

# AIM Equi-Weighted Index

## Quarterly Update

### Alternative Investment Market (AIM) Portfolio

One way to potentially shelter part of your estate from Inheritance Tax (IHT) is through our AIM Portfolio. We carefully select companies that meet our strict investment criteria with the aim of obtaining business property relief after two years as part of your overall inheritance tax plan. This provides the potential for capital growth, while you retain control over your assets and the income they earn.

#### Key features

- Potentially qualify for 100% IHT relief after two years<sup>1</sup>
- Your portfolio will hold individual shares – not a pooled investment
- Brown Shiplely manages your investments under a Discretionary mandate
- Clear charging structure

#### Key considerations

- Current tax rules governing investment into AIM and available reliefs may change
- Tax relief is applicable only to those subject to UK inheritance tax and available only where the investment is held until death
- The underlying AIM companies must continue to qualify for tax relief at the time the investments are realised
- Clients should consider taking professional, independent tax advice

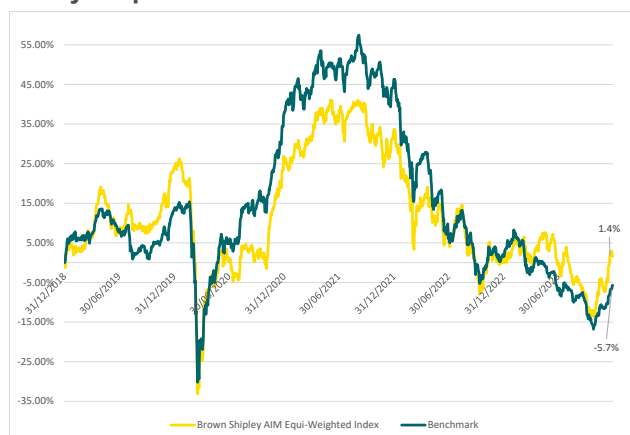
**This investment places your capital at risk. The value of your investment may go down as well as up and investors may not get back the full amount invested.**

**Tax planning is not regulated by the Prudential Regulation Authority or the Financial Conduct Authority.**

<sup>1</sup> Subject to HMRC assessment

### Brown Shiplely AIM Equi-Weighted Index

#### Five year performance to 31 December 2023



The graph opposite illustrates the potential benefit of expert analysis and share selection versus performance from the benchmark as represented by the FTSE AIM All Share TR Index (to 30 September 2022) and Numis Alternative Market (including investment companies) TR Index (from 30 September 2022).

The Aim Market graph line shows the return from investing in the c. 1,000 AIM companies in the same proportion as the firms' market capitalisation. This means that greater investments are allocated to larger companies. This is a market capitalisation weighted index. Further details are available from FTSE International ([www.ftse.co.uk](http://www.ftse.co.uk)) and Numis ([www.numis.com](http://www.numis.com))

The Brown Shiplely AIM Equi-Weighted Index graph assumes that equal theoretical investments are made to a specific number of companies. This is called an equi-weighted approach. The illustrated equal weighting is then maintained by regularly 'selling' some investments and 'buying' other investments, to maintain their equal weighting.

	From: 31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
	To: 31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
<b>Brown Shiplely Equi-weighted Index</b>	23.9%	1.7%	5.9%	-25.2%	1.7%
<b>Benchmark</b>	13.3%	21.7%	6.1%	-30.6%	-7.2%

Chart and Table source: Bloomberg. All returns on the Brown Shiplely AIM Investable List (Equi-Weighted Index) are gross and the annual charge of 1.5% (+ VAT). Past performance is not guide to future results. These investments places your capital at risk. The returns from the Brown Shiplely AIM Equi-Weighted Index may be higher or lower than those from your portfolio. Contrary to the Brown Shiplely AIM Equi-Weighted Index, Portfolios are subject to fees and trading costs, as well as liquidity requirements. This means they cannot maintain equally-weighted investment

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### Market commentary

During the twelve-month period ending 31 December 2023 the benchmark\* declined by 7.2% and the Brown Shipley AIM Equi-Weighted Index advanced by 1.7%, representing an outperformance of 8.9%. In the five years ending 31 December 2023 the benchmark\* declined by 5.7% and the Brown Shipley AIM Equi-Weighted Index advanced by 1.4%, representing an outperformance of 7.1%. Please note that past performance is not a reliable indicator of future performance.

The AIM market enjoyed an encouraging start to 2023, but as we entered Q2 it had moved back into negative territory. Unfortunately, we saw this trend continue into the third quarter, and in the first three quarters of 2023 our benchmark declined by more than 11%. The early stages of the final quarter of 2023 saw the AIM market extend its losses, and indeed by the 26<sup>th</sup> of October our benchmark was trading over 18% lower in calendar 2023. This is in stark contrast to the main market (as measured by the FTSE All Share) which was still (just) in positive territory. Fortunately, market dynamics changed for the remainder of the year, and the AIM market experienced a strong rally in the closing stages of 2023. Having been down more than 18% in late October, our benchmark finished the year only 5.7% lower. Our sense is that the rally seen in November and December was driven by a combination of falling interest rate expectations (both in the UK and globally) as well as improved investor appetite for risk assets, as demonstrated by the material outperformance of the AIM market relative to the FTSE All-Share, as measured from October's lows.

Looking back over the last twelve months, the worst performing sectors of the benchmark\* have been Energy and Real Estate, in-line with the conditions we reported in our Q3 2023 newsletter. As previously discussed, these sectors do not typically exhibit the sort of qualities we look for in our strategy, and our lack of exposure here has helped our relative performance. Excluding Utilities (which is a very small part of the benchmark\*), Financials and Consumer Staples have been the best performing sectors for the AIM market in 2023. Broadly speaking we are hesitant to invest in Financials as some of the sector's components may not qualify for IHT relief, and our underweight here was a drag on performance during the year. We have maintained a healthy overweight to the Consumer Staples sector, however, and this has enhanced our returns.

The last two years have been a difficult time for AIM investors, but we take some comfort from our outperformance relative to the wider AIM market. As a reminder, we invest in a manner that has the potential for Inheritance Tax relief after two years whilst also providing the potential for investment growth over the long-term. Our focus is on finding high quality niche companies with a history of growth and competitive advantage, with reasonable performance throughout the business cycle. By prioritising investment in companies that have a conservative approach to leverage, a strong balance sheet, appropriate access to liquidity and the ability to generate more predictable cash flows we expect that our portfolio of companies will be better able to navigate difficult economic conditions. We made no changes to our portfolio holdings in Q4'23.

*\*Following a review of the product benchmark and of a number of index providers, we replaced the FTSE AIM index with the Numis Alternative Markets index which is representative of the AIM Market and a fair benchmark to compare our performance against. The change is effective 1st October 2022 and any performance comparison prior to this date will still relate to the FTSE benchmark. The investment objective of the AIM portfolio remains unchanged. The risk and positioning of the portfolio against the new benchmark were reviewed and no change have been made as a result of this benchmark change. In particular, the AIM portfolio remains built from the bottom-up, and it is not managed with any reference to the benchmark. The benchmark is only used for performance comparison purposes.*

This document is for information purposes only. It does not constitute investment advice and is not a recommendation for investment.

Investors should be aware that investment in companies listed on AIM carries a higher risk than equities on the main market of the London Stock Exchange. The value of any tax benefits will be dependent on individual circumstances. The performance of individual portfolios may vary from the Brown Shipley AIM Equi-Weighted Index performance due to factors such as stock selection and timing of investment transactions. Brown Shipley does not provide tax advice. © Brown Shipley 2023 reproduction strictly prohibited.