PUMA INVESTMENTS

QUARTERLY REPORT: Q4 2023

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.

+7.4%	£ 194.4 m	90%
Compound Annual Growth Rate	Portfolio AUM	Companies in the portfolio with a market cap above £100m

Figures correct at 31 December 2023.

Investment Director’s quarterly portfolio review

The investment team

Dr Stuart Rollason
Investment Director

Joseph Cornwall, CFA
Investment Manager

In Q4 2023, the Puma AIM IHT model portfolio increased by +9.98%, outperforming both the FTSE AIM All-Share Index, which increased by +5.11%, and the FTSE All-Share Index, which increased by +2.54%. Since inception in July 2014, the cumulative performance of the model portfolio has increased by +96.90%, outperforming both the FTSE AIM All-Share Index (-2.81%) and the FTSE All-Share Index (+17.55%).[1]

In this reporting period, the Bank of England held interest rates at 5.25%. Various economic reports and data published signalled that the interest rate cycle tightening had peaked, with the next move expected to be a reduction. The market has turned its attention as to when that fall will occur; a significant development.

Twelve-month CPI inflation fell from 6.7% in September to 4.6% in October. I stated in my Q3 Report that the end of interest tightening is an important stage in the economic cycle and that, historically, when recognised, it has led to a market rally. I suggested that the missing ingredients for a recovery were the final acknowledgment that interest rates will go no higher and the return of investor confidence. Markets typically look for a catalyst before changing a direction of travel. The sharp fall in October CPI inflation to 4.6%, announced in November, was the catalyst that led to a significant market rally. Commentators stopped talking about potential interest rate hikes and began speculating about when interest rates would fall. A further fall in CPI inflation to 3.94% in November heralded a further market rally in December.

The principal reasons cited for a fall in CPI inflation was comparative falls in energy prices. Nevertheless, the focus of the Bank of England remains those factors contributing to underlying inflation. Consumer demand and labour market supply continue to ease, whilst wage inflation is now also showing encouraging signs of easing. But the improving trends are considered not enough to shift the stance on interest rates at this point. Further, service price inflation is still too high. These factors led the Bank of England to attempt to dampen expectations of a near term reduction in interest rates, no doubt conscious that such speculation itself leads to inflationary behaviour patterns. It wants to see a more consistent and broader picture of improving trends in the economic data. But despite its best efforts, most others are speculating that interest rates will fall sometime in Q3 2024 on current evidence.

Newsflow delivered by portfolio companies was reasonably encouraging. There was one profit warning, twenty four reported newsflow in line with expectations and two reported ahead of expectations. One company, EMIS Group, finally completed a lengthy process to be acquired for £1.24 billion by one of the largest US health care companies, UnitedHealth Group. Corporate activity was an important market and portfolio trend in 2023. There were four exits from the portfolio through corporate activity in 2023 (two acquisitions, one take-private and one move to the FTSE Mid Cap index). Larger companies and cash rich investors continue to take advantage of relatively cheap UK assets. The acquisition of yet another portfolio holding was announced in December. Following the EMIS acquisition, cash proceeds together with accumulated cash, were invested in November in two new additions to the portfolio and current portfolio holdings.

The continued impact of relatively high interest rates, necessary to bear down on inflation, will be a drag on published results in the forthcoming Q1 2024 results season and near term growth prospects. Nevertheless, for many companies, there should be an increasingly favourable tailwind as economic indicator comparators ease alongside the start of a reduction in interest rates. This scenario would help management teams in their quest for growth, notwithstanding the fact that the age of cheap money is well and truly over for all.

Dr Stuart Rollason , Investment Director

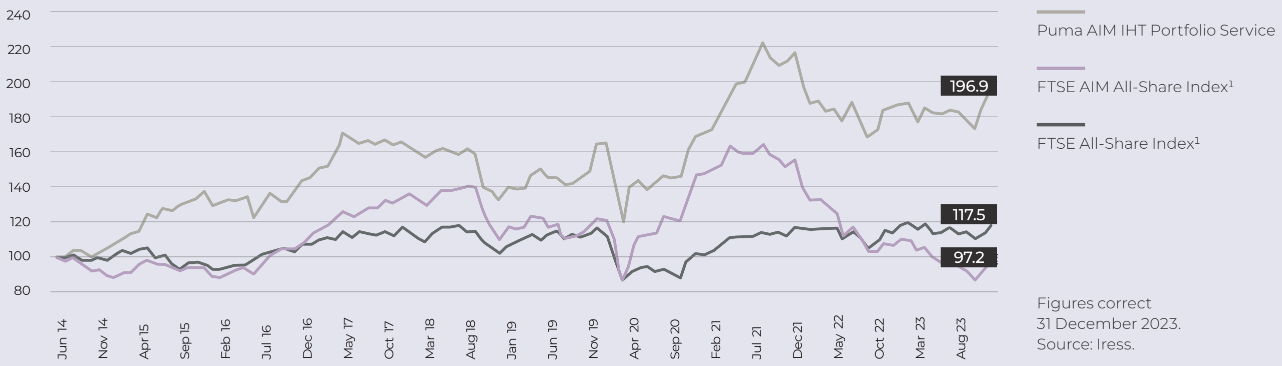
PRI Principles for Responsible Investment

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

[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

Performance %



Figures correct 31 December 2023. Source: Iress.

Cumulative investment performance %

	3M	ROLLING 1Y	ROLLING 3Y	ROLLING 5Y	SINCE INCEPTION
Puma AIM IHT Portfolio Service	+9.98	+5.72	+16.41	+48.68	+96.90
FTSE AIM All-Share Index (AXX)[1]	+5.11	-8.18	-34.03	-11.10	-2.81
FTSE All-Share Index (ASX)[1]	+2.54	+3.85	+15.20	+15.15	+17.55

Discrete investment performance %

	2023	2022	2021	2020	2019	CAGR[2]
Puma AIM IHT Portfolio Service	+5.72	-14.24	+28.39	+2.81	+24.23	+7.39
FTSE AIM All-Share Index (AXX)[1]	-8.18	-31.69	+5.17	+20.74	+11.61	-0.30
FTSE All-Share Index (ASX)[1]	+3.85	-3.16	+14.55	-12.46	+14.19	+1.72

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

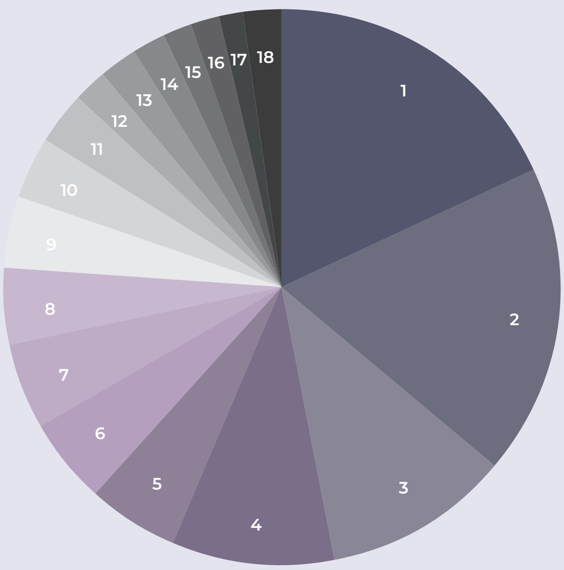
[2] Compound Annual Growth Rate.

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



1	Support services	18.10%
2	Software and computer services	17.99%
3	Construction and materials	10.83%
4	Electronic and electrical equipment	9.21%
5	Technology hardware and equipment	5.27%
6	Investment banking and brokerage services	5.02%
7	Property services	4.95%
8	Retailers	4.64%
9	Finance and credit services	4.12%
10	Healthcare providers	3.40%
11	Leisure goods	3.08%
12	Consumer services	2.07%
13	Beverages	2.02%
14	Medical equipment and pharmaceutical	1.96%
15	Media	1.83%
16	Telecommunication service providers	1.68%
17	Industrial engineering	1.14%
18	Cash	2.70%

As at 31 December 2023. Figures may be subject to rounding errors.

Portfolio's top ten holdings

Company	% holding
Renew Holdings	7.01%
Judges Scientific	6.79%
Cerillion	6.59%
Thorpe (FW)	5.27%
Impellam	5.01%
Vertu Motors	4.64%
H&T Group	4.12%
Belvoir	3.32%
Fintel	3.27%
Focusrite	3.08%
Total	**49.10%**

38

Total holdings in the portfolio

£411.2m

Weighted average market cap of the portfolio

£194.4m

Portfolio AUM

As at 31 December 2023.

Spotlight on a portfolio holding

Epwin Group Plc

Led by Jon Bednall for the past decade, Epwin has grown organically and through acquisition to be a key supplier of windows, doors and decking products in the UK.

It supplies a national network of both third-party distributors as well as operating its own distribution centres. Epwin operates under multiple established B2B brand names, with the plc acting as a holding company for these brands.

The group performed resiliently through the global supply chain challenges when raw material prices increased substantially. In addition the business has outperformed its sector peers during market weakness in 2023 and some competitors have faced significant problems. This positions Epwin well as the market recovers, with an end market benefiting from increasing regulatory drivers with respect to the energy efficiency of properties.

Management has proven astute, diversifying the business into new product ranges, and generating strong levels of free cash flow that rewards shareholders through a high level of dividends, combined with investments for growth through acquisition.

Quality

Epwin is outperforming the construction market, demonstrating management's capability in navigating volatile market conditions over the past three years. Over time it has increased its addressable market size funded from its own free cash flow. With many competitors struggling, this will position the business well when the construction market improves.

Growth

The business has grown respectably with 33% organic revenue growth since IPO in 2013. Operating profit is our preferred measure of growth for Epwin, as the revenue level is affected by raw material price movements. The business has achieved good margin expansion over the past decade, increasing operating profits 62% over that time, whilst paying out 42.1p per share in dividends. Balance sheet capacity remains for further acquisitions.

Valuation

Given the business is lower growth and demand is linked to the rate of capital investment, we would expect a lower valuation. However, a price to earnings ratio of 8.5, and a free cash flow yield of 11% appears too low for a company which has outperformed its market and has a regulatory tailwind. The company's board recognises that the shares are undervalued and implemented a share buyback in November 2023.

£118m

Market capitalisation

Source: London Stock Exchange

£0.82

Price at end of quarter

Source: London Stock Exchange

1976

Year established

Source: Companies House

Six features of the Service

1

EXPERIENCED INVESTMENT TEAM

The investment team at Puma Investments is led by Dr Stuart Rollason, and supported by Joseph Cornwall. Together they have a track record of over 25 years of investing in small and medium-sized enterprises.

2

ESTABLISHED TRACK RECORD OVER NINE YEARS

Since inception in July 2014, the cumulative performance of the model portfolio has increased by +96.90%, outperforming both the FTSE AIM All-Share Index (-2.81%) and the FTSE All-Share Index (+17.55%).[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 16 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).

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.

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 2023 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.

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

Adviser enquiries: 020 7408 4070
businessdevelopment@pumainvestments.co.uk

Investor enquiries: 020 7408 4100
clientrelations@pumainvestments.co.uk

www.pumainvestments.co.uk

PI002086-0124