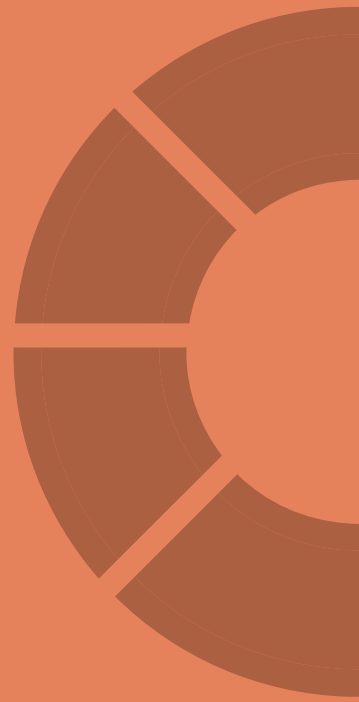




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HAWKSMOOR  
INVESTMENT MANAGEMENT

AIM  
PORTFOLIO  
SERVICE



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# WELCOME TO HAWKSMOOR

With Assets Under Advice (AUA) and Assets Under Management (AUM) totalling £4.4bn\*, we are an award-winning investment management business, specialising in providing bespoke discretionary management services for private clients and intermediaries. Headquartered in the South West, we now have offices across the UK.

Our Clients are at the heart of everything we do, which means understanding what they want and need. We design our products and services specifically to meet those needs, whilst identifying and mitigating the potential risks. This enables us to ensure all clients are offered the most suitable solution for them. We use plain language and avoid jargon, ensuring that clients understand the risks and costs associated with their investments. All clients have a dedicated investment manager as their point of contact, ensuring they receive a personal level of service from someone who understands their objectives.

Our investment philosophy recognises that the future can be unpredictable. Because of this, we construct disciplined and robust frameworks which ensure that the portfolios under our care are diversified and not over-exposed to areas where the risk of capital loss is at its highest. It is through our robust and repeatable investment process, that we aim to maximise the probability of excellent results for our clients.

\*Figures as at 31 March 2024

## OUR AIM PORTFOLIO SERVICE

Hawksmoor's AIM Portfolio Service enables you to invest in growth opportunities among the UK smaller companies listed on the London Stock Exchange's AIM market, as well as to reduce your potential inheritance tax (IHT) liability.

Our AIM Portfolio Service was recognised as the 'Best AIM Portfolio Service' at the Growth Investor Awards 2022 and the 'Best AIM IHT Portfolio Service - DFM Provider' at the Investment Week Tax Efficiency Awards 2019/20.



### Key Benefits

- **Capital and income growth potential** – our goal is to increase the wealth of our clients by investing in outstanding businesses
- **Pass on more of your wealth** – 100% inheritance tax relief on investments in qualifying AIM shares
- **Speed** – inheritance tax relief after just 2 years
- **Access to your capital if you need it** – withdraw from your portfolio at any time.

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.

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

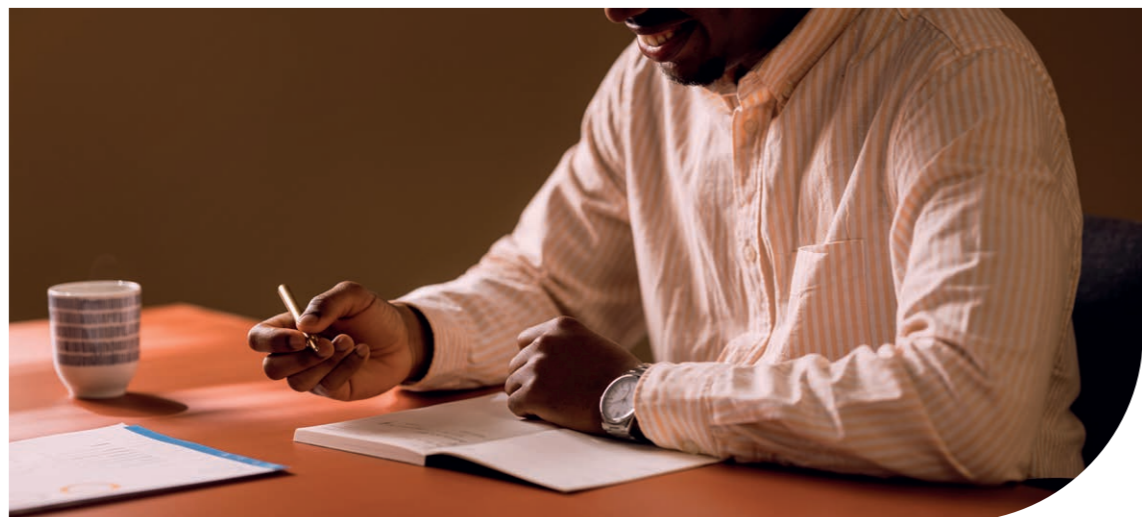
This saving is possible because inheritance tax (IHT) is not levied on AIM Portfolio assets if they qualify for Business Relief (see Appendix 2).

### Tailored Portfolios

In addition to inheritance tax mitigation, we offer two core investment objectives:

- **Capital Growth** – invest for long-term capital appreciation. Dividends received will be retained within the portfolio.
- **Income** – invest in AIM companies with a higher dividend yield, whilst still maintaining adequate diversification. Dividends received will be paid out periodically.

You can access our AIM Portfolio Service with a minimum investment of £30,000. For all prospective clients, we will produce an initial investment report providing a portfolio illustration, a summary of the key benefits and risks, and a break-down of the charges.



## 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.
- Transfer your existing ISAs and 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.
- 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.
- 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.
- 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 your exposure to any one individual company to 10% and to any one sector to 20%. We do this to reduce the impact any one company has on your portfolio should something go wrong.

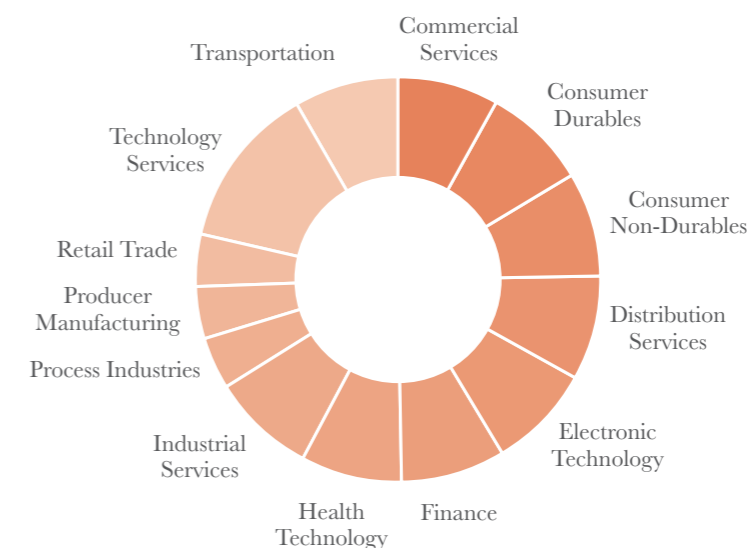
Your portfolio will be allocated across a variety of sectors, and the allocation may also change in the course of the management of the portfolio. This will depend on the performance of the individual shares over time and upon changing circumstances, including corporate actions, takeovers, and changes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

We keep the turnover of holdings to a minimum, but from time to time we will occasionally 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:

- Smaller companies are higher risk investments, meaning share prices can be volatile and there is a greater risk of a company in your portfolio failing completely. Movements in the value of your portfolio may differ from movements in general equity markets.
- Tax rules, including inheritance tax nil rate bands and the eligibility of AIM shares for Business Relief, may change such that the intended inheritance tax relief becomes unavailable. For more information about Business Relief, please see Appendix 2.
- AIM companies can be relatively illiquid, meaning it can be difficult to sell shares at a reasonable price at short notice, so it may take longer to withdraw your capital
- Hawksmoor cannot guarantee that your AIM investments will qualify for tax relief. While we will use our best endeavours to ensure all companies meet the criteria, HMRC decides eligibility on a case-by-case basis and qualification is not guaranteed.
- To date we have been able to process all withdrawals within 1 week, but this may not always be the case.
- We strongly recommend that you seek professional financial advice before investing into an AIM Portfolio.
- 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.



# OUR INVESTMENT PROCESS

## Differentiated, high quality portfolios

When investing in smaller companies, there is a tremendous advantage in being a smaller asset manager. Hawksmoor's 'boutique' size means that we can be nimble. Our deal sizes mean we are not confined to only the largest stocks on AIM but can hunt for opportunities right across the whole of the market.

A 'whole of market' approach expands the opportunity set – and results in differentiated portfolios. Our sweet spot for investments is around the £100m to £300m size bracket: here you can find established, high quality, growing businesses, but without the valuation premium that tend to prevail amongst the larger AIM shares. Our investees are not start-ups; they are industry leaders or challengers, profitable, well-invested, cash-generative and with huge growth potential... but that fly underneath the radar and reach of the financial industry's larger institutions.

We invest in established, higher quality, profitable British businesses run by a management team that we can trust, and that demonstrate the following characteristics:

- Generate high levels of regular **free cash flow**
- Reinvest at sustainably high **returns on capital**
- Stand to benefit from **structural growth tailwinds**
- Are **well-invested** and not overly-indebted
- Are attractively **priced**

We are now into our ninth year of running this investment strategy, over which time we have built up a stellar record of outperformance. For the 3 years to the end of June 2023, our portfolios have delivered returns of +23%, against a wider AIM Index\* that fell by over -12%. The UK is home to some world-class companies with huge investment opportunity – particularly further down the size spectrum.

*\* As measured by the Numis Alternative Market Excluding Investment Companies Index on a total return basis. Hawksmoor performance quoted on a total return basis after fees.*

# 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.



# GLOSSARY

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## Glossary

The following is intended to clarify the meaning of some common investment terminology and jargon. If there is anything you are unsure about, please ask a member of the investment team:

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AIM	The Alternative Investment Market, part of the London Stock Exchange for small, growing companies. See Appendix 1.
Benchmark	A standard measure of investment performance for use in analysing how well your portfolio has done relative to similar investments.
Business Relief	A tax relief that grants up to 100% exemption from inheritance tax on qualifying investments, including certain AIM stocks. See Appendix 2.
Custodian	A specialist financial institution which holds assets, including cash and shares, on behalf of clients.
Discretionary	Authorizing an investment manager to make investment decisions within a set portfolio mandate.
Dividend	A distribution of profits from a company to its shareholders.
Free cash flow	Surplus cash generated by a business' operations after it has paid all of its costs, including maintenance of its assets.
Liquidity	A measure of how easy or difficult it is to buy or sell shares, both in terms of speed and acceptable price.
Market Capitalization	The total value of a public company, calculated as the number of shares outstanding multiplied by the share price.
Returns on Capital	A measure of financial performance calculated as the profit generated by a business relative to its capital.
Volatility	The degree of variation in a share price over time. Volatile shares have a propensity to large, rapid and unpredictable changes in value.

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# APPENDICES

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## 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

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## Investing in our AIM portfolio services

For more information or to arrange a meeting with the AIM Portfolio Service Managers, please contact:  
01392 410180 / [aim@hawksmoorim.co.uk](mailto:aim@hawksmoorim.co.uk)

Hawksmoor's Portfolio Management solutions include:

- A Discretionary Portfolio Management Service
- A Model Portfolio Service 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



This brochure has been printed with biomass toners on recyclable carbon zero paper and supports the planting of native woodland in the UK with the Woodland Trust.

## Important Information

Hawksmoor Investment Management Limited is authorised and regulated by the Financial Conduct Authority ([www.fca.org.uk](http://www.fca.org.uk)) with its registered office at 2nd Floor Stratus House, Emperor Way, Exeter Business Park, Exeter, Devon EX1 3QS.

This document does not constitute an offer or invitation to any person in respect of the securities or funds described, nor should its content be interpreted as investment or tax advice for which you should consult your independent financial adviser and or accountant. The information and opinions it contains have been compiled or arrived at from sources believed to be reliable at the time and are given in good faith, but no representation is made as to their accuracy, completeness or correctness. The information and opinions expressed in this document, whether in general or both on the performance of individual securities and in a wider economic context, represent the views of Hawksmoor at the time of preparation and may be subject to change. 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. FPC24143.





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