

# AIMing to save inheritance tax?

AIM IHT Q2 24 update

24 July 2024

This presentation is intended for professional advisers only.  
Our AIM IHT service is a high risk, long-term investment.

Investec Wealth & Investment (UK) is a trading name of Investec Wealth & Investment Limited



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# Overview

# Investec AIM IHT Plan highlights

5.1%

Net annualised return

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The Plan has a 21-year track record of performance. The average net 12 month return each quarter over the last 10 years.

FTSE AIM Allshare TR index 2.7%  
over the same period

75%

of the risk of the market  
over 10 years

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The standard deviation (volatility) of our annual returns taken every quarter since 2012 is 25% less than that of the AIM All Share index\*

£742m

leading proposition  
in AIM

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The second largest AIM IHT provider  
by assets under management\*\*

Source: IW&I as at 30 June 2024, except AUM which is as at 17/7/24

\*The market is the FTSE AIM ALL Share TR index.

\*\*When including Rathbones STPS assets

# Our philosophy

Investing in Quality	AIM IHT plan	FTSE AIM Allshare*	Relative
Gross Margin	43%	32%	11%
Return on Capital Employed	18%	10%	8%
FCF yield	6.3%	6.4%	-0.1%
Free Cash conversion	78%	51%	27%
Interest expense / EBITDA	6%	11%	-5%

\*Notes to calculations

FTSE AIM Allshare exclude companies <£100m market cap, and financials

Return on capital employed is calculated by EBIT / Shareholder Eq + Long term liabilities

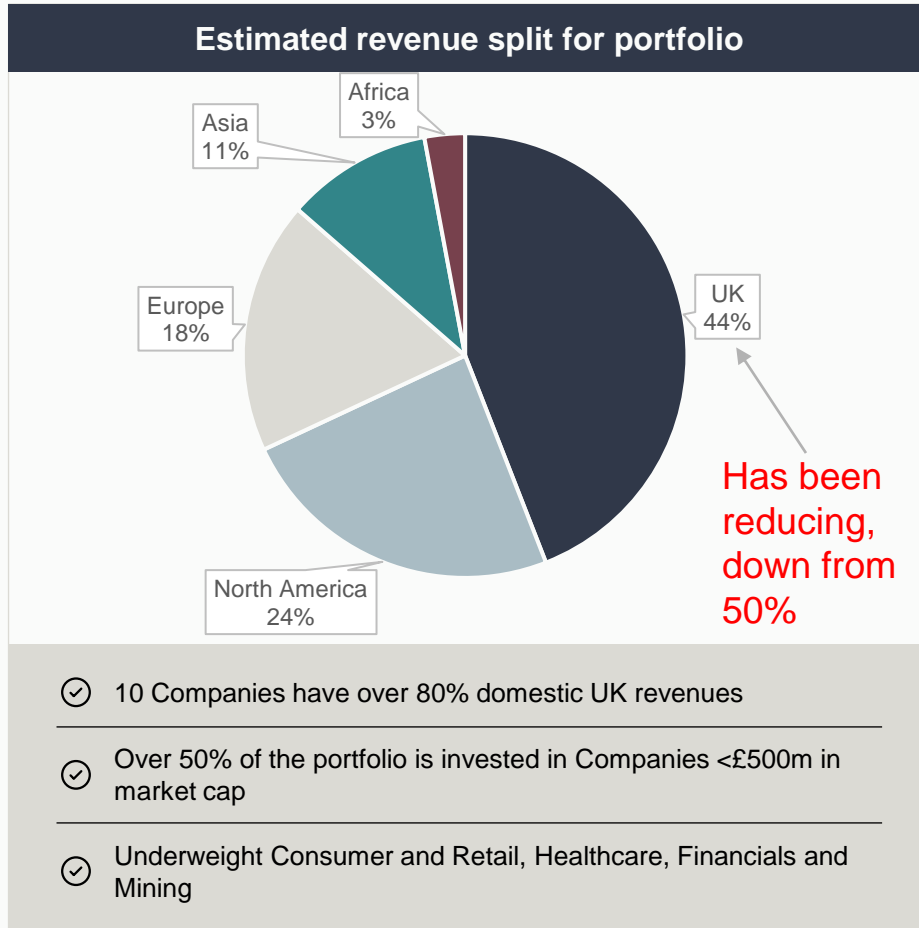
Cash conversion = FCF / EBITDA

Interest expense / EBITDA gives a weighted interest expense over total weighted EBITDA generated.

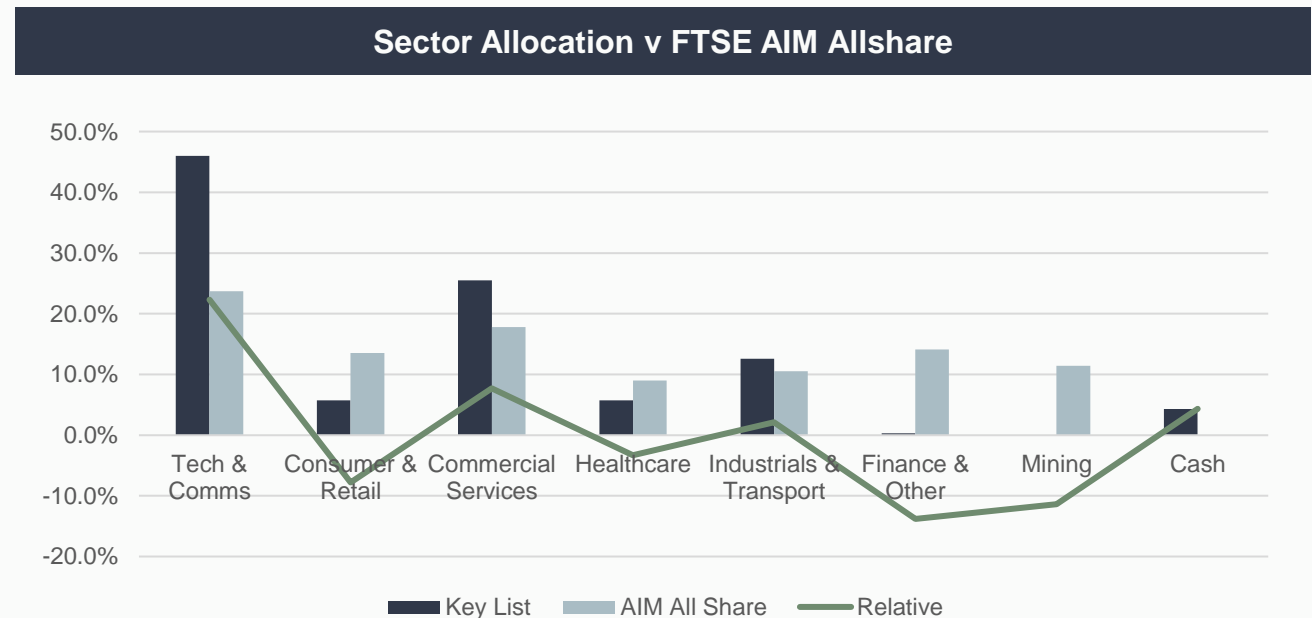
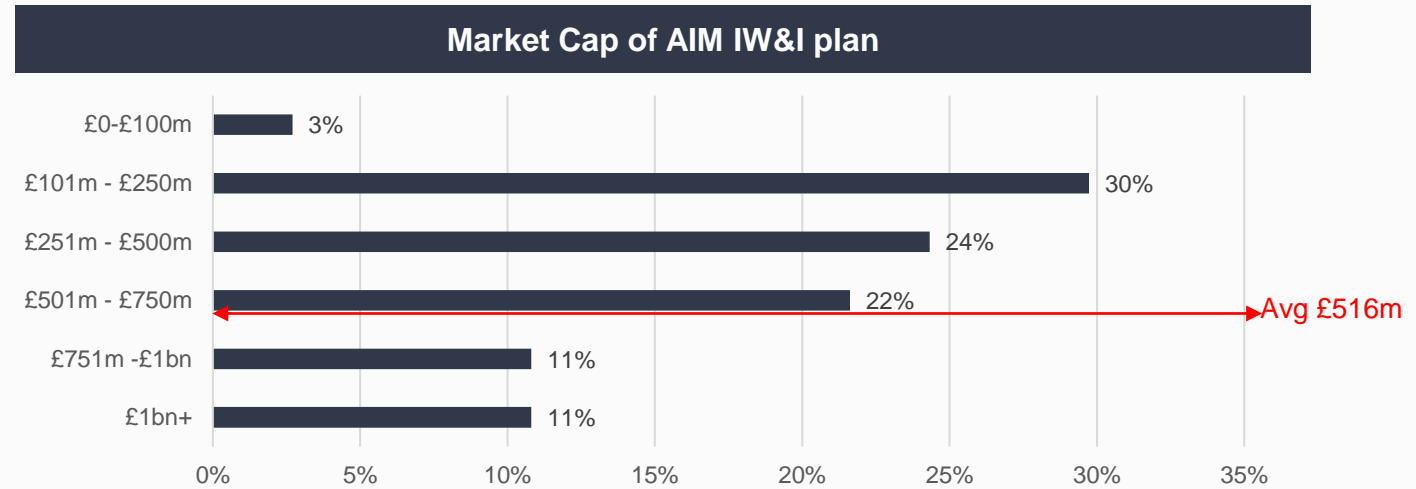
Source of data: Factset, obtained 30 June 2024

- Experienced management team
- 5 years trading and quoted for at least a year
- Distinctive capabilities
- Proven financial track record with dividends
- Sound balance sheet with low finance risk
- Potential catalyst for trading step-change
- Liquidity in the shares

# IW&I AIM plan



Source: IW&I as at 30 June 2024.



# Q2 performance and drivers

# AIM Portfolio IHT plan Q2 24

## Performance against benchmarks (total returns)

Period / benchmark	10 yrs	5 yrs	3 yrs	1 yr	Q2 24
IHT Planner clients	50.6%	-5.6%	-24.1%	8.3%	4.6%
FTSE AIM All Share	11.6%	-11.1%	-35.8%	3.4%	3.5%
FTSE All Share	77.9%	30.9%	23.9%	13.0%	3.7%

Past performance is not a reliable guide to the future and previous periods of favourable performance will not necessarily be repeated in the future.

\*Source: IW&I, Factset

✓ IW&I calculates performance based on actual average client returns after all our fees

✓ Comparison with modelled or sampled returns can be misleading

✓ Average dividend yield over last five years 1.7%



# AIM IHT market drivers Q2 24

## IW&I - Top Overall Contributors

EPIC	Stock name	Weighting	Performance	Contribution	Index weighting	Index contribution	Difference
KWS-LON	Keywords Studios plc	2.43%	77.57%	1.89%	1.47%	1.14%	0.74%
AFM-LON	Alpha Financial Markets Consulting PLC	2.65%	52.78%	1.40%	0.56%	0.30%	1.10%
LOK-LON	Lok'nStore Group plc	3.25%	27.91%	0.91%	0.40%	0.11%	0.79%
GBG-LON	GB Group PLC	1.53%	24.74%	0.38%	0.98%	0.24%	0.14%
RST-LON	Restore plc	1.51%	24.07%	0.36%	0.42%	0.10%	0.26%
				<b>4.93%</b>		<b>1.90%</b>	<b>3.04%</b>

## IW&I- Worst contributors

EPIC	Stock name	Weighting	Performance	Contribution	Index weighting	Index contribution
FEVR-LON	Fevertree Drinks PLC	1.69%	-9.74%	-0.16%	1.99%	-0.19%
IOM-LON	iomart Group plc	1.28%	-11.97%	-0.15%	0.23%	-0.03%
FRAN-LON	Franchise Brands plc	2.58%	-19.05%	-0.49%	0.49%	-0.09%
TRCS-LON	Tracsis plc	3.63%	-20.33%	-0.74%	0.39%	-0.08%
YOU-LON	YouGov plc	3.87%	-59.40%	-2.30%	1.67%	-0.99%
				<b>-3.85%</b>		<b>-1.38%</b>

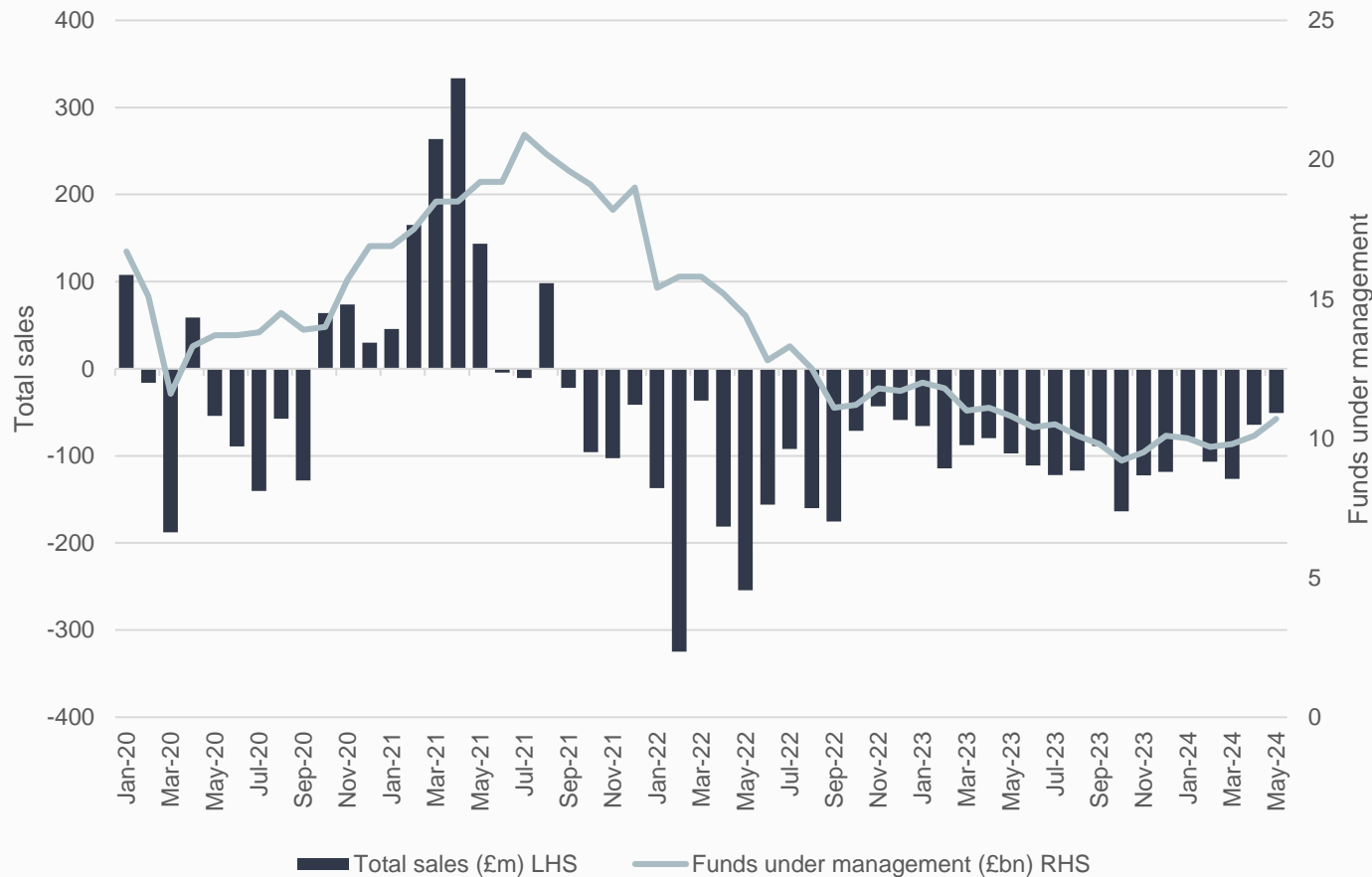
- Top three contributors in the quarter from bids/bid speculation.
- GB Group and Restore have had a strong quarter from previous weakness
- Top 5 active alpha of over 300bps
- Our worst absolute performer was YouGov, we had much higher weighting compared to the index.

\*Source: IW&I, Factset

# Macro drivers

# Fund flows drive returns!

## UK Smaller Companies



One of the main reasons why AIM stocks have underperformed other indices over the past few years.

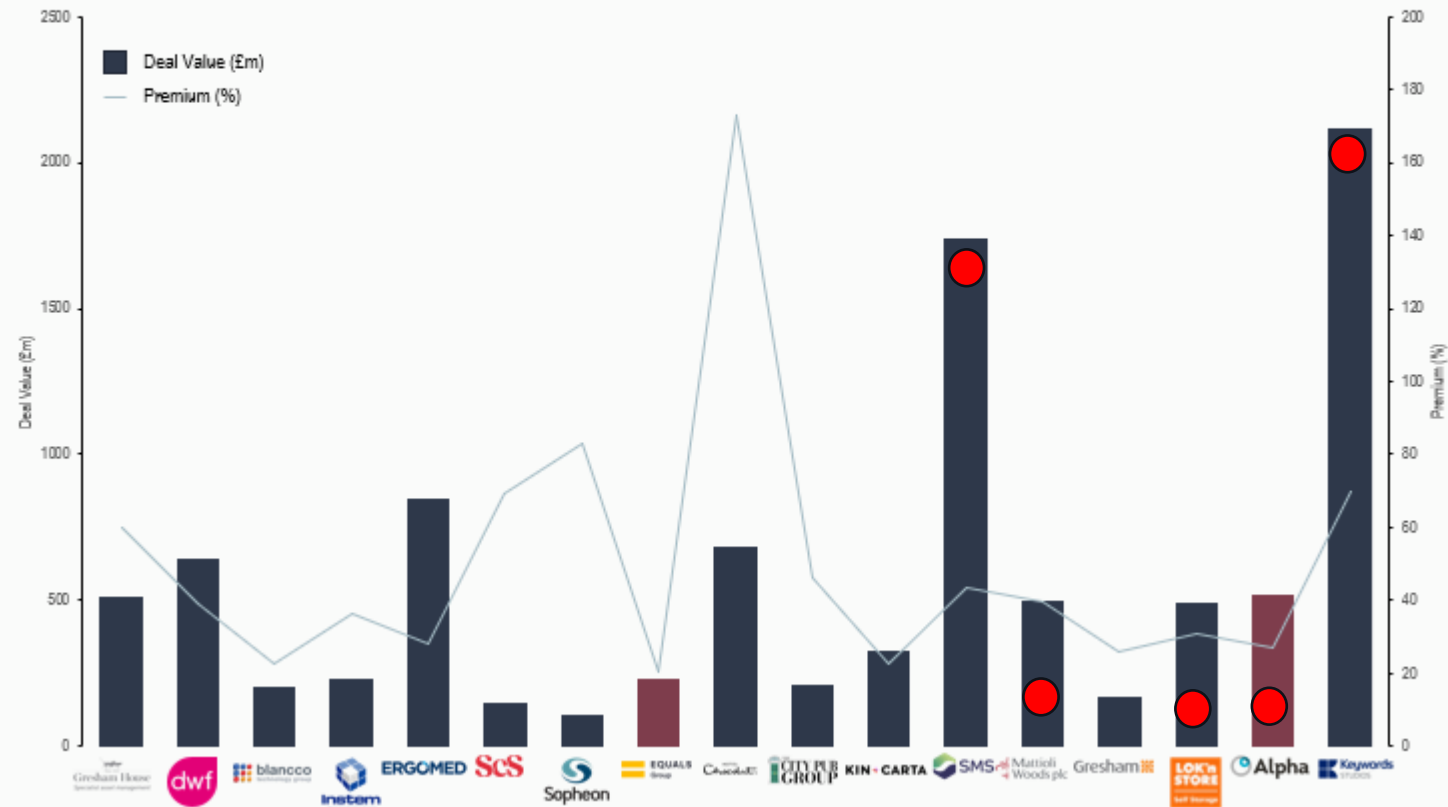
33 months of consecutive redemptions from the UK Smaller Companies space

Source: Investment Association obtained 30 June 2024

# Transactions in last 12 months

## AIM Bids and Takeouts in the last 12 months

The FTSE AIM has become an area of focus for global PE and trade



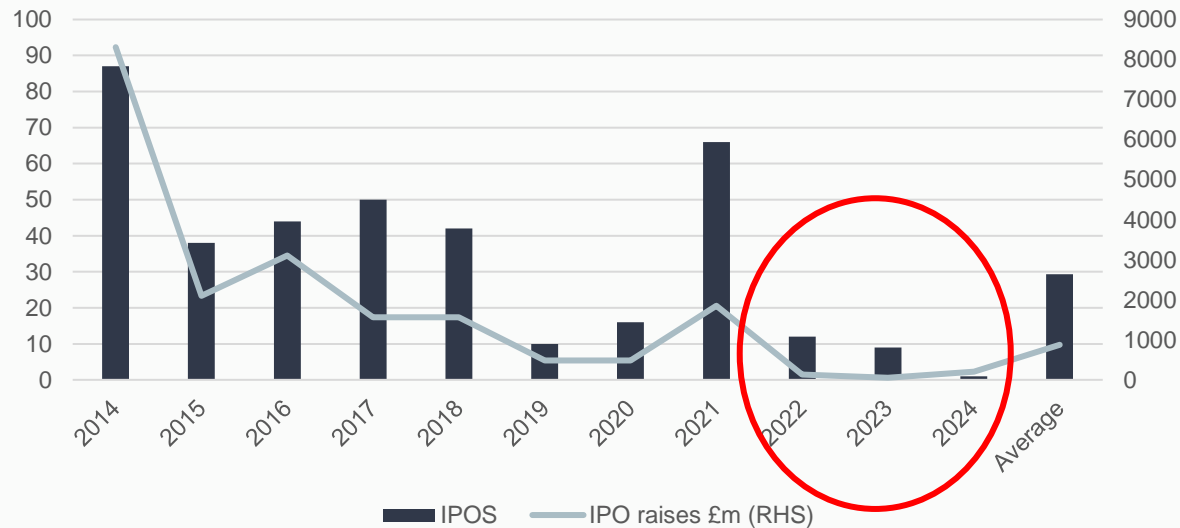
AIM has been a PE/trade buyers area of focus

High quality assets are cheap valuations

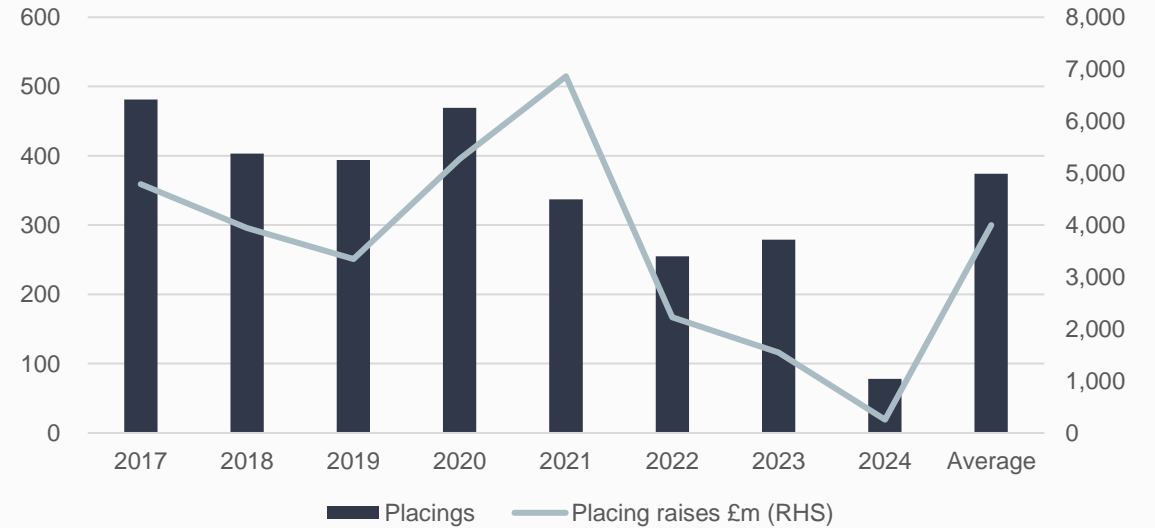
Premiums still not as attractive as they once were, averaging 30 – 40% of undisturbed price.

# The AIM market

IPO's and IPO cash raised per year



Equity placings and cash raised per year



After the backlog of COVID-19, 2021 was a strong year for IPO's.

Quiet 2022 and 2023, slow start in 2024 for new IPO's

Strong 2020 for cash raises with companies strengthening balance sheets amid COVID-19

\*\*Source London Stock Exchange 31 March 2024 AIM statistics.

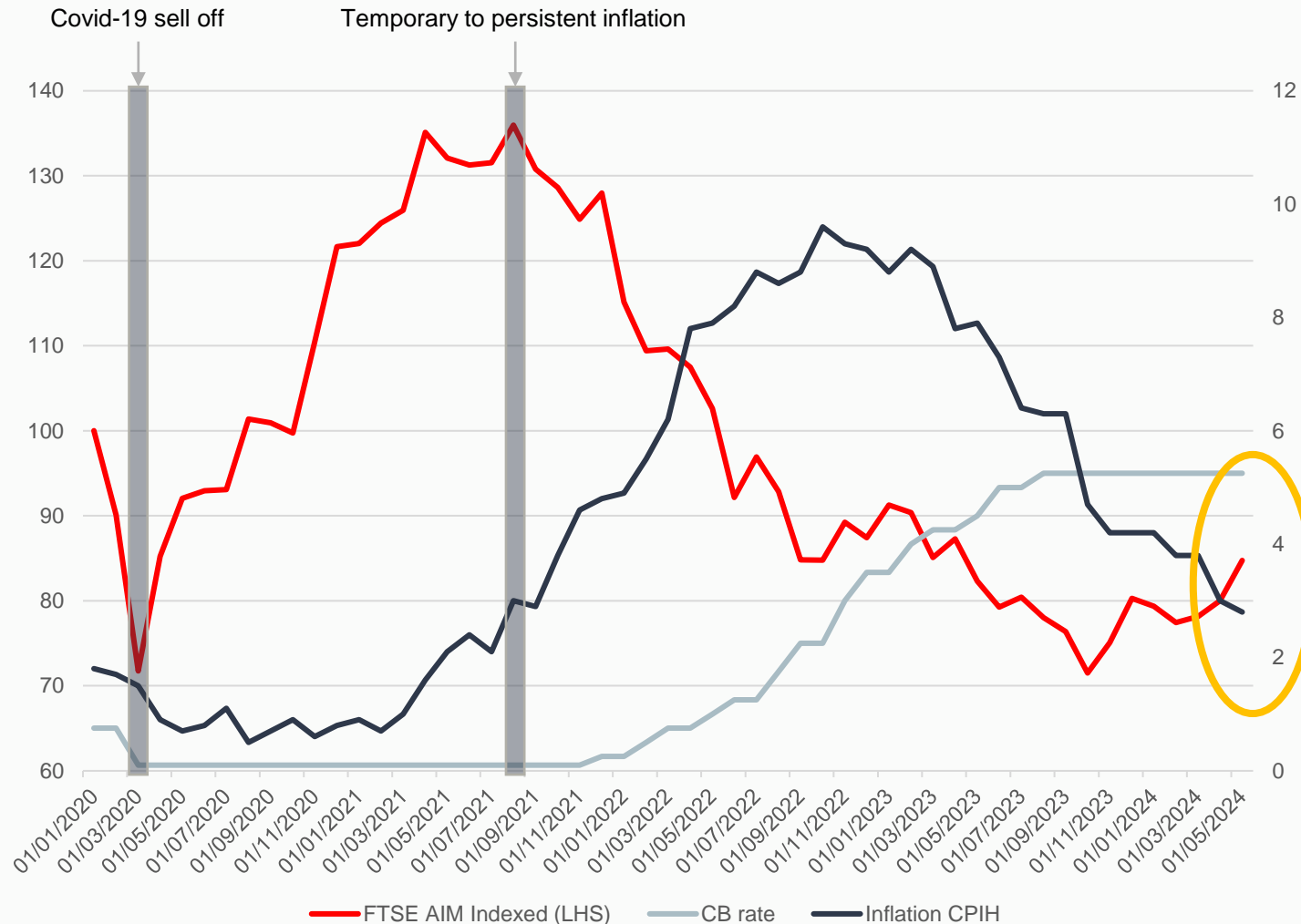
# Why is this happening?

The usual responses from Executive management/Boards

- Provides **immediate opportunity** to realise growth in share price
- **Lengthening of the sales cycle** – customers are taking longer to place orders/make decisions on projects
- The share price **does not reflect the growth** potential
- Raising equity is **too dilutive** for the groups ROI at current levels
- Trade buyer – further consolidation in the industry, improve efficiencies and economies of scale
- Private Equity buyer – Mismatch between share price and true value of the business – will fund the growth cycle through private capital



# FTSE AIM Allshare, CB Bank Rate, Inflation CPIH



Lots of macro drivers over last four years

Initial sell off in the market due to COVID-19, a “V” shaped recovery before Aug 21 high.

Central bank rhetoric changed from temporary to persistent inflation, drove the market down, inflation up and cost of capital up.

Inflation falling back to the 2% target, markets have recovered.

AIM market still c15% lower than pre – COVID-19, unlike other global markets

Thank you



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