BLACKFINCH
INVESTMENTS

Blackfinch Adapt IHT Service
Due Diligence Report

Signatory of:
PRI PRINCIPLES FOR RESPONSIBLE INVESTMENT

Don’t invest unless you’re prepared to lose all the money you invest. This is a high-risk investment and you are unlikely to be protected if something goes wrong. Take 2 minutes to learn more on page 17

Contents

Client Type

Retail and professional clients.

Company Background

Blackfinch is an investment specialist with a heritage, dating back over 30 years, in tax-efficient investments.

We provide evolved investment solutions seeking tax-advantaged investments and/or long-term capital growth from a diversified investment portfolio. Our philosophy is one of adaptation to market change and customer needs. Bringing significant experience and expertise with a transparent approach, we are trusted with over £850 million under management. Reflecting our commitment to responsible investing, Blackfinch has become a signatory to the PRI (Principles for Responsible Investment). By focusing on multiple factors both internal and external as part of our investment process, we can know that firms in which we invest are also taking a responsible approach, now and in the future. Our offices are based in Gloucester Business Park, in Gloucestershire.

The Objective

The objective of this service is to mitigate Inheritance Tax (IHT) (above the tax-free threshold) after two years by investing in Business Relief (BR) qualifying trades, through unquoted company shares. Investee firms are focused on capital protection and reliable revenue streams.

Lending is secured against underlying assets. Investors can share in the strong prospects of firms working within multiple, diverse asset classes such as property development lending, asset-backed lending, renewable energy, forestry and more. The target return of the service is 3% - 5% p.a. We have developed this service to help meet investors' needs around responsible investing. New Business Relief rates will apply from April 2026. Please refer to the Guide to Business Relief for further information.

Launch Date

The Adapt IHT Service was launched in February 2024 (previously known as the Adapt IHT Portfolios that launched in December 2013).

Closing Date

Evergreen.

Key Personnel

Richard Cook
CEO and Founder

Richard has been Chief Executive Officer of Blackfinch since 2009. He has been involved in the structuring and management of tax-efficient investment assets for over 15 years. Richard conceptualised and launched the Blackfinch brand and has overseen the growth and expansion of the company within the UK retail market. Previously, Richard worked in senior banking roles within Merrill Lynch and the Bank of New York.

Richard Simmonds
Chief Investment Officer

Richard has 15 years' senior experience in financial services, specialising in asset-backed fund management. Prior to joining Blackfinch, Richard held roles at NatWest, FTSE and Credit Suisse in London and New York. Richard holds an Executive MBA from IE Business School, the Certificate in Discretionary Investment Management, and the Diploma in Financial Planning.

Stefan Agopsowicz
Head of Energy

Stefan has been with Blackfinch since 2009 and is involved in the analysis and valuation of potential new investment opportunities for the company's portfolios. He has passed Level 1 of the CFA exam and has achieved the CFA Level 4 Investment Management Certificate and is a member of the CFA Institute

David Higson
Head of Property

David is responsible for the management of the property lending team, which forms part of Blackfinch Investments. His previous role was as Manager in the Transaction Services team at PwC London, where he performed financial due diligence on deals across a range of sectors. David holds a degree in Economics from the University of York and is an ICAEW-qualified chartered accountant.

Andrew Troughton

Asset Specialist- Property (Member of the Adapt IHT Investment Committee)

Andrew is a chartered surveyor with over sixteen years' experience in the residential and agricultural markets, working predominantly on valuations, tenancy work, compensation claims, planning and development. Andrew is also owner and manager of Carver Knowles, an established chartered surveying business.

Nimesh Kamath

Asset Specialist Energy (Member of the Adapt IHT Investment Committee)

Nimesh Kamath is a seasoned investment professional with over 23 years of experience in structured finance and investment management. Nimesh qualified as a lawyer at Freshfields Brukhaus Deringer before moving to the structured finance team at Deutsche Bank in London. Nimesh is a founding partner of Aurium, an investment manager with over £1.5bn of completed transactions in the renewable energy and energy transition sectors. Nimesh has an honours degree from St Johns College, Cambridge and an MBA from INSEAD. Nimesh serves as an independent member of the Investment Committee.

Hamish Masson

Head of Legal

Hamish joined Blackfinch in 2018 to lead its legal function. He has over 15 years' experience practising as a Corporate and Finance Lawyer both in London and internationally. Prior to joining Blackfinch he worked at Addleshaw Goddard, Barclays Bank, DLA Piper, and Harneys in London and the British Virgin Islands. While in private practice Hamish was ranked in all the major legal directories as a corporate and banking lawyer. Hamish has a master's degree from the University of London and a bachelor's degree from the University of Durham.

Rob Stainsby

Compliance Officer

Rob joined Blackfinch in 2018 with nearly 30 years' experience in financial services, focused on compliance. Rob is responsible for compliance oversight including CASS (SMF16) and is the Money Laundering Reporting Officer (SMF17). Previously Rob worked with Aviva, Close Brothers and Embark Group in the provider sector. He also held a Compliance Director role at a large adviser firm in the southwest.

Key Benefits

Wealth Preservation

An investment into the Adapt IHT service could reduce the 40% inheritance tax payable on an investor's estate upon death. This applies if assets are worth more than the current IHT nil-rate band of £325,000, and the residence nil-rate band of £175,000 (where applicable).

The IHT nil-rate band and residence nil-rate band have been frozen until April 2030.

New Business Relief rates will apply from April 2026.
Please refer to the Guide to Business Relief for further information.

Reassurance

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

Swift IHT Mitigation

Investments into the Adapt IHT Service attracts up to 100% relief from IHT after two years, as long as they are still held at the 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 Service has no complex or expensive legal structures, age restrictions or medical requirements and just one application form to complete.

Flexible Withdrawals

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

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.

A Responsible Investment Manager

We initially screen investment opportunities based on the long-term outcomes they could achieve, and to manage any identified risks. This helps to provide reassurance to investors that their capital is being responsibly managed.

Maximise Growth

We do not apply an Annual Management Charge (AMC) in order to maximise client outcomes.

Types of Companies We Invest In

The Adapt IHT Service accesses business opportunities that we believe will qualify for BR and have real trades at their core.

These trades will normally possess strong capital preservation characteristics, which are balanced with the potential to deliver a competitive return.

This provides transparency and security to meet our objective of wealth preservation and protection.

Asset Classes Targeted

Blackfinch targets BR-qualifying trades, including asset-backed lending, renewable energy generation, and forestry.

The first of these focuses on property development finance and short-term bridging finance, both of which are securitised on a first-charge basis.

For renewable energy generation the primary focus is on UK solar and wind energy assets. The majority of these sites benefit from government-backed subsidies, such as Renewable Obligation Certificates and Feed-in-Tariffs, to provide secure and predictable revenues for investors. The remainder are on fixed rates, again to provide a level of predictability on returns.

We are growing a portfolio of woodland across the UK, which will vary in their degree of maturity. The woodlands will contain a mixture of tree varieties, all of which will fulfil the commercial demand for UK timber. The woodlands will be responsibly managed, to support regional biodiversity and compliance with Forestry Commission standards for sustainability.

Company Selection

The selection and monitoring of investment opportunities is the responsibility of Blackfinch.

We have extensive experience in sourcing business opportunities and structuring efficient and transparent investment products and services. Blackfinch performs in-depth due diligence on any new BR-qualifying businesses/trades under consideration.

We also monitor the performance of the underlying company held within the service, as well as its underlying activities, and work closely with the asset managers to ensure that the investment policy is adhered to. This hands-on approach means that our portfolios consist of shares in companies with high levels of asset-backed security or secure revenues, and that risks are managed appropriately.

The Investment Team has been set up for over 12 years and is well resourced with team members that have a depth of experience relevant to their given sectors. Consequently, the Team have developed networks of contacts which they can leverage for access to new projects. The Team is divided into a property team and a renewable energy team, such that the team members are best utilised in the relevant sectors and can be supported by the necessary back-office staff for that sector.

What is the Adapt IHT Insured Service?

The Blackfinch Adapt IHT Insured Service is an alternative option to the standard Blackfinch Adapt IHT Service. The service offers access to the same Business Relief (BR)-qualifying investments as our standard Adapt IHT Service, with the added security of insurance cover.

If an eligible investor dies within the two-year BR qualifying period, the insurance cover helps reduce any potential Inheritance Tax (IHT) liability.

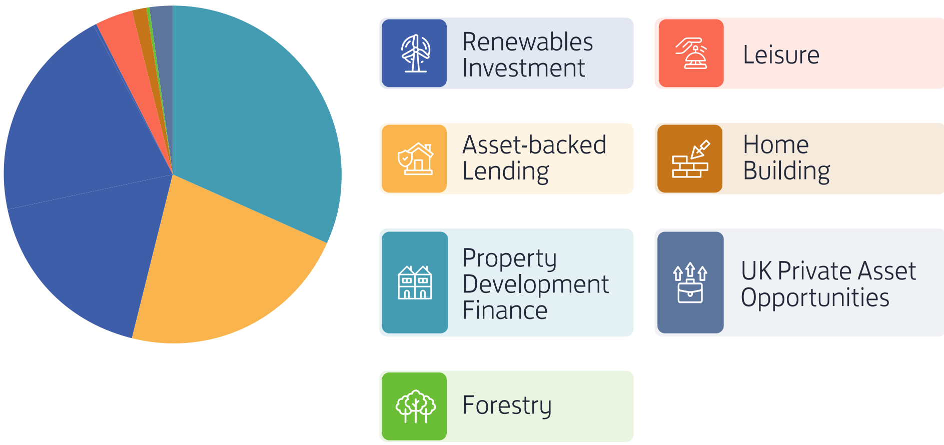
Ideal for clients looking for that added reassurance while working toward full BR qualification.

What are the benefits?

- Protect clients against IHT exposure during the two-year BR qualifying period.
- Add reassurance to your estate planning recommendations.
- Clients can invest up to £1 million, with cover of up to £400,000.
- Life cover of up to 40% of investment amount.
- No premium increases, even if clients age into a new bracket or make withdrawals.
- Straightforward claims process, making a difficult time a little simpler.

Structure of the Adapt IHT Service

Example Portfolio Asset Allocation



Minimum Subscription

The minimum investment is £25,000 (£10,000 for additional investments).

Target Return

3% - 5% p.a.

Fees & Charges

Initial Fee

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

Annual Management Charge

There is no Annual Management Charge (AMC) in order to maximise client outcomes.

Dealing Fee

- 1% Dealing Fee on any initial purchases, ad-hoc withdrawals and sales of shares at exit.
- 0% fee on shares sold to pay adviser fees and regular client withdrawals up to 10% per annum.
- We will remove exit dealing fees where an exit is as a result of a death.
- Dealing fees will be refunded should an investor die within two years of the
- BR-qualifying period start date. Note: This will apply to the initial and additional investments that fall within that two year investment period, not interim withdrawals (exit dealing fee won't be applied as due to death).

Insurance Premium Fees

Depending on the percentage of insurance required, the associated premium fees are listed below:

	Fee for 20% cover[1]		Fee for 40% cover[1]	
	Single Cover	Joint Cover	Single Cover	Joint Cover
Ages 50-59	0.10%	0.075%	0.20%	0.150%
Ages 60-69	0.30%	0.225%	0.60%	0.450%
Ages 70-79	0.67%	0.503%	1.34%	1.005%
Ages 80-84	1.61%	1.449%	3.22%	2.898%
Ages 85-89	3.15%	2.835%	6.30%	5.670%

[1]*Illustrated as a percentage of gross investment amount*

The premiums are taken twice through the lifecycle of the insurance: the first following the initial allotment of shares, and the second following the 1 year anniversary of this initial premium payment.

Asset Servicing Charge

Blackfinch provides some secretarial, administration, management (non-independent) and corporate services to each of the underlying company within the portfolio. Blackfinch charges a fee of 1.5% (plus VAT) p.a. for these services. We determine the target returns specified in this document after taking account of this service fee.

Buckley Trading Group Limited is responsible for the costs and expenses for all incidental services employed from third party professionals including legal, accountancy, tax advice and other professionals.

Adviser Fees

We can facilitate any upfront or ongoing advice fees that an investor has agreed with their FCA-authorised 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.

Non-Advised Applications

An initial fee of up to 3% may be payable for non-advised applications submitted via introducing agents that are not FCA authorised. 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.

Liquidity

The Adapt IHT Service is intended as a long-term investment.

Investments in qualifying companies must be held for at least two years (in most cases) and at the date of death to benefit from the IHT relief. Investments made by the Adapt IHT Service is in unquoted companies and therefore are not readily realisable, unlike companies listed on the London Stock Exchange (LSE).

Blackfinch expect to be able to redeem an investment within two to four weeks, but if it is necessary to institute a share buyback because of unusually large withdrawals, then the process could take significantly longer.

Any withdrawal, whether regular, one-off or to facilitate adviser charging or commission payments, will reduce the value of the portfolio, erode future returns and such withdrawals will cease to qualify for BR. The minimum amount for withdrawals is £3,000.

Blackfinch will primarily aim to meet redemption requests by matching new subscriptions. This makes a redemption period of two to four weeks more achievable. To date, all withdrawal requests have been met by matching new subscriptions and the average time taken to provide the withdrawal has been within 6 days on average over the last five years. Correct as at March 2025.

Valuations

The net asset value of the underlying company is calculated at the end of each month based on methodology approved by Charles Hinitt & Associates.

This involves calculating the amount lent plus expected interest and proportional exit fee on each loan and then taking into account the cash reserve retained for liquidity purposes.

The investee company analyses the risk of each loan, in the case of development loans, based on the progress of the development and the gross development value.

RICS professional is used to value every asset prior to a loan being made as well as when any extension or refinancing is required. The loans are also valued monthly for any potential provisions. Any loan identified as at risk is put under monitoring and a provision is included in the accounts to reduce NAV accordingly.

Property loans are valued at capital plus interest, though in many cases elements of interest are held back for prudence to create a buffer.

Buckley Trading Group Limited uses a third party to test and monitor its valuation model for its energy generating assets. We use mark to model pricing, which is checked monthly and adjusted annually (or more frequently if required). The assets are monitored for performance and checked for consistency monthly. The models use the Aurora central reports for its forecasts on long term power prices to use in the valuation model, along with a discounted cash flow model for each asset.

We regularly compare the projections to benchmarks and current industry averages. The third party will audit the inputs and outputs every year to ensure it accurately reflects the share price policy as well as monthly monitoring.

Reporting

We will issue quarterly valuations to investors as well as annual tax statements.

We will send correspondence direct to the adviser to forward on to their client or directly to clients with a copy to the adviser. This is chosen on the application form and can be changed at any time. We post all correspondence on to our adviser and client portals where they can access ALL historic documents at any time. If there is requirement to post hard copies to an adviser or client, then this can be requested.

FCA Risks

Due to the potential for losses, the Financial Conduct Authority (FCA) considers this investment to be high risk.

What are the FCA key risks?

1 - You could lose all the money you invest
If the business you invest in fails, you are likely to lose 100% of the money you invested. Most start-up businesses fail.

2 - You are unlikely to be protected if something goes wrong
Protection from the Financial Services Compensation Scheme (FSCS), in relation to claims against failed regulated firms, does not cover poor investment performance. Try the FSCS investment protection checker (https://www.fscs.org.uk/check/investment-protection-checker).

Protection from the Financial Ombudsman Service (FOS) does not cover poor investment performance. If you have a complaint against an FCA-regulated firm, FOS may be able to consider it. Learn more about FOS protection (https://www.financial-ombudsman.org.uk/consumers).

3 - You won't get your money back quickly
Even if the business you invest in is successful, it may take several years to get your money back. You are unlikely to be able to sell your investment early.

The most likely way to get your money back is if the business is bought by another business or lists its shares on an exchange such as the London Stock Exchange. These events are not common.

If you are investing in a start-up business, you should not expect to get your money back through dividends. Start-up businesses rarely pay these (https://www.financial-ombudsman.org.uk/consumers).

4 - Don't put all your eggs in one basket
Putting all your money into a single business or type of investment for example, is risky. Spreading your money across different investments makes you less dependent on any one to do well.

A good rule of thumb is not to invest more than 10% of your money in high-risk investments (https://www.fca.org.uk/investsmart/5-questions-ask-you-invest).

5 - The value of your investment can be reduced
The percentage of the business that you own will decrease if the business issues more shares. This could mean that the value of your investment reduces, depending on how much the business grows. Most start-up businesses issue multiple rounds of shares.

These new shares could have additional rights that your shares don't have, such as the right to receive a fixed dividend, which could further reduce your chances of getting a return on your investment.

If you are interested in learning more about how to protect yourself, visit the FCA's website (https://www.fca.org.uk/investsmart).

Key Risks

Value and Return

No representation is or can be made as to the future performance of the Adapt IHT Service or that the Adapt IHT Service will receive the level of returns contained in this document. The assumptions made are assumptions only and these may not be realised.

The Adapt IHT Service invests 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 Service invests money, and any income they earn.

We do NOT add a share price premium and the assets are valued, bought and sold based on the Net Asset Value.

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.

Future Performance

Past performance does not imply that future trends will follow the same or a similar pattern. Forecasts made in this document 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 (BR)

We will only invest in companies/trades 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.

New Business Relief rates will apply from April 2026.
Please refer to the Guide to Business Relief for further information.

The Blackfinch Adapt IHT Insured Service

The Blackfinch Adapt IHT Insured Service provides life insurance that applies only to eligible deaths, and accidental deaths are covered solely during the first 75 calendar days. The insurer may decline to pay out if a death is not eligible, if there is any misrepresentation within the health declaration, if death occurs before the purchase of shares, or if there are insufficient funds to meet premium payments on time. As the insurer is Guernsey regulated and so is not protected by the UK FSCS, there is no compensation scheme should the insurer fail. Blackfinch must also be notified of a client's passing within six months. It is essential that advisers and clients fully understand these terms before investing and have read the insurance summary in full.

Performance

Please refer to latest published quarterly performance sheet or monthly factsheet, available at blackfinch.investments/iht.

FAQs

What is the current AUM for the service and how many clients are invested?

Please refer to latest published monthly factsheet, available at [blackfinch.investments/iht.](blackfinch.investments/iht)

How much of the current AUM is held in cash?

We typically look to hold around 10% of the overall AUM as cash.

How many clients have been successful in claiming BR upon death?

Please refer to latest published monthly factsheet, available at [blackfinch.investments/iht.](blackfinch.investments/iht)

How long will it take for funds to be deployed?

We aim to deploy client monies within 28 days of receipt.

The average time taken, since inception, has been 3.6 calendar days.

What impact have the rising interest rates had on your lending?

At Blackfinch, we offer short-term bridging and development lending with interest rates that are not directly linked to the Bank of England base rate. As a consequence, we saw a record number of enquiries for loans with borrowers, developers and brokers in 2023.

As the cost of capital for many other lenders has increased, due to the need to pay interest on investor's deposits, this has made our lending relatively cheaper. Also, while most lenders link their lending rates to the Bank of England's base rate, we choose not to, as it gives the property developers we lend to greater certainty of their finance costs.

We see this as an essential part of the service we offer. At a time of considerable uncertainty from build-cost inflation and valuations, we do not wish to add any further unpredictability for our borrowers. In addition, the higher rates now being offered in the lending market mean that previously lower-interest areas of property lending have now become viable for us.

For example, buy-to-let portfolio lending and term loans (commercial mortgages) are income backed and therefore lower risk.

The increased deal flow has sent a lot of high quality and low risk borrowers to us. We have also reduced our highest rates of loan-to-value (LTV), and we expect that offering lower LTVs to potential borrowers is a more prudent approach in the current climate.

Blackfinch Property also lends across both residential and commercial real estate, and within those areas across a multitude of asset classes. As a result of this diversification, we believe we are well placed to manage the varying impacts without any concentration risk within the portfolio.

Do we have an internal expectation for liquidity timescales should a “doomsday” scenario occur, and every investor want to exit?

We quote an estimate of 180 days for liquidation if all investors wanted to exit.

What is the current nil-rate band and residence nil-rate band/what do they do?

The current nil-rate band is frozen at £325,000 until at least 2030. This means that on death, no IHT is paid on the first £325,000 of any estate. Anything above this value will then be subject to the 40% (or 36% in certain circumstances) IHT charge.

There is an additional Residence Nil-Rate Band of £175,000, also frozen until at least 2030, when a main residence property is included in an estate, and it is left to a direct dependant. If this is the case, then this is means that the value of the estate must surpass £500,000 before any IHT will be due.

To whom should a cheque be made payable?

Cheques should be made payable to “Blackfinch Investments Limited”. Note: Cheques must be from a personal bank account in the Applicant’s name (including joint accounts). We do not accept cheques from business accounts, third parties (including a spouse) or post-dated cheques. Banker’s drafts and building society cheques must specifically mention the Applicant’s name.

Further, please note that funds may require to be cleared prior to allotting, which for cheques, takes 3-5 working days after the date of banking.

Can shares be paid for electronically?

Electronic transfers can be made to the following account and should be referenced with the Applicants name.

Account Name: Blackfinch Investments Limited
Account Number: 01812668
Sort Code: 30-95-41

Note: Monies will only be accepted from the Applicant's bank account. If Blackfinch Investments Limited is unable to identify the Applicant's identity in respect of the remittance or if the payment is from a bank outside the UK/ EEA, the remittance may be returned to the remitting bank minus any charges which arise.

Where should the application form be sent?

If you are completing your Application Form by hand, it should be sent to **Blackfinch Investments, 1350-1360 Montpellier Court, Gloucester Business Park, Gloucester GL3 4AH**.

If you are completing one of our digital application forms, please email these to **enquiries@blackfinch.com** or alternatively you can send the completed form to your Business Development Manager.

What type of applications are acceptable?

We offer online application forms which are available at:
https://apply.blackfinch.com/iht

What support can Blackfinch offer financial advisers?

We have a dedicated Client Excellence Team and our specialist Business Development Managers, who are readily available to deal with any queries that financial advisers may have. We strive to build strong relationships with IFA's and provide the best possible service.

What support can Blackfinch offer clients?

We pride ourselves on providing excellent service. In addition to our online portal, where clients can register and view their portfolio documentation/product updates, we have an administration team that answers telephone queries along with monitoring an enquiries inbox, with an aim to respond to email requests by close of business that day.

How do you ensure that data and your systems are secure? Are you GDPR compliant?

Blackfinch are fully compliant with GDPR and actively incorporate the ICO's principles such as Data Protection by design and default. Blackfinch holds ISO/IEC 27001 (Information Security Management) certification and treats the integrity and protection of confidential data with the utmost level of care. In addition to process-based controls, Blackfinch employs multiple levels of protection at both physical and virtual levels.

Data is encrypted both at rest and in-transit with all access and system activity being logged and audited. User access to systems is assigned following the principle of least privilege, so personnel are not given access to more data than they need to have access to in order to perform their job roles. Employee contracts contain legally binding clauses regarding confidential information.

Does the company have a formal business continuity management plan?

We have a full business continuity plan in place to prepare Blackfinch to cope with the effects of an emergency. It is intended that the plan will provide the basis for a relatively quick and painless return to 'business as usual' regardless of the cause. The plan has been put together in order to manage the ongoing risk to the company, through disruption to the ongoing continuity of day-to-day operations.

The plan is designed to ensure that potential risks to continuity have been considered, as well as consideration being given to risk mitigants and solutions. Our Recovery Time Objective is 48 hours and this has been tested and achieved in the past 12 months. Our Business Continuity Plan Summary is available on our website blackfinch.com/business-continuity-and-disaster-recovery-policy

Which regulatory bodies supervise your company?

We are regulated by the Financial Conduct Authority.

Is there a current Target Market Assessment document?

Yes, please request this if you would like to see a copy

How do you ensure that vulnerable clients are identified and their needs catered for?

Vulnerable customers will be initially assessed and screened by their financial adviser, any specific needs will be raised and we will cater for these to the best of our ability, for example, we currently provide forms with bigger text for those with poor eyesight.

The needs and objectives of vulnerable customers should not inhibit them using our product, due to staff training and policies we have in place.

What third party reviews are available?

Micap.

IMPORTANT INFORMATION