



# Adapt IHT Portfolios

Brochure

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



Working for a positive environmental, social and governance (ESG) impact.



Our heritage dates back over 25 years, our philosophy is one of adaptation to market change and customer needs.



Our experienced team bring expertise on tax-efficient solutions, alongside property development and asset-backed lending and renewable energy.



Our offerings are known for flexible designs and lower fees. And our focus is on capital protection, security and growth.

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# 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.

The Adapt IHT Portfolios are an evergreen opportunity, and a solution to the challenge of Inheritance Tax (IHT). Investors can also share in the strong prospects of firms working across property development lending, asset-backed lending and renewable energy. We're a leading investor in all of these areas, working towards a more sustainable future.

We continue expanding our solar and wind energy sites across the UK. Meanwhile our lending work includes building projects that help to rejuvenate urban areas or provide social housing and affordable homes. As a result, the portfolios meet Environmental, Social and Governance (ESG) criteria, and are Blackfinch ESG approved.



**Richard Cook**  
*Founder and CEO*



# Alignment with Investors' Requirements

Our offering is aligned with investors' beliefs around ESG, targets a return on their investment and keeps them in control, with the option to withdraw capital as needed.

## **Meeting The Need for ESG Investing**

We help create lasting legacies for businesses and investors. We work to protect environments, communities, assets and estates. Investee firms are focused on capital protection and reliable revenue streams. Lending is secured against underlying assets.

Investors can choose from four different portfolios to suit their plans and beliefs. The targeted return options are from 3% to 5% plus. The Ethical portfolio invests primarily in renewables, focused on renewable energy assets and low carbon construction projects.

We have developed this range to help meet investors' needs around ESG investing. In offering these options, we're providing broad choice, with an ESG focus.

# A New Route to IHT Relief



## Taking Shelter from IHT

After a lifetime of paying taxes and saving for the future, a 40% tax on an estate at death is hard to accept, but following decades of house price rises, it's what more people face. This is even after an increase to £175,000 in the main residence nil-rate band, alongside the £325,000 IHT nil-rate band available for individuals.

It doesn't help that traditional IHT solutions, like gifts and trusts, can be complex and expensive to run, with a long wait of seven years for 100% IHT relief to be achieved. They also often involve loss of control and access to funds. But there is another route, using Business Relief (BR). This can bring 100% BR after just two years and if investments are still held at death.



## Growing the UK Economy

Unlike traditional IHT solutions, which can invest globally, here clients' money is only invested in BR-qualifying UK companies. This brings wider benefits to the country and also makes for a simpler and quicker process.

It also helps to encourage and provide an opportunity to support the UK economy through investing. Together we can work towards a stronger economic future.

# The Benefits of Business Relief

The portfolios' investee firms can meet qualifications for BR. BR can deliver IHT relief after just two years and if the investment is still held at death.

## **Keeping Family Firms and Legacies Alive**

The Government introduced BR in 1976. It allows qualifying property, including shares in unquoted firms, to achieve up to 100% IHT relief after two years. BR has always been about supporting UK businesses. It was put in place to ensure that family firms didn't have to be broken up to pay IHT bills.

There's also a generous replacement property rule. When an investor sells a BR-qualifying asset, they can reinvest the proceeds in a new BR investment within three years and it will immediately reinstate the BR qualification on the investment.

If an investor acquires shares on the death of their spouse or civil partner, the previous period of ownership will count towards the investor's. In other words, the investment only has to go through the two-year qualifying period once.

The benefits of BR are clear. So, we created an IHT solution using BR to better meet investors' needs.

## The Adapt IHT Portfolios offer:

A **swifter route to BR** after just two years

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A range of **ESG focused** portfolios

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**Choice** in portfolio selection and target return

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**Control** of and access to capital

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Focus on **preservation of capital**

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**Transparency** of underlying investments

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A **range** of investments across a variety of sectors

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A **simpler process** with no complex legal structures or medical underwriting

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A **cost-efficient** solution

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# Key Benefits



## **Wealth Preservation**

An investment in the portfolios could reduce the 40% tax payable on an investor's excess estate. This is if assets are worth more than the current IHT tax-free nil-rate band of £325,000, and the residence nil-rate band of £175,000. The residence nil-rate band will increase annually in line with the Consumer Prices Index from 2021-2022.



## **Access to Capital**

Investors retain access to their capital. This includes being able to make full or partial withdrawals if circumstances change. Please note that any withdrawals made will no longer qualify for IHT relief and are subject to available liquidity.



## **Blackfinch ESG-Approved Portfolios**

We select investments based on the positive impact projects could have and the team's ESG commitment. We then work with businesses over time, including monitoring ESG-related performance.





### **Flexible Withdrawals**

Investors can take a regular payment from their investment (payable quarterly, semi-annually or annually). Or they can leave the capital invested to maximise growth.



### **Reassurance**

The trading activity of investee companies focuses on capital preservation and risk mitigation. We only invest in what we believe to be BR-qualifying companies where we either hold security over assets or secure revenue streams are available.



### **Swift IHT Mitigation**

Investments in the Adapt IHT Portfolios can qualify for up to 100% relief from IHT after two years, as long as they're still held at time of death. In contrast, gift and trust arrangements can take up to seven years to achieve full exemption.



### **A Simple Solution**

Unlike some other IHT solutions, the Adapt IHT Portfolios have no complex or expensive legal structures, age restrictions or medical requirements and just one application form to complete.



### **Maximise Growth**

Providing upside potential, we only take our Annual Management Charge (AMC) of 0.5% plus VAT after achieving the minimum target return for an investor. Returns above the target, and the AMC of 0.5% plus VAT, belong entirely to investors.

# Our Strategy

We're focused on protecting investors' capital and helping them achieve BR. This is while working in alignment with their aims, including their principles around ESG.

## **Diverse Opportunities**

We have strong relationships across sectors, bringing access to specialised deals. Through Blackfinch Property, we're highly active in the property lending sector. We also provide funding to businesses with assets over which we can acquire security.

Through Blackfinch Energy, we're a leading investor in renewable energy. Together, our investments can help to support local economies, communities and the environment.

## **Investment Criteria**

We only invest in companies that meet our quality benchmark and strict due diligence requirements. This includes alignment with our ESG policies. Our Investment Committee assesses all companies thoroughly, ensuring they will qualify for BR.

Once invested, we oversee companies' business operations. We also monitor the securities behind firm's underlying assets. We work to ensure that they continue to run in line with our business plan, investment strategies, and ESG factors.

# Investment Opportunities

We provide access to opportunities that meet the qualifications for BR, and have real businesses at their core. Through our trading companies Lyell, Henslow and Sedgwick we back projects that can make a positive difference.



## **Lyell Trading** **Property Development Finance**

We work closely with property developers around the UK, providing finance ranging from £0.5-10 million. Loans are typically for new build projects, redevelopments and major renovation works. We invest across sectors and regions, in everything from eco-flats to care homes.



## **Sedgwick Trading** **Renewables Investment**

We invest in the proven technology of solar and wind energy, with over 47 sites nationwide. Investments can deliver stable predictable revenues. Many projects benefit from prior government subsidies. We also now invest in subsidy-free developments, acquire subsidised operational projects and use Power Purchase Agreements with strong counterparts.



## **Henslow Trading** **Asset-Backed Finance**

We provide asset-backed finance for business and property deals of £0.5-10 million. We focus on transactions in established sectors with reputable partners, who share our ESG principles. Whatever the type of loan, a quantifiable asset always underpins lending. This would normally be a building, land or business holding.

# Potential Savings from Investing

The example below illustrates how much a single investor (with no direct descendants) could potentially save using the Adapt IHT Portfolios. It's based on an estate valued at £950,000 and three different investment amounts.

	No investment	Investment in Adapt IHT Portfolios	Investment in Adapt IHT Portfolios	Investment in Adapt IHT Portfolios
Total value of estate	£950,000	£950,000	£950,000	£950,000
Less £325,000 tax-free allowance	£625,000	£625,000	£625,000	£625,000
Amount invested in the Adapt IHT Portfolios	<b>£0</b>	<b>£200,000</b>	<b>£400,000</b>	<b>£600,000</b>
Amount liable for IHT	£625,000	£425,000	£225,000	£25,000
IHT payable on death (40%)	£250,000	£170,000	£90,000	£10,000
Amount saved	£0	<b>£80,000</b>	<b>£160,000</b>	<b>£240,000</b>

We know advisers are working with clients on their long-term financial plans, including estate planning. However as many clients will not be in a position to completely remove their potential IHT liability this would either require large sums of cash to be invested, or other assets to be liquidated, which may not be appropriate or suitable for their circumstances. We always recommend that potential clients seek professional advice before any investment decision is made.

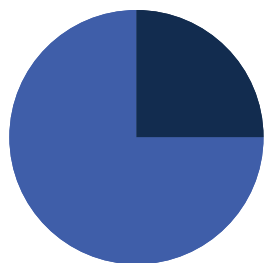
Please note that the examples above are based on current legislation. They're an illustration of tax liabilities only and no fees or charges are taken into account. Tax rules and regulations are also subject to change and depend on personal circumstances. The examples assume an unmarried individual, tax-free allowance of £325,000, which is frozen until 2021, and excludes any residence nil rate band 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 or up, and that an investor may not get back the full amount invested. There's no guarantee that the target return will be achieved.

# Portfolio Asset Allocations

The four portfolios access the same underlying trading companies. But they have different asset allocations to suit different needs. Below are examples for each portfolio.

## Ethical Portfolio

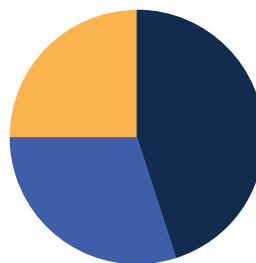
Target Return 3% P.A.



Property Development Lending	25%
Renewable Energy	75%

## Balanced Growth Portfolio

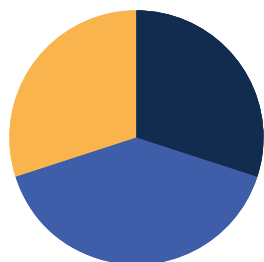
Target Return 4.5% P.A.



Property Development Lending	45%
Renewable Energy	30%
Asset Backed Lending	25%

## Balanced Portfolio

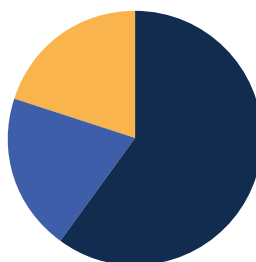
Target Return 4% P.A.



Property Development Lending	30%
Renewable Energy	40%
Asset Backed Lending	30%

## Growth Portfolio

Target Return 5%+ P.A.



Property Development Lending	60%
Renewable Energy	20%
Asset Backed Lending	20%

# Safeguarding Investments

## **Investor Interests First**

We know how important it is that an investor's assets be left to their beneficiaries. Our primary aim is to safeguard each client's investment. Ahead of investing, we work with tax experts to seek confirmation that our investee firms' activities should qualify for BR.

## **Rigorous Processes**

Our team applies specialised knowledge and that of industry experts when considering which firms we work with. We follow rigorous selection and due diligence processes. We invest where firms show extensive experience, proven track records and ESG principles.

## **Value for Investors**

We only apply our competitive 0.5% plus VAT AMC once a portfolio has achieved its chosen target return. We work to provide a fair and transparent return. We calculate the growth rate at withdrawal stage and over the life of the portfolio.

# Application Process

## Application Process

- 1 Send completed application form and investment payment to Blackfinch. Please make any cheques payable to 'Blackfinch Investments Ltd.'**

CHAPS/BACS/FastPay transfers should be remitted after we receive the application and after completion of verification of identity checks. We will acknowledge receipt of an application within 48 hours.
- 2 Blackfinch will process the application form and place money in a bank account.**

Please note that no interest is paid on the client account. We manage it in line with FCA rules.
- 3 When the payment has cleared, Blackfinch will invest money in one or more of its underlying companies. Shares will be held by a nominee company on the client's behalf.**

We deduct initial fees and any agreed upfront adviser fees before making investments. Once we have completed an investment (usually within 30 days), we'll notify advisers and clients of the start date for the two-year qualifying period for BR.

## In the Event of Death

- 1 Notify Blackfinch**

A financial adviser, or the executor of the estate, notifies Blackfinch and requests a valuation as at the date of death.
- 2 Complete IHT 412 Form for HMRC**

As part of the probate process, the executor of the estate completes an IHT 412 form, which includes details of the investor's portfolio. They then send this to HMRC.
- 3 HMRC Review**

HMRC will review the information and assess whether the investment qualifies for BR.
- 4 BR Confirmed**

Once this is confirmed, the value of the investment at date of death is included as BR in the IHT calculations on the estate in order to reduce the IHT liability.
- 5 Paying an IHT Bill (if required)**

If there is an IHT bill still outstanding those acting for the deceased can use the investment in the portfolios to pay HMRC direct. This could enable them to get a Grant of Probate.
- 6 Sell or Transfer Investment**

Blackfinch will then sell or transfer the investment into a beneficiary's name, according to the executor's instructions.

# Investment Levels and Fees

## Target Return

We target opportunities we believe should provide investors with their desired net return of either 3%, 4%, 4.5% or 5% plus p.a. We look to mitigate risk wherever possible within each investment. We select leading sector specialists with access to some of the most attractive investments that meet our capital preservation mandate. Our fees are both competitive and complementary to investors' interests.

## Investment Levels

The minimum investment in the Adapt IHT Portfolios is £25,000. Investors can make additional investments of £10,000 or more at any time. Remember each additional investment takes two years to achieve BR. This is unless the additional investment is part of a rights issue, as they're deemed to have been held for the same period as the shares to which the rights attach.

## Service Fees

Blackfinch provides some secretarial, administration, management (non-independent) and corporate services to each of the underlying companies that make up the portfolio. Blackfinch charge a fee of 1.5% (plus VAT) p.a. for these services. We determine the target returns specified in this brochure after taking account of this service fee and before the AMC.

The underlying companies are responsible for the costs and expenses for all incidental services employed from third party professionals including legal, accountancy, tax advice and other professionals.



## Dealing Fee

A 1% dealing fee is applied to any initial purchases, ad-hoc withdrawals and sales of shares at exit. Please note: There is no dealing fee applied to shares sold to pay adviser fees or regular client withdrawals.

## Ongoing Fees

We apply our AMC of 0.5% plus VAT, which we defer until an investor sells their investment, transfers it into a trust, or passes away. We will only take the fee after their investment has achieved the target return for their chosen model portfolio, of 3%, 4%, 4.5% or 5% plus p.a., as applicable.

## Initial Fees

We deduct an initial fee of 2% from the amount invested (after deduction of adviser fees), to cover the costs of establishing each IHT portfolio.

## Adviser Fees

We can facilitate any upfront or ongoing advice fees that an investor has agreed with their FCA-authorized adviser. We deduct upfront advice fees from the amount invested, whereas we deduct ongoing advice fees from the portfolio every three months and then pay them to an adviser. Ongoing fees will reduce an investor's net return.

## Reporting

We will provide a quarterly valuation to investors.

## Liquidity

Investors have the option to withdraw some or all of their capital by selling their shares in the underlying businesses. This usually takes two to four weeks. However, there's no guarantee that investors can access their investment within this timescale. The minimum amount for partial withdrawals is £3,000. Please note that any withdrawal will reduce the amount sheltered from IHT.

## Regular Withdrawals

Investors have the option of taking a regular withdrawal that is facilitated by a sale of shares. Payments can be on a quarterly, half-yearly or annual basis. If investors don't need regular payments, they can choose for returns to remain invested for capital growth.

## Taxation on Withdrawals

We will always aim to sell investors' shares to a third party by matching withdrawal requests with new subscriptions. This will result in the tax treatment of any proceeds in excess of the cost of the shares being subject to Capital Gains Tax. If this is not possible, we will contact investors with the option to sell the shares back to the investment companies. This will result in any gain becoming subject to Income Tax.

## Execution Only Applications

An initial fee of up to 3% may be payable for non-advised (execution-only) applications submitted via introducing agents that are not FCA authorized. An introducing agent may also receive an annual fee of 0.5% each year. We would pay this through a deduction from the investor's portfolio.

# Risks

This investment may not be suitable for all investors. We recommend that investors seek independent tax and financial advice before making a decision. Investors should carefully consider the following risk factors together with all other information contained in this brochure.

## Values and Returns

No representation is or can be made as to the future performance of the Adapt IHT Portfolios or that the Adapt IHT Portfolios will receive the level of returns contained in this brochure. The assumptions made are assumptions only and these may not be realised. The Adapt IHT Portfolios invest in small, unquoted companies. Capital is at risk and the investment return is not guaranteed. The value of an investment and the returns received are dependent on the value of the assets in the company, or companies, in which the Adapt IHT Portfolios invest money, and any income they earn.

## Conflicts of Interest

The Adapt IHT Portfolios investee companies may acquire shares in, or assets from, other companies managed by Blackfinch Investments Limited. They may also make loans to other entities which are managed by Blackfinch Investments Limited or in which Blackfinch Investments Limited has a financial interest. All loans and transactions will be on an arm's length basis. They will be ratified by the independent non-executive directors of the Adapt IHT Portfolios investee company.

## 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.

## Liquidity

The Adapt IHT Portfolios represent a long-term investment (five years plus). Shares in qualifying companies have to have been held for at least two years at the date of death in order to benefit from IHT relief. Investments made by the Adapt IHT Portfolios are in unquoted companies and therefore are not readily realisable, unlike companies listed on the London Stock Exchange. Any disposal of shares, whether regular or one-off, will reduce the value of a portfolio and erode future returns. Such disposals will cease to qualify for BR.

## Future Performance

Past performance does not imply that future trends will follow the same or a similar pattern. Forecasts made in this brochure may not be achieved. There is a risk that investors will not get back the full amount invested. The value of an investment may go down as well as up. There is no guarantee that the targeted return per annum will be achieved.

## Business Relief

We will only invest in companies which we reasonably believe qualify for BR. However, we can give no commitment that any such investment will remain a qualifying investment at all times in the future. The 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 the investment to have become BR qualifying. This may be later than the investment date.

# Important Information

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The Adapt IHT Portfolios may not be suitable for all investors and we would recommend that prospective investors seek independent advice before making a decision.

