

# Puma AIM Inheritance Tax Service Q3 2014 Quarterly Report



PUMA AIM  
INHERITANCE  
TAX SERVICE  
Calculated Excellence

AVAILABLE IN ISAS

## Background to the PUMA AIM Inheritance Tax Service

Puma AIM offers a discretionary portfolio service that seeks to deliver long-term growth while mitigating Inheritance Tax. It aims to mitigate Inheritance Tax by the use of Business Property Relief (BPR), which takes effect after just two years from the acquisition of qualifying AIM stocks.

We focus on investing in quality companies with strong margins, good returns and a track record of cash generation. We select companies on strict valuation criteria with a focus on capital preservation. We seek to invest in companies which can deliver solid long term growth. Our approach is research driven and we only select investments after intensive financial and business analysis.

## Investment Director's Quarterly Portfolio Review

During the quarter the portfolio increased by 3.91% after management fees and dealing charges compared to a 4.41% decline in the FTSE Aim All Share Index during the quarter. This is an 8.32% outperformance of the market during the quarter.

As this was our launch quarter the portfolio was burdened by the dealing costs of its initial investment. We launched on the 1st July and the portfolio was immediately invested in 19 stocks. We added a further position in Safestyle UK plc (see our stock comment below) during August and a further company was added during September taking the portfolio to 21 investments. We sold half of our position in Restore plc during the quarter, due to the strong performance of the company's stock. We are currently 96% invested in AIM listed companies with the remainder representing a small cash position.

We remain confident in the outlook for the Puma AIM IHT portfolio service.

**Justin Waine**  
Investment Director

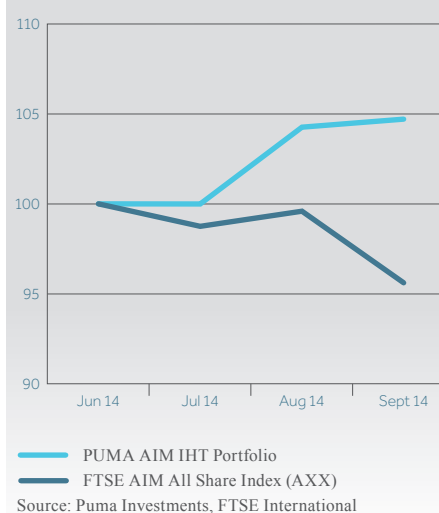
## Discrete Quarterly Performance in %

| 2014                           | Q1 | Q2 | Q3    | Q4 | YTD   |
|--------------------------------|----|----|-------|----|-------|
| Puma AIM IHT Portfolio Service | -  | -  | +3.91 | -  | +3.91 |
| FTSE AIM All Share Index (AXX) | -  | -  | -4.41 | -  | -4.41 |
| Relative Outperformance        | -  | -  | +8.32 | -  | +8.32 |

## Cumulative Performance in %

|                                | 3M    | 6M | 9M | 1Y | SinceInception |
|--------------------------------|-------|----|----|----|----------------|
| Puma AIM IHT Portfolio Service | +3.91 | -  | -  | -  | +3.91          |
| FTSE AIM All Share Index (AXX) | -4.41 | -  | -  | -  | -4.41          |
| Relative Outperformance        | +8.32 | -  | -  | -  | +8.32          |

## Monthly Performance Graph of the PUMA AIM IHT Portfolio

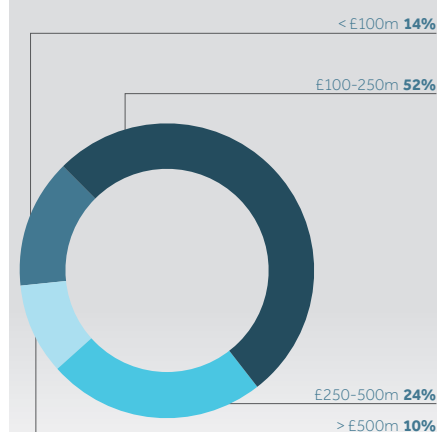


## Portfolio's Top Ten Holdings

| Company                          | % holding    |
|----------------------------------|--------------|
| Renew Holdings                   | 7.36         |
| Impellam                         | 6.79         |
| Vertu                            | 6.03         |
| FW Thorpe                        | 5.79         |
| H&T                              | 5.76         |
| GVC Holdings                     | 5.43         |
| EMIS                             | 4.91         |
| Optimal Payments                 | 4.59         |
| Stanley Gibbons                  | 4.35         |
| Advanced Medical Solutions       | 4.27         |
| <b>Total % of the portfolio</b>  | <b>55.28</b> |
| Total Holdings in portfolio = 21 |              |

## Portfolio Companies by Market Cap

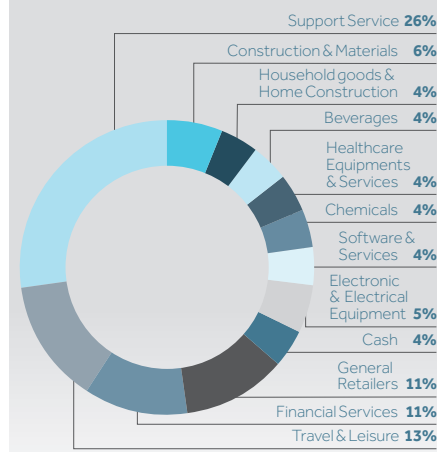
% of portfolio



Source: Puma Investments

## Portfolio Companies by Sector

% of portfolio



Source: Puma Investments

## Spotlight on a portfolio holding

### Summary

#### Safestyle UK plc

A retailer and manufacturer of windows and doors



**Sector:** Construction & materials

**Year Established:** 1992

**Price at the end of quarter:** 174p

**Market Capitalisation:** £136m

### Company Background

Safestyle UK plc is an UK focused retailer and manufacturer of PVCu windows and doors. It is the largest company in the UK homeowner window and door replacement market by installations. In 2013 it manufactured 250,185 frames and carried out in excess of 55,000 installations. Safestyle is now a well-known national operator with 10 installation depots and 29 sales offices throughout the UK.

### Business Performance

Safestyle's market share has increased from 4.4% (Dec 2007) to 7.85% (Dec 2013) of the UK homeowner replacement windows and doors market. The market itself has contracted by 35% from its 2007 high point. Safestyle was able to grow revenues despite the declining market. Since 2008 the company has focused solely on the retail replacement market; which has less severe price competition than the new build or trade markets.

### The Market

The market is competitive with three national players Everest, Anglian and Safestyle accounting for approximately 20% of the market by installations. The remainder of the market is shared by between 20 and 30 regional companies and a large number of small local traders. The company believes it is the lowest cost manufacturer and retailer of PVCu windows and doors.

### Our conclusions

As stated in the Investment Policy we look at companies through the prism of three factors quality, growth and valuation. While it remains the hope to buy a high quality, high growth business on a low valuation this is rarely achievable and most investment decisions involve a trade-off between these three factors:

**1. Quality:** In terms of quality Safestyle is the market leader in a highly competitive and somewhat cyclical market. However, Safestyle believes it has a lower cost of manufacturing than its peers and demonstrates a focused strategy. The company earns double digit EBIT margins and has very strong returns on capital. It has produced free cash flow in both of the last two years and has a net cash balance sheet. It appears to be a strong company in a weak industry.

**2. Growth:** In terms of growth the company has grown strongly despite the weak market in which it operates. More recently it increased sales by 13.2% in 2013 and by 8.9% in H1 2014. By the end of June 2014 its market share had reached 8.24% based on the number of installations. This growth should continue as housing transactions, mortgage applications and consumer spending all improve in the coming months and years.

**3. Valuation:** The valuation is also compelling with Safestyle trading on 9.4x EV/NOPAT based on our estimates for 2014. The company is expected to pay a dividend of 4% for 2014.

This report is a non-independent marketing communication. This report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on the dealing ahead of the dissemination of investment research.

## Overview of the service

**Portfolio Service:** A discretionary portfolio service that seeks to deliver long term growth focusing on quality companies listed on AIM.

**Inheritance Tax:** It is intended that investors will benefit from relief from Inheritance Tax provided investments are held for at least 2 years prior to and at the point of death.

**Subscription Amount:** Minimum subscription of £15,000 with no maximum.

**Available in ISAs:** Whilst ISAs are extremely tax efficient during the holder's lifetime, upon death ISA balances may be subject to a 40% IHT liability. Investing in a portfolio of qualifying AIM stocks allows holders to mitigate Inheritance Tax while still retaining the benefits of an ISA.

## A Focused Investment Strategy

**Manager:** Puma Investments is part of Shore Capital, an AIM listed company itself, with a 29 year history. The team is led by Justin Waine, an Investment Director with 16 years of experience specialising in small and mid-cap companies.

**Quality Companies:** We seek to invest in quality companies with strong margins, good returns and a track record of cash generation.

**Research Driven:** We select companies on strict valuation criteria with a focus on capital preservation. Our approach is research driven with detailed financial analysis.

**Portfolio Construction:** Targeting approximately 20 companies with market capitalisations in excess of £50 million and low portfolio turnover.

## Investment Director



**Justin Waine**  
Investment Director

Justin graduated from Oxford with a degree in PPE. He joined Cazenove & Co as a sell side research analyst responsible for small and mid-sized companies.

In 2003, Justin joined Polar Capital Partners as a fund Manager on European Funds. This included managing a significant portion of the award-winning European Forager Fund; an absolute return fund focused on Pan-European small and mid-sized companies. Justin was responsible for investment across the whole of Europe, but predominantly focused on the UK, Germany and Switzerland, including companies listed on AIM.

## Fees and Expenses

| Initial Fee                      |      | Annual Management Fee            |       |
|----------------------------------|------|----------------------------------|-------|
| Less than £500k                  | 2%   | Less than £500k                  | 1.5%  |
| At least £500k but less than £1m | 1.5% | At least £500k but less than £1m | 1.25% |
| £1m or more                      | 1%   | £1m or more                      | 1%    |

### Dealing Fee

A 1% dealing charge shall be applied to the purchase or sale of all stocks in the portfolio.

## FOCUS ON CAPITAL PRESERVATION

INVESTMENTS SELECTED ON STRICT VALUATION CRITERIA WITH A FOCUS ON CAPITAL PRESERVATION

## NATIONAL COVERAGE

NETWORK OF FIVE OFFICES INCLUDING LONDON, LIVERPOOL AND EDINBURGH

## EXPERIENCED TEAM

MULTI-DISCIPLINARY TEAM OF INVESTMENT PROFESSIONALS

## 30 YEAR HISTORY

PUMA INVESTMENTS IS PART OF THE SHORE CAPITAL GROUP ESTABLISHED IN 1985

## Shore Capital – Experts in AIM

**Long History:** Shore Capital has been active on AIM since its inception as both broker and corporate finance adviser to companies listed on AIM.

**Market-Making:** Shore Capital makes a market in 1,200 stocks and is the third largest market-maker on AIM by both value and volume of stocks.

**Research:** Shore Capital's highly regarded research team produce research on a wide range of AIM listed companies.

Part of the Shore Capital Group

**SHORE CAPITAL**  
EXCELLENCE INTEGRATED

**Note:** Your capital may be at risk and past performance is no guide to future results. Please note the risk factors on the last page.

## Risk Factors

An investment in the Service carries risk and may not be suitable for all Investors. Investors can only invest in the Service through a Financial Adviser who has assessed that an investment in the Service is suitable.

**Past Performance:** Past performance is no indication of future results and share prices and their values can go down as well as up.

**Tax Reliefs are not Guaranteed:** Tax reliefs depend on individuals' personal circumstances, minimum holding periods and may be subject to change.

**You May Lose Money:** An investment in smaller companies is likely to be higher risk than other investments. Investors' capital may be at risk and Investors may get back less than their original investment.

**Long-Term Investment:** An investment in the Service should be considered a long-term investment.

**Potentially Illiquid Investment:** AIM stocks are largely small and illiquid. They are characterised by significant spreads and low trading volumes. It may prove difficult for Investors to realise immediately or in full proceeds from the sale of such shares.

## Disclaimer

All performance figures shown in this quarterly factsheet are reported after deduction of Puma Investments' management fees and dealing fees. The figures reflect the performance of the Investment Director's own portfolio and as such reflect the investment of real money in the Service.

"FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

All forward looking statements in this document (including the various terms "expects", "may" or "will") involve risk and uncertainty because they relate to future events or circumstances and should not be taken as any representation that such trends or activities will continue in the future. Although PIML has taken care to ensure that the information in this document is accurate and complete, PIML and its affiliates, directors and employees assume no responsibility or liability for the accuracy or completeness of the information or for any direct, indirect or consequential loss or damage howsoever arising. (This does not affect any liability owed under FCA rules or under FSMA).

For further information please contact:



PUMA INVESTMENTS

### Joint Promoter

14 Clifford Street London, W1S 4JU  
Advisor Enquiries: 020 7408 4070  
Investor Enquiries: 020 7408 4100

E: [info@pumainvestments.co.uk](mailto:info@pumainvestments.co.uk)  
[www.pumainvestments.co.uk](http://www.pumainvestments.co.uk)



### Joint Promoter

4 Staple Inn  
London WC1V 7QH  
T: 020 3006 7530

E: [taxsolutions@ramcapital.co.uk](mailto:taxsolutions@ramcapital.co.uk)  
[www.ramcapital.co.uk](http://www.ramcapital.co.uk)

This quarterly factsheet 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") which are both authorised and regulated by the Financial Conduct Authority. Puma Investments is a trading name of Puma Investment Management Limited.