



FORESIGHT INHERITANCE TAX SOLUTION (“FORESIGHT ITS”)

ADDENDUM DATED 24 SEPTEMBER 2018 TO INVESTOR GUIDE & CUSTOMER AGREEMENT DATED JUNE 2016

Important Notice

This document is an addendum (“**Addendum**”) to the Foresight ITS investor guide and customer agreement (“**Existing ITS Memorandum**”) dated June 2016 issued by Foresight Group LLP (“**Foresight**”) and is to be read in conjunction with the Existing ITS Memorandum. Any decision to invest should only be taken after reading the Existing ITS Memorandum and this Addendum in full and, where appropriate, taking professional advice as advised in the Existing ITS Memorandum.

All defined words and phrases used in this Addendum are to have the same meaning as given in the Existing ITS Memorandum (unless otherwise stated). The Foresight ITS is, together with the Foresight Accelerated Inheritance Tax Solution (“**Foresight Accelerated ITS**”), part of the Foresight Inheritance Tax Fund (“**Foresight Inheritance Tax Fund**”). This Addendum does not amend the terms and conditions of the Existing ITS Memorandum.

Background

Foresight will shortly be issuing a new investor guide and customer agreement in respect of the Foresight ITS (“**New ITS Memorandum**”). The New ITS Memorandum will contain a new fee charging structure designed to simplify and provide greater clarity of fees, and more closely align the annual management charge with performance. The new fee charging structure will be applicable to investors who apply to participate in the Foresight ITS through the New ITS Memorandum.

Following launch of the New ITS Memorandum, Foresight intends to harmonise the fee charging structure for all Foresight ITS investors by applying the new fee charging structure to all existing investors in the Foresight Inheritance Tax Fund. This will be completed by way of a notification of amendments to the customer agreements already in place between Foresight and each existing investor (which will automatically take effect from a specified date). This will include any investor who is accepted on the terms of the Existing ITS Memorandum. The amendments will also include some other minor and/or technical and regulatory updates to the customer agreement.

This Addendum has, therefore, been issued to advise potential investors who submit applications on or after 24 September 2018 under the Existing ITS Memorandum of the new fee charging structure that will apply to them when Foresight harmonises the fee charging structures. The changes are expected to take effect from 12 November 2018.

Changes to the Fee Charging Structure

A summary of the changes to the fee charging structure are set out below.

Annual Management Charge

	Existing Charging Structure (as set out in the Existing ITS Memorandum)	New Charging Structure
Annual Management Charge	<p>1% per annum of the net investment amount, adjusted for any withdrawals.</p> <p>The net investment amount is the application amount net of any initial adviser charges and Foresight initial charges.</p>	<p>1% per annum of an investor's portfolio value at the end of the financial year.</p> <p>An investor's portfolio value for these purposes is calculated before the deduction of any annual management charge.</p>
Investor Priority Return	<p>In respect of the relevant financial year, a cumulative priority return to an investor on the net investment amount of 3.5% per annum on a simple basis.</p> <p>The priority return is calculated before the deduction of any annual management charge.</p>	<p>In respect of the relevant financial year, a priority return to an investor of 3.5% per annum of the investor's portfolio value at the start of that year.</p> <p>The priority return is calculated before the deduction of any annual management charge.</p>
Annual Management Charge Payment Restriction	<p>The annual management charge in respect of a financial year will always accrue, but will only be payable if the investor priority return has been achieved (i.e. the cumulative average annual growth of 3.5%).</p> <p>Payment of the annual management charge will also be restricted to the extent it would reduce the investor's return to below the investor priority return (i.e. below the average annual growth of 3.5%).</p>	<p>The annual management charge in respect of a financial year will always accrue, but will only be payable if the investor priority return for that year has been achieved (i.e. the annual growth of 3.5% per annum for the relevant year).</p> <p>Payment of the annual management charge will also be restricted to the extent it would reduce the investor's return to below the investor priority return for that year (i.e. below the 3.5% growth per annum in the relevant year).</p>
Payment of Unpaid Annual Management Charges	<p>Any unpaid annual management charges will be paid in subsequent financial years where the investor priority return is achieved (i.e. the cumulative average annual growth of 3.5%), but only to the extent 'performance' permits.</p>	<p>Any unpaid annual management charges will be paid in subsequent financial years where the investor priority return for the relevant year is achieved (i.e. the annual growth of 3.5% per annum for the relevant year), but only to</p>

	<p>For these purposes ‘performance’ means that the payment would not reduce the investor’s return to below <i>the investor priority return (i.e. below the average annual growth of 3.5%).</i></p>	<p>the extent ‘performance’ permits.</p> <p>For these purposes:</p> <p>‘performance’ means that the payment would not reduce the investor’s return for the relevant financial year to below <i>(i) the investor priority return (i.e. 3.5% growth per annum in that year) plus (ii) any amount of ‘performance catch up’ required;</i></p> <p>and</p> <p>‘performance catch up’ means the aggregate amount, if anything, of <i>any investor priority return deficits from previous financial years</i> to the extent not already made up.</p>
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Annual Administration Charges and Arrangement Fees

	Existing Charging Structure (as set out in the Existing ITS Memorandum)	New Charging Structure
Arrangement Fees	<p><i>Foresight transaction arrangement fees</i> in respect of underlying companies and trades funded through the Foresight Inheritance Tax Fund range between <i>0.5% and 1.5% per annum</i> of the <i>global value</i> of the Foresight Inheritance Tax Fund.</p>	<p>There are <i>no separate arrangement or other deal fees</i> – these are included within the administration fee below.</p>
Administration Fee (each investee company)	<p>Normal <i>annual running and administration costs</i> of direct investee companies <i>capped at 0.7%</i> of the <i>value</i> of the Foresight Inheritance Tax Fund.</p> <p>This <i>includes Foresight’s company secretarial fees</i> of £60,000 or, if greater, 0.3% of the gross amount invested in that company through the Foresight Inheritance Tax Fund.</p>	<p>Foresight will charge an <i>administration fee of 1.65% per annum</i> of the direct investee company’s <i>net asset value</i> (calculated before the deduction of any annual management charge).</p> <p>This is an <i>‘all inclusive’ fee</i> for the <i>regular services that Foresight may provide</i> to investee companies and their groups.</p>

	<p>It <i>excludes the annual management charge and arrangement fees payable to Foresight</i>, investee company investment fees, stamp duty, exceptional items and expenses relating to the underlying businesses and trades of the investee company.</p>	<p>It includes all <i>company secretarial, administration, deal and arrangement services provided by Foresight</i>, but <i>excludes the annual management charge payable to Foresight</i>, normal trading costs of an investee company and exceptional items.</p>
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Action to be Taken

Investors who submit an Application Form in relation to the Existing ITS Memorandum should arrange for their advisers to complete and sign the attached acknowledgement and enclose that acknowledgment with their Application Form, having taken a copy for their own records.

For the avoidance of doubt, this Addendum does not apply to investors who apply through the New ITS Memorandum (once available – expected to be launched in early October 2018).

ACKNOWLEDGEMENT

FORESIGHT INHERITANCE TAX SOLUTION (“FORESIGHT ITS”)

This acknowledgement applies to applications to participate in the Foresight ITS through the Foresight ITS investor guide and customer agreement (“**Existing ITS Memorandum**”) dated June 2016 issued by Foresight Group LLP.

We hereby acknowledge and confirm to Foresight Group LLP that we have explained to our client named below the information contained in, and the effect of, the addendum to the Foresight ITS Memorandum dated 24 September 2018 (“Addendum”).

Client(s):

Title: Mr/Mrs/Ms/Dr/Other:.....

Forenames:.....

Surname:.....

Address:.....

.....Postcode:.....

(for joint applications only)

Title: Mr/Mrs/Ms/Dr/Other:.....

Forenames:.....

Surname:.....

Address:.....

.....Postcode:.....

We certify to Foresight Group LLP that our client understands that if his/her application to participate in the Foresight ITS pursuant to the Existing ITS Memorandum is accepted, the customer agreement will be amended through a notification of amendment to effect (i) non-material and/or technical and regulatory changes and (ii) a new fee charging structure as set out in the Addendum, expected to apply from 12 November 2018.

Signature:.....Date:.....

Print Name:.....

Role:.....

Company/Network:.....