

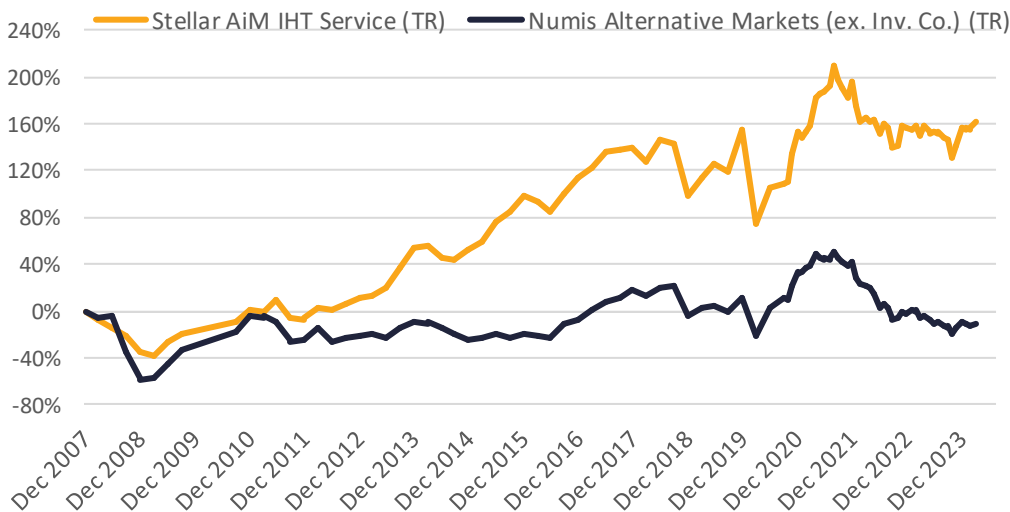
AiM Inheritance Tax Service Performance Factsheet Q1 2024

Water, water, everywhere...

UK investors added a record £6.97bn* into equity funds in Q1 2024, but the overwhelming majority of it went into North American funds (£5.72bn). With the AI hype(r) cycle in full swing and the S&P 500 posting record highs; investors' fear of missing out was a key driver of flows. For UK-focused managers, it was a case of '...nor any drop to drink' with a further £2.13bn* withdrawn from domestic funds, with March representing the 34th consecutive month of net selling*. Rumours of the UK equity market's demise may be premature, but remedial actions are urgently needed. A British ISA would be a start but scrapping stamp duty, at least for smaller companies, would be a much bigger fillip to reinvigorate markets.

*Source: Calastone.

Stellar AiM IHT Service Cumulative Performance



Service Overview

Investment Manager

Stellar Asset Management Limited

Custodian & Nominee

On Platform

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



	Q1	YTD	1 Year	3 Years	5 Years	Inception
Stellar AiM IHT Service (TR)	2.1%	2.1%	4.9%	1.6%	23.1%	162.6%
Numis Alternative Markets (TR)*	-2.2%	-2.2%	-6.8%	-36.1%	-14.1%	-11.6%

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

Source: Stellar Asset Management Limited

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. **April 2024**

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Portfolio Characteristics

Dividend Yield (FY1*)	1.95%
P/E Ratio (FY1*)	24.4
Average / Median Market Capitalisation	£361.9m/£207.8m
Number of Stocks	35

* Represents analysts' consensus 12-month forecasts.

Market news

With a confirmed 'technical recession' in the second half of last year the portents are, at last, looking more positive this year. Key to the improving outlook has been a marked decline in the future cost of energy, with UK natural gas futures down 86% from the peak in July 2022. We've also had further payroll tax cuts, a 10% rise in the national living wage, and an 8.5% increase in state pensions. It's no surprise, therefore, that consumer confidence has rebounded to hit a two-year high.

With annual inflation forecast to average a mere 1.8% in Q2 (source: Panmure Gordon), the outlook should brighten further in the second half of the year, as the Bank of England finally starts cutting interest rates. Of all the economic variables cited, the latter is perhaps the most relevant for smaller company investors given this cohort is most sensitive to interest rates.

After posting a 4.5% return in the last quarter of 2023, it was pleasing to see that followed up by another positive quarter of performance with the strategy up 2.1%. This represented further relative outperformance versus the benchmark which fell 2.2%. If and when outflows turn to inflows, prices of small- and mid-cap companies tend to appreciate sharply. With a more constructive demand backdrop, and still compelling valuations, we believe our portfolio is well placed to deliver attractive absolute returns over the coming cycle.

Company Updates

The first quarter was a busy one with over 70 updates from our portfolio of companies. The stocks which contributed the most to performance included industrial PC maker **Nexseq** (+58% in the quarter), food wholesaler **Kitwave** (+45%), animal pharmaceuticals manufacturer **Animalcare** (+24%), and cloud telephony company **Gamma Communications** (+21%). Results were ahead of expectations in most instances, with **Kitwave** bolstered by an earnings accretive acquisition, its 4th since IPO.

Animalcare sold its non-core pet identity business for a very attractive £25m, providing ammunition to bolster its drugs pipeline and bring greater necessary scale which could be the catalyst to much stronger growth. After much cajoling from investors, **Gamma** announced a £35m share buyback, given excess cash on the balance sheet of over £130m, alongside a pleasing return to top-line growth.

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, CFA Certificate in ESG Investing and a qualification in forensic accounting.

Platform Availability

 **abrdn**

 **M&G wealth**


transact
take control

In terms of detractors to performance, the biggest impact came from veterinary practitioner **CVS Group** (-42%) after the competition watchdog (CMA) announced a “market investigation” into the sector. Having digested the CMA’s concerns and attending a meeting with the ex-director of mergers at the CMA, we see the 18-month investigation as an overhang on the shares. Medication pricing and ownership structure are two areas of particular interest to the regulator.

Whilst remedial action in the future remains a possibility, we believe the share price’s immediate reaction to the news, where it more than halved, to be excessive. Nascent opportunity to grow its business in the much less concentrated Australian market means we still see the shares as attractively priced, despite the regulatory overhang. However, we will, of course, remain alert to further updates from both the company and the CMA.

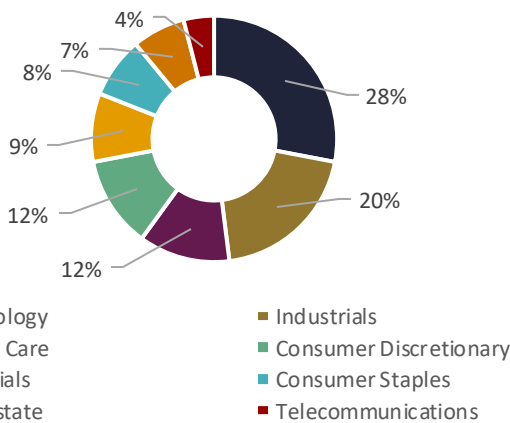
The next largest faller was neonatal equipment specialist **Inspiration Healthcare** (-29%) which saw a lucrative Middle Eastern contract delayed which triggered a warning on profits and breach of banking covenants. We were encouraged to see a new Chairman installed, who brings an impressive and highly relevant global med-tech skillset.

Post a positive meeting with the Chair, we are hopeful the nettle will be grasped to improve execution. Like **Animalcare**, it would benefit from greater scale, both from a margin perspective and greater diversification in revenue; first it must do the basics better and hit its numbers! The damage was limited by a modest initial investment in the company.

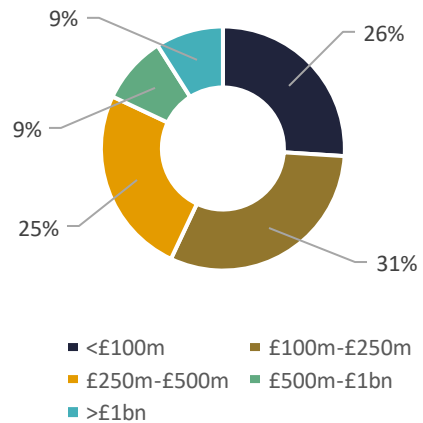
The quarter was also a busy one for transactions. We took final profits in the courier **DX Group** which was taken over. We also sold out of **Smart Metering Group**, where it too was subject to a bid that has now been agreed by shareholders. We reinvested the proceeds into a new holding, US hospital software provider **Craneware**. Gratifyingly, the shares rose 20% since purchase on well-received interim results showing end markets recovering post-Covid, as we expected.

We added to our position in IT-managed services provider **Redcentric**, where earnings and cashflow should inflect sharply higher this year post a succession of recent acquisitions. Towards quarter-end, we introduced online bathroom retailer **Victorian Plumbing** into the portfolio, following a site visit to their brand new 550k sq.ft. distribution centre, which is key to unlocking capacity and doubling its revenue generating potential.

Sector Allocation ¹



Market Cap Allocation ²



1 Proportion (by value) of invested portfolio as at 31st March 2024.

2 Number of companies as proportion of portfolio (by value) as at 31st March 2024. 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 **April 2024** 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.

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 ¹	Net Return (%) ²	ARC AIP (%) ³	Relative Return (pp) ⁴	Return Quartile Rank ⁵	25th Percentile Return (%) ⁶	75th Percentile Return (%) ⁷
2024 (YTD)	2.1	(2.1)	4.2	1	(0.3)	(4.4)
2023	(0.0)	(2.8)	2.8	2	0.0	(5.6)
2022	(13.3)	(25.2)	11.9	1	(22.7)	(27.9)
2021	17.2	18.8	(1.7)	3	23.3	13.4
2020	(1.1)	0.3	(1.5)	3	4.6	(1.2)
2019	29.2	25.3	3.9	1	27.2	22.0
2018	(17.1)	(15.2)	(1.9)	3	(13.3)	(17.7)
2017	11.8	18.7	(6.8)	4	25.7	14.4
2016	7.5	11.6	(4.1)	3	12.7	4.6
2015	30.6	21.6	9.0	1	26.1	20.0
1 Year	4.9	(0.9)	5.8	1	2.6	(5.2)
3 Years	1.5	(19.7)	21.2	1	(10.3)	(27.4)
5 Years	22.9	(0.4)	23.3	1	11.2	(8.3)
Inception	70.4	50.4	20.1	1	51.0	23.2

Results for period starting 1 Jan 2014 and ending 31 Mar 2024. 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.

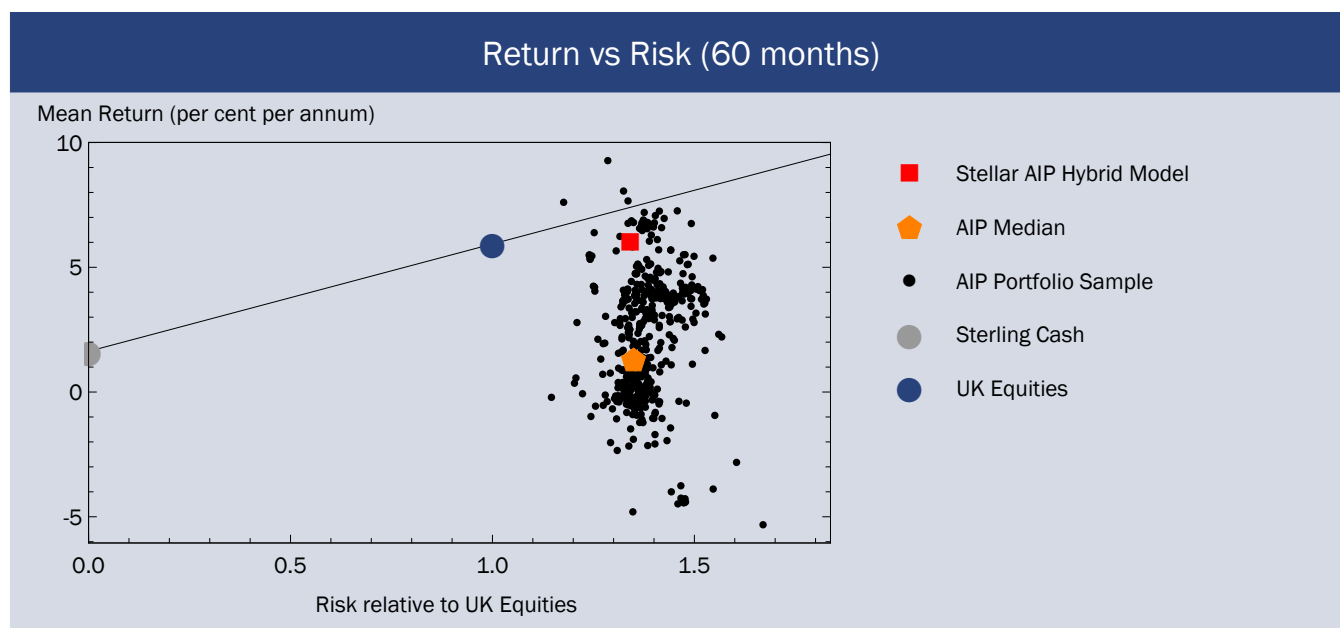
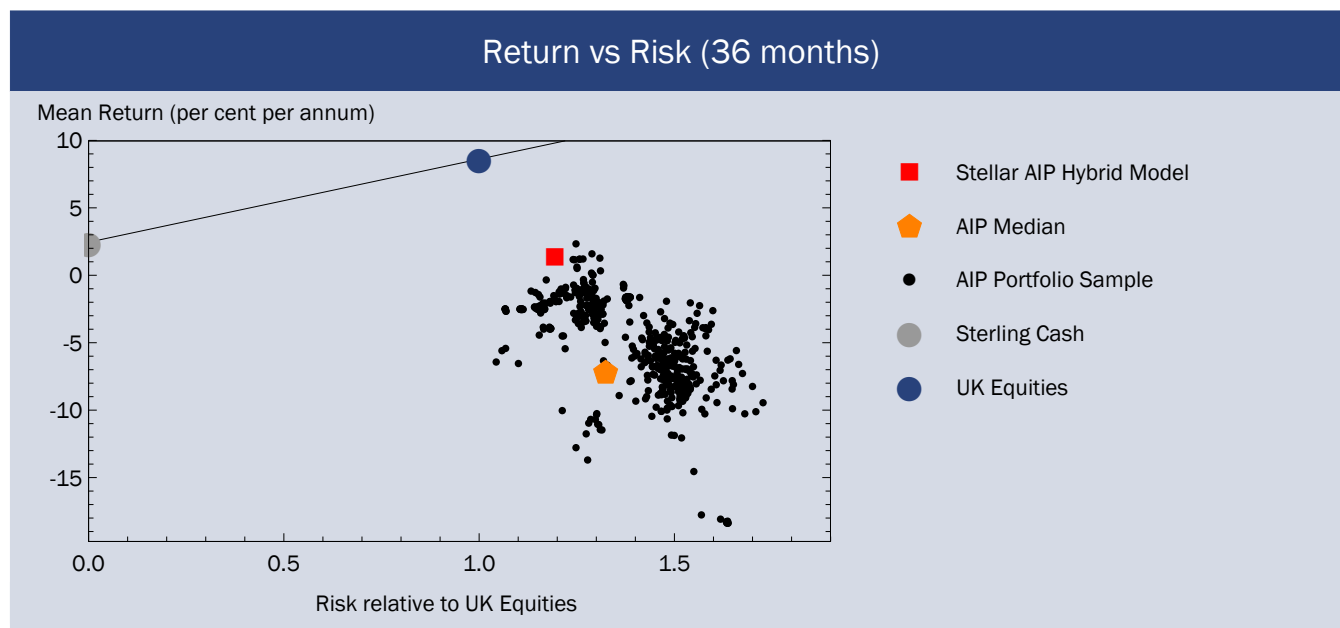
Please note that ARC does not independently verify the performance of the Composite submitted by STELLAR AM. However, ARC does apply robust consistency checks and considers that the Composite performance information set out above is broadly indicative of portfolio performance typically delivered by STELLAR 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

- 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.
- 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.
- The Benchmark Return indicates the performance of the ARC AIP Index.
- Relative Return is the Net Return (column 2) minus the Peer Group return (column 3).
- Return Quartile Rank shows the quartile performance of STELLAR AM relative to the GBP AIP Manager Peer Group cohort.
- 25th percentile return indicates the lowest return in each period that would have been allocated a top quartile ranking.
- 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.



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