

WM Capital AIM Portfolio Service – Quarterly Review (Q126)

AIM Market Summary

The FTSE AIM All-Share Index recorded a total return of -6.2% during Q1 2026, as geopolitical tensions and renewed inflation concerns weighed heavily on risk assets and smaller companies in particular. The performance divergence between large and small caps widened further: the FTSE 100 delivered a positive return of +3.4% over the quarter. Sector sentiment remained fragile across domestically exposed growth stocks, with smaller companies bearing the brunt of a broader investor retreat as geopolitical shocks intensified through the quarter, culminating in a sharp drawdown of approximately 11% over a three-week period in February and March.

Primary market activity remained very subdued, with just one IPO completing on AIM during the quarter, Halo Minerals, a mining listing, reflecting the broader reluctance among companies to debut amid elevated volatility and uncertain valuations. Across the wider London market, only two listings completed during the quarter. Geopolitical instability and a broader reassessment of technology and AI-related valuations weighed on confidence among prospective issuers, though a healthy pipeline of potential listings, including several notable fintech names, is expected to come to market in the second half of 2026 if conditions stabilise.

The macro backdrop offered little support during the quarter. The Bank of England held the base rate at 3.75% following its February and March meetings, pausing what had been a series of reductions through 2025. Although further cuts had been anticipated earlier in the year, renewed inflationary pressures stemming from Middle East conflict and rising energy costs have pushed expectations for any further easing into the second half of 2026 at the earliest. UK CPI stood at 3.0% in the twelve months to February 2026, though Bank of England projections suggest inflation may edge higher in the second and third quarters as conflict-driven energy price rises feed through. Looking ahead, a sustained recovery in AIM will likely depend on stabilisation in the geopolitical environment and a clearer path for interest rate cuts.

Growth Model Portfolio

Strongest TR Performance:

Cohort (+34.6%) advanced strongly during the quarter, supported by continued momentum in its defence-focused businesses and a robust order book. The group secured a €42m contract with the Portuguese Navy in March, adding to a series of contract wins that underline the structural tailwinds from increased defence spending across Europe. Although no fresh trading update was published in the quarter, the order book continues to provide strong forward revenue visibility and the investment case remains firmly intact.

Gooch & Housego (+25.8%) rallied following a positive trading update for the first half of FY26, in which revenue grew 9.1% to £81.9m and the order book expanded 16.5% to £167.3m. Growth was driven by strong demand from Aerospace & Defence customers alongside a recovery in semiconductor and industrial laser markets. Management confirmed the full year remains in line with expectations, and the combination of order book growth and improving end-market conditions underpinned a significant re-rating during the quarter.

Weakest TR Performance:

Craneware (-30.3%) fell despite reporting a solid set of half-year results in March, with revenue up 6% to \$105.7m and adjusted EBITDA growing 10% to \$33.4m, representing a margin of approximately 32%. Annual recurring revenue reached \$184m, with net revenue retention remaining above 100% and customer retention above 90%. The decline appeared to reflect broader market pressure on technology and software valuations rather than any deterioration in the underlying business, which continues to compound growth through its high-quality SaaS model.

Next 15 Group (-29.5%) weakened over the quarter despite a January trading statement indicating that FY26 performance was expected to be in line with market expectations, supported by robust trading into the end of 2025. The share price decline reflected continued sector-wide pressure on marketing and communications businesses, with investors remaining cautious on the growth outlook for the broader industry.

Dividend Model Portfolio

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Kitwave (+32.4%) received a recommended takeover bid from a private equity investor in January at a 34% premium to the market share price. Given the strong support from Kitwave's Board of Directors meaning the takeover was very likely to complete, the position was exited from the portfolio.

Weakest TR Performance:

Gateley Holdings (-31.9%) continued to retreat following December's half-year results, which had shown underlying profit before tax falling 10.8% to £9.5m despite revenue growth, with the operating margin narrowing to 9.2% from 10.5%. No new trading update was published during Q1 2026, leaving investors focused on the margin compression and balance sheet movements reported at the interims. The next catalyst is expected to be the full-year results or a pre-close trading update later in the year.

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Responsible Growth Model Portfolio

Strongest TR Performance:

Volex (+8.4%) was the standout performer in the portfolio, buoyed by a strong nine-month trading update in January that showed organic revenue growth of 14.8% to \$902.7m. Demand from data centre and AI infrastructure customers was particularly strong, complemented by continued momentum in industrial technology and electric vehicles. Margins came in at the upper end of the group's 9–10% target range, and management guided for full-year revenue ahead of consensus expectations.

Cerillion (+6.1%) held up well during a difficult quarter for smaller companies, underpinned by the strength of its most recent results. Full-year FY25 figures published in November showed revenue up 4% to £45.4m and adjusted EBITDA growing 11% to £23.1m, with a margin of 50.9%. The order intake grew 25% and the backlog rose 21% to £56.9m, while a record pipeline of £275m positions the business well for FY26. The company's high-margin, cash-generative model and net cash position of £34.4m supported relative resilience during the quarter.

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Kitwave (+32.4%) performed well during the quarter, with the delivered wholesale specialist continuing to demonstrate resilience through its acquisitive growth strategy and focus on margin management in an inflationary environment. No fresh trading update was published ahead of the quarter end, with the next scheduled statement anticipated later in 2026, but the shares recovered meaningfully from prior weakness. The position was exited during the quarter following a recommended cash takeover bid, with the portfolio accepting the offer proceeds.

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