

Unicorn Asset Management

Quarterly AIM Newsletter



Q2 2022

For professional advisers only

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Unicorn AIM VCT plc

The largest and longest running AIM VCT in the market, focussed on long term income generation and capital growth

AIM IHT & ISA Portfolio Service

Invests in a BR qualifying portfolio of AIM businesses to deliver IHT mitigation, natural income and growth - there are two portfolios; a growth focus portfolio and a dividend focus portfolio

AIM IHT & ISA Service Responsible Portfolios

Offers the dividend and growth portfolios with expanded revenue restrictions on investee companies

FROM THE DESK OF THE CEO

The second quarter of 2022 was a tricky period for UK equity investors. The continuation of war in Ukraine, and a deteriorating outlook for GDP growth meant that many economically sensitive businesses, especially those dependent on consumer spending, struggled to perform in share price terms.

In addition, larger companies have generally held up better than their smaller peers. Therefore, although the headline return of -4.6% from the main market (FTSE All-Share) might superficially give the impression there has been “much ado about nothing” during the quarter, the reality is that the UK equity market has become increasingly polarized in recent months.

Over the same period, the FTSE AIM All-Share Total Return Index declined by a whopping 15.6% and is perhaps more representative of overall investor sentiment. Concerns around rising inflation and a consequent cost of living crisis have meant that many AIM-listed businesses have suffered in part due to a higher weighting in consumer related stocks.

This pattern broadly echoes what has been seen in other global markets struggling with high levels of consumer price inflation. At the same time, many AIM companies have also suffered severe declines in valuation as growth stocks have fallen out of favour.

What becomes critical in times like these, is an ability to block out the noise and focus on fundamentals. At Unicorn however, we have always sought to identify and invest in strong businesses, managed by high-quality teams and we then trust them to add value for all shareholders over the long-term.

The performance of many of our AIM businesses against this backdrop has been relatively resilient throughout the quarter, although we have not been immune to the de-rating of certain sectors (life sciences, biotechnology and consumer discretionary stocks especially). Encouragingly, the vast majority of the businesses in which we invest are well-financed and equipped to withstand an extended period of uncertainty and we have limited exposure to businesses dependent upon consumer spending, which has further insulated portfolios.

Looking forward significant headwinds may persist and anyone attempting to “time the market” is almost always likely to be wrong. However, what we see when we look through our portfolios is a collection of quality businesses that are continuing to trade well despite the tough back drop and which, in many instances, are now trading at more attractive valuations than at any point in the past 10 years or more. When dislocation events such as this occur, we start to get more than a little interested. Fortunately, we also have ample capital available in order to maximise the opportunities that are beginning to emerge.

Despite the obvious risks associated with investing on AIM and the uncertainty created by the re-emergence of inflation, we are confident that the portfolios, as a whole, remain well-positioned to deliver attractive total returns over the longer-term.



Chris Hutchinson, Director & Senior Fund Manager

Q2 2022 PORTFOLIO OVERVIEW

UNICORN AIM VCT PLC

Q2 2022 returns: -8.6% vs. NAMI -15.5%

Companies sold: Interactive Investor Ltd

In May 2022, the VCT achieved a 15x exit from Interactive Investor following the acquisition of the company by abrdn plc for £1.5bn. The VCT had held shares in II since 2013 and the disposal represents a profit of £51.6m on its total investment of £3.5m.

Name	Return Contributions (%)
Top 3 Performers	
INTERACTIVE INVESTOR LTD	1.0
AVACTA GROUP PLC	0.4
TRISTEL PLC	0.2
Bottom 3 Performers	
MAXCYTE INC	-1.2
ILIKA PLC	-0.8
ABCAM PLC	-0.7

UNICORN AIM IHT & ISA PORTFOLIO SERVICE - GROWTH FOCUS

Q2 2022 returns: -7.3% vs. NAMI -15.5%

New investments: Cohort plc, Elixirr International plc

Name	Total Return (%)
Top 3 Performers	
EMIS GROUP PLC	41.6
ALPHA FINANCIAL MARKETS CONS	18.9
CURTIS BANKS GROUP PLC	13.6
Bottom 3 Performers	
VIRGIN WINES UK PLC	-40.4
HOTEL CHOCOLAT GROUP PLC	-36.7
BREEDON GROUP PLC	-29.3

UNICORN AIM IHT & ISA PORTFOLIO SERVICE - DIVIDEND FOCUS

Q2 2022 returns: -3.8% vs. NAMI -15.5%

New investments: Breedon Group plc

Companies sold: Fulcrum Utility Services Ltd, Tristel plc

Name	Total Return (%)
Top 3 Performers	
EMIS GROUP PLC	41.6
APPRECIATE GROUP PLC	27.7
ALPHA FINANCIAL MARKETS CONS	18.9
Bottom 3 Performers	
PORTMEIRION GROUP PLC	-31.3
FULCRUM UTILITY SERVICES LTD	-21.3
MICHELMERSH BRICK HOLDINGS P	-21.0

The VCT table shows contributions to fund performance. The IHT tables show the total return of stocks held in the model portfolio.

Source: Numis Alternative Markets Index, Morningstar, Unicorn Asset Management UK 30/06/2022.

Past performance is not a guide to future performance, performance is based on returns net of fees. Your capital is at risk, the value of investments and the income from them may go down as well as up. Investors may not get back the amount of their original investment.

COMPANY SPOTLIGHTS



ANGLE

FIRST INVESTMENT: July 2018
MARKET CAP: £228 million*
SECTOR: Pharmaceuticals and Biotechnology
PORTFOLIO: AIM VCT

OVERVIEW OF THE COMPANY:

What Angle does

Angle is a medical devices company which has developed technology to diagnose, characterise and monitor cancer through a simple blood sample. Angle's Parsotix system extracts circulating tumour cells (CTCs) from blood which can then be analysed to provide crucial information about the patient's disease.



Why we like it

Angle's Parsotix technology has the potential to deliver profound improvements in clinical and health economic outcomes in the treatment and diagnosis of various forms of cancer. Liquid biopsy is an increasingly attractive option for cancer diagnosis, replacing invasive procedures with a simple, low-cost and repeatable blood draw. Liquid biopsy is a growing market and Angle is well placed to capture early adoption with Parsotix considered the gold-standard for harvesting CTCs.

Company news from the latest quarter

Angle announced that the US Food and Drug Administration (FDA) had cleared the Parsotix system for harvesting cancer cells from metastatic breast cancer patients for subsequent analysis. This is the first-ever FDA clearance for this type of cancer cell harvesting technology and puts Angle in pole position to drive commercialisation in the liquid biopsy market.



JAMES CROPPER

FIRST INVESTMENT: January 2016
MARKET CAP: £85 million*
SECTOR: Basic Resource (Ex Mining)
PORTFOLIO: AIM IHT & ISA Service Growth

OVERVIEW OF THE COMPANY:

What James Cropper does

A world-class advanced materials and paper products group. Using materials from cotton and wood to carbon fibre, they support industries from packaging to digital imaging and aerospace with products that are cutting edge.



Why we like it

Established in 1845, Cropper has traded through two world wars, twelve recessions and 46 different prime ministers. The company has a rich heritage and reputation in manufacturing high quality coloured paper, but in recent years has applied its expertise to enter high margin growth areas such as hydrogen fuel cell technology.

Company news from the latest quarter

We visited the company at the Burneside Mill in Kendal, which provided a valuable insight into the rich heritage and strategic vision of the Group. It also showcased the extensive work that the company is doing to improve the sustainability of its operations by investing in solar and closely managing its water consumption and effluence.

The near term outlook for the group's Paper division is challenged by the high energy and pulp prices but these headwinds are being managed through an active approach to pricing. The Technical Fibre Products (TFP) division will be a significant contributor to the near, medium and long-term growth of the Group as it stands to benefit from structural trends, such as hydrogen fuel cell technology, where it has a market leading position.

Source: Unicorn Asset Management 30/06/2022.

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Q2 2022 NEWS

We are pleased to announce that the [Unicorn AIM VCT plc half-yearly report](#) is now available.

For the six months ended 31 March 2022:

- **Special interim dividend of 32.0p per share** being declared after sale of Interactive Investor, generating a **15x return**.
- Interim dividend of 3.0p per share declared.
- £6.5 million of qualifying investments (£1.9 million new, £4.6 million follow-on) made in the period.

Find more information on the fund performance and download the full report [here](#).

Source: Unicorn Asset Management 08/06/2022.

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HALF-YEARLY REPORT

MORE INFORMATION

For further information, please get in touch using the details below for the following:

- Brochures
- Factsheets
- Videos and webinar recordings
- Face-to-face and virtual Events
- Manager meetings
- CPD credit opportunities

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EVENTS

Investing in smaller companies, including AIM listed companies and unlisted companies, can carry greater risks than those associated with larger capitalized companies. Taxation levels, benefits and reliefs may all vary depending on individual circumstances and are subject to change.

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