

Puma AIM Inheritance Tax Service Q1 2016 Quarterly Report



PUMA AIM
INHERITANCE
TAX SERVICE
Calculated Excellence

AVAILABLE IN ISAS

Investment Director's Quarterly Portfolio Review

In Q1 2016 the portfolio decreased by -3.14%, a +0.66% outperformance of the FTSE AIM All Share Index. Since inception in July 2014 the Investment Director's portfolio has increased by +32.73% net of management and dealing fees. This is a +42.23% outperformance of the FTSE AIM All Share Index.

The quarter was an erratic one with a very weak January for the portfolio followed by a better February and March, largely reflecting trends in the wider stock markets. Most companies in the portfolio provided some form of trading update with results being in line or better than market expectations. The leading decliner was motor retailer Vertu, which despite better than expected results suffered as it announced a placing to raise new money to fund future acquisitions. The best performer was pawnbroker H&T. Pleasingly, two companies in the portfolio also announced special dividends during the quarter. We made no changes to the portfolio during Q1.

We remain confident in the outlook for the Puma AIM IHT portfolio service.

Justin Waine
Investment Director

Discrete Performance in %

2016	Q1	Q2	Q3	Q4	YTD
Puma AIM IHT Portfolio Service	-3.14	-	-	-	-3.14
FTSE AIM All Share Index (AXX)	-3.80	-	-	-	-3.80
Relative Outperformance	+0.66	-	-	-	+0.66
2015	Q1	Q2	Q3	Q4	2015 Full Year
Puma AIM IHT Portfolio Service	+8.10	+7.88	+5.81	+6.05	+30.90
FTSE AIM All Share Index (AXX)	+2.01	+5.56	-4.07	+1.87	+5.23
Relative Outperformance	+6.09	+2.32	+9.88	+4.18	+25.67
2014	Q1	Q2	Q3	Q4	Since Inception
Puma AIM IHT Portfolio Service	-	-	+3.91	+0.81	+4.72
FTSE AIM All Share Index (AXX)	-	-	-4.41	-6.48	-10.60
Relative Outperformance	-	-	+8.32	+7.29	+15.32

Cumulative Performance in %

	3M	6M	9M	1Y	Since Inception
Puma AIM IHT Portfolio Service	-3.14	+2.73	+8.69	+17.26	+32.73
FTSE AIM All Share Index (AXX)	-3.80	-2.00	-5.99	-0.76	-9.50
Relative Outperformance	+0.66	+4.73	+14.68	+18.02	+42.23

All performance data is quoted net of management and dealing fees.

A discretionary portfolio service that seeks to deliver long-term growth while mitigating Inheritance Tax.

Performance Graph of the PUMA AIM IHT Portfolio



Portfolio's Top Ten Holdings

Company	% holding
Renew Holdings	7.61
Impellam	7.35
Safestyle UK	6.49
H&T	5.78
F W Thorpe	5.52
Patisserie Holding	5.48
Vertu	5.40
EMIS	5.23
Scapa Group	5.05
Advanced Medical Solutions	4.93
Total % of the portfolio	58.85
Total Holdings in portfolio = 20	

Spotlight on a portfolio holding

Summary

FW Thorpe

F W Thorpe is engaged in the design, manufacture and supply of professional lighting equipment.

Sector: Electronic and Electrical Equipment

Year Established: 1936

Price at the end of quarter: 212p

Market Capitalisation: £249m



Company Background

F W Thorpe has been family controlled and managed since it was established. Its core business is Thorlux lighting which provides luminaries for a number of sectors including commercial, industrial, education, healthcare and manufacturing. It has expanded through acquisitions over the years. The 2012 acquisition of Portland Lighting is performing well providing lighting for signs; it has the highest operating margin in the group. TRT lighting, the company's street and road tunnel lighting business is particularly interesting having gone from a start-up within the group to £4m of revenue and profitability. Recent acquisitions include stakes in European lighting companies Lightronics and Luxintec. F W Thorpe was listed for many years on the London Stock Exchange before moving to the AIM market in 2005 in part to take advantage of the tax benefits of an AIM listing.

Business Performance

In the last four financial years ending June 2015 revenue has increased by 32% to £73.5m and Operating profit has increased by 16%. This good growth masks an even stronger underlying trend with the growth in new LED lighting products which have increased from a negligible portion of sales to over 50% of the business in the last five years. F W Thorpe is clearly exposed to the strength of the UK and European and recent signs of strength in commercial and retail fit out should also be positive.

Our Conclusions

As stated in the Investment Policy, we look at companies through the prism of three factors; quality, growth and valuation. While we aim to buy high quality, high growth businesses on a low valuation this is not always achievable and most investment decisions involve a trade-off between these three factors.

1. Quality: F W Thorpe meets many of our criteria for quality with a strong market position in the UK, a well-known group of brands and a long operating history. Operating margins are high exceeding 18% in each of the last four years. Post tax returns on capital are strong at over 18% in the last four years. The company clearly creates economic value. Profits are matched with cash conversion and the F W Thorpe has generated free cash flow in each of the last four years. The balance sheet is solidly net cash and the company has shown willingness to invest this cash in bolt on acquisitions and to pay out truly excess cash in the form of special dividends.

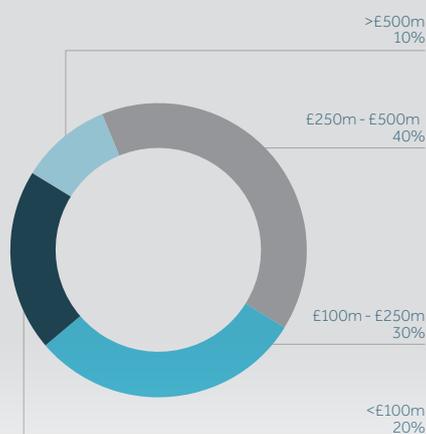
2. Growth: F W Thorpe has a long track record of growing the business both organically and through acquisitions. The recent shift to LED from traditional light bulbs shows the potential for strong and we would expect the company to benefit from this over time. The company has also demonstrated the potential to grow by acquisition as demonstrated by the recent acquisition of a majority holding in Netherlands based Lightronics and a 40% stake in Spanish company Luxintec.

3. Valuation: F W Thorpe has been in the Puma AIM IHT portfolio since inception and has provided very attractive returns over that period. The company currently trades on 15x Enterprise Value / Net Operating Profit after Tax for the year to June 2017, which we think is still a fair valuation for a high quality, cash generative business. The company has a good track record of dividend payments including frequent special dividends such as the one announced with the recent interim results.

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Portfolio Companies by Market Cap

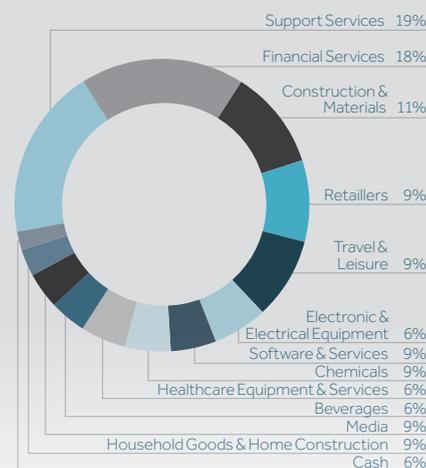
% of portfolio



Source: Puma Investments

Portfolio Companies by Sector

% of portfolio



Source: Puma Investments

Overview of the service

Portfolio Service: A discretionary portfolio service that seeks to deliver long term growth focusing on quality companies listed on AIM.

Inheritance Tax: It is intended that investors will benefit from relief from Inheritance Tax provided investments are held for at least 2 years prior to and at the point of death.

Subscription Amount: Minimum subscription of £15,000 with no maximum.

Available in ISAs: Whilst ISAs are extremely tax efficient during the holder's lifetime, upon death ISA balances may be subject to a 40% IHT liability. Investing in a portfolio of qualifying AIM stocks allows holders to mitigate Inheritance Tax while still retaining the benefits of an ISA.

A Focused Investment Strategy

Manager: Puma Investments is part of Shore Capital, an AIM listed company itself, with a 30 year history. The team is led by Justin Waine, an Investment Director with 16 years of experience specialising in small and mid-cap companies.

Quality Companies: We seek to invest in quality companies with strong margins, good returns and a track record of cash generation.

Research Driven: We select companies on strict valuation criteria with a focus on capital preservation. Our approach is research driven with detailed financial analysis.

Portfolio Construction: Targeting approximately 20 companies with market capitalisations in excess of £50 million and low portfolio turnover.

Investment Director



Justin Waine
Investment Director

Justin graduated from Oxford with a degree in PPE. He joined Cazenove & Co as a sell side research analyst responsible for small and mid-sized companies.

In 2003, Justin joined Polar Capital Partners as a fund Manager on European Funds. This included managing a significant portion of the award-winning European Forager Fund; an absolute return fund focused on Pan-European small and mid-sized companies. Justin was responsible for investment across the whole of Europe, but predominantly focused on the UK, Germany and Switzerland, including companies listed on AIM.

Justin was recently named MoneyWeek's Top 3 Tipster of 2015.

Fees and Expenses

Initial Fee		Annual Management Fee	
Less than £500k	2%	Less than £500k	1.5%
At least £500k but less than £1m	1.5%	At least £500k but less than £1m	1.25%
£1m or more	1%	£1m or more	1%

Dealing Fee

A 1% dealing charge shall be applied to the purchase or sale of all stocks in the portfolio.

Note: Your capital may be at risk and past performance is no guide to future results. Please note the risk factors on the last page.

FOCUS ON CAPITAL PRESERVATION

INVESTMENTS SELECTED ON STRICT VALUATION CRITERIA WITH A FOCUS ON CAPITAL PRESERVATION

NATIONAL COVERAGE

NETWORK OF FIVE OFFICES INCLUDING LONDON, LIVERPOOL AND EDINBURGH

EXPERIENCED TEAM

MULTI-DISCIPLINARY TEAM OF INVESTMENT PROFESSIONALS

30 YEAR HISTORY

PUMA INVESTMENTS IS PART OF THE SHORE CAPITAL GROUP ESTABLISHED IN 1985

Shore Capital – Experts in AIM

Long History: Shore Capital has been active on AIM since its inception as both broker and corporate finance adviser to companies listed on AIM.

Market-Making: Shore Capital makes a market in 1,200 stocks and is the third largest market-maker on AIM by both value and volume of stocks.

Research: Shore Capital's highly regarded research team produce research on a wide range of AIM listed companies.

Part of the Shore Capital Group

 **SHORE CAPITAL**
EXCELLENCE INTEGRATED

Risk Factors

An investment in the Service carries risk and may not be suitable for all Investors. Investors can only invest in the Service through a Financial Adviser who has assessed that an investment in the Service is suitable.

Past Performance: Past performance is no indication of future results and share prices and their values can go down as well as up.

Tax Reliefs are not Guaranteed: Tax reliefs depend on individuals' personal circumstances, minimum holding periods and may be subject to change. We are confident in our ability to identify potential BPR qualifying businesses and we have engaged PriceWaterhouseCoopers to carry out a review of the investments made by the Service in order to advise whether these are likely to be eligible for BPR in full or at all. While PriceWaterhouseCoopers will also carry out an annual review of the portfolio, we can't guarantee that all portfolio investments will qualify for BPR.

You May Lose Money: An investment in smaller companies is likely to be higher risk than other investments. Investors' capital may be at risk and Investors may get back less than their original investment.

Long-Term Investment: An investment in the Service should be considered a long-term investment.

Potentially Illiquid Investment: AIM stocks are largely small and illiquid. They are characterised by significant spreads and low trading volumes. It may prove difficult for Investors to realise immediately or in full proceeds from the sale of such shares.

Disclaimer

All performance figures shown in this quarterly factsheet are reported after deduction of Puma Investments' management fees and dealing fees. The figures reflect the performance of the Investment Director's own portfolio and as such reflect the investment of real money in the Service. All data is correct as of 31 March 2016.

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