



BLACKFINCH
GROUP

Consumer Duty

Product & Services Review 2025

Blackfinch Adapt AIM Portfolios

Product Details

Description of the product

The Adapt AIM Portfolios invest in growing firms listed on the Alternative Investment Market (AIM). Clients have the choice of an Income, Growth or Mixed (exclusively for direct investment) portfolio.

Describe the key features and benefits of the product

Clients can hold their AIM-listed shares in an ISA wrapper, making for tax-free dividends with no Capital Gains Tax on investment growth. The portfolios also offer return potential, while targeting Inheritance Tax (IHT) relief after two years of holding the investments. Every investment for our clients is checked by a tax specialist at least annually for the likelihood of achieving business relief for inheritance tax purposes. Our specialist AIM Investment Team ensures highly diversified and carefully risk managed portfolios. Clients always retain access to and control of capital and can withdraw funds or leave them invested for growth.

Describe the limitations of the product

Investment in smaller companies on public exchanges can bring greater levels of volatility.

Events

Has there been an event which could result in the product posing a risk to customers?

No.

Needs and Objectives

Describe the needs and objectives [including financial objectives] of the target market for the product [include vulnerable customers].

The primary objective for all clients is to achieve inheritance tax relief by investing in Business Relief (BR) qualifying companies. For the Growth portfolio, clients will target a total return commensurate with the risk of investing in a diversified portfolio of smaller but growing listed companies. For the Income portfolio, clients will target a dividend yield large enough to be able to facilitate quarterly dividend payments, or for dividends to be retained and used to pay for fees and reinvestment. For the Mixed portfolio, offered for clients invested directly with Blackfinch, this gives exposure to the investee companies in both Growth and Income portfolios, and is suitable for clients seeking enhanced diversification, and a blended return profile of the Growth and Income portfolios.

Product Risks

Identify the risks posed by the complexity or nature of the product

- Volatility Risk
- Liquidity Risk
- Tax Risk
- Key Person Risk

Explain how these risks are mitigated

To help mitigate the volatility, all portfolios are appropriately diversified, and have between 20-60 investee companies. Weightings are reviewed on a continuous basis to further mitigate volatility risk.

To help mitigate the risk of low liquidity, all investee companies are reviewed regularly regarding liquidity. This includes analysing the last twelve months of trading activity, and scenario testing for total aggregate client assets to grow to at least twice the current amount. Any investee company which poses a material liquidity risk may be removed.

Tax Risk

IHT relief is retrospective, and therefore cannot be guaranteed. However, by limiting investee companies to business activities which we believe qualify for Business Relief (BR) helps to mitigate this. All investments are annually reviewed by an independent tax specialist, to give a further level of due diligence to the likelihood of qualification.

Key Person Risk

Blackfinch is wholly owned by its Chief Executive and Chief Investment Officer meaning the risk of key departures is low. However, given the depth and experience of our investment team, a replacement can easily be found should a senior member of the team become unavailable. The AIM team currently has four members, however it also has the support of a three person investment committee, helping to mitigate reliance on one team member. All key processes and procedures are documented, so should a new member of staff be required, they will be able to get up to speed and manage the product appropriately.

Identify the risks posed to the target market by the Product

Same as above.

Explain how these risks are mitigated

Same as above.

Identify the risks posed to vulnerable customers by the product

Vulnerable customers could be easily exploited due to having a vulnerability that could possibly make it more difficult for them to make informed investment decisions. There could be possible barriers that inhibit them from fully understanding the risk or consequences of an investment.

Explain how these risks are mitigated

We have a Vulnerable Customers policy in place and all staff are trained on how to identify and deal with vulnerable customers.

Testing

Is the product meeting the needs and objectives of its target market and vulnerable customers?

Yes, our product has performed in line with customer expectations and similar AIM products.

Has a value assessment been completed, and does it demonstrate good value?

Yes.

Has the product been distributed in accordance with the value assessment findings?

Yes.

Are communications being used as detailed within the product approval?

Yes.

Does data demonstrate the communications are effective in allowing the target market to understand the key features and benefits of the product and make effective decisions?

Blackfinch Investments Limited as the manufacturer of these types of solutions will distribute predominantly to registered Financial Advisers and professional intermediaries such as Solicitors and Accountants. This is done on the understanding that any advice given to the client has passed a rigorous due diligence process and an assessment has been made on the suitability, considering the clients attitude to risk and volatility.

Does testing demonstrate the communications are clear, fair and not misleading?

Yes. We have remained within our SLA's for all client reporting, allowing for effective communication and easy understanding for our customers.

Are customers adequately supported after the point of sale?

Yes, customers will have access to a Business Development Manager who is personally assigned to their case. We also have a dedicated Client Excellence team and Technical team who are on hand to answer any ad-hoc queries. We provide customers with quarterly valuations and annual tax statements, as well as making quarterly performance sheets available on our website.

Have testing of the actions of distributors been undertaken?

Yes. We classify our distributors in two ways, through our relationships with advisers (offering our product to retail clients) and platforms - both third-party and a direct trading platform. In terms of platform distributors, we've completed extensive due diligence through direct meetings, questionnaires, and more, which was performed at initial agreement. We also have ongoing monitoring, which is performed by our Investment Operations team, with any queries being raised to the platform in question. For our adviser relationships, we have a dedicated Sales Support team to manage the relationships and perform ongoing health checks and engagement meetings, providing/gathering information where necessary. We are looking to ensure each distributor is providing fair value to our clients and are operating as expected.

Where testing identifies the product is not meeting the needs of some or all of its target market [including through identified issues with communications] has the following action been taken:

N/A

- Cease distribution
- Mitigate failures
- Inform distribution chain

Consumer Support

Has the product been designed to support retail customers such that it meets the needs of retail customers, including those with characteristics of vulnerability?

Yes

Is there evidence demonstrating that retail customers can use the product as reasonably anticipated?

We have not been made aware of any business relief denial from adviser firms which have had a client pass away while invested in the product. All withdrawal requests that are received directly are acted upon in an appropriate time.

Is there evidence demonstrating appropriate friction in the customer journeys to mitigate the risk of harm and give retail customers sufficient opportunity to understand and assess their options, including any risks

For advised clients, application forms, for the relevant platform or for clients investing directly with Blackfinch, need to be filled out. For non-advised clients, a suitability assessment is completed, adding friction for clients which do not have an adviser. The client will be made aware of all applicable fees before the point of investment.

Is there evidence demonstrating retail customers do not face unreasonable barriers (including unreasonable additional costs) during the lifecycle of the product, such as when they want to:

(a) make general enquiries or requests.

(b) amend or switch the product.

(c) transfer to a new product provider.

(d) access a benefit which the product is intended to provide.

(e) submit a claim.

(f) make a complaint; or

(g) cancel a contract, agreement or arrangement or otherwise terminate their relationship

All clients of the AIM product are able to contact Blackfinch and make general enquiries. All platforms the product is available on are able to facilitate transfers, with standard fees in place that are not unreasonable. Switching the product, for example from the Growth portfolio to the Income portfolio, will incur trading and dealing costs, but no additional costs above this. There is no exit fee for the product. Transaction costs will be faced on exit, including the 1% dealing charge for direct clients, in line with transaction costs for initial investment and transactions carried out through the management of the product.

Blackfinch has a complaints process in place, allowing retail customers to make a complaint, which will be appropriately investigated and resolved.

Findings

Is the product demonstrating a clear set of benefits for its target market [including vulnerable customers]

Yes.

Does the product provide fair value for the target market [including vulnerable customers]

Yes. Both products continue to boast a competitive cost for customers to access an actively managed solution that invests in the AIM market. We have been awarded various achievements through our service and focus on customers, which is recognised publicly. With continued focus on improving the product, such as participating in an IPO for the first time since product launch in April 2025, we believe this product could continue to offer fair value into the future. A vulnerable customer would receive the same level of service and is therefore not disadvantaged.

Have identified risks of the product been reasonably mitigated and distribution strategies designed to significantly reduce such risks?

Yes.

Is the product allowing identified groups of customers to pursue their financial objectives?

Yes, the product has, to the best of our knowledge, continued to allow clients to achieve inheritance tax relief, and can allow for capital growth should the client remain invested over the longer-term, as defined by their meeting with the respective financial adviser.

Have customers been able to use the full benefits of the product?

Yes, there continues to be no restrictions placed on the products, such as entry or exits fees that could affect the customers investors, that could materially disadvantage the customer from utilising the full benefits of the product.

Is the product design avoiding foreseeable harm as set out in PRIN 2A.2.10 G?

Yes.

Consumer Duty

Price & Value Assessment 2025

Blackfinch Adapt AIM Portfolios

Target Market

Identify the target market

Retail and professional clients who are looking to mitigate a potential IHT liability.

Detail the characteristics of the target market

Those who have large amounts of capital and are looking to mitigate IHT using BR.

Those who are expected to require IHT mitigation sooner than is possible with traditional methods such as gifting and trusts.

Those wanting a faster, more cost efficient and simpler process to the traditional methods.

Those wanting to keep control of their capital.

Those with no direct descendant(s) or not wanting to pass down their residence to their direct descendant(s).

Those with a large ISA investment wanting to mitigate IHT by way of an in-specie transfer.

Explain why the target market has been selected

Inheritance Tax Relief is possible in a shorter timeframe of two years if eligible investments are made, such as AIM-listed companies

Identify any characteristics of vulnerability in the target market which may impact the value received by those customers

Given that the product is used to help clients undertake IHT planning it naturally attracts investors from the following groups. However, this is because they can actually receive the benefits from the service, which is a more advantageous IHT position

- Elderly clients
- Dealing with clients who have recently suffered bereavement
- Clients who are deaf or hard of hearing
- Language Barriers
- Mental health issues
- Clients whose welfare could be put at risk (financial, mental or physical)

Identify the drivers of vulnerability in the target market

The following are broad categories which could contribute to a clients vulnerability:

- Health
- Life Events
- Resilience
- Capability

Could the customers vulnerabilities impact full/ value use of the product?

The product is accessible to all potential customers.

Do cognitive or behavioural biases of customers impact on the value of the product to the customer?

No.

Nature and costs of the Product

Does the design of the product [i.e. the key features] enable use by the target market ensuring they are able to pursue their financial objectives?

Yes.

Do any aspects/limitations of the product prevent the average target customer from fully enjoying the product?

The product is only available to advised clients, or, subject to a suitability check, non-advised. This helps ensure the target customer will be investing for the intended purpose of the product.

Does the product allow for comparison to other products in the market?

Yes, through our regularly published factsheets and accessible literature. The product is also reviewed regularly by third party product reviewers. Actual client performance is also benchmarked against other AIM IHT providers by ARC Research

Does the product allow for easy switching to another provider or product?

Yes, transfers are allowed, and various platforms are available for clients to choose providing continuous access.

Total maximum cost, including all fees / commission payments

1.5%.
1% dealing fee if clients come direct.

Platform charges apply in some circumstances and depends on the client's platform of choice.

Maximum possible cost of contingent charges [i.e. late payment fees]

No contingent costs apply.

*Non-financial costs
[i.e. data use by the firm]*

Data Blackfinch receives on the individual underlying clients is extremely limited.

Will the product have a finite lifespan? If yes, explain the relationship between the lifespan and the price to the customer. Explain why the overall price is good value.

No. The products are designed for investors with a long-term horizon without a set lifespan. By remaining invested in the portfolios, a customer can utilize our high conviction investment thinking.

Is it likely the customer will renew at the end of the contract period? If so, explain why the overall price is good value [must factor in any price increases at renewal].

No renewal required.

Taking all of the above into account, explain why the product offers fair value to the target customer

Provides the ability for clients to save a 20% inheritance tax charge in a significantly reduced timeframe of two years, while also offering potential for higher expected returns but with greater expected volatilities vs. other inheritance products from exposure to a diversified portfolio of growing listed companies on the Alternative Investment Market.

Taking all of the above into account, explain why the product offers fair value to vulnerable customers

Vulnerable customers can benefit in the same way as the target market and should have no barriers inhibiting them from doing so, due to the policies and training within the company.

Costs

Identify the market rate for the product

The two largest AIM inheritance tax service providers, Octopus and Investec, charge 1.5%+ VAT and 1.5%, respectively, as an annual management charge, providing a fair indication of the market rate.

In terms of dealing fee, Octopus charge a 1% dealing fee, whereas Investec do not. Octopus also levy a 2.5% entry fee, whereas Investec do not.

Is the final price paid by the customer significantly higher than either the total cost for manufacturing and distribution or above the market rate?

No.

If so, is there an added benefit to the service which means the customer is receiving fair value?

Pricing

Is differential pricing used by the firm and if so explain the objective and justifiable reasons for doing so?

No.

List each group where the pricing is different and explain why the value is fair, factoring in cost and market rate for that group of customers.

N/A

Is there another product offered by the firm which offers similar benefits for a lower cost?

No.

Explain the reasons for the difference [i.e. enhanced customer service]

Distribution Arrangements

Does the distributor have access to all appropriate information from the manufacturer to be able to understand the value that the product is intended to provide for the customer?

Yes.

Does the distributor understand:

- *Intended benefit of the product*
- *Value to be provided to customer by the product*
- *Characteristics, financial goals and needs of the target market*
- *The level of pricing set*
- *Quality of service required to represent good value*
- *Potential impact of distribution arrangements*

Yes, this is all outlined in our literature and Terms of Business and can be provided upon request.

We regularly review the intended benefit of the product, ensuring its ongoing monitoring allows it to achieve the stated capital growth objective. Should this deviate, we have processes in place to implement changes where applicable.

In terms of understanding of characteristics, each member of the Distribution team undergoes extensive training and continued development to maintain their competency on the selected product. Wherever there is a knowledge gap present, we look to address this immediately. We also have a product specialist on hand that can liaise with clients where necessary, and portfolio management as a final step.

As confirmed in the above price exploration, our product remains attractively priced and is an ongoing consideration for the Investment team.

Quality of service has remained an important pillar to our core beliefs, and we have a multi-layered process to deliver an effective service. In terms of the product itself, we have a dedicated Product Specialist to ensure investment information flow remains accurate and relevant to the target market. Where this isn't applicable, we strive to improve the knowledge of our distribution teams through examinations or training.

We have recruited members of staff across the country with varying skills and experience. These members have an in-depth knowledge of the target market and understand needs through their in-depth relationships. Many of our clients will be IFAs, with in-built processes to help with potentially more vulnerable clients. Where this is identified, our Distribution team will work with all involved to find an optimal solution.

Are there any remuneration arrangements with the distributor which may impact the value customers receive?

No, we believe we have been transparent in our reporting and all costs remain appropriate for ongoing management of the fund. Blackfinch can facilitate payment of advice fees if agreed between the adviser and client.

Are proposed distribution arrangements consistent with the value of the product?

Yes.

Explain how the distribution arrangements support the value of the product

Clients are able to use an AIM-listed Inheritance Tax service through their financial adviser. The funds distribution approach leverages the wider Blackfinch Group network, allowing existing resources to support, thereby minimizing costs where able. This supports the fair value cost charged by the product.

Findings

Does the product in its current form offer fair value?

Yes.

Explain why the product provides value for the target market

We provide a differentiated product, Inheritance Tax relief in a shorter two-year timeframe, and offer clients exposure to a diversified portfolio of smaller growing listed companies.

Explain why the product provides value for the vulnerable customers in the target market

It is highly possible that certain end investors could be classified as vulnerable. Whilst this is not a specific investor type we intend on marketing to, the use of our portfolios within financial advice conversations leads us to reasonably assume customers could present various types of vulnerability included in the FCA's definition of a vulnerable customer.

Blackfinch recognise the need to potentially illustrate or explain relevant information and risks in a different way in the event a vulnerable customer is investing and will work with the distributor to do so where such cases are identified. Providing this is factored into the decision-making process and everything is fully understood, the product offers the same fair value to a typical retail customer. As they will have similar objectives, being capital growth, and we believe we manage a product that offers fair value against peers within our respective sectors.

If the product is sold as part of a package, does the overall package offer fair value?

N/A

Are there any adverse findings in this assessment?

No.

Set out mitigating actions to occur prior to distribution or remedial action to prevent foreseeable harms to current customers

N/A

IMPORTANT INFORMATION

Blackfinch Investments Limited (Blackfinch) is authorised and regulated by the Financial Conduct Authority. Registered address: 1350-1360 Montpellier Court, Gloucester Business Park, Gloucester, GL3 4AH. Registered in England and Wales company number 02705948. All information correct at June 2025.