

Downing Estate Planning Service

Brochure

18 November 2020

Downing 

Important notice

Welcome to this introduction to the Downing Estate Planning Service. You should not rely solely on this brochure to provide you with information about the service. Please talk to your financial adviser and read the terms & conditions before deciding to invest.

If you are in any doubt about the content of this brochure, the terms & conditions, or any action that you should take, please seek advice from a financial adviser who is authorised under the Financial Services and Markets Act 2000 (FSMA) and specialises in advising on investments of this type.

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No representation is made, or assurances given, that such statements or views are correct, or that the objectives of the service will be achieved. Investors and their advisers must determine for themselves what reliance they should place on such statements, views or forecasts; Downing does not accept responsibility in respect of these.

Nothing in this brochure constitutes investment, tax, legal or other advice from Downing.

All information contained in this brochure has been sourced by Downing, unless otherwise stated.

For UK investors only.

If you have any questions, please call us on 020 7416 7780.

Please note, telephone calls may be recorded for monitoring purposes.

Information correct as at 18 November 2020.

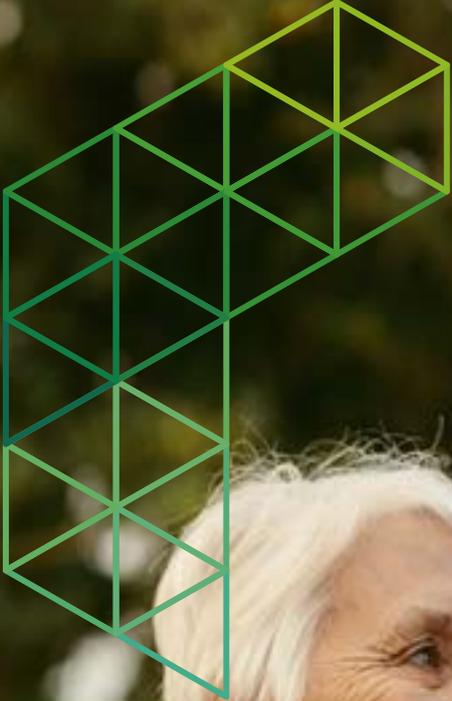
Note

Estate planning investments are high risk and not appropriate for everyone. It's important that you understand the risks, which are set out on pages 22 and 23 and outlined in more detail in the terms & conditions.

The value of your investment may go down as well as up and you may not get back the full amount you invested. Also, tax rules and regulations depend on personal circumstances and are subject to change.

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About Downing LLP

Our purpose is to make investment more rewarding: rewarding by being profitable for our investors, rewarding by being supportive to the businesses we fund and, through their success, ultimately rewarding for society.

Our role comes with the responsibility of striving to make better returns for our investors from worthwhile businesses. In the Downing Estate Planning Service that means investing in inspiring UK SMEs across a range of important sectors such as healthcare, residential property, and renewable energy.

Central to Downing's ethos is a commitment to the principles of responsible investment. This firm-wide initiative means we will be assessing opportunities for both their profitability – the level of return compared to the risk – and their environmental and social impact. We believe that putting ESG criteria at the core of our business will enhance rather than constrain returns.

Please see page 16 for more on our Environmental Social and Governance (ESG) investment framework.

As a firm, we share three values that guide our decisions and behaviour

- We are bold and ambitious, coming up with solutions that solve both business challenges and investment objectives for our customers.
- We aim to be as straightforward as possible – with simple, jargon-free interactions that make what we do accessible to all.
- We believe in the power of relationships and mutual support. Downing invests more than money: we provide help and expertise to build lasting relationships with the companies we back and the investors who trust us with their money.

Downing LLP – key facts

Founded in 1986

More than £1 billion of assets under management

25,000 investors

Managing IHT solutions since 2007

Total IHT assets of c.£580 million

(As at 30 June 2020)

Why should I consider an estate planning service?

If you have worked hard to build up your assets throughout your life, it is likely that you have two objectives for your estate when you pass away. Firstly, you want to pass on as much of your wealth as you can to your family; and secondly, you want to make things as easy for them as possible by leaving your estate in good order.

If you don't make plans for your estate, then your family could miss out on a significant portion of your wealth, as well as having the headache of working out how to pay the inheritance tax (IHT) (please see page 8 for details).

Traditional estate planning solutions can be inflexible. If you give away your assets to family and friends during your lifetime, these gifts can take seven years before they become exempt from inheritance tax. The alternative might be to put your money into a trust, but both of these options result in you no longer being able to access your wealth if you need to, and these days who knows what lies around the corner.

Investing in an estate planning service can have a role to play in a wide-ranging set of circumstances.

Here are just five examples.

There are many other more complex situations where an investment may be appropriate, but we aren't able to give tax advice, so please discuss your situation with your financial adviser to see if investing in an estate planning service is right for you.

➤ You want flexibility and control of your estate

Estate planning investments allow you to request access to your investment in part or in full. You can put money in and take money out as you wish, subject to liquidity.

➤ You are elderly, in poor health or just want to secure IHT relief in a shorter timeframe

Invest in an estate planning service and benefit from just a two-year wait for your shares to gain IHT free status.

➤ You have recently sold a trading business

You may want to shelter the proceeds of the sale in an investment that's IHT free and in this case there may be no two-year wait. Investing proceeds from the sale of your business could be IHT free from the day you invest.

➤ You have a lasting power of attorney in place

Whilst this can make gifting assets to your beneficiaries more challenging, in most cases a power of attorney is free to invest in a service at any time.

➤ You want to invest in the UK's future

You can support the growth of businesses across a range of sectors including renewable energy, residential property development and healthcare, in smaller companies that can help contribute to the UK's future prosperity.



How Inheritance Tax Relief works

Did you know you can get inheritance tax (IHT) relief after only two years?

At present, taxable estates worth more than £325,000 (the 'nil-rate band') are subject to 40% inheritance tax. There is an additional allowance that applies to the family home, which is called the 'residence nil-rate band'. For the 2020/21 tax year, this is £175,000.

As at today, therefore, the total value of an estate, including the family property, that may be left to direct descendants free of IHT is £500,000 per person (£1 million for married couples or those in a civil partnership) – subject to conditions.

Any unused part of the nil-rate band (which applies to a single residence) is transferable between spouses and civil partners. The unused percentage from the estate of the first person to die can be claimed by their surviving partner.



Business relief (BR) is an established tax relief introduced in 1976 as a means of ensuring that small businesses wouldn't have to be sold to pay inheritance tax bills when an owner died. The tax relief has been extended to people who invest their money in smaller UK trading businesses.

For you to qualify for business relief, you have to hold the qualifying shares for a minimum of two years, and at the date of death. The value of the shares can then be left to your beneficiaries completely free of inheritance tax. The two-year holding period begins from the date your shares are purchased.

Here's a simple example of how IHT relief could benefit your estate.

	Investments in an Estate Planning Service	Standard savings and investments
Your net investment	£100,000	£100,000
Potential value after five years (4% p.a. growth rate)	£121,665	£121,665
IHT at 40%	Nil	(£48,666)
Net value after IHT	£121,665	£72,999

There are some assumptions behind this calculation:

- Both investments are assumed to grow at a compound rate of 4% per annum after charges, with no withdrawals taking place.
- The IHT nil-rate band is fully used against other assets.
- All other charges, costs, taxes and tax reliefs have not been considered.

Please note: This example aims to illustrate the application of IHT relief and is not a forecast of the likely performance of the service. The assumed return and the target return are not guaranteed.

The summary of IHT reliefs in this section is based on current UK tax law and is intended as a guide only. Please talk to your financial adviser to discuss the possible tax consequences of investing in an estate planning service.

The Downing Estate Planning Service (DEPS)

The service is designed to give you full IHT relief after just two years, allow access to your money, and protect your investment from a fall in value of up to 20%.

➤ **It's a fast track to IHT relief**

DEPS is a discretionary managed portfolio service that invests on your behalf into UK companies that qualify for business relief (BR). Shares in such qualifying businesses can then be left to beneficiaries free from inheritance tax – provided they are held for at least two years at the date of death (see page 8).

➤ **It aims to protect your investment**

The service targets steady, modest returns on your investment, which is automatically protected from falls in value of up to 20% at no extra cost with our unique downside protection insurance (see page 11).

➤ **It allows you to control your future financial needs**

DEPS is a flexible estate planning solution because you can request access to your investment at any time free of charge. There are opportunities to make a withdrawal twice a month, subject to liquidity (see page 12).

➤ **It gives you a choice of where to invest**

You can state your preference of how you would like your money to be invested between the two IHT companies, which both have a diverse portfolio of assets across a variety of sectors (see page 14).

Key features

Target returns: between 3% and 4.5% per annum on the value of the net assets.

Downside protection: at no extra cost, your investment is protected from falls up to 20% at the date of death – subject to conditions.

Share allotments: Downing trades shares for investors twice a month.

Free withdrawals: there are opportunities to access your funds on an ad hoc basis twice a month, subject to liquidity and Downing's discretion. Or opt for regular payments to supplement your income – monthly, quarterly, half-yearly or annually.

Investment limits: minimum £25,000 lump sum (no maximum).

Protection for your investment

Downside Protection Cover is designed to reduce the impact of a drop in the value of your investment. Should you pass away before age 90, your investment will be covered for a fall in value of up to 20% on your net initial investment (i.e. the amount invested after charges).

Downside Protection Cover is provided through a group insurance policy with an A-rated insurer. The rating is provided by AM Best, a global credit rating agency with a sole focus on the insurance industry. You'll benefit from this cover at no extra cost, provided you're under age 90 at the time of death.

Joint applications are treated separately for insurance purposes. Each individual can invest up to approximately £500,000 and benefit in full from Downside Protection Cover.

At a glance

Downside Protection Cover	
Term of cover	Minimum of two years, then reviewed annually
Cover provided	Loss in value of up to 20% of your net initial investment on death
Maximum pay-out	£100,000 (i.e. coverage for an investment of up to £500,000)
Maximum age	Under 90 years at death
Medical exclusions/ conditions	None
Cost	Included in service costs (see page 21)

A few things to remember

- Downing pays for this group insurance policy out of the product fees - there is no additional cost to investors.
- It has a minimum term of two years. Thereafter, it is renewable each year, and although we cannot guarantee that it will remain in place, it has now been running for more than nine years.
- The policy covers a loss in value of up to 20% of your net initial investment (i.e. after all initial charges) on death.
- The maximum benefit of £100,000 per investor is the cap across all our estate planning products.

Important

The proceeds of the insurance policy are payable by Downing (as trustee) to members of your family or beneficiaries as Downing selects, taking into account the persons you nominated on the application form.

This should ensure that any proceeds from the insurance policy fall outside of your estate and so should not be subject to IHT. For tax implications, please refer to the terms & conditions.

You're free to invest and access your funds when you need to

There are opportunities to take money out of the service twice a month, either because of a one-off requirement (e.g. to pay for a holiday) or on a regular basis to supplement your income.

You don't need to invest all in one go – you can top up your investment any time.

When you do need to access your funds, this either be done on a one-off basis, in which case you will need to give us ten days' notice, or you can opt to receive regular withdrawals on a monthly, quarterly, half-yearly or annual basis.

If you don't need the income, retaining investment returns in the service will help to grow your capital and so the amount you leave could increase over time.

There are no charges or penalties for either a partial or a full withdrawal but there may be tax implications (see below).

Bear in mind that the IHT companies' ability to allow withdrawals always depends on them having sufficient funds at the time of the request.

A word on tax:

Where you request a withdrawal, we will normally sell your shares to investors coming into the service. In this situation, you may be liable for **capital gains tax**.

If it's not possible to sell your shares to an incoming investor, they are likely to be purchased by the IHT companies. In this case, any profit may be subject to **income tax**.

Please note that any money you withdraw from your portfolio will no longer benefit from IHT relief.

And if you choose to invest by paying in separate amounts over a period of time, please remember that the two year wait for IHT relief starts from the date you acquire each individual set of shares.



Life Cover - an optional feature

Life Cover is designed to mitigate the risk of having to pay inheritance tax when your investment hasn't yet qualified for business relief. So if you were to pass away within two years of acquiring your shares, the insurance could cover the tax bill.

The policy covers 40% of your original gross investment upon death, subject to the conditions summarised in the Life Cover information sheet and in the terms & conditions document.

This is an optional cover and is subject to a charge of 2.25% p.a.

Please note that the maximum payout on the IHT Life Cover policy is £100,000 across all Downing products.

For more information please request a copy of our Life Cover information sheet, and read pages 15-17 of the DEPS terms & conditions document which includes more details of conditions and some medical exclusions.

At a glance	Life Cover
Term	Maximum of two years
Cover	40% of the original gross investment on death
Maximum pay-out	£100,000
Maximum age	Under 85 years at the investment date
Life Cover charge	2.25% p.a.

Please note: Medical exclusions/conditions apply and this option may not be available to everyone.



We look for businesses that have a trading strategy focused on capital preservation or a steady, predictable level of growth.



How we invest your money

We will invest your money in IHT companies that we believe can meet both these objectives and our expectations for performance.

Investment Objectives

The service will invest in companies that:

- have a strategy to deliver steady, modest returns to Investors, with a target return of 3.0% to 4.5% in the medium term;
- we believe will qualify for Business Relief, which will enable Investors to benefit from inheritance tax relief, if their investment is held for at least two years and at the date of death;
- benefit from a diversified portfolio of underlying businesses – including (but not limited to) diversity across sector, technology, geography, business stage and time horizon for potential exits; and
- take into account Environmental, Social and Governance (ESG) factors in their business.

It is important to note that the IHT companies achieving any or all of these Investment objectives is not guaranteed and Investors should consider the risk factors set out in this document and the terms & conditions, before making any decision to invest.

Please refer to the terms & conditions for further detail on the investment objectives and the investment restrictions for the service.

IHT companies

The two IHT companies that the service has invested in since launch are Pulford Trading Ltd (Pulford) and Bagnall Energy Ltd (Bagnall).

Pulford

Pulford predominantly focuses on asset-backed businesses such as care homes, residential property, pubs and hotels. The company also holds an interest in a lending business.

Bagnall

Bagnall predominantly focuses on renewable energy generation businesses, as well as energy infrastructure assets. Like Pulford, Bagnall also holds an interest in a lending business.

Although the IHT companies predominately trade in their respective sectors, from time to time Pulford may take advantage of attractive opportunities to lend to energy and infrastructure projects; and Bagnall may provide capital for lending to attractive asset-backed companies.

You can state your preference on how you would like your money to be invested across the IHT companies on the application form. If you don't have a preference, then we will decide on your behalf.

Target returns for growing your investment

As investment managers for the estate planning service, Downing LLP aims to achieve growth of 3%-4.5% per annum on your net investment (i.e. after all charges) over the medium term.

The target return for the service is based on the forecasts for returns at an asset level for each of the IHT companies in the service.

We take both the current portfolio of assets and the pipeline of new opportunities and run through a number of likely scenarios to provide a range for the target return by company.

We then deduct all anticipated fees from the IHT companies' forecasts and create a single target return for the Downing Estate Planning Service based on investors that hold a 50:50 split between Pulford and Bagnall shares.

Target returns are for the 12 month period that runs from 1 October to 30 September, and are reviewed each year taking into account changes in market conditions, portfolio mix, performance and other factors.

Things to note

- Market conditions and how valuations are measured may change and returns may move outside the target range (up or down) from time to time.
- As with all investments of this type, there is no guarantee that a specific level of overall return can be achieved.
- If you choose to receive regular withdrawals (see page 12) that are set at a level greater than the capital growth achieved, then the value of your investment will decline.
- The target return matters because if the service does not return 3% in any one year, then you will not be charged an annual management fee for that year. This makes your interests and those of the Manager more closely aligned (see page 21).



We've been investing in businesses for over 25 years and more than 25,000 investors trust us with more than £1 billion of their assets.

Environmental, Social and Governance (ESG)

We aim to protect and enhance returns for our investors by placing ESG criteria at the heart of our business and investment activities.

We consider ESG factors during each stage of our investment process from initial selection and evaluation through to active ownership of the IHT companies in DEPS.

ESG is becoming an integral part of our risk assessment but also an area where we see potential to protect and add value in the long-term.

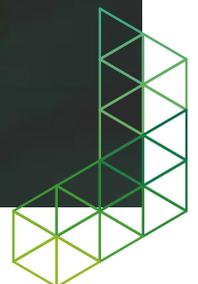
In 2020, we introduced a proprietary ESG tool that we use to assess the material ESG considerations in the sectors where we invest. This provides the investment committee with a concise set of findings that are taken to account in any investment decision. It also helps set the longer term agenda with management teams and identifies actions that we can take together to improve our investors' position going forward.

We are a signatory to the UN Principles of Responsible investment and to the UK Investing in Women Code and we are committed to finding more ways to support responsible investment initiatives.

We have a designated partner member in charge of ESG, and our executive committee meets monthly to monitor performance and guide the business in the execution of the overall strategy.

The valuations of the DEPS IHT companies are calculated by us and approved by the respective boards of the IHT companies.

Full annual accounts, which have been externally audited, are published for the IHT companies each year, and we provide quarterly reports to investors so they can see how their money is being put to work.



How we manage risk

Asset-backed businesses

Through the service, your investment into Pulford Trading Ltd will give you exposure to its underlying businesses that trade from freehold or long-leasehold premises, which can offer a degree of asset backing.

We identify suitable opportunities by working with strong management teams across a variety of sectors, including data centres, care homes and residential property development.

Focusing on asset-backed businesses helps manage risk because if one of Pulford's underlying businesses were to fail the value of the land and buildings should be recoverable for investors (although not necessarily in full).

We have specialised in supporting the growth of these types of companies for over 20 years and the value of the asset-backed businesses in our wider portfolio stands at more than £330 million (at 30 June 2020).

Energy and infrastructure businesses

Through the service, your investment into Bagnall Energy Ltd will give you exposure to the energy sector, including core energy generation sources such as solar, wind and hydro projects, as well as flexible generation and storage projects.

This approach can help manage risk because these businesses have more predictable income streams that can be forecast with a reasonable degree of certainty over the medium to long term.

Many of the underlying businesses have existing operational assets and an established business model. Bagnall also holds interests in companies with proven technologies that are developing new energy projects. Such businesses often use much of the capital invested to purchase industrial equipment, which can also constitute substantial tangible assets.

Managing investments in energy has been a core focus for us for some time and we have invested more than £650 million in the sector since 2010. The value of the energy and infrastructure businesses in our wider portfolio stands at more than £260 million (at 30 June 2020).



You can state your preference on where your money is invested, whether asset-backed, energy investments or a mix of the two.

Case study

Trading in the asset-backed sector



Magnus Care Group Ltd

As at 30 September 2020, Downing managed funds have invested £57.5 million in Magnus Care Group, a trading business that owns and operates quality care homes.

The care home portfolio consists of asset-backed investments, which means there is security over the bricks and mortar of the premises – plus other assets such as cash.

Sites such as Bothwell Castle in an affluent suburb near Glasgow are managed by Care Concern Group, a highly experienced operator with a strong track record, with whom we have a long-standing working relationship.

Why we invested

- This is an experienced management team with considerable sector expertise.
- The company has significant tangible assets in freehold property.
- The Magnus sites benefit from being well located with attractive local market dynamics. Management's expertise also gives the opportunity to add value via operational improvements.

Case study

Trading in the energy sector



Wensum Solar LLP

Downing managed funds have invested £8.6 million into Wensum Solar to fund the development of a substantial solar portfolio that includes 32 rooftop installations that benefit from government feed-in tariffs.

The development is capable of generating enough energy to power the equivalent of 1,900 UK homes for a whole year.

The project is being managed by a specialist developer, whom we have been working with since 2014.

Why we invested

- Subsidy backed revenues and onsite power purchase agreements give greater security for future revenue.
- Solar is firmly established in the UK's investment landscape, with well-developed technology and relatively low construction risk.
- Our investment contributes to the transition to a greener future for the UK which matters to Downing as a responsible investor.

A team of 80 professionals will be looking after your investment



Kostas Manolis, Partner & Head of Unquoted Investments

Kostas has over 15 years' private equity experience. He was previously at PwC, the private equity team at Bank of Scotland and Caird Capital, which managed a successful spin-out of a £0.5 billion private equity portfolio from Lloyds Banking Group.



Chris Allner, Partner & Chair of Investment Committee

With over 35 years' venture capital and private equity experience, Chris joined in 2012, having been Head of Private Equity at Octopus Investments. Prior to this, he was a director at Beringea and Bridgepoint, with previous experience at 3i and Charterhouse.



Colin Corbally, Partner & Head of Investment Strategy

Qualified as a solicitor with Linklaters, Colin spent six years at 3i Group as a senior manager in corporate finance and venture capital. He was a director at Royal Bank of Scotland structuring debt and equity investments, before joining Downing in 2006.



Parik Chandra, Partner & Head of Residential Development Finance

Parik is responsible for the origination of deals in the property sector. Prior to joining Downing, he was director of the real estate division at Funding Circle, Parik has also held positions at Puma Investment Management, Asante Capital Group and Barclays.



Mark Gross, Partner & Head of Development Capital

Mark focuses on healthcare, hospitality & leisure, and education. He has ten years' private equity experience across a range of sectors. Mark joined Downing from Caird Capital. He qualified as a Chartered Banker at Bank of Scotland.



Tom Williams, Partner & Head of Energy and Infrastructure

Bringing more than 20 years' experience as Principal and Adviser in the infrastructure sectors, Tom trained as a solicitor before moving into private equity, where he has carried out transactions totalling £30 billion in sectors including energy, utilities, and transportation.



Jonathan Boss, Partner

With over 20 years' experience of private equity, Jonathan has led over 100 transactions, from management buy-outs to acquisitions and company sales. Previously at 3i, he has been with Downing since 2008 and sits on our Investment Committee.



Tom Moore, Partner & Head of Asset Management

Tom leads our asset management functionality. Prior to joining Downing, Tom was Director at Foresight Group, where oversaw a significant portfolio of renewable energy investments.

Charges and fees

There are costs involved in running the IHT companies and in building, managing and exiting their portfolio of assets.

Below is a summary of the charges designed to cover these costs for investors who invest via a financial adviser. Further details are in the terms & conditions, which include information on charges for investors where commission is payable on their investment (e.g. by those investing on an execution-only basis).

Initial and ongoing charges for managing your investment		
Initial charge	2%	Added upfront to the price you pay for your shares.
Annual management charge	up to 0.5% p.a. of net assets	Chargeable on the net assets of the IHT companies, subject to a minimum investor return of 3% over the period. If investor returns are between 3% and 4% p.a., the charge will apply on a sliding scale – up to a maximum of 0.5% p.a.
Service charge	1.5% p.a. of net assets	This covers the costs of running the IHT companies, for example the administration, accounting and other services that Downing provides to Pulford and Bagnall, which do not employ staff of their own. The cost of Downside Protection Cover is also included in this charge.
Charges for managing the underlying businesses		
Arrangement and annual monitoring fees	less than 1% of net assets	Payable by the underlying businesses. The impact of these fees is estimated to be less than 1% p.a. of the net assets of the IHT companies (based on the year to 31 May 2020). Please see the terms & conditions for more details.

Some of the fees are payable by the IHT companies, not out of your portfolio directly. However, they will effectively reduce the returns generated by the IHT companies and, therefore, the value of the shares held in your portfolio. Any unpaid fees will be recouped from the proceeds of the sale of investments. All fees and charges are exclusive of VAT unless otherwise stated. VAT will be added where applicable. Initial and ongoing adviser fees can be facilitated through the service (see the application form for more details). Alternatively, you can choose to pay such fees personally.

Note: Downing may undertake additional services that are typically outsourced but where providing the services in-house is considered to be in investors' interests. These will be charged at market rate and the fees will be included in the annual costs summary sent to investors.

Key risks

Here are some of the risks that you should consider before investing

➤ Risk to your capital

The value of your investment may go down as well as up. You may not get back the full amount you invested. The Financial Services Compensation Scheme (FSCS) for deposits does not apply to investments in the service. However, under the FSCS investment protection scheme there may be circumstances in which investors can claim compensation where Downing LLP is unable or unlikely to honour legally enforceable obligations against it (e.g. claims for fraud or misrepresentation). For more details on the FSCS and its eligibility criteria please visit www.fscs.org.uk/whatwecover.

➤ Tax reliefs are not guaranteed

The rates of tax, tax benefits and tax allowances in this brochure are based on current legislation and HMRC practice. They are not guaranteed, are subject to change and depend on personal circumstances.

Any changes to the sectors that qualify as IHT trades may have a material adverse effect on the value of the shares or the ability of the service to achieve its objectives. We cannot guarantee that sufficient investments in IHT qualifying businesses will be made within the expected timetable, or at all. IHT qualifying businesses may subsequently cease to qualify for IHT relief, in which case IHT relief could be delayed or lost.

➤ Investments are long-term and high-risk

You must hold your investment for at least two years and at death to benefit from IHT relief. Although you can request a withdrawal from your portfolio, this may be delayed because investments made through the service will be in unquoted companies, whose shares are less liquid than those of listed companies. Such investments are also considered to be higher risk than securities listed on the London Stock Exchange.

➤ You cannot rely on past performance and target returns are not guaranteed

Please remember that past performance is not a guide to future performance and there is no guarantee that the service's target return objectives will be achieved.

➤ Liquidity

There could be a delay in returning cash in the event of significant demand for withdrawals or distributions. Investors may, therefore, not receive cash for a period of 12 months or more. It is unlikely that there will be an external market for the shares.

➤ Conflicts of interest

The IHT companies in the service may co-invest alongside other funds managed or advised by Downing. If this happens, there's a chance that the interests of one group of investors will be in conflict with the interests of another group, or with the interests of Downing. In the event of a conflict of interest, Downing's investment committee and conflicts committee (and their external advisers) will work to ensure that this is resolved fairly and in accordance with Downing's conflicts policy.

➤ Use of debt

Where the IHT companies and / or their underlying businesses take on third party, prior ranking debt and then suffer from underperformance, their underlying net asset valuation may be impacted to a greater level than if no debt had been taken on.

Key risks

Here are some of the risks that you should consider before investing

➤ Corporate sales activity

A reduction in the demand and/or price expectations for corporate sales of businesses similar to those underlying businesses of the IHT companies, may impact on their ability to exit from an underlying businesses and/or achieve their target value expectations.

➤ Global events

Where events occur that have a far reaching impact on the operations of the IHT companies and their underlying businesses, their value and that of the underlying businesses may be reduced. Examples of such macroeconomic events include (but are not limited to) the significant and broad economic impacts caused by a global pandemic, Brexit (as referred to below), cyclical falls in the values in the residential property market, reductions in the availability of credit/investment from financial institutions, sustained falls in major listed stock markets, adverse movements in interest rates and/or currency rates and the failure of political institutions including government.

➤ The UK exit from the European Union ("Brexit")

As the UK left the European Union on 31 January 2020 pursuant to a withdrawal agreement, the terms of the UK's future relationship with the European Union remain uncertain. In particular, there is no certainty that the UK government will be able to negotiate, agree and implement a trade deal

with the European Union before the expiry of the transition period under the withdrawal agreement. The IHT companies may be subject to a significant period of uncertainty, including uncertainty in relation to any potential regulatory or tax change.

➤ Covid-19 risks

The coronavirus pandemic has had a substantial impact on many businesses and is expected to have a significant and long-lasting impact on the UK and global economies. The impact that this has on IHT companies over in the medium and long term, is difficult to predict. Existing and future IHT companies may lose value or fail as a result of the ongoing effects or aftermath of the pandemic, resulting in a reduction in the value of investors' shares.

➤ Currency movements

Adverse movements in currency may impact the financial performance of the IHT companies and their underlying businesses.

The information in this brochure is based upon current taxation, other legislation, and HMRC practice. Any changes in the legislation or HMRC practice may affect the value of an investment.

For further details of the risks associated with investing, please see pages 8-12 of the terms & conditions.

What to do now

Before applying, please read the terms & conditions document, paying particular attention to the risks. If you have a financial adviser, we recommend that you speak to them to find out if the service is appropriate for you.

When you're ready to invest

Complete the appropriate application form (single & joint, and trustee forms are available).

If you would like any more information, please call us on 020 7416 7780 and we'll be happy to help.

Please note, we cannot provide investment or tax advice.

After you submit your application, we'll send you:

- An acknowledgement (within two business days) that your application has been accepted
- Quarterly valuations and updates on the performance of your investment
- Annual fees and costs statements

We may also send you other communications from time to time, for example when your investment becomes IHT free.

For more information on our estate planning services, please ask your financial adviser or visit our website at www.downing.co.uk/deps

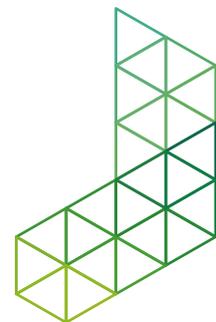


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