

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-2021	5 years to 31-Dec-2021	3 years to 31-Dec-2021	1 year to 31-Dec-2021	3 months to 31-Dec-2021
AIM Portfolio IHT clients (note)	219.0%	44.5%	43.6%	13.6%	-2.8%
FTSE AIM All Share (total return)	97.0%	52.8%	46.3%	6.1%	-1.9%
FTSE All Share (total return)	110.7%	30.2%	27.2%	18.3%	4.2%

Source: Factset as at 31st December 2021 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

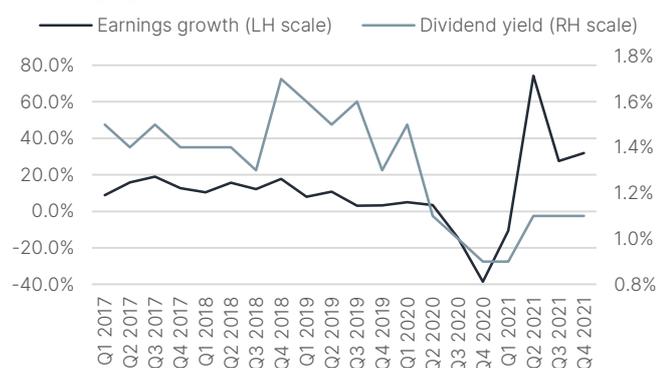


The chart above shows the average net return on Plan portfolios over the previous 12 months at the end of each quarter since 2007.

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.

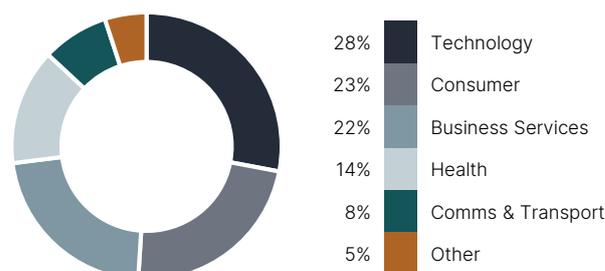
Earnings growth and dividend yield



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

Whilst 2021 might not have met all of our hopes of recovery from the Covid 19 pandemic, mainstream equity markets still showed good returns over the year. The FTSE All Share index returned 18.3%, the S&P 500 30.8% in sterling terms, the latter driven as ever by the mega-cap technology stocks. The final quarter saw the FTSE All Share up 4.2% and the S&P 500 up 10.5% in sterling, but for AIM the picture was less rosy with the AIM All Share up 6.1% for the year, generating a small loss (-1.9%) in the final quarter. This was a reversal of the picture in 2020 when AIM recovered quickly from the pandemic-driven lows of the first quarter while the FTSE All Share was still in negative territory by the year end. Unsurprisingly, the biggest contributors to AIM's gains in 2020, internet clothing retailers and hydrogen energy companies, were the biggest detractors from performance in 2021.

Q4 saw our AIM IHT portfolios underperform slightly against the AIM All Share benchmark, on average returning -2.8% with a range between the best and worst performing of 0.9% to -6.8%. Over the year as a whole however, our average return of 13.6% (with a range between 20.2% and 7.7%) compares very favourably with the 6.1% returned by the index. The standout contributors to performance during the year were YouGov (marketing services, up 53%), Renew Holdings (civil engineering, up 49%) and Advanced Medical Solutions (woundcare, up 39%). Detractors included Iomart (IT services, down 47%) and IG Design (gifting products, divested during the year).

Portfolio companies reporting results during the quarter continued to show recovery from the effects of the pandemic, growing profits on average by 32%. Concerns about supply chains and the spread of the Omicron variant were reflected in the fact that 3 of the 19 companies that reported were still delaying the resumption of dividends. Whilst costs and supply chains remain concerns as we move into 2022 it now seems clearer that Omicron will not be as significant a drag on the economy as its predecessor Covid variants. With the prospects for inflation and consequent interest rate rises still very much occupying the attention of forecasters we continue to believe that well diversified portfolios of high quality AIM companies can provide good returns over the medium to longer term, particularly when the Inheritance Tax benefits are factored in.

Some key performance statistics

Average portfolio company p/e ratio	33.3
Average since 2002	18.2
Average market capitalisation	£698m
Average dividend yield	1.07%
Plan funds under management	£832m
Estimated total return since inception in 2002	606%

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 - 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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