



### Portfolio Objectives

To mitigate potential Inheritance Tax by providing a diversified portfolio of AIM listed stocks that are expected to qualify for Business Relief (BR) if owned for two years and at death.

The portfolio invests in smaller companies, some of whom are not yet profitable, that meet one or more of our sustainable investment themes and offer capital growth prospects over the longer term.

### Key Facts

Launch Date	31 March 2022
Number of Holdings	35
Minimum Contribution	£20,000
Advised Service Only	
Historic Portfolio Dividend Yield:	1.9%

### Charges

Investment Management Fee: **1.0%**  
(VAT Exempt)

- ◆ No initial fee
- ◆ No performance fee
- ◆ No withdrawal fee

Platform charges apply, and platform dealing charges where applicable

### Risk Considerations

- ◆ The performance of shares in AIM-listed companies tend to be more volatile than those of larger companies and the risks of capital losses are greater
- ◆ The value of investment may go down as well as up, and may end up being less than the initial sum invested
- ◆ Tax reliefs may be subject to future legislative change
- ◆ BR qualification remains at the discretion of HMRC and is not guaranteed
- ◆ AIM shares can be illiquid in nature.

### Platform Availability

### Performance



Cumulative Performance	3m	6m	YTD	1 yr	2 yr	Incept
Sustainable Future AIM IHT	-4.3%	1.6%	-3.7%	7.7%	7.2%	-13.6%
FTSE AIM All-Share	-2.7%	0.6%	-1.7%	3.9%	-4.7%	-25.7%

The performance shown as total return, net of our management fee, but before dealing or platform fees. Source: FE Analytics and Thorntons Investments as at 30.09.24.



#### Environment

Holdings	Weight
9	35.5%



#### Efficiency

Holdings	Weight
10	34%



#### Health

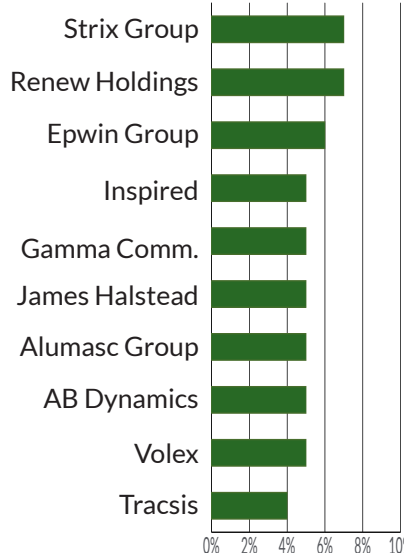
Holdings	Weight
8	13.5%



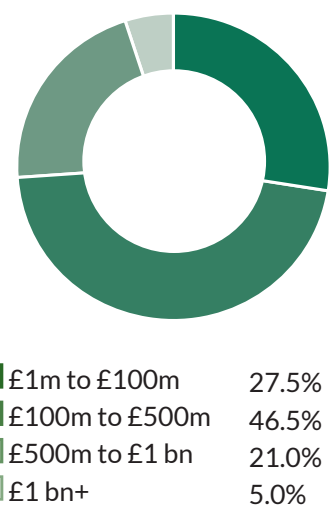
#### New Energy

Holdings	Weight
8	16%

### Top Ten Holdings



### Market Cap Weights



The AIM market declined over the third quarter. The FTSE AIM All-Share decreased by 2.7% over the period, while the portfolio decreased by 4.3% with performance being held back by some disappointing development delays.

**Surface Transforms**, -72%, manufactures carbon ceramic brake discs for the automotive industry. The company confirmed in its interim results that full year revenue would be significantly below expectations due to struggles getting production yields up. It has also led to a build-up of working capital and a squeeze on cash. In a meeting with management after the announcement, we were told that yields are improving steadily and that working capital reduction and an R&D tax credit, will significantly help the cash position. The company has a huge order book and opportunity with successful production scale up.

**Invinity Energy Systems**, -51%, manufactures utility grade vanadium flow batteries for the energy storage market. Although we believe in the long term demand for its batteries, in a September trading update the company confirmed that delayed orders would impact full year revenues. The company continues to work on the development of its next generation Mistral battery and forecasts achieving EBITDA breakeven in 2026. **Xeros Technology**, -50%, provide technology to reduce the harmful environmental impact of clothing. Its microfibre filtration technology was trialled in a Indian customers washing machine and although they received positive feedback, the customer intends to change the specification of its machine, delaying its launch. This means that Xeros won't receive royalty income from it as soon as expected. In addition, French legislation for microfibre filtration is now thought to be not as impactful as once hoped, which may hamper short term sales. However, there was some positive news with the company announcing a filtration licence agreement with Donlim, the owner of the Morphy Richards brand.

Elsewhere, there were many positive company updates. **Alumasc**, +49%, a leading provider of sustainable building products, issued strong full year results growing both revenue and profits against a difficult backdrop for the construction sector. Post period end, the group held a Capital Markets Day, setting out its strategy for growth and margin expansion. **CyanConnode**, +49%, design and develop narrowband radio frequency mesh networks that enable communications between IoT devices. The Indian smart meter market is its current largest opportunity and the company announced during the period that it had received a Letter of Award for its largest order to date. In addition, the group successfully completed a capital raise over the period at a share price premium, bolstering its balance sheet and supporting growth. **Rua Life Sciences**, +23%, is a medical device company focused on exploiting its Elast-Eon technology. In its AGM trading update, the company confirmed that trading had been ahead of expectations in the first quarter of its financial year. This followed on from the announcement in July of a large project win for its contract manufacturing business. **Gamma Communications** (telecoms), +18%, issued strong interim results with growth in profitability across all business units. The group is highly cash generative with high levels of recurring revenue and has a strong balance sheet that provides firepower for M&A.

With the takeovers of **IQGEO** and **Plant Health Care** looking set to go ahead, we sold both holdings. We also took the opportunity to sell out of **Mind Gym** and **James Cropper**. We topped up the existing holdings of Windar Photonics, Diaceutics, hVIVO, MPAC, Microlise and Creo Medical. We also added a new holding in geospatial software company **1Spatial**. Its core products include 1Streetworks and Next Generation 911. 1Streetworks automates traffic management planning and has a significant addressable market, while Next Generation 911 is a product targeted at US Emergency Services enabling them to ensure the accuracy of their location data.

There has been a lot of speculation as to what the new Labour government will do in the upcoming budget, much of it negative in regards to IHT relief for business relief qualifying shares on AIM. This has weighed heavily on the AIM market, possibly exacerbated by some investors seeking to lock-in capital gains ahead of the budget, leaving many companies on frustratingly low valuations. Over many years business relief investment has been a policy that has channelled foundation capital to hundreds of small companies on AIM, helping their development and growth. Business relief has been a policy clearly aligned with growth and a healthy economy and if largely left as is, as we hope, there should be a rapid recognition of true underlying value.



**Matt Strachan**  
Chief Investment  
Officer



**Ciaran Garvey**  
Investment  
Manager



**Catherine Jackson**  
Equity Analyst

### Get In Touch

**Phone:**  
01382 797 600

**Website:**  
[www.thorntons-investments.co.uk](http://www.thorntons-investments.co.uk)

**Dundee**  
Whitehall House  
35 Yeaman Shore  
Dundee  
DD1 4BU

**GROWTH INVESTOR**  
2022 AWARDS

**ONE TO WATCH**  
BEST AIM  
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SERVICE



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