

## Blackfinch Adapt AIM Income Portfolio

# Performance

## Q3 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

	Q3 2023	Since Portfolio Inception <sup>4</sup>
Adapt AIM Income Portfolio	<b>-6.4%</b>	<b>76.5%</b>
Numis Alternative Markets Total Return <sup>5</sup>	<b>-3.2%</b>	<b>10.3%</b>
<b>Annualised Volatility</b>	3 year	Since Portfolio Inception <sup>4</sup>
Standard Deviation	<b>11.5%</b>	<b>13.3%</b>
Numis Alternative Markets Total Return Standard Deviation <sup>5</sup>	<b>12.0%</b>	<b>13.0%</b>
Sharpe Ratio	<b>0.48</b>	<b>0.53</b>
Numis Alternative Markets Total Return Sharpe Ratio <sup>5</sup>	<b>-0.78</b>	<b>0.02</b>
<b>Forward P/E Ratio<sup>6</sup></b>	<b>11.2</b>	

### About

Launch Date	<b>July 2016</b>
Product Type	<b>Discretionary</b>
Minimum Investment	<b>£15,000</b>

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

Initial Fee	<b>0%</b>
Management Fee	<b>1.5% + VAT</b>
Dividend Yield <sup>2</sup>	<b>4.9%*</b>

### 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: Numis via FactSet

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

## Portfolio Commentary

The actions and commentary of the world's major central banks remained the key driver of global equity markets in Q3. UK inflation took a step down in August, coming in below expectations and prompting the Bank of England's Monetary Policy Committee to keep interest rates on hold. Similarly, in the Eurozone, weakening economic activity led the market to believe rates have peaked, and the question for both central banks is when interest rates will start to come down. In the US, where economic activity remains robust, there may still be a further rise, and the US Federal Reserve has been consistent that its rates will remain higher for longer than the market had been pricing in. Domestically, upward revisions to historic gross domestic product (GDP) put the UK in a stronger economic position than initially thought, and while the UK may enter a recession over the winter amid softer purchasing managers' index (PMI) data, strong fundamentals (high household savings, resilient labour markets, and solid balance sheets) should position the UK economy for recovery through 2024, particularly if coupled with earlier than expected interest rate reductions.

The portfolio was down in the quarter, along with the market, albeit to a larger extent. We continue to see most investee companies perform in line with expectations. The majority of investee companies also have a balance sheet in a strong net cash position, underpinning recovery potential and dividend paying capabilities.

For the third quarter of 2023, the Income Portfolio performance was underpinned by positive gains from Keystone Law (+22.1%) and Hargreaves Services (+15.1%), whilst Strix (-48.5%) and Watkin Jones (-44.0%) detracted from performance.

Strix, the kettle safety control design and manufacturer, was down in the period. The company warned on continued reduced demand for kettle controls in the UK and Germany, and is now expecting a more gradual recovery. Given Strix's high leverage driven by the recent acquisition of Billi, it also reduced its interim dividend as it prioritised de-gearing its balance sheet.

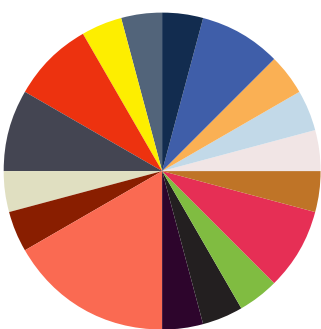
Watkin Jones, which specialises in build-to-rent and student housing, also declined in the period. The company noted that difficult market conditions made it more challenging to transact and materially impacted forecasted earnings. This came alongside a required increase in its provision for remedial works for legacy properties of £30m. However, the company remains net cash positive, and was boosted by the sale of non-core assets, allowing it to continue to be proactive in the land market.

Keystone Law, the UK based full-service law firm, performed well in Q3. The company announced its interim results along with a confident outlook statement, where management expect full-year results to be comfortably ahead of market expectations. It also reported an improvement in the recruitment market from what had been a very competitive situation at year-end.

Hargreaves Services, the diversified industrial services company, was also strong. It announced good full-year results and maintained forecasts for full-year 2024, with 70% of Services revenue for the year already covered. It also announced a valuation and realisation plan for its renewable energy land assets, the proceeds of which are to be repatriated to shareholders over the coming years.

**Buy List Changes:** Two additions were made to the buy list in the quarter, namely Keystone Law, the full-service UK based law firm, and Quartix Technologies, the subscription-based vehicle tracking systems provider.

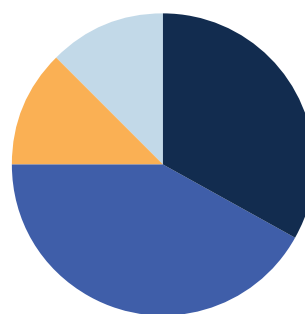
### Exposure by Sector<sup>1,2</sup>



Banking	4.2%
Business Services	8.3%
Consumer Retail	4.2%
Downstream and Midstream Energy	4.2%
Food and Staples Retail	4.2%
Food and Tobacco Production	4.2%
Hardware	8.3%
Healthcare Equipment	4.2%
Household Products	4.2%
Industrial Manufacturing	4.2%
Industrial Services	16.7%
Mining and Mineral Products	4.2%
Miscellaneous Retail	4.2%
Real Estate	8.3%
Software and Consulting	8.3%
Telecommunications	4.2%
Household Services	4.2%

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

The Income Portfolio currently contains 24 equally weighted stocks with an average market capitalisation of £226 million.



£0-£100m	33.3%
£100m - £250m	41.7%
£250m - £500m	12.5%
£500m - £1bn	12.5%

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

## Performance\*\*

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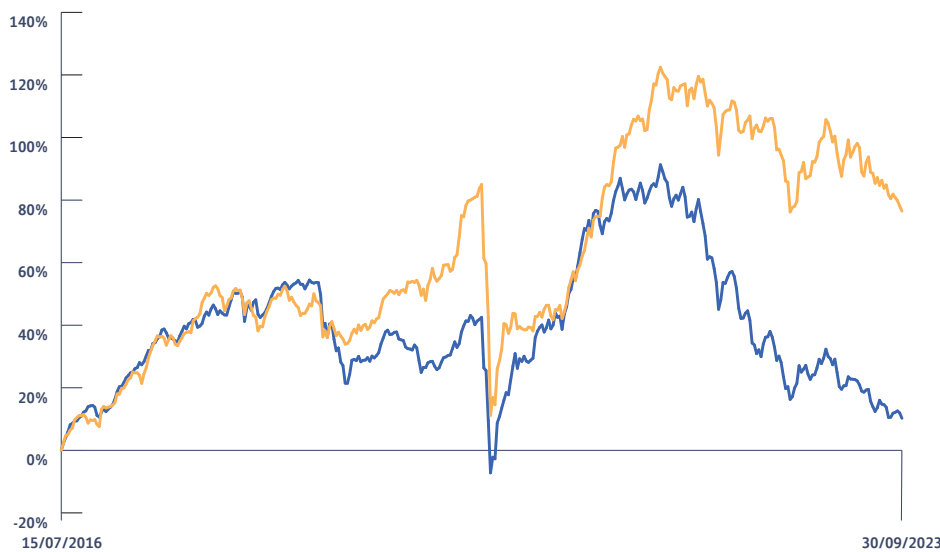
	Quarter	YTD	2 Year	3 Year	5 Year	Since Inception <sup>3</sup>	Calendar Year				
							2022	2021	2020	2019	2018
Adapt AIM Income Portfolio <sup>1</sup>	<b>-6.4%</b>	<b>-8.1%</b>	<b>-17.2%</b>	<b>23.8%</b>	<b>19.8%</b>	<b>76.5%</b>	<b>-12.5%</b>	<b>35.4%</b>	<b>-9.1%</b>	<b>32.5%</b>	<b>-9.5%</b>
Numis Alternative Markets - Total Return <sup>2</sup>	<b>-3.2%</b>	<b>-11.2%</b>	<b>-39.6%</b>	<b>-21.0%</b>	<b>-28.2%</b>	<b>10.3%</b>	<b>-31.1%</b>	<b>7.6%</b>	<b>19.3%</b>	<b>14.7%</b>	<b>-17.5%</b>

### Discrete Yearly Performance to Quarter End

	01/10/2022 30/09/2023	01/10/2021 30/09/2022	01/10/2020 30/09/2021	01/10/2019 30/09/2020	01/10/2018 30/09/2019
Adapt AIM Income Portfolio <sup>1</sup>	<b>-5.2%</b>	<b>-12.7%</b>	<b>49.6%</b>	<b>-8.4%</b>	<b>5.7%</b>
Numis Alternative Markets - Total Return <sup>2</sup>	<b>-7.9%</b>	<b>-34.4%</b>	<b>30.7%</b>	<b>10.1%</b>	<b>-17.5%</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>	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: 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.