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Tax Efficient Review

Business Opportunities with potential IHT benefit targeting capital preservation

NEW ENTRANT - 100% Yield producing assets focus

Guinness Sustainable Infrastructure Service

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Guinness Sustainable Infrastructure Service

Business	Investing into one or more limited companies which invest predominantly in sustainable energy assets where capital preservation is a key priority.
Size	Unlimited
Minimum investment	£25,000
Preliminary Closing date	N/A
Investing in	Main trades – sustainable energy with a focus on solar installations in the UK
Initial costs/Commission:	No Initial Charge for Advised Clients (3% Initial Charge for non-advised clients)
Adviser charges:	Initial and on-going facilitated.
Intermediary Commissions for Professional Clients:	Initial and on-going facilitated.

Table 1: Tax Efficient Review summary of offering Pros and Cons

PROS	CONS
• Experienced solar investors	• New entrant with no track record
• Middle of the pack 5 year total fees	• Single investment area so no diversification
• No initial fees	

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Review based upon

The review is based upon the Guinness Sustainable Infrastructure Service dated July 2016 and various meetings with Guinness.

Tax Efficient Review data collection

Tax Efficient Review has included in this review data collected from the major BPR providers covering in detail what trades are carried on in their offerings, the returns anticipated from them and the costs incurred in doing so. The net of these last two is the potential return to investors.

Different trades offer different risks and rewards and there is sometimes a perception in the market that a low return being earned by investors from a trade indicates a low level of risk. However it could be that the trade is high risk with a high rate of return but is subject to high fees and that this results in the low level of return for investors. To explore this properly, we asked providers for data on the top-level return anticipated from their trades and then details on all the costs and fees paid away before the investor return is calculated.

Costs are particularly difficult to glean and evaluate from the literature provided to investors because costs and fees are levied at various levels in the structures.

Table 3 covers the scoring methodology taken by Tax Efficient Review in scoring BPR offers.

Table 4 (sorted by provider) and Table 5 (sorted by trade) analyse the different trades carried on by the BPR offers together with the targeted returns from each trade. TER uses this data to indicate risk and to compare returns between offerings.

Table 8 shows the input data provided by the product provider for this review

Tables 6 & 7 summarise all the relevant return and cost data for this provider and also compare these to other products. They includes a total cost over five years figure.

Table 9 shows the answers to a series of questions covering key areas.

TER segmentation and classification of this offer

We classify the current BPR products on offer as follows:

- those that trade through companies owning yield producing assets (such as solar or wind farms)
- those having a trade of secured lending/leasing

- hybrid offers combining both the above

Further we sub-divide each category into:

- new entrants less than two years old or having less than £20m of IHT funds under management (excluding EIS)
- established managers more than two years old and with more than £20m of IHT funds under management (excluding EIS)

This produces six categories of IHT offers (based on current expectations of managers):

100% Yield producing assets focus	100% Secured lending/ leasing focus	Hybrid offers
New entrants - (entrants less than two years old or having less than £20m of IHT funds under management (excluding EIS)		
Deepbridge **Guinness**	Illium ProVen Seneca	
Established managers - managers more than two years old and with more than £20m of IHT funds under management (excluding EIS)		
	Puma Rockpool Triple Point	Downing Foresight Ingenious Octopus Oxford Capital Time

The trade sub-division recognises that asset owning companies may, in our view, have less inherent liquidity to deal with large requests for withdrawals than secured lending trades (where both the interest and capital portions of the lending should be returned within quite short periods usually less than eighteen months). We accept that not all providers agree with this simplification of liquidity issues.

The new entrant and established manager sub division recognises that early years returns could be lower than anticipated, that investors will be offered less diversification with smaller offers, that the time taken to deploy new funds might be slower as the manager may need to await further funds before asset purchase or lending and that exit opportunities could be impacted.

Again not all providers would accept such a short period as two years as the cut-off between new entrants and established players pointing out that in such a short space of time, few or no BPR claims will have been made, few loans (if applicable) will have run to completion, valuation complexities and accuracies will not have time to resolve and liquidity will not have really been tested. Funds will also not have been started to be reinvested in new deals, which could throw up pipeline or quality issues as well.

Based on the above segmentation, the Guinness Sustainable Infrastructure Service in our view competes within the same category as Deepbridge as an offer from a new entrant with a 100% Yield producing assets focus.

At present, and this may change in the future, it plans to invest 100% in the equity of solar companies and in that area competes with the following providers:

- **Solar energy equity holdings**: targets gross returns of around 9% and competes with Downing (targeting 9% from rooftop installations), Foresight (targeting 6.8%-10%), Ingenious (targeting 6%-7%), Octopus (targeting 7% - 8%) and Time (targeting 6.5%).
  We asked the providers to comment on their target returns:
  Downing said: *"Our solar investments mostly comprise a combination of residential and commercial rooftop PV systems ranging from 3kW to 200kW in size. Most of the systems are accredited under the Feed-in Tariff (FIT) scheme which guarantees RPI linked payment for the electricity generated for up to 25 years from the outset. A significant proportion of the revenue for the PV systems is derived from the FIT thereby reducing the impact on returns of energy price fluctuations."*

Foresight said: *"Our range cover ungeared ground based solar at the bottom end of the range to geared rooftop solar at the top end."*

Guinness said: *"We have focused on roof-mounted solar installations, which give higher returns. These have some key economic differentials to ground mount solar installations: 1) On a ground mount, electricity generated is sold to the grid. Currently the grid buys this for 3.9p/kWh. Our roof-mounted installations sell electricity to businesses for between 6p and 10p/kWh.; 2) A roof-mount installation pays no rent to landowners (the advantage to the business is lower-priced electricity); 3) A roof-mounted installation requires no expensive dedicated grid connection, no environmental permissions and no planning consent. They also have lower security costs (i.e. no dedicated security fence, personnel or CCTV required as these are usually on site anyway); 4) Size is modular, so we can invest from £50k to £5m into a single project – we can therefore match projects to inflows. You may ask why everyone does not focus on roof-mounted seeing as it is so attractive. Negatives are: 1) Leases are more complex; 2) Scale is a problem – unit size might be 500kW, so a tenth of the size of a 5MW ground mount. It is therefore more difficult to put large amounts of money to work; 3) Access can be difficult – need scaffolding; 4) Counterparty risk. If the business goes bust then you are left selling to the grid at 3.9p/kWh unless someone else occupies the building. Registering the lease ensures no-one can seize your panels."*

Octopus said: *"We focus on owning commercial scale and institutional grade ground-mounted solar sites that feature Tier 1 technology and qualify for long-term government incentives. These sites will be on banks' and other institutions' buy lists. This is a testament to the quality of the equipment on the site (it is tried and tested so the energy output capacity is more predictable, equipment is more reliable and servicing the technology is better supported) and is essential for liquidity (we don't expect to sell the sites but if we needed to we expect to be able to sell the portfolio within 12 months, something that wouldn't be possible for non-Tier 1 sites). Rooftop solar tends not to appeal to this market, hence our focus on ground mounted sites. We think that our costs to run these sites benefit from the scale of our operation and also the scale of the sites that we manage. Each company in our portfolio that owns a solar site has refinanced the site with a modest level of project finance from a mainstream bank. The fact we have been able to do this is a testament to the quality of the sites and has enabled us to diversify the portfolio by acquiring more sites. It is also an essential factor for solar to be part of the portfolio as without this the returns would be too low for us to include – the market considers these sites to be too low risk for us to generate the required investor returns from them, so the debt is simply bringing the returns back in line."*

Time said: *"The assumptions for our solar projects assume a conservative level of power price inflation and subsidy inflation, given the low inflationary environment we are currently experiencing. Furthermore, as our projects are unleveraged, and with power prices relatively suppressed, it is unlikely that returns of 8%+ will be achieved, even in periods of high irradiance."*

Structure difference between offers

The most common structures for a BPR product are either a Discretionary Investment Service ("DIS") or direct investment into a single company. Many of the offers are Discretionary Investment Services whereas Puma, Proven and Illium offer direct investment into a single company.

Some considerations on the two approaches are:

1. A DIS does not require the issuance and periodic updating of a UKLA approved prospectus.
2. A DIS provides an easier mechanism to facilitate regular liquidity for shareholders.
3. Both a DIS and a single company allow for the operational flexibility to add subsidiary companies.
4. For a financial adviser to recommend shares in a single company, it is our understanding that the adviser would be required to hold an FCA approved qualification to advise on 'shares' – a requirement which isn't present for advice on a DIS.

5. Both a DIS and the single company structure can invest into companies or Limited Liability Partnerships.

Provider offering classification

The Guinness Sustainable Infrastructure Service is a discretionary managed service which is managed by Guinness Asset Management. The Service is not an unregulated collective investment scheme (UCIS) within the meaning of the Financial Services and Markets Acts 2000.

By reviewing the product, Tax Efficient Review do not validate, ratify, endorse or confirm this classification.

Insurance option

Some providers use insurance to either offer some downside protection against losses for early death (this Downing offer has a version) or to mitigate the effects of an investor's IHT bill that might arise in the first two years (Foresight offer a version of their product which includes this for a fee).

This Service has no insurance option.

Investor choice of trades

In some offers investors can choose between different trades or sectors.

This offer does not allow investors to choose. All funds are invested in equity holdings in Solar energy businesses.

Investor choice of income or growth

Investors can elect for the returns generated to remain in the Service for capital growth, or can opt to receive quarterly or ad-hoc distributions at a level of their choosing (subject to liquidity). Distributions are paid by way of a sale of shares. If distributions are set at a level that is higher than the capital growth achieved, the value of the investment will decline. The distributions will be funded through the sale or redemption of shares within the investor's portfolio and this may result in tax being due.

Summary

The Service invests in shares in one or more unquoted trading companies which are BPR qualifying. Subscribers are currently allotted shares in Guinness Sustainable Infrastructure Ltd (GSIL), which has been created as the holding company to own multiple BPR-qualifying trading subsidiaries. GSIL is targeting projects that will enable capital preservation while providing long-term, stable cashflows with an index-link. GSIL is particularly focused on sustainable energy projects such as solar photovoltaic installation.

Guinness Asset Management has an investment committee that oversees and advises the directors of GSIL with a view to ensuring the investment objectives of the Service are met.

This structure enables Guinness to provide liquidity in GSIL shares to investors. Diversification is sought through multiple projects, some of which can be held in subsidiary companies. See Diagram 1.

Guinness Asset Management will continue the team's approach of investing across renewable energy sectors, an area that they refer to as "Sustainable Energy". The core focus is solar but the team intends to include other renewables technologies where available such as wind, hydro and biomass which can provide compelling investment opportunities. They say that the investment opportunities offer characteristics of stable and predictable cashflows sometimes supported by long term, government-backed, inflation-linked subsidies including Feed-in Tariffs, ROCs and CfDs.

Targeted investments are assessed for low technology risk, high-quality counterparties, limited competition and low correlation with other asset classes.

Key elements to strategy

The key elements of the investment strategy are as follows:

- Investments: The Service will primarily invest in companies that develop, build, own and operate renewable energy projects .These projects are characterised by long-term, stable revenues, in some cases inflation-linked. The Service will invest across a number of project types in order to seek to provide additional protection for the Investor through diversifica-

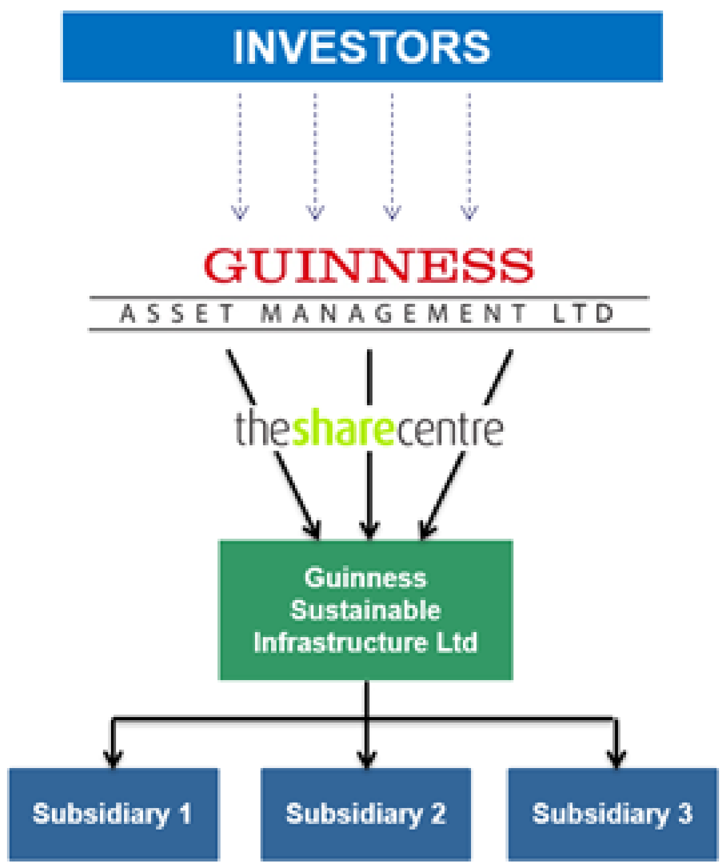

Diagram 1: Structure diagram Source Provider

tion. The Investment Manager says they have an extensive pipeline of investment opportunities, including proprietary deals with developers that they have successfully backed with earlier funds.

- Technology risk: The Investment Manager will aim to minimise technology risk by only investing in projects that use proven technology with an established operating history. Where possible they will try to secure performance guarantees and warranties from equipment manufacturers. Banks typically identify certain equipment that they will lend against, and the Investment Manager will make investments that facilitate future bank financing.
- Development stage: A large proportion of early stage development projects do not reach commercial operation, and the returns from acquiring mature operating projects can be relatively low. The Investment Manager believes the optimal trade-off between development risk and financial return can be achieved by investing in projects which already have all required permissions and consents, but before construction. GSIL can also acquire already operating projects.
- Counterparties: The Investment Manager will seek to work with companies whose project developers and contractors have a successful track record of delivering operating projects on time and on budget. It will also seek to work with high quality counterparties for long term contracts.
- Sustainability: Guinness will invest in environmentally sustainable businesses that are commercially viable.

In our view a product offering a business opportunity targeted at individuals seeking IHT mitigation should contain the following characteristics:

- good downside protection
- some upside potential
- a non-contentious business model
- low charges

- good liquidity

The conclusion covers how well we think this offer meets these characteristics.

Tax Efficient Review Fund Objectives Summary of key scoring factors	
Size of Service?	£1.1m excluding EIS
Total BPR funds under management (excluding EIS)?	Guinness AUM £60 million in BPR qualifying assets (predominantly through EIS Service)
Number of investors in the Service?	12
Age of Service?	1 year
BPR track record of business?	None to date
Diversification of BPR trade?	Low – diversified portfolio of roof-mounted solar projects
Diversification of investment sectors?	None
Conflicts: Does the manager or any connected party have an interest in any other businesses that transact with the service?	No. All fees and remuneration disclosed
Any gearing anywhere in the BPR structure?	No gearing
BPR audit conducted?	Philip Hare and Associates provide advice and review of BPR qualification
TER overall comment	**Single sector new entrant**

Subscription and investment process

The steps to making a subscription to the service and having an investment in BPR qualifying shares are as follows:

- An Investor completes an Application Form for the Service, indicating the amount they wish to subscribe for. The Investor's Adviser confirms that they have advised the Investor on the suitability of the Service.
- The Custodian receives and processes the Application Form. The Investment Manager has to approve the suitability of the Investor, and then the Custodian can proceed with anti-money laundering checks in order to open an account for the Investor. Once this is done a welcome letter is sent to the investor containing details of the account. A copy is emailed to the adviser.
- The Subscription is invested in Ordinary Shares in a BPR-qualifying unquoted trading company, Guinness Sustainable Infrastructure Limited (GSIL). The shares are held in a nominee account by the Custodian. The Investor remains the beneficial owner of these shares at all times.
- GSIL is focused on investing in sustainable energy projects such as solar photovoltaic installations, emphasising capital preservation and targeting steady growth of in excess of 5% per annum. GSIL will diversify its holdings by investing in multiple assets across a variety of technologies.
- GSIL is wholly owned by Guinness IHT investors. The company is managed by the Investment Manager, and management is monitored by the Investment Committee to ensure that any conflicts of interest are carefully managed.
- Jones Lang LaSalle Corporate Finance (JLL) provide quarterly valuations on GSILs portfolio of sustainable energy holdings. This enables the Investment Manager to provide quarterly valuations to facilitate redemptions or new issues. The Investment Manager will provide investors with six monthly investor reports and valuation statements.

No performance data

Performance of IHT offers is difficult to compare as fees and charges are levied at different times (on investment, during holding period and at exit) and different places in the structure (in the service and in the underlying investee companies). The problem with performance figures is that annual figures quoted by providers do not include the initial and exit fees as this would distort the comparison. If the exit fee is 1% then loading it onto one year would not be correct.

It is important to separate out the returns that Guinness Sustainable Infrastructure Limited (and its subsidiaries) makes and the return an investor makes over the total investment period. The latter must include initial fees, dealing fees and exit fees.

So how do Guinness cover performance and is it a fair way?

In terms of potential returns, the Information Memorandum says:

"Targeting a capital return of 5% per annum"

"We are aiming to deliver annual returns to Investors of in excess of 5 per cent"

In a simple 5 year example (no prediction is made or implied), £100,000 sent to Guinness would be invested after no initial fee but a 0.275% dealing fee charged to GSIL so £100,000 is invested in GSIL shares but only £99,725 is then invested in yielding assets. If GSIL performs and delivers the 5% target growth it could result in shares worth £125,856. On exit there is a 0.275% (no VAT) dealing fee and a 0.5% Stamp Duty fee (Guinness charge this to the investor rather than paying it themselves) so the investor receives £125,510 which results in an annual rate of return of 4.7%.

As we cover below in the cost section, Table 6 shows the five year costs of this offer at just over 22% which is middle of the range of all reviewed offers which goes from a low for Illium of 13.25% to an Octopus high of 29.04%. Five year costs include initial fees, annual running fees, dealing fees, Corporation Tax and any exit fees.

As this is a new offer there are no actual returns to give investors a view on potential earnings from this offer.

So is the return commensurate with the risk being taken in the underlying investment areas as measured by the annual gross return (before fees and costs). Our contention would be that an offer targeting higher gross returns from a similar trade to another offer seeking a lower gross return should be considered higher risk.

This approach of using gross returns as a proxy to indicate risk is open to challenge. For example, headline IRRs projected by each manager on the acquisition of a solar site can differ for a variety of very valid reasons. When a site is acquired, each manager will be using a model to estimate the revenues expected to be generated by that site over its lifetime. The model will contain a large number of assumptions, for which there is no market standard. For example, which long-term energy forecast they use, whether they take the conservative, middle or high-end forecast, macro-economic factors such as interest rates and inflation. This could lead to different headline IRRs being assumed, even for the same theoretical site. Other manager-specific factors will also impact IRR, including operating efficiencies.

The table below shows where Guinness are positioned in seeking returns which with most returns not appearing to be too dissimilat does not seem to imply more risk if the gross return being sought approximates to risk.

% of current portfolio	**Area**	**Gross return being sought** from Table 5	
100%	in **owning and operating** commercial scale solar energy sites	**Guinness**	**9.00%**
		Oxford Capital	9.00%
		Downing	9.00%
		Foresight	6.8%-10%
		Octopus	7% - 8%
		Ingenious	6%-7%
		Time	6.50%

Tax Efficient Review Track Record Summary of key scoring factors	
Underlying investment risk level?	Low – diversified portfolio of roof-mounted solar projects
Targeted net investor return?	5% per annum
Difference from gross project level returns to investor net return (including tax)?	4%
Actual return over the 12 periods to 30 June 2014, 2015 and 2016?	n/a – commenced operating Sept 2015.
TER overall comment	**Too early to take a view**

Manager

Guinness Asset Management Limited is a specialist fund management company focused on the energy and alternative energy sectors with over £850 million under management.

The Manager says that they bring experience of investing in public and private renewable energy companies, and have extensive experience in investing in and managing BPR-qualifying companies.

The Guinness team has raised and invested over £60 million into BPR qualifying companies since launching their first EIS offering in 2010. Investee companies have focused on UK solar projects at the residential and commercial scale, as well as wind, hydro and Combined Heat and Power (CHP).

The team say they have successfully navigated the changes to renewables subsidies, and the investee companies are expected to have returns in excess of those originally envisaged by the team. We have had sight of performance tests and operating data that demonstrates existing projects are operating at 10%-15% above contracted and modelled output. In March 2016 the Guinness team successfully sold three investee companies relating to their Guinness Renewable Energy EIS 1 and Guinness Renewable Energy EIS 2, generating in excess of the target £1.20 returns for both funds. The purchaser is one of the UK's largest insurance, investment and pension groups.

Tim Guinness, Andrew Martin Smith and Lord Flight have worked together since the 1990s at Guinness Flight Hambros Asset Management. Edward Guinness and Shane Gallwey worked together from 1998 to 2002 at HSBC Investment Bank, and reunited at Guinness Asset Management in 2010 to form the Guinness EIS offering. The investment management team brings extensive experience in EIS & VCT, renewable energy and venture capital and has grown since the launch of Guinness' first EIS offering.

The team is detailed in Appendix C.

Tim Guinness and Andrew Martin Smith together with Guinness Capital Management have a portfolio of private equity investments. These include investments in financial services businesses such as Church House Investments, Parmenion Capital Management LLP, Unicorn Asset Management Limited and Westhouse Securities Plc.

The following amounts of a working week are devoted to this service:

Investment Management Team: Shane Gallwey – 100% EIS & BPR, Edward Guinness – 60% EIS & BPR, Dr Malcolm King – 100% EIS & BPR, Chris Villiers – 100% EIS & BPR, Hugo Vaux – 100% EIS & BPR

Investment Committee: Tim Guinness, Chairman & CIO – 20%, Andrew Martin Smith, Investment Manager & Investment Committee – 30%, Howard Flight, Investment Committee – 5%

Support Team: Debbie Mahanta, Business Development – 100%, Alice Livingstone, Administration – 100%, Giles Robinette, Finance – 20%, Bernadett Horvath, Finance – 20%, Caroline Posse, Compliance – 20%

Tax Efficient Review Management Team Summary of key scoring factors	
Composition of investment team and percentage of time spent managing the Service's BPR assets?	See above
Origination of dealflow produced in-house, outsourced or a mixture?	Dealflow is originated through independent solar developers and installers. In-house team review opportunities and cherry-pick deals for BPR fund.
Monitoring of investments in-house, outsourced or a mixture?	In-house
Staff turnover?	Very low – no departures from team. Two new recruits this year.
TER COMMENT	**Too early to determine if team can invest an unknown funds flow**

Liquidity The Investment Manager intends for subscribers to be able to redeem their investments with up to 90 days notice after an initial 12 month investment period.

Redemptions will be met through share sales via matched bargains to new investors. Where there is insufficient demand to meet redemption requests, share buy backs can be undertaken. Cash retention in GSIL can be used to facilitate redemptions, as well as cash generated from operating assets. Where additional liquidity is required, assets can be sold to provide further cash.

GSIL will invest in a range of projects, varying in size from smaller commercial rooftop solar PV installations (costing from £30k upwards) to larger projects of up to £5m. The modular nature of these projects allows for flexibility, enabling the Investment Manager to match projects to investable capital and not have to wait for large cash balances to build up.

All IHT offerings need exit scenarios and all scenarios involve three questions - what are the mechanics, what is the exit valuation and is there liquidity.

Table 2: Guinness Infrastructure Service – Exit Scenarios Compared		
MECHANISM	**PROS**	**CONS**
Share buybacks	Does not depend on new investors of retained earnings	Requires distributable reserves or a shareholder vote
New entrants financing the exit of current shareholders	Easy to operate	Depends on new investors
Distributions	Easy to operate	Cash flow from operations may not be sufficient
LIQUIDITY ISSUES		
POSITIVES c10% liquidity reserve Projects are cash flow generative Cash flows could be refinanced Projects can be sold	**NEGATIVES** Share buybacks require distributable reserves Selling off projects can take time.	
VALUATION		
Jones Lang LaSalle Corporate Finance are available to carry out valuations on a quarterly basis. These provide the basis to provide quarterly share valuations for GSIL consistent with the valuation principles issued by the British Private Equity and Venture Capital Association from time to time.		

Liquidity to fund share buybacks could be provided by the liquidity reserve of around c10% (but could be higher) held by GSIL, yield and incoming investors.

Deal flow

The Investment Manager is an established energy investor and has a network of Sustainable Energy contacts that bring potential investments for assessment. The investment manager has reviewed hundreds of potential sustainable energy investments in the last five years, and has identified a pipeline of investment opportunities from which it will select projects for investment.

The key sources of investment opportunities are from developers and advisers that the Guinness Asset Management team have worked with over the last few years. The team have evaluated a very broad range of investment opportunities for its existing funds, across renewable energy projects and energy efficiency projects. The manager continues to see a number of attractive opportunities which require equity funding. These opportunities have been generated from developers Guinness have successfully worked with in the past, as well as other developers keen to work with Guinness as a value-adding investor.

Tax Efficient Review Deal Flow/Exit Summary of key scoring factors	
Liquidity aim?	Quarterly share issues and redemptions facilitated at the end of each calendar quarter JLL provide valuation on a quarterly basis to ensure transparent pricing Investors encouraged to replicate income (if desired) through regular or ad hoc share redemptions.
Liquidity track record?	No redemptions in first 12 months
TER comment	**New entrant**

Fees

Fees are:

- Initial Fee: There is no initial fee for advised Investors. The Investment Manager will charge non-advised Investors an initial fee of 3 per cent of their Subscription.
- Annual Management Charge: An Annual Management Charge of 1 per cent of the Net Asset Value of the portfolio charged quarterly in arrears. The Annual Management Charge is expected to be paid by the Investee Companies.
- Performance Fee: The Performance Fee will be an amount equal to 20 per cent of Investors' Returns calculated on the excess of their Investment. The Performance Fee is only payable provided returns exceed the Investment Hurdle and is payable on Redemption.
- Charges to underlying businesses: Where the Investment Manager takes responsibility for the day-to-day management and monitoring of those businesses, they will charge those businesses up to 1.5 per cent of the Company's valuation per annum for these services.
- Custodian: The Custodian may deduct fees of up to 0.15 per cent of the value of investments

as an annual management charge and up to 0.275 per cent as a transaction fee.

Table 7 shows the five year costs of this offer at just over 21% which is middle of the range of all reviewed offers which goes from a low for Illium of 13.25% to an Octopus high of 29.04%. Five year costs include initial fees, annual running fees, dealing fees, Corporation Tax and any exit fees.

Tax Efficient Review Costs Summary of key scoring factors	
Difference between the gross project level returns and the net return of the investor?	Project Returns are c9%. Target Return to investors is 5% Difference comes from: Guinness Fees, Cash held to facilitate liquidity, Headroom on return estimate (we assume 8% project returns in calculating target return)
Are any fees contingent on performance?	Performance Fee is only payable provided at least 3.5% return per annum achieved
Five year total costs/fees including initial fees and any exit fees	21%
Any "fairness" policies?	None
TER comments	**MIddle of the range five year fees**

HMRC Risk

All IHT offerings face the possibility of challenge from HMRC when investors claim the 100% relief from IHT that unquoted assets can provide.

Relief will be refused if the business consists "wholly or mainly" of one or more of the following:

- dealing in securities, stocks or shares
- dealing in land or buildings,
- or making or holding investments.

HMRC will use the "Badges of Trade" concept when applying the "trade" versus "investment" rule and Appendix A sets out the concept as described in the HMRC Business Income Manual.

This is a complicated and difficult area and there is no pre-clearance that investors can request to try to settle this issue before investing.

Rates of tax, tax benefits and allowances described in the Investor Guide are based on current legislation and HMRC practice which may change from time to time and are not guaranteed.

In addition the HMRC approach to lending and what constitutes a "trade" is not tested. The HMRC website does contain detail on their view of lending within the Close Companies Manager's Manual. Although this page has recently been archived by HMRC the case law it references remains valid and as such it is reproduced as Appendix B.

Tax Efficient Review does not give tax advice.

Conclusion

The Service is looking to invest in Sustainable Energy assets with a lower risk profile and stable income stream and is aimed at investors seeking a business opportunity to help mitigate IHT as the investment should be outside the investor's estate for inheritance tax purposes after two years. Given the lower risk nature of the investment strategy, the expected returns, including capital growth, are modest but with good visibility and some upside potential.

Like most competing business opportunities in this area, the investor retains access to the investment. If circumstances change, the investor can dispose of all or part of the holding – although money withdrawn may not be shielded from inheritance tax.

Guinness indicates that redemptions will be facilitated in a timely manner but may take 90 days or more in extreme circumstances. Should there be a significant demand to exit and insufficient new investors, then demand can be met by share buybacks. Although the Investment Manager intends that Investee Companies keep a 10% cash buffer, if this was to be insufficient then some of the underlying investment assets could be sold to meet further demand.

An investment in this product should therefore be viewed as a medium to long-term investment. This product carries some tax risk and rates of tax, tax benefits and allowances are based on current legislation and HM Revenue & Customs practice. These may change from time to time and are not guaranteed.

In assessing offers with business opportunities which could be attractive to investors seeking an IHT benefit, we look at the following aspects:

- Downside protection

- This offer involves investing in Sustainable Energy assets such as Solar PV installations. These are wasting assets whose value year by year will decrease. The projects will be returning cash flows that over the remaining life of the asset will both provide a yield and return the capital. Downside protection will come from the ability to sell on the assets to another purchaser but if that purchaser requires a higher yield than the asset was purchased on then the capital value will show a loss.
- Upside potential
- The investment manager is experienced in investing in pre-construction assets and contractually mitigating the risk through the construction period. Operational assets typically command a higher value (and lower yield) than pre-construction assets, providing some upside through "yield compression" alongside the cash yield expected from the investment assets.
- A non-contentious business model
- There can be no guarantee that IHT relief will be available for investors after two years as probate is tested by HMRC on a case by case basis. However, the Investment Manager manages a significant amount of BPR-qualifying assets and have confirmed that there have been no issues on cases processed to date.
- Low charges
- Charges are amongst the lowest when compared to similar products in the market.
- Good liquidity
- We see this as quite an illiquid asset class, although recognise that the modular nature of these investments enables the investment manager to provide some liquidity should there be more redemptions than new subscribers.

Overall an interesting business opportunity allied with IHT benefits seeking to invest in Sustainable Energy assets with a low risk profile and where capital preservation is key.

It seeks to offer investors a return of 5% per annum on the gross amount invested and we think that investors should consider the 5% to be at the top of their expectation range for a potential annual return.

Exit values will be driven by economic conditions at time of exit, in particular inflation and base rates, and these will impact purchaser required yields. A high yield expectation will reduce capital values on exit.

Guinness have a strong team in place and have demonstrated their ability to source and deliver good quality, BPR-qualifying investments in Sustainable Energy.

Tax Efficient Review rating: 85 out of 100 (for offers from new entrant with 100% Yield producing assets focus)

Risk from IM

Risk Factors reproduced from the Information Memorandum

Investors should be aware that investing in small, unquoted companies such as the Investee Companies is high risk and, consequently, an investment in the Service may not be suitable for all Investors. If an Investor is unsure then they should not subscribe to this Service. In any event it is recommended that an Investor seeks specialist independent tax and financial advice prior to subscribing. Prior to investing, prospective Investors should carefully consider all the risks set out below as well as all other information contained in this Memorandum. The risks are those that the Investment Manager believes to be the key risks associated with participating in the Service. This list is not exhaustive and additional risks and uncertainties, not presently known to the Investment Manager, or which the Manager currently deems immaterial, may also have an adverse effect on the Service and on its investments.

- SERVICE RISKS
- Target Returns and No Guarantee of Return. Any stated target returns are for illustrative purposes only and no forecast (guaranteed or otherwise) is implied or should be inferred. Investments in small, unquoted companies are likely to be higher risk than other investments. Investors may not get back the full amount subscribed. Investments within the Service may fall as well as rise in value, and some investments may even lose all of their value. All projections, targets,

illustrations and assumptions in this Memorandum do not constitute definitive forecasts of the performance of the Service but have been prepared on the basis of assumptions that the Investment Manager considers to be reasonable.

- Forward Looking Statements. This Memorandum contains statements that are forward-looking and use language such as "believes", "expects", "should", "may", "intends" or "aims". These statements relate to events in the future and as such are subject to uncertainty and involve risk.
- Investment Concentration. The size and number of investments may be concentrated. This means that an Investor's Subscription may be financing a small number of projects, thereby increasing the risk profile of the Service. An adverse investment return from one project can substantially impact on the returns to Investors.
- Exit and Liquidity. The Service will invest in small unquoted companies. Such companies by their nature pose a greater investment risk than other companies. There is no market in the Investee Companies' shares, which means that the investments within the Service will not be readily realisable. Investors should, therefore, consider an investment in to the Service to be a long term investment.
- Redemptions. The Investment Manager intends that the shares of investors who wish to redeem are either acquired by new investors or bought back by the Investee Companies. However, new Investors may not be present and redemption is subject to the discretion of the Investment Manager, applicable regulation and the availability of sufficient distributable reserves. The Investment Manager cannot guarantee that Investors will be able to redeem immediately all or any part of their Subscription.
- Cessation of Investment Manager. The Investment Manager reserves the right to cease to manage the Service in certain circumstances as set out in the Investor Agreement, in which event it will try to transfer the Investments to another manager or to terminate the Service in an expeditious way. If it does so, there is a possibility that the tax advantages may be lost.
- Legal and Regulatory.
- There may be changes to the legal framework and regulatory status surrounding the Service which may adversely affect the Service and/or its Investors.
- Macroeconomic Factors. The targeted returns in this Memorandum are predicated on a number of assumptions including, but not limited to, the current and future levels of retail and consumer price indices and the Bank of England's base rate. Changes to these indicators may negatively affect the returns.
- INVESTEE COMPANY RISKS
- Investment Return. Investors should be aware that investment returns are dependent upon the performance of individual Investee Companies and projects, the income they generate and whether they perform in accordance with their initial business plans. Outside factors such as the economic climate, market conditions and a change in regulatory environment may all adversely impact on a company's performance.
- Valuation. Investing in smaller, unquoted companies such as the Investee Companies is, by its nature, high risk. Information regarding the value or the risks that these companies face may not always be available. In addition, there is no guarantee that the valuation of shares will fully reflect their underlying net asset value, or that the shares can be sold at that valuation.
- Minority Interests. An Investor is likely to be the holder of a minority interest in Investee Companies and, consequently, may have little to no influence over the operation of the Investee Companies' activities. The Investment Manager will also exercise the Investors' rights to each business as outlined in the Investor Agreement.
- INVESTMENT MANAGER AND ADVISOR RISKS
- Deal Flow. Investors should be aware that there is a risk that the Investment Manager may be unable to find a sufficient number of investment opportunities to meet its investment criteria. It may, therefore, be the case that the Service is not fully invested. The level of returns from investments may be less than expected if there is such a delay insofar as all or part of the Service is held in cash or near cash investments for longer than expected, or if the returns obtained on

investments are less than planned, or if investments cannot be realised at the expected time and values. There can be no guarantee that suitable investment opportunities will be identified in order to meet the Service's objectives.

- Past Performance. The past performance of investments made by the Investment Manager must not be regarded as an indication of future performance and there is no guarantee that the Service's financial targets will be achieved. Future performance may be materially different from past performance. The value of investments and the income derived from them may go down as well as up and Investors may not get back the full amount invested. Personnel. The performance of the Service will depend in part upon the skill and expertise of the employees of the Investment Manager. The departure of any of these individuals could have a significant effect on the performance of the Service and its Investee Companies.
- RENEWABLE ENERGY RISKS
- Government Incentives. The financial performance of renewable energy projects is largely dependent on government subsidy regimes such as Feed-in Tariffs (FITs) and the Renewables Obligation (RO). There is a risk that the current regimes may be changed in both scale and scope which could negatively affect the returns available to investee companies.
- Construction Risk. The Investment Manager expects that the Investee Companies will enter into contracts with third party contractors for the design, sourcing and construction of renewable energy projects. If these contractors are unable to fulfil their obligations, the Investee Companies may experience increased expenditure in order to complete works. This could have an adverse effect on the Investee Companies' returns as well as extending the schedule for completion of projects.
- Operational Risk. The Investee Companies' assets may experience reduced generation output as a result of technical, geographical or climactic issues which would result in a reduced income for the Investee Companies.
- Market Price Risk. In order to reduce risk, the Investment Manager will seek to agree medium term Power Purchase Agreements (PPAs) with counterparties for the sale of energy produced by Investee Companies. These arrangements are dependent on the availability of suitable counterparties in the marketplace. If these counterparties are not available, the Investee Companies may be exposed to price volatility as a result of selling electricity into the marketplace.
- Diversification. The Investee Companies are all in the same sector. Therefore, there will be limited diversification and an Investee Company's assets may be concentrated, increasing the risk and potentially adversely affecting performance for Investors.
- Force Majeure. While Investee Companies will aim to maintain standard industry-appropriate insurance it may not be possible to insure, on reasonable terms, against "Force Majeure" events such as war, acts of terrorism and extreme weather. Uninsured losses related to any such event would likely have an adverse impact on the returns of the Investee Companies and the Service.
- TAX RISKS
- Investor Tax Changes. The levels and bases of reliefs from taxation may change and such changes could apply retrospectively. Rates of tax, tax benefits and allowances described in this Memorandum are based on current legislation and HMRC practice and the Investment Manager's understanding of this legislation. The legislation and practices may change from time to time and are not guaranteed and depend on the individual's circumstances. Neither the Investment Manager, nor the Custodian accepts any liability for any loss or damage suffered by any investor or other person in consequence of such relief being withdrawn or reduced.
- Investor Status. The tax reliefs outlined in this document are dependent on an Investor's personal status and, as such, may be affected by changes to their circumstances. In addition, Investors may not be eligible for all the BPR outlined and should seek independent tax advice regarding their potential investment.
- Investment Rate. While the Investment Manager aims to invest subscriptions in the Service as quickly as possible into BPR-qualifying companies, interest income from subscriptions held on deposit may be subject to taxation depending on the Investor's personal circumstances.

In addition, BPR may be restricted if it is deemed that an insufficient proportion of an Investee Company's assets are being used for the purposes of a BPR-qualifying business.

- Investor Domicile. The Service has been designed with UK domiciled (or deemed UK domiciled) taxpayers in mind. It may not be advantageous for persons not domiciled in the UK to invest in the Service.
- Investee Company
- Qualifying Activity. Although the Investment Manager intends to invest only in BPR-qualifying companies, if an Investee Company ceases to carry on a BPR-qualifying business, this could prejudice its qualifying status for IHT relief. While the Investment Manager will review the Investee Companies on an annual basis, it is unable to guarantee that shares in those companies will all remain eligible for BPR.
- Main Market Listing. Following the admission of an Investee Company to the main market of the London Stock Exchange, (but not to trading on AIM) or certain overseas stock markets, BPR for inheritance tax purposes will cease.
- Holding Period. To qualify for BPR the investment in Investee Companies will need to be held for no less than two years. Where transfer of ownership occurs less than two years after initial investment the shareholdings in Investee Companies may not be eligible for BPR.
- Withdrawal of Reliefs. The levels and bases of reliefs from taxation may change or such reliefs maybe withdrawn. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of Investors.
- Non-Trade Assets. If an Investee Company owns assets which are not required for the continuation of its BPR-qualifying trade the value of these assets may be deducted from the eligible value of the Investee Company. Investors may therefore find that the full value of the shares in Investee Companies may not be eligible for BPR.

Table 3: Scoring methodology
Tax Efficient Review scores each BPR offering in its sub-classification out of 100. There are six classifications - new entrant or established manager, lending/leasing focus or asset owning and operating focus or hybrid. The total score is made up of the four components below but no breakdown of each component score is given. No new entrant offering can score higher than the lowest established manager score in the same focus classification.

Areas considered within score	Why is this area important for investors
Fund Objectives/ Business Model rating out of 40	
Lending focus - what criteria are set for key metrics such as Loan to Value (ie final value of development once completed) or Loan to Cost (a more conservative metric involving asset cost) **Owning and operating yielding assets** - what asset class(es) are involved, what factors might affect future earnings and asset value, what yield might they produce, how easy are they to exit in stress situation	Key to understanding the underlying trade, its potential liquidity to meet withdrawal requests and its potential risk and rewards
Size of fund to date	Indicates potential spread of loans/assets. In early years of a new offer the acquisition of assets can be lumpy depending on their size and this could slow down deployment of funds
What rate of return is being targeted and what has been achieved in the last three years	How realistic are the targets. We measured return in two 12 month periods but excluded initial/set up costs and any exit costs as to deduct these from a single year return would not reflect reality where these costs would be spread over the total return earned over the length of the investment.
What level of risk is being taken in seeking to achieve the target rate of return	Must be accounted for to compare offers correctly
Diversification of counterparties to the trade(s)	The greater the number of counterparties then the greater the potential diversification and hence potentially the lower the risk, especially should a portion of the business need to be sold to produce cash for shareholders
How does the manager ascertain that the investments to date are BPR qualifying and how do they get comfortable that future investments will also qualify Does the investee company's auditor cover this area as part of the audit process or is a firm of accountants engaged to review the BPR status of the company	This is crucial if BPR is to be maintained
Is there gearing anywhere in the BPR structure (i.e. In the portfolio company or in the underlying company or partnership) and if so, what percentage?	Gearing at any level in the structure will increase both the risk for investors and potentially the returns. Therefore the degree of gearing needs to be factored in to any comparison of the offerings
How do you check the portfolio liquidity in stressed and normal market conditions	A key risk in any investment involving BPR is the potential of future HMRC changes to the rules. Such changes may provoke a rush to exit which could seriously increase the time taken before investors are paid and may also seriously impact some asset values. Unlike VCTs and EISs there is no pre-clearance of companies by HMRC.
Management Team rating out of 30	
Size and composition of both the investment and management team and their background experience in the trades carried on	Does the team have adequate headcount to deploy funds in good time to avoid cash drag on returns. Do they have required skills in the areas where funds are being deployed.
All providers have inhouse investment professionals but are deals originated internally or outsourced	Outsourcing will involve fees being incurred and potentially divorces origination of deals from ongoing deal monitoring
Deal Flow/Exit rating out of 20	
For each of the underlying trades, what is the total pipeline of dealflow	This is seeking to establish the deal flow to assist deployment of new funds
For each of the underlying trades, what is the number of counterparties	The greater the number of counterparties then the greater the potential diversification and hence potentially the lower the risk, especially should a portion of the business need to be sold to produce cash for shareholders
Liquidity with emphasis on number of times per year an investor can exercise their exit option, how long is the period after exercising and funds being paid to investor and what is actual experience in last three years	Guide to ease and speed of access to the investment
We asked providers a number of questions to investigate the ease of access and time taken to exit the investment	1. how much is the largest single withdrawal that they have processed and how long did it take to return the capital to the beneficiary from initial request? 2. What is the total £ volume of withdrawals from their BPR service that they have facilitated since the inception of their service (or the last 3 years whichever is the shorter) and what is the maximum and minimum time that the service has taken to deliver the proceeds from the day of request to actual cash withdrawal?
Speed of deployment	Returns will be reduced by delaying the deployment of new funds
Costs rating out of 10	
Fees and costs can be levied at many points in time, at many levels and in many ways. For example they may be dependent upon performance or they may be levied irrespective of performance, they may be expressed as a % of the company net asset value or the amount originally invested and they may be paid annually or deferred.	The aim of the questions we asked providers was to identify all relevant costs and to express them as a five year total. We then compared these between providers.

Table 4: Trade comparisons sorted by provider Source Providers

IMPORTANT NOTE: these percentages are not static and change on a weekly basis. This is due to a number of factors, including income being received or repayments made on existing deals, further drawdowns being made under existing deals, and new deals being entered into. So this is just a snap-shot as at 31 August 2016.

Provider	Trade classification (Lending/Leasing or equity holding in asset owning company)	Trade type	% of portfolio excluding cash	GrossTarget return
Deepbridge	Equity	Hydro	20%	10.00%
Deepbridge	Equity	Wind	70%	11.00%
Downing	Equity	AD	3%	9.00%
Downing	Equity	Asset backed	33%	9.00%
Downing	Equity	Solar	11%	9.00%
Downing	Equity	Wind	3%	9.00%
Downing	Lending	Asset backed	48%	9.00%
Foresight	Equity	Secondary PFI	16%	7.80%
Foresight	Equity	Smart Metering	16%	7.50%
Foresight	Equity	Solar	25%	6.8%-10%
Foresight	Lending	Energy Efficiency	3%	10.00%
Foresight	Lending	Solar	40%	6.8%-10%
Guinness	Equity	Solar	100%	9.00%
Illium	Lending	Media	100%	5.50%
Ingenious	Equity	Biomass/landfill gas	6%	8.5%-9.5%
Ingenious	Equity	Solar	10%	6%-7%
Ingenious	Lending	Solar	4%	6.5%-7.5%
Ingenious	Lending	Media	19%	4%-6%
Ingenious	Lending	Property	38%	9.5%-12%
Ingenious	Lending	Biomass/landfill gas	16%	9%-10%
Ingenious	Lending	Wind	7%	8%-8.5%
Octopus	Equity	Biomass/landfill gas	14%	10% - 12%
Octopus	Equity	Reserve power	1%	10% - 12%
Octopus	Equity	Solar	42%	7% - 8%
Octopus	Equity	Wind	5%	8% - 9%
Octopus	Lending	Healthcare construction	10%	10% - 12%
Octopus	Lending	Property	20%	10%-14%
Octopus	Lending	Solar	6%	9% - 11%
Oxford Capital	Equity	Solar	Investor choice	9.00%
Oxford Capital	Equity	Anaerobic Digestion	Investor choice	9.00%
Oxford Capital	Lending	Solar	Investor choice	8%-12%
Oxford Capital	Lending	Reserve Power	Investor choice	8%-12%
Oxford Capital	Lending	Anaerobic Digestion	Investor choice	8%-12%
Proven	Lending	SME	100%	7.50%
Puma	Lending	Property	100%	7.90%
Rockpool	Lending	SME	100%	7.85%
Seneca	Lending	SME	100%	9.50%
Time	Equity	Self Storage	5%	6.50%
Time	Equity	Solar	24%	6.50%
Time	Equity	Wind	31%	7.50%
Time	Lending	Property	35%	7.00%
Triple Point - 100% Gens	Leasing	Corporate and SME	22%	6.50%
Triple Point - 100% Gens	Leasing	NHS and Public Sector Leasing	66%	3%-4%
Triple Point - 100% Gens	Lending	Infrastructure	12%	6%-7%
Triple Point - 100% NAV	Leasing	Corporate and SME	24%	8.50%
Triple Point - 100% NAV	Lending	Property	43%	8.50%
Triple Point - 100% NAV	Lending	SME	33%	9%-11%
Triple Point - 50% Gens:50% NAV	Leasing	Corporate and SME	22%	7.50%
Triple Point - 50% Gens:50% NAV	Leasing	NHS and Public Sector Leasing	33%	3%-4%
Triple Point - 50% Gens:50% NAV	Lending	Infrastructure	6%	6%-7%
Triple Point - 50% Gens:50% NAV	Lending	Property	22%	8.50%
Triple Point - 50% Gens:50% NAV	Lending	SME	17%	9%-11%

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Table 5: Trade comparisons <u>sorted by trade</u> <u>Source</u> Providers
IMPORTANT NOTE: these percentages are not static and change on a weekly basis. This is due to a number of factors, including income being received or repayments made on existing deals, further drawdowns being made under existing deals, and new deals being entered into. So this is just a snap-shot as at 31 August 2016.

Provider	Trade classification (Lending/Leasing or equity holding in asset owning company)	Trade type	% of portfolio excluding cash	GrossTarget return
Downing	Equity	AD	3%	9.00%
Downing	Equity	Asset backed	33%	9.00%
Ingenious	Equity	Biomass/landfill gas	6%	8.5%-9.5%
Octopus	Equity	Biomass/landfill gas	14%	10% - 12%
Oxford Capital	Equity	Distributed Energy	Investor choice	9.00%
Deepbridge	Equity	Hydro	20%	10.00%
Octopus	Equity	Reserve power	1%	10% - 12%
Foresight	Equity	Secondary PFI	16%	7.80%
Time	Equity	Self Storage	5%	6.50%
Foresight	Equity	Smart Metering	16%	7.50%
Foresight	Equity	Solar	25%	6.8%-10%
Guinness	Equity	Solar	100%	9.00%
Ingenious	Equity	Solar	10%	6%-7%
Octopus	Equity	Solar	42%	7% - 8%
Time	Equity	Solar	24%	6.50%
Downing	Equity	Solar	11%	9.00%
Downing	Equity	Wind	3%	9.00%
Octopus	Equity	Wind	5%	8% - 9%
Time	Equity	Wind	31%	7.50%
Deepbridge	Equity	Wind	70%	11.00%
Triple Point - 100% Gens	Leasing	Corporate and SME	22%	6.50%
Triple Point - 100% NAV	Leasing	Corporate and SME	24%	8.50%
Triple Point - 50% Gens:50% NAV	Leasing	Corporate and SME	22%	7.50%
Triple Point - 100% Gens	Leasing	NHS and Public Sector Leasing	66%	3%-4%
Triple Point - 50% Gens:50% NAV	Leasing	NHS and Public Sector Leasing	33%	3%-4%
Downing	Lending	Asset backed	48%	9.00%
Ingenious	Lending	Biomass/landfill gas	16%	9%-10%
Oxford Capital	Lending	Distributed Energy	Investor choice	8%-12%
Foresight	Lending	Energy Efficiency	3%	10.00%
Octopus	Lending	Healthcare construction	10%	10% - 12%
Triple Point - 100% Gens	Lending	Infrastructure	12%	6%-7%
Triple Point - 50% Gens:50% NAV	Lending	Infrastructure	6%	6%-7%
Illium	Lending	Media	100%	5.50%
Ingenious	Lending	Media	19%	4%-6%
Ingenious	Lending	Property	38%	9.5%-12%
Octopus	Lending	Property	20%	10%-14%
Puma	Lending	Property	100%	7.90%
Time	Lending	Property	35%	7.00%
Triple Point - 100% NAV	Lending	Property	43%	8.50%
Triple Point - 50% Gens:50% NAV	Lending	Property	22%	8.50%
Proven	Lending	SME	100%	7.50%
Rockpool	Lending	SME	100%	7.85%
Seneca	Lending	SME	100%	9.50%
Triple Point - 100% NAV	Lending	SME	33%	9%-11%
Triple Point - 50% Gens:50% NAV	Lending	SME	17%	9%-11%
Foresight	Lending	Solar	40%	6.8%-10%
Ingenious	Lending	Solar	4%	6.5%-7.5%
Octopus	Lending	Solar	6%	9% - 11%
Ingenious	Lending	Wind	7%	8%-8.5%
Octopus	Lending	Solar	6%	9% - 11%
Oxford Capital	Lending	Solar	Investor choice	8%-12%

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Review of BPR offer NEW ENTRANT - 100% Yield producing assets focus

Table 6: Cost comparisons

	Deepbridge	Downing	Foresight	Foresight Accelerated	Guinness	Illium	Ingenious	Octopus	Oxford	Proven	Puma	Rockpool	Seneca	Time	Triple Pointp
									Note 2						Note 1
Summary															
Gross Return	9.00%	8.83%	8.70%	8.70%	9.00%	5.50%	7.26%	8.98%	8.40%	6.85%	7.11%	7.23%	8.61%	6.67%	6.60%
Net Return To Investor	4.68%	4.28%	4.80%	YRS 1-2 1.16% YRS 3-5 4.80%	4.82%	3.00% Note 3	4.02%	3.97%	4.13%	3.42%	3.61%	4.34%	4.00%	3.50%	3.72%
Difference	4.32%	4.55%	3.90%	YRS 1-2 7.54% YRS 3-5 3.90%	4.18%	2.50%	3.24%	5.01%	4.27%	3.43%	3.50%	2.89%	4.61%	3.17%	2.88%
Difference Broken Down As															
Non Manager Annual Running Costs	0.50%	0.00%	0.70%	0.70%	1.15%	1.00%	0.19%	0.53%	0.87%	0.78%	1.05%	0.30%	0.01%	0.17%	0.28%
Corporation Tax	1.17%	1.09%	1.20%	1.20%	0.82%	0.75%	1.01%	0.78%	1.28%	0.86%	0.90%	1.09%	1.00%	0.98%	0.96%
Total Annual Fees To Manager	2.65%	3.46%	2.00%	YRS 1-2 5.64% YRS 3-5 2.00%	2.21%	0.75% Note 3	2.04%	3.70%	2.12%	1.80%	1.55%	1.50%	3.60%	2.02%	1.57%
TOTAL	4.32%	4.55%	3.90%	YRS 1-2 7.54% YRS 3-5 3.90%	4.18%	2.50%	3.24%	5.01%	4.27%	3.43%	3.50%	2.89%	4.61%	3.17%	2.81%
Five year costs & fees including initial fees and exit fees	27.25%	24.73%	22.00%	29.28%	21.44%	13.25%	19.69%	29.04%	27.06%	22.40%	21.01%	14.93%	25.45%	20.82%	17.55%

Note 1: Triple Point figures assume blended strategy of 50% Generations and 50% Navigator
Note 2: Oxford Capital figures assume Growth option
Note 3: Illium defer their AMC of 1% until investors receive 3% per annum. This shows that at the target gross return Illium do not meet this hurdle so the annual fee to manager is restricted

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Table 7: Return comparison

	Offers based on 100% Yield producing assets focus		Offers based on 100% Secured lending/leasing focus						Hybrid offers combining lending/leasing focus with Yield producing assets focus						
	Deepbridge	Guinness	Illium	Proven	Seneca	Puma	Rockpool	Triple Point	Downing	Foresight	Foresight Accelerated	Ingenious	Octopus	Oxford	Time
								Note 2						Note 1	
Gross Return being sought from trades															
	9.00%	9.00%	5.50%	6.85%	8.61%	7.90%	7.23%	6.60%	8.83%	8.70%	8.70%	7.26%	8.98%	8.40%	6.67%
Gross Return being sought net of stated fees, running costs, VAT & Corporation Tax (not actual results achieved)															
	4.68%	4.82%	3.00%	3.42%	4.00%	4.24%	4.34%	3.81%	4.28%	4.80%	YRS 1-2 1.16% YRS 3-5 4.80%	4.02%	3.97%	4.13%	3.50%
Stated Target Net Return in Brochure															
	6%	5%	3%	3%	None stated	None stated	5%	3.5% Note 3	4.00% Note 4	3.5%	3.5%	3%-5%	3%	3%-5%	3.5%
Net amount returned as % of net investment (not including initial or exit fees but including any performance fees) for 12 month period shown															
	JUST LAUNCHED		JUST LAUNCHED		2.07%	3.00% (2.20% before fee rebate taking it to 3%)	4.80%	3.81%	3.82%	3.54%	JUST LAUNCHED	3.59%	3.00%	5.00%	3.50%
					30/06/2015	30/06/2015	30/06/2015	30/06/2015	30/06/2015	31/03/2015		30/06/2015	30/06/2015	30/06/2015	31/03/2015
					3.02%	3.00% (2.85% before fee rebate taking it to 3%)	4.60%	4.17%	4.67%	4.69%		3.37%	3.00%	5.24%	3.50%
					30/06/2016	30/06/2016	30/06/2016	30/06/2016	30/06/2016	31/03/2016		30/06/2016	30/06/2016	30/06/2016	31/03/2016
Have both years actual returns without fee rebates met or exceeded target in Brochure?															
					No target	No target	NO	Within range	NO	YES		Within range	YES	YES	YES

Note 1: Based on Growth option

Note 2: Based on 50% Generations strategy/50% Navigator strategy

Note 3: Generations target of 1.5%-2.5% and Navigator target of 4%-6% = 2% + 5% / 2

Note 4: Over "medium term"

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Table 8: Input data for provider comparison - GUINNESS Source - GUINNESS September 2016

Type of cost/fee	Fee %			Comment
Initial fee	0.0%	0		No Initial Fee for Advised Clients
Initial dealing fee	0.275%			Reduces to 0.25% once aggregate share issue >£250k, to 0.2% once aggregate share issue >£500k and to 0.05% once aggregate share issue >£1m
Arrangement fees	0.00%			None
Other	0%			None
Total initial fees	0.275%			
Underlying investee company Returns	Target %	Range %	Gearing level	% of investor subscriptions deployed as at 31 March 2016
Guinness Sustainable Infrastructure Ltd	9.00%	8% - 10%	0	100%
Company 2	0.00%	[% - %]	0	0%
Company 3	0.00%	[% - %]	0	0%
Company 4	0.00%	[% - %]	0	0%
Cash	0.00%		0	0%
Overall headline rate (weighted average)	9.00%			Weighted average based on % allocation across investee companies as at [DATE]
Manager Ownership of investee company Asset Manager	% Ownership	Annual Profit Share		Comment
Manager holding in Company 1 Asset Manager	0.00%	0		Manager has [ ] ownership / [ ] fee rebate arrangement with Asset Manager
Manager holding in Company 2 Asset Manager	0.00%	0		Manager has [ ] ownership / [ ] fee rebate arrangement with Asset Manager
Manager holding in Company 3 Asset Manager	0.00%	0		Manager has [ ] ownership / [ ] fee rebate arrangement with Asset Manager
Manager holding in Company 4 Asset Manager	0.00%	0		Manager has [ ] ownership / [ ] fee rebate arrangement with Asset Manager
Total	-	0		Additional revenues earned by Manager
Gross Return per annum	Target %		Gearing level	Comment
Gross Annual Target Return	9.00%		0	On the net amount invested after fees and costs
Administration costs	Target %			Comment
Administration	0.00%			None
Secretarial	0.00%			None
Custodian	-0.15%			Fee is £37.50 + VAT per annum => 0.15% for min £25k investment but 0.0375% for £100k investment
Share registry	0.00%			Included in Investee Company Service Fee
Audit & Accounting	0.00%			Monthly Management accounts currently produced in house
Legal	0.00%			[provide details] [incl.excl. VAT]
Valuation	0.00%			Included in Investee Company Service Fee
Annual fees	Target %			Comment
Annual Management Charge	-1.00%			Covers Management and Promoters fees. Excludes VAT
Annual Management Charge Threshold (if applicable)	0.00%			N/A
Services fee for running service/investee companies	-1.00%			Capped at 1.5%. Includes valuation costs and non-exec director fees
Transaction / Arrangement / Exit Fees charged at trade level (average p.a.)	0.00%			[provide details] [incl.excl. VAT]
Non Exec Directors	0.00%			Included in Investee Company Service Fee
Other	0.00%			[provide details] [incl.excl. VAT]
Returns	Target %			Comment
Return pre-annual fees and pre-performance fee / exit charge	8.85%			
Annual return pre-performance fee / exit charge	6.85%			
Corporation tax (expected)	12%			Assets attract enhanced capital allowances so actual tax rate much lower than 17% Corp Tax
Corporation tax impact	-0.82%			Estimated
Post Tax Annual return pre-performance fee / exit charge	6.03%			
Performance fee	-1.21%			20% of return after 3.5% hurdle. Only payable on exit
Net of tax & performance fee before exit charge (based on net investment)	4.82%			
Assumed investment term (years)	5			
Exit charge	-0.275%			Exit Dealing fee - same as on investment.
Exit value in £ (after 5 years)	£126.204			Assumption made of investor withdrawal after [ ] years
Net return post-exit charge (based on investment term of 5 years)	**£125.857**			

Table 9: Additional questions - GUINNESS

1. How much is the largest single withdrawals that you've processed in your BPR service and how long did it take to return the capital to the beneficiary from initial request?	No withdrawals to date
2. What is the total £ volume of withdrawals from your BPR service that you have facilitated since the inception of your service (or the last 3 years whichever is the shorter) and what is the maximum and minimum time that the service has taken to deliver the proceeds from the day of request to actual cash withdrawal?	No withdrawals to date. Inflows every quarter to date, from which timely redemptions can be facilitated
3. Is there gearing anywhere in the BPR structure (i.e. In the portfolio company or in the underlying company or partnership) and if so, what percentage?	No gearing
4. For each of your underlying trades, what are a) your total pipeline of dealflow and b) the geared and ungeared project level returns (i.e. Pre any of your fees, includes related party fees of any description, such as arrangement fees, transaction fees, dealing fees, corporate finance fees, fundraising fees, service fees) that you seek from each?	a) Dealflow pipeline is over c£10 million of roof-mounted solar. First £2 million is contracted under term sheet. Rest will be contracted to match inflows.. b) Ungeared project returns 8.2%; no gearing planned
5. What are the names of the portfolio companies and any subsidiary companies/partnerships	
Third party fees	
a.What rate do borrowers pay including interest and fees	GSIL has no debt and does not lend
b. Who benefits from these fees	As above
c.What fees are paid to third parties involved in the investment origination and management process	Fees are paid to Enterprise Investment Partners for subscriptions. These are paid by Guinness from the Annual Management Charge
Other returns from investment	
d. Does the manager or any connected party (such as a shareholder of the manager) have an interest in any other companies that transact with the investee companies	No
e. If so, what is that interest?	N/A
f. Is this disclosed in the product brochure	N/A
g.What measures do you have in place to ensure that transactions are entered into on arms' length terms	Investment Committee approves transactions. Guinness has no stake in developers or other counterparties so no conflicts of interest
Arrangement fees, transaction fees, acquisition fees, fees of any nature at a project level	
h. What such fees have been paid to the manager or another party over the last year and what do you expect to pay over the next 12 months	Usually a developer fee is included in the purchase price of a project. These vary from project to project, are often not separately identifiable by us, and are counted as part of a project cost.
BPR	
i. How do you ascertain that the investments to date are BPR qualifying	Trade is BPR qualifying. Philip Hare & Associates LLP reviews and advises Guinness on BPR tax issues
j. How do you get comfortable that future investments will also qualify	We have adopted a non-contentious structure with a single operating company, and been advised this is BPR qualifying. We will have this reviewed by our tax advisers on an ongoing basis
k.Does the investee company's auditor cover this area as part of the audit process.	No – Philip Hare & Associates
Irrecoverable VAT	
l. If your trade involves all or part lending business, how do you show irrecoverable VAT	N/A
m. Do you charge VAT on your AMC	AMC charged to investee company. VAT charged and recovered
n. Some products are not showing fees they must incur, such as audit fees.	Investee company has not been audited yet. No pledge to investors to have this audited (cost will impact NAV), but this will remain under review as the Investee Company grows, and depending on requirements of investors and advisers
Liquidity	
o. How do you check the portfolio liquidity in stressed and normal market conditions	Difficult to assess in 'stressed' market conditions, but Guinness have sold three sets of roof-mounted solar assets therefore are confident that liquidity available in normal market conditions. Given the popularity of these assets amongst pension funds and investors looking for yield, it is fair to assume that demand will continue over the medium term

Appendix A HMRC Business Income Manual guidance on "badges of trade" (all wording from HMRC website) Source: www.hmrc.gov.uk/manuals/bimmanual/bim20200.htm		
A summary of each 'badge of trade' is shown below with a brief pointer to its meaning. These 'badges' will not be present in every case and of those that are, some may point one way and some the other. The presence or absence of a particular badge is unlikely, by itself, to provide a conclusive answer to the question of whether or not there is a trade. The weight to be attached to each badge will depend on the precise circumstances. The approach by the courts has been to decide questions of trade on the basis of the overall impression gained from a review of all the badges.		
The origin of the concept	BIM20201	Each case where the meaning of 'trade' is an issue must be decided on its own facts. The approach of the Commissioners and the courts over the years has been to examine the facts and look for the presence or absence of common features or characteristics of trade. These are the 'badges of trade' which have been identified as case law has developed before the courts. The report of the Royal Commission on the Taxation of Profits and Income in 1955 reviewed that case law and identified six 'badges'. Since then the concept has been refined and enlarged and BIM20205 provides a summary. A useful modern summary of the badges of trade is contained in Marson v Morton and Others [1986] 59TC381 at page 391, although the court disclaimed any intention of the review being exhaustive.
Profit-seeking motive	BIM20210	An intention to make a profit supports trading, but by itself is not conclusive.
The number of transactions	BIM20230	Systematic and repeated transactions will support 'trade'.
The nature of the asset	BIM20245	Is the asset of such a type or amount that it can only be turned to advantage by a sale? Or did it yield an income or give 'pride of possession', for example, a picture for personal enjoyment?
Existence of similar trading transactions or interests	BIM20270	Transactions that are similar to those of an existing trade may themselves be trading.
Changes to the asset	BIM20275	Was the asset repaired, modified or improved to make it more easily saleable or saleable at a greater profit?
The way the sale was carried out	BIM20280	Was the asset sold in a way that was typical of trading organisations? Alternatively, did it have to be sold to raise cash for an emergency?
The source of finance	BIM20300	Was money borrowed to buy the asset? Could the funds only be repaid by selling the asset?
Interval of time between purchase and sale	BIM20310	Assets that are the subject of trade will normally, but not always, be sold quickly. Therefore, an intention to resell an asset shortly after purchase will support trading. However, an asset, which is to be held indefinitely, is much less likely to be a subject of trade.
Method of acquisition	BIM20315	An asset that is acquired by inheritance, or as a gift, is less likely to be the subject of trade.

Appendix B Extract from HMRC Manager Manual

CT6650d - Close companies: loans to participators : business of lending money

ICTA88/S419 (1)

The exemption in Section 419 (1) is really two separate tests - a company must carry on a business of lending money and the loan must be made in the ordinary course of that business. As regards the first test, there is judicial guidance in the case of Brennan v The Deanby Investment Company Ltd (73 TC 455).

In the Northern Ireland Court of Appeal Carswell LCJ said (at page 9 of the leaflet)

'It seems to us that the phrase in s419(1)'a business carried on by it which includes the lending of money' connotes a certain regularity of recurrence of such transactions. To carry on the business of doing something ordinarily means that it is done as a regular practice by way of a trading operation, if not with all comers, at least with a variety of customers.'

A company will only satisfy the first part of the proviso if it has a trade of lending money. Characteristics of the trade of a commercial money lender include whether the company :

- Advertises its money lending to the public or some sector of the public
- Publishes its rates of interest
- Receives applications for loans from the public or from that sector of public to which it lends
- Charges interest at a commercial rate
- Has the means (that is, a system and appropriate personnel) to enforce collection of debts
- Uses official documentation with terms of repayment of the loan clearly set out in a form which can be legally enforced.
- Has a reasonable number of loans (usually 200+) to ensure that profits on the good loans can cover the inevitable loan write offs.
- Matches borrowing and lending - a genuine trader will try and match their source of funds with loans advanced. For example, a trader would not generally borrow short-term funds repayable on demand, and lend them on a long-term basis.

A single loan made by a company to a participator, even on commercial terms, is not adequate evidence of the existence of a commercially constituted business of lending money. Since the first test fails, the second test automatically becomes redundant. Even in other cases where the first test is met, a loan to a participator still has to be made in the ordinary course of the business, and that would not be the case where the size, terms or conditions of the loan differed from those which normally applied
http://webarchive.nationalarchives.gov.uk/+/http://www.hmrc.gov.uk/manuals/ct123manual/ct6650d.htm

Appendix C Guinness investment team:

- Shane Gallwey – Has launched, advised, invested in and sold a number of EIS & BPR-qualifying businesses. Prior to Guinness, he spent six years with HSBC Investment Bank in equity research and corporate finance, four years with an investment fund in Gibraltar, and a further five years advising growth companies on EIS/VCT structuring and financing. Shane holds an MA from the University of Edinburgh, and is a CFA Charterholder.
- Edward Guinness – Has managed the Guinness Alternative Energy Fund since 2007, raising over US$100 million and making investments in listed wind, solar, hydroelectric and energy efficiency companies globally. He joined HSBC Investment Bank in 1998 working in the Energy & Utilities Team in Corporate Finance, Tiedmann in New York in 2003 and Guinness Asset Management in 2006.
- Dr Malcolm King - Malcolm joined Guinness Asset Management's EIS Team as an Investment Manager in October 2013. Prior to joining Guinness, Malcolm worked for the Carbon Trust and its subsidiary CT Investment Partners (now 350 Investment Partners) where he led or managed 15 transactions in the cleantech and renewables sector. From 2006 to 2008 Malcolm worked as a Consultant for Angle technology plc where he was heavily involved in the management of the Carbon Trust Angle Incubator, the leading cleantech incubator of its kind in Europe. Malcolm has a PhD in Physical Chemistry from Cambridge University and a BSc(Hons) in Chemistry from the University of Pretoria.
- Hugo Vaux – Hugo joined the Guinness EIS investment management team since 2012. His role includes sourcing and assessing potential transactions, monitoring existing investments and assisting on marketing. Prior to joining Guinness Hugo gained experience at SandAire Wealth Management undertaking micro and macro analysis in the investment team. He has an MSc in Finance and Investment from Bristol and a BSc in Economics from Exeter.
- Chris Villiers – Chris joined Guinness EIS investment management team in 2015 after spending 10 years working in the carbon and renewable energy markets. The majority of this time was spent with EcoSecurities (a wholly owned subsidiary of JP Morgan) ultimately as Head of Portfolio Management. Between 1999 and 2004 Chris worked in Corporate Finance at Dresdner Kleinwort. He holds an MA from the University of Edinburgh and an MSc from Imperial College in Environmental Technology.
- Tim Guinness - Chairman and Chief Investment Officer of Guinness Asset Management, he runs the Guinness Global Energy Fund. From 1999 to November 2002, he was Joint Chairman of Guinness Flight Global Asset Management Ltd. (which merged with Investec in 1998), and was the CEO from 1997 to 1999. Tim graduated from Cambridge University with a degree in engineering. He then completed a Master's Degree in Management Science at the Sloan School M.I.T. in the United States.
- Andrew Martin Smith - Andrew began his career at Hambros Bank in 1975 as a graduate from Oxford University, later becoming Chief Executive of Hambros Fund Management. He has over 30 years' experience in the financial services industry and currently works as a senior adviser with Guinness Asset Management and manages the Guinness AIM EIS Fund. He is also Chairman of Parmenion Capital Management and a Director of Church House Investments and three quoted investment trusts.
- Lord Flight - Chairman of the EIS Association and co-founder of Guinness Flight. He is currently the director of businesses with over £10bn of funds under management.
- Giles Robinette - Giles Robinette joined Guinness Asset Management in October 2005 and is the chief accountant, finance and compliance officer. Giles has over 23 years experience in the investment management industry. Before joining Guinness he worked in various finance, operations and compliance roles at Midland Montagu Asset Management, Newton Investment Management and Berry Asset Management. Giles graduated from Birmingham University with a degree in Commerce in 1984 and qualified as a Chartered Accountant with Coopers & Lybrand in 1987.