

Octopus AIM Inheritance Tax Service

octopusinvestments
A brighter way

Data as at 31 March 2024



About the Team

The Octopus Quoted Companies team has a combined experience of more than 100 years. The team, which includes Richard Power, Kate Tidbury, Chris McVey, Edward Griffiths, Mark Symington, Dominic Weller, Jessica Sweeney, Freda Isingoma, Ross MacSween, Martin Jager, Charles Lucas, Ben Tyson and Georgia Obadipe, and are also responsible for the Octopus AIM VCT plc, Octopus AIM VCT2 plc, FP Octopus UK Micro Cap Growth Fund, FP Octopus UK Multi Cap Income Fund and FP Octopus UK Future Generations Fund.

Key facts

Octopus AIM Inheritance Tax Service

Launch date	June 2005
Product type	Discretionary portfolio
Benchmark	FTSE AIM All-Share TR

Octopus AIM Inheritance Tax ISA

Launch date	September 2013
Product type	Discretionary portfolio
Benchmark	FTSE AIM All-Share TR

Fees and charges are payable in respect of both the Octopus AIM Inheritance Tax Service and ISA, please see the relevant product brochure for details. Visit octopusinvestments.com.

Key risks

- Your capital is at risk and you may not get back the amount invested. Past performance is not a reliable indicator of future results.
- The benefit of tax reliefs depends on individual circumstances and may be subject to change.
- Investments quoted on AIM are likely to fall and rise in value more than shares listed on the main market of the London Stock Exchange. They may also be harder to sell.
- The availability of tax reliefs depends on investee companies maintaining their qualifying status.

About the product

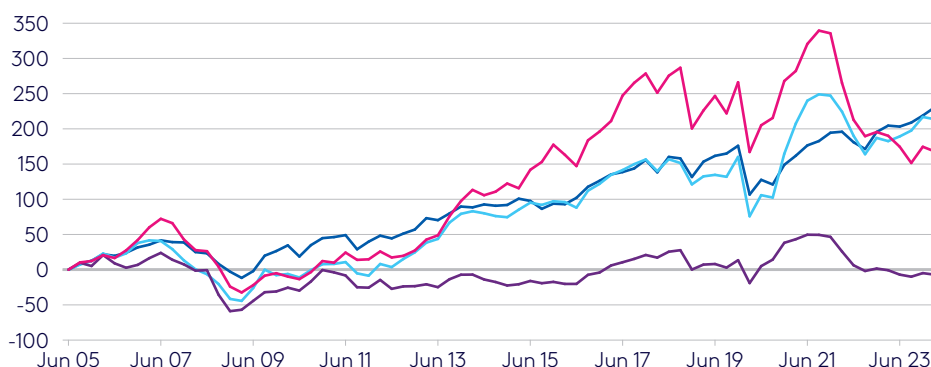
The Octopus AIM Inheritance Tax Service offers a fast and flexible solution to inheritance tax planning, while providing the potential for significant capital growth through investment into a portfolio of 20-30 companies listed on the Alternative Investment Market (AIM). **The Octopus AIM Inheritance Tax Service is also available within an ISA wrapper.**

Investment approach

The team looks for companies with one or more of the following characteristics:

- A strong market position or global leader in its field
- A scalable business model focused on growth
- A proven management team with a record of corporate success
- A profitable business with a strong balance sheet
- A high level of recurring revenues and earnings visibility

Performance overview



Cumulative performance to 31 March 2024 (%)

	YTD	3 Y	5 Y	10 Y	Launch	2023	2022	2021
Median Octopus AIM ITS	-2.35	-29.85	-17.78	25.96	168.09	-7.09	-32.17	18.41
FTSE AIM All-Share TR	-2.29	-35.11	-13.31	-0.09	-7.06	-6.40	-30.67	6.12
FTSE Small Cap ex IT TR	-0.99	2.01	34.94	71.42	213.74	10.37	-17.31	31.26
FTSE All-Share TR	3.57	26.14	30.34	75.26	230.26	7.92	0.34	18.32

Discrete yearly performance to quarter end (%)

Year to 31 March	2024	2023	2022	2021	2020
Median Octopus AIM ITS	-7.58	-20.55	-4.46	43.08	-18.08
FTSE AIM All-Share TR	-6.32	-21.16	-12.14	76.89	-24.48
FTSE Small Cap ex IT TR	11.03	-12.91	5.50	74.91	-24.37
FTSE All-Share TR	8.43	2.92	13.03	26.71	-18.45

Source: Lipper and Octopus Investments. Performance charts date back to 30 June 2005 and show the total returns of the Octopus AIM Inheritance Tax Service portfolios. Performance is calculated by taking the total return of the Octopus AIM Inheritance Tax Service portfolios calculated by taking the median monthly returns of all available Octopus AIM Inheritance Tax Service portfolios, going back to 30 June 2005. If cash is added or withdrawn during the relevant period, then such portfolios have been removed from the calculation for the respective month. We have then compounded those total returns which include the impact of dividend income, interest, management fees, ongoing adviser fees and dealing fees. The performance table show the discrete annual performance (showing the total cumulative returns for each individual year), calculated in the same way as detailed previously.



Investment Enquiries

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Top ten equity holdings (%)

Renew Holdings plc	
Next 15 Group plc	
Gamma Communications plc	
YouGov plc	
Boku Inc	
James Halstead plc	
Advanced Medical Solutions Group plc	
Midwich Group plc	
Mattioli Woods plc	
Keywords Studios plc	

Top ten sectors (%)

Support Services	33.3
Software & Computer Services	20.8
Media	12.5
Specialty & Other Financial	8.3
Beverages	4.2
Construction & Building Materials	4.2
Healthcare	4.2
Industrial Engineering	4.2
Leisure	4.2
Telecommunications	4.2
Total	100

Source: Bloomberg and Octopus Investments. Top ten holdings based on funds under management in the Octopus AIM Inheritance Tax Service. Top ten sectors listed by number of companies on the current buy list. Totals are rounded from source data so tables may not add up exactly to 100%.

Monthly commentary

Over the course of March, the median Octopus AIM Inheritance Tax portfolio increased by 0.2%. This was against a market backdrop that saw the FTSE AIM All-Share Index rise by 1.0%, the FTSE All-Share Index increase by 4.8%, and the FTSE SmallCap (excluding Investment Companies) Index increase by 2.7%, all on a total return basis.

A busy March reporting period provided the welcome opportunity to meet up with most of the portfolio management teams. The main contributors included wealth manager, **Mattioli Woods plc** (+39.0%), whose Board recommended a cash bid of 804p per share from private equity asset manager, Pollen Street Capital. The bid premium highlights the valuation discount currently attributed to UK smaller companies and their attractiveness to potential acquirers. Audio Visual technology distributor, **Midwich Group plc** (+22.9%), reported a record financial performance, with full year revenues up 7.1% and pre-tax profits growing 47%, after delivering its highest ever gross profit margins. Good organic growth and a contribution from seven acquisitions completed in the year, saw the company make further market share gains. Mobile payments business, **Boku Inc** (+14.2%), reported full year revenue growth of 30% driven by growth in digital wallets. The current year has also started well, leading the management team to reaffirm its ambition to double the size of the business in the medium-term. Mortgage intermediary network, **Mortgage Advice Bureau plc** (+13.2%), released full year figures that highlighted growth in its mortgage refinance and protection businesses, delivering Group revenue growth of 4% against a challenging market backdrop that saw a decline of 29% in new mortgage completions in the UK. The company outperformed the broader market, growing its market share by 11% to 8.3%, so with the early stages of recovery in the sector expected in 2024, the company is well placed to benefit from increased UK mortgage volumes as we move through the year. Telecommunications provider, **Gamma Communications plc** (+10.9%), reported full year results in line with expectations, delivering revenue and earnings growth of 8% and 9% respectively, with growth across all business units. Strong cash generation left net cash of £134 million, prompting the Board to initiate a £35 million share buyback program.

Shares that detracted from performance in the month included veterinary services consolidator, **CVS Group plc** (-33.7%), whose shares suffered following the CMA's proposal to begin a formal Market Investigation into the UK veterinary market. This follows on from the previous minimum level voluntary process that has taken place over the last six months and could last a further 18 months. Online market researcher, **YouGov plc** (-12.3%), released interim results that highlighted a slightly slower first half due to longer sales cycles. Despite this, revenues grew 9% with positive momentum returning in the second quarter. A healthy sales pipeline with over 75% of full year revenues committed, leaves the Board confident in achieving full year expectations. Shares in technical services provider to the global video games industry, **Keywords Studios plc** (-9.2%), suffered despite announcing good full year results. The Group reported revenue growth of 13% as the company continued to outperform the wider gaming market and take market share. Workwear rental and linen services operator, **Johnson Service Group plc** (-8.0%), reported full year revenue growth of 20.6%, up 16% on an organic basis, largely driven by greater volumes in hospitality markets and price increases. Having navigated the inflationary cost headwinds of the previous two years and invested in plant automation and operational efficiencies, margins are expected to continue to improve and offer scope for further upside over the medium-term. Wound care specialist, **Advanced Medical Solutions Group plc** (-6.7%), reported full year results in line with expectations and announced the potentially transformational €141.4 million acquisition of Peters Surgical. The acquisition significantly enhances the Group's surgical wound closure offering and adds a direct market presence in a number of key European and Asia-Pacific markets.

Following a stuttering start to 2024, UK equities remain materially undervalued relative to other developed markets. Smaller companies in particular offer exceptional value, reflected by many holdings within the portfolio that are still trading at depressed valuation multiples not seen since the Financial Crisis. With inflation continuing to fall, we expect the Bank of England to consider interest rate cuts later this year, which we believe will act as a catalyst for a significant rally in the share prices of growth companies from their current levels.

Important information

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