



ESP AiM Portfolio Service

**A simple estate planning solution that
provides full inheritance tax relief
after two years**

Investment Management Agreement

This Agreement sets out the terms and conditions that will form a legally binding agreement between each Financial Adviser (“Adviser”) and Stellar Asset Management (“The Manager”) from and including the date Nucleus accepts an Application Request to invest in Stellar ESP AIM (“ESP AIM”).

1. Definitions, Construction and Interpretation

- 1.1 In this Agreement the definitions contained on page 19 of the Document dated 13 December 2017 relating to Stellar ESP AIM issued by Stellar Asset Management Limited shall apply.
- 1.2 Words and expressions defined in the Glossary to the FCA Rules, which are not otherwise defined in this Agreement, shall, unless the context otherwise requires, have the same meaning in this Agreement.
- 1.3 Any reference to a statute, statutory instrument or to rules or regulations shall be references to such statute, statutory instrument or rules and regulations as from time to time amended, re-enacted or replaced and to any codification, consolidation, re-enactment or substitution thereof as from time to time in force.
- 1.4 References to the singular only shall include the plural and vice versa.
- 1.5 Unless otherwise indicated, references to Clauses shall be to Clauses of this Agreement.
- 1.6 Headings to Clauses are for convenience only and shall not affect the interpretation of this Agreement.

2. Appointment

- 2.1 By signing the Application Form you agree to appoint the Manager from and including the Effective Date as discretionary investment manager to manage your client’s Portfolios on your behalf through Standard Life (the “Platform”) on the terms of this Agreement, and the Manager accepts its appointment.
- 2.2 The Adviser has been appointed by an individual client under a Client Authority Letter (a copy of which will be made available to the Manager upon request) and has the client’s permission to act for the client and give instructions on the client’s behalf.
- 2.3 The Manager is authorised and regulated by the Financial Conduct Authority (of 25 The North Colonnade, Canary Wharf, London E14 5HS) under Firm reference number 474710.
- 2.4 The Manager will treat your client as a Retail Client for the purposes of the FCA Rules. Retail Clients attract the highest level of protection under the FCA Rules. You have a right to request a different client categorisation but the Manager is not obliged to accept your request. If the Manager accepted your request, your client would lose certain protections afforded to Retail Clients under the FCA Rules, details of which are available from the Manager on request.
- 2.5 You confirm that your client is an experienced investor in small to medium sized, higher risk and unquoted companies and is suitably

knowledgeable about the risks associated with such investments, including the fact that the client may not be able to readily realise their investment and you confirm that the client has read and acknowledges the Risk Factors on page 18 of the Document.

- 2.6 You confirm that you are not seeking advice from the Manager on the merits of the Service.
- 2.7 The Adviser agrees that the Manager may hold or request information about them and their client in order to verify their identity and financial standing (among other things the Manager may consult a credit or mutual reference agency, which may retain a record of the enquiry).
- 2.8 Anti-money laundering regulations aim to prevent criminal property being used or disguised as legitimate wealth. To satisfy these regulations and where this information is not provided by the Platform the Adviser may have to produce satisfactory evidence of their client's identity before the Manager can do business with them, and from time to time thereafter. This identification process is designed to assist in the prevention of crime within the financial services industry. If the Adviser does not provide the information when requested, the Manager may be unable to accept any instructions from them or provide them with any services for the client concerned.
- 2.9 You have the right to cancel this Agreement by providing 14 days' notice to the Manager at Kendal House, 1 Conduit Street, London W1S 2XA. You confirm that we may provide our services during this period.
- 2.10 If the Adviser exercises their cancellation rights, the Manager shall refund any monies paid by the Adviser or their client less any charges the Manager has already incurred for any service undertaken in accordance with the terms of this Agreement back to the Platform.
- 2.11 If the Adviser does not exercise this right to cancel within the requisite time period, the Adviser will still be entitled to exercise their right under Clause 12 below to terminate this Agreement, which is a separate right.
- 2.12 The right to cancel under the FCA Rules does not give the Adviser the right to cancel, terminate or reverse any particular investment transaction executed for the account of the Adviser before cancellation takes effect.

3. Making an Investment

- 3.1 You must make an investment for a client of at least £20,000 at the same time as submitting an application form.
- 3.2 You may increase the amount that is invested through the Manager at any time in accordance with your agreement with the Platform.
- 3.3 You may withdraw all or part of your client's investment, or terminate this Agreement, in accordance with your agreement with the Platform.

4. Investment Services

- 4.1 You grant the Manager full power and authority to select and exercise all rights relating to your client's Portfolio on the terms of this Agreement.
- 4.2 You agree that the Manager may appoint the Platform to provide

administration and safe custody services in respect of your client's Portfolio.

- 4.3 You hereby authorise the Manager to act on your client's behalf and in your client's name to negotiate, agree and do all such acts, transactions, agreements and deeds, as the Manager may deem necessary or desirable for the purposes of managing your client's Portfolios including making, managing and disposing of investments on your client's behalf and this authority shall be irrevocable and shall survive, and shall not be affected by, the underlying client's subsequent death, disability, incapacity, incompetence, termination, bankruptcy or insolvency. This authority will terminate only upon termination of this Agreement in accordance with Clause 12.
- 4.4 Save as expressly provided in this Agreement, the Manager shall not have any authority to act on your or your client's behalf or as their agent.

5. Investment Strategy and Restrictions

- 5.1 In performing its services, the Manager shall have regard to and shall comply with the Investment Strategy and the Investment Restrictions as set out in Schedule 1.
- 5.2 In performing its services, the Manager shall at all times have regard to:
- 5.2.1. the need for the Investments to attract the Relief; and
 - 5.2.2. all Applicable Laws.
- 5.3 Except as disclosed in the Document and as otherwise provided in this Agreement (for example on early

termination), neither the Manager nor the Platform shall take any action which may prejudice the tax position of the Investor, in so far as either of them are aware of the relevant circumstances, and in particular which may prejudice obtaining the Relief for the Investor's Portfolio.

6. Entering into Investments

- 6.1 In effecting transactions on your client's behalf as part of the Service, the Manager will act in accordance with the FCA Rules.
- 6.2 The Manager shall devote such time and attention and have all necessary competent personnel and equipment as may be required to enable it to provide its services properly and efficiently, and in compliance with the FCA Rules.
- 6.3 You agree to the Platform's best execution policy, a copy of which is available from them and that Investments may be executed outside of a Regulated Market and a Multilateral Trading Facility.

7. Fees and Expenses

- 7.1 The Manager shall receive fees for its services as set out in the Document. The Manager's annual fee is payable by the Portfolio on a monthly basis which will be deducted from the Investor's Portfolio in accordance with your agreement with the Platform.
- 7.2 You agree that your client will reimburse the Manager, all reasonable fees, costs and expenses incurred by them in the provision of the services under this Agreement out of the client's Portfolio.

8. Administration and Custody of Investments

The Adviser confirms that investments within the Portfolio will be held by the Platform in accordance with your agreement with the Platform.

9. Reports

- 9.1 Your client will be provided with a contract note by the Platform for each transaction.
- 9.2 In accordance with the Platform Client Agreement the operator of the Platform or the Manager will send your client a report through the Platform relating to Stellar ESP AIM complying with the FCA rules, every three months. Reports will include a measure of performance once valuations are available for the Investments. Investments will be valued in accordance with appropriate International Private Equity and Venture Capital (IPEVC) valuation rules from time to time prevailing.
- 9.3 The Manager shall supply such further information which is in its possession or under its control as your client may reasonably request through the Platform as soon as reasonably practicable after receipt of such request.
- 9.4 The Platform will provide you with access to a daily report giving you a method of detecting in a timely manner if the overall value of your client's Portfolio managed by us, as evaluated by the Platform at the beginning of each reporting period, has depreciated by 10%; and thereafter at multiples of 10%. It is your responsibility to access this report every business day, check if your client's portfolio has depreciated such that the client needs to be

informed and to inform the client no later than the end of the business day on which the threshold is exceeded or, where the threshold is exceeded on a non-business day, the close of the next business day.

10. Your Obligations

- 10.1 The Manager agrees to provide the Service to your client on the basis of the declaration made in your client's application form in accordance with your agreement with the Platform.
- 10.2 You confirm that the information stated in any client's Application Form in these (and all other) respects is true and accurate as at the date of this Agreement.
- 10.3 You must immediately inform the Manager (through the Platform or directly) in writing of any change of tax status, other material change in circumstance and any change in the information provided in your client's Application Form. In addition, you must provide the Manager (through the Platform or directly) with any information which it reasonably requests for the purposes of managing your client's Portfolio pursuant to the terms of this Agreement.

11. Delegation

The Manager may employ agents and sub-contractors, including associates, to perform any administrative, custodial or ancillary services to assist the Manager in performing its services, in which case it will act in good faith and with due diligence in the selection, use and monitoring of agents. Any such employment of agents shall not affect the liability of the Manager under the terms of this Agreement.

12. Conflicts of Interests

The Manager may provide similar services or any other services whatsoever to any customer and the Manager shall in any circumstance be required to account to you for any profits earned in connection therewith. So far as is deemed practicable by the Manager, the Manager shall use all reasonable endeavours to ensure fair treatment as between your customers and such customers in compliance with the FCA Rules and the Manager's Conflicts of Interest Policy is set out in Schedule 2 of this Agreement.

13. Liability

13.1 The Manager agrees that it will at all times act in good faith and with reasonable care and due diligence. Nothing in this Clause 13 shall exclude any duty or liability owed to your customers under the FCA Rules.

13.2 The Manager shall not be liable to your client for any loss arising from any investment decision or for other action in accordance with this Agreement, except to the extent that such loss is directly due to the negligence of willful default of fraud of the Manager or any of its directors, officers, employees or agents.

13.3 You agree to indemnify the Manager and each of their directors, officers and employees (each an "Indemnified Party") for and against any and all claims, actions, demands, damages, costs, liabilities and expenses, fines and penalties which are brought against or incurred by the Indemnified Party as a result of performing its services under this Agreement ("Losses"), except to the extent such Losses arise from the Indemnified Party's fraud, negligence, wilful default or breach of This Agreement.

This indemnity shall survive termination of this Agreement.

13.4 The Manager accepts no responsibility for the holding of your client's investments in the name of the nominee or any custodial services as these services are provided to your client by the Platform under the Platform Client Agreement.

13.5 Subject to Clause 11, the Manager shall not be liable for defaults of any counterparty, agent, banker, nominee or other person or entity which holds money, investments or documents of title for Stellar ESP AIM, other than any person which is its Associate.

13.6 In the event of any failure, interruption or delay in the performance of the Manager's obligations resulting from acts, events or circumstances not reasonably within its control (including but not limited to acts or regulations of any governmental or supranational bodies or authorities) or breakdown, failure or malfunction of any telecommunications or computer service or systems, you acknowledge the Manager shall be liable or have any responsibility of any kind in respect of any loss or damage thereby incurred or suffered by your client.

13.7 The Manager gives no representations or warranties as to the performance of Stellar ESP AIM. Investments in Investee Company are high risk and not readily realisable. There is a restricted market for such Investments and it may therefore be difficult to sell the Investments or to obtain reliable information about their value. By entering into this Agreement, you confirm that you have considered the suitability of the Investment Strategy and Investment

Restrictions set out in this Agreement, have read and understood the Document including, in particular, the risk warnings set out therein.

13.8 Nothing in this Clause 13 shall exclude the liability of the Manager for its own fraud.

14. Termination

14.1 This Agreement and the Service shall continue until terminated in accordance with this Clause 14.

14.2 This Agreement shall terminate automatically upon the completion of the withdrawal from Stellar ESP AIM of all Investee Company shares and cash which are due to you under this Agreement. The balance of any sale proceeds and control of any remaining Investee Company Investments will then be passed to your client.

14.3 Your client is entitled to make withdrawals of Investee Company shares in their Portfolio at any time. You are also entitled to withdraw cash in your Portfolio at any time before it has been committed to an Investee Company and subject to giving 20 days' notice in writing.

14.4 The Manager will have a lien on all assets being withdrawn or distributed from the Stellar ESP AIM and shall be entitled to dispose of some or all of the same and apply the proceeds in discharging any liability your client has to the Manager.

14.5 If:

14.5.1. the Manager gives you not less than three months' written notice of its intention to terminate its role as Manager under this Agreement; or

14.5.2. the Manager ceases to be appropriately authorised by the FCA or becomes insolvent;

the Manager shall use reasonable endeavours to make arrangements to transfer the Investments to another manager in which case that fund manager shall assume the role of the Manager under this Agreement (mutatis mutandis), failing which the Agreement shall terminate forthwith and, subject to Clause 15, the Investments held in your client's name shall be transferred into your name or as you may otherwise direct.

15. Consequences of Termination

15.1 On termination of this Agreement pursuant to Clause 14, the Manager will use reasonable endeavours to complete all transactions in progress at termination expeditiously on the basis set out in this Agreement.

15.2 Termination will not affect accrued rights, existing commitments or any contractual provision intended to survive termination and will be without penalty or other additional payments save that your client will pay fees, expenses and costs properly incurred by the Manager up to and including the date of termination and payable under the terms of this Agreement.

15.3 On termination, the Manager may apply cash held for your client, and may retain and/or realise such investments as may be required to settle transactions already initiated and to pay your client's outstanding liabilities, including fees, costs and expenses payable under Clause 7 of this Agreement, the details of which are set out in the Document.

16. Confidentiality

- 16.1 Neither the Manager nor you shall disclose to third parties or take into consideration information:
- 16.1.1. the disclosure of which by it would be or might be a breach of duty or confidence to any other person; or
 - 16.1.2. which comes to the notice of a director, officer, employee or agent of the Manager or of any Associate but properly does not come to the actual notice of that party providing services under this Agreement.
- 16.2 The Manager will at all times keep confidential all information acquired in consequence of the Services, except for information which:
- 16.2.1. is in the public knowledge; or
 - 16.2.2. which it may be entitled or bound to disclose by law; or
 - 16.2.3. is requested by regulatory agencies; or
 - 16.2.4. is given to its professional advisers where reasonably necessary for the performance of its professional services; or
 - 16.2.5. which is authorised to be disclosed by the relevant party;
 - 16.2.6. and shall use all reasonable endeavours to prevent any breach of this Clause 16.2.
- 16.3 The Manager may ask you to confirm that you have verified your client's identity and assessed their financial standing.

17. Complaints and Compensation

- 17.1 The Manager has established

procedures in accordance with the FCA Rules for consideration of complaints. Details of these procedures are available from them on request. Should your client have a complaint, they should contact the Manager in the first instance. If their complaint is still not resolved, they may be able to refer your complaint to the Financial Ombudsman Service.

- 17.2 The Manager is a member of the Financial Services Compensation Scheme ("FSCS"), which provides compensation to eligible investors in the event of a firm being unable to meet its liabilities. Compensation under the scheme is limited to a maximum of £50,000 per institution for investment business. For further information on the FSCS and to see if your client may be eligible, you can contact the FSCS using the details on its website www.fscs.org.uk.

18. Notices and Communication

- 18.1 Notices of instructions to the Manager should be in writing and signed by your client, unless otherwise specified in writing.
- 18.2 The Manager, may rely and act on any instruction or communication which purports to have been given by persons authorised to give instructions by your client on the Application Form or subsequently notified by your client from time to time and, unless that relevant party receives written notice to the contrary, whether or not the authority of such person shall have been terminated.
- 18.3 All communications with you or your client shall be sent to you through the Stellar Portal or, where this is not possible, the Manager shall send all

communication (whether postal or electronic) to the latest address you have supplied in writing to the Manager and shall be deemed received by you or your client respectively on the second day after posting or on the day after dispatch in the case of electronic communication.

18.4 All communications by you or your client shall be made in writing or (save as otherwise provided) by telephone to the Manager (on 020 3195 3500). Conversations may be recorded for the avoidance of doubt.

18.5 Communications sent by you or your client will be deemed received only if actually received by the Manager. The Manager will not be liable for any delay or failure of delivery (for whatever reason) of any communication sent by you.

19. Default Remedies Amendments

The Manager may amend this Agreement by giving you written notice with immediate effect if such amendment is necessary in order to comply with Applicable Laws including HMRC requirements, or in order to maintain Relief or in order to comply with the FCA Rules. Any other proposed amendments will be notified to you, and if you fail or omit to give notice of your rejection of the proposed amendment within 30 days of the date of the amendment notice, this Agreement shall be deemed amended accordingly.

20. Data Protection

All data which you or your client provide to the Manager, is held subject to the Data Protection Act 1998. You hereby agree that the Manager may pass personal data to other parties insofar as is necessary in

order for them to provide their services as set in this Agreement and to the FCA and any regulatory authority which regulates them and in accordance with all other Applicable Laws.

21. Telephone Recording and Electronic Communication

For your protection, please be aware that telephone calls and electronic communications between us will be recorded, although we will not be obliged to do so where the conversation or communication does not relate to (or is not intended to result in) the conclusion of a transaction or order.

22. Language of Communications

All communications and correspondence between you and the Manager shall be in English.

23. Entire Agreement

This Agreement, together with the Application Form and other documents mentioned in it, comprises the entire agreement of the Manager, with you relating to the provision of the Services described therein.

24. Rights of Third Parties

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, but this does not affect any right or remedy of such third party which exists or is available apart from that Act.

25. Severability

If any term, condition or provision of this Agreement shall be held to be invalid,

unlawful or unenforceable to any extent, such term, condition or provision shall not affect the validity, legality or enforceability of the remainder of this Agreement.

26. Governing Law

This Agreement and all matters relating thereto shall be governed by and construed in accordance with English Law and the parties submit to the non-exclusive jurisdiction of the English Courts.

Schedule 1:

Portfolio Management Policy

1. The Manager will select Investee Companies, in which to invest on behalf of Investors, on the basis of the Investment Strategy and Investment Restrictions set out in the Document.
2. The Manager is aware that Shares in Investee Companies should be held at the time of death and for at least the two years preceding death to obtain IHT Relief.
3. The Manager may look to exit an investment prior to the end of two years if the growth of the investment has outperformed the market and covers any potential loss of tax benefit. It may also exit an investment in the event of a trade sale of the investment. If the proceeds are reinvested there should be no loss of IHT Relief.
4. Once the Investor dies, the Manager will use reasonable endeavours to liquidate the investments in the Investee Companies with a view to these holdings becoming fully liquid within three months.

Schedule 2:

Conflict of Interest Policy

The Manager has produced a policy to prevent and, if necessary, manage and disclose effectively the conflicts of interest that may arise from its business as required by the rules and guidance contained in chapter 10 of the Senior Management Arrangements, Systems and Controls rules issued by the FCA (“SYSC”).

The policy has been reviewed and approved by the Manager and is subject to monitoring by the Manager.

Under the SYSC, the Manager is required to take all appropriate steps to identify, prevent and, if necessary, manage conflicts of interest between:

- (1) the Manager, including its employees and contracted consultants, or any person directly or indirectly linked to them by control, and a client of the Manager; or
- (2) one client of the Manager and another client.

The Manager believes that it should identify and prevent any conflicts that may arise in other situations including between the Manager and any of its shareholders. Where the Manager owes a duty to such clients, it must maintain and operate arrangements to prevent any conflict from giving rise to a material risk of damage to the interests of its clients.

A copy of the Manager’s “conflict of interests” policy is available upon request.



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Registered in England and Wales No. 06381679.
Stellar Asset Management Limited is authorised
and regulated by the Financial Conduct Authority.