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INVESTMENT MANAGEMENT & STOCKBROKING

AIM INHERITANCE TAX PORTFOLIO COMMENTARY

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Manager's Commentary

In September, central banks in the USA and UK paused on interest rate rises but the ECB delivered another increase. With rates now forecast to be close to, or at, peak levels we would have expected markets to have responded positively but investors are worried about rates now being 'higher for longer'. Most company results/updates continue to be in line but there have been more negative surprises. Takeover bids indicate valuations of UK Mid and Small caps remain attractive.

During the quarter the FTSE 100 rose 1% to 7,608, the FTSE All Share gained 0.8% to 4,127 and the FTSE AIM All Share declined 3.6% to 726. The domestic picture continues to be focussed on core inflation, interest rate rises, and economic growth which appears to be relatively healthy this year. The government is more confident in hitting its target of inflation halving to 5.3% in 2023 and it appears that living standards are improving.

In terms of activity, we took part in a fund raise for Concurrent Technologies a manufacturer of high-end circuit boards and plug in cards for the defence industry. Funds were used to acquire California based Stryker, a supplier to U.S. based defence industry which will open up this lucrative market to Concurrent.

We continue to be encouraged that the vast majority of companies have been and are trading in line with market expectations. The ratio of positive surprises to negative ones has fallen and the misses are generally seeing substantial falls in their share prices especially if there is doubt on the dividend front. Historically, equity markets rally when the perception grows that interest rates are close to their peak. To a great extent this has been the case for the UK smaller companies sector.

The key question for central banks is when to stop tightening as historically it has been more damaging in the longer term to stop too early than do too much. However, in the case of the latter there is a significantly increased risk of a deeper recession which would not be a good backdrop for a UK government in an election year.



Performance Update

	Stock	Quarterly Price Return
Top Performers	Destiny Pharma	+90.3%
	Intelligent Ultrasound Group	+35.1%
	Concurrent Technologies	+22.9%
Bottom Performers	Sondrel Holdings	-73.8%
	Zoo Digital	-67.1%
	Velocys	-44.2%

AIM All Share Index Quarterly Price Return: **-3.6%**

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

Destiny Pharma – A management shakeup and positive results from a trial of their XF-73 antibacterial drug contributed to excellent share price returns over the quarter. The drug was found to be more than one hundred times more effective against MRSA than a leading topical antibiotic.

Intelligent Ultrasound Group – Shares made good progress over the quarter thanks to a positive update released to the market saying they had grown sales of AI-related products.

Concurrent Technologies – The company reported a significant increase in revenue expectations (up 60% year-on-year) at the start of the quarter which sent the share price soaring. This would represent a record revenue figure for the first half of the year.

Sondrel – Integrated circuits specialist Sondrel disappointed the market at the end of the quarter despite revenue increasing 17% and the board reaffirming full year guidance. This appears mostly to be down to a pick up in costs causing a widening of losses.

Zoo Digital – Missed revenue expectations caused a fall in Zoo's share price over the quarter. The company said they expected revenue growth to return in the second half of the year.

Velocys – Losses widened at the sustainable fuels technology company thanks to higher project development costs. The company expects revenue growth in 2024.

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.

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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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