



AIM QUARTERLY REVIEW

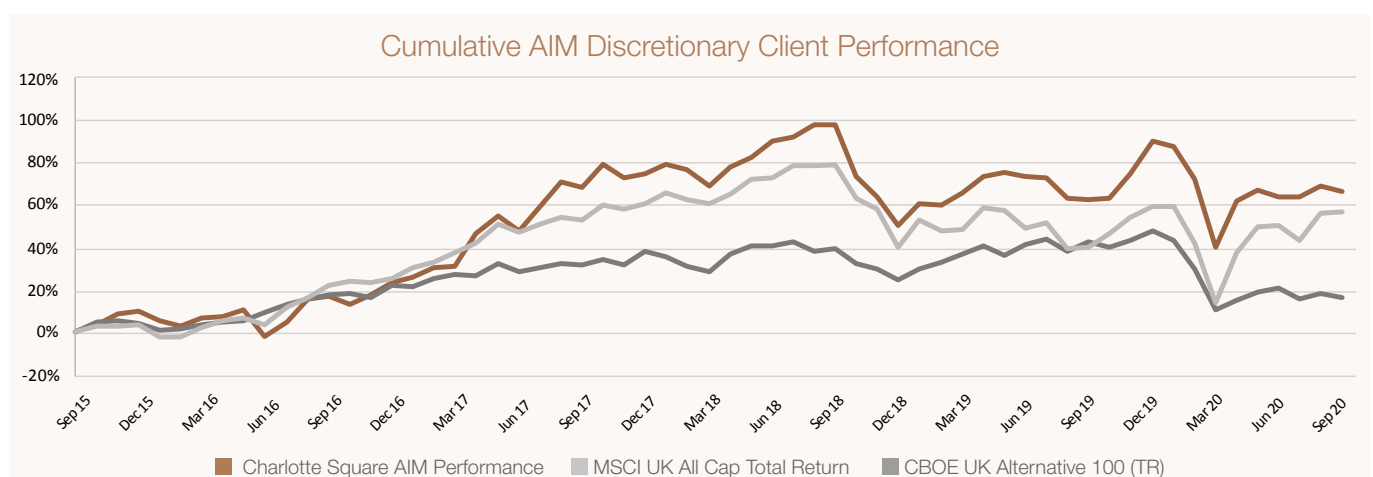
QUARTER THREE | TWO THOUSAND AND TWENTY

UK equities underperformed other global equity markets during the quarter, with the MSCI UK All Cap index falling by 3.46% during the period. Despite their greater exposure to the domestic economy, smaller companies outperformed. The CBOE UK Alternative 100 TR index returned 4.43%, while our AIM portfolios produced a return of 1.58% during the period.

We wrote last quarter about some pockets of market euphoria which had appeared in the AIM market, such as hydrogen stocks and certain online retailers, and this mispricing continued in some names during the recent period. ASOS for example (the largest company listed on the AIM index), generated a return of over 50% during the period and currently trades on a lofty valuation of over 40x earnings. This was despite the company warning on trading conditions during the period ahead, with reference to the ongoing financial hardship because of the pandemic for its key customer demographic (20-something year olds). Naturally, this price movement flattered the index's performance figure over the recent quarter. In fact, with ASOS accounting for over 10% of the benchmark, if we were to exclude this one stock, the benchmark's returns would have been negative during the period.

While the global economy bounced back sharply in response to the easing of COVID-19 restrictions earlier in the year, rising infection rates led governments to reintroduce restrictions as the quarter progressed, threatening the recovery. Brexit angst returned as the UK government attempted to amend elements of its withdrawal agreement from the European Union, signed earlier in the year.

As with previous quarters, our aim is to maintain a degree of balance in the portfolios between structural growth companies and those with a greater degree of cyclicality. Typically, there is a significant disparity in valuation between structural growth and cyclicality, favouring the latter. Although future developments relating to the pandemic and Brexit are not clear, our belief is that a combination of well capitalised cyclical positions will help hedge against positive news flow in these areas, while our structural growers continue to deliver on their earnings theses and so drive performance.





AIM QUARTERLY REVIEW

QUARTER THREE | TWO THOUSAND AND TWENTY

Charlotte Square Discretionary AIM Clients	MSCI UK All Cap Total Return	CBOE UK Alternative 100 Total Return
Monthly Volatility 5.8%	Monthly Volatility 3.6%	Monthly Volatility 5.8%

Total Return	Charlotte Square Discretionary AIM Clients	MSCI UK All Cap Total Return	CBOE UK Alternative 100 Total Return
3 Months	1.6%	-3.5%	4.4%
1 Year	2.3%	-18.1%	11.7%
3 Years	-1.2%	-11.5%	2.6%
5 Years	65.5%	16.2%	56.3%

Source: Charlotte Square, CS Investment Managers and Raymond James data as at 30/09/2020

Top 10 Holdings	%	Sector	Overall Sector Breakdown as at 30 September 2020
Gamma Communications	8.4	Telecommunications	
Keywords Studios	6.8	Support Services	
Ideagen	6.3	Software and Computer	
Sureserve Group	6.1	Support Services	
GB Group	5.1	Software and Computer	
Caretech	4.7	Healthcare Equipment	
Begbies Traynor	4.6	Support Services	
Smart Metering Systems	4.2	Support Services	
RWS Holdings	4.0	Support Services	
Renew Holdings	3.9	Construction & Materials	

Source: Charlotte Square, CS Investment Managers and Raymond James data as at 30/09/2020

Performance numbers are indicative, drawn from a stylised aggregate portfolio constructed from individual discretionary AIM Portfolios managed by Charlotte Square and CS Investment Managers. The figures are calculated on a monthly basis, net of the Annual Management Charge and additional Dealing Charges, and are adjusted for cash contributions and withdrawals. Please note that the performance of individual portfolios may vary due to factors such as the portfolio size, stock selection and timing of investment transactions. AIM investments can be illiquid in nature and carry a higher degree of risk than other securities and are not, therefore, suitable for some investors. **The AIM Portfolio should be regarded as a higher risk, long term investment managed on a discretionary basis. We would strongly recommend seeking independent tax and financial advice before taking any action.**

CONTACT

Joe Capaldi | Investment Manager | Email: jcapaldi@charlotte.eu.com
 Charlotte Square, Investment Managers, 43 Charlotte Square, Edinburgh, EH2 4HQ | Tel: 0131 624 7709
www.charlotte-square.com



Important Information: Opinions constitute our judgement as of this date and are subject to change without warning. This investment product may not be suitable for all investors. The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your initial investment. Tax benefits and allowances described in this factsheet are based on current legislation and HM Revenue & Customs practice and depend on personal circumstances. These may change from time to time and are not guaranteed. Where an investment involves exposure to a foreign currency, changes in rates of exchange may cause the value of the investment, and the income from it, to go up or down. Past performance is not a reliable indicator of future results and forecasts are not a reliable indicator of future performance. Neither Charlotte Square, CS Managers Ltd, CS Investment Managers, Raymond James nor any connected company accepts responsibility for any direct or indirect or consequential loss suffered by you or any other person as a result of your acting, or deciding not to act, in reliance upon any information contained in this document. Before contemplating any transaction, you should consider whether you require advice from your financial adviser. Charlotte Square is a trade name of Raymond James Investment Services Limited (Raymond James) utilised under exclusive licence. Raymond James is a member of the London Stock Exchange and is authorised and regulated by the Financial Conduct Authority. Registered in England and Wales No. 3779657. Registered Office Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY. CS Investment Managers is a trade name of CS Managers Ltd, 43 Charlotte Square, Edinburgh EH2 4HQ. CS Managers Ltd is authorised and regulated by the Financial Conduct Authority.

RAYMOND JAMES®

CS8 1020