



AIM Inheritance Tax Managed Stockbroking Service Portfolio

Key Features

This Key Features Document provides important information about the Balkerne Asset Management AIM Inheritance Tax Managed Stockbroking Service Portfolio and is designed to help you make an informed choice about your intended investment. This document does not in itself constitute the provision of advice or make any assumptions as to the suitability of the investment for you.

Prior to investing in the Balkerne Asset Management AIM Inheritance Tax Managed Stockbroking Service Portfolio you should consult with your Financial Adviser.

Balkerne Asset Management is a trading style of Capel Court Plc which is authorised and regulated by the Financial Conduct Authority (No.154146)

KEY FEATURES of our AIM Inheritance Tax Managed Stockbroking Service Portfolio (AIM IHT MSS)

Its aims and objectives

- ◆ The Balkerne Asset Management AIM IHT MSS is a discretionary portfolio management service designed for investors wishing to shelter part of their estate from Inheritance Tax with a minimum of **£50,000** to invest.
- ◆ The main aim of using an AIM IHT MSS is to secure Business Property Relief (or Business Relief (BPR)) against inheritance tax for private individuals by investing in a range of qualifying companies.
- ◆ An AIM IHT MSS provides an alternative solution (e.g. to setting up a trust) for individual investors to obtain full IHT relief after 2 years whilst enabling them to maintain control of their assets

Risk factors

- ◆ **The AIM IHT MSS is a discretionary managed portfolio of 20 to 40 holdings and has the Investment Objective of capital appreciation with a Higher Risk Profile.**
- ◆ **The value of your AIM IHT MSS, and any income from it, is not guaranteed and you may not get back the amount invested. Past performance is not necessarily a guide to future returns.**
- ◆ **If you cancel your AIM IHT MSS, you may get back less than the amount you originally invested due to the application of charges and adverse movements in the market.**
- ◆ **If you decide to cash-in your AIM IHT MSS, particularly in the early years, you may get back less than the amount invested because of the application of charges and adverse movements in the market.**
- ◆ **Charges and fees taken from capital may constrain the capital growth of your investment. Where charges and fees are taken from income, and where there is insufficient income to meet such charges, any balance will be taken from the capital. If you decide to take a regular income from your Account where the amount of income paid to you is greater than the income received into your AIM IHT MSS, any balance will be taken and paid out from the capital. Any of these scenarios, over time, may have a negative impact on the value of your investment, especially during adverse or challenging market conditions.**

Your eligibility and commitment

- ◆ Your Financial Adviser will tell you whether or not you are eligible to invest in an AIM IHT MSS and how much you can invest.
- ◆ You should view this as a long-term investment and should plan to keep it until your death in order for relief from inheritance tax to apply.

Your investment

- ◆ The Balkerne Asset Management AIM IHT MSS will invest in qualifying investments which are those that benefit from Business Property Relief (or Business Relief (BPR)) at the time of purchase. We cannot, however, provide any guarantees or assurances that such investments are, or will remain, as qualifying investments.
- ◆ The level of income that your Balkerne Asset Management AIM IHT MSS will generate depends on the dividends, interest and the other income received from investments in the MSS.
- ◆ You can choose whether you would like to have income paid out, directly to your bank account, or reinvested to add to the value of your investment.
- ◆ The date, frequency and amount of income paid out or reinvested varies. Details are given later in this document.

Suitability

- ◆ This portfolio should be viewed as a long-term investment and is suited to clients whose aim is to shelter their capital from Inheritance Tax. In the short term the extent and style of exposure to the Alternative Investment Market (AIM) could produce considerable fluctuations in the value of their investment. Clients must understand that this strategy is a much higher risk than other strategies in the expectation of more tax efficient rewards, which even then may not occur due to factors such as adverse market conditions. Portfolios may be unbalanced and opportunistic in nature. Investors should be aware that the value of their investments, and the income from them, may rise and fall throughout the term of the investment and returns are not guaranteed.

Investment Policy

- ◆ To achieve the objective by investing in qualifying investments which are those that benefit from Business Property relief (or Business Relief (BPR)) at the time of purchase. We cannot, however, provide any guarantees or assurances that such investments are, or will remain, as qualifying investments.

Asset Allocation Guideline

- ◆ AIM Qualifying Investments 100%

Strategy

- ◆ The team at Balkerne Asset Management seek to identify undervalued companies or those that offer growth at a reasonable price; a dual strategy that should serve investors well over the medium to long-term. Our investment style is towards the 'value' end of the investment spectrum rather than the speculative which aims to mitigate the downside risk to capital whilst retaining good upside potential. The focus on capital preservation means an avoidance of more speculative and volatile companies in favour of sustainable business models that are better served to deliver shareholders returns across various market cycles. Having identified companies that are suitable for inclusion in the AIM IHT MSS they will be added to the portfolio as opportunities arise with regular reviews thereafter. Company shares are sold if they are moved to the main market, become ineligible due to a takeover, their prospects deteriorate, or our analysis determines that the shares have become expensive and better relative value can be found elsewhere. No guarantees can be given that HM Revenue & Customs will grant BPR on each investment selected. As such each investment is considered in good faith to be a company qualifying for BPR, but it may not be or may cease to be.

Systems

- ◆ Our resource systems include Thomson Reuters Eikon, Alpha Terminal, Research Houses and various publications, all of which provide in-depth analysis of markets, pricing, fundamentals and charts which assist in the process of stock selection.

Administration and Reporting

- ◆ Once portfolios have been constructed, they are reviewed on a regular basis. Individual investments are monitored daily, and each portfolio is analysed quarterly for structure, asset allocation, stock weightings, performance, income and risk requirements. Contract notes and an explanation of the transaction are despatched following the execution of a trade with quarterly valuation reports being issued which list individual holdings and their performance over the quarter period.

QUESTIONS AND ANSWERS

1 What is AIM?

AIM (formerly known as the Alternative Investment Market) was launched in 1995 and is a sub-market of the London Stock Exchange. The net market capitalisation of all companies listed on AIM is approx. £78bn (LSEG AIM Factsheet Jan 2024).

AIM is primarily intended for young and growing companies and provides an ideal environment for these businesses to access the capital and liquidity of the London markets.

AIM offers a lower cost and more flexible regulatory framework which is designed specifically for the needs of growing companies.

The size of companies listed on AIM varies greatly, with many companies having a market capitalisation of just a few million pounds. There are 744 companies listed on AIM, with 177 valued at over £100 million (LSEG AIM Factsheet Jan 2024).

2 What investments are allowed in an AIM IHT MSS?

The only investments permissible within an AIM IHT MSS are known as 'Qualifying Investments' which are shares in a Company which constitute 'relevant business property' under the Inheritance Tax Act, section 105(1)(bb) and section 105 (3).

An AIM IHT MSS must be fully invested into 'Qualifying Investments' at all times. Any monies in the Cash Account will only be held on a temporary basis pending the purchase of those qualifying investments.

NOTE that each 'Qualifying Investment' MUST be held for a minimum period of 2 years from the date of investment to become exempt from inheritance tax

3 What is Business Property Relief?

Any share in a Company that is unquoted, carries on a qualifying trade and has been held for 2 years or more at the date of death, will benefit from 100% Business Property Relief i.e. its value is effectively disregarded for IHT purposes.

Shares in Companies traded on AIM are currently recognised as 'unquoted' shares for tax purposes.

Not all shares listed on AIM will qualify for BPR. Essentially the AIM listed Company needs to be a 'trading' Company, meaning that its business must not be wholly or mainly that of:

- Dealing in securities, stocks and shares
- Dealing in land or buildings
- Making or holding investments (unless that of a market maker or discount house)

BPR will not be available to the extent that the Company has any assets that:

- Have not been used wholly or mainly for the business in the previous 2 years (or since acquisition if shorter); or
- Are not required for the future use of the business

BPR is assessed by HMRC on a case-by-case basis when an investor dies and as such we cannot provide any guarantees or assurances that such investments are, or will remain, as qualifying investments.

4 What is Replacement Property?

If shares in a Company are sold the proceeds can be re-invested into shares in another qualifying Company to maintain the relief from IHT provided that:

- a. The whole of the proceeds have been used to purchase the replacement shares, and
- b. The original and replacement shares have been held for a total period of at least 2 years out of the last 5 years.

If the shares have been inherited from a spouse, then the spouse's period of ownership can be added to the period held by the new investor, in computing the 2-year holding period.

5 What is the minimum initial investment level?

The minimum initial investment level is **£50,000** for lump sum investments.

6 Can I make additional investments?

You can make additional investments into your AIM IHT MSS at any time subject to a minimum amount of **£10,000**.

7 Will my AIM IHT MSS provide me with income?

You can elect to have income paid directly to your bank account. Alternatively, you can elect to have income reinvested to add to the value of your holding.

8 How much income will be paid or reinvested?

You decide on the amount of income that you will receive.

Income paid directly to your bank account may either be a fixed amount as decided by you or a variable amount which depends on the dividends, interest and other income received from the investments in your AIM IHT MSS.

Income reinvested in your AIM IHT MSS depends on the dividends, interest and other income received from the investments in your AIM IHT MSS.

9 When is income distributed/reinvested?

Income received into your AIM IHT MSS throughout the year is accumulated. Where requested, you may have income paid to your bank account either:

1. As a variable amount, each quarter on the 18 January, 18 April, 18 July and 18 October.
2. As a fixed amount decided by you each quarter on 18 January, 18 April, 18 July and 18 October.
3. As a fixed amount decided by you on 18 of each month

You should bear in mind that the amount paid to you as a fixed amount each month or quarter may be greater than the amount of income received into your AIM IHT MSS by way of dividends, interest and other income. Where this happens, the balance will be taken from the capital. This scenario, over time, may have a negative impact on the value of your investments, especially during adverse or challenging market conditions.

10 Can I be sure how much my AIM IHT MSS will be worth at any time in the future?

NO. The value of your AIM IHT MSS is determined by the value of the stocks it invests in.

You should bear in mind that the value of your stocks will vary from day to day. Past performance is not necessarily a guide to future performance. Shares and asset prices can fall as well as rise and you may not get back the amount you originally invested.

11 How am I kept informed about my AIM IHT MSS?

Valuation Statements will be sent to you every quarter within 21 days of 31 March, 30 June, 30 September, and 31 December using our Valuations Online Service which is accessed via our website www.balkerneassetmanagement.com. Login credentials will be sent to you for this purpose.

In addition, you will be sent an annual statement as at 05 April (issued by the end of June), including where applicable, a Consolidated Tax Voucher, full cash, dividend and transaction statements and a Capital Gains Tax report, all via the Valuations Online Service.

12 What happens to my AIM IHT MSS if I move abroad?

Clients living overseas may hold investments in the AIM IHT MSS and you can continue to hold your portfolio if you move abroad. You must, however, notify us in writing of your new mailing address, quoting both your new and old addresses.

13 How can I take my money out?

You can cash in part or all of your investment at any time. If you cash in part of your investment, the remaining value of your AIM IHT MSS must be above the minimum investment level of **£50,000**.

To withdraw monies from your AIM IHT MSS you should advise the Portfolio Manager in writing. All withdrawals will normally be paid to you within 10 working days from the date of receipt of your written instructions.

Where a withdrawal of monies from your AIM IHT MSS results in the value of your Portfolio falling below our minimum investment level, Balkerne Asset Management reserves the right, and at its sole discretion, to close your Portfolio by liquidating the remaining stocks and on completion of all sales to forward you the proceeds within 10 working days, subject to giving you at least one month's notice in writing.

14 How will charges and expenses affect my investment?

There is an Initial Charge of 1.5% for making the first and subsequent lump sum investments into the Balkerne Asset Management AIM IHT MSS. There is also an Annual Management Charge (AMC), which is charged quarterly in arrears, and is based on the value of an individual portfolio as at 31 March, 30 June, 30 September and 31 December. The AMC is 1.5% pa plus VAT.

In addition, dealing charges relating to the buying and selling of 'Qualifying Investments' are levied at the following scale:

1.25%	on the first	£ 7,500
0.75%	on the next	£12,500
0.50%	thereafter	

The Company will retain the difference between the above scale and lower dealing charges. Other mandatory charges, e.g. Panel of Takeovers & Mergers Levy (£1.50 when consideration is £10,000 or greater on equity and investment trust trades) will be applied when applicable.

Balkerne Asset Management are required to expedite their regulatory and administrative responsibilities for compliance and transaction/portfolio reporting (daily, monthly, quarterly or half-yearly as required) to industry regulators, you and other authorised entities (e.g. SIPP providers) for which an Annual Compliance Charge (ACC) is levied against each individual investment portfolio at the following rates:

Portfolio Value of up to £100,000	£40 plus VAT (£48)
Portfolio Value of £100,000 and over	£80 plus VAT (£96)

The ACC is based on an individual investment portfolio valuation as at 31 December.

15 How much will any advice cost?

For arranging this transaction, we will pay your adviser an initial adviser remuneration charge, based on the amount you have invested, as per your instruction on the adviser-agreed remuneration form. We will also pay a portfolio-based ongoing adviser remuneration charge, quarterly in arrears, based on the value of your investment per annum, as per your instruction on the adviser-agreed remuneration form.

16 What happens if I close my AIM IHT MSS?

If you close your AIM IHT MSS completely, the stocks will be sold. The proceeds and any cash held within your MSS will normally be paid to you within 10 working days from the date of receipt of your written instructions. You may also be entitled to a further payment for items such as income distributions, tax repayments and interest accrued during the term of the AIM IHT MSS but not received until after the proceeds have been paid to you. Any such further payment will be sent to you normally within four months of receipt of your notice to close the AIM IHT MSS. On closure, disposals will be subject to our normal dealing charges and any outstanding management fees will be debited to the Portfolio up to and inclusive of the date of closure. There will be no refund, in whole or part, in regard to the Annual Compliance Charge.

17 Can I transfer an existing portfolio from another provider to the Balkerne Asset Management AIM IHT MSS?

Yes. Portfolios from other providers can be transferred to the Balkerne Asset Management AIM IHT MSS using the MSS Transfer Application form.

If you transfer a portfolio to us from another provider, you will not receive a cancellation notice from us, which means you will not have the option of immediately transferring your new AIM IHT MSS portfolio on again to another investment manager. You may however choose to have your AIM IHT MSS portfolio proceeds returned to you, though this may lead to you getting back less than was transferred if the market has fallen in that time.

Upon receipt of your completed Transfer Application form we will contact your existing Portfolio Manager to arrange the transfer of stock and cash and contact you once the shares and cash have been received (this may take up to 20 working days to complete).

You may continue to receive income from your investments with your existing Portfolio Manager(s) after the date of transfer. This income will either be forwarded to us by your existing Portfolio Manager(s) or paid by them directly to you according to your agreement with them.

AIM portfolio transfers will be made in stock (in specie).

18 Can I transfer my Balkerne Asset Management AIM IHT MSS to another provider?

Yes. You may transfer your AIM IHT MSS to another AIM Portfolio Manager where they agree to such a transfer.

Following receipt of your written instructions and acceptance from the new Portfolio Manager we will transfer the account investments (without selling the stock i.e. in specie) to the Portfolio Manager of your choice.

Transferring the portfolio investments in specie are subject to a charge of £25 +VAT per holding, plus Nominee costs as applicable. Any outstanding management fees will be debited to all portfolios transferred to another provider up to and inclusive of the date of transfer. There will be no refund, in whole or part, in regard to the Annual Compliance Charge.

19 What happens if I die?

Any cash held in the portfolio at the time of death will not qualify for IHT relief.

The required 2-year holding period applies to each individual investment and not the portfolio as a whole.

Qualifying investments that have been held for at least 2 years, and are still held at the time of death, can be passed to beneficiaries free of Inheritance Tax. In the event that BPR is not, or is no longer, applicable on an investment, that investment will be liable and subject to Inheritance Tax at the prevailing rate.

Until your executor's instructions and Grant of Probate or Letters of Administration are received, your investment will continue to be subject to market movement.

Upon the request of your executors or appointed administrators, Balkerne Asset Management will collate and produce a portfolio valuation specifically for probate purposes for which there will be a charge as detailed in our Schedule of Charges and Costs of our Services.

Balkerne Asset Management will only act upon the written instructions and signed authority of ALL executors and/or administrators to the estate.

FURTHER INFORMATION

Cancellation Rights

Cancellation rights do not apply.

Tax

You will be liable to any tax on capital gains made within the AIM IHT MSS above your personal allowance.

You are liable to income tax on dividends/income received in your AIM IHT MSS.

The purchase of AIM shares is exempt from Stamp Duty, saving 0.5% of the purchase value.

This information is based on current legislation and HM Revenue & Customs practice. Legislation and tax practice may change in the future.

Tax regulations are complex and are subject to interpretation by HM Revenue & Customs. There is a risk that stocks may not qualify for BPR or that the rules may change and the levels and basis of relief from taxation may alter or disappear. Furthermore, the tax status of Companies can change.

The value of any tax relief will depend on the individual circumstances of the investor. Potential investors are recommended to seek professional advice about the tax implications for their particular set of circumstances.

Cash held in the AIM IHT MSS

An AIM IHT MSS must be fully invested into 'Qualifying Investments' at all times. Any monies in the Cash Account will only be held on a temporary basis pending the purchase of those qualifying investments.

Any interest arising on cash held in your AIM IHT MSS pending investment or payment to you will be credited to your account gross, as prescribed by HM Revenue & Customs.

Buying and selling Qualifying Investments

The underlying investments which make up your AIM IHT MSS are bought and sold by the Portfolio Manager who has total discretion as to the timing of such transactions.

The Balkerne Asset Management AIM IHT MSS will invest in qualifying investments which are those that benefit from Business Property Relief (or Business Relief (BPR)) at the time of purchase. We cannot, however, provide any guarantees or assurances that such investments are, or will remain, as qualifying investments.

Money Laundering

We reserve the right to carry out any money laundering checks as may be required by regulations.

Law

This investment is governed by the Law of England and Wales.

RISKS OF AIM COMPANY SHARES

Investment in Companies listed on AIM are only suitable for investors whose Attitude to Risk is such that they wish and can afford to be exposed to **HIGH RISK** investments. Investors should only contemplate investing in AIM shares if they can sustain a loss of the capital committed.

Investors should be aware that investment in AIM Companies carries a higher risk than Companies on the main market of the London Stock Exchange.

AIM Companies are subject to lighter regulatory requirements than Companies listed on the London Stock Exchange main market when listing and reporting. It may be difficult to obtain reliable information as to the value and the risks to which the shares are exposed.

Shares in AIM Companies may be difficult to sell and Market Makers may not be prepared to trade in them.

Investment in AIM Companies should be considered as a long-term investment i.e. at least 5 years.

Share price volatility can typically be greater in Smaller Companies and the volatility of the AIM Market is higher than the London Stock Exchange main market.

Investment Risk Health Warning

The value of investments can go down as well as up and, as a consequence, the value of your portfolio at any given point in time cannot be guaranteed. Upon withdrawal or transfer of your portfolio you may not realise the sum originally invested. Past performance cannot be relied on and is not necessarily a guide to future returns.

Balkerne Asset Management

1 Balkerne Hill, Colchester, Essex CO3 3FG
Freephone 0808 200 0808

www.balkerneassetmanagement.com

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