Canaccord Genuity
Wealth Management

Risk profile:
IHT Portfolio Service

The IHT Portfolio Service is designed to reduce inheritance tax (IHT) while offering capital growth potential to enhance your legacy. It invests in certain companies chosen from the Alternative Investment Market (AIM), which qualify for a tax relief called Business Relief (BR). It therefore falls outside of your estate for IHT purposes once it has been held for two years.

Most AIM shares qualify for 100% BR. However, you need to be aware that exemption from IHT for AIM shares is on a case-by-case basis, which will only be determined when your estate is valued, and is at the discretion of HM Revenue and Customs (HMRC). Although we choose companies based on our understanding of current tax rules, we cannot guarantee that these AIM shares will be IHT exempt.

Since the portfolio only invests in shares listed on AIM, you should also be aware of the risks of very significant loss of capital from following this strategy. The AIM market is characterised by lower research coverage, less detailed published financial information, earlier-stage, more risky companies and by a commensurately higher risk of unforeseen bankruptcy or loss of value among them.

Lower quality information and less transparency increase the chances that individual holdings within the portfolio may be rendered worthless. You should carefully weigh this possibility against the potential estate planning benefits the strategy is intended to provide. We strongly recommend that you engage an independent professional tax adviser for advice based on your personal circumstances and the latest tax rules.

However, Canaccord Genuity Wealth Management's (CGWM) investment process specifically looks to mitigate these higher risks by focusing on companies with proven, established and cash-generative business models. We also look to identify simple, scalable or unique businesses with leading market positions combined with experienced and committed management teams. We further look to safeguard your capital by focusing on companies with strong balance sheets and the inherent ability to pay progressive dividends.

Although past performance is no guarantee of future results, our philosophy over the years has led to a strong performance track record compared with the AIM market, as well as lower volatility and smaller drawdowns at times of market stress (see charts opposite).

Although the FTSE AIM All-Share Index includes stocks that do not qualify for BR under current rules, this index is the benchmark used for illustrative purposes.

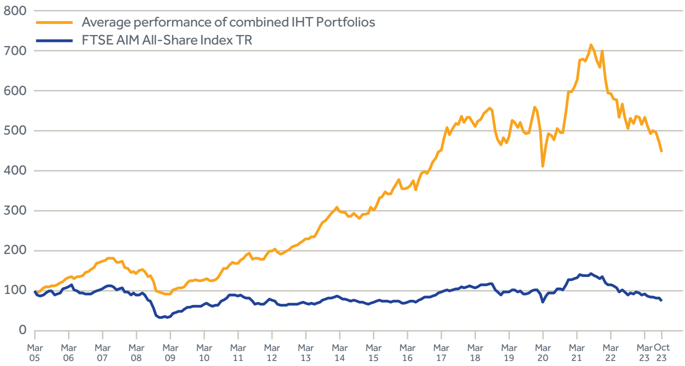
Since the inception of the service in March 2005, the FTSE AIM All-Share Index would have turned £100 into £78, the equivalent of a -1.34% compound annual growth rate*.

Over the last 10 years it would have turned £100 into £96 the equivalent of a -0.39% compound annual growth rate*.

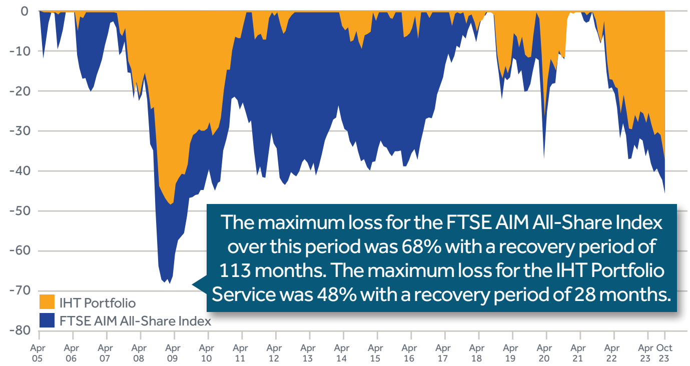
On the other hand, from inception in March 2005 our IHT Portfolio Service would have turned £100 into £443, the equivalent of a 8.34% compound annual growth rate*.

Over the last 10 years it would have turned £100 into £161, the equivalent of a 4.86% compound annual growth rate*.

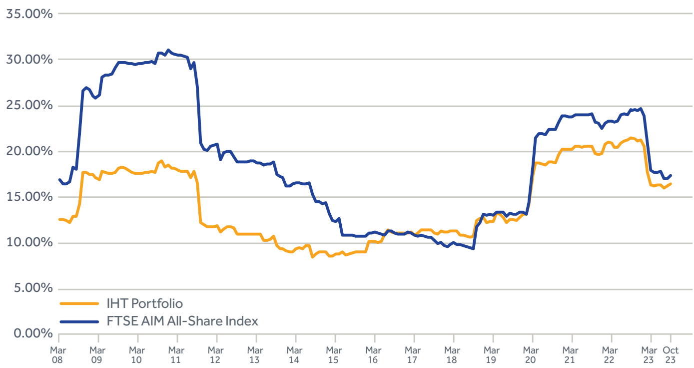
Performance



Drawdown %*



3-year annualised volatility %*



Volatility*	AIM Index	IHT Portfolio
Maximum 3-year rolling annualised volatility*	31.0%	21.4%
Minimum 3-year rolling annualised volatility*	9.3%	8.4%
Last reading as at 31 October 2023	17.2%	16.3%

The historic performance of the CGWM IHT Portfolio Service is derived from a combination of three legacy track records. Between March 2005 and April 2006, the illustrated performance entirely reflects the outcome of Adam & Company's 'ALPS' IHT service from its launch. CGWM launched its equivalent service in April 2006, after which point the illustrated performance track record is taken as 50% of the historic Adam & Company service and 50% of the historic CGWM service. Punter Southall Wealth (PSW) launched their IHT service in November 2013. After this date the illustrated performance of the CGWM service comprises one-third Adam & Company, one-third CGWM and one-third PSW. CGWM acquired Adam & Company on 1 October 2021 and acquired PSW on 31 May 2022. The three services, which all have a strong overlap in their historic philosophies and processes, have adopted a common philosophy, process and service offering from 1 October 2022, after which point the illustrated performance track record reflects the outcome of that single offering. There are some minor differences in the performance calculation methodologies between the three historic services, but we are comfortable that the combined track record provides a clear, fair and not misleading illustration of the typical long-term client experience.

Please note that the effect of taking an average of individual track records is to dampen down volatility of the portfolio returns artificially. The individual three-year average rolling volatilities* of the three historic services (from November 2013 to 30 November 2023) are 15.7% for Adam & Company, 14.9% for CGWM and 17.3% for PSW. The average of these three volatilities is therefore 15.9%, whereas the current average three-year volatility of the combined service (as described in the above paragraph) is 16.04%.

*See glossary opposite for full details.

Source: Bloomberg and CGWM.

Past performance is simulated, although using actual data with no assumptions made. Past performance is not a reliable indicator of future returns.

*Glossary

Compound annual growth rate

A compound annual growth rate (CAGR) represents the rate at which your investment would grow if it had a steady rate of growth i.e. it is an average annual growth rate to show you smoothed annualised returns. For example, an investment may increase in value by 8% in one year, decrease in value by 2% the following year and increase in value by 5% in the next. With this inconsistent annual growth, a CAGR of 3.6% may be used to give a broader picture of an investment's progress.

Smaller companies

When we talk about investing in small or smaller companies, we mean companies listed on AIM or those with a market capitalisation of less than £2bn, which are not within the FTSE 100. The companies listed on AIM can have market capitalisations above £2bn. In addition, we mean equivalent companies listed outside the UK, although size thresholds may differ from jurisdiction to jurisdiction.

Drawdown

Drawdown helps determine an investment's financial risk. A drawdown from an investment's high to its low is considered its 'drawdown amount'. It is usually recorded during a specific period and quoted as the percentage between the peak and the subsequent trough.

Drawdowns present a significant risk to investors when considering the uptick in investment value/price needed to overcome a drawdown. The greater the loss, the more needed to recover. For example, it may not seem like much if an investment loses 1%, as it only needs an increase of 1.01% to recover to its previously held position. However, a drawdown of 20% requires a 25% return, while a 50% drawdown – seen during the 2008 to 2009 Great Recession – requires a whopping 100% increase to recover the same position.

The **maximum historic loss** is the maximum loss from peak to trough in an investment's history.

3-year rolling annualised volatility

Volatility is a measure of how far a range of values moves from its average value over a set period of time. We show a three-year period to calculate this since we believe this represents the most appropriate time scale over which to capture the characteristics of the indices used in this document. We use a rolling measure, calculated on a monthly basis, which means we use the previous 36 months of data at any given point in time. The greater the range of returns, the higher the volatility and thus the higher the potential risk of the strategy.

For further information on any of the terms used in this document please contact your usual Account Executive or visit canaccordgenuity.com/wealth-management-uk/glossary.

Important information

Investment involves risk. The investments discussed in this document may not be suitable for all investors. The value of investments and the income from them can go down as well as up, and investors may not get back the amount originally invested.

Specific risks of the IHT Portfolio Service investing in AIM-listed companies include the potential volatility and illiquidity associated with smaller capitalisation companies. There may be a wide spread between buying and selling prices for AIM-listed shares. If you have to sell these shares immediately you may not get back the full amount invested, due to the wide spread. AIM rules are less demanding than those of the official list of the London Stock Exchange, and companies listed on AIM carry a greater risk than a company with a full listing.

Inheritance tax rates and Business Relief rules are subject to change. In addition, you must be prepared to hold your shares in AIM-listed companies for a minimum of two years or these assets will be considered part of your estate in the IHT calculation.

The tax treatment of all investments depends on individual circumstances and may be subject to change. Investors should discuss their financial arrangements with their own tax adviser, as the value of any tax reliefs available is subject to individual circumstances. Levels and bases of taxation may change.

Smaller company shares can be more volatile than those of larger companies because a small change in the financial performance can have a bigger impact on the company's value. These companies also tend to have less resources to overcome financial difficulties.

Sometimes it can be difficult to buy and sell large volumes of these shares at the market price. Although smaller company shares can be traded on a regulated market, it is common for them to be traded on a less regulated market, or a 'multilateral trading facility', such as London's Alternative Investment Market (AIM). Companies whose shares trade on these markets are subject to less regulation than those on regulated markets.

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 has no regard for the specific investment objectives, financial situation or needs of any specific investor.

Where investment is made in currencies other than the investor's base currency, the value of those investments, and any income from them, will be affected by movements in exchange rates. The effect may be unfavourable as well as favourable.

In the UK & Europe, Canaccord Genuity Wealth Management (CGWM) is the trading name of Canaccord Genuity Wealth Limited (CGWL) and CG Wealth Planning Limited (CGWPL). They are both subsidiaries of Canaccord Genuity Group Inc.

Adam & Company is a trading name of Canaccord Genuity Wealth Limited (CGWL) in Scotland.

CGWL and CGWPL are authorised and regulated by the Financial Conduct Authority (registered numbers 194927 and 594155).

CGWL and CGWPL have their registered office at 88 Wood Street, London EC2V 7QR and are registered in England & Wales nos. 03739694 and 08284862.

CGWM does not make any warranties, express or implied, that the products, securities or services mentioned are available in your jurisdiction. Accordingly, if it is prohibited to advertise or make the products, securities or services available in your jurisdiction, or to you (by reason of nationality, residence or otherwise) such products, securities or services are not directed at you.

The products and services offered by CGWM in the UK may differ from those offered by other Canaccord Genuity Group Inc. offices.

The IHT service was provided by Collins Stewart Wealth Management prior to Canaccord Genuity's acquisition of Collins Stewart Hawkpoint plc in March 2012.

B224 | January 2024

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