Clubfinance Additional risk warnings for Business Property Inheritance Tax (IHT) Products[3]

Inheritance Tax (IHT) Products are high-risk investments and may only be suitable as medium or long-term investments. Clubfinance Ltd offers an execution-only service; Clubfinance does not give advice or recommendations. Inheritance Tax Products are complex products and are not suitable for all investors. If you have any doubts as to the suitability of a particular Inheritance Tax Product, or Inheritance Tax Products in general, or you require advice of any kind, you should seek a personal recommendation from a professional adviser. Do not invest in an Inheritance Tax Product unless you have carefully thought about whether you can afford it and whether it is right for you.

Please refer also to the risk warnings and other information contained within the product documentation for the Inheritance Tax Product that you have chosen, together with Clubfinance's Terms of Business.

Inheritance Tax Products commonly invest in the unquoted shares of one or more companies, i.e. shares in a company that are not quoted on recognised stock exchange ('unquoted shares'). Unquoted shares for Business Property Relief purposes do however include shares traded on the Alternative Investment Market (AIM), although if they are also listed on another recognised stock exchange (e.g. overseas) they will be deemed to be quoted. Unquoted shares potentially qualify as Business Property and therefore potentially benefit from Business Relief (also commonly referred to as Business Property Relief or 'BPR') for IHT purposes. Although AIM shares are listed, meaning that more information may be available compared to unlisted shares: AIM shares can still be difficult to buy and sell; share prices can still be very volatile and subject to large differences between the buying and selling price; and the risks below will still be relevant.

General

- As high-risk investments, Inheritance Tax Products may only be suitable for wealthier investors as part of a diversified investment portfolio.
- Applications may only be made and accepted subject to the terms and conditions of the particular Inheritance Tax Product.
- Some Inheritance Tax Products may have a minimum amount they need to raise from investors – if this applies, if the Product does not reach its minimum it may decide not to go ahead and return your application.
- The investment manager may not be able to invest as quickly as hoped, and may not be able to identify a suitable number of potentially BPR-qualifying investment opportunities. This may reduce the return on your investment, increase the time taken for the investment to qualify for BPR, and mean that a smaller proportion of your investment qualifies for BPR.
- Payments of renewal commission (if any) to Clubfinance Ltd and the corresponding rebates to you from Clubfinance, are only paid if you continue to hold your investments, may cease if you transfer your shares to a nominee account, may reduce or cease if holdings are realised, and will cease if Clubfinance is no longer your intermediary. Further restrictions may apply – please see the product brochure.
- Past performance is not a reliable indicator of future results.
- You are recommended to take independent tax and financial advice before investing in an Inheritance Tax Product.

Unquoted shares

- Unquoted shares are issued by smaller companies, which are typically earlier stage, younger companies. There is a risk that these companies may not perform as hoped and in some circumstances they may fail completely. Small companies have a higher failure rate than large established companies.
- Investments in these small companies will generally not be publicly traded or freely marketable and may therefore be difficult to sell. There will be a big difference between the buying price and the selling price of these investments. The price may change quickly and it may go down as well as up.
- Companies issuing unquoted shares, may use or be able to use gearing (borrowing money to finance their activities) or derivatives. This strategy may result in:
  - movements in the price of the shares being more volatile than if the company did not use gearing or derivatives;
  - the shares being subject to sudden and large falls in value; and
  - you getting back nothing at all if there is a sufficiently large fall in value in the investment.
- Where there is a guarantee to the directors of a company that issues unquoted shares, this is not a guarantee to a person investing in those unquoted shares.
- Companies issuing unquoted shares are exposed to a range of risk factors that may impact their financial performance. These factors include but are not limited to commercial risk, counterparty credit risk, geopolitical risk, project risk, exchange rate risk, and interest rate risk.

Spread of risk

- A particular Inheritance Tax product may invest in only one or a small number of companies and all investments may all be in one sector. Limited diversification could increase the risks for the investor.
- Investment in an individual unquoted share represents investment in a single company. Although Inheritance Tax Product funds and portfolios invest in more than one company, smaller funds may invest in fewer

companies resulting in higher risk. Similarly, investing in a single Inheritance Tax Product may be more risky than spreading your investment between more than one Inheritance Tax Product.

- Notwithstanding the number of different unquoted shares over which an investment is spread, the underlying characteristics of the companies issuing unquoted shares will vary, meaning that some Inheritance Tax Products are riskier than others.

Taxation

- Inheritance Tax Products are subject to special tax considerations. Please refer to the individual Inheritance Tax Product documentation for a taxation summary and the taxation consequences for investors generally. However, please be warned that:
    - taxation levels, bases and reliefs can change;
    - the summary will be based on assumed rates of taxation;
    - the reliefs stated will be the ones which currently apply; and
    - taxation levels, bases and reliefs depend upon your individual circumstances.
- Changes in tax or other legislation may adversely affect the value of an Inheritance Tax Product.
- The BPR-qualifying status of investments made is dependent on the underlying investments qualifying and remaining qualifying for BPR purposes.
- The BPR-qualifying status of underlying investments is subject to a minimum holding period, and HMRC may deem that the start of this qualifying period is later than the investment date.
- The granting of Inheritance Tax relief may depend on an individual assessment by HMRC on the death of the investor, as part of the probate process, and therefore cannot be guaranteed. It is possible that some or all of the investment may be deemed <u>not</u> to qualify at that time, or relief may be granted at a lower rate.
- You may not qualify for tax relief on the whole amount you invest in an Inheritance Tax Product. BPR is only potentially given on amounts actually subscribed for qualifying investments (this excludes any costs incidental to the subscription); amounts not invested in qualifying investments (e.g. initial charges deducted, or amounts held as cash) will not be eligible for tax relief.
- Tax relief will not be available, or may be withdrawn, if the underlying investment, or an individual investor, does not comply with the BPR requirements during the relevant period.
- Whilst being initially potentially qualifying for BPR purposes, underlying investments may subsequently lose this status.
- Other taxes or costs may be suffered by the investor in connection with an Inheritance Tax Product investment that are not paid via, or imposed by, the product.
- If you are unsure about your tax situation, you should seek professional advice.

Charges & performance fees

- The levels of charges for Inheritance Tax Products may be greater than for other investments, such as Unit Trusts and Open Ended Investment Companies.
- Initial charges and other upfront and ongoing costs, fees and charges will reduce the value of your investment. These may include performance fees.
- Some costs borne by the Inheritance Tax Product may be fixed in nature. If the amount raised by an Inheritance Tax Product is smaller than expected these fixed costs will have a greater impact on performance.

Security of capital

- As with any asset-backed investment, the value of an Inheritance Tax Product investment depends on the performance of the underlying assets, so you may get back less than you originally invested, even taking into account any tax relief.
- Inheritance Tax Products are investments that can fluctuate in value. In addition, the income distributions from Inheritance Tax Products (if any) can also fluctuate.
- Inheritance Tax Products investments may be subject to sudden and large falls in value, you could get back nothing at all.

Selling your investment

- You may have difficulty selling your investment at a reasonable price and, in some circumstances, it may be difficult to sell it at any price.
- There is a restricted market for unquoted shares, and it may therefore be difficult to deal in these shares, or to obtain reliable information about their value or how risky they are. Proper information for working out the current value of investments may not be available.
- Unquoted shares may have more risks than quoted securities or shares. Investments in unquoted shares may be difficult to sell. Market makers may not be prepared to deal in them.
- Unquoted shares may be issued by a private company, and restrictions may apply to the transfer of these private company securities.

ISA Transfers Additional Risk Warnings[7]

All ISA transfers

- There may be exit charges and other costs associated with the transfer (please refer to the documentation relating to your existing investment or contact your exiting provider, and see the points below).
- Under some circumstances an ISA can be cancelled, or in HM Revenue & Customs terms made 'void' if there has been a breach of the ISA regulations. An example would be if an investor has subscribed to more than one Stocks & Shares ISA in the same tax year. In this case, the second ISA would be made void.
- If the ISA is made 'void' or if you have the right to cancel and decide to do so, there may be shortfall in the amount of initial subscription returned if your money has been invested. This may include some non-refundable charges. In the event that a transfer is cancelled, you could lose the ISA status of your investments.
- Transfers should be made using the appropriate transfer forms from the product provider in order to preserve tax benefits. If withdrawals are paid to you from an existing ISA and the proceeds invested with a new ISA manager this will count against your ISA subscription allowance for the current year.
- If a current year's ISA subscription is transferred, then the total balance of the current year's ISA subscription must be transferred to the receiving ISA.
- If you are transferring a current year's ISA subscription, you should cancel any regular payments being made into the old ISA (e.g. contacting your bank to cancel a standing order or direct debit instruction) to reduce the risk of breaching the ISA subscription limit for the current or future tax years.

ISA transfers excluding re-registration onto a fund supermarket

- There will be initial charges and set up charges – please refer to the specific documentation relevant to the new products you have chosen.
- Your original investments are sold and new investments are bought – this will frequently involve costs such as dealing charges, stamp duty (on share purchases), a dilution levy on single-priced funds in some cases, and any difference between the price at which investments are bought and sold – please refer to the specific documentation relevant to the products you have chosen / the investments that you are transferring.
- There is the potential for loss of income or growth, following a rise in the markets, whilst the ISA transfer remains pending.

Cash ISA transfers to a Stocks & Shares ISA

- There is usually no risk to your capital in a Cash ISA. In a Stocks & Shares ISA the value of investments and the income from them can fall as well as rise as a result of market and currency fluctuations. For many types of investment, you may be placing your capital at risk, meaning that you may not get back the amount originally invested and you may risk losing your entire investment.
- Under the Financial Services Compensation Scheme Cash ISAs are deemed to be Deposits which have a maximum level of compensation of £85,000 per person per authorised Bank or Building Society. Stocks & Shares ISAs are treated as Investments, which have a maximum level of compensation of £50,000 per person per firm.
- There may be penalties or loss of interest on a Cash ISA if it is transferred. Please refer to the specific documentation relevant to the Cash ISA that you are transferring.
- It may take longer to make a withdrawal from a Stocks & Shares ISA than a Cash ISA.
- If a current year's Cash ISA subscription is transferred from a Cash ISA to a Stocks & Shares ISA, then the total balance, including any paid income, must be transferred. The subscription, excluding paid income, is counted against the Stocks & Shares ISA allowance for that year.

General

- Past performance is not a reliable indicator of future results.
- The value of investments and the income from them can fall as well as rise as a result of market and currency fluctuations. For many types of investment, you may be placing your capital at risk, meaning that you may not get back the amount originally invested and you may risk losing your entire investment.
- Some products may only be suitable as medium or long-term investments.
- Tax treatments depend on your individual circumstances and may be subject to change in future.
- If you have any doubt about the suitability of a particular product or service, or you require advice, you should seek a personal recommendation from a professional adviser.
- Clubfinance does not produce the products it arranges, or manage the underlying investments.
- In the event of any conflict between product literature and information provided by Clubfinance, the product literature shall prevail.