
THE LEVENDI THORNBRIDGE DEFINED RETURN FUND DISTRIBUTION SHARE CLASS

INTRODUCTION

The Distribution share class of the Levendi Thornbridge Defined Return Fund (the Fund) has been designed for investors that want to receive a regular payment from their investment. The Distribution share class offers a quarterly payment of 1.25% (5% per annum) that is funded through the regular redemption of units. There are some advantages from generating a regular payment through a regular redemption of units, but investors need to understand how this process works and the implications for the value of their investment

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THE DISTRIBUTION SHARE CLASS

The distribution share class has been designed for income seeking Investors that hold the fund in a general investment account or a tax-free wrapper like an ISA or Pension. The share class can be held in an onshore or offshore bond.

The target market is any investor that is looking for a regular payment, but the share class may be particularly attractive to investors that are using income drawdown in a SIPP, ISA or general investment account and those that hold assets held through an offshore bond where they are using the 5% tax deferred withdrawal facility.

The level of regular payments has been set to be slightly lower than the overall target return. Over time if the performance of the fund is in-line with the target return, the amount that the investor receives should increase slightly over time and the value of the residual assets should remain the same or grow slightly.

Investors must be prepared to accept that the value of their investment, and the level of payments that they receive will vary over time. If the level of growth generated by the fund is less than the payments they receive, the residual value of their investment and the payments they receive will fall.

THE DISTRIBUTION PROCESS

Distributions from the fund will be determined on the following dates. The payment will be made three business days later

- 31st January
- 20th April
- 31st July
- 31st October

At each date, or the following business date if the date is a holiday or weekend, 1.25% of the units held by each investor in the share class will be automatically redeemed. The realised proceeds will be paid to the investor three days later based on the normal settlement period.

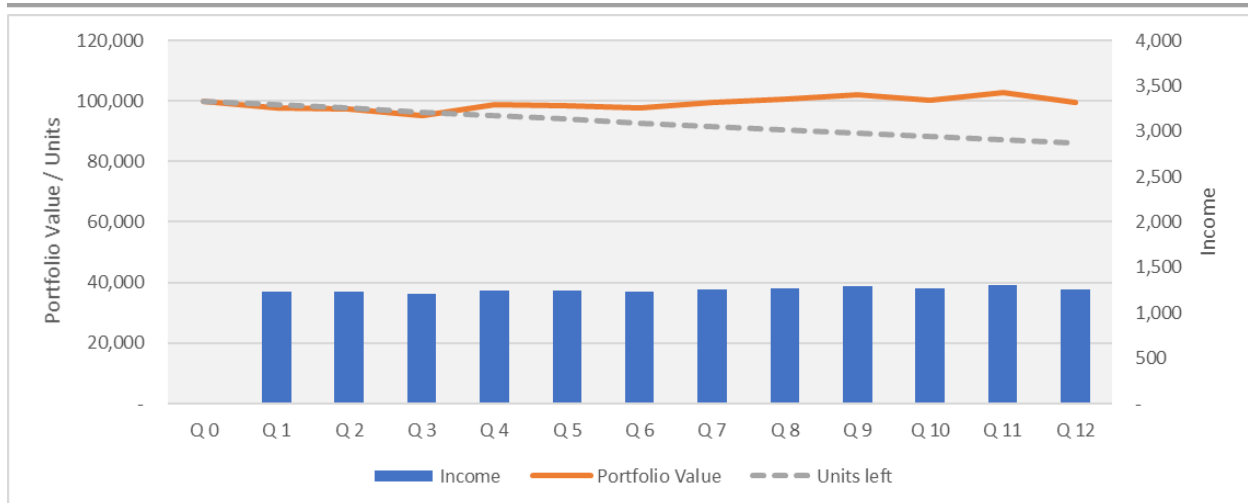
As a result of the distribution process the share price of the distribution share class will not change, but the number of shares held by each investor will be reduced.

Over time, if the value of the shares increases by more than 5% per annum, the distributions paid, and the value of the remaining shares held by the investor will increase over time. Conversely, if the value of the shares grows by less than 5% or falls, the distributions paid, and the residual value of the remaining shares will fall.

The table and chart below illustrate how the income paid, and the residual portfolio value may evolve over a three-year period.

EXAMPLE REGULAR PAYMENTS OVER TIME

Period	Units Held	Fund Value	Units Sold	Income	Units left	Portfolio Value
Q 0	100,000.00	1.00	0	-	100,000.00	100,000.00
Q 1	100,000.00	0.99	1,250.00	1,234.95	98,750.00	97,561.31
Q 2	98,750.00	1.00	1,234.38	1,232.39	97,515.63	97,359.01
Q 3	97,515.63	0.99	1,218.95	1,202.78	96,296.68	95,019.25
Q 4	96,296.68	1.04	1,203.71	1,249.05	95,092.97	98,674.75
Q 5	95,092.97	1.05	1,188.66	1,244.65	93,904.31	98,327.33
Q 6	93,904.31	1.05	1,173.80	1,237.98	92,730.51	97,800.50
Q 7	92,730.51	1.09	1,159.13	1,258.97	91,571.37	99,458.89
Q 8	91,571.37	1.11	1,144.64	1,271.55	90,426.73	100,452.71
Q 9	90,426.73	1.14	1,130.33	1,290.68	89,296.40	101,963.74
Q 10	89,296.40	1.14	1,116.20	1,269.70	88,180.19	100,306.17
Q 11	88,180.19	1.18	1,102.25	1,301.49	87,077.94	102,817.55
Q 12	87,077.94	1.16	1,088.47	1,260.80	85,989.47	99,603.26



TAX TREATMENT

The Fund is based in Dublin and so is classified as an “Offshore Fund”. The fund has Reporting Fund Status. This means that income and capital gains are taxed in the same way as a UK based fund. This can be a complicated area and there are several excellent summaries of the tax treatment of Offshore Funds like [this from KPMG](#).

“The UK offshore funds tax reporting regime applies to investment funds located outside of the UK. Offshore funds which comply with the regime provide their investors with a tax treatment that is broadly similar to that provided by UK authorised funds.

So long as an offshore fund complies with the reporting regime, investors are subject to income tax on income that is generated by the fund and, ultimately, capital gains tax on their remaining profit on disposal.

Once registered as a reporting fund, the fund is obliged to provide to investors reports setting out the amount of income per unit/share earned during the most recent reporting period. This is so that UK investors can understand how much income they have earned for the purposes of preparing their own tax returns.”

The full list of funds with reporting fund status can be found [here](#); The ISIN for the Distributing fund is IE00BYV3WH61

NO INCOME

The investment strategy means that the fund does not generate any income. All the returns that the fund receives are capital in nature. This means that any gains or losses are subject to capital gains tax

Where the fund is held through an ISA or Pension, any regular payments are tax free.

When the fund is held through as general investment account, generating a regular payment through the redemption of units can be a very tax efficient. The tax liability on any payment will be Capital Gains Tax on the gain on the assets that have been sold. The part of the payment that is a return of the investor's capital is tax free.

The table below extends the analysis above to illustrate the tax payable. This assumes that the investor pays 20% CGT and already uses their CGT allowance each year. If this is not the case, the effective tax is even lower.

INCOME PAYMENTS AND TAX LIABILITY

Period	Income	Realised Gain	Tax (20%)	Effective Tax rate
Q 0	-	-	-	0.0%
Q 1	1,234.95	- 15.05	-	0.0%
Q 2	1,232.39	- 1.98	-	0.0%
Q 3	1,202.78	- 16.17	-	0.0%
Q 4	1,249.05	45.34	9.07	0.7%
Q 5	1,244.65	55.99	11.20	0.9%
Q 6	1,237.98	64.18	12.84	1.0%
Q 7	1,258.97	99.84	19.97	1.6%
Q 8	1,271.55	126.91	25.38	2.0%
Q 9	1,290.68	160.35	32.07	2.5%
Q 10	1,269.70	153.49	30.70	2.4%
Q 11	1,301.49	199.24	39.85	3.1%
Q 12	1,260.80	172.33	34.47	2.7%

In this example the tax rate on payments is always below 4% of the payment.

CONCLUSIONS

The Distribution share class of the Fund can be a very effective and efficient way to generate a regular payment from a client's investments. The share class automates a regular redemption of a fixed percentage of the remaining units held by a client. Investors that want a different schedule of payments can use the accumulation share class and the drawdown functionality provided by their wrap to achieve a similar strategy.

THE TARGET MARKET

Investors may be individuals, couples, companies, trusts, charities or any other eligible investor. The share class is available to advised and self-directed investors. The fund offers daily liquidity, investors should be prepared to invest for three years or longer.

The share class will not be suitable for investors that cannot afford to lose any capital, or who want a certain level of income. Investors should have an average level of financial understanding. Investors with less understanding should receive financial advice.

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