

Downing AIM Estate Planning Service

Investor guide

Key points

- ▶ Inheritance tax (IHT) relief after two years.
- ▶ Capital growth targeted from a portfolio of at least 20 companies traded on AIM.
- ▶ Downside Protection Cover, covering a loss in the value of up to 20% on your net initial investment, on death up to the age of 90 for a minimum of the first two years.

Please see key risks overleaf.

The Downing AIM Estate Planning Service enables you to obtain Inheritance Tax (IHT) relief on your subscription after only two years by owning a discretionary managed portfolio of companies whose shares are traded on the AIM market.

The IHT issue

Currently, taxable estates worth more than £325,000 (the 'nil rate band') are subject to 40% IHT. Between April 2017 and April 2021, the government is bringing in an additional allowance which applies to the family home, called the Residence Nil Rate Band. This allowance starts at £100,000 per person and will increase over four years to £175,000 per person. Therefore by 2020/21, the total value of an estate that may be left to direct descendants free of IHT will be £500,000 per person (or £1 million for a married couple or those in a civil partnership) subject to conditions.

However, with house prices increasing¹ and the nil rate band frozen until 2021, more people than ever could be affected by an IHT charge. Traditional options to mitigate IHT – such as complex trusts and gifts – can lead to losing control of capital, and could require you to live up to a further seven years to obtain full IHT relief on your estate.

¹Source: Land Registry House Price Index, November 2016.

Investment strategy

The Service is a flexible IHT solution which allows you to obtain up to 40% IHT relief after only two years, by owning a portfolio of shares in AIM-quoted companies (so long as the shares are held at death).

In addition to the IHT benefits, the Service aims to generate capital growth from the underlying companies (although please note this is not guaranteed).

To help spread risk, your funds will be invested across at least 20 companies from several different sectors. The investments will be selected predominantly through analysis of balance sheets, the sustainability of margins and cash flow yields, and through meetings with management.

Downside Protection Cover

We have arranged a group policy that is designed to reduce the impact of loss to you during a minimum of the first two years before your investment qualifies for IHT relief. In the event of death under the age of 90, it covers a loss in value of up to 20% on your net initial investment.

The maximum payout under the Downside Protection Cover is £100,000, which is equivalent to an approximate investment of £500,000. Please read the relevant product literature for further details.

Performance

Each investor has their own portfolio and, therefore, there are no "Fund" performance figures. We operate a model portfolio and each client portfolio will typically hold similar stocks. The discrete performance figures below have been compiled from the first client portfolio under the Service and is based on the total return (value of the investments plus cash and including income).

Net discrete performance of the Service (%)				
	31/12/2015	31/12/2014	31/12/2013	31/12/2012
	31/12/2016	31/12/2015	31/12/2014	31/12/2013
Service	4.80	9.98	12.64	32.53
Index	12.01	8.58	-4.79	30.93

Date of inception is March 2012. *Index: NSCI plus AIM ex. Investment Companies. The net performance is after deducting all charges apart from any initial fee or personal taxation. The Index is shown for illustrative purposes only and is not considered directly comparable to the performance of this Service. Source of Service data: Brooks MacDonald. Source of Index data: Thomson Reuters. **Past performance is not a reliable indicator of future performance.**

Our Public Equity team

The Service is managed by our experienced Public Equity team, who take the time to diligently research companies, their competitive landscapes and management teams to find the most attractive investment opportunities. An integral part of the investment process is the Investment Committee, which draws on over 100 years of combined investment experience to provide oversight on new investments and portfolio management. The team is headed by Judith MacKenzie, a Citywire-AAA rated fund manager² who manages the Service in the same style as our F.E. Five-Crown rated³ Micro-Cap OEIC.

²For the 3 year risk adjusted performance to 31/03/2017, source:

Citywire. ³For the 3 year period to 31/03/2017, source: Trustnet/F.E.



Investment example: Tracsis PLC



Tracsis PLC provides transport software solutions that automate and optimise the process of labour scheduling for rail and bus services. Since investment, Tracsis has acquired related businesses to help extend its technology and is currently working on converting users of its US pilot programmes into long-term clients.

We were attracted to the rail industry, which is currently benefitting from a period of significant investment, as well as the long-term nature of the company's software licenses (approximately 10-15 years) underpinning earnings.

Service details & charges

- ▶ **Minimum subscription:** £50,000 (no maximum).
- ▶ **Initial charge:** 2%.
- ▶ **Annual management charge:** 2% p.a. plus VAT.
- ▶ **Adviser charges:** initial and ongoing, adviser charges may be facilitated through the Service.

These charges are listed on the basis that no commission is payable to the intermediary (e.g. where advice has been provided). Please refer to the relevant product literature for full details of charges.

Applications will only be accepted if introduced by an FCA authorised intermediary.

Risk factors

By investing through the Service, investors place their capital at risk. Investors should read the full list of risk factors set out in the relevant product literature and take appropriate financial advice before investing. Set out below are some of the key risks:

- ▶ **Tax reliefs are not guaranteed:** the IHT relief referred to in this guide is described in accordance with Downing's interpretation of current legislation, rules and practice, which are subject to: (i) change in the future; and (ii) personal circumstances. IHT relief will not be available if the investor has not held shares for at least two years at the date of death.
- ▶ **You cannot rely on past performance:** past performance is not a guide to future performance and there is no guarantee that the Service's objectives will be met. The value of investments and the income derived from them may go down as well as up and investors may not get back the full amount invested.
- ▶ **The insurance policy is not guaranteed:** the insurance policy is a Downing group policy, paid for by Downing. It is renewable each year and there is no guarantee that it will remain in place throughout the term of an investor's investment.
- ▶ **There may not be sufficient IHT companies to invest in:** there is no guarantee that sufficient investments in IHT-qualifying companies will be made or that all investments made through the Service will qualify for IHT relief. In addition, investee companies that initially qualify for IHT relief may subsequently cease to qualify. In such cases, the IHT relief could be lost.
- ▶ **Your shares may be difficult to sell:** although the Service will seek to provide access to capital at any time (subject to liquidity), investee companies may be significantly more volatile and be materially less liquid than many other investments and in particular in comparison to larger securities traded on the London Stock Exchange Official List. Investing in smaller companies, including AIM traded investments, is higher risk than many other forms of investment.
- ▶ **This is a long term-investment:** an investment in the Service should be considered a long-term investment.

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Important notice

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