



THORNTONS
INVESTMENTS

AIM Inheritance Tax Portfolio Service
Investor Brochure

Helping you look after your family's future



Important notice

The Thorntons Investments AIM Inheritance Tax Portfolio Service invests in companies that are listed on the Alternative Investment Market (AIM) and are considered higher risk. The value of your investments, and any income arising from them, may go down as well as up and you may not get back the full amount invested. It may also be harder for your shares to be sold in comparison with those companies listed on the main market of the London Stock Exchange. It is important that you fully understand the risks involved with investing and these are explained on page 16 of this brochure. Please be aware that tax rules and regulations are subject to change, as are personal circumstances. Tax reliefs will only be available if those companies in which we invest continue to qualify for Business Relief. Investment in this Portfolio will not be suitable for all investors and we will only accept investments instructed by a qualified financial adviser on your behalf. Thorntons Investments have taken all reasonable care to ensure that the data and factual information contained in this brochure are true and accurate as at 1st April 2024.

All opinion and views expressed by Thorntons Investments in this brochure are based on our own understanding and interpretation of available information, and we give no assurance that these are correct nor that the objectives of this service will be achieved.

For UK investors only



**Thorntons Investments have been managing
AIM-listed portfolios since 2006, helping investors like
you pass on more of your wealth to your loved ones.**

Your legacy	4
The Thorntons Investments AIM Inheritance Tax Portfolio Service	5
The Alternative Investment market	6
Business Relief	7
How it works	8
Introducing our Investment Team	10
How we invest your savings	11
Company examples	12
Flexibility of AIM investment for Inheritance Tax Planning	14
Understanding the risks	16
Availability	18
Charges	19
Performance	20
Frequently Asked Questions	22

Your legacy

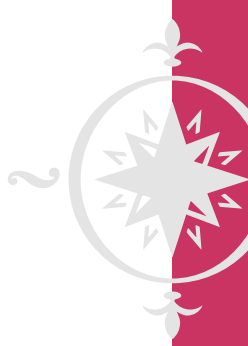
Many families find it difficult to talk about intergenerational planning. It is an emotive subject which some simply shy away from, or leave too late for any meaningful planning to be truly effective. As a result, a significant portion of wealth intended for your beneficiaries may end up going to the tax man instead.

A starting point is to establish what is important to you and how you want your wealth to impact your loved ones.

Involving your family in the discussion, and with the help of your financial adviser, you can put planning in place to mitigate Inheritance Tax and optimise wealth passed on.

Our AIM Inheritance Tax Portfolio Service is a tax-efficient way of helping you leave more of your wealth to your beneficiaries after your death, providing a legacy for future generations to come.





Introducing the Thorntons Investments AIM Inheritance Tax Portfolio Service

Our AIM Inheritance Tax Portfolio Service is a tax-efficient way of helping you obtain inheritance tax relief on investments held for at least two years, allowing your beneficiaries to inherit more of your wealth.

Paying our taxes is a fact of life.

Record inheritance tax (IHT) receipts highlight the importance of planning your estate, with £7.1bn paid by estates in 2022-23 and forecast to rise to £9.7bn in 2028-29*. Among assets included in the calculation of inheritance tax are your family home, and your cash savings and investments, including Individual Savings Accounts (ISAs).

However, with a bit of forward planning you can reduce, or completely remove, your estate's liability to inheritance tax after your death.

Traditional ways to mitigate inheritance tax can be inflexible, and may mean you losing control over your capital. Where certain assets are gifted, you may have to survive for seven years before their value fully falls outside of your estate.

The Thorntons Investments AIM Inheritance Tax Portfolio Service offers the prospect for you to obtain IHT relief after only two years, by investing in the shares of qualifying companies listed on the Alternative Investment Market (AIM). There are strict criteria that govern which company shares qualify for Business Relief (BR), so we carefully select those we believe should qualify.

Providing you hold these shares for at least two years, and hold them at death, then they are expected to qualify for 100% relief from inheritance tax.

Investment in BR qualifying AIM shares should not be regarded as a core holding and should be considered as part of your overall tax planning strategy.

The Thorntons Investments AIM IHT Portfolio Service is only available through qualified Financial Advisers. Any suitability decisions should be based on a comprehensive review of your circumstances, objectives and requirements, taking full account of your attitude to risk and capacity for loss.

*Office for Budget Responsibility, March 2024

The Alternative Investment Market

Since its inception in 1995, the Alternative Investment Market (AIM) has encouraged the growth and development of small companies around the world. Investors have shown unprecedented interest, driven by the tax benefits on offer, and by the inclusion of AIM shares in ISAs.

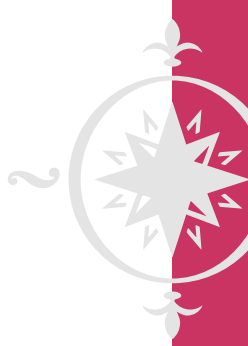
AIM continues to be a global success story for Britain. Since 1995, the AIM market has helped over 4,000 small companies raise over £134bn, and has been a major boost for innovation, employment and growth.

Companies that have previously benefited from an AIM-listing include pizza delivery company Domino's and Dobbies Garden Centres.

Investment in AIM portfolios does carry greater risk than many other types of investment, and it is important that you should be fully aware of the risks and tax consequences. We cover these in detail on page 16.

[^]London Stock Exchange





Business Relief for Inheritance Tax Planning

Business relief was first introduced in 1976 to allow a small business to be passed on to family without incurring a liability to inheritance tax (IHT). The scope of Business Relief has been widened over the years making it attractive to investors looking to reduce or mitigate a potential IHT liability.

Some AIM company shares qualify for 100% Business Relief, but qualification is subject to stringent criteria. The business must be considered a qualifying trading company and excludes companies who for example, deal in stocks and shares, or land and buildings.

There is no definitive list of qualifying AIM companies, which is why our long experience of managing AIM company portfolios for Inheritance Tax planning plays a crucial part in our service.

Business Relief Qualification

A portfolio of AIM company shares which qualify for 100% Business Relief will be fully exempt from Inheritance Tax providing they have been held by the investor for at least two years out of the last five years, and were held at death. All claims for Business Relief are assessed by HMRC after death, so relief for any particular stock is not guaranteed. To date we have never experienced any AIM stocks held failing qualification.

Unlike other IHT planning solutions, the investor retains control over their AIM investment and you have access to your portfolio to make withdrawals should your circumstances change.

How it works

An example is often the easiest way to understand how the Thorntons Investments AIM Inheritance Tax Portfolio Service can help reduce your family's inheritance tax bill.

Alan is concerned that he will leave his family with an inheritance tax bill after his death.

Alan is 76 years old and a widower. His home, investments and savings have a combined value of £1.2m, including a share portfolio worth £500,000.

He is planning to leave the family home to his son and daughter, so will have an additional residence nil-rate band together with his main nil-rate band. This will give him a total nil-rate band of £500,000. Alan can also claim unused allowance from his deceased spouse, providing a potential combined total nil-rate band of £1m.

On death, his beneficiaries will face an inheritance tax bill of 40% on the value of his estate over and above the combined total nil-rate band.

After discussing with his financial adviser and his family, and confirming that he understands the risks and is comfortable with them, Alan decides to sell £200,000 of his existing shares and invest the proceeds into the Thorntons Investments AIM Inheritance Tax Portfolio Service[^].

Unlike many other estate planning solutions, Alan still has access to his investments should his circumstances change. If he wanted to sell some of his shares in future, it will not affect the IHT relief available on his remaining investment.

[^]Consideration should be given to the effect of Capital Gains Tax on the disposal of the proceeds



Were Alan to die having held his AIM shares for at least two of the last five years, they are expected to qualify for 100% relief from inheritance tax.

	If shares not sold	If invested into the Thorntons Investments AIM IHT Portfolio Service
Value of investment after two years	£200,000	£196,020*
IHT payable upon death @ 40%	£80,000	£0
Value passed on to beneficiaries	£120,000	£196,020

Total inheritance tax saved after two years is £76,020

This table is for illustration purposes only, is based on current tax legislation and ignores investment growth or losses which would occur in reality. It does not include allowance for dealing charges, tax wrapper charges and fees for financial or tax advice. There is no initial charge for investment into the Thorntons Investments AIM Inheritance Tax Portfolio Service.

The example given should not be construed as offering advice.

*Assumes an Annual Management Charge of 1%



Introducing our Investment Team

Our investment professionals have considerable experience of investing in AIM-listed companies, and a strong, consistent track record[^].

We have been investing in AIM-listed companies since 2006, and continue to apply the same rigorous and robust processes that have consistently served investors well. Our AIM investment team has substantial knowledge of AIM company investing, carrying out thorough and diligent research, and meeting companies we invest in.

Matt Strachan
Chief Investment Officer

Matt is our Chief Investment Officer, joining Thorntons Investments in 2014. Prior to that he was with Alliance Trust plc for 28 years managing investments in all major equity markets, with extensive experience of investing in smaller companies.

He managed the Alliance Trust Investments North America Equity Fund where his long-term investment discipline generated strong performance, for which the fund achieved a Morningstar OBSR Bronze rating.



Ciaran Garvey
Investment Manager

Ciaran joined Thorntons Investments in 2011. His primary focus is on the analysis and selection of AIM-listed companies for the portfolio.

He is a Chartered Member of the CISI, and in 2013 was the top Scottish performer in the CISI Masters exam.

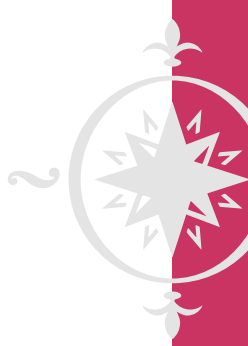


Catherine Jackson
Equity Analyst

Catherine also joined us in 2011 and is responsible for AIM company research and analysis.

She is a graduate in both Mathematics and Law and holds the Investment Management Certificate.

[^]Past performance is not a reliable indicator of future performance



How we invest your savings

You will be invested into a broad spread of between 30 and 40 AIM-listed companies based on strict selection criteria. We must be satisfied that they qualify for Business Relief and are capable of providing good investment returns.

We carefully select a range of between 30 to 40 individual companies.

These will predominantly be smaller growth companies that have traditionally been more risky than larger more developed companies.

To manage this risk, we ensure that your portfolio is well diversified to sensibly spread risk. This means you will have exposure to a range of different business sectors and geographic markets.

We select companies that have strong, often niche, business positions, well-established management and robust levels of profitability and cash flow.

We also invest in companies that pay dividends, as these companies have shown themselves to be more stable performers over time. Shielding against the downside is as important as the potential for gains.

To be eligible for IHT relief, companies must qualify for Business Relief. When we invest, great care is taken to ensure that companies are not disqualified on a range of different criteria. Although no absolute guarantee can be made that all companies will qualify for Business Relief when submitted to HMRC, a constant watch is kept to try and safeguard against this. Regular communication with companies and a review of stock exchange releases are undertaken. Where we have concerns that a company might no longer qualify for Business Relief, we replace it in your portfolio.

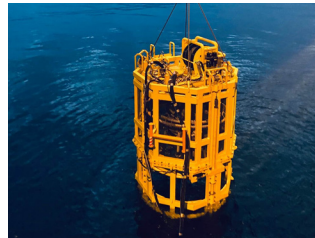
Similarly, we will replace a stock when we consider it no longer beneficial to the investment return of your portfolio. Investment changes are expected to be infrequent.

Holding a spread of company shares means that should one stock fail to qualify for Business Relief, this in isolation would not invalidate qualification for the entire portfolio.

Invest, Innovate, Improve

Your investment will provide a source of capital to innovative companies, helping fund growth and development together with boosting skills and employment.

Here are a few examples of companies we hold in the portfolio.



Offshore wind installation tool
(Image courtesy of Ashtead Technology)

Ashtead Technology is a subsea equipment rental and services business.

More than 30% of Ashtead Technology's revenue is derived from offshore wind projects, an example of which saw their involvement in the construction and installation phase of Neart Na Gaoithe, a 450MW offshore wind farm off the coast of Fife, Scotland.



Volex cable assembly, Suzhou
(Image courtesy of Volex)

Volex is one of the world's leading providers of power products and interconnect solutions.

These include a range of electric vehicle charging components, power products for the global white goods market and high-speed data cables.

It has manufacturing facilities and hubs located across all continents, which enable it to provide design, manufacturing and customer support on a global and regional basis.

Jet2.com



Airbus A321
(Image courtesy of Jet2)

Jet2 provide leisure air travel and package holidays, and operate scheduled, charter and tour operator flights.

They are now the UK's third largest airline, flying from 11 UK airports to more than 65 destinations across Europe, the Mediterranean and the Canary Islands.

Jet2holidays is the largest operating ATOL-licensed tour operator in the United Kingdom with over 6.7 million passengers licensed as of February 2024.

James Halstead
JAMES HALSTEAD plc

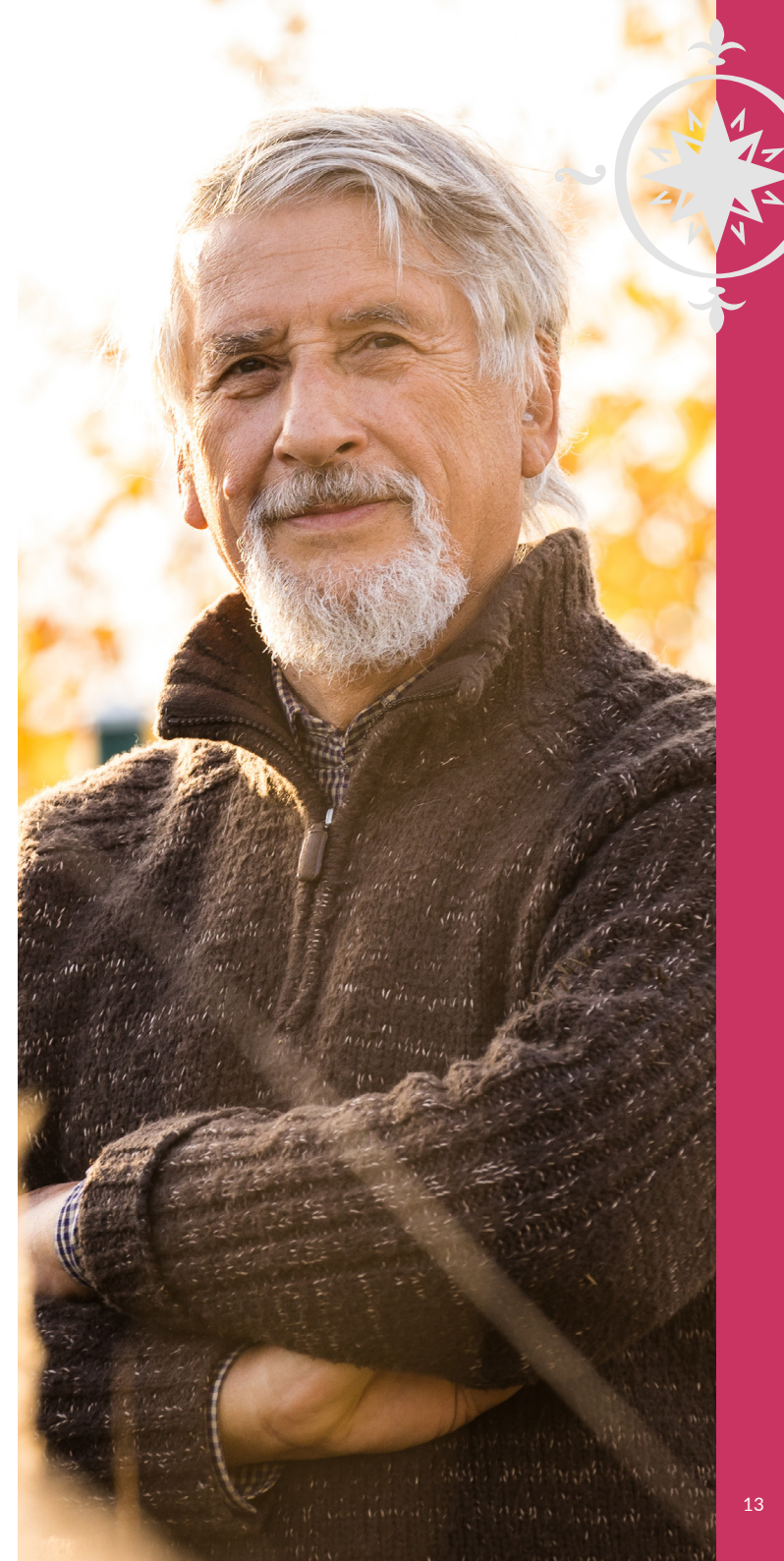


Livesport HQ, Prague
(Image courtesy of James Halstead)

James Halstead manufacture and distribute commercial floor coverings with their products found around the world.

Their Polyflor vinyl is 100% recyclable allowing wastage to be used in new flooring or other plastic items.

New Polyflor vinyl made from wastage collected since 2009 would be the equivalent of covering 301 football pitches or taking nearly 2000 cars off the road.



Flexibility of AIM investment for Inheritance Tax Planning

AIM investment for Business Relief can help investors in a number of ways.

I have made no plans to mitigate Inheritance Tax

Many investors leave it until later life before considering estate planning, but if choosing to make a gift or use a trust for Inheritance Tax planning they must survive for seven years for this to be effective. By contrast, a qualifying AIM portfolio needs to be held for only two years and at death for it to be free from Inheritance Tax.

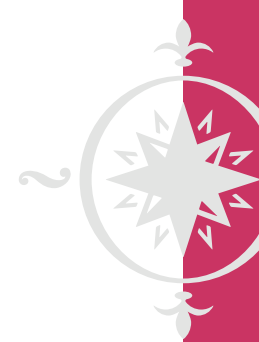
I am reluctant to gift money as I don't know if I may need access at a later date

It is common to feel anxious about gifting your money away, particularly given uncertainty over future life events. Making an outright gift for Inheritance Tax planning means you will no longer be able to access this in future should the need arise. Where access is important, an investor retains ownership of investment made into a portfolio of AIM-listed shares and can withdraw assets in future if circumstances change.

My ISA will fall into my estate on death

Many ISA investors are aware of the generous tax benefits their ISA provides, with no tax payable on income or on growth. Less well known is that on death, their ISA will be included as part of their estate for Inheritance Tax and potentially be subject to a 40% tax charge. Since 2013, ISAs have been allowed to hold AIM company shares, allowing investors to either move or transfer existing ISA holdings into an AIM IHT portfolio for Inheritance Tax planning. Once held for two years and at death, the value of their AIM portfolio holdings are expected to qualify for 100% relief from Inheritance Tax.





I have concerns over my health

Where investors have concerns over their health, and in some cases may sadly face a reduced life expectancy, the two-year holding period for Business Relief from AIM investment is brought into sharp contrast to gifting, where the donor has to survive for seven years for the gift to be outside their estate. Unlike other estate planning solutions, there is no requirement for medical underwriting when investing in an AIM share portfolio.

I act as an attorney but have limited powers to make a gift for Inheritance Tax planning

If you are an attorney appointed under a registered lasting power of attorney, there are strict rules around gift-making and you may need to apply to the Court of Protection for authority. By contrast, there are no similar restrictions placed on the attorney regarding investment into an AIM IHT portfolio. Along with the prospects for capital growth, the donor will be able to make withdrawals if required, for example to pay healthcare costs or for long-term care. If held for two years and at death, the balance of the portfolio is expected to pass to their beneficiaries free from Inheritance Tax.

I am selling my business but am worried about leaving my estate with an Inheritance Tax bill on the proceeds

Where shares in a business qualify for Business Relief and the business is sold, the relief can be maintained if the proceeds are used to purchase a replacement qualifying asset within three years of the sale. Investing the proceeds into a qualifying AIM IHT portfolio does not require the two-year holding period for qualification to restart, meaning the portfolio is expected to be outside the estate for Inheritance Tax.

Understanding the risks

As with any investment decision, it is important you understand the risks involved and are comfortable with them. Please consider these carefully, and discuss with your financial adviser before proceeding.

Your capital is at risk

The value of your capital depends on the share price of the companies in your portfolio. Share prices can go down as well as up, which means that your portfolio may not return the full amount invested. On a day-to-day basis the value of AIM-listed companies can fall and rise more sharply than larger companies listed on the main market of the London Stock Exchange. Therefore, there is a greater risk of sudden losses in the value of your portfolio.

Investment is not for the short term

Given the higher volatility of AIM listed-companies, equity investments should usually be held over the medium to long term; generally that means investing for a period of three to five years or longer. Investments must be held for a minimum of two years and be held at death in order to benefit from IHT relief.

Business Relief qualification is not guaranteed

We invest in AIM-listed companies that we reasonably believe will qualify for Business Relief (BR). Where a change in circumstances will lead to that company stock becoming non-qualifying it is replaced in the portfolio. Should any stock fail HMRC assessment for BR qualification then the value of your shares in that company will be subject to inheritance tax.

Since we launched our service in 2006 we have not had any AIM-listed companies in our portfolios fail the HMRC assessment for BR. However, we cannot guarantee that any company will always remain a qualifying investment and we cannot accept any liability in this regard. This risk is reduced by holding a wide range of 30 to 40 stocks which we believe to be qualifying.

Your investment may be difficult to sell

The shares of AIM-listed companies can be more difficult to sell than those of larger companies. This means that you may not be able to sell your shares immediately and you may have to accept a depressed price which does not reflect the underlying value.

This type of investment will not be suitable for all investors

The Thorntons Investments AIM Inheritance Tax Portfolio Service is designed for those individuals who wish to mitigate IHT liability on the value of their portfolio in return for a higher level of risk. Investors must be UK resident and UK domiciled. We strongly recommend that potential investors seek professional financial and tax advice before investing.

AIM shares should not be a core investment

AIM shares are more suitable to form a smaller proportion of an investor's overall portfolio given their high volatility. Past performance cannot be relied upon and you should not regard the past performance of any investment to be a guide to future performance.

Tax rules can change

Rates of tax, tax benefits and tax allowances are all subject to change or withdrawal. The tax reliefs referred to in this brochure are based on current legislation and may not continue to apply during the lifetime of the investment. The value of tax reliefs will depend on your own personal circumstances.



Availability

The Thorntons Investments AIM IHT Portfolio Service is only available through a qualified Financial Adviser. Investors should be made fully aware of the benefits and risks before choosing to invest.

Thorntons Investments work closely with many of the leading third-party platform providers to make our AIM IHT service available as a model portfolio to both existing and new platform clients. It is simple to invest and allows platform users the opportunity to hold their AIM investment and other investments together on the same platform.

Your Financial Adviser will be able to provide further details, including platform availability and charges.

The benefits to investors in this service include:

- 100% relief from inheritance tax expected after only two years
- Access to capital if required
- Cost and administration efficiencies from platform investment
- Simple to invest
- No investment delay
- An honest dividend yield sufficient to cover most or all charges
- Prospect for long term growth

Charges

Charges are simple and transparent.

Our fee

We have an Annual Management Charge of 1% for our service. We do not charge VAT.

Platform charges

Platform specific charges will apply to cover for example, administration and servicing costs. There are no initial charges, no exit charges and no withdrawal charges. Some platforms have a nominal fixed dealing charge for selling and buying stocks.

Adviser charge

These are the costs you agree with your Financial Adviser to remunerate them for the advice they provide.

Full details of all charges are available from your Financial Adviser.



Performance

Although the primary purpose of investing in our AIM Inheritance Tax Portfolio Service is to help you to leave more of your wealth to your beneficiaries, we also look to deliver growth through good consistent investment returns.

The AIM companies in which we choose to invest should not only qualify for Business Relief, but we must be satisfied they have the potential for good investment performance and generate an income capable of covering most or all charges.

Our Investment Team publish a Quarterly Investor Factsheet which provides details of our performance together with portfolio commentary. We send this to your Financial Adviser each quarter.





“Without doubt, one of the most rewarding aspects of investing is owning shares in successful small companies, knowing that you have provided the capital that has helped them succeed.”

Matt Strachan, Chief Investment Officer

Frequently Asked Questions

How long do I have to be invested in my AIM IHT portfolio for it to be free from Inheritance Tax?

To qualify for Business Relief you have to have held your AIM portfolio investment for at least two years out of the last five, and at death, after which your portfolio is expected to be outside your estate for the calculation of Inheritance Tax.

What happens when I die?

If you die before the end of the two-year holding period, your AIM portfolio will not qualify for Business Relief and the assets will form part of your estate and may be liable for Inheritance Tax. However, if you have a surviving spouse or civil partner, the assets may be transferred to them without incurring inheritance tax, with the two-year holding period continuing without the need to restart.

On death after the end of the two-year holding period, all claims for Business Relief are assessed by HMRC and your executor will be responsible for submitting the paperwork to them, including details of the AIM company stocks held at death. Should all stocks qualify then your estate will not be liable for Inheritance Tax on their value at death.

Once Probate (Confirmation in Scotland) has been granted, the AIM shares can be sold or transferred to beneficiaries. If transferred to a surviving spouse or civil partner, the period of ownership will continue without the need to start a new two-year qualifying period.

What if a stock in the AIM IHT portfolio fails to qualify for Business Relief?

Should a stock fail to qualify then Inheritance Tax may be liable on the value of that stock only. It will not disqualify the entire AIM portfolio. Since we first started managing AIM IHT portfolios in 2006 we have never had a single stock fail Business Relief qualification.

Do you have measures in place to help ensure the service's ongoing compliance with Business Relief legislation?

Yes. We retain the services of a third-party tax adviser who assess all AIM companies held in our portfolio for the likelihood that their shares will qualify for 100% Business Relief.

Can I access my AIM IHT portfolio should I need to make any withdrawals, and are there any charges for doing so?

When you invest into our AIM IHT portfolio you own the shares and can access your capital to make withdrawals if required in future. There are no withdrawal charges for doing so.

How easy is it to invest?

Investing into our AIM IHT portfolio on a platform is simple, in contrast to other inheritance tax planning solutions such as the use of trusts, which can be complex and costly. Your adviser is responsible for placing investment on your behalf and the process is very straightforward, whether you are switching existing platform holdings, transferring external investment onto the platform or making fresh investment. We do not require any paperwork.

How long does it take before AIM stocks are purchased?

Starting the two-year holding period for measuring Business Relief quickly is crucial, particularly for investors in later life or with health concerns. As we only accept investment from the client's financial adviser through a third-party platform, the investment trades usually settle within a couple of days.

Can I hold AIM investment in my ISA?

Yes. ISA holdings will form part of your estate on death and may be subject to Inheritance Tax. AIM investment is permissible within an ISA, so switching or transferring ISA holdings into an AIM IHT portfolio adds the prospect of IHT relief to the existing favourable tax advantages ISAs offer. Investors wishing to start IHT planning may also choose to pay regular ISA subscriptions into an AIM IHT portfolio.

Where AIM shares in an ISA have been held for Business Relief and the investor dies, the portfolio can be moved across to their spouse or civil partner's ISA using their Additional Permitted Subscription, without losing the IHT exemption. The period of time the AIM shares were held by the deceased partner is taken into account, so avoiding having to restart the two-year holding period for Business Relief.

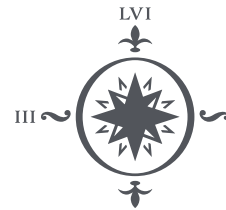
How is cash treated within the AIM IHT portfolio after death?

Any cash held in the portfolio will not qualify for Business Relief and may therefore be liable for Inheritance Tax. We only hold 1% in cash to help with the smooth running of the portfolio, leaving 99% invested in Business Relief qualifying assets.



The Thorntons Investments AIM IHT Portfolio Service is only available through a qualified Financial Adviser.

Any suitability decisions should be based on a comprehensive review of your circumstances, objectives and requirements, taking full account of your attitude to risk and capacity for loss. Having considered our own AIM IHT services, the objectives of investors in our target market, and other industry provider services, we have concluded that we deliver good outcomes for investors and are confident that the benefits of our services represent fair value.



THORNTONS INVESTMENTS

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This document has been prepared using all reasonable care. It does not constitute investment advice.

Past performance is not a reliable indicator of future performance. The value of investments can fall as well as rise and clients may not get back the amount originally invested.