

Guinness Best of AIM

Factsheet: 2nd Quarter 2019

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 changes 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 AIM market overall was steady in the second quarter of 2019 after the strong recovery in the first quarter. The Best of AIM portfolio rose 1.5% over the quarter, compared to a 2.1% gain for the Numis Alternative Markets index (both on a total return basis). The portfolio is up slightly (1.3%) since inception in December 2017, outperforming the benchmark Numis index (-8.8%) by 10 percentage points.

The cash takeover of Manx Telecom closed in the quarter and we replaced it in the portfolio with Character Group, a designer and distributor of toys, details of which are overleaf.

Elsewhere in the portfolio there were good earnings announcements, and dividend increases, from several of our companies. The exception was Staffline which had a disastrous quarter after a series of problems delayed results and required an equity-raising at a steep discount. This came as a grave disappointment from a company that has reported high cash returns every year since it floated in 2004. We are applying for allocations in the open offer and will keep the holding under close review.

Some key portfolio measures are set out in the table below. It is notable that the average cash-flow return on investment (CFROI) of our portfolio companies over the last 5 years was 27.4%. This compares favourably with the corresponding figure for the median FTSE 100 company, which was 10.8%.

Performance

	Since inception	2018	H1 2019	Q2 2019
Guinness Best of AIM portfolio TR	+1.3%	-9.5%	+11.2%	+1.5%
Numis Alternative Markets index TR	-8.8%	-17.5%	+8.8%	+2.1%

Past performance is not a reliable indicator of future returns.

The net performance is the performance of the first investor's portfolio, which commenced on 22 December 2017, including dividends and after deducting all charges (excluding any initial fee).

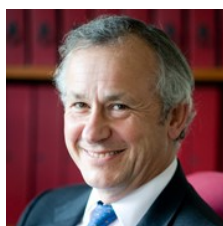
Key portfolio measures

Market capitalisation (average)	£405m
Dividend yield (next 12 months consensus forecast)	3.25%
Price/earnings multiple (next 12 months consensus forecast)	12.8x
Cash-flow return on investment (average last 5 years)	27.4%
Leverage (median net debt to EBITDA)	0.18 (ie net cash)

Sources: Bloomberg; HOLT; Guinness Asset Management. All figures are as at 28 June 2019.

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



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

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Examples of companies in the 'Best of AIM' portfolio

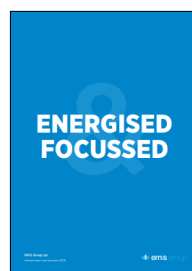
Clinigen Group



Clinigen is a global pharmaceutical group which floated on AIM in 2012. It manages, sells and distributes pharmaceutical products which have associated expiry dates. Segments include Clinical Trial Services; Managed Access; Global Access, which offers ethical access to post-approval medicines; and Speciality Pharmaceuticals, which manufactures and distributes specialist, hospital-only medicines.

Forecast dividend yield 0.80% | Forward P/E 13.3 |
5-year average CFROI 30% | Market cap. £1.3bn

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 2.6% | Forward P/E 24.1 |
5-year average CFROI 25% | Market cap. £0.77bn

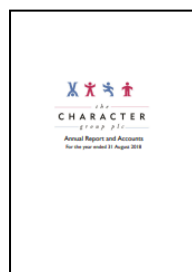
Somero Enterprises



Somero Enterprises, Inc. is a manufacturer of laser-guided equipment for automating the process of spreading and levelling concrete for commercial flooring and other horizontal surfaces, such as paved parking lots. The business was founded in 1985 and floated on AIM in 2006. It has high market shares in its core markets in North America and has grown revenues and cash flows consistently.

Forecast dividend yield 6.3% | Forward P/E 10.3 |
5-year average CFROI 31% | Market cap. £0.16bn

Character Group



The Character Group is the UK's largest independent toy company. The business designs, manufactures and distributes toys and games, many produced under licence and based on popular television, film and digital characters. Top performing brands include Peppa Pig, Little Live Pets, Stretch, Mashems, Teletubbies, Soft 'n Slo Squishies and Cra.Z.Slimy. The business was started in 1991 and floated in 1995; the founders are still involved with the business.

Forecast dividend yield 5.1% | Forward P/E 11.1 |
5-year average CFROI 20% | Market cap. £0.12bn

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 3.8% | Forward P/E 14.4 |
5-year average CFROI 12% | Market cap. £0.11bn

RWS Holdings



RWS is a provider of intellectual property support services such as patent translations and filing solutions, 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 60 years, it now employs over 2,400 staff around the world. In 2017 it acquired Moravia, a leading provider of technology-enabled localisation services. RWS has been quoted on AIM since 2008.

Forecast dividend yield 1.4% | Forward P/E 28.9 |
5-year average CFROI 34% | Market cap. £1.8bn

Sources: Annual Report & Accounts and websites of companies; Bloomberg; HOLT. Figures as at 18 June 2019. The example companies are in the model portfolio as at 28 June 2019 but may not be in the portfolio at future dates.

Important Information:

This factsheet should be read in conjunction with the Information Memorandum for the Best of AIM service, which is available to download at www.guinnessfunds.com. Issued by Guinness Asset Management Limited, which is authorised and regulated by the Financial Conduct Authority. Registered office: 18 Smith Square, London, SW1P 3HZ. Registered in England & Wales No. 4647882. We will record telephone calls for compliance purposes.