

AIM Portfolio IHT Plan

Q3 2020 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.

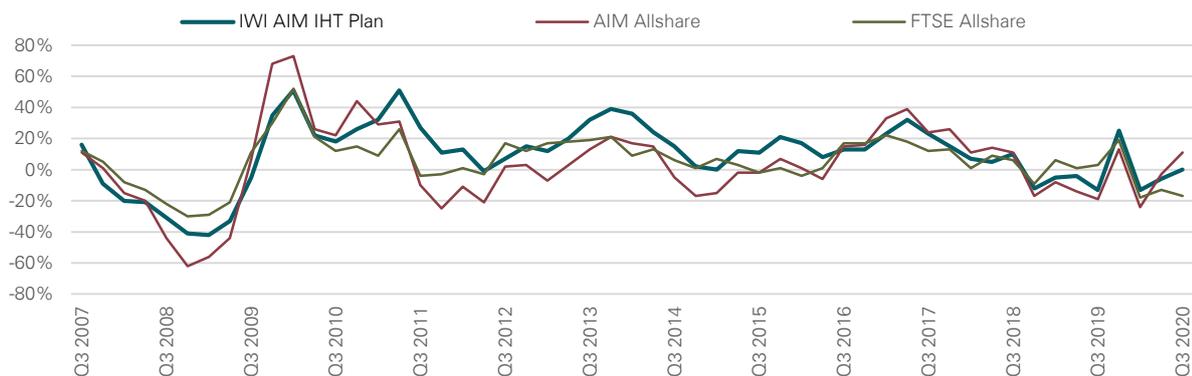
Performance update

Index	10 years to 30-Sep-2020	5 years to 30-Sep-2020	3 years to 30-Sep-2020	1 year to 30-Sep-2020	Year to Date	3 months to 30-Sep-2020
AIM Portfolio IHT clients (note)	201.2%	33.1%	-4.0%	0.7%	-13.9%	2.0%
FTSE AIM All Share (total return)	37.4%	41.5%	-0.9%	11.0%	0.7%	8.8%
FTSE All Share (total return)	63.9%	18.6%	-9.3%	-16.6%	-19.9%	-2.9%

Source: Factset as at 30th September 2020 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

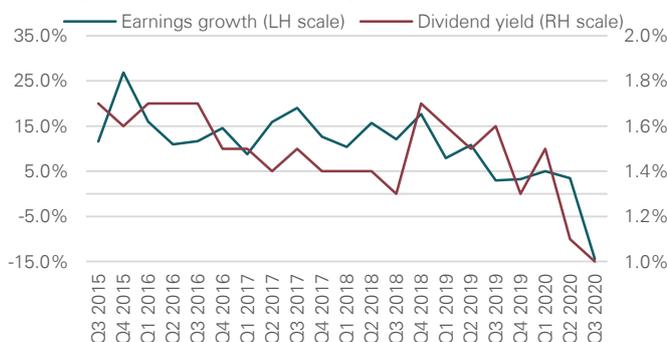
Quarter on Quarter annual returns



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.

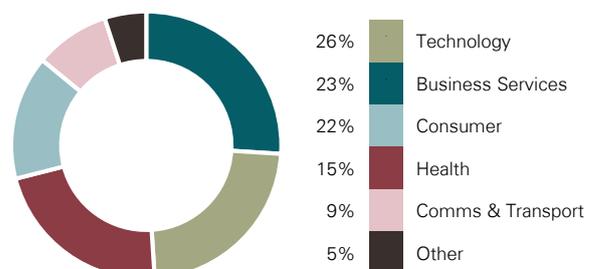
Investors should be aware that the value of portfolios can fall as well as rise and therefore there is a possibility of loss of the capital invested. Past performance should not be seen as an indication of future performance. This report relates only to clients who have invested in the IW&I AIM Portfolio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

Summer optimism in global markets largely gave way to uncertainty in September, and most indices fell as the headlines were dominated by negative Coronavirus news and the US presidential elections. US technology stocks suffered a significant reversal early in the month, dragging down other markets in their wake, and further restrictive measures to control the spread of the virus pushed out expectations of a return to something like normality. In the UK it was a case of 'all this, and Brexit too', as the FTSE All Share index posted a loss of 2.9% in the quarter, returning -19.9% for the calendar year to date. The average return on our portfolios in the 3 months to September was in positive territory at 2.0%, with the range between +6.8% and -2.6%, and for the year to date it was -13.9%. Gamma Communications and dotDigital posted particularly strong contributions, up 28% and 39% respectively, while Johnson Service was down 22% as more restrictions were imposed on its leisure industry customers. The AIM All Share index, driven again by the internet clothing retailers, continued to apparently defy both gravity and September's selloff as it added another 8.8% rise to the extraordinary bounce seen in Q2, and has now recovered Q1's 29% loss. Some recent comment has drawn comparisons between AIM's performance this year and that of the S&P 500 in the US, but in September it outperformed even the S&P. Over 12 months, on average our portfolios showed a small positive return at +0.7%, with a range between +9.8% and -9.0%, compared to the FTSE All Share at -16.6% and AIM at +11.1%. It was a busy quarter for company reporting as results delayed by lockdown difficulties became available, and whilst inevitably we saw falls in earnings and dividends passed, the cash raised from the market in the June quarter has meant that balance sheets are in good shape. We continue to believe that a policy of investing in robust, high quality AIM businesses provides 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	24.5
Average since 2002	17.1
Previous highest	25.0 (Q4 2019)
Lowest	6.3 (Q1 2009)
Average market capitalisation	£574m
Average dividend yield	1.04%
Plan funds under management	£553m
Estimated total return since inception in 2002	427%

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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