



AMATI AIM IHT PORTFOLIO SERVICE

A review of the AIM market



By Scott McKenzie, Fund Manager

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Amati
Global Investors
Finely crafted investments

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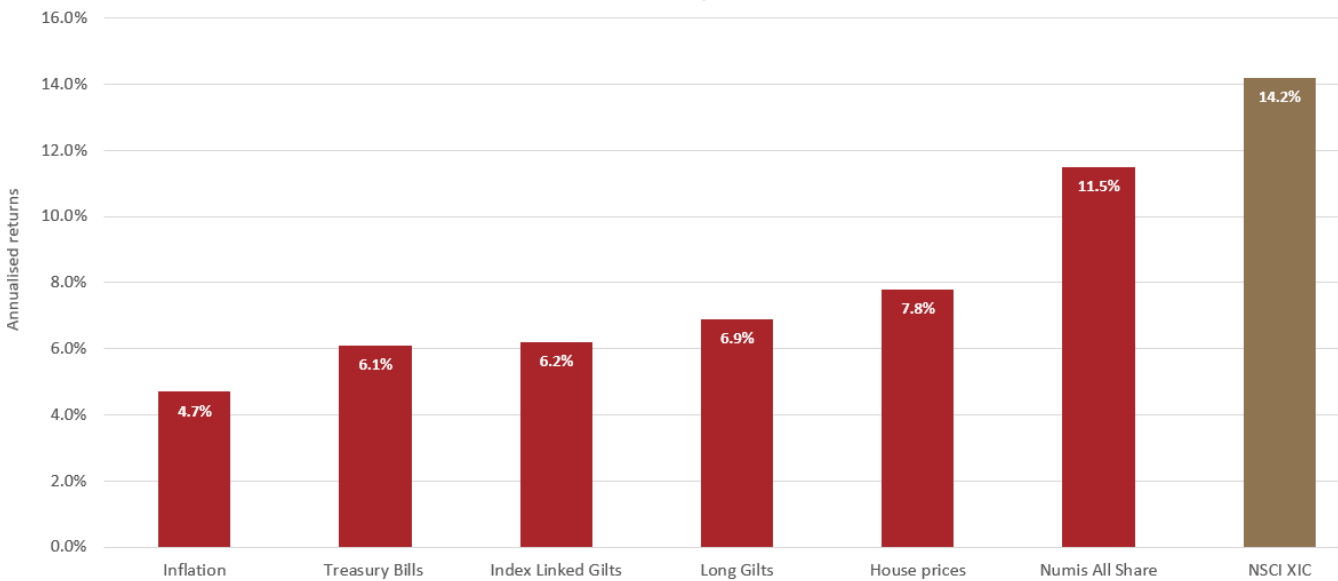
Unlocking the value in UK small cap & AIM

Investing in UK Smaller companies & AIM over the long term has proved to be a successful strategy for investors. However, with those extra returns also comes higher risk and volatility which can be painful over shorter time periods.

The evidence and data clearly demonstrate that investing in the asset class over the longer term has provided superior returns than the broader equity market and other asset classes, including housing!

UK Smaller Companies - The Long Term View

Annualised returns, 1955-2022



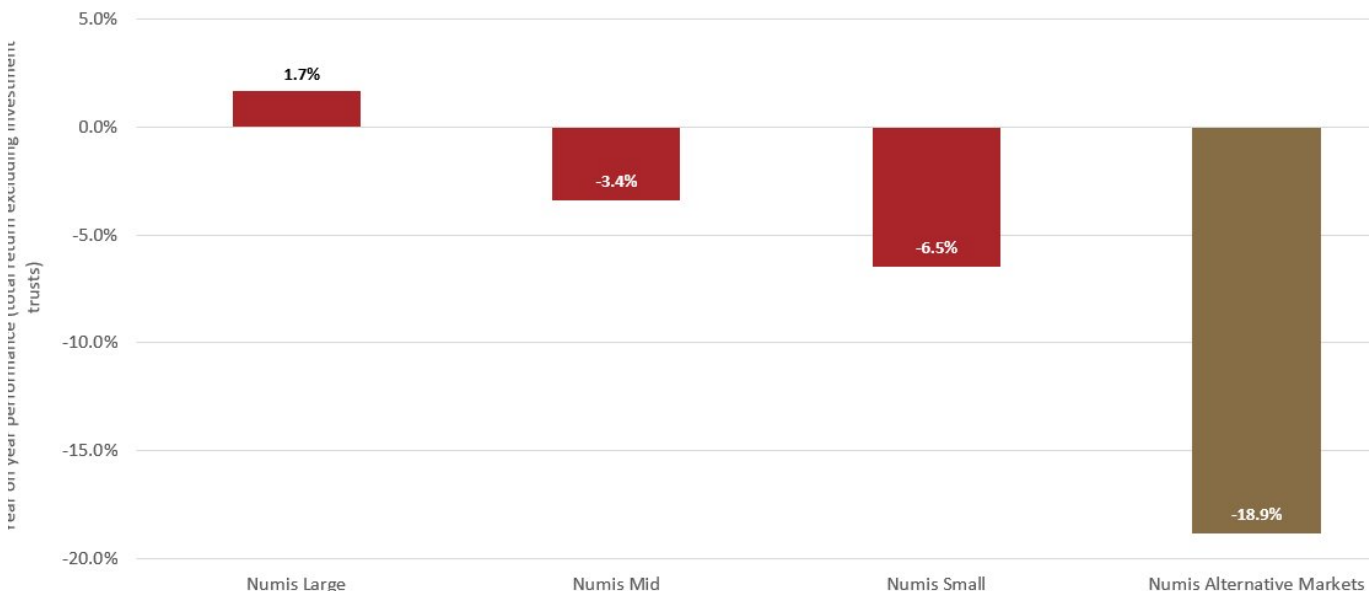
Source: Numis as at 31/12/2022

However, the past twelve months and 2022 have been difficult for investors in this area of the market with the mid, small & alternative market indices all seeing setbacks.

By contrast larger companies in the UK have enjoyed their day in the sun, fuelled by a very low weighting to technology and high exposure to resource sectors.

However...A Difficult 12 Months

Numis UK Indices 1 Year Total Return



Source: Amati Global Investors, Numis as at 31/05/2023

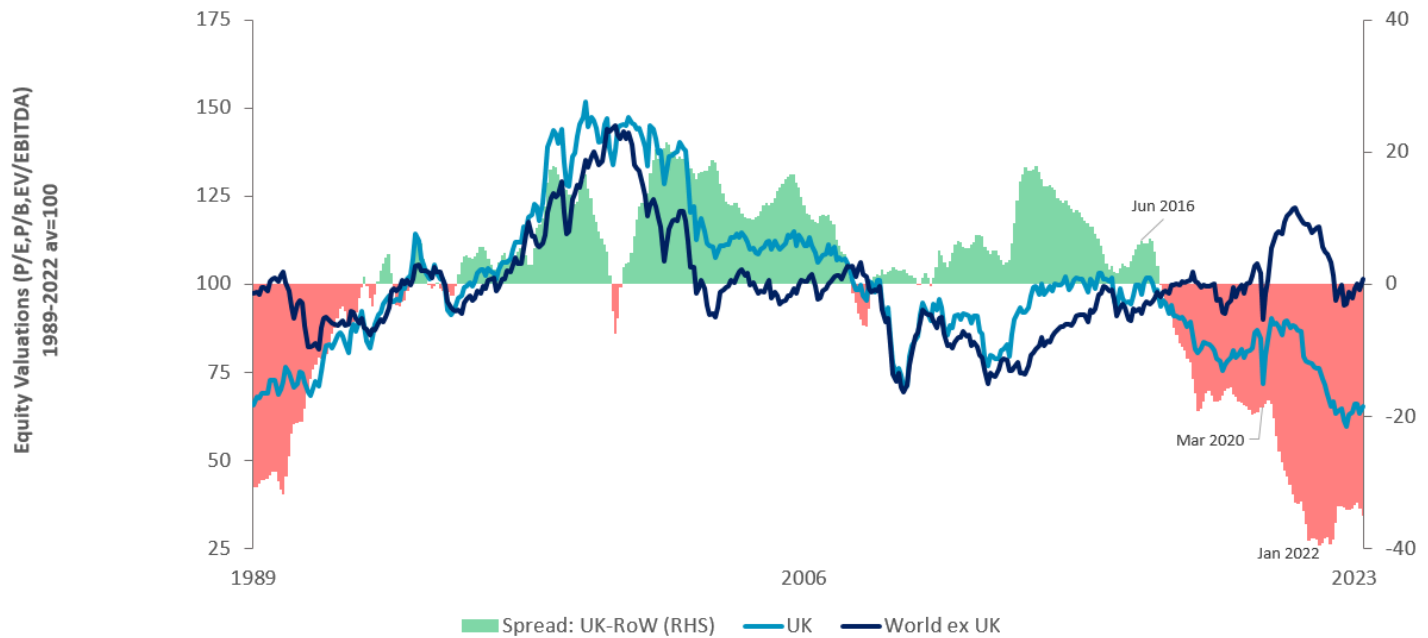
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UK Equities are cheap globally...

Not only are UK smaller companies & AIM cheap in a UK context, but UK equities are also cheap in a global context having

suffered a major de-rating Vs the rest of the world since 2016. The last time the UK traded at these levels in a global context was around 35 years ago.

Market Theme 1: UK Equities Are Cheap Globally

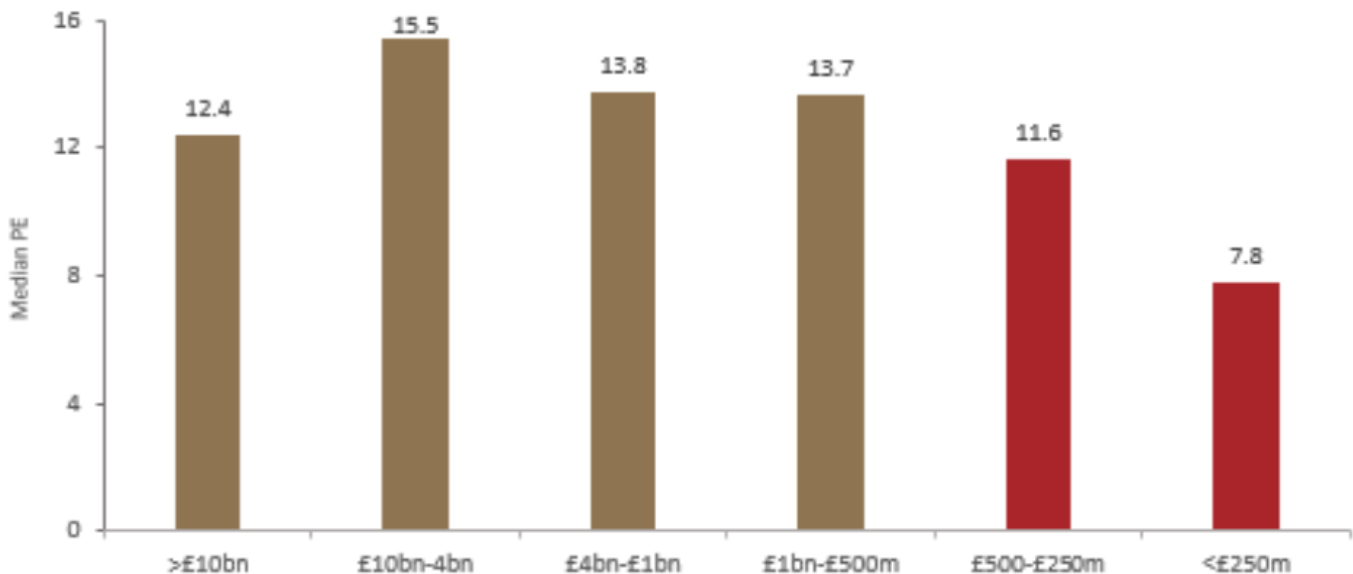


Source: Panmure Gordon, Refinitiv

Small caps are the cheapest UK Equities

This dramatic change in market leadership away from small caps has created a significant, rarely seen, valuation differential between larger and smaller companies, with smaller companies with

long-term growth prospects having been significantly de-rated. For long-term investors, we believe this disconnect between valuations and growth prospects represents a rare investment opportunity.



Source: Panmure Gordon, Refinitiv

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We believe that this value won't go unnoticed and will be reflected in increased takeover activity as we progress through 2023. Corporate and private equity bid activity is already on the increase in 2023, from both domestic and international sources, and they will be looking at the types of businesses we own given their valuation and potential upside. Within the AIM IHT Portfolio service we hold many companies with the combined characteristics of quality and growth, durable businesses with high margins, low debt, and strong cashflows.

Takeover activity

Numis, which we hold in the AIM IHT Portfolio Service, was recently subjected to a bid from Deutsche at a c. 60% premium to the average price over the last three months. This clearly demonstrates how value will hopefully be released for shareholders in UK small cap & AIM, which in turn will shine a much-needed spotlight on the asset class. We expect more bids to follow

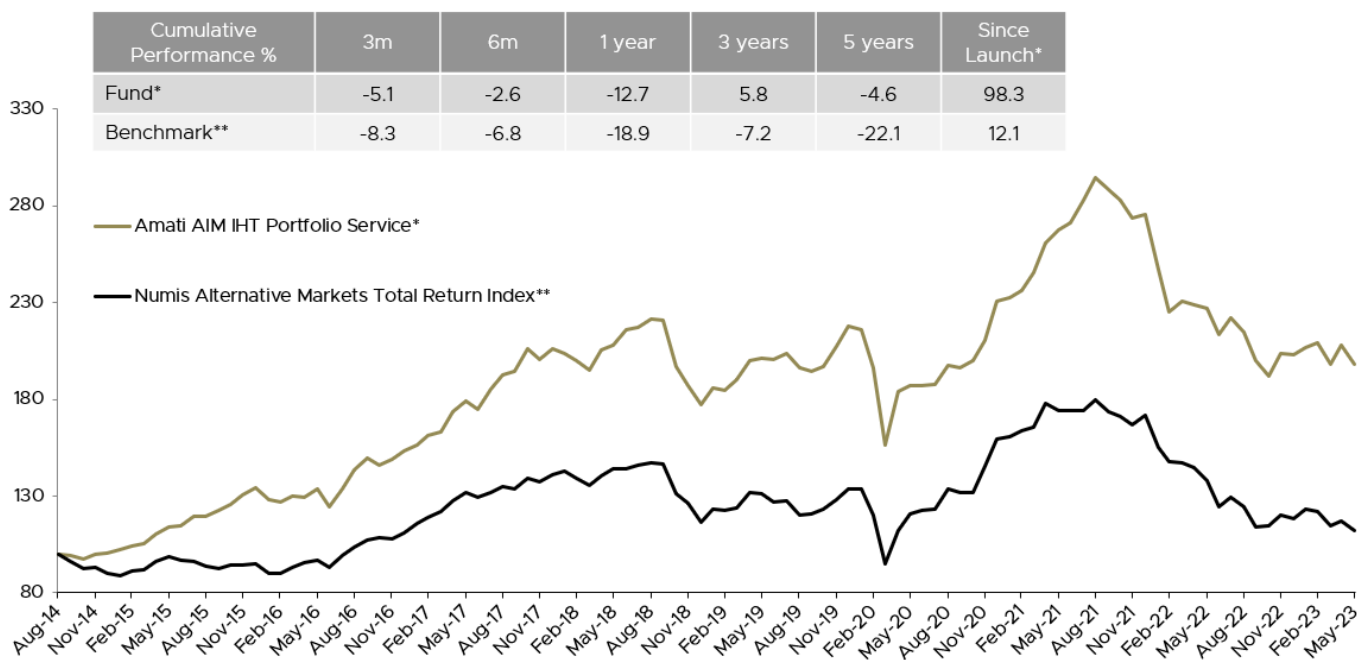
Amati AIM IHT Portfolio Service...award winning team

For those who are considering AIM IHT BPR solutions for clients as part of an inheritance tax plan, now could certainly be a good time to be reviewing options in this space.

The Amati UK Smaller Companies team are an award winning, experienced team, with many years' experience in managing UK Smaller companies and AIM, across the broad spectrum of the asset class, from early stage growth companies to well established companies capitalised at £2bn or more.

The Amati AIM IHT Portfolio Service has delivered strong long-term performance and inheritance tax protection for an established base of clients by utilising the team's extensive experience and excellent access to opportunities in the market.

Amati AIM IHT Portfolio Service - Performance



Source: Amati Global Investors as at 31/05/2023

* Amati AIM IHT Model Portfolio, dividends reinvested, net of AMC (manual adjustment for Sep 14 – Feb 15), platform fees and trading costs, excluding advisory charges.

** Numis Alternative Markets Index. Past performance is not a reliable indicator of future performance

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Risk Warning

Prospective investors should be aware that the shares of AIM-quoted companies are likely to be more volatile and less liquid than those listed on the main market of the London Stock Exchange. This means that buying and selling portfolio holdings may take some time, and in a worst case scenario companies could be delisted from AIM, making them very difficult to trade. Any investment in equities is subject to risk, and smaller companies can involve more risk than larger companies. Past performance is not a reliable indicator of future performance. The value of your investment may go down as well as up, and you may get back less than you invested.

Amati, in its capacity as discretionary investment manager, will select stocks which it expects to qualify for Business Property Relief, but it cannot guarantee that 100% of the portfolio will be exempt from IHT after 2 years, nor that the qualification rules as set out by HMRC will not change in future in a way that affects the status of individual holdings. Current tax rules and the available tax reliefs offered on investments into AIM-quoted stocks may change at any time, and there is a considerable risk that if the legislation changed in respect of these tax reliefs, then those portfolio companies that no longer qualified for such reliefs would be subject to heavy selling pressure, potentially leading to significant investment losses. The availability of tax reliefs depends on the portfolio companies maintaining their qualifying status and also depends on the individual circumstances of each investor. Neither past performance or forecasts are reliable indicators of future results and should not be relied upon. This investment product places your capital at risk and you may not get back the full amount invested.

Sales Team Contacts

Rachel Le Derf

Head of Sales & Marketing
rachel.lederf@amatiglobal.com
07979601223

Colin Thomson

Head of Intermediary Distribution
Northern England, Scotland & NI
colin.thomson@amatiglobal.com
07884026517

Jonathan Woolley

Sales Director
London, Midlands, SW England & Wales
jonathan.woolley@amatiglobal.com
07818203013

Thomas Whitfield

Sales Director
London & SE England
thomas.whitfield@amatiglobal.com
07818203013

Sally Ammar

IHT Operations Administrator
sally.ammar@amatiglobal.com
+44 (0)131 503 9124

Samantha Dalby

Sales and Insights Manager
samantha.dalby@amatiglobal.com
+44 (0) 131 503 9116

Olivia Pattison

Senior Sales Support Executive
olivia.pattison@amatiglobal.com
+44 (0) 131 503 9126

Milly Stevenson

Sales Support Executive
milly.stevenson@amatiglobal.com
+44 (0) 131 503 9125