



PILLING & Co

STOCKBROKERS LIMITED

AIM IHT Portfolio Quarterly Factsheet as at the 31st January 2024

Portfolio Objectives

The Pilling & Co AiM IHT Portfolio is a discretionary managed portfolio service, designed to provide investors with inheritance tax relief after two years and risk managed growth. Our portfolio comprises between 35-40 AIM quoted companies, which have been chosen based on their balance sheet strength, market valuation and liquidity, ability to pay dividends, a business model that is likely to survive changing fashions, management equity commitment and quality of shareholder base. We focus on larger and more established AiM quoted companies to help reduce portfolio volatility. We exclude the Oil & Gas and Utility sectors.

Target Market

Older clients with >£20,000 who wish to mitigate IHT liability by utilising BPR via eligible AiM market shares. Prepared to take a higher risk as this is part of wider wealth and investment portfolios, generally experienced investors

Key Facts

Launch Date	2008
Benchmark	FTSE AIM All Share
Holdings	43
Est Dividend Yield	2.8%
Minimum Investment	£20,000
Avg. Market Cap	£489mln
Price Earnings Ratio	17.8

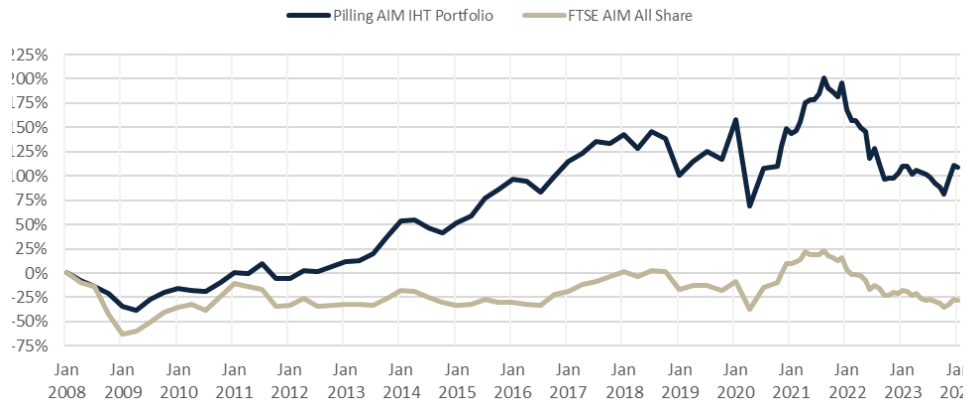
Charges

Management fee	1%, plus VAT
Custody fee	0.5% (min £50, max £180)
Dealing fee	1.65%, min £10

Key Risks

- AIM portfolios are classed as **HIGH** risk.
- Your capital is at risk and you may not get back the full amount invested.
- Past performance is not a reliable indicator of future returns.
- Tax treatment depends on individual circumstances.
- Business Relief is not guaranteed.
- Investments in companies quoted on AIM may carry greater risk, and the shares may be more volatile than fully-listed companies.

Pilling AIM IHT Portfolio Performance



Manager Commentary

Since our last quarterly report, we have experienced a sharp rally in the value of our model portfolio. During the last quarter of 2023 markets began to price in peak interest rates and we experienced a positive correction in valuations.

Our model managed to return 15.4% during this period relative to an 11.5% increase in our benchmark.

Consensus economic forecasts of a recession and tighter monetary policy for longer, did not come to fruition. Now markets are pricing in a fall in interest rates during 2024, as inflation continues to subside. This will continue to act as a tailwind for risk assets.

We have previously shared our thoughts of the value in our constituent companies not recognised by the market. This led to several bids last year as trade buyers saw the potential the stock market did not. Our most recent takeover target was **City Pub Group**, due to be acquired by another of our constituents, **Young and Co**. We see this as a hugely beneficial fit for Young and Co, accelerating their growth with a portfolio of Central London pubs as well as a greater footprint in market towns such as Reading and Cambridge.

A company that was materially impacted by the pandemic was **Johnson Service Group**. Their business is split between its workwear business where they saw some softening of demand and the HORECA division, which supplies hotels, restaurants, and cafés with linens and bedding. The company has continued to recover, seeing increased revenue last year, with management expecting these to rise by nearly 30% with almost half of that on an organic basis.

We were pleased to see the market finally recognise the merits of **Knights Group**, the legal services company, as they reported improving half-year results. Revenue was up in line with company expectations, as well as strong profit growth. They continue to expand with 20 new senior fee earners, hired during the period, whilst benefiting from much lower staff churn. Acquisitions continued to grow their footprint in the North and we believe the shares remain heavily discounted given the strong growth potential of the group.

One of the main detractors in the portfolio was **Zoo Digital**. The company continues to suffer the hangover from the recent writers' strike in the US. Lower throughput of film and TV content leads to reduced demand for their localisation services. However, the company has a solid balance sheet to weather the downturn and management expects business to pick up later in the year.

Cumulative Performance %

	3 months	1 year	3 years	5 years	Launch
Pilling & Co	15.4%	-0.4%	-14.3%	0.1%	108.7%
FTSE AIM All Share TR	11.5%	-11.3%	-32.1%	-12.3%	-12.9%

Discrete Performance %

	2019	2020	2021	2022	2023
Pilling & Co	29.7%	-3.3%	19.1%	-31.5%	4.3%
FTSE AIM All Share TR	13.3%	21.8%	6.1%	-30.7%	-6.4%

All performance is calculated net of management and dealing fees.
The Cumulative Performance is calculated to month end, as at 31st January 2024.

Please note, the performance data is based on our model AIM portfolio. The performance of your portfolio may differ to that of the model portfolio as some of the stocks chosen by your Investment Manager may be different to fit your personal circumstances.

Portfolio Managers

Alistair Hodgson has been an investment manager at Pilling & Co since graduating from their dealing room in 1998. Amongst other professional affiliations he is a Chartered Fellow of the CISI and has been active within the institute locally for many years.

Nigel Moore has over 20 years investment experience, commencing his stockbroking career with Brewin Dolphin in 1998. As a Senior Chartered Wealth Manager, Nigel is an integral member of the firm's investment committee.

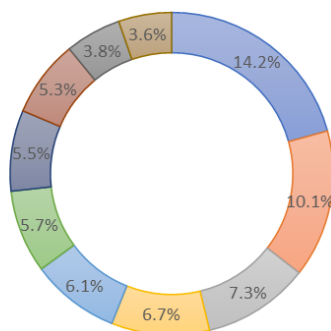
Terry Applegate has nearly 20 years experience within the industry to date. Having joined Pilling & Co from W. H. Ireland in 2002, he has now become a key member of the investment team, looking after private client portfolios.

Michael Talbot has over 15 years of experience, started his career at James Sharp. Having been at Pilling for over ten years, his interest and research into smaller and medium sized listed companies has benefitted the investment committee's decision making process. During this time, he has also been building solid relationships with private clients and managing their portfolios accordingly.

Top 10 Holdings

Jet2 Plc	5.7%
YouGov Plc	5.5%
Next 15 Group Plc	5.1%
Lok'n Store Group Plc	4.6%
James Halstead Plc	4.3%
Renew Holdings Plc	3.5%
Cohort Plc	3.5%
Vertu Motors Plc	3.3%
Judges Scientific Plc	3.3%
Johnson Service Group Plc	3.1%

Sector Allocation



Professional & Commercial	14.2%
Media & Publishing	10.1%
Machinery, Equipment & Components	7.3%
Real Estate Operations	6.7%
Software & IT	6.1%
Passenger Transportation	5.7%
Speciality Retailers	5.5%
Hotels & Entertainment	5.3%
Investment Banking & Investment Services	3.8%
Healthcare Equipment & Supplies	3.6%

Company Spotlight



Since its inception in 2002, Warpaint has grown rapidly over the years with a current market valuation of £300m. The group sells branded cosmetics, predominantly under two main lead brands, W7 and Technic.

W7 focuses on the 16 – 34 age group and is sold to a number of high-profile retailers such as Tesco and Boots, as well as international markets. Technic is sold in the UK and Continental European markets but places more emphasis on the gifting market for large retail groups such as Wilko.

The product manufacturing process is outsourced, to ensure that competitive pricing is achieved and so the group can retain its asset light structure. Group revenues are split across UK with 43%, 44% from Continental Europe and 8% from North America.

Interim results released in September 2023 showed growth in sales across all regions, achieving a record first half. Total group sales were up 46% to £36.7m, with the UK growing by 28% to £13.3m and international sales up 58% to £23.4m. The group has cash of £7.1m and no debt.

The group has prioritised building its brands in the UK, North America and China.

Company	Warpaint London
Sector	Personal & Household Products & Services
Market Capitalisation	£294mIn
Dividend Yield	2.0%

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