

# The Amati AIM IHT Portfolio Service

Tax planning for a  
lasting legacy



**Amati**  
Global Investors  
*Finely crafted investments*

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This content is not intended to constitute investment, tax or legal advice. Investors should consult their professional financial adviser to determine the suitability of the investment solution offered by the Service before they proceed. Please refer to the risk warning opposite.



**RISK WARNING**

Prospective investors should be aware that the shares of AIM-quoted companies are likely to be more volatile and less liquid than those listed on the main market of the London Stock Exchange. This means that buying and selling portfolio holdings may take some time, and in a worst case scenario companies could be delisted from AIM, making them very difficult to trade. Any investment in equities is subject to risk, and smaller companies can involve more risk than larger companies. Past performance is not a reliable indicator of future performance. The value of your investment may go down as well as up, and you may get back less than you invested.

Amati, in its capacity as discretionary investment manager, will select stocks which it expects to qualify for Business Property Relief, but it cannot guarantee that 100% of the portfolio will be exempt from IHT after 2 years, nor that the qualification rules as set out by HMRC will not change in future in a way that affects the status of individual holdings. Current tax rules and the available tax reliefs offered on investments into AIM-quoted stocks may change at any time, and there is a considerable risk that if the legislation changed in respect of these tax reliefs, then those portfolio companies that no longer qualified for such reliefs would be subject to heavy selling pressure, potentially leading to significant investment losses. The availability of tax reliefs depends on the portfolio companies maintaining their qualifying status and also depends on the individual circumstances of each investor. Neither past performance or forecasts are reliable indicators of future results and should not be relied upon. This investment product places your capital at risk and you may not get back the full amount invested.



OVERVIEW

# Insight into the AIM Portfolio Service

with **Scott McKenzie**, Amati Fund Manager

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The Amati IHT portfolio service gives investors access to our selection of 25-40 qualifying

AIM-listed companies in the market. After a period of two years, these holdings fall out of one's estate for inheritance tax. This means that investors who are considering their inheritance tax liability can benefit from retained ownership of an investment portfolio and leaving a tax-efficient legacy, as well as considering other options such as lifetime gifting.

Amati's AIM IHT Portfolio Service is run as a model portfolio, with each client owning the companies directly in their own name, but with portfolios that are as similar as is practically possible. Our service is set up to allow customers to benefit from the access that we have to the market as an institutional fund manager, with adjustments to the portfolio being made at the same time for all. A differentiating feature of the service is that the platform fee of 0.3% p.a. paid by clients to James Brearley includes not only custody and administration, but all platform dealing charges, which removes the frictional costs of periodic portfolio rebalancing.

Our investment team of four has considerable expertise and experience in running the TB Amati UK Listed Smaller Companies Fund and the Amati AIM VCT. These funds, as well as the IHT Portfolio Service, have delivered award winning performance over several time periods, and every member of the team has input into each fund. We are able to select qualifying companies from all sectors, given our waterfront research coverage, and our in-depth knowledge of both established companies and those coming to market.

The Alternative Investment Market (AIM) is now 25 years old and has developed a strong reputation as a home for well-managed growth companies. Our team covers the full



range of market capitalisations from small, early-stage companies that we consider for our VCT, as well as more mature companies capitalised at £1bn or more. Our UK Listed Smaller Companies fund invests across mid-size and smaller companies on the main market and AIM, which gives us an even broader view of the UK market.

All investments chosen for the AIM IHT Portfolio Service must meet strict qualifying criteria for BPR and these tests are carried out by 3rd party experts on our behalf. There is a broad range of sector exposure in the portfolio, with substantial weightings in healthcare and technology, and a range of market capitalisations from around £100m to £2bn. This gives us access to sufficient liquidity which enables the portfolio to enter and exit positions with minimal impact.

In summary, the Amati AIM IHT portfolio service has delivered strong performance and inheritance tax protection for an established base of clients. It is backed by a team with extensive experience and excellent access to the opportunities within the market.

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**SCOTT MCKENZIE**

## KEY ADVANTAGES

# Why an AIM IHT portfolio?

**01****GROWTH**

AIM is home to many innovative and ambitious growth companies that have become leaders in their field meaning your money is supporting the future growth of the economy.

**02****FLEXIBILITY**

Investors retain full ownership of their investments and therefore retain access (although selling assets may mean they are no longer IHT exempt).

**03****EFFICIENCY**

AIM portfolio can become exempt from IHT after two years, much faster than many other forms of estate planning, helping pass on more wealth.

**04****ISA ELIGIBLE**

AIM shares can be held in an ISA which will be free from capital gains tax and income tax.

**05****SIMPLICITY**

Investing in an AIM portfolio does not involve some of the legal complexities of other IHT solutions.

RATIONALE

# Good financial planning



## Inheritance Tax

More and more families are facing inheritance tax bills as reliefs and exemptions remain unchanged while property values and savings continue to appreciate. Inheritance tax is paid on the money and possessions that individuals leave to their beneficiaries when they die.

The first £325,000 of assets are free from inheritance tax (the nil rate band), but everything over this level is taxed at 40%. In 2017, the Government introduced an additional inheritance tax allowance, called the residence nil-rate band which stands at £175,000. The current nil rate band for Inheritance tax has not changed since 2009 and is now frozen until 2026.

## Financial planning Solutions

Many people undertake estate planning to ensure that all their hard-earned savings, investments and property create a legacy for their families. Providing security, helping their children or grandchildren reduce their mortgage or fund school or university costs, or to have experiences such as family holidays.

There are a range of tax planning solutions available to reduce or potentially eliminate the amount of tax beneficiaries are required to pay. Those include gifts, trusts and making the most of investments that qualify for Business Property Relief.

Some options involve individuals not being able to access their wealth if needed, so taking professional advice can make a big difference.

## Business Property Relief

Business Property Relief (BPR) is a valuable relief from inheritance tax, allowing certain investments to be left to beneficiaries free from inheritance tax.

BPR is well established, it was introduced in 1976 to ensure that inheritance tax wasn't paid on small businesses. It continues today aimed at incentivising people to invest their money into certain trading businesses.

This option provides a faster route to inheritance tax exemption than gifting or using trusts, while affording flexibility and control. The investment becomes exempt from inheritance tax after being held for two years, provided the shares are still held at the time of death and continue to be BPR qualifying.

Specialist knowledge is vital when managing AIM IHT portfolios because not every AIM company will qualify for BPR. The Amati team have many years' experience of investing in the BPR market and also employ external consultants, Philip Hare & Associates, to ensure our portfolio holdings remain potentially BPR qualifying.

Crucially, the money is there to be used by the investor if needed during their lifetime, and by their beneficiaries in the future if not.



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*Inheritance tax planning is a complex area, so it is important that you take professional advice to ensure that any investment solution is appropriate for your individual circumstances*

## Why the Amati AIM IHT Service?



### Expertise

Our managers are a team of highly experienced investment professionals focusing on smaller companies listed on AIM and the Main Market of the London Stock Exchange.



### Track record

Our investment team have a strong track record of being able to identify the most promising growth companies on AIM and have been recognised through numerous industry awards over recent years for UK smaller company investment.



### Costs and charges

Our charges are competitive, differing from many competitors in that we do not levy an initial charge or charge additional platform or manager fees for dealing in the underlying shares.

## A trusted manager

Amati Global Investors was established in Edinburgh in 2010 with the objective of providing our investors with savings vehicles offering exposure to dynamic areas of the market. We are specialists in small and medium sized companies and aim to curate diverse portfolios of carefully analysed businesses capable of performing in a variety of market conditions. Independent and committed to active management, we have created an environment that enables our investment teams to work together effectively, focusing on making good investment decisions for our clients.

### The Amati name.

Andrea Amati made the earliest known violin, and his grandson Nicolo Amati was the first great violin maker. Nicolo is reported to be the teacher of Antonio Stradivari, the most famous maker in the history of the instrument.

We aim to bring the craftsmanship of a great violin maker such as Andrea Amati, with the thoughtfulness, experience, skill, care and attention to detail that this brings with it, to the ever shifting and hugely demanding job of constructing robust and responsive portfolios of investments that hold the potential for long term growth.

### What differentiates Amati?

- UK Smaller Companies & AIM Investment Specialists
- Majority staff-owned and managers' interests are aligned with clients
- Experienced investment team with expertise in the BPR market
- Team approach allows waterfront coverage and avoids blind spots and bias
- Managing an AIM VCT gives us early exposure to promising growth companies
- Award winning performance
- Competitive Charges - no additional platform or manager fees for dealing in the underlying shares



AMATI PEOPLE

# UK Smaller Companies Investment team

Within the team, Amati offers a wealth of combined experience in UK Smaller Companies, and an award-winning track record

**Dr Paul Jourdan** co-founded Amati Global Investors in January 2010. His career began in 1998 with Stewart Ivory, where he gained experience in UK and global equities.

Stewart Ivory was taken over by First State, and Paul was subsequently appointed Head of UK Equities.

He moved to Noble Fund Managers in 2007, becoming Head of Equities. Paul previously worked as a professional violinist, including a four-year period with the City of Birmingham Symphony Orchestra.

**David Stevenson** joined Amati in 2012. He previously co-founded investment boutique Cartesian Capital, which managed a range of retail and institutional UK equity funds. Prior to that, he was Assistant Director at SVM. David started his career with KPMG where he qualified as a Chartered Accountant, before working in private equity with Bank of Scotland subsidiary, Dunedin Fund Managers.



**Scott McKenzie** joined Amati in 2021. His career began in Glasgow at Britannia IM, before he moved to London with Aviva Investors in 1999. He returned to Scotland in 2005, joining Martin Currie where he remained until 2009. After a period running his own private businesses, he joined Saracen Fund Managers in 2014, where he launched the TB Saracen UK Income Fund and became manager of the TB Saracen UK Alpha Fund.

**Dr Gareth Blades** joined Amati in 2019 as an Analyst supporting the fund management team. Previously he worked as an independent consultant supporting life science companies in their operational and strategic decision making. In 2016 he worked on building spin-out companies for the College of Medicine and Veterinary Medicine at the University of Edinburgh. Prior to that Gareth worked in healthcare corporate finance at PharmaVentures in Oxford.



## The Amati AIM IHT Portfolio Service

An investment in the Amati AIM IHT portfolio service will be invested in a carefully curated portfolio of 25-40 rigorously analysed, well financed businesses.

Our team approach allows us to cover the waterfront of stocks that qualify for inclusion in the portfolio. The service operates on the basis of a Model Portfolio of AIM-quoted stocks, which provides the template for the discretionary management of your portfolio.

Your investment team also manage the TB Amati UK Listed Smaller Companies Fund and the Amati AIM VCT. Managing the other products alongside the AIM IHT Portfolio means the team cover the full AIM spectrum including those promising earlier-stage growth businesses.

### What we look for when selecting investments for your portfolio:

The AIM-listed companies that we invest in have to show good growth potential. But we also need to be confident that the companies we invest in will qualify for relief from inheritance tax.

The portfolio is constructed with stocks that fall into three thematic categories, from which we select stocks which we believe can deliver growth over the long term.

### Management & Family Ownership

- Significant equity stakes held by management/family
- Professionally managed with a long-term perspective
- Strong and prudent balance sheet

### Established Technology

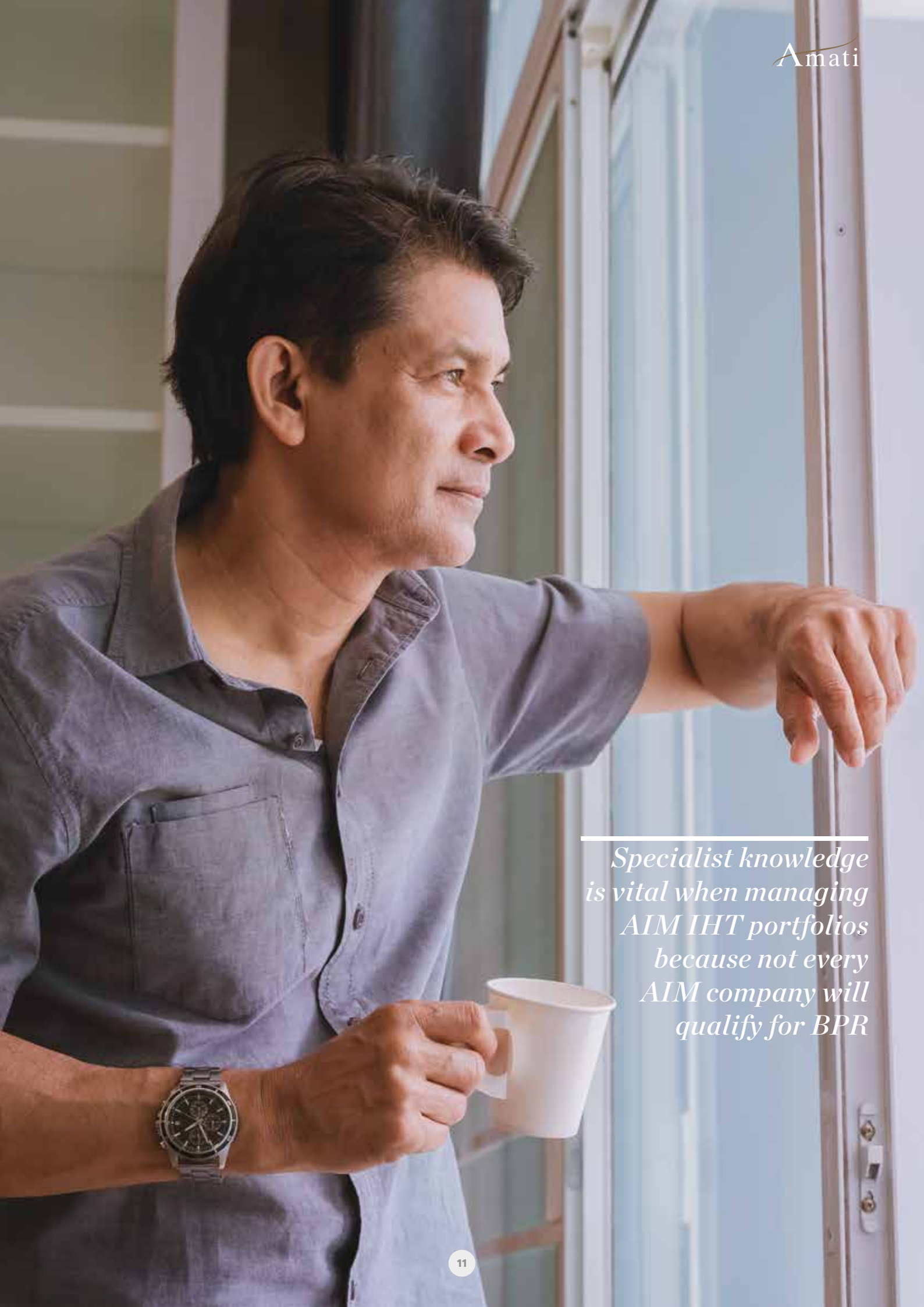
- Profitable with a history of growth
- Cash generative and high margin
- Clear USP and strong barriers to entry

### Durable & Defensive

- Attractive yield and well covered dividend
- Defensive, non-cyclical earnings

Companies with significant **Management & Family Ownership** make up a substantial portion of the portfolio. Such businesses tend to be long-term in their outlook, with the senior teams very much operating as owner-managers. There will be a clear alignment of interests with other shareholders and often they will have a long history of operating through different economic cycles. The portfolio also has a high exposure to technological innovation, holding a number of **Established Technology** companies which offer strong and profitable cash generation. This allows them to reinvest at high rates of return, leading to attractive rates of compound growth over time. Our final theme is **Durable & Defensive** businesses where shareholders benefit from attractive, well covered dividends and steady growth independent of macro-economic conditions.





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*Specialist knowledge  
is vital when managing  
AIM IHT portfolios  
because not every  
AIM company will  
qualify for BPR*

ETHICAL

# Our commitment to responsible investment

ESG considerations are integral to our research when analysing potential investments for your portfolio.

**Environmental** – we examine issues arising from supply chains, climate change and contamination. We look for management teams who are aware of the issues and are proactive in responding to them.

**Social** – we seeking to avoid unequivocal social negatives, such as profiting from addiction or forced labour and to support positive impacts which will more likely find support from customers and see rising demand.

**Governance** – we examine and, where appropriate, engage with companies on board membership, remuneration,

conflicts of interest such as related party transactions, business leadership and culture.

**Human rights** – we adopt and advocate a “Clean Trade” approach, which means avoiding companies that tacitly support the most oppressive regimes.

Signatory of:



Further details on our approach to ESG can be found on our website, along with our Stewardship Statement and Voting Records. [www.amatiglobal.com](http://www.amatiglobal.com)



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*The consideration of ESG issues has always been implicit in our investment process, and at some level there is engagement on some aspect of ESG during almost every interaction with investee or potential investee companies*





## Key Information

- Minimum investment £50,000
- Shares held on client's account, not as part of a collective investment scheme
- Standardised portfolio, based on Amati's Model Portfolio template
- Can be held as an ISA

## Summary of fees and charges

Our charges for managing the portfolio are straightforward and unlike many competitors we do not levy an initial charge or charge additional platform or manager fees for dealing in the underlying shares.

### Investment Management Fee

- Annual 1% plus VAT on portfolio value, paid monthly in arrears
- No initial charges
- No additional platform or manager charges
- No performance fees

### Administration and Custody Charges

- Annual 0.3% on portfolio value, subject to a £120 minimum and £3,000 maximum, paid quarterly in arrears
- Annual £35 nominee fee
- No additional charge for the ISA wrapper
- HMRC-approved probate valuations £25

### Other Charges

- Advisory charges as agreed between the client and their financial adviser

**For further information on the Amati AIM IHT Portfolio Service please contact your financial adviser.**

Amati Global Investors is authorised & regulated by the Financial Conduct Authority. Calls are recorded and monitored. Date of publication: 30/04/2023

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