

# QUILTER CHEVIOT AIM STRATEGY

FACTSHEET - Q3 2018



**QUILTER CHEVIOT**  
INVESTMENT MANAGEMENT

## OVERVIEW OF SERVICES

Quilter Cheviot AIM Strategy is a discretionary portfolio service that seeks to invest in a diversified portfolio of companies listed on the Alternative Investment Market (AIM) that qualify for Business Relief (previously Business Property Relief). Investors in the service gain access to a portfolio of currently 17 AIM listed companies (there is flexibility around the number of stocks we might hold) selected by Quilter Cheviot Investment Management with additional research provided by Merian Global Investors' UK Smaller Companies team.

## SERVICE DETAILS

Launch Date	31 May 2017
Product Type	Discretionary portfolio
Number of stocks	17
Minimum Investment	£100,000
<b>Service Charges</b>	
Initial Charge:	1.00%
Annual Management Charge:	1.25% plus VAT
Dealing Fee	0%

**Facilitation Advice Charge**  
(we can facilitate advice charges)

### Reporting

Valuation, cash statement, trading statement	Quarterly
Consolidated tax certificate, Capital Gains Tax summary	Annually

## GENERAL RISKS

- Your capital is at risk and you may not get back the amount invested.
- Past performance is not a reliable indicator of future results.
- Performance is not guaranteed.
- Tax treatment depends on individual circumstances and may be subject to change.
- Investments quoted on AIM are likely to fall and rise in value more than shares listed on the main market of the London Stock Exchange.
- The availability of tax reliefs also depends on the investee companies maintaining their qualifying status.
- AIM shares may not be easily sold potentially delaying any withdrawals.

## OBJECTIVES

The portfolios will contain a range of stocks. As the main purpose is to make sure, as far as possible, that the overall value of the portfolio is sheltered to provide an inheritance, we consider these requirements ahead of any long-term potential performance when picking stocks to invest in. The Quilter Cheviot AIM Strategy offers a quick and adaptable solution to inheritance tax planning, alongside the potential for capital growth. The service invests in a portfolio of 15-25 established growth companies listed on the Alternative Investment Market, and which qualify for Business Relief (formerly Business Property Relief). Stocks targeted for inclusion in the portfolio will ideally be well-established, profitable and cash-generative companies that operate in a niche sector, or provide a proprietary product or service, supported by a strong balance sheet. The investment team will also be looking for businesses with earnings visibility, backed by assets and paying dividends, as well as management teams with a track record.

To benefit from Business Relief, qualifying securities must have been held for at least two of the last five years and at the time of an investor's death.

## PERFORMANCE



Source: \*Thomson Reuters Datastream. \*\*Pricing data source: Interactive Data; Composite returns source: Figaro. \*\*Note: The AIM Strategy performance data shown is a composite of live client AIM portfolios that have been running for longer than 12 months. The figures are total return and net of fees and charges. All figures to 30 September 2018. Past performance is not a guarantee of future performance.

## PERFORMANCE (%)

	Year to 30 Sept 2018	Year to 30 Sept 2017	Year to 30 Sept 2016	Year to 30 Sept 2015	Year to 30 Sept 2014
<b>**QC AIM Strategy</b>	<b>14.40</b>	-	-	-	-
*FTSE AIM 100 (TR)	16.38	31.96	20.34	3.85	-10.11
*FTSE SmallCap ex IT (TR)	0.65	17.77	10.51	9.01	5.56

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## COMMENTARY

The FTSE All Share index moved lower over the summer, returning -0.8% for the quarter. Brexit and the ongoing trade war between the US and China dominated news flow over the period.

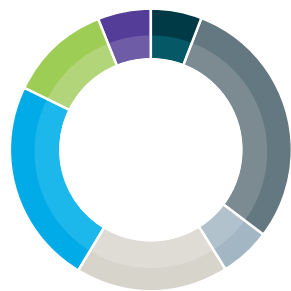
The Trump administration imposed a further round of tariffs on \$200bn of Chinese imports, initially at 10% rising to 25% in 2019. In addition, the President threatened to target a further \$267bn of imports if China retaliated. Elsewhere, the news on trade was more constructive. The US agreed new deals with Mexico in August and Canada late in September and said it will work with the European Union toward zero tariffs, zero non-tariff barriers and zero subsidies on industrial goods outside of the automotive sector.

On balance, economic data globally suggested a slight slowdown in the pace of growth with little sign of an uptick in inflation. In spite of this both the Federal Reserve and Bank of England raised interest rates over the quarter, in line with expectation, while European Central Bank kept its policy and outlook unchanged. Developed market bond yields moved higher.

Against this backdrop, the portfolio rose by 2.3% compared to a rise of 3.5% for the AiM100 Index. Key positive contributions came from accesso Technology Group, Gamma Communications and RWS Holdings. Positions in Breedon Group and Patisserie Holdings performed less well.

**IMPORTANT: The value of investments and the income from them can go down as well as up. You may not recover what you invest.**

## SECTOR BREAKDOWN



- Basic Material - 5.9%
- Industrials - 29.4%
- Consumer Goods - 5.9%
- Health Care - 17.6%
- Consumer Services - 23.5%
- Technology 11.8%
- Telecoms 5.9%



## AIM-SPECIFIC RISKS

You should be aware of the higher levels of risk associated with investing in smaller companies, and be willing to adjust your attitude to risk in line with this. There is a less readily available market for investments in smaller companies. This can make selling investments more difficult. The advantages from investing in a portfolio of AIM stocks depend on the existing tax rules in force. Any benefits gained from maintaining

AIM stocks in a portfolio could be negatively affected by any future changes to those tax rules. 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. Please refer to AIM Strategy brochure and Terms & Conditions for full list of risks.

## INVESTMENT TEAM



### Alan McIntosh - Quilter Cheviot Chief Investment Strategist

Alan chairs Quilter Cheviot AIM Committee. Alan became the company's chief investment strategist on the merger of Quilter and Cheviot and is responsible for global equity strategy. He chairs the UK and international stock selection committees and sits on the asset allocation and funds committees. Prior to Quilter Cheviot, Alan was a founding partner of Cheviot Asset Management where he was chief investment officer. Previously he worked for Laing & Cruickshank Investment Management and Credit

Suisse Asset Management as senior strategist. This followed on from a 12-year career as an institutional fund manager. Alan graduated with an honours degree in economics from Heriot-Watt University.



### Daniel Nickols - Merian Global Investors Head of Desk/Fund Manager

Daniel leads the team providing AIM investment research to Quilter Cheviot. Daniel joined Merian in 2001 following the integration of Gerrard Investment Funds, prior to which he worked at Gerrard for two years. He was appointed to his current role in January 2009. His involvement with smaller companies began in September 1995, when he joined Albert E Sharp as a specialist salesman. He switched from the sell side to the buy side in May 1997, working on the Albert E Sharp Smaller

Companies Fund. After graduating from Cambridge University in 1992 with a BA in Modern and Medieval Languages, he joined Deloitte & Touche, before moving to the European equities division of Morgan Stanley in June 1994. He is an Associate of the Institute of Investment Management & Research.

## STOCK IN FOCUS - GAMMA COMMUNICATIONS



### DESCRIPTION

Gamma Communications is a provider of voice, data and mobile telephony solutions operating primarily in the UK, although a small acquisition has recently been made in the Netherlands. The business is, we believe, taking share within the small and medium size business space at the expense of larger incumbents who struggle to respond to the agility and service levels of Gamma.

### INVESTMENT RATIONALE

Gamma Communications is in our view a well-managed business with a strong balance sheet (net cash of c£36m is forecast for the Dec '18 year-end). The business has a particularly strong offering within internet-based telephony solutions, and looks set to continue to deliver strong growth. A nascent business mobile telephony proposition offers scope to grow in a large and underserved market.

\*Based on a share price of 814p as at 26/10/18.

\*\*Source: Numis Securities

Year to Dec	Sales (£m)**	Profit before Tax (£m)**	Earnings per Share (p)**	Price/Earnings*	Dividends per Share (p)**	Yield (%)*
2017 A	238.4	26.4	23.9	34.1	8.4	1.0%
2018 E	281.6	33.2	29.0	28.1	9.4	1.2%
2019 E	318.4	40.0	34.5	23.6	10.4	1.3%
2020 E	344.6	44.4	38.6	21.1	11.4	1.4%

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### QUILTER CHEVIOT

Head Office  
One Kingsway  
London WC2B 6AN

Please contact our  
**Marketing Department**  
on **+44 (0)20 7150 4000**  
or email [marketing@quiltercheviot.com](mailto:marketing@quiltercheviot.com)

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