

Unicorn Asset Management

Quarterly AIM Newsletter



Q1 2023

For professional advisers only

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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 portfolio options; Growth Focus and Dividend Focus.

AIM IHT & ISA Service Responsible Portfolios

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

FROM THE DESK OF MAX ORMISTON

AIM endured a difficult start to the year with the FTSE AIM All-Share Index registering a total return of -2.4% as the pessimistic outlook for global growth weighed on the UK's junior market. This negative return was in contrast to the FTSE 100 and FTSE 250 indices which both registered positive total returns over the same period.

A large number of companies released results during the quarter. Unsurprisingly, given the economic environment,

many companies reported that trading remained challenging due to persistent input cost inflation, supply chain disruption, and low levels of consumer and business confidence.

Unicorn's AIM strategies were not immune from profit warnings during the quarter. Weaker updates were reported by; Anpario (-60.8%), Frontier Developments (-51.2%), Totally (-50.1%), IQE (-45.4%) and Engage XR (-43.5%). Whilst these setbacks are disappointing in the short-term, we remain confident in the longer-term potential for value creation in each of these businesses. More pleasingly, many companies also reported robust trading and a positive outlook including Aurrigo International (+94.2%), Ilika (+69.1%), Feedback (+57.9%), Kitwave (+40.6%) and Johnson Service Group (+26.3%).

We believe that our investment approach of backing high quality companies over the long-term is likely to help protect investors from the risk of loss of capital from failed investments. This is especially important when investing in smaller AIM listed businesses whose performance is often more volatile.

Another significant theme of the first quarter was takeover activity. Many small cap stocks and especially AIM listed companies have experienced sharp declines in their valuation, which, coupled with weak sterling, has offered potential acquirers an attractive proposition. The AIM market saw notable takeover bids announced for Kape Technologies (£597m), Hurricane Energy (£194m) and Adept Technology Group (£88m) in Q1, whilst Unicorn AIM VCT received a takeover bid for its stake in ECSC Group (£6m) at the end of March. Post quarter end, Fulham Shore (owner of Franco Manco pizza restaurants) received a takeover bid from a private equity consortium which valued the total enterprise at £180m.

Increasing levels of corporate activity is good news and could signal a potential recovery in new equity listings. The market for IPOs on AIM has been exceptionally quiet for several months. However, we anticipate a gradual recovery in new market listings during 2023, supported by improving sentiment. Unicorn AIM VCT did not participate in any new listings during the quarter, but we are optimistic this situation will improve in the coming months.

During a quiet quarter for portfolio activity, further corporate activity resulted in some changes to IHT portfolio service buy lists. Curtis Banks Group was removed from model portfolios due to its recommended takeover and future delisting from AIM. Renew Holdings, which provides infrastructure engineering services, was added to model IHT portfolios.



Max Ormiston
Fund Manager

Q1 2023 PORTFOLIO OVERVIEW

UNICORN AIM VCT

NAV total return: -7.0% vs NAMI -2.8%

Stocks added: None

Stocks exited: None

Name	Contribution to return (%)
Top 3 performers	
AURRIGO INTERNATIONAL	+1.8
HASGROVE	+1.8
FEEDBACK	+0.6
Bottom 3 performers	
SURFACE TRANSFORMS	-0.7
ABCAM	-1.1
ANPARIO	-2.5

UNICORN AIM IHT & ISA PORTFOLIO SERVICE - GROWTH FOCUS

Total return: -7.1% vs NAMI -2.8%

Stocks added: Renew Holdings

Stocks exited: None

Name	Total return (%)
Top 3 performers	
JOHNSONS SERVICE GROUP	+26.3
FD TECHNOLOGIES	+25.6
BREEDON GROUP	+25.4
Bottom 3 performers	
CROPPER (JAMES)	-30.8
IQE	-45.4
FRONTIER DEVELOPMENTS	-51.2

UNICORN AIM IHT & ISA PORTFOLIO SERVICE - RESPONSIBLE GROWTH FOCUS

Total return: -3.8% vs NAMI -2.8%

Stocks added: Renew Holdings

Stocks exited: None

Name	Total return (%)
Top 3 performers	
JOHNSONS SERVICE GROUP	+26.3
FD TECHNOLOGIES	+25.6
BREEDON GROUP	+25.4
Bottom 3 performers	
RWS HOLDINGS	-20.6
CROPPER (JAMES)	-30.8
FRONTIER DEVELOPMENTS	-51.2

UNICORN AIM IHT & ISA PORTFOLIO SERVICE - DIVIDEND FOCUS

Total return: -1.6% vs NAMI -2.8%

Stocks added: Renew Holdings

Stocks exited: None

Name	Total return (%)
Top 3 performers	
KITWAVE	+40.6
MORTGAGE ADVICE BUREAU	+40.0
JOHNSON SERVICE GROUP	+26.3
Bottom 3 performers	
WYNNSTAY	-24.6
ANIMALCARE	-30.8
ANPARIO	-60.8

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 31/03/2023. 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.



TRAC SIS

FIRST INVESTMENT: November 2007
MARKET CAP: £268 million
SECTOR: Software & Computer Services
PORTFOLIO: AIM VCT

OVERVIEW OF THE COMPANY:

What Tracsis does

Tracsis is a technology and software business split into two divisions - a rail technology business and a traffic and data services business. It is a leading provider of software, hardware, data analytics and services for rail, traffic data, and the wider transport industries. The company develops innovative product solutions such as smart ticketing and automated delay repay to optimise and improve customer experience.



Why we like it

With regulatory authorities currently targeting interoperability, utilisation, and environmental outcomes, train and freight operating companies are turning to technology to streamline systems, placing the firm in a significantly favourable position. The wider focus on investing in modernising and digitising the UK railway network is an important structural growth driver for Tracsis. Their business model is highly resilient and is built upon long-term customer relationships, well-differentiated products and services that deliver compelling value propositions, high levels of recurring revenue, and strong cash generation.

Company news from the latest quarter

Tracsis released its interim results shortly after the end of the quarter, highlighting positive revenue and income growth. The firm reported encouraging growth levels underpinned by further rail technology revenue growth in both the UK and North America. Momentum in its core divisions continues to accelerate with an encouraging pipeline of several new contract wins. The company also continues to invest in implementing a more simplified and integrated operating model to improve growth, efficiency, and risk management.



RENEW HOLDINGS

FIRST INVESTMENT: January 2023
MARKET CAP: £533 million
SECTOR: Construction & Materials
PORTFOLIO: AIM IHT

OVERVIEW OF THE COMPANY:

What Renew Holdings does

Renew provides essential engineering services to maintain and renew critical infrastructure projects in the energy, environmental, infrastructure, and rail markets. Multidisciplinary engineering services are delivered through its independently branded UK subsidiary businesses that support the day-to-day running of these infrastructure networks.



Why we like it

Founded in 1786, Renew Holdings has a proven track record of high-quality, value-accretive compound growth, combined with strong cash generation and shareholder returns. Renew operates in markets that are underpinned by resilient, long-term growth dynamics and increasing regulatory requirements. As the key focus of the business is on the maintenance and renewal of critical infrastructure assets that are not dependent on large, capital intensive contracts, this helps to reduce Renew's financial and operational risk profile.

Company news from the latest quarter

We met with the management of Renew Holdings during this quarter, who reiterated the strength of the company's low-risk business model, its exposure to long-term structural growth drivers and the resilience of its end markets. The management of the firm remained positive regarding their current and future performance, and their ability to successfully navigate the challenging market environment. The company also released a trading update shortly after the quarter-end, reporting encouraging activity levels, a healthy order book, and positive cash generation.

UNICORN AIM IHT PHASED INVESTMENT OFFERING

The **Unicorn AIM IHT & ISA Portfolio Service** looks to offer differentiated solutions tailored to investor's needs. We are always looking to improve and following feedback from intermediaries, we are delighted to offer a new **'phased investment' approach**:

- An investor's cash will be held on deposit (earning interest) and invested into a portfolio of AIM stocks in 6 equal monthly instalments
- Designed to mitigate "market entry risk" during a period when many feel the AIM market is offering excellent value over the medium to long-term, but short term volatility remains

We look to work with advisers to provide the best service to their clients and have a range of financial planning ideas we can share (ISA switches, POA/care homes, trusts, selling a business etc). Get in touch to find out more.

FACTSHEETS



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

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 capitalised 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.

Opinions expressed are those of Unicorn Asset Management and should not be relied upon as a guarantee of the possible returns from an investment in its funds, nor is there any guarantee, representation or warranty regarding the accuracy of the information contained within this document. Forward looking opinions may be subject to change without notice.

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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