

Puma AIM Inheritance Tax Service Q4 2016 Quarterly Report



PUMA AIM
INHERITANCE
TAX SERVICE
Calculated Excellence

AVAILABLE IN ISAS

**GROWTH
INVESTOR
2016 | AWARDS**

WINNER
BEST AIM
INVESTMENT
MANAGER

INVESTMENT
WEEK
TAX EFFICIENCY
AWARDS 2016/17
HIGHLY COMMENDED
Best AIM IHT Portfolio Service

Investment Director's Quarterly Portfolio Review

In Q4 2016 the portfolio increased by +8.85%, a +5.76% outperformance of the FTSE AIM All Share Index. Since inception in July 2014 the portfolio has increased by +43.85% net of management and dealing fees. This is a +36.33% outperformance of the FTSE AIM All Share Index in the same period.

2016 was a year dominated by macroeconomic events. As with the overall UK stock market the portfolio benefited from the weakness of the pound versus most major currencies benefiting export orientated companies and those with significant overseas operations. Companies which are predominantly UK focused generally performed poorly and this impacted a number of holdings in the portfolio.

We remain confident in the outlook for the Puma AIM IHT portfolio service.

Justin Waine
Investment Director

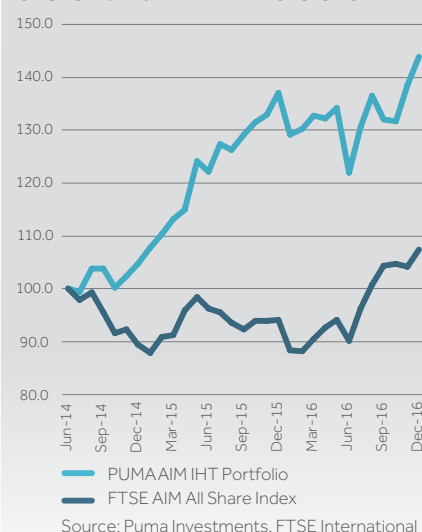
Cumulative Performance in %

	3M	6M	1Y	2Y	Since Inception
PUMA AIM IHT Portfolio Service	+8.85	+18.00	+4.98	+37.42	+43.85
FTSE AIM All Share Index (AXX)	+3.09	+19.29	+14.29	+20.27	+7.51
Relative Outperformance	+5.76	-1.29	-9.31	+17.16	+36.33

Discrete Performance in %

2016	Q1	Q2	Q3	Q4	YTD
PUMA AIM IHT Portfolio Service	-3.14	-8.15	+8.40	+8.85	+4.98
FTSE AIM All Share Index (AXX)	-3.80	-0.41	+15.71	+3.09	+14.29
Relative Outperformance	+0.66	-7.74	-7.31	+5.76	-9.31
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



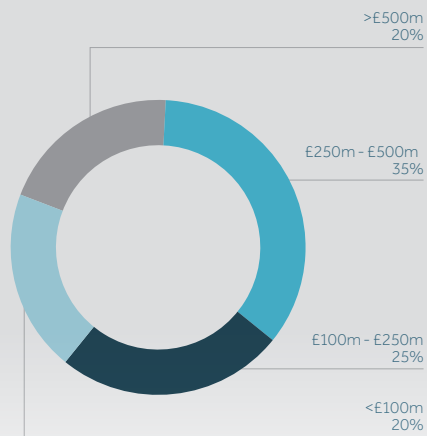
Past performance is no guarantee of future results.

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

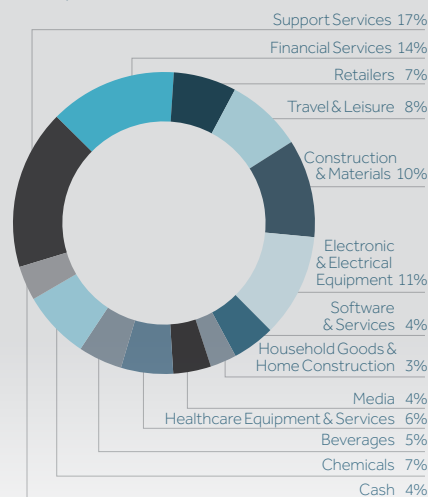
Company	% holding
Renew Holdings	7.74%
Thorpe FW	7.67%
Scapa Group	7.29%
Safestyle UK	6.25%
H&T	6.18%
Impellam	5.72%
Advanced Medical Solutions	5.58%
Nichols	4.72%
EMIS	4.58%
Patisserie Holdings	4.38%
Total % of the portfolio	60.11%
Total Holdings in portfolio = 20	

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

Judges Scientific

Judges Scientific specialises in the design and production of scientific instruments.

Sector: Electronic and Electrical Equipment

Year Established: 2002

Price at the end of quarter: 1,387.5p

Market Capitalisation: £84m



Company Background

Judges Scientific was founded in 2002 by current CEO David Cicurel as an activist fund vehicle to take stakes in listed equities. In May 2005 the company came across a private company Fire Testing Technology, a world leader in the manufacture of instruments designed to measure the reaction of a variety of materials to fire, which it chose to acquire. This led to a reassessment of the group's strategy and it decided to focus on the development of a scientific instrumentation group. This was based on a thorough assessment of the market which identified a large number of UK based companies operating in small niche markets usually dominated by two or three competitors. These companies were usually profitable, cash generative and highly export orientated. Since 2005 the management team has built a group of niche scientific instruments business and now has twelve different operating businesses within the group. In recent years the company has moved its acquisition activity beyond the UK.

Business Performance

Since 2005 the company has increased revenue from £2.2m to £56.2m in 2015. Underlying operating profits have increased from £0.2m in 2005 to £9.3m in 2015. This reflects a combination of a number of acquisitions and underlying organic growth at the acquired companies. This has been driven by a combination of regulatory drivers and globalisation. This has resulted in worldwide demand for Judges' products with over 80% of revenue coming from outside the UK. Recent trading has been weak due to a combination of government austerity and order delays due to the high level of macro-economic uncertainty in 2016.

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: We believe that Judges Scientific is a high quality business. The companies it acquires are operating in small niches, with strong market positions. The customer base of the company overall is fragmented with no customer representing more than 10% of sales. Operating margins are more than 16% in the last two years and while we expect them to decline in 2016 we expect them to recover from 2017. Returns on capital are good despite the high level of goodwill resulting from the acquisitions. The company was free-cash generative before acquisitions in the last two reported years and we expect this to have been the case in 2016.

2. Growth: In 2016 the company has disappointed the market with its weak revenue growth due to customers holding off spending due to macroeconomic worries such as Brexit. There has also been a decline in demand as a result of government cut backs in research budgets. In the longer term we expect demand for Judges's products to grow, particularly as the underlying themes of regulation and the globalisation of research show no signs of abating.

3. Valuation: Based on Puma Investments' own forecasts the company is expected to be free-cash generative in each of the next five years before acquisitions with the free cash yield rising over the period. We expect a strong recovery in earnings in 2017 resulting in the company trading on a low multiple of Enterprise Value to Net Operating Profit after Tax.

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%^{+VAT}

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.



AWARD WINNING SERVICE

PUMA INVESTMENTS WON 'BEST AIM INVESTMENT MANAGER' AT THE 2016 GROWTH INVESTOR AWARDS



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

Access through Adviser Platform

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

 **ascentric**
A ROYAL LONDON GROUP COMPANY

Standard Life 

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 www.pumainvestments.co.uk. Below are the key risks of the Service:

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 have identified 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 cannot 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

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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 31 December 2016.

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