



HAWKSMOOR  
INVESTMENT MANAGEMENT



AIM  
PORTFOLIO  
SERVICE



The background features a collage of orange-toned triangles. Some triangles contain nature-themed images: a tree trunk, a cracked rock surface, a lizard on a rock, and a close-up of orange fungi. Other triangles contain abstract line art patterns, such as branching veins or leaf-like shapes. On the left side, there are several large, nested triangles outlined in black and orange, some filled with the branching line art pattern.

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# Welcome to Hawksmoor

We are an award-winning investment management business that specialises in providing highly-personalised discretionary management services for private clients (and clients of Professional Advisers) including trusts, pension schemes and charities.

Our investment philosophy is based on what we believe to be every investor's basic objective: that they should expect to receive a net return in excess of inflation, taxes and charges over the longer term.

Underlying this deceptively simple ambition is our rigorous and highly disciplined investment process.



Past performance is not a guide to future performance. The value of an investment and any income from it can fall as well as rise as a result of market and currency fluctuations. You may not get back the amount you originally invested. AIM-listed investments carry an above-average level of risk.

# Our AIM Portfolio Service

Hawksmoor's AIM Portfolio Service has been in operation since 2016 and has established a solid track record throughout that time. Our AIM Portfolio Service enables you to invest in growth opportunities amongst UK smaller companies as well as to reduce a potential inheritance tax liability. *Appendix 1* provides an overall guide to the Alternative Investment Market (AIM).

In addition to the potential mitigation of inheritance tax, your Hawksmoor AIM portfolio can be run with a choice of two investment objectives:

## Capital Growth:

We will invest in a range of companies that offer long-term capital appreciation. Dividends received will be retained within the portfolio, and typically used to pay any account fees.

## Income:

We will invest in AIM companies with a higher dividend yield, whilst still maintaining adequate diversification. Dividends received will be paid out periodically to you. We will hold a higher cash balance to cover account fees.

**You can access our AIM Portfolio Service with a minimum investment of £30,000**

An inheritance tax liability of 40% can have a large impact on your plans to pass on wealth to future generations. An AIM Portfolio can be an effective way to reduce that tax.

The following example illustrates a potential tax saving of £40,000, based on a portfolio of £600,000 with and without a portfolio of £100,000 invested into qualifying AIM stocks. This saving is possible because inheritance tax (IHT) is not levied on AIM Portfolio assets if they qualify for Business Relief (see *Appendix 2*).

		With AIM portfolio
Main Portfolio	£600,000	£500,000
AIM Portfolio	-	£100,000
IHT @ 40%	(£240,000)	(£200,000)
Net value	£360,000	£400,000

## An AIM Portfolio allows you to:

### Support the growth of UK companies

Your AIM portfolio invests in growing UK smaller companies, helping them to create jobs and to contribute to overall economic growth within the UK.

### Pass on more of your wealth

Current tax law grants potential inheritance tax exemption to individuals who make investments in qualifying AIM shares. Our AIM Portfolio Service can therefore be used as one part of your estate planning.

### Use your ISA allowance

Our AIM Portfolio Service can be run within an ISA for greater tax efficiency. As a result, holdings will be exempt from income tax on dividends and any capital gains tax on disposals.

### Access your capital if you need it

Unlike complex estate planning solutions that require your capital to be 'locked-up,' you can request withdrawals from your portfolio at any time. Therefore, if your circumstances change and you need to access your capital, you can do so.

### Take advantage of capital and income growth potential

Our goal is to increase your wealth by investing in outstanding businesses. The Alternative Investment Market is home to a number of high quality UK smaller companies, many with significant growth potential.

### Benefit from faster and simpler tax relief eligibility

To be eligible for Business Relief, the investment must be owned for at least two years. By comparison, many other forms of lifetime estate planning can take seven years to be fully exempt. There are no complex legal structures, and medical underwriting is not required.

**It is our recommendation that you should seek professional financial advice before investing into an AIM Portfolio. Please see Page 9 for "What are the risks?"**



# What will your AIM portfolio look like?

When you become a Hawksmoor AIM Portfolio Service client, your portfolio will contain 20-30 carefully selected AIM stocks.

We diversify the portfolio across a range of companies and sectors, and limit the exposure to any one individual company to 10% and to any one sector to 20%.

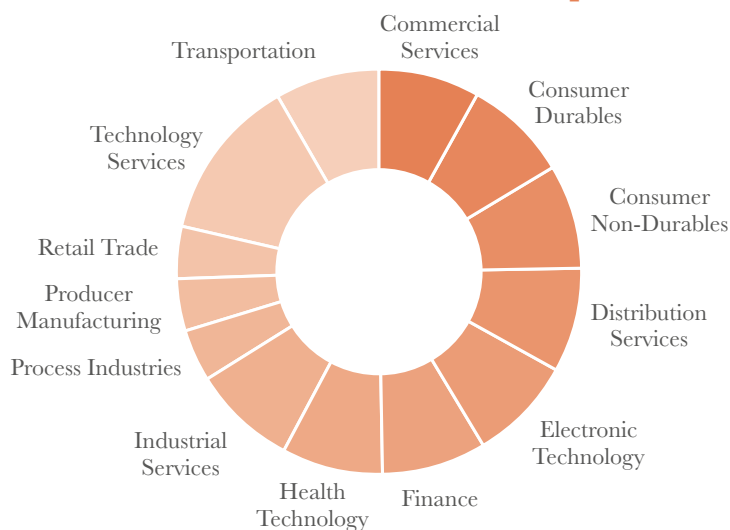
Your portfolio will be allocated across a variety of sectors, and the allocation may also change in the course of the management of the portfolio. This will depend on the performance of the individual shares over time and upon changing circumstances, including corporate actions and changes in the eligibility for inheritance tax relief.

We keep the turnover of holdings to a minimum, but from time to time we will need to make changes to your portfolio. This is usually for one of the following reasons:

- A company loses eligibility for Business Relief (see ‘What are the risks?’)
- A holding becomes too large (over 10%)
- The fundamentals or share price of a business changes so much that we no longer see sufficient investment value.

To “start the clock” as early as possible for Business Relief purposes, we normally look to invest fully within two weeks of receiving your funds. This will depend on market conditions and available liquidity.

## Sector allocation of an illustrative portfolio



For details of our charges, please ask for our AIM Portfolio Service *Schedule of Charges*.



# Communicating with you



You can have regular meetings to review your ongoing requirements and ensure these are reflected in your portfolio. These meetings may be with your Financial Adviser (where applicable) and/or directly with Hawksmoor's specialist AIM team.



Every quarter you will receive a valuation report which shows the performance of your portfolio relative to appropriate benchmarks or indices.



You will also receive a quarterly Investors' Report with performance statistics, market commentary, and a research-based 'Company Focus'.



After the end of each tax year you will receive a comprehensive tax report which includes a Consolidated Tax Voucher and a Capital Gains Tax report.



You can view your portfolio at any time via our online portal.





# What are the risks?

An AIM Portfolio is a higher risk, long-term investment and not suitable for everyone.

The following points provide an overview of the principal risks:

- AIM companies can be relatively illiquid, meaning it can be difficult to dispose of shares at a reasonable price at short notice.
- You should expect that your portfolio will demonstrate volatility greater than the UK market average. Movements in the value of your portfolio may not reflect changes in the overall equity market.
- Tax rules, including inheritance tax nil rate bands and the eligibility of AIM shares for Business Relief, may change. Hawksmoor cannot guarantee that investments will qualify for tax relief; HMRC decides eligibility on a case-by-case basis.
- Smaller companies are higher risk investments. Past performance is not a guide to future performance. The value of your investments and any income derived from them may fall as well as rise, and you may not get back the full amount invested.

**It is our recommendation that you should seek professional financial advice before investing into an AIM Portfolio.**

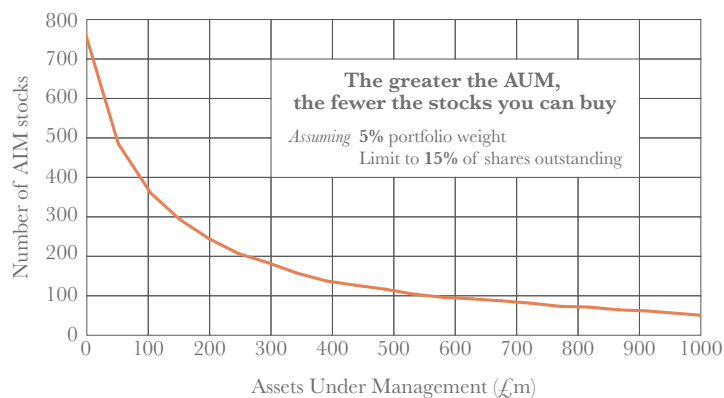
# Our investment process

To mitigate the higher risk of an AIM portfolio, our award-winning in-house Research team has a rigorous and disciplined approach to selecting suitable AIM investments.

We invest in established, higher quality, profitable British businesses run by a management team that we can trust. As an integral part of our due diligence process, we speak to the management team of every business in which we invest. In this way, we seek to construct portfolios of companies that, in addition to any potential inheritance tax benefit, can stand up on their own investment merit.

One of Hawksmoor's core advantages is our ability to be nimble. While larger AIM investment managers are constrained by their own size to only the largest of AIM companies, our smaller size means we can adopt a 'whole of market' approach, resulting in a larger universe of potential opportunities. The chart below illustrates this point: assuming an investment manager wishes an investment to form a 5% weight in portfolios, but doesn't want to own more than 15% of its shares outstanding, the line in the chart shows how many different AIM-traded companies the investment manager could theoretically buy at increasing levels of assets under management (AUM).

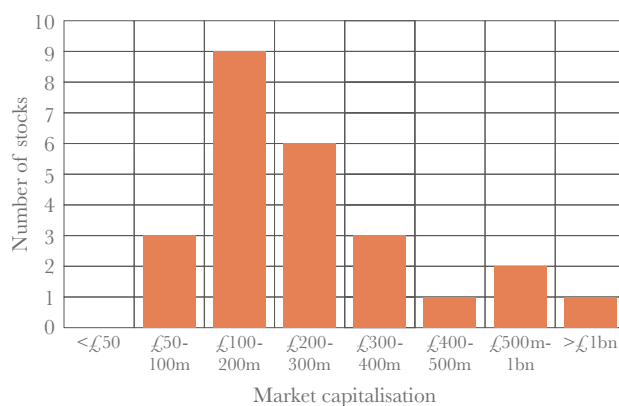
**Number of AIM stocks by AUM**



Source: FactSet / Hawksmoor Research - as at November 2019

Our 'whole of market' approach maximises our opportunity set. The chart below shows the current range of company sizes in an illustrative Hawksmoor AIM portfolio. At the time of writing, our investment 'sweet spot' tends to be companies in the £100m-£250m market capitalisation (i.e. the total value of a company's shares) range. This is where we can find strong, established businesses with attractive valuations. We do also buy shares of larger companies – but only where the investment case stacks up.

**Market capitalisation of an illustrative Hawksmoor AIM Portfolio**



Source: FactSet / Hawksmoor Research - as at November 2019





# We keep your money safe

Investments in our AIM portfolios are held in a ring-fenced nominee account so we can deal with all the portfolio administration efficiently. This will include collecting and distributing dividends and other income payments, corporate actions and executing all trades promptly.

We outsource the safe custody of your investments to Pershing Securities, one of the longest established UK custodian and settlement companies with nearly \$1 trillion in assets under administration.

Pershing Securities is a subsidiary of the Bank of New York Mellon which has more than \$33 trillion in assets under custody. Pershing Securities provides a comprehensive public indemnity policy to protect you against such events as fire, fraud or theft. Both Pershing Securities and Hawksmoor are covered by the Financial Services Compensation Scheme.

# Appendices

## Appendix 1 - What is AIM?

***The Alternative Investment Market (AIM) is the part of the London Stock Exchange for small, growing companies.***

AIM was launched in 1995, and designed specifically to help smaller and growing companies raise the capital they need for expansion.

It is particularly suited for smaller companies given AIM's lower cost, fewer listing requirements, and lighter regulatory demands.

AIM attracts a variety of companies from many distinct sectors, including retail, consumer goods, healthcare, mining, industrial services, manufacturing, house building, and technology to name just a few.

Today there are approximately 900 companies that trade on AIM that have a combined market capitalisation of almost £100 billion. (Source: London Stock Exchange as at October 2019).

## Appendix 2 - Business Relief explained

***Current tax law grants potential inheritance tax benefits to individuals who make investments in qualifying AIM shares. Here is an overview of the main rules and how they apply.***

Business Relief (also known as Business Property Relief) grants full exemption from inheritance tax to qualifying investments.

This tax relief has been in existence since 1976 and has been supported by successive governments. The intention of Business Relief is to boost investment into the UK's economy by encouraging savers to put their cash behind the growth plans of the nation's smaller companies.

For shares to qualify for relief, they must be "unquoted". For this purpose, shares listed solely on AIM are considered unquoted. Those that have an additional listing on a recognised overseas exchange are, however, not eligible. Further, the company must not primarily exist to make or hold investments – for example, AIM-listed investment trusts and property companies do not qualify.

There are other rules too, including that the company must not be in the process of being wound up or liquidated. A core part of our due diligence process is checking that every share we invest in satisfies these rules.

To be eligible for relief, the investment must be owned for at least two years. However, via the "Replacement

Property" rule, it is possible for an investor to switch one qualifying investment for another. In such cases, the combined period of ownership must be at least two years out of the preceding five years.

Note that there is no definitive list of AIM-traded securities that qualify for relief, and so no guarantee of securing the tax exemption. A company could also lose its qualifying status subsequent to investing, for example, if it moves to the main market. Our team of investment professionals continuously monitor our clients' AIM holdings for a change in eligibility, and adjust portfolios accordingly.

Upon death, an Executor can make a claim for relief from inheritance tax, and following Probate the shares will be distributed under the terms of the will. If the shares are transferred to a surviving spouse or civil partner, continuity of the relief is preserved. Otherwise, a new qualifying period will begin from the date of ownership.

**Please consult your tax adviser or financial adviser on the status of investments in AIM and the potential IHT liability mitigation.**







# Contact us

For more information or to arrange a meeting with the AIM Portfolio Service Managers, please contact:

**Jill Gill**

01392 454708    [jill.gill@hawksmoorim.co.uk](mailto:jill.gill@hawksmoorim.co.uk)

Hawksmoor's Portfolio Management solutions include:

- A Discretionary Portfolio Management Service
- A Sustainable World service offering investments into sustainable portfolios
- A Model Portfolio Service (including a Sustainable World option) for Financial Advisers

Hawksmoor also manages a range of award-winning multi asset funds.

More information about Hawksmoor and our services is available at [www.hawksmoorim.co.uk](http://www.hawksmoorim.co.uk)

Head Office: 17 Dix's Field, Exeter EX1 1QA

Offices also in: London, Taunton, Bath, Dorchester, Bury St Edmunds



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## IMPORTANT INFORMATION

This financial promotion is issued by Hawksmoor Investment Management. Hawksmoor is authorised and regulated by the Financial Conduct Authority. Its registered office is 2nd Floor Stratus House, Emperor Way, Exeter Business Park, Exeter, Devon EX1 3QS with company Number: 6307442.

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