



# Fundamental Small Cap Portfolio

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[www.fundamentalasset.com](http://www.fundamentalasset.com)

# About Fundamental

- Specialist Investment Manager.
- Established 2004 by Christopher Boxall and Stephen Drabwell
- Highly experienced investors in small cap equities with a particular focus on AIM
- Conduct own research and support associated business Investor's Champion ([www.investorschampion.com](http://www.investorschampion.com))
- Authorised and Regulated by the Financial Conduct Authority in the United Kingdom.

# Fundamental Portfolio

- Balanced portfolio (not fund) of small cap equities stocks across sectors and industries with a particular focus on AIM.
- Well diversified....some might consider over diversified
- Focus is on Capital Growth and can save tax\*.
- Limited trading – long term and buy and hold.
- Supports our philosophy of patient investing – avoid short term ‘noise’

*\*Applicable to UK domiciled investors only*

# Investment Philosophy

- Principally looking for:
  - Min market cap c£50m (current average £300m)
  - Viable businesses with a trading history (outside AIM if necessary).
  - Protective moats
  - 'Real' earnings and attractive cash flow model.
  - Strong balance sheet (Tangible asset backing, Low debt)
  - Access to management.
  - Significant Director equity participation (and Directors acquiring) – options don't count!
  - Suitable levels of Directors remuneration – alignment with shareholders.
  - Senior execs with relevant sector experience
  - Founder or family ownership
  - Margin of safety

# What is AIM?

- AIM is the junior market of the London Stock Exchange
  - ✓ Generally a market for smaller growing companies
  - ✓ No min size, no financial history, no public holding restrictions - Light touch regulation
- Leading International Growth Market
  - ✓ December 2018, 923 companies (as many as 1,694 in 2007) – vastly improved quality
  - ✓ Fevertree, ASOS, Boohoo
- Total market value of AIM c£91bn (Dec 2018)
- Majority of AIM companies by value £10m - £250m  
Largest Burford Capital approx £3.7bn
- Average daily value of shares traded 2018 c£272m
- An inefficient market!

# Some of our current holdings

Company	Description
Abcam PLC	Production and distribution of research-grade antibodies
Advanced Medical Solutions PLC	High performance polymers for woundcare
CVS Group PLC	Veterinary practices, pet crematoria and an online pharmacy.
Craneware PLC	Value Cycle solutions for the US healthcare market.
AB Dynamics PLC	Testing systems to the global motor industry.
Focusrite PLC	Music and audio products company.
dotDigital Group	SaaS and managed services to digital marketing professionals.
RWS Holdings PLC	Patent translation and searches.
IG Design Group PLC	Design, manufacture and distribution of gift packaging
Quartix Holdings PLC	Supplier of vehicle tracking systems and services

# Assumed Risks of investing in AIM!

*March 2007, U.S. securities regulator Roel Campos suggested that AIM was like a "casino". Campos: "I'm concerned that 30% of issuers that list on AIM are gone in a year. That feels like a casino to me"*

- Fewer than 2% of Companies on AIM fail each year and the vast majority of these are very small.
- Smaller companies and shares less liquid (wide bid/offer spreads)
  - ✓ Stick to larger AIM companies
  - ✓ Diversify
  - ✓ More relevant to very large institutions
- Lack of track record
  - ✓ Some rapidly growing companies on AIM
- Lack of research and limited broker coverage
  - ✓ Plenty of research and comment out there and DYOR!
- Number of scandals – so what, huge winners!

# Custody & Fees

The Fundamental AIM Portfolio Service can be accessed via the following platforms:

- Fundamental's own custody arrangement
  - No additional charge to clients
  - Quarterly valuations provided
- Transact, Standard Life Elevate & Hub, Nucleus
- Client can choose preferred custodian

## Fees

- 1% AMC

OR

- 0.5% AMC & 10% Performance Fee

- Minimum Investment: £100,000



# Investing in AIM for IHT planning – the rules

- Business Relief (BR) available for assets qualifying as ‘relevant business property’ which have been held for a minimum period of 2 years.
  - Inheritance Tax Act 1984: 100% relief from Inheritance Tax (IHT) for ordinary shares in companies not listed on a recognised stock exchange (unquoted) - qualifies as ‘relevant business property’.
  - Includes shares traded on Alternative Investment Market (AIM) or ISDX.
  - ‘Qualifying’ AIM companies considered ‘business assets’.
  - Shares can be traded i.e. you don’t have to hold the same shares for 2 years.
    - ✓ (Replacement property rules)
  - For IHT purposes shares in overseas companies also qualify.
  - From 5<sup>th</sup> August 2013 ISAs may also hold AIM shares (we see increasing activity)
  - What qualifies \*
    - 661 qualify
    - 23 Dual listed qualifying
    - 93 part qualify or unclear
- \* Investors Champion AIMsearch Dec 2018 data

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