Close Inheritance Tax Service

Factsheet for professional advisers and existing investors only
29 February 2024

The Close Inheritance Tax Service (CITS) is a specialist discretionary investment management service designed to provide accelerated relief from Inheritance Tax (IHT) by investing in Business Property Relief (BPR) qualifying shares quoted on the Alternative Investment Market (AIM) and the Aquis Stock Exchange Growth Market (AQSE).

Providing each investment in the portfolio, which qualifies for BPR, has been held for two years at death, all the capital invested, and any growth, is not subject to IHT.

CITS is one of the longest running AIM-based IHT services with a successful track record. Since its launch in March 2001, it has proved effective in protecting the value of clients' estates from IHT. It has a disciplined investment management process which is delivered by an experienced, specialist smaller companies team.

CITS objectives

- To achieve the correct tax status by capitalising on BPR
- To preserve the value of the capital invested within the context of BPR
- To achieve some capital growth
- To diversify risk

With those objectives in mind, the investment managers will aim to build a diversified portfolio of profitable and well-managed companies which they believe hold the potential to generate positive returns over the long-term.

Cumulative performance (%)

	1 Year	3 Years	5 Years	10 Years	15 Years
CITS	-10.4%	-8.8%	7.7%	33.3%	315.3%
Numis Alternative Market TR*	-13.3%	-35.2%	-13.6%	-5.7%	111.3%
UK Equities (GBP)	0.1%	25.9%	25.3%	59.3%	263.0%

Discrete performance (%)

Calendar year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD
CITS	21.3%	5.1%	18.1%	-17.9%	24.6%	-6.0%	27.4%	-18.1%	-3.6%	-3.9%
Numis Alternative Market TR*	5.6%	16.2%	27.4%	-17.5%	14.7%	19.3%	7.6%	-31.1%	-7.2%	-3.4%
UK Equities (GBP)	0.4%	17.1%	13.1%	-9.3%	18.5%	-11.5%	18.4%	1.2%	7.7%	-1.3%

Past performance is not a reliable indicator of future results.

Performance figures for the CITS are stated after annual management and dealing fees, but do not reflect the effect of any initial or administration fees. A reference client for each series is used as a proxy for that series and the figures above show the simple average return over all series active in the period under review. The performance of a reference client is only included in the above analysis if that client had been active for at least six months of each period reviewed.

Source: Close Brothers Asset Management, Numis Securities and Morningstar as at 29 February 2024 unless otherwise stated. All use mid-market prices and are shown as Total Return (TR).

Key facts	
Investment directors	Sam Barton Stephen Wood
AUM	£323.5m
Service launch date	28 March 2001
Minimum investment size	£50,000
One-off initial charge	£250 + VAT
Annual management fee	1.25% + VAT
Dealing fee on all transactions	1.00%

Timing of investments

A new series is launched after the last business day of every alternate month (February, April, June, August, October and December).

All subscriptions are collected together and invested at the same time once a 'series' has closed. At this point the investment team starts to buy shares.

Depending on market conditions and other factors, this process may take up to six months.

***Numis Alternative Market Index**

Numis Alternative Market Index (NAMI) TR is used as a comparator only. It reflects part of the opportunity set of the Service, but does not include companies in which we may invest on the Aquis Stock Exchange (previously known as NEX Exchange). Both NAMI TR and Aquis Stock Exchange include companies which are not eligible for BPR. NAMI TR should not be construed as a benchmark for the Service, nor the return which an investor might expect.

Manager commentary

Market in focus

Global equities enjoyed a strong month in February, with US indices hitting record highs in spite of tempered rate cut expectations. Asian markets benefited from improving sentiment in Japan and Chinese government stimulus, while Europe benefited from dovish comments from ECB members. Investors remain highly focused on inflation. UK CPI remained unchanged at 4% in January; although this was lower than economists' forecasts with the expectation that prices will continue to fall through the remainder of the year, the Bank of England retained a cautious view on the timing of interest rate cuts. Combined with a fall in GDP that saw the economy enter a technical recession, investor sentiment remains muted. While forward looking surveys imply that the UK will return to growth in the current quarter, shares in London lagged international peers with the Morningstar UK Index generating a total return of 0.1% and the Numis Alternative Markets Index retreating 2.0% on a total return basis.

In a traditionally quiet month for company news flow, the average portfolio in the service slightly underperformed the Numis Alternative Markets Index, falling by 2.8%. The main detractors were Churchill China (-23.0%), after January's trading update cited a challenging sales backdrop, Sanderson Design Group (-20.0%), which noted that it had traded in line with market expectations despite experiencing difficult trading conditions, NWF Group (-18.2%) where a more normal trading environment saw interim profits fall, and H&T Group (-8.1%), whose ambitious acquisition of a high value loan book cooled investor appetite. These falls were partially offset by Venture Life (+14.7%) after a trading statement highlighted growing revenues and margins, Wynnstay Group (+10.2%), which reacted well to reassuring full year results, while Ashead Technology (+6.1%) continued to attract investor interest after a string of forecast upgrades last year and Jet2 (+4.4%) upped its profit guidance for the current financial year.

Sam Barton, Managing Director, UK Smaller Companies
Source for all data: Bloomberg Finance L.P. as at 29 February 2024. For information purposes only.

Company in focus

The foundation of the brewery dates back to 1698 and the Company owns around 300 public houses across the South East of England. As well as brewing their own brands of ales (including Spitfire and Bishop's Finger) and lagers, Shepherd Neame also brew Samuel Adams and Singha Beer under licence. The Company has a substantial property portfolio including the brewery site, which has not been revalued since it was purchased.

The only news of note over recent months has been the release of results for the 52 weeks to 24 June 2023. This reflected an improved trading performance, with the business posting record revenues and a small increase in earnings and net asset per share. In common with other pub operators, demand was strong throughout the year, but higher input prices (particularly in the brewing division) have continued to suppress margins. The Company's strong balance sheet and long-term financing arrangements, with 65% of debt at fixed rates, have enabled a rapid increase in investment. This should see an acceleration in revenue growth and a recovery in margins to historic levels. The Group has outperformed most of its peers, is well managed and has strong asset backing. We are hopeful that these characteristics will be better reflected in the share price (which sits at around a 50% discount to the net tangible asset value) as inflationary pressures ease.

Sam Barton, Managing Director, UK Smaller Companies
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Important notice: Please note there is no guarantee that the CITS investment objective will be achieved. The value of investments and the income from them may fall as well as rise as a result of fluctuations in market, currency or other factors and investors may not get back the original amount invested. Close Brothers may source data from third party data providers but accepts no responsibility or liability for the accuracy of data. Applications can only be made on the basis of the Brochure and the Client Agreement and all investors should carefully read the risk warnings contained within. All documentation is available on request. This document does not constitute investment advice and potential investors are recommended to seek professional advice before investing. All images and logos incorporated within this factsheet are for illustrative purposes only and do not represent any endorsement of, or partnership with, Close Asset Management Limited or its products and services.

Specific information: CITS is a tailored discretionary investment portfolio management service that invests in both the Alternative Investment Market (AIM) and Aquis Stock Exchange Growth Market (AQSE), with the benefit of major tax advantages introduced by the Chancellor of the Exchequer in his budget of March 2000. CITS is an Inheritance Tax mitigation service based on current tax law and practice. The tax treatment depends on the individual circumstances of each client and may be subject to change in the future. CITS invests in 'qualifying shares' in smaller companies which may be more volatile than investments in more established companies. Such companies can be subject to certain specific risks not associated with larger, more mature companies. Consequently this can make the CITS portfolios more volatile as the value of an investment may fall suddenly and substantially. CITS is considered suitable only for informed and experienced investors.

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