



FOR PROFESSIONAL ADVISERS ONLY

# AIM *Portfolio Service*

*Realising Ambitions.  
Securing Futures.  
We are Brooks Macdonald.*





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# What is the AIM Portfolio Service?

Our AIM Portfolio Service is an actively managed discretionary portfolio of smaller, growing companies within the AIM market. It has been designed for investors looking for long-term capital growth potential and compelling Inheritance Tax benefits.

The AIM market was set up by the London Stock Exchange in 1995 with a view to providing smaller growing companies a platform upon which they could effectively raise capital. A wide range of businesses, including both early stage and more established companies, join AIM seeking to access an international shareholder base to fund their future growth prospects. As at 31 December 2023, the AIM market currently consists of 753 companies with a combined value of £79 billion.

Companies that are members of AIM include many well-known names such as:

- Fever-Tree Drinks (premium mixers)
- Jet2 (market leading travel operator)
- Nichols (produce of the popular soft drink Vimto)
- YouGov (market research and data analytics)

Many other AIM-listed companies do not have consumer facing brands but do have long-standing relationships with many well-known multinational companies.

Through our AIM Portfolio Service, your clients can access 30 to 40 carefully selected AIM-listed businesses. Additionally, our intention is to invest only in AIM-listed companies that qualify for Business Relief, which, under current legislation, can offer potential Inheritance Tax benefits if the assets have been held for at least two years.

While investing in the AIM market carries some risk, our conservative approach aims to minimise unpredictability, leaving your clients potentially able to benefit from our investment in growing companies, many of which are leaders in their respective industries. We have several strategies in place to manage the risks associated with these companies, and our robust framework ensures we never own more than 3% of a company's share capital.

Our AIM Portfolio Service is managed by a team of dedicated investment managers who also leverage the expertise and resource of Brooks Macdonald's 60+ investment professionals, offering reassurance that the underlying holdings have undergone rigorous analysis and ongoing monitoring.



## At a glance

- Established in July 2011 and has a **demonstrable track record** and strong position in this market.
- Access to **30-40 carefully selected AIM-listed businesses**, many of which are leaders in their respective industries.
- Designed for investors looking for long-term capital growth potential and **compelling Inheritance Tax benefits**.
- We **manage the risk** that investing in AIM companies presents, with a key risk control being that we never own more than 3% of a company's share capital.
- The Service is not a collective investment scheme, but rather a portfolio of shares that are eligible for Business Relief qualification under current legislation.
- Actively managed by our AIM investment team who **leverage the expertise and resource** of Brooks Macdonald's 60+ investment professionals.





# Inheritance Tax and Business Relief

## Inheritance Tax

Depending on your client's requirement, Inheritance Tax (IHT) planning may be a consideration when determining their financial plan.

IHT is a UK tax on the estate (the property, money and possessions) of a deceased individual. The standard IHT rate is currently 40% and is charged on the portion of the estate that is above the tax-free threshold, (currently £325,000 per person and subject to change). If an individual gives away their home to their children or grandchildren, their threshold will increase to £500,000. Additionally, if an individual is married or in a civil partnership and their estate is worth less than their threshold, any unused threshold can be added to their partner's threshold when they die.

For example, your client's estate is worth £500,000 and their tax-free threshold is £325,000. The IHT charged will be 40% of £175,000 (£500,000 minus £325,000) which is £70,000.

From a tax planning perspective there are multiple ways in which you can reduce your client's IHT liability. The most common strategies are listed below.

- **Gifts during life (defined as anything that has a value, such as money, property, possessions**
  - Gifts (outside of the 'annual exemption' and 'exempted gifts') are not counted towards the value of the estate only after seven years have passed. Gifts made three to seven years before death are taxed on a sliding scale. Gifts given in the three years before death, are charged at 40%.

- **Gift to charity in your will** – The estate can pay IHT at a reduced rate of 36% on some assets if 10% or more of the 'net value' is left to charity in will.
- **Business Relief** – Business Relief allows some assets to be passed on free of IHT or with a reduced bill. A client can receive 100% BR on a business or interest in a business and shares in an unlisted company (where AIM shares are considered to be unquoted for tax purposes).

Please note, however, that we are not tax specialists and cannot offer tax planning advice. Please seek independent tax advice and note tax treatment depends on your client's individual circumstances and may be subject to change in the future.



# Business Relief

Business Relief (BR) is an established part of IHT legislation. It enables BR qualifying investments, that have been held for at least two years, to be passed on potentially free from IHT on the death of the investor.

Within the AIM Portfolio Service, our intention is to invest only in AIM-listed companies that qualify for BR, referring to the tax statute governing BR when selecting our holdings. For example, stocks must be defined as ‘trading companies’ to qualify, therefore we will avoid certain businesses such as property companies, cash shells and investment companies.

Though this is our intention, we cannot, however, be certain that each company will ultimately qualify for BR, as this remains at the discretion of HMRC on the death of the investor. We do engage the services of a specialist accountancy practice to provide further independent oversight for BR qualification purposes.

Tax treatment depends on your client’s individual circumstances and may be subject to change in the future.

Here is an example of how investment in BR qualifying AIM stocks can reduce the amount of IHT ultimately payable on an estate. In this example, we detail multiple scenarios for a client with £700,000 of funds available for investment and assumes that the individual has no nil rate band left. The example shows that even if the client’s AIM portfolio fell by 40% in value, they would still have the same net value of estate (after IHT has been deducted) as a portfolio that had not invested in qualifying AIM assets.

Although the risk profile of our AIM Portfolio Service may be considered higher than other IHT planning strategies, such as gifts or life insurance, for some clients, the accelerated qualification period and the retention of asset ownership can represent an attractive investment with an added tax planning opportunity.

AIM Investment start		£200,000	£200,000	£200,000	£200,000	£200,000	£0
AIM Portfolio Service illustrative performance	40%	£280,000	–	–	–	–	–
	20%	–	£240,000	–	–	–	–
	0%	–		£200,000	–	–	–
	-20%	–	–	–	£60,000	–	–
	-40%	–	–	–	–	£120,000	–
AIM investment end assuming two years ownership		£280,000	£240,000	£200,000	£160,000	£120,000	£0
Other assets		£500,000	£500,000	£500,000	£500,000	£500,000	£700,000
IHT payable at 40%		£200,000	£200,000	£200,000	£200,000	£200,000	£280,000
Net value of estate		£580,000	£540,000	£500,000	£460,000	£420,000	£420,000

Above table is for illustrative purposes only and assumes nil-rate band used against other assets. Portfolio must normally be held for two years in order to achieve BR relief. Past performance is not a reliable indicator of future results. BR could be withdrawn at any time.

Tax treatment depends on your individual circumstances and may be subject to change in the future.

Business Relief is not guaranteed and remains at the discretion of HMRC on the death of the individual. The individual could die before the two-year BR qualification period has been achieved. It is also important to note that the BR tax regime itself could change or be withdrawn by the UK Government at any point in the future.





# Our approach to investing

While the AIM investment team leverages the resource and expertise of Brooks Macdonald's wider investment team, the AIM Portfolio Service has a distinct investment process which is fairly conservative in nature.

Through a process of rigorous, in-house research the team aims to identify businesses with a history of sound finances, robust cash flows and a proven track record of profitability, many of which will have sustainable and growing dividends. In terms of qualitative factors, the team seeks market leading businesses with defensible and sustainable competitive advantages, benefitting from structural growth tailwinds. Such qualities tend to lead to attractive and sustainably growing profitability.

The portfolio is constructed with companies comprising several investment characteristics:

- **Structural tailwinds:** Companies that are benefitting from broad long-term changes taking place in society, industry, or the economy.
- **Disruptive growth:** Companies that have demonstrated an ability to drive change in society or industry via an innovative or unique business model or product.
- **Asset backed:** Companies that own significant and attractive tangible assets, such as property or infrastructure.
- **Core defensive:** Companies with relatively 'economically insensitive' business models that are characterised by their stable sales growth and superior long-term earnings visibility.
- **Branded/roll-out:** Consumer facing companies with valuable brand assets and established business franchises, boasting clear and ambitious plans to grow their market share.
- **Deep value:** Companies deemed to be trading at a material discount to their intrinsic value.
- **High yield:** Companies delivering fairly benign rates of sales and earnings growth but boasting a high (and sustainable) dividend yield.

In terms of a new portfolio within the Service, we would normally expect 50% of the portfolio to be invested promptly and fully invested four weeks after the first investment is made. Under the terms of our AIM Service rules each new portfolio must be fully invested (i.e. less than 5% cash) within six weeks of the initial starting date.

## Managing risk

The more volatile nature of the AIM market combined with the fact the portfolio will remain fully invested in a single asset class and geography (i.e. UK equities) leads us to describe the investment mandate as 'high risk'. Investors should be aware that the price of investments, as well as the income from them, can go down as well as up and that neither is guaranteed.



In addition, further risks include the reduced liquidity associated with the AIM market and the fact that the Business Relief (BR) regime itself could be subject to change (or withdrawal) in the future. It is also important to note that BR qualification remains at the discretion of HMRC and is only tested upon the transfer of inheritance. Accordingly, BR is not guaranteed and as such there is a risk that a holding may not ultimately qualify. We do, however, endeavour to ensure that our investment universe is restricted to those companies that we believe qualify for BR.

We, therefore, have several strategies in place to assist us in managing the risk that investing in AIM companies presents. Philosophically, whenever we add an investment to a client's portfolio, we always consider how much risk we are taking and whether the potential additional investment return adequately compensates the client for the risk being assumed.

At a practical level, we have two core risk controls:

- We should not own more than 3% of a company's share capital within the AIM Portfolio Service. This rule is in place to support liquidity considerations and our ability to buy and sell shares at our own discretion.
- At an individual portfolio level, our maximum individual holding size is 10% of the portfolio value with no more than 5% of the portfolio invested into a single holding at the outset.

## Transfer of estate on death

On notification of the death of the investor within the AIM Portfolio Service we will continue to actively manage the portfolio until we receive instructions to the contrary from the executors. An original copy of the death certificate will also be required as part of the process.

We will also provide executors with a basic valuation of the portfolio as at the date of death and a transaction history to assist with taxation matters and the winding up of the estate.

We can facilitate in-specie transfers or liquidations subject to receiving the required documentation.

Under UK ISA legislation, in cases where the holder of an ISA portfolio dies, the surviving spouse/civil partner is entitled to an additional ISA allowance equivalent to the value of the deceased's ISA as at date of death. This is available whether the surviving spouse/civil partner inherited the estate of the deceased or not and either in cash or in specie. If the surviving spouse/civil partner does not inherit the estate, an Additional Permitted Subscription (APS) can be made in cash only from their own resources.





# The Portfolio

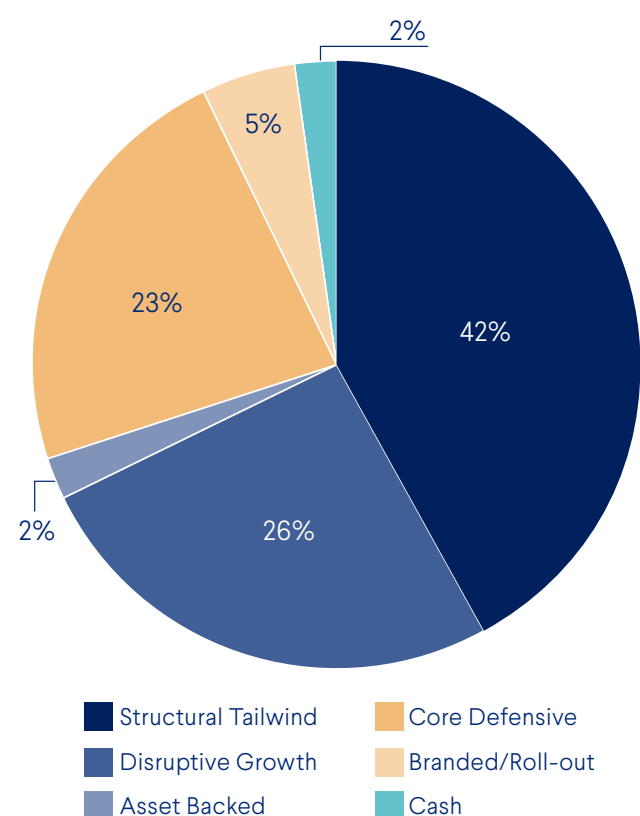
We invest in a portfolio of 30 to 40 carefully selected AIM-listed businesses with the goal of generating long-term returns for your clients. The portfolio is constructed with companies comprising the investment characteristics highlighted previously, as well as cash.

The AIM Portfolio Service is not a collective investment scheme, but rather a portfolio of shares that are eligible for Business Relief qualification and, as such, as your client retains ownership of the underlying assets. Cash can, therefore, be realised at any time, although the proceeds raised and the exact timing of settlement will be dictated by prevailing market conditions at the time of dealing. Withdrawals may also compromise any accrued Inheritance Tax benefits.

For up-to-date performance data and holdings information, please refer to the latest factsheet.

*Disclaimer: Breakdown is for illustrative purposes only. Due to rounding, the figures shown may not add up to 100%*

ILLUSTRATIVE AIM PORTFOLIO



# Accessing the AIM Portfolio Service

Our AIM Portfolio Service can only be accessed through a professional adviser who agrees to take responsibility for suitability including the assessment of the client's risk appetite and capacity for loss.

## Minimum investment

The minimum investment into the AIM Portfolio is £100,000.

## Asset allocation

Assets within the portfolio will be held directly with Brooks Macdonald.

## How to invest

To begin the process, you will be required to complete a 'Request for an investment portfolio report' form on your client's behalf. Once processed, the Brooks Macdonald AIM team will produce a formal AIM proposal report and send this to you, along with all the relevant application documentation.

You will be advised by email when the application form has been reviewed, and then again once the account has been opened, to confirm that capital can now be accepted for investment.

Please note, we are unable to manage accounts on a combined basis and minimum investment levels apply, please see the latest factsheet for details. For example, we cannot manage ISA and non-ISA funds on a combined basis as one account.

## Fees and charges

The fees and charges of the AIM Portfolio Service are outlined below.

### Annual Management Charge

This service has a standard annual management charge (AMC) of 1.75% per annum, charged against individual portfolios on a quarterly basis. The AMC for this service includes dealing charges and is exempt from VAT.

We do not charge an initial fee or an exit fee for this service, however, corresponding in-specie transfer charges may apply.

In certain circumstances ancillary administration charges or regulatory fees may apply. For full details, please refer to our Fee Schedule.

You have the opportunity to levy both initial and recurring adviser charges via AIM Service portfolios, provided these charges have been agreed in advance with your client and are documented in the client agreement.



# The Brooks Macdonald difference



Our focus is on providing expert investment management, helping you and your clients achieve the desired outcome, as well as value for money. That's why when you chose our AIM Portfolio Service, you can benefit from:

## **Outsourcing portfolio management**

Our team will be responsible for constructing, monitoring and rebalancing (as appropriate) the portfolios to help us deliver on the risk and return objectives.

## **Specialist investment types**

Through AIM, you'll have access to smaller, growing companies, that aren't typically available through standardised investment solutions.

## **Robust research**

With the dedicated investment team, your portfolio will be constructed from their highest conviction AIM listed companies. Not only that, the team will continually monitor and review to ensure they are performing as expected.

## **Digital benefits**

Through InvestBM, our secure online portal, you can monitor the progress of your client's portfolio safely and securely.

## **Relieve the administrative burden**

We are responsible for all administrative activity associated with your clients' portfolio, and assets are held in Brooks Macdonald's custody.

## **Regular reporting and insights**

We'll keep you up to date with quarterly portfolio activity and performance, with commentaries and factsheets to support your client conversations.

## **A tax-efficient solution**

With our AIM Portfolio, you can benefit from compelling Inheritance Tax benefits, by investing in companies qualifying for Business Relief.

## Let's realise ambitions and secure futures together.

For more information on the AIM Portfolio Service or to request a client specific proposal report, please get in touch with our team at:



### **Email**

[aim@brooksmacdonald.com](mailto:aim@brooksmacdonald.com)



### **Website**

<https://www.brooksmacdonald.com/financial-advisers/services-funds/aim-portfolio-service>



## Important information

This document is intended for investment professionals only and should not be relied upon by any persons who do not have professional experience in matters relating to investments. The information in this document does not constitute advice or a recommendation and investment decisions should not be made on the basis of it. The value of investments, and the income from them, may go down as well as up and neither is guaranteed. Investors could get back less than they invested.

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More information about the Brooks Macdonald Group can be found at [brooksmacdonald.com](http://brooksmacdonald.com)

