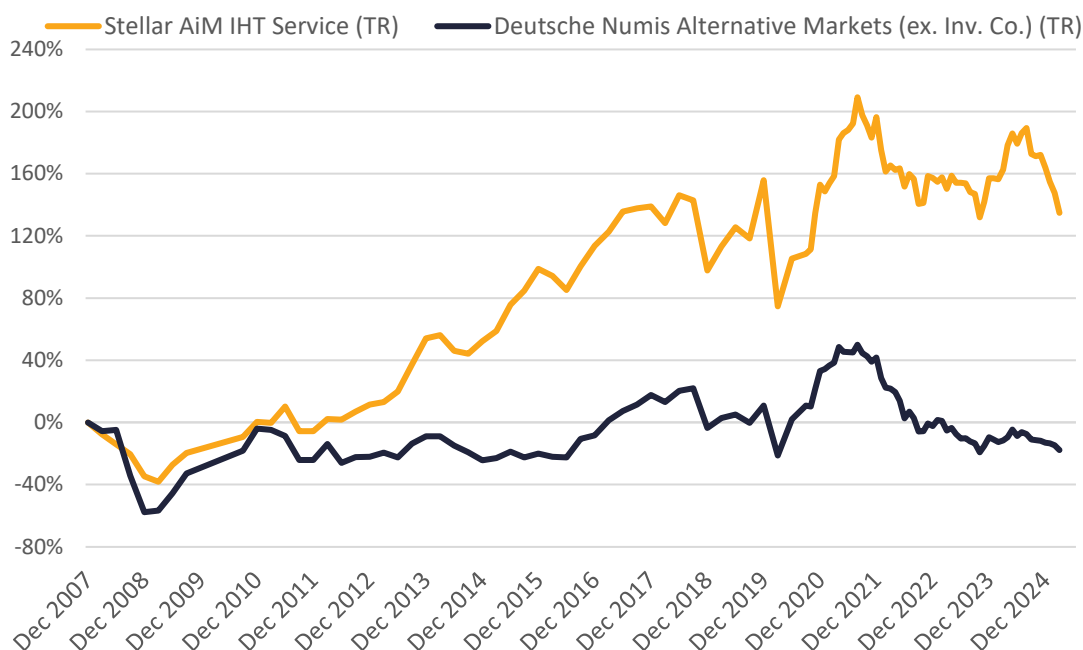


### Orange Swan Event

Nassim Taleb popularised the term “black swan” to denote a highly unexpected yet often historically consequential event. In a perma-tanned Trump, investors faced an “orange swan” equivalent, as his bellicose tariff rhetoric saw investors scramble to reprice risk assets. This culminated in his “Liberation Day” and a gameshow-like tariff board revealing punitively high rates on friends and foe alike. A treasury bond market revolt brought about a 90-day pause to cut bilateral trade deals that should obviate the US effective tariff rate rising to c. 23% from an undisturbed 3%. Regardless, *Pax Americana*, where the US acted as the world’s hegemon is over, which will create disruption as well as opportunity. Thankfully, the UK market is looking increasingly well placed to navigate a changing global order.

### Stellar AiM IHT Service Cumulative Performance



|                                     | Q1     | YTD    | 1 Year | 3 Years | 5 Years | Inception |
|-------------------------------------|--------|--------|--------|---------|---------|-----------|
| <b>Stellar AiM IHT Service (TR)</b> | -11.0% | -11.0% | -10.6% | -11.5%  | 34.4%   | 134.8%    |
| <b>DN Alternative Markets (TR)*</b> | -5.3%  | -5.3%  | -7.0%  | -32.5%  | 4.6%    | -17.7%    |

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

Source: Stellar Asset Management Limited

### Service Overview

#### Investment Manager

Stellar Asset Management Limited

#### Custodian

Third Financial Services Limited

#### 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



### 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. **May 2025**

## Portfolio Characteristics

|   |                 |
|---|-----------------|
| <b>Dividend Yield (FY1*)</b>                  | 2.45%           |
| <b>P/E Ratio (FY1*)</b>                       | 17.3            |
| <b>Average / Median Market Capitalisation</b> | £305.3m/£165.8m |
| <b>Number of Stocks</b>                       | 35              |

\* Represents analysts' consensus 12-month forecasts.

## Market news

In Q1 2025, the portfolio experienced a -11.0% return, underperforming the benchmark's -5.3% return. The relative underperformance was driven, in part, by a zero weighting in the basic resource sector which rose 14.5%, boosted by gold mining stocks where the largest constituent, Greatland Gold, rose 88%. We don't invest in such companies owing to volatile, price-taking business models that also often lack full Business Relief qualification. Performance was also driven by ongoing selling pressure, post the Budget, and two investee companies (see below), in particular.

While the drawdown was disappointing, we see an increasingly constructive backdrop for both the UK economy and equities. Trump's tariffs are inherently disinflationary for the UK economy, be that: lower energy and petrol prices, a stronger £ versus the \$, weaker global growth, lower freight rates, or excess Chinese goods looking for new markets outside of the US. In response, the market is now pricing in 4 interest rate cuts to 3.5% by year-end, with further cuts likely next year, which should greatly boost investor sentiment.

Over the last few quarters, we deliberately increased our exposure to Construction, Housing, Marketing, and Consumer related stocks. The latter, particularly, is poised to surprise on the upside given an unsustainably high savings rate currently of 12.5% vs. the 20-year average of 7.8%. Confidence has been in short supply, but we see lower interest rates being the key unlock to unleashing pent-up demand. This would be very good news for an economy where the service sector comprises 80% of GDP.

We also see incessant fund outflows over the last four years inflecting positively where prices will move aggressively, even on very modest volumes. In the short-term, a £1.5bn local authority mandate has been awarded to invest specifically in UK small- and mid-cap equities. Medium-term, changes to pension funds and ISAs should serve to drive up lowly UK equity allocations. Longer-term, we see ongoing rotation out of US assets, including the dollar, into Europe and the UK, as relative economic growth rates diverge in the face of US fiscal retrenchment in contrast to European stimulus. All of that with valuations that are often at generational lows, and we see strong upside for investors able to look through temporary dislocation. Investment giant Blackrock is one such investor who now sees the UK as too cheap to ignore.

## Company Updates

**Warpaint London** (value cosmetics) contributed -1.29% to total performance after its share price fell by 21%. Last quarter they announced the takeover of AIM-listed peer Brand Architekts, which restricted what they and their broker could communicate to the market in a January '25 trading update.

## 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

 **aberdeen**

 **M&G wealth**

  
**transact**  
take control

This lack of granularity and a marginal miss on revenues spooked some investors who had grown used to continual earnings upgrades. Confidence in the investment thesis remains with the group still growing 10%-15% per annum as it continues to expand with the likes of Boots and Superdrug. The other notable detractor was **IG Design** (gift packaging), which warned on profits after weak trading conditions in the US during Christmas as several retail customers, including their fourth largest, went into administration. This contributed -1.28% to performance before the position was exited. There were a large number of other stocks that fell 10% or more even when results were in-line or ahead of expectations.

More positively, **Quartix** (telematics) delivered upgrades, showing signs of returning to growth following the return of its founder. **Sigmaroc** (lime quarries) saw shares rise due to an upgrade and anticipated benefits from the €1trn German infrastructure and defence spending package, with 26% of revenues from Germany. **CVS Group** (veterinary practices) shares rallied despite downgrading expectations, as the market anticipated less severe impacts from the ongoing CMA investigation.

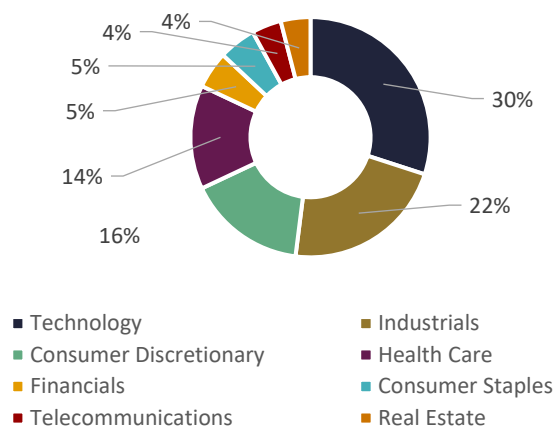
It was pleasing to see our investee companies continue

to be proactive in terms of acquisitions, using their strong balance sheets to good effect. This included a small bolt-on for **Eleco** (engineering software), as well as some more transformational acquisitions. We expect **Warpaint London's** takeover of Brand Architekts to contribute a c.£1m operating profit this year as management remove costs and boost sales of its acquired brands, including Super Facialist and Fish Soho. We note, also, the business was heavily asset backed with £7m net cash and £4m of stock versus a £14m consideration.

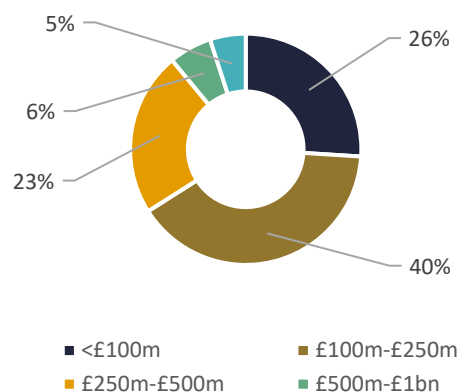
**Gamma Communications** (cloud communications) made a £165m offer for STARFACE, a provider of business communications and collaborative software solutions into the German market. This acquisition will position Gamma as a market leader in the fast-growing German SME cloud communications market, which is early in its transition to cloud. We will be sad to see it move to the main market in Q2 2025.

Portfolio activity was relatively high, with both of our positions in **Eckoh** and **Equals** being sold ahead of their sale to third parties, and the aforementioned disposal of IG Design being recycled into advertising agency, **M&C Saatchi**, (see our latest spotlight here), **Netcall** (process automation software), and **Sigmaroc**.

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



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



<sup>1</sup> Proportion (by value) of invested portfolio as at 31<sup>st</sup> March 2025.

<sup>2</sup> Number of companies as proportion of portfolio (by value) as at 31<sup>st</sup> March 2025. 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 **May 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 - March 2025



#### 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> |
|---------------------|-----------------------------|--------------------------|-----------------------------------|-----------------------------------|---|---|
| 2025 (YTD)          | (11.0)                      | (9.6)                    | (1.4)                             | 4                                 | (8.3)                                   | (11.0)                                  |
| 2024                | 2.7                         | (4.7)                    | 7.4                               | 1                                 | (2.3)                                   | (8.9)                                   |
| 2023                | (0.0)                       | (2.8)                    | 2.8                               | 1                                 | (0.1)                                   | (5.0)                                   |
| 2022                | (13.3)                      | (25.2)                   | 11.9                              | 1                                 | (22.6)                                  | (26.5)                                  |
| 2021                | 17.2                        | 18.8                     | (1.7)                             | 3                                 | 23.9                                    | 14.9                                    |
| 2020                | (1.1)                       | 0.3                      | (1.5)                             | 3                                 | 4.5                                     | (1.1)                                   |
| 2019                | 29.2                        | 25.3                     | 3.9                               | 1                                 | 27.3                                    | 22.5                                    |
| 2018                | (17.1)                      | (15.2)                   | (1.9)                             | 3                                 | (13.3)                                  | (17.5)                                  |
| 2017                | 11.8                        | 18.7                     | (6.8)                             | 4                                 | 23.8                                    | 14.4                                    |
| 2016                | 7.5                         | 11.6                     | (4.1)                             | 3                                 | 14.2                                    | 4.8                                     |
| 1 Year              | (10.5)                      | (12.0)                   | 1.5                               | 2                                 | (10.3)                                  | (15.2)                                  |
| 3 Years             | (11.5)                      | (27.4)                   | 16.0                              | 1                                 | (25.5)                                  | (30.8)                                  |
| 5 Years             | 34.3                        | 2.7                      | 31.6                              | 1                                 | 19.9                                    | (5.2)                                   |
| Inception           | 52.5                        | 32.3                     | 20.2                              | 1                                 | 45.2                                    | 20.9                                    |

Results for period starting 1 Jan 2014 and ending 31 Mar 2025. 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.

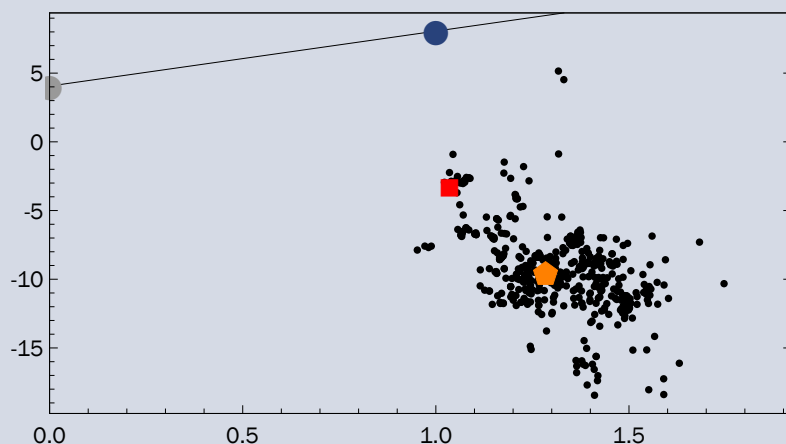
#### Notes

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)

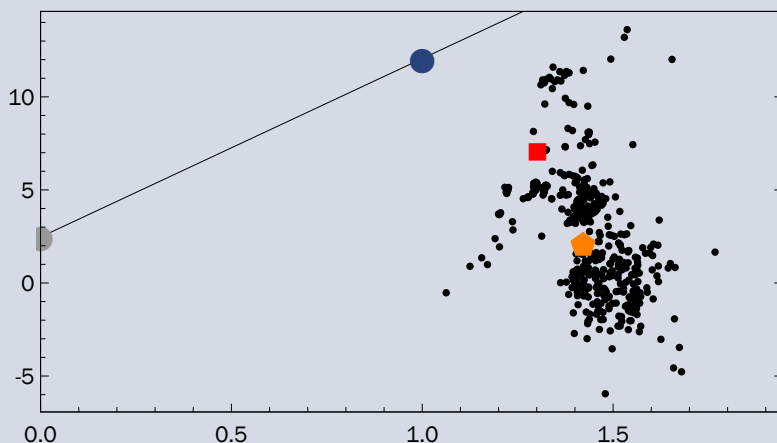
Mean Return (per cent per annum)



- 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.