

# Equilibrium AIM Model Portfolio May 2022



## Portfolio objective and information

The portfolio seeks to deliver a total return above that of the FTSE AIM Index while mitigating Inheritance Tax.

**Launched** 1 March 2015

**Benchmark** FTSE AIM All Share Index

**Data from** 29 April 2022

## Holding breakdown

| Security              | Summary  | Sector      | Market Cap   | Div Yield   | Weight |
|-----------------------|--|-------------|--------------|-------------|--------|
| AB Dynamics           | Provider of testing systems for the global motor industry                                | Industrial  | £330m        | 0.3%        | 3%     |
| Advanced Medical Slns | Designer, manufacturer and distributor of novel medical polymers                         | Health Care | £606m        | 0.7%        | 3%     |
| Alliance Pharma       | Acquirer and distributor of pharmaceuticals  | Health Care | £615m        | 1.5%        | 3%     |
| Craneware             | Develops and licences computer software for the US healthcare industry                   | IT          | £609m        | 1.6%        | 3%     |
| CVS Group             | Operates animal veterinary practices, a diagnostic business and a pet crematorium        | Health Care | £1279m       | 0.4%        | 3%     |
| Dotdigital Group      | Provides software as a service for digital marketers                                     | IT          | £259m        | 1.0%        | 3%     |
| EMIS Group            | Designs computer software for the healthcare profession                                  | IT          | £842m        | 2.6%        | 3%     |
| Fevertree Drinks      | A developer and supplier of premium mixer drinks with outsourced manufacturing           | Consumer    | £2115m       | 0.9%        | 3%     |
| Focusrite             | Manufacturers and distributes hardware and software for musicians                        | Industrial  | £584m        | 0.6%        | 3%     |
| GB Group              | Provides electronic ID verification services, combating fraud and money laundering       | IT          | £1152m       | 1.1%        | 3%     |
| Gamma Comms           | Telecoms, broadband and data communications systems                                      | IT          | £1470m       | 0.6%        | 3%     |
| Hotel Chocolat Group  | Manufacturer and retailer of chocolate and related gifts                                 | Consumer    | £511m        | 0.0%        | 3%     |
| Ideagen               | Provider of information management software solutions                                    | IT          | £690m        | 0.2%        | 3%     |
| IG Design Group       | Designs, manufactures and distributes gift packaging and greeting cards                  | Consumer    | £66m         | 10.3%       | 3%     |
| James Halstead        | Manufacturer and distributor of flooring products  | Industrial  | £1034m       | 3.1%        | 3%     |
| Jet2                  | Operator of scheduled and charter flights by Jet2.com and provision of holidays          | Consumer    | £2662m       | 0.0%        | 3%     |
| Johnson Service Group | Provides workwear rental, laundering and dry-cleaning services                           | Industrial  | £490m        | 0.0%        | 3%     |
| Keywords Studios      | Provides production and user services to digital gaming companies                        | IT          | £1836m       | 0.1%        | 3%     |
| Learning Tech. Group  | Provides IT platforms for online learning and training                                   | IT          | £1034m       | 0.6%        | 3%     |
| Next Fifteen Comms    | Digital marketing, PR and communications for the technology sector                       | Industrial  | £1293m       | 0.8%        | 3%     |
| Nichols               | Supplies soft drinks to the retail, wholesale, catering, licensed and leisure industries | Consumer    | £492m        | 1.7%        | 3%     |
| Renew                 | Provides specialist engineering and building services                                    | Industrial  | £551m        | 2.3%        | 3%     |
| Restore               | Secure services in document storage, online storage and document shredding               | Industrial  | £608m        | 1.6%        | 3%     |
| RWS Holdings          | Provides services for the translation and validation of European patents                 | Industrial  | £1713m       | 2.4%        | 3%     |
| Smart Metering Sys    | Rents and manages gas meters and lays infrastructure pipes                               | Industrial  | £1100m       | 3.3%        | 3%     |
| Strix Group           | Designs and manufactures kettle safety controls and filtration products                  | Industrial  | £438m        | 4.0%        | 3%     |
| Thorpe (FW)           | Designs, manufactures and supplies professional lighting equipment                       | Industrial  | £548m        | 1.3%        | 3%     |
| YouGov                | Global public opinion data and analytics company   | Industrial  | £1398m       | 0.5%        | 3%     |
| Young & Co Brewery    | Operates a managed and tenanted pub estate   | Consumer    | £477m        | 0.6%        | 3%     |
| <b>Averages</b>       |  |             | <b>£896m</b> | <b>1.8%</b> |        |

## Stock attribution

### Top 5 positive stocks over 3 months

| Company                | Total return |
|------------------------|--------------|
| Smart Metering Systems | 12.8%        |
| Thorpe (FW)            | 9.7%         |
| YouGov                 | 8.2%         |
| Next Fifteen Comms     | 8.0%         |
| Alliance Pharma        | 5.2%         |

### Top 5 negative stocks over 3 months

| Company               | Total return |
|-----------------------|--------------|
| Dotdigital Group      | -40.9%       |
| IG Design Group       | -29.4%       |
| Johnson Service Group | -27.2%       |
| Focusrite             | -25.0%       |
| Gamma Communications  | -22.8%       |

### Attribution notes

Your holdings and performance may vary from those shown due to transaction dates and market movements. For details of your actual performance, please refer to your valuation.

## Equilibrium Investment Management LLP

Ascot House, Epsom Avenue, Handforth, Wilmslow, Cheshire SK9 3DF

t : +44 (0) 161 486 2250 t : 0808 168 0748 e : askus@equilibrium.co.uk w : www.equilibrium.co.uk



## Commentary

It has been a tough year for investors so far. Almost all the major bond and stock markets have fallen since the end of 2021 and investor sentiment is as low as it was in the Credit Crisis. That said, this does not chime with the messages we are getting from the Portfolio's investee companies. In our last factsheet we spoke about the upbeat trading updates from many of the stocks and we had six more reporting in April.

Once again, these companies announced profits either in-line or ahead of forecasts. This was not just hot air - four of the companies announced cash dividend increases, the smallest of which was AB Dynamics at 10% and the highest was Learning Technologies with 40%. As you know, companies pay dividends in accordance with their current and future expectations for trading and point to a much more positive outlook than share prices are reflecting.

Another indication of undervaluation is when other companies see share prices have fallen so far that they decide to bid. In the Equilibrium AIM Portfolio we had the takeover of Clinigen at the start of this year and in April a private equity company stated that they are considering a bid for investee company RWS. There is no firm offer at the moment and the potential bidder has until 19 May to make an offer but this highlights the inherent value in these companies.

Nobody likes falling markets especially as humans we are hard-wired to avoid losses. However, when there is a large divergence between how investors feel and the reality of the business they invest in, it is time to be patient. Eventually, value will be realised in higher share prices, higher returns in dividends and takeovers and you don't want to miss out on these better times.

## Performance

### Rolling total returns

|                           | 3 Months | 6 Months | 1 Year  | 3 Years | 5 Years |
|---------------------------|----------|----------|---------|---------|---------|
| Equilibrium AIM Portfolio | -8.27%   | -15.53%  | -14.17% | 5.68%   | 17.33%  |
| FTSE AIM All Share Index  | -6.41%   | -15.98%  | -19.64% | 8.83%   | 12.32%  |

### Discrete annual total returns

|                           | 2021   | 2020   | 2019   | 2018    | 2017   |
|---------------------------|--------|--------|--------|---------|--------|
| Equilibrium AIM Portfolio | 14.84% | 2.32%  | 28.85% | -22.10% | 32.55% |
| FTSE AIM All Share Index  | 6.12%  | 21.75% | 13.26% | -17.12% | 25.97% |
| ARC IHT Portfolio Index*  | 18.82% | 0.31%  | 25.26% | -15.20% | 18.70% |

### Volatility

|                           | 2021   | 2020   | 2019   | 2018   | 2017  |
|---------------------------|--------|--------|--------|--------|-------|
| Equilibrium AIM Portfolio | 11.76% | 26.77% | 12.15% | 17.68% | 9.91% |
| FTSE AIM All Share Index  | 12.37% | 32.08% | 10.08% | 14.85% | 6.72% |

\*The ARC IHT Portfolio Index comprises of similar portfolios invested in AIM stocks to mitigate Inheritance Tax.

Performance data sourced from FE Analytics with income reinvested. Past performance is never a guide to future performance. Investments may (will) fall as well as rise and you may not get back your original investment. Changes in currency exchange rates or interest rates may have an adverse effect on the value of your investments.

The performance is stated after a 1.0% plus VAT Equilibrium Investment Management fee and a platform charge of 0.3% (based on the portfolio being held via Seven Investment Management (7IM)). The figures include dividends that may not yet be credited to your account.

## Notes

The views expressed herein should not be taken as statements of fact or relied upon when making investment decisions. The Portfolio consists of stocks quoted on the Index that pay a dividend and that we believe qualify for Business Relief, although this cannot be guaranteed. This fact sheet should be read in conjunction with our **Managing your investments: Specialist** brochure which includes more details about investing in AIM stocks.

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Ascot House, Epsom Avenue, Handforth, Wilmslow, Cheshire SK9 3DF

t : +44 (0) 161 486 2250 t : 0808 168 0748 e : askus@equilibrium.co.uk w : www.equilibrium.co.uk