Key Risks

The Calculus ITS might not be suitable for all investors and we recommend that those considering making an investment through the Calculus ITS should seek tax and independent financial advice. Investments will only be accepted where submitted via authorised intermediaries. Calculus is not able to provide advice about whether this investment opportunity is suitable for you.

Calculus believes that the following seven key risks apply to an investment through the Calculus Inheritance Tax Solution. Further details of these and other risks are set out in pages 48 to 50.

It is important that you read and that you understand fully all the risks involved with an investment of this nature to decide whether it is right for you. You should not commit to invest any more than you can afford to lose.

If you're interested in finding out more about the Calculus ITS, please speak to your financial adviser or contact the Calculus Sales Team:

info@calculuscapital.com
calculuscapital.com

Performance

The value of an investment may fall as well as rise and you may lose some or all of your investment. Past performance is not a guide to future performance and there is no guarantee that a return will be achieved.

Liquidity

The investment should be considered a long-term investment and, in the event of a withdrawal, it may be difficult or impossible to realise in the short term.

Tax Relief

If your investment is not held for at least two years you will lose the IHT relief.

If you sell or withdraw any of your holding after two years, you will lose the IHT relief on the amount withdrawn and retain IHT exemption only on your remaining investment.

Tax regulations are also subject to change.

Diversification

Your investment may only be in one or two companies whose activity is predominantly focused on limited sectors and, accordingly, the diversification of your Portfolio may be restricted.

Conflicts of Interest

Companies in which the Calculus ITS invests will receive services from Calculus and might deal with funds connected with Calculus and the outcome of investment decisions may, on occasion, be more beneficial to one or more of such parties than others.

BR Qualification

There is no guarantee that your investment will remain a BR qualifying investment and, if it ceased to be a qualifying investment, IHT relief would be lost.

Economic Conditions

General market risks, including economic and global political uncertainty, inflation rate increases, real or perceived unfavourable market conditions, market volatility, movements in interest rates, spending cuts, changes in domestic and international economic conditions, and physical climate change risks may impact on the level of economic growth and earning capability and prospects, and accordingly the valuation, of the underlying businesses in which the Calculus ITS has invested or may invest.

Risks in detail

The risks and uncertainties described below are not the only ones investors who participate in the Calculus ITS may face.

Additional risks not currently known to Calculus, or which Calculus currently believes are not material, may also adversely affect the performance of investments made through the Calculus ITS.

Performance

1. Calculus cannot guarantee any targeted level of returns, since the level of returns that will be generated by your Portfolio will depend on the performance of the underlying assets. There is no guarantee that the assets will perform or that external factors will not hamper performance.
2. The value of an investment through the Calculus ITS may fall as well as rise and investors may not get back the full amount invested. In the event that the value of an underlying asset of a company in which investments through the Calculus ITS are made is adversely affected, it may not be possible to recover all of the money that has been invested and investors may therefore lose some or all of their investment. Investing in unquoted shares may expose you to a significant risk of losing all the money you invest. There is no guarantee that the valuation of an investment (from time to time) will fully reflect its underlying value or that it can be sold at that valuation.
3. The past performance of investments made by Calculus is not a guide to the future performance of the Calculus ITS.
4. Calculus has been appointed as the AIFM of the two funds which make up the Calculus ITS and is dependent on certain key individuals and on their business and financial skills. The success of the Calculus ITS will depend upon the ability of Calculus to retain such individuals and to identify, source, select, complete, monitor and manage appropriate investments in respect of the Calculus ITS.

Qualifying companies and underlying investments

1. The Calculus ITS targets investments in companies which are reasonably believed to qualify for BR. However, Calculus cannot guarantee that any investment will remain a qualifying investment at all times or that the total value of an investor's holding in an investee company will be entirely eligible for BR due to the rules around "excepted assets". In the event that a company in which an investment through the Calculus ITS is made ceases to be a qualifying investment, in whole or in part, the availability of BR may be reduced or lost entirely.
2. Whilst investments through the Calculus ITS are intended to be made in companies which offer predictable cash flows and low correlation to equity markets, investment in unquoted companies by its nature involves a higher degree of risk than investment in companies listed and/or traded on a regulated market.
3. In certain circumstances, a company in which an investment through the Calculus ITS is made, directly or indirectly, might take out insurance to mitigate particular risks that they are exposed to but in the unlikely event that the insurer becomes bankrupt or for any other reason does not pay a claim, investors could lose some or all of their investment.
4. Companies in which investments are made through the Calculus ITS may have debt that ranks in priority to the investor's investment in the company. This may increase the exposure to adverse economic factors such as rising interest rates and downturns in the economy, which in turn will have an adverse impact on the investment. While such leverage may increase returns or the funds available to the investee company, if it defaults on any indebtedness, the entire investment in the company could be lost.
5. General market risks, including economic and global political uncertainty, inflation rate increases, real or perceived unfavourable market conditions, market volatility, movements in interest rates, spending cuts, changes in domestic and international economic conditions, and physical climate change risks may impact the level of economic growth and earning capability and prospects, and accordingly the valuation, of the underlying businesses in which the Calculus ITS has invested or may invest. This could result in changes to the availability of materials, suitable staff or services required by, or demand for products or services offered by, companies in which investments through the Calculus ITS may be made. This could also result in such companies being subject to onerous contracts, competition, litigation, political and natural events, changes in governments, economic, political, fiscal or monetary policies, taxation (particularly in relation to IHT and BR) and other laws and regulations and acts of war and terrorism, any of which could have an adverse effect on the value of the investment and any follow-on investments.
6. Companies in which the Calculus ITS invests may be adversely affected by the effects of climate change (and change of UK and global policies in relation thereto).

Liquidity

1. Investments in unquoted companies, by their nature, have limited liquidity compared to companies that are listed and/or traded on a regulated market as there is no available public market for them. As a result, it may be difficult or impossible to realise your investments if you decide to terminate the Customer Agreement or make a withdrawal. You must, therefore, be able and willing to accept such risk and illiquidity.
2. Although we will endeavour to implement withdrawal requests, there is no guarantee that withdrawals will be paid when requested or that investment monies will be returned within any targeted timescales after receipt of the written request. Factors such as difficulties in realising underlying investments, a higher than anticipated volume of requests for withdrawal and changes in legislation could all result in there being insufficient liquidity to satisfy withdrawal requests and the process for returning monies could be much longer than anticipated. The same risks apply in relation to termination.
3. Any withdrawal, whether regular, one off or to facilitate adviser charges, will reduce the value of your Portfolio, reducing the IHT shelter and eroding future returns.

Tax implications

1. To obtain the tax reliefs set out in this Information Memorandum, the personal representatives of an investor's estate will need to complete and file the necessary probate returns for assessment by HMRC and no guarantee is made that any such assessment will result in relief being granted.
2. Statements in this Information Memorandum regarding taxation and tax reliefs are based on our interpretation of current UK legislation. This interpretation may not be correct. Tax legislation, rates of tax, tax benefits, reliefs and allowances are based on current legislation and HMRC practice which may change over time and are not guaranteed. In particular, the change in government following elections in the UK on 4 July 2024 may result in potential changes to IHT and the BR regime. A change in legislation, in addition to reducing the tax benefits provided by investments through the Calculus ITS, may also make the underlying investments difficult to sell, particularly in the short term, or reduce their value.
3. Tax treatment also depends on individual circumstances and you should seek input from your professional advisers about whether investments through the Calculus ITS are suitable for your circumstances.
4. To qualify for BR the shares will need to be held for at least two years, and any withdrawal from a Portfolio, whether as a request by the investor or payment of charges to the investor's authorised financial adviser, will reduce the value of the investment qualifying for BR.
5. In addition to the requirement to hold the shares for a minimum of two years, if you transfer the shares during your lifetime, whether to an individual or to the trustees of a discretionary trust or to some other entity, there will be a retrospective clawback of BR claimed on the transfer if the transferee does not hold the shares for at least the shorter of (i) seven years and (ii) the remainder of your life.
6. The two-year holding period required for the investment potentially to qualify for BR starts when qualifying shares are purchased. Typically shares will be acquired under the Calculus ITS within two calendar months of applications being accepted. However, this cannot be guaranteed. Any delay in acquiring shares will, therefore, delay the date of potential IHT relief.
7. Calculus will assume that all investments are new investments (i.e. are not replacement property for other 'relevant business property' which qualifies for BR) requiring a full two year holding period for BR and will report to you on this basis. If your investment through the Calculus ITS is replacement property, it will be your responsibility to assess your holding period for BR and whether any transfer prejudices any prior holding period, and no responsibility is taken by Calculus in this regard.

Risks in detail

Diversification

1. Calculus will aim to invest your money into BR qualifying shares. These shares may only be in one or two companies whose activity is likely to be predominantly focused on lending to the media and entertainment sector and related investments. As a result, diversification may be limited and you should consider whether this works in the context of your overall portfolio, seeking advice from your authorised financial adviser as necessary.

Conflicts of interest

1. Companies in which the Calculus ITS invests might deal with other funds managed by Calculus or entities in which Calculus and funds managed by Calculus are interested, including as shareholders or lenders. Calculus may also receive arrangement fees and monitoring and similar fees in relation to such entities.

2. Calculus will take investment decisions by reference to the relevant, separate investment policies of the two funds it manages which constitute the Calculus ITS and will do so on a common basis for all investors in a given fund, and without reference to the personal circumstances of any particular investor (save as required by law and regulation). Accordingly, the outcome of those decisions may, on occasion, be more beneficial to one or more affected persons than others.

   Effective management of conflicts of interest is required under the FCA Rules. Calculus manages other investment funds and vehicles, which invest in private companies. Some of these funds may co-invest alongside each other and therefore a fair and transparent allocation policy is required. To the extent that Calculus is conflicted in its management of individual or multiple funds it declares the issue and discusses it with the relevant boards or advisory committees of the relevant funds.

3. Notwithstanding that Calculus has put in place policies aimed at avoiding conflicts of interest and mitigating their negative effects wherever possible, there can be no guarantee that conflicts will not arise or that they might not be settled to detriment of any given investor.