Canaccord Genuity Wealth Management

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IHT Model Portfolio

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Paul and his team manage CGWM's MPS models and inheritance tax portfolios. He has been with Canaccord Genuity since 2001 and is a Chartered Fellow of the Chartered Institute for Securities and Investment.

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Natalie works alongside Paul, specialising in AIM IHT portfolios. She has been with Canaccord Genuity since 2017 and has been involved with the management and administration of IHT portfolios since 2013. Natalie is an Associate of the Chartered Institute for Securities and Investment.

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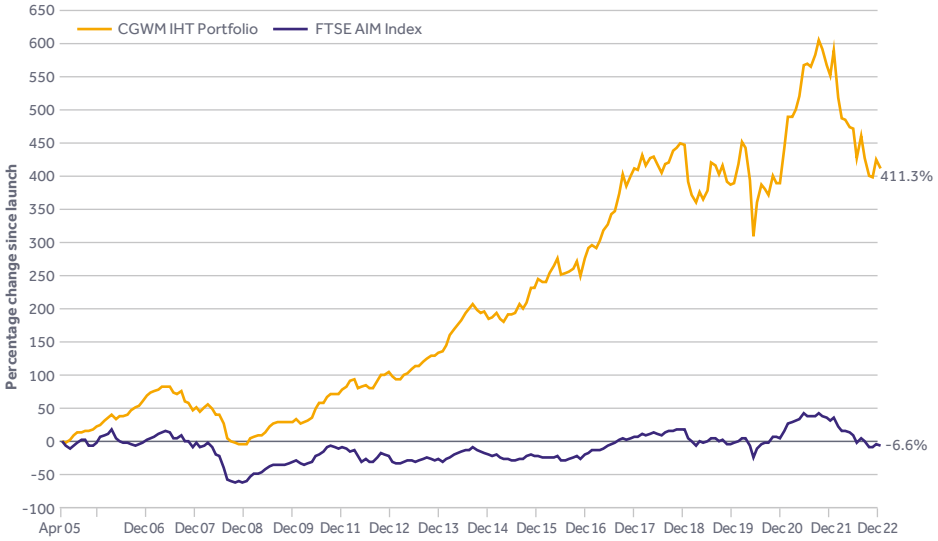
Investment objective

The Canaccord Genuity Wealth Management (CGWM) Inheritance Tax Portfolio Service is designed to reduce a potential inheritance tax liability by investing on the Alternative Investment Market (AIM) of the LSE and was launched on 12 April 2006. The current inheritance tax rules and tax treatment of AIM shares may change in the future. Clients should discuss their financial arrangements with their own tax adviser before applying as the value of any tax reliefs available is subject to individual circumstances.

Performance since inception (01/04/2005)



Risk and volatility since inception (%)

	IHT Model	AIM All-Share
Annualised volatility	**+14.7%**	**+19.7%**
Peak to trough loss	**+48.0%**	**+68.0%**

Source: Canaccord Genuity Wealth Management (CGWM). Capital return, gross of fees and charges.

Maximum historic loss: This is the maximum loss from peak to trough in an investment's history. The figures are indicative and will depend on circumstance.

Annualised volatility: Risk is measured by the variability of performance. The higher the standard deviation, the greater the variability (and therefore the risk) of the Fund or the Index.

Specific risks of the IHT portfolio service investing in AIM-listed companies include the potential volatility and illiquidity associated with smaller capitalisation companies. There may be a wide spread between buying and selling prices for AIM-listed shares. If investors have to sell these shares immediately they may not get back the full amount invested, due to the wide spread. AIM rules are less demanding than those of the official list of the London Stock Exchange, and companies listed on AIM carry a greater risk than a company with a full listing. The current inheritance tax rules and tax treatment of AIM shares may change in the future. In addition, investors must be prepared to hold their shares in AIM-listed companies for a minimum of two years or these assets will be considered part of their estate in the IHT calculation.

Investment involves risk.

The value of investments and any income from them can go down as well as up and you may not get back the amount originally invested.

Past performance is not a guide to future performance.

Figures represent the performance of a model portfolio, investors should note that individual account performance may differ.

Levels and bases for taxation may change.

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Portfolio Manager commentary

In the fourth quarter of 2022, the Canaccord Genuity AIM portfolio increased 2.2% against the FTSE AIM Index which rose by 3.6% and the FTSE All-Share Index which increased by 8.9%. Over the long term the performance of the portfolio remains significantly ahead of the AIM and FTSE All-Share indices reassuring us that our methodology continues to meet its' objectives.

2022 was a year to forget for global equity markets for many reasons. As the world emerged from the COVID-19 crisis, companies found their costs rose significantly due to supply chain challenges. Inflation surged and central banks were forced to act by raising interest rates, pushing their economies towards recession. This was exacerbated when Russia invaded Ukraine in February, contributing to rising inflation as energy prices surged. Investors fled equities due to concerns over rising costs and increasing interest rates. They were unable to find a safe haven, however, as bonds delivered negative returns and cash was unattractive, with inflation in double figures.

At present it is uncertain how long and deep the global recession will be. The Bank of England has confirmed that the UK is in recession and that it will be a long slowdown. On a positive note, they believe it should be a shallow one. The portfolio, however, has significant global exposure and therefore is not fully dependent on what happens in the UK.

Equity markets tend to move ahead of economies. Markets have fallen for some time as investors have priced in uncertainty and recession; they also tend to recover before economies do, as investors price in a return to growth. The FTSE AIM Index peaked on 6 September 2021 and we are now 16 months into a bear market; since 1960 the average bear market has lasted approximately 18 months.

In 2022, several companies in the portfolio were taken over for cash at significant premiums relative to their share prices at the time. In the UK, smaller company share price to earnings ratios are at their lowest since the credit crunch in 2009. Both are positive indications that value exists in the market. Company results, overall, have been encouraging amid difficult trading conditions. The next few months will be important for company news, as we should get a better understanding of the effects of increasing interest rates and high inflation on trading. Should we start to get positive news, equity markets may turn quickly as investors seek to lock in this value.

Our investment philosophy has always focused on profitable companies with strong cash generation and solid balance sheets. We are confident that our investment approach will help to mitigate the effects of this turbulence over the longer term.