BLACKFINCH INVESTMENTS

Adapt AIM Portfolios

Brochure

Signatory of:

PRI Principles for Responsible Investment

Where we live, where we invest, is where we **THRIVE**

AWARDED BY ARC FOR COMMITMENT TO TRANSPARENCY 2024

The ARC 3D Award indicates Blackfinch's engagement with ARC's Investment Manager Research Programme and fulfilment of the due diligence criteria. It is not a rating or endorsement of suitability for specific clients but a validation of our commitment to transparency.

Working with leaders of positive change to enable individuals, businesses and communities to thrive.

Our heritage dates back over 25 years, with Blackfinch Investments our first business to launch.

Expertise in tax-efficient, early stage, renewables, and multi-asset investing alongside property finance.

A trusted provider of innovative, flexible solutions.

Benefits of tax-efficient investments are subject to change and personal circumstances.

Welcome to Blackfinch

Blackfinch was founded on evolutionary principles, inspired by the work of Charles Darwin. Our ability to adapt and evolve, and our focus on helping others thrive, are core to how we work.

At Blackfinch Investments, we offer flexible tax-efficient solutions with lower fees, some managed for capital preservation and security and some for good growth potential. We follow sensible strategies to bring value for investors. This includes mitigating Inheritance Tax (IHT) with the Adapt AIM Portfolios.

Clients hold shares in smaller companies listed on the Alternative Investment Market (AIM). These can qualify for Business Relief (BR), which can deliver IHT relief after just two years as long as the investment is still held at the time of death. Investors can keep control over assets while benefiting from firms' return prospects.

Richard Cook
Founder and CEO

An ISA-Friendly IHT Solution

Investors in the AIM market can hold their investments in an AIM ISA. This means that clients can use the Adapt AIM Portfolios for new or existing ISA transfers. So, they get all the tax benefits of an ISA, alongside IHT mitigation and the return potential in AIM.

This is important as some ISAs can store up a potential IHT liability. Investing in the Adapt AIM portfolios can help to reduce this liability on a client's savings, as part of their estate.

Additional Permitted Subscriptions for AIM ISAs

The additional permitted subscription was introduced in 2015. It allows a surviving spouse or civil partner to inherit an ISA allowance and make further subscriptions, alongside their own ISA allowance. These can be up to the value of the deceased's ISA at death, or when the ISA stopped as a continuing account if death was on/after 6th April 2018.

The Alternative Investment Market

The London Stock Exchange (LSE) launched AIM over 25 years ago. For fast-growing smaller companies looking to access public funding it's an alternative to the main stock exchange. AIM has since become the leading market for these firms.

Today, AIM includes around 700 companies, with a combined value of over £70 billion. Many firms also operate internationally. (Source: LSE 2024)

Small Companies, Big Successes

AIM is traditionally associated with smaller companies. Yet over the years many firms in the market have grown. AIM is now home to several sizeable, well-known businesses. For the right investment manager, who knows how to navigate AIM, it's a place to target strong returns.

British Brands on AIM

Jet2

The UK's third largest airline, offering flights and package holidays to more than 65 destinations across Europe, the Mediterranean and the Canary Islands.

Fevertree

The world's leading supplier of premium carbonated mixers, with distribution to over 85 countries worldwide.

YouGov

The international research data and analytics group renowned for UK and US election opinion polling.

Mortgage Advice Bureau

Winner of over 150 national awards for the quality of its mortgage advice service on over £16 billion worth of loans annually.

Embracing Business Relief

The Need for Business Relief

Everyone has an allowance of £325,000, known as the nil rate band, which they can leave to beneficiaries free of IHT. If an individual has more than this, it could be subject to IHT at a rate of 40%. Investments that qualify for BR can help reduce this tax liability.

An Established Route

BR is a well-established relief introduced by the Government in 1976. It allows qualifying business assets or shares to achieve up to 100% IHT relief after just two years. It was put in place to stop small businesses being broken up and sold to pay an IHT bill.

Supporting the UK Economy

BR is available for certain investments, including shares in many AIM-listed firms. Unlike traditional IHT solutions, which can invest globally, clients' money is only invested in these BR-qualifying UK-based firms. This makes for a simpler and quicker process. It also helps to support the UK economy, creating a positive contribution close to home.

Generous Replacement Property Rule

There's also a very helpful rule: when investors sell a BR-qualifying asset, they can reinvest the proceeds in a new BR investment within three years. If the original asset had already been held for the two-year qualifying BR period, then it will qualify for BR immediately.

Interspouse Transfer Rules on Death

If an investor acquires BR shares on the death of their spouse or civil partner, who hasn't held the investment for the full two years, the previous period of ownership will count towards the investor's two-year qualification period. In other words, the investment only needs to go through the two-year BR-qualifying period once.

Making Use of BR-related Relief

In addition to the above, there are other reliefs available that are associated with BR investments. We suggest that potential investors either speak to their adviser or take tax advice to find out more details.

Portfolio Options

Investors can choose from income, growth and mixed options. Whatever they choose, their investment could introduce diversification to their overall portfolio and also offer a swifter route to IHT relief.

Growth Portfolio

This focuses on strong return potential over the medium to long term. The dividends are likely to be small. These are either retained in the account to meet ongoing service costs or reinvested in the portfolio.

Income Portfolio

This focuses on companies with attractive dividend yields. Investors can choose for these to be paid out on a quarterly basis, or dividends can accumulate to be reinvested in the portfolio. We retain a small cash 'float' to meet the cost of the service.

Mixed Portfolio

Offered for clients invested directly with Blackfinch, this gives exposure to the investee companies in both Growth and Income portfolios, and is suitable for investors seeking enhanced diversification. The dividends are expected to be moderate, and are either retained in the account to meet ongoing service costs or reinvested in the portfolio.

Targeting Tax Reliefs and Benefits

The table below illustrates potential tax reliefs and other benefits of using the Adapt AIM Portfolios. Holding any of the portfolio options in an ISA can deliver the greatest range of tax reliefs and benefits, alongside the return potential in AIM.

	Adapt AIM Portfolios	Adapt AIM Portfolios (option held in an ISA)
Tax-free income	✗	✓
Tax-free capital gains	Only up to CGT allowance	✓
IHT relief after two years	✓	✓
Return potential	✓	✓
Proven investment process	✓	✓
Income, Growth and mixed portfolios available	✓	✓
In-specie transfers accepted*	✓	✓

**Please refer to the FAQs on page 16.*

Key Benefits

Speed

Traditional IHT solutions such as gifts or trusts involve investors waiting seven years for full IHT relief. In contrast, once BR-qualifying AIM shares have been held for two years, and if still held at time of death, they're set for up to 100% IHT relief.

Access and Control

Trust planning or gifting often means giving up control of or having less access to money. This can cause problems if personal or tax circumstances change. However, with the Adapt AIM Portfolios, clients have access to their investments at all times.

A Team of Experts

Highly accomplished investment team with a deep understanding of the AIM market, built on decades of experience. The team are supported by the wider Blackfinch Group of investment professionals with multi-disciplinary asset class expertise.

Return Potential

The AIM market attracts many successful and established businesses. With the right investment manager, it offers opportunities for strong returns over the medium to long term.

ISA Eligibility

Investors can hold BR-qualifying AIM-listed shares in an ISA. So, alongside helping to mitigate an IHT liability, the portfolios can deliver ISA tax benefits. These include tax-free dividends and no Capital Gains Tax on any investment growth.

No Stamp Duty

Stamp duty at a rate of 0.5% is no longer charged on AIM share purchases. This can further improve tax efficiency and returns for investors.

Income, Growth and Mixed Portfolio Options

We offer the choice of an Income, Growth or Mixed portfolio. This gives investors the flexibility to choose a portfolio that best suits their investment aims.

Portfolio Diversification

We search all of AIM for the best opportunities, rather than focusing on the largest, most commonly held firms, where valuations could be overinflated. This presents an alternative to providers who may focus solely on such firms. It’s also an opportunity for investors with holdings in those firms to improve overall portfolio diversification.

Potential Savings from Investing

Many investors have accumulated a large ISA pot after years of careful saving and investing. The example below illustrates potential savings on IHT using the Adapt AIM Portfolios. This is while retaining the benefits of the ISA. We've based this example on an estate valued at £950,000 and three different investment amounts. Figures exclude the impact of fees and investment performance.

	No investment	Investment in Adapt AIM Portfolios	Investment in Adapt AIM Portfolios	Investment in Adapt AIM Portfolios
Total value of estate	£950,000	£950,000	£950,000	£950,000
Less £325,000 nil rate band	£625,000	£625,000	£625,000	£625,000
Amount invested in Adapt AIM Portfolios	£0	£100,000	£200,000	£300,000
Amount liable for IHT	£625,000	£525,000	£425,000	£325,000
IHT payable on death (40%)	£250,000	£210,000	£170,000	£130,000
Amount saved	**£0**	**£40,000**	**£80,000**	**£120,000**

The examples above should not be interpreted as a recommendation of the suitability of investing any particular amount. The actual amount invested should be determined by reference to the investor's personal circumstances.

Please note that these examples are an illustration of tax treatment only. No fees or charges are taken into account. And they're based on current legislation. Tax rules and regulations are subject to change and depend on personal circumstances. The examples assume an individual has an unused, nil rate band of £325,000, and excludes the residence nil rate band as well as other reliefs that may be available. Investments must have been held for a minimum of two years at time of death in order to qualify for BR. It's important to remember that the value of an investment may go down as well as up and that an investor may not get back the full amount invested.

Investment Expertise Aligned to Investor Needs

The Blackfinch AIM investment team is responsible for the day-to-day running of the portfolios.

Together, the team construct portfolios of 20-60 AIM-listed companies with a focus on strong, BR-qualifying businesses. The team use their expertise to identify opportunities, and following a disciplined investment process they will assess the business against the same criteria and make the final investment decision before allocating stock to client accounts. The team will also provide ongoing portfolio management and client administration. By overseeing the selection process, and ongoing management, the team are able to ensure the portfolios are curated and maintained with an alignment to the needs of our investors.

Chris Swanepoel CFA
Head of AIM Investments

The AIM team is led by our Head of AIM Investments, Chris Swanepoel. Chris has over 25 years of investment experience specialising in UK smaller companies. His AIM experience includes the launch and subsequent management of both the Barclays and Tatton AIM Portfolio Services. Previously, he was the principal fund manager for the JPMorgan UK Smaller Companies Institutional Fund. He is also a CFA Charter holder and a member of the CFA Society of the UK.

Dr Dan Appleby CFA
Chief Investment Officer (Listed Investments)

Chris is supported by Dan Appleby, Chief Investment Officer (Listed Investments). Dan leads the research and analysis across our range of listed portfolios. Before this, he was Head of Research for Blackfinch Group, and has held Senior Analyst and Investment Manager roles within Blackfinch for our Multi-Asset and Adapt AIM Portfolios. Previously he was a Senior Analyst at Fidelity, working in fair value markets. Dan has worked as an engineer at Intel and holds a PhD in nanoelectronic research. He is also a CFA Charterholder.

Investment Selection Process

We construct each portfolio based on the same screening and assessment process. BR qualification is the key criterion for firms to meet. We work to identify BR-qualifying firms, with strong management teams, that are making money.

Common Features

Long-term sustainable growth

- Recurring revenue
- Broad customer base
- Market growth drivers

Profitable and cash generative

Strong balance sheet

Management

- Capital allocation skill
- Interests aligned with shareholders

Attractive valuation

Growth/Income Options

Growth

Company cashflows reinvested for growth:

- To drive organic growth
- To acquire earnings enhancing targets, if appropriate

Income

Company cashflows paid out as a growing dividend:

- An above-average yield
- Management commitment to dividend

Mixed

A blend of Growth and Income providing enhanced diversification.

Business Relief

BR Qualification

- Investments made in companies that we believe can meet the qualification requirements for BR

Ongoing Reviews Following Investments

- Reviews of each company against relevant BR criteria
- Regular contact with management teams
- Provision of independent advice on BR

Investment Costs*

We’re committed to value for investors, with competitive fee structures and some of the best value charges in the market. Below we outline key costs for each client and adviser to consider. These include intermediary fees as well as our charges. Please note fees will vary per platform.

Stage	Description
Initial Charge	No Initial Charge, 0% entry fee for applications
Annual Management Charge	1.5% per annum on the value of all portfolios
Dealing Fee	1% on the value of the transaction (minimum Dealing Fee £5 per trade)
Custody Fee	0.25%
Minimum Investment	£15,000 this is also the minimum that a client must have invested ahead of making any additions to a portfolio.
Adviser Fees	For advised clients, we can facilitate a choice of upfront or ongoing advice fees agreed with an adviser. We deduct upfront advice fees from the amount invested. In contrast, we deduct ongoing advice fees from the portfolio monthly. Please note that ongoing fees will reduce the net return. Clients can find out more about these fees from their adviser or see the rate card included with the application form.
Introducer Fee	An initial fee of up to 3% may be payable for non-advised applications submitted via an intermediary. An intermediary may also receive an annual fee of 0.5% each year. We would pay this through a deduction from the investor’s portfolio.

**Additional custodian and settlement charges may apply.*

Frequently Asked Questions

Investors can invest on an Advised or Non-Advised basis.

An Advised investor will engage a Financial Intermediary to advise on the suitability of investing in the Adapt AIM Portfolios in light of the investor's investment experience, investment objectives and financial position and Blackfinch will select the specific investments to be purchased with their subscription.

A Non-Advised investor will be introduced to Blackfinch by a Financial Intermediary and Blackfinch will assess the suitability of making investments through the Adapt AIM Portfolios in light of the investor's investment experience, investment objectives and financial position.

Blackfinch never provides tax advice and any assessment of the investor's investment objectives will entail the investor confirming they have either received tax advice or have sufficient knowledge to assess their own eligibility for IHT relief available through Adapt AIM Portfolios.

Where will investments be held?

The Adapt AIM portfolios are currently available via Abrdn, Morningstar, Transact, Ascentric, Platform One, Fidelity FundsNetwork, Succession Investment, Scottish Widows and 7IM platforms. For investments placed via these platforms, the platform will provide custody of the assets. For investments placed directly via Blackfinch, SEI Investments (Europe) Limted, which we have appointed as custodian of the service, will hold assets. The application form includes an agreement for an investor to appoint SEI to this role. SEI will hold the investor's cash and securities. All their investments will be held within its nominee service.

How often is reporting sent out?

We'll send investors a formal valuation of their portfolio every three months. Throughout the year we'll send out a separate contract note for every transaction. After each tax year end, we'll send each investor a consolidated tax voucher listing all dividends, interest and related tax credits received on their behalf.

Can investors make withdrawals from their portfolio?

Yes. The minimum amount for withdrawals is £5,000. Due to the illiquidity of some AIM stocks, it may take a few weeks to complete sales. Under normal market conditions we would expect them to be completed within two weeks.

Do investors have to pay tax on withdrawals?

For any assets held outside ISAs, tax may be payable on income and capital gains. Income Tax will be charged at the prevailing rate whatever way the income is distributed. CGT will be charged on any gains in excess of an investor's annual exemption (net of accumulated capital losses).

What happens when an investor dies?

If the portfolio has been invested in BR-qualifying firms for at least two years, holdings should qualify for 100% IHT relief. The estate's executors will make a claim to confirm eligibility for BR. At this point, they may instruct us to sell the assets or continue managing the portfolio on behalf of the investor's beneficiaries, or it can be transferred into the beneficiaries' names, post the Grant of Probate. If an investor dies within two years of share ownership, the portfolio can be transferred to a surviving spouse or civil partner without restarting the qualifying period.

Risks

This investment may not be suitable for all investors. If an investor is in any doubt about whether an investment is suitable in light of their circumstances, they should seek independent tax and/or financial advice, as appropriate. Investors should carefully consider the following risk factors together with all other information contained in this brochure.

Capital is at Risk

Share prices and their values can go down as well as up. Capital may be at risk and investors could get back less than their original investment. An investment in smaller companies should be deemed higher risk than other investments.

Tax Reliefs May Change

The tax reliefs referred to are not guaranteed and may be subject to change at short notice. Tax treatment will also depend on an investor's individual financial situation.

Taxation

Any changes to the taxation environment or HMRC practice may affect investment returns. Accordingly, investors will have their own tax position to consider and must take their own independent professional advice in this matter. Investors may be liable to make tax payments on any amounts they withdraw from the investment.

Assets May Be Hard to Sell

AIM stocks can be small and illiquid. It may prove difficult for investors to realise, immediately or in full, the proceeds from the sale of such shares.

Business Relief

We invest in companies where we reasonably believe that they will qualify for BR. But we can give no commitment that any such investment will remain a qualifying investment at all times in the future. The status for relief is assessed by HMRC, on a case-by-case basis at the time of death of the investor, as part of the probate process. Therefore it cannot be guaranteed.

The proportion of the investment that is deemed to qualify at that time, assuming it has been held for at least two years and is still held at time of death, can be passed to beneficiaries free of IHT. The two-year timeframe begins when HMRC deems that the investment has become BR qualifying. This may be later than the investment date.

The information set out above is not an exhaustive summary of the risks of investing in the Adapt AIM Portfolios.

Important Information

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