RATHBONES

Rathbones Specialist Tax Portfolio Service (STPS)

Business relief (inheritance tax relief) mandates - Q3 2026 Report

Portfolios remained broadly ahead year to date following another positive quarter, building on the momentum of the previous three months. This progress is particularly encouraging given the continued outflows from UK equities, as investors have favoured larger international companies and overseas megacap opportunities.

Holdings that reported results delivered average sales growth of 7.6% and dividend growth of 9.4% during the quarter, while only four of 28 trading updates resulted in downgrades. Despite this, many companies continue to trade at valuations that do not reflect their underlying progress.

Encouragingly, we have seen signs of that gap narrowing this year. In recent months, performance has broadened, businesses have raised significant growth capital[1] supported by strong institutional demand, new companies are listing, and buyers continue to acquire AIM businesses at substantial premiums to prevailing share prices.

Contributors

Shares in video games developer and publisher **Everplay** rose strongly over the quarter after new releases Hell Let Loose: Vietnam and Wardogs materially exceeded expectations, selling over one million and three million copies respectively by the end of September[2]. The success of both titles prompted significant upgrades to earnings forecasts and reinforced the value of two of the group's key franchises.

Strong interim results supported a positive quarter for **Restore**, with organic revenue growth of around 11%, improving margins and robust cash generation. Its Technology Lifecycle business delivered double-digit organic growth. Synertec, which was acquired in March 2025, continued to perform strongly, and management reiterated expectations for full-year profits to be at least in line with market forecasts.

[1] 260813-H1-2026-AIM-MARKET-UPDATE-Allenby-Capital.pdf
[2] Everplay trading update 30 Sept 2026

Any views and opinions are those of the investment managers and should not be taken as financial advice or a recommendation. The value of investments and the income from them can go down as well as up and you may not get back what you originally invested. Past performance is not a reliable indicator of future performance.

NIOX develops diagnostic devices used in the management of asthma and other airway diseases. The shares responded positively to interim results and the announcement of a £12.5m tender offer returning excess cash to shareholders. Demand for the new NIOX PRO platform continues to build ahead of expected US and Japanese approvals, while the company's dedicated US sales force is now fully deployed. Together, these developments should support future growth.

Detractors

Cerillion supplies billing and customer management software to telecommunications operators. The shares fell after the company reduced earnings guidance, with several large customer projects taking longer than expected to progress through implementation and therefore delaying revenue recognition. Despite the setback, demand for Cerillion's software remains robust and the company continues to win market share in the telecommunications sector.

US healthcare software provider **Craneware** saw its shares weaken despite delivering results in line with revised guidance, as management adopted a more cautious outlook for FY27 following ongoing disruption from changes to the US 340B drug pricing programme and the potential impact of a recent cyber incident on sales cycles.

For automotive testing specialist **AB Dynamics**, a profit warning weighed on the shares after management cited delays to customer procurement decisions, disruption to vehicle development programmes and logistics challenges linked to the Middle East conflict. Despite these near-term challenges, the company retains a strong net cash position and continues to benefit from long-term trends towards greater vehicle testing, automation and safety requirements.

Portfolio developments

During the quarter, **Volex** completed its move to the Main Market[3], while **Jet2** announced plans to follow suit.[4] As Main Market shares do not qualify for Business Relief, we are exiting these positions. We believe AIM is nearing the end of a trend that has seen a number of larger companies move to the Main Market. This should reduce portfolio turnover and help restore a healthier balance between companies joining and leaving the market.

The takeover of **Advanced Medical Solutions** is due to complete in the coming quarter,[5] subject to satisfaction of the remaining conditions, while **Eleco** became the subject[6] of a takeover approach from private equity firm Accel-KKR. Together with the elevated level of strategic activity highlighted earlier, these developments reinforce our view that many AIM companies remain fundamentally undervalued and attractive to both trade and financial buyers.

We have identified attractive replacement opportunities for capital released through these transactions and look forward to sharing them once we have built our positions.

Stewardship

As active owners, we engage with portfolio companies on behalf of clients to help protect and enhance the long-term value of their investments. Working closely with our Stewardship team, we discuss governance and risk management issues where we believe improvements could benefit shareholders.

Recently, we engaged with several portfolio companies. In one example, our discussions on board accountability and shareholder rights contributed to the introduction of annual director re-elections, increasing directors' accountability to shareholders.

We also engaged with a company to better understand how it manages cyber security risks. Its response provided additional detail on risk management, employee training, cyber insurance, reporting practices, and board oversight. This gave us greater reassurance that cyber security is receiving appropriate attention across the business.

These engagements demonstrate how active ownership can encourage stronger governance and risk management at the companies in which we invest, helping to support long-term outcomes for clients.

[3] London Stock Exchange welcomes Volex to the Main Market - Welcome Story At London Stock Exchange | London Stock Exchange
[4] AGM Statement & Intended Move to the Main Market | Company Announcement | Investegate
[5] Page 4 section 8 Rule-2.7-announcement.pdf
[6] Source: Accel-KKR Recommended Cash Offer for Eleco plc - Eleco plc

The specific securities described are for informational purposes only and should not be considered investment recommendations.

Why AIM continues to play a key role in the UK, and the UK funding continuum

AIM plays an important role in helping growing UK businesses access capital at a critical stage of their development. According to the *London Stock Exchange's Shaping the Future of AIM*[7] discussion paper, AIM companies contributed £35.7 billion of Gross Value Added to the UK economy in 2023, supported more than 410,000 jobs and generated £5.4 billion in corporation tax revenues.

Recent reforms to the AIM Rules, the most significant in over 20 years, should make it easier for companies to list, raise capital and pursue acquisitions, reinforcing AIM's role within the UK funding market. While investor sentiment towards UK smaller companies remains subdued, AIM continues to provide access to entrepreneurial businesses with the potential to become the successful larger companies of the future. Many of today's leading UK-listed growth companies began their journey on AIM, and we remain optimistic about the long-term opportunities available across the market.

Outlook

Q3 was a useful reminder that value can remain hidden for a long time, but not forever. Investor demand remains selective, yet several holdings experienced significant share price rerating's during the quarter as the market increasingly recognised their operational progress and underlying strengths. Performance over the past six months has been noticeably stronger, and we believe considerable opportunity remains across our portfolios as we head towards the year-end and beyond.

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

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 capitalisation of AIM constituents stood at £63.2 billion in September 2026, compared with £62.3 billion in June 2026.

Benchmark

In the third quarter of 2026, the FTSE AIM All Share Index increased by 2.5%. 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.

[7] Discussion Paper - Shaping the Future of AIM

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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