

## Blackfinch Adapt AIM Income Portfolio

# Performance

## Q4 2023

**GROWTH INVESTOR**  
 2020 IAWARDS

**WINNER**  
 BEST BR  
 INVESTMENT  
 MANAGER (LISTED)

The Adapt AIM Portfolios are a Discretionary Portfolio Management Service designed with the aim of mitigating Inheritance Tax (IHT) by investing in a portfolio of AIM-listed shares, carefully constructed by our team of specialist investment managers.

Blackfinch act as Discretionary Investment Managers for the service and are assisted by Chelverton Asset Management, the award winning fund managers with proven expertise of investment in AIM. Chelverton act as Investment Advisers to Blackfinch and assist with stock selection, due diligence and portfolio construction.

### Performance\*\*

Total returns only and do not take into account fees. Figures are for illustrative purposes only and are based on model portfolio returns.

Calculated by FactSet

	Q4 2023	Since Portfolio Inception <sup>4</sup>
Adapt AIM Income Portfolio	<b>12.7%</b>	<b>98.9%</b>
Deutsche Numis Alternative Markets Total Return <sup>5</sup>	<b>4.5%</b>	<b>15.2%</b>
<b>Annualised Volatility</b>	3 year	Since Portfolio Inception <sup>4</sup>
Standard Deviation	<b>11.4%</b>	<b>13.2%</b>
Deutsche Numis Alternative Markets Total Return Standard Deviation <sup>5</sup>	<b>11.9%</b>	<b>12.9%</b>
Sharpe Ratio	<b>0.43</b>	<b>0.64</b>
Deutsche Numis Alternative Markets Total Return Sharpe Ratio <sup>5</sup>	<b>-1.17</b>	<b>0.06</b>
<b>Forward P/E Ratio<sup>6</sup></b>	<b>12.4</b>	

### About

Launch Date **July 2016**

Product Type **Discretionary**

Minimum Investment **£15,000**

### Portfolio Information<sup>1</sup>

Initial Fee **0%**

Management Fee **1.5%**

Dividend Yield<sup>2</sup> **4.2%\***

### Key Features

Simple tax planning strategy targeting IHT exemption after 2 years

Eligible for an ISA; combining the tax benefits of an ISA with targeted IHT relief

Access to the experienced and acclaimed fund management team at Chelverton

Access to capital at all times (subject to market liquidity)

Focus on dividend yield with prospects for capital growth

Low minimum investment amount offering IHT relief to a wider audience of investors

### Available Platforms<sup>3</sup>



<sup>1</sup>See rate card for full details of current fees

<sup>2</sup>Based on quarter end values and model portfolio weightings. Calculated by FactSet

<sup>3</sup>Fee structure may vary according to choice of platform

<sup>4</sup>15/07/2016

<sup>5</sup>Source: Deutsche Numis via FactSet

<sup>6</sup>Forecast FY1 figure based on model portfolio weightings at quarter end. Calculated by FactSet.

## Portfolio Commentary

Markets had a downbeat start to the fourth quarter of 2023, with weakness through much of October. This was partially attributed to rising bond yields in the US, caused mainly by strong economic data, supply concerns and worries over the duration of high interest rates. Negative sentiment was compounded by the conflict in the Middle East, with fears of potential escalation, which drove risk-off investor sentiment further. However, from this low point, markets recovered strongly. Below-consensus inflation data in the US and UK, showing inflation had slowed by more than expected, reframed the narrative from how long rates would stay high to when the first rate cuts would come. Further, this fall in inflation has so far been achieved without mass unemployment and, in the UK, with improving purchasing manager indices (PMIs) raising hopes of a return to economic growth as we move through 2024. From a fiscal perspective, the main news was the Autumn Statement, with the Chancellor opting to lower National Insurance Contributions and make it more tax-efficient for businesses to invest, a welcome move given the low productivity growth in the UK.

The portfolio performed strongly in the fourth quarter, outperforming the wider market. Our view of the attractive valuations the investee companies offer remains, and has been echoed by further acquisition activity and continued share buy backs in the portfolio. We remain confident that the dividend payout levels are sustainable.

For the fourth quarter of 2023, the Income Portfolio performance was underpinned by positive gains from Mortgage Advice Bureau (+56.8%) and

Smart Metering Systems (+56.2%), whilst Quartix Technologies (-26.3%) and Flowtech Fluidpower (-8.3%) detracted from performance.

Quartix Technologies, the subscription-based vehicle tracking systems provider, was down in the period. The company announced disappointing subscription growth in the UK and US in a trading update released in October. This, alongside additional costs related to the acquisition of Konetik, and pressure on gross margins from some manufacturing cost increases, led Quartix to downgrade its earnings before interest, taxes, depreciation and amortisation (EBITDA). This drove a change in management and a detailed review of the acquisition, resulting in a goodwill write-down.

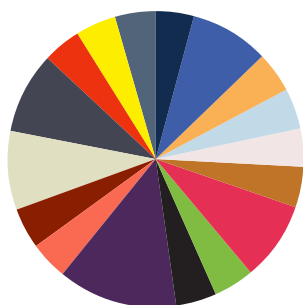
Flowtech Fluidpower, the UK based supplier of fluid power products and solutions, also declined in the period, despite a lack of news flow.

Mortgage Advice Bureau, the nationwide mortgage intermediary company, performed well in Q4. After reducing expectations for its half-year results at the end of September, due to a tough purchase and re-financing market, the prospect of interest rate cuts and resulting positive effect this should have on the property market drove its share price upwards.

Smart Metering Systems, the fully integrated energy infrastructure company, was also strong. In December it announced a recommended private equity bid for the company at a 40% premium to the previous day's share price.

**Buy List Changes:** Smart Metering Systems, the fully integrated energy infrastructure company, announced Board agreement to a recommended all cash offer from KKR, a US private equity firm, which represented a 40.4% premium to the closing price prior to the announcement. Following this approach, we removed the company from the buy list.

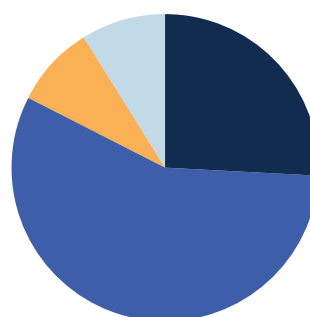
### Exposure by Sector<sup>1,2</sup>



Banking	4.3%
Business Services	8.7%
Consumer Retail	4.3%
Downstream and Midstream Energy	4.3%
Food and Staples Retail	4.3%
Food and Tobacco Production	4.3%
Hardware	8.7%
Household Products	4.3%
Industrial Manufacturing	4.3%
Industrial Services	13.0%
Mining and Mineral Products	4.3%
Miscellaneous Retail	4.3%
Real Estate	8.7%
Software and Consulting	8.7%
Telecommunications	4.3%
Household Services	4.3%
Healthcare Services	4.3%

### Exposures by Underlying Company Size (£m)<sup>1</sup>

The Income Portfolio currently contains 23 equally weighted stocks with an average market capitalisation of £222.1 million.



£0-£100m	26.1%
£100m - £250m	56.5%
£250m - £500m	8.7%
£500m - £1bn	8.7%

<sup>1</sup>Percentage may not total 100% due to rounding  
<sup>2</sup>Source: FactSet

## Performance\*\*

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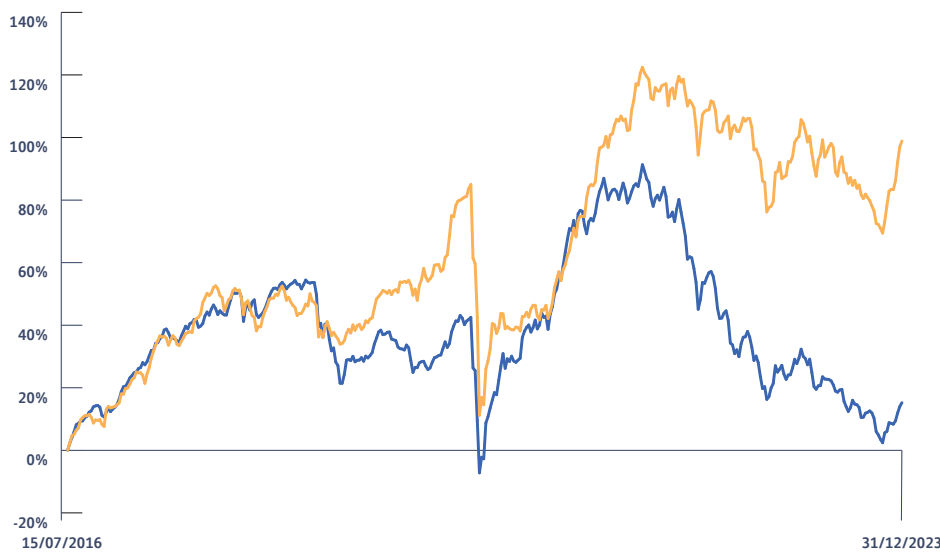
	Quarter	YTD	2 Year	3 Year	5 Year	Since Inception <sup>3</sup>	Calendar Year				
							2023	2022	2021	2020	2019
Adapt AIM Income Portfolio <sup>1</sup>	<b>12.7%</b>	<b>3.5%</b>	<b>-9.4%</b>	<b>22.6%</b>	<b>48.2%</b>	<b>98.9%</b>	<b>3.5%</b>	<b>-12.5%</b>	<b>35.4%</b>	<b>-9.1%</b>	<b>32.5%</b>
Deutsche Numis Alternative Markets - Total Return <sup>2</sup>	<b>4.5%</b>	<b>-7.2%</b>	<b>-36.0%</b>	<b>-31.2%</b>	<b>-5.1%</b>	<b>15.2%</b>	<b>-7.2%</b>	<b>-31.1%</b>	<b>7.6%</b>	<b>19.3%</b>	<b>14.7%</b>

### Discrete Yearly Performance to Quarter End

	01/01/2023 31/12/2023	01/01/2022 31/12/2022	01/01/2021 31/12/2021	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Adapt AIM Income Portfolio <sup>1</sup>	<b>3.5%</b>	<b>-12.5%</b>	<b>35.4%</b>	<b>-9.1%</b>	<b>32.5%</b>
Deutsche Numis Alternative Markets - Total Return <sup>2</sup>	<b>-7.2%</b>	<b>-31.1%</b>	<b>7.6%</b>	<b>19.3%</b>	<b>14.7%</b>

Past performance cannot be taken as a guarantee of future performance. Please read the disclaimer at the end of this page.

### Performance since Launch



<span style="color: orange;">■</span>	Adapt AIM Income Portfolio <sup>1</sup>
<span style="color: blue;">■</span>	Deutsche Numis Alternative Markets - Total Return <sup>2</sup>

<sup>1</sup> Calculated by FactSet. Total returns and do not take into account fees.

<sup>2</sup> Source: Deutsche Numis via FactSet  
<sup>3</sup> 15/07/2016

Financial data and analytics provider FactSet

### IMPORTANT INFORMATION

**Capital At Risk.** This performance sheet is being issued by Blackfinch Investments Limited (Blackfinch), which is authorised and regulated by the Financial Conduct Authority (FCA number 153860). Registered address: 1350–1360 Montpellier Court, Gloucester Business Park, Gloucester, GL3 4AH. Registered in England and Wales Company Number 02705948.

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Prospective investors should not treat the contents of this fact sheet as advice relating to legal, taxation or other matters. If in any doubt about the proposal discussed in this paper, its suitability, or what action should be taken, the investor should consult their own professional advisers.

\*Dividend yield reflects dividends received over a trailing 12-month period using end-of-period portfolio value.

\*\*Total returns are used in order to give a clearer representation of the actual returns achieved, combining both the capital returns with income received from dividends.

FactSet calculate returns by compounding daily returns.

Data and analytics provided by FactSet except where otherwise stated.

Fees will be taken from the value of your investment.