

AIM - HALF YEAR UPDATE

3pm Tuesday

18th July

2023

SPEAKERS:

Fundamental Asset Management's

Chris Boxall & Stephen Drabwell



This communication is for Investment Professionals only

Today's speakers from Fundamental



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WHO ARE WE?

- Independent AIM manager, in-house investment management firm undertaking own in-depth research
- Established in 2004 by Chris Boxall and Stephen Drabwell
- 19 year track record significantly outperforming leading indices and peers
- Investment approach proven to reduce volatility and liquidity risk
- Owner managed firm investing alongside clients



Fundamental
Asset Management



STILL A VERY TOUGH ENVIRONMENT

- Inflation
- Interest rate worries
- Cost of Living Crisis
- Consumer spending
- Prospect of recession

A tough environment for small companies



FEW PLACES TO HIDE

AIM END JUNE 2023

	DECEMBER 2022	JUNE 2023
VALUE	£93 billion	£81 billion (-13%)
NUMBER OF COMPANIES	816 (average £114m)	792 (average £102m)
£1 BILLION+ COMPANIES	15 (23% of total market cap)	9 (17% of total market cap)
AVERAGE DAILY VALUE OF SHARES TRADED	£266m	£225m

Number of companies listed on AIM has fallen

Only £42 million raised in new issues YTD (£409m raised in H1 2021)

£875 million in secondary issues lowest since 2002

YTD average daily value of shares traded £225m - lowest it has been since 2016

PERFORMANCE 2023 TO END JUNE

INDEX	QUARTER TO END JUNE	YTD TO END JUNE
AIM All Share Index	-6.89%	-9.36%
UK Main Market	-1.31%	-0.66%
Fundamental AIM portfolios average	-2.95%	-5.74%

INHERITANCE TAX NEWS THIS WEEKEND



Approx 50 Conservative MPs – lobbying to scrap Inheritance Tax



Unclear if proposed manifesto pledge OR government policy – big difference



Attempt to save many Conservative MPs seats – acknowledgement that they believe they will lose the next election



On the flip side, while Labour will not scrap Inheritance Tax, unlikely to remove the IHT tax breaks



Our view: raising IHT threshold would be sensible – and a vote winner

2023: PORTFOLIO COMPANIES

- Share price weakness...**HOWEVER...**
- Recent news has been encouraging from our portfolio companies



Advanced Medical Solutions

World-leading specialist in tissue-healing technologies

- US approval of new product obtained ahead of time
- Trading in-line

H&T Group

UK's largest pawnbroker and a leading retailer of jewellery

- Demand for pledge lending remains at record levels
- Demand for jewellery and watches also continues to rise
- Foreign exchange transaction volumes up strongly
- Very modest valuation (PE 7.6x, Yield 4.3%)

Brickability

Construction materials distributor

- Trading in current financial year to date in line with expectations.
- Strong cash flow
- Very modest valuation (PE 6.6x, Yield 6%)

Quartix

Subscription-based vehicle tracking systems,

- 14% year-on-year growth in subscription base
- Record 6 month period
- Trading in-line

Craneware

Provider of software to US healthcare market

- Revenue for year expected to be towards upper end of market expectations
- Cash flow very strong, reducing net debt substantially, even after share buyback
- Share buyback extended.

Jet2

Leisure travel group

- Excellent results
- Own cash £1.1 billion (versus EasyJet net debt)
- Very modest valuation - PE 7.5x (versus EasyJet 10.5x)
- Founder acquired £168k shares

AIM VALUATION APPEAL

- Fundamental focuses on larger AIM companies
 - average Market Cap £683m
- PE ratio 18.8x (historic c.24x)
- Dividend yield 2.65% (historic c.1.8%) cover 1.71x
- Strong Free Cash Flow
 - Free Cash Flow yield 4.47% (historic 2.5%)
 - 29 out 39 portfolio companies Net Cash
- Geographical exposure - 17 majority revenue overseas markets

IS AIM BROKEN OR READY TO SOAR?

- AIM index -39.64% over 2 years
- Why has it happened?
- How fast can the market recover?



AIM in 2023 – Opportunities

- Heightened volatility presents opportunity
- Good thrown out with the bad – irrational selling
- Acquire good ‘growth’ companies on more modest valuations
- Sentiment around AIM can quickly change.
2020: 35% decline to 20% gain

Your Questions Answered



Adviser Platform Availability



ascentric



FundsNetwork™

The Team



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