Helping you look after your family's future

AIM INHERITANCE TAX PORTFOLIO SERVICE

The Thorntons Investments AIM Inheritance Tax Portfolio Service is a tax-efficient investment that can help you to pass on more of your wealth to your loved ones.

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 high risk. The value of your investment, 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 21 of this brochure. Investment is made on the understanding that the primary purpose is to obtain Business Relief on qualifying AIM shares.

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 March 2018. 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 plan for your family's future.

"(Inheritance Tax) ... is, broadly speaking, a voluntary levy paid by those who distrust their heirs more than they dislike the Inland Revenue..."

Roy Jenkins; Budget Debate,
House of Commons, 19th March 1986

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 an estimated £5.3bn being paid for 2017-18*. 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, 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 up to 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, Nov 2017

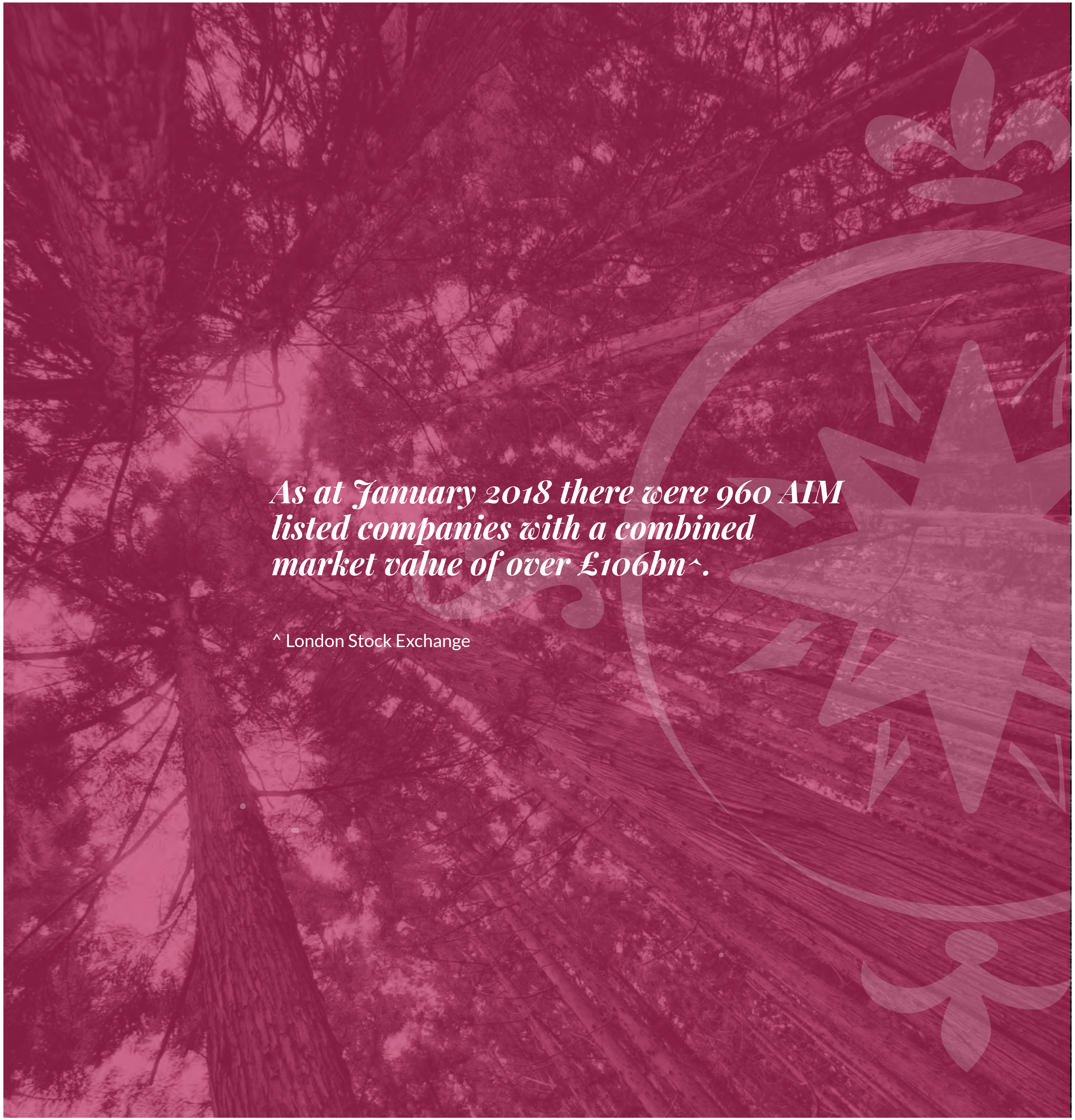
What is AIM?

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 nearly 3,800 small companies raise more than £106bn, and has been a major boost for innovation, employment and growth.

Household names have included pizza delivery company Domino's and Dobbies Garden Centres.

Investment in AIM portfolios does carry significantly 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 21.



From small acorns

Investing in smaller companies does generally carry more risk than investing in blue-chip FTSE 100 companies, but risk is also associated with the potential for greater reward.

There is a long-term investment trend for smaller company shares to outperform those of large companies. Research by the London Business School in 2017 showed that since 1955, smaller companies, as measured by the Numis Smaller Companies Index, outperformed the FTSE All-Share index*.

One of the primary purposes of AIM is to give small companies a listing and access to capital to help fund their growth and development. Naturally small companies have greater prospects for growth, however they also have less research coverage and fewer institutional investors. This provides the opportunity to use our expertise to select stocks with the potential to provide significant growth over the long term. By holding a diversified portfolio of between 30 and 40 company shares, we aim to protect you against the greater risks of capital loss associated with individual holdings.

Business Relief

Business Relief (BR) was introduced in 1976, allowing small businesses to be passed through generations without incurring a liability to Inheritance Tax (IHT).

Over the years, the scope of BR has been widened, making it attractive to investors looking to reduce or mitigate a potential IHT liability.

To qualify for BR, companies must be unquoted, however certain shares listed on the Alternative Investment Market are allowed (providing they are not listed elsewhere). The business must be considered as a qualifying trading company, but there are exclusions, for example companies which deal in stocks and shares, or land and buildings.

* Numis Smaller Companies Index Annual Review 2017

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.

Mr McKenzie is concerned that he will leave his family with an inheritance tax bill after his death

Mr McKenzie 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 £425,000 in 2017/18, increasing each tax year to reach £500,000 in 2020/21. Mr McKenzie can also claim unused IHT allowance from his deceased spouse, providing a potential combined total nil rate band of £1m in 2020/21.

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

After discussions with his financial adviser and his family, and confirming that he understands the risks and is comfortable with them, Mr McKenzie 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, Mr McKenzie 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 Mr McKenzie to die having held his AIM shares for at least two 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	£200,000
Value after two years' Annual Management Charges *	£200,000	£195,229
IHT payable upon death @ 40%	£80,000	£0
Value passed on to beneficiaries	£120,000	£195,229

Total Inheritance Tax saved after two years is £75,229

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% plus VAT

Key Benefits

What are the key benefits to Mr McKenzie and his family?

His family will inherit more of his estate

More of his wealth can be passed on to his family instead of to the taxman. The AIM company shares in his portfolio, if held at death, are expected to qualify for up to 100% relief from inheritance tax, providing they have been held for at least two years.

Speed

The ‘two-year rule’ compares favourably with other forms of estate planning such as gifts in excess of available exemptions, which would require Mr McKenzie to live for seven years before their value falls outside of his estate.

Simplicity

Traditional estate planning such as setting up trusts and gifting assets can prove complex or require medical underwriting. By comparison, investing into the Thorntons Investment AIM Inheritance Tax Portfolio Service is straightforward.

Control

Mr McKenzie still retains full access to his portfolio, and can ask for shares to be sold if his circumstances were to change.

Potential for capital appreciation

The diversity of companies listed on the Alternative Investment Market provides opportunity for growth and dividends. It is a market that has proven to be a major success.

Key Risks

What are the key risks to be aware of?

Potential for capital loss

The performance of shares in AIM-listed companies tend to be more volatile than those of larger companies, which can result in more significant and sudden loss of value. Thus the value of his investment may go down as well as up, and may end up being less than the initial sum invested.

Business Relief (BR) cannot be guaranteed

We take great care to invest only in those companies we expect to qualify for BR. However, it is ultimately HMRC who will assess qualification for BR when an investor dies, so an investment remaining a qualifying investment cannot be guaranteed.

Tax rules may change

Rates of tax, tax benefits and allowances are based on current legislation and HMRC practice, and are dependent on an individual's personal circumstances. These are all subject to change meaning that tax reliefs cannot be guaranteed.

The investment may be difficult to sell

The shares of AIM-listed companies can be more difficult to sell than those of larger companies. Should Mr McKenzie wish to sell any of his shares this may take time and he may have to accept a depressed price which does not reflect the underlying value.

Please refer to page 21 for more information on the risks associated with this service.

Introducing our *Investment Team*

Our investment professionals have considerable experience of investing in AIM-listed companies, and a strong 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 and worked closely with Bill on AIM-BR investments. His primary focus is on the analysis and selection of AIM-listed companies for the portfolio.

Bill Cant
Investment Consultant

Bill has considerable experience of managing bespoke portfolios of AIM-listed stocks for private clients. He established our AIM Inheritance Tax Service in 2006 and is now employed as a consultant.

^Past performance is not a reliable indicator of future performance.

Matt Strachan *Chief Investment Officer*

Ciaran Garvey *Investment Manager*

Bill Cant *Investment Consultant*

How we invest your savings

We invest in a broad spread of between 30 and 40 AIM-listed companies based on a strict selection criteria. We must be satisfied that they qualify for Business Relief (BR) and are capable of providing good investment returns.

We carefully select a range of between 30 to 40 individual companies. These will predominately 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 BR. 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 BR 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 is undertaken. Where we have concerns that a company might no longer qualify for BR, 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 BR, this in isolation would not invalidate the entire portfolio.

What will I be invested in?

AIM continues to be a global success story for Britain, becoming without comparison the world's leading growth market. Our investment team diligently select companies that provide the opportunity for profitability and growth.*

You will be invested in a diverse range of companies, some valued well over £1 billion and some possibly smaller than £100m; currently the average is about £550m. Some companies may be well known, whereas others may be almost unknown. What unifies them all, is that we believe they all have the potential to produce positive investment returns, some of them significant. They are also selected to provide a robust portfolio that should help weather turbulent times.

Image reproduced with permission of Character Group PLC

Character Group

Character Group is a company with a current market capitalisation of about £100m. This small company is not particularly well known, but is involved in some very well-known brands. They design, develop and distribute toys, games and gifts based on television and film characters.

The UK has a rich culture of character creation and Character Group has become the leading firm to approach to licence products based on these characters. Character Group have their products produced under licence in China, for sale in the UK and overseas.

The company has been negatively impacted by the fall in sterling and problems at Toys R Us.

Despite this, the company remains profitable and generates sufficient cash to cover the dividend, currently yielding 4%. New licence wins and international sales offer Character Group plenty of opportunity to grow in the years ahead.

* Marcus Stuttard, Chief Executive (Alternative Investment Market), AIM Industry Report 2018

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 charges.

We publish a Quarterly Factsheet which provides details of our performance and includes portfolio commentary from our investment team. We will send this to your Financial Adviser each quarter and you will also find a copy held on our website at:

www.thorntons-investments.co.uk

AIM investment offers a solution to the ISA inheritance tax problem

ISAs offer valuable tax benefits and are extremely popular with investors, with some considerable sums built up over the years. But how many investors are aware that their ISAs may be subject to inheritance tax?

For many investors, the attractive tax benefits from investing in an Individual Savings Account (ISA) are well known. But while they may value the tax-free growth and income provided by their ISAs, fewer will be aware that their ISA investments may be subject to inheritance tax after their death.

As a result, their beneficiaries may find that they have to pay 40% inheritance tax on some or all of these investments, thereby inheriting a smaller sum.

The Thorntons Investments AIM Inheritance Tax Portfolio Service could be a solution to this problem.

How does it work?

Prior to 2013, the tax planning dilemma for ISA investors facing an inheritance problem was either to keep their ISA but accept this may be subject to inheritance tax; or consider alternatives such as whether to sell their ISA, gift the proceeds, and survive for seven years for their gift to fall outside their estate.

Since 2013, AIM-listed shares can be held in an ISA. You can, therefore, choose to keep your money invested in your ISA, but switch some or all of your existing ISA investment into a portfolio of AIM-listed shares (where permitted by your ISA plan manager).

By doing so;

You still retain access to your investment, and continue to enjoy any income and growth tax free.

Your beneficiaries will not be expected to pay inheritance tax on these investments, providing you held them for two years, and at death.

What happens on death?

AIM shares held for under two years at death will not qualify for business relief.
However, your surviving spouse or civil partner has an additional ISA subscription equal to the value of your ISA portfolio at death. Your AIM shares could therefore be moved across to their own ISA without having to reset the 'two-year clock' for BR qualification.
No inheritance tax is payable as inter-spousal transfers are exempt transfers and as such are not subject to IHT.

If they survive for the balance of the two years, then at death the AIM shares are expected to qualify for Business Relief, so offering up to 100% relief from inheritance tax.

Availability

The Thorntons Investments AIM IHT Portfolio Service is only available as a platform model portfolio, through a qualified Financial Adviser. Your Financial Adviser will be able to provide details on platform availability.

It is simple to invest, and allows existing platform customers the opportunity to hold their AIM investment and other investments together on the same platform.

Thorntons Investments work closely with 3rd party platform providers to make our AIM IHT model portfolio available to both existing and new platform clients.

The benefits to investors in this service include:

Full access to capital when required

100% relief from inheritance tax expected after only two years

Simple to invest

Investors continue to enjoy growth and income free of tax on their ISA investment

ISA transfers accepted (where permitted by the ISA plan manager. Charges may apply)

An honest dividend yield sufficient to cover most or all charges

Prospect for long term growth

Charges

Charges are simple and transparent.

We look to keep costs down through minimal portfolio turnover, and aim for a respectable dividend yield which will help meet most or all charges.

We have no initial charge, no withdrawal charges, no exit penalties, no performance fees and no additional fees.

Full details of all charges are published in our Quarterly Factsheets.

Our Charge

Annual Management Charge (subject to VAT)

Platform Charges
Investment on 3rd party platforms will incur an annual platform fee
Dealing charges may also apply on all stock purchases and sales

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

Any agreed payments are deducted by your platform provider and paid to your Financial Adviser. Your Financial Adviser can provide you with full details of all charges.


“‘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

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 you may not get back 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 companies that we reasonably believe will qualify for Business Relief (BR). The level of IHT relief could be restricted if any AIM-listed company becomes non-qualifying for BR purposes, which may happen for a number of reasons. In that event, the value of your shares in those companies 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 remain a qualifying investment at all times and we cannot accept any liability in this regard. This risk is reduced by holding between 30 and 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 have the potential to save 40% IHT on the value of their portfolio and that are 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: 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.

Inheritance Tax and Business Relief: *Facts and figures*

Inheritance Tax (IHT) receipts are at a record high, primarily due to rising property and asset values.

IHT receipts will have more than doubled from £2.4bn in 2009/10 to £5.3bn in 2017/18 ^

IHT is forecast to rise to £6.5bn by 2022/23^.

^ Source: Office for Budget Responsibility, Nov 2017

Inheritance Tax (IHT)

IHT is paid on the value of the assets you leave to your beneficiaries, or potentially on gifts during your lifetime, including your family home, savings and investments (your taxable estate).

IHT is payable on taxable estates above the nil-rate band (NRB), and is charged at 40%.

The Nil Rate Band of £325,000 has been frozen since 2009/10 and will remain so until 2020/21.

If leaving the family home to children or grandchildren, an additional residence NRB of £100,000 for 2017/18 is available, increasing each tax year to £175,000 in 2020/21.

The residence NRB will be gradually withdrawn, or tapered away, for an estate valued at more than £2 million even if a home is left to direct descendants.

Married or civil partners can claim unused IHT allowance from a deceased partner.

There are well established ways to reduce or eliminate the amount of IHT payable, including the use of gifts, trusts and those investments which qualify for Business Relief.

Business Relief (BR)

Established in 1976 (known then as Business Property Relief), as an incentive for people to invest money into their business.

Shares in a BR-qualifying business can be passed down to beneficiaries free from inheritance tax, provided they have been held for at least two years at time of death.

AIM investment products are available to allow investment into a portfolio of AIM company shares which are BR qualifying.

These investments become free from IHT when the investor dies so long as they have been held for two years.

These investments can also be transferred to a surviving spouse or civil partner where death occurs within two years, without having to restart the two-year period.

Notes

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.

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