



# ALBERT E SHARP

INVESTMENT MANAGEMENT & STOCKBROKING

AIM INHERITANCE TAX PORTFOLIO COMMENTARY

Q2 2023

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## Manager's Commentary

In the first half of 2023 most forecasters have been surprised by the persistent inflation in the UK economy and the relative strength of economic growth. This combination has seen interest rates reach 5% with the view that they might be higher for longer than previously anticipated. The rising trend in gilt yields has impacted UK equities. As the second half of the year commences, we continue to believe that UK mid and small caps will see strong recovery in due course.

Company results/updates generally continue to be in line or better and takeover bids indicate UK valuations remain attractive.

During the quarter the FTSE 100 eased 1.2% to 7,532, FTSE All Share declined 1.3% to 4,096 and the FTSE AIM All Share fell 6.9% to 754. In America during June the S&P 500 was up 6.5% and 15.9% YTD, the NASDAQ was up 6.6% (up 31.7% YTD) while the Dow Jones was up 4.6% and 3.8% YTD.

From a sector point of view in UK smaller companies, good quarterly performances were achieved by industrial transportation (+11.4%), general retailers (+8.4%) and chemicals (+7.4%) whilst personal goods (-24.9%), technology hardware and equipment (-16.7%) and household goods (-14.7%) disappointed.

As shown in the corporate news flow in June, we are encouraged that overall we have seen significantly more positive surprises than negative ones and the vast majority of companies are trading in line with expectations. Historically the smaller companies sector has rallied as the perception grows that we are close to the peak of interest rates.

We continued meeting with companies that we hold and those that are not on our buy list. There is a mixed consensus amongst companies, many are turning the corner after a very difficult period, others are not; unfortunately, one of our holdings **Advanced Oncotherapy** has been suspended pending refinancing – this does not bode well for the company. Another one of our core holdings **Destiny Pharma** has seen their CEO depart, however we view this as a positive as the company negotiates for a farm in partner for their flag ship XF3 drug. We had meeting with **Destiny Pharma**, kettle manufacturer **Strix**, and one of the companies we hold: brake pad manufacturer **Surface Transforms**. We also had a site visit to Hydrogen producers **Clean Power Hydrogen**.



*John Smith at the site visit to Clean Power Hydrogen*

## Performance Update

	Stock	Quarterly Price Return
Top Performers	Strip Tinning Holdings Plc	44%
	Sureserve Group Plc	42%
	Creo Medical Group Plc	32%
Bottom Performers	Eneraqua Technologies Plc	-59%
	Oncimmune Holdings Plc	-59%
	Velocys Plc	-48%

**AIM All Share Index Quarterly Price Return: -6.9%**

Please note not all companies in this index qualify for inclusion in Inheritance Tax portfolios

**Strip Tinning Holdings Plc** – A positive set of annual results and guidance that they will return to revenue growth in financial year 2024 lifted shares significantly towards the end of the quarter.

**Sureserve Group Plc** – The company received a takeover offer, which the board recommended shareholders accept. The price offered by pan-European mid-market private equity house Cap10 represented a 39% premium to the prior closing price.

**Creo Medical Group Plc** – The medical device company specialising in surgical endoscopy benefitted from decent half-year numbers as well as the announcement that ‘Speedboat Inject’ received clearance for use throughout the entire gastrointestinal tract in European markets.

**Eneraqua Technologies Plc** – The company specialising in energy and water efficiency released a set of results which disappointed the market, despite profits more than doubling and revenues increasing over 50%.

**Oncimmune Holdings Plc** – Half-year revenues fell by a fifth which had a significant impact on shares.

**Velocys Plc** – Losses widened at the sustainable fuels technology company, who were forced to raise further funds at a depressed valuation.

**What is the AIM Inheritance Tax Portfolio Service?**

*Business Property Relief is a tax relief available to investors in unlisted companies in the UK, which grants the investor an exemption from Inheritance Tax (currently 40% above the nil rate bands) if certain criteria are met. Companies quoted on the London Stock Exchange's Alternative Investment Market (AIM) are considered as unlisted, so many of them qualify for this tax relief. AIM was historically considered primarily for young businesses, but now boasts companies as large c.£3bn in size.*

*This service offers investors the ability to reduce their Inheritance Tax burden as well as giving them access to some unique investment opportunities. The nature of the tax relief means that each portfolio requires careful and bespoke construction for each client, as well as a high degree of ongoing management, so while this document attempts to speak to the service in general, there is no guarantee a given portfolio will contain any of the companies mentioned.*

*Every company included in any Inheritance Tax Portfolio Service portfolio at Albert E Sharp will have been met, thoroughly researched, and vetted by our team, who are led by the partners shown on the following page.*

### The IHT Team



John has over 30 years' investment management experience and is a Chartered Fellow of the Chartered Institute of Securities and Investment. He was elected to membership of the Stock Exchange in 1984, appointed a director of Greenwell Montagu Stockbrokers (HSBC) 1988, a founding director of Brewin Dolphin, Birmingham office 1996, director and head of Birmingham office of W H Ireland 2006 and a partner of Albert E Sharp in 2014. John specialises in portfolio management for private clients including ISAs, SIPPs, Trusts and Settlements. Since 2007 John has managed Inheritance Tax portfolios for a number of clients.



David has over 20 years' investment experience and is a Member of the Chartered Institute for Securities & Investments. He has previously worked as a private client stockbroker at WH Ireland where he was a regional director. Whilst managing both Advisory and Discretionary private clients David also focuses on smaller companies. He has previously worked within the derivatives markets working for family offices and trusts.

**To Contact Albert E Sharp** regarding the IHT Portfolio please contact **David Gilbert** or **John Smith** at Albert E Sharp  
**Email:**  
[john.smith@albertesharp.com](mailto:john.smith@albertesharp.com)  
[david.gilbert@albertesharp.com](mailto:david.gilbert@albertesharp.com)  
**Telephone: 01789 404000**  
**Address: Seven Elm Court, Arden Street, Stratford-upon-Avon, Warwickshire, CV37 6PA**

**We are pleased to advise that we now run model IHT portfolios on the Transact Platform, where IFA's and professional advisors can access three model portfolios: an Income, a Balanced, and a Dynamic. If you would like details of these offerings, please contact David or John.**



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