

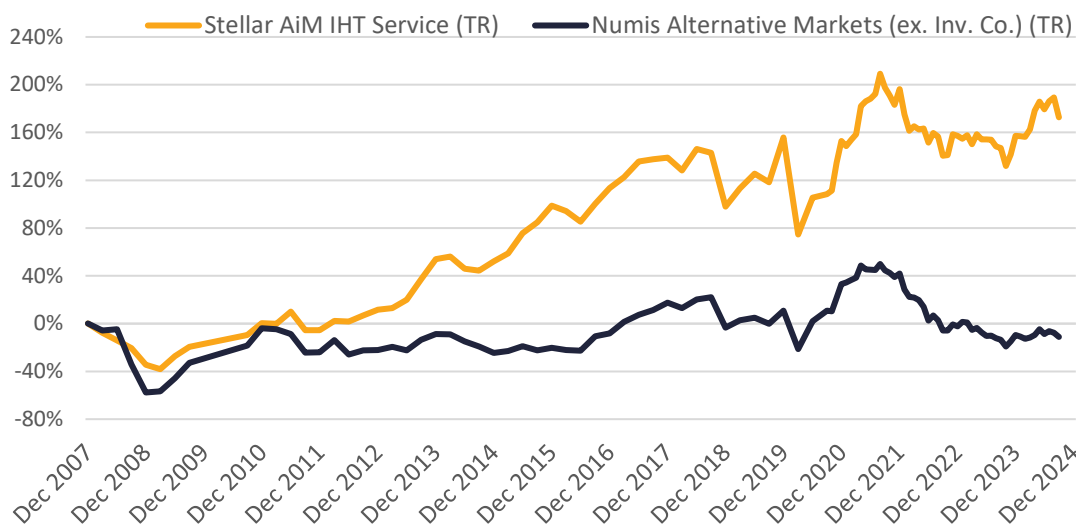
# AiM Inheritance Tax Service Performance Factsheet Q3 2024

## The Goose is plucked

It was Jean-Baptiste Colbert, finance minister to King Louis XIV, who famously declared that “the art of taxation consists in so plucking the goose as to obtain the largest amount of feathers with the smallest possible amount of hissing.” Ahead of the upcoming Budget investors are braced for a “painful” outcome, as is the goose who faces a prematurely balding future. Wild? It’s absolutely livid!

The negative rhetoric has been deeply unhelpful to both consumer and business confidence and has fed through into heightened stock market volatility. We remain cautiously optimistic that Business Relief on AIM shares will survive largely unscathed, with a concomitant end of year rally as investors take advantage of the many bargains currently available.

## Stellar AiM IHT Service Cumulative Performance



### Service Overview

#### Investment Manager

Stellar Asset Management Limited

#### Custodian & Nominee

On Platform

#### Tax Objective

IHT relief after two years

#### Investment Objective

Capital growth

#### Structure

Discretionary portfolio

#### Initial Fee

Nil

#### Annual Management Fee

1% (plus VAT)

#### Annual Administration Fee

0.225% (plus VAT)

#### Dealing Fee

0.25%

#### Minimum Investment

GIA £40,000 | ISA £20,000



	Q3	YTD	1 Year	3 Years	5 Years	Inception
<b>Stellar AiM IHT Service (TR)</b>	-2.4%	6.0%	10.4%	-8.4%	24.8%	172.6%
<b>Numis Alternative Markets (TR)*</b>	-2.6%	-1.6%	2.8%	-38.5%	-10.9%	-11.1%

\*Numis Alternative Markets ex. Investment Companies Index (Total Return)

Source: Stellar Asset Management Limited

### Important Information

Investors should note that past performance is not a reliable indicator of future performance and investors should not rely upon past performance when considering whether or not to invest in the Stellar AiM IHT Service. All calculations are on a total return (TR) basis, excluding the impact of adviser fees, with performance calculated from a selection of portfolios managed on Transact. The performance of portfolios held on other platforms may differ slightly owing to differing platform costs, trade execution, and timing impacts. **October 2024**

**020 3195 3500 | [enquiries@stellar-am.com](mailto:enquiries@stellar-am.com) | [stellar-am.com](https://stellar-am.com)**

Authorised and regulated by The Financial Conduct Authority (474710). Registered in England & Wales under No. 06381679.

## Portfolio Characteristics

<b>Dividend Yield (FY1*)</b>	2.07%
<b>P/E Ratio (FY1*)</b>	19.7
<b>Average / Median Market Capitalisation</b>	£334.3m/£166.0m
<b>Number of Stocks</b>	35

\* Represents analysts' consensus 12-month forecasts.

## Market news

As the esteemed economist Adam Smith said, "There is a great deal of ruin in a nation", something the Chancellor seems intent on testing with incessant talk of blackholes; or should that be own goals? To us, this looks more like a misjudged attempt at expectations management than something to be taken completely at face value. Regardless, we know the Labour party needs growth, and indeed campaigned on such a ticket. It is now time for the government to get out of the way and let businesses grow, invest, and hire.

The Budget should, therefore, represent something of a clearing event for AIM, allowing investors to (re)focus quickly on the abundantly attractive fundamentals. The UK consumer is, actually, in a relatively good place and should be encouraged further by the Bank of England's rate cutting cycle. After reducing interest rates by 25 basis points in August, the first cut since April 2021, a lower-than-expected September inflation print of 1.7% has seen markets price in two further quarter-point cuts by year-end. Delivery of a 4.5% interest rate will be a welcome early Christmas present for many, with forecasts pointing to further falls next year to a low of 3.5% by December 2025. This is already supporting the housing market, as well as confidence and animal spirits more generally. We noted last quarter too that small-cap equities typically enjoy strong relative outperformance versus large-caps during a falling rate cycle.

After three consecutive quarterly rises, the third quarter ended the run posting a -2.4% total return. This represented modest relative outperformance versus the benchmark which posted a -2.6% total return. With strong household finances, and clarity post Budget (one way or another), the scene is set for a welcome return of fund flows underpinned by a more encouraging economic picture next year. We are positioned to take advantage of this expected dynamic, particularly in our industrial and cyclical exposures where, in many instances, companies are trading at trough price to earnings multiples (P/E) on trough earnings (profit after tax). When the rebound comes through, share prices can move violently upwards in very short order. Those investors preferring to wait and see may wish to remind themselves of Warren Buffett's aphorism, "You pay a very high price in the stock market for a cheery consensus."

## Company Updates

Our strongest performer in the quarter was **Beeks Financial Cloud** (cloud computing), which posted continued operational and financial momentum after, earlier in the year, unveiling a significant provisional contract with a very large North American stock exchange. We believe this to be NASDAQ, representing a strong endorsement for Beeks' specialist low-latency technology.

## Our AiM Team

**Stephen English**  
Investment Director



Joined the company in 2020 and is responsible for analysing, selecting and monitoring stocks for the Stellar AiM IHT Service. He holds the CISI Diploma and the Chartered Financial Analyst (CFA) designation.

**Phil Kirwan**  
Portfolio Manager



Joined the company in 2020 and is responsible for rebalancing portfolios, communicating with clients and intermediaries, preparing reports, valuations and liaising closely with Stephen on portfolio construction. Phil holds the CISI Chartered Wealth Manager qualification.

**Jack Pedley**  
Assistant Fund Manager



Joined the company in January 2023 to support with the management of the Stellar AIM IHT Service. He holds the ACA designation, CISI Diploma, the CFA Certificate in ESG Investing and a qualification in forensic accounting.  
Platform Availability

 **abrdn**

 **M&G wealth**

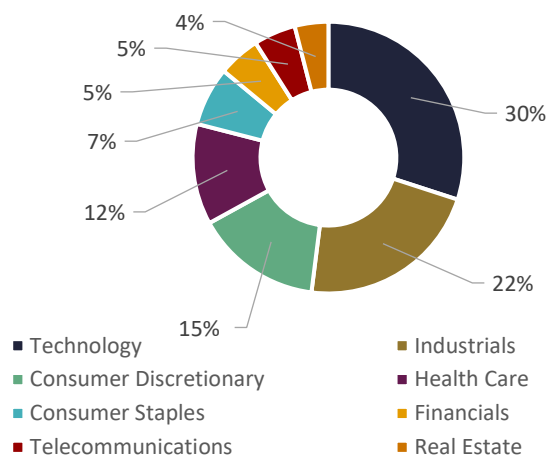
 **transact**  
take control

We expect further contract momentum, both in terms of new clients as well as significant expansion with existing clients, a classic “land and expand” strategy. The shares rose 34% after our purchase to the quarter-end.

**Celebrus Technologies** (data analytics) rose 22% with the CEO’s overhaul of the software company’s go-to-market strategy increasingly resonating with clients. Annualised Recurring Revenue (ARR) rose 21% year-over-year to £20.2m, adjusted pre-tax profit rose 58% to £6m and net cash ended the year at a prodigious £30.7m.

The biggest detractor was a recent addition, **IG Design** (gift packaging), which fell 42.5% after seeing continuing caution from its US customers and the loss of that division’s CEO. More positively, management continue to extract operational efficiencies, and operating profits are forecast to still rise 20% despite a modest fall in top-line sales. **Oxford Metrics** (motion measurement) also warned on profits, impacted by the ongoing slowdown in the global computer games industry. The balance sheet remains fortress-like with £50m net cash (market cap: £79m) providing ample opportunities for M&A and/or to conduct share buybacks of its very lowly rated equity.

## Sector Allocation <sup>1</sup>



1 Proportion (by value) of invested portfolio as at 30<sup>th</sup> September 2024.

2 Number of companies as proportion of portfolio (by value) as at 30<sup>th</sup> September 2024. Source: Stellar Asset Management Limited

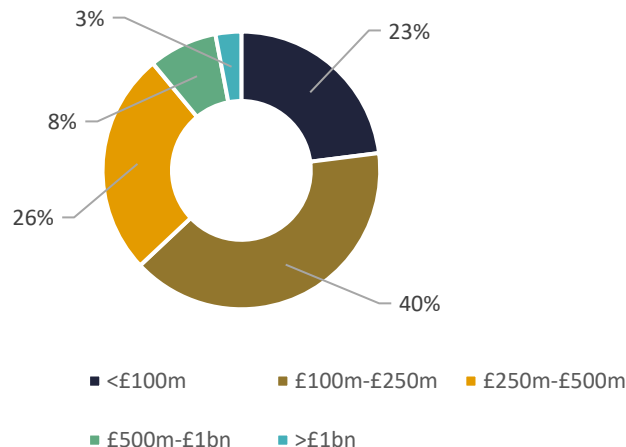
This remains a world leader in its niche with exciting new technologies and cyclical recovery expected to come through next year. We continue to hold both companies believing the issues they are facing to be transient.

In terms of transactions, we purchased **Epwin Group** (building products) which has proven highly cash generative through the cycle and is well positioned for a sustained improvement in housing market volumes. We acquired the shares in this well managed company on a lowly P/E of c. 8x, offering a dividend yield of over 6%.

We also added to **CVS Group** (vet practices) on weakness post the Competition and Markets Authority (CMA) investigation into veterinary services. While a “known unknown”, we feel the de-rating in the shares to below 7x EV/EBITDA has more than priced in any remedies the CMA will likely propose.

Finally, we sold out of **Fevertree Drinks** (tonic mixers) given poor summer weather affecting near-term demand as well as longer-term concerns over structural growth in both its key US and UK markets. The company subsequently warned on profits after we exited the position.

## Market Cap Allocation <sup>2</sup>



## Important Information

Your capital is at risk and may not get back the full amount invested. Investments in smaller companies will normally involve greater risk or volatility than investments in larger, more established companies. Tax treatment depends on the individual circumstances of each Investor and may be subject to change. This document is dated **October 2024** and is intended for retail investors and their advisers and has been approved and issued as a financial promotion under the Financial Services and Markets Act 2000 by Stellar Asset Management Limited (“Stellar”). This document is for information purposes only and does not form part of a direct offer or invitation to purchase, subscribe for, or dispose of securities and no reliance should be placed on it. You should only invest based on the relevant Product Literature available from Stellar and your attention is drawn to the charges and risk factors contained therein. Stellar does not provide investment or tax advice or make recommendations regarding investments. Stellar of 20 Chapel Street, Liverpool, L3 9AG is authorised and regulated by the Financial Conduct Authority.

# STELLAR AM

## Composite Analysis versus Peer Group

### GBP AIP Manager - September 2024



#### Analysis of the Stellar AIP Hybrid Composite

The table below sets out the performance of the Stellar AIP Hybrid Composite versus a relevant Benchmark. The Benchmark selected by STELLAR AM is the ARC AIP Index. The performance is also ranked against a cohort selected by ARC representing the performances of other investment managers in the Peer Group managing funds or portfolios with the same investment objective.

Period <sup>1</sup>	Net Return (%) <sup>2</sup>	ARC AIP (%) <sup>3</sup>	Relative Return (pp) <sup>4</sup>	Return Quartile Rank <sup>5</sup>	25th Percentile Return (%) <sup>6</sup>	75th Percentile Return (%) <sup>7</sup>
2024 (YTD)	6.0	(1.3)	7.3	1	(0.2)	(4.6)
2023	(0.0)	(2.8)	2.8	2	0.0	(5.4)
2022	(13.3)	(25.2)	11.9	1	(21.8)	(26.5)
2021	17.2	18.8	(1.7)	3	24.2	14.5
2020	(1.1)	0.3	(1.5)	3	4.6	(1.2)
2019	29.2	25.3	3.9	1	27.3	22.4
2018	(17.1)	(15.2)	(1.9)	3	(13.2)	(17.6)
2017	11.8	18.7	(6.8)	4	25.7	14.4
2016	7.5	11.6	(4.1)	3	12.7	4.6
2015	30.6	21.6	9.0	1	26.1	20.0
1 Year	10.4	8.0	2.4	2	10.4	5.0
3 Years	(8.4)	(29.0)	20.6	1	(23.2)	(33.8)
5 Years	24.7	(0.7)	25.4	1	12.5	(10.1)
Inception	77.0	51.6	25.4	1	53.2	31.4

Results for period starting 1 Jan 2014 and ending 30 Sep 2024. Reporting currency GBP.

ARC Research Limited (ARC) is an independent research firm specialising in the analysis of private client investment portfolio performance and STELLAR AM has provided ARC with monthly performance of the Stellar AIP Hybrid Composite.

Please note that ARC does not independently verify the performance of the Composite submitted by STELLAR AM. However, ARC does apply robust consistency checks and considers that the Composite performance information set out above is broadly indicative of portfolio performance typically delivered by STELLAR AM for clients following the Composite.

The tables and charts presented here are based on historical information and past performance is not indicative of future performance. ARC does not guarantee the performance of any investment or portfolio or the return of an investor's capital or any specific rate of return. ARC accepts no liability for any investment decision made on the basis of the information contained in this report. You should always complete your own analysis and/or seek appropriate professional advice before entering into an agreement with any fund provider. Note that the performance of investments outside of your home currency will be affected by exchange rate fluctuation.

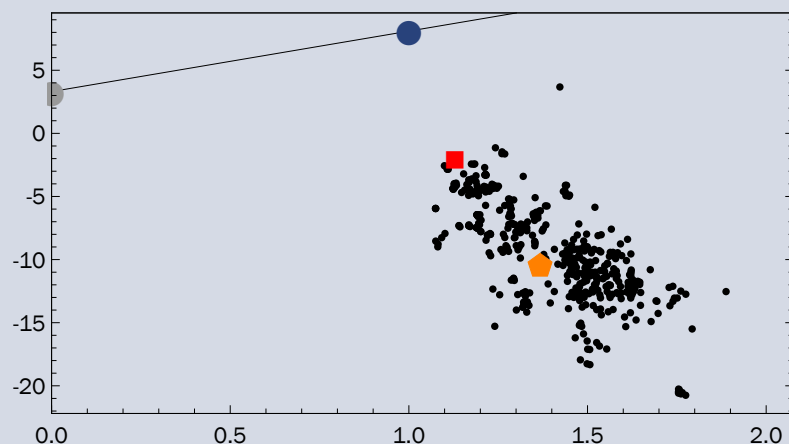
#### Notes

1. The most recent year and the first year for which data is shown may be incomplete. Please refer to the start and end dates shown in the footnote below the table.
2. In the Net Return column, the Manager has confirmed that Composite performance is presented net of all trading expenses, retained management fees, custodial fees and withholding taxes. Top to bottom quartiles are coloured green, purple, yellow, orange respectively.
3. The Benchmark Return indicates the performance of the ARC AIP Index.
4. Relative Return is the Net Return (column 2) minus the Peer Group return (column 3).
5. Return Quartile Rank shows the quartile performance of STELLAR AM relative to the GBP AIP Manager Peer Group cohort.
6. 25th percentile return indicates the lowest return in each period that would have been allocated a top quartile ranking.
7. 75th percentile return indicates the highest return in each period that would have been allocated a bottom quartile ranking.

The Sharpe charts below, which are based on monthly data, show the risk-return characteristics for the Stellar AIP Hybrid Composite alongside a representative sample of 500 portfolios from the Data Contributors to the ARC IHT Portfolio Indices, together with the median outcome. The charts are based on the results for three and five year periods, to date.

### Return vs Risk (36 months)

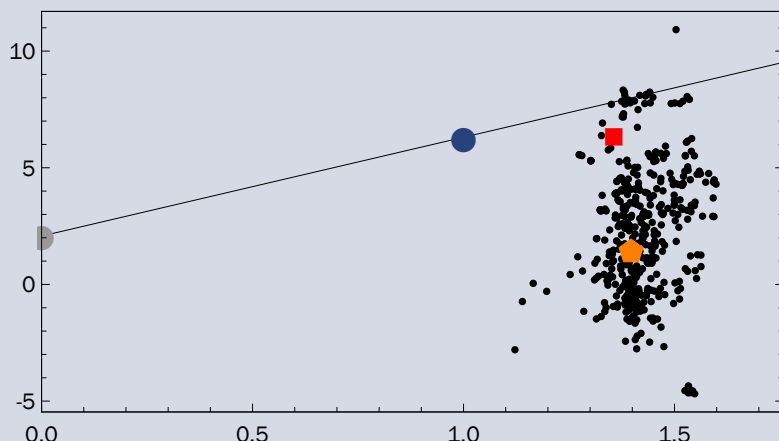
Mean Return (per cent per annum)



- Stellar AIP Hybrid Model
- ⬠ AIP Median
- AIP Portfolio Sample
- Sterling Cash
- UK Equities

### Return vs Risk (60 months)

Mean Return (per cent per annum)



- Stellar AIP Hybrid Model
- ⬠ AIP Median
- AIP Portfolio Sample
- Sterling Cash
- UK Equities

The tables and charts presented here are based on historical information and past performance is not indicative of future performance. ARC does not guarantee the performance of any investment or portfolio or the return of an investor's capital or any specific rate of return. ARC accepts no liability for any investment decision made on the basis of the information contained in this report. You should always complete your own analysis and/or seek appropriate professional advice before entering into an agreement with any fund provider. Note that the performance of investments outside of your home currency will be affected by exchange rate fluctuation.