

# AIM Portfolio IHT Plan

## Q4 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.

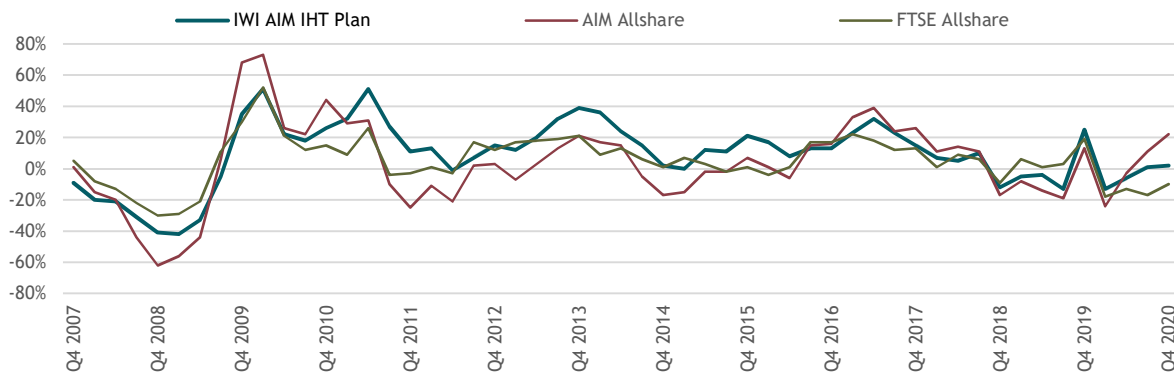
### Performance update

Index	10 years to 31-Dec-2020	5 years to 31-Dec-2020	3 years to 31-Dec-2020	1 year to 31-Dec-2020	3 months to 31-Dec-2020
AIM Portfolio IHT clients (note)	212.2%	43.4%	11.0%	1.6%	17.9%
FTSE AIM All Share (total return)	38.8%	67.1%	14.3%	21.7%	20.9%
FTSE All Share (total return)	71.9%	28.5%	-2.7%	-9.8%	12.6%

Source: Factset as at 31st December 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

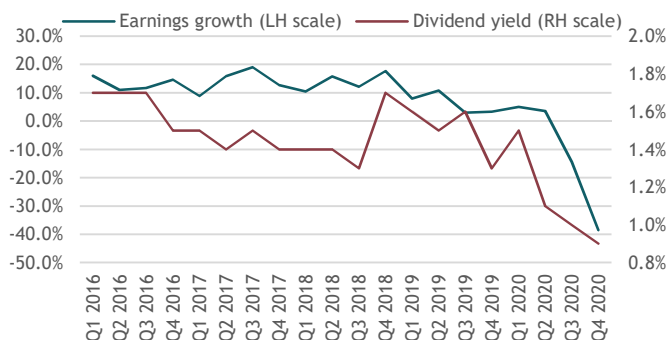
### Quarter on Quarter annual returns



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.

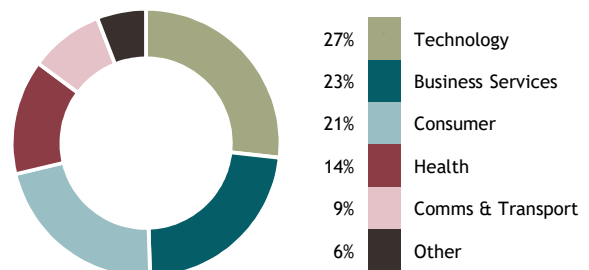
### Earnings growth and dividend yield



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

The volatility and drama of 2020 continued into the final quarter with positive vaccine news, the US election and a Brexit agreement at the end of the year contributing to a 'light at the end of the tunnel' mood among investors. Optimism was helped by the evident willingness of governments and central banks to continue supporting economies though the pandemic-induced downturn.

The average return on our portfolios in Q4 was a very pleasing 17.9% with a range between 24.3% and 13.1%. This enabled us to record a positive average return for 2020 of 1.6% with individual portfolios showing returns ranging from 12.7% to -8.1%. In the quarter, our strongest contributors to performance were once again 'digital' companies: Ideagen (software, +47%), YouGov (consumer data, +23%) and Keywords Studios (computer games, +31%). Most significant detractors were Iomart (server hosting, -10%), RWS (translation services, -5%) and Personal Group (employee benefits, -22%). Our best performing share, albeit one only held in larger portfolios, was that of Jet2, the holiday company, up 112% as it benefitted from both vaccine and Brexit news.

The AIM All Share index again put in an even stronger performance in Q4 by returning 20.9%, with the stand-out contributors (apart from Jet2) being loss-making hydrogen fuel cell companies. The perennial lockdown favourites, internet clothing retailers, saw share prices decline in the quarter but along with fuel cell developers, gold miners and computer games companies were significant drivers of AIM's 21.7% return over the year. The FTSE All Share index, in contrast, fell by 9.8% in 2020.

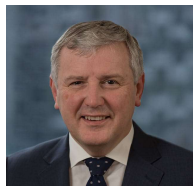
As investors look through the fall in company profits caused by the pandemic and factor in a recovery in earnings next year, valuations look anomalous in historic terms. However, record high average earnings multiples and low dividend yield across our portfolio revert to the historic range if analyst forecasts of recovering profits are taken into account. 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	33.1
Average since 2002	17.4
Average market capitalisation	£627m
Average dividend yield	0.87%
Plan funds under management	£652m
Estimated total return since inception in 2002	521%

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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