



PUMA INVESTMENTS

£20,000 minimum subscription



# Puma AIM ISA Inheritance Tax Service Q3 2020 Quarterly Report

## Award-winning

- GROWTH INVESTOR 2017** IAWVRDS | **WINNER** BEST AIM INVESTMENT MANAGER
- GROWTH INVESTOR 2018** IAWVRDS | **FINALIST** BEST BR INVESTMENT MANAGER AIM
- GROWTH INVESTOR 2019** IAWVRDS | **RUNNER-UP** BEST BR INVESTMENT MANAGER - LISTED

## 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 two years prior to and at the point of death.

### Subscription Amount

Minimum subscription of £20,000 with no maximum.

### Experienced Team

Led by Investment Director with 21 years of experience in small and mid-cap companies.

**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

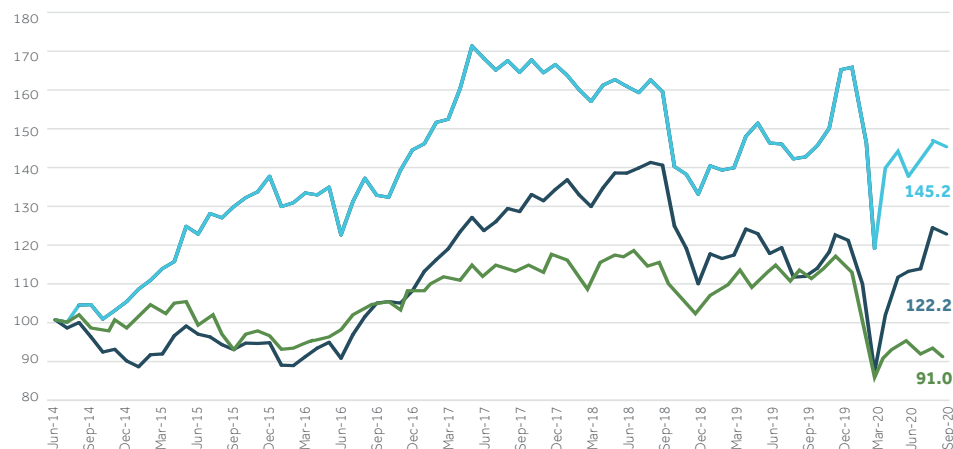
In Q3 2020 the portfolio increased by +5.22%, a -3.38% underperformance of the FTSE AIM All Share Index. Since inception in July 2014 the portfolio has increased by +45.19% this is a +22.99% outperformance of the FTSE AIM All Share Index.

Since the beginning of the year the Puma AIM portfolio has declined by -11.75%, an underperformance of the AIM which has increased marginally, but is well ahead of the UK main market which has declined by -21.79%. This reflects the willingness of investors to pay ever high prices for fast growing companies. In the UK most of these companies are listed on the AIM explaining its relatively strong performance compared to the FTSE. Many of these companies have benefited from the lockdown which has accelerated existing trends. We feel though that when the market capitalisation of main market listed, Ocado with 1.7% UK grocery market share exceeds the market capitalisation of Tesco with 26.8% market share, as it did during September, growth stocks may have got a little overexcited. During the quarter portfolio holding, Cello Health, was taken over. We have reallocated most of the proceeds to existing holdings.

We remain confident in the outlook for the Service.

**Justin Waine, Investment Director**

## Performance Graph of the Puma AIM IHT Portfolio Service



● Puma AIM IHT Portfolio Service ● FTSE AIM All Share Index ● FTSE All Share Index

Past performance is no guarantee of future results | Source: Puma Investments, FTSE International

## Cumulative Performance %

	3M	1Y	3Y	5Y	Since Inception
PUMA AIM IHT Portfolio Service	+5.22	+2.25	-11.34	+12.37	<b>+45.19</b>
FTSE AIM All Share Index (AXX)	+8.60	+9.94	-4.43	+32.33	<b>+22.20</b>
FTSE All Share Index (ASX)	-3.77	-19.19	-18.95	-1.61	<b>-8.83</b>

## Discrete Investment Performance %

	2020	2019	2018	2017	2016	CAGR <sup>1</sup>
PUMA AIM IHT Portfolio Service	-11.75	+24.23	-20.11	+15.23	+4.98	<b>+6.15</b>
FTSE AIM All Share Index (AXX)	+0.15	+11.61	-18.20	+24.30	+14.29	<b>+3.26</b>
FTSE All Share Index (ASX)	-21.79	+14.19	-12.95	+9.00	+12.45	<b>-1.47</b>

<sup>1</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 discrete portfolio of assets.

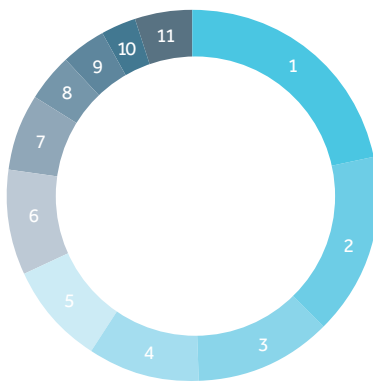
## Portfolio's Top 10 Holdings

COMPANY	% holding
Focusrite	8.99
Judges Scientific	7.67
Renew Holdings	7.26
Thorpe F W	6.77
NWF	6.72
Strix	5.72
Breedon	5.37
H&T	5.27
EMIS	4.89
Scapa	4.11
<b>Total</b>	<b>62.78</b>

**Total holdings in the portfolio** **23**

As at 30 September 2020.

## Portfolio Companies by Sector % of portfolio



1	Electronic & Electrical Equipment	21.59%
2	Support Services	15.87%
3	Financial Services	12.35%
4	Construction & Materials	10.02%
5	Travel & Leisure	8.99%
6	Software & Services	8.93%
7	Beverages	6.76%
8	Chemicals	4.11%
9	Retailers	3.88%
10	Healthcare Equipment & Services	2.75%
11	Cash	4.75%

As at 30 September 2020.

## Spotlight on a Portfolio Holding

**Vertu Motors** — Vertu Motors is a leading UK retailer of motor vehicles



**ESTABLISHED**  
2006

**SECTOR**  
Retailers

**PRICE AT END OF QUARTER**  
**26.20p**

**MARKET CAPITALISATION**  
**£97m**

### Company background and performance

Vertu Motors was formed in late 2006 to acquire and consolidate UK motor retail businesses, joining the AIM in December of the same year. Its first acquisition was Bristol Street Group for £69m, the business was the thirteenth largest motor retailer with a hundred year history. Vertu Motors has continued to grow organically and through acquisition, so it is now the fifth largest motor retailer in the UK. It represents 23 manufacturers through 139 dealerships and online. Vertu Motors has a particularly strong presence across the Midlands and the North of England.

### 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:** Automotive retail will never be a high margin, high return business, though Vertu does earn returns above the cost of capital. So, in assessing the quality of the business it is important to assess the strategy of the business and the success over time of its execution by management. Vertu Motors' management has been successfully carrying out a buy and build business model since 2006.

**2. Growth:** Vertu Motors' largest source of growth has been by acquisition, in which it has an excellent track record of finding target companies and deleveraging the balance sheet rapidly post acquisition. Despite its size with £3.1bn of revenue, the company is only number five in the market and there is considerable further potential for consolidation in its market. The company has also reached a size where it can grow organically through new openings of dealerships which it can finance out of cashflow. It also provides investors with a way of benefiting from the recovery in the UK consumer.

**3. Valuation:** Based on our own estimates Vertu Motors is trading at a discount to our estimate of fair value. The company trades on 13.3x EV/NOPAT for the year to February 2021, falling to 8.6x EV/NOPAT in the following year as the business recovers from the Covid-19 Pandemic. In addition, its tangible net asset value of £162m significantly exceeds the market value of the company.

**4. Current Trading:** Vertu Motors suffered a material impact from Covid-19 as it was obliged to shut its dealerships from March through to June resulting in the company incurring losses of £5.2m. However, this was more than offset by profit of £7.4m in July leaving the company profitable for the first four months of the year despite the Covid-19 pandemic. Consumer demand has recovered much more strongly than expected, we believe this is due to a combination of pent up demand and increasing use of personal vehicles compared to public transport due to worries about Covid-19.

## Access through Adviser Platforms



## Fees and Expenses

	Direct with Puma	Through a Platform <sup>1</sup>
<b>Initial Fee</b>	0%	0%
<b>Annual Management Fee</b>	1.25% + VAT (of portfolio value)	1.25% + VAT (of portfolio value)
<b>Dealing Fee</b>	1% (applied to purchase or sale of stocks)	Platform and dealing fees may vary across Platforms

1 Other Platform fees may apply.



### Investment Director

Justin Waine

Justin Waine joined Puma Investments in June 2014 and has run the Puma AIM ISA Inheritance Tax Service since inception. Prior to that, he worked as a fund manager at Polar Capital and an analyst at Cazenove. He has 21 years' experience of analysing small and mid-sized companies.



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