

Octopus AIM Inheritance Tax Service

Data as at 31 August 2024



About the Team

The Octopus Quoted Companies team has a combined experience of more than 100 years. The team, which includes Richard Power, Kate Tidbury, Chris McVey, Edward Griffiths, Mark Symington, Dominic Weller, Jessica Sweeney, Freda Isingoma, Ross MacSween, Martin Jager, Matt Irani, Charles Lucas, Ben Tyson and Georgia Obadipe, and are also responsible for the Octopus AIM VCT plc, Octopus AIM VCT2 plc, FP Octopus UK Micro Cap Growth Fund, FP Octopus UK Multi Cap Income Fund and FP Octopus UK Future Generations Fund.

Key facts

Octopus AIM Inheritance Tax Service

Launch date	June 2005
Product type	Discretionary portfolio
Benchmark	FTSE AIM All-Share TR

Octopus AIM Inheritance Tax ISA

Launch date	September 2013
Product type	Discretionary portfolio
Benchmark	FTSE AIM All-Share TR

Fees and charges are payable in respect of both the Octopus AIM Inheritance Tax Service and ISA, please see the relevant product brochure for details. Visit octopusinvestments.com.

Key risks

- Your capital is at risk and you may not get back the amount invested. Past performance is not a reliable indicator of future results.
- The benefit of tax reliefs depends on individual circumstances and may be subject to change.
- Investments quoted on AIM are likely to fall and rise in value more than shares listed on the main market of the London Stock Exchange. They may also be harder to sell.
- The availability of tax reliefs depends on investee companies maintaining their qualifying status.

About the product

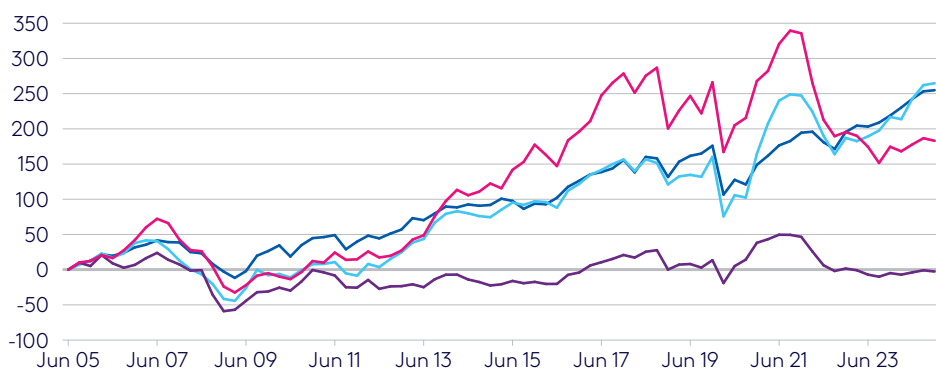
The Octopus AIM Inheritance Tax Service offers a fast and flexible solution to inheritance tax planning, while providing the potential for significant capital growth through investment into a portfolio of 20-30 companies listed on the Alternative Investment Market (AIM). **The Octopus AIM Inheritance Tax Service is also available within an ISA wrapper.**

Investment approach

The team looks for companies with one or more of the following characteristics:

- A strong market position or global leader in its field
- A scalable business model focused on growth
- A proven management team with a record of corporate success
- A profitable business with a strong balance sheet
- A high level of recurring revenues and earnings visibility

Performance overview



Cumulative performance to 31 August 2024 (%)

	YTD	3 Y	5 Y	10 Y	Launch	2023	2022	2021
Median Octopus AIM ITS	3.08	-37.85	-14.45	32.82	183.04	-7.09	-32.17	18.41
FTSE AIM All-Share TR	2.38	-37.26	-5.08	13.57	-2.61	-6.40	-30.67	6.12
FTSE Small Cap ex IT TR	15.10	1.68	61.80	101.70	264.75	10.37	-17.31	31.26
FTSE All-Share TR	11.29	24.35	37.89	80.87	254.88	7.92	0.34	18.32

Discrete yearly performance (%)

Year to 31 August	2024	2023	2022	2021	2020
Median Octopus AIM ITS	8.44	-16.61	-31.27	40.77	-2.22
FTSE AIM All-Share TR	6.13	-14.44	-30.91	35.29	11.82
FTSE Small Cap ex IT TR	24.12	1.86	-19.57	71.45	-7.19
FTSE All-Share TR	16.98	5.23	1.01	26.95	-12.65

Source: Lipper and Octopus Investments. Performance charts date back to 30 June 2005 and show the total returns of the Octopus AIM Inheritance Tax Service portfolios. This performance is calculated by taking the median monthly returns of all available Octopus AIM Inheritance Tax Service portfolios since 30 June 2005. If cash is added or withdrawn during a month, these portfolios are removed from the calculation for the respective month. We then compound those total returns to provide total return performance data for the relevant period. Total return performance includes the impact of dividend income, interest, management fees, ongoing adviser fees and dealing fees. The performance table shows the discrete annual total return performance, calculated in the same way as detailed above.



Investment Enquiries

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Top ten equity holdings

Renew Holdings plc
Gamma Communications plc
Next 15 Group plc
Keywords Studios plc
Advanced Medical Solutions Group plc
Boku Inc
Johnson Service Group plc
GB Group plc
CVS Group plc
James Halstead plc

Top ten sectors (%)

Support Services	28.0
Software & Computer Services	20.0
Media	12.0
Industrial Engineering	8.0
Specialty & Other Financial	8.0
Beverages	4.0
Construction & Building Materials	4.0
Healthcare	4.0
Leisure	4.0
Pharmaceuticals & Biotech	4.0
Total	96.0

Source: Bloomberg and Octopus Investments. Top ten holdings based on funds under management in the Octopus AIM Inheritance Tax Service. Top ten sectors listed by number of companies on the current buy list. Totals are rounded from source data so tables may not add up exactly to 100%.

Monthly commentary

Over the course of August, the median Octopus AIM Inheritance Tax portfolio decreased by 1.28%. This was against a market backdrop that saw the FTSE AIM All-Share Index fall by 1.74%, the FTSE All-Share Index increase by 0.45%, and the FTSE SmallCap (excluding Investment Companies) Index increase by 0.74%, all on a total return basis.

August began with a sharp market downturn, triggered by an unexpected interest rate hike in Japan and concerning economic indicators from the US, where labour market data showed a higher-than-expected unemployment rate, fuelling recession fears. This course of events led to a rapid unwinding of a carry trade where investors were borrowing in low interest rate currencies to invest in higher-yielding assets, resulting in a large-scale sell-off of US assets that negatively impacted global equity markets. However, markets rebounded over the month as investors took advantage of inefficient pricing. Interest rates remain a focal point in the US, with the Federal Reserve almost certain to cut rates in September amid signs of a slowing US economy.

The main contributors to performance over the month included office services provider, **Restore plc** (+9.8%), that last month reported interim results in line with full year expectations. Revenues remain unchanged from last year, with increased margins in the Digital and Records Management divisions offsetting falls in other areas. Professional services business, **Gateley (Holdings) plc** (+8.1%), reported full year results in July, highlighting revenue growth of 6%, continuing its unbroken record of revenue growth since its IPO in 2015. Online market researcher, **YouGov plc** (+8.0%), provided a reassuring update confirming that full year results are expected to be slightly ahead of the recently revised guidance. The Board has identified £20 million of annualised cost savings, of which 70% will be realised in the current year ending July 2025. The company also announced the small acquisition of New Zealand-based generative AI business, Yabble, for £4.5 million. Yabble's technology platform will help power YouGov's insights across every stage of the market research process. Integrated manufacturing specialist, **Volex plc** (+2.7%), confirmed that trading in the first quarter has been in line with management's expectations, delivering strong organic revenue growth of 9%. Growth has been driven by demand from customers in the EV and data centre sectors, though the commentary suggests that several areas of the business are performing well, and we therefore expect the company to deliver earnings upgrades as we move through the year.

The detractors to performance this month included student accommodation developer, **Watkins Jones plc** (-39.7%), who warned that activity through the summer has been slower than anticipated due to the continued uncertainty over the pace of interest rate cuts delaying investor decisions across the property sector. The Group is unlikely to close any further forward-funded sales in the current financial year, and because these transactions generate revenues in subsequent years, next year's pre-tax profit forecasts have been cut from £20.5 million to £3.5 million. However, we believe the Group's prospects will recover materially as rates drop and investors return to the market. Mortgage intermediary network, **Mortgage Advice Bureau plc** (-14.9%), gave back some of last month's gains following the FCA announcing that it intends to launch a market study into the distribution of pure protection products to individuals. The FCA wants to understand whether the market is functioning and whether it is delivering good consumer outcomes. Protection and general insurance commissions are a large part of the Group's earnings and represented 39% of its revenues last year. Shares in Video game developer, **Team17 Group plc** (-12.4%), drifted lower despite the company last announcing in July that trading has been in line with expectations and that it expects to deliver full year results in line with market forecasts. We look forward to interim results in September. Bricks and building products supplier, **Brickability Group plc** (-8.2%), saw its share price weaken due to a slowdown in the UK construction sector. However, residential building activity remained robust and activity across the construction sector will increase as interest rates are cut.

Encouragingly we are seeing the early signs of flows returning to the UK mid and small cap markets, while in the US there has been a rotation out of mega caps into smaller companies. These recent trends support the view that smaller growth companies offer exceptional value, reflected by the number of opportunistic bid approaches seen across the portfolio and wider UK market in recent months. With inflation seemingly under control, we expect the Bank of England's recent rate cut to stimulate further share price momentum of growth companies from current levels.

Important information

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