



# ADAPT IHT PORTFOLIOS

## An Expanded Range with an Ethical Focus

*Our Founder and CEO Richard Cook explains how it can meet the need for an Inheritance Tax (IHT) solution focused on environmental, social and governance (ESG) factors.*



### Can you give an overview of the portfolios?

The portfolios are an Inheritance Tax (IHT) solution with options focused on environmental, social and governance (ESG) factors. Clients can invest in firms operating across renewable energy generation, property development finance and asset-backed lending. We only invest in Business Relief (BR) qualifying companies, which can deliver IHT relief after just two years. We now offer four model portfolios, targeting returns from 3-5%+.

### What did the recent launch involve?

In addition to the two original options focused on capital preservation and growth, we added two new portfolios.

One is the Ethical portfolio, designed for those clients who have expressed a wish for a “green portfolio” which invests primarily in renewable energy as well as property development lending. We look for developers who focus on projects such as, social housing, eco-homes and similar environmental and social considerations. Clients who select the Ethical Portfolio are aware that the diversification of underlying assets is more focused and that target growth is slightly reduced. The other is the Balanced Growth portfolio, offering a blended focus on capital preservation with growth. All the portfolios access the same underlying firms but have different allocations, so that each investor can work with their adviser to select the one that’s right for them.

Within the Growth portfolio, we made a realistic adjustment to its target return, from 6% to 5%+.

This is in order to keep within the mandate of aiming for the best market returns without taking additional risk. In the context of Brexit, the coronavirus pandemic and a buoyant property lending market, this target is, for the time being, more in line with expectations. We always maintain transparency in our communications and as part of the launch we provided a written update to advisers and clients.

### Why did you launch the new portfolios?

We constantly adapt all our offerings in line with market change and evolving customer needs. We work in partnership with advisers and know that they are seeking solutions aligned with ESG considerations. This is in order to meet both regulatory requirements and increased demand from clients for ESG-focused solutions. This was a natural step for us as across businesses we invest with consideration for ESG factors.

### What is your approach to ESG?

We are focused on ensuring that any impact on the environment is positive; that social responsibility is always considered; and that the Group, in all its dealings, makes governance a priority. Each business follows a policy specific to its investment focus and offerings, which flows from the Group policy. From backing start-ups that can change the way we live, to investing



in renewable energy, we work to make a positive difference. We also seek out investee firms aligned with our ESG principles.

#### **What does 'ESG-approved' mean?**

ESG approved means that a portfolio meets our criteria for ESG factors. Blackfinch Investments, which offers the Adapt IHT Portfolios, supports young and growing firms, working in partnership to improve quality and sustainability. We are helping to divert capital to areas which can have a positive effect on the UK economy. Within the portfolios we invest in firms focused on renewable energy generation, property development finance and asset-backed lending. We continue expanding our solar and wind energy sites, contributing to a greener economy. Meanwhile our lending work helps to rejuvenate urban areas and boost local economies. With investments delivering a positive, measurable impact, they can be ESG approved.

#### **What is the ethical portfolio?**

The ethical portfolio, as mentioned earlier, invests primarily in renewable energy as well as property development lending with developers who focus on projects such as, social housing, eco-homes and similar environmental and social considerations. It aims to provide returns in line with inflation. Its target return is 3%, net of costs and charges. We developed the portfolio for

investors with an IHT liability who have a strong focus on the impact of their investments on the environment, and around whether they are contributing to the well-being of the economy. Such clients may opt for the lower target return and reduced diversification in order to maintain this stronger ESG focus in investing.

#### **Do the other portfolios not have an ethical focus?**

All the options within the Adapt IHT Portfolios, just like all the products and services we offer across all our businesses, have an ethical focus. This is due to how we apply ESG principles to all investments that we make. We don't offer ESG and non-ESG ranges. For the Adapt IHT Portfolios, it is simply that the degree of focus is defined by each client's views and beliefs on ESG, their investment objectives and their attitude to risk.

#### **Does the expansion of the range alter the investment strategy?**

The investment strategy remains to help clients protect their assets from IHT, however we are refining and improving the quality of our existing processes, while enhancing the sustainability of all projects. We continue to invest in firms which can deliver BR, in turn providing IHT relief. We also work to deliver a strong risk-adjusted return in line with the target for the portfolio that each client selects.