Blankstone Sington

Inheritance Tax Portfolio Service

Due Diligence Questionnaire

September 2020

CONTENTS

1 INVESTMENT MANAGER INFORMATION

1.1	**CONTACT INFORMATION**	
1.1.1	Company name:	Blankstone Sington Limited
1.1.2	Address:	Walker House, Exchange Flags, Liverpool, L2 3YL
1.1.3	Telephone:	+44 151 236 8200
1.1.4	Fax:	+44 151 243 3535
1.1.5	Internet/website:	www.blankstonesington.co.uk
1.1.6	Name and title of Investor Relations contact:	Neil Blankstone
1.1.7	Telephone of contact:	+44 151 236 8200
1.1.8	E-mails of contact:	n.blankstone@blankstonesington.co.uk
1.2	**FIRM**	
1.2.1	What is the Firm's defining proposition to clients?	Bespoke discretionary investment management.
1.2.2	Give a brief history of the company	Blankstone Sington was founded in 1976 by former Liverpool Stock Exchange Chairman Michael Blankstone and business partner Reggie Sington. Our heritage is firmly rooted in managing investments and traditional stockbroking. We operate from Walker House, Exchange Flags, near the original location of the Liverpool Stock Exchange at the heart of the burgeoning Liverpool business district.
1.2.3	What are your defining characteristics?	With a history spanning over 40 years, stockbroking is within our DNA. We are proud to remain independently owned and to do so with a completely 'in-house' service delivery, spanning investment management, settlement, safe custody, reporting and more, yet remaining competitively priced. Our approach to investment risk is inherently cautious.
1.2.4	Explain your long-term business aspirations regarding this service	We have established a niche position within the bespoke investment management arena which we seek to maintain through an intuitive and innovative approach to industry trends. We intend to increase the assets under management within this service towards £150m whereupon it will be soft closed. This is to help ensure the integrity of performance given the client and their outcome is our overriding preoccupation.
1.2.5	Type of company/entity	We are a company with limited liability.
1.2.6	Date and place of incorporation and registered number:	May 1989. We are registered in England No. 2378144
1.2.7	Subsidiaries, branch offices or other locations, if any:	None

1.2.8	Which regulatory authority is the company registered with?	Financial Conduct Authority No. 143694
1.2.9	Would an investor be covered by any guarantee and/or compensation scheme with regards to securities or cash? To what maximum amount?	Investors are afforded protection by the Financial Services Compensation Scheme (FSCS). If one of the banks we use fails, we believe that because we identify cash balances to individual clients they would be covered by FSCS for bank deposits up to £85,000.
1.2.10	What Professional Indemnity insurance is held?	Our professional indemnity policy provides cover up to £2m, the scope of which extends to computer related fraudulent activity from a 3rd party cyber–attack. We consider the protection afford by our policy to be satisfactory.
1.2.11	Following the implementation of the Retail Distribution Review (RDR) in the UK, are you be classified as independent or restricted?	Restricted, as we do not advise on life policies or pension schemes.
1.2.12	Specify the nature of services provided by the company in relation to the IHT Portfolio Service:	Our IHT Portfolio Service is managed on a discretionary, client-by-client, investment management basis.
1.2.13	List the total assets under management for this service:	£35m at the date of writing.(August 2020)
1.2.14	What capital adequacy provisions pertain to the Firm and its businesses?	In summary, our capital adequacy calculation is as follows: £000 Tier 1 capital (shareholders' funds) £4,183 Less - Value adjustment due to requirement for prudent valuation £(1) - Intangible Assets (£86) - Fixed overhead requirement £(899) **Surplus capital at 31 May 2019 £3,197**
1.2.15	What is the Firm's occupancy status and tenure at its current premises?	We lease our current premises, the contract for which expires in January 2025.
1.3	**ORGANISATION**	
1.3.1	Describe the Firm's ownership structure	Blankstone Sington is 100% owned by the directors, former directors and their families.
1.3.2	Outline the overall Firm's size and staffing?	

		The firm comprises approximately 34 permanent personnel which includes 8 investment professionals. Including our other investment services, we have approximately £400m in assets under our management and influence.
1.3.3	Who are the key principals of the Firm?	Our board of directors comprises: • Neil Turner (Chief Executive Officer) • Neil Blankstone (Director of Business Development) • Ben Taxman (Director of Investment Services) • Paul Williams (Director of Research) • Peter Ellwood (Director of Systems and Operations) • Chris D'Souza (Director of Finance, Compliance & Company Secretary)
1.3.4	Give details and descriptions of other commitments or interests of the principals:	No other commitments or interests
1.3.5	How many investment professionals (portfolio managers, analysts, etc) pertinent to this service are there and who are they?	Our IHT Portfolio Service is managed primarily by: **Neil Blankstone (Director - Business Development)** The IHT team is led by Neil who has worked at Blankstone Sington for over 30 years and is the 2nd generation to the company's original founders. Starting in June 1987 as a trainee in the Dealing Room, Neil initially became an Investment Adviser and then moving on to Business Development. He joined the main Board in 1999. His main responsibilities are IHT Portfolio Management and Business Development in particular relationships with other professional intermediaries. **Sally Greenwood (Investment Manager)** with particular expertise in small cap stock selection and portfolio construction. Assists the team with operation of the investment management to include client facing responsibilities as well as research via company management meetings. Holds the Chartered FCSI designation **Paul Williams (Director –Chief Investment Officer)** As CIO, Paul has overall responsibility for all aspects of Research at Blankstone Sington. He started his career trading commodity futures, then spent 3 years working for a Dutch merchant bank. Since the late 1990s he has led the Research Department at Blankstone Sington. **Jane Drake (Senior Research Analyst**) Formerly a director at Tilney Investment Management with 19 years industry experience, across various research and fund management roles, including UK research analyst and fund manager of the Tilney American Growth Fund **Vanessa Doyle (Front Office Administration – Client Relationship assistant)** **Nicola Sharkey (Front Office Administration – Client Relationship assistant)**
1.3.6	Please give details of how the interest of the manager is aligned with the investors?	A highly competitive ad valorem fee structure is a natural way of aligning interests: if we perform and asset values rise we receive higher fees while a fall in values cuts our remuneration. As a company we do not subscribe to any individual or service related performance incentive which we believe creates perverse incentives with outcomes too orientated to short-term time horizons. Valuing transparency, we retain "3D" status with Asset Risk Consultants (ARC) and were at the forefront of discussions with them to help establish an AIM IHT Peer Group Index (ARC AIP). This quarterly index provides full transparency, accountability and a means of comparing our service with peers on an ongoing basis. Certain key personnel have 'skin in the game' with significant investment in the strategy.
1.3.7	What has been the turnover rate among the Firm's personnel?	In the two years to August 2020, 4 have joined and 10 have left. Efficiencies within the operation has reduced the overall head count.

1.3.8	Where do the primary trading, research and portfolio management activities take place?	The entirety of our operation is run from Walker House, Liverpool.
1.3.9	Where are the Firm's accounts maintained?	We have a team of accountants in-house who maintain our accounts at Walker House, Exchange Flags.
1.3.10	Are outside representatives or consultants used for any activities? If so, give details:	• Philip Hare & Associates Tax Advisers to assist with BR qualification process • Purchase of External Research Material
1.3.11	Provide details of the Firm's appointed auditors, accountancy/tax advisers and legal counsel	**Accountancy/Tax/Audit**: Crowe **Lawyers**: Brabners (to be confirmed)0.
1.3.12	Does the Firm share office space with another investment manager? If so, please give details.	We have exclusive use of our premises for the duration of the leasehold.
1.4	**SERVICE**	
1.4.1	Length of portfolio manager's track record	The service was incepted in 2010. Stephen English, the Head of Aim Stocks and lead portfolio manager, managed the service since its inception. The new team lead by Neil Blankstone supported by the CIO has a combined experience in excess of 70 years.
1.4.2	Historical performance of the portfolio manager	See ARC AIP data.
1.4.3	How is portfolio performance calculated?	Portfolio performance is calculated on a simple weighted average of all real money client portfolios reflecting any costs during the period to include management fees. The performance of individual portfolios may vary due to factors such as portfolio size, stock selection and timing of investment transactions. Prior to 2019, the service had a transaction charge - initial dealing fees are not reflected in the performance table, with first month's performance excluded, given the adverse effect of an inflow of funds on other established portfolios' performance.
1.4.4	Please give details of your performance against your peers not just the benchmark	See ARC AIP data.

1.4.5	Please give details of your performance in terms of dividends and net asset value (NAV)	**Dividends**: We typically look for companies that are paying well covered dividends both by earnings and, more importantly, free cash flow. We look to avoid companies funding distributions by increasing debt. If a company is in a recovery situation or relatively immature, and therefore are not paying dividends, investment is allowed if they are highly likely to become dividend paying within the next 12-18 months. This added flexibility increases our total returns potential by capturing more capital growth than seen in the typically more mature businesses. Notwithstanding that, non-dividend paying stocks will only comprise a small part of the portfolio. Our clients' portfolios are managed under a discretionary, client-by-client, mandate and have historically produced an above average yield when compared to comparative indices. **NAV:** Calculated on a simple weighted average of all real money client portfolios reflecting any costs during the period, 3 & 5-year total return is in excess of the comparative indices, with volatility lower than the comparative measures over a 5-year period, and a discrete drawdown measured over the 7 years often considerably lower than the comparative indices (see uploads).
1.4.6	List the major drawdowns and comparison with relevant benchmarks	Please see ARC AIP data.
1.4.7	What is the level of trading activity in portfolios?	Up to 100% of a portfolio is typically turned over during a 3-year period.
1.4.8	Dealing costs	Dealing Charges: Nil

2 EXECUTION & TRADING

2.1.1	Who is authorised to place orders in the Firm's mandates?	Only Investment Managers are permitted to place orders for our clients.
2.1.2	Explain the order management process	Our Order Execution Policy is provided to clients as part of our Terms & Conditions of Business. Our primary obligation is to ensure that we execute orders on terms which are most favourable to the client. A basic principle under which we operate is to ensure that all our clients are treated fairly. In seeking to obtain the best possible result we will consider a range of execution factors such as: • price; • cost of execution; • speed of settlement; • likelihood of execution and settlement; • size of order; • the nature of the transaction We have established procedures for dealing so that we can achieve and record best execution. We have a range of methods by which we can compare and execute UK equity orders. These include telephone negotiation with fellow members of the London

		Stock Exchange and we also use electronic dealing services provided by selected market makers. The standard settlement period is two working days (known as T+2). When executing larger sized orders we will often engage the services of sales traders at brokerage firms who will seek out a natural buyer or seller to help fulfil our order. This 'natural' order typically suffers a commission of between 10-25bps but often the price obtained falls well inside the bid/offer spread, more than offsetting the commission charge.
2.1.3	Is there clear separation of functions between front and back office?	We do not permit an overlap of responsibilities between the two divisions.
2.1.4	What are your execution venues?	Selected members of the London Stock Exchange.
2.1.5	How are 'limit orders' treated?	If an account executive places an instruction with a limit then the order should not be traded unless the order can be dealt on, or better than, the limit price conferred in the dealing instruction. Limits are considered to expire 28 days from the date of the order unless specified differently by account executive. Where appropriate the dealer may leave the instruction with a market maker who will execute the trade as early as possible using their own sources of liquidity. This increases the chance of the trade being executed, especially if the security only trades at the limit price for a very short amount of time. By signing the Client Agreement, the client has agreed that for all limit orders traded on their behalf, they have expressly instructed us not to make limit orders public unless they specifically require it. In this way we have adhered to the COBS 11.4 guidelines on limit orders.
2.1.6	How are 'bulk deals' handled?	When we aggregate and subsequently execute an order for a client we allocate the designated investments concerned fairly to all clients. For any orders placed, which are aggregated, the allocation of the total must be known at the time the order is placed. We do not carry out principal business (i.e. dealing for our own account) apart from in exceptional circumstances, such as when correcting an error. When dealing for a group of discretionary clients in the same investment, the account executive inputting the trade must bulk all trades together in a single order. Where possible, if the same investment is being purchased / sold by multiple account executives, the various orders should be "bulked" together as one trade – thus ensuring that no clients are disadvantaged. Any bulk deals that are partially traded must be equally split, on a pro rata basis, between each client in the bulk unless the resulting holding would be uneconomic and unsuitable for the clients concerned.
2.1.7	What is the company's policy with respect to staff dealing?	We have established a Personal Account Dealing Notice which all staff are required to adhere to. The Notice outlines the types of securities and investments that staff are permitted to undertake transactions in. All transactions must be authorised by a director of the firm.
2.1.8	Does the company or advisor have any relationship which may affect its trading flexibility, e.g. associated broker/dealer?	No such relationships exist.
2.1.9	What is the Firm's policy with respect to error dealing?	The basic principle to be applied when correcting a deal is that the client should be put in the position they would have been if the deal had been carried out correctly at the

time. If the error is one that the firm has made, we will bear any additional costs arising from the correction of the error. If the error has disadvantaged the client, we will also ensure that the client pays no more than they would have done if the deal had been placed correctly in the first place.

If the market has made the error, we would expect the firm we dealt with to bear any additional costs arising from correcting the bargain, however if for some reason we are unable to agree this with them, we would again make sure that none of the additional costs are borne by the client.

If a dealing error has occurred as the result of client error, it is expected that the client would cover the cost or take the benefit arising a as result of correcting the bargain. If the error results in a cost it must be clearly established that it was the client's fault before making the charge to the client account which, subject to limits, would be at the account executives discretion.

3 RISK MANAGEMENT

3.1 PORTFOLIO RISK

3.1.1

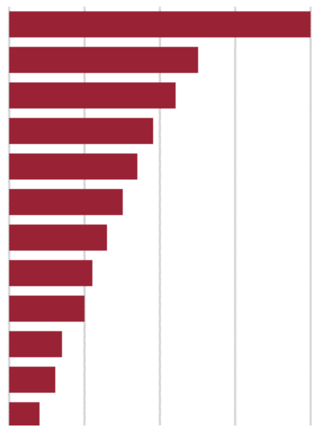
We employ a dual approach to limit concentration risk: stock limit and sector limits. Our minimum investment size in a stock is 1.5% with a maximum of 5% (at the time of investment). Stocks are allowed to grow to 7.5% of the portfolio before either a reduction or total sale occurs. Typically stocks will be reduced back to 5% once they hit 7.5%, allowing us to limit concentration while still being able to 'run our winners'.

Sector risk is also controlled for at the time of investment with maximum sector exposures dependent upon the diversity of heterogeneity of that sector. The more heterogeneous the sector the higher the percentage allowed (25% limit) while more homogenous sectors have a lower limit (15%). For sectors that fall into between these two poles a limit of 20% is applied. See below for current breakdown (as at 31/08/20).

Portfolio Overview*

Sector (%)

Software & Computer Services	20
Support Services	12.5
Pharmaceuticals & Biotechnology	11
Financial Services	9.5
Electronic & Electrical Equipment	8.5
Household Goods & Home Construction	7.5
Real Estate Investment & Services	6.5
Industrial Engineering	5.5
Media	5
Health Care Equipment & Services	3.5
Personal Goods	3



To explain, oil and gas companies such as BP and Royal Dutch Shell tend to be highly correlated with little to differentiate themselves from one another and each equally impacted by moves in the oil price. Higher correlation between stocks means less benefit from diversification and hence sector exposure is more limited than for a more differentiated sector like Support Services. Here companies can have very different business models, rates of growth/returns, product lifecycle and macro sensitivities. With

3.1.2	Describe the Firm's approach to position concentration and the use of 'stop-loss' limits	much weaker correlations between share prices, much higher diversification benefits are afforded and so a higher allocation is permissible. Sector limits are derived from the portfolio encompassing all stocks that are judged to be a 'Buy' that day. Single stock concentration is monitored and acted upon weekly. We rarely use explicit price stop-losses. Given the inherent volatility of small-cap stocks one risks being forced out of positions as prices, often on thin trading volumes, are marked downwards. Market makers are also well aware of typical stop-loss levels and are adept at testing these causing a cascade of selling. Instead we use 'fundamental stop-losses' which are more implicit and embedded within the process. This is where deterioration in the fundamentals leads to a sale rather than mere price action.
3.1.3	What risk measures are employed, and how are they coordinated?	The dashboard of stocks being monitored is reviewed daily to include decisions made in respect of weightings, exits and new entrants. Risk to our minds means permanent destruction of capital rather than merely volatility which can, but often isn't a sound proxy for investment risk. We view risk as primarily a function of price, the best remedy therefore is not to overpay on day one. We remain focussed on capital preservation and avoid more speculative and volatile companies in favour of sound and sustainable business models that are best served to deliver shareholder returns across various market cycles. Quality metrics are employed seeking out profitable companies, strong balance sheets, high cash conversion (or a good reason why not) and a dividend (or soon to be). These provide asset backing and help to support the share price in weaker economic times.
3.1.4	Do you use an external risk monitor? If so, who and why that one?	We use Philip Hare & Associates to monitor BR Qualification.
3.2	**OPERATIONAL RISK**	
3.2.1	Describe general operation of Firm's risk management framework?	We have established a risk management policy which is maintained by the board of directors. Each director has been assigned responsibility for the management of key business areas and which must be reported upon to the board. The policy is regularly reviewed.
3.2.2	How does the Firm ensure that employees understand their responsibilities?	We have established robust internal policies, procedures, systems and controls which all staff must adhere to. We ensure that personnel receive appropriate initial and ongoing training to fulfil their responsibilities.
3.2.3	Does the Firm have a written procedures manual for all operational matters?	Our operational procedures have been documented and are regularly reviewed and maintained by appropriate personnel.

4 REGULATORY & ADMINISTRATIVE

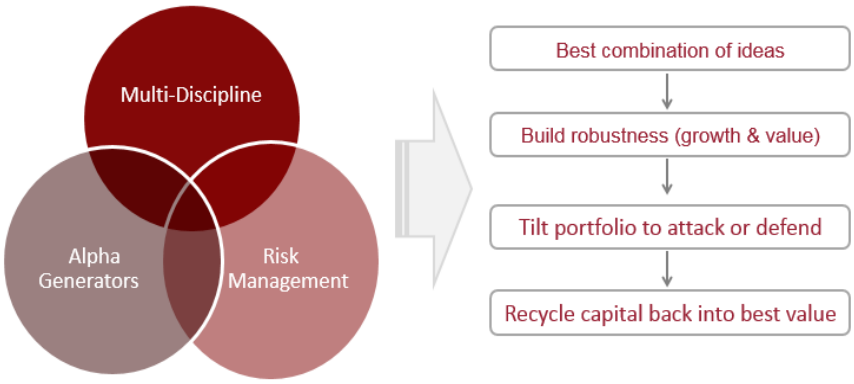
4.1	**COMPLIANCE**	
4.1.1	Who is responsible for compliance in the Firm?	Our Compliance Officer is William Palmer.

4.1.2	Does the Firm maintain a written compliance manual?	We have established a compliance manual which sets out our key internal policies and procedures.
4.1.3	Does the Firm have a staff handbook? Summarise its scope.	Our Staff Handbook sets out the main policies and procedures that all personnel are required to adhere to during their employment. It is supplementary to a contract of employment.
4.1.4	Does the Firm have regular compliance monitoring programs?	We have established robust compliance monitoring programs to ensure we satisfy our regulatory obligations. The programs are managed by the Compliance Officer.
4.1.5	Who is the Firm's Money Laundering Reporting Officer (MLRO)?	Our MLRO is William Palmer.
4.1.6	Confirm that the Firm has established Anti-money Laundering (AML) procedures:	We have established procedures which incorporate national, European and international guidance to ensure we meet our legal and regulatory duties. Our policies and procedures are documented in our AML Manual which is maintained by our MLRO. All personnel undergo mandatory annual AML training.
4.2	**INSURANCE**	
4.2.1	Do the Firm currently hold insurance for the following 'investor-facing' risks: • Directors' & Officers' Liability? • Professional Indemnity?	We have satisfactory insurance for both risks.
4.3	**BUSINESS CONTINUITY**	
4.3.1	Does the company have a formal business continuity management plan? Please describe the basic provisions	We have established a business continuity plan which is maintained by the board. We were able to continue without issue through Covid-19 – working remotely with all systems to include but not limited to such as trade reporting, settlement, custody, client reporting all fulfilled.

5 INVESTMENT PROCESSES

5.1	**ANALYSIS**	
5.1.1	Describe the typical flow of an investment idea from inception to a trading position	Our opening 'funnel' is as wide as possible, open to ideas from direct meetings, bloomberg equity screening on various financial strength, quality and value filters, analysts research notes and wider newsletters/journals. Stocks that pique interest will move to the next stage

		where a meeting with management is preferred before analysing accounting policies and past results and assessing value relative to forward expectations. Where the manager feels there is a large enough detachment between price and expectations, with the scope for asymmetric returns between downside risk and upside potential, the idea moves to final checks. Ideally the chart pattern will be in a bullish trend, the last outlook statement positive and relative chart also strong. Corporate governance checks are made and an assessment of whether the stock is relatively better than current holdings is made. If the stock is desirable but the price too expensive it will be 'parked' on the waiting list until valuation is more attractive. The manager uses the PEG ratio and blends styles between classic value and growth but avoiding 'story stocks' or loss-making ones.
5.1.2	Characterise your investment style in terms of Strategy	Concentrated, high conviction, with a dual style of both Value and Growth (at a reasonable price) and a constant re-cycling from expensive to cheap. We look to protect and grow client portfolios in as considered a way as possible, seeking to identify early 'tomorrow's winners'.
5.1.3	List the instruments you use	We invest exclusively in AIM quoted securities.
5.1.4	Do you carry out IPO or PIPE trading for the service	Yes we engage in IPOs but only on a highly selective basis (c. 98% rejection of all new issues). We favour companies who are long on prospects and short on capital, who have a large runway for growth and can compound returns at a high level for a prolonged period. Private equity sales are generally shunned unless they are of a distressed nature and the price is highly attractive. Many investors shun IPOs which creates an informational advantage for our service to exploit providing the potential for strong risk/reward investments that are under owned by peers.
5.1.5	Describe your Investment Process	The investment process was initially borne out of Blankstone Sington's long held cautious approach to managing bespoke portfolios. Stephen English was then the driving force of the strategy, which is an amalgam of deep rooted thoughts, expertise and our experience within the small-cap arena. We aim to provide institutional rigour without the straightjacket. The investment process can be summed up broadly as:

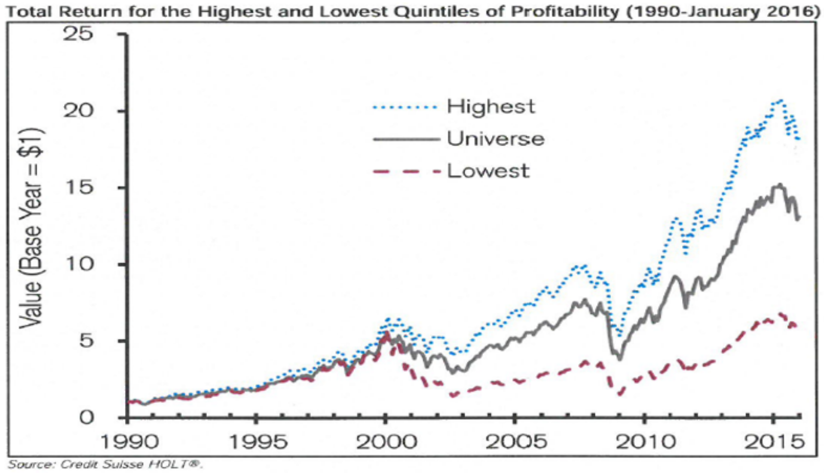


Multi-Discipline – We believe that successful investment encompasses expertise in quantitative, qualitative and psychological disciplines and embed these within the process.

Alpha Generators – We look to populate the portfolio with companies that exhibit all or most of the below attributes that we call alpha generators:

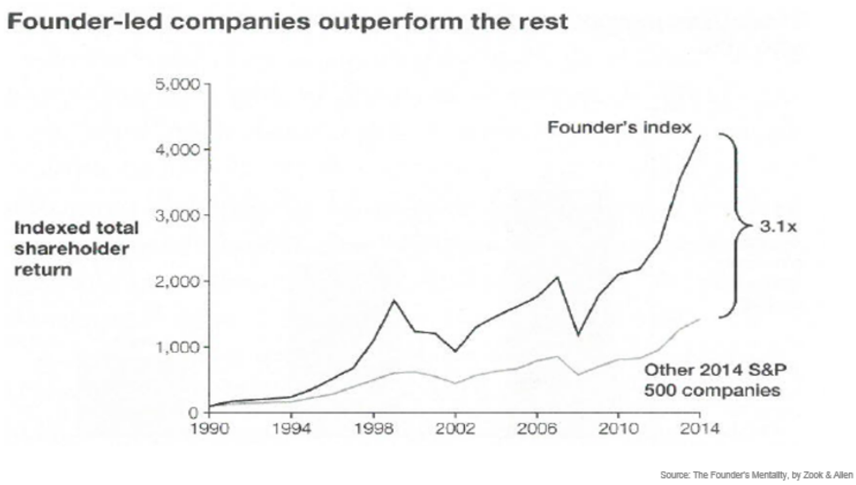
- Competitive advantage – We assess how much economic profit a company can earn and for how long. The two key tests are the company must generate returns above their cost of capital and that return must be higher than peers.
- Pricing power – very closely related to competive advantage and a key performance indicator we track by focussing on gross margin (the purest profit measure) and any deteriorating or improving trend.
- Capital cycle analysis – Investors on average overreact to the capital cycle, extrapolating high returns on investment continuing in perpetuity or low returns persisting similarly. This neglects the industry's supply dynamics; is the industry growing in capital terms with new entrants set to depress future returns or have low returns driven many companies out of business shrinking capital and paving the way for higher economic returns? Changes in the supply side of an industry are often easier to forecast than demand changes given long lead in times and often have more of an impact on returns.

- Value & momentum – Value in isolation can lead to capital being committed to companies that are cheap but stay cheap for months or even years. This creates an opportunity cost, with capital competing for the strongest ideas it could have grown more in a stronger investment. When the factor is allied to momentum (earnings and/or share price) returns tend to strongly outperform. To simplify, the strategy is to buy cheap assets that are going up in price. We tend to avoid cheap assets that are still in a bearish trend. As well as improving IRRs it helps us to avoid value traps.
- High gross profit divided by total assets – Studies have shown (see below) that companies whose gross profit return on total assets is 33% or more (GP/TA) tends outerperform over the long-term.



14

The founder's mentality – Studies, and our experience, show that companies where the founder is still heavily involved outperform the market (see below). This is for a myriad reasons, the simplest being a natural alignment of interests and thinking in per share terms and singularly focused on delivering long-term, sustainable returns. We seek out 'intelligent fanatics' who know their business and industry intimately and retain an entrepreneurial zeal and energy with a constant focus on costs. Many larger companies lose this laser-like focus and nimbleness with more and more layers put between management and the end market.



Relative market share – we prefer companies that dominate their, often, niche markets. This creates a virtuous 'fly-wheel' that provides for higher sales, more profits, higher R&D budgets, better product/service, market share gains and so it repeats. We dislike industries where there is no clear leader where they are all spending high rates of capex to simply stand still, destroying value.

Risk Management - As well as the aforementioned stock and sector controls the investment process also embeds within it a number of additional risk mitigants:

- A quality bias favouring strong balance sheets (often net cash).
- Target strong and experienced management teams.

		• A balance between traditional Value and Growth to limit underperformance potential from focussing solely on one style that may be out of favour. • The portfolio is 'blended' to incorporate a range of different economic outcomes which helps to improve robustness. • Company accounts are analysed, in particular focussing on cash conversion and the extent of any shortfall which often portends deeper risks. • Regular follow ups with management teams around results with ongoing appraisal of the investment case and their ability to allocate capital. • Regular recycling from expensive to cheaper stocks to dampen the portfolio's overall P/E ratio. • Ability to invest in both large and smaller stocks within AIM provides a wider investable universe and positions in structurally different parts of the market with each cohort reacting differently to macro, capital or liquidity events.
5.1.6	Do you believe that there are persistent structural inefficiencies in the area you invest in? How do you think these market inefficiencies will change over time?	We believe that the sub £150m market capitalisation sub-sector of AIM to be structurally under researched and under owned. This dynamic means that there are more frequent valuation anomalies, where companies are trading far below their intrinsic value, certainly when compared to the higher market cap stocks on AIM. This can both reduce risk and boost returns; risk to our mind is primarily a function of price. Given that Mifid II has restricted the provision of research, the ability to exploit this area of the market via our own research capabilities should only increase as brokers are driven towards the larger stocks. Moreover, given that we will cap the strategy this will allow us to always have a meaningful exposure to the best valued/smaller sized companies.
5.1.7	What makes your strategy unique?	The 2 primary screeners for our stock selection are that the companies are profitable and cash generative (or near cash generative) and that the founder still has a meaningful stake in the business, there is quite simply no better alignment of interest. In addition we invest at the lower end of the market cap spectrum where we believe greater valuation inefficiencies exist. Finally, we have full access to IPO's/Placings and because we are unconstrained by our size we have a larger investible universe than larger peers. Some providers eschew IPOs altogether, and while this is appropriate in well over 90% of issues it is a blunt instrument that misses out on some of the best performing investments. Our standing and reputation with all the leading brokers has been forged for decades and we are viewed as an attractive 'institution' to have on the shareholder register given our stable and supportive shareholding approach. A recent example saw an issue considerably over subscribed – we received 25% of our allocation with a dozen potential investors receiving a zero allocation.
5.1.8	Describe your views for today's markets	We have always been concerned about an "asset bubble" building in the larger cap space of AIM where a number of the larger players in this sector are invested. The onset of COVID-19 and the recession that has been confirmed is playing out its early stages. Some feel a V shape recovery will occur, others more a Nike Swoosh. There is a real risk of a double dip so that we have structured the portfolio to try to balance all scenarios and to be as robust as possible should there be a market correction, capital preservation being is amongst our key considerations for the strategy.

5.1.9	What are the strengths/weaknesses of your investment strategy?	The strength of our strategy, overwhelmingly, is that we will cap the strategy (soft close around £150m) to maintain the integrity of investment performance. This allows us to target a 'sweet spot' of companies with a market capitalisation of £150m or below, our favoured cohort, given we find that they are the most under owned, under researched and so undervalued. This nimbleness affords real flexibility and allows us to effectively arbitrage size. As companies grow their earnings, invariably, the market cap grows too as does the P/E rating as larger investors can then buy the stock given improved liquidity. With size more highly valued we are able to buy on a lower P/E when the company is small, enjoy subsequent earnings growth and a re-rating to a higher P/E and then sell. This is effectively a double kicker (earnings growth and P/E expansion) and a very strong generator of returns. We used to own many of the stocks that have enjoyed significant growth and are now often dubbed AIM's 'blue chips'. While they are undoubtedly high-quality businesses, we are wary of their on average rich valuations and fairly pedestrian growth prospects. We call these stocks yesterday's winners and instead prefer to focus on tomorrow's winners which statistically are much more likely to be found in the sub-£150m market cap level. Moreover, the buy list is updated daily with stocks moved to hold if they have spiked higher, often on few trades. As long as there are at least 25 other stocks to buy the client will be quickly invested in those other stocks instead that present better entry points. This contrasts to others in the sector who use a model portfolio where everyone has an identical portfolio where all stocks remain a buy even if they have spiked higher or are close to target prices and may be sold in the near future incurring unnecessary trading costs. Finally our dealing capability is borne from decades of direct interaction with all key market making firms in London. We use the latest technology to often deal inside the advertised bid/offer exchange price providing what we call 'dealing alpha'. Every 1% saving is extra performance for our client. This control and ownership of the trade allows us to obtain the best price for our clients in contrast to outsourcing it to a third party who may not check the whole market when dealing and funnel trades mostly through one broker. The key strength of the strategy is also its weakness in that without raising sufficient AUM for the service the cost efficiencies of running bespoke, individual, tailor made portfolios can become challenging. Also, by favouring smaller-capitalised stocks investors are taking on a potentially higher illiquidity risk and potentially more volatility with share prices buffeted more on thin trading volumes than much larger sized companies. To maintain nimbleness we typically won't own much more than 3% of a company's share capital.
5.1.10	Why do you feel you will generate absolute returns?	The individual portfolios are constructed not only from a stock selection dynamic but also a blending dynamic, (some saying the blending is as important as the stocks on the dashboard). As such stock are blended so as to introduce both sector diversification, diversified exposure to prevailing macro conditions and diversification of the company's positioning on their own business cycle. We believe that this type of portfolio, which at times puts stocks in juxtaposition to each other will continue to deliver low volatility total returns over a realistic time scale. Moreover, given the size of our investable universe we have a much higher absolute number of stocks to pick from, increasing the probability of finding best value. We are acutely aware that risk is a function of price and always endeavour to constantly have the portfolio positioned in the strongest risk/rewards stocks.
5.1.11	What is your average turnover of the portfolio?	Up to 100% of a portfolio is typically turned over during a 3 years period.
5.1.12	What investment criteria must new positions meet?	Primarily cash generative; dividend or near dividend paying; relevant participation by founder; attractive business model; strong, motivated management; will fit into the dashboard "blend"; sufficient free—float so as not to comprise liquidity. Price is sufficiently far from our estimate of intrinsic value to lower downside risk and improve upside potential.

5.1.13	How do you invest new capital into the market?	With an in-house dealing capability we can avoid poorly executed trades, which is particularly important in the AIM market as they can act as a hidden cost to the client (and also a drag on performance). We estimate our dealing capability provided an average 25bps improvement on the spread between bid and offer on the London Stock Exchange – which with no transaction costs provides for "Dealing Alpha"
5.1.14	Have the strategy or trading processes changed over time due to capital flows?	No
5.1.15	Describe your cash management policy	Any un-invested cash is held on overnight money with gross interest credited to client accounts quarterly.
5.1.16	Do you outsource this function? If so, please give name of provider and method used.	No
5.2	**PORTFOLIO CONSTRUCTION**	
5.2.1	Who is responsible for managing the portfolio and how are decisions made (unanimous, majority, individual)?	Service oversight is the responsibility of Neil Blankstone. Research oversight is the responsibility of Paul Williams, the CIO. A daily update between them allows for a co-ordinated approach backed up by bought in Research and BR qualification. The day to day running of the service is the responsibility of Neil Blankstone, supported by Sally Greenwood and Front office Administrators Vanessa Doyle & Nicola Sharkey. When carrying out due diligence amongst fund managers for our core discretionary management service, we found that a committee approach tends to lead to a range of negative outcomes. Committees can encourage excess trading with every voice wanting to inform the debate and arguing passionately for their stock to be included. A leaner team can be much quicker to process information for buys/sells and has freedom of thought and the ability to be 'wrong' for fearing of looking foolish to peers. Losses are inevitable when investing in single stock names, ego in front of committee can lead to a reticence to cut losing positions early on in an effort to avoid looking wrong in front of peers and significantly harming returns. But it remains right that all have an input, with ultimate responsibility then falling to Neil Blankstone.
5.2.2	To what extent is the portfolio construction dependent on computer models?	We are not dependent on computer models, believing instead that to operate in this inefficient space is more an art than a science: portfolios are therefore individually managed. Furthermore the proliferation of Quantitative models focussing on factor investing can lead to herding into stocks that exhibit certain supposedly desirable characteristics pushing prices up and future returns down. Factor investing can miss out on opportunities or be slow to react with some metrics needed to be seen for 3 years or more before they pass the filter. They also risk missing a major catalyst for change or regime change and by definition are entirely backwards looking, a major blind spot that can lead to errors in assessing value. We prefer to use the mantra that everything should be made as simple as possible, but not one bit simpler. This avoids a classic drawback of many computer models, overfitting the data, identifying tenuous or spurious patterns when no relationship exists and is instead just noise. With any model they suffer from 'garbage in, garbage out'. Superior investing requires thinking in more abstract ways, encompassing psychology and a range of other disciplines to be entirely forward looking.

5.3	**HEDGING**	
5.3.1	Is the portfolio hedged?	No
5.4	**LIQUIDITY**	
5.4.1	What is the liquidity of the underlying assets and what is the appropriate time period to liquidate?	90% of the assets could be liquidated in T+2. The remaining 10% may take 1-2 weeks
5.5	**DIVERSIFICATION & STRATEGY INTEGRITY**	
5.5.1	Discuss the depth of diversification	For each client, the portfolio is bespoke, a typical portfolio containing around 30 stocks (min 25 and max of 40). The spine of the portfolio invests in companies that have strong structural growth drivers, making them relatively more resilient to the economic cycle than more cyclical companies, often occupying sustainable niches with strong pricing power. Sector allocation is extremely important and is shown on the factsheet, with further information found in 3.1.1. We are however sector agnostic, our purpose being to build a robust portfolio for a range of unknown economic outcomes by investing in those stocks that exhibit the strongest upside and lowest downside risk. The manager operates a dashboard of up to 40 stocks (a typical portfolio containing 30) and maintains a 'watchlist' of companies that are close to being added but where we are waiting for a better entry point or we have higher conviction on current holdings. A stock list file can be made available upon request.
5.5.2	How do you calculate the correlation between each investment in the portfolio?	The manager views portfolio constructions are more 'art than science' and doesn't rely on quantitative measures on pair-wise correlation given that correlations are highly dynamic and past measures cannot be relied upon. Instead the manager gains exposures to stocks which exhibit different characteristics: micro-cap to mid-cap, value/growth, where they earn revenues, life cycle of the industry/business, recovery plays, structural growth stocks, assessment of end market demand to ensure no over exposure to inadvertent factors or themes, different business models (buy and build, organic growth, margin expansion, re-rating potential, increasing financial strength as pay down debt, counter-cyclical etc). The fund isn't best ideas but rather a best combination of ideas, in crude terms finding stocks that 'zig and zag' at different times in an effort to reduce bottom line volatility. Sector concentration is overlaid to again ensure robust diversification. While largely bottom-up there is a macro-awareness embedded when assessing cyclicals in particular. The blended portfolio is designed to try and weather a range of unknowable future outcomes which again should reduce stock correlations and increase robustness.
5.5.3	Can individual performance attribution be calculated?	Given the nature of the service with each client owning slightly different portfolios, unlike a unit trust, this would be extremely hard to model. Instead the manager constantly tests the investment case on each holding and relative performance, assimilating all new newsflow and adjusting weightings. The ultimate objective is one of IHT mitigation rather than trying to outperform a benchmark. It is to grow capital but in a considered manner, not being too aggressive.

5.5.4	How do you ensure there is no style drift?	Constant monitoring; disciplined process that is essentially “rules based”.

6 SERVICE INFORMATION

6.1	**FUND DETAILS**	
6.1.2	Currency	£GBP
6.1.3	Date of formation:	April 2010
6.1.4	Is the service regulated? If so, please provide details (including where and by who)	Blankstone Sington is regulated by the FCA.
6.2	**FEES**	
6.2.1	What are your management fees?	**Direct Investment** Management Fee (plus VAT) Up to £500,000 1.25% Balance Over 0.75% Minimum Investment £40,000 (or 2 x £20,000 husband and wife ISA’s) **Adviser Introduced** (undertaking suitability) Up to £500,000 1% Balance Over 0.75% Minimum Investment £20,000
6.2.2	What are your administration fees?	**Direct Investment** 0.25% of the value of the portfolio Minimum £200 Maximum £1200
6.2.3	What are your dealing fees?	**Direct Investment** Nil
6.2.4	What are your incentive fees (or performance allocation, preferential dividend, etc)?	Nil
6.2.5	What are your initial fees?	Nil
6.2.6	What are your redemption fees?	Nil
6.2.7	Any other fees?	Transfer out, £15 per line of stock
6.2.8	What further costs, if any, are recharged to the service?	Nil

6.2.9	Do you ever share fees with a third party?	Introducer fees may be payable upon negotiation.
6.2.10	Have any investors been granted rebates?	No.
6.2.11	Disclose any soft dollar/soft commission agreement(s):	None
6.3	**INVESTMENT/REDEMPTION**	
6.3.1	Minimum initial investment	£40k (or £20k each for a couple using individual ISA allowances)
6.3.2	Minimum subsequent investment	£5000
6.3.3	Does the service have any lock-up period or any other liquidity constraints (e.g. suspension of redemptions)?	No: liquidity will be as is available on the AIM exchange.
6.3.4	Does the service allow for transfer of shares or interests between nominees?	Yes
6.3.5	Is there an ISA facility?	Yes
6.4	**CLIENT SERVICE**	
6.4.1	Describe the extent to which an investor may access the service's fund managers and reporting:	In summary: • Clients have unfettered access to the team. All the administration of the account (dealing, custody, settlement and reporting) is undertaken internally providing total control over client servicing and helping to add value at every level of the relationship with the client. • Online 24/7 valuation portal. • Quarterly valuation and factsheet explaining rationale behind investment decisions, outlook and overall strategy performance (to include total range of performances) • Tax year end summary for Non-Isa clients to include Capital Gains Reports and Consolidated Tax certificates of Income
6.5	**SERVICE CUSTODIAN**	
6.5.1	Please provide details of your client asset custodian	We have established a wholly-owned, non-trading nominee company for the purposes of holding client assets. Our nominee company is: Oakwood Nominees Limited Walker House Exchange Flags Liverpool L2 3YL

6.5.2	What is the duration of your relationship with the Custodian?	Since the inception of Blankstone Sington
6.5.3	Outline the professional and ownership profile of the Custodian	Wholly owned subsidiary of Blankstone Sington Limited
6.5.4	How is the efficacy of the Custodian monitored, by whom and of what frequency?	Oakwood Nominees is subject to legal and regulatory obligations and is internally managed.
6.6	**FUND GENERAL MATTERS**	
6.6.1	What is the current NAV of the service?	£35m at the date of writing
6.6.2	What's been the percentage of growth of AUM over period 1st June 2019 to 31st May 2020	AUM has increased 20%from £29mn to £35mn
6.6.3	What percentage of assets is represented by the largest investor?	at the date of writing approx. 4.25%
6.6.4	What is the maximum capacity of the strategy?	£150-£180m
6.6.5	At what level would you soft close the strategy?	£150m
6.6.6	What is the projected time frame to reach capacity?	3 – 4 years
6.6.7	Will new money be accepted after capacity is reached?	It depends on market conditions but in principal the idea of the soft close is to allow existing investors (both individually and by introducing institution) further capacity.
6.6.8	How will front/back-office operations be affected in the event of significant increase in assets under management, and what measures will be taken?	We have significant existing capacity available to meet soft close target. No operational changes required.
6.6.9	What were the 5 largest withdrawals from the service since inception?	£935,992 £786,746 £375,653 £341,890 £206,017
6.6.10	Are there any special terms given to certain investors in relation to fees or redemption?	No
6.6.11	Can on-boarding documentation be transmitted/accessed electronically?	Yes.
6.6.12	Who calculates the NAV and what is the frequency of calculation?	NAV is calculated internally daily but is not transmitted daily.
6.6.13	Can fund performance (NAV, RoR) be transmitted to us electronically on	Yes: monthly if required.

	a regular basis, and at what periodicity?	Standard portfolio valuation can be accessed daily via portal.
6.6.14	How do you promote the service to the wider audience?	We generally promote the service by the following methods: • Word of mouth. • PR • Editorial comment • Roadshows: utilising the external resources of Tax Efficient Investment Platforms plus workshops about our service as well as trade bodies such as CISI and PIMFA.
6.6.15	Can you provide copies of historical reports?	Yes, upon request
6.6.16	Are investors informed when minor/major changes are made to the trading, money management, or risk control methods?	No
6.6.17	What databases, publications or other available sources does the manager regularly report performance figures to?	Because of the bespoke nature of the service, the industry itself has no reporting collective performance data. We were at the forefront of discussions with Asset Risk Consultants (ARC) to help establish an AIM IHT Peer Group Index which is now operational and updates on a quarterly basis. The latest report can be found on our website. The emergence of the ARC IHT index helped to address a hitherto lack of transparency and questionable methodologies of displaying performance. It provides both introducer and individual investors a means to objectively compare performance of the individual service providers who contribute data to the index. A list of contributing firms is available upon request from ARC.
6.6.18	What portfolio data can you provide (electronically) in terms of an individual portfolio: • Stock Position • Stock Concentration • Sector Exposure • Valuation • Performance attributes	We can cater for all portfolio data except performance attribution.

6.7 CONCLUDING REMARKS

With our roots in stockbroking, we have been investing within the small cap arena since inception in 1976, for both our bespoke investment management and stockbroking clients and are therefore comfortable and believe in our competency to manage portfolios in this space.

The service was developed from demand from existing clients and with client concern re volatility and the illiquid nature of AIM companies paramount in our thinking.

The strategy was borne out of Blankstone Sington's long held cautious approach to managing bespoke portfolios, which at its centre provides for nimble, high conviction, active investing with risk control at the heart of our actions.

In recognising that there may be concerns with regard to liquidity, with a process that sees 1.5% up to a maximum of 5% initial investment in a single stock and a built in reduction mechanism once an individual holding reaches 7.5% of an individual's total portfolio exposure, by capping the total we will manage in the strategy at between £150-£180mn we do not believe that liquidity will be compromised. AUM is also being capped to endeavour to ensure the integrity of performance.

We feel that it is vital that investors should be able to make an objective performance related comparison. As mentioned, that's why Blankstone Sington was at the forefront of discussions with Asset Risk Consultants (ARC) to help establish an AIM IHT Peer Group Index. As we use ARC as part of our Management Information process for our services, delivery of this index helps to ensure that we are acting in accordance with the stated objectives of the service to the client.

Although this is a specialist service which is becoming more and more relevant given the increasing number of estates now facing inheritance tax, we feel that investors should not have to pay a premium to obtain this expertise or be subjected to a premium cost simply because it is in vogue. It was vital to maintain the integrity in the service especially with dealing in AIM stocks such an important part of the service and an area which adds alpha.

We were determined to give intermediaries maximum flexibility as to how they might wish to utilise the service and that clients should not be differentiated simply because of that choice, so that we believe the costing structure reflects that.

Overall, we have stuck to no initial cost with no gimmicks and as such are totally transparent. We believe we have a highly compelling, differentiated service offering, with a truly competitive charging structure.

Name and title of the officer at the Firm who has prepared and reviewed this questionnaire.

Signature:	*Neil Blankstone*
Name:	**Neil Blankstone**
Position:	**Director**
Date:	**August 2020**

NOTES

Blankstone Sington Limited

10th Floor, Walker House, Exchange Flags, Liverpool
L2 3YL

Telephone: 0151 236 8200

Facsimile: 0151 243 3535
IHT@Blankstonesington.co.uk
www.blankstonesington.co.uk