

Guinness Best of AIM

Factsheet: 1st Quarter 2020

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

Portfolio commentary

After a strong start to 2020, stock markets around the world fell sharply in March with the economic effects of the COVID-19 pandemic becoming apparent. The AIM market was especially weak in the second half of March, with some panic selling in thin markets hitting prices hard. The share prices of companies seen as vulnerable were particularly affected. The Best of AIM portfolio was down 34.7% in the quarter, behind the benchmark index, which was down 28.7%.

All 20 stocks in the portfolio fell over the quarter with a wide range of performance. SaaS groups EMIS (-6.1%) and DotDigital (-6.7%) were most resilient. By contrast, Morses Group (-71.7%) and M&C Saatchi (-74.7%), both with specific problems as well as business exposure to a recession, slumped. We made no changes to the model portfolio during the quarter.

Six of the portfolio companies reported final results in the quarter, of which five raised their dividends (one by means of a special dividend) and the other postponed its decision. Subsequently, because of the uncertain outlook, three of the announced dividends were deferred or cancelled in order to retain cash within the business.

The key portfolio measures (below) show that, historically, the portfolio companies have achieved, on average, a persistent high cashflow return on capital, with no net borrowings. The consensus p/e and dividend yield forecasts are included, but note that many brokers' forecasts have subsequently been significantly reduced or withdrawn, so these metrics should be read only as an indication of how attractively priced the portfolio companies appear if one assumes that they are able to survive and prosper beyond the COVID-19 recession.

Performance

	Since inception	2018	2019	Q1 2020
Guinness Best of AIM portfolio TR	-33.8%	-9.5%	+11.3%	-34.7%
Numis Alternative Markets index TR	-31.5%	-17.5%	+14.7%	-28.7%

Past performance is not a reliable indicator of future returns.

The performance is that 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)	£286m
Dividend yield (next 12 months consensus forecast) *	7.9%
Price/earnings multiple (next 12 months consensus forecast)*	7.3x
Cash-flow return on investment (average last 5 years)	29.4%
Leverage (median net debt to EBITDA)	-0.15 (ie net cash)

Sources: Bloomberg; HOLT; Guinness Asset Management. All figures are as at 31 March 2020.

*Consensus forecasts are compiled by Bloomberg from a range of brokers' estimates as at 31 March 2020. Forecasts may not be achieved and the outcomes may differ materially from the forecasts. **In particular, because of the effects of the COVID-19 crisis, in many cases brokers' forecasts of earnings and dividends have subsequently been cut significantly or withdrawn altogether.** 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
Consultant

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

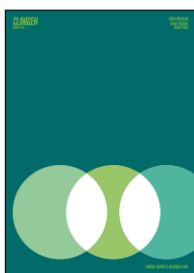
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Examples of companies in the 'Best of AIM' portfolio

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 1.5% | Forward P/E 7.2 | 5-year average CFROI 29% | Market cap. £719m

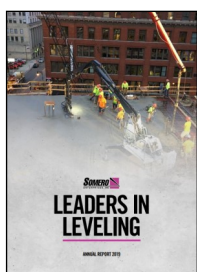
EMIS Group



EMIS provides healthcare software and information technology in the UK. It has leading positions in its key markets. EMIS operates through two divisions: EMIS Health which provides systems for GPs, community care and A&E; and EMIS Enterprise which serves pharmacies and provides patient apps. EMIS has its roots in a GP clinical software system first developed in 1987. It floated on AIM in 2010.

Forecast dividend yield 3.2% | Forward P/E 22.0 | 5-year average CFROI 25% | Market cap. £658m

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. Headquartered in Fort Myers, Florida, it has high market shares in its core markets in North America.

Forecast dividend yield 9.8% | Forward P/E 6.3 | 5-year average CFROI 32% | Market cap. £101m

Judges Scientific



Judges Scientific specialises in acquiring and developing a portfolio of UK-based scientific instrument businesses. Judges seeks to acquire well-established businesses with a strong commercial position in niche world markets. Its businesses are in areas such as imaging, measurement, coatings and heating and cooling rigs. The company was floated on AIM in 2003 and has acquired 17 businesses to date.

Forecast dividend yield 1.4% | Forward P/E 25.8 | 5-year average CFROI 27% | Market cap. £261m

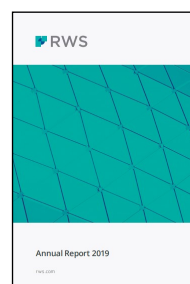
Nichols



Nichols is a soft drinks business. Its leading brand is Vimto, which was first exported to India in the 1920s and is now sold in 85 countries in a variety of formats. The Company also sells brands such as Levi Roots and Sunkist in the UK. It operates an outsourced production model. The business was founded in 1908 by the current Chairman's grandfather, and has been on the London stock market since 1986, transferring to AIM in 2004.

Forecast dividend yield 3.1% | Forward P/E 17.7 | 5-year average CFROI 32% | Market cap. £443m

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 2,500 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 2.1% | Forward P/E 19.9 | 5-year average CFROI 36% | Market cap. £1,262m

Sources: Annual Report & Accounts and websites of companies; Bloomberg; HOLT. Figures as at 31 March 2020. Note that, in many cases, because of the effects of the COVID-19 crisis, brokers' forecasts of earnings and dividends have subsequently been cut significantly or withdrawn altogether. The example companies were in the model portfolio as at 31 March 2020 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.