

# Puma AIM Inheritance Tax Service Q1 2018 Quarterly Report

**P**  
PUMA AIM  
INHERITANCE  
TAX SERVICE  
Calculated Excellence

AVAILABLE IN ISAs

**£15,000**  
minimum subscription

## Award Winning

**GROWTH INVESTOR 2017** | AWARDS  
**WINNER**  
BEST AIM INVESTMENT MANAGER

**GROWTH INVESTOR 2016** | AWARDS  
**WINNER**  
BEST AIM INVESTMENT MANAGER

**INVESTMENT WEEK**  
**TAX EFFICIENCY AWARDS 2017/18**  
**WINNER**  
Tax-Efficient Group of the Year

## Overview of the service

### Portfolio Service

An award winning discretionary portfolio service that seeks to deliver long term growth focusing on quality companies quoted 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

Investing in a portfolio of qualifying AIM stocks allows holders to mitigate Inheritance Tax while still retaining the benefits of an ISA.

**Launch date: 01.07.2014**

## Risk Factors

An investment in the Service carries risk and may not be suitable for all Investors. Investors should refer to the Investment Details and Client Agreement, copies of which are available on [pumainvestments.co.uk](http://pumainvestments.co.uk). Below are the key risks of the Service:

- Past performance is not a guarantee of future performance
- Tax reliefs are not guaranteed
- You may lose money
- Long-term investment
- Potentially illiquid investment

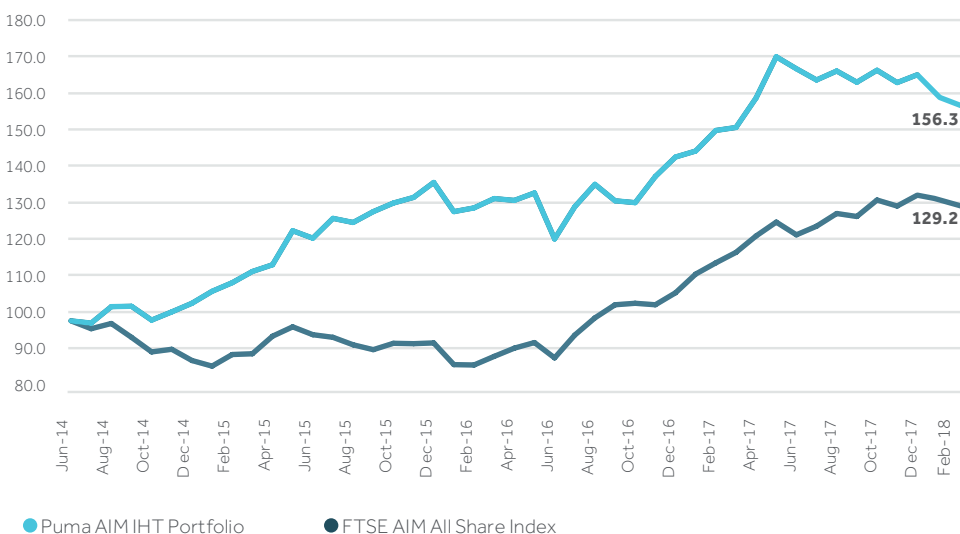
## Investment Director's Quarterly Portfolio Review

In Q1 2018 the portfolio decreased by -5.69%, a -2.33% underperformance of the FTSE AIM All Share Index. Since inception in July 2014 the portfolio has increased by +56.33% net of management and dealing fees. This is a +27.17% outperformance of the FTSE AIM All Share Index in the same period.

Investors will be aware that Q1 2018 has been a tough one for investors in the UK equity market (FTSE All Share), which declined by -7.76% during the period. The AIM market (FTSE AIM All Share Index) performed better, only decreasing by -3.36%. AIM was helped by a strong performance in January by high growth companies, which we have avoided on valuation grounds, and also during this quarter by some AIM constituents that do not qualify for Business Relief, which we cannot own. The Puma AIM IHT portfolio underperformed the AIM market, but comfortably outperformed the broader UK market. During the quarter we sold out of Conviviality following its poor trading update, and replaced it with a holding in Strix which we discuss in our stock comment. We remain confident in the outlook for the Service.

**Justin Waive, Investment Director**

## Performance Graph of the Puma AIM IHT Portfolio



Past performance is no guarantee of future results.

Source: Puma Investments, FTSE International

## Cumulative Performance %

	3M	1Y	2Y	3Y	Since Inception
PUMA AIM IHT Portfolio Service	-5.69	+3.03	+17.78	+38.11	+56.33
FTSE AIM All Share Index (AXX)	-3.36	+9.14	+42.71	+41.63	+29.15
Relative Outperformance	-2.33	-6.11	-24.93	-3.52	+27.17

## Discrete investment performance %

	2018	2017	2016	2015	2014 <sup>1</sup>	CAGR <sup>2</sup>
PUMA AIM IHT Portfolio Service	-5.69	+15.23	+4.98	+30.90	+4.72	+12.67
FTSE AIM All Share Index (AXX)	-3.36	+24.30	+14.29	+5.23	-10.60	+7.07
Relative Outperformance	-2.33	-9.07	-9.31	+25.67	+15.32	+5.60

<sup>1</sup> Since 1st July 2014

<sup>2</sup> Compound Annual Growth Rate

All performance data is quoted net of management and dealing fees, and applies to the Investment Director's portfolio. Small variations in performance may apply as each individual investor has their own discreet portfolio of assets.

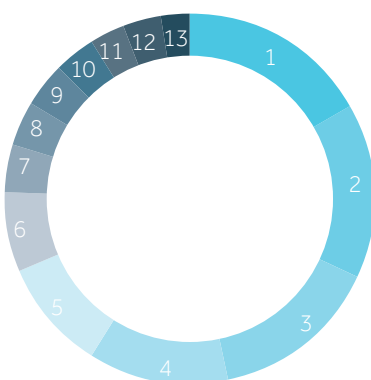
## Portfolio's Top Ten Holdings

Company	% holding
H&T	7.64%
Focusrite	7.54%
Scapa Group	7.08%
Thorpe FW	7.04%
NWF Group	6.61%
Renew Holdings	6.17%
Judges Scientific	5.32%
Patisserie Holding	4.83%
Breedon Group	4.36%
Impellam	4.10%
<b>Total % of the portfolio</b>	<b>60.69%</b>

**Total Holdings in portfolio** 21

## Portfolio Companies by Sector

% of portfolio



1	Support Services	16.88%
2	Electronic & Electrical Equipment	15.16%
3	Financial Services	14.69%
4	Travel & Leisure	12.37%
5	Construction & Materials	9.59%
6	Chemicals	7.08%
7	Media	4.09%
8	Beverages	3.89%
9	Healthcare Equipment & Services	3.83%
10	Software & Services	3.54%
11	Household Goods & Home Construction	3.31%
12	Retailers	3.13%
13	Cash	2.44%

## Spotlight on a portfolio holding

### Strix

Strix is a global leader in design, manufacture and supply of kettle safety controls.

#### Company background and performance

Strix was established in 1982 on the Isle of Man, and was initially focused on designing and manufacturing thermostatic controls for small domestic appliances. Strix developed and patented a key kettle safety control product which led to it becoming the leading global manufacturer of safety controls for kettles. Strix's core products are kettle safety controls, which disconnect the power to the heating element when either water has boiled, operated with no water present, or in some products when the kettle is lifted off its base. The company has a portfolio of over 150 patents. The company's market share varies, in highly regulated markets it is 61%, in China it is over 50%, in less regulated markets it is 18%.

#### 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.

**Quality:** Strix is a niche manufacturing business with a patent protected dominant position in its market. Strix is a high margin business with operating margins around 30%. Returns on capital employed are clearly above the cost of capital. The business is highly cash generative and has reduced its net debt since it joined the AIM to a level that we are now comfortable with.

**Growth:** Given the nature of its product and its high market share we expect Strix's levels of organic growth to be modest. We do expect Strix to benefit over time from the increase in safety standards in less regulated markets, which favours its products. There are also possibilities for growth in related areas requiring thermostatic controls.

**Valuation:** Based on Puma Investments' internal estimates Strix is trading on 9.0x Enterprise Value/Net operating profit after tax for 2018, falling to 7.9x Enterprise Value/Net operating profit after tax for 2019. We expect continued strong free-cash generation with a double digit free-cash yield going forward. The company already pays a healthy 3% dividend, and we believe this could increase considerably over the coming years.



**Established**  
1982

**Sector**  
Electronic and  
Electrical  
Equipment

**Price at end of  
quarter**  
**130p**

**Market  
capitalisation**  
**£247m**

## Investment Director

Justin Waine



Justin Waine joined Puma Investments in June 2014 and has run the Puma AIM Inheritance Tax Service since inception. Prior to that he worked as a fund manager at Polar Capital and an analyst at Cazenove. He has 18 years' experience of analysing small and mid-sized companies.

## Access through Adviser Platforms

Professional Financial Advisers can access the Puma AIM IHT Service via the following Wrap Platforms:



## Fees and Expenses

	Direct with Puma	Through a platform <sup>2</sup>
<b>Initial fee</b>	1% (of amount subscribed)	No initial fee charged to investors accessing the service through a Platform
<b>Annual management fee</b>	1.25% + VAT (of portfolio value)	1.25% + VAT (of portfolio value) <sup>1</sup>
<b>Dealing fee</b>	1% (applied to purchase or sale of stocks)	Platform and dealing fees may vary across Platforms

<sup>1</sup> Fees may be adjustable to the closest value to reflect the relevant Platform's rounding up policy.

<sup>2</sup> Other Platform fees may apply.



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GROUP

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