

# Unicorn Asset Management

## Quarterly AIM Newsletter



Q4 2023

For professional advisers only

### Unicorn AIM VCT

The largest and longest running AIM VCT in the market, focused 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 ALEX GAME

The AIM market enjoyed something of a recovery during the fourth quarter, registering a total return of +5.7%. The gains delivered from the market low in October were even more pronounced as sentiment strengthened in response to the improving trends in inflation reported across most developed economies. Pleasingly, the AIM Index return outperformed large caps with the FTSE 100 delivering a return of +2.3%; the first period of quarterly outperformance since the final quarter of 2020.



Alex Game, Fund Manager

The Unicorn AIM VCT registered a net asset value total return of +1.4% during the quarter, underperforming the AIM Index total return over the same period. The VCT's positive performance can be attributed to a boost from Hasgrove (+23.3%), a privately held enterprise-grade intranet software company. Hasgrove maintained robust trading throughout the year, surpassing revenue and profit projections for 2023 by the end of November. Additionally, Tracsis (+15%) and Keywords Studios (+7.4%) were also notable contributors during the period. Their positive performance was driven by strong trading activities and share price increases, reflecting a general market sentiment turnaround from previous lows.

The Unicorn AIM IHT Portfolio Service delivered strong returns during the quarter. The Growth Focused Portfolio recorded a total return of +8.8% and the Dividend Focused Portfolio recorded a total return of +7.6% in Q4 2023. The strongest performer in share price terms was Smart Metering Systems (+53.3%), which was held across all model portfolios. The company received a recommended offer of 95.5p per share from KKR pricing the shares at a 40% premium. Other notable performers were Mortgage Advice Bureau (+53.7%), Strix (+43.1%), Ashtead Technology (+40.5%) and IQE (+40.0%).

While the outlook for 2024 remains uncertain, there are promising signs. The prospect of runaway inflation does, at the point of writing, appear to be in the rear-view mirror, and the phase of rapidly rising bond yields and the consequential compression of equity valuations is seemingly over. The next challenge for investors will be to navigate an uncertain earnings backdrop.

Higher interest rates have so far had the desired effect of reducing inflation and, to date, economies have performed resiliently, though it is widely expected that interest rate cuts will be required in the current calendar year to avoid recession. The timing and magnitude of cuts will pose a considerable challenge for central banks, set against political tensions with war raging in both Ukraine and the Middle East, and upcoming elections in several countries, with more people set to vote in 2024 than in any other year of recorded history.

Notwithstanding the dramatic geopolitical landscape, our focus on fundamentals and the strength we see in our investee businesses gives the team confidence the diversified portfolios we manage across VCT & BR strategies are well placed to not only withstand current headwinds, but thrive as market conditions improve.

## Q4 2023 PORTFOLIO OVERVIEW

### UNICORN AIM VCT

**Total return:** +1.4% vs NAMI +4.5%

**Stocks added:** Eden Research, SkinBioTherapeutics

**Stocks exited:** None

Name	Contribution to Return (%)
<b>Top 3 performers</b>	
HASGROVE LIMITED	+2.6
MAXCYTE	+1.2
TRAC SIS	+0.9
<b>Bottom 3 performers</b>	
OXFORD BIODYNAMICS	-0.7
AURRIGO INTERNATIONAL	-1.1
SURFACE TRANSFORMS	-1.4

### UNICORN AIM IHT & ISA PORTFOLIO SERVICE - GROWTH FOCUS

**Total returns:** +8.8% vs NAMI +4.5%

**Stocks added:** None

**Stocks exited:** None

Name	Total Return (%)
<b>Top 3 performers</b>	
SMART METERING SYSTEMS	+53.3
ASHTREAD TECHNOLOGY	+40.5
IQE	+40.0
<b>Bottom 3 performers</b>	
ALPHA GROUP INTERNATIONAL	-6.4
CROPPER (JAMES)	-7.3
FD TECHNOLOGIES	-21.5

### UNICORN AIM IHT & ISA PORTFOLIO SERVICE – RESPONSIBLE GROWTH

**Total returns:** +6.8% vs NAMI +4.5%

**Stocks added:** None

**Stocks exited:** None

Name	Total Return (%)
<b>Top 3 performers</b>	
MORTGAGE ADVICE BUREAU	+53.3
SOMERO ENTERPRISES	+38.9
GB GROUP	+27.2
<b>Bottom 3 performers</b>	
ALPHA GROUP INTERNATIONAL	-6.4
CROPPER (JAMES)	-7.3
FD TECHNOLOGIES	-21.5

### UNICORN AIM IHT & ISA PORTFOLIO SERVICE - DIVIDEND FOCUS

**Total returns:** +7.6% vs NAMI +4.5%

**Stocks added:** None

**Companies sold:** None

Name	Total Return (%)
<b>Top 3 performers</b>	
MORTGAGE ADVICE BUREAU	+56.8
SMART METERING SYSTEMS	+53.3
STRIX GROUP	+43.1
<b>Bottom 3 performers</b>	
RESTORE	-6.4
WYNNSTAY GROUP	-13.8
QUARTIX TECHNOLOGIES	-26.3

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 31/12/2023.

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



### Eden Research

**FIRST INVESTMENT:** October 2023

**MARKET CAP:** £30.7 million

**SECTOR:** Chemicals

**PORTFOLIO:** AIM VCT

#### OVERVIEW OF THE COMPANY:

##### What Eden Research Technology does

Eden, is the UK's only AIM-listed company focusing on biopesticides for sustainable agriculture. It develops and supplies biopesticide products and microencapsulation technologies, aiming to be a leader in sustainable crop protection across various markets. Operating in over 60 countries, Eden's natural-ingredient products protect crops, animal health, and address specific consumer items, all with a focus on safety and effectiveness.

##### Why we like it

Rising regulatory challenges are squeezing much of the conventional pesticide market. This in turn has impacted the yield and productivity of major growers. Eden Research provides a sustainable solution rivalling many of these conventional options in terms of ease, efficacy, safety, cost, and reliability. Unlike traditional approaches, Eden eliminates many drawbacks like residue limits, resistance, and restricted use intervals. This allows Eden products to command a higher value and gives them an edge in competitive export markets.

##### Company news from the latest quarter

During the first half of the year, several significant regulatory approvals were obtained, including for Mevalone® in New Zealand and Poland. These approvals are anticipated to pave the way for further approvals in central EU countries and state approvals in the US for both Mevalone and Cedroz. Each approval expands the market potential for sales.

In addition to these achievements, the company also announced the successful temporary approval of its product Ecovelex in Italy, for the 2024 growing season.



### Cohort

**FIRST INVESTMENT:** January 2016

**MARKET CAP:** £230.7 million

**SECTOR:** Aerospace and defense

**PORTFOLIO:** AIM IHT

#### OVERVIEW OF THE COMPANY:

##### What Cohort does

Cohort is the parent company for "six innovative, agile, and responsive businesses" located in the UK, Germany, and Portugal. These businesses provide a diverse range of services and products in the defence, security, and related markets. Cohort thrives in a competitive landscape by merging the innovation and responsiveness of smaller, independent businesses with the stability, knowledge base, broad market access, and lower funding costs associated with being part of a listed group.

##### Why we like it

Cohort was founded with the belief that SMEs- can thrive as part of a larger group, benefiting through Shared resources and expertise.

The company's goal is to achieve this while preserving the high growth potential of innovative independent businesses. As a leader in defence and security, Cohort's growth is driven by secular trends in those markets and the technological advancements associated with them and should benefit from budget increases extending beyond 2030 due to the current geopolitical landscape.

##### Company news from the latest quarter

Cohort reported robust first-half results, showcasing notable progress compared to the same period last year. Noteworthy achievements include a record order intake with a book-to-bill ratio of 1.3x, laying the foundation for the majority of the second half of the current financial year. The overall outlook remains highly favourable, supported by order success, growing volumes, and enhanced capabilities. The company continues to experience strong demand for its solutions and services, driven by international tensions in the Asia-Pacific region and Europe.

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## UNICORN AIM VCT OFFER: INTENTION TO LAUNCH ANNOUNCED

November saw the Directors of Unicorn AIM VCT plc announce that they intend to launch a new offer for subscription to raise £15 million (with an over-allotment facility to raise up to a further £5 million).

The prospectus, which will contain the full details and terms and conditions of the Offer, is expected to be available in late January 2024 .

Since the offer announcement, Unicorn AIM VCT has also announced that following the acquisition of Abcam by Danaher Corporation, the Directors of the Company have decided to distribute the proceeds received to Shareholders. As a result, a Special Dividend of 11.7p per share has been declared.



GROWTH FOCUS



RESPONSIBLE GROWTH FOCUS



DIVIDEND FOCUS

## MORE INFORMATION

For further information on any of the following, please get in touch.

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

CONTENT LIBRARY

EVENTS

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. Performance figures show the total return of the Unicorn AIM IHT & ISA Portfolio Service Growth and Dividend Focus Portfolios where the contribution of each portfolio to the total return is weighted by portfolio size. The returns take into account all portfolio management fees but do not include initial portfolio or adviser fees. Individual portfolios are excluded during months when a portfolio is being invested, during months when withdrawals are made, where the investor has died and all portfolios where the initial investment is less than the minimums quoted in the terms & conditions of the service. The performance figures have been calculated by WM Capital Management based on the bid prices of holdings at the end of each month. Fees are subject to change.

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. Except where otherwise stated, the source of the information in this document is Unicorn Asset Management.

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Nothing in this document should be seen as advice, an invitation or a recommendation to buy or sell any investment or security referred to. Investors should seek financial advice before making an investment. Any decision to invest in the Unicorn fund range should be made solely by reference to the prospectus, KIIDs, terms and conditions and relevant application form.

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