

Unicorn Asset Management

Quarterly AIM Newsletter



Q3 2024

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 Anam Ajani

The FTSE AIM All-Share index posted a total return of -2.7% in the third quarter of 2024, reversing a short-lived recovery in the previous quarter. An improving economic backdrop, falling inflation and the start of an interest rate cutting cycle was offset with uncertainty over the budget and potential changes to business relief (BR) rules.

In addition to uncertainty ahead of the budget, negative stock-specific news from some of the bigger constituents on AIM, such as Next 15 Group (-42.3%) and Fever-Tree Drinks (-23.4%), further weighed on the performance of the AIM index.

Unicorn AIM VCT recorded a net asset value ("NAV") total return of +0.9% during the quarter, outperforming the AIM index during the same period. The VCT's positive performance is largely due to an uplift in the valuation of the VCT's investment in Hasgrove (+31.5%), a privately held enterprise-grade intranet software company. Hasgrove reported strong trading, exceeding profit expectations and expanding its customer base with a steady stream of new recurring contract revenues. Cohort (+28.1%) was another notable contributor during the period. Cohort reported record levels of sales, operating profits and order intake in its most recent results. Meanwhile, the largest detractor was Tracsis (-24.1%), which reported that trading had been impacted in the run-up to the General Election due to temporary activity restrictions. As a result, current year earnings forecasts were cut. However, management expects profits to recover in the company's next financial year.

The Unicorn AIM IHT Portfolio Service experienced more challenging performance in Q3 2024. The Growth Focused Portfolio recorded a total return of -3.5%, while the Dividend Focused Portfolio recorded a total return of -4.3%. Both portfolios were impacted by the sharp and unexpected decline in Next 15 Group's share price (-42.3%). This was triggered by the announcement of the early termination of a key customer contract. While this customer loss resulted in a reduction in forecast revenue and earnings, management are taking meaningful action to reduce costs in the affected business.

Looking ahead, UK equities should benefit from improving political stability following the Labour Party's landslide general election victory. This, combined with the anticipated easing of monetary policy should support the outlook for smaller UK companies which are more sensitive to changes in rates. While the medium-term outlook for many AIM listed businesses is therefore improving, much of the speculation surrounding possible changes to Business Relief on AIM shares will continue to weigh on valuations in the short-term. In our opinion, the government's broader pro-growth agenda should continue to support AIM as a crucial platform in providing capital to smaller, growing UK companies which provide employment opportunities and drive domestic economic activity.



Anam Ajani,
Investment & ESG Associate

Q3 2024 PORTFOLIO OVERVIEW

UNICORN AIM VCT PLC

Total return: +0.9% vs NAMI -2.6%

Stocks added: None

Stocks exited: Mattioli Woods

Name	Contribution to Return (%)
Top 3 performers	
HASGROVE LIMITED	+4.9
COHORT	+1.3
AVINGTRANS	+0.5
Bottom 3 performers	
AURRIGO INTERNATIONAL	-0.6
PULSAR GROUP	-0.9
TRAC SIS PLC	-1.5

UNICORN AIM IHT & ISA PORTFOLIO SERVICE - GROWTH FOCUS

Total returns: -3.5% vs NAMI -2.6%

Stocks added: AB Dynamics, Mortgage Advice Bureau

Stocks exited: Alpha Financial Markets Consulting

Name	Total Return (%)
Top 3 performers	
COHORT	+28.1
GAMMA COMMUNICATIONS	+18.8
FD TECHNOLOGIES	+15.5
Bottom 3 performers	
TRAC SIS	-24.1
ASHT EAD TECHNOLOGY	-25.3
NEXT 15	-42.3

UNICORN AIM IHT & ISA PORTFOLIO SERVICE – RESPONSIBLE GROWTH

Total returns: -3.7% vs NAMI -2.6%

Stocks added: AB Dynamics, Mortgage Advice Bureau

Stocks exited: Alpha Financial Markets Consulting

Name	Total Return (%)
Top 3 performers	
GAMMA COMMUNICATIONS	+18.8
FD TECHNOLOGIES	+15.5
ELIXIRR INTERNATIONAL	+14.3
Bottom 3 performers	
MORTGAGE ADVICE BUREAU	-21.8
TRAC SIS	-24.1
NEXT 15	-42.3

UNICORN AIM IHT & ISA PORTFOLIO SERVICE - DIVIDEND FOCUS

Total returns: -4.3% vs NAMI -2.6%

Stocks added: Next 15 Group

Companies sold: Alpha Financial Markets Consulting

Name	Total Return (%)
Top 3 performers	
COHORT	+28.1
JAMES LATHAM	+15.1
ELIXIRR INTERNATIONAL	+14.3
Bottom 3 performers	
CHURCHILL CHINA	-19.7
MORTGAGE ADVICE BUREAU	-21.8
NEXT 15	-42.3

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 30/09/2024.

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



Tan Delta

FIRST INVESTMENT: August 2023

MARKET CAP: £19 million

SECTOR: Electronic Equipment

PORTFOLIO: AIM IHT

OVERVIEW OF THE COMPANY:

What Tan Delta does

Tan Delta specialises in real-time oil condition monitoring solutions that enhance efficiency and reduce costs for industrial equipment operators. Serving industries such as marine, mining, and manufacturing, its solutions lower operating costs, prevent breakdowns, and reduce oil consumption, ultimately improving reliability and minimising carbon emissions.

Why we like it

Tan Delta operates in a large and growing market, targeting the \$150 billion lubricating oils sector, which is expanding at 5% annually. Its sensors disrupt traditional practices by delivering timely oil analysis, resulting in lower costs from premature replacements, reduced inspection frequency, and equipment damage. These advantages lead to decreased downtime, prolonged machinery life, enhanced safety, and reduced environmental impact. With strong intellectual property and industry expertise, Tan Delta establishes significant barriers for competitors, while its complementary analytics accessories and subscription platform strengthen customer loyalty, ensuring a solid position in the growing sensors market.

Company news from the latest quarter

In its recently released interim results, Tan Delta reported strong progress in the first half of the year. Highlights include securing additional outsourced capacity to boost manufacturing, refreshing the management team with a new CFO, maintaining careful management of costs and cash, and advancing the development of its customer pipeline.



AB Dynamics

FIRST INVESTMENT: January 2016

MARKET CAP: £448.8 million

SECTOR: Automotive Parts & Equipment

PORTFOLIO: AIM IHT

OVERVIEW OF THE COMPANY:

What Tan Delta does

AB Dynamics drives automotive innovation through three main strategies. It provides advanced testing and simulation solutions for vehicle dynamics, ensures safety and performance with precision robotics and software, and enables both real-world and virtual testing environments. This approach combines engineering expertise, cutting-edge technology, and data-driven insights to enhance vehicle design and safety.

Why we like it

As the automotive industry evolves toward greater autonomy, electrification, and advanced safety features, AB Dynamics is well-positioned for growth. With a proven track record of innovation in vehicle testing and simulation, the company is at the forefront of enabling safe, efficient, and cutting-edge automotive technologies. Its investment in robotics, software, and data-driven solutions aligns with the industry's shift toward autonomous driving and electrification. Supported by strong cash flow, a skilled leadership team, and a history of delivering high-quality solutions, ensuring resilience.

Company news from the latest quarter

In its year-end trading update, AB Dynamics reported a strong performance in the second half, with full-year revenue and operating profit surpassing expectations. All three divisions saw growth, driven by rising demand. The company enters the new fiscal year with a robust order intake and strong visibility, positioning it well for continued success.

Source: Unicorn Asset Management 30/09/2024.

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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

Discrete Calendar Year Performance	QTD	YTD	2023	2022	2021	2020	2019
Growth Focus Portfolio	-3.5%	-2.4%	-3.9%	-25.7%	4.6%	7.2%	34.0%
Deutsche Alternative Markets	-2.6%	-1.6%	-6.4%	-30.7%	7.5%	19.3%	14.7%

Discrete Calendar Year Performance	QTD	YTD	2023	2022	2021	2020	2019
Dividend Focus Portfolio	-4.3%	-1.9%	-1.2%	-17.7%	13.1%	-5.8%	21.4%
Deutsche Alternative Markets	-2.6%	-1.6%	-6.4%	-30.7%	7.5%	19.3%	14.7%

Discrete Calendar Year Performance	QTD	YTD	2023	2022	2021	2020	2019
AIM VCT NAV Total Return	0.9%	-1.1%	-3.2%	-24.5%	20.1%	21.5%	27.1%
FTSE AIM All Share Index Total Return	-2.7%	-1.6%	-3.0%	24.7%	6.1%	21.8%	13.2%

Source: Numis Alternative Markets Index, Morningstar, Unicorn Asset Management UK 30/09/2024.

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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