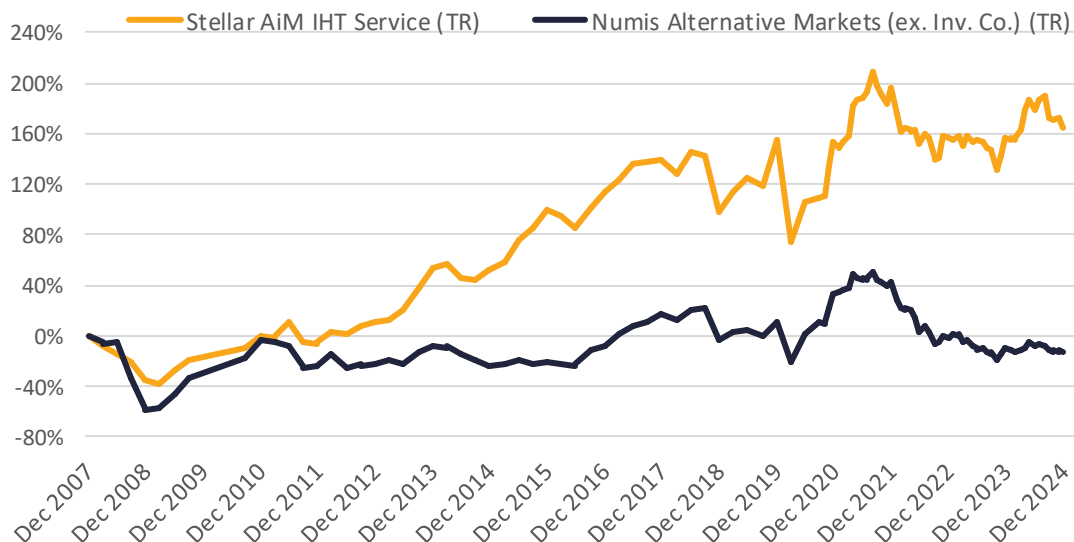


# AiM Inheritance Tax Service Performance Factsheet Q4 2024

Doom, Doom, Doom, Doom... Doom, Doom, Doom...

In Blackadder Goes Forth, Private S. Baldrick recited a poem he wrote called 'The German Guns' which simply, but poignantly, repeated the word 'Boom' 14 times. Taking inspiration from Baldrick, we have repurposed his poem for this quarter's headline and renamed it 'The Chancellor's Sums'. To be frank, they don't add up and the crass inability in running the economy leaves us with only gallows humour to try and seek some refuge. Watching the Budget, and the entirely predictable fallout, we can only turn again to (Edmund) Blackadder in summing it all up, "It started badly, it tailed off a little in the middle, and the less said about the end the better – but, apart from that, it was excellent".

## 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



	Q4	YTD	1 Year	3 Years	5 Years	Inception
<b>Stellar AiM IHT Service (TR)</b>	-3.2%	2.6%	2.6%	-10.9%	3.2%	163.9%
<b>DN Alternative Markets (TR)*</b>	-2.3%	-3.9%	-3.9%	-38.7%	-21.6%	-13.1%

\*Deutsche 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. **January 2025**

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## Portfolio Characteristics

Dividend Yield (FY1*)	2.15%
P/E Ratio (FY1*)	19.7
Average / Median Market Capitalisation	£256.8m/£168.3m
Number of Stocks	35

\* Represents analysts' consensus 12-month forecasts.

## Market news

While the Budget didn't quite represent the clearing event we had hoped, at least AIM retains 50% IHT relief (from April '26), acknowledging its ongoing importance as a provider of growth capital. There are ongoing lobbying efforts seeking to improve matters from here, and we would caution against a headlong rotation into asset-backed schemes that may not be suitable for some clients. At least we (investors, corporates, and advisers) now have clarity, and we look forward to discussing the compelling opportunities available with you and your clients.

For the quarter ended December 2024, the portfolio experienced a -3.19% return, underperforming the benchmark's -2.30% return. For the calendar year, the portfolio posted a pleasing +2.65% positive return, outperforming the benchmark's -3.88% negative return – its third consecutive annual fall. An initially positive reaction to the Budget soon gave way to further incessant selling. While this wasn't on high volume, it was no less impactful, with UK equity flows turning negative once more after a one-off positive inflow in November. Negative positioning wasn't helped by the long-term gilt yield rising inexorably, pushing the Chancellor into a fiscally tight spot that may necessitate further tax rises and/or spending cuts. Small-caps are particularly sensitive to interest rates and here, too, the outlook darkened with the Bank of England talking down the prospect of rate cuts until the economy digests upcoming rises in wages and NICs. With the UK looking more like a straitened Europe than a strident US, we think rates will fall faster and further than the current year-end consensus expectations of 4%.

## Company Updates

Our strongest performer in Q4 was **IG Design** (gift packaging) which showed a modest recovery from a poor prior quarter, driven by stable results in an ongoing turnaround. However, a profit warning post period-end (17/01/25) highlighted weak trading conditions in the US, during the crucial Christmas period, with several key customers, including their fourth largest, going into administration. The position has since been exited. There was disappointment from **Nexiteq** (Industrial PC boards), which fell 32% in the fourth quarter after warning of a slower-than-expected market recovery and further customer de-stocking. A strong net-cash balance sheet provides time to trade their way to recovery.

**Volex** (cable and power cords) reported in-line trading but fell after announcing that it had submitted two separate cash and share offers for TT Electronics, a listed peer, at a significant premium. Both bids were rejected by TT's board. While mooted synergies and the strategic logic were compelling, we felt the timing wasn't optimal as it still digests its recent off-highway acquisition. Volex's management, to their credit, maintained their discipline on pricing and ended their

## 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

interest in TT in December. **CVS** (veterinary practices), **Victorian Plumbing** (online bathroom retailer) and **Kitwave** (delivered wholesaler) all fell despite posting in-line trading updates, while **Flowtech** (industrial hydraulics), **Pebble Group** (promotional goods) and **Avingtrans** (industrial engineering), all fell despite no clear negative news.

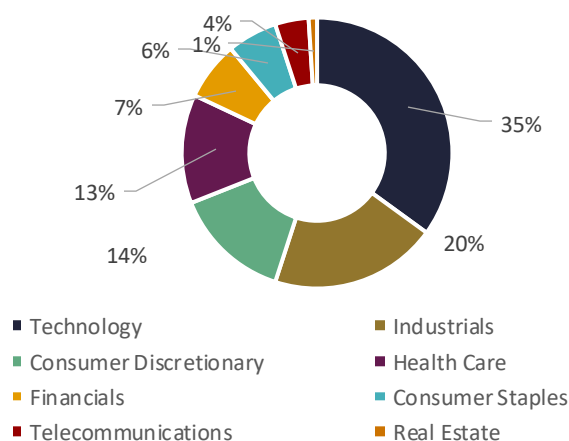
More positively, we were pleased to see **Anpario** (natural animal feed additives) finally consummate a deal after years of trying, with the self-funded \$7.3m acquisition of US-based Bio-Vet Inc. The acquisition provides complementary products, a US sales team, and the option to manufacture in the US, providing them the coveted 'made in USA' tag. The house broker raised its FY25 EPS forecast by 9% in response. Other strong performers included **Beeks** (cloud computing), **Eleco** (engineering software) and **Franchise brands** (multi-brand franchisor).

It was heartening to see something of a theme develop in the quarter with a number of other companies also completing acquisitions. Often, these deals are being funded from net-cash balance sheets and are immediately earnings accretive as a result. This included small bolt-ons for **Oxford Metrics** (motion

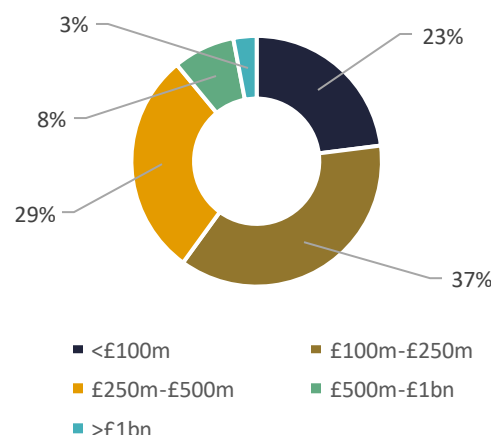
measurement), **Begbies** and **FRP** (both insolvency), as well as some more transformational acquisitions. **Warpaint London** (value cosmetics) made a £14m offer for their AIM-listed peer Brand Architekts, though the highlight was **Animalcare** (animal pharmaceuticals) making a £62.2m offer for Randlab, an Australian-based equine veterinary group. Randlab diversifies the group's geographic reach into a new market and boosts fast growing Equine exposure to 23% of group revenue from <10%. Analysts revised their forecast EPS by over 20% yet the share price barely reacted. This is the deal we have been waiting patiently for and provides Animalcare with much needed scale that should unlock operational gearing and accelerate bottom-line earnings.

The final quarter was relatively quiet in terms of new buys and sells from the core portfolio, with only a partial reduction made to our position in **Equals Group** (payments platform), which finally received a firm offer for the business after over twelve months of ongoing discussion — an unusually long period. In contrast, **Eckoh** (secure payments) received a firm offer after just over two months of discussion. Both bids provided over 20% upside to their undisturbed prices.

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



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



<sup>1</sup> Proportion (by value) of invested portfolio as at 31st December 2024.

<sup>2</sup> Number of companies as proportion of portfolio (by value) as at 31<sup>st</sup> December 2024. Source: Stellar Asset Management Limited

## 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 **January 2025** 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 - December 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	2.5	(4.7)	7.2	1	(2.3)	(8.9)
2023	(0.0)	(2.8)	2.8	1	(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	2.5	(4.7)	7.2	1	(2.3)	(8.9)
3 Years	(11.1)	(30.7)	19.6	1	(27.1)	(35.0)
5 Years	2.9	(17.4)	20.4	1	(7.7)	(23.4)
Inception	71.1	46.4	24.7	1	48.3	30.2

Results for period starting 1 Jan 2014 and ending 31 Dec 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.

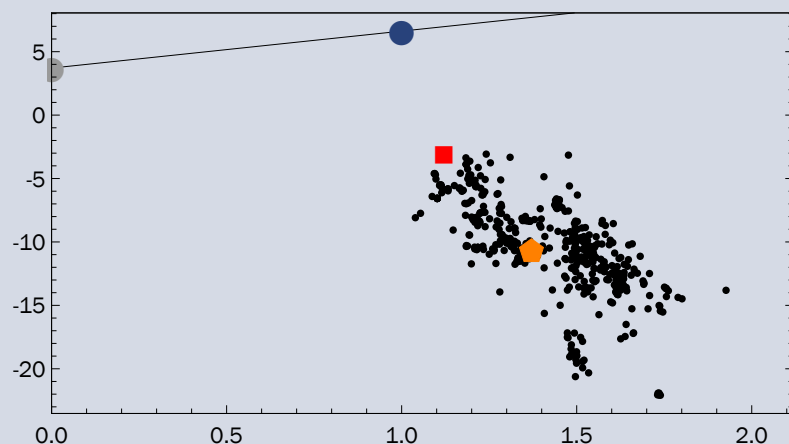
#### Notes

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)

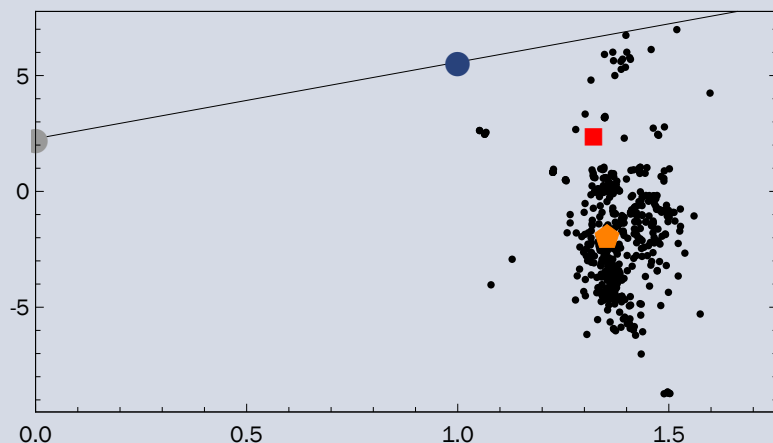
Mean Return (per cent per annum)



- 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

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