

AIM Portfolio IHT Plan

Q1 2021 Report

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-Mar-2021	5 years to 31-Mar-2021	3 years to 31-Mar-2021	1 year to 31-Mar-2021	Year to Date	3 months to 31-Mar-2021
AIM Portfolio IHT clients (note)	197.4%	50.0%	13.9%	38.2%	1.2%	1.2%
FTSE AIM All Share (total return)	48.9%	79.6%	22.3%	76.9%	3.7%	3.7%
FTSE All Share (total return)	79.0%	35.7%	9.9%	26.7%	5.2%	5.2%

Source: Factset as at 31st March 2021 and Investec Wealth & Investment Limited

Note: Average total return on all active client portfolios calculated on the net initial investment after all IW&I initial and ongoing charges

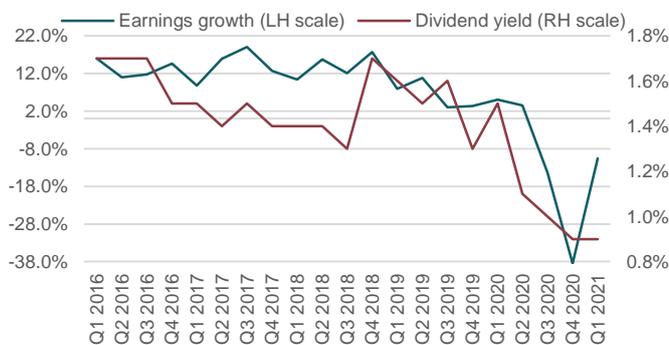
Quarter on Quarter annual returns



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.

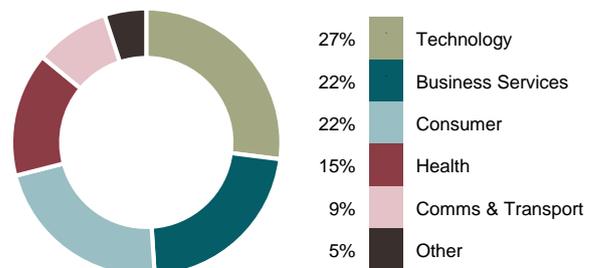
Investors should be aware that the value of portfolios can fall as well as rise and therefore there is a possibility of loss of the capital invested. Past performance should not be seen as an indication of future performance. This report relates only to clients who have invested in the IW&I AIM Portfolio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

Earnings growth and dividend yield



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.

Portfolio Sectors



Source: Factset



Performance commentary

Perhaps inevitably, the euphoria seen in the last fortnight of 2020, which helped drive a 17.9% return for our portfolios in Q4, gave way in the first quarter of 2021 to a more measured feel to markets. Optimism on the recovery from lockdowns across the world vied for the upper hand with pessimism as accelerating progress on UK vaccinations and the announcement of the government's 'roadmap' towards a gradual reopening of society was balanced against Brexit confusion and worsening pandemic news from continental Europe, both less welcome news for exporters.

The average return across our portfolios in the quarter was 1.2%, with the range between 4.4% and -2.2%. The 12 month return of 38.2% (ranging from 52.3% to 27.6%) reflects the upturn since the depths of the first lockdown in late March last year and means that on average portfolios are slightly ahead of their pre-pandemic levels. Our strongest contributors in the latest quarter were companies seen as benefitting from the 'normalisation' of economic activity; RWS (translation services, +14%), Tristel (clinical disinfection, +21%) and Amino (TV broadcast systems, +38%). Detractors included Keywords Studios (computer game services, -10%), GB Group (identity verification, -10%) and Mattioli Woods (financial services, -11%). Scapa Group, a long-standing component of many client portfolios, was taken over for cash after the quarter end.

Our portfolios performed well in March following the government's roadmap announcement and a supportive budget, but this was not quite enough to catch up the AIM index's growth in January and February. Shares in AIM's largest company, ASOS plc, increased in value by 23% in February alone, helping to drive a 3.7% return from the index for the quarter and building on its extraordinary rise since March 2020. Interestingly, only one of the top 10 contributors to AIM's performance in the quarter (RWS plc) currently pays a dividend, so growth definitely had the upper hand over value, although the FTSE All Share return of 5.2% suggests a different picture for large cap stocks. Encouragingly, trading updates from our companies since the quarter end have continued to be positive. We continue to focus our investment in robust, high quality AIM businesses which in our experience generate good returns over the medium to longer term, particularly when Inheritance Tax benefits are factored in.

Some key performance statistics

Average portfolio company p/e ratio	33.4
Average since 2002	17.5
Average market capitalisation	£658m
Average dividend yield	0.94%
Plan funds under management	£678m
Estimated total return since inception in 2002	529%

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

Introducing



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 take over of Williams de Broe. Mark holds the Chartered FCSI qualification and is a keen cyclist in his spare time.



Adam Greaves - 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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