

Fundamental AIM Portfolios Quarterly Review Q1 2021

Fundamental

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[Investor's Champion](#), a business affiliated to us, continues to publish regular commentaries on AIM companies and offers an insight of companies we are looking at.

MARKET UPDATE

At the end of the first quarter of 2021 there were 822 companies on AIM, with its total market value of £137.2 billion being another record period end value.

This compares to 819 companies at the end of 2020, when AIM's market value was £131.1 billion. There were 13 genuine new arrivals in the quarter and 10 leavers.

It was disappointing to see some sizeable AIM companies get acquired in the period. Notable among these was Fundamental AIM portfolio holding **Codemasters Group**, the racing game specialist, which was acquired by US giant **Electronic Arts** for c£900m. While this was a healthy gain for a business which arrived on AIM in May 2018 carrying a value of £280m, it was disappointing to see another rapidly growing AIM company be acquired relatively early in its journey. We were therefore obliged to sell out of this holding on our AIM IHT portfolios.

AIM new arrivals

Thankfully, it was a more promising quarter for IPOs with several interesting newcomers to AIM and a growing pipeline of companies set to join AIM over the coming months.

Virgin Wines joined fellow specialist online wine retailer **Naked Wines** on AIM, choosing the memorable ticker of VINO. Having experienced strong growth over lockdown, Virgin certainly picked a good time to list.

Seattle-based **Tinybuild** is another video game developer and publisher to join AIM and was the largest newcomer in the quarter with a market capitalisation on admission of £340m.

AMTE Power is developing a portfolio of highly differentiated, lithium-ion battery cells, which, in an era of growing environmental concerns and increasing pressure to shift away from fossil fuels, are seeing a rapid rise in demand.

Parsley Box is a fast-growing company delivering quality ambient ready meals direct to UK customers, with a focus on the Baby Boomer+ consumer - broadly defined as those aged 60 and over.

Mothercare's, transfer from the Main Market to AIM appears to have gone down well, for the time being at least, with the shares up strongly since the move in March.

All the new arrivals were covered by our associated online magazine [Investor's Champion](#).

AIM market performance

The AIM index as a whole rose 3.5%, in the quarter, the first time in a while that it has underperformed the UK index of 100 largest main market companies, which rose 3.9%. **ASOS** remained AIM's largest company with its market capitalisation at the quarter end £5.5 billion, followed by **Boohoo Group** at £4.3 billion. The quarter closed with 27 AIM companies valued at more than £1 billion each, another period end record, and several others not far behind.

The average daily value of AIM shares traded in the quarter hit a new quarterly high of just over £500m with the peak month of January seeing an average daily value of £559m. The total value traded in the quarter was nearly £32 billion - and who said AIM was illiquid!

Fundamental winners and losers

Fundamental AIM portfolios benefited from strong share price performance from long-term portfolio holding **CVS Group**, one of the UK's leading providers of integrated veterinary services, newer holding **Fonix Mobile**, a UK focused mobile payments and messaging company, and **Quartix**, the provider of subscription-based vehicle tracking systems.

Laggards in the quarter included **Fevertree Drinks** and leisure travel group **Jet2**, both of which had benefited from strong share price performance in the final quarter of 2020.

Portfolio considerations

We are firm advocates of patient long-term investing, an approach that has seen us continue to hold shares in many companies for more than a decade, benefitting from some outstanding share price performance along the way, with some of our long-term holdings now boasting £1 billion+ valuations.

Our AIM portfolios remain heavily weighted towards larger AIM companies, with the average market capitalisation at the end of the quarter £638m. While these are 'large' in the context of AIM, many remain very small companies on the global stage and therefore continue to have a big growth opportunity ahead, which should see them grow into substantially bigger businesses.

Sector and market capitalisation exposures can be found on our [monthly fact sheets](#).

However, our 'core' and 'satellite' portfolio construction approach also affords us flexibility to acquire smaller satellite positions in smaller AIM companies, where we see compelling growth opportunities.

The challenges of the pandemic mean it has been a difficult period for some of our portfolio companies, although thankfully many others have also seen their technology and positioning benefit from this extraordinary period.

There have been plenty of results and updates from companies for us to assess over recent weeks. The results of some incorporate an ever-bewildering array of adjustments, some enforced by the pandemic, but others increasingly questionable, with the aim of flattering poor underlying returns, rendering many income statements worthless.

The pandemic has brought out the best and worst in many businesses and, as a consequence, has also seen us reassess the long-term potential of a few of our holdings. This may result in some minor changes to portfolios in the current quarter as we commit to those companies we consider to have greater long-term potential.

AIM for IHT planning investment universe

Our overall investment universe for the purpose of IHT planning consists of approximately 280 companies with market capitalisations of our portfolio companies ranging from approx. £50m to £3.0bn (April 2021), and the majority in the £250m—£500m market capitalisation bracket.

Fundamental AIM portfolios are constructed from a key list of researched stocks. Our current key list is split between deemed 'Core' and 'Non Core' holdings, with approximately 30 companies in the former and 10 in the latter.

For further information please contact a member of the team at enquiries@fundamentalasset.com or 01923 713890.

This newsletter is also available at:

www.fundamentalasset.com/publications.



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Fundamental AIM IHT Portfolio: Cumulative Performance**						
3m	6m	YTD	1yr	3yr	5yr	Incep.*
4.85%	19.00%	4.85%	48.42%	26.19%	78.12%	442.50%

**Net Mngt. Fee (1%) and advice Fee (0.5%) to Mar End; *Incep.= Sep 2004

Core Stocks Average Statistics	31/03/2021
Market capitalisation	£638m
UK domestic market exposure	73%
Overseas based companies	NIL

IMPORTANT INFORMATION

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