AIM Portfolio Service (AIM)

Consumer Duty Information February 2025

Summary

This document sets out the details required for distributors to undertake their Consumer Duty assessment on the AIM Portfolio Service. This document is intended for use by financial advisers as distributors of the service, in partnership with an Evelyn Partners dedicated Investment Manager as the manufacturer of the service.

Target Market statement

The AIM Portfolio Service seeks to provide clients (individuals, charities, pension funds and trusts) with an actively managed, discretionary portfolio of AIM companies that qualify for Business Relief. Shares in a listed AIM company are currently recognised as 'unquoted' shares for tax purposes, meaning that investors can potentially benefit from business relief (BR), with 100% relief from IHT provided the shares have been held for a total period of no less than two years at the time of death. Draft legislation proposes to reduce UK IHT relief to 50% as at 6 April 2025.

Our AIM Portfolio Service is regarded as a higher risk, long-term investment and may not be suitable for all clients. Investment in the Evelyn Partners AIM Portfolio Service should only be for those who have financial security independent of any investment and have taken specialist tax advice.

Portfolios are available in GBP.

In defining the target market, we have considered the needs of a typical investor our AIM Portfolio Service has been designed for.

Distribution and accessibility

The AIM Portfolio Service is available to clients who are being advised by an authorised financial adviser who is responsible for monitoring the investment manager, the initial and ongoing suitability of the portfolio and communicating with the retail clients invested in the AIM service. The financial adviser can access the service directly with Evelyn Partners on their appointed custodian.

Main features of the service

The AIM Portfolio Service offers clients;

- A discretionary portfolio of AIM companies that qualify for Business Relief run by a specialist investment team with over 100 years combined industry experience;
- Optimisation of ISA allowances (as applicable);
- An efficient custody and dealing service which reduces dealing costs by aggregating transactions with the transactions of other AIM Portfolio Service clients;

- Performance reporting by email or post at standard quarter-ends (March, June, September, December) and annual tax schedule;
- A secure online portal which allows clients and their financial advisers to view key information such as portfolio valuations, asset breakdown, fund information, portfolio performance and transaction history; and
- A dedicated Investment Manager who can attend portfolio review meetings with the financial adviser.

Who is the AIM Portfolio Service likely to be suitable for?

AIM is **likely** suitable for clients who:

- Are advised by a regulated financial adviser;
- Have a minimum of £50,000 to invest;
- Have a minimum investment horizon of two years – i.e. no current expectation of any requirement to withdraw capital within two years of the initial investment;
- Are willing to accept a high degree of risk to invest in a portfolio of AIM holdings with the intention of qualifying for Business Relief; and
- Would like direct access to a dedicated Investment Manager.

Conversely, who is the AIM Portfolio Service unlikely to be suitable for?

AIM is **unlikely** suitable for clients who:

- Do not have a regulated financial adviser;
- Are not prepared to accept any capital loss;
- Have less than £50,000 to invest;
- Have an investment time horizon of less than two years;
- Want to be heavily involved in the investment decision making; and
- Do not want a dedicated Investment Manager.

Fair Value assessment

The AIM Portfolio Service is considered to represent fair value now and for the foreseeable future. We have assessed the Fair Value of the AIM Portfolio Service against a number of factors:

1. The **Service and Support** we provide financial advisers for onward distribution to the end clients.
2. **The Investment Management Fees** we charge are formerly assessed by our Product Services Oversight Committee through in house competitive analysis and third-party data providers. Evelyn Partners' fees are in the middle range of fees charged for similar services and we will undertake an ongoing analysis periodically.
3. **The breadth of our investment offering remains appropriate and fair for our consumers**. We offer a range of services available to retail clients via financial advisers. Each is assessed against its own merit and

alongside the other as to the fair value of the service we provide to enable clients to fully understand the differences between our services, including investment style, fees and target market.

4. **We continuously seek your feedback** to assist with maintaining fair value of our services.

In undertaking the Fair Value assessment for our products and services, we have determined that in relation to pricing for our services where financial advisers are acting in a *reliance on others* arrangement, that there

is a lower cost to serve as a result of additional work the financial adviser undertakes and this is reflected in our pricing which we will continue to monitor and assess.

Foreseeable harm

We do not believe that the design of the service could cause foreseeable harm by a retail investor accessing this service through a regulated financial adviser. The client accepts associated risks and that portfolio values can increase or decrease.

Conflicts of interest

There are no conflicts of interest between Evelyn Partners and the intended client or the distributor.

Key risks

We summarise some of the most important risks which can influence the return from most investments within **Appendix 1**. We also explain the various asset classes that we might consider as suitable investments to be held within the AIM Portfolio Service. There are many factors which can influence the return from most investments, and you should bear in mind that past performance is not an indication of future performance, and clients may not ultimately get back the amount invested.

Point of contact

Financial advisers should contact one of our Business Development team for further information. Contact the UK team | Evelyn Partners Retail clients should contact their financial adviser or the Evelyn Partners representative.

Appendix 1 – Key Risks

We explain below the main risks that you should consider when investing. This is a huge subject and our aim here is to provide a clear and simple introduction to it, not an exhaustive discussion of all the issues involved. There are many factors which can influence the return from most investments and you should bear in mind that past performance is not an indication of future performance, and you may not ultimately get back the amount you invested.

i. Liquidity risk
This is the risk that an investment cannot be bought or sold quickly enough to prevent or minimise loss. Under certain trading conditions it may be difficult or impossible to buy or sell an instrument at a reasonable price or at all. This may occur, for example, at times of rapid price movement if the price rises or falls to such an extent that trading is suspended or restricted by the relevant market. The liquidity of an instrument is directly affected by the supply and demand for that instrument. Liquidity risk can be reflected in large differences between buying and selling prices, and large and rapid price movements. Lack of liquidity can also push assets higher than their asset value leading to gains.

ii. Credit or counterparty risk
This is the risk of loss caused by banks, bond issuers, bond guarantors or counterparties failing to fulfil their obligations, or the risk of their creditworthiness deteriorating.

iii. Market risk
The price of an investment depends on market supply and demand and fluctuations in financial markets. Overseas investments, or investments with an overseas element, may involve risks different from those applying in your home market. Price volatility in less developed markets, in particular, can be extreme as they may lack the level of transparency, liquidity, efficiency, market infrastructure and regulation that is found in more developed markets.

iv. Currency risk
Transactions in currencies, including securities in currencies other than that in which your Portfolio is based, will be affected by movements in exchange rates which can create or increase a loss. Currency movements are linked to many economic, political and social factors and can be rapid. Some countries have foreign exchange controls which may include suspending the ability to exchange or transfer currency, which may cause difficulty in completing transactions in investments denominated in that currency. Hedging aims to reduce or eliminate currency risk.

v. Interest rate risk
The relative value of a security, such as a bond, may fall when interest rates rise. Rising interest rates may particularly affect investments in companies or funds which have high levels of borrowings.

vi. Legal, political and regulatory risk
Legal, political and regulatory risks are unpredictable and depend on many factors. The risks apply anywhere but are greater in less developed overseas markets where there is generally less government supervision of business and industry practices, markets and stock exchanges. The laws and regulations that are familiar in developed markets may not exist in some places and where they do, may be subject to inconsistent or arbitrary application and may be changed with retrospective effect. Investors may encounter difficulties in pursuing legal remedies or in obtaining or enforcing judgements in overseas courts.

vii. Operational risk
Operational risks, such as breakdowns or malfunctioning of essential systems and controls or IT systems, can affect all financial products. Business risk, such as the risk that a business is run incompetently or poorly, could affect investors in any company.

viii. Concentration risk
Concentration risk is the lack of diversification in a portfolio. If a large percentage is invested in any one currency, security, country or issuer then fluctuations in value can have a disproportionate effect.

ix. Taxation
The impact of changes in taxation on ownership, income and any gains from capital must be taken into account.

x. Equities
Equities (shares) are rights of ownership in a business and confer entitlement to a share of its profits and include ordinary and preference shares and may also be held in the form of depository receipts. Unlike most forms of debt, shares do not have a fixed life, nor do they usually promise a pre-determined rate of return. Legally, they rank behind debt and other creditors if the issuer becomes insolvent. Quoted equities are listed on a regulated public market, such as the London Stock Exchange and can usually be freely traded. Equities in private, unquoted companies, unless held in an investment fund, are illiquid.

Rewards

Shares entitle the shareholder to a share of the profits that a company makes. This can take the form of dividends (income payments to shareholders, often on a regular basis) or the return of capital. Listed (or quoted) equities have the added convenience of usually being easy to buy and sell. An equity portfolio can provide a diversified stake in the world economy. Investors will usually demand higher returns than from debt to reflect the additional risk of equities. Shares have historically produced higher returns than cash or bonds, though this is not in any way guaranteed. Shares are also valued for the ability of good companies to grow their profits and dividends by more than the rate of inflation over time.

Risks

Share prices are volatile. They reflect both the varying fortunes of companies and the fluctuating risk appetite of investors at any point in time. Equities are therefore exposed to many different kinds of risk. As the lowest ranking forms of capital in a company, shares can lose all their value in the event of company insolvency. Weakening economic conditions, the strength of competitors, ineffective regulation and management errors are some of the factors which can depress share prices. Changes in investor sentiment and periods of market turbulence can also lead to sharp fluctuations in prices. These risks can be moderated, but not eliminated, by holding a diversified portfolio of shares over a suitably long timescale. Equities in smaller quoted and unquoted companies can suffer from additional liquidity risk (see section 1.i) and so may be difficult to buy or sell at reasonable prices. A company's quotation on a Stock Exchange can be suspended and/or terminated, which is likely to make it much more difficult for investors to sell its shares.

We would reiterate that the points we have made in this Appendix are designed for simplicity and clarity and are not a definitive discussion of all the issues. If you have queries as a result of reading this document, please raise them with your Evelyn Partners representative.