

# Unicorn Asset Management

## Quarterly AIM Newsletter



Q3 2022

For professional advisers only

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### Unicorn AIM VCT plc

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 CHRIS HUTCHINSON

After a short-lived rally in July, UK equity market indices declined during August and September, ending the third quarter lower than where they started. Investor sentiment remains fragile, with economic and political woes continuing to dominate news headlines in the UK. The share prices of many smaller quoted companies, particularly those listed on AIM, continued to fall sharply during the period, often without being triggered by poor trading updates.

The FTSE AIM All-Share Index registered a total return of -7.6% in the three months ended 30 September 2022. By comparison, the FTSE 100 Index declined far less dramatically, recording a total return of -2.8% over the same period. The relative resilience of the large cap index reflects its significant exposure to companies operating in the oil & gas and mining sectors, which were the two largest contributors to index returns over the quarter. The AIM Index, which has greater exposure to domestically focused companies, including travel & leisure and retail businesses, performed poorly due to the worsening consensus around domestic economic growth.

Consumer spending, upon which much of Britain's economic growth is dependent, has been affected as people grapple with rapidly rising energy, food, and housing costs. Unsurprisingly, disposable income, which previously may have been spent on clothes, holidays, meals out or home improvements, has been eroded by the return of inflation. Inflation is also having a significant impact on the earnings potential of many businesses. The challenges ahead remain significant and include the prospect of further interest rate hikes, possible restrictions on the supply of energy over the colder, winter months and a probable economic recession. Clearly, there will come a point when pressure on the cost of living starts to subside. When this happens, the outlook for the UK economy should improve and equity markets may well regain their poise.

Despite the economic headwinds, the performance of many of our AIM-listed companies was reassuringly resilient throughout the quarter. This was reflected in the returns of the Inheritance Tax (IHT) portfolios and the Unicorn AIM VCT, both of which outperformed the AIM Index. A large proportion of our investee companies are well established, profitable and cash generative businesses, which sell highly specialised products and services for which there is typically continuing, strong demand. These businesses have been more resilient than our earlier stage investments, many of which are still loss-making and may require further funding before achieving sustainable levels of profitability.

While the immediate outlook for less mature companies remains challenging, it is reasonable to anticipate strong returns from these businesses once market conditions become more favourable. For the time being, our approach to backing new companies remains highly selective and we will seek to preserve capital to fully take advantage of attractive opportunities once economic and political conditions begin to improve.



Chris Hutchinson, Director & Senior Fund Manager

## Q3 2022 PORTFOLIO OVERVIEW

### UNICORN AIM VCT PLC

**NAV total return:** -4.7% vs. NAMI -8.5%\*

**Stocks added:** Aurriigo International

**Stocks exited:** None

Name	Contribution to return (%)
<b>Top 3 performers</b>	
MAXCYTE	+2.0
ABCAM	+0.8
AB DYNAMICS	+0.3
<b>Bottom 3 performers</b>	
DIRECTA PLUS	-0.6
ANPARIO	-0.7
HASGROVE	-0.9

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

**Total return:** -6.5% vs. NAMI -8.5%\*

**Stocks added:** Redcentric

**Stocks exited:** Accesso Technology Group, Churchill China, City Pub Group, Hotel Chocolat Group, Smoove, Virgin Wines

Name	Total return (%)
<b>Top 3 performers</b>	
GB GROUP	+53.0
CROPPER (JAMES)	+13.3
ALPHA FX GROUP	+9.2
<b>Bottom 3 performers</b>	
JOHNSON SERVICE GROUP	-20.7
FD TECHNOLOGIES	-27.6
GOOCH & HOUSEGO	-35.4

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

**Total return:** -7.2% vs. NAMI -8.5%\*

**Stocks added:** Begbies Traynor Group, Cohort, H&T Group, Kitwave Group, Mortgage Advice Bureau, Strix Group

**Stocks exited:** Appreciate Group, Michelmersh Brick Holdings, Personal Group Holdings, Portmeirion Group, Smoove, Vianet Group

Name	Total return (%)
<b>Top 3 performers</b>	
NWF GROUP	+10.8
ALPHA FINANCIAL MARKETS CONSULTING	+3.2
JAMES HALSTEAD	+1.7
<b>Bottom 3 performers</b>	
KEYSTONE LAW GROUP	-20.5
JOHNSON SERVICE GROUP	-20.7
LATHAM (JAMES)	-20.9

The VCT table shows contributions to fund performance. The IHT tables show the total return of stocks held in the model portfolio, with exception to those stocks that have been added or removed from the model during the period.

Source: Numis Alternative Markets Index, Morningstar, Unicorn Asset Management UK 30/09/2022. 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

### AURRIGO INTERNATIONAL

**FIRST INVESTMENT:** September 2022  
**MARKET CAP:** £23 million  
**SECTOR:** Technology hardware and equipment  
**PORTFOLIO:** AIM VCT

#### OVERVIEW OF THE COMPANY:

##### What Aurrigo does

Aurrigo is a leading international provider of transport technology solutions. Aurrigo is highly regarded as a specialist in autonomous and semi-autonomous technology solutions and is now moving into the aviation, ground handling, and cargo industries.

The company has developed six autonomous vehicles to date, which can be utilised to reduce costs, resolve operational issues, and tackle labour shortages, whilst also improving sustainability.

##### Why we like it

The Aviation industry in recent times has struggled with ongoing labour shortages due to Covid-19, leading to severe delays, lost baggage as well as increased safety and security risks. Aurrigo's patented autonomous vehicle technology has the ability to tackle these issues, reduce excess costs, resolve operational issues, and address shortages while improving sustainability.

With the limited availability of alternatives to Aurrigo's end-to-end solutions, these autonomous vehicles offer significant future growth opportunities for the company.

##### Company news from the latest quarter

Aurrigo International floated on AIM in September 2022 and successfully raised total gross proceeds of £8m which the company intends to invest in continuing development and commercialisation of its autonomous vehicles, principally in the Aviation Division.

### JAMES HALSTEAD

**FIRST INVESTMENT:** January 2016  
**MARKET CAP:** £860 million  
**SECTOR:** Construction and materials  
**PORTFOLIO:** AIM IHT

#### OVERVIEW OF THE COMPANY:

##### What James Halstead does

James Halstead



James Halstead manufactures, markets and distributes a wide range of branded commercial flooring products and is well known in the UK, Europe, Scandinavia, Australasia and Asia.

##### Why we like it

James Halstead was founded in 1915 and went public in 1948, the company has vast experience in the flooring business, demonstrating ability to navigate turbulent markets. The company holds an unparalleled reputation in flooring and its products are now sold worldwide. Halstead's flooring products are found in schools, hospitals, transport, public, commercial, and residential buildings around the world. James Halstead delivered a record profit in FY22, while also increasing market share and successfully passing on cost increases to customers.

##### Company news from the latest quarter

We met with the management of James Halstead to discuss their recently released full-year results as well as gain insight into how the company plans to navigate through these uncertain market conditions. They remained positive regarding their current and future performance, reporting robust turnover growth of 9-10% compared to the previous year, with strong growth levels in all their main markets. The management was also upfront regarding the current and upcoming challenges in the market but also emphasised the ongoing strong demand for commercial contract flooring which increased relative to the prior year. With an increase in input costs from all fronts, James Halstead has remained cautious in their approach to increase prices, lagging cost increases, which protected their volumes. Their balance sheet also remains strong and ungeared with positive cash balances.

Source: Unicorn Asset Management 30/09/2022. 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.

## FACTSHEETS

Find our September factsheets below for further information on the AIM IHT & ISA Portfolios.



**GROWTH FOCUS**

**RESPONSIBLE GROWTH FOCUS**

**DIVIDEND FOCUS**

## 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

**CONTENT LIBRARY**

**EVENTS**

\*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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