CS INVESTMENT MANAGERS

VIEW FROM THE SQUARE

October 2024

“Invest, invest, invest”

That is the message from UK Chancellor, Rachel Reeves, as we approach Labour’s first budget for 14 years later this month.

While October marks one year since the outbreak of the conflict in the Middle East, which continues to be a geopolitical risk to markets, our attention is both firmly on protecting our clients' portfolios and avoiding being caught up in the rumour mills of the Budget.

Ms Reeves will be well aware the fallout that a poorly managed budget can have (viz Liz Truss), and after pledging not to raise Income Tax, National Insurance or VAT, she will be all too careful about what promises are delivered and how they are funded.

There has been much speculation about what changes may or may not be made and we will avoid adding further fuel to the opinions of others. However, one area we do feel justified in commenting on is the Alternative Investment Market (AIM) and the potential reduction in or removal of Business Relief. This is an area of the market where we have delivered consistently strong returns for our clients while meeting potential Inheritance Tax needs.

Simply put, we believe that the removal of Business Relief from AIM shares would be a clear contradiction to the Government’s agenda of investing in the UK and could have a significant effect on an area of the market that is crucial to future employment and economic growth in the UK.

In a recent report from Grant Thornton referring to the Labour Government’s mission to support the economy through the creation of jobs and productivity growth, they noted that “if AIM is to play a part in this, the Government needs to ensure that the comprehensive and well-calibrated package of fiscal incentives and reliefs is maintained.”

We fully endorse this and believe that Ms Reeves should reiterate a commitment to companies trading on AIM. If, as we expect, there will be limited changes, then this would remove a layer of uncertainty for AIM companies and allow them to continue contributing strongly to the future growth of the UK. Furthermore, as we continue to move through the current interest rate easing cycle, we see the recovery of UK smaller companies against global peers in its infancy.

Although this is only one of the areas in which we invest, both directly for our AIM portfolio service and across our bespoke portfolios, this presents a strong opportunity in this sector for growth, regardless of the fiscal benefits.

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