

IHT Relief Portfolio

31st August 2021 |

Walker Crips Investment Management IHT Relief Portfolio Service

The Walker Crips IHT Relief Portfolio Service is a discretionary investment management service designed to provide relief from Inheritance Tax via investment in a portfolio of approximately 25-30 qualifying companies listed on the Alternative Investment Market (AIM) once held for at least two years at the time of death.

About the team

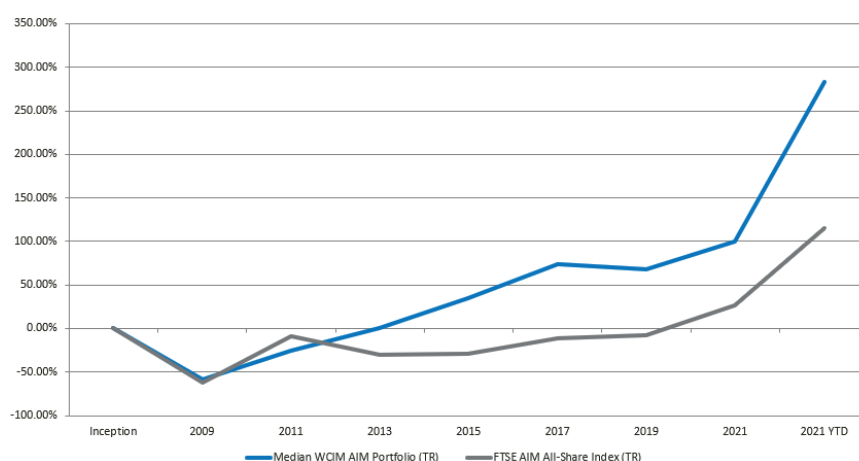
The Walker Crips IHT Relief Portfolio team has a combined experience of over 30 years. The York-based team come from a variety of academic and workplace backgrounds bringing a wealth of knowledge to the service. The team includes investment managers Chris Murphy and Rachel Blythe; supported by Stephanie Fox, Edward Shannon-Adams and Karyn Van Mill. The investment managers are responsible for portfolio management and day to day dealing with specific client mandates.

Investment Process

The team screens the AIM universe for companies which have relatively strong balance sheets, are profitable and are free cash flow positive. They then establish whether the companies qualify for Business Relief before undertaking detailed research which involves meeting with company management where possible. The team looks for companies with the following characteristics:

- A strong market position where there are barriers to entry and pricing power
- A sustainable business model
- Businesses where management team's interests are aligned with shareholders'
- Attractive share price valuation

Portfolio performance



All years refer to closing price of 31/12/YY.

5 years discrete performance (calendar year)	Since inception* to 31/08/2021	2016	2017	2018	2019	2020	2021 YTD
Median IHT Relief Portfolio (TR)	282.97%	4.99%	10.38%	-12.52%	25.76%	-5.28%	18.70%
FTSE AIM All-Share Index (TR)	115.59%	16.07%	25.97%	-17.12%	13.26%	21.75%	12.36%
	cumulative	discrete					

*Inception date: 25/01/2007

Past performance is not a reliable indicator of future results. "Portfolio performance is shown with all income re-invested and NET of Walker Crips' annual management charge (AMC) and dealing fees. Median performance is calculated using the median performance of all IHT portfolios managed by Walker Crips IHT Relief Portfolio Team (with the exception of those portfolios where there have been external cashflows both in or out).

Source: Walker Crips Investment Management Limited and FE Analytics 03/09/2021. This portfolio is measured against the FTSE AIM All-Share Index Total Return (TR).

Key risks

- Your capital is at risk and you may not get back the amount invested. Past performance is not a reliable indicator of future results.
- The benefit of tax relief depends on individual circumstances and may be subject to change.
- Shares in AIM listed companies are considered to be of a higher risk than more conventional equities.
- Investments quoted on AIM are likely to fall and rise in value more than shares listed on the main market of the London Stock Exchange. They may also be harder to sell.
- The availability of tax reliefs depends on investee companies maintaining their qualifying status.
- Shares in AIM listed companies are likely to be more volatile and can often be involved in riskier market sectors such as technology, biotechnology and mining.

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Examples of holdings



Commentary August 2021

All of the market's eyes were on the US Federal Reserve Chairman Jerome Powell's speech at the annual gathering of central bankers and finance ministers at Jackson Hole. Markets had become increasingly nervous in the run-up to the speech, after several regional Fed governors gave interviews in which they argued for an immediate winding down of the Fed's \$120 billion-a-month asset purchase programme. In the event, Powell provided ample reassurance that this would not be the case. Moreover, he reiterated his view that the current bout of inflation is only temporary and, not only would the asset purchases continue in the near-term, but any tapering of asset purchases would not be accompanied by higher interest rates. It was a useful reminder that those governors who talk to the press outside of the Fed's meetings are doing so because their voices are not being heard inside the meetings.

Markets rejoiced in the news that the Goldilocks scenario will last a little bit longer than thought: a big post-pandemic rebound in the economy, record levels of corporate profits, and ultra-loose monetary policy providing maximum support. US stock market indices were, naturally, the most buoyant: the S&P 500 equity index closed at a record high, as did the tech-heavy Nasdaq, and the more speculative small-cap Russell 2000 index soared by nearly 3%. Yields in the corporate bond market tightened after a period of weakness, and even US government bonds enjoyed a rally, presumably on the basis that their biggest buyer is still active. The dollar fell by half a per cent, sending dollar-sensitive emerging market equities up by a similar amount. Unlike his regional colleagues, Chairman Powell simply refuses to pick a fight with markets, even if that means running more inflation risk and further inflating asset-price bubbles. Everything is priced for perfection, but perfection is exactly what the Fed is determined to deliver.

Over the month of August, James Halstead released a trading update which confirmed they have not curtailed output to date and believe this has helped them to gain market share. To this end, the company confirmed that it expects to report both turnover and pre-tax profit at record levels for the period despite ongoing market uncertainties. The update was well received by the market and the shares rose by 7.1% over the month.

Clinigen Group announced that the supply-induced restrictions with regards to its cancer drug Erwinase have now been resolved and it is now available for unrestricted supply in the UK. The company also announced it will be looking for a new CFO after the current incumbent of the role, Nick Keher, decided he will be stepping down. The shares rose 4.4% over the month.

Johnson Service Group shares fell 5.0% over the month as the company reported H1 results which unsurprisingly showed year on year falls in both revenue and pre-tax profit terms. However, the company confirmed that volumes had recovered to 98% of pre-covid levels by June 2021 and stated that they expect to report full year 2021 results at the upper end of current market consensus expectations.

Commentary by Chris Murphy

Glossary

Risk preference - is the degree of risk the investor of a portfolio is willing to withstand for investment returns.

Portfolio risk - is the possibility of incurring loss from investments.

Holdings - are the contents of an investment portfolio, such as a stock or a fund.

Benchmarks - can be an index or base rate used as an industry comparator to assess the performance of a portfolio.

Tracking error - indicates how closely a portfolio measures against its benchmark.

Yield - provides an indication of the income that may be generated by the portfolio. This figure is expressed as a percentage based on the value of the portfolio. Yield is not guaranteed and any amounts paid may fluctuate over time.

Important information

The value of any investment and the income arising from it is not guaranteed and can fall as well as rise, so that you may not get back the amount you originally invested. Past performance is not a reliable indicator of future results. This investment is considered to be a high risk investment because it is invested in the shares of companies that are not listed on the main London Stock Exchange. As such it would not typically be expected to appeal to cautious investors who would prefer to take less risk with their wealth. This publication is intended to be Walker Crips Investment Management's own commentary on markets. It is not investment research and should not be construed as an offer or solicitation to buy, sell or trade in any of the investments, sectors or asset classes mentioned. The performance of individual portfolios may differ from the median portfolio due to timing difference in implementing investment decisions, the impact of annual management charges, trading taxes, individual restrictions and taxation constraints. Movements in exchange rates can have an adverse effect on the value. The asset allocations indicated may vary marginally depending on prevailing market conditions. All figures are provided as at the date of this fact sheet, unless otherwise stated. Walker Crips Investment Management Limited is authorised and regulated by the Financial Conduct Authority and is a member of the London Stock Exchange. Registered Office: Old Change House, 128 Queen Victoria Street, London, EC4V 4BJ. Registered in England and Wales number 4774117.