PUMA
INVESTMENTS

QUARTERLY REPORT: Q2 2023

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.

+6.86%	£154m	93%
Compound Annual Growth Rate	Portfolio AUM	Companies in the portfolio with a market cap above £100m

Figures correct at 30 June 2023.

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 +81.66%, outperforming both the FTSE AIM All-Share Index (-4.06%) and the FTSE All-Share Index (+13.78%).[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 30 June 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.

Investment Director’s quarterly portfolio review

The investment team

Dr Stuart Rollason
Investment Director

Joseph Cornwall, CFA
Investment Manager

PRI Principles for Responsible Investment

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

In Q2 2023, the Puma AIM IHT model portfolio increased by +2.39%, outperforming the FTSE AIM All-Share Index, which decreased by -6.89%, and the FTSE All-Share Index, which decreased by -1.48%. Since inception in July 2014, the cumulative performance of the model portfolio has increased by +81.66%, outperforming both the FTSE AIM All-Share Index (-4.06%) and the FTSE All-Share Index (+13.78%).[1]

In this reporting period, the Bank of England increased interest rates from 4.25% to 5% in two steps, in response to the underlying inflationary pressures of tight labour markets, resilience of wage growth and services price inflation. Twelve-month CPI inflation fell from 10.1% to 8.7%. Expectations had been for a fall to 8.4%, with the buying of vehicles and recreational goods accounting for the difference. I went on record to say that interest rates above 4% would be uncomfortable, and had hoped the estimated interest rate peak of 4.25% would be enough to curb inflation. Sadly, with interest rates at 5%, and the potential to be increased again, it is clear that this extended tightening interest rate cycle is putting companies under pressure.

Among the trading updates and results announcements in the period, five were below expectations and there was one profit warning. Nevertheless, most portfolio companies are still progressing business models, despite the cost base headwinds and tightening interest rate cycle. Twenty-two delivered announcements in line with expectations, and one reported ahead of expectations. A top ten portfolio holding was sold as it moved to the Main List, therefore no longer qualifying for Business Relief. Two other positions were trimmed. The cash raised was invested in current portfolio holdings.

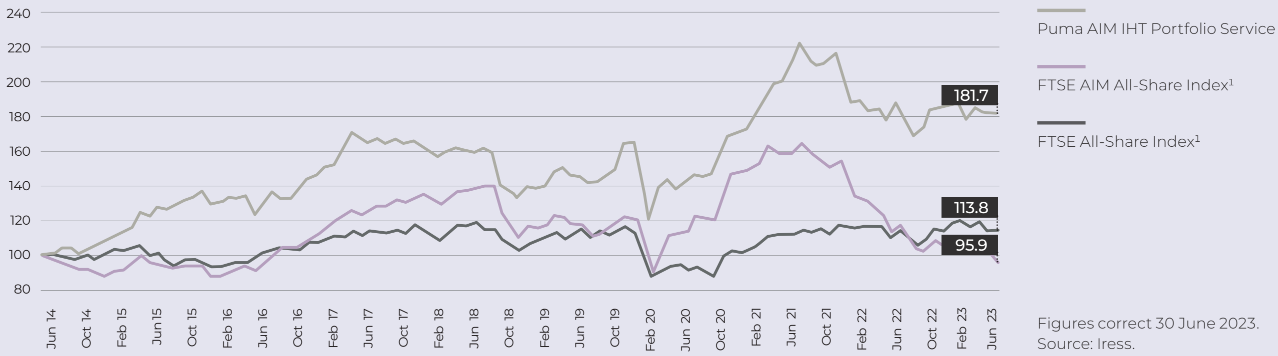
CPI inflation is expected now to be a little higher for a little longer than previously expected. But it is still forecast to fall significantly during 2023, reflecting the fall in energy prices that helped the UK to avoid a technical recession. The extent and rate of the CPI fall depend on how persistent the inflationary pressures are in domestic prices and services. UK economic growth is still expected to be weak in 2023, as interest rate increases impact spending decisions. On the positive side, company supply chain pressures have eased significantly, global trade and manufacturing are on an improving trend from depressed levels, while service company growth is positive.

Covid; the inflationary effect of Putin’s invasion of Ukraine; the resultant prolonged interest rate tightening. It is a strong testament to management team skills that so many have managed to steer a course for growth. Markets remain nervous and continue to derate. Our portfolio companies, largely, continue to show resilience. We expect this pattern to continue until the tightening interest cycle is over.

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.

Performance %



Figures correct 30 June 2023.
Source: Iress.

Cumulative investment performance %

	3 MONTHS	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION
Puma AIM IHT Portfolio Service	+2.39	+2.57	+31.65	+13.41	+81.66
FTSE AIM All-Share Index (AXX)[1]	-6.89	-14.00	-14.74	-30.39	-4.06%
FTSE All-Share Index (ASX)[1]	-1.48	+3.94	+20.09	-2.52	+13.78

Discrete investment performance %

	2023 TO DATE	2022	2021	2020	2019	CAGR[2]
Puma AIM IHT Portfolio Service	-2.46	-14.24	+28.39	+2.81	+24.23	+6.86
FTSE AIM All-Share Index (AXX)[1]	-9.36	-31.69	+5.17	+20.74	+11.61	-0.46
FTSE All-Share Index (ASX)[1]	+0.52	-3.16	+14.55	-12.46	+14.19	+1.44

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

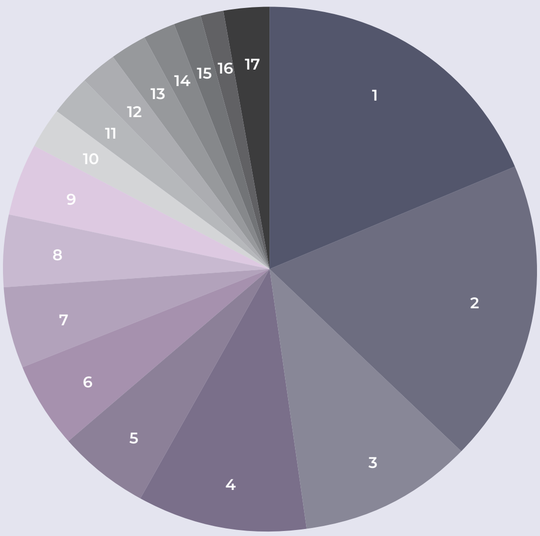
[2] Compound Annual Growth Rate.

All performance data is quoted net of management and dealing fees and applies to actual initial investors' portfolios that remain invested.

Please note that 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



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

1	Support services	18.69%
2	Software and computer services	18.64%
3	Electronic and electrical equipment	10.70%
4	Construction and materials	10.24%
5	Technology hardware and equipment	5.47%
6	Investment banking and brokerage services	5.15%
7	Retailers	5.06%
8	Finance and credit services	4.50%
9	Property services	4.37%
10	Consumer services	2.64%
11	Leisure goods	2.43%
12	Medical equipment and pharmaceutical	2.31%
13	Beverages	2.21%
14	Telecommunication service providers	1.84%
15	Healthcare providers	1.81%
16	Industrial engineering	1.30%
17	Cash	2.62%

Portfolio's top ten holdings

Company	% holding
Judges Scientific	7.38%
Renew Holdings	6.58%
Cerillion	5.78%
Thorpe (FW)	5.47%
Vertu Motors	5.06%
H&T Group	4.50%
Impellam	4.37%
NWF Group	3.40%
EMIS	3.25%
Brooks MacDonald	2.99%
Total	**48.78%**

38

Total holdings in the portfolio

£398m

Weighted average market cap of the portfolio

£154m

Portfolio AUM

As at 30 June 2023.

Spotlight on a portfolio holding

RWS

RWS is a global leader in language translation on behalf of a blue-chip customer base across technology, healthcare and major consumer brands.

Created from the combination of M.H. Randall & Partners and Woolcott & Co, the business has grown both organically and through acquisition under the stewardship of Andrew Brode, who remains the largest shareholder. The business grew through specialist translation of patents and healthcare information. RWS continues to own PatBase, which is a global patent database. Having acquired Moravia in 2017 and SDL in 2020, it diversified away from patent filers and the healthcare sector to include technology companies and major brands. SDL is a leader in machine translation, with RWS buying the business to incorporate greater use of machine translation to augment its specialist translators. Now under the leadership of Ian El-Mokadem, the business has integrated SDL into RWS.

Employing over 7,500 people across a truly global network, it works with 19 of the top 20 patent filers, 19 of the top 20 pharmaceutical companies and 88 of the top 100 brands.

Quality

Amid a greater level of globalisation and regulatory standards, the need for a global network of translators is essential for the world's largest companies. Scale is important in this niche market, with those businesses creating machine translation intellectual property coupled with sector specialist knowledge, set to be at a structural advantage against traditional linguists. RWS has long-term relationships with its client base. Its top ten customers, comprising 29% of revenue, have used RWS for an average of 13 years.

Growth

RWS estimates that the market for language translation is growing at 4% per annum, driven by more globalisation of content, higher regulatory standards and growth from Asia. RWS intends to exceed market growth rates organically, with growth accelerated through acquisition. A net cash balance of £58 million provides significant scope for acquisitive growth.

Valuation

RWS has derated significantly since the SDL acquisition, with concerns about the price paid and more recently with general market concerns about artificial intelligence disrupting its market, the unitary patent introduction, and weaker trading from technology customers. Nevertheless, the business trades on a normalised 9% free cash flow yield, despite significant investment in machine translation, and 6x EV/EBITDA, which we feel undervalues this global leader.

£916m

Market capitalisation

Source: London Stock Exchange

£2.35

Price at end of quarter

Source: London Stock Exchange

1982

Year established

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

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