

Guinness Best of AIM

Factsheet: 3rd Quarter 2018

OVERVIEW

- A discretionary managed service investing in AIM-quoted companies that qualify for Business Relief with potential for growth
- Rigorous investment process to identify sustainable competitive advantage
- High-conviction portfolio of 20 companies demonstrating superior cash-flow returns on capital
- Targeting exemption from Inheritance Tax after two years

SUBSCRIPTION AMOUNT

£40,000 minimum, no maximum
£20,000 minimum top-ups at any time

CHARGES

Initial charge:	1% (non-advised 4%)
Annual management charge:	1.25%
Adviser fees:	as instructed
Custodian (The Share Centre):	£60pa
Dealing commissions:	up to 0.35%
Exit charges:	None

Charges subject to VAT where applicable

KEY RISKS

Your capital is at risk and you may not get back the full amount invested. Past performance is not a reliable indicator of future returns.

Tax treatment depends on individual circumstances. Business Relief is not guaranteed. It depends on portfolio companies maintaining their qualifying status and is subject to change in tax rules and their interpretation.

Investments in companies quoted on AIM may carry greater risk, and the shares may be more volatile, than fully-listed companies.








Portfolio commentary

The performance of the model portfolio continues to be encouraging and, aside from some minor rebalancing of client holdings, we have made no changes. We look forward to being able to publish performance data in our next factsheet, when our model portfolio will have passed its first anniversary.

Encouraging results have been reported by the three companies in the model portfolio which have June financials year-ends, with their dividends for the year rising on average by 13%. Looking at individual stocks in the portfolio, marketing business dotDigital contributed strongly (+34%) as did Staffline (+33%). Moving in the other direction was Flowtech Fluidpower, which slumped (-33%) after the resignation of the CEO and a trading statement which disappointed the market. We consider the reaction to what seems a minor profits warning to be overdone.

Some key portfolio measures are set out in the table below. The forward price/earnings multiple of around 14x appears reasonable to us for a portfolio of companies which, on average, produced a cash-flow return on investment (CFROI) of 24% last year. The 5-year record of the portfolio companies is also impressive, with an average CFROI of 26.5% over the period, achieved at the same time as growing organic sales at

Current sector allocation

Industrials	30%	
Financials	20%	
Healthcare	20%	
Consumer staples	15%	
Consumer discretionary	5%	
Information technology	5%	
Telecom services	5%	



Key portfolio measures

Market capitalisation (average)	£385m
Dividend yield (next 12 months consensus forecast)	2.9%
Price/earnings multiple (next 12 months consensus forecast)	13.9x
Cash-flow return on investment (last 5 years average)	26.5%
Organic sales growth (last 5 years CAGR)	16.2%
Leverage (net debt to EBITDA)	-0.2 (ie net cash)

Sources: Bloomberg; HOLT; Guinness Asset Management. All figures are as at 30 September 2018.

Consensus forecasts are compiled by Bloomberg from a range of brokers' estimates. Forecasts may not be achieved and the outcomes may differ materially from the forecasts. The past performance of companies in the portfolio may not be a reliable indicator of their future performance.

The investment team



Andrew Martin Smith
Fund Manager



Shane Gallwey CFA
Fund Manager



Keith Hyman
Senior Adviser

Guinness Asset Management Ltd is authorised and regulated by the Financial Conduct Authority

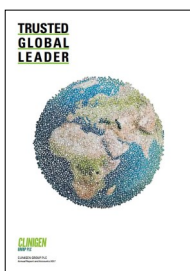
+44 (0) 20 7222 3475

estateplanning@guinnessfunds.com

www.guinnessfunds.com

Examples of companies in the 'Best of AIM' portfolio

Clinigen Group



Clinigen is a global pharmaceutical and services group which was formed in 2010 by a merger of existing businesses and floated on AIM in 2012. It manages, sells and distributes pharmaceutical products which have associated expiry dates. Segments include Clinical Trial Services; Managed Access, for biotechnology and pharmaceutical companies; Global Access, which offers ethical access to post-approval medicines; and Speciality Pharmaceuticals, which manufactures

and distributes specialist, hospital-only medicines. Clinigen has expanded rapidly and recently completed the acquisition of a competitor, Quantum Pharma.

Forecast dividend yield 0.75% | Forward P/E 15.4 | 5-year average CFROI 30% | Market cap. £1.1bn

Focusrite



Focusrite is a music and audio products company supplying proprietary hardware and software used by professional and amateur musicians around the world. Its brands are Focusrite (audio recording equipment) and Novation (hardware and software for creating and playing electronic music). The business was founded in 1989 and floated on AIM in 2014. It has continued to grow rapidly.

Forecast dividend yield 0.83% | Forward P/E 24.5 | 5-year average CFROI 22% | Market cap. £0.25bn

Portmeirion Group



Portmeirion Group provides ceramic tableware, cookware, giftware, table-top accessories and home products. The Group has five brands: Portmeirion, Spode, Royal Worcester, Pimpernel and Wax Lyrical. Portmeirion Potteries was founded in 1960. The Spode and Royal Worcester brands, which have heritages dating back to the 18th century, were acquired by the Group in 2009. Portmeirion floated on AIM in 1999.

Forecast dividend yield 3.3% | Forward P/E 16.3 | 5-year average CFROI 11% | Market cap. £0.13bn

EMIS Group



EMIS Group provides healthcare software and information technology in the UK. It operates through three main segments: Primary & Community Care, Community Pharmacy, and Secondary & Specialist Care. EMIS has its roots in a GP clinical software system first developed in 1987. It floated on AIM in 2010. Over the years it has built up strong market positions and is today used by 10,000 healthcare organisations across the UK.

Forecast dividend yield 2.9% | Forward P/E 20.4 | 5-year average CFROI 30% | Market cap. £0.64bn

Manx Telecom



Manx Telecom provides fixed line, broadband, mobile telecom and data center services on the Isle of Man. In the fixed line business, the Group serves almost all the residential and business customers on the Island. It also provides a substantial proportion of the Island's broadband, mobile and data centre services. The Company was formed in 1987 when British Telecom won a licence to operate on the Isle of Man. The business floated on AIM in 2014. The

business has made significant capital investment while maintaining strong cash flows.

Forecast dividend yield 6.8% | Forward P/E 13.4 | 5-year average CFROI 13% | Market cap. £0.21bn

RWS Holdings



RWS is a world-leading provider of intellectual property support services (patent translations, international patent filing solutions and searches), commercial translations and linguistic validation. It has a global client base in industries including legal and financial, medical and pharmaceutical, energy, engineering and telecoms. With a heritage dating back to 1958, it now employs over 1,000 staff around the world. It recently completed the acquisition of Moravia, a leading

provider of technology-enabled localisation services. RWS has been quoted on AIM since 2008.

Forecast dividend yield 1.8% | Forward P/E 23.6 | 5-year average CFROI 33% | Market cap. £1.3bn

Sources: Annual Report & Accounts and websites of companies; Bloomberg; HOLT. Figures as at 30 September 2018. The example companies are in the model portfolio as at 30 September 2018 but may not be in the portfolio at future dates.

Important Information: This fact sheet should be read in conjunction with the Information Memorandum for the Best of AIM service, which is available for download at www.guinnessfunds.com. Issued by Guinness Asset Management Limited, which is authorised and regulated by the Financial Conduct Authority. Registered office: 14 Queen Anne's Gate, London, SW1H 9AA. Registered in England & Wales No. 4647882. We will record telephone calls for compliance