



Stellar AiM
Inheritance Tax Service



Important Notice

Any individual who is in any doubt about investing in the Stellar AiM Inheritance Tax Service should consult an investment adviser that is authorised by the Financial Conduct Authority, or an appropriately qualified taxation adviser.

This brochure, together with the Stellar AiM Inheritance Tax Service Terms and Service Agreement ('Terms') and the corresponding Application Form, constitute a financial promotion in relation to Section 21 of the Financial Services and Markets Act 2000. It is issued by Stellar Asset Management Limited ('Stellar'), Kendal House, 1 Conduit Street, London W1S 2XA, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom (RN: 474710). This brochure is dated 1 June 2021.

It is important that investors and their advisers read the whole brochure and associated documents, including the key risks on page 12 and the service agreement, which is in the Terms and forms part of any decision to invest in the Stellar AiM Inheritance Tax Service. Nothing in this brochure or any associated documents constitutes investment, legal, tax or other advice by Stellar.

This brochure is provided on a confidential basis. You may not copy, reproduce or further distribute this brochure or any of its content to any other person at any time, nor discuss with any other person the proposal in this brochure without the prior written consent of Stellar.

An investment in the Stellar AiM Inheritance Tax Service may expose you to a significant risk of losing all of the money invested. There are significant other risks associated with an investment, which are set out in the Terms.

This brochure should not be communicated outside of the United Kingdom. Significantly, the tax treatment for investors who are based outside of the United Kingdom will differ from that set out in this brochure, and they may not receive the reliefs available to United Kingdom investors.

The information contained in this brochure makes reference to the current laws concerning Business Relief. These levels and bases of relief may be subject to change. The tax reliefs referred to in this brochure are those currently available to certain persons and their value depends on individual circumstances.

Stellar has taken all reasonable care to ensure that all the facts stated in this brochure (as at the date of publication) are true and accurate in all material respects, and that there are no other material facts or opinions that have been omitted, which would make any part of this promotion misleading. However, where information has been obtained from third party sources, Stellar cannot accept responsibility for the completeness or accuracy of that information, and potential investors must form their own opinion as to the reliance they place on that information. Neither delivery of this brochure, nor anything stated within it, should be taken to imply that any information in this brochure is correct as of any date after the date of publication.

No representation is made or assurance given that such statements, views, projections or forecasts are correct or that the objectives of the Stellar AiM Inheritance Tax Service will be achieved. Prospective investors must determine for themselves if such statements, views, projections or forecasts are reasonable and no responsibility is accepted by Stellar or any other person in respect thereof.

Prospective investors will need, and be expected to make, their own independent assessment of an investment in the Stellar AiM Inheritance Tax Service and to rely on their own judgement (or that of their independent financial adviser) in respect of any investments they may make through the Stellar AiM Inheritance Tax Service, and the legal, regulatory, tax and investment consequences and risks of so doing.

If you have any questions, please consult your adviser or call Stellar on 020 3195 3500. Please note that calls to Stellar may be recorded.



Stellar AiM Inheritance Tax Service

The Stellar AiM Inheritance Tax Service is a discretionary managed service, which is designed for investors who wish to leave a legacy free from inheritance tax. Capital is invested in a diversified portfolio of between 25 and 40 companies which are quoted on the Alternative Investment Market (AiM) of the London Stock Exchange.

You and your beneficiaries should benefit from 100% inheritance tax relief - provided that the portfolio is held for a minimum of two years, and at the time of death.

This brochure will introduce you to Stellar and our range of services. We will provide context to both inheritance tax and Business Relief, how the Stellar AiM Inheritance Tax Service operates, and the important information you need to make an informed investment decision.

Key Features



Tax efficiency

Relief from IHT after two years



Transparent Fees

Our fees are competitive and transparent



Heritage

Long term track record



Control

Retain ownership of your investments, so you keep control



Choice

Available within GIA or ISA accounts and via wrap platforms



Reducing exposure

No more than 5% exposure to each individual company



Diversified

The portfolio typically comprises 25 to 40 AiM quoted companies

Welcome to Stellar

'When I founded Stellar in 2007 my objective was to create a wide range of innovative and flexible inheritance tax services which allow investors to retain full control of, and access to, their capital. Rather than locking capital up in trusts and insurance policies, I want to give our investors more choice and the opportunity to retain ownership of their capital throughout their lifetime.

My team has managed tax-efficient services for investors who want to create a lasting legacy for their families since 1991. Drawing on our extensive experience, we have created a diverse range of estate and succession planning services, all of which seek to provide 100% relief from inheritance tax after just two years.

We pride ourselves on our level of knowledge and experience and our track record in developing and managing successful inheritance tax mitigation services.

A commitment to transparency is at the heart of our business - as well as offering real choice, delivering uncapped returns, and providing services which can be tailored to your specific needs.

Our helpful and knowledgeable team is always available to assist with any questions you have, and our website contains a wide range of resources and useful information - to help you learn more about us and the ways in which we can help.

I look forward to working with you.'



Jonathan Gain
Chief Executive





About Us

We are the inheritance tax and estate planning specialists, with over three decades of financial services experience.

Our directors have been at the forefront of tax-efficient UK investment since the early 1990s, when they established the tax and property division of a major independent merchant bank. Over the next decade this company became one of the market leading investment houses in the market, with assets under management of some £3.5 billion at its peak.

Drawing on this previous experience, Stellar was formed in 2007, with the aim of helping investors to mitigate inheritance tax. Today we remain an independent firm, which is wholly owned by its directors and staff.

Our Philosophy and Purpose

Our philosophy is simple. At Stellar, we put you first. We align all we do to produce the outcomes that you require. We strive to be the leading provider of intergenerational inheritance tax services. We work with you to provide services which allow you to retain ownership and control of your capital during your lifetime - as well as offering the potential for uncapped investment returns, and the reassurance that your legacy can be passed to your beneficiaries free from inheritance tax. This is central to our intent, our purpose. It's what drives us in all we do.

What We Do

The light that we are able to shine on the inheritance tax landscape helps to create a clear pathway to achieving each investor's required outcomes.

We do this by offering a wide range of services that provide you with relief from inheritance tax through a number of qualifying business activities - while ensuring that you continue to own, and have access to, your capital. These services are underpinned by Business Relief, a longstanding government legislation which seeks to provide you with 100% relief from inheritance tax after two years.

The business activities in which we invest are tailored to suit different objectives, and currently include Commercial Forestry, Hotels, Bridging Finance, Care Homes, Leisure Assets and Commercial and Residential Property Development - as well as AiM portfolio services, which are also available via an Individual Savings Account (ISA).

We are focused solely on services for inheritance tax mitigation, and our clients include individuals, trustees, business owners and those with Lasting Powers of Attorney. Our inheritance tax services are designed to create the right balance of flexibility and control - providing you with confidence and reassurance, today and in the future.

Why We Are Different



Diversified

Our qualifying business activities are diversified across a range of sectors, to ensure that the risk is spread. Each service is further diversified geographically across the UK.



Focused

Our core focus is wealth preservation across all of our inheritance tax services. We then seek to achieve cautious medium-term growth.



Transparent

We pride ourselves on being transparent because we fully disclose all our fees. Each service has its own clearly defined investment strategy, and we report regularly on how your portfolio is performing.



Range

We offer a range of services that provide relief from inheritance tax through a number of qualifying business activities - while ensuring that you continue to own, have control of and access to, your capital.



Professional

We take the responsibility of looking after your legacy seriously - thoroughly researching our chosen activities and each individual investment opportunity. We always employ professional legal and taxation advisers.



Heritage

Drawing on experience gained over 20+ years in the industry, our team has created inheritance tax planning services for investors who wish to leave a lasting legacy for their beneficiaries.



Introduction to Inheritance Tax and Business Relief

Inheritance Tax

This is charged on the value of everything you own after your death, in excess of the Nil Rate Band (NRB) - which is a tax-free allowance, currently set at £325,000 per individual and £650,000 for married couples and civil partners.

Legislation introduced in 2016 offered qualifying estates an additional tax-free allowance known as the Residential Nil Rate Band (RNRB), which was phased in over four years and now provides a further £175,000 per individual on top of the standard NRB. However, there are limitations on which estates are entitled to this additional threshold, and the relief is tapered for estates valued at over £2 million.

Any value in excess of the NRB, and the RNRB if relevant, is taxed at 40% - and the nature of this tax means that your beneficiaries are left to pay the bill. Added to this, rising house prices mean that more families than ever before are falling into the inheritance tax trap - **which underlines the importance of careful inheritance tax planning.**

Business Relief

Traditional inheritance tax planning strategies can help to reduce the final bill that your family will need to pay. However, in many cases it takes seven years before the assets which you pass on are entirely exempt from inheritance tax, and this usually involves a transfer of those assets during your lifetime. But there is an alternative, which takes advantage of something called Business Relief.

This was introduced in 1976 to allow a business owner to pass on their business to family members, without incurring inheritance tax. Our inheritance tax services seek to operate within this robust legislation.

Further details regarding tax are provided in the Terms. Prospective investors should also seek independent tax advice prior to subscribing to the Stellar AiM Inheritance Tax Service.

Stellar AiM Inheritance Tax Service

Our inheritance tax services are backed by Business Relief legislation, meaning that you should be able to pass capital to your beneficiaries with 100% inheritance tax relief, whilst also keeping complete control of your capital - as long as you have held the shares for at least two years, and at the time of death.

The Stellar AiM Inheritance Tax Service is a discretionary managed portfolio. We invest in a diversified portfolio of 25 to 40 companies quoted on the Alternative Investment Market of the London Stock Exchange. After two years the value of your portfolio should qualify for full relief from inheritance tax, provided the investments are held at the time of death

The Stellar AiM Inheritance Tax Service is available to investors both inside and outside an ISA. We also accept both portfolio and ISA transfers. If you are interested in ISAs please read our Stellar AiM ISA Inheritance Tax Service brochure.

Introduction to AiM

AiM is the most successful growth market in the world. Since its launch in 1995 over 3,900* companies have chosen to join AiM. Powering the businesses of tomorrow, AiM continues to help growing companies raise the capital they need for expansion. Today there are over 800 companies* quoted on AiM, with a combined market capitalisation of over £145 billion.*

The AiM market includes new, ambitious and little-known companies that are keen to grow; but not exclusively so. Some of AiM's larger and more familiar names include ASOS, Boohoo and Fever-Tree. With a market capitalisation of over £5 billion,* ASOS is one of the biggest and most successful companies currently quoted on AiM.

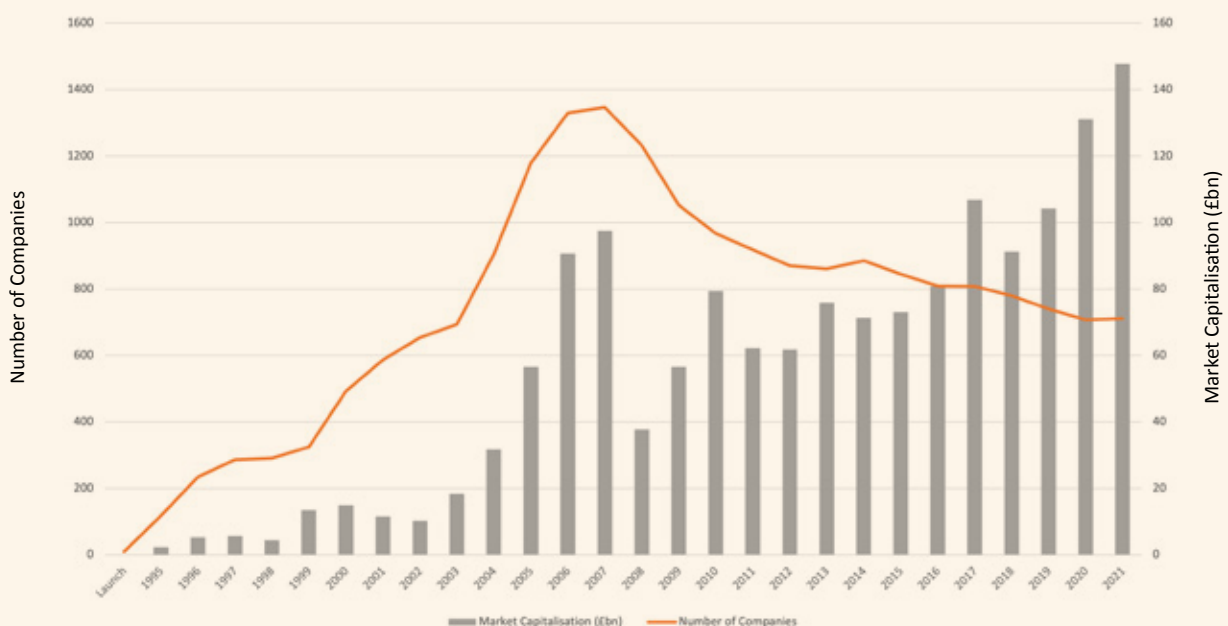
The nature of AiM means that the size of the companies quoted can vary quite dramatically, with 84.4% of the companies in the index valued at less than £250 million and only 3.4% with a value of over £1 billion.*

How to Invest for Capital Preservation on AiM

As with any investment, in-depth research should pay dividends. Careful selection and a sound understanding of the type and range of companies quoted on AiM means it is possible to invest in companies which offer greater stability and lower risk attributes.

The graph below highlights that whilst the number of companies on AiM has reduced, their average size has increased. The average market capitalisation of AiM companies was £72 million in April 2007, compared to £208 million in April 2021.*

The growth of AiM since its launch in 1995



*Source: London Stock Exchange AiM Statistics, April 2021



Our Investment Strategy

The Stellar AiM Inheritance Tax Service is a discretionary managed portfolio service which comprises between 25 and 40 AiM quoted companies, all of which should qualify for Business Relief. It aims to provide investors with a blend of capital preservation and growth.

Our Investment Process

We believe that a robust process increases the opportunity to deliver superior investment returns for our investors. Luck can produce good results in the short-term but we believe a robust process is required to produce consistently good results over the long term. As such we are process rather than outcome driven. No process should be rigid and we strive to continually improve and refine ours.

Our process has been refined over the past decade and has the following features.

Multi-Discipline:

We conduct rigorous due diligence when assessing the risk/reward of each company. This encompasses three key aspects:

★ Quantitative:

We undertake a thorough analysis of company accounts and other information.

★ Qualitative:

We assess the culture, strategy, business model and a myriad of other relevant business qualities. In particular we seek companies whose managers possess intelligence, integrity and aligned incentives.

★ Psychological:

We appraise investors' sentiment in a stock to identify where fear or greed has become excessive and, by extension, where a share price has deviated too far from its intrinsic value.

Added value generators:

Markets are efficient most of the time, yet within that we seek inefficiencies that can be exploited to generate added value for investors:

- ★ Blended approach: The future is unpredictable, so we model the portfolio for a range of different outcomes by blending stocks that generate value at different times. We believe the key to this is holding around two-thirds of the portfolio invested in stocks which we consider to be "Growth at A Reasonable Price" type stocks and a third invested in more Value or Special Situation opportunities.
- ★ Value plus momentum: Value alone is not enough; often a stock is cheap for a reason. That is why we also target share price momentum, or, in other words, cheap assets increasing in value.
- ★ Founders' mentality: We will seek to include companies in the portfolio, where the founders and those running the business hold a significant minority of shares. This typically leads to more sustainable business model and aligns our interests.
- ★ Market capital arbitrage: We see particular value in the smaller end of the AIM market (companies with a market capitalisation below £200m) which is less researched and offers more potential pricing anomalies to exploit. Therefore the portfolio will be focused on "tomorrow's winners, not yesterday's".

We want to buy the best AIM companies, not the biggest. If the funds we manage continue to rise, there comes a point where buying companies at the smaller end of the AIM market capitalisation means taking a larger share of these companies than is prudent. By capping the AUM of the strategy allows us to pick our stocks based solely on their investment merits, rather than their size.

Risk Mitigation

By its very nature, AIM can be volatile, and carries market risk. In addition to assessing this, our holdings are evaluated on these criteria:

Balance Sheet Strength:

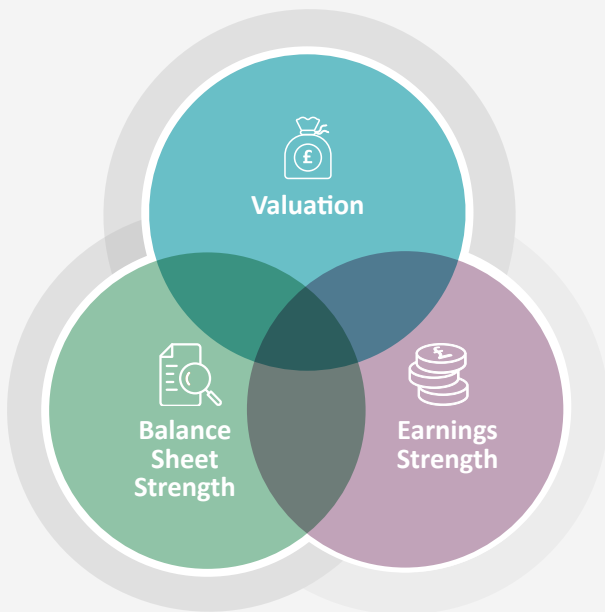
A strong balance sheet can enable a business to weather periods of weaker trading. Most of the companies in the portfolio will have a net cash position, or modest levels of borrowings.

Earnings Strength:

We seek to invest in quality companies that can reinvest earnings to create sustainable growth and compound shareholder wealth.

Valuation:

Buying stocks at the right price is critical to our strategy. The key is not to overpay. To us, risk is primarily a function of price.



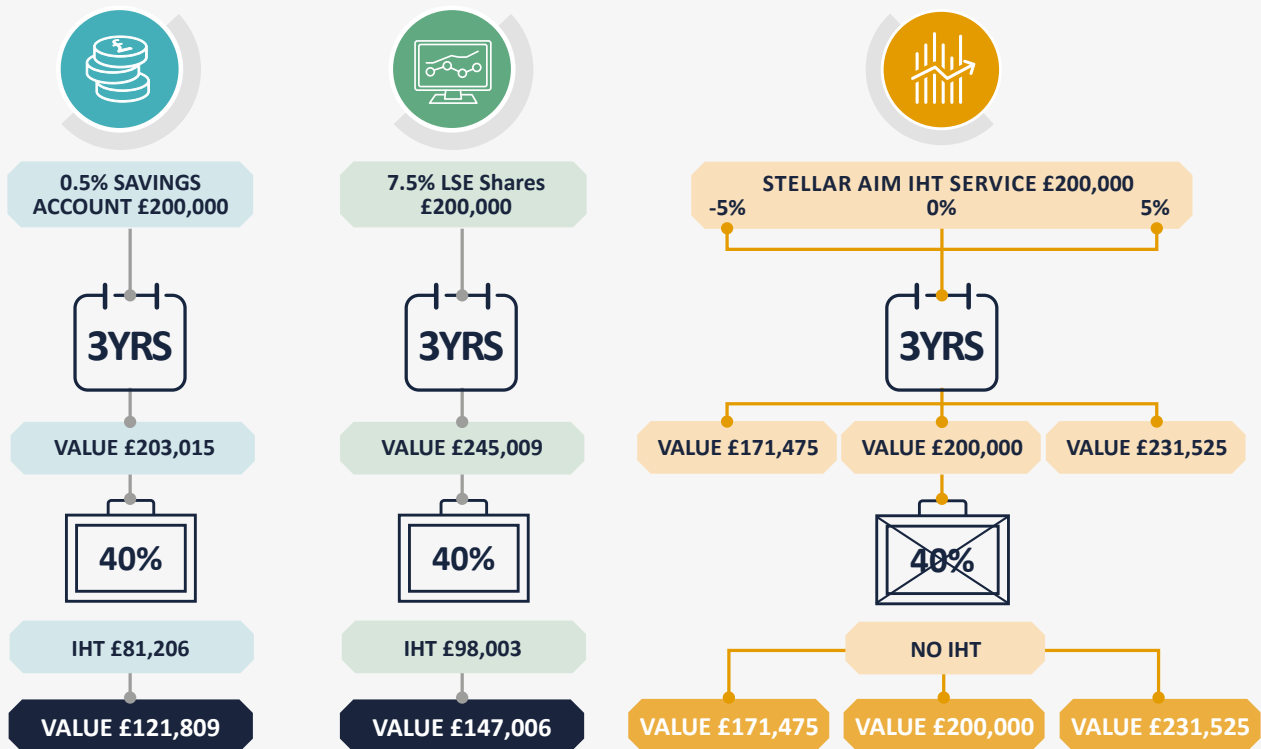
AiM currently comprises over **800 quoted companies** with a combined market capitalisation of over **£145bn**.

Performance Updates

We produce monthly factsheets showing our latest performance, our allocations and up to date market commentary. These are available on our website at www.stellar-am.com and will also be published on our online portals for clients and advisers.

Performance Comparison

The following table illustrates how an investment in the Stellar AiM Inheritance Tax Service might compare over three years to holding cash in a savings account, or with an investment in a portfolio of stocks in the main market of the London Stock Exchange - assumed to return 7.5% per annum. A range of potential annual returns is shown for the Stellar AiM Inheritance Tax service.



Notes:

- ★ The Stellar AiM Inheritance Tax Service is higher risk than saving accounts and the main market of the London Stock Exchange.
- ★ After two years, a holding in the Stellar AiM Inheritance Tax Service should attract 100% relief from IHT, provided the initial investment is held at the point of death.
- ★ All returns are calculated using annual compounding and rounded to the nearest whole pound where applicable.



Key Risks

The key risks associated with the Stellar AiM Inheritance Tax Service are outlined here - please refer to the Terms for a full list.

Your capital is at risk

The value of your portfolio, and any income derived from it, may go down as well as up and you may not get back the full amount you invested.

Qualifying investments are not guaranteed

Although it is intended that the Stellar AiM Inheritance Tax Service will be operated such that investors will qualify for IHT relief after two years, there is no guarantee that this will be achieved or maintained. The level of IHT relief may be restricted if any investment becomes non-qualifying for Business Relief purposes. For example if the company becomes listed on a stock market so that the shares are no longer unquoted for tax purposes.

Target returns are not guaranteed and you cannot rely on past performance

Please remember that past performance is not a reliable indicator to future performance, and there is no guarantee the target return objectives will be met.

Tax reliefs are not guaranteed

The rates of tax, tax benefits and tax allowances described in this brochure are based on current legislation and HMRC practice. They are not guaranteed, are subject to change and depend on personal circumstances. In addition, any changes to the investments that qualify for Business Relief may have a material adverse effect on the value of your portfolio or the ability of Stellar to achieve the objectives of the Stellar AiM Inheritance Tax Service.

Investments are long-term and high risk

Investments must be held for at least two years, and held at death, to benefit from Business Relief. Portfolios will be invested in companies quoted on the AiM market, which may be significantly more volatile, carry higher risk and be less liquid than many other investments - particularly in comparison to larger companies traded on the main market of the London Stock Exchange.

Your portfolio may be difficult to sell

Although you can request a withdrawal from your portfolio, there may be a delay because the interests in the AiM companies are not liquid, and these shares tend to be harder to sell than those of larger companies. This means you may not be able to sell the shares immediately and you may have to accept a price that is less than the value of the shares.

Conflicts of interest

Instances may arise where the interests of one group of investors will present a conflict with the interests of another group, or an interest of Stellar. In the event of a conflict, Stellar's investment committee will work to ensure that this is resolved fairly and in accordance with its conflicts policy.

If you have any questions, please consult your adviser or call Stellar on 020 3195 3500. Please note that calls to Stellar may be recorded.

Fees and Charges for Investors with Advisers	
Initial Subscription Fee	1%
Dealing Fee	0.25%
Management Fee	1% plus VAT
Administration Fee	0.225% plus VAT

The initial subscription fee is 1% of the amount invested.

There is a dealing fee of 0.25% of the amount dealt.

The annual management fee is 1% (plus VAT) per annum of the market value of your portfolio, charged on a quarterly basis.

The administration fee covers the costs of the provision of administration to your portfolio and is 0.225% (plus VAT) per annum of the market value of your portfolio. It is charged on a quarterly basis.

All fees are expressed as a percentage of the market value of your portfolio and are applicable to investors with advisers. We do not charge an exit or performance related fee. Further details of the fees charged and the timing of payments is provided in the Terms which includes information on fees and charges for applicants where commission is payable on their investment (e.g. by those investing on an execution-only basis).

We are able to facilitate both initial and ongoing adviser charges from your Portfolio. You and your financial adviser will need to complete the relevant section of the Application Form.

Investing in the Stellar AiM Inheritance Tax Service

We are committed to making it simple for you to invest with us. You can invest in the Stellar AiM Inheritance Tax Service by transferring existing equity portfolios, ISAs or investing capital directly.

Upon acceptance of a completed and signed Application Form, your money will be held in a bank account pending investment, with each investor's investment clearly and separately identified. The shares in which your monies are invested will be beneficially owned by you, but held by a nominee on your behalf.

Upon the death of the investor, the securities are included in the deceased's estate for probate purposes and revalued as at the date of death. However, if the securities were held for two years or more, then 100% Business Relief is available - which should mean that no IHT will be payable on the market value of the securities at the time of death.

If the investor dies within two years of investment, then the portfolio will not benefit from Business Relief and the assets will be liable to IHT as part of their estate. However, if the investor has a surviving spouse, the assets may be transferred without triggering an IHT liability, and without the requirement of a new two year qualifying period



We are committed to making it **simple for you** to invest with us.



Planning Opportunities

The Stellar AiM Inheritance Tax Service can be held in an ISA, so you keep your existing ISA benefits whilst protecting your capital from IHT. This can help you create a wholly tax-efficient portfolio free from income, capital gains and inheritance tax.

Transferring existing ISA investments is an easy and simple way to improve your tax efficiency, as you retain income and capital gains tax relief but will then also benefit from IHT relief. Please refer to the Stellar AiM ISA Inheritance Tax Service brochure for further information.

Withdrawing Money

You can request for any shares in your portfolio to be sold and then withdraw monies from the Stellar AiM Inheritance Tax Service at any time. Withdrawals will usually be satisfied within 10 days of your withdrawal request being received by us.

Investors should note that liquidity in some companies quoted on AiM may be limited, making it difficult to accommodate sudden large orders for sales or purchases of investments.

Where the shares to be sold, and the withdrawal, amounts to £30,000 or more, we will use reasonable efforts to raise the entire amount within the timescale requested. However, we reserve the right, in your own interest, to take longer if necessary to, ensure the orderly disposal of investments.

Transferring Investments into the Stellar AiM Inheritance Tax Service

The Stellar AiM Inheritance Tax Service has been designed to accept in specie transfers of existing equity portfolios regardless of size and constitution. This could for example be a portfolio of companies on larger stock exchanges, or existing AiM portfolios with a different manager or stockbroker. We will reconstitute the portfolio and manage it in accordance with the terms of the Stellar AiM Inheritance Tax Service.

Further details on the structure of the Stellar AiM Inheritance Tax Service, and accessing your capital, are provided in the Terms. If you have any further questions please speak to your adviser or call Stellar on 020 3195 3500. Please note that calls to Stellar may be recorded. The Stellar AiM Inheritance Tax Service is available to investors both inside and outside an ISA. We also accept both portfolio and ISA transfers. If you are interested in ISAs please read our Stellar AiM ISA Inheritance Tax Service brochure.



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AIM-BR-0521

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