



Stellar Family Trading Companies Inheritance Tax Service

Offer Review

28 March 2025

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Review Process

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The following summarises the steps from the initiation of research to the publication of a MICAP Review on the MICAP Fund Finder:

1. An Insight Investment Analyst sends the relevant due diligence questionnaire (DDQ) to the party under review.
2. Insight appoints one of its investment analysts to review the completed DDQ, requesting further information or documentation where required.
3. The Investment Analyst will contact and/or interview the relevant party as required, validating and auditing the information provided, and thereby collating soft data to supplement the factual data already provided.
4. The Investment Analyst will draft the review.
5. The review is then submitted for internal peer review to an Insight Investment Analyst.
6. Prior to issue to the party under review, a final review and check is undertaken by Insight Investment Management to ensure no advice or opinion is contained within.
7. The review is sent to the party under review for factual accuracy. Any comments will be evaluated by the Insight Investment Analyst before the final draft is prepared.
8. The final version of the review is then sent to the relevant party for sign off.
9. Subject to sign off, the full MICAP Review will then be posted on the MICAP Fund Finder and made available to all subscribing users.

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Overview

Launched in December 2011, the Stellar Family Trading Companies Inheritance Tax Service (the "Service"), formerly Stellar Growth Inheritance Tax Service, is a discretionary managed portfolio service operated by Stellar Asset Management Ltd ("Stellar"). The Service allocates each investor's funds into a single newly incorporated family trading company ("FTC") that is solely owned and personally named by the investor, and which is managed by Stellar. Each FTC will then commit its capital to and participate in the qualifying trading activities of a number of partnerships. Each partnership is created and managed by Stellar and directly operates in one of seven sectors: hotels, forestry, mixed development, residential property development, golf, care homes and commercial development. The partnerships hold assets directly for the majority of the trades, and Stellar works with external specialist partners to source, acquire, directly manage (with Stellar oversight) and dispose of the assets. Currently the Service has 15 partnerships or trades in operation embracing those seven sectors.

Stellar also operate a business variant of the Service managed by the same team. In this instance investors transfer surplus cash in the underlying partnerships managed by Stellar. Stellar intends to have 85% of each FTC's assets committed to a minimum of four to six partnerships within 12 months of subscription, with internal guidance limits, ranging between 15% and 25%, put in place to ensure investors are not overexposed to a particular sector monitored throughout the whole investment period.

The minimum subscription to the Service is £250,000 and Stellar anticipates that, based on current legislation, the shares in each FTC will qualify for 100% business relief ("BR") for investors (subject to the minimum holding period, any 'excepted assets' and the relevant tax legislation at the relevant date for a claim). Stellar noted that following the October 2024 budget announcement, it sees asset backed investment as one of the last remaining domains of two year expedited, 100% IHT mitigation with full asset control. Investors seeking income can choose to pay themselves a dividend from their FTC, subject to appropriate profits being available for distribution. Additionally, due to the structure of the Service, it can accept further "top-up" payments, with BR qualification based on the date of FTC incorporation, subject to applicable caveats.

Offer Details

Offer name	Stellar Family Trading Companies Inheritance Tax Service
FCA Authorised Manager	Stellar Asset Management Ltd
Investment Adviser	Stellar Asset Management Ltd
Promoter	Stellar Asset Management Ltd
Offer type/tax wrapper	BR (Individual)
Launch date	01 December 2011
Close date	Evergreen
Minimum subscription	£250,000
Estimated deployment timeframe	Within three months
Associated life insurance policy	No
Minimum required to proceed	n/a
NMPI (UCIS)?	No
Total target return	3.00% - 5.00%
Legal structure	Discretionary Portfolio Service
Target no. of investee companies	10
Investee company type	Asset-backed
Investment objective	Capital Preservation & Growth
Sector	Blend
Sub-sector	Blend
Exit strategy	n/a - evergreen
Minimum expected duration	n/a - evergreen

MICAP Summary

Highlights

- With exposure to seven sectors, including largely uncorrelated ones such as forestry, care homes, and leisure assets, the Service provides sector diversification for investors' FTCs within an inheritance tax service
- Investors will retain a level of influence over their investment as 100% shareholders of their FTC whether the investor has opted out of certain sectors or assets. Stellar also provides a more bespoke version of the Service, Stellar Bespoke, for investors over £1.0 million, which allows investors to choose what sectors and specific assets they want to be invested in, sometimes even the establishment of wholly owned Partnerships specific to the FTC.
- Across the seven sectors and £85.75 million in total Service AUM, around 90% of those involve holding assets directly, while 9.9% is secured with a first charge over the underlying assets in hotels and commercial development trades and c. 0.1% is invested by the Service in the golf sector via debt investment secured with a subordinate charge over the underlying asset
- Stellar utilises multiple third-party services, including CMS LLP, to carry out an assessment of the general nature of any trade prior to commencement and to confirm in writing its likelihood of qualifying for business relief
- Investors looking for income can elect to pay themselves a dividend from their FTC (when appropriate profits are available for distribution) and/or fees. The structure of the Service allows additional "top-up" payments with BR qualification being the date of incorporation, subject to applicable caveats.

Considerations

- Investors are not allocated pro rata into the Service's total assets under management but instead allocated into a blend of four to six partnerships (the Service has 15 such partnerships as at November 2024), with each partnership exposed to one specific underlying asset. However, Stellar noted it has internal guidance limits, such as 25% for Leisure and Hotels and 15% for all others, put in place to ensure investors are not overexposed to a particular sector, monitored throughout the whole investment period
- The individual, sometimes bespoke structure of the Service means it is not possible to gauge a uniform performance for the Service as all individual investors' trading companies are different, albeit built around a similar broad spine. Stellar acknowledges that varying portfolio compositions, influenced by each investor's timing, will lead to differing return outcomes. Stellar advises that the five-year CAGR for performance based on each FTC' asset allocation weightings as of 31 December 2024 was 3.11% net of all costs, falling within its 3% - 5% target; though down to 3.66% as at 2023 and 5.32% as at 2022, illustrating the Service's growth potential which comes with an element of NAV fluctuation
- The Service manages approximately £85.75 million in AUM across 15 assets as at November 2024. This positions the Service in the third quartile relative to other open unlisted BR services reported on MICAP, based on both AUM and the total number of assets, with each investor's portfolio seeing only a subset of the 15 assets
- The Service experienced £490,000 in inflows over the past six months and £3.95 million in outflows, resulting in a negative net inflow of £3.46 million, which accounts for -4.07% of AUM, placing it in the fourth quartile based on the open unlisted BR services that are listed on MICAP. In the event of an increase in withdrawal requests due to family circumstances, poor performance, or changes to IHT legislation, investors may find it difficult to exit the investment in a timely manner. However, as this is a different structure to other providers, Stellar advises that investors are made aware of this point at the onset, and to potential liquidity constraints. Investor withdrawals are typically managed on an individual basis with the investor
- As announced at the Autumn Budget 2024, certain IHT rules are due to change in 2025, 2026 and 2027, with BR rules set to change significantly from April 2027. Investors and their advisers should be mindful of these proposed changes.

Summary

The Service has been operating for over 13 years, with 15 active partnerships managing a total AUM of £87.75 million across seven sectors as of Q2 2024. Some partnerships, such as secured lending, operate on shorter terms before being wound up, while others, like forestry, run longer but aim to provide some income during the investment period. Due to the bespoke nature of each FTC, sector allocation and returns vary. The Service targets 3% to 5% return, in comparison to the market median range of 3.0% to 4.5% within the unlisted BR market. Its five-year CAGR to 31 December 2024 was 3.11%, within the Service's target range, though the five-year figure to 2023 was 3.66% and to 2022 was 5.32%. Evaluating overall performance is complex due to the Service's structure and returns depend on individual allocations. Stellar states that returns are not expected to be a consistent 3% to 5% per annum and advises assessing individual partnership performance upon exit against the target. The Service differs from the standard "TopCo" BR structure, by enabling investors to participate in sector and asset selection, subject to deal flow. The investment team is led by CEO Jonathan Gain and supported by three members, CFO Claire Taylor, Investment Manager David Stein and Investment Analyst Daniel Edwards. Over seven years, the total fees for the Service come in at 16.50%, which includes all initial, ongoing and exit deal fees charged to investors (including VAT where applicable) and excluding performance fee, placing it below the market average of 16.92%.

Track Record

Target Return

	Minimum target ²	Maximum target ²
Stellar Family Trading Companies Inheritance Tax Service	3.00%	5.00%
Quartiles	Q2	Q1

¹ Based on the open unlisted BR services that are listed on MICAP and provide data to MICAP and updated every three months.

² Many unlisted BR services target a range of returns. The minimum and maximum here refer to the top and bottom of any target range provided.

In order to reach its target return after deductions, we are advised that the following gross returns are required:

Gross return	5.20% - 7.20%
Direct operating costs¹	0.13%
Annual admin charge (including VAT)	0.60%
AMC (including VAT)	1.20%
Cash drag	0.27%
Target return	3.00% - 5.00%

¹ Direct operating costs include Director & Officer insurance, director fees, audit and tax advice fees and bank charges.

Return Since Inception

	No. Years in Operation ¹	Annualised return ²
Stellar Family Trading Companies Inheritance Tax Service	13	n/a

¹ The number of years each service has been in operation

² Annualised return achieved since inception

5-Year Performance Overview

There is no share price available for this Service as each FTC is individual or bespoke, so an outright 5-year share price performance overview cannot be provided. However, Stellar advises that the five-year CAGR for performance as measured using the geometric mean of all its largest and, more recently (and going forward), all investors, was 3.11% as at 31 December 2024, down from 3.66% in 2023 and 5.32% in 2022. Whilst accepting any fall in CAGR is not necessary welcome, Stellar noted that the decline in CAGR reflects Stellar's investment approach, which focuses on growth and involves some NAV fluctuation.

Stellar invests in trading businesses where returns are not driven linearly and can be affected by day-to-day trading performance. A number of businesses are also subject to development strategies where "work-in-progress" does not have an immediate value. Each FTC has a different structure, so investor returns vary. Some businesses may also contain long-term assets that do not immediately produce income or gains. Stellar publishes data on the returns achieved from all businesses held and subsequently disposed of by the Service.

Track Record Summary

The Service has a target return of 3.0% to 5.0%, in comparison to the market median range of 3.0% to 4.5% within the unlisted BR market. Stellar calculates a target gross return range of 5.2% to 7.2%, which after deductions including direct operating costs, annual admin charge (including VAT), annual management charge (including VAT), and cash drag, it reaches its target return range of 3.0% to 5.0%. However, Stellar is keen to point out that the 3.0% to 5.0% per annum target is not a linear target. Investors are made aware at outset that different sectors have different return profiles and so the target for each partnership is to achieve an equivalent return of 3.0% to 5.0% per annum compounded at disposal.

Stellar was unable to provide an annualised return for the Service since inception. Additionally, while there is no share price available due to each FTC being individual or bespoke, Stellar noted that the five-year CAGR for performance was calculated using the geometric mean of its largest and, more recently (and going forward), all investors, which as at 31 December 2024 was 3.11%, falling within its target return range. Stellar advises that the 5-year CAGR has been impacted by one of Stellar's assets in particular, a luxury boutique hotel, Murrayshall which was acquired in 2016 having initially

invested £5 million, with a newly approved £30 million masterplan in December 2023. Stellar noted that until the masterplan is successfully concluded the impacts of such turnaround assets will likely continue to impact overall NAV.

In terms of all the closed partnerships that have been facilitated by the Service since inception, 26 of 37 Partnership exits have been performed above the upper IRR target of 5%, with the remaining returning an IRR below 5%.

The Service has been in operation for over 13 years which makes it one of the more established unlisted BR services, and above the market median of 10 years based on the number of years each service has been in operation across the open unlisted BR services that are listed on MICAP and provide data to MICAP.

Diversification & Investment Process

Overview

	Service AUM	Total # assets ²	Top 10 ³	Top 5 ³	Top 1 ³
Stellar Family Trading Companies Inheritance Tax Service	£85,750,000	15	85.00%	60.00%	17.00%
Quartiles	Q3	Q3	Q4	Q4	Q4

¹ Based on the open unlisted BR services that are listed on and supply data to MICAP and updated every three months.

² The total number of assets or contracts held by the Service, based on data supplied by the relevant managers and updated every three months.

³ The largest 10/5/1 holdings as a percentage of the NAV of the Service, based on data supplied by the relevant managers and updated every three months.

The above reflects all assets within the Service, with investors personal companies allocated to a portfolio of four to six partnerships invested with different trading assets and sectors/assets. Stellar advises that on average investors have interests in an average of 10 trading assets.

Largest 10 holdings

The data below was supplied by Stellar on 22 January 2025:

Asset name	Asset description	Date invested	Value	% AUM
Stellar Murrayshall Hotel LLP	Hotel and leisure resort	01/10/2016	£15.0m	17.1%
Duchrae Forestry Partnership	Forestry	27/10/2022	£10.5m	12.0%
Tavis House Stellar (Poole) LP	Commercial development industrial warehouse space	14/04/2022	£10.0m	11.4%
Tavis House Stellar (Tunbridge Wells) LP	Commercial development industrial warehouse space	15/02/2022	£10.0m	11.4%
Formby Development Partnership	Strategic land development	14/06/2019	£8.0m	9.1%
Strathclyde Hotel LLP	Hotel	12/06/2018	£6.5m	7.4%
Stellar Bramshaw LLP	Leisure	25/02/2021	£5.0m	5.7%
SSC Bradford LLP	Care home	26/07/2019	£4.1m	4.7%
Panmure Forestry Partnership	Forestry	12/09/2019	£2.5m	2.8%
Nayland Development Partnership	Residential Development	17/02/2021	£1.5m	1.7%
Total			£73.1m	83.3%

Sector Allocation & Experience

The data below was supplied by Stellar on 20 November 2024:

Sector	No. assets/ contracts ¹	AUM (£m) ²	AUM (%) ²	Manager experience ³	Manager AUM (£m) ⁴	Institutional funds? ⁵
Hotels	3	£23.70	27.64%	20+	£40	No
Commercial Property Development	2	£21.00	24.49%	20+	£60	No
Forestry	2	£11.20	13.06%	20+	£13	No
Mixed Development	2	£8.50	9.91%	20+	£10	No
Golf	3	£6.05	7.06%	20+	-	No
Care Homes	1	£4.10	4.78%	20+	£4	No
Residential Property Development	2	£2.20	2.57%	20+	£2	No
Cash	-	£9.00	10.50%	-	-	No
Total	15	£85.75	100.00%	-	c. £129	-

¹ The total number of assets or contracts held by the Service operating in this sector.

² The AUM of the Service operating in this sector.

³ The number of years the Manager has, as a firm, been operating investments in this sector.

⁴ The Manager's total AUM in this sector (including the Service, the Inheritance Tax Service (ITS), and standalone assets).

⁵ Whether the Manager manages any institutional funds in this sector.

Investment Selection and Due Diligence

Stellar will appoint two representatives to each FTC's board and will invest the company's assets into four to six partnerships or limited partnerships on a discretionary basis or bespoke if advised. Each partnership is managed by a sector specialist on behalf of Stellar, and each partnership operates a specific asset across a range of different investment sectors including hotels, forestry, mixed development, residential property development, golf, care homes and commercial development. These managing sector specialists have an open reporting line to Stellar and a formal reporting schedule, providing management accounts monthly (quarterly for forestry). The underlying partnerships will pool funds from other Trading Companies.

Stage	Description	Number of Companies per year	Responsible party
Initial Screen	Stellar's Joint Venture partners are constantly screening the opportunity universe and do their "first cut" predicated upon what they think are the most attractive opportunities.	50	Joint Venture Partners
Deal Filtering	Stellar partners with industry experts in each operational sector. In each case Stellar's partners will conduct initial due diligence before proposing a deal to Stellar's investment team.	15	Joint Venture Partners / Investment Team
Third party review	Stellar's investment team will conduct due diligence from multiple sources including but not limited to asset data rooms, public sources, trading information, market data, valuation reports and surveys. Site visits will be conducted by multiple members of Stellar's investment team. Following these, an investment proposal is drafted for the IC.	5 - 10	Investment Team
IC Sign off	Stellar's IC will review the investment proposal and discuss all matters at an in-person meeting. All remaining questions will be clarified by the investment team and resolved prior to proceeding with any investment.	4 - 8	IC
Investment	Stellar targets one new deal per quarter.	4	-

Investment Team and Roles

Please refer to the end of this document for a summary biography on each senior member of the team.

	Job title	Years working with investment team	Years working in sector
Jonathan Gain	Chief Executive Officer	17	30+
Claire Taylor	Chief Financial Officer	6	15+
David Stein	Investment Manager	5	7
Daniel Edwards	Investment Analyst	3	3

The management team above works alongside all relevant Joint Venture partners on an asset specific level.

The investment team has had the following senior leavers in the last five years:

	Role	Date joined	Date left	Replacement?
Piere Clarke	Investment Manager – Corporate Development	2020	2023	n/a

Investment Committee

	Role	Date joined	Internal/ external	Investment team member?	Date left (if applicable)
Jonathan Gain	Chief Executive Officer	2007	Internal	Yes	-
Craig Reader	Group Chairman	2007	Internal	No	-
Claire Taylor	Chief Financial Officer, Executive Director	2019	Internal	Yes	-

Diversification & Investment Process Summary

The Service has a total AUM of c. £85.75 million spread across 15 partnerships as at 20 November 2024, which places the Service in the third quartile based on the AUMs and underlying assets of the open unlisted BR services that are listed on and supply data to MICAP. However, investors are allocated into just a portion of these with a client's individual trading company on average holding stakes in 10 underlying assets, which would rank it in the bottom quartile for numerical asset diversification.

Stellar intends to have 80% of each FTC's capital committed to c. six partnerships, although the number of partnerships that an investor will be allocated across will depend on current deal flow, capital expenditure requirements of existing partnerships, new partnership creation and whether the investor has opted out of certain sectors/assets. It is possible therefore that an investor may be allocated across a limited number of partnerships at inception (and each in turn will only hold one asset or a small number of loans) which creates a concentration risk; however, Stellar has internal metrics to ensure investors are not overexposed to a particular sectors or trades, with internal guidance limits, ranging between 15% and 25%. Additionally, the seven sectors should provide exposure to some uncorrelated asset classes and reduce diversification risk, and the Service's structure allows investors to choose what sectors they want to be invested in, if a more bespoke approach is preferred.

The investment team is led by CEO Jonathan Gain, former Managing Director of Close Brothers, and supported by three members, CFO Claire Taylor, Investment Manager David Stein and Investment Analyst Daniel Edwards. Stellar partners with industry experts to source ideas and opportunities and conduct initial due diligence before presenting deals to its investment team. The investment team then conducts thorough due diligence from multiple sources, including site visits. Independent opinion on BR qualification is also addressed. The investment team then drafts a thorough proposal for the Investment Committee, which formally reviews it, addresses and documents any remaining questions, and makes the final decision. The Investment Committee consists of three members, two of whom are in the investment team. While Craig Reader is not part of the investment team he does bring some degree of external oversight. Stellar is currently considering appointing a Non-Executive Director to enhance external oversight.

Asset Profile

Asset Class Breakdown

The data below was supplied by Stellar on 20 November 2024:

Sector	Equity investment ¹	3 rd party debt ²	Debt investment (1 st) ³	Debt investment (other) ⁴
Hotels	£17,000,000	-	£6,700,000	-
Commercial Property Development	£19,000,000	-	£2,000,000	-
Forestry	£11,200,000	-	-	-
Mixed Development	£8,500,000	-	-	-
Golf	£6,000,000	-	-	£50,000
Care Homes	£4,100,000	-	-	-
Residential Property Development	£2,200,000	-	-	-
Cash	£9,000,000	-	-	-
Total	£77,000,000	-	£8,700,000	£50,000

¹ The total amount invested by the Service in this sector via equity investments i.e. through companies that directly own and operate yield-producing assets.

² The total amount of third-party debt secured against the equity investments in this sector.

³ The total amount invested by the Service in this sector via debt investments secured with a first charge over the underlying assets or a first-ranking debenture over the borrower's total assets.

⁴ The total amount invested by the Service in this sector via debt investments secured with a subordinate charge over the underlying assets or a subordinate debenture over the borrower's total assets.

Assets Under Construction/Not Operational

The data below was supplied by Stellar on 22 January 2025:

Sector	AUM (%)	Outline of construction risk or factors required for asset(s) to become operational, plus any mitigations
Commercial Development	9.5%	Stellar currently has two commercial development assets under construction within the Service. Expected completion date is H1 2025. Construction is closely monitored by Stellar's joint venture partner (Tavis House) as well as Stellar's investment team who regularly conduct site visits. Monthly construction and marketing updates are held to ensure that any issues are unearthed and dealt with in a timely manner. Once construction is complete units will be sold, proceeds will impact NAV and partnership will be wound up.
Mixed Development	5.5%	Stellar currently has one strategic land development in progress. However, this is still in planning. Monthly progress meetings with all vested parties are held to ensure that any issues are unearthed and dealt with in a timely manner.
Forestry	4.8%	Stellar currently has one new planting opportunity within this Service at Duchrae. The initial planting phase on half of the site was undertaken in 2023. However, a planning application on the remainder of the site is in progress and expected to be concluded in Q1 2025. Goldcrest, Stellar's joint venture partner, have been employed as a forestry manager to not only secure planting permission on the remainder of the site but also to manage planting, harvesting and general maintenance activities. Stellar retains oversight of the asset. However, Goldcrest's extensive experience in the sector ensures that day to day activities are taken care of.

In addition to Assets under construction/not operational, hotel and golf courses within the Service are often bought as trading entities that undergo redevelopment and re-structuring to improve the facilities and operation. These redevelopments often require development approval and are susceptible to construction costs and time delays which can impact the value of the site and temporary profitability.

Company Accounts

Investee company	Full accounts?	Audited accounts?	Revenue	Net profit	Net assets
Duchrae Forestry LLP	No	No	£703,605	£724,236	£10,628,191
Strathclyde Hotel LLP	Yes	Yes	£3,427,450	£858,386	£4,863,948
Stellar Channel Tunnel Hotel LLP	Yes	Yes	£2,779,506	£568,720	£6,766,238
Formby Development Partnership LLP	Yes	No	n/a	£-410,418	£7,550,374
S C Bradford LLP	Yes	No	£226,473	£158,349	£5,225,563
Stellar Bramshaw LLP	Yes	No	£176,754	£176,754	£5,097,690
Stellar Murrayshall LLP	Yes	Yes	£3,036,701	£-1,375,943	£5,095,961
Stellar Paultons LP	No	No	£326,657	£36,746	£4,030,949
Tavis House Stellar (Tunbridge Wells) LP	No	No	£69,201	£-405,027	£7,820,885
Tavis House Stellar (Poole) LP	No	No	£4,749	£-403,345	£-7,252,673
Stellar Dundee Hotel LP	No	Yes	£361,904	£-27,157	£-869,650
Stellar Newark LP*	No	No	n/a	n/a	n/a
The Brandon Strategic Land Development LP	No	No	n/a	n/a	£1,000,000
Tavis House Stellar (Hoddesdon) LP	No	No	£6,727,000	£-1,688,070	£14,701,305
The Stellar Martineau Place LP	No	Yes	£2,042,156	£24,998	£10,908,422

*Recently bought golf club as at 16 July 2024.

Asset Profile Summary

Across the seven sectors and £86.75 million in total AUM, around 90% of those are equity investment while 9.9% is secured with a first charge over the underlying assets and c. 0.1% is invested by the Service in the golf sector via debt investment secured with a subordinate charge over the underlying asset. In terms of the assets under construction, the Service has c. 20% of AUM exposed to commercial and mixed property development as well as forestry as at 22 January 2025.

Stellar expects to deploy investor funds into their FTC within 48 hours on receiving the money and will then seek to allocate 85% of investors' funds into 4 to 6 partnerships, within 12 months of investment. Any funds not invested into partnerships will remain in cash which currently account for £9 million in AUM. Stellar advises that being investment and not transaction lead they will only seek to invest cash when the right opportunity manifests.

Liquidity

Investor Profile

	No. investors ²	Largest investor ²
Stellar Family Trading Companies Inheritance Tax Service	400	4%
Quartiles	Q2	Q3

¹ Based on the open unlisted BR services that are listed on and supply data to MICAP and updated every three months.

² The number of investors in the service and the largest investor in the service as a percentage of the Service's AUM, based on data supplied by the relevant managers and updated every three months.

³ The top quartile for number of investors is for offers with the most investors, whereas for the largest investor, it relates to the smallest allocation to one investor.

Net inflows

	Inflows (6m) ²	Outflows (6m) ²	Net inflows (6m)	Net inflows/ AUM
Stellar Family Trading Companies Inheritance Tax Service	£490,000	£3,950,000	-£3,460,000	-4.07%
Quartiles	Q4	Q3	Q4	Q4

¹ Based on the open unlisted BR services that are listed on and supply data to MICAP and updated every three months.

² The inflows and outflows of the service over the last six months, based on data supplied by the relevant managers and updated every three months

³ Due to the size of some of the largest services, they can also appear in the top quartile for the most outflows over six months, but the level of net-inflows is important. Some smaller services can also appear in the top quartile of net inflows/AUM due to their smaller starting level of AUM.

Liquidity Record

	No. exits (inception) ²	Amount exits (inception) ³	Avg. exit time (inception) ⁴	Avg. exit time (12m) ⁵
Stellar Family Trading Companies Inheritance Tax Service	126	£11,500,000	99 days	99 days
Quartiles¹	Q2	Q3	Q4	Q4

¹ Based on the open unlisted BR services that are listed on and supply data to MICAP and updated every three months.

² The number of investor withdrawals from the service since inception, based on data supplied by the relevant managers and updated every three months.

³ The amount withdrawn from the service since inception, based on data supplied by the relevant managers and updated every three months.

⁴ The average time taken for investors to withdraw from the service since inception, based on data supplied by the relevant managers and updated every three months.

⁵ The average time taken for investors to withdraw from the service in the last 12 months, based on data supplied by the relevant managers and updated every three months.

⁶ Offers with the largest number and amount of exits rank in the top quartile, with the quickest exit times ranking in the top quartile.

Liquidity Summary

The Service has a total of 400 investors, with the largest investor accounting for 4% of the Service's AUM, placing it in the second and third quartiles, respectively for the number of investors within the Service and the largest investor of the Service, in comparison to the market based on the open unlisted BR services that are listed on and supply data to MICAP. Investors can request to withdraw some or all of their funds at any time. Investors can request full or partial withdrawal/disinvestment at any time subject to liquidity. Partial withdrawals will be facilitated through either a reduction in share capital in the FTC or matching withdrawing investors with incoming investors on a matched bargain basis. Full withdrawals will also involve a liquidation of the FTC, followed by a distribution of all capital and profits to shareholders. Periodic cash disbursements can be facilitated throughout the life of the FTC via dividend distribution and fees.

When inflows are consistent, investors can expect to redeem their holdings within a reasonable amount of time. Based on data provided to MICAP, the Service experienced £490,000 in inflows over the past six months and £3.95 million in outflows, resulting in a negative net inflow of £3.46 million, which accounts for -4.07% of AUM, placing it in the fourth quartile for the net inflows/AUM across the market based on the open unlisted BR services that are listed on and supply data to MICAP.

Stellar notes that the Service is bespoke, so the liquidity is determined by the individual shareholder's needs within their own company. According to Stellar, many FTCs are intended to be passed to the next generation, and liquidity reflects the needs of the underlying trading businesses. Liquidity may also be accessed during the probate process, which can be lengthy.

As some of the underlying partnerships will target lifespans of up to 10 years, investors seeking an exit may rely on new subscribers to the Service wishing to be allocated across the trades that existing investors are currently allocated in. This is a common feature of BR services generally, and based on current net inflows, the Service will have difficulty providing liquidity for exiting investors due to negative net inflows. Stellar endeavours to facilitate withdrawals for investors within one to three months from receipt of the withdrawal request, but in certain circumstances, withdrawals may take longer

depending on liquidity at the time. Since inception, the Service has facilitated 126 exits, totalling £11.5 million, ranking it in the third quartile for the total amount withdrawn from the Service since inception based on the open unlisted BR services that are listed and supply data to MICAP. The average exit time since inception and over the last 12 months has been approximately 99 days which places it in the bottom quartile, based on the average exit time on the open unlisted BR services that are listed on and supply data to MICAP, that is much longer than the liquidity offered by some larger IHT services utilising different structures.

HMRC Compliance

BR Assessment

As at the date of this review, 100% BR is potentially available on shares in unquoted companies as long as investee companies meet the qualifying criteria, which include that the company does not mainly deal in securities, stocks or shares, land or buildings, or in the making or holding of investments. This is also subject to the investee companies holding any "excepted assets" (such as excess cash) which may reduce the quantum of BR available. However, as was announced at the Autumn Budget 2024, it is proposed that from 6 April 2026 100% BR will only be available on business assets and certain agricultural property up to a value of £1 million. After £1 million, the rate of relief will be reduced to 50%.

	Conducted by
Tax opinion of structure	CMS LLP
Initial assessment of deals/sectors	CMS LLP and in-house
Annual assessment of investee company	CMS LLP, and in-house

HMRC Record

	Successful BR claims ²
Stellar Family Trading Companies Inheritance Tax Service	64
Quartiles ¹	Q3

¹ Based on the open unlisted BR services that are listed on and supply data to MICAP and updated every six months.

² The number of investors in the service that have died, been fully exited from the Service, and (to the best of the manager's knowledge) had their claims for 100% Business Relief on their holdings at the date of death accepted by HMRC

HMRC Compliance Summary

Stellar advises that for the tax opinion of the structure, it mainly uses CMS LLP providing solicited opinions on the general nature of each of the trade and their likelihood of qualifying for BR for both initial and annual assessment. The last time such an opinion was issued was in Q2 2024 when Stellar purchased Newark Golf Club. Stellar engages various third parties for different types of trades and conducts an annual BR qualifying assessment on each underlying partnership to reduce concentration risk. However, Stellar noted that it does not consider this necessary for sectors such as forestry or hotels, where owning and operating the underlying assets is generally accepted to qualify. In addition, there is no annual review of each investor's individual trading company.

To date 64 investors in the Service have successfully passed the probate process with 100% business relief granted on their investments with none being queried by HMRC to Stellar's knowledge, which places it in the third quartile for the number of successful BR claims since inception and based on all the open unlisted BR services that are listed on and supply data to MICAP. It should be noted that the current BR rules are subject to change, as was announced at the Autumn Budget 2024.

Regulatory Compliance

BR services have certain regulatory requirements including how and to whom they can be promoted. Adherence to these regulatory requirements does not reflect in any way the likelihood of the Service meeting its performance objectives, but a failure to comply with the regulations could jeopardise the Service's standing and may be indicative of other serious failing in its management team and processes.

For a discretionary portfolio service, the fund manager (or the investor's financial adviser) must assess the suitability of the service for the investor, whereas for an Alternative Investment Fund whoever is responsible for arranging the investment must complete an appropriateness test on the investor.

Stellar has provided the following regulatory classifications for the Service:

	Yes/No
Non-Mainstream Pooled Investment (NMPI)	No
Discretionary Portfolio Service	Yes
Alternative Investment Fund (AIF)	No
Restricted Mass Market Investment (RMMI)	No

Governance

The companies that investors buy shares in will be governed by its board of directors in the same manner as any other company. While these companies will retain various third parties to perform certain functions, their board of directors have a legal duty to uphold the interests of their shareholders and so meet regularly to assess the performance of the manager making the investment decisions, general governance, the valuation policy, any conflicts and whether to review the ongoing arrangements with the third-party service providers.

The directors should therefore be suitably qualified, experienced, and independent from the third-party service providers (especially the manager making the investment decisions) to undertake these duties. Although targeted at VCTs, the Corporate Governance Code of the Association of Investment Companies suggests that investment companies should have (among other criteria) an independent Chairman, a majority independent board, and submit its directors for re-election at regular intervals.

	Date Joined	Internal / External	Board meetings
Jonathan Gain	16/04/2015	Internal	4/4
Claire Taylor	14/11/2019	Internal	4/4

Each FTC has quarterly governance reviews rather than formal board meetings. These reviews, led by Jonathan and Claire, focus on assessing spreadsheets to evaluate asset performance and concentration risk. A quarterly report is then sent to investors, who can raise any concerns. Investors are shareholders in the FTC but do not hold board seats or have direct control. Governance is primarily digital, with oversight centred on the underlying partnerships and the FTC's exposure to them.

Stellar advised that as each investor has their own company and has appointed Stellar as its discretionary manager, then Stellar remains accountable to each individual investor and shareholder. The appointment of other directors is a matter for the shareholder rather than Stellar. Since inception, Stellar advises that no investor nor adviser has expressed concern at this bespoke governance arrangement.

Valuation & Reporting

Valuation Policy

Stellar advises that each partnership's assets will be valued on acquisition by an independent third-party specialist e.g. Knight Frank is one of the experts used to value hotel assets as well as John Clegg, Savills, CBRE, JLL, Colliers and others listed in subsequent sections of this document for various investment sectors. The support/involvement of these third parties helps ensure the price paid on acquisition is supported independently.

Each FTC is valued internally on a quarterly basis, while the assets which have been acquired are valued externally by specialist asset valuation experts at least once a year, with several assets valued bi-annually.

Reporting

Report	Frequency	Date Available	Detail included
Quarterly Report	Quarterly	Calendar year	It will contain a valuation of the investor's trading company and a breakdown of where its funds are currently invested.
Annual Report and Accounts	Annual	Within three months of 30 June	Investors will receive an annual report and accounts for their trading company and any partnerships they hold an interest in, plus an annual income tax statement.
Performance Updates	-	As and when these occur	Updates on performance and activity are sent to investors.
Online Portal	-	Anytime	An investor can access performance information and other updates from an online portal.

Fees & Charges

Overview

Entity fees charged to	Investment	Investee Company
Initial charge	-	-
Initial deal fee	-	1.50% ¹
AMC	-	1.00%
Annual admin charge	0.50% ²	
Annual charges on NAV or initial subscription?	NAV	
Annual performance fee		20.00% ³
Annual performance hurdle		5.00% ³
Exit deal fee	£1,000 + VAT ⁴	
Exit performance fee	-	-
Exit performance hurdle	-	-
Available discounts	Stellar has stated that discounts are available for significant investments.	
Adviser fees	Initial and ongoing adviser fees are facilitated as agreed between the investor and their adviser.	
Other fee information	Initial charge of 5% and annual charge of 2% for Non-Advised Clients. ¹ Initial dealing fee is only applied at creation of new LLP and is not taken from investment but instead rests on balance sheet as a debtor, paid down as and when the LLP makes profit thus diluting cost across investor base. ² Annual admin charge of 0.50% plus VAT applies to the FTC. ³ Annual performance fee of 20% per annum for returns in excess of 5% per annum are applied to the investee companies and only payable once the underlying Growth partnership has ceased operations. No performance fee will be levied on the underlying Growth partnership with returns of 5% or less. ⁴ Exit fee is 2% (plus VAT) of the amount realised, subject to a maximum of £1,000 (plus VAT). VAT is charged where applicable.	

Fee Comparison

	Stellar Family Trading Companies Inheritance Tax Service	Market Average¹
Total initial fees	1.50%	1.50%
Total annual fees	1.80%	1.98%
7-year fees	16.50%	16.92%

¹ Based on the open unlisted BR services that are listed on and supply data to MICAP and updated every three months.

Fees & Charges Summary

The Service charges total initial fees of 1.5% (the initial dealing fee) to the investee companies, which in this case Stellar advised are the underlying partnerships, placing it in line with the market average based on the open unlisted BR services that are listed on and supply data to MICAP. Stellar further clarified the 1.5% initial deal fee is applied at the inception of the LLP or when additional capital expenditure is introduced. This fee is recorded as a debt on the partnership's balance sheet and is only paid when the partnership closes, provided it generates a profit, at which point the cost is distributed across the investor base.

The Service's combined annual fees of 1.80% (which includes 1% AMC and 0.5% annual admin charge plus VAT) is below the market average of 1.98%.

The Service charges an annual performance fee of 20%, payable to Stellar once each partnership has achieved a return exceeding 5% per annum for investors, after fees and charges and following the termination of the partnership. No performance fee is charged on the underlying Growth partnership for returns of 5% or less.

If investors or their beneficiaries wish to access the capital in the future, as a share capital reduction, an exit fee of up to 2%, subject to a maximum of £1,000 plus VAT, will be applied.

Stellar reserves the right to receive additional fees in connection with the purchase, monitoring, or disposal of a partnership. If such fees are charged, they will be disclosed to investors prior to investment where possible, or otherwise in the subsequent periodic statement. Stellar has stated that it has not received any such fees requiring disclosure during the lifetime of the Service.

Stellar has indicated that it does not have any exclusivity contracts or incentivised arrangements with any of the joint venture sector specialists tasked with the day-to-day management of each of the partnerships. Stellar instead aligns with the strongest, most competitive, specific asset related sector specialist from a suite of relationships at the time. Stellar has advised that the partners are remunerated through individually negotiated fee structures which are aligned with and supported by performance of the underlying asset they are associated with.

Over seven years, the total fees for the Service come in at 16.50%, which includes all initial, ongoing and exit deal fees charged to investors (including VAT where applicable) and excluding performance fee, placing it below the market average of 16.92%. When taking into account the 20% performance fee too, which is unusual across the open unlisted BR services, the seven-year modelled fees will be above the market average although the initial deal fee is deferred until the profitable disposal of the partnership and exit fees are capped at £1000 plus VAT.

Summary Biographies

Below are the summary biographies of the key members of the investment team for the Fund. Please note that the summary biographies have been written by the manager of the Fund and have not been verified by MICAP.

Jonathan Gain

Role	Chief Executive Officer
Summary biography	Jonathan has been involved in financial services since 1993 when he graduated from Bournemouth University with a BA (Hons) in Accountancy. He joined the then newly formed Close Brothers Investment Limited in 1993 and was appointed Finance Director just five years later in 1998. In his role he was responsible for overseeing its property investment funds and numerous tax planning products, before becoming Managing Director in 2005. When he left to set up Stellar, it had approximately £1 billion of funds under management. Drawing on his wide-ranging experience, Jonathan established Stellar Asset Management in 2007 along with the former founder of Close Brothers Investment Limited and two other colleagues. Jonathan remains the majority shareholder.

Claire Taylor

Role	Chief Financial Officer
Summary biography	With a background in the professional services and financial services sectors, Claire leads Stellar's Finance team and is a member of the firm's Executive Leadership Team. Claire joined Stellar in 2019 from Investment Management firm Greencoat Capital LLP where she gained exposure to the renewable energy infrastructure sector and had several roles including Management Accountant and Financial Controller. In her previous role as a Corporate Accountant with GVA Property Consultancy, Claire gained experience in the property sector. She originally trained as an Accountant with Jackson Calvert Certified Chartered Accountants, a prominent firm in the West Midlands. Claire has an MBA from the The University of Manchester.

David Stein

Role	Investment Manager
Summary biography	David, Investment Manager for Asset Backed Services has been with Stellar for 5 years. He developed a keen interest in tax efficient investments while working at a tax consultancy. David holds the CFA UK IMC qualification as well as a CAIA Charterholder. David graduated from The University of Nottingham with a BA (Hons) in History.

Daniel Edwards

Role	Investment Analyst
Summary biography	Daniel works within the Investment Team as an Analyst focusing on identifying both growth opportunities and maximising performance of the current portfolio. Daniel is currently working towards the CFA level 2 exam and graduated from the University of Durham with a BA (Hons) in Geography.