

## Inheritance Tax Portfolio Service

*Investing for the Future*

3<sup>rd</sup> Quarter 2018

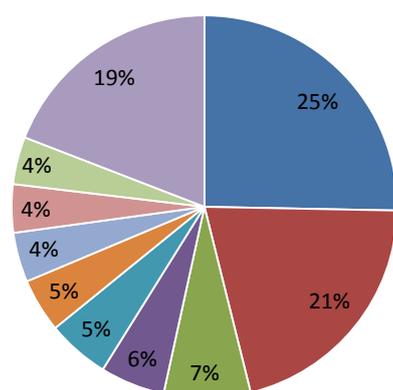
### About the Service

The Charles Stanley Inheritance Tax Portfolio Service is designed to provide one of the quickest and easiest means of reducing a potential Inheritance Tax (IHT) liability whilst enabling a client to retain full control and the ability to realise the portfolio at any time if circumstances change.

This is achieved by investing in a discretionary portfolio of companies listed on the Alternative Investment Market (AIM) that qualify for Business Relief (formerly known as Business Property Relief) and gain exemption from Inheritance Tax after a two-year holding period.

<b>Launch Date</b>	2004
<b>Funds under Management</b>	£300M
<b>Average Market Cap</b>	£415M
<b>Current Dividend Yield</b>	1.9%

### Current Sector Allocation



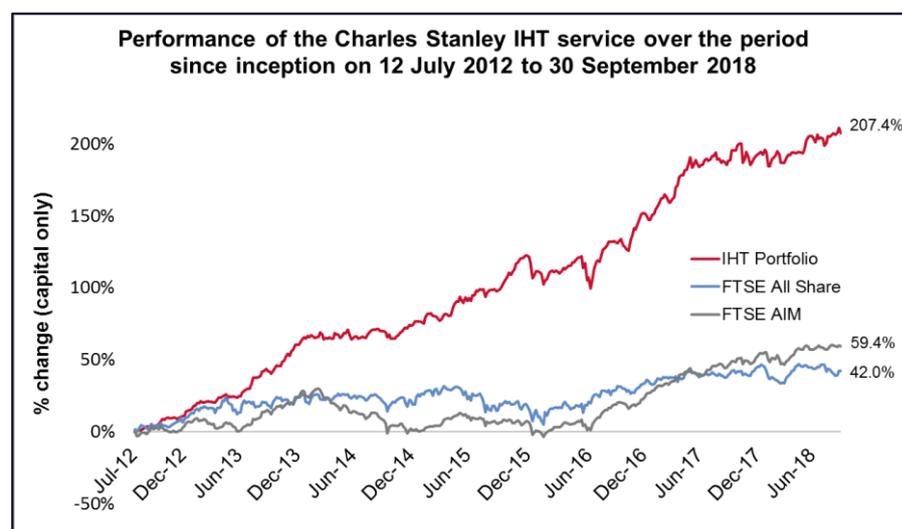
- Support Services
- Software & Computer Services
- Healthcare Equipment & Services
- Chemicals
- Electronic & Electrical Equipment
- Media
- General Retailers
- Construction & Materials
- Travel & Leisure
- Other

### Quarterly Commentary

As usual, there was a significant increase in company news flow during September after the quieter summer months. Despite this, UK markets largely moved sideways as investors awaited more news on the key political decisions which lie ahead. However, the market remains extremely focussed on short term delivery and investors are savagely slashing the prices of any stock that slightly underperforms expectations. This market nervousness is likely to result in increased market volatility as the Brexit deadline approaches. Brexit speculation may affect AIM companies more due to their domestic bias and lower trading liquidity. In addition, further pressure may be applied to equity markets from the continuing monetary tightening by the Federal Reserve, which is resulting in a rise in US Treasury yields. During the quarter, our AIM portfolios outperformed the FTSE 100, but slightly underperformed the AIM index. Good opportunities remain on AIM but many high quality businesses are now more expensive than they used to be, due to AIM's increased popularity.

### Performance Summary

In order to demonstrate performance a portfolio was established on 12 July 2012 and returns are measured on a quarterly basis against the FTSE All Share and FTSE AIM indices.



	Quarter to 30/09/18	Twelve Months to 30 September					12/7/12* to 30/09/18
	2018	2017	2016	2015	2014		
AIM IHT Service	0.6%	6.7%	24.7%	16.8%	16.5%	19.7%	207.4%
FTSE All Share Index	-1.8%	1.9%	7.9%	12.6%	-5.6%	2.6%	42.0%
FTSE AIM Index	1.5%	9.4%	22.6%	13.0%	-3.3%	-5.4%	59.4%

Source: Charles Stanley and Bloomberg

Capital only returns calculated at mid-prices and gross of 1.25% + VAT annual management fee and 1% dealing charge. When included, these fees would have the effect of reducing performance over time on a proportionate basis. The indicative yield is 1.9% as at 30/09/2018.

Past performance is not a reliable guide to the future. The value of investments and the income derived from them can go down as well as up and investors might not get back the original sum invested.

\*Portfolio inception.

## About the Team & Charles Stanley

### Experience

The Charles Stanley Inheritance Tax team is one of the largest and most experienced dedicated teams in the country.

### Performance

Our service has a proven performance track record and the lead portfolio manager has the experience of managing an AIM IHT service throughout the global financial crisis.

### Proven Tax Relief

Hundreds of clients have used the Charles Stanley IHT service to successfully claim Business Relief and there have been no known refusals from HMRC.

### Security

Charles Stanley is one of the UK's leading, independently owned, wealth management firms with a history dating back to 1792. As at 30 June 2018, total funds under management and administration were £24.9 billion.

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## Risk Warnings

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Investments in certain securities, including shares in smaller companies, companies in specialist sectors, and/or in unquoted companies, will normally involve greater risk or above average price movements (volatility) than investments in larger, more established companies. The markets in such companies can suffer from partial or total illiquidity, which can make it difficult, or impossible, to dispose of an investment.

For quoted investments the difference between the Bid and the Offer price will often be greater, so that if an investor has to sell a holding immediately after purchase the proceeds may be less than the initial amount invested. AIM quoted shares tend to have market quotes in relatively small lots of shares, so selling large quantities in the market may achieve a lower price than the market quote.

Many smaller companies have a small management team and as such the loss of any one individual may have a significant effect on their performance. In a similar vein these companies are likely to have a limited product range and tight cash constraints and tend to be vulnerable to sudden changes in market conditions.

The rules for issuers whose shares are quoted on AIM are less demanding than those for the Official List of the London Stock Exchange; as such the investment risks are higher. For unquoted companies the risks are much higher than for quoted companies; it may be difficult or impossible to sell such shares, or to assess their value or the level of risk involved.

It should be noted that the benefits of the Inheritance Tax Portfolio Service are premised on current tax rules continuing for the duration of an investor's portfolio. The rules on tax or their interpretation, as with the rates of tax applicable, may alter. The details and examples in this document are a simplified summary of the relevant tax rules. Charles Stanley is not a tax adviser and potential investors are recommended to consult a professional tax adviser on all tax matters.

Nothing in this material constitutes investment advice, nor is it a substitute for investment advice, which should be obtained from an authorised investment professional, and any investment decision the recipient makes should be based on an evaluation of that recipient's financial circumstances, investment objectives, risk tolerance, and liquidity and other needs.

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