PUMA INVESTMENTS

QUARTERLY REPORT: Q1 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.

+6.98%	£201.3m	93%
Compound Annual Growth Rate	Portfolio AUM	Companies in the portfolio with a market cap above £100m

Figures correct at 31 March 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

In Q1 2024, the Puma AIM IHT model portfolio decreased by -1.91%, outperforming the FTSE AIM All-Share Index, which decreased by -2.63%, but underperforming the FTSE All-Share Index, which increased by +2.51%. Since inception in July 2014, the cumulative performance of the model portfolio has increased by +93.14%, outperforming both the FTSE AIM All-Share Index (-5.36%) and the FTSE All-Share Index (+20.50%).[1]

The effects on the UK of back-to-back economic shocks, which caused the spike in inflation and forced the Bank of England to increase interest rates to the current rate of 5.25%, are beginning to dissipate quickly. CPI inflation in March 2024 was 3.4% (in September it was 6.7%). The sharp falls in energy prices have resulted already in a drop in food and core goods inflation. To date, the Bank of England has not reduced interest rates because of concerns over persistent inflationary pressures due to tight labour markets, wage growth and service price inflation.

Recent comments by the Deputy Governor of the Bank of England suggest that the historic increases in energy prices were a more important driver of service price inflation than previously thought. Since the energy price component of inflation has fallen rapidly, it should lead to a more rapid fall in service price inflation in the near term. We will know more when the April inflation figures are announced in May. If it is the case, the only persistent inflationary effects left, all being equal, will be labour market tightness and wage growth inflation. Both have been on falling trends, but still too elevated in the view of the Bank. However, as headline inflation falls, inflation expectations diminish: an important driver in weakening pay growth expectations. In addition, high interest rates are impacting employment parameters, with unemployment creeping up slowly and vacancies reducing. These positive trends for reducing inflation are adding further weight to the case for cutting interest rates.

Q1 is always a busy period for news flow, and the majority of the portfolio produced results or provided market updates. There were three profit warnings announced, four reported progress below expectations, 24 reported in line and one company reported news ahead of expectations. One portfolio holding, Impellam, announced in December 2023 that it had accepted an offer to be acquired by a Dutch rival for approximately £480 million. The terms of the deal necessitated a sale of the shares prior to the completion of the deal. This trade was executed in January. The resultant proceeds were reinvested across eight current portfolio holdings. Corporate activity remains an important market and portfolio trend in 2024, as it was in 2023. More recently, Mattioli Woods accepted an offer to be acquired for £432 million by Pollen Street Capital, a private capital asset manager quoted on the Main List of the London Stock Exchange.

Currently, most portfolio companies continue to trade well, but some continue to show signs of stress under the yoke of high interest rates. Despite profitable growth for many AIM companies, their share prices have not recovered to pre-pandemic levels. Part of the reason has been persistent outflows from UK smaller company funds, necessitating sales of underlying companies in these funds, therefore keeping share prices low. In response, cash-generative businesses in the Puma AIM IHT model portfolio are buying back their own shares: a sign that valuations are too cheap. Further evidence is the continued trend of larger companies and cash-rich investors acquiring well-managed AIM companies at premiums to low valuations. On a more positive note, a number of portfolio companies are themselves making bolt-on acquisitions, using their own strong balance sheets to accelerate growth.

High interest rates and the fall in energy prices are having the desired effect of taming headline inflation, while persistent inflation is on a much-improved trend. This has been at the necessary expense of reduced GDP growth, with significant headwinds for companies from high borrowing rates, cost inflation and subdued opportunities to grow. It should be noted that even when interest rates are cut, monetary policy will still be set to restrict the ability of the economy to grow more rapidly until inflation is fully tamed. Meanwhile, there are a number of companies that are in a good position to take advantage of a more positive environment when market confidence returns. By degrees, favourable tailwinds will develop and should be more apparent in the second half of 2024.

Dr Stuart Rollason, Investment Director

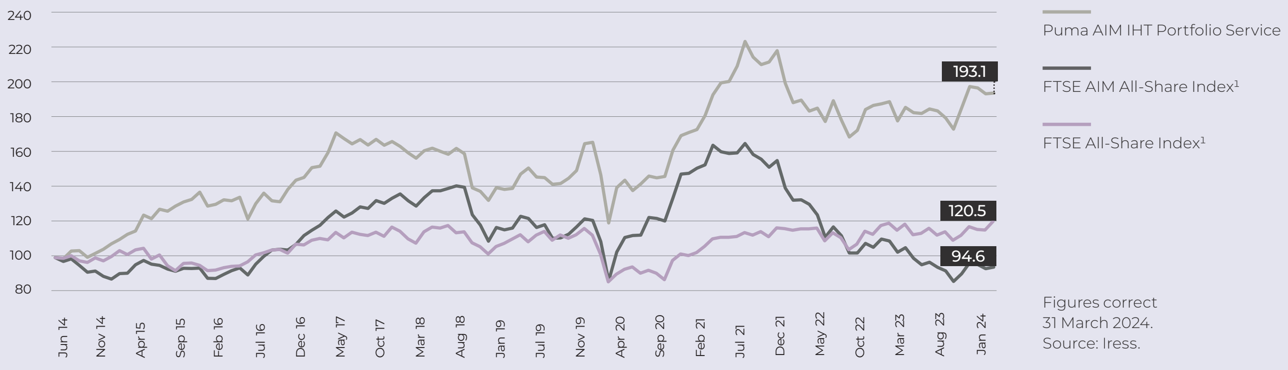
PRI Principles for Responsible Investment

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.

Performance %



Figures correct 31 March 2024. Source: Iress.

Cumulative investment performance %

	3M	ROLLING 1Y	ROLLING 3Y	ROLLING 5Y	SINCE INCEPTION
Puma AIM IHT Portfolio Service	-1.91	+8.87	+7.08	+38.79	+93.14
FTSE AIM All-Share Index (AXX)[1]	-2.63	-8.16	-37.93	-18.93	-5.36
FTSE All-Share Index (ASX)[1]	+2.51	+4.33	+13.23	+9.04	+20.50

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	+6.98
FTSE AIM All-Share Index (AXX)[1]	-8.18	-31.69	+5.17	+20.74	+11.61	-0.56
FTSE All-Share Index (ASX)[1]	+3.85	-3.16	+14.55	-12.46	+14.19	+1.93

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

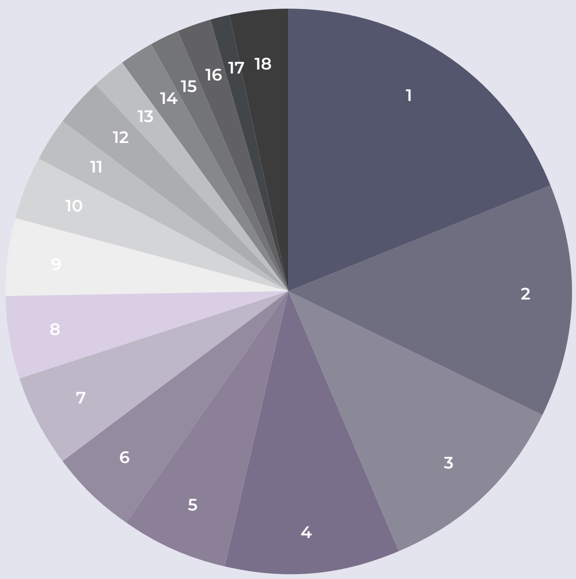
[2] Compound Annual Growth Rate.

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 31 March 2024. Figures may be subject to rounding errors.

1	Software and computer services	18.90%
2	Support services	13.39%
3	Construction and materials	11.36%
4	Electronic and electrical equipment	10.09%
5	Investment banking and brokerage services	6.06%
6	Technology hardware and equipment	5.19%
7	Property services	5.05%
8	Healthcare providers	4.74%
9	Retailers	4.50%
10	Finance and credit services	3.62%
11	Telecommunication service providers	2.61%
12	Media	2.58%
13	Beverages	2.07%
14	Medical equipment and pharmaceutical	1.89%
15	Leisure goods	1.78%
16	Consumer services	1.75%
17	Industrial engineering	1.10%
18	Cash	3.32%

Portfolio's top ten holdings

Company	% holding
Judges Scientific	7.75%
Renew Holdings	7.69%
Cerillion	6.46%
Thorpe (FW)	5.19%
Property Franchise	5.05%
Vertu Motors	4.50%
Fintel	3.78%
H&T Group	3.62%
Craneware	3.59%
Team Internet	3.19%
Total	**50.82%**

36

Total holdings in the portfolio

£430.3m

Weighted average market cap of the portfolio

£201.3m

Portfolio AUM

As at 31 March 2024.

Spotlight on a portfolio holding

The Property Franchise Group

The Property Franchise Group was founded by Richard and Kathy Martin in 1995, having developed upon their established estate agency business. Having built the franchise business up, it listed on AIM in 2013. A decade on, and in March 2024 it completed the merger with a similar business in both type and scale in Belvoir Group, another UK estate agency franchising group.

The combined companies give the group greater scale, cementing its position as UK market leader and providing the platform for further growth. The group now has franchisees across more than 15 brands and over 930 locations.

Through these branches, the franchisees now manage about 152,000 tenanted properties and should sell in excess of 28,000 properties per annum.

Quality

On a combined basis we expect the group to have operating margins of almost 30%, with 41% of revenues being recurring in nature. These margins show the franchise nature of the business being much higher than estate agency margins. While it may be reasonable to expect capital expenditure to increase while management integrates the two businesses, capex should still form less than 1% of revenues on an ongoing basis. This allows for significant levels of free cash-flow generation.

Growth

While 2023 was a difficult year for the residential property market, the franchise and lettings components of the business meant that revenue was broadly in line with the prior year. With more competitive mortgage rates in 2024 thus far, housing transactions should increase, aiding the sales and mortgage advice elements of the business. Meanwhile continued inflation in rents will benefit the group from higher revenues linked to the cost of rent.

Valuation

The Property Franchise Group has historically been rated slightly better than a traditional estate agency model, however, much lower than franchise businesses in other sectors. We would argue that a business with high margins and repeat revenues is mispriced at a free cash flow yield of over 8% and a P/E of 15, with a prospective dividend yield of close to 5%.

£206m

Market capitalisation

Source: London Stock Exchange

£3.30

Price at end of quarter

Source: London Stock Exchange

1995

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 +93.14%, outperforming both the FTSE AIM All-Share Index (-5.36%) and the FTSE All-Share Index (+20.50%).[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 Financial Advisers to access on leading platforms: M&G Wealth, Transact, abrdn Wrap, Fidelity FundsNetwork, Platform One, Nucleus, 7IM and Succession.

M&G wealth · transact take control · abrdn · Fidelity International · Platform One · nucleus · 7IM

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 31 March 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

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