



Information for Professional Intermediaries

Inheritance Tax Planning Portfolio Service



1. About Fundamental

Fundamental Asset Management Ltd is a specialist investment management firm founded in 2004 and owned by Christopher Boxall and Stephen Drabwell, joint Managing Directors.

Fundamental is authorised and regulated by the Financial Conduct Authority (No. 401123).

Fundamental has managed dedicated AIM portfolios for IHT planning purposes since October 2004 with an outstanding performance track record dating back to 2005 (refer to fact sheets and quarterly reports).

The Investment Team

Christopher Boxall – Joint CEO/Portfolio Manager

Chris qualified as a Chartered Accountant in 1989, and was formerly with Deloitte & Touche, where he focused on smaller companies in the UK and Europe. From 1991 to 1999 he was a senior adviser with a specialist business consultancy providing advice to small firms in the financial services, commercial and industrial sectors as well as a Director of small private companies. From 1999 to 2004 he was a senior member of the investment management team of the Washington US Fund Ltd, a successful long/short equity fund investing in small and mid cap companies as well as Chief Financial Officer of Washington Financial Group which had offices in New York, London and Monaco.



Christopher Boxall

cboxall@fundamentalasset.com

Stephen Drabwell – Joint CEO/Portfolio Manager

Stephen has been involved in the financial services sector for over 20 years. He was formerly with UBS as a sales trader on the portfolio trading desk and Washington

Financial Group. Stephen was based in London for the majority of his 8 years at UBS, but also worked in the Paris and New York offices. Whilst at Washington Financial Group Stephen was senior trader and a key member of the management team of the Washington US Fund, a successful equity small and mid cap long/short fund.



Stephen Drabwell

sdrabwell@fundamentalasset.com

2. Introduction to Inheritance tax Planning 'AIM' Portfolios

Objective

The Fundamental AIM IHT Portfolio is a discretionary investment service which has the objective of obtaining 100% relief from Inheritance Tax ('IHT'), the potential for capital appreciation and income through investment into qualifying AIM companies which benefit from Business Relief and thereby attract 100% relief from IHT.

The benefits

The Fundamental inheritance tax planning service is an effective, proven and non-contentious tax planning method that avoids the costs associated with forming a trust, or the risks associated with gifts. Assets also remain under the control of the holder.

The short 2 year qualification period and continual expansion of AIM make it an increasingly compelling tax planning tool.

Minimum Account size for an AIM IHT Portfolio is £40,000.

3. Methodology of Research, Research Capability, Reporting Procedures

Fundamental relies on proprietary, in-house research.

The investment approach is best described as bottom up and growth focused with a value overlay.

Key criteria include:

- IHT qualification (current and ongoing).
- Growth actual and prospective
- Profitability (unadjusted, excl EBITDA)
- Cash generation
- Return on Equity
- Management/insider ownership
- PE & PEG
- Size and liquidity
- Understanding of the business

Dividend yield is preferred but not essential as we are seeking growth.

Macro overlay ensuring sector diversification.

Research is undertaken by the 2 founders supported by external analysts (former fund managers, private investors and business people).

Fundamental is also associated with online research site 'Investor's Champion' www.investorschampion.com

4. Portfolio Construction Methodology, Approach to Stock Picking, Asset Allocation, House Investment Style, and "House Ethos".

While growth focused, the investment style and house ethos for AIM IHT Portfolios is inherently conservative with a 'value' overlay i.e. the business can already demonstrate a viable business model.

Portfolios are well diversified by name and sector (typically 30 names) for traditional portfolio diversification principles as well as possible liquidity concerns.

The Investment Process:

The Investment process starts with an initial stock screening with the primary criteria being AIM qualification,

profitability, growth, PE, PEG, dividend yield (and cover), strong insider ownership, management experience, market capitalisation and stock liquidity. The objective of this screening process is merely for idea generation and does not, alone, constitute a reason to invest. Idea generation is not restricted to only the screening process. Industry publications, investor magazines can be a source as is one company leading to another.

Once the screening process has generated some ideas, the next stage of the process is to analyse the strategy of the business and to gather as much information as possible on what the company is trying to achieve/sell. This may include products, manufacturing, sales targets, operation of sales outlets, customers. This information is generally found on their website or in related publications.

Stage three is analysis of the financial statements and to gain a clear understanding the balance sheet, P&L and cash flow statements. Any areas that aren't clear are highlighted in preparation for the meeting with management of the company. If our findings are satisfactory, then we will arrange a meeting with the management of the company.

We have become increasingly sceptical of the benefits of meeting senior management. On occasions this adds value but on others it can prove a distraction. However, generally speaking we will not take a position to core size until we have met with senior management, often at their place of business.

Once the portfolio is constructed, Fundamental manages it on an ongoing basis, replacing holdings as necessary if they no longer represent investment value or if they are in danger of losing their qualification for exemption from IHT. Active management of AIM IHT portfolios is allowed but must be done within certain rules. Expected turnover levels are very low but regular monitoring of holdings continues for the life of the portfolio.

Risk profile:

Portfolios of AIM shares are deemed to be higher risk.

Measured by the volatility of monthly investment returns, the risk level of the Fundamental AIM IHT Portfolio Service since inception has been higher than that of the FTSE 100 but lower than that of the AIM benchmark.

AIM IHT portfolios are also an IHT planning tool and have the ultimate objective of reducing inheritance tax liabilities. Measuring the risk on an 'after-IHT basis' therefore reduces the risk level substantially.

5. Performance

Performance of Fundamental AIM IHT Model Portfolio

See monthly factsheet for full performance reporting.

Since inception, the Fundamental AIM IHT portfolio has significantly outperformed the AIM market, but monthly returns have exhibited less volatility. We believe this is a direct result of our conservative approach and focus on capital preservation.

The Fundamental portfolio has outperformed by avoiding the worst of the negative periods and by avoiding the more speculative sectors of AIM.

We believe that such portfolios are better suited to the types of investors concerned about their IHT liabilities.

6. Breakdown of Charges (Applicable from 1st Jan 2020)

- Annual Management Fee is up to 1% + VAT
- Platform standard dealing fees

Initial fees and transaction fees are applicable if assets are held through our preferred custodian, Jarvis Investment Management Ltd. A full schedule of these charges are available on request.

7. Which platforms is the service available on?

The service is currently available on **Standard Life Elevate, Standard Life Hub, Transact, Nucleus, Fidelity Funds and Co-Investor.**

8. Features of the service

The most important distinguishing features of the Fundamental proposal for AIM IHT Portfolios are:

- The rigorous application of professional portfolio management techniques including thorough in-house research.
- An approach to stock selection and portfolio construction in AIM IHT portfolios that is conservative and focuses on capital preservation.

- The firm's independence of brokerage and corporate finance activities ensures objectivity in investment selection and focus on stock selection and analysis.
- Smaller investment firms such as Fundamental typically outperform their larger peers, especially in the smaller capitalisation investment universe.
- The Fundamental Model AIM portfolio has outperformed the AIM index considerably, validating their conservative approach and focus on capital preservation
- The Fundamental AIM IHT Portfolio can be held in an ISA with the additional tax benefits
- The Fundamental AIM IHT Portfolio can be accessed through a variety of wrap platforms
- Clients can access the Fundamental AIM IHT Portfolio by using the Additional Permitted Subscription allowance

For more information, contact:



Derek McLay

07743 725659

dmclay@fundamentalasset.com

Important Information

This is not an offer to sell or a solicitation of an offer to purchase shares. You should not invest in our AIM portfolio service unless you have read our Terms and Conditions, are aware of the risks involved, are prepared to hold for the long term and can risk making a loss. Smaller quoted companies can be subject to certain specific risks not associated with larger, more mature companies. The information and opinions contained in this document are for background purposes only and do not purport to be full or complete. Past performance is not necessarily a guide to future performance as the price of shares can fall as well as rise and you may not get back all the money you invested. The extent of the tax benefits available will depend on the qualifying conditions and investors should seek professional advice before investing. No reliance may be placed for any purpose on the information or opinions contained in this document or of their accuracy or completeness.

Fundamental Asset Management Ltd, Cardinal Point, Park Road Rickmansworth, Herts WD3 1RE

Telephone: +44(0)1923 713890 www.fundamentalasset.com

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