



QUARTERLY REPORT: Q3 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.

+6.5%

Compound Annual  
Growth Rate

£162.6m

Portfolio  
AUM

81%

Companies in the  
portfolio with a market  
cap above £100m

# Investment Director's quarterly portfolio review

## The investment team



**Dr Stuart Rollason**  
Investment Director



**Joseph Cornwall, CFA**  
Investment Manager

In Q3 2023, the Puma AIM IHT model portfolio decreased by -1.45%, outperforming the FTSE AIM All-Share index<sup>1</sup>, which decreased by -3.63%, but underperforming the FTSE All-Share Index<sup>1</sup>, which increased by +0.76%. Since inception in July 2014, the cumulative performance of the model portfolio has increased by +79.03%, outperforming both the FTSE AIM All-Share Index<sup>1</sup> (-7.54%) and the FTSE All-Share Index<sup>1</sup> (+14.64%).

In this reporting period, the Bank of England increased interest rates from 5% to 5.25% in August, the 14th time it had increased rates since December 2021. However, in September, interest rates were held at 5.25%, signalling that the interest rate cycle tightening is at or near its peak.

Twelve-month CPI inflation fell from 7.9% to 6.7% (0.4 percentage points below expectations). However, the second-round effects from the external shocks experienced over the past two years have led to persistent inflation. Nevertheless, there are signs that inflation is being brought under control through high interest rates. Early economic indicators, such as consumer demand and labour market supply, are easing. In addition, business confidence is weaker in certain sectors, while house prices and transactions have fallen. Yet, the lagging economic indicators: service inflation and wage growth, have been resistant to the interest rate medicine to date; only showing mixed signals on the looked-for impact of higher interest rates. While such signals have led many economic forecasters to call the top for interest rates rises, the Bank of England remains more cautious. It placed interest rates on hold, while awaiting further signs that the high interest rates are having the desired effect on all indicators. Most agree that interest rates will not be reduced in the short term, so will remain higher for longer.

The impact of high interest rates is affecting our portfolio. In the busy September reporting season, five companies had profit warnings and one reported results below expectations. As always, when investor confidence is low, reactions to profit warnings are overdone, while positive news is hardly acknowledged. The impact on performance was not marked as the six companies that warned the market were not significant portfolio holdings, comprising 8.5% of the portfolio at the start of the quarter and falling to 7.5% by quarter end. Twenty-four companies reported results/updates in line with expectations, and one reported ahead of expectations. One company, Sureserve Group plc, was acquired; a recurring portfolio and UK market theme and a clear signal of the relative value of UK listed companies. While investors are still cautious, corporates, in particular, are taking advantage of relatively cheap UK assets to bolster their own growth strategies.

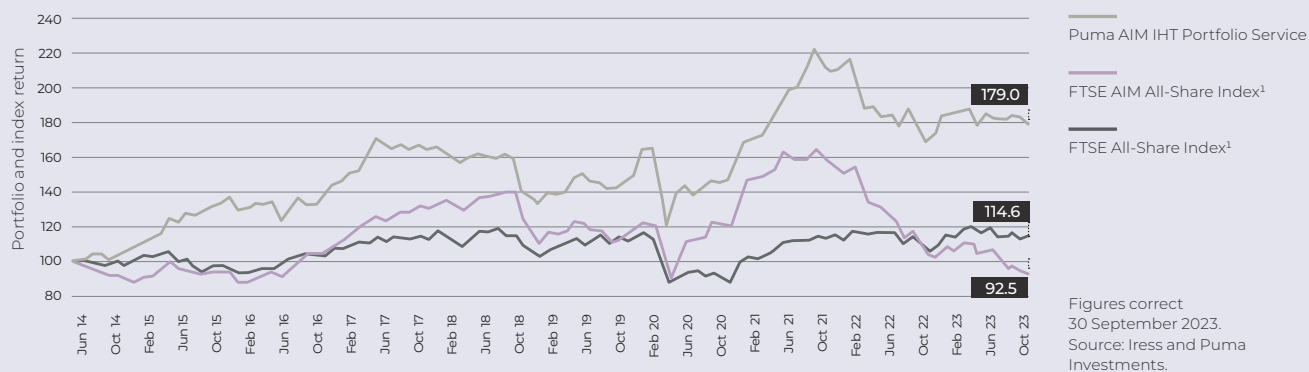
The end of interest tightening is an important point in the economic cycle. Historically, when recognised, it has led to a market rally. In the meantime, the heightened level of acquisitions and falling inflation certainly support market values at current levels. Real incomes are growing again, and the economy has avoided a recession thus far, surprising a number of forecasters, albeit growth remains insipid. Despite a fall in absolute value in the model portfolio over the last nine months, the underlying portfolio companies have delivered notable, resilient growth over an extended period. The important missing ingredients for a recovery are the final acknowledgment that interest rates will go no higher, and the return of investor confidence. We await those developments.

**Dr Stuart Rollason**  
Investment Director

<sup>1</sup> 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 %



## Cumulative investment performance %

	3M	ROLLING 1Y	ROLLING 3Y	ROLLING 5Y	SINCE INCEPTION
Puma AIM IHT Portfolio Service	-1.45	+6.41	+23.31	+12.72	+79.03
FTSE AIM All-Share Index (AXX) <sup>1</sup>	-3.63	-9.95	-24.33	-33.89	-7.54
FTSE All-Share Index (ASX) <sup>1</sup>	+0.76	+9.67	+25.74	-0.02	+14.64

## Discrete investment performance %

	2023 TO DATE	2022	2021	2020	2019	CAGR <sup>2</sup>
Puma AIM IHT Portfolio Service	-3.87	-14.24	+28.39	+2.81	+24.23	+6.50
FTSE AIM All-Share Index (AXX) <sup>1</sup>	-10.75	-31.69	+5.17	+20.74	+11.61	-0.84
FTSE All-Share Index (ASX) <sup>1</sup>	+1.28	-3.16	+14.55	-12.46	+14.19	+1.49

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

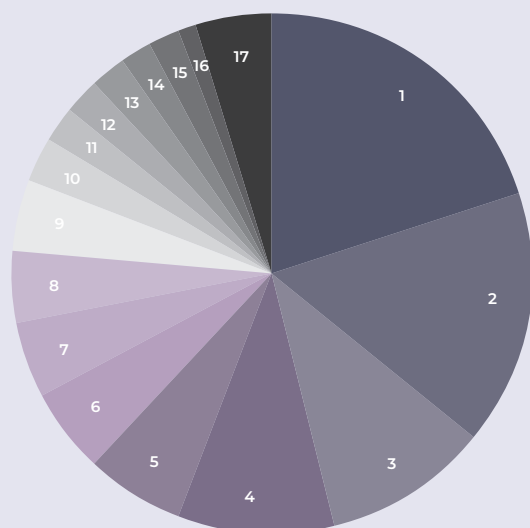
<sup>2</sup> Compound Annual Growth Rate.

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 to 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: 1 July 2014.

## Portfolio companies by sector % of portfolio



1	Software and computer services	20.03%
2	Support services	16.04%
3	Construction and materials	10.27%
4	Electronic and electrical equipment	9.58%
5	Technology hardware and equipment	6.21%
6	Retailers	5.37%
7	Property services	4.55%
8	Finance and credit services	4.46%
9	Investment banking and brokerage services	4.37%
10	Leisure goods	2.94%
11	Beverages	2.27%
12	Consumer services	2.20%
13	Medical equipment and pharmaceutical	2.09%
14	Health care providers	2.02%
15	Telecommunication service providers	1.79%
16	Industrial engineering	1.22%
17	Cash	4.60%

As at 30 September 2023. Figures may be subject to rounding errors.

## Portfolio's top ten holdings

Company	% holding
Judges Scientific	7.23%
Renew Holdings	6.40%
Thorpe (FW)	6.21%
Cerillion	6.00%
Vertu Motors	5.37%
EMIS	4.66%
H&T Group	4.46%
Impellam	4.42%
Belvoir	3.10%
Focusrite	2.94%
<b>Total</b>	<b>50.79%</b>

37

Total holdings in the portfolio

£404.5m

Weighted average market cap of the portfolio

£162.6m

Portfolio AUM

As at 30 September 2023.

## Spotlight on a portfolio holding



Fonix Mobile provides mobile payments and messaging services for clients across media, telecoms, entertainment, enterprise and commerce.

Led by Robert Weisz, Fonix Mobile is a smaller business that has a big impact. It employs fewer than 50 people, yet its technology sits behind many of the UK's favourite television shows and charity events. Fonix offers a carrier billing solution, allowing viewers to make charitable donations, submit votes on their favourite reality TV shows or take part in competitions, with the cost charged to consumers' mobile phone bills.

Based in London, until recently the focus has been on the UK, however it has attained market leadership in the Republic of Ireland within a year of operation there. Also, it is seeking to expand internationally, replicating the existing services that it offers to its UK customers; these include the BBC, ITV, Channel 4, as well as leading radio stations such as Bauer Media Group (KISS, Absolute Radio and Magic).

### Quality

Fonix Mobile's margins are artificially depressed as the value of the payments flows through its accounts. In such cases, the standard practice is to analyse the margins based on profits as a percentage of gross profit. For Fonix, this margin is 70%, reflecting its low fixed-cost base. The business is capital-light, with returns on capital employed exceeding 100%. As Fonix grows, the increasing cash flows should be available to investors via dividends, or could be reinvested into an acquisition.

### Growth

Fonix's success has been based upon high levels of repeat custom from many of the UK's largest media and entertainment businesses. It is increasing its penetration within its key UK customers. The technology is not constrained by geography; however, the business must build its reputation in new territories with new local carrier partners. Following the successful launch into the Republic of Ireland, the business is making its next steps internationally, along with space to grow in new verticals such as gaming and transport via mobile carrier billing.

### Valuation

With exceptional free cash flow characteristics, we value this business based on its free cash flow yield, currently at 5%. Given the prospects for international growth and low fixed-cost base, there is potential for greater free cash flow generation in the medium term.

£193m

Market capitalisation

Source: London Stock Exchange

£1.94

Price at end of quarter

Source: London Stock Exchange

2006

Year established

Source: Companies House

# Six features of the Service

---

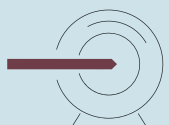


# 1

## 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.

---

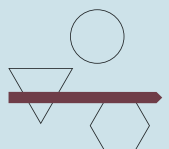


# 2

## ESTABLISHED TRACK RECORD OVER NINE YEARS

Since inception in July 2014, the cumulative performance of the model portfolio has increased by +79.03%, outperforming both the FTSE AIM All-Share Index (-7.54%) and the FTSE All-Share Index (+14.64%).<sup>1</sup>

---



# 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).

---

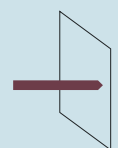


# 5

## 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.

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 30 September 2023 unless otherwise stated.

<sup>1</sup>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 <sup>1</sup>
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

<sup>1</sup> 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  
advisersupport@pumainvestments.co.uk

**Investor enquiries:** 020 7408 4100  
investorsupport@pumainvestments.co.uk

**www.pumainvestments.co.uk**

This communication is a financial promotion issued by Puma Investments and Shore Capital Stockbrokers Limited in accordance with section 21 of the Financial Services and Markets Act 2000 ("FSMA"). This communication has been prepared by Puma Investments for information purposes only and should not be read as advice; it is intended for the recipient only and should not be forwarded on. Puma Investments is a trading name of Puma Investment Management Limited (FCA No 590919) which is authorised and regulated by the Financial Conduct Authority. Registered office address: Cassini House, 57 St James's Street, London SW1A 1LD. Registered as a private limited company in England and Wales No 08210180.