AIM Inheritance Tax Portfolio Service

Investor Factsheet Q4 2024

Portfolio Objectives

This Service is for investors who wish to pass on more of their wealth to their beneficiaries by reducing a potential liability to Inheritance Tax.

The primary aim is to provide a diversified portfolio of AIM-listed stocks that are expected to qualify for Business Relief (BR) if owned for two years and at death.

Investors will be invested in a portfolio of smaller companies, carefully selected for the strength of their business.

The portfolio is constructed to try and minimise the volatility often associated with smaller companies. The portfolio aims to generate long term growth and dividend income sufficient to cover investor costs.

Portfolio information

Service Inception 2006

Platform Launch 31st March 2017

Advised service only

AUM £100m

Minimum subscription £20,000

Historic Portfolio Dividend Yield 2.5%

Charges

Investment Management Fee: 1.0% (VAT Exempt)

Platform Charges apply

Platform dealing charges where applicable

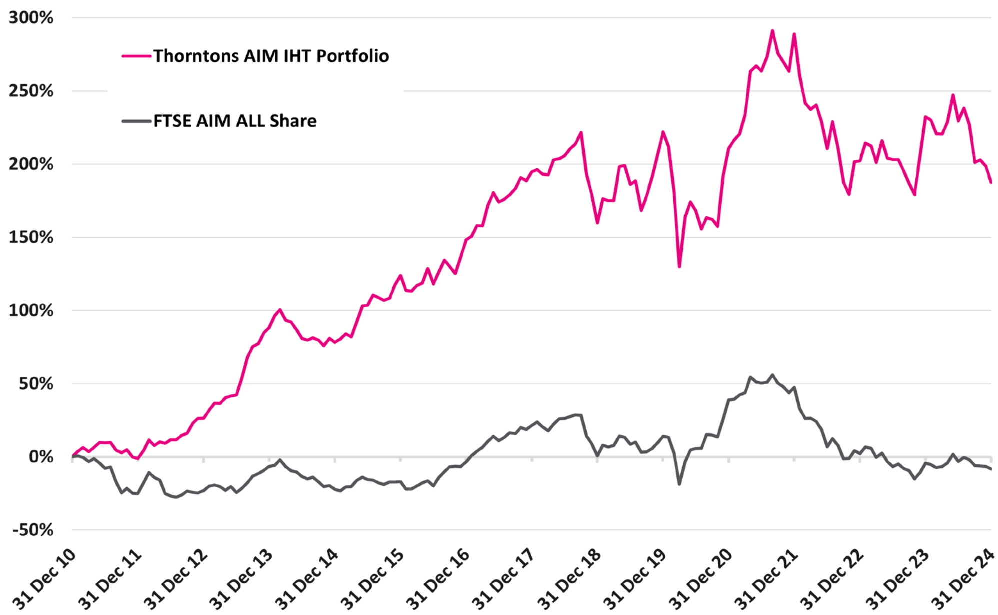
Performance

Cumulative Performance to 31th December 2024	3m	6m	1yr	3yr	5yr	10yr	2010
Thorntons AIM IHT	-4.6%	-12.7%	-13.5%	-26.1%	-10.7%	61.0%	186.8%
FTSE AIM All-Share	-2.3%	-5.0%	-4.0%	-37.7%	-19.5%	17.9%	-8.2%

Discrete Calendar Year Performance	YTD	2024	2023	2022	2021	2020	CAGR[1]
Thorntons AIM IHT	-13.5%	-13.5%	10.0%	-22.3%	25.2%	-3.5%	7.8%
FTSE AIM All-Share	-4.0%	-4.0%	-6.4%	-30.7%	6.1%	21.8%	-0.6%

[1]CAGR: Compound Annual Growth Rate from 31 December 2010

Performance Since 31 December 2010



Data from FE fundinfo

The performance shown is monthly total return, net of our management fee, but before dealing or platform fees. The Thorntons Investments AIM IHT portfolio reflects the performance of the model available via platform since 31.03.17. Prior to this the performance reflects a portfolio of all the AIM stocks invested in for discretionary clients for the purposes of qualifying for BR. Performance is shown against the FTSE AIM All-Share for comparison. Please note there is no benchmark for the Thorntons Investments AIM IHT model due to the restrictions on stock selection in order to achieve eligibility for BR.

Source: FE Analytics and Thorntons Investments as at 31.12.24.

defaqto AIM BR Service 2024 EXPERT RATED

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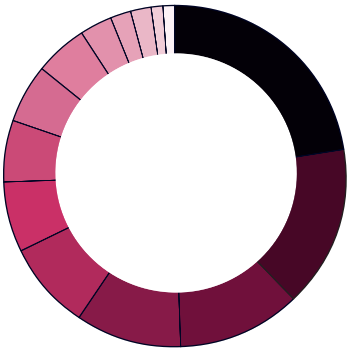
GROWTH INVESTOR 2024 AWARDS WINNER BEST AIM PORTFOLIO SERVICE

MICAP ALTERNATIVE INVESTMENT RESEARCH

Industry Allocation



Sector %

22.5%	- Industrial
15.5%	- Software & Services
11.5%	- Support Services
10.0%	- Building & Materials
8.5%	- Travel & Leisure
6.5%	- Speciality Finance
6.0%	- Retail
5.5%	- Media
5.0%	- Health
3.0%	- Telecoms
2.0%	- Electronics
2.0%	- Food & Beverages
1.0%	- Personal Goods
1.0%	- Cash

Portfolio Top 10 Holdings

Jet2 plc	5.5%
Strix Group	5.0%
Vertu Motors	4.0%
SigmaRoc	4.0%
Idox	4.0%
Renew	4.0%
H&T Group	3.5%
Volex	3.5%
Next Fifteen	3.5%
Begbies Traynor	3.5%
	40.5%

Total number of stocks held 34

Stock weightings 1% to 5.5%

Weighted average market cap £601m

Service Features

Our AIM IHT service is a platform service only and a client can only invest through their financial adviser.
Our service helps investors to leave a long-lasting legacy through passing on more of their wealth to their loved ones, and provides foundation capital for small UK growth companies.

Flexible IHT Planning

- 100% relief from IHT after 2 years+
- Access to capital if required
- ISA friendly
- Effective for a variety of scenarios
- No medical evidence required

Cost effective

- 1% AMC (VAT Exempt)
- No initial or exit charges
- No withdrawal charges
- Low (or no) dealing charges*
- Platform charges apply

Platform benefits

- Transparent
- No investment delay
- Simple investment process
- Consolidation with other assets
- Full platform functionality

Strong and consistent performance

- Experienced investment team
- Long-established AIM IHT service
- Positive long-term returns
- Healthy dividend yield
- No failed claims for Business Relief

Platform Availability

abrdn | Fidelity International | Fundment
M&G wealth | Morningstar Wealth Platform | nucleus
Scottish Widows | 7IM | transact take control

*Some platforms have no dealing charges. Those that do make a small monetary charge per trade which in all but the smallest of trade sizes is more cost effective compared to a percentage based dealing charge.
+The rate of BR is expected to halve to 50% from April 2026 under proposals announced in the 2024 Budget.

Q4 Portfolio Commentary

The AIM market had a roller coaster final quarter driven by Budget speculation and uncertainty. The FTSE AIM All-Share returned a negative 2.3% over the quarter, with the portfolio -4.6%, adversely impacted by a couple of profit warnings.

Strix, -29.4%, issued a trading update as it was experiencing continued weakness in its kettle controls business in the fourth quarter of its financial year. Although it has maintained its leading market share, trading was challenging in the UK, Germany and USA, with the global market down about 20% from 2019. Elsewhere, its business focused on water filtration (Billi) was performing well while growth in its Consumer Goods division is impacted by product rationalisation. Although profit guidance was downgraded, there is a raft of new product introductions for 2025 that should begin to impact positively.

Team Internet, -27.7%, is a leading internet solutions business that consists of its stable cash generative Online Presence (domain names) division and the larger Online Marketing division. Advertising market headwinds have weighed on the group and management confirmed that recent acquisition Shinez wasn't performing as expected. Management now have plans in place to improve the performance of Shinez and they are undertaking a share buyback programme because of the low valuation of the shares. At the time of writing they have just confirmed that two takeover proposal have been made for the group, confirming their belief that the valuation was excessively low.
Rising gilt yields in the wake of the UK budget and US presidential election results weighed on **Watkin Jones**, -22%, over the quarter. Watkin Jones develops properties (Build to Rent, affordable housing & Student Accommodation) on behalf of institutional investors, where rising debt costs have led to deferred investment decisions. As is well documented there is an acute shortage of rental property and accommodation, that the company is well placed to help supply and on a positive note, the company confirmed that it has agreed to build 295 affordable homes as part of a partnership in North West England.

On the positive side **Jet2**, +13.1%, issued record half year results and increased its interim dividend by 10%. Although booking lead times have shortened it has been reassuring to see continued demand for its package holidays. Looking ahead, Jet2 confirmed that on sale seat capacity for Summer 2025 will be c.9% more than Summer 2024. The company will be operating from new bases in Luton and Bournemouth airports in 2025 as it continues to grow its UK footprint. Jet2 has a strong balance sheet, which gives it the ability to continue to grow its fleet and invest in the business, while also providing resilience in more challenging economic environments. **Gooch & Housego** (photonics), +28.9%, issued full year results showing a pick-up in demand in the second half of the year. The Covid-19 pandemic posed many challenges for the company, with supply chain pressures and difficulties in hiring specialist staff. However, these headwinds are abating and management are undertaking strategic changes which should lead to higher margins over the medium term. During the period, the company acquired precision optics company Phoenix Optical, which now forms part of its Aerospace & Defence business. **FD Technologies**, +18.3%, confirmed the sale of its financial consultancy business First Derivative with the focus of the business now being on its fast growing KX software business, a specialist in AI database analysis. Following the sale the company will return up to £120m to shareholders by way of a tender offer. FD Technologies will also use the sale proceeds to repay debt and invest in KX.

The October 30th Budget provided a glass half-full result for Business Relief qualifying AIM shares. We now have clarity that qualifying AIM shares will continue to attract Business Relief with 100% IHT relief remaining in place until April 2026, after which it is proposed to fall to 50%. This is in contrast to the treatment of qualifying private investments where Business Relief would remain at 100% up to a new £1m allowance, with no rationale given for the difference. This has led to speculation that this was unintended, and as these proposals are excluded from the 2024-25 Finance Bill we await clarification. The pre-Budget uncertainty has weighed heavily on AIM shares and the market with little by way of new listings to replace companies that have moved to the main market, or been acquired. We now expect acquisitions to pick up, with interest in Team Internet likely to be the first of many. Huge negativity is now built into share prices leaving them vulnerable to takeover, with a recent piece of work by Peel Hunt estimating that up to a third of companies would make attractive acquisition targets. A quarter of our portfolio companies have recognised this by engaging in share buy-backs, like Team Internet, and will drive improved earnings per share for remaining shareholders. Markets are, ultimately, efficient and the attractions of current valuations are likely to encourage new buyers into the market.

Company spotlight

idox

Idox is a specialist provider of information management software and geospatial data solutions to the public and private sectors. In particular, Idox has a strong position in providing software to local authorities in the UK where the push towards digitisation is serving as a tailwind for demand. The largest part of the group is Land, Property and Public Protection where it serves UK Local Authorities providing SaaS (Software as a Service) platforms for the built environment and public protection. In its Communities division, Idox provides solutions in areas such as social care and elections. The smallest part of the group is the Assets division where Idox provides a cloud solution to asset intensive industries such as oil & gas, engineering and construction.

Idox recently announced a £2.4m contract with North Yorkshire council, which is the largest unitary authority in England. As part of the contract Idox will work with the council to consolidate its eight planning and building control systems into one new cloud system creating a more cost-efficient platform. In its statement, Idox referenced recent announcements by the UK government to restructure local authorities and consolidate services across England, which the company thinks leaves its solutions well placed to improve public sector efficiency.

Idox targets double digit revenue growth, a 35% adjusted EBITDA margin over the medium term while delivering strong cash generation. Idox has a successful track record of M&A and continues to target further deals. The shares trades on a forward P/E of 23 and have a forecast dividend yield of 1.3%.

Thorntons Investments Team

Matt Strachan

Chief Investment Officer

Matt has over 35 years' industry experience and as head of our investment management function has overall responsibility for managing our range of MPS portfolios and AIM IHT Portfolio Services. His long-term investment discipline generated strong performance when he managed the Alliance Trust Investments North America Equity Fund, receiving a Morningstar/OBSR Bronze award within one year of fund launch. Matt's considerable international investment experience saw him successfully selling out of Japan at the top of the market (1989/90), a bold move made with analytical and measured judgement.

Ciaran Garvey

Investment Manager

Ciaran joined Thorntons Investments in 2011 and has 14 years industry experience.
As Investment Manager he has joint responsibility for managing our MPS range and AIM IHT Portfolio services. Ciaran chairs our AIM Committee and his primary focus is on the analysis and selection of AIM companies for the portfolio. He is a Chartered Fellow of the CISI.

Catherine Jackson

Equity Analyst

Catherine also joined us in 2011 and is responsible for AIM company research and analysis. As a member of the AIM Committee, she assists with company analysis and portfolio selection.
She is a graduate in Mathematics and Law and holds the Investment Management Certificate.

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Important Information

This is an advised service only. Your Financial Adviser is responsible for the suitability of advice and for explaining the benefits and the risks of investing in this Service. Given the higher volatility of AIM listed-companies, equity investments should usually be held over the medium to long term. Your capital is at risk and past performance is not a reliable indicator of future performance. Shares of AIM-listed companies can be more difficult to sell than those of larger companies meaning you may not be able to sell your shares immediately and accept a price which does not reflect the underlying value.

To achieve business relief qualification, two-year ownership at death is required. Qualification is at the discretion of HMRC and is not guaranteed. Tax reliefs may be subject to future legislative change.