

CREDO



TAX EFFICIENT PORTFOLIOS

ALTERNATIVE INVESTMENT MARKET'S (AIM) INHERITANCE TAX (IHT)

A person is holding a tablet in the foreground, looking at a large screen in the background. The screen displays financial charts and data. A hand holding a pen is pointing at the screen. The scene is dimly lit, with a bright light source creating a lens flare effect. The text "Every investment decision counts" is overlaid on the image.

Every investment
decision counts



About Credo

Credo is a global independent wealth management business that has been in existence since 1998.

The principles underpinning Credo's business are to provide our clients with personal service; focus on long-term success; and to build relationships based on trust. This results in meaningful and lasting partnerships with both Private Clients and Financial Intermediary Clients.

Credo is majority owned by senior management, many of whom have been with the group for more than 20 years. Because Credo is independent, we are able to create successful partnerships and a business approach that best suits Credo clients.

Credo has offices in the United Kingdom and South Africa.

About AIM IHT Investing

In order to determine whether this investment is right for you, it is very important that you read and fully understand the risks involved. An investment in an AIM portfolio will not be suitable for everyone and you must therefore understand the investment and ensure, in conjunction with us, that it is right for you. You should also ensure that you fully understand all of the legal, regulatory, tax and investment consequences and risks associated with an investment in an AIM portfolio.

Like all investments, your capital is placed at risk and you may not get back the amount invested.

Tax rules can be subject to change and are dependent on the underlying company investments maintaining qualifying status.

The key risks associated with the Credo AIM IHT Service are outlined on page 12 of this document.

The Credo AIM IHT Service is not suitable for all investors and potential investors must first discuss this investment with us before making an application.

There comes a time in our lives when our thoughts focus on planning for the future including succession.



“AIM consists of hundreds of listed companies across a broad range of sectors. It is home to both small emerging companies as well as larger, well-established businesses”

As part of a broader wealth planning solution, it is important to assess your potential future Inheritance Tax (IHT) liability and your means and ability to reduce this obligation. IHT, over the years, has affected more and more families and is charged on death at up to 40% on the value of most assets owned over a nil-rate band.

There are several well-established ways to reduce, or potentially even eliminate, the amount of IHT your loved ones will be required to pay. This includes gifting, insurance, trusts and making the most of investments that qualify for Business Relief.

Business Relief is a long-established relief which was originally designed to ensure that family businesses could be passed on from generation to generation without incurring an IHT liability.

Not all companies can qualify, however, and the key requirement is that a company must be a trading business that is either unlisted or listed on junior stock markets, such as the Alternative Investment Market (AIM).

AIM was launched in 1995 as a sub-market of the London Stock Exchange's primary market. AIM consists of hundreds of listed companies across a broad range of sectors. It is home to both small emerging companies as well as larger, well-established businesses. Whilst investing in companies on AIM and smaller companies is higher-risk, it provides investors with the potential for long-term capital growth.

If a company qualifies for Business Relief, under current legislation, an investment in its shares is expected to benefit from 100% IHT relief if held for at least two years and held at the time of death.



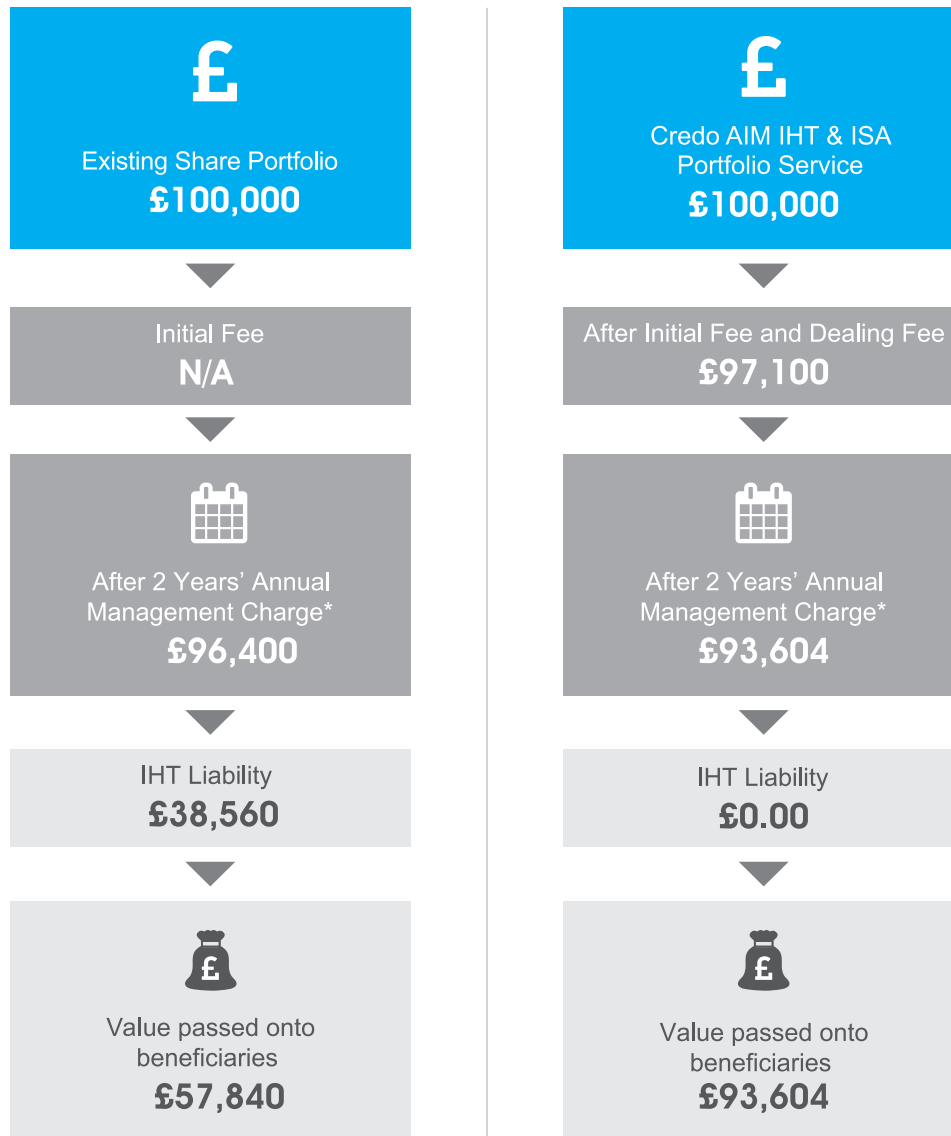
Case Study

Mr Smith is 70 years old and looking for ways to reduce his IHT liability

Considering the value of his estate (share portfolio including Individual Savings Account (ISA), primary residence, and other savings), Mr Smith would be facing an IHT liability on his £100,000 share portfolio. Having consulted his professional financial adviser, Mr Smith has confirmed that he is comfortable with the risks associated with investing in smaller, AIM-listed companies.

Mr Smith therefore decides to transfer his £100,000 share portfolio to the Credo AIM IHT Portfolio Service. As outlined in the table overleaf, provided that Mr Smith holds his shares for a minimum of two years, and still holds these at the time of his death, this portfolio will be removed from his taxable estate, which could potentially save his family over £35,000 in IHT.

Furthermore, the Credo AIM IHT Portfolio provides the added flexibility that, should Mr Smith ever need to redeem and withdraw any of his investments prior to his passing (for example to fund his own expenditure needs), he should in principle be able to do so without any significant delays and without affecting the IHT relief on the amount still invested in AIM shares.



(*) Assumes 1.5% plus VAT Annual Management Charge for both portfolios

IHT Portfolio Service

Credo is the discretionary manager of the Credo AIM IHT Service. Credo is responsible for all day-to-day management of the investment portfolio, which includes placing trades, administering fees and compliance.

The portfolio is constructed utilising the investment research and stock selection capabilities of a third-party specialist, Unicorn Asset Management Limited (Unicorn). After assessing and analysing a broad number of asset managers in the AIM IHT market, we have chosen to partner with Unicorn due to their speciality, extensive expertise, and long-term track record in smaller UK, AIM listed companies.

The Unicorn investment team is well-resourced, committed and highly knowledgeable with extensive experience.

Unicorn manages over £308m open-ended funds and Venture Capital Trusts (VCTs) of which a significant proportion is in AIM listed stocks (as of May 2023).

The team's robust investment process has led to them winning numerous awards. Their approach differs from many other AIM and smaller company managers as the team conducts much of its research in-house and looks to target "best of breed" companies in established markets that are profitable at the time of investment.

The portfolio consists of 25 to 40 stocks that have passed Unicorn's proven and rigorous selection process and have been independently assessed as to their likely suitability for Business Relief. The companies are spread across various investment sectors to provide diversification, thereby helping to ensure the portfolio is not overly exposed to either one particular company or investment sector.



Investment Options

Investors can select from the below options tailoring to different preferences:

GROWTH PORTFOLIO

The Growth portfolio targets businesses that are profitable market leaders or innovative disruptors exposed to long-term structural trends. These businesses demonstrate predictable market-beating earnings growth, high levels of intellectual property and significant barriers to entry.

DIVIDEND PORTFOLIO

The Dividend portfolio targets businesses paying sustainable dividends and offers investors the option of receiving a targeted income of 2% - 4% from the portfolio. The Dividend portfolio has a greater emphasis on underlying companies' ability and sustainability of dividends and, in turn, includes more mature businesses, which should subsequently offer greater protection against market volatility.

ESG PORTFOLIOS

Responsible investment is a key priority for both Credo and Unicorn, Environmental, Social and Governance (ESG) issues are incorporated into the investment and management processes of the Growth and Dividend AIM IHT portfolios.

We recognise, however, that some investors require strict sector limits and/or exclusions alongside a robust ESG policy. In addition to our traditional portfolio, to ensure we meet your needs, we offer **ESG Growth** and **ESG Dividend** portfolios.

The ESG portfolios will only invest in companies which do not derive strategic revenues from the following business areas:

Business Involvement	Tolerance
Adult Entertainment	Zero Tolerance
Alcohol	5% revenue threshold
Animal Testing	Zero Tolerance
Defence & Weapons	5% revenue threshold
Nuclear Power	5% revenue threshold
Genetic Engineering	Zero Tolerance
Gambling	Zero Tolerance
Tobacco Manufacture	Zero Tolerance

Please be in touch with your Credo Relationship Manager for further details on sector limitations and exclusions.





Risks

The Credo AIM IHT Service will not be suitable for all investors. Before investing you must first discuss this investment with us so we can explain the key risks to you and so we can ensure this investment is suitable for you.

- Share prices, and the prices of other investment instruments and products, can go down as well as up. This means that you may get back less than you originally invested in the Credo AIM IHT Service.
- Investing in AIM listed, smaller capitalised companies is high risk and may expose you to a significant risk of losing your investment. Investing in such companies may result in higher volatility.
- Shares of AIM companies have limited liquidity and it may take some time to invest and disinvest your portfolio.
- An investment in the Credo AIM IHT Service may not be suitable for you if you consider it likely that you will have a short term need for a substantial proportion of money invested.
- Past performance is not a guide to future performance.
- The extent and value of any tax advantages or benefits arising from the use of tax-advantaged investments will vary according to individual circumstances and government legislation. We recommend you seek advice from an appropriately qualified tax adviser regarding the broader tax implications of any investment through the Credo AIM IHT Service.
- Credo will use its reasonable endeavours to ensure the Credo AIM IHT Service invests in companies quoted on AIM which qualify under the Business Relief rules. However, it is important to understand that Credo cannot guarantee that investments will qualify entirely or partially for such relief or that the investments held and therefore cannot accept any liability in this regard.
- Credo will use its reasonable endeavours, subject to market conditions, to invest your funds promptly. However, the two year holding period required for Business Relief only starts from the date of investment in qualifying shares.
- This list is not intended to be exhaustive and we will discuss the elements of risk affecting your investments with you.



credogroup.com

This document has been approved and issued by Credo Capital Limited (Credo) as a financial promotion for distribution to retail clients who wish to mitigate potential inheritance tax liabilities and to financial advisers. Credo is authorised and regulated by the Financial Conduct Authority and recorded in the Financial Services Register under reference no 192204. Your capital is at risk, and you may not get back the full amount invested and the tax treatment of your investments depend on your personal circumstances and may be subject to change. Past performance is not a reliable indicator of future results. The availability of tax reliefs depends on investee companies maintaining their qualifying status. Investments quoted on AIM are likely to have higher volatility and liquidity risk than securities on the London Stock Exchange Official List. We recommend you seek independent tax advice regarding the broader tax implications of any investment through the Credo AIM IHT Service before investing in this service.