



The road less travelled can be the road more rewarding

Our private debt and equity specialists are able to provide you with access to a wide variety of private debt and equity opportunities, including single company and fund based private equity structures, tax enhanced venture capital investments and asset backed, income-generating transactions.

Introduction

We work with high-net-worth individuals, professional investors and larger family office clients looking for income, capital growth, or a combination of the two. Across all our alternative investment services our core objective is the same; to provide you with access to unquoted assets on a basis that is specifically tailored to your personal risk-return criteria and investment time horizon, and that reflects your own specific domicile and tax related objectives.

As active private market participants ourselves, we have a detailed understanding of the broad ranging issues facing investors in fast growing unquoted companies and other unlisted assets. We work with a carefully selected group of third party, FCA regulated, product providers to ensure our in-house expertise is complemented with wide ranging input from excellent external specialists and discretionary fund managers in the market.

Whilst the unlisted asset classes in which we specialise have the potential to deliver significantly higher investment returns than their mainstream listed counterparts, they can often involve a higher degree of risk. The assessment, management and disclosure of the risks involved is therefore a fundamental part of the alternative investments service that we provide..

Transaction origination

As a firm, we don't have in-house products. The private debt and equity opportunities that are available to our clients are sourced via external product providers, rather than via the development of our own, in-house, proprietary deal flow. Within each underlying asset class, we aim to work with leading product partners that are set up specifically to provide private debt and equity related deal flow to the high-net-worth and family office investor markets.

All of our Investment Committee approved product partners provide:

- **An institutional grade investment approach:** Our private debt and equity deal flow is sourced exclusively from well established, FCA regulated, intermediaries that are led by industry professionals with extensive private debt or equity expertise.
- **Comprehensive professional skillsets:** Our product providers employ deal team members with qualifications and experience across a wide range of professional backgrounds including strategic consulting, investment management, entrepreneurship, legal, tax and accounting.
- **Proven performance track record:** Shortlisted product providers are required to show consistent, on target, investment returns over a 5-10 year period.
- **Personal co-investment:** Our product providers' founders and senior executives must generally be willing to make a significant personal investment in the deal flow that they present to us for onward distribution to our clients.

Our overall aim is to work with product providers who can demonstrate a good track record in delivering their targeted rates of return, whilst also providing a consistently high level of client service and investor reporting throughout the targeted investment hold period.

EIS investments

Investee company selection criteria

We provide access to unquoted, growth capital, EIS qualifying opportunities on a discretionary and advisory basis. In both scenarios, we focus on the growth capital stage of the corporate development cycle. Rather than backing private companies at the start up stage, this means that we concentrate on 3-4 year old businesses who are at the post proof of concept stage.

Key qualifying criteria for the companies in which we seek to invest will include:

- A high quality founder-management team with a proven track record in their field.
- A clear competitive advantage or unique selling point, generally based on proprietary technology, intellectual property, or market leadership.
- Existing revenues of at least £1 million at the point of investment.
- High revenue growth rate, between 30%-100% per annum.
- Potential to be a leader in a large, internationally addressable market.
- Strategic exit routes available with potential \$50m-\$1 billion valuation.

Diversified EIS funds - the discretionary approach

This approach is for clients who choose to make their investments via the allocation of capital to a well-diversified, externally managed discretionary EIS portfolio. While generally referred to in the market as "EIS Funds", each of these unquoted asset management arrangements can be more accurately described as a discretionary portfolio building service.

Rather than investing into a limited company, a unit trust, or a Limited Liability Partnership (LLP) based entity where you can buy shares or units, giving you immediate ownership of an existing portfolio of holdings, each of these "EIS Funds" is in effect a platform arrangement, via which your capital is channelled into a broadly diversified, 6-10 position portfolio of single company holdings over a 12-18 month draw down period.

We aim to diversify your exposure to EIS qualifying companies by allocating capital to a minimum of three different discretionary funds over a 5-year initial portfolio commitment period. A multi-year, multi-manager approach allows you to build a portfolio of at least 60-70 positions over the commitment period.

From an investment returns perspective, we target a 3 to 5x uplift in value at the individual company level over a 5-7 year investment hold period. It must be noted this outcome is not achieved in all instances. Even the best-regarded EIS fund managers will see a very high degree of performance related volatility across each portfolio of single company holdings.

We expect to see around one third of investments in a professionally managed EIS portfolio achieve the target uplift of 3x-5x the initial capital invested. Approximately one-half of the remaining investments are expected to mature at or around break even, with the balance expected to fail entirely.

At a portfolio level, this broad ranging spread of single company outcomes is expected to deliver an aggregate potential return of around 1.40x to 1.75x the original investment over a 5-7 year hold period, net of fees. On a post-tax basis, and where the impact of the upfront and loss related income tax reliefs are taken into account, a portfolio driven outcome at this level aims to deliver a final take home internal rate of return (IRR) of 12.5%-15.0%.

Single company EIS investments - the advisory approach

This approach is for clients who wish to take a more hands-on approach to their portfolio building process. We can make EIS qualifying investment opportunities available on a single company basis. We are able to provide investment advice on a company-by-company basis as individual growth capital opportunities become available. We aim to make 4 to 6 such investment opportunities available per year, with these deals also sourced via a well-established third party product provider.

Approximately one third of these deals will generally be initial rounds of financing from completely new investee companies, with the remainder being follow-on rounds from approximately 12 existing single companies to which we would expect to have exposure at any one time. Each investment is held over a 3-6 year period, with a target rate of return at 3 to 5x invested capital pre fees and EIS reliefs at the individual company level.

When adjusted for the inevitable 30%-35% failure rate, a portfolio of around 6-10 investments is targeted to deliver a return of around 1.60x to 1.90x the total pre-tax capital invested, net of fees. This equates to a target IRR of around 12.5%-15.0% net of all fees, costs and tax benefits.

Summary of EIS tax reliefs

Where held for a minimum of 3 years, an investment in EIS qualifying shares can be expected to deliver the following tax benefits to a 45% additional rate UK tax payer:

- 30% income tax relief on the initial amount invested, reducing the pre-tax cost of a £100,000 investment to a net cost of £70,000. The 30% upfront income tax relief is, however, available only on the proportion of the total consideration that is actually used to buy the EIS qualifying shares.
- Capital Gains Tax free treatment of any profits that arise at exit.
- 45% income tax based share loss relief on loss making investments. In conjunction with the upfront income tax relief outlined above, the availability of this loss relief at exit means £0.615 per £1.00 of EIS investments you make are income tax relief protected, thus leaving £0.385 of capital at risk once tax reliefs are taken into account.
- Where held for a minimum of 2 years, EIS qualifying shares will also fall outside an investor's estate for inheritance tax purposes.
- Business Investment Relief is also available to non-domiciled UK tax payers who bring capital into the UK to make EIS qualifying investments.

Asset backed income generating investments

If you are an income focussed investor seeking to supplement your existing professional, business or investment related earnings, we can provide you with Loan Note and other private debt related opportunities. This type of transaction will usually involve the funding of loans to borrowers in the property and renewable energy sectors who are able to post hard asset collateral with steady income generating potential, readily identifiable market value, and clear contractual enforceability.

The income generating opportunities available in this area are over a 6-24 month period. Depending on the underlying nature of the asset and the counter party credit risk profile of the borrower, potential net returns to our clients after all fees, but prior to personal taxation, are targeted at rates between 4.0%-8.0% per annum. Some of our asset-backed opportunities available are also able to provide you with additional Business Property Relief and Business Investor Relief related benefits.

While our asset backed, income generating, deal flow can generally be expected to have a lower risk-return profile than the growth capital assets outlined above, it will however involve a significantly higher risk to capital than more mainstream fixed income products, like government backed securities, bank deposits and money market funds.

For more information

The Financial Conduct Authority does not permit the marketing of unlisted private debt and equity investments to general retail investors. Therefore, before we can provide you with any more information about the opportunities that we have outlined above, we require you to sign the attached self-certification statement confirming that you can be categorised as a high-net-worth individual for the purposes of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

Once we have received a duly executed copy of this self-certification statement, we can organise a meeting or conference call with you to discuss your existing financial position, your risk-return appetite and your current investment objectives. Once we have a clear understanding of your preferences and priorities, we can then prepare a wider ranging suite of investment materials and asset allocation proposals for you to consider in more detail.

An investment into the LGT Wealth Management Private Debt and Equity product offerings will necessarily involve a risk to capital. A more detailed assessment of the individual risk factors involved will be provided to you by LGT Wealth Management UK LLP prior to the completion of any investment in any of the investment opportunities outlined above.

Please note that LGT Wealth Management UK LLP is not constituted to give accounting or taxation advice to its clients. This description of the EIS related tax reliefs is for illustrative purposes only. As the availability of the EIS tax reliefs will be dependent on your own personal financial circumstances, you must consult with your own taxation or accounting advisers prior to making a final decision about whether or not to proceed with discretionary fund or single company based EIS investments.

Please also note that the availability of the EIS reliefs is based on prevailing tax legislation and on HMRC's custom and practice in relation to the interpretation and enforcement of this legislation, all of which are subject to change without notice. When taken together, these factors mean that the anticipated tax benefits of making an EIS investment cannot be guaranteed, and are not guaranteed, by the issuing company, by LGT Wealth Management UK LLP or any other advisor or intermediary.

Important information

LGT Wealth Management UK LLP is authorised and regulated by the Financial Conduct Authority. Our regulation details are set out in the FCA register: Firm Reference No: 471048; register.fca.org.uk/. Registered in England and Wales: OC329392. Registered office: 14 Cornhill, London, EC3V 3NR.

LGT Wealth Management Jersey Limited is incorporated in Jersey and is regulated by the Jersey Financial Services Commission in the conduct of Investment Business and Funds Service Business. Registration number: 102243; www.jerseyfsc.org/industry/regulated-entities, Registered office: 30-32 New Street, St Helier, Jersey, JE2 3TE

LGT Wealth Management US Limited is authorised and regulated by the Financial Conduct Authority and is a Registered Investment Adviser with the US Securities & Exchange Commission ("SEC"). Our regulation details are set out in the FCA register: Firm Reference No: 585547; register.fca.org.uk/ and the SEC Investment Adviser Public Disclosure: www.adviserinfo.sec.gov/IAPD/Default.aspx. Registered in England and Wales: 06455240. Registered Office: 14 Cornhill, London, EC3V 3NR.

This publication is marketing material. It is for information purposes only. Certain services described herein are not available to retail clients as defined by the FCA or the JFSC, as applicable; please speak to your investment adviser for further clarification in this regard. All services are subject to status and where local regulations permit. The wording contained in this document is not to be construed as an offer, advice, invitation or solicitation to enter into any financial obligation, activity or promotion of any kind. You are recommended to seek advice concerning suitability from your investment adviser. Any information herein is given in good faith, but is subject to change without notice and may not be accurate and complete for your purposes. This document is not intended for distribution to, or use by, any individual or entities in any jurisdiction where such distribution would be contrary to the laws of that jurisdiction or subject any LGT Wealth Management entity to any registration requirements. When we provide investment advice it is on the basis of a restricted approach that is to say, whilst we review and advise on retail investment products from the whole of the investment market.

Investors should be aware that past performance is not an indication of future performance, the value of investments and the income derived from them may fluctuate and you may not receive back the amount you originally invested.