

AIM PORTFOLIO SERVICE INCOME

INVESTORS' REPORT | INCOME

Yield: 3.7%

Our Prime Minister had warned us to brace for a painful maiden Budget... although in general it seems his bark was worse than his bite. For AIM investors in particular, there are several positive takeaways. Most importantly, we now have confirmation that Business Relief will continue to apply to AIM shares for the foreseeable future—albeit at reduced rates from 2026. AIM shares have been weak since the summer election but rallied strongly following the Budget. We expect that the recovery that had been building up until the summer election can now resume.

The changes to the reliefs also need to be taken into context of the wider Budget: specifically that pension pots will fall within scope for inheritance tax from April 2027. We suspect that, where suitable, AIM portfolios within SIPP's will become a popular estate planning tool—and note to satisfy the two-year rule, these are investments that should be considered this tax year. This in turn would bring a significant source of new capital and liquidity to the AIM market.

We have been at pains to stress that the companies we buy all have an intrinsic value quite apart from any tax benefits. With an AIM Portfolio, clients can invest in a portfolio of high quality smaller companies that, in our view, currently offer very attractive valuations. That these portfolios also come with a 20% tax break means AIM Portfolios remain an attractive proposition for the right client in the right circumstances.

Meanwhile, great businesses remain great businesses. Since we last wrote, we've had upgraded guidance from **Renew Holdings**, which is benefiting from water companies' increased investments to fix the nation's leaky pipes. Elsewhere, even a reiteration of current trading at **IG Design** was enough to send its share price up +15%, yet again highlighting the extent of valuation anomalies that have persisted on AIM in recent years.

Finally, we are now just three weeks away from the 2024 Growth Investor Awards. We are delighted to be finalists for the fourth consecutive year in three categories, including Best AIM Portfolio Service and Best New Product for our AIM IHT Income Portfolios.

Company Focus | Epwin Group PLC

In each of our quarterly briefings we present one of the companies in which we invest (*not necessarily held by all clients*) to provide examples of the kind of opportunities that one can find amongst quality smaller companies that trade on AIM.



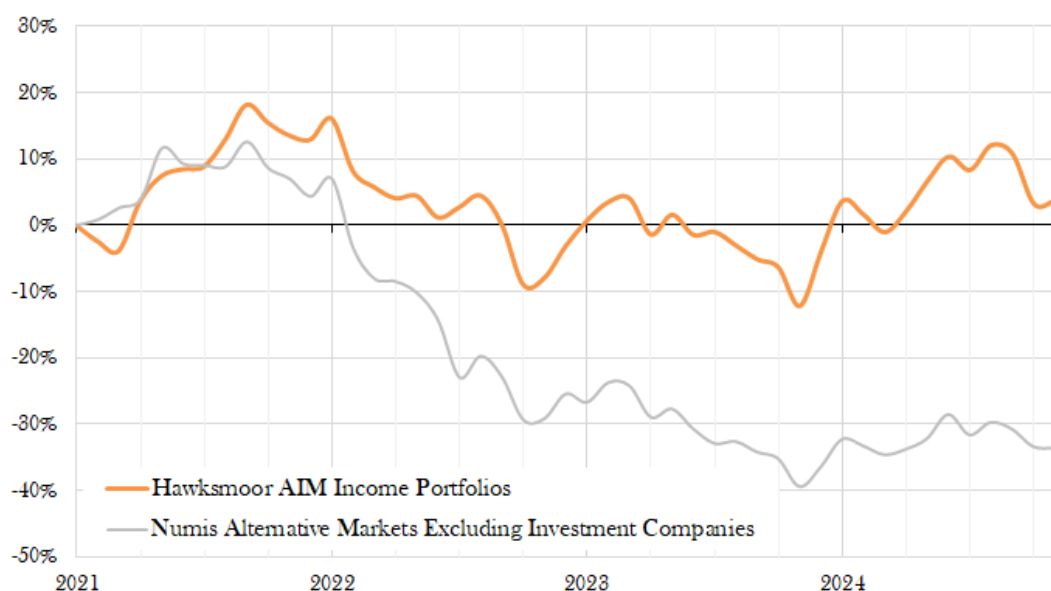
Epwin Group is the leading UK-based manufacturer of energy efficient building products including windows, doors, guttering, eills, trims, cladding and conservatories. It operates in the new build, social housing, DIY and trade sectors. Founded in 1976, over time Epwin has carved itself leading market positions in the UK.

The income attractions of Epwin are a 4.7% dividend yield covered twice over by earnings (*source: FactSet*). Yet we also see favourable market dynamics from a clear focus by the government to increase housebuilding. Equally, if we are to achieve our environmental goals, significant investment is needed in building energy efficiency.

This is a well-managed business in good financial health and sound long-term prospects.



Performance of an illustrative Hawksmoor AIM Income Portfolio



| Discrete Calendar Years | 2021 | 2022 | 2023 | YTD |
|--|-------|--------|-------|-------|
| Hawksmoor AIM Income Portfolio ¹ | 16.1% | -13.2% | 2.9% | 0.0% |
| AIM Benchmark ² | 7.0% | -31.5% | -7.6% | -2.0% |

| Cumulative Performance | 3 months | 6 months | 1 year | 3 years |
|--|----------|----------|--------|---------|
| Hawksmoor AIM Income Portfolio ¹ | -7.5% | -2.8% | 18.0% | -8.7% |
| AIM Benchmark ² | -5.5% | -2.1% | 9.6% | -38.0% |

PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE.

Our AIM Portfolio Service invests in exceptional UK smaller companies for long-term capital growth. It can also be used for inheritance tax planning since we endeavour to ensure that every investment will qualify for *Business Relief* once held for at least two years.

It is a virtue of Hawksmoor's size that we are not restricted to only the largest, most popular of AIM companies, where valuations can become artificially elevated by tax relief demand. Rather, our proprietary investment process combines a disciplined screening process with rigorous fundamental analysis designed to identify value and quality.



Meet the team



Ian Woolley, CFA
Head of AIM Services

Ian joined Hawksmoor in 2013 having previously worked as an investment analyst and business consultant. He has a First Class degree in Mathematics from the University of Bath and is a Chartered Financial Analyst (CFA) charter holder.



Tinzar Minmin
Investment Manager

Tinzar qualified as an Investment Manager in 2021. She has a BSc in *Actuarial Mathematics* and a Masters in *Actuarial Finance* from the University of Leeds. She was included in Citywire's 2023 'Top 30 Under 30' list of rising investment stars.

Important Information

Hawksmoor Investment Management Limited is authorised and regulated by the Financial Conduct Authority. Registered in England No. 6307442. Registered office: 2nd Floor, Stratus House, Emperors Way, Exeter Business Park EX1 3QJ. FPC24193

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¹ *Methodology and source:* Hawksmoor, as at the date of this report. Performance is quoted on a total return basis after all charges and taxes, excluding any external adviser fees, calculated based on the average actual performance of all clients in the Hawksmoor AIM Portfolio Service with an income mandate.

² Deutsche Numis Alternative Markets Excluding Investment Companies Index, quoted on a total return basis.

