



Rathbones Specialist Tax Portfolio Service (STPS)

Business relief (inheritance tax relief) mandates - Q3 2025 Report

Solid operational performance across the portfolio, but market dynamics and sector exclusions impacted short-term returns.

- 22 companies reported results; average revenue and profit growth of 14%
- 8 companies exceeded expectations; a few revised down forecasts due to US uncertainty
- Relative performance impacted by strong index contributions from mining, uranium, and oil and gas
- Standout contributors: NIOX, Everplay, Uniphar
- Detractors: Nichols, Cohort – despite strong fundamentals

Confidence in portfolio company growth prospects but mindful of investor sentiment ahead of the Budget.

Two steps forward, one step back

The past three months have been a busy period, with 22 portfolio companies reporting either

full-year or half-year results. Using preferred portfolio weightings, these businesses delivered average revenue and adjusted profit growth of 14%, reflecting strong strategic and operational execution across the portfolio.

While most results were in line with expectations, eight companies exceeded forecasts or prompted upgrades to future estimates. A few, however, revised down near-term growth expectations, often due to volatility and uncertainty in the US market.

Despite this solid operational backdrop, portfolio performance has trailed the FTSE AIM All Share (“AIM”) index over the quarter as much of the index’s performance was driven by sectors generally excluded from Business Relief (“BR”) portfolios. At the end of June, the gold price had risen 27% since the start of the year. That march has continued, and it ended the third quarter up some 46% year-to-date, putting it on course for its biggest annual gain since 1979. Metals & Mining, alongside Uranium and Oil & Gas companies, accounted for more than half of the positive index contributions in the period.

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Looking beyond short-term dynamics, we remain confident in the long-term prospects of our holdings, which continue to demonstrate robust fundamentals and attractive growth trajectories.

A tale of two companies

Although more portfolio companies have exceeded expectations than have disappointed, the latter are currently being punished far more severely than the former are rewarded. Two examples of this are **Craneware**, whose software helps U.S. hospitals protect their revenue and reduce billing errors, and **Warpaint**, which designs and sells affordable, high-quality cosmetics to major retailers.

Craneware's AI-enhanced platform draws on data from over 200 million patient encounters across 12,000+ U.S. healthcare sites. Its competitive moat is built on this data scale, alongside deep integration with hospital systems, and strategic partnerships with the likes of Microsoft. Recent full-year results showed 9% revenue and 24% profit growth, prompting forecast upgrades for future periods. Despite a 12% post-results rally, the shares have now fallen back to pre-update levels -- which, incidentally, is 11% below Bain Capital's possible offer from earlier this year that "fundamentally undervalued" the enterprise according to management. We believe the outlook for Craneware has never been better.

Warpaint, on the other hand, revised down FY25 expectations due to subdued consumer confidence in the UK, the administration of a customer (Bodycare), and US uncertainty. To put this in context, revenue still increased by 8% in the period, the group increased its interim dividend per share by 14%, and full-year profit is expected to be down by just 7% with growth resuming thereafter. The market reaction to this was severe, with shares marked down by some 42%, the price to its forecasted earnings multiple falling from 15 times to less than 10 times, and the dividend yield now nearly 6%. That level of income is reminiscent of a large, mature company rather than one that stands to significantly grow revenue and profits in the years ahead.

Contributors

NIOX develops and sells non-invasive devices that help doctors diagnose and manage asthma. Recent results surpassed expectations due to a particularly strong performance from its

Research division, which saw revenue more than double on increased use of the company's preferred technology in pharmaceutical trials. This performance reinforces NIOX's position as a critical enabler of next-generation respiratory therapies. With expanding Asthma related trial pipelines, and the growing role of this technology in drug development, we look forward to further progress in due course.

Video game developer and publisher **Everplay**'s recent results came in ahead of market expectations, driven by strong trading momentum, the initiation of a maiden dividend, and confirmation that performance for its full year in 2025 is tracking above upgraded forecasts. Both existing titles and new releases performed well, with the group's Hell Let Loose franchise a standout performer after its release on a gaming platform saw a 90% year-on-year increase in concurrent users.

Uniphar is a healthcare services company that helps pharmaceutical, and Medical Technology manufacturers bring their products to market and improve patient access to medicines across Europe and globally. The group grew strongly across all three of its divisions and registered a 21% increase in adjusted earnings per share. Management reiterated ambitious longer term financial goals given execution so far and we would back the team to reach their targets.

Detractors

Shares of soft drinks company and Vimto brand owner **Nichols** drifted lower over the past three months despite solid first half results. While the UK "Packaged" division delivered a robust 3.7% revenue increase and African sales surged 16.9%, overall group revenue rose just 1.8%, held back by a 53% drop in Middle East sales due to Ramadan falling earlier in the calendar year last year, meaning more shipments to the region in the second half of 2025. The strategic shift to higher margin concentrates in Africa and improved operating margins were positives, but investors appear to be awaiting clearer signs of acceleration before re-rating the stock.

Cohort makes sophisticated equipment and software that help armed forces to communicate, detect threats, and stay secure. The group's shares have performed well over the past year or so but fell back this quarter. This sell-off looks overdone

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given the company's strong fundamentals and outlook. The group has secured over £60m in new contracts since April, lifting its order book to over £590m. This means some 90% of expected full-year revenue is accounted for just five months into the year. Full-year guidance remains unchanged, and management remain optimistic about winning significant new orders given demand "from both domestic and export customers".

Conclusion

The past few years have been a difficult and frustrating period for AIM IHT investors. Throughout this period, we have often been struck by the disconnect between strategic execution and profitable growth on the one hand and lagging share price performances on the other. It's no coincidence that this disconnect in equity value coincides with heightened overseas private equity interest – a clear signal that others see attractive

value in our companies at these prices.

With capital outflows weighing on sentiment and valuations across the smaller company universe, we hope the government – which frequently champions its growth agenda – avoids introducing further disincentives to investment or increasing the cost of doing business at its November Budget.

With the exception of a small number of companies navigating business specific challenges, the overall health of the portfolio remains strong. These are exciting, often world-leading growth companies, executing their strategies with discipline and ambition. While capital may currently favour overseas markets or gold, our companies are still patiently growing earnings and building long-term value. We believe this will be recognised in time and continue to believe that our preferred companies are undervalued at current levels.

To set up a meeting or to find out more about Rathbones' additional offerings, please get in touch with our intermediaries service desk on 020 7399 0399 or email stps@rathbones.com
For more information, please visit: [rathbones.com](https://www.rathbones.com)

Portfolio strategy

Rathbones STPS invests in profitable AIM-traded companies that offer both attractive multi-year growth prospects and relief from Inheritance Tax. We seek out strong business models and durable competitive advantages, which typically translate into high profit margins over time. This bottom-up stock selection approach favours highly visible revenue streams in growth markets with little direct exposure to the consumer.

Alternative Investment Market (AIM)

The AIM set out in 1995 to provide smaller, growing companies with earlier and more efficient access to the public markets - a 'growth escalator'. The combined market cap of constituents totalled £68.41 billion in September 2025, up from £63.35 billion in June.

Benchmark

In the third quarter of 2025, the FTSE AIM All-Share Index returned 2.0%. Rathbones uses this as a benchmark for Specialist Tax Portfolio performance but not all AIM shares qualify for Business Relief, limiting its relevance to this tax-advantaged portfolio strategy.

Risk

Investing in AIM-listed companies is high risk and may not be suitable for all investors. You could lose all of your investment. Past performance is not a reliable indicator of future performance.

RATHBONES

Rathbones Group Plc is independently owned, is the sole shareholder in each of its subsidiary businesses and is listed on the London Stock Exchange.

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