PUMA INVESTMENTS

CELEBRATING 10 YEARS PUMA AIM IHT SERVICE

QUARTERLY REPORT: Q2 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.

+7.38%	£232.5m	90.5%
Compound Annual Growth Rate	Portfolio AUM	Companies in the portfolio with a market cap above £100m

Figures correct at 30 June 2024.

defaqto AIM BR Service 2024 EXPERT RATED

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Investment Director’s quarterly portfolio review

The investment team

Dr Stuart Rollason
Investment Director

Joseph Cornwall, CFA
Investment Manager

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

In Q2 2024, the Puma AIM IHT model portfolio increased by +5.58%, outperforming both the FTSE AIM All Share index which increased by +2.84% and the FTSE All Share Index which increased by +2.62%. Since inception in July 2014, the cumulative performance of the model portfolio has increased by +103.92%, outperforming both the FTSE AIM All Share Index (-2.68%) and the FTSE All Share Index (+23.66%).

UK GDP is growing more strongly than expected. Real UK GDP rose 0.6% in Q1 2024 and 0.5% in Q2 2024. Headline CPI is normalising with 12-month CPI close to projection at 2%. Consumer goods inflation has fallen significantly as external shocks dissipate. Government energy support put a sizeable 1.5% points on the household income in 2023. Energy bills fell 12% in April and there are expectations of a further fall in July. This has helped to nurture a nascent return of consumer confidence, although this is still patchy, less evident in big expenditure items and still very low by historic standards.

Interest rates remain at 5.25% as the Bank of England continues its policy of bearing down on the sticky secondary elements on UK inflation. Service inflation has had a low peak but slower decline in the inflation rate but remains persistently high at an annual rise of 5.7% to end June (unchanged from May) and is only expected to normalise slowly. The labour market is loosening but still tight by historic standards. Meanwhile, real wages have been growing since summer 2023 and contributing to an easing of annual pay growth, but pay settlements are still too high for the Bank of England to commence interest rate cuts.

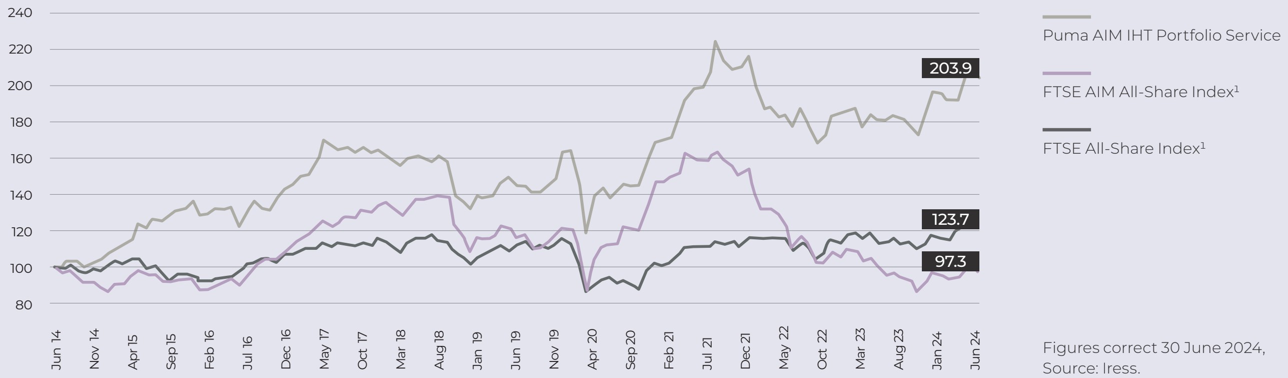
Nevertheless, interest rate cuts are still anticipated by the market in H2 2024 as all inflationary trends are moving in the right direction. The debate as to when cuts will be made currently centre around strong domestic demand (so do not cut yet) and the consistent evidence that inflation is being tamed, (so cut now given the lag in the economic response to any cut). The Bank is also concerned about the UK’s capacity to grow without inflationary pressures re-emerging. There is still a very large covid debt pile and Labour, just like the Conservatives, have a tricky balancing act to support public services whilst avoiding a bigger trade burden. Therefore, even with cuts, it is likely that monetary policy will remain restrictive to keep a lid on inflation with the side effect of an insipid rate of GDP growth in 2024: The legacy of the consecutive economic shocks in the form of Covid and Putin’s invasion of Ukraine turbocharging energy inflation.

In Q2, the portfolio delivered two profit warnings, two companies reported progress below expectations, twenty-one 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. Larger companies and cash rich investors are recognising this too and are acquiring well managed AIM companies at premiums to very low valuations. So, it is not surprising that corporate activity remains an important market and portfolio trend in 2024 as it was in 2023. In the Puma portfolio, the acquisition of Mattioli Woods by Pollen Street Capital, a private capital asset manager, for £432m is set to complete in late Q3 2024. In addition, Alpha Financial Software, was the subject of a non-binding cash offer from Bridgepoint Advisers. Subsequently, this progressed to a recommended cash acquisition in July after the quarter end. More positively, a number of portfolio companies are themselves making bolt-on acquisitions using their own strong balance sheets to accelerate growth.

Companies and consumers still face tough conditions. Nevertheless, with improving inflationary dynamics, we are seeing an improvement in market sentiment, albeit from a low base. When they happen, lower interest rates will take time to stimulate the economy, but business to business services are in healthy recovery. Coupled with strong demand outlook, more positive signs in export markets and lower cost of capital, it should enhance business confidence and business investment aided by the fact that 80% of corporate debt is at variable rate interest rates, so interest rate cuts will quickly improve companies with indebted balance sheets. The portfolio companies, to a greater degree, are participating in the recent share price recovery. We are also seeing positive trends in portfolio company results despite the restrictive nature of the current high interest rate policy.

Dr Stuart Rollason, Investment Director

Performance %



Figures correct 30 June 2024,
Source: Iress.

Cumulative investment performance %

	3M	ROLLING 1Y	ROLLING 3Y	ROLLING 5Y	SINCE INCEPTION
Puma AIM IHT Portfolio Service	+5.58	+12.26	+2.06	+40.01	+103.92
FTSE AIM All-Share Index (AXX)[1]	+2.84	+1.44	-38.77	-16.85	-2.68
FTSE All-Share Index (ASX)[1]	+2.62	+8.68	+10.89	+9.74	+23.66

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	+7.38
FTSE AIM All-Share Index (AXX)[1]	-8.18	-31.69	+5.17	+20.74	+11.61	-0.27
FTSE All-Share Index (ASX)[1]	+3.85	-3.16	+14.55	-12.46	+14.19	+2.15

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

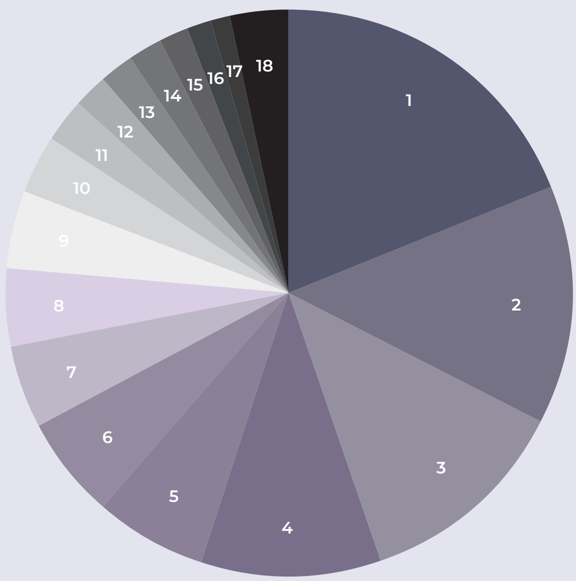
[2] Compound Annual Growth Rate.

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 June 2024. Figures may be subject to rounding errors.

1	Software and computer services	18.90%
2	Support services	13.85%
3	Construction and materials	12.17%
4	Electronic and electrical equipment	10.18%
5	Property services	6.34%
6	Investment banking and brokerage services	5.94%
7	Healthcare providers	4.57%
8	Retailers	4.54%
9	Technology hardware and equipment	4.39%
10	Finance and credit services	3.45%
11	Telecommunication service providers	2.54%
12	Leisure goods	1.99%
13	Medical equipment and pharmaceutical	1.95%
14	Beverages	1.88%
15	Consumer services	1.72%
16	Industrial engineering	1.27%
17	Media	0.99%
18	Cash	3.33%

Portfolio's top ten holdings

Company	% holding
Renew Holdings	8.37%
Judges Scientific	7.30%
Cerillion	6.34%
Property Franchise	6.34%
Vertu Motors	4.54%
Thorpe (F.W)	4.39%
Fintel	3.89%
Team Internet	3.75%
Craneware	3.57%
H&T Group	3.45%
Total	**51.95%**

36

Total holdings in the portfolio

£435m

Portfolio weighted market cap

£232.5m

Portfolio AUM

As at 30 June 2024.

Spotlight on a portfolio holding

dotdigital

Dotdigital is a Software-as-a-Service (SaaS) marketing platform that enables companies to create, test and send data-driven automated campaigns. The technology is widely integrated with e-commerce platforms such as Shopify. The platform is used by over 4,000 brands in 156 countries.

With a core product dotmailer created in 2002, designed for email marketing campaigns, the business has grown through organic and acquisitive growth. The acquisition of Comapi in 2017 allowed for the introduction of omnichannel messaging. In 2023 the acquisition of Fresh Relevance added capability in creating personalised web content based on consumer actions and behavioural targeting.

The business is making good progress in growing internationally from their UK base, with organic growth in international markets of 18% in the last reporting period at constant currency.

Quality

Recurring revenue is 79% of total revenues, and with an operating profit margin of around 20%. Gross margins on the recurring revenue are 90%. Returns on capital employed are over 30%. Over the last 10 years the business has grown revenue at 17% and earnings per share at 14% on a compounded basis through both acquisition and organic growth.

Growth

Ecommerce and omnichannel marketing continue to be a growth market. Dotdigital is growing organically by c. 10%, with underlying market growth and results from investment in overseas markets. We expect overseas markets, already one-third of group revenue, to contribute further to growth over time. In addition, it is likely that Dotdigital will deploy its sizeable and growing cash balance into further acquisitions.

Valuation

Dotdigital is holding a significant cash balance of £37m. Ex-cash the business trades on a free cash flow yield of 5%. These valuation levels are undemanding for a high margin business in a structural growth market. Over recent years there has been consolidation of competitors, with synergies derived from combining product development spend and sales resource.

£284m	£0.925	1999
Market capitalisation	Price at end of quarter	Year established
Source: London Stock Exchange	Source: London Stock Exchange	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 TEN YEARS

Since inception in July 2014, the cumulative performance of the model portfolio has increased by +103.92%, outperforming both the FTSE AIM All Share Index (-2.68%) and the FTSE All Share Index (+23.66%).[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 June 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.

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

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