

Blackfinch Adapt AIM Income Portfolio

Performance

Q2 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

	Q2 2023	Since Portfolio Inception ⁴
Adapt AIM Income Portfolio	-2.2%	88.5%
Numis Alternative Markets Total Return ⁵	-5.5%	13.9%
Annualised Volatility	3 year	Since Portfolio Inception ⁴
Standard Deviation	11.5%	13.4%
Numis Alternative Markets Total Return Standard Deviation ⁵	12.3%	13.2%
Sharpe Ratio	0.83	0.64
Numis Alternative Markets Total Return Sharpe Ratio ⁵	-0.44	0.07
Forward P/E Ratio⁶	10.2	

About

Launch Date	July 2016
Product Type	Discretionary
Minimum Investment	£15,000

Portfolio Information¹

Initial Fee	0%
Management Fee	1.5% + VAT
Dividend Yield ²	4.4%*

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 Platforms³



¹See rate card for full details of current fees

²Based on quarter end values and model portfolio weightings. Calculated by FactSet

³Fee structure may vary according to choice of platform

⁴15/07/2016

⁵Source: Numis via FactSet

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

Portfolio Commentary

With concerns about the banking crisis easing at the start of the quarter, markets moved upwards. This trend continued through the period, particularly in the US, where excitement about the potential of Artificial Intelligence drove up the share prices of some big tech stocks. Fears that political in-fighting would result in a stalemate in US debt ceiling negotiations – thereby risking a US debt default – were also allayed after an eleventh-hour resolution was reached. However, the macro-economic narrative was once again dominated by the ongoing strength of inflation. While the US Federal Reserve (Fed) took the opportunity to pause rate rises in June, both the Fed and the European Central Bank ended the quarter commenting that rates had to move higher. In the UK, the picture was more negative, as sticky inflation (including a rise in core inflation in June) led the Bank of England to hike rates by 25 basis points (bps) in May and a further 50bps in June. This left interest rates at the end the quarter at 5.0%, with expectations that rates would need to be higher and for longer. This unwelcome news was reflected in a weak May and June for UK markets.

Further afield, China's post-pandemic economic recovery has been weaker than expected, dampening optimism that it would help buoy the global economy. On a positive note, domestically, the UK consumer remains resilient, with a strong labour market, wage inflation and drawdown of pandemic-related savings, while company earnings reports have remained broadly in line with analyst expectations. Furthermore, the UK continues to trade at a material discount to global equities.

The portfolio was down in the quarter, albeit to a lesser extent than the market. We continue to see investee companies navigate the higher interest

rate environment, with good pricing power and balance sheet strength providing resilience.

For the second quarter of 2023, the Income Portfolio performance was underpinned by positive gains from Iomart (+38.9%) and Vertu Motors (+21.9%), whilst iEnergizer (-79.1%) and RWS (-20.5%) detracted from performance.

iEnergizer, the integrated business processing outsourcer, was down in the period. The company proposed to cancel its AIM listing, citing the cost and legal and regulatory burden of remaining a listed company. As a consequence, we exited our holding.

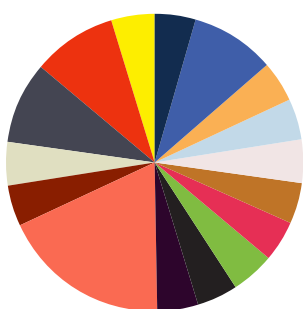
RWS, the global language, content and intellectual property services company, also declined in the period. The company released a half-year trading statement that said after seeing softer activity levels and slower decision-making by its clients, it expected its full-year results to be at the lower end of expectations.

Iomart, the cloud computing and IT managed services company, performed well in Q2. The company announced full-year results in line with expectations, organic growth from its cloud managed services, the acquisition of Extrinsicca (boosting its Microsoft Azure expertise) and an in-line outlook statement.

Vertu Motors, the UK based automotive retailer, was also strong. It announced its full-year results, with profitability ahead of market expectations and positive performance in March and April aided by improved new vehicle supply and robust demand for used vehicles.

Buy List Changes: Two stocks were removed from the buy list in the quarter. iEnergizer, covered above, was removed from the portfolio, given the proposal to delist. Aferian, the business-to-business video streaming service company, published full year results in May, confirming the headwinds in the Amino business had caused a goodwill impairment, and that cost saving initiatives, including halting the dividend, were underway. The company also noted the going concern basis was reached, however discussions with banking partners were ongoing. Given the uncertainty, we decided to exit the position. We expect to add to the buy list in Q3.

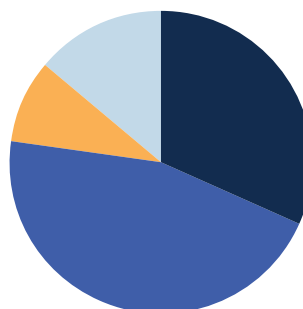
Exposure by Sector^{1,2}



Banking	4.5%
Business Services	9.1%
Consumer Retail	4.5%
Downstream and Midstream Energy	4.5%
Food and Staples Retail	4.5%
Food and Tobacco Production	4.5%
Hardware	4.5%
Healthcare Equipment	4.5%
Household Products	4.5%
Industrial Manufacturing	4.5%
Industrial Services	18.2%
Mining and Mineral Products	4.5%
Miscellaneous Retail	4.5%
Real Estate	9.1%
Software and Consulting	9.1%
Telecommunications	4.5%

Exposures by Underlying Company Size (£m)¹

The Income Portfolio currently contains 22 equally weighted stocks with an average market capitalisation of £253.7 million.



£0-£100m	31.8%
£100m - £250m	45.5%
£250m - £500m	9.1%
£500m - £1bn	13.6%

¹Percentage may not total 100% due to rounding
²Source: FactSet

Performance**

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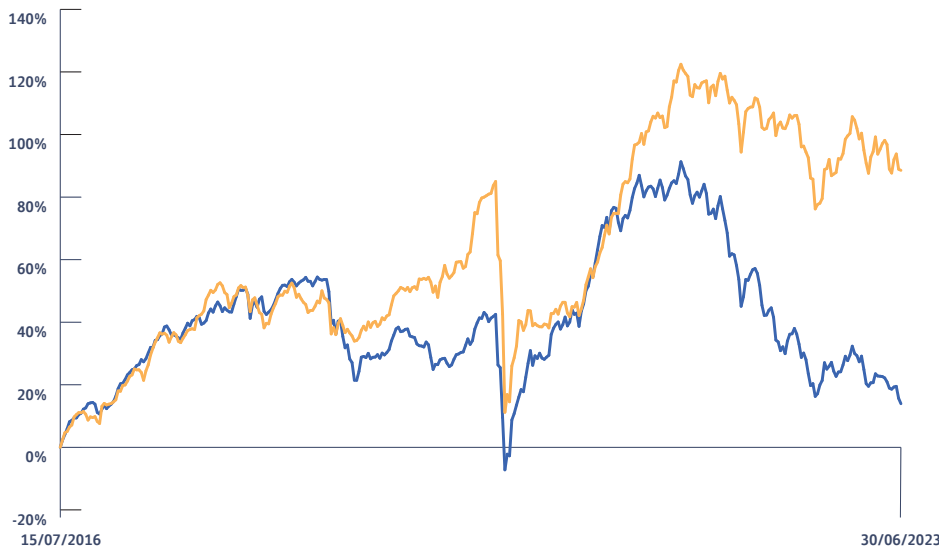
	Quarter	YTD	2 Year	3 Year	5 Year	Since Inception ³	Calendar Year				
							2022	2021	2020	2019	2018
Adapt AIM Income Portfolio ¹	-2.2%	-1.9%	-7.4%	36.8%	27.4%	88.5%	-12.5%	35.4%	-9.1%	32.5%	-9.5%
Numis Alternative Markets - Total Return ²	-5.5%	-8.2%	-37.7%	-11.4%	-24.8%	13.9%	-31.1%	7.6%	19.3%	14.7%	-17.5%

Discrete Yearly Performance to Quarter End

	01/07/2022 30/06/2023	01/07/2021 30/06/2022	01/07/2020 30/06/2021	01/07/2019 30/06/2020	01/07/2018 30/06/2019
Adapt AIM Income Portfolio ¹	-7.6%	0.2%	47.8%	-8.4%	1.7%
Numis Alternative Markets - Total Return ²	-12.9%	-28.5%	42.2%	-3.3%	-12.2%

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

Performance since Launch



■	Adapt AIM Income Portfolio ¹
■	Numis Alternative Markets - Total Return ²

¹ Calculated by FactSet. Total returns and do not take into account fees.

² Source: Numis via FactSet

³ 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.