

Puma AIM Inheritance Tax Service Q4 2015 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

We are proud to report that since inception, in July 2014, the portfolio has increased by +37.02%, a +42.95% outperformance of the FTSE AIM All Share Index.

In 2015 the portfolio increased by +30.90%, a +25.67% outperformance of the FTSE AIM All Share Index. During Q4 2015 the portfolio increased by +6.05%, a +4.18% outperformance of the FTSE AIM All Share Index.

The strongest performers during the quarter were Patisserie Holding and Renew Holdings, both benefited from good full year results, and Breedon Aggregates which announced strong results and a significant acquisition. Unfortunately, DX Group reported that its results would be significantly below expectations. The portfolio quickly sold out of the position for investors, though this was sadly at a loss. It is currently 97% 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 Performance in %

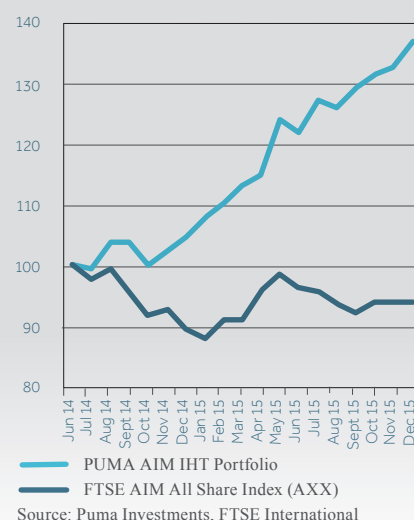
2015	Q1	Q2	Q3	Q4	YTD
Puma AIM IHT Portfolio Service	+8.10	+7.88	+5.81	+6.05	+30.90
FTSE AIM All Share Index (AXX)	+2.01	+5.56	-4.07	+1.87	+5.23
Relative Outperformance	+6.09	+2.32	+9.88	+4.18	+25.67
2014	Q1	Q2	Q3	Q4	YTD
Puma AIM IHT Portfolio Service	-	-	+3.91	+0.81	+4.72

Cumulative Performance in %

	3M	6M	9M	1Y	Since Inception
Puma AIM IHT Portfolio Service	+6.05	+12.21	+21.06	+30.90	+37.02
FTSE AIM All Share Index (AXX)	+1.87	-2.28	+3.16	+5.23	-5.93
Relative Outperformance	+4.18	+14.49	+24.22	+25.67	+42.95

All performance data is quoted net of management and dealing fees.

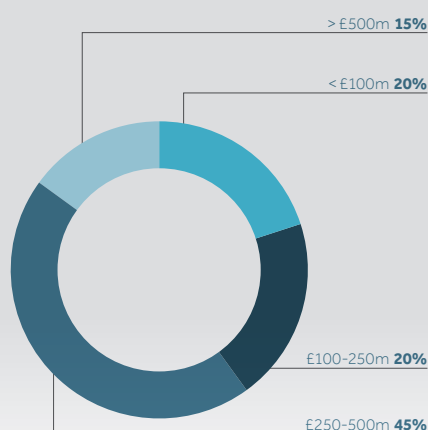
Monthly Performance Graph of the PUMA AIM IHT Portfolio



Portfolio's Top Ten Holdings

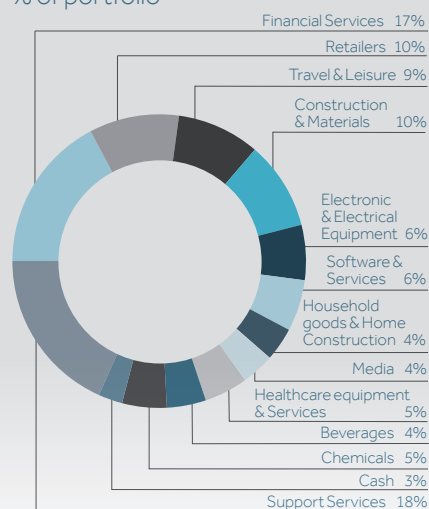
Company	% holding
Renew Holdings	7.33%
Impellam	6.74%
Vertu	6.30%
F W Thorpe	6.07%
Patisserie Holdings	6.05%
EMIS	5.67%
Safestyle UK	5.66%
H&T	4.96%
Scapa Group	4.91%
Advanced Medical Solutions	4.79%
Total % of the portfolio	58.48%
Total Holdings in portfolio = 20	

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

Vertu Motors plc

Vertu Motors group operates a nationwide chain of franchised motor dealerships

Sector: General Retailers

Year Established: 2006

Price at the end of quarter: 76.875p

Market Capitalisation: £262m



Company Background

Vertu Motors was formed in late 2006 to acquire and consolidate the UK motor retail businesses. The company joined the AIM in December 2006, raising £25m to invest in the motor retail segment. The first deal took place in February 2007 with the acquisition of Bristol Street Group for £69m in Enterprise Value, a business with almost a hundred year history. Since then, it has continued its stated acquisition strategy making several acquisitions each year with a brief period of inactivity during the 2008 financial crisis. Most recently the company diversified slightly, acquiring Ace Parts, an online vehicle parts business. Vertu Motors is currently the 6th largest motor retailer in the UK.

Business Performance

In the last three financial years the company has grown revenue by 65% from £1.26bn to £2.07bn through a combination of organic and acquired growth. Earnings before interest and tax (EBIT) has increased by 148% from £8.7m to £21.7m over the same period. The company operates 119 dealerships. The top brands by number of dealerships are Ford, Vauxhall, Nissan, Honda and Peugeot. The company also has dealerships for more prestige marques including Land Rover, Jaguar and Infiniti. In the most recent full year results, revenue was split between new car sales 33%, fleet car sales 24%, used car sales 35% and after sales 8%.

The Market

The consumer environment in the UK has been buoyant in recent years as the economy has emerged from recession. This has been helped by a consistent flow of interesting new cars and cheap consumer financing. The relative strength of the UK market compared to the European mainland has also led to manufacturers targeting volume into the UK market. New car fleet registrations in the UK rose 9.8% in the year to February 2015. The UK van market grew even more strongly with an increase of 12.1%. After a period of strong growth in new cars the market appears to have stabilised. This is favouring growth in used cars and after sales both of which tend to be higher margin activities.

Our Conclusions

As stated in the Investment Policy, we look at companies through the prism of three factors; quality, growth and valuation. While we aim to buy high quality, high growth businesses on a low valuation this is not always achievable and most investment decisions involve a trade-off between these three factors.

1. Quality: Automotive retail will never be a high margin, high return business, though Vertu does earn returns above the cost of capital. So in assessing the quality of the business it is important to assess its strategy and the success of its execution over time by management. Vertu Motors' management has been successfully carrying out a buy and build business model since 2008. The company has a number of great qualities. It has produced free-cash flow before acquisitions in each of the last three years. It has a net cash balance sheet, or only modestly net debt, if one includes its small amount of consignment stock, a key source of hidden leverage in some other motor dealers. Finally, it has excellent tangible asset backing with £135m of tangible fixed assets.

2. Growth: Vertu Motors' largest source of growth has been by acquisition, in which it has an excellent track record of finding target companies and deleveraging the balance sheet rapidly post-acquisition. Despite its size with £2.1bn of revenue, the company is only the sixth largest in the market and there is considerable room for further consolidation in this market. The company has also reached a size where it can grow organically through new openings of dealerships which it can finance out of cashflow. It also provides investors with a way of benefiting from the UK consumer recovery.

3. Valuation: Based on our estimates Vertu Motors is trading at a discount to our estimate of fair value. The company trades on 12.2x Enterprise value (EV)/ Net operating profit after tax (NOPAT) for the year to February 2016, falling to 10.9x EV/NOPAT in the following year. This is underpinned by the strong growth of 15.3% in sales and 30.0% growth in EBIT shown in the interim results.

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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 30 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.

Justin was recently named MoneyWeek's Top 3 Tipster of 2015.

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. We are confident in our ability to identify potential BPR qualifying businesses and we have engaged PriceWaterhouseCoopers to carry out a review of the investments made by the Service in order to advise whether these are likely to be eligible for BPR in full or at all. While PriceWaterhouseCoopers will also carry out an annual review of the portfolio, we can't guarantee that all portfolio investments will qualify for BPR.

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.

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For further information please contact:



PUMA INVESTMENTS

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

E: info@pumainvestments.co.uk
www.pumainvestments.co.uk

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