The Seneca IHT Service An income story

Don't invest unless you are prepared to lose all of the money you invest. This is a high-risk investment and you are unlikely to be protected if something goes wrong. Please take two minutes to learn more by reading the following Risk Summary.

Risk summary **(Estimated reading time: 2 minutes)**

Due to the potential for losses, the Financial Conduct Authority (FCA) considers this investment to be high risk.

What are the key risks?

1. **You could lose all the money you invest**

    - If the business you invest in fails, you are likely to lose 100% of the money you invested.
    - Many of the loans ultimately financed by your investment are made to borrowers who can't borrow money from traditional lenders such as banks. These borrowers have a higher risk of not paying back their loan.
    - Advertised rates of return aren't guaranteed. If a borrower doesn't pay back their loan as agreed, you could earn less money than expected. A higher advertised rate of return means a higher risk of losing your money.

2. **You are unlikely to be protected if something goes wrong**

    - Protection from the Financial Services Compensation Scheme (FSCS), in relation to claims against failed regulated firms, does not cover poor investment performance. Try the FSCS investment protection checker at https://www.fscs.org.uk/check/investment-protection-checker/.
    - Protection from the Financial Ombudsman Service (FOS) does not cover poor investment performance. If you have a complaint against an FCA-regulated firm, FOS may be able to consider it. Learn more about FOS protection at https://www.financial-ombudsman.org.uk/consumers.

3. **You won't get your money back quickly**

    - Some of the loans financed by your investment will last for several years. You may need to wait for your money to be returned even if the borrower repays on time.
    - Some Managers may give you the opportunity to sell your investment early through a 'secondary market', but there is no guarantee you will be able to find someone willing to buy.
    - Even if your agreement is advertised as affording early access to your money, you will only get your money early if someone else wants to buy your shares or the company in which you are invested has sufficient available capital to buy them from you. If no one wants to buy, it could take longer to get your money back.
    - It will take at least 25 years to get your money back purely through dividends.

4. **Don't put all your eggs in one basket**

    - Putting all your money into a single business or type of investment for example, is risky. Spreading your money across different investments makes you less dependent on any one to do well.
    - A good rule of thumb is not to invest more than 10% of your money in high-risk investments. (See https://www.fca.org.uk/investsmart/5-questions-ask-you-invest).

5. **The value of your investment can be reduced**

    - The percentage of the business that you own will decrease if the business issues more shares. This could mean that the value of your investment reduces, depending on the basis on which these new shares are issued.
    - If these new shares have additional rights that your shares don't have, such as the right to receive a fixed dividend, this could further reduce your chances of getting a return on your investment.

If you are interested in learning more about how to protect yourself, visit the FCA's website at www.fca.org.uk/investsmart

Inheritance Tax - in a nutshell

Inheritance tax

Inheritance Tax ("IHT") is charged on the value of the items and money you leave to your beneficiaries when you die. Some of your assets are free from this tax (see below) but those that are not will be taxed at 40%.

Anything left to your spouse should be exempt from Inheritance Tax. For other beneficiaries, the first £325,000 of your assets are free from this tax: this is known as the 'individual nil rate band'. In addition, there may be a further 'residence nil rate band' which can apply to the value of a family home in certain circumstances.

In March 2023, HMRC reported that IHT receipts for the 10-month period ending February 2023 stood at £6.4bn. This is expected to continue, with the OBR (Office of Budget Responsibility) predicting an annual figure of £8bn for the 2027/28 tax year (source: OBR, January 2023).

Please speak to your tax adviser for further information.

Business relief

Business Relief (formerly known as Business Property Relief) was introduced in 1976 as a way of encouraging investment into unquoted trading businesses and to prevent them being broken up in order to pay Inheritance Tax.

If you leave shares that qualify for Business Relief to your beneficiaries and have owned them for at least two years at the time of your death*, **no Inheritance Tax should be due on the value of those shares.**

**This qualifying period may be less where your Subscription has previously been held in another asset that qualified for Business Relief.*

How the underlying trade operates

Seneca Partners Ltd is an award winning, specialist SME investment and advisory business headquartered in the North West of England. Seneca specialises in equity and lending based investments with the aim of providing growth and income for its investors.

The wider Seneca family of companies has over £200 million of funds under management for advisers and their clients throughout the UK.

Lending is a core trading activity for the wider Seneca family of companies, with over £160 million having been lent across more than 1,500 loans. This lending includes Commercial Property, Assisted Living, Asset and Trade Finance, Property Development and Bridging Loans.

Tangible security is taken in support of all loans with the sole purpose of minimising the risk to investors' capital.

Who invests in the Seneca IHT Service?

The Seneca IHT Service ("Service") is aimed at investors who are looking for:

1. Their investment to qualify for 100% relief from Inheritance Tax after only two years
2. A return of 4% p.a. which can be paid as income, left to grow or a combination of both
3. Steps to be taken to minimise the risk to their investment
4. The option to withdraw their money

Income and/or growth are not guaranteed. You may lose some or all of the money you invest. As long as you have invested in the Service for at least 12 months, you can give 3 months' notice to withdraw some or all of your money. A Withdrawal Fee may apply.

Solving the typical IHT problem using business relief

This is Karen. She is 64 years old, widowed with children and grandchildren. She owns her own home and receives a modest pension from her late husband's pension scheme. She also has a healthy portfolio of investments.

Whilst she hopes to have a few years left in her, Karen would like to increase the value of her legacy for her children and grandchildren. At this stage, Karen does not want to make a substantial gift to her children and would prefer to avoid further exposure to stock markets or what she views as complicated arrangements (such as setting up a trust).

Whilst the pension she receives covers her monthly bills, Karen would also like to generate some additional income from her investment but at the same time, have access to her capital in case she needs it to pay for care in later life.

Karen has spoken to her financial adviser who has suggested the Seneca IHT Service as a simple way in which Karen can reduce the amount of Inheritance Tax that will be due on her estate.

Her adviser starts by comparing the differences in tax treatment between investing £100,000 in the Service to making an investment without any IHT planning:

	No IHT Planning	Seneca IHT Service
Initial Investment	£100,000.00	£100,000.00
All Upfront Fees*	-	(£2,683.90)
Amount Invested*	£100,000.00	£97,316.10
Assumes 2 Year Income at 4% p.a	£8,000.00	£7,785.28
Inheritance Tax at Death (charged at 40%)	(£40,000.00)	£0.00
All Exit Fees	-	(£1,167.79)
Cash Value to Beneficiaries	**£60,000.00**	**£96,148.31**

** Assumes that we have not been asked to facilitate any advice fees.*

In this example, the beneficiaries would receive over £36,000 more* and Karen received almost £3,900 p.a. paid quarterly to supplement her income.

Karen is interested and would like to know more.

If I invest, how will my money be used?

The company (or companies) in which your money would be invested provide secured commercial loans to UK businesses. Each loan is secured against the borrowers' assets which may include property, receivables, plant and machinery, stock and/or vehicles.

The trading activities of these companies are consistent with the objectives of investors seeking income from their investment in the Service. Any profits made on the loans are used to pay regular dividends with the remainder retained in the business helping to maintain the value of your investment.

The lending activity is spread across hundreds of underlying borrowers with a number of different types of asset taken as security in support of the loans made.

Is it linked to Stock Market performance?

No. The Service only invests in private limited companies, none of which are listed on any stock market. Therefore, each company's share price has no correlation with share price movements of quoted companies, such as those that make up the Alternative Investment Market ("AIM").

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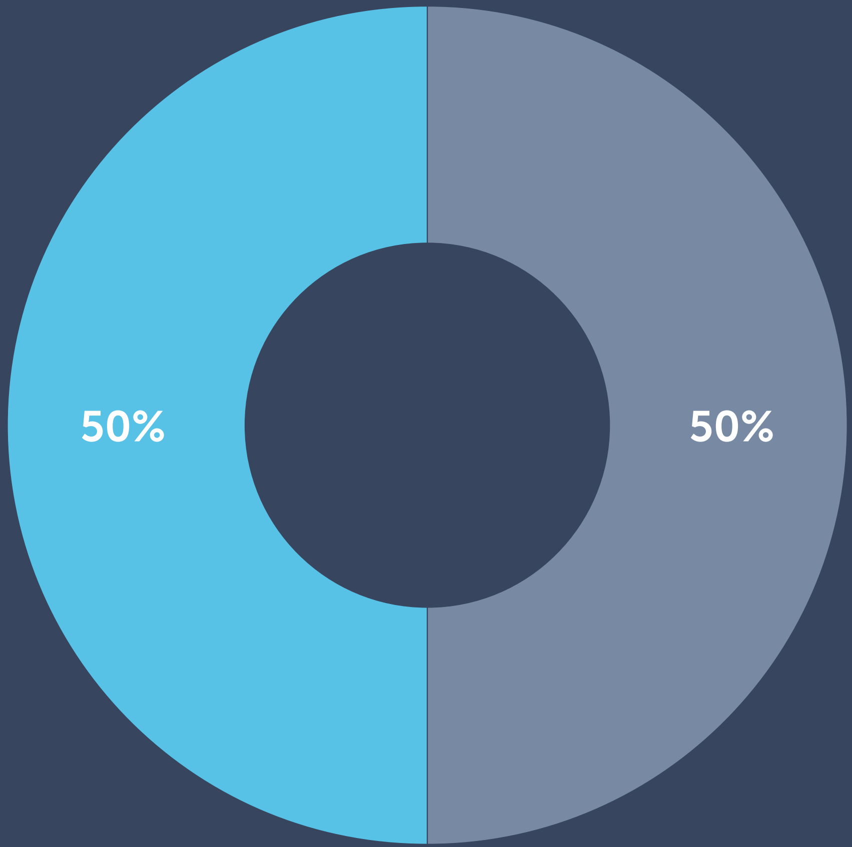
What type of loans have been made?

The underlying asset classes providing the security for the income paying Loan Book as at 30th September 2023 were as follows:



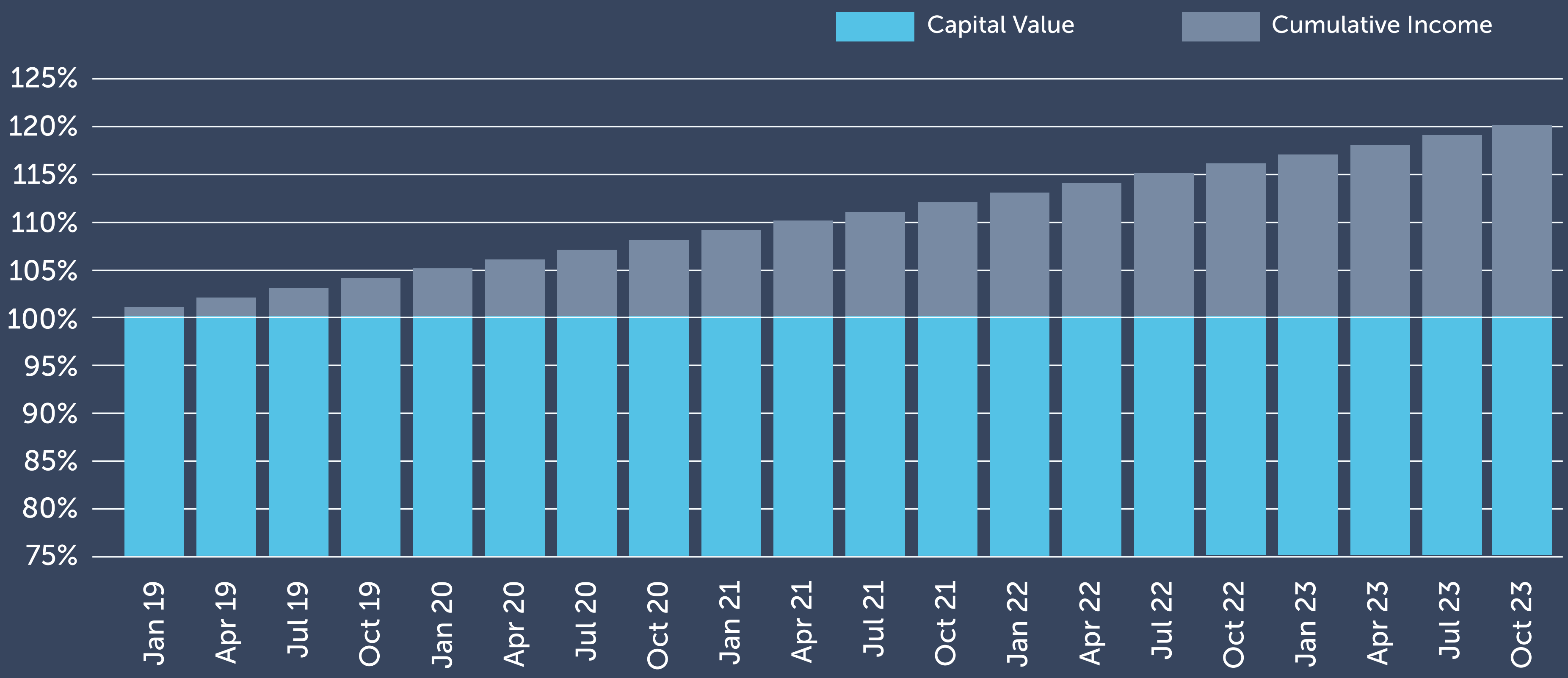
50%
Asset Based Lending (Stock)

50%
Property (Social Housing)

Please note that the companies in which the Seneca IHT Service invests and the composition of their loan books may change over time, particularly as loans are repaid and new loans are made.

How has the Service performed?

Seneca's income paying IHT Service was originally called Seneca Preference.



Seneca Preference was launched in October 2017, with the aim of paying a quarterly income paid via dividend. Since that date, the target income has been paid in full and on time for every investor. In addition, investors have seen the value of their capital maintained.

Figures shown are correct as at January 2024 and exclude any fees that may be charged upon withdrawal. Past performance is not a guide to future returns. Target returns are not guaranteed and you may get back less than you invest.

What does it cost to invest in the Service?

The following table summarises the fees charged by the Service:

Upfront fees	Ongoing fees	Withdrawal fees**
Initial fee 1.75%* + VAT *(increasing to 2.75%* + VAT if you invest without having received financial advice from a financial adviser)* ** Minimum £500*	**Annual management charge** Nil *(Investee companies are responsible for their own running costs. These are capped at the equivalent of 3% + VAT p.a and include a payment of up to 1% p.a + VAT as an annual management charge)*	**Withdrawal fee** 0.5% + VAT
Share purchase fee 0.5% + VAT *of the cost of the shares purchased*		**Share sale fee up to** 0.5% *of the value of shares sold*

Can I withdraw my investment if I need access to my money?

Once you have held your investment for 12 months, you can give three months' notice to withdraw some or all of your capital, subject to certain fees and funds being available to redeem the shares. Withdrawing any funds may remove any IHT saving.

This could be particularly useful if you need to pay for your long term care in the future.

*** Withdrawal Fees are not charged on any dividends payments made to you.*

Important information and key risks

This brochure has been published by Seneca Partners Ltd ("Seneca" or "we"), the Manager of the Seneca IHT Service ("the Service").

You should base any decision to invest solely on the contents of the Information Memorandum, paying particular attention to the risks detailed in it, and our Terms and Conditions. We recommend that you seek advice from your financial adviser before making an investment.

You may lose money

The Service invests in companies whose strategy is to preserve capital by taking security in support of the loans they make. Despite this, it is possible that those loans may not be repaid in full or at all, resulting in losses that affect the value of your investment. When your shares are sold, the Net Asset Value of the investee companies may be lower than it was at the time you invested. Alternatively, the price achieved may not represent the full Net Asset Value of those shares in the investee companies.

Growth is not guaranteed

If you have invested for growth, the amount of any future growth in the value of your investment is not guaranteed.

Income is not guaranteed

If you have invested for income, the amount of any future dividends is not guaranteed.

It may take longer to withdraw your money

Your investment will be used to buy shares in one or more unquoted companies. This type of investment generally carries a higher degree of risk. There is no market in which these shares can be traded and therefore they can be more difficult to sell. Withdrawal requests are facilitated by the disposal of shares held and are therefore conditional on either someone being willing to buy the shares or cash being available in the relevant investee companies to redeem them. Whilst we will make every effort to fulfil all withdrawal requests once the three month notice period has elapsed, there may be a delay in meeting such requests if we have been unable to dispose of your shares (for example, where we have received withdrawal requests from a number of investors at the same time).

Changes to tax rules and legislation

The Service relies on the current legislation and interpretation relating to Business Property and HMRC practice. These could change in the future, affecting the potential tax benefits of your investment. The value of and qualification for tax reliefs depend on your personal circumstances.

Seneca Partners Ltd, 9 The Parks,
Newton-le-Willows, WA12 0JQ

01942 271 746
clientteam@senecapartners.co.uk
www.senecapartners.co.uk

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