HARDMAN & CO. TAX ENHANCED

BR REVIEW: PRAETURA INHERITANCE TAX PLANNING SERVICE

Praetura Ventures Limited

	Positives	Issues
Why invest	▶ **Strategy:** To fund asset-backed finance, invoice discounting and other lending strategies.	▶ **Future diversification:** New lending strategies may be added in the future.
Management	▶ **Team:** The team has a broad range of lending experience among large and small lenders.	▶ **Track record:** Although the team has an excellent track record to date and lengthy experience, Praetura has not yet experienced a full credit cycle.

Nuts & bolts

- **Governance:** The company board will have one independent director.
- **Diversification:** The company will lend into existing lending companies and will have excellent diversification from the outset.
- **Valuation:** Loans will be valued at face value less impairments, with transactions at NAV.

Fees

- **Annual fees:** There will be a service charge within the company of 2% p.a., plus a management fee of 1%, payable on exit and contingent on a minimum 4.5% p.a. return. Praetura will also benefit from a positive spread on the lending in its operations.
- **Other fees:** A 2% initial fee and 1% on all trades; no performance fee.

Risks

- **Target returns:** The target return is 4.5% p.a. Modelling would suggest that, once invested, the company has a good chance of meeting that target, with significant upside or downside unlikely.
- **Investment risk:** In common with most products in the non-AIM Business Relief (BR) sector, Praetura targets a lower return than the yield on the underlying assets. It also provides a unique capital buffer, which reduces significantly the risk of credit losses to investors.

Analyst

Brian Moretta

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Manager information (Jan'22)

- ***Fund assets:*** £13.5m
- ***Fund target:*** n/a
- ***FUM in similar strategy:*** £200m
- ***Total FUM:*** £310m
- ***Launch date:*** Dec'20

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Important notice to readers

This report has been commissioned by our Client, Praetura Ventures Limited, and is provided for informational purposes only. The contents should not be interpreted, in any respect, as offering investment advice, nor be viewed as a substitute for readers' own due diligence.

Our Client has confirmed that, to the best of their knowledge, this report contains factually correct information at the time of publication, and that the content is not misleadingly presented. Potential investors should seek updated information prior to any financial commitment, and acknowledge that future outcomes may differ materially from current expectations.

Investing in early-stage growth companies is a high-risk activity. Access to liquidity may be totally or highly restricted. Investors should seek appropriate professional advice before deciding whether to make a financial commitment.

For further information relating to the Client's activities, please contact management directly.

The attention of readers is drawn to important disclaimers printed at the end of this document.

Factsheet

Praetura Inheritance Tax Planning Service	
Product name	Praetura Inheritance Tax Planning Service
Product manager	Praetura Ventures Limited
Product advisor	n/a
Tax eligibility	BR
Target return	4.5% p.a.
Target income	n/a
Company type	Private Limited Company
Term	Open-ended
Sectors	Lending: asset-backed, commercial finance
Assets	None
Diversification:	
Number of loans	2 (underlying ca.2,700)
Number of assets	Nil

Fees	Amount	Paid by
Initial fees:		
Initial fee	2.0% (advised) 3.5% (non-advised)	Paid from subscription
Dealing charge	1%	Service
Annual fees:		
Annual management fee	1% + VAT	Company – see *Fees* on page 12
Annual service charge	Up to 2% + VAT	Company
Arrangement fees	Variable	Borrowers
Exit fees:		
Exit dealing fee	1%	Service
Performance fee	None	

Advisor fee facilitation	Yes
Advisor fee amounts	As agreed with investor
Investee companies	Quay Street Trading Limited
Reporting	Investment reports every six months, monthly valuations
Financial year-end	31 December
Expected liquidity method	Matched bargain, cash redemption
Fundraising:	
Minimum investment	£25,000
Current funds raised	£13.5m
Current product size	£13.5m
Fundraising target	n/a
Dealing date(s)	First working day of each month

Source: Praetura, Hardman & Co Research

Product aims

Praetura Inheritance Tax Planning Service is a non-AIM/unquoted BR product. It is an Alternative Investment Fund, which will invest wholly into Quay Street Trading Limited (Quay Street). The latter will lend money to SMEs through various types of asset-backed or secured lending. It has a target return of 4.5% p.a., after all fees.

Summary of risk areas

Note: There are generic risks from investing in unquoted companies, in addition to the specific ones commented on below. Comments on relative risk refer to other BR investments and not to wider investments.

Investments

Investment strategy risk

Quay Street currently funds asset-backed finance and invoice discounting, both of which are lending on a secured basis. The former funds individual corporate assets, with a focus on those that are business-critical. Security is taken, with aggressive depreciation to ensure realistic residual values. The invoice discounting book extends facilities that are drawn on as required. Charges over corporate assets and personal guarantees are taken as appropriate.

Other lending lines will be added in due course. Although the lending structure already contains meaningful margins, Praetura is also providing a substantial first loss buffer to protect investors against credit losses.

Portfolio and company risk

Quay Street will initially fund lending through existing Praetura operations. As investors are participating in existing portfolios, they will get good diversification from the outset. There are almost 2,700 loans, with the asset-finance book being particularly well diversified.

The company structure is simple, with Quay Street lending into two pre-existing companies that lend directly to customers. There will be no borrowings by Quay Street.

Governance

Quay Street has four directors – three executive and one non-executive. This is better than the sector average. The board of Praetura Debt Services, which oversees all lending, has a majority of non-executives. We are not aware of any intention to have related-party transactions.

Liquidity

Formally, liquidity is provided to investors within 30 days following the month-end of an investor giving notice.

The target is for the company to run liquidity of ca.10%. With the investments being into existing businesses, this will be achieved from the outset. Although the loans to the lending operations have a five-year term, the underlying loan book should generate good liquidity on an ongoing basis, if required.

Manager

Team

The Praetura debt team is 80-strong across the two areas. The team has a wide range of experience from large and small lenders. The team size seems more than adequate for its current activities. The new lending strategies are contingent on finding suitable teams to work with.

Track record

Praetura Inheritance Tax Planning Service track record

FY	2021*	CAGR
Ordinary shares	4.7%	5.2%

** First pricing 8 Feb 2021.*
Source: Hardman & Co Research

The Praetura Inheritance Tax Planning Service has only been running for a year, but so far has slightly exceeded its return target.

Regulation

Product

The product has had one successful BR claim to date. Praetura has also checked with KPMG that the company should be eligible. Given that the company will be offering lending services, it would appear to be an eligible trading company.

Manager

The manager of the Service is Praetura Ventures Limited. It is FCA-registered (number 817345), with fund management permissions. Submissions to Companies House appear to be up to date.

Risk commentary

The overall company and product structure appear sound, with no major concerns.

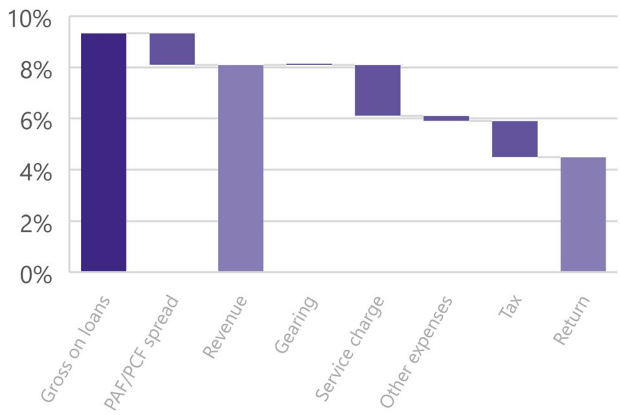
This is an interesting, relatively new, product from Praetura. Although there are plenty of lending strategies in the unquoted BR sector, few participate in the same areas, and the additional capital buffer is unique. The areas of lending, plus the participation in an existing loan book, mean that diversification in the underlying lending books is very good, and better than most other sector participants.

The lending into existing companies is at a fixed rate, with plenty of margins, so it will take impairments well outside historical experience to affect returns adversely. The first loss buffer across the whole lending book means that credit losses will have to be severe for investors to be affected. Conversely, the fixed-rate loan means there is little scope for upside to the return, other than by the addition of new strategies.

From a portfolio perspective, this may have some economic sensitivity in the most adverse circumstances, but it should prove complementary to most other strategies in the sector.

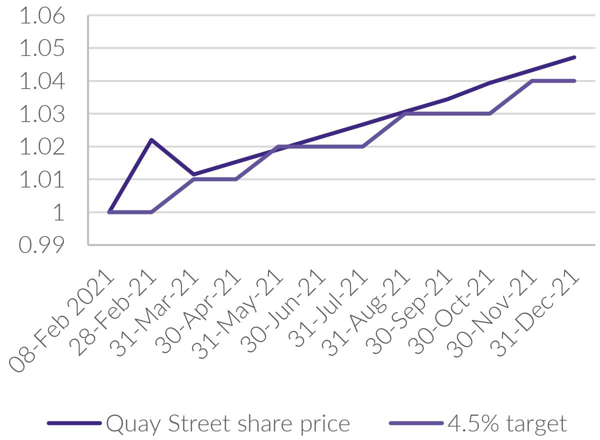
BR Review: Praetura Inheritance Tax Planning Service

Return waterfall (based on model)



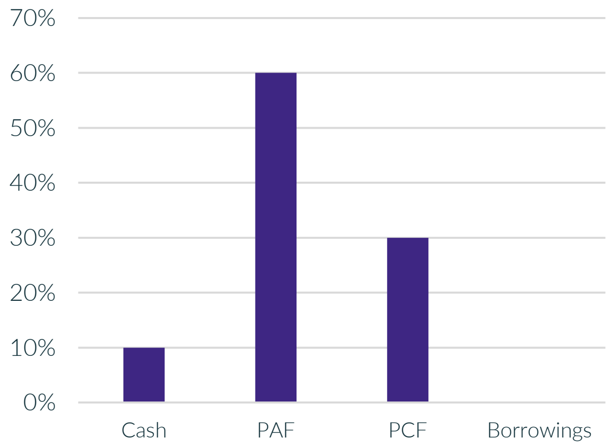
- Assumed 90% invested
- Assumed company costs of 0.2%
- Modelled return matches target, with no annual management fee
- Initial returns may be lower until Quay Street reaches scale

Past performance



- Quay Street has been trading since 8 February 2021
- Performance to date has been steady and has slightly exceeded the target

Liquidity as a proportion of net assets (modelled)



- Long-run target is 10% cash
- Assets will initially be loans to Praetura's existing lending operations
- No planned gearing

Source: Praetura, Hardman & Co Research

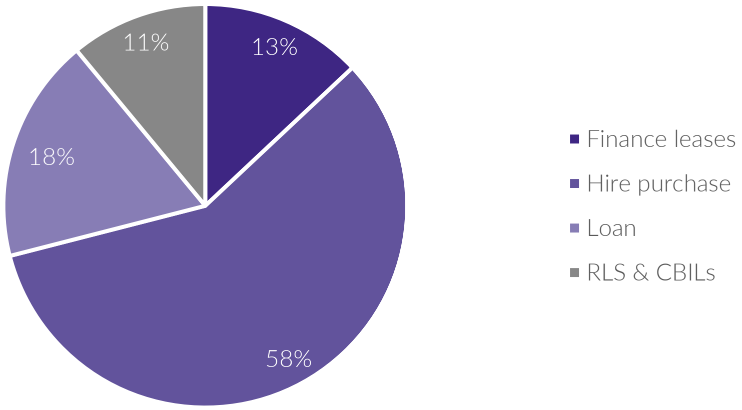
Investment strategy

The company will lend or finance assets on a secured basis. It will follow three different strategies at the outset, with the intention to add others in due course.

Asset-backed finance

Praetura offers a variety of asset-backed finance options to its clients, which are SMEs and sole traders.

Asset-backed finance exposure, as of December 2021



Source: Hardman & Co Research

The underlying underwriting process is similar for each of these. Praetura only funds mission-critical assets, which should incentivise borrowers to keep up payments. Funding is only provided against a for-sale value, which is necessary when clients are often purchasing second-hand, rather than new, equipment. An accelerated amortisation schedule is used, with the aim of ensuring that a conservative position is taken on security throughout the duration of the financing.

Praetura prefers flexible assets, particularly those for which there is an international market. This should give options should the UK economy be in a different cycle from the rest of the world. Proof of ownership is also checked, when required.

The underwriting process looks at a borrower's circumstances, as well as the asset quality. It often includes personal guarantees on top-up values, although this is an additional layer, rather than the primary security.

Customers are sourced through a broker network of more than 150. The quality of business that each brings is monitored on an ongoing basis. Customers come from a wide range of sectors, with transport and storage currently being the largest exposure, at 16%.

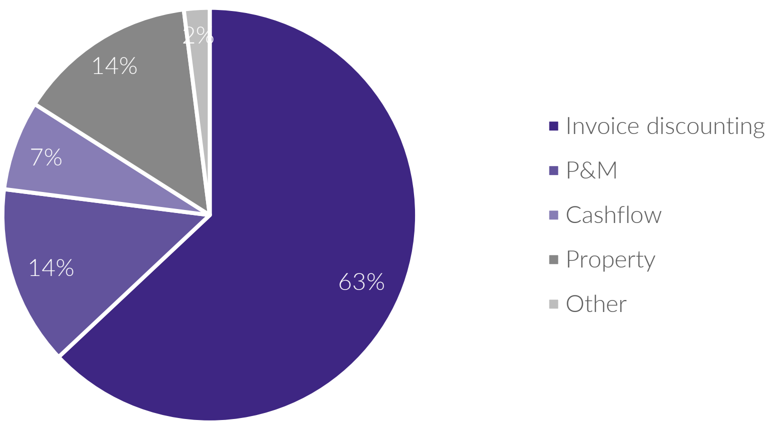
Terms vary widely between individual borrowers. Loan amounts can range from £10,000 to £1.5m, with terms of 12-72 months. Typically, yields are between 9% and 14%, although the majority are in the lower half of that range.

If we look at product exposure, the main change in the past year has been the addition of RLS and CBILs business. These were the schemes through which the government supported lending to businesses during the COVID-19 crisis. Praetura was approved to issue such loans but only made them under the same criteria as would apply to normal loans. This approach has led to a relatively smaller proportion of business in this area compared with some of its competitors. The guarantees have led to these loans being priced lower than the normal ones, which has pushed the average yield down a bit. Praetura expects that to unwind as these loans mature for the next few years.

Commercial finance

This book primarily extends funding against a company's book of debtors, although it also does some stock and cashflow lending. Invoice discounting is currently 63% of the exposure in this book, down from 82% a year ago.

Commercial finance exposure, as of December 2021



Source: Hardman & Co Research

Other than some exclusions, such as debts over 90 days due, funding is provided for up to 90% of the debtor's total ledger. Generally, a large potential loan is provided for the term of the facility, with the amount being used at any time ebbing and flowing with changes in the debtor's business.

All deals are bound by agreements that give Praetura strong rights over the business, if necessary. These may be supplemented by personal guarantees and other guarantees, as well as debentures with fixed and floating charges and chattel mortgages, where appropriate. Credit insurance may also be taken out for the largest exposures, although the largest is no more than 3% of the total collateral.

These customers are also sourced through a network of 50 brokers across northwest England. The range of sectors is smaller than for asset finance, with half of the lending book exposed to mail services and manufacturing.

Current portfolio

Quay Street lends into Praetura's existing lending companies. We have been supplied with summary figures as of 31 December 2021, with previous comparator figures as of 31 October 2020. Broadly, the latest figures show strong growth as the latter were affected by the pandemic.

The asset-backed lending book is £121m of principal plus £22m of contracted interest, a steady growth over the £90m plus £16m in the previous year, with 2,619 individual agreements. The average advance is £67,000.

The invoice discounting and factoring book is much smaller, at £57.6m, albeit this is a huge increase over the £13.7m seen in 2020. It's a more reasonable 21% growth over 2019. Given that many customers saw shutdowns in 2020, a bounceback is welcome. There are 30 current customers, and the average advance is £1.9m. The number of underlying debtors is much bigger, with the largest representing 3% of the underlying collateral.

Although Quay Street is a new company, it will have exposure to well-diversified lending books from the outset. This diversification is better than most, but not all, of its competitors in the market.

Future plans

Praetura intends to add other lending in due course, including factoring and property lending, as well as back-to-back lending in its existing areas. This is contingent on finding partners or teams that it can work with. We understand that there has been some exploring of opportunities, but it may take a more settled economic environment for these to come to fruition.

Business Relief eligibility

The investment process indicates that the trade of the company should be qualifying for Business Relief. Praetura has also obtained an opinion from KPMG on its eligibility. Although the product is less than two years old, it has had one successful claim under replacement relief.

Governance and product structure

Board

Quay Street has four directors, one of which is an independent, non-executive director, while the other three are executive directors of Praetura. This split is not unusual for the BR sector. The three executive directors are also founding directors of Praetura Asset Finance (PAF) and Praetura Commercial Finance (PCF).

David Foreman – MD, Praetura Ventures

Qualified as an accountant with KPMG. He has spent 12 years working in corporate finance and venture capital and is the co-founder of Praetura.

Peader O'Reilly – MD, Praetura Debt Services

Started his career at Bank of Ireland, focusing since 2002 on asset-based lending in the UK. In 2009, he moved to ABN Amro in a similar role, before co-founding Praetura Capital in 2011.

Danny Summers – CFO, Praetura Group

A chartered accountant, he spent the first five years of his career with Grant Thornton UK, before becoming a partner at Praetura in 2014. He became CFO in 2021.

David Allanson – independent non-executive director

Spent 13 years at Lloyds Bank. As Regional Director North West, he led the team managing the relationship with mid-sized companies. Since 2016, he has acted as a consultant for KPMG, and he has acted as non-executive director for several companies, including Tosca Debt Capital.

Decision-making

Each area has its own credit team. For asset-backed lending, the team can lend up to £750,000 without referral to senior management. All commercial finance lending is referred to senior management.

Related-party transactions

There have been no related-party transactions, and we are not aware of any intention to conduct any.

Company structure

Quay Street corporate structure

Source: Hardman & Co Research

The investee company for the service is Quay Street Trading Limited (Quay Street). This will lend to Praetura Asset Finance (PAF) and Praetura Commercial Finance (PCF), alongside their existing funders. It will, in due course, fund other lenders as well, although none has been finalised at the time of writing. The initial asset allocation is two-thirds to PAF and one-third to PCF.

PAF invests in finance leases, hire purchase and secured loans. The loan book as of 31 December 2021 was £121m plus £22m of contracted interest.

PCF primarily offers invoice discounting. As of 31 December 2021, its loan book was £58m.

Quay Street has two share classes:

- A ordinary: with voting rights but no dividend entitlement. There is one in issue, which is held by Praetura.
- B ordinary: no voting rights but eligible for any dividends.

Investors will get B ordinary shares, so will have no voting rights. There are no plans to pay dividends. On wind-up, the A shares are limited to their paid-up value only.

Valuation processes

The share price for transactions will be based on the NAV per share calculated monthly, using the same basis as the audited accounts.

The value of assets will be the face value of the loans, less impairments.

Share trading and liquidity

Redemptions

Formally, Praetura aims to supply liquidity within 30 days of the month-end.

New shares

The transaction price for new shares is the NAV per share. The redemption price is the NAV per share.

Fundraising history

As a new product, there is no fundraising history.

Business not as usual

Should Quay Street need to liquidate its entire assets, then it will have a couple of options. The loans to PAF and PCF have five-year terms. The underlying lending will naturally mature over time, although the weighted average term of PCF is 20 months; for PAF, it is 28 months. As part of a larger loan book, and as long as other funders do not require repayment, it may be possible to reduce these times by using all of the earlier redemptions to repay Quay Street. As of the latest accounts (December 2020), PAF had £24m of loans repayable within 12 months, much more than Quay Street's loan to it. Subject to facilities and loan volumes, it may also be possible to use the other existing funding sources for PAF and PCF to repay the Quay Street loans.

The attractiveness of these options may depend on the scale of Quay Street's investment. While the company is still relatively new and it is a small proportion of each loan book, it's lending should be easier to liquidate. If it grows and becomes large relative to the existing loan books, then liquidation times are likely to lengthen.

Fees

The stated fees are listed in the *Factsheet* on page 3. The additional costs incurred are discussed under *Expenses* in the *Track record* section.

Initial fees

The initial charge and the dealing fee are paid via the service on the whole amount, before being applied to the shares. There is a higher initial fee for a client that is not advised.

Annual fees

The service charge is stated as being up to 2% per year but, in practice, it is likely to be close to or at this level.

The annual management charge is deferred until exit from the product and is only payable if the net return to the investor is 4.5% p.a. compound. So, if the gross return of Quay Street is 5.5% p.a., then the full fee will be payable. If returns are lower, then the fee will be reduced accordingly. We note that Praetura does not expect to earn the full annual management charge until other lending lines are added.

The annual fees will be deducted from the company on a quarterly basis.

Exit fees

The only exit fee is a dealing fee. Like most products in the sector, there is no performance fee.

Other charges

Arrangement fees on loans may be payable to Praetura. For the lending in PAF and PCF, these will be payable to the lending company. For any additional strategies, these may be payable directly to Praetura. Amounts are not specified but will be in line with commercial norms.

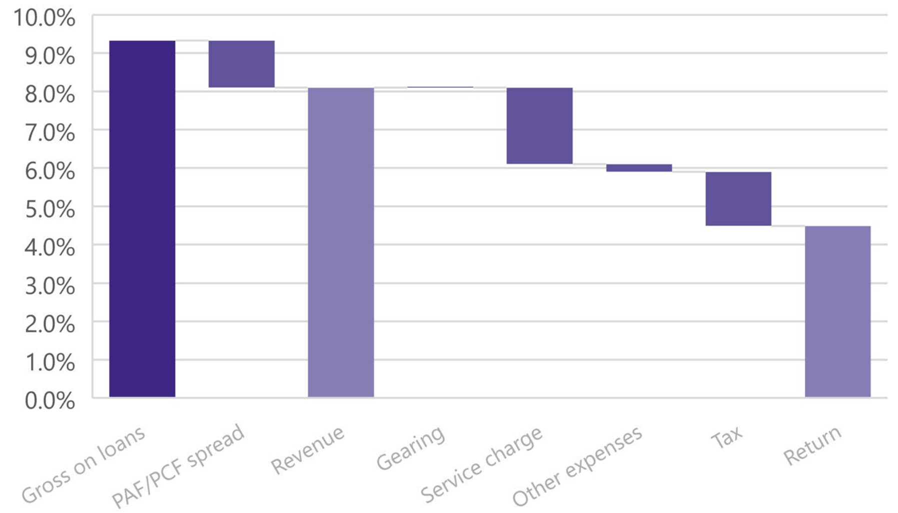
Praetura will also benefit, through its ownership of PAF and PCF, from the spread between the yield on the assets and the interest paid to Quay Street. Currently, this is 1.7% p.a. in PAF and 0.7% in PCF.

Track record

Quay Street Trading Limited

Quay Street has not issued its first accounts yet, but the pools of assets into which it will be investing do have track records. We can also model how returns look under the company and the fee structure being used.

Model waterfall for Quay Street

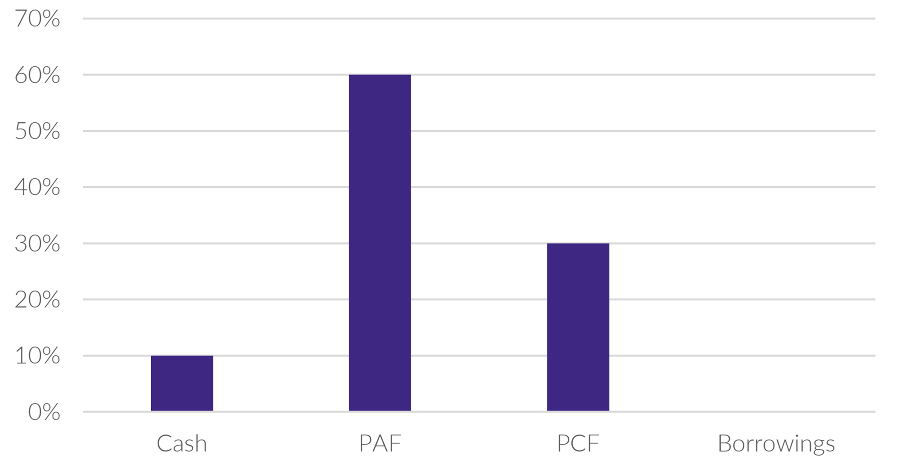


Source: Hardman & Co Research

Balance sheet utilisation

The balance sheet for Quay Street is straightforward. With a target cash balance of 10%, 90% of assets will be available for investing. The proposed split gives 60% of assets in PAF and 30% in PCF. Given the participation in larger asset pools, this has been achieved almost immediately, and we expect Quay Street to be able to maintain it reasonably closely.

Expected balance sheet utilisation



Source: Hardman & Co Research

We expect Quay Street to be able to keep close to this asset allocation, other than short-term adjustments for cash inflows or outflows. Significant changes will occur when other lending strategies are added.

Looking at the borrowing companies, both PAF and PCF are entirely debt-funded.

In addition to the assets from investors, Praetura will have a first loss provision, which will take any credit losses prior to investors. This will be subordinated into PAF and PCF and will be based on three years of historical or estimated capital losses, with a minimum of £5m for PAF (currently 3% of the loan book) and £3m for PCF (currently 5% of the loan book). Both PAF and PCF are primarily debt-funded, with this debt having a first charge over their assets. Going by historical loss figures, this should insulate investors in Quay Street from most of the credit risk.

Revenue generation

Loans will be made by Quay Street to each of PAF and PCF at an annual interest rate of 9%. Both lending books have a yield in excess of this (as of 31 December 2021, PAF's average 10.7%, PCF's 9.7%), and Praetura expects this to continue. On the initial mix, this gives PAF/PCF an aggregate gross spread over lending of 1.2%. We note that PAF, in particular, has seen a decline in its average yield from 11.3% last year. As noted above, this is primarily related to the RLS and CBILs business and Praetura expects the average yield to return to its previous level as these loans mature.

We note that the debt funding that is the primary funding of both PAF and PCF is at a much lower rate of interest. The revenue rate would have to drop well below 9% before it affected either company's ability to pay interest on the Quay Street loans.

As noted above, Praetura does not expect to earn a full AMC under the current structure. It hopes to achieve this with the additional lending strategies and, in time, it will be able to raise the blended return in Quay Street to 5.5% p.a.

Expenses

The largest expenses in Quay Street will be Praetura's service charge. There will be some corporate expenses, including the director's fee, but these are expected to be small. In our modelling, we have assumed 0.2% of assets, which should become smaller as Quay Street grows.

Corporation tax will be paid at the normal rate – soon to be 24%.

Both PAF and PCF incur meaningful administrative expenses. In 2020, PAF's cost/income ratio was 51% while PCF's was 45%.

Credit quality

Credit quality in both books has been excellent to date. PAF has had some bad debts. Since its founding in 2014, it has lent £419m, with £298m being repaid. Enforcements have been just under £3m, with £0.3m written off. The balance was recovered from the security or guarantees. Although Praetura states a capital writeoff rate of under 0.2%, the data suggest that it is even lower than this.

The PCF experience is even better with no writeoffs to date. In the 2020 accounts, it held a £0.6m impairment provision, equivalent to 6% of lending, although this does not seem to have turned into bad debts.

Using the current weighted average term in PAF of 28 months, the historical default rate experienced across the portfolio is less than 0.1% p.a.; hence, we have made no explicit allowance for bad debts in our model. The interest rate margins noted above do give Quay Street a significant revenue buffer to cover unpaid interest, as does the subordinated capital.

When Quay Street launched in early 2021, Praetura was cautious regarding the immediate bad debt prospects. It was concerned about government support possibly masking problems in SMEs and what would happen when it expired. So far, things have turned out at the optimistic end of its planning. Although a few borrowers have shown some signs of strain, none has turned into bad debts. As the growth in the loan books indicates, Praetura has returned to making new loans largely as before. It does stress that this includes keeping its strict credit criteria as before. We also note that PAF recently expanded its funding line from a high street bank, which it was clearly comfortable doing so.

Net results

Based on the figures above, the net return to shareholders will be exactly 4.5% p.a. In normal economic circumstances, there seems little chance of Quay Street falling meaningfully short of this in the medium term. It would take a very severe downturn to work through the additional margins and buffers in its structure. The fixed rate of interest on the loans to PAF and PCF means that there will be little chance of meaningful upside without the addition of other lending strategies.

Other funds

As indicated above, Quay Street is lending into Praetura's existing lending companies.

Manager

Praetura started raising money for unquoted investments in 2011, with a mixture of companies that were eligible and non-eligible for EIS investment. It raised £40m of EIS on a deal-by-deal basis before launching its first EIS fund in early 2019. It has now raised £80m in this area, including £15m of BBI co-funding.

Its debt operations commenced a couple of years after the group was formed. PAF started trading in early 2014, growing its loan book that year to £15m. PCF was launched in 2015. Aggregate lending grew to £155m at the end of 2019, with some shrinkage during the pandemic. As indicated above, the total loan book at the end of 2021 was £178m.

PAF and PCF are governed by the Praetura Debt Service Board, which consists of four non-executive directors, plus three executive directors, listed below.

The PAF and PCF teams have grown strongly in the past 12 months and now have 80 staff. Praetura, in particular, has added to its origination capability to ensure it can source enough deals to fund its growth. Both teams have a range of experience with various large, well-known lenders and smaller credit companies.

Peader O'Reilly – CEO

See Quay Street directors above

https://www.linkedin.com/in/peadar-o-reilly-6560052/

Danny Summers – CFO

See Quay Street directors above

https://www.linkedin.com/in/danny-summers-68154155/

Lisa Wood – CCO

https://www.linkedin.com/in/lisa-wood-16045a2a/

Gary Davison – Non-executive Chairman

https://www.linkedin.com/in/gary-davison-6ba33386/

Darren Carter – NED

https://www.linkedin.com/in/darren-carter-35a98756/

Rob Memmott – NED

https://www.linkedin.com/in/rob-memmott-8378a710/

Alan Burke – NED

https://www.linkedin.com/in/alan-burke-1054922b/?originalSubdomain=ie

Appendix 1 – due diligence summary

Summary of core due diligence questions		
Manager		**Validated by**
Company	Praetura Ventures Limited	
Founded	2018	Hardman & Co
Type	Private limited company	Hardman & Co
Ownership	Praetura Group Limited (see below)	Hardman & Co
FCA Registration	Yes – 817345	Hardman & Co
Solvency	Confirmed	Company
EISA member	Yes	Hardman & Co
Company	**Quay Street Trading Limited**	**Validated by**
Founded	2020	Hardman & Co
Type	Private limited company	Hardman & Co
Last accounts	n/a	Hardman & Co
Fund Custodian		
Company	The Share Centre	Information Memorandum
FCA Registration	Yes – 465415	Hardman & Co

Source: Hardman & Co Research

Regulation

The manager of the service is Praetura Ventures Limited. It is authorised by the FCA to manage an unauthorised AIF. Although the latest accounts (31 December 2019) show a deficit in shareholders' funds, it has since issued £2.5m of shares to the parent. Praetura states that it ensures that it will keep a balance of at least £50,000, which is multiple of its requirement.

The parent of Praetura Ventures Limited is Praetura Group Limited, ownership of which is spread over 13 directors and staff members, and one third party. The directors, in aggregate, have a controlling stake. Prior to 2018, the group parent was Praetura Capital LLP.

Appendix 2 – example fee calculations

This calculates the estimated total amount payable to the manager under certain assumptions. The arrangement fees are not included.

Basic assumptions	
Term	5 years
Investor amount	£100,000
VAT	Offset against company income
Other costs	0.2% p.a.

Source: Hardman & Co Research

Charges		Target			
Net return (p.a.)		**3%**	**4%**	**5%**	**6%**
Required gross return		**8.49%**	**9.81%**	**12.12%**	**13.44%**
Initial fees	**Rate**				
Initial subscription		£100,000	£100,000	£100,000	£100,000
Initial fees	3.0%	£3,000	£3,000	£3,000	£3,000
Net subscription		**£97,000**	**£97,000**	**£97,000**	**£97,000**
Year 1					
Charges + spread		£3,570	£3,579	£4,583	£4,598
Other costs	0.2%	£197	£198	£199	£200
Net fund at year-end		£99,910	£100,880	£101,850	£102,820
Year 2					
Charges + spread		£3,677	£3,722	£4,812	£4,874
Other costs	0.2%	£203	£206	£209	£212
Net fund at year-end		£102,907	£104,915	£106,943	£108,989
Year 3					
Charges + spread		£3,787	£3,871	£5,053	£5,166
Other costs	0.2%	£209	£214	£219	£225
Net fund at year-end		£105,995	£109,112	£112,290	£115,529
Year 4					
Charges + spread		£3,901	£4,026	£5,306	£5,476
Other costs	0.2%	£215	£223	£230	£238
Net fund at year-end		£109,174	£113,476	£117,904	£122,460
Year 5					
Charges + spread		£4,018	£4,187	£5,571	£5,805
Other costs	0.2%	£222	£231	£242	£252
Net fund at year-end		£112,450	£118,015	£123,799	£129,808
Exit charges	1.0%	£1,124	£1,180	£1,238	£1,298
Final fund value		**£111,325**	**£116,835**	**£122,561**	**£128,510**
Total charges + spread		£23,076	£23,567	£29,563	£30,216
Total other costs		£1,045	£1,072	£1,099	£1,126
Total taxes		£8,131	£9,955	£13,541	£15,541
Total expenses		**£32,253**	**£34,593**	**£44,203**	**£46,883**

Source: Hardman & Co Research

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