Access EIS

INFORMATION MEMORANDUM

MARCH 2020

IMPORTANT NOTICE

This Information Memorandum ("IM") is deemed a financial promotion pursuant to section 21 of the Financial Services and Markets Act 2000 (FSMA) and is issued by Syndicate Room Ltd ("SyndicateRoom", "SR", "Manager" and "we" and "us") of registered address: The Pitt Building, Trumpington Street, Cambridge CB2 1RP, UK. SyndicateRoom is fully regulated and authorised by the Financial Conduct Authority (FCA) with FCA Registered Number: 613021.

This IM is issued for the sole purpose of sourcing applications to Access EIS (the "Fund"). Prospective investors should not regard this IM as constituting advice relating to any aspect of any financial, legal, taxation and/or investment decision/s.

Potential investors should seek specialist and independent financial and tax advice if and as they require before subscribing to the Fund. It is the responsibility of the investors, and their advisers where appropriate, to take all reasonable steps to ensure that this opportunity is a suitable investment for them in light of the contents of this IM and their individual circumstances.

Prior to making any investment in the Fund, an investor will be required to self-certify as a High Net Worth or Sophisticated Retail Investor (in accordance with FCA definitions) and may be required to provide evidence of such standing and in so doing must acknowledge the risks associated with an investment into the Fund.

Each investor ("Investor" and "you" and "your" and "client") once invested ("Invested", with an "Investment") in the Fund will remain the beneficial owner of the individual shares in each Investment in each investee company within the portfolio for both tax and legal purposes. All shares and uninvested monies will be managed on a collective basis in accordance with the investment objectives and restrictions set out in this IM.

This Fund is classed as an alternative investment fund (AIF) for the purposes of the Alternative Investment Fund Managers Directive (2011/61/EU) (AIFMD). The Fund is an HMRC-unapproved EIS fund (which is not to say that HMRC does not sanction the fund, as HMRC endorses neither HMRC approved nor unapproved funds, and the status of an HMRC approved or unapproved fund is relevant only insofar as differing administrative processes relevant to each are concerned).

The Fund is not considered to be a collective investment scheme as defined in Section 235 of the Financial Services and Markets Act 2000.

Application Forms may only be submitted, and will only be accepted, subject to the terms and conditions of this IM.

The Manager has taken all reasonable care to ensure that all the facts stated in this IM are true and accurate in all material respects and that there are no other material facts or opinions which have been omitted which would make any part of this IM materially unclear or misleading.

All information and illustrations in this document are stated as at the date of this document. All statements of opinion or belief contained in this IM and all views expressed and statements made represent the Manager's own assessment and interpretation of information available to them as at the date of this IM. No representation is made or assurance given as to the accuracy, completeness, achievability or reasonableness of any views, statements, illustrations or forecasts, or that the objectives of the Fund will be achieved. Prospective Prospective investors are strongly advised to conduct their own due diligence including, without limitation, around the legal and tax consequences to them of investing in the Fund, and must determine for themselves what reliance (if any) they should place on such statements, views or forecasts. No responsibility or liability (whether direct, indirect, consequential loss or other) is accepted by the Manager, its subsidiaries or associates or any of their members, officers, employees or agents in respect thereof. This does not limit any liability we may have to you under the regulatory system. Prospective investors' attention is drawn to the section entitled Investment Risk Factors in this IM.

The information contained in this IM makes reference to the current laws concerning EIS relief, inheritance (IHT) relief, capital gains tax deferral/cancellation and business investment relief. These levels and bases of relief may be subject to change and are not guaranteed. The tax reliefs referred to in this IM are those currently available and their value to Investors depends on their individual circumstances.

The Fund will invest in small and medium unquoted companies. Such companies by nature pose a greater investment risk than larger, quoted companies. There is no market for an unquoted company's shares, which means that investments within the Fund will be highly illiquid and may never realise a return, even after several years. Investors should therefore consider any Investment into the Fund as a long-term, high-risk Investment.

This IM does not constitute, and should not be considered an offer to buy or sell, or solicitation of an offer to buy or sell any security or share. It does not constitute a public offering in the United Kingdom. In addition, this IM does not constitute an offer or solicitation in any jurisdiction in which such an offer or solicitation is not authorised, or in which the person making such offer or solicitation is not qualified to do so, or an offer or solicitation to any person to whom it is unlawful to make such an offer or solicitation. It is the responsibility of each recipient (including those located outside the United Kingdom) to satisfy himself or herself as to full compliance with all relevant laws and regulations of any relevant territory in connection with any application to participate in the Fund, including obtaining any requisite governmental or other consent and observing any other formality presented in such territory.

Past performance is not necessarily a guide to future performance and Investors should be aware that share values and income from them may go down as well as up and Investors may not get back the value invested. Changes in legislation in respect of EIS in general, and qualifying investments and qualifying trades in particular, may affect the ability of the Fund to meet its objectives and/or reduce the level of returns which would otherwise have been.

USEFUL DEFINITIONS

Blockbuster companies: the fastest growing startups. These rare companies generate the vast majority of returns in a startup investment portfolio.

Super angels: individuals with a demonstrable track record of investing in blockbuster companies.

A NOTE ON RETURNS

Throughout this document there are references to capital growth in line with the whole market. This level of capital growth and the associated cash returns are a "favourable" scenario. Moderate and unfavourable scenarios are discussed in the Returns and Exit Strategy section.

contents

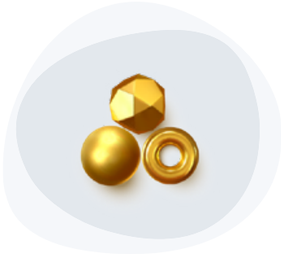
How it works

Access EIS tracks performance data of over 1,000 active startup investors. It then selects and co-invests with the best-performing "super angels" with the aim of replicating their collective success.

The super angels have between them invested in most of the UK's recent success stories. These include Horizon Discovery (£221m market cap), Magic Pony Technologies (sold to Twitter for a reported $150m) and Swiftkey (sold to Microsoft for $250m) as well as household names like Secret Escapes, Bloom & Wild and Simba Sleep.

TOP DEAL-FLOW

High quality deals are sourced from some of the best-performing startup investors in the UK. These well-connected, wealthy individuals have backed most of the UK's recent success stories at EIS stage.



AUTOMATIC DIVERSIFICATION

To spread risk and maximise returns, Access EIS aims to automatically diversify your investment across 50+ high-growth startups over 12 months.

EASY TO GET STARTED

With a minimum investment of £5,000 and simple online form, we'll have you set up in 10 minutes.

EASY EIS ADMIN

Save time with digital EIS certificates saved straight to your SR Dashboard, along with easy export for HMRC self-assessment.

Executive summary

The importance of diversification in managing investment risk is now well accepted; Nobel Prize winning Harry Markowitz demonstrated this. Now, new research into startup investing by SyndicateRoom and Beauhurst published in The Sunday Times further reveals that diversification can lead to much higher cash returns too.

Figures 1a & 1b on the pages opposite and below demonstrate how **returns can increase** and **risk can decrease** with diversification. The comparison refers to simulated past performance. Past performance is not a reliable indicator of future results.

Figure 1a >
Simulated cash returns from increasing portfolio sizes (number of investee companies) in 2018 based on investments made in 2011

Portfolio size (companies)		10	20	30	40	50
	2011	2018	2018	2018	2018	2018
Average returns multiple*	0	2.1	2.5	3.0	3.3	3.6
% of portfolios returning <0% **	0%	7%	1%	<0.1%	<0.1%	<0.1%

* Of a cohort of 506 UK startups that raised seed capital in 2011, portfolios of 10, 20, 30, 40 and 50 companies were chosen at random. Financial performance was then compared between January 2011 and July 2018. Each portfolio selection simulation was repeated 100,000 times to determine average returns over this 7 year period. The simulation assumes a fixed amount invested into funding rounds between £500,000 and £5m.

** % of portfolios failing to return the original investment.

As we know, investors rely on rare, blockbuster startups to generate the lion's share of their returns. Figure 1b indicates how missing blockbuster deals demonstrably leads to investors losing out.

As such, accessing top quality deals whilst simultaneously diversifying is vital to securing a highly promising portfolio.

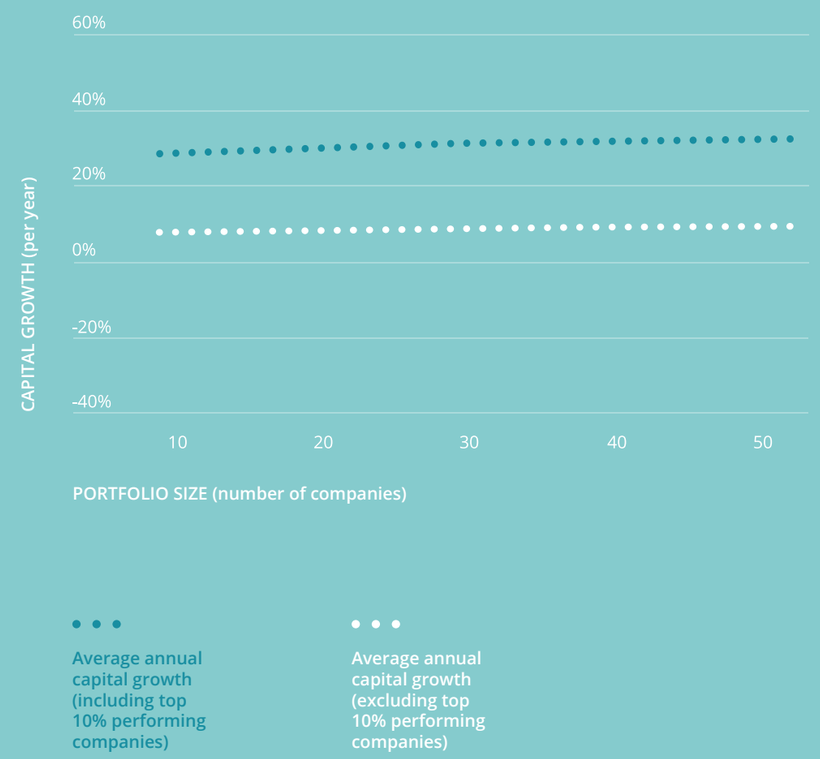
Until now there have been no EIS products that – on their own – allow for both widespread diversification and consistent access across the most-promising companies.*

To address this, Access EIS has identified some of the UK's best-performing startup angel investors (51 at time of writing, March 2020) and made arrangements for investing alongside them. These "super angels" all have an impressive and verifiable track record of identifying blockbuster deals, and between them have invested in pretty much every recent British success story.

Figure 1b >

Average annual capital growth (%) from increasing portfolio sizes (number of investee companies) in 2018 based on investments made in 2011

* Analysis based on independently gathered data of 49 EIS funds by XPM Investment Consulting, an independent investment research consultancy, in July 2019. On average, EIS funds offer investors portfolios of 8 investee companies, which research by SR and Beauhurst suggests is below the level required to optimise for risk and returns. Research by SR and XPM Investment Consulting indicates single fund managers in typical EIS funds are unlikely to have the same networks and access to deal flow as 51 (at time of writing, March 2020) active super angel investors.



How we compare

	Access EIS	Typical EIS fund*
Diversification	High (50+ investments)	Low (7 investments)
Sectors	Agnostic	Sector-specific
Selection process	Co-investment alongside 51+ super angels	Individual fund manager selection
EIS	✔	✔
EIS admin	Digital	Paper-based
Reporting	Quarterly	Variable
Initial fee (deployment)	2%	2.33%
Portfolio management fee	1.5% (max. 7 years)	1.9%**
Performance fee (carry)	10% (110%)	20.6% (111%)***
Fees to investee companies	2%	2.5%
Annual company fee	0%	1.1%
Min. subscription	£5,000	£22,347

* SR commissioned XPM Investment Consulting to review all open EIS offers. XPM profiled 49 EIS funds and averages were taken to arrive at the profile of a typical EIS fund. The research was conducted in July 2019.

** Throughout our research, there was no clear evidence for how long funds keep charging investors for.

*** Performance fee – which is often referred to as "carry" or "carried interest" – is the percentage of fund profits received by the fund manager as an incentive to build high-performing portfolios for investors.

For example, if Access EIS were to return £20,000 on a £10,000 investment, there would be a profit of £10,000. With a performance hurdle of 110%, SR would return £11,000 to investors without charging the performance fee. The 10% performance fee would only be charged on the remaining £9,000 of profit.

All fees and figures listed in this table are before VAT.

Our super angels

Which super angels is Access EIS tracking and co-investing with?

The table across indicates some key information about an illustrative selection of the super angels who have agreed to work with us. Their names have been redacted for privacy reasons.

Confirmed deal sharing	IRR*	Number of investments**	Notable investments
Yes	29%	20	Bloom & Wild
Yes	57%	50	Audio Analytics, Neul
Yes	47%	33	RotaGeek, Resi
Yes	144%	14	Magic Pony Technology, Streetbees
Yes	103%	5	SmartUp
Yes	40%	14	RotaGeek, Glider Yachts
Yes	35%	8	what3words
Yes	161%	86	Magic Pony Technology, JustInvesting
Yes	30%	7	iwoca, Landbay
Yes	76%	12	Vantage Power, EnteroBiotix
Yes	61%	13	CensorNet, Cortexica
Yes	90%	12	Smartframe Technologies, digi.me
Yes	100%	8	Uncover, Velocity
Yes	65%	6	Cambridge Quantum Computing, Simba Sleep
Yes	42%	13	Graphene Composites, what3words
Yes	54%	22	Atom, Burrow
Yes	77%	27	Horizon Discovery, Healx
Yes	46%	22	Achica, Everpress, Settled, Unbound
Yes	63%	11	Secret Escapes, Swoon Editions, Trouva
Yes	36%	61	Ecodesk, Stockopedia, Resi

* Access EIS modelled IRR based on fixed cash sum investments into all deals between January 2014 - December 2018
** Number of investments made to date (from Companies House filings May 2019)

AS FEATURED IN:

Forbes

UKTN
THE HOME OF UK TECH

The Telegraph

THE TIMES

THE SCOTSMAN
SCOTLAND'S NATIONAL NEWSPAPER

How did we identify our super angels?

For several years now, SR has been compiling and publishing the TOP100, a list of the UK's fastest growing private companies as measured by value growth over a three year period.

Featured companies have included household names like Transferwise, Brewdog, Bulb, Ratesetter, The Culture Trip, what3words and Elvie. The fastest growing company (Bulb) increased in value by a factor of 351.2X over a three year period, while the slowest growing TOP100 company increased in value by a factor of 5.5X over that period.

In order to get a share of the next generation of blockbuster companies – like those on the TOP100 – Access EIS is structured to co-invest with the super angels who have a track record of backing them at an early stage.

Methodology

STEP 1

By accessing Companies House records (via our research partner, Beauhurst) we identified all angel investors who had invested in the early rounds of TOP100 companies.

STEP 2

We then analysed each investor's entire portfolio since 2014 (when reliable, digital records began) to discover which investors were the best-performers.

We took into account over 6,000 companies, more than 10,000 funding rounds and not fewer than 20,000 cap table entries to calculate each investor's capital growth across their portfolio.

The analysis was able to determine angel investors':

- Portfolio size and value
- Number of exits and failures
- Sector and location of investments
- Rate of return (IRR)
- Investing frequency and average investment size
- Average deal size and average valuation of startup at time of first investment

A note on the data. For the sake of accuracy, investments made before January 2014 weren't taken into account and have been discounted from the analysis. The analysis was based on companies' self-reported filings to Companies House, thus even though the filings themselves are compulsory, there may be a level of inaccuracy in the data. Every possible effort has been taken to remove data points where there is any doubt in having a high level of confidence in their accuracy. Analysis demonstrates that minor discrepancies in the raw dataset do not materially impact the overall findings.

STEP 3

We then applied additional filters that we had identified to correlate well with cash returns.

1. **Market-beating capital growth:** portfolio growth greater than 28% per year (the market growth level, established from this same dataset) over 5 years
2. **Regular deal flow:** making at least one investment per year over 5 years
3. **Portfolio size and value:** putting meaningful amounts into companies, comprising a combined portfolio size of at least £100,000 over a 5 year period

This analysis narrowed the list into a shortlist of 93 super angels. Our calculations propose that investing alongside these active, highly-connected and well capitalised individuals would have yielded capital growth of **42% per year over a 5 year period.**

The number of qualifying super angels will increase as we discover new individuals that meet our quality thresholds who were previously unknown to us through new introductions and analysis. It may also decrease if for any reason we consider it inappropriate to partner with a particular individual upon our more detailed, subjective assessment of their past or ongoing investment behaviour (more on this later on). We will conduct a full reevaluation of the list of super angels annually, and no later than Q3 2020.

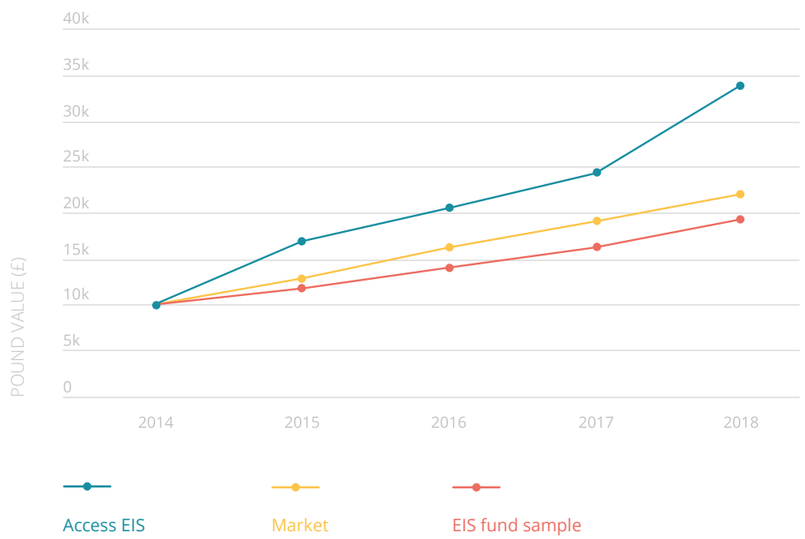
Past performance

Figure 2 below shows past performance (in terms of portfolio growth) of the startup market as a whole, leading EIS funds and the combined portfolios of super angels whose investments Access EIS - new to the market this year as a fund concept - will be following in the future. Details of the composition of each grouping can be found on the opposite page.

The figures in the graph below refer to simulated past performance for Access EIS. Past performance is not a reliable indicator of future results.

Figure 2 v

Growth of simulated £10k investment 2014-2018



METHODOLOGY

EIS funds

The performance of EIS funds is based on independent research carried out by XPM Investment Consulting in July 2019. It is based on the average value growth of the portfolios of three highly popular EIS funds between 2014 and 2018. It's important to note that this is not measuring the performance of specific funds but rather the average growth of companies they have invested in.

Market growth

The overall market growth is the normalised growth of 1,168 startups that raised equity funding in 2014. Subsequent valuation data was calculated by taking the latest valuation at which the companies raised funding.

Access EIS

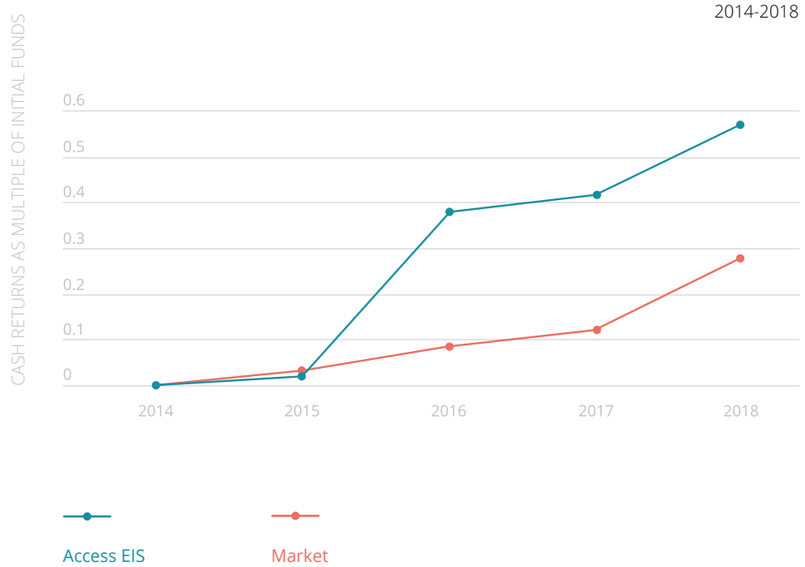
The hypothetical portfolio growth of Access EIS was arrived at by simulating a fixed-sum investment into every deal that our initial shortlist of super angels invested in during 2014 (93 angels in July 2019). It's important to note that Access EIS is aiming to invest in 50 of the super angels' deals and is unlikely to invest in all the deals a super angel invests in.

However, based on our calculations, a sample of 50 investments from the collective portfolios is large enough to be representative of the performance of their entire collective portfolios. Also, we've modelled random samples of only 20 of the super angel investors and found that as long as they meet our Step 3 Methodology requirements they invest frequently enough and in a diverse enough manner to create a representative fund. The Access EIS simulation has not assumed pre-emption rights have to be taken up in subsequent funding rounds.

Figure 3 illustrates the simulated cash returns of Access EIS and cash returns from the whole startup market over the period 2014–18. Past performance is not a reliable indicator of future results.

Figure 3 ∨

Total cash returns as proportion of initial capital from 2014-2018



CASH RETURNS SIMULATION METHODOLOGY

The hypothetical cash returns of Access EIS were arrived at by simulating a fixed-sum investment into every deal that the 93 super angels (see Methodology section) made in 2014 and calculated as of July 2019.

The overall market returns were calculated from the cumulative returns of 1,168 startups that raised equity funding in 2014. The cash returns were then calculated from those companies within the cohort that had exited by July 2019.

About

SyndicateRoom (SR) was founded in 2013 as an online investment platform facilitating direct EIS investments into highly-vetted startups. By focusing on investor and industry needs, it has developed an enviable track record and has helped raise £250m in investment across multiple equity products to build a portfolio of over 190 companies. SR has raised over £12m for its venture capital funds to date.

Corporate Governance & Team

BOARD OF DIRECTORS

Tim **Bellis**

CHAIRMAN

Tim is Chairman of the Board at SyndicateRoom and has been involved as an advisor since the company was just an idea. Tim brings a wealth of experience to the board, having been a Partner at Herbert Smith LLP specialising in mergers and acquisitions, securities offerings on international stock exchanges, and investment and joint venture work.

With more than 24 years' experience in the field, Tim now spends much of his time in academia as a Fellow of Management Practice and a Senior Adviser for Professional Service Firms at Judge Business School, University of Cambridge. Tim has been featured in and contributed to a number of publications.

Jonathan **Milner**

NON-EXECUTIVE DIRECTOR

Jonathan is the Founder of Abcam, the company which he founded in 1998 and which went on to list on AIM in November 2005, becoming 'Company of the Year' in both the 2009 and 2013 AIM Awards.

As well as being an experienced entrepreneur, Jonathan is also a business angel with a passion for supporting UK life-science and high-tech startups. He has invested in and provided support to more than 30 companies, and helped three IPOs to join the AIM market.

Jonathan is a lead investor in SyndicateRoom and a Non-Executive Director.

David **Gill**

NON-EXECUTIVE DIRECTOR

David is Managing Director of St John's Innovation Centre in Cambridge, the longest-established business incubator in Europe for technology ventures. He set up and ran the Innovation & Technology Unit at HSBC Bank in London (1997–2004) before serving as an Executive Director of a venture fund focused on early-stage, technology-based investments. Educated at Cambridge, he qualified as a barrister before working in corporate finance for US and UK banks.

Gonçalo de **Vasconcelos**

CO-FOUNDER & NON-EXECUTIVE DIRECTOR

A serial entrepreneur himself, Gonçalo is only too aware of the long path leading to a successful funding round.

His past experience has shown him that often entrepreneurs have to spend too much time chasing investors instead of focusing on the most important part of their business: their customers.

Gonçalo co-founded SR in 2013 and grew the business from an idea to one of Europe's largest equity investment platforms.

Tom **Britton**

CO-FOUNDER & EXECUTIVE DIRECTOR

As co-founder, Tom has also led SR's impressive growth, specifically the technology underpinning the business, from an idea to one of the largest and most respected investment platforms.

Tom sits on the board of the UK Business Angel Association and the advisory board of City Ventures. His investment commentary has appeared in CityAM, Forbes, and The Twenty Minute VC.

Graham **Schwikkard**

CEO

Graham joined SyndicateRoom as Head of Operations in 2017, after seven years as a management consultant. He has significant experience helping companies develop market strategies and optimise business models. He also has in-depth technical expertise, focused on maximising efficiency, and has been responsible for creating and implementing new, automated systems throughout SR.

Graham came to the UK from South Africa, to study at the University of Cambridge's business school (the Cambridge Judge Business School), where he completed his MBA, with distinction. He also gained awards for his MBA studies, including a prize for the best mark in management practice. In addition, Graham holds a degree in Genetics.

EXECUTIVE TEAM

Graham **Schwikkard**
CEO

Tom **Britton**
CO-FOUNDER & EXECUTIVE DIRECTOR

Francesca **O'Brien**
HEAD OF CLIENTS & INVESTMENTS

Marcin **Zaba**
HEAD OF MARKETING

Miruna **Girtu**
VENTURE PARTNER

Eleanor **Richards**
GROUP COMPLIANCE OFFICER

Chris **Ward**
HEAD OF TECHNOLOGY

Edward **Hume-Kendall**
PORTFOLIO MANAGER

Q&A

OUR SUPER ANGELS

What's the minimum number of super angels you need for the model to work?

Based on the rate at which super angels invest and the required level of diversification, Access EIS needs to track a minimum of 20 super angels in order to build its investors a portfolio of at least 50 startups.

Have at least 20 of the super angels agreed to work with you?

Yes.

Are they contractually obliged to share deals with SR?

Not contractually, no. We have shared written memoranda of understanding surrounding the co-investment arrangements.

Why would these super angels share their deals with SR?

Despite often being very wealthy, super angels very rarely take on an entire funding round alone. They typically follow the maxim of diversification themselves and look to retain capital for other investments and following on in later rounds. Even for the angels who contribute a sizeable level of funding to an opportunity, bringing straightforward further co-investment from a party such as SR can help boost their profile.

Since SR has performed extensive due diligence on each super angel and understands their investment behaviours, Access EIS is able to make commitments to invest alongside them once they commit to a new deal within five working days of notice of that commitment, so collaborating with SR as a super angel is straightforward.

We ensure that the angels do not receive fees or other commercial benefits from us or the investee companies in relation to our investment.

Why would a promising startup accept capital from SR?

Most investors will typically take weeks or months to arrive at a decision to invest and then negotiate the specifics of their investment. In fact, our research shows that teams spend on average five months converting investments and closing a round. This is time spent away from running the actual business and solving the problems that entrepreneurs set out to do.

Access EIS relies to a significant degree on its co-investment approach - on the same terms that the super angel has already arranged - to ensure a speedy, simple route to further investment that is attractive to companies. The company can view our investment as an extension of the super angel's, rather than a whole new investor negotiation.

Businesses typically prefer to take on multiple investors, and not too many strategic ones (too many cooks!), as this prevents a business being overly dependent on a relationship with a single individual. As such, uncomplicated co-investment capital tends to be attractive. Further, deals often have headroom for further investment beyond a minimum sought (if provided simply and quickly, as here) to extend the company's runway.

What due diligence has SR performed on each super angel?

In addition to the core analysis underpinning our assessment of an angel's performance (their historic investment behaviour and their past performance accordingly, see Past Performance section for details) we perform thorough and periodic background research around them to ensure that each individual isn't, for example, a politically exposed person, on a sanctions list, or recorded to have a history of bankruptcy or fraud. We also check for any meaningful negative media around them, or any inappropriate associations they may have (for example with industries or organisations we deem objectively questionable).

We ensure that the angels do not receive fees in relation to our investment into a given company (from us or the company), to prevent a bias in their investing behaviour, and on an ongoing basis monitor that their investment behaviours (size and frequency and so on) do remain consistent. We would work with them to understand the basis of any changes to such investment behaviours should these occur, and only continue with the co-investment partnership where we are confident of the reasoning around the changes. Should we become uncomfortable with their investing behaviours, we can and would pause or end our partnership at any time.

Why has SR chosen to only co-invest with super angels and not institutional investors, like VCs?

This is simply because it is currently much easier to obtain high quality, reliable data about individual, private investors than it is about funds. Funds typically invest through many and various nominee structures, which makes whole fund performance difficult to identify.

Further, institutional investors frequently invest through more complex financial instruments and arrangements than angels, which makes negotiating the same deal for Access EIS complex. We have not ruled out expanding the Access EIS co-investment offering in the future.

Will the fund invest in companies where the super angel is investing for a second or third time?

Access EIS will typically co-invest in deals where a super angel is also investing in that company for the first time, to ensure alignment of interests. SR assesses each super angel's track record of making follow on investment decisions on a case by case basis, though, and if upon a detailed assessment of the circumstances we can be confident of how a decision to follow on has been made (i.e. with commercial interests first and foremost) we may opt to co-invest accordingly.

What if Access EIS misses out on some deals? Will that impact returns?

We will seek to co-invest in every deal that each super angel invests in. However, we recognise it as inevitable that the fund will miss out on some deals where there is no headroom to accommodate us, or a company opts to decline our investment for any reason.

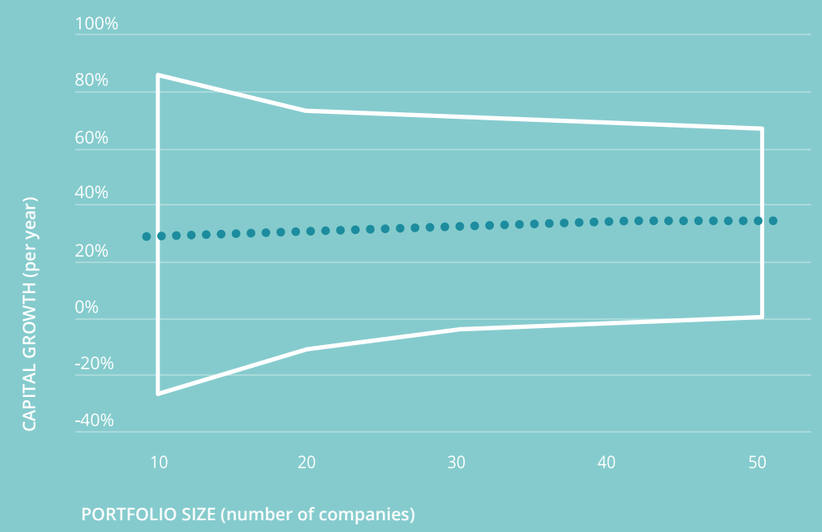
We've modelled how this might impact returns. Figure 4 simulates average returns and variance of investing in a random selection of portfolio sizes of the super angel deals from 2014 and missing the rest.

As you can see, even missing out on a significant number of deals, with a portfolio size of 50 companies, the fund would have captured a sufficient portion of the super angel deal flow to secure strong average capital growth and decreased variance.

Figure 4 opposite refers to simulated past performance. Past performance is not a reliable indicator of future results.

Figure 4 >

Average annual capital growth (%) from increasing portfolio sizes (in number of investee companies) in 2018 modelled against investments made in 2014 by Access EIS



• • • Average capital growth per portfolio size

— Variance as shown by upper and lower limit of 95% of simulated returns

What measures are in place to ensure the fund won't be over-exposed to a certain super angel or even deal type?

The fund will not invest more than 1/50th of its capital in any given deal to ensure fund investors have a balanced portfolio without over-exposure to an individual company. Analysis of the portfolios of the super angels demonstrates what a wide variety of industries they invest in between them, and this gives us confidence of a broad selection of available deal types. Having said this, if certain sectors are proving overall more or less popular during a given period we will not seek to rebalance against market forces. Further, the fund will not co-invest more than 1/5th of its capital against the deals of a single super angel to ensure fund investors aren't over-exposed to the decisions of just one or two investors.

Is investing in 50 companies per portfolio too much diversification?

Our research indicates that the entire market of startup investments grows very consistently at 28% per year, so – assuming access to all deals – the more you diversify the more likely you are to achieve portfolio growth of 28%, whilst reducing risk.

Of course, ensuring access to all available investments is not attainable, which is why Access EIS is focused on co-investing with super angels. In our modelling, investing alongside successful investors maximises exposure to potential blockbuster companies.

However, even when investing alongside super angels, diversification is important. To illustrate, we ran a monte carlo simulation on the super angels' collective portfolios to create 100,000 randomly selected portfolios of differing sizes. Figure 5 shows the proportion of the portfolios at different diversification levels that achieved at least 20% value growth per year (between 2014 and 2019). We used 20% annual growth as a benchmark, since it represents target growth for most EIS funds and represents capturing at least 75% of the market growth. Past performance is not a reliable indicator of future results.

We also ran a monte carlo analysis to illustrate how diversification affects the likelihood of a failed portfolio with varying levels of diversification. In this case, a failed portfolio is one that experiences no growth and, given the lack of liquidity in startup investment, could be considered a loss. Figure 6 shows the proportion of portfolios that grew versus failed. For example, 8% of portfolios with only 10 investments failed to grow. At 50 investments per portfolio, 99.9% experienced growth. The simulation took into account investments made in 2014 and measured in July 2019. Past performance is not a reliable indicator of future results.

Figure 5 v

Percentage of portfolios that grow above 20% annually at increasing portfolio sizes (in number of investee companies)

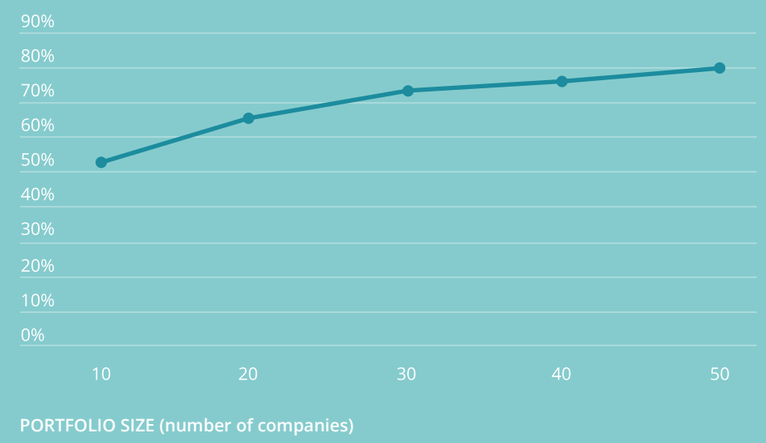


Figure 6 v

Percentage of portfolios that grow above 1X in total at increasing portfolio sizes (in number of investee companies)

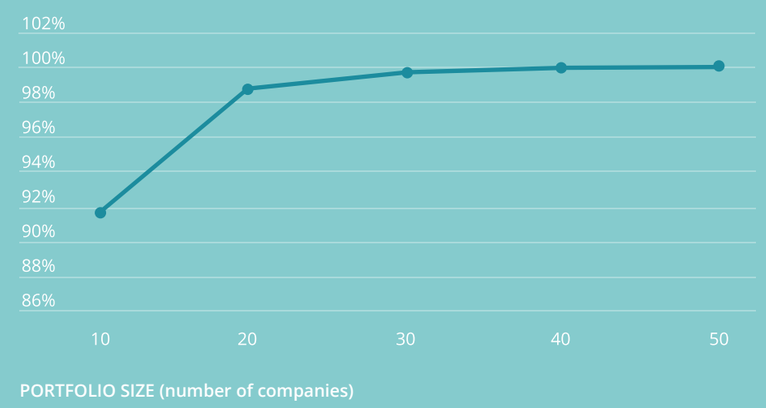
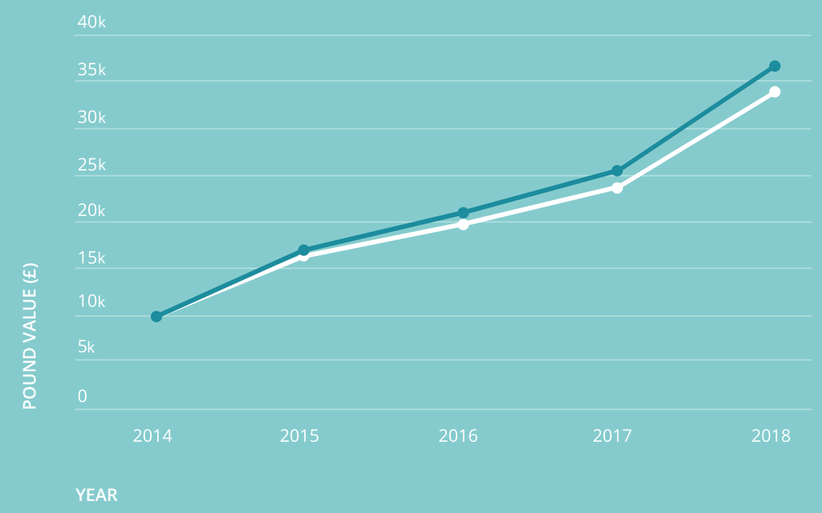


Figure 7 >

Growth of simulated £10k investment 2014-2018



What if there's a crash in the startup funding market that causes massive failure rates?

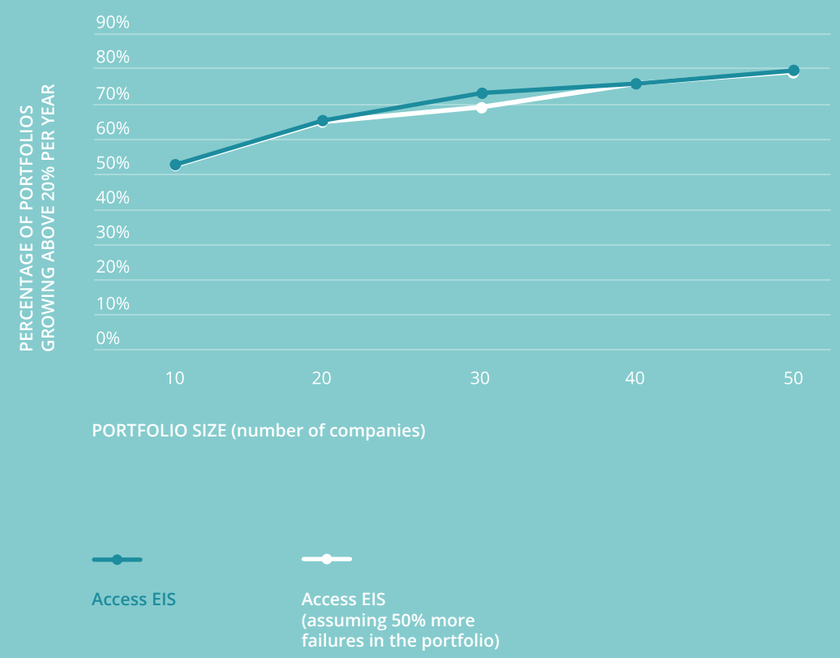
According to our analysis, Access EIS's strategy appears resilient to large economic shocks. Figure 7 demonstrates the effects of a contraction in startup investment causing 50% more startups to fail than did in the super angels' portfolios between 2014-19, valued as of July 2019. As you can see, the impact on capital growth is relatively small. Fortunately, the growth from the small number of blockbuster companies continues to compensate for the substantially increased failure rate.

Figure 8 shows the percentage of failed portfolios with varying levels of diversification. As you can see, the effects of a market crash are relatively minimal. Again, it is the growth from a small number of blockbuster companies that compensates for the substantially increased failure rate.

Past performance is not a reliable indicator of future results.

Figure 8 >

Percentage of portfolios that grow above 20% annually at increasing portfolio sizes (in number of investee companies)



Will I get the same share class and the same share price as the super angel?

Yes, we will ensure the fund will always invests at the same share price and receives the same share class as the super angel.

In some deals, the super angel might be receiving SEIS tax relief, or a blend of SEIS and EIS tax relief, making the tax relief terms more favourable to the super angel than the fund (which according to HMRC rules can only receive EIS tax relief). SR will review these instances on a case by case basis and if we believe the fund's interests are at risk because of insufficient alignment with the angel's decision to invest, we will not co-invest.

INDIVIDUAL STARTUP INVESTMENTS

What due diligence does SR conduct on the startups themselves before making an investment?

- Before committing to an investment, we carry out background checks on the Directors of each business, as well as against any negative media or press surrounding them or the company
- We ensure that the deals are UK incorporated, "top" companies (not subsidiaries, unless robust reasoning is supplied and accepted) and EIS-eligible
- We ensure that the fund is receiving the same share class and share price as the super angel, for alignment of interests
- SR only invests in funding rounds between £400,000 and £5m, excluding very young businesses
- SR will become a party to the company's Articles of Association and Shareholders Agreement, and require the company to approve a straightforward SR-specific subscription agreement that ensures its rights around such matters as the accuracy of information supplied about the raise, pre-emption rights on any future issue of shares, voting rights, ongoing reporting and other matters
- SR requires evidence of sufficient other investment in the round having transacted on or around the same time, typically in the form of bank statements
- Certain sectors are excluded from investment, including - but not limited to - weaponry and unregulated gambling

It's important to note that Access EIS is focused on building a well-balanced portfolio of investments, where the unit of analysis is the super angel and their track record of picking successful investments.

Rather than attempting to make judgements about the merits of particular startups, our investment strategy instead relies on accessing a diverse range of investments sourced by a select group of the super angels, each using their own personal strategies to select deals - and investing their own capital - to manage risk and maximise the chances of selecting companies that go on to be commercially successful.

Is Access EIS a passive fund?

No. As the fund manager, SR still makes active investment decisions. However, unlike other actively managed funds, Access EIS has built an investment thesis around diversification and optimising portfolio curation for risk and returns.

As a fund manager, SR's activities focus on data analysis to determine optimum portfolio construction and maintaining relationships with super angels.

As such, it might be more useful to view Access EIS as a multi-manager fund, with traditional fund managers being replaced by no fewer than 20 high-performing super angels and the fund aiming to access their deals.

Is there an investment committee?

No, not in the traditional sense. The fund's strategy is based solely on following the investment decisions of super angels and funding to deals is allocated on a first-come, first-served basis (assuming they have investment from an approved super angel and pass SR's due diligence checks). As such, SR – in its role as a fund manager – will not make discretionary investment decisions that "choose one deal over another". This is because the fund's data-driven strategy is focused on super angels and portfolio construction as the units of analysis, rather than attempting to pick individual companies we think might be successful.

How will Access EIS be structured?

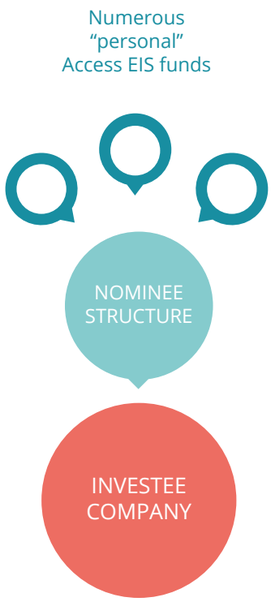
Administratively, Access EIS is structured as an Alternative Investment Fund with Syndicate Room Ltd as the authorised Fund Manager.

Practically, the simplest way to understand the structure of Access EIS is as a *mechanism to make 50 investments into 50 companies on behalf of one investor across a 12 month period (which will generally mean across two tax years)*.

The main practical implication of this definition is that Access EIS won't invest in the same company twice within a portfolio built on a per investor, per initial investment, basis.

Access EIS is also not a fund in the sense that it is a single pool of capital with multiple investors. Instead, it is an individual investor's personal fund.

Therefore, to make an investment into a company, several personal Access EIS funds are pooled together, via a nominee.

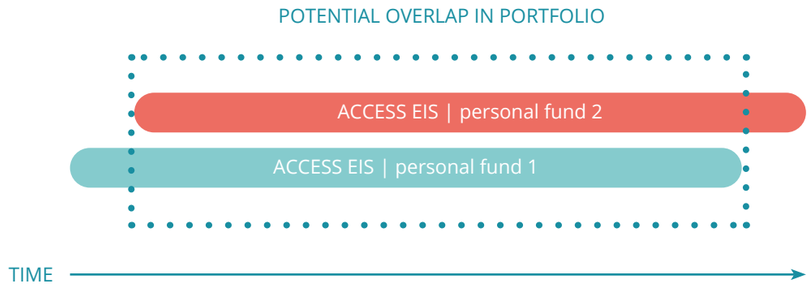


How can I top up my investment into Access EIS?

Simply by investing again though SR's website.

It's worth noting that if you decide to invest in Access EIS a second time (or a third, or fourth), this will be considered as creating a second fund (or a third, or fourth).

The main practical implication of this is that – unless the first fund has completed building its portfolio of 50 companies – there would likely be an overlap between the two portfolios, giving you a proportionally larger exposure to those companies in the overlap. It is down to the individual investor to decide how to time their investment with regards to given tax year(s). See the EIS tax relief section of the Q&A for more information.



Will the fund invest in EIS-eligible Advanced Subscription Agreements (ASA) or Convertible Loan Notes (CLN)?

In order to maximise fund investors' EIS tax relief, the fund will aim to invest in straightforward EIS-qualifying equity funding rounds.

Since CLN investments are highly unlikely to qualify for EIS tax relief, the fund will not make CLN investments.

SR will review ASA investments on a case by case basis – where there is evidence of qualification for EIS tax relief – and where the fund will receive the same share price and same share class as the super angel upon share conversion.

Will the fund receive pre-emption rights?

Yes. One of the fund's requirements of investee companies is that it is granted pre-emption rights on the issue of new shares when future funding events occur. However, it is worth noting that the fund is unlikely to take up its pre-emption rights given the strategy of the fund is to build an investor a portfolio of at least 50 companies with each company being equally represented as a percentage of the portfolio and selected by a super angel.

It is worth mentioning that although rare, it is possible for companies to waive pre-emption rights at a new funding round. This is typically done to accommodate a large and strategic new investment - such as from a VC leading a later round and facilitating broader commercial developments within the business. Having said this, the fund will ensure that waiving pre-emption rights requires the approval of the majority of the company's shareholders.

Do companies pay for investment from Access EIS?

Yes, a flat 2% fee of the investment. There are no ongoing fees often typical with other funds. While most angels don't charge companies for investment, our research suggests a 2% fee to investee companies is very competitive in the context of the EIS fund market, and allows us to turn around legal and operational work associated with our investment quickly and effectively.

INITIAL FEE TO INVESTEE COMPANIES UPON INVESTMENT

	EIS fund market *
Average	2.5%
Highest	7%
Lowest	0%
Median	2.5%
SR	2%

ANNUAL MANAGEMENT FEE FOR INVESTEE COMPANIES

	EIS fund market *
Average	1%
Highest	5%
Lowest	0%
Median	1.1%
SR	0%

* Based on independent analysis of 49 EIS funds by XPM Investment Consulting in July 2019.

Does SR take a board seat on each investee company?

No. Access EIS provides companies with passive capital - in that it is not strategic or advisory - and won't take an active role in running the company. Although not uniformly the case, it is typical that the super angel alongside whom the fund invests will help the company with strategic direction and corporate governance.

How does SR decide how much to invest in each company?

Your investment will be spread evenly across at least 50 companies. Based on SR's analysis of startup portfolios, investing an equal cash amount into each company can generate higher returns than investing varying cash amounts.

Figure 9 shows the effects of the two strategies. The first figure simulates portfolio growth having invested fixed, equal cash amounts across the super angels' 2014 deals. The second figure simulates portfolio growth having invested variable amounts (as a percentage of the funding round) across the super angels' 2014 deals.

MODELLED ANNUAL PORTFOLIO GROWTH 2014-2018
(when investing fixed cash amounts per deal)

38%

MODELLED ANNUAL PORTFOLIO GROWTH 2014-2018
(when investing a % of the funding round)

23%

< **Figure 9**
Modelling the difference between fixed and variable investment amounts

The superiority of fixed amount investing shown in Figure 9 is due to the phenomenon that in a startup portfolio we expect a small number of high growth companies to generate the majority of returns. Therefore, when constructing a portfolio of startups and optimising for returns, in the absence of any reliable measure for selecting variable growth amounts, it follows that it is wise to invest in such a way as to maximise the potential of all investments in the portfolio equally. It's worth noting that the exact amount of a given investment will be determined in a lesser way by each company's share price.

For this same reason, the fund won't be taking into consideration each super angel's relative past performance when deciding how much to invest into a company. Whilst our analysis of super angels sets an overall standard that an angel must surpass there are very many variables between qualifying angels' investments. Given we cannot reliably account for these the most sensible course is to invest equally alongside each.

What are the fund's minimum and maximum fundraising totals?

The minimum amount the fund will raise is £2.5m, to ensure a minimum investment per company of £50k across at least 50 companies. We expect to raise between £2.5m and £10m within 12 months of opening the fund for investment from October 2019. In raising beyond £4m, or if we otherwise demonstrate it is advantageous, we may at our discretion opt to increase either the number of companies we invest in (increase diversification) or the investment amounts into companies (increase fixed ticket sizes) or both. We do not expect the upper limit of diversification to exceed 100 companies per fund, or the per company ticket size to exceed £250k; we will run optimisation algorithms internally to determine desirable levels in each case.

A larger investment amount into the fund means larger ticket sizes into each of the 50 deals the fund is structured to invest in. A £10,000 investment equates to twice the exposure of a £5,000 investment, whilst a £50,000 investment equates to ten times the exposure in each investment, and so on.

Does the fund have a close date?

The fund will remain open to investment, and continue deployment into new investee companies, on an ongoing basis. For more information about how this operates please read the "How is Access EIS structured" question.

REPORTING AND VOTING

How often will I hear from SR with news about my fund investment?

We have an agreement with investee companies to receive updates on a quarterly basis. Updates will be communicated through your Dashboard.

Once invested, will I have to vote on resolutions being put forward by investee companies?

Not directly. As a managed fund, we will vote on resolutions and other matters on behalf of all fund investors as a whole, taking a decision in the best interests of SR investors collectively in each case.

It is important to point out that the fund will typically hold a minority stake in each investee company, therefore if a resolution threatens the economic benefits of the fund and SR votes against it, the resolution may pass nevertheless if it commands the votes of the company's overall investor majority.

INVESTOR FEES

What are the fees for investing in Access EIS?

There is a 2% initial fee (+VAT), and 1.5% (+VAT) annual management fee, the latter for a maximum of seven years with the first 6.5% (+VAT) being deducted upfront. The initial fee and management fees will not exceed 12.5% (+VAT) of capital invested in the fund. The fees cover the maintenance of the super angel research, building and maintaining relationships with super angels and all fund nominee and administration services.

We will charge a performance (aka. exit) fee equalling 10% of the amount of any cumulative cash returns from your portfolio that are in excess of 110% of the amount invested in a respective investee company. For clarification, once you have received a return equal to £1.10 per £1 subscribed into a given investee company (gross of any tax relief), any additional distributable cash will be paid 90% to you and 10% to the Manager.

For example, if Access EIS were to return £20,000 on a £10,000 investment, there would be a profit of £10,000. With a performance hurdle of 110%, SR would return £11,000 without charging an exit fee. The 10% fee would only be charged on the remaining £9,000 of profit.

How do fees affect EIS tax relief?

EIS tax relief applies to capital invested into companies after fees have been deducted.

To maximise EIS tax relief, SR only deducts the initial fee and three years of annual management fees up front (a total of 6.5% (+VAT) of invested capital), meaning that investors can claim EIS tax relief on 92.2% (inclusive of VAT) of the capital invested.

The remainder of SR's annual management fees (the remaining 6%) will be deducted from cash returns.

EIS TAX RELIEF

It is important to note that nothing in this document constitutes tax advice. Tax reliefs are not guaranteed, depend on the entities invested in maintaining their qualifying status, and may be withdrawn at any time by HMRC. The tax treatment of the EIS scheme depends on the individual circumstances of each investor and may be subject to change in the future. Investors should seek professional advice regarding their personal circumstances.

How does EIS tax relief work?

- **Income tax relief.** Eligible investors can claim 30% income tax relief against an EIS investment (e.g. £300 in tax relief on a £1,000 investment)
- **Loss relief.** Should an EIS investment go onto fail, up to 45% of the investor's remaining investment (minus the 30% initial relief) is then available in loss relief and applied to either an investor's Income Tax Bill or Capital Gains Tax Bill.

- **Capital Gains Tax Exemption.** Any capital gains generated by an EIS investment held for longer than three years are exempt from capital gains tax.
- **IHT Relief.** Shares held in EIS companies are exempt from inheritance tax if the investment is held for at least two years prior to the death (and at the time of death) of the investor.

For more information, please visit: www.syndicateroom.com/eis or HMRC's own website where there is further information available.

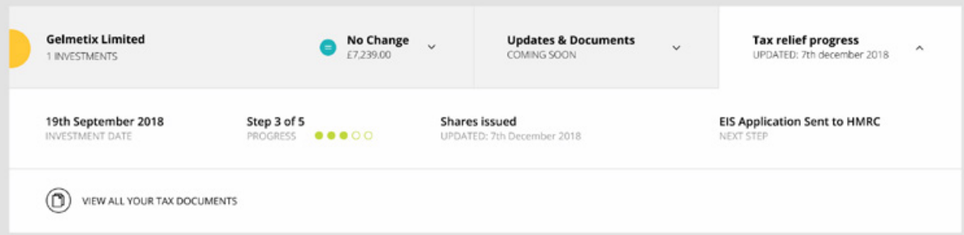
How will I receive EIS certificates?

You will receive an EIS certificate (EIS3) for each investment the fund makes on your behalf, as soon as possible after that particular investment is completed (shares issued). Digital copies of these certificates will be saved to your Dashboard and can be used for separate or combined relief applications to HMRC. You will be able to download an Excel file containing the details of all your EIS investments taken together to easily attach to your HMRC Self Assessment.

How long do EIS certificates take to process?

The process of obtaining EIS certificates from HMRC is handled by SR on your behalf. It can take around 15 weeks to obtain an EIS certificate from the point of shares being issued. On rare occasions, and owing to circumstances outside of SR's control, it can take longer. You will always be able to track the progress of each EIS certificate from your Dashboard.

Figure 10
Screenshot of Investor Dashboard on SR's website



How long after I invest in the fund will I have all my EIS certificates?

Access EIS aims to build you a portfolio of at least 50 companies over a 12 month period (from the date of your investment into the fund, specifically Investment Completion). Therefore, it is realistic that you will have all of your EIS certificates 15 months after your initial fund investment.

How is my investment and EIS relief allocated in practice?

Fortunately, EIS relief can be carried back to one tax year earlier, but no further. For example:

- An EIS-qualifying investor has a £3,000 income tax bill for the 2019/20 tax year.
- The investor makes a £20,000 investment into Access EIS on 1 December 2020.
- Between 1 December 2020 and April 6 2021 approximately one quarter of the total investment amount (minus applicable fees) is deployed (as time elapsed equates to approximately one quarter of the fund's deployment). Exact deployment levels will vary month by month and will ebb and flow due to factors outside of SR's control. As such, it is important not to rely on any estimations and treat these figures as approximations.
- An approximate total of £5,000 in investment into EIS-qualifying companies (minus applicable fees) was made in the 2020/21 tax year, earning approximately £1,500 in tax relief (30% income tax relief, per EIS rules)
- The investor can either apply this tax relief to the current 2020/21 tax year OR carry it back to 2019/20.
- The remaining fund investment of approximately £15,000 (minus applicable fees) will be made in the 2021/22 tax year, earning approximately £4,500 in tax relief (30% income tax relief, as per EIS rules) that can be applied to the 2021/22 tax year OR carried back to 2020/21.

How do I know if I qualify for EIS?

If you're not sure, seek advice from a professional tax advisor.

Generally speaking, private individuals paying income tax or capital gains tax in the UK are eligible for EIS tax relief.

How will EIS loss relief be processed?

In the highly-likely event that one or more of the investee companies fail, eligible investors could be able to claim additional EIS loss relief against the investment.

You would be notified of the company's failure via your Dashboard and be given instructions about how to claim EIS loss relief.

KEEPING YOUR INVESTMENT SAFE

Is SR authorised and regulated by the Financial Conduct Authority?

Yes (our Firm Reference Number is 613021). You can read our full permissions by visiting the Financial Services Register online and searching 'Syndicate Room Ltd' or '613021'.

How is my investment held?

Investments that the fund makes on your behalf are made under a nominee arrangement. This means that Syndicate Room Nominees Ltd is the legal shareholder (which allows us to process administrative tasks on your behalf), but you retain economic rights to the shares.

Where are my funds held?

SR is authorised to hold and control client money. At the time of writing (March 2020) this means that your money is held in an escrow account at Metro Bank plc. SR may transfer client monies to an alternative account provider according to FCA rules. Your funds are held outside SR's balance sheet. Upon investing in Access EIS, you would be expected to transfer payment for your investment into SR's specified escrow account (details provided at point of investment via the SR website). Your funds will be gradually drawn down from the account as the fund makes investments on your behalf.

What would happen to my investment should SR enter into administration?

SR is funded by top-tier investors including Abcam Founder Jonathan Milner and Unicorn AIM VCT, as well as over 400 other shareholders, helping provide SR with a strong balance sheet and access to operating capital.

However, in the event that SR were to fail and enter administration, the nominee under which your shares are held would be dissolved and another nominee appointed to perform the same service (at no further cost to you) or your shares would be transferred into your direct ownership.

RETURNS AND EXIT STRATEGY

What returns is the fund targeting?

Assuming £10,000 investment, after fees and excluding EIS:

SCENARIO		Year 1	Year 4	Year 7
UNFAVOURABLE (the fund misses top 20% of successful deals)	Capital growth ●	£10.53k	£13.9k	£18.3k
	Cash returns ●	£0	£1.0k	£4.8k
MODERATE (the fund misses top 10% of successful deals)	Capital growth ●	£11.0k	£16.8k	£25.7k
	Cash returns ●	£0	£4.5k	£17.5k
FAVOURABLE (the fund accesses all deals)	Capital growth ●	£12.4k	£26.4k	£56.4k
	Cash returns ●	£2.0k	£5.6k	£35.6k

● unrealised

● realised

When can I expect to see returns from my investment into Access EIS?

Since the fund will be making investments into early stage companies, and most early stage companies fail, there is a real chance that investors will lose all the money they invest in the fund.

However, based on its investment strategy, the Fund is targeting 30% capital growth per year and a cash return of 356% (3.56X) after a seven year period.

Returns can be generated if portfolio companies:

- Sell at a higher value than initially invested at,
- List on a stock exchange at a higher value than initially invested at,
- Receive a private equity buy-in,
- Pay dividends.

Returns will be distributed to investors as and when they happen. For example, if one of the investee companies sells at a profit after four years, the proceeds will be returned to fund investors as soon as feasible.

Practically, when an exit occurs, the returns will be paid by the investee company into SR's escrow account and then distributed to the underlying investors as soon as it is feasible and practical to do so.

After approximately seven years, the fund structure will be dissolved and all remaining shareholdings will be transferred to you.

It's worth noting that if a company generates returns before the end of the three year holding period, it might invalidate that company's EIS eligibility.

RISKS

As a rule of thumb, only invest money you are prepared to lose.

Can I lose my money?

Yes, absolutely. Investing in startups is a high risk investment activity. Access EIS plans to mitigate risk through diversification, but there is still a real chance of investors losing some or all of their money.

Can I sell my shares?

Shares in startups – like those bought on your behalf by the fund – are illiquid, meaning that there is no secondary market for them. Therefore, it is practically impossible to sell your shares ahead of an exit once bought into the fund.

How long am I likely to be invested in the fund?

The fund is targeting returns over a seven year period. However, there is a real chance that investors will still have holdings in some companies for more than seven years.

What are the risks to EIS tax relief?

We require all investee companies to be eligible for EIS tax relief and be able to demonstrate recent EIS eligibility approval from HMRC. However, following the fund's investment, there exists a risk that an investee company could change its activities to no longer be compliant with the requirements of EIS eligibility.

This could result in fund investors not receiving EIS tax relief for that specific investment, or indeed HMRC clawing back previously granted tax relief. This risk is limited to each individual company and not the investment in the fund as a whole.
Read our full risk warning at www.syndicateroom.com/risk-warning

CANCELLING INVESTMENTS AND COMPLAINTS

Can I cancel my investment and withdraw from the fund?

Following a commitment to invest in the fund and transfer of payment, investors have a 14 day cooling off period during which they can cancel their investment and receive a full refund.
Following the 14 day cooling off period, it won't be possible to withdraw from the fund.

How can I complain about SR?

We encourage you to inform us of any complaints you have so that we can correct them quickly. Please send any complaints or concerns in writing to contactus@syndicateroom.com.
On receipt of a complaint, SR will investigate the complaint competently, diligently and promptly.

SR will send the complainant a written acknowledgement providing early reassurance that it has received the complaint and is dealing with it, and ensure the complainant is kept informed thereafter of the progress of the measures being taken for the resolution of the complaint.

It is expected that within eight weeks of their receipt, almost all complaints to the firm will have been substantively addressed by it through a final response or response letter.

Where a complaint against the firm is referred to the Financial Ombudsman Service, the firm will cooperate fully with the Financial Ombudsman Service.

If you have any questions, please get in touch.

Notices

1. INVESTMENT RISK FACTORS

1.1 The performance of the Fund is dependent on the availability of suitable and appropriate investee companies to SyndicateRoom, and the ability of the investee companies to perform in line with their respective business plans and to achieve returns at the time of realisation. Portfolio companies may fail, and investments may be realised for substantially less than the acquisition cost or they may not be realised at all.

1.2 Additional investment may be required to maintain or increase the growth of the investee companies, and failure to achieve these capital requirements may negatively impact a company's ability to grow and realise returns for Investors.

1.3 Portfolio companies may accept other equity or debt capital that ranks higher than the Fund's investments in an insolvency situation. The value of shares can fall as well as rise and Investors may not recover the full (or indeed any) of the amount of the funds invested. Investors should only consider investing if this is a risk they can afford to bear.

1.4 The information above and below does not purport to be exhaustive. Additional risks and uncertainties, not presently known to the Manager, or which the Manager currently deems immaterial, may also have an adverse effect on the business of the portfolio companies.

1.5 There is no liquid market on any public exchange, nor is there intended to be such a market, for an Investment via the Fund or investments made by the Manager.

1.6 Returns from the Fund (of which there may be none) will be distributed to Investors following any realisation of individual investments, which may occur by way of Initial Public Offer, trade sale, buyback of shares or distribution of profits through dividends. It is notoriously difficult to estimate timescales for funds from investments to be returned, and holding periods of 5 years or more are likely.

1.7 The overall level of returns from the Fund's investments may be less than expected including but not limited to (i) where there is any delay in the proposed timescales for investment, such that all or part of the net proceeds of the Fund are held in cash for longer than expected; or (ii) if the returns obtained on individual investments are lower than originally expected; or (iii) if investments cannot be realised at the expected time and value.

1.8 Whilst the Fund is sector agnostic in its investment policy, sector diversification in the Fund depends on

the sectorial diversity of investment opportunities available to the Manager. This means the Fund's final portfolio diversification cannot be guaranteed.

1.9 The Fund will take all reasonable steps to deploy capital in accordance with the investment strategy outlined in the contents of this IM, seeking to make a suitable portfolio of no fewer than 50 investments for an investor within 12 months of Investment Completion. The Manager will prioritise building a portfolio of no fewer than 50 investments even if it takes longer than 12 months. The Fund will notify Investors of information around the ongoing performance of its capital deployment, and details of how the Fund will report to Investors can be found in the Application Form.

1.10 The past performance of SyndicateRoom, previous funds and the respective management teams from time to time, or of any investments made on SyndicateRoom, is not necessarily a guide to the future performance of the Fund. The departure of any of the key employees of the Manager could have an adverse effect on the Fund's performance, although this risk may be somewhat mitigated compared to other early-stage investment funds by the investment strategy of the Fund as detailed in the IM.

1.11 Although the Fund will seek to receive conventional investor rights in connection with its investments, as an often minority investor it may not always be in a position to protect its interests and the interest of its Investors.

1.12 The Fund will not retain any material investment capacity to make follow-on investments into its portfolio companies. Therefore, any pro-rata investment rights arising due to pre-emption rights or a rights issue may be made available to the Investor pro-rata to their Fund subscription. The Investor may or may not be able to take up such pre-emption on an individual basis. Unless otherwise agreed with the Manager, such follow-on investments will not be transacted via the Fund and the shares so acquired will not form part of the Investor's portfolio managed by the Manager. Not exercising pre-emption rights may expose Investors in the Fund to dilution of their investments.

1.13 The Fund will be not be influencing the business strategy and decision making of any portfolio company.

1.14 The Fund will provide portfolio valuations at least once in every 12 months, conducted in line with the British Venture Capital Association guidelines, which use equity events to assess current valuations. There is no guarantee that the valuation of a portfolio company will fully reflect the underlying net asset value or the ability to buy and sell an investment at that valuation. Pre-exit valuations should therefore be seen as indicative only. Re-valuations of investments should generally be expected to occur during the later stages of investment or where a further fundraising occurs at a different valuation to the valuation at the time of investment by the Fund.

1.15 This document includes statements that are (or may be deemed to be) "forward looking statements" which may be identified by the use of forward looking terminology such as "believes", "continues", "expects", "intends", "may", "will", "would", "should" or, in each case, their negative or other variations or comparable terminology. Investors should not place reliance on forward looking statements. These forward looking statements include all matters that are not historical facts. Forward looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward looking statements contained in this document, based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

1.16 Legal and regulatory changes could occur during the life of the Fund that may adversely affect the Fund or its Investors. These may relate to tax, environmental, safety, labour and other regulatory and political authorities, or force majeure acts, terrorist events, or other operating risks.

2. EIS AND TAX RELIEF

2.1 The Manager will invest in unquoted companies which it reasonably believes are EIS qualifying companies at the time of investment. The Manager will not subscribe for SEIS qualifying shares. Investors should note that there is no guarantee that such companies are or will remain EIS qualifying companies at all times thereafter and that the continued availability of EIS qualification depends on compliance with the requirements of the EIS legislation by both the investor and the portfolio company and this cannot be guaranteed by the Manager.

2.2 The Manager will obtain undertakings by the company (and if appropriate, its managers) to remain an EIS qualifying company so long as it is reasonably practicable to do so. Where an investor or a portfolio company ceases to maintain EIS status in relation to any individual investment, it could result in loss of some or all of the available reliefs and the requirement to repay any rebated tax.

2.3 The Fund will, where reasonably practicable, hold investments for a period of at least three years and will look to realise investments as soon as reasonably practicable thereafter, while maintaining a focus on maximising IRR. The Manager retains complete discretion to realise an EIS investment at any time, including within the three-year qualifying period if it believes this is in the overall interest of Investors collectively. In such circumstances, some or all of the EIS reliefs relating to that particular investment will be lost. In making such a disposal, the Manager is not obliged to take into account the tax position of Investors, individually or generally.

3. DEFINITIONS, CONSTRUCTION AND INTERPRETATION

Unless otherwise indicated in this IM the following definitions shall apply to it:

Definitions

Administrator: Syndicate Room Ltd (company number 07697935 and FCA firm number 613021) or such other entity (which may be an Associate or a third party) as the Manager may appoint to provide the administration (and related) services in relation to investments in your Portfolio;

Agreement: The contractual arrangement between the Manager and Investor upon the terms of this IM taken together with the terms of the Application Form.

Application Form: The application form, also "Form", hosted on SyndicateRoom and available alongside the Information Memorandum, to invest in the Fund, completed by you, or an adviser on your behalf and submitted to the Administrator, and in which further details of the Manager, Administrator, Custodian and Nominee services are also contained;

Application Instructions: The application instructions available on SyndicateRoom setting out the actions to be completed by you in order to invest in the Fund;

Associate: Any person or entity which (whether directly or indirectly) controls or is controlled by the Manager. For the purpose of this definition "control" shall refer to the ability to exercise significant influence over the operating or financial policies of any person or entity;

Business Day: A day on which banks are open for business in England other than a Saturday or Sunday or bank holiday;

Completion: The date when your Application Form is accepted by the Manager, your Investment subscription payment is received in full in cleared funds by the Custodian and all know your customer and anti money laundering checks have been successfully completed by the Manager in relation to the Investment;

Custodian: Syndicate Room Ltd (company number 07697935 and FCA firm number 613021) or such other entity (which may be an Associate or a third party) as the Manager may appoint to provide safe custody and administration (and related) services in relation to investments in your Portfolio;

Dashboard: The section or sections of SyndicateRoom designated for communications between the Manager and Fund Investors;

EIS: The Enterprise Investment Scheme as set out in Part 5 of the Income Tax Act 2007;

FCA: The Financial Conduct Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS;

Fees: The Initial Fee, the Management Fees, the Performance Fees and any other fees and expenses accruing to the Manager as disclosed in this IM;

Fund: The aggregate subscriptions of the Investors from time to time pursuant to their respective applications as managed by the Manager and invested in accordance with this IM;

FSMA: Financial Services and Markets Act is an Act of Parliament that created the Financial Services Authority (now the FCA) as a regulator for insurance, investment business and banking;

Investor: An individual with a Completed application into the Fund.

Invest: The act of an individual making an Investment into the Fund.

Investment: An investment made by the Investor into the Fund. The minimum subscription for an investment is GBP £5,000 and multiples of GBP £5,000 thereafter.

In writing: Includes via email or via post to the email address or postal address as notified in this IM or from time to time.

Manager: Syndicate Room Ltd (company number 07697935 and FCA firm reference number 613021), of The Pitt Building, Trumpington Street, Cambridge CB2 1RP, whose email address is investor.relations@syndicateroom.com or such other fund manager as may be appointed under the terms outlined in the Application Form;

Nominee: Syndicate Room Nominees Ltd (company number 10776873) or such other nominee as may be appointed by the Manager (which may be an associate of the Manager or a third party) from time to time to be the registered holder of your Portfolio;

Portfolio: The investments in any portfolio companies from time to time made by the Fund (including any uninvested cash) managed by the Manager and allocated to you and registered in the name of the Nominee on your behalf plus all income and capital profits arising thereon;

Relevant Laws: All relevant laws, regulations and rules, binding on the management of the Fund and the Investments. Where relevant, actions will be taken in accordance with the requirements of the relevant market, regulatory body, exchange or otherwise and the Manager shall take all such steps as may be required or expected by such rules and regulations and/or by good market practice, and if there is any conflict between the provisions of this IM and any such rules, customs or Relevant Laws, the latter shall prevail;

Termination Date: The date determined by the Manager in its sole discretion on which the Fund will terminate, expected to be on or around seven years from the date of an Investor's Investment having initially Completed.

Construction and Interpretation

Words and expressions defined in the FCA Rules which are not otherwise defined in this IM shall, unless the context otherwise requires, have the same meaning in this IM.

Any reference to a statute, statutory instrument or to rules or regulations shall be references to such statute, statutory instrument or rules and regulations as from time to time amended, re-enacted or replaced and to any codification, consolidation, re-enactment or substitution thereof as from time to time in force.

Words importing the singular include the plural and vice versa and words importing a gender include every gender and references to persons include bodies corporate or unincorporated.

References to "you" refer to you being the individual or institution who has completed an Application Form which is accepted by the Manager and so becomes a party to this Agreement and an Investor in the Fund.

Unless otherwise indicated, references to clauses shall be to clauses in this IM.

Headings to clauses in this IM are for convenience only and shall not affect the interpretation of this IM.

4. APPLICATIONS AND SUBSCRIPTIONS

4.1 Your subscription to the Fund will be made in accordance with the Application Instructions and Application Form provided on the SyndicateRoom website.

4.2 Each of the Manager and the Administrator reserves the right to reject any Application Form at its sole discretion. In the event your Application Form is rejected, you will be notified promptly and, your subscription monies shall be returned to you in their entirety without interest as soon as is reasonably practicable.

4.3 The Fund will not invest in warrants, units in collective investment schemes or any other derivatives of any sort.

4.4 The Manager will not borrow money for the account of your Portfolio, nor lend securities or enter into stock lending or similar transactions.

4.5 The Fund will close Investments on an ongoing, per Investor, basis, continually completing investments into investee companies, and building portfolios for investors on an ongoing basis.

5. FEES AND EXPENSES

5.1 Initial Fee: The Manager will charge a one-off initial fee equating to 2% (+VAT) of your Investment ("Initial Fee").

5.2 The costs of establishing the Fund will be paid by the Manager from the Initial Fee, including legal, regulatory, accounting and taxation costs and the preparation of the Information Memorandum but excluding any introduction fees payable to financial advisors and any other direct expenses.

5.3 Management Fee: The Manager will charge an annual management fee equating to 1.5% (+VAT) of your Investment ("Management Fee"). The first year's Management Fee payment will be paid in advance to the Manager from your subscription on Completion. The second and third years' Management Fees will be retained from subscriptions on their Completion and held on account in advance in readiness of payment, which will be released on an ongoing, pro rata basis via an automated transaction. The remainder (fourth to seventh) of SR's annual management fees will be deducted from cash returns.

5.4 Performance Fee: The Manager will receive a performance fee equalling 10% (+VAT) of the amount of any cumulative cash returned to the Fund by each investee company in excess of 110% of the amount Invested in the respective investee company ("Cash Returns"). For clarification, once you have received a return equal to £1.10 per £1 subscribed into a given investee company (gross of any tax relief), any additional distributable cash will be paid as to 90% to you and 10% to the Manager.

5.5 In the event that any investments in your Portfolio are transferred to your name (or as you may otherwise direct) pursuant to the terms of the Agreement you agree that forthwith on any subsequent realisation of such investment/s (whether by you or by your nominee and whether in cash or other consideration) you will pay the Manager a performance fee which equals 10% (+VAT) of the amount returned to you from such investment/s in value in excess of 1.1x the subscription amount made by the Fund on your behalf in relation to such investment (i.e. a 110% 'hurdle').

5.6 The fees of the Administrator, Custodian and Nominee arising pursuant to this Agreement shall be paid by the Manager. The Manager will bear any legal, accounting and other costs incurred by the Fund in connection with any potential investments which do not proceed to completion.

5.7 VAT: All fees listed are exclusive of any applicable VAT but are subject to VAT. A receipted VAT invoice in respect of the Initial Fee can be provided to you on Completion of your subscription if requested.

6. CONFLICTS OF INTEREST

6.1 The Manager has implemented and shall continue to implement a conflicts of interest policy that identifies those circumstances that constitute, or may give rise to, conflicts of interest that pose a material risk of damage to its customers. This policy also addresses the effective organisational and administrative arrangements that the Manager maintains and operates to manage those conflicts. A copy of the Manager's conflicts policy is available on request.

Contact us

contactus@syndicateroom.com
01223 478558

www.syndicateroom.com