



DW | **DowgateWealth**

AIM Inheritance Tax Portfolios
via an Intermediary



Important Note Risk Warning

This service should be regarded as a high-risk, long-term investment as it only invests in smaller companies where share prices are more volatile and less liquid than constituents of the FTSE100 Index. These newly formed, smaller firms do not qualify to list on the leading market exchange. These companies have a greater chance of growth in the early stages. However, they are also more likely to fail than a FTSE 100 company.

You should be comfortable with the possibility of losing your investment in the pursuit of potentially generating

substantial growth. You should expect to experience significant fluctuations in price and understand that given the illiquid nature of these stocks, you will need to be able to hold onto them through down periods. There will likely be a substantial difference in the buy and sell price; if you had to sell them immediately, you might get back much less than you paid for them.

The value of shares may go down and up, and investors may not get back the amount they invested. Past performance is not a reliable indicator for future results.

Dowgate Wealth

WEALTH MANAGEMENT REDEFINED

Dowgate Wealth is an employee-owned private company founded in 2020, that combines over 425 years of investment experience across 20 professionals. We received our education within a boutique family-style investment house, focusing mainly on UK small and midcap companies.

Much of our experience originates from working together at Hargreave Hale, (before its acquisition by Canaccord Genuity Wealth Management in November 2017), a specialist UK smaller companies investment boutique. We have built up expertise investing clients' portfolios in UK smaller companies, particularly companies listed on the London Stock Exchange Alternative Investment Market (AIM). We thoroughly enjoy making a difference in clients' lives by substantially growing their financial assets. We look after a diverse range of high-net-worth individuals and

have enjoyed rapid growth from June 2020. As of 24th September 2021, we have £400 million discretionary AUM.

Our experience alongside the Business Relief (BR) for Inheritance Tax on qualifying AIM listed shares can help provide a solution to your clients who may be concerned about passing on their wealth to the next generation. An AIM IHT Portfolio, invested for two years and managed by our experienced team, is designed to reduce your client's Inheritance Tax (IHT) liability on death.

Our approach relies on high levels of client service and support. As clients, it is paramount that you have personal access to all team members and that any request is met accurately and on time. We also feel that the best ideas often come through conversation regarding our investment approach or service offerings.

Team Bios

MARK CHADWICK

Mark is our Investment Director and joined Dowgate Wealth in December 2020. Originally from Blackpool, Mark began his Investment Management career in 1994 at Hargreave Hale and subsequently moved to the Hargreave Hale London office in 1997 to work with Giles Hargreave. Mark worked with Giles on the Marlborough Special Situations fund and discretionary bespoke private client portfolios. He then took over sole management of these portfolios, where he continued to grow them to approximately £250m before the takeover by Canaccord Genuity Wealth Management in November 2017.

Mark is a member of the CISI (The Chartered Institute for Securities & Investments). When investing, Mark looks for growth stocks, particularly in UK Mid/Small cap companies.



BEN MCKEOWN

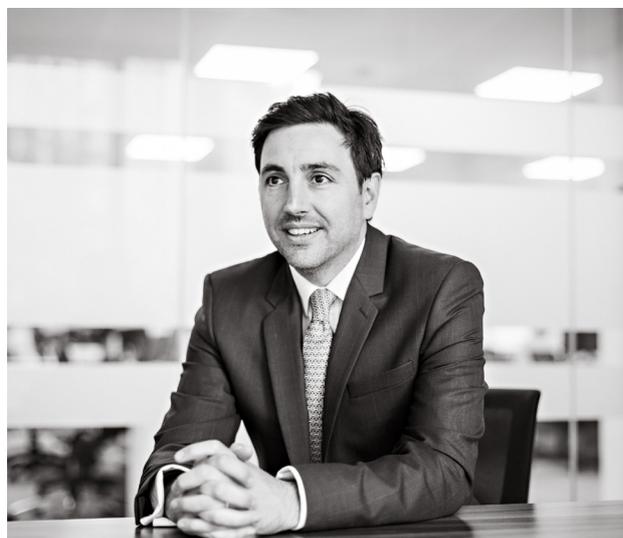
Ben is our Investment Director and joined Dowgate Wealth in July 2020. He studied Economics BSc (Hons) at Oxford Brookes University. Since then, Ben has accumulated several financial qualifications – he is a Chartered Financial Analyst (CFA) and a Chartered Fellow of the CISI.

Ben began his Investment Management career in 2008 at Killik & Co during the financial crisis. He became an Investment Manager at Hargreave Hale before its acquisition by Canaccord Genuity Wealth Management, where he was responsible for £750m of discretionary mandates. When investing, Ben looks for growth companies and prides himself on his independent thinking and honesty.

JOSH ROSS-FIELD

Josh is our Investment Director and joined Dowgate Wealth in January 2021. Originally from London, he studied Economics BSc (Hons) at Leeds University and graduated with Upper Second-Class Honours. Since then, Josh has become a member of the CISI. Josh began his Investment Management career in 2003, where he worked with Mark Chadwick and Giles Hargreave, administering the private client portfolios and fund administration before completing his exams and managing a client base ranging in size from £1000 to £15m.

Josh manages bespoke portfolios on a discretionary and advisory basis. He has experience dealing with individuals, companies, pension funds, offshore accounts and trusts, primarily involved in Stock market investments. When investing, Josh predominantly looks at UK small and mid-size companies and thematic investments.





Who is suitable for an IHT Portfolio?

This service is aimed at those concerned about reducing their inheritance tax liability, and who want to maximise the wealth they can pass on to the next generation. This service is suitable for clients who would like to reduce their tax liability in the short term, after two years and over the longer term.

Inheritance Tax Rules

Currently, 40% Inheritance Tax is liable on your assets above £325,000 nil rate band.

New rules in 2017 provide an additional nil rate threshold (residence nil-rate band) for estates with a net value up to £2m (after deducting liabilities but before reliefs and exemptions). This threshold has been phased in and raises the IHT threshold to £1 million for married couples and civil partnerships (£500,000 for singles) who pass their primary residence on to direct

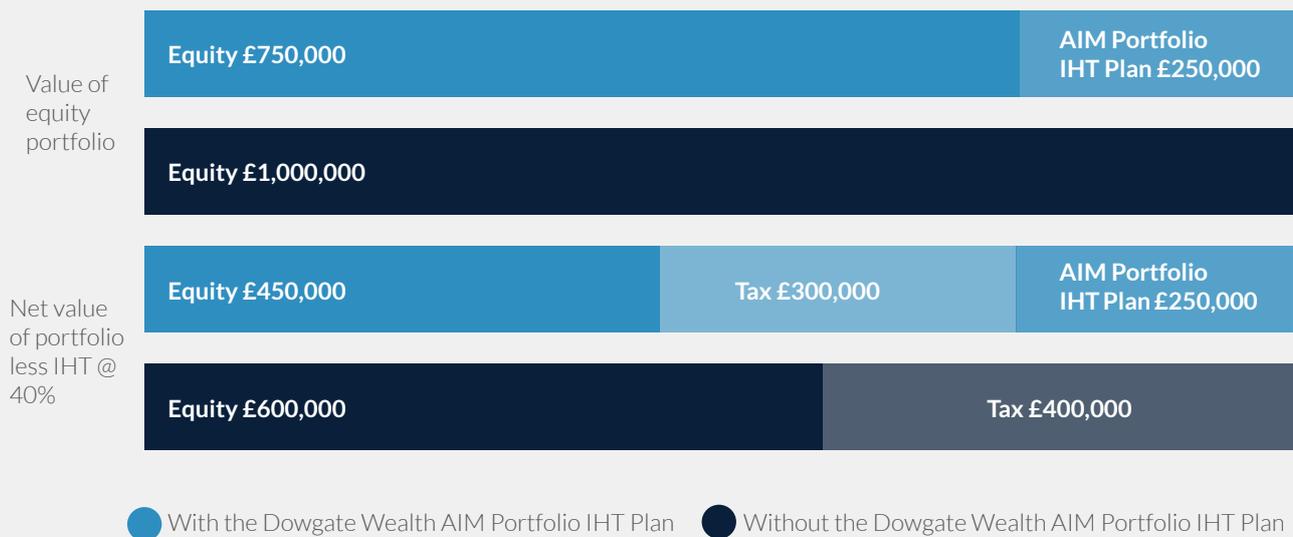
descendants (children and grandchildren). In 2020 the residence nil-rate band increased to £175,000. In the future, it will increase in line with inflation based on CPI. The new rules mean that estates with a net value of more than £2 million face a phased withdrawal of the primary residence allowance, at a rate of £1 for every £2 over this threshold.

Business Relief Tax Rules

Introduced by the UK government in 1976, this a statutory tax relief which reduces the value of a business and/or qualifying assets including certain qualifying companies trading on the AIM market. Qualifying assets held for a minimum of two years and still held at the time of death are subject to relief from inheritance tax. If the two-year holding period is not met before death, a surviving spouse or civil partner may inherit the portfolio without restarting the holding period.

An example of the possible savings for your client

If an individual has an investment portfolio of £1,000,000 from which £250,000 is invested in the Dowgate Wealth Inheritance Tax Portfolio service – assuming the nil rate Inheritance Tax bands are utilised against other assets such as the family home. The chart below does not reflect any growth in the value of the portfolio:



Our Portfolio Options

At Dowgate we feel it's important to offer two Inheritance Tax portfolios to advisers depending on how they would like to approach Inheritance tax planning with their clients:

Dowgate Wealth AIM Inheritance Tax Portfolio: Growth

This is designed for clients who prefer a higher level of liquidity in their portfolio. This portfolio does not participate in Initial Public Offerings (IPOs) or Placings (subsequent issue of primary or secondary capital). This means that clients who would like to utilise their ISA for investing in an AIM Inheritance Tax Portfolio can do so.

This portfolio is available both directly with Dowgate Wealth and on the following Platforms: Transact and 7IM. If you require another platform, please enquire and we will endeavour to add this portfolio to your chosen platform.

Dowgate Wealth AIM Inheritance Tax Portfolio: Dynamic Growth

This is designed for clients who are comfortable with a lower level of liquidity as the strategy will hold companies with market capitalisations down to £50m. This portfolio can participate in Initial Public Offerings (IPOs) or Placings (subsequent issue of primary or secondary capital) depending on the attractiveness of the investment case. Please note clients' ISAs cannot be used for this portfolio due to their ineligibility to participate in IPOs and Placings.

This portfolio is only available directly with Dowgate Wealth.

Important Information

OUR FEES

Platforms

If investing through a Platform we will levy an annual management fee of 1.25% (excluding VAT) based on the value of your client's portfolio, charged through the relevant Platform. Additional fees may be charged, please see relevant Platform's website for more information.

Directly

If you are investing directly, we will levy an annual management fee of 1.25% (excluding VAT) based on the value of your client's portfolio, which will be charged quarterly in arrears. This charge will be in January, April, July, and October. There will be a fixed compliance charge of £20 per trade and no dealing commission.

Any initial or recurring fees agreed between the Client, and the Adviser can be facilitated (including any VAT applicable). Ongoing adviser charges will be made to your Adviser quarterly in arrears.



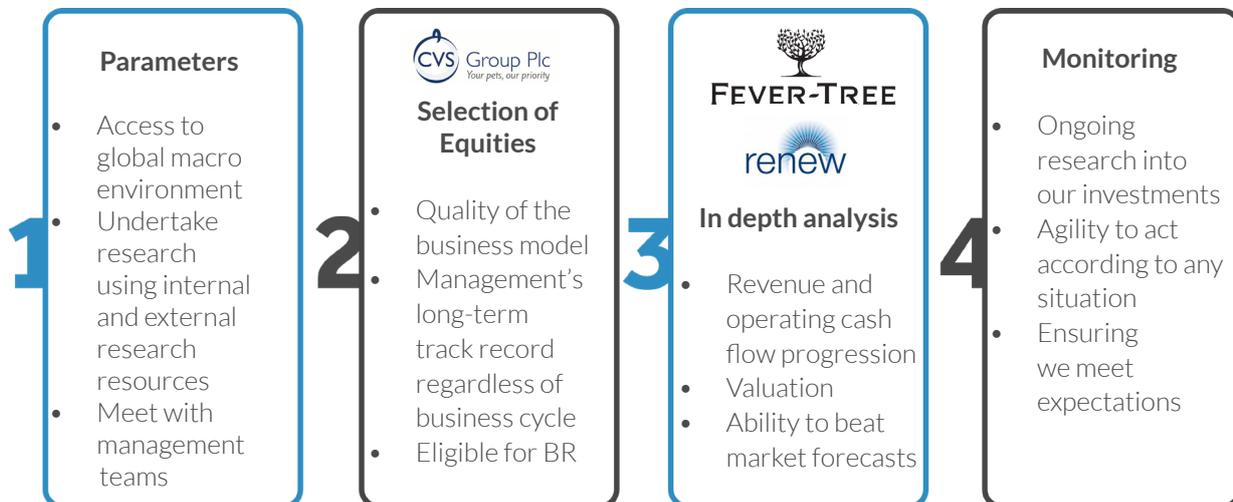
Minimum Investment

The minimum initial investment is £50,000 (no maximum).

Reporting & Indicative Performance

Our philosophy is to deliver comparative outperformance for our clients. We will provide monthly factsheets alongside quarterly commentary to keep you updated with our current views on the market and the portfolio's comparative performance. We will use the ARC Inheritance Tax Portfolio Index (AIP) as our comparator benchmark.

Investment Approach



Our Investment Style



Quality threshold



Innovative growth



Buying and holding great businesses for the long term



Access Initial Public Offerings (IPOs) and secondary placings that are not normally available to private clients



Structural growth trends



Quality management with a proven track record and, above all, skin in the game



Networked knowledge, deep learning AI, green energy, robotics and autonomous transport, DNA sequencing and frictionless finance

Our Investment Philosophy

Dowgate's investment process is all about buying and holding great businesses for the long term as a cornerstone to managing our clients' wealth. However, we are not immune from the opportunities that gyrations of the financial markets present to seek relative value without losing sight of our quality threshold.

Dowgate Wealth has several core principles when looking for companies to back, and chief amongst them is quality management with a proven track record and, above all, skin in the game.

In a typical week, we meet 15-20 company management teams in an ongoing search to find valuable opportunities. Our first objective in these meetings is to establish some basic understanding of the companies and their prospects. We want to understand the sense of purpose and drive from the leadership. Specifically, the importance they focus on financial and other operational metrics, including their capital allocation process. There is a multitude of factors that we consider before taking this decision. Some important ones are experience, financial track record, access to technology (product or process know-how), and shareholder focus.

Part of our process is to understand the main drivers of innovative growth that impact all companies. These include the adoption of networked knowledge, deep learning AI, green energy, robotics and autonomous transport, DNA sequencing and frictionless finance. All these factors are, to differing degrees, impacting our universe of investable companies. This aspect of our process is increasingly important as technological change accelerates and its adoption becomes more widely implemented.

Our network is widespread, with solid relationships amongst many well-regarded stockbrokers, giving us access to quality research. Our market standing allows us to access Initial Public Offerings (IPOs) and secondary placings that are generally unavailable to private clients. Many investors are sceptical about IPOs. They question the motives for offering shares, the quality of the underlying businesses and the claims they and their promoters make to justify valuations sought. However, we believe that the IPO market helps uncover attractive long term investment opportunities, provided one is prepared to be patient and selective.



The Portfolio

The Dowgate Wealth AIM Inheritance Tax service taps into AIM listed UK companies with the aim of generating capital growth with index-beating returns. It is a segregated portfolio which will hold 20-45 listed companies. We will aim to deploy capital within 14 days of receiving instructions and cleared funds to start the two-year eligibility period as quickly as possible. Any dividends paid will be reinvested. Your client will have access to their funds subject to liquidity, but please remember that any withdrawal prior to death will not qualify for relief from IHT. The portfolio is subject to Capital Gains Tax (CGT) and income tax during life unless held in an ISA. Tax rules and regulations, and personal circumstances are subject to change.

We will send you and your client end of year consolidated tax statements showing total income received during the year and disposals reports. Each quarter, we will write to you detailing your portfolio's current value and quarter on quarter performance. Your client pack will also include an itemised statement for the period emailed or posted to you. We have a comprehensive online portal where you can view your respective account and contract notes in real-time.

Case Studies



Renew Holdings (RNWH) traces its roots back to 1786 and has been through numerous turnarounds, management teams and acquisitions to be left standing where it is today with a market capitalisation of £650m.

Renew provides mission-critical and multidisciplinary engineering services across a range of markets. Through the holding company, it hands full autonomy to its independently branded UK subsidiaries to operate within their respective categories: Rail, Infrastructure, Energy, and Environmental. The business focuses on applying its direct delivery model through strong, strategically located brands to support its customers across the UK.

The essential nature of Renew's business activities meant that covid-induced restrictions imposed in the UK had no impact on trading. These essential services comprise 24/7 specialist engineering solutions in asset care, servicing, and infrastructure maintenance. To give an idea on the resilience the company has shown, half-year 2021 figures reported revenue visibility had increased to £750m vs £690m in half-year 2020 (+9%) with group organic revenue growth of +12% and a quick reinstatement of the dividend.

As we move forward, several tailwinds in Renew's markets could drive growth. In the rail space, investment in the decarbonisation agenda presents new opportunities for Renew through the electrification of UK railways. Secondly, the government has committed a record £640bn investment in UK infrastructure from 2020-25, an area where Renew services the UK highway network and has exposure to 5G connectivity through its engineering services in wireless infrastructure. Renew provides engineering support to UK nuclear facilities in the energy segment, including decommissioning assets, maintenance, new build support, and mechanical services. It is estimated that a £124bn decommissioning provision will be made with the bulk of this budget allocated to Sellafield, a nuclear site where Renew is a principal ME&I services contractor. Lastly, the environmental segment is focused on the maintenance of wastewater

and waterway assets. The AMP7 scheme will present tailwinds through to 2025, and the increased risks of flooding brought about through climate change should drive demand for flood risk management services up and down the UK.

So, what drives our investment case for Renew Holdings?

Several factors underpin the long-term growth dynamics of the business. It operates a low risk (diverse markets), a capital-light business model with visible and resilient revenue streams. These reliable revenues are driven by regulatory spending on public sector contracts and lower financial and contractual risk vs lumpier, capital-led projects. The company has built a competitive moat against new entrants through its high-quality engineering services that demand specialist skillsets, along with the propensity to avoid sub-contractor volatility. The business model generates strong cash flows demonstrated by a net debt/EBITDA figure of 0.3x, including the two acquisitions made year-to-date. This balance sheet strength provides further scope for M&A led growth in addition to its strong organic growth momentum. On top of this, the company adopts a progressive dividend policy currently yielding a well-covered 1.8% (16/11) to add a little sweetener to the deal.

Lastly, since the economy has reopened post covid lockdowns, we see increased government infrastructure spending worldwide and new issues to the market with such pent-up demand flowing through to the bottom line of companies like Renew. In our view, we are only at the beginning of this spending cycle and can see scope for further upgrades.

Case Studies



In March 2013, the two founders sold 25% of the business to private equity, which subsequently led to an IPO in November 2014. FeverTree appointed Investec as their nominated broker to guide them through the IPO. We met the Investec analyst initially to give us an overview of the business and the financials and forecasts. We subsequently met Charles Rolls and Tim Warrillow, the founders of FeverTree, twice before the IPO date. We built confidence in the management team throughout these meetings, and we believed they had a line of solid products that could rival and surpass the market leader, Schweppes. We were allocated just 20% of our IPO allocation at 134p. The deal valued the business at a little over £154m. We continued to add to our holdings and buy new positions for new clients, all the way up to 200p.

As shareholders, we had the opportunity to meet FeverTree at least twice a year, after full-year and interim results. We were continually impressed with them in the meetings. It was evident that the management's confidence was growing in the business, which led to a continued cycle of upgrades to broker forecasts. FeverTree became a core holding for us and we remained believers in the story and supporters of the business, thus buying stock when management decided to take some off the table.

FeverTree is still a core holding for us though we have top sliced positions along the way where holdings had got too big for client portfolios. The shares are now £23 per share, valuing the company at £2.67bn, producing a return of over 17x for original investors such as ourselves.

Charles Rolls and Tim Warrillow founded Fevertree in 2004 as a British producer of premium drinks mixers. It grew very successfully, helped by the trend to longer drinks and the breakup of the market leader Schweppes after the takeover of Cadburys, who had subsequently owned the brand. The new owners, including Coca Cola, dumbed down their famous tonic water to an equivalent of sugar water when there was an explosion of new gins. In contrast, Fevertree's ingredients were all-natural and consequently enhanced the new gin flavours. They produced a range of different flavours,

thereby opening up the market. The founders' drinks industry backgrounds enabled them to adopt some clever marketing.

The publicity created by float helped Fevertree overtake Schweppes and today enjoys more than 40% share of the UK mixer market. The founders were also very clever in understanding their market and promoting the brand through a wide range of leading bars worldwide. They also outsourced bottling and distribution, thus avoiding the pitfalls of manufacturing. Instead, FeverTree was a marketing machine run by a relatively small head office.

Today about 50% of the business comes from the On-Trade (hotels, restaurants bars and cafes) and 50% from the Off-Trade (supermarkets and off licences). The company has expanded from tonics into Ginger Ales, Ginger Beer, Colas, Sodas and Lemonades, both regular and low calorie. It now operates worldwide, with the US, the world's largest mixer market, growing strongly. They have also seen good growth in Europe and the Rest of the World.

Covid did have a significant effect on the company, with the On-Trade being virtually closed, but this did lead to a substantial increase in their Off-Trade. The drinking of spirits increased considerably during the lockdown. Now that we are coming out of Covid, their On-Trade business is picking up strongly, which should benefit margins. Their US business is now reaching scale and growing more than 30%pa. We believe that maybe Coca-Cola or Pepsi Cola will be attracted to adding FeverTree to their stable of drinks in the long term.

The company is conservatively managed and has a significant cash balance of c. £200m. As we exited lockdown, FeverTree has increased revenue guidance from £295m to £304m. Margins are under some pressure (around gross 44%), leading to EBITDA margins of around 20%. Nevertheless, as the On-Trade returns to normal, these should improve.

The shares now stand at £23 valuing the company at £2.675bn and making it one of the leading companies on AIM. Tim Warrillow is still CEO, but Charles Rolls has stepped back, although both remain significant shareholders.

Case Studies



CVS Group came to the AIM market in October 2007 at a price of 205p, raising £92.7m and valuing the business at £105.7m. It had previously been owned by Private Equity since August 1999.

The company is one of the largest vertically integrated veterinary service providers in the UK, Netherlands, and Ireland. In the UK, it has around a 10% market share. Besides owning over 500 veterinary practices, it also operates four laboratories that perform diagnostic services for the veterinary industry and seven pet crematoria. The company also operates an online dispensary, Animed Direct, selling medicines, pet food and other animal-related products.

In addition, it produces its own label products under the MI Vet Club brand. A significant feature of its practice division is the Healthy Pet Club which provides inexpensive annual cover for routine treatments such as worms and fleas and regular health checks. The club has more than 450,000 members and grew by around 8% this year.

The company continues to grow by acquiring other vet practices in the companion animal area (cats and dogs) but owns and operates specialist farm and equine practices. It specialises in employing high-quality veterinary specialists now numbering more than 1900, 2500 nurses with a total staff in excess of 7200.

The company has a market cap of £1.7bn, showing strong progress during lockdown as the number of companion animals grew. The pet population in the UK increased by at least 8% as 3.2m people purchased a pet during Covid. There is also a growing trend towards greater humanisation of pets being increasingly regarded as 'part of the family'. There is a correspondingly greater willingness to spend more on high-quality care. An increasing number of treatments are offered with 58% of dogs and 41% of cats have some form of insurance. CVS will benefit from this trend for many years to come because as animals grow older in the same way as

adults, they require increasing care. Lastly, convenience and competitive pricing have driven the switch to customers' online purchasing of pet food.

CVS has an excellent track record of long term capital growth led by a highly capable management who have helped lead the consolidation which has taken place in the veterinary industry. Corporates own around 55% of vet practices. This trend will only continue as 75% of vets are female and want a different work-life balance to the old fashioned partnership system that operated twenty years ago. The modern vet often works, say 4 days a week, wants to have a family and does not have the capital to build a vet practice. Consequently, CVS will be able to continue to grow by acquisition both in the UK and in due course in other European countries. The business is highly cash generative, and if it wants to undertake a more substantial acquisition, it will tap the market for further funds as it has done several times before.

The shares have performed strongly since Covid rising from £7.85, trebling to the current level of £23.95. The company has a progressive dividend policy, and recent figures showed revenue growth of 19%, EBITDA growing by 37% and the EBITDA margin improving 2.5ppts to 19.1%. We expect further strong growth in the years to come, both organically and through acquisition.

**Please note all information is deemed correct at the time of writing. Case studies written in December 2021.*

Risks

Disclaimer

This document has been prepared by Dowgate Wealth Limited (“DGW”). Dowgate Wealth Ltd, registered in England number 12221221, is authorised and regulated by the Financial Conduct Authority and is a member of the London Stock Exchange. Registered address: 15 Fetter Lane, London, EC4A 1BW. All data has been sourced by DGW. This document is for information purposes only and is not to be construed as a solicitation or an offer to purchase or sell investments or related financial instruments. This document has no regard for the specific investment objectives, financial situation or needs or any specific investor. Although DGW uses all reasonable skill and care in compiling this report and considers the information to be reliable, no warranty is given as to its accuracy or completeness. The opinions expressed accurately reflect the views of DGW at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon. Our opinions reflect our views at such time regarding market conditions and other factors, may depend upon assumptions or projections that may not prove to be correct, and are subject to change.

Investment and Liquidity Risk

Investments in smaller companies will normally involve greater risk or above average price movements (volatility) than investments in larger companies. These companies can suffer from illiquidity issues, which can make it difficult to dispose of an investment. The spread on AIM shares can be greater than on fully quoted investments and therefore if an investor has to sell a holding immediately after purchase the proceeds may be less than the initial amount invested. The price quoted in an AIM share may also be valid in a small amount of shares so selling a larger quantity may achieve a lower price than the actual market quote. Smaller companies can have smaller management teams and as such the loss of an individual member may have a significant effect on their performance. Equally these companies can tend to be vulnerable to sudden changes in market conditions. The rules for listing shares on the AIM market are less demanding than those on the Official List of the London Stock Exchange; and therefore the risks are higher.

Tax Legislation Warning

Rates of tax, tax benefits and allowances are based on current legislation and HMRC practice. These may change from time to time and are not guaranteed. Current tax rules and the available tax reliefs offered on investments into AIM-quoted stocks may change at any time, and there is a considerable risk that if the legislation changed in respect of these tax reliefs, then those portfolio companies that no longer qualified for such reliefs would be subject to heavy selling pressure, potentially leading to significant investment losses. This investment may not be suitable for all investors. You are recommended to seek specialist independent tax and financial advice before deciding to subscribe to this AIM Service. This AIM Service has been designed with UK-resident taxpayers in mind. If you are not resident or ordinarily resident in the UK for tax purposes, it may not be appropriate or advantageous for you to subscribe to this AIM Service.

Qualifying Investments Warning

Qualifying Investments in which we invest may cease to qualify for inheritance tax exemption. In such a case, the relief available on that particular investment will be lost. In some instances, investments in particular companies will be sold if we believe that the investment rationale outweighs the tax.

Past Performance Warning

Past performance is no guide to future performance and there is no guarantee that the AIM Portfolio's objective will be achieved. We can make no guarantee of investment performance or the level of capital gains or income that will be generated by the AIM Portfolio. The value of Qualifying Investments and the income derived from them may go down as well as up and you may not get back the full amount invested.

Get in Touch & How to Apply

Before applying, please ensure you are fully comfortable with the terms and conditions, paying particular attention to the risks of this portfolio service.

For more detailed information and if you need anything else, please get in touch with us on:

+44 (0)20 3416 9143 or email
intermediary@dowgate.co.uk

If you wish to apply, please contact us and we will send you the relevant onboarding forms for completion and counter-signing.



AIM Inheritance Tax Portfolios

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