

QUILTER CHEVIOT AIM STRATEGY

FACTSHEET - Q4 2019



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 16

Minimum Investment £100,000

Service Charges

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 an 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 31 December 2019. Past performance is not a guarantee of future performance.

PERFORMANCE (%)	Q4 2019	Year to 31 Dec 2019	Year to 31 Dec 2018	Year to 31 Dec 2017	Since Inception
**QC AIM Strategy	12.84%	28.97%	-21.12%	--	5.29%
*FTSE AIM 100 (TR)	11.20%	14.01%	-17.77%	34.58%	2.90%
*FTSE SmallCap ex IT (TR)	12.20%	17.68%	-13.80%	15.61%	5.67%

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 31 December 2019.

COMMENTARY

The FTSE AIM 100 Index returned 11.2% over the fourth quarter and 14.0% for the year as whole. The result of the UK General Election, progress on a USA/China trade deal, supportive monetary policy and hope that the global economy could strengthen in 2020 combined to drive global equity markets higher. In October Boris Johnson agreed a Brexit deal with the European Union. Though Parliament approved the deal the risk of it being amended led the Prime Minister to call a General Election for December which the Conservative party duly won with an unexpectedly large majority. Sterling moved higher on the expectation of a Conservative victory but gave back some of the gains post the election. The economic trends seen for much of the year remained in place. UK and European data continued to suggest tepid growth with Germany flirting with recession while the United States appeared to be somewhat stronger. On balance data indicated that growth had stabilised at a low level and the outlook had at least not deteriorated. Chinese press conferences and Presidential tweets suggesting that the United States and China were moving closer to signing an initial trade deal added to optimism that the economic outlook may improve in the New Year. Against this backdrop, the portfolio rose by 12.8% over the quarter, compared to a rise of 11.2% for the FTSEAIM100. Performance was satisfactory, with good contributions coming from Bredon, Restore, Advanced Medical Solutions, YouGov, First Derivatives and GB Group. The principal - material - detractor was M&C Saatchi, where inadequate accounting controls gave rise to a material profits warning.

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



- Industrials - 29.4%
- Consumer Goods - 5.9%
- Health Care - 17.6%
- Consumer Services - 23.5%
- Technology 17.6%
- 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 - JOHNSON SERVICE GROUP PLC



*Based on a share price of 208p
**Source: Thomson Reuters, as at 13/01/2020

DESCRIPTION

Johnson Service Group is a provider of textile rental services across the UK. Its largest business segment offers linen rental to the hospitality industry, operating under a number of brand names. It also supplies workwear and protective wear to clients in multiple sectors under its Apparelmaster brand.

INVESTMENT RATIONALE

The company is an acquisitive, yet conservatively managed workwear and textile rental business. It is gaining market share on an organic basis and is also extracting operational synergies by consolidating the market across a UK-wide footprint. The business should deliver steady underlying growth and strong cash conversion.

Year to	Sales (£m)**	Profit before Tax (£m)**	Earnings per Share (p)**	Price/Earnings (x)*
2018 A	321.1	33.7	7	29.7
2019 E	347.5	47.2	10	20.8
2020 E	371.0	49.2	11	18.9

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