

Puma AIM Inheritance Tax Service Q4 2014 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

During the last quarter of 2014 the portfolio increased by +0.81% after management fees and dealing charges compared to a -6.48% decline in the FTSE AIM All Share Index. This is a +7.29% outperformance of the market during the quarter, and a +15.32% outperformance over six months.

In terms of portfolio activity it was a quiet quarter with no changes made to the positions within the service. As set out in the Investment Details we invest in companies with the aim of holding for three to five years; as long as the companies continue to develop positively and valuations do not become excessive. We are currently 95% 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

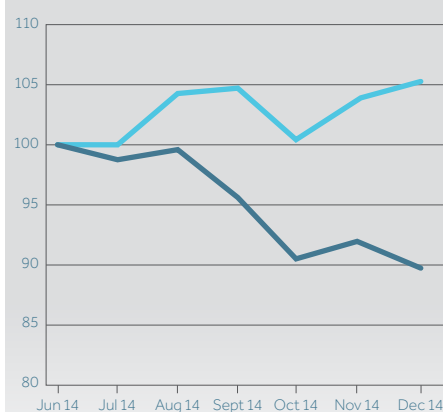
Discrete Investment Performance in %

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

Cumulative Performance in %

	3M	6M	9M	1Y	SinceInception
Puma AIM IHT Portfolio Service	+0.81	+4.72			+4.72
FTSE AIM All Share Index (AXX)	-6.48	-10.60			-10.60
Relative Outperformance	+7.29	+15.32			+15.32

Monthly Performance Graph of the PUMA AIM IHT Portfolio



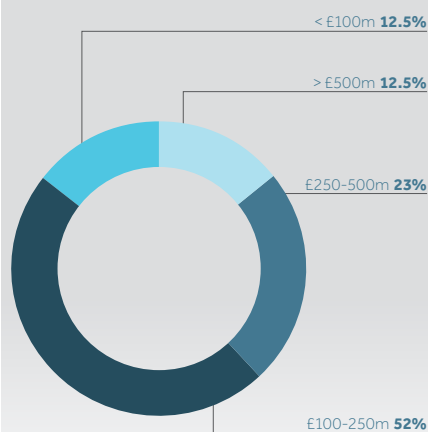
— PUMA AIM IHT Portfolio
— FTSE AIM All Share Index (AXX)
Source: Puma Investments, FTSE International

Portfolio's Top Ten Holdings

Company	% holding
Renew Holdings	6.99
Impellam	6.61
Vertu	6.36
FW Thorpe	5.83
H&T	5.69
GVC Holdings	5.17
Patisserie Holding	5.02
Cash	4.61
Stanley Gibbons	4.46
Telford Homes	4.33
Total % of the portfolio	55.6
Total Holdings in portfolio = 21	

Portfolio Companies by Market Cap

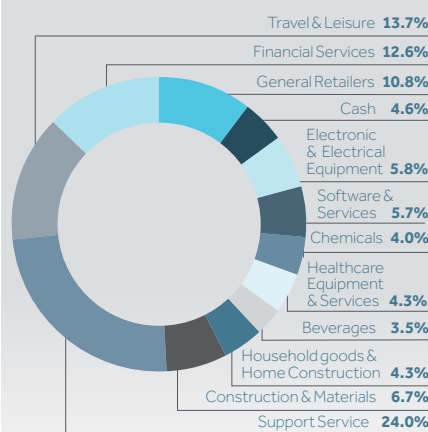
% of portfolio



Source: Puma Investments

Portfolio Companies by Sector

% of portfolio



Source: Puma Investments

Spotlight on a portfolio holding

Summary

Patisserie Holdings plc

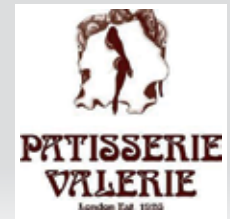
Patisserie Holdings operates restaurants and cafés

Sector: Travel & Leisure

Year Established: 1926

Price at the end of quarter: 263p

Market Capitalisation: £263m



Company Background

Patisserie Holdings operates restaurants and cafés under five different brands: Patisserie Valerie, Druckers, Philpotts, Baker & Spice and Flour Power City. It offers cakes, pastries, snacks, meals and hot and cold drinks from 148 stores in the UK. The company was founded in 1926, in Frith Street in London's Soho by Belgian-born Madame Valerie. The company was acquired by the current management in September 2006, at which time it had eight sites. The management team is led by Luke Johnson, Executive Chairman, one of the people behind the original Pizza Express roll-out. He owns 42.7% of Patisserie Holdings. Patisserie Holdings was first listed on AIM in May 2014.

Business Performance

Between 2011 and 2014 (the company's financial year runs to 30th September) the company has grown revenues by 89% from £40.5m to £76.6m. This has been achieved through a combination of new openings and acquisitions. Operating profit has grown even more strongly increasing by 96% from £6.2m in 2011 to £12.1m in 2014. In the last year the company has opened 19 new stores including its first stores in a motorway service station and a retail park. It also opened its first store in Wales. In addition it has a small but fast growing online business which increased sales by 100% to £2.6m.

The Market

Defining Patisserie Holdings' market is complicated as it straddles both the coffee shop and branded casual dining markets. As such, it competes with coffee chains such as Starbucks and Costa Coffee. It also competes with major restaurant chains such as Pizza Express, ASK and Prezzo. The average café spend per head is £8.84 which in our view places it between the two, though perhaps closer to the coffee chains. As such we believe Patisserie Holdings operates in a niche market, which is currently only catered for by independent stores or small chains. The company has identified a further 250 sites across the UK and while we feel this may be a touch optimistic we do believe that the company could easily double in size to 300 stores.

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: Patisserie Holdings is the main operator in a specific niche. We believe that it has an established brand in Patisserie Valerie which can be considerably expanded over the coming years. The company is following a retail roll-out model, led by management with a track record of delivering successful roll outs. The company has earned double digit operating profit margins of between 15-16% in the last three years. The company has also achieved an excellent post tax return on capital employed of between 17-20% in the last four years. Free cash generation has been positive in three of the last four years, despite the company investing a considerable amount in its roll-out programme.

2. Growth: Patisserie Holding aims to open 20 new stores a year for the foreseeable future. It managed to open 19 stores in 2014 despite the distraction of the Initial Public Offering on the AIM market. The average store payback period is currently 23 months ahead of the company's 24 month target. We expect the new store openings and like for like growth at existing stores to drive sales and profit growth. We also believe that further targeted acquisitions are possible.

3. Valuation: Since July when we first added the stock to the portfolio the share price has appreciated nicely. The valuation remains interesting given the growth potential of the business. The company trades on 20.8x EV/NOPAT (Enterprise Value / Net Operating Profit after Tax) for the year to September 2015 dropping to 17.4x EV/NOPAT for September 2016 based on our estimates. The company has a net cash balance sheet. The company expects to pay a dividend from the year to September 2015.

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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.

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.

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.

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