

AIM STRATEGY

YOUR INHERITANCE TAX SOLUTION



Q3 2023

PORTFOLIO CHARACTERISTICS

- High quality and profitable companies
- Operating in a structurally growing market
- Diversified across sectors with a minimum market capitalisation of c.£200m

Strategy Details

Launch Date	31 May 2017
Product Type	Discretionary portfolio
Number of stocks	23
Minimum Investment	£100,000

Service Charges

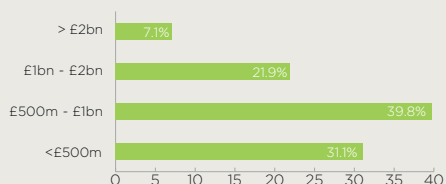
Initial Charge	1.00% plus VAT (capped at £5,000)
Annual Management Charge (plus VAT)	
First £1.0m	1.25%
Next £1.5m	0.50%
Next £3.0m	0.40%
Thereafter	0.30%

Dealing Fee	0%
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Top 10 Holdings

- Young & Co's Brewery
- Jet2
- Gamma Communications
- CVS Group
- FD Technologies
- Next 15 Group
- YouGov
- Keywords Studios
- Advanced Medical Solutions Group
- Johnson Services Group

Market Capitilisation of the Strategy (%)



Source: Quilter Cheviot, FactSet, October 2023

Investments in stocks quoted on the Alternative Investment Market are likely to be harder to sell and to fall and rise more than shares listed on the main exchange, accordingly they are considered higher risk. Please see page 2 for more information.

STRATEGY OBJECTIVE

The Quilter Cheviot AIM Strategy, an inheritance tax solution, provides a professionally researched and managed portfolio of Business Relief-qualifying Alternative Investment Market (AIM) listed stocks, helping clients protect and share their legacy of wealth with their loved ones.

COMMENTARY

Financial markets in Q3 were mixed. Global inflation has been falling, which has led the Fed and the Bank of England to maintain interest rates in September. There are clear signals that we are at, or at the very least, near the end of the hiking cycle. A sizable depreciation in the Sterling to US dollar exchange rate insulated UK-based investors from broader equity market declines in Q3. However, given the domestic nature of the Numis Alternatives Market ex Investment Trusts, the index returned -3.4%.

Performance

The Quilter Cheviot AIM Strategy, an inheritance tax solution, fell by 8.3%, -484bps behind the benchmark.

The main positive contributors to our Q3 performance include **Ergomed**, a provider of specialised services to the pharmaceutical industry, **Johnson Services Group**, a UK market leader in textile rentals and **Ashtead Technology**, a leading subsea integrated solutions and equipment rental provider. Ergomed received a recommended cash offer of 1350p per share (+29% premium to the previous close price) from private equity fund Permira. We believe this is an example of the UK market proving a rich environment for private equity to make acquisitions, highlighting the UK market is significantly undervalued. Johnson Services Group's interim results were ahead of expectations representing strong volume growth in HORECA (hotels, restaurants and catering) and efficiency gains across the group. The acquisition of Celtic Linen, a leading linen supplier in Healthcare and HORECA in the Republic of Ireland, provides access to a new geography and helps to further diversify their client base. We added Ashtead Technology to our portfolio in Q2-23 and it has been pleasing to see them go from strength to strength. Their better than expected interim results demonstrate a buoyant market, with high levels of customer backlogs and high margins.

Key detractors include **YouGov**, the international market research and data analytics group, **FD Technologies**, a group of data-driven businesses that unlock the value of insight, hindsight and foresight to drive organisations forward and **Learning Technologies**, market leader in the workplace digital learning and talent management market. All three companies have experienced longer sales cycles and customer decision-making. We continue to like YouGov's high quality panel/data and platform, with growth driven by enterprise level client expansion and volume scaling via the self-service platform. FD Technologies' KX division remains the jewel in the crown. Their partnerships with US Big Tech companies position it well to grow the generative AI market. Learning Technologies results confirmed full year guidance and although growth has been muted, we are encouraged by the 72% of recurring revenues.

Over the quarter, we added **Renew Holdings**, a specialist engineering and maintenance contractor to critical UK infrastructure. Demand remains robust across its three key sectors: Rail, Nuclear and Water. We view Renew as a value compounder.

Outlook

We are encouraged by the fall in inflation and the Bank of England's decision to hold interest rates at 5.25%. The move ended a run of 14 consecutive interest rate increases since December 2021. As such, we believe we are approaching peak rates. Valuations are well below long term averages and a moderation in interest rates should provide a more inviting investment backdrop for growth-oriented names. Overall, we believe our portfolio fundamentals are supportive through strong balance sheets and structural tailwinds.

PERFORMANCE (%)	Q3 2023	Year to 30 Sept 23	Year to 30 Sept 22	Year to 30 Sept 21	Year to 30 Sept 20	Year to 30 Sept 19
**QC AIM Strategy	-8.3	-9.1	-36.1	21.3	3.2	-20.4
*Numis Alternative Markets ex Inv Cos index	-3.4	-8.1	-34.9	30.5	11.0	-18.2

Source: *Refinitiv Datastream. **Pricing data source: Interactive Data; Composite returns source: Figaro. The figures are total return and net of fees and charges. All figures to 30 September 2023. A breakdown of the Numis Alternative Markets ex Inv Cos index is available upon request.

IMPORTANT: The value of investments and the income from them can go down as well as up. You may not recover what you invest. Past performance is no guarantee of future returns.

Approver Quilter Cheviot Limited, 6 October 2023.

**Note: As of Q1 2023, the AIM Strategy performance data shown is a composite of live client AIM portfolios that have been running for longer than 3 months. Prior to Q1 2023, this period was 12 months.

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QUILTER CHEVIOT
INVESTMENT MANAGEMENT

PORTFOLIO MANAGERS



Amisha Chohan
Head of Small Cap Strategy

Amisha chairs the Quilter Cheviot AIM Committee. She has over 18 years' experience in investment management and researching small to large cap companies globally. Amisha joined Quilter Cheviot in 2016 from Sanlam. She read Business Finance at the University of Durham and has a MA in Finance and Investment from the University of Nottingham.



Richard Mitchell
Lead Portfolio Manager

Richard has over 13 years' experience in the discretionary fund management industry, and joined Quilter Cheviot in 2018. He is the Lead Portfolio Manager of the Quilter Cheviot AIM Strategy, and is responsible for the implementation and ongoing management of underlying client portfolios. Richard graduated from the University College London (UCL) with a degree in History and Philosophy of Science.

TALK TO US TODAY

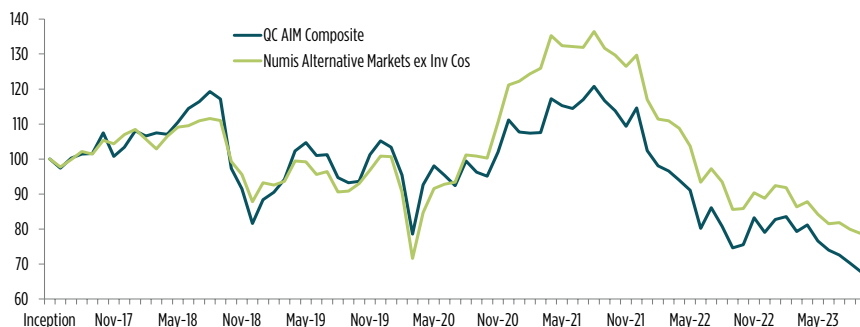
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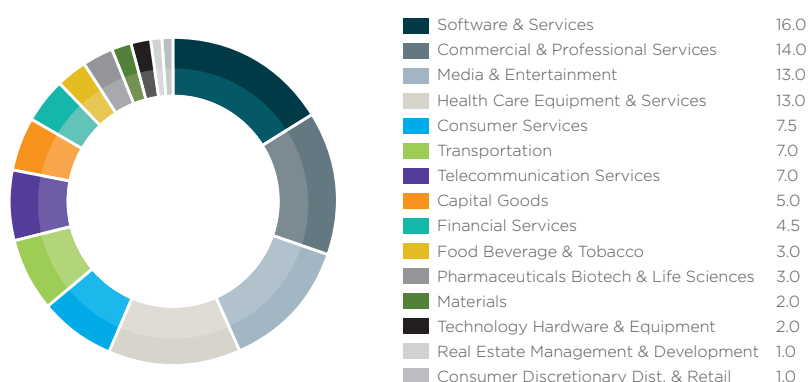
W. quiltercheviot.com

STRATEGY PERFORMANCE to 30 September 2023



Source: Quilter Cheviot, Refinitiv Datastream

SECTOR BREAKDOWN (%)



AIM-SPECIFIC RISKS

- There is a less readily available market for investments in smaller companies. This can make selling investments more difficult.
- The advantages of investing in a portfolio of AIM stocks depend on the tax rules in force and the investee company maintaining their qualifying status.
- Investing in smaller companies and those involved in niche sectors such as new technology or alternative energy will often see price movements which are above average. Price changes can be greater than those experienced by investments held in companies with a full listing on the London Stock Exchange.
- The AIM Strategy does not take unrealised capital gains into account when making changes to client portfolios. This means there may be occasions when realised gains are in excess of your Annual Exempt Amount (AEA), which may result in you having to pay capital gains tax (CGT).
- Please refer to the AIM Strategy brochure for a full list of risks.

POSITIVE SCREENING

Quilter Cheviot risk controls are:

- Meet management before we invest
- Avoid loss making businesses
- Avoid "blue sky" companies
- Minimum market cap threshold of c.£200m
- Will not own more than 3% of a company's free float.

Risk Warning: This communication does not constitute a recommendation. This material is not tax, legal or accounting advice and should not be relied on for tax, legal or accounting purposes. Quilter Cheviot Limited does not provide tax, legal or accounting advice. You should consult your own tax, legal and accounting adviser(s) before engaging in any transaction. Investors should remember that the value of investments, and the income from them, can go down as well as up and that past performance is no guarantee of future returns. You may not recover what you invest. The securities and investments within this document may not be suitable for all recipients. The appropriateness of a particular strategy will depend on an individual's circumstances and objectives.

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