

The IW&I AIM Portfolio IHT Plan (the 'Plan') is a flexible solution to Inheritance Tax planning needs which can be effective after two years and offers the potential for capital growth through investment in shares quoted on the Alternative Investment Market of the London Stock Exchange (AIM).

With a track record stretching back to 2002, the Plan has a long history of generating capital returns for clients whilst reducing the risks of investing in this more lightly regulated market.

Our investment strategy over many years has been to establish well diversified client portfolios of up to 40 shares based on our Key List of companies, paying particular attention to the ability of the underlying businesses to withstand turbulence in their markets.

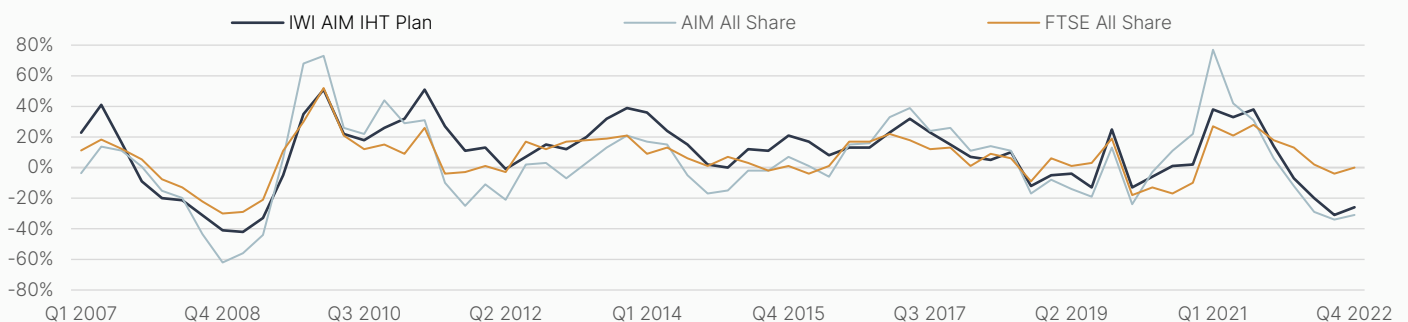
Performance update

Index	10 years to 31-Dec-2022	5 years to 31-Dec-2022	3 years to 31-Dec-2022	1 year to 31-Dec-2022	3 months to 31-Dec-2022
AIM Portfolio IHT clients (note)	104.8%	-7.1%	-15.1%	-26.4%	4.2%
FTSE AIM All Share (total return)	32.8%	-15.9%	-10.4%	-30.7%	3.6%
FTSE All Share (total return)	88.2%	15.5%	7.1%	0.3%	8.9%

Source: Factset as at 31st December 2022 and Investec Wealth & Investment Limited

Note: Average total return on all active client portfolios calculated on the net initial investment after all non-advisory IW&I charges.

Quarter on quarter annual returns

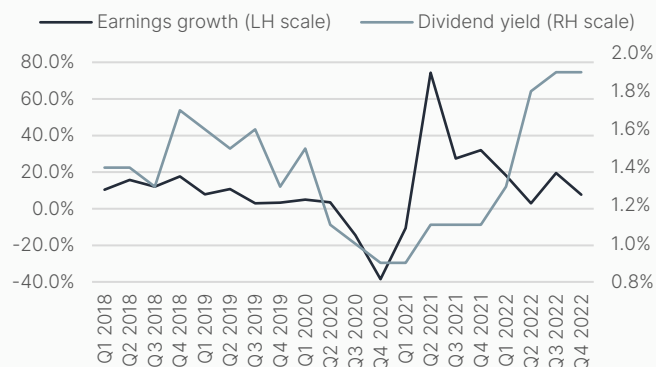


The chart above shows the average net return on Plan portfolios over the previous 12 months at the end of each quarter since 2007.

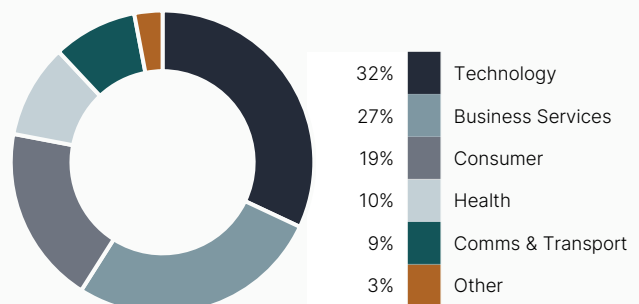
Source: Factset and Investec Wealth and Investment.

Investors should be aware that the value of portfolios can fall as well as rise and therefore there is a possibility of loss of the capital invested. Past performance should not be seen as an indication of future performance. This report relates only to clients who have invested in the IW&I AIM Portfolio IHT Plan.

Earnings growth and dividend yield



Portfolio sectors



Source: Factset

The chart above shows the average growth in normalised earnings per share of portfolio companies reporting in each quarter for the last 5 years, together with the average dividend yield of all portfolio companies.

Source: Factset and Investec Wealth and Investment.

Performance commentary

Most investors will be glad to see the end of an extraordinarily turbulent 2022 in politics, economics and the markets. Although most indices held their own in the final quarter as the view that inflation may have peaked gained currency, the year saw the S&P500 down 18.1%, the FT Europe (ex UK) Index -12.1% and MSCI Emerging Markets -19.7%, all in local currencies. Bonds provided no hiding place, with long-dated conventional Gilts -40.0%; commentators have pointed out that 2022 was only the fifth year in the last 100 that neither equities nor bonds generated a positive return.

The AIM All Share index gained 3.5% in the final quarter, but over the year was down 30.7% as investors understandably favoured lower-risk markets. The FTSE All Share index benefitted over the year from large energy companies and US dollar exposure, and was flat at +0.3%. Our average portfolio return was positive for the quarter at +4.2% (with a range between best and worst performing portfolios of +10.1% to -0.5%) and -26.4% for the year (ranging between -33.4% and -21.1%), slightly ahead of the AIM benchmark. The strongest contributors to performance over the quarter were Renew Holdings, the civil engineering and infrastructure maintenance company, +28% on healthy reported results, Keywords Studios (+18.5%) and Lok'N'Store (+24.2%). Detractors included GB Group (-48.3% following termination of bid talks), Watkin Jones (-33.6%) and Strix (-33.3%).

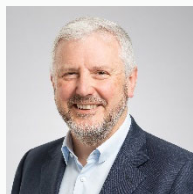
Of the 16 portfolio companies reporting results in the quarter, 10 reported growth in profit per share and 6 declines. Once again share valuations across our portfolio based on earnings (20.4x) were below the average for the last 10 years (22.1x), suggesting they represent good value currently, as does the dividend yield at 1.9%, the highest seen since 2015. Another portfolio company, K3 Capital, reported an agreed takeover offer, although as this is a new addition to our buying list, relatively few portfolios benefitted.

Outlook statements from company management teams have understandably been reflecting a degree of caution about the economic picture, but nevertheless express confidence in the fundamental strength of their businesses. This is in turn a reflection of our investment strategy, which is to buy shares in companies with the balance sheet strength, market position and management to withstand difficult markets. Over the longer term, and with the added benefit of the tax incentives, we continue to believe this adds up to a compelling proposition despite the significant falls over the last year.

Some key performance statistics

Average portfolio company p/e ratio	20.4
Average since 2002	18.3
Average market capitalisation	£494m
Average dividend yield	1.87%
Plan funds under management	£683m
Estimated total return since inception in 2002	443.3%

The IW&I AIM Division is a dedicated team focusing solely on investing AIM portfolios for clients.



Simon Cleaver - Divisional Director

Background/experience

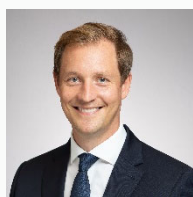
After starting his career with RBS, Simon went on to study for an MBA at Manchester Business School, graduating in 1993. Since then his experience has included venture capital with 3i Group and YFM Equity Partners, a Senior Analyst role in the Small-Cap team at institutional broker Charterhouse plc, and a number of years as regional manager for the London Stock Exchange in the North West. Whilst at YFM he managed AIM portfolios for the British Smaller Companies venture capital trusts, and joined Investec in 2014. Simon is a Chartered Fellow of the CISI and a qualified kayak coach.



Mark Northover - Senior Investment Director

Background/experience

Mark's career started with stockbrokers Greenwell Montagu and he joined Brewin Dolphin in 1995. Whilst there he launched their Reinvestment Relief product, subsequently joining Williams de Broe in 2005 where he established their IHT service. He joined the IW&I team in 2011 on Investec's takeover of Williams de Broe. Mark holds the Chartered FCSI qualification and is a keen cyclist in his spare time.



Adam Greaves - Senior Investment Director

Background/experience

Adam has worked in the financial services industry for over 10 years, qualifying as a Chartered Accountant at Ernst & Young before transitioning to Investment Management at Brooks Macdonald where he qualified as a Chartered Wealth Manager. After relocating back to the UK from Jersey, Adam joined Rathbones where he worked in a team of four investment professionals managing client portfolios totalling in excess of £1bn. He was responsible for managing asset selection and allocation in client portfolios as well as focussing on new business. He joined the IW&I AIM Division in 2019.

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