



O-IM

AIM Portfolio
2022 Annual Review

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4% Alpha certainly feels better in up markets...

I must admit I didn't ever think I would be penning an annual review with the underlying conclusion "good news we're down nearly 30%!" but then again 2022 wasn't a normal year for the global economy and the AIM market was not immune. Our positioning and approach ensured we avoided the worst of the falls and we are confident that heading into 2023 the portfolio will continue to demonstrate its value.

A Year to Forget...

2022 is a year most investors would like to forget. Following the pandemic boom, consistent government support and uninterrupted central bank monetary policy, inflation became a very sticky problem made worse by Russia's invasion of Ukraine. Major indices ended 2022 in the red, with a relative bright spot for the FTSE 100 thanks to its energy, commodity, and consumer staples weighting. With recession looming and the doom rhetoric growing louder you would be forgiven for expecting another red year in 2023 but there are reasons to be optimistic, just not unrealistic. We discuss this further in our [2023 Outlook](#).

Portfolio Changes

Despite the underlying volatility in global markets (particularly prevalent in AIM) the case for our underlying portfolio companies has been consistent. Across the year we have added two additional portfolio names; Volex in February and CVS Group in June.

Volex is one of the most exciting boring companies you've never heard of – they make cables. Despite not sounding like the most interesting company in the world, Volex is in a prime position to benefit from a number of structural growth trends (electric cars, digitization) and, unlike the obvious beneficiaries of these trends, the company is reasonably priced at 15 x earnings.



CVS employs the largest number of vets of any UK based veterinarian. The company is now trading at a forward PE around 20, which represents good value given that the firm has consistently recorded YoY revenue growth due to increased demand, opening of new practices and strategic acquisitions. CVS holds a strong leadership position in a large and rapidly growing market with strong ambitions to continue its expansion, gain market share whilst also improving their balance sheet strength.

We naturally reduced holdings across the board to accommodate the two additional portfolio names; Watkin Jones was reduced more than most as the outlook for UK residential property looked murky, AMS and EKF were likewise reduced as the impact of the Covid-19 pandemic faded in the rear-view mirror.

Performance for the portfolio across 2022 was relatively resilient, especially so given the portfolios investment style. In all my years investing in the AIM market I haven't seen one like the one we've just seen, hopefully 2023 will see a return to more normal markets and our quality GARP investment process will show its true merits.

Period	O-IM AIM Portfolio	FTSE AIM 100	Difference
31/01/2022	-10.06%	-12.22%	2.16%
28/02/2022	-6.41%	-4.63%	-1.78%
31/03/2022	-0.45%	0.89%	-1.34%
30/04/2022	-3.29%	-3.96%	0.67%
31/05/2022	-1.63%	-4.33%	2.70%
30/06/2022	-11.14%	-10.82%	-0.32%
31/07/2022	11.82%	7.52%	4.30%
31/08/2022	-7.82%	-5.67%	-2.15%
30/09/2022	-10.88%	-8.63%	-2.25%
31/10/2022	-0.18%	0.29%	-0.47%
30/11/2022	9.11%	5.93%	3.18%
31/12/2022	-0.82%	-3.19%	2.37%
2022	-29.70%	-34.04%	4.34%



Portfolio Metrics

An end of a calendar year is of course an opportune time to review of some of the key illustrative metrics of our holdings against the broader market:

Sustained and Sustainable Revenue Growth		
	Portfolio	AIM Market
Revenue 3 Yr CAGR	28.14%	22.32%
Revenue 5 Yr CAGR	60.20%	24.63%
Return On Capital Employed	14.51%	9.88%

Source: Refinitiv

Strong Margin and Cash Flow Generation		
	Portfolio	AIM Market
Gross Margin	33.07%	negative
FCF Yield	1.94%	2.03%

Source: Refinitiv

Balance Sheet Strength		
	Portfolio	AIM Market
Current Ratio	2.63	4.83
Total Debt To Enterprise Value	14.40%	17.92%

Source: Refinitiv



Reasonable Price		
	Portfolio	AIM Market
Forward P/E	18.65	76.36
Enterprise Value To EBITDA	11.83	13.92

Source: Refinitiv

Looking ahead we believe the portfolio is exceptionally well positioned to perform well over the medium to long term. We don't look to speculate in short term market movements; rather to invest in long-term quality portfolio companies that we believe in.

The O-IM AIM portfolio remains an attractive investment opportunity in its own right and is even more compelling when considering its potential benefits in estate planning to help mitigate inheritance tax at a market leading fee.

Here's hoping that 2023 is a year to remember!

All the best,

Matthew Hull, CFA, MCSI
Lead Investment Manager – AIM Portfolio Service