

# Puma AIM Inheritance Tax Service Q2 2015 Quarterly Report



PUMA AIM  
INHERITANCE  
TAX SERVICE  
Calculated Excellence

AVAILABLE IN ISAS

## Background to the PUMA AIM Inheritance Tax Service

Puma AIM offers a discretionary portfolio service that seeks to deliver long-term growth while mitigating Inheritance Tax. It aims to mitigate Inheritance Tax by the use of Business Property Relief (BPR), which takes effect after just two years from the acquisition of qualifying AIM stocks.

We focus on investing in quality companies with strong margins, good returns and a track record of cash generation. We select companies on strict valuation criteria with a focus on capital preservation. We seek to invest in companies which can deliver solid long term growth. Our approach is research driven and we only select investments after intensive financial and business analysis.

## Investment Director's Quarterly Portfolio Review

On the anniversary of the launch of the Puma AIM IHT Portfolio Service we are pleased to report that in our first year the Investment Director's portfolio increased by +22.11% net of management and dealing fees. This is a +25.85% outperformance of the FTSE AIM All Share Index. In Q2 2015 the portfolio increased by +7.88%, a +2.32% outperformance of the FTSE AIM All Share Index.

Since launch in July 2014 our portfolio turnover has been low at 24%. We have sold five positions entirely and reduced our holding in one more. Of the sales three were at a profit. James Halstead and Restore we sold when they reached our price target; Optimal Payments we sold as we expect it will soon no longer qualify for Business Property Relief. We sold Prezzo at a small loss when it was taken over. Finally we disposed of Stanley Gibbons at a more significant loss, following weak operational performance. We are currently 97% invested in AIM listed companies with the remainder representing a small cash position. We remain confident in the outlook for the Puma AIM IHT portfolio service.

**Justin Waine**  
Investment Director

## Discrete Investment Performance in %

2015	Q1	Q2	Q3	Q4	YTD
Puma AIM IHT Portfolio Service	+8.10	+7.88	-	-	+16.61
FTSE AIM All Share Index (AXX)	+2.01	+5.56	-	-	+7.68
Relative Outperformance	+6.09	+2.32	-	-	+8.93
2014	Q1	Q2	Q3	Q4	YTD
Puma AIM IHT Portfolio Service	-	-	+3.91	+0.81	+4.72

## Cumulative Performance in %

	3M	6M	9M	1Y	Since Inception
Puma AIM IHT Portfolio Service	+7.88	+16.61	+17.52	+22.11	+22.11
FTSE AIM All Share Index (AXX)	+5.56	+7.68	+0.70	-3.74	-3.74
Relative Outperformance	+2.32	+8.93	+16.82	+25.85	+25.85

Monthly Performance Graph  
of the PUMA AIM IHT Portfolio

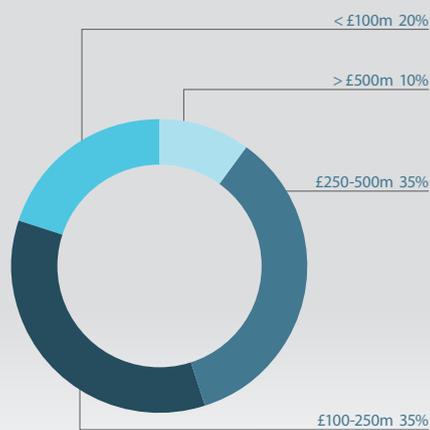


Source: Puma Investments, FTSE International

## Portfolio's Top Ten Holdings

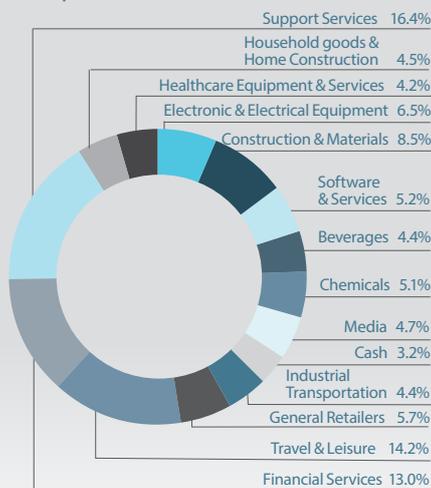
Company	% holding
Impellam	6.86
FW Thorpe	6.48
Renew Holdings	6.26
Vertu Motors	5.74
GVC Holding	5.59
H&T Group	5.55
EMIS	5.15
Patisserie Holding	5.14
Safestyle UK	5.12
Scapa Group	5.12
Total % of the portfolio	<b>57.00</b>
Total Holdings in portfolio = 20	

### Portfolio Companies by Market Cap % of portfolio



Source: Puma Investments

### Portfolio Companies by Sector % of portfolio



Source: Puma Investments

## Spotlight on a portfolio holding

### Summary

#### Renew Holdings plc

Renew Holdings is an Engineering Services business focussed on UK Infrastructure

**Sector:** Support Services

**Year Established:** 1786

**Price at the end of quarter:** 301.5p

**Market Capitalisation:** £188.7m



### Company Background

The company was founded as Y J Lovell in 1786. In the 1990s and 2000s the company reorganised its activities substantially, selling various businesses and acquiring Allenbuild, Britannia Construction, VHE and Shepley Engineers. This created the core of the business as it exists today. In 2005 the company was renamed Renew Holdings plc. Since then the company has focused on developing the Engineering Services part of the business through organic growth and acquisitions.

### Business Performance

Renew Holdings' major business is Engineering Services accounting for 82% of the business with Specialist Building accounting for the remaining 18% of revenue. Engineering Services is an infrastructure maintenance and construction business whilst Specialist Building provides fit-out and refurbishment of high quality private residential projects in London and South East England. Group sales have increased 38% from £337m to £464m driven by a combination of acquisitions and organic growth. EBIT has increased 47% from £10.3m to £14.2m. In the key Engineering Services business the growth has been faster with sales increasing by 79% over the same period.

### The Market

The company's largest business is Engineering Services which focuses on three areas Energy, Environmental and Infrastructure. Energy operations include nuclear decommissioning, supporting traditional and renewable energy facilities, gas distribution network asset maintenance, replacement and installation. Environmental services include maintaining strategic water mains and main drainage; as well as maintaining the clean and waste water rehabilitation infrastructure. Environmental includes flood and sea defences, and soil and groundwater remediation. Infrastructure comprises activities focused on rail such as off-track asset renewal and maintenance, tunnel and shaft refurbishment. Included in this unit are businesses focused on wireless telecoms installations. The Engineering Services markets are highly regulated with high barriers to entry. Much of the work is essential maintenance and renewal which cannot be avoided. Customers are generally large and well financed.

### 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:** Renew Holdings is a leading operator in a high regulated market niche. EBIT margins while low are above those you would expect in the construction industry and reflect the more specialised and essential nature of the work being performed. The company has generated free-cash flow in each of the last three years. Post-tax return on capital employed is high and expected to remain so due to the capital light nature of the business. Net debt is low at 1.2x EBITDA for the year ending 30th September 2014. Based on current levels of cash generation the company will be net cash in two years.

**2. Growth:** In Energy the company expects to benefit from the £3bn per annum nuclear decommissioning programme and the £60bn of expected new nuclear investment. In addition demand for renewables is expected to be strong as the government is targeting 15% of energy from renewables by 2020. Environmental opportunities include a £3.2bn investment programme for Northumbrian, Wessex and Welsh Water. The government is also investing £2.3bn in new coastal and river flood defences. In Infrastructure the company expects to benefit from the £38bn that Network Rail plans to spend in the period to March 2019.

**3. Valuation:** Based on our analysis we believe Renew Holdings trades at a significant discount to our estimate of fair value. The company trades on 15x EV/NOPLAT for the year to September 2015, falling to 12x EV/NOPLAT the following year. This is driven by strong top line growth and a modest improvement in EBIT margins. Free-cash generation is strong with a free-cash yield of 7% expected in 2015.

*This report is a non-independent marketing communication. This report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on the dealing ahead of the dissemination of investment research.*

## 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.

## 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.

## 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

**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.

## 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.

## 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.

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