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**Template Information Letter**

**Puma AIM Inheritance Tax Service**

*The factual information set out below does not constitute a suitability report or a personal recommendation by Puma Investments (the “Investment Manager”) to you or your underlying clients to subscribe to Puma AIM Inheritance Tax Service (the “Service”) and should not be treated as such. The information is provided to assist you in determining whether the Service is suitable for your clients. We have set out some of the key features of the Service which should be read in conjunction with the Investment Details, the Investor Agreement and the Intermediary Agreement for the Service. You must ensure you are satisfied that any investment by you and/or your underlying clients into the Service complies with the FCA’s rules and your own Compliance Department Guidelines. You should refer to the Investment Details and Investor Agreement as the basis for an investment in the Service. Please see the disclaimer at the end of this document.*

**What is Puma AIM Inheritance Tax Service**

Puma AIM Inheritance Tax Service (the Service) is an award-winning discretionary portfolio service that seeks to deliver long-term growth whilst mitigating Inheritance Tax[[1]](#footnote-2). Since inception in July 2014 the portfolio has increased by +77.41% this is a +74.37% outperformance of the FTSE AIM All Share Index (+3.04%)[[2]](#footnote-3).

The Service aims to mitigate Inheritance Tax by investing in a carefully selected portfolio of Alternative Investment Market (AIM) shares, which qualify for Business Relief (BR) which takes effect after just two years from the acquisition of qualifying AIM stocks.

The Service is also available in an ISA, via the Puma AIM ISA Inheritance Tax Service, where the investment has the potential to benefit from Inheritance Tax relief as well as the Income Tax and Capital Gains Tax relief that an ISA already usually provides. An investment in BR-qualifying AIM stocks allows investors to mitigate Inheritance Tax while retaining the tax benefits of an ISA.

The opportunity to invest in the Service is offered to investors seeking Inheritance Tax mitigation through the use of BR and may be suitable for those who meet one or more of the following criteria:

* Where their total estate is likely to exceed the Nil Rate Band.
* Where they want to obtain BR and therefore reduce their estate’s Inheritance Tax liability in two years, rather than the seven years it can take if they placed the money in trust or gift it to their beneficiaries.
* Where they want to retain control of their assets, as opposed to placing them in trust or gifting them to their beneficiaries.
* Where they want to retain exposure to the potential growth of the equity market and appreciate the risks and rewards of investing in the stock market and in smaller companies in particular.
* Where they have accumulated a significant portfolio of ISA investments.
* Where they want to keep the tax benefits of an ISA while reducing the impact of Inheritance Tax on assets passed on to family and beneficiaries.

**The Investment Manager**

Puma Investments is part of Shore Capital Group Limited (“Shore Capital”), which has a 36-year history in analysing and advising UK listed smaller companies. It is a leading market-maker on AIM and an advisor to a large number of AIM-listed companies. The asset management division of Shore Capital, which incorporates Puma Investments, manages circa £1.8bn. Puma Investments specialises in tax-efficient investing, including Inheritance Tax Services, VCTs and EIS. Puma Investments has raised over £600m in tax efficient investments. The AIM investment team is led by Dr Stuart Rollason, an Investment Director with 20+ years of experience specialising in small and mid-cap companies.

Puma Investments comprises an experienced team including Dr Stuart Rollason and Senior Management of David Kaye, alongside Investment Analyst Joseph Cornwall. The investment management team is supported by the strong middle and back office of Puma Investments and Shore Capital, including established compliance, legal and finance teams.

Shore Capital has been involved with AIM since its inception. It provides corporate financial advice to AIM companies and distributes research on a significant number of AIM companies. It has a large number of corporate clients, the majority of which are AIM listed. Shore Capital also makes a market in over 1,450 stocks and is the third largest market-maker on AIM by volume of stocks.[[3]](#footnote-4)

**The tax advantages of the Puma AIM Inheritance Tax Service**

**Inheritance Tax Relief**

Under current legislation, an individual’s estate can potentially lose up to 40% of its value to Inheritance Tax, above the Nil Rate Band. Unlike gift or trust solutions, which can take seven years to be fully exempt from Inheritance Tax, any investment into the Service is intended to benefit from 100% relief from Inheritance Tax after just two years.

Shares purchased within the Service are intended to qualify for BR. PwC is engaged by the Investment Manager to review all of the holdings on an annual basis. PwC assesses whether it considers the holdings to be treated as ‘relevant business property’ for the purposes of Inheritance Tax and therefore entitled to up to 100% relief from Inheritance Tax, provided the shares have been held for at least two years prior to, and as at, death (depending on an investor’s circumstances and changes to legislation).

In addition, investors will not lose permanent control of their assets as is the case when making a gift or placing assets in trust.

**Holding Puma AIM Inheritance Tax within an ISA**

ISAs are highly tax-efficient savings vehicles as they benefit from no additional Income Tax being payable on interest or dividend income; no Capital Gains Tax is payable on gains.

Whilst ISAs are highly tax efficient during the holder’s lifetime, upon death ISA balances may be subject to a 40% Inheritance Tax liability. Investing in a BR-qualifying portfolio of AIM stocks potentially allows an investor to mitigate Inheritance Tax while still retaining the benefits of an ISA.

**Investment objectives**

The Investment Manager aims to invest in quality companies with strong margins, good returns and a track record of cash generation. Companies are selected on strict valuation criteria. The Investment Manager will seek to invest in companies which can deliver solid long-term growth. The Investment Manager’s approach is research driven and investments are only selected after intensive financial and business analysis.

**Investment policy**

The Service is targeting quality companies that are considered to be profitable and cash generative, with a minimum market cap of at least £50m. Potential investments are carefully analysed and the Investment Manager considers the selection of stocks through the application of three key criteria:

**Quality check**

* Sensible management, often with a stake in the business
* Profitable companies with sustainable margins
* Potential for value creation, returns exceeding cost of capital
* Generating positive cashflows
* Low debt ratios or preferably net cash including pension liabilities
* Selected for medium to long term potential

**Growth check**

* Addresses growing markets or can take market share in a slower-growing market
* Can reinvest the cash to generate growth and shareholder value
* Opportunities for acquisitive growth to increase shareholder value

**Valuation check**

* Only balance sheets which have limited gearing or even better a net cash position will be considered
* Companies that pay dividends are preferred
* Various valuation ratios are employed to assess a company's financial health
* Ultimately a company must be able to deliver free cash flows

**Portfolio construction**

The Investment Manager will target a portfolio with the following characteristics:

**Portfolio construction**

* All investors are broadly aligned to the Puma AIM Service model portfolio.
* Fully invested in AIM shares, with only a small cash position (approximately 2-5%).
* Target of approximately 30 to 40 holdings.
* Average position size is 2%-6%, with no position greater than 10% of the portfolio.
* Low portfolio turnover.

**Selling discipline**

* The Investment Manager will seek to sell when companies reach their estimate of fair value.
* The Investment Manager will seek to sell if the view on the stock changes, even if this means taking a loss.
* Sales will be based on our assessment of fundamentals.

**Excluded stocks**

* Companies which the Investment Manager believes do not meet the conditions for BR, including those that engage wholly or mainly in dealing in securities, stocks or shares, land or buildings or making or holding investments, and those listed on another Recognised Investment Exchange
* Early-stage companies such as loss-making miners, biotechnology companies and high-growth concept stocks
* Small and illiquid companies (there are over 300 BR-qualifying AIM companies with a market capitalisation exceeding £50m – these are the Manager’s focus)

**Liquidity**

A written request can be sent to liquidate all or part of your Portfolio at any time. Subject to deduction of dealing costs and fees, the Manager will endeavour to return the requested amount to you within two weeks. However, as described more fully in the Investor Agreement, it may not be practicable for the Investments to be realised immediately, in which case there may be a delay in completing the withdrawal. Note that AIM securities are generally considered higher risk and can be illiquid.

If the withdrawal relates to an ISA portfolio, a transfer request can be arranged to another provider, subject to deduction of dealing costs and fees. If an income is required from your portfolio, you may request that your account is set up to allow for regular withdrawals, subject to liquidity. Puma Investments can facilitate regular withdrawals on a six-monthly basis. These withdrawals can be changed or stopped at any time.

If you withdraw money from your portfolio then any potential Inheritance Tax relief may be lost. In addition, any withdrawals from your ISA will lead to the loss of future capital gains and income tax benefits associated with the ISA. If you want to add money back to your ISA, this is possible only to the extent that you have a remaining ISA allowance for the relevant tax year.

**The Investment Director**

Shore Capital has been researching and advising on AIM stocks since 2008 and the Investment Director, Dr Stuart Rollason joined Puma Investments in 2021 to manage the Puma AIM Inheritance Tax Service. Prior to joining Puma Investments, Stuart was a Partner at Kestrel Partners LLP where he led their AIM IHT service for a decade. Prior to Kestrel, Stuart managed a UK smaller company investment trust at Bluehone and £230m of UK smaller company pension assets at ISIS Asset Management. He was formerly an Extel-rated Research Analyst in Medical Technology and Biotech at Beeson Gregory, Panmure Gordon and Nomura, and began his career as a medical doctor practising in the NHS,

**Platforms**

Financial advisers can now access the Puma AIM IHT Service through four leading wrap platforms: Fidelity Funds Network, M&G, Standard Life, Transact, Nucleus & Platform One.

**Valuations**

The Puma AIM IHT Service will provide valuations on a quarterly basis. In addition, we will provide a quarterly factsheet detailing the performance of the service over that quarter, the structure of the portfolio and providing examples of some of the companies we are investing in.

**Costs**

**The Puma AIM Service**

Direct through an adviser:

* Initial Fee (not subject to VAT): 1% (of amount subscribed)
* Annual Management Fee: 1.5% incl. VAT (of portfolio value)
* Dealing Fee (not subject to VAT): 1% on each purchase and sale of AIM shares within the portfolio

Platform:

* Initial Fee: 0%
* Annual Management Fee: 1.5% incl. VAT (of portfolio value)
* Dealing Fee: Platform and dealing fees may vary across platforms

**The Puma AIM ISA Service:**

Direct through an adviser:

* Initial Fee: 0%
* Annual Management Fee: 1.5% incl. VAT (of portfolio value)
* Dealing Fee (not subject to VAT): 1% on each purchase and sale of AIM shares within the portfolio

Platform:

* Initial Fee: 0%
* Annual Management Fee: 1.5% incl. VAT (of portfolio value)
* Dealing Fee: Platform and dealing fees may vary across platforms

**Risk warnings**

An investment in the Service carries risk and may not be suitable for all Investors:

**Past Performance:** Past performance is no indication of future results and share prices and their values can go down as well as up.

**Tax Reliefs are not Guaranteed:** Tax reliefs depend on individuals’ personal circumstances, minimum holding periods and may be subject to change.

**You May Lose Money:** An investment in smaller companies is likely to be higher risk than other investments. Investors’ capital may be at risk and Investors may get back less than their original investment.

**Long-Term Investment:** An investment in the Service should be considered a long-term investment.

**Potentially Illiquid Investment:** AIM stocks are largely small and illiquid. They are characterised by significant spreads and low trading volumes. It may prove difficult for Investors to realise immediately or in full proceeds from the sale of such shares.

**Disclaimer**

Investment in the Puma AIM Inheritance Tax (IHT) Service and the Puma AIM ISA Inheritance Tax (IHT) Service carries risk and prospective investors should review the section headed “risk factors” in the offering Investment Details and Investor Agreement.

This document is directed at investment professionals only and is an exempt financial promotion not subject to section 21 of the Financial Services and Markets Act 2000. Persons who are not investment professionals should not rely on this document.

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**Date published: March 2023**

1. Source: Best AIM Investment Manager, Growth Investor Awards 2016,2017 and 2022. [↑](#footnote-ref-2)
2. The indices referenced are for illustrative purposes only and are not considered directly comparable to the performance

   of this Service. Performance as at 31/03/2023. Note that past performance is not a guide to future performance. [↑](#footnote-ref-3)
3. Source: Shore Capital Group [↑](#footnote-ref-4)