Close Brothers
Asset Management

Close Inheritance Tax Service

Factsheet for professional advisers and existing investors only
31 December 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	-5.3%	-25.3%	-10.5%	37.8%	189.3%
Numis Alternative Market TR*	-3.9%	-38.5%	-21.0%	17.0%	28.0%
UK Equities (GBP)	9.9%	19.9%	25.7%	79.7%	172.0%

Discrete performance (%)

Calendar year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CITS	21.3%	5.1%	18.1%	-17.9%	24.6%	-6.0%	27.4%	-18.1%	-3.6%	-5.3%
Numis Alternative Market TR*	5.6%	16.2%	27.4%	-17.5%	14.7%	19.3%	7.6%	-31.1%	-7.2%	-3.9%
UK Equities (GBP)	0.4%	17.1%	13.1%	-9.3%	18.5%	-11.5%	18.4%	1.2%	7.7%	9.9%

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

31 December 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	£307.0m
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 equites made marginal gains over the final quarter of 2024, with the Republican clean sweep in elections spurring good returns from US indices (particularly the technology-heavy NASDAQ). Chinese and European bourses reacted badly to Trump's victory due to the threat of tariffs, albeit a weaker Yen saw Japanese stocks perform well. Closer to home, the Morningstar UK Index retreated by 0.1% (on a total return basis) and the Numis Alternative Markets Index (NAMI) fell by 2.3% as investors digested the implications of the Chancellor's maiden budget.

After a brief hiatus in the third quarter, politics were again the main driver of investor behaviour. Donald Trump's return to the White House and the Republican wins in the Senate and House of Representatives were the key developments. His pro-growth agenda, fuelled by lower taxes, higher borrowing, and cuts to government spending and regulation, has been well received domestically. From an international perspective, however, the promise of higher tariffs on goods exports, increased defence spending and a possible return to US isolationism are causes for concern. US debt yields rose as investors demanded higher premia due to increased federal borrowing, sending the dollar higher. Meanwhile, political instability in France, Germany and South Korea has added further risk, although there is an increasing likelihood of peace deals in Ukraine and the Middle East

Central banks continued to cut rates during the period, with the Federal Reserve and the ECB both announcing two reductions (to 4.5% and 3.15% respectively), while the Bank of England rate was lowered once to 4.75%. The latter now looks increasingly out of kilter with peers despite UK inflation sitting at comparable levels, particularly against a backdrop of slowing growth. While the economic outlook in the UK remains better than in Europe, the consistently downbeat rhetoric from the new government has dampened consumer and business sentiment. GDP growth stalled in the third quarter, having grown by 1.1% in the first half. The Chancellor's maiden budget unveiled investment in the NHS, schools and energy infrastructure, paid for by higher taxes and accompanied by a relaxation in the fiscal borrowing rules. Although this should be additive to UK growth, the increases in national insurance and the national living wage are unhelpful for corporate profitability and inflation.

The Labour Government has endured a difficult first six months in power, with post-election optimism evaporating fast. There is, however, a sizeable majority and time to work with, which should enable a greater focus on their growth agenda (of which we have seen little to date). The benefits of increased public spending and housebuilding are yet to materialise, while higher real wages have not boosted consumer spending, with UK household debt ratios falling to 20-year lows. Unemployment remains under control and further cuts to interest rates are anticipated in 2025, providing considerable potential for a recovery in consumer spending.

After a period of poor performance, smaller company valuations remain at compelling levels relative to international peers and historic averages. This has spawned further M&A activity across the UK market, and it was encouraging to see several businesses raise funds for acquisitive growth. Investor sentiment towards shares traded on the Alternative Investment Market (AIM) and the Aquis Stock Exchange (AQSE) has remained subdued following the proposed 50% reduction in business property relief (BPR). This may see ongoing selling pressure until the proposed changes take effect in April 2026.

The average portfolio in the service underperformed NAMI over the quarter as shares traditionally held for BPR purposes experienced some selling pressure. Holding back returns were Solid State (-44.7%) after defence contracts were delayed, while Strix Group (-29.4%), Churchill China (-22.2%) and Sanderson Design (-21.1%) all noted weaker consumer demand in the UK and Europe, prompting downgrades to earnings expectations. More encouragingly, Calnex Solutions (+30.8%), highlighted growing order backlogs, Jet2 (+13.1%) upgraded profit guidance after record interim results, and Personal Group (+12.3%) attracted investor interest following strong results in September.

Sam Barton, Managing Director, UK Smaller Companies
Source for all data: Bloomberg Finance L.P. as at 31 December 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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