

Puma AIM Inheritance Tax Service Q2 2016 Quarterly Report



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TAX SERVICE
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Investment Director's Quarterly Portfolio Review

This quarter marks the 2 year anniversary of the Puma AIM IHT Service and we are delighted to report that over 2 years the portfolio has increased by +21.91% net of management and dealing fees. This is a +31.77% outperformance of the FTSE AIM All Share Index in the same period. In the first half of 2016 the portfolio decreased by -11.03%, a -4.19% underperformance of the FTSE AIM ALL Share Index.

Q2 has been a tough quarter for the portfolio and June was a particularly difficult month. The result of the EU referendum has resulted in wild gyrations in markets globally. Sectors exposed to large ticket purchases such as housing and cars were impacted. This affected our shareholdings in companies such as Telford Homes (housebuilder), and Vertu (motor retailer). A number of companies in the portfolio did deliver positive returns during the quarter with pawnbrokers H&T Group returning a positive performance in June as the gold price rose. During the quarter the decision was taken to sell our position in Mattioli Woods, which had reached our estimate of fair value. This was replaced with Judges Scientific, which meets our investment criteria. We took advantage of share price weakness resulting from poor order intake to add to client portfolios.

The impact of Brexit will take some time to become clear and will depend very much on the reaction of consumer and companies to the referendum result. We would note that while the FTSE 100 has bounced back following the referendum the more domestically focused FTSE 250 is trading below its level prior to the vote. We believe that the portfolio comprises quality companies with strong balance sheets on attractive valuations and remain confident in the outlook for the Puma AIM IHT portfolio service.

Justin Waine
Investment Director

Cumulative Performance in %

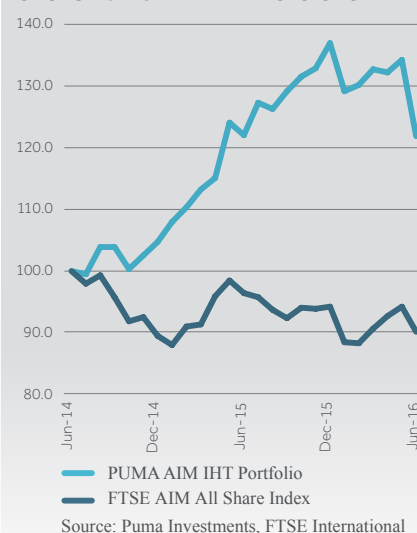
	3M	6M	1Y	2Y	Since Inception
PUMA AIM IHT Portfolio Service	-8.15	-11.03	-0.17	+21.91	+21.91
FTSE AIM All Share Index (AXX)	-0.41	-4.19	-6.37	-9.87	-9.87
Relative Outperformance	-7.74	-6.84	+6.20	+31.77	+31.77

Discrete Performance in %

2016	Q1	Q2	Q3	Q4	YTD
PUMA AIM IHT Portfolio Service	-3.14	-8.15	-	-	-11.03
FTSE AIM All Share Index (AXX)	-3.80	-0.41	-	-	-4.19
Relative Outperformance	+0.66	-7.74	-	-	-6.84
2015	Q1	Q2	Q3	Q4	YTD
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	YTD
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

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

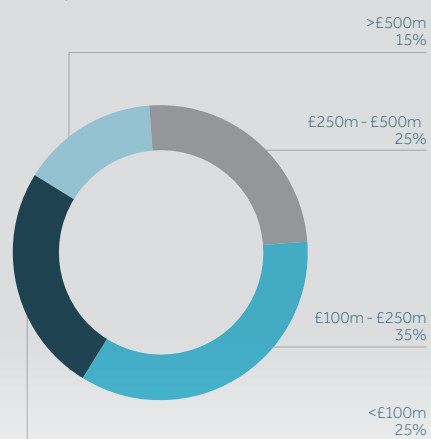
Performance Graph of the Puma AIM IHT Portfolio



Portfolio's Top Ten Holdings

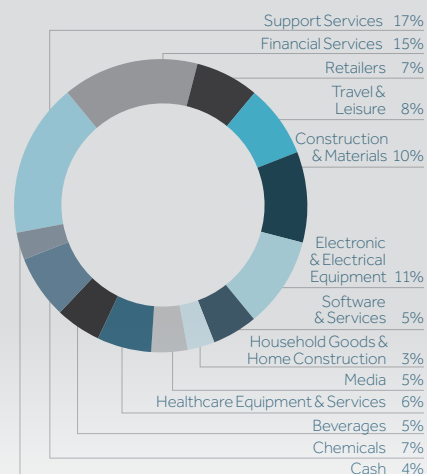
Company	% holding
H&T	7.18%
Renew Holdings	6.88%
Scapa Group	6.70%
Thorpe FW	6.34%
Impellam	5.99%
Advanced Medical Solutions	5.77%
Safestyle UK	5.69%
EMIS	5.16%
Nichols	4.77%
Patisserie Holding	4.70%
Total % of the portfolio	59.18%
Total Holdings in portfolio = 20	

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

Park Group

Park Group is one of the UK's leading multi-retailer voucher and pre-paid gift card businesses.

Sector: Financial Services

Year Established: 1967

Price at the end of quarter: 62.25p

Market Capitalisation: £117m



Company Background

Park Group started in 1967 when Peter Johnson's family butchers decided to provide a Christmas hamper scheme. Each week the customer would save a small amount of money with Park who at Christmas would provide the food required for Christmas dinner. This allowed people to put aside the money for the festive period but remove the temptation to raid the kitty if times were tough. Over the years the Park Hamper business has become voucher based, with customers saving weekly to buy vouchers which can be used in over 20,000 high streets stores. The company also diversified into other related areas. The Consumer division includes the Christmas savings club with its vouchers sold under the Love2Shop brand and Highstreetvouchers.com which sells gift cards and vouchers for a variety of retailers including the Love2Shop brand.

The company also operates a Corporate division, again using the Love2Shop brand. It is one of the leading providers of reward solutions to UK companies. This allows companies to reward staff or customers with vouchers for loyalty or promotional purposes. Having already been listed on the main market of the London Stock Exchange the company joined the AIM in 2007.

Business Performance

In the last four financial years Park Group has grown by 8% from £279m to £303m. This has been driven by the growth of the Corporate business over the period which has increased by 35%, this has been offset by a 6% decline in the larger Consumer business. Earnings Before Interest and Tax has increased over the same period by 39%. This strong growth in profitability reflects both the underlying growth in the business and a change in the business mix towards the higher margin Corporate division.

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: Park Group has an excellent collection of brands including Park, Highstreetvouchers.com and Love2Shop. The company has good and improving margins. Returns on capital are strong. Park Group has generated free-cash flow in each of the last four years with particularly high rates of conversion of profit to cashflow. In two of the last four years free-cash generation has even marginally exceeded the level of profits. The company also has a strong balance sheet with net cash of £31m at the end of March 2016.

2. Growth: Park Group has a long track record of growing its business organically and using the cashflow from its Christmas savings club business to diversifying into other areas. Highstreetvouchers.com and Love2Shop are strongly growing businesses compared to the more stable Park Christmas Savings business. We would expect the blended business to achieve top-line growth of mid-single digits per annum over the next five years.

3. Valuation: Based on our own estimates Park Group is trading on 11x Price/Earnings for the year ending 31st March 2017. In terms of Enterprise Value to Net Operating Profit for 2017 the company is trading on 9x. Free-cash generation for the business is very strong and it trades on a free-cash yield of 10% for 2017 which we expect to rise in subsequent years. The expected dividend yield for 2017 is 4.7%.

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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 30 June 2016.

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