

Stellar AiM IHT Service

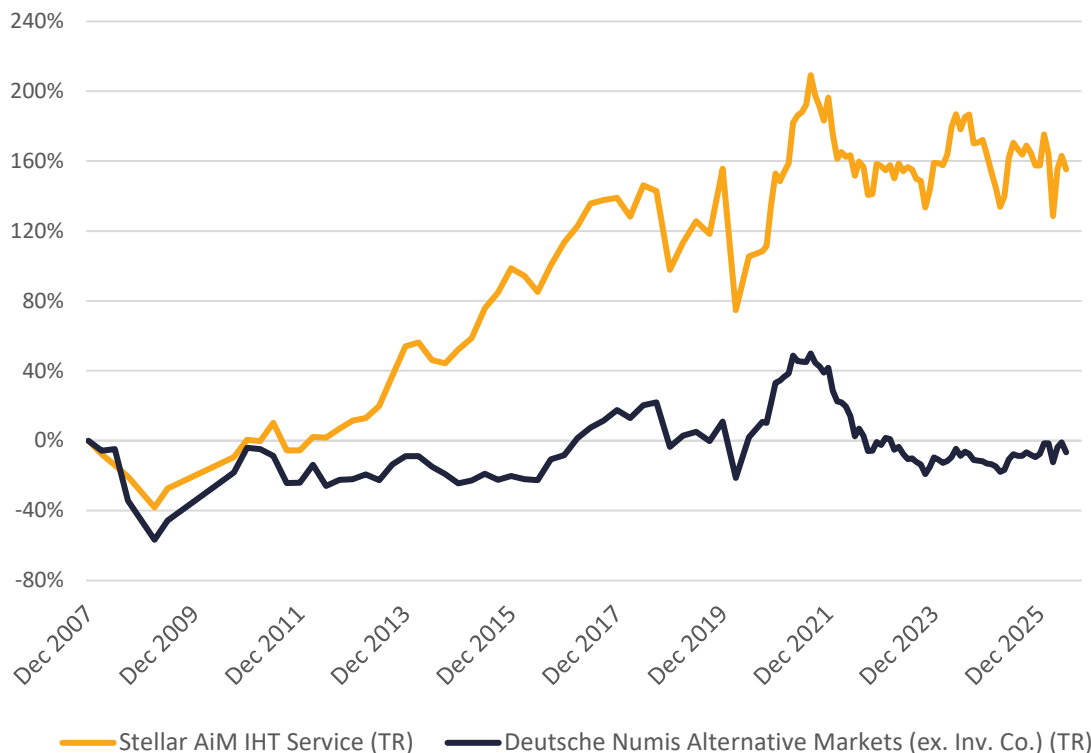
Performance Factsheet
Q2 2026



To infinity, and beyond (all reason)

They say no one rings a bell at the top of a bull market and, even if they did, you wouldn't hear it in space, but the epochal IPO (Inter-Planetary-Offering?) of SpaceX should certainly have set alarm bells ringing. The \$75bn raised was a new record¹ capitalising this 2026: Space Odyssey at \$1.75 TRILLION. That equated to around 94 times last year's revenue, or a still absurd 45 times this year forecast revenue². An old-fashioned P/E ratio is unavailable because the company is and remains loss-making. To a gung-ho Captain Kirk, SpaceX's claimed total addressable market (TAM) of \$28.5trn is there to be conquered. To Spock, logic would dictate a more cautious appraisal: "It's a TAM, Jim, but not as we know it".

Stellar AiM IHT Service Cumulative Performance



	Q2	YTD	1 Year	3 Years	5 Years	Inception
Stellar AiM IHT Service (TR)	11.7%	-0.9%	-5.6%	-0.5%	-11.4%	155.3%
DN Alternative Markets (TR)*	6.5%	1.1%	1.3%	4.3%	-35.7%	-6.6%

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

Service Overview

Investment Manager

Stellar Asset Management Limited

Custodian & Nominee

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% (exempt of VAT)

Annual Administration Fee

0.225% (exempt of VAT)

Dealing Fee

0.25%

Minimum Investment

GIA £40,000 | ISA £20,000



¹ Source: <https://www.renaissancecapital.com/IPO-Center/Stats/Largest-Global-IPOs>

² Source: Bloomberg.

Market news

There are many intertwined narratives and dynamics at play in markets currently with AI the glue that binds them. Many commentators seem loath to call a bubble a bubble, but that is precisely what we believe AI, the Magnificent Seven, hyperscalers, and semiconductor stocks represent. We see adjoining bubbles in valuations, capital expenditure (capex), and earnings; an unholy trinity that dwarfs even the excesses of the dot-com era. Such is the extent of investors' enthusiasm for bubbles they may as well support West Ham United F.C.³

Formerly capital-light businesses are now capital-intensive, where free cash flows have deteriorated sharply. Some companies have even tapped debt markets to finance investment on semiconductors and data centres. That would ordinarily warrant lower valuations, since every \$1 of revenue now converts into less cash available for shareholders.

We also doubt these investments will generate sufficient profits to even offset rapidly rising depreciation costs on short-lived assets, let alone earn an adequate return on investment. Achieving that would require aggregate sector sales to compound at a higher and faster rate than even Nvidia has achieved.

Meanwhile, competition from China is driving model prices lower, enterprises are already reining in token consumption, and there are real doubts that AI will become a winner-takes-all market in the same way search was with Google. Investors are nervously eyeing the exit, with FOMO and good old-fashioned career risk currently impeding egress.

Increasing incredulity is coinciding with another important shift: the biggest buyers of equities are spending their cash on other things. The five largest AI hyperscalers — Alphabet, Amazon, Meta, Microsoft, and Oracle — plan to invest roughly \$740bn in 2026 on capex, around 75% more than in 2025, rising to as much as \$900bn in 2027⁴.

With buybacks waning, Barclays Equities Tactical Strategies forecasts positive net issuance of US equities this year for the first time since 2001. That represents something of a regime change for investors, many of whom have only experienced a shrinking supply of equity which was a key pillar to perpetually rising valuations.

Against that backdrop, SpaceX could prove consequential. Most obviously, it will materially increase the supply of equity, both directly and indirectly by encouraging other private AI giants, such as Anthropic and OpenAI, to pursue listings as well. Both are reportedly seeking valuations in excess of \$1 trillion. The old stock market aphorism, "when the ducks are quacking, feed them," has clearly not gone unheeded, with Alphabet getting in on the act too by raising \$85bn from equity investors in June. With only around 8% of SpaceX's shares freely traded, and lock-up expiries beginning on 6 August, the supply of stock will continue to rise for months and years into the future.

History offers a sobering parallel. It was not the flood of IPOs during 1999 that ultimately broke the market, but the wave of insider selling that followed once lock-up restrictions expired in 2000. Keen to crystallise paper gains before lofty valuations collapsed, insiders rushed for the exits. Demand could not absorb the surge in supply, and the NASDAQ subsequently fell 78% from its high⁵.

With demand waning and the supply of shares rising, both short-term (IPOs) and longer-term (lock-up expiries), the structural bull market in place largely since 2009 is set to be severely tested. SpaceX has made a habit of bringing rockets safely back to Earth, it would be ironic, therefore, if it serves as a catalyst to bring valuations back to *terra firma* too. If capital does begin rotating away from the US, we suspect it will gravitate towards the world's cheapest equity markets. On that measure, UK smaller companies enjoy a significant advantage, with fund flows the propellant needed for our own valuations to take-off. Live long and prosper.

³ West Ham's official song is "I'm Forever Blowing Bubbles" by the Cockney Rejects.

⁴ Source: Osterweis' Nael Fakhry/Bloomberg's 'Points of Return' 28/07/26.

⁵ Source: Bloomberg — NASDAQ Composite peak (10/03/2000) to trough (09/10/2002).

Portfolio Update

The second quarter saw the AIM IHT Service rebound strongly from a weak start to the year, rising 11.65%, significantly outperforming the benchmark which rose 6.52%. Splicing the first and second quarters together shows a clear ‘V-shaped’ recovery, as investors took solace from the signing of the US/Iran “Memorandum of (mis)Understanding”. Whether this fragile truce holds remains an open question, with the contentious issues of uranium enrichment and unfettered access to the Strait of Hormuz unresolved. That didn’t stop the oil market reacting, with Brent crude falling from \$118 to just under \$73 a barrel⁶. That had knock on positive implications for inflation and interest rates, with the Strait’s reopening removing previous worst-case scenarios.

Should the conflict and commodity prices more generally remained constrained, that would once again open the path to the Bank of England cutting rates. In the short-term, UK small- and mid-cap (SMID) stocks are very sensitive to changes in monetary policy. At quarter-end, money markets were still pricing in around an 80% chance of a rate rise by the end of 2026, an outcome we view as unlikely. With a soft labour market, weak construction activity, and lack of second-round wage impacts, we still view rate cuts as more likely, possibly early in 2027.

Results were pleasing, in aggregate, with most investee companies either in-line or ahead of expectations. We’ve previously highlighted how vulnerable many UK SMID stocks are to takeovers, owing to their outright cheapness. That trend continued in the quarter with the announced takeovers of **Advanced Medical Solutions** (wound care products, +47.2%) and **Animalcare** (veterinary medicines, +46.5%). Both companies held strong strategic appeal and enviable market positions and, in both instances, we would have preferred them to have remained listed. Boards should be more strident in rebuffing opportunistic takeovers, taking a longer-term view on the potential upside, which is often multiples of a 30-50% premium today.

Flowtech Fluidpower (industrial hydraulics, +42.6%) benefited from improved sentiment towards cyclicals, as well as completing yet another astute bolt-on acquisition bringing in £4m of annualised revenue, remarkably paid for using the acquired business’s customer receipts.

Of the fallers, the biggest were **Nexseq** (industrial computers, -18.5%), which warned on profits after surging memory chip prices impacted customer demand, and **Celebrus Technologies** (data solutions provider, -17.0%) with broker forecasts reduced on the back of lost or postponed contracts. We see the issues affecting both businesses as transitory. **Cerillion** (telecom software, -14.8%) suffered from investor nervousness over a second half weighting to FY revenue (H1 £18m/H2E £35m). With a significant proportion of the anticipated uplift already secured after recently winning its largest ever contract with Omantel (worth £42.5m), fears of a miss appear overdone.

We remain very positive on the medium- to long-term upside potential of the portfolio. Like any asset, returns are primarily a function of the price you pay. The portfolio is well placed at a 34% discount to its 10-year average⁷, indicating 50%-plus upside if valuations merely revert to their long-term average.

We will opine more fully on yet another change of Prime Minister in next quarter’s factsheet. As (mostly) fellow Everton fans, we hope his tenure is longer than Sam Allardyce’s, whose managerial stint at the hallowed club lasted just 167 days. Quite what Mr Burnham’s “Manchesterism” model means for the economy remains to be seen but, at the very least, we hope he proves a more adept communicator than his predecessor. Humans are storytellers and there is a tangible early impact that Mr Burnham could have by simply talking up our prospects. If he is successful at reducing the cost of capital, energy, labour, and land, merely by reducing the extent of self-harm, that really would kickstart growth.

*Nil satis nisi optimum*⁸.

⁶ Source: Bloomberg, Generic 1st ‘CO’ Brent Crude Future (31/03/26-30/06/26).

⁷ Source: Bloomberg data as at 30/06/26.

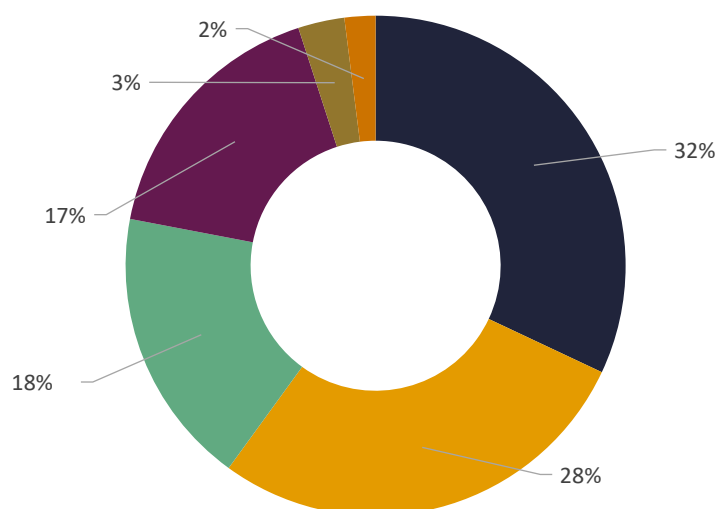
⁸ Latin for “Nothing but the best is good enough”, the official motto of Everton F.C.

Portfolio Characteristics

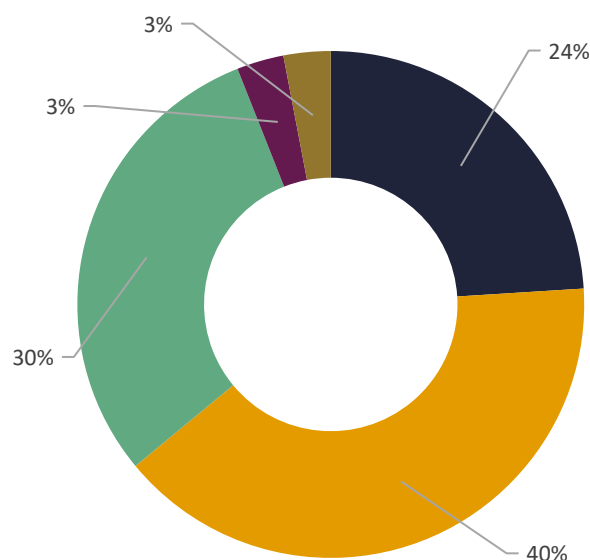
Dividend Yield (FY1*)	2.26%
P/E Ratio (FY1*)	16.2x
Average / Median Market Capitalisation	£288.3m/£186.3m
Number of Stocks	33

* Represents analysts' consensus 12-month forecasts.

Platform Availability

Sector Allocation ¹

■ Industrials
 ■ Technology
 ■ Consumer Discretionary
 ■ Health Care
 ■ Consumer Staples
 ■ Real Estate

Market Cap Allocation ²

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

¹ Proportion (by value) of invested portfolio as at 30 June 2026

² Number of companies as proportion of portfolio (by value) as at 30 June 2026

Source: Stellar Asset Management Limited

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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 24 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 16 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 other platforms may differ slightly owing to differing platform costs, trade execution, and timing impacts.

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Stellar Asset Management Limited, London
AIP Submission Analysis
GBP AIP - June 2026



Period ¹	Net Return (%) ²	ARC AIP Index (%) ³	Relative Return (pp) ⁴	Return Quartile Rank ⁵	25th Percentile Return (%) ⁶	75th Percentile Return (%) ⁷
2026 (YTD)	(0.9)	0.4	(1.2)	3	3.7	(4.9)
2025	(2.3)	(6.1)	3.8	1	(3.0)	(9.0)
2024	1.9	(4.7)	6.6	1	(2.3)	(8.4)
2023	0.7	(2.8)	3.6	1	0.1	(5.4)
2022	(13.3)	(25.2)	11.9	1	(21.8)	(27.0)
2021	17.2	18.8	(1.6)	3	24.2	16.3
2020	(1.2)	0.3	(1.5)	4	4.6	(1.2)
2019	22.4	25.3	(2.8)	3	27.3	21.6
2018	(18.2)	(15.2)	(2.9)	4	(13.5)	(18.0)
2017	11.7	18.7	(7.0)	4	26.8	17.0
1 Year	(5.6)	(8.0)	2.4	1	(5.7)	(13.0)
3 Years	(0.4)	(7.4)	7.1	1	(0.4)	(16.7)
5 Years	(11.3)	(32.8)	21.5	1	(19.7)	(37.9)
10 Years	29.2	17.0	12.1	1	28.9	(3.5)

Reporting currency GBP.

Stellar Asset Management Limited, London (Stellar AM) provides specialist Inheritance Tax (IHT) mitigation portfolios. ARC Research Limited (ARL) is now a part of S&P Dow Jones Indices.

Based solely on historic performance and at ARL's sole discretion, each month ARL determines which of the portfolios submitted by Stellar AM are to be allocated to the AIP peer group. ARL uses the data from those portfolios to create a performance index. ARL has produced this factsheet showing the performance of the Stellar AM AIP Index by way of information for existing and potential clients of Stellar AM.

The data set out in the table above has been collected and analysed by ARL as part of the process of producing AIP. Please note that ARL does not independently verify the value or performance of each portfolio submitted by Stellar AM. However, ARL does apply robust consistency checks and the data set out above has been accepted into AIP. IHT portfolios are specialist mandates and you should take advice before investing

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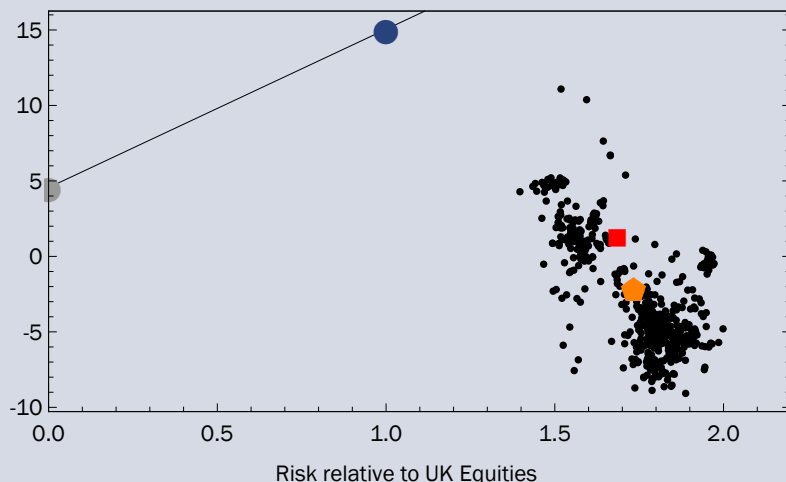
Notes

1. The most recent year and the first year for which data is shown may be incomplete.
2. In the Net Return column performance is presented net of all trading expenses, retained management fees, custodial fees and withholding taxes. The performance figures are simple averages based on underlying portfolio performance data supplied by Stellar AM. Top to bottom quartiles are coloured green, purple, yellow, orange respectively.
3. ARC AIP is designed to place private client IHT portfolio performance into a group context of 22 peers. It is calculated by imposing a common categorisation across all Data Contributor portfolios. Reflecting the nature of the opportunity set available to a private client with a given risk tolerance, AIP is a yardstick for placing portfolio performance into a broad peer group context. See www.suggestus.com for more information.
4. Relative Return is the Net Return (column 2) minus the AIP return (column 3).
5. Return Quartile Rank shows the quartile performance of Stellar AM relative to the AIP universe.
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 AM AIP Index 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 the period ended June 2026.

Return vs Risk (36 months)

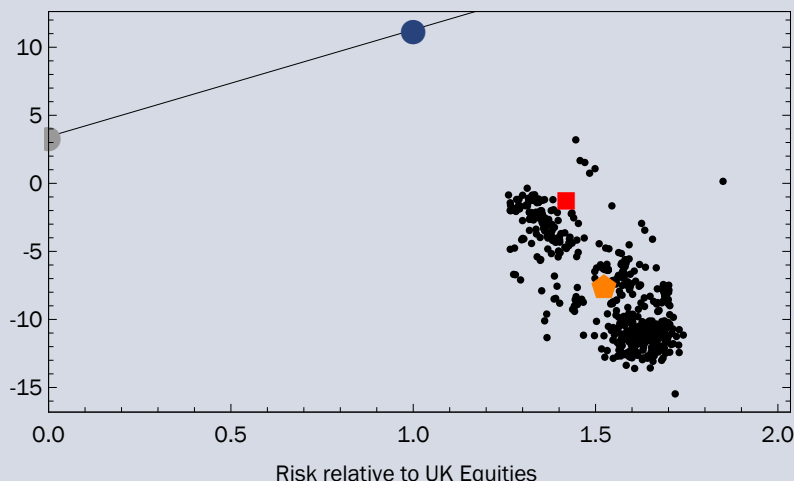
Mean Return (per cent per annum)



- Sterling Cash
- UK Equities
- Stellar AM AIP
- ◆ ARC AIP Median
- AIP Portfolio Sample

Return vs Risk (60 months)

Mean Return (per cent per annum)



- Sterling Cash
- UK Equities
- Stellar AM AIP
- ◆ ARC AIP Median
- AIP Portfolio Sample

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