PUMA INVESTMENTS

CELEBRATING 10 YEARS PUMA AIM IHT SERVICE

QUARTERLY REPORT: Q3 2024

Puma AIM ISA Inheritance Tax Service

Puma's AIM ISA 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.

+6.81%	£243.2m	85.1%
Compound Annual Growth Rate	Portfolio AUM	Companies in the portfolio with a market cap above £100m

Figures correct at 30 September 2024.

PRI Principles for Responsible Investment

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

defaqto AIM BR Service 2024 EXPERT RATED

defaqto AIM BR Service 2024 EXPERT RATED

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 Q3 2024, the Puma AIM IHT model portfolio decreased by -3.57%, underperforming both the FTSE AIM All Share index[1] which decreased by -3.13% and the FTSE All Share Index[1] which increased by +1.33%. Since inception in July 2014, the cumulative performance of the model portfolio has increased by +96.63%, outperforming both the FTSE AIM All Share Index (-5.72%) and the FTSE All Share Index (+25.30%).

In Q3, the portfolio delivered three profit warnings, four companies reported progress below expectations, twenty reported in line and two companies reported news ahead of expectations. Cash generative businesses in the Puma AIM IHT model portfolio continue to buy back their own shares: a sign that valuations are too cheap. The acquisitions of both Mattioli Woods and Alpha Financial Market Consulting completed, providing significant cash to reinvest into the portfolio and introduce new companies that match our investment criteria. In addition, Eckoh received a non-binding indicative offer and Gamma announced that it is considering a move to the Main List as a FTSE250 constituent.

The UK economy's relatively strong growth in the first half of the year reduced the need to urgently bring interest rates down to support activity. However, in August, the Bank of England reduced the interest rate from 5.25% to 5.00% reducing slightly the restrictive stance of monetary policy. Consumer and business balance sheets are reasonably healthy, but sentiment faltered under Labour's negative messaging.

The main event since our last commentary was the recent Labour Government Budget. The Covid 19 and energy crises meant the last government borrowed an extra £400 billion to support schemes including furlough and the energy price guarantee and was supported by all political parties. Debt is now 100% of GDP, the highest since the 1960s when the UK was still paying down the costs of World War 2. Interest payments are £90 billion a year or 10% of total government spending. The Labour Government inherited the Conservative fiscal plans where the tax burden was set to rise and spending as a share of GDP fall. The plans looked to ensure public finance sustainability through policies to reduce public debt over a five-year cycle. Whilst Labour pledged to do the same, in the Budget, it changed the debt rules to increase debt headroom to invest. As many have commented, the key is economic growth. To do this requires a recognition of difficult trade-offs – more targeted private sector investment should be incentivised through de-regulation, particularly planning rules, skill shortage and labour participation. However, what was delivered was a £40 billion tax rise to support the increased spend. Taxes were increased on the general consumer through fiscal drag on NI and income taxes; on the wealthy through narrowing reliefs, including changing Business Relief on AIM shares from April 2026, but also charging inheritance tax on inherited pensions; and on businesses in a number of ways, but principally on employers' National Insurance.

The macroeconomic picture was relatively benign into 2025 anyway before the short-term positive effect (one to two years) of the spending increases announced in the Budget. The Office of Budget Responsibility now forecasts growth in 2025 of 2% (up from 1.9%). Prior to the Budget, it was expected that interest rates would be reduced steadily over 2025 to 3.5% (EY ITEM Club and KPMG). With a looser spending policy under Labour that view may change.

AIM has functioned well on stable rules over many decades. An experienced, informed ecosystem of advisers and investors is well established. Patient, very long-term capital has been channelled to AIM growth companies fuelling innovation, employment and tax revenue. Importantly, this ecosystem has supported many highly successful businesses that have remained independent and moved to the Main List or have been acquired to continue the growth path with a corporate partner. The UK should continue to benefit hugely from this dynamic ecosystem notwithstanding the Labour Government amending the Business Relief tax break from April 2026. It is well documented that AIM has a positive impact on the UK economy. In 2023, it is estimated that AIM companies directly contributed £35.7 billion Gross Value Added to UK GDP and supported more than 410,000 jobs. Indirectly, the impact was greater through their supply chains and expenditure in local communities throughout the UK. (Grant Thornton).

Encouragingly, we now have recognition that a Labour Government considers the AIM market to have an important role in nurturing young businesses and that Business Relief on AIM shares is an important support for these companies. I considered many AIM listed companies to be undervalued before the sell off ahead of the Budget that created a disparity between the performance of the FTSE Small Cap and FTSE AIM and I believe that there is significant upside for investors willing to back excellent AIM growth companies: smaller company Trust and Pension fund managers and Business Relief investors alike.

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

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 25 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 +96.63%, outperforming both the FTSE AIM All Share Index (-5.72%) and the FTSE All Share Index (+25.30%).[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).

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.

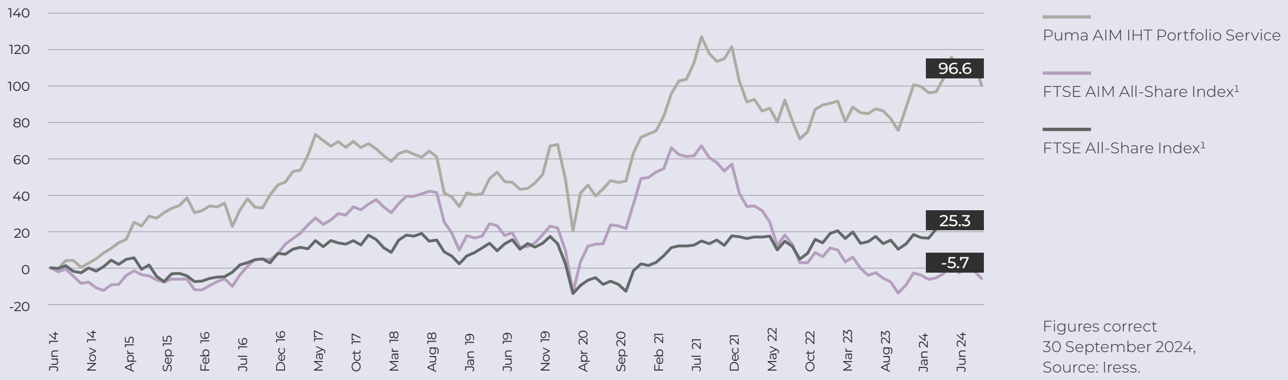
6

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 30 September 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.

Performance %



Figures correct 30 September 2024, Source: Iress.

Cumulative investment performance %

	3M	ROLLING 1Y	ROLLING 3Y	ROLLING 5Y	SINCE INCEPTION
Puma AIM IHT Portfolio Service	-3.57	+9.83	-7.89	+38.48	+96.63
FTSE AIM All-Share Index (AXX)[1]	-3.13	+1.96	-40.47	-15.18	-5.72
FTSE All-Share Index (ASX)[1]	+1.33	+9.30	+11.14	+11.06	+25.30

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	+6.81
FTSE AIM All-Share Index (AXX)[1]	-8.18	-31.69	+5.17	+20.74	+11.61	-0.57
FTSE All-Share Index (ASX)[1]	+3.85	-3.16	+14.55	-12.46	+14.19	+2.22

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

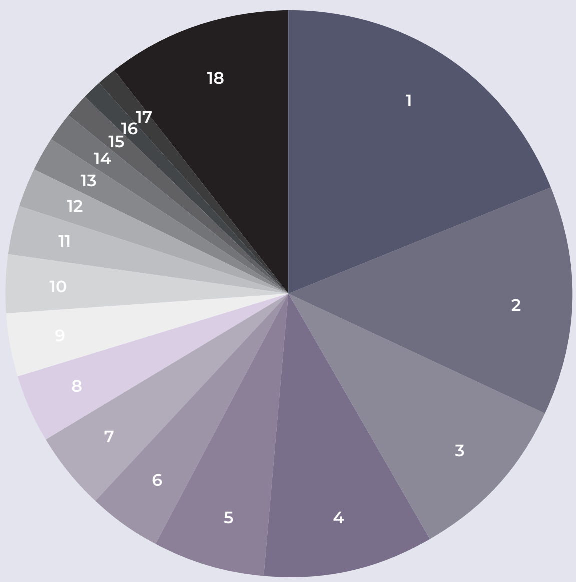
[2] Compound Annual Growth Rate.

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 30 September 2024. Figures may be subject to rounding errors.

1	Software and computer services	18.99%
2	Construction and materials	13.11%
3	Industrial support services	9.78%
4	Electronic and electrical equipment	9.76%
5	Property services	6.27%
6	Technology hardware and equipment	4.31%
7	Healthcare providers	4.29%
8	Retailers	3.94%
9	Finance and credit services	3.67%
10	Telecommunication service providers	3.12%
11	Investment Banking and Brokerage Services	2.98%
12	Medical equipment and pharmaceutical	2.05%
13	Consumer services	2.00%
14	Beverages	1.66%
15	Leisure Goods	1.42%
16	Industrial Engineering	1.25%
17	Media	1.11%
18	Cash	10.30%

Portfolio's top ten holdings

Company	% holding
Renew Holdings	8.60%
Cerillion	7.40%
Judges Scientific	7.36%
Property Franchise	6.27%
Thorpe (F.W)	4.31%
Vertu Motors	3.94%
H&T Group	3.67%
Fintel	3.37%
Craneware	3.21%
Epwin Group	3.13%
Total	**51.25%**

34

Total holdings in the portfolio

£400m

Portfolio weighted market cap

£243.2m

Portfolio AUM

As at 30 September 2024.

Spotlight on a portfolio holding

Founded by CEO Keith Neilson and co-founder Gordon Craig, Craneware's key product for many years was Chargemaster. Chargemaster is a software that offers tailored analysis of charge rates and pricing for medical procedures. Whilst the business has been led from Edinburgh, all of Craneware's customers are in North America.

Over time, Craneware has built further software products to cross-sell into the same customer base. These software products are available in modular form through their cloud-based Trisus platform. In 2021 Craneware completed the acquisition of Sentry Data Systems for $400m. Sentry offered a strong strategic fit with a complementary software offering primarily into US pharmacies. The combined business now has over 12,000 US hospitals, clinics and pharmacies as users of its software.

Whilst Craneware's customers faced financial and operational pressure during the pandemic, more recently customers' operations have stabilised which has led to an improving sales pipeline.

Quality

Craneware's software is sold primarily on a subscription basis with annual recurring revenues of $172m. Customer retention is in excess of 90% each year, with acquisition of hospital groups being a reason for customer churn. The business has high margins allowing for significant annual investment in improvements and additions to their software product set. They spend over $50m each year on product development.

Growth

Organic growth had slowed during the pandemic period, however, this is improving with management referring to expectations of double-digit top-line growth being achievable. Sentry has proved to be a successful acquisition with cash conversion being excellent. It has an undrawn $80m within its debt facility to fund further growth through acquisition.

Valuation

With US technology companies primarily valued on EV/Sales or a free cash flow yield basis, we are inclined to use those valuations for Craneware reflecting its strategic value. An EV/Sales of around 5x and a free cash flow yield of 3.5% is a fair valuation for this business, if it can deliver double-digit rates of organic growth.

£707m	£20.00	1999
Market capitalisation	Price at end of quarter	Year established
Source: London Stock Exchange	Source: London Stock Exchange	Source: Companies House

Fees and expenses

	Direct with Puma	Through a platform[1]
INITIAL FEE	0% (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 ISA 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 ISA 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 ISA 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

PI002478 1124