



AIM Portfolio IHT Plan Q1 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.

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.

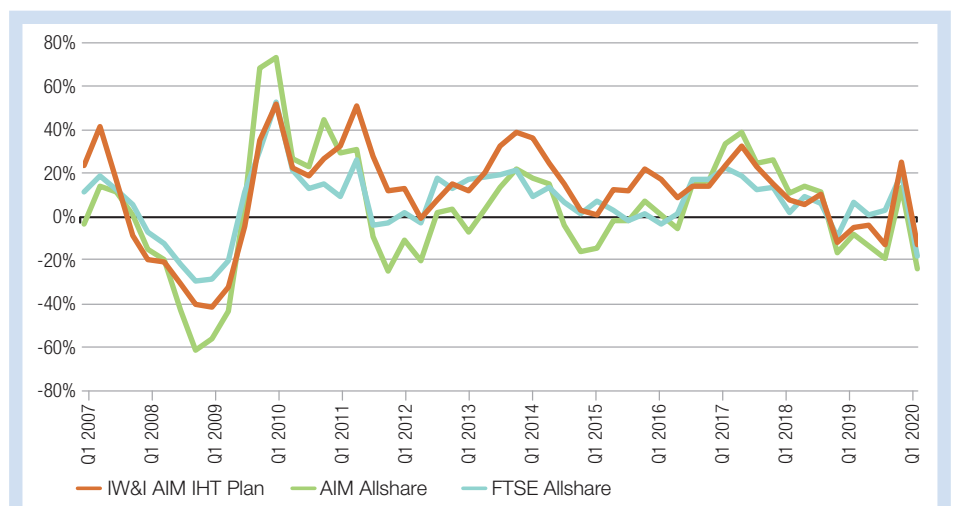
Performance update

Index	10 years to 31 Mar 2020	5 years to 31 Mar 2020	3 years to 31 Mar 2020	1 year to 31 Mar 2020	3 months 31 Mar 2020
AIM Portfolio IHT clients (note)	184.0%	26.6%	-11.4%	-13.1%	-25.6%
FTSE AIM All Share (total return)	8.8%	2.1%	-23.6%	-24.5%	-28.6%
FTSE All Share (total return)	53.6%	2.9%	-12.2%	-18.5%	-25.1%

Source: Factset as at 31 March 2020 and Investec Wealth & Investment Limited

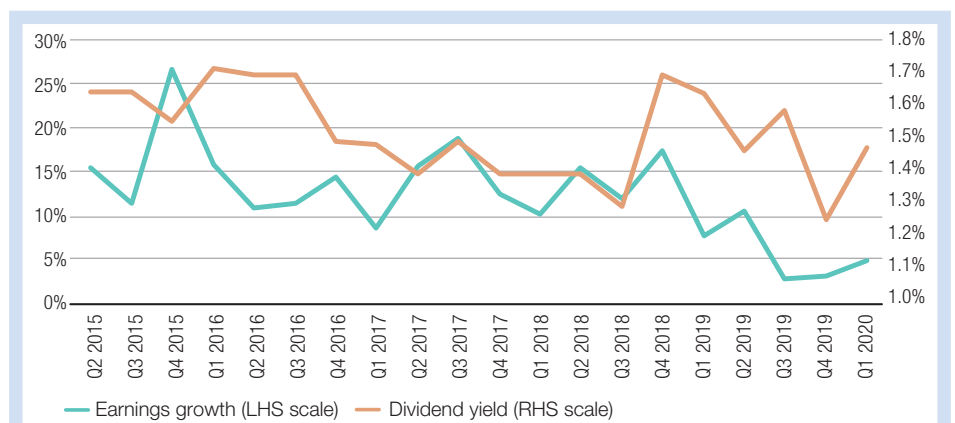
Note: Average total return on all active client portfolios calculated on the net initial investment after all IW&I initial and ongoing charges

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.

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.

The IW&I AIM Division is a dedicated team focused solely on investing AIM portfolios for clients. The team's investment managers have many years experience of the sector and we profile one of them each quarter.

Introducing

Adam Greaves

Investment Director

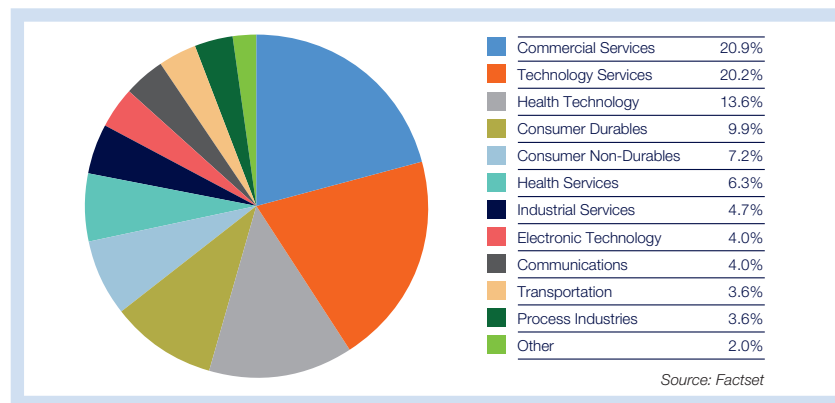


Background/ experience

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. As an Investment Manager, he was responsible for managing discretionary portfolios for private clients, trusts, charities and pension funds. He had a particular focus on working with intermediaries and developing business in the Middle East and Africa.

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.

Portfolio Sectors



Performance commentary

Whilst Brexit and the spending plans of the new UK government were uppermost in many investors' minds as we started the first quarter, these preoccupations were overwhelmed in late February as the devastating social, economic and personal effects of the COVID-19 pandemic became evident. On average our portfolios fell by 25.6% in the quarter, with a range between -17% and -30%. This was ahead of the comparator AIM All Share benchmark index at -28.6% and only slightly behind the FTSE All Share at -25.1%. A strong final quarter of 2019 helped to mitigate losses over 12 months, portfolios on average having fallen by 13.1% in the year to March (with a range between -7% and -20%), ahead of both the AIM All Share index at -24.5% and the FTSE All Share at -18.5%.

So the emphasis we place on balance sheet strength in the companies we invest in has stood us in good stead thus far in the current crisis, and although the quarterly loss our portfolios suffered between December and March is greater than any we saw in the financial crisis of 2008-9, there is reason to expect that if the coronavirus can be brought under control within a reasonable timeframe the recovery should be sharper than it was then. As an investment team we have been busy talking to management at our investee companies and assessing how each of them individually is positioned, not just in the light of the current difficulties but looking beyond that to prospects for recovery and future growth. We have lightened exposure to some companies in travel and leisure that are particularly challenged, but have also reshaped our Key List to emphasise other areas such as telecoms and infrastructure which we see as relatively well placed.

Whilst the exemption from 40% Inheritance Tax afforded by Business Relief on qualifying portfolios provides an element of cushioning from the worst of recent falls, we are acutely aware that financial uncertainty will be adding to the difficulties many are facing in these unprecedented circumstances. The priority for all of us now must be to look after ourselves and our loved ones and stay safe.

Some key performance statistics

Average portfolio company p/e ratio (31st March 2020)	18.5x
Average since 2002	17.0x
Highest	25.0x (Q4 2019)
Lowest	6.3x (Q1 2009)
Average market capitalisation	£403m
Average dividend yield (historic)	1.48%
Plan funds under management	£479m
Estimated total return since inception in 2002	355%

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