

Close Inheritance Tax Service

Factsheet for professional advisers and existing investors only

30 November 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.

The October 2024 Budget announced changes altering the rate of IHT relief for qualifying shares trading on AIM and AQSE from 100% to 50% from April 2026.

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	0.5%	-21.1%	-2.8%	38.3%	190.9%
Numis Alternative Market TR*	4.0%	-35.9%	-16.5%	15.1%	30.2%
UK Equities (GBP)	16.1%	27.2%	31.2%	78.7%	187.4%

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%	-4.4%
Numis Alternative Market TR*	5.6%	16.2%	27.4%	-17.5%	14.7%	19.3%	7.6%	-31.1%	-7.2%	-2.4%
UK Equities (GBP)	0.4%	17.1%	13.1%	-9.3%	18.5%	-11.5%	18.4%	1.2%	7.7%	11.3%

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 30 November 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	£311.7m
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 equity markets delivered strong returns as the US election results were well received by investors. This also saw a strengthening US dollar and a corresponding fall in oil prices. Asian markets were the laggards as Chinese growth continued to underwhelm in spite of increased government stimulus, while European markets shrugged off political instability in France and Germany. In the UK, the Bank of England held interest rates in response to October's Budget, which is expected to see higher domestic inflation. The higher costs of employment contained in the Budget (as well as the Chancellor's downbeat rhetoric) have seen business confidence tail off; this has also been reflected in weaker forward-looking surveys. While the Morningstar UK Index delivered a total return of 2.8% over the month, more domestically focused smaller companies struggled. AIM shares, particularly those with a high proportion of IHT investors, came under further pressure following changes to Business Property Relief. As a result, the Numis Alternative Markets Index (NAMI) fell by 0.5%.

The Service endured a difficult month, falling 3.6% due to stock-specific issues and the market reaction to the Budget. Detractors from performance included Solid State (-41.3%), as projects were delayed due to the Strategic Defence Review, Churchill China (-17.2%), which warned that weaker seasonal orders would see profits miss expectations, James Latham (-13.0%) experienced some margin pressure as customers traded down and stock was diverted to the UK from EU markets, while Billington Holdings (-16.0%) fell after its only quoted peer issued a profit warning. On a more encouraging note, Calnex Solutions (+11.9%) reported an increased order backlog and new product orders, Celebrus Technology (+10.0%) saw buying interest after October's trading statement and Jet2 (+9.5%) upgraded profit expectations as they continue to take market share.

Sam Barton, Managing Director, UK Smaller Companies

Source for all data: Bloomberg Finance L.P. as at 30 November 2024. For information purposes only.

Company in focus



Personal Group, established in 1984, is a leading provider of employee benefits and employee related insurance products, offering benefits programmes to over 2 million employees across the UK. Both services are offered to blue chip clients and their staff to attract, motivate and retain staff; amongst its 550 customers are Network Rail, Stagecoach, Royal Mail, Priory Group and TNT Express.

The business has delivered against its financial goals during the period, securing record sales of insurance and employee benefits products as well as generating significantly higher profits. Operationally, the installation of a new senior leadership team should help to optimise processes and see an acceleration in revenue growth. The latter will be aided by the migration of employee benefits clients onto a new platform. The announcement of a three-year contract with a leading global airline for pay and reward consultancy was a welcome validation of the division's capabilities and adds recurring revenues. The Group is very well capitalised, and with September's interim results demonstrating strong momentum, we are hopeful that the positive outlook will be more fully reflected in the share price.

Sam Barton, Managing Director, UK Smaller Companies

Source for all data: Bloomberg Finance L.P. as at 30 November 2024. For information purposes only.

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. The October 2024 Budget announced changes altering the rate of IHT relief for qualifying shares trading on AIM and AQSE from 100% to 50% from April 2026. 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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