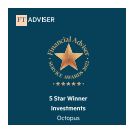


Octopus AIM Inheritance Tax Service

octopusinvestments
A brighter way

Data as at 29 February 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

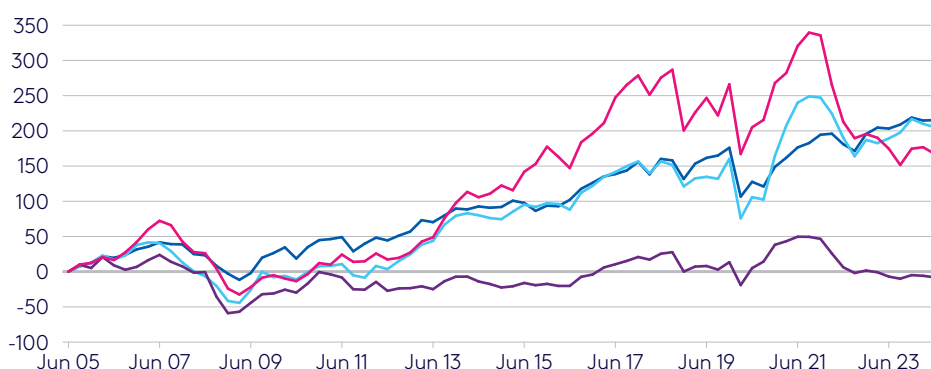
The Octopus AIM Inheritance Tax Service offers a fast and flexible solution to inheritance tax planning, while providing the potential for significant capital growth through investment into a portfolio of 20-30 companies listed on the Alternative Investment Market (AIM). **The Octopus AIM Inheritance 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 29 February 2024 (%)

	YTD	3 Y	5 Y	10 Y	Launch	2023	2022	2021
Median Octopus AIM ITS	-2.56	-26.91	-15.05	24.13	167.56	-7.09	-32.17	18.41
FTSE AIM All-Share TR	-3.28	-34.94	-13.38	-5.68	-7.99	-6.40	-30.67	6.12
FTSE Small Cap ex IT TR	-3.60	6.08	32.28	60.37	205.49	10.37	-17.31	31.26
FTSE All-Share TR	-1.13	25.21	27.74	62.95	215.27	7.92	0.34	18.32

Discrete yearly performance to quarter end (%)

Year to 31 December	2023	2022	2021	2020	2019
Median Octopus AIM ITS	-7.09	-32.17	18.41	0.48	21.82
FTSE AIM All-Share TR	-6.40	-30.67	6.12	21.75	13.26
FTSE Small Cap ex IT TR	10.37	-17.31	31.26	1.65	17.68
FTSE All-Share TR	7.92	0.34	18.32	-9.82	19.17

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

To speak to any of our fund managers, please call:

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Top ten equity holdings (%)

Renew Holdings plc	
Next 15 Group plc	
YouGov plc	
Gamma Communications plc	
CVS Group plc	
Boku Inc	
Keywords Studios plc	
Advanced Medical Solutions Group plc	
James Halstead plc	
Johnson Service Group plc	

Top ten sectors (%)

Support Services	29.6
Software & Computer Services	22.2
Media	11.1
Specialty & Other Financial	11.1
Healthcare	7.4
Beverages	3.7
Construction & Building Materials	3.7
Industrial Engineering	3.7
Leisure	3.7
Telecommunications	3.7
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 February, the median Octopus AIM Inheritance Tax portfolio decreased by 3.3%. This was against a market backdrop that saw the FTSE AIM All-Share Index fall by 2.3%, the FTSE All-Share Index increase by 0.2%, and the FTSE SmallCap (excluding Investment Companies) Index decrease by 1.4%, all on a total return basis.

After last month’s unexpected uptick, UK inflation stabilised at 4.0%. However, equity markets were more volatile despite little news flow ahead of the busy March reporting period next month. The main contributors included regulatory services specialist, **Marlowe plc** (+33.3%), that announced the disposal of its GRC software business for an enterprise value of £430 million. Proceeds of the sale will be used to retire the debt facility and return over £150 million of surplus cash to shareholders. Software and consultancy provider, **FD Technologies plc** (+5.8%), continued its upward trajectory while the market awaits the outcome of its strategic review that will determine the best course of action to unlock shareholder value. Automotive testing solutions developer, **AB Dynamics plc** (+4.8%), confirmed that performance over the first six months of the year has been consistent with board expectations, with revenues growing 5% and margins ahead of last year. The regulatory backdrop remains favourable, while good visibility of improving performance in the simulation division in the second half leaves scope for upgrades as we move through the remainder of the year. Telecommunications provider, **Gamma Communications plc** (+3.4%), hosted a successful investor day that showcased its product suite, specifically focussed on its Channel Partner Portal. Given its increasingly substantial net cash position, the company also flagged that it will update the market on its capital allocation strategy as part of its full year results in late March. Beyond funding organic growth, opportunistic M&A and a progressive dividend, the balance sheet has capacity to make substantial share buybacks that could yield double-digit earnings accretion.

Shares that detracted from performance in the month included optical component manufacturer, **Gooch & Housego plc** (-29.0%), that despite its order book ticking up in the first four months of the year, saw some customers in industrial and medical laser markets continue to reduce inventory, with demand in selected end markets remaining weaker. As a result, full year pre-tax profits are now expected to be around £3 million below previous expectations. Specialist asset manager, **Impax Asset Management Group plc** (-17.0%), suffered despite last announcing that AUM increased 4.6% to £39.1 billion in the first quarter thanks to improved investment performance, partially offset by net outflows. While uncertain market conditions continue to constrain inflows in the short-term, a healthy pipeline of new business leaves the business well positioned to capitalise when equity markets swing back into favour. Shares in technical services provider to the global video games industry, **Keywords Studios plc** (-13.6%), reacted to news that Klarna’s new OpenAI-powered AI assistant handled two-thirds of its customer service chats in its first month of operation. This fuelled concerns that AI could impact Keywords’ Player Engagement business, though the company has been keen to point out that gaming is a very specialist market where players need support from technology and people that understand the game that they are playing. Technical patent and IP translator, **RWS Holdings plc** (-13.1%), announced that despite the continuing market pressures seen last year, the full year outlook remains in line with expectations. The statement also noted that client retention and satisfaction levels remain high and that growth initiatives are contributing incremental revenues. Veterinary services consolidator, **CVS Group plc** (-12.9%), reported interim results in line with expectations, delivering strong revenue growth of 11.4% and 6.0%, on a like-for-like basis. The move into Australia is also progressing well, having made 13 small animal practice acquisitions during the period, with a further ten expected in the second half. However, a lack of update around the CMA review weighed on the share price.

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 still trading at depressed valuation multiples not seen since the Financial Crisis. With widespread belief that inflation and interest rates have now peaked, we expect a more optimistic sentiment towards the UK, and firmly believe the share prices of our portfolio companies are poised to rally significantly from current levels.

Important information

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