or four times (and as high as six times). This is important. A falling interest rate cycle can create a positive environment for companies to grow. Further, the UK economy is forecast to grow at between 1.3%[5] and 2%[6] in 2025: A significant improvement on GDP growth of 0.8% in 2024. Despite the inevitable and occasional profit warning, the majority of our portfolio companies should be able to continue to grow in this improving environment. However, the portfolio is likely to remain undervalued until the Budget tax changes and market sentiment response dissipates.

Dr Stuart Rollason, Investment Director

[1] The indices shown are for illustrative purposes only and are not considered directly comparable to the performance of this Service. Source: Iress. Past performance is no indication of future results.
[2] Bank of England Monetary Policy Committee: Reading between the lines – speech by Sarah Breeden, 9 January 2025.
[3] Bank of England Monetary Policy Committee, 19 December 2024.
[4] Bank of England Monetary Policy Committee: The last half mile – speech by Alan Taylor, 15 January 2025.
[5] Consensus estimate of economists surveyed by Bloomberg.
[6] Forecasts for the UK economy: January 2025, Office for Budget Responsibility.

Performance %



Figures correct 31 December 2024. Source: Iress.

Cumulative investment performance %

	3M	ROLLING 1Y	ROLLING 3Y	ROLLING 5Y	SINCE INCEPTION
Puma AIM IHT Portfolio Service	-6.24	-6.37	-15.10	+12.06	+84.36
FTSE AIM All-Share Index (AXX)[1]	-2.81	-5.72	-40.86	-24.90	-8.37
FTSE All-Share Index (ASX)[1]	-0.96	+5.57	+6.17	+6.47	+24.10

Discrete investment performance %

	2024	2023	2022	2021	2020	CAGR[2]
Puma AIM IHT Portfolio Service	-6.37	+5.72	-14.24	+28.39	+2.81	+5.99
FTSE AIM All-Share Index (AXX)[1]	-5.72	-8.18	-31.69	+5.17	+20.74	-0.83
FTSE All-Share Index (ASX)[1]	+5.57	+3.85	-3.16	+14.55	-12.46	+2.08

[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.

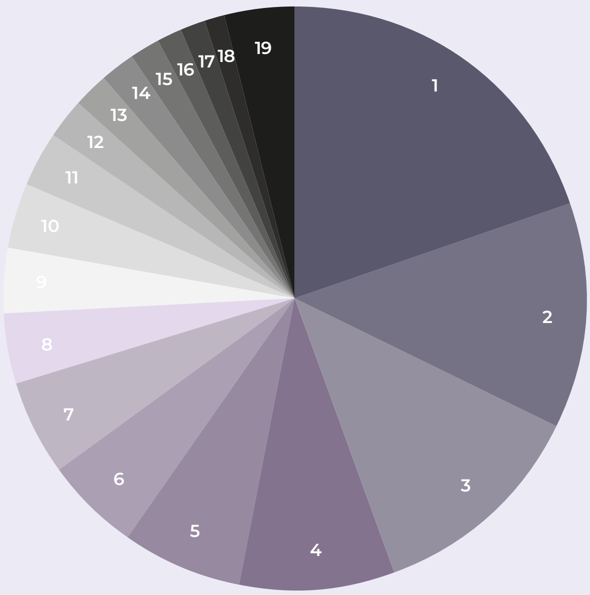
All performance data is quoted net of management and dealing fees and applies to actual initial investors' portfolios that remain invested.

Please note that performance data applies to the longest held, live portfolio which has been invested since inception, based on a portfolio managed directly by the Manager on its main trading platform. Performance data may vary for portfolios managed by the Manager on platform due to differing deal fees and other platform fees. Furthermore, 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.

Date of inception: 1 July 2014.

Portfolio companies by sector % of portfolio



As at 31 December 2024. Figures may be subject to rounding errors.

1	Software and computer services	19.84%
2	Construction and materials	12.63%
3	Industrial support services	12.02%
4	Electronic and electrical equipment	8.74%
5	Property services	6.50%
6	Technology hardware and equipment	5.32%
7	Healthcare providers	5.22%
8	Retailers	4.12%
9	Finance and credit services	3.61%
10	Investment Banking and Brokerage Services	3.41%
11	Telecommunication service providers	3.05%
12	Industrial engineering	2.38%
13	Medical equipment and pharmaceutical	1.99%
14	Beverages	1.86%
15	Consumer services	1.58%
16	Leisure goods	1.45%
17	Oil, gas and coal	1.36%
18	Media	1.12%
19	Cash	3.78%

Portfolio's top ten holdings

Company	% holding
Cerillion	7.67%
Renew Holdings	6.87%
Judges Scientific	6.72%
Property Franchise	6.50%
Thorpe (F.W)	4.59%
Vertu Motors	4.12%
Fintel	3.75%
H&T Group	3.61%
Craneware	3.61%
Fonix	3.24%
Total	**50.69%**

39

Total holdings in the portfolio

£383.8m

Portfolio weighted market cap

£237.2m

Portfolio AUM

As at 31 December 2024.

Spotlight on a portfolio holding

The Property Franchise Group

The Property Franchise Group was founded by Richard and Kathy Martin in 1995, having developed upon their established estate agency business. Having built the franchise business up, the company listed on AIM in 2013. A decade on, and in March 2024 it completed the merger with a similar business in both type and scale in Belvoir Group, another UK estate agency franchising group.

The combined companies give the group greater scale, cementing its position as UK market leader and providing the platform for further growth. The group now has a predominantly franchise business model across 17 brands and over 930 locations.

Through these branches the franchisees now manage around 153,000 tenanted properties and should sell in excess of 28,000 properties per annum.

Quality

On a combined basis we expect the group to have operating margins of almost 30%, with 56% of revenues being recurring in nature. These margins show the franchise nature of the business, being much higher than estate agency margins. While it may be reasonable to expect capital expenditure to increase as it integrates the two businesses, capex should still form less than 1% of revenues on an ongoing basis. This allows for significant levels of free cash flow generation.

Growth

While 2023 and 2024 were difficult years for the residential property market, the franchise and lettings components of the business have allowed for modest organic growth in the last two years. With more settled market conditions, housing transactions should increase, aiding the sales and mortgage advice elements of the business. Meanwhile continued inflation in rents benefits the group with higher revenues linked to the cost of rent.

Valuation

Property Franchise Group has historically been rated slightly better than a traditional estate agency model, however, much less than franchise businesses in other sectors. We would argue that a business with high margins and repeat revenues is mispriced at a forecasted free cash flow yield of over 8% and a P/E of 14, with a prospective dividend yield of around 5%.

£258m

Market capitalisation

Source: London Stock Exchange

£4.05

Price at end of quarter

Source: London Stock Exchange

1995

Year established

Source: Companies House

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	1.5% (of portfolio value)	1.5% (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.
All fees are inclusive of VAT where applicable

Risk factors

An investment in the Puma AIM Inheritance Tax Service may not be suitable for all investors.

An investment in the Service carries risk and you should seek your own independent advice. You should only invest in the Service on the basis of the Investment Overview and Investor Agreement, which details the risks of the investment. Below are the key risks of the Service.

Tax reliefs are not guaranteed

Tax rules may change, which could affect the reliefs available for IHT purposes. Tax reliefs are subject to an individual's personal circumstances and independent tax advice should be taken. While the Tax Adviser will also carry out an annual review of the portfolio, we can't guarantee that all portfolio investments will qualify for BR. If a company should be non-qualifying at the time of being selected for the portfolio or become non-qualifying thereafter, then any applicable BR could be reduced accordingly.

Long-term investment

An investment in the Puma AIM Inheritance Tax Service should be considered a long-term investment.

Capital at risk

The value of investments can go down as well as up, so investors may not receive their full amount invested. An investment in smaller companies is likely to be higher risk than many other investments. Companies quoted on AIM are likely to be more risky and have less rigorous listing requirements than companies quoted on the main list of the London Stock Exchange. Dealing costs may be significant, particularly in respect of a relatively small investment in the Service.

Past performance

The past performance of the Puma AIM Inheritance Tax Service, Puma Investments, the funds Puma Investments manages and the companies it advises, is not a reliable indicator of future performance. Future performance may be materially different from past results. There is no guarantee that can be given as to the overall performance or level of return that can be achieved from investments made, or that the objectives of the Service will be achieved.

Potentially illiquid investment

AIM stocks are largely small and illiquid. They are characterised by significant spreads and low trading volumes. A sale of such shares may be difficult, slow and only achievable at lower than indicated market price.

Get in touch

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