BLACKFINCH INVESTMENTS

CHELVERTON ASSET MANAGEMENT

Blackfinch Adapt AIM Income Portfolio

Performance Q4 2022

GROWTH INVESTOR 2020 | AWARDS — 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 and smaller-cap companies. 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 2022	Since Portfolio Inception[4]
Adapt AIM Income Portfolio	**3.2%**	**92.1%**
FTSE AIM All-Share Total Return[5]	**3.6%**	**24.4%**

Annualised Volatility	3 year	Since Portfolio Inception[4]
Standard Deviation	**17.8%**	**13.6%**
FTSE AIM All-Share Total Return Standard Deviation[5]	**18.5%**	**14.2%**
Sharpe Ratio	**0.09**	**0.72**
FTSE AIM All-Share - Total Return Sharpe Ratio[5]	**-0.24**	**0.19**

Forward P/E Ratio[6]	**11.4**

About

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

Charges[1]

Initial Fee	**0%**
Management Fee	**1.5% + VAT**
Dividend Yield[2]	**3.8%***

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[3]

transact, M&G wealth, embark platform, FusionWealth, Fidelity International, 7IM, Platform One, Succession, abrdn, nucleus

[1]See rate card for full details of current fees
[2]Based on quarter end values and model portfolio weightings. Calculated by FactSet
[3]Fee structure may vary according to choice of platform
[4]15/07/2016
[5]Source: FTSE Russell via FactSet.
[6]Forecast FY1 figure based on model portfolio weightings at quarter end. Calculated by FactSet.

Portfolio Commentary

October saw investment markets improve from their September lows, primarily on the basis that much of the negative outlook was priced in. The UK market was also aided by a change of Prime Minister, prompting a return to more orthodox economics (driving a stronger sterling and a normalisation of gilt markets). In November, there were also signs that inflation had peaked and US consumer price index (CPI) data was below expectations, which prompted a relief rally. From a monetary perspective, the major central banks continued to push up interest rates, but the pace of increases slowed as the year ended. In Europe, a milder than normal winter helped gas prices fall back to levels seen before Russia's invasion of Ukraine, which helped to lessen inflation and was also helpful from a fiscal perspective, reducing the cost of government energy support schemes. As we enter 2023, inflation continues to run high. The main focus of central banks, particularly the US Federal Reserve, will be on tight labour markets and wage inflation. Domestic sentiment remains broadly negative, but on an improving trend. Market movements in the first half of 2023 are likely to be dominated by the path of monetary policy as inflation eases, the scale of recession seen in the UK and Europe, and how well company forecasts have been set against this backdrop.

The portfolio benefitted from a large majority of investee companies increasing dividends over the last 12 months, driving the dividend yield up further, to broadly in line with pre-pandemic levels. We will continue to closely monitor the ability of investee companies to pay out dividends in this macro-economic climate.

For the fourth quarter of 2022, the Income Portfolio performance was underpinned by positive gains from Appreciate Group (+54.9%) and Fonix Mobile (+33.8%), whilst Watkin Jones (-33.6%) and Strix (-31.8%) detracted from performance.

Watkin Jones, which specialises in build-to-rent and student housing, was down in the period. As highlighted in last quarter's commentary, the company's shares were under pressure in Q3, and it announced a profit warning in early October, reporting a squeeze in margins, cost inflation and pressure on prices due to investors facing higher funding costs. Furthermore, two sales expected to close in September had slipped into the next financial year due to market volatility.

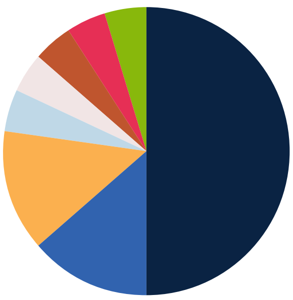
Strix, the kettle safety control design and manufacturer, also declined in the period. During the quarter, Strix acquired Billi, accelerating growth plans within the water and appliances sectors. However, a combination of lockdowns in China and macroeconomic and geopolitical uncertainty meant Strix downgraded expectations for 2022, with expectations also reduced for 2023 and 2024.

Appreciate, the gifting and corporate engagement company, performed well in Q4. The company announced it had accepted an acquisition offer from Paypoint, for a combination of cash and shares. At the announcement of the deal, this represented a value of 44p per share, a 69% premium to Appreciate's share price on the day before the announcement.

Fonix, the mobile payments and messaging company, was also strong. It announced that trading was in-line with expectations, as well as experiencing strong income growth in the Republic of Ireland, ahead of the company's AGM.

Buy List Changes: Buy List Changes: Two investee companies experienced takeover approaches in the quarter, and were subsequently removed from the buy list. Curtis Banks announced in November it was in discussion around a possible takeover, and consequently received an all-cash bid from Nucleus Financial Platforms in January 2023, for a price of 350p per share, representing a 32.1% premium over the pre-offer price. Appreciate, covered above, was the other company subject to an approach. Two additions were made to the buy list in the quarter, namely MP Evans, the sustainable palm oil producer, and RWS, the technology enabled localisation expert.

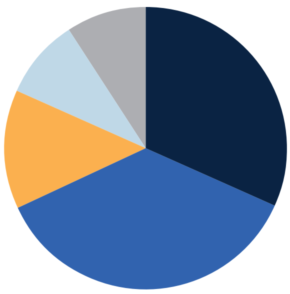
Exposure by Industry[1,2]



Industrials	**50.0%**
Financials	**13.6%**
Consumer Discretionary	**13.6%**
Telecommunications	**4.5%**
Technology	**4.5%**
Real Estate	**4.5%**
Consumer Staples	**4.5%**
Health Care	**4.5%**

Exposures by Market Capitalisation (£m)[1]

The Income Portfolio currently contains 22 equally weighted stocks with an average market capitalisation of £303.7 million.



£0-£100m	**31.8%**
£100m - £250m	**36.4%**
£250m - £500m	**13.6%**
£500m - £1bn	**9.1%**
£1bn+	**9.1%**

[1] Percentage may not total 100% due to rounding
[2] Source: FTSE Russell via FactSet

Performance**

Figures are for illustrative purposes only and are based on model portfolio returns.

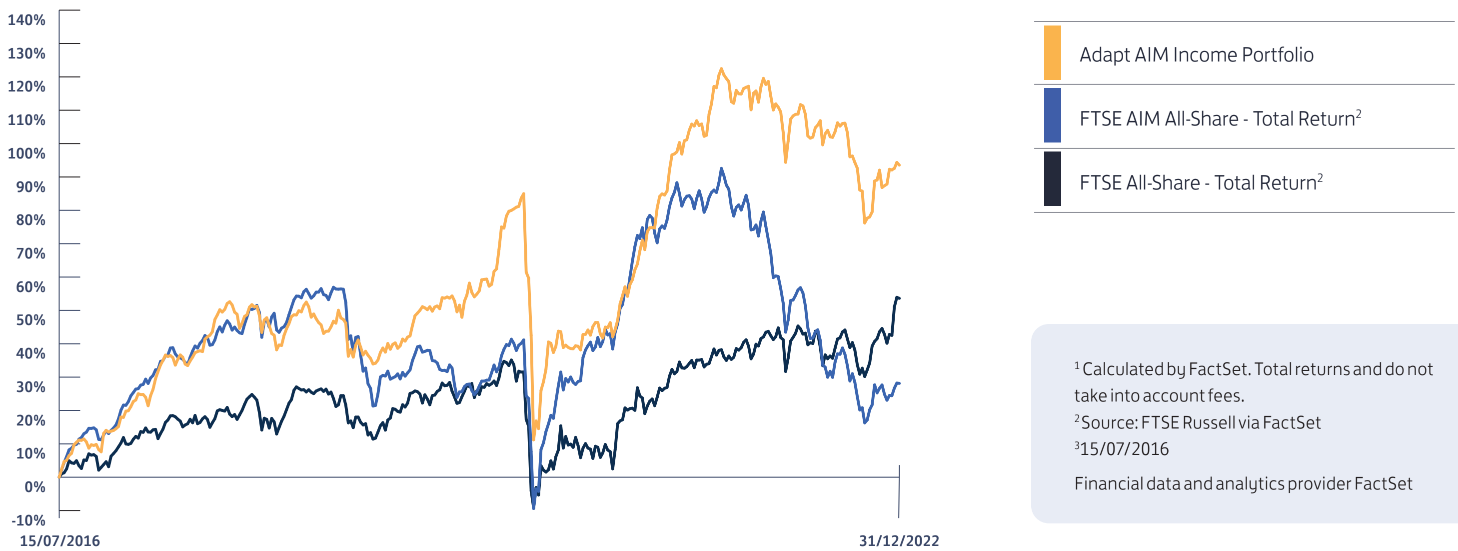
	Quarter	YTD	2 Year	3 Year	5 Year	Since Inception[3]	Calendar Year 2022	2021	2020	2019	2018
Adapt AIM Income Portfolio[1]	**3.2%**	**-12.5%**	**18.5%**	**7.8%**	**29.2%**	**92.1%**	**-12.5%**	**35.4%**	**-9.1%**	**32.5%**	**-9.5%**
FTSE AIM All-Share - Total Return[2]	**3.6%**	**-30.7%**	**-26.4%**	**-10.4%**	**-15.9%**	**24.4%**	**-30.7%**	**6.1%**	**21.7%**	**13.3%**	**-17.1%**

Discrete Yearly Performance to Quarter End

	01/01/2022 31/12/2022	01/01/2021 31/12/2021	01/01/2020 31/12/2020	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Adapt AIM Income Portfolio[1]	**-12.5%**	**35.4%**	**-9.1%**	**32.5%**	**-9.5%**
FTSE AIM All-Share - Total Return[2]	**-30.7%**	**6.1%**	**21.7%**	**13.3%**	**-17.1%**

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

Performance since Launch



[1] Calculated by FactSet. Total returns and do not take into account fees.
[2] Source: FTSE Russell via FactSet
[3] 15/07/2016
Financial data and analytics provider FactSet

IMPORTANT INFORMATION

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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.