

# Puma AIM Inheritance Tax Service Q3 2016 Quarterly Report



PUMA AIM  
INHERITANCE  
TAX SERVICE  
Calculated Excellence

AVAILABLE IN ISAS

## Investment Director's Quarterly Portfolio Review

Since inception in July 2014 the Investment Director's portfolio has increased by +32.15% net of management and dealing fees. This is a +27.86% outperformance of the FTSE AIM All Share Index in the same period. In Q3 2016 the portfolio increased by +8.40%, a -7.31% underperformance of the FTSE AIM All Share Index.

Q3 was a much improved quarter as the markets recovered from the shock of the EU referendum result. The recovery has been broad based; though it has favoured larger companies with significant foreign currency earnings which have benefited most from the decline in the value of the pound. This currency decline has helped portfolio companies such as Advanced Medical Solutions which have significant foreign earnings. Portfolio companies predominantly exposed to the UK and to large ticket purchases have recovered more slowly and remain below their pre-referendum prices.

During the quarter most portfolio companies made some comment on trading or published results. This includes better than expected results from Impellam, Advanced Medical Solutions and Safestyle UK. We have made no changes to the portfolio in the quarter. 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

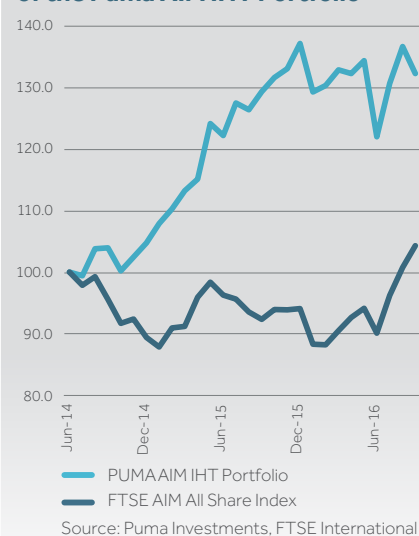
## Cumulative Performance in %

	3M	6M	1Y	2Y	Since Inception
PUMA AIM IHT Portfolio Service	+8.40	-0.44	+2.28	+27.18	<b>+32.15</b>
FTSE AIM All Share Index (AXX)	+15.71	+15.24	+12.94	+9.10	<b>+4.29</b>
Relative Outperformance	-7.31	-15.68	-10.66	+18.08	<b>+27.86</b>

## Discrete Performance in %

2016	Q1	Q2	Q3	Q4	YTD
PUMA AIM IHT Portfolio Service	-3.14	-8.15	+8.40	-	-3.56
FTSE AIM All Share Index (AXX)	-3.80	-0.41	+15.71	-	+10.86
Relative Outperformance	+0.66	-7.74	-7.31	-	-14.42
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

## Performance Graph of the Puma AIM IHT Portfolio



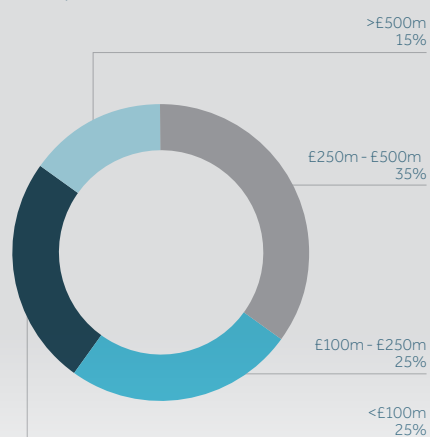
All performance data is quoted net of management and dealing fees.

## Portfolio's Top Ten Holdings

Company	% holding
Renew Holdings	7.06%
Impellam	6.55%
F W Thorpe	6.48%
Safestyle UK	6.38%
Scapa Group	6.38%
Advanced Medical Solutions	6.23%
H&T Group	6.11%
EMIS	4.85%
Patisserie Holding	4.67%
Breedon Aggregates	4.61%
<b>Total % of the portfolio</b>	<b>59.33%</b>
<b>Total Holdings in portfolio = 20</b>	

## Portfolio Companies by Market Cap

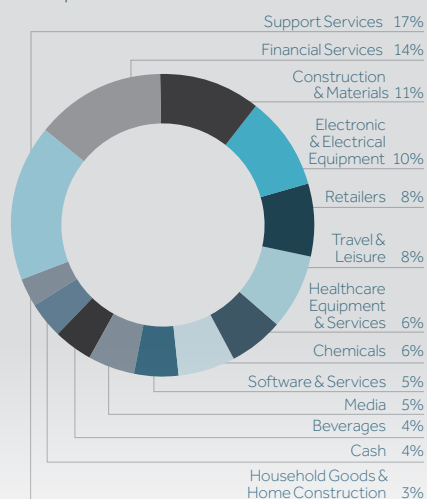
% of portfolio



Source: Puma Investments

## Portfolio Companies by Sector

% of portfolio



Source: Puma Investments

## Spotlight on a portfolio holding

### Summary

#### Nichols

Nichols is a UK leading soft drink and catering company.

**Sector:** Beverages

**Year Established:** 1908

**Price at the end of quarter:** 1,397p

**Market Capitalisation:** £515m



### Company Background

In Manchester in 1908 chemist John Nichols created the drink Vimto short for "Vim Tonic". The fruit juice based cordial was originally created as a herbal tonic to give drinkers "Vim and Vigour". The company expanded rapidly until the Second World War when it was forced to suspend production due to sugar rationing. In 1947 the Vimto brand was reintroduced with full production being launched again in 1953 with the end of sugar rationing. The company joined the London Stock Exchange in 1961, transferring to the AIM in 2004. The company has a long track record of growing by acquisition with the most recent acquisitions of Noisy Drinks and Feel Good in 2015.

Nichols is engaged in the supply of soft drinks to the retail, wholesale, catering, licensed and leisure industries. The group sells its product in over 70 countries. Drinks include still and carbonated as well as sugar and sugar free options. Nichols iconic brand is Vimto which is particularly popular in the UK, Middle East and Africa. Other brands include Feel Good, Panda, Starslush, Levi Roots and Sunkist.

### Business Performance

The Earnings before Interest and Tax has grown from £20.5m in 2012 to £27.8m in 2015. The post-tax return on capital employed has exceeded by 27% in each of the last four years, Nichols has produced free-cash flow in each of the last four years.

### 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:** Nichols has a strong collection of brands. These brands inspire a significant customer loyalty, creating a material barrier to entry. While there are a number of competitors in the drinks market with new brands being established all the time the strength of long established brands makes it hard for new entrants. This allows market participants to earn high margins and high returns on capital. This combined with the asset light nature of Nichols's business model means significant creation of economic value and excellent cash generation. The company has a strong net cash balance sheet. The company remains a family business with members of the Nichols family and management owning a significant stake in the business.

**2. Growth:** We expect the company to continue to grow its business going forward. 2016 will benefit from the recent acquisitions. Beyond 2016 we would expect growth of around 5% per annum going forward. Given the considerable cash pile we would expect the company to add further bolt-on acquisitions to grow the business.

**3. Valuation:** Based on our own estimates Nichols is trading on 20x Price/Earnings for the year ending 31st December 2017. In terms of Enterprise Value to Net Operating Profit for 2017 the company is trading on 18x. Free-cash generation for the business is very strong and it trades on a free-cash yield of 5% for 2017 which we expect to rise in subsequent years. The expected dividend yield for 2017 is 2.0%.

*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 Waive, an Investment Director with 18 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 Waive**  
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 named MoneyWeek's Top 3 Tipster of 2015.

## Fees and Expenses

Initial Fee

1%

Annual Management Fee

1.25%<sup>+VAT</sup>

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.

**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 September 2016.

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