

Stellar AiM IHT Service

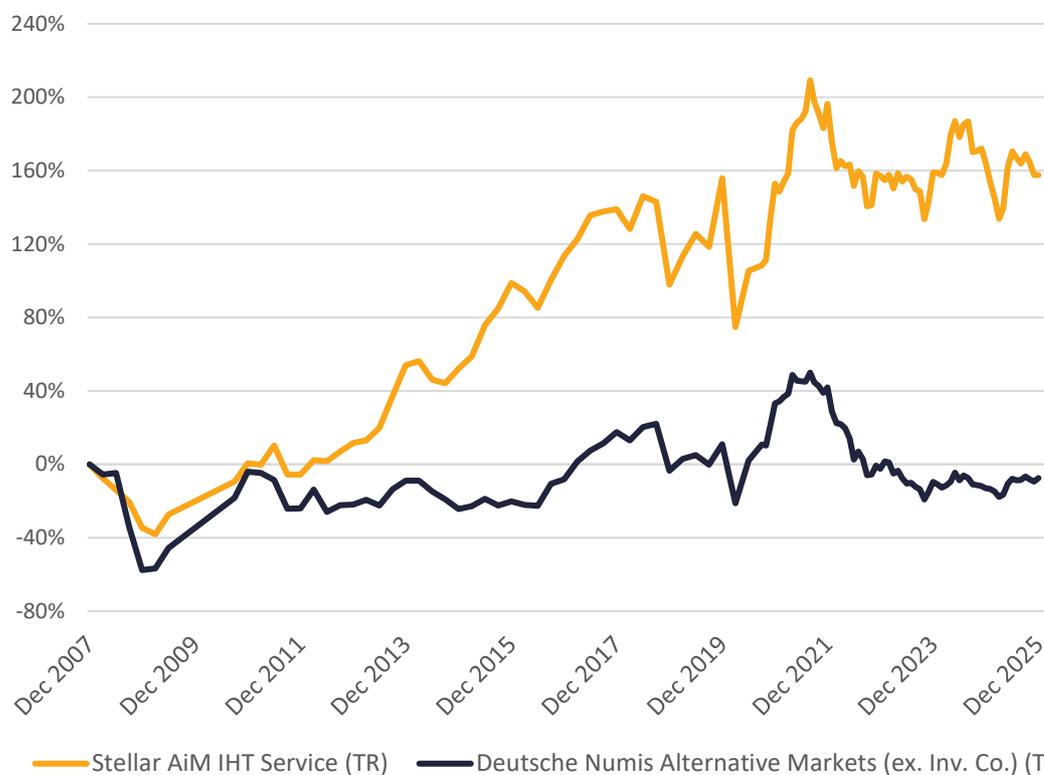
Aberdeen
Performance Factsheet
Q4 2025



It's a Blunderful Strife

Maybe, given the season, the pantomime that surrounded the Budget shouldn't have come as a total surprise. The first blunder was delivering it so late into the retail and hospitality 'Golden Quarter', which had a chilling effect on consumer demand; thin gruel all round. The second major blunder was the Chancellor's aggressive pitch-rolling for a rise in income tax in a bizarre TV address tantamount to an emergency broadcast. Bond markets initially welcomed the tack towards fiscal sobriety, but strife soon followed when the government subsequently abandoned the idea. A Christmas classic it was not, yet, just as George Bailey was rescued from despair by his guardian angel, Rachel Reeves may be on a similar redemption arc of her own (wings and a prayer optional).

Stellar AiM IHT Service Cumulative Performance



Service Overview

Investment Manager Stellar Asset Management Limited
Reporting Period On Platform
Tax Objective IHT Relief after two years
Investment Objective Capital growth
Structure Discretionary portfolio
Initial Fee 0%
Annual Management Fee 1% (exempt of VAT) with effect from 1st January 2026
Annual Administration Fee On Platform
Dealing Fee On Platform

	Q4	YTD	1 Year	3 Years	5 Years	Inception
Stellar AiM IHT Service (TR)	-4.2%	-2.4%	-2.4%	0.1%	1.8%	157.5%
DN Alternative Markets (TR)*	-1.0%	6.4%	6.4%	-5.3%	-30.6%	-7.6%

*Deutsche Numis Alternative Markets ex. Investment Companies Index (Total Return) Source: Stellar Asset Management Limited



Market news

Despite avoidable errors the Budget itself was relatively benign. While not quite a ‘nothingburger’, the net impact was enough to satiate a skittish bond market. Redemption came from three key positives: a disinflationary impulse with train fares fixed and minimum wage rises manageable (lessons learned from last year!); being modestly stimulative in nature with higher spending today and tax rises deferred into the future; and finally building in proper fiscal headroom to better absorb future shocks. The move to just one major fiscal event a year should also improve economic stability and reduce volatility.

While UK economic growth will likely remain low, owing largely to incoherent energy policy giving us the highest electrical prices in the developed world, at least it should remain positive. On a medium- to longer-term view, we may even reap the benefits of AI if it catalyses a productivity boom. Here we are reminded of Amara’s law, named after Roy Amara the US scientist and futurist, when he quipped that, “We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run.”

Near-term economic gyrations do not detract, however, from the positive longer-term outlook for our strategy, where the expectations embedded in share prices are often pricing in recession-like conditions. Moreover, it is hard to overstate the significance of the often-maligned FTSE 100, labelled by some as a “dinosaur”, delivering a 35.1% total return in US dollar terms. Not extinct then but merely restin’. This was driven, in delicious irony, by old-economy Mining and Financial stocks. In contrast, the AI-driven S&P 500 delivered a ‘mere’ 17.9% total return. In sterling terms, the FTSE returned 25.7% against the S&P’s much more lacklustre 9.7%¹, dragged down by a weaker dollar.

We suspect 2025 will trigger circumspection amongst investors, questioning whether being overweight to an expensive, concentrated equity market concomitant with a weakening dollar is

optimal. Add to that a capricious president and the attendant risks are obvious.

It’s worth remembering that since 1969 there have been three major bear markets in the dollar where the average decline was 41%². A virtuous cycle of ever rising US equity and dollar values can quickly transition into a vicious one as more and more investors seek to diversify their investments into rest of the world assets.

There is evidence this has already started with the S&P 500 posting its worst relative performance versus the rest of the world (ex-US) since 2009. This rotation of capital is still only in the foothills from a fund flow dynamic, with key turning points often heralding the start of a multi-year cycle. Could President Trump turn out to be the greatest UK equity salesman we never knew we always wanted?

With further interest rate cuts expected this year, as inflation continues to fall, this is normally a powerful tailwind to small- and mid-cap equities. Prolonged and significant small- versus large-cap underperformance has traditionally presaged significant subsequent small-cap outperformance. It is vital to stay the course as, when the trend inflects, the majority of outperformance typically occurs over a relatively short period of time.

Moreover, liquidity normally starts with the largest stocks before trickling down to the mid- and smaller-sized companies as more discerning investors seek best value. For all these reasons, we see strong absolute returns potential in the portfolio, and again caution against acting in haste and repenting in leisure by switching into low-growth asset-backed schemes ([click here](#)).

Finally, we were delighted and humbled to win the prestigious ‘Best BR Investment Manager – Listed’ category at the Growth Investor Awards 2025, an award much, much harder to win than the FIFA Peace Prize!

¹ Source: Performance figures from Bloomberg 31/12/24 to 31/12/25

² Source: Bloomberg, Dollar index average across periods: Oct ’69-Oct ’78; Mar ’85-Aug ’92; Feb ’02-Mar ’08

Portfolio Update

In the final quarter of 2025, the AIM IHT Service declined -4.2%, compared with a -1.0% decline in the benchmark¹. Once again, relative underperformance was shaped heavily by the Materials (mining) sector, supported by a 12.0% rise in the gold price². For the full-year, just two gold miners accounted for almost the entirety of the index's return, as the mining sector index weighting doubled to 20% by year-end. This remains an area in which we have limited exposure, both because holdings are typically ineligible for Business Relief and given their 'price-taker' business models which do not align with our investment strategy.

Starting with the positives, the strongest contributors in the period included **Tristel** (high-level disinfectant, +15.3%³), supported by robust full-year results and early traction in North America for its recently FDA-approved ULT and OPH products. We see this momentum as a potential driver of further upgrades and increased our position accordingly. **Franchise Brands** (multi-franchise operator, +10.7%) also performed well, reflecting both the attractive valuation and improving conditions across Europe, supported by fiscal stimulus in Germany and strengthening economic sentiment indicators.

We continued to see pressure on stocks widely held by inheritance tax investors following the budget changes announced in October 2024. This created an ongoing headwind for the service which was less pronounced at the index level. Among the key detractors were **Tracsis** (rail software, -27.5%), despite delivering in-line results; **Craneware** (hospital software, -19.2%), following an in-line AGM update; and **The Property Franchise Group** (franchised estate agent, -13.6%), which also reported in-line trading.

AIM IHT outflows have pushed valuations to notably attractive levels, and history shows that when non-fundamental selling abates, markets often experience a sharp rally as prices revert to fairer fundamental value. Ongoing corporate takeover activity remains a feature of the market,

as trade and financial buyers are able to pay premiums and often still acquire businesses below their long-term valuations.

One such example was **IDOX** (local government software, +23%), which received a cash offer from Long Path Partners, a value-oriented US investor and long-term shareholder. The deal transitioned from a Scheme to a takeover offer at the start of the new year, lowering the required acceptances to 50%. While the offer was at the lower end of our expectations, there is no shortage of strong reinvestment opportunities.

Elsewhere, **Redcentric** (IT services, -9.3%) announced the sale of its data-centre business to Stellanor for an enterprise value of £115–£127m, leaving the remaining Managed Services business attractively valued. In addition, **CVS Group** (veterinary practices, +2.9%) confirmed its intention to transfer from AIM to the main market of the London Stock Exchange in January 2026. As the company will cease to qualify for Business Relief upon moving, we will be required to exit the position ahead of the transition.

We are seeing more big companies on AIM being bought or moving up to the main market. This actually helps us in two ways: when our larger holdings get taken over, we enjoy the acquisition premium, and, when companies move up, investors will shift their money into smaller AIM names, boosting demand for the kind of stocks we own. Our sweet spot is businesses worth under £250m. They are generally too small to move to the main market and are attracting more investment as investors in larger companies are forced to rotate their capital down into the smaller end of AIM.

¹ Source: Deutsche Numis Alternative Markets (excluding investment companies) TR index, Bloomberg

² Source: Bloomberg 30/09/25 to 31/12/25 in USD

³ Performance figures from Bloomberg 31/12/24 to 31/12/25

Portfolio Characteristics

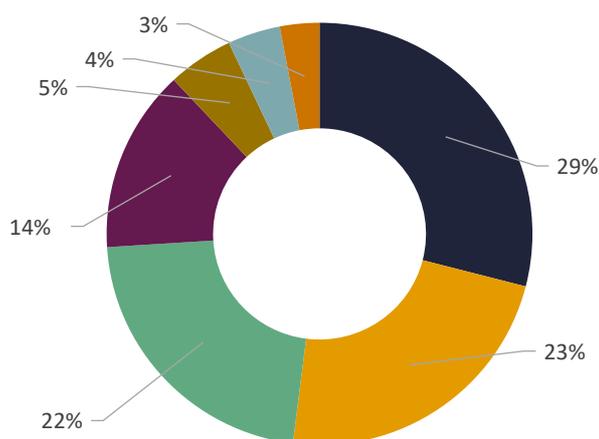
Dividend Yield (FY1*)	2.06%
P/E Ratio (FY1*)	17.9x
Average / Median Market Capitalisation	£312.4m/£185.5m
Number of Stocks	35

* Represents analysts' consensus 12-month forecasts.

Platform Availability

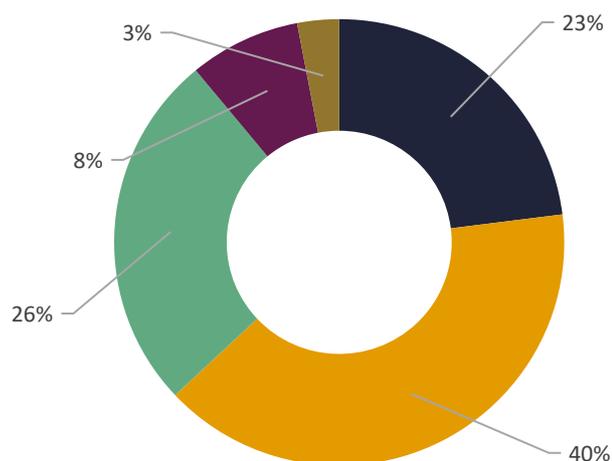


Sector Allocation ¹



- Technology
- Industrials
- Health Care
- Consumer Discretionary
- Real Estate
- Consumer Staples
- Financials

Market Cap Allocation ²



- <£100m
- £100m-£250m
- £250m-£500m
- £500m-£1bn
- >£1bn

¹ Proportion (by value) of invested portfolio as at 31 December 2025

² Number of companies as proportion of portfolio (by value) as at 31 December 2025

Source: Stellar Asset Management Limited

Our AiM Team



Stephen English
Investment Director

Stephen joined the company in 2020 and is the investment principle on the AiM IHT team, ultimately responsible for portfolio construction and investment selection. With 23 years of experience in the industry, he holds the CISI Diploma and the Chartered Financial Analyst (CFA) designation. With a background in art and an interest in psychology Stephen believes that small-cap investment is as much art as science, and the combination of these factors led to the authoring of his own 12-page investment philosophy. A regular and sought-after guest on BR-related investment panels, Stephen is well-regarded throughout the industry for his conviction and passion.



Jack Pedley
Assistant Fund Manager

Jack joined the company in 2023, having 10 years' experience in the financial services industry and previous experience at both Bank of America and Grant Thornton. The latter being where he trained as a chartered accountant, earning his ACA designation, and the former being where his interest for the investment world was sparked. His financial background pairs well with Stephen's capability in the more qualitative and psychological aspects of investing, meaning they can take a pincer approach to dissecting a company's annual report. Jack also holds the ACSI designation, a forensic accounting qualification and the CFA Certificate in ESG Investing.



Phil Kirwan
Portfolio Manager

Phil joined the company in 2020 and is responsible for rebalancing portfolios, communicating with clients and intermediaries, preparing reports, valuations and liaising closely with Stephen and Jack on portfolio construction. Phil holds the CISI Chartered Wealth Manager qualification and has 15 years of industry experience. Phil's former role as a discretionary investment manager, mathematics background, and technically-minded nature have resulted in him being uniquely equipped to oversee the day-to-day management of the service whilst also providing technical and sales support to service the firm's adviser customer base.

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 portfolios held directly with Stellar. The performance of portfolios held on Aberdeen may differ slightly owing to differing platform costs, trade execution, and timing impacts.

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