The Access Fund

INFORMATION MEMORANDUM

MAY 2023

Estimated reading time: 2 min

Due to the potential for losses, the Financial Conduct Authority (FCA) considers this investment to be high risk.

What are the key risks?

1. You could lose all the money you invest

• If the business you invest in fails, you are likely to lose 100% of the money you invested. Most start-up businesses fail.

2. You are unlikely to be protected if something goes wrong

• Protection from the Financial Services Compensation Scheme (FSCS), in relation to claims against failed regulated firms, does not cover poor investment performance. Try the FSCS investment protection checker here to find out more.

• Protection from the Financial Ombudsman Service (FOS) does not cover poor investment performance. If you have a complaint against an FCA-regulated firm, FOS may be able to consider it. Learn more about FOS protection here.

3. You won't get your money back quickly

• Even if the business you invest in is successful, it may take several years to get your money back. You are unlikely to be able to sell your investment early.

• The most likely way to get your money back is if the business is bought by another business or lists its shares on an exchange such as the London Stock Exchange. These events are not common.

• If you are investing in a start-up business, you should not expect to get your money back through dividends. Start-up businesses rarely pay these.

4. Don't put all your eggs in one basket

• Putting all your money into a single business or type of investment for example, is risky. Spreading your money across different investments makes you less dependent on any one to do well.

• A good rule of thumb is not to invest more than 10% of your money in high-risk investments.

5. The value of your investment can be reduced

• The percentage of the business that you own will decrease if the business issues more shares. This could mean that the value of your investment reduces, depending on how much the business grows. Most start-up businesses issue multiple rounds of shares.

• These new shares could have additional rights that your shares don't have, such as the right to receive a fixed dividend, which could further reduce your chances of getting a return on your investment.

If you are interested in learning more about how to protect yourself, visit the FCA's website here.

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: Wellington House, East Road, Cambridge CB1 1BH, 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 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 realised.

A new approach to venture capital investing

The venture capital industry has historically been typified by 'oracle-style' investors, raising capital through their ability to find high-performing early-stage companies. But research has shown that VCs only pick winners in 2.5% of their investments.

This got us thinking about creating an alternative approach to venture capital investing, by creating more consistent, market-beating returns in a structured way.

That was back in 2016 and after three years of in-depth analysis, we launched Access – our first fund based on a data-driven approach to portfolio building. It's now November 2022 and Access has participated in 137 funding rounds, contributing to funding rounds totalling more than £135,000,000. We're also very pleased to see that our first cohort of investee companies from 2020 is showing a combined growth of 32%.

It's also co-invested alongside some impressive names, including Biz Stone, SeedCamp, Entrepreneur First, Episode 1, Start Codon, Hambro Perks, Forward Partners, Octopus, and more, and attracted a £15 million, three year, investment from British Business Investments (BBI).

This memorandum will take you through the details of our innovative approach, and explain the methodology behind Access.

Graham **Schwikkard**
CEO

contents

How it works

Access tracks the performance data of over 1000 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 many of the UK's most successful startups. These include Horizon Discovery (acquired by PerkinElmer in 2020 for £383m), Magic Pony Technologies (acquired by Twitter for a reported $150m in 2016) and Swiftkey (acquired by Microsoft for $250m in 2016) as well as well-known brands 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 many of the UK's recent successful startups at EIS stage.

AUTOMATIC DIVERSIFICATION

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

EASY TO GET STARTED

Complete a simple online form and invest a minimum of £5,000 to get started.

STRAIGHTFORWARD EIS ADMIN

EIS certificate data is saved straight to your SR dashboard, allowing easy export for HMRC self-assessment.

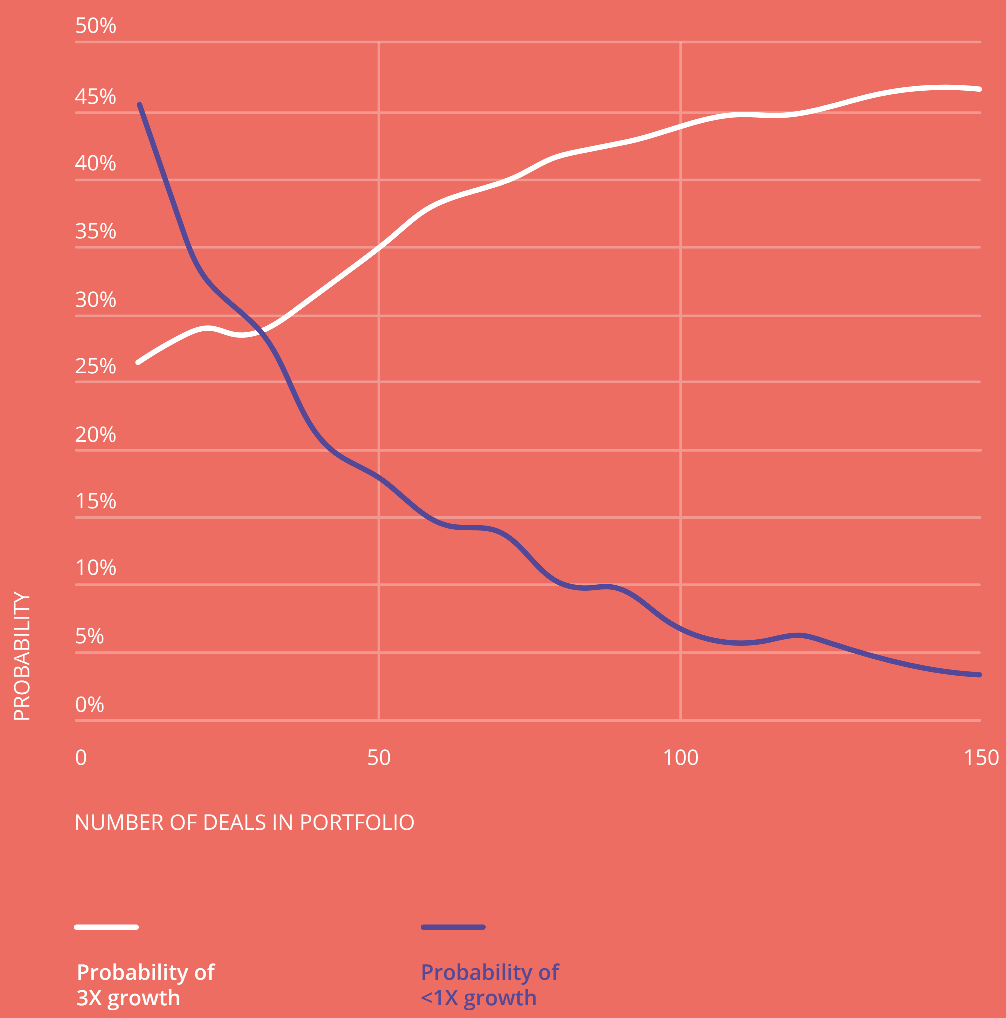
Executive summary

The importance of diversification in managing investment risk, as demonstrated by Nobel Prize winner Harry Markowitz's Modern Portfolio Theory, is widely recognised. Our research into startup investing, conducted jointly with Beauhurst, and which was published in *The Sunday Times*, further reveals that diversification can lead to much higher cash returns too.

Figures 1a and 1b demonstrate how probability of growth and average annual capital growth can increase and risk can decrease when portfolio size is increased. The comparison refers to simulated past performance. Past performance is not a reliable indicator of future results.

Figure 1a

Probability of growth
as portfolio size increases



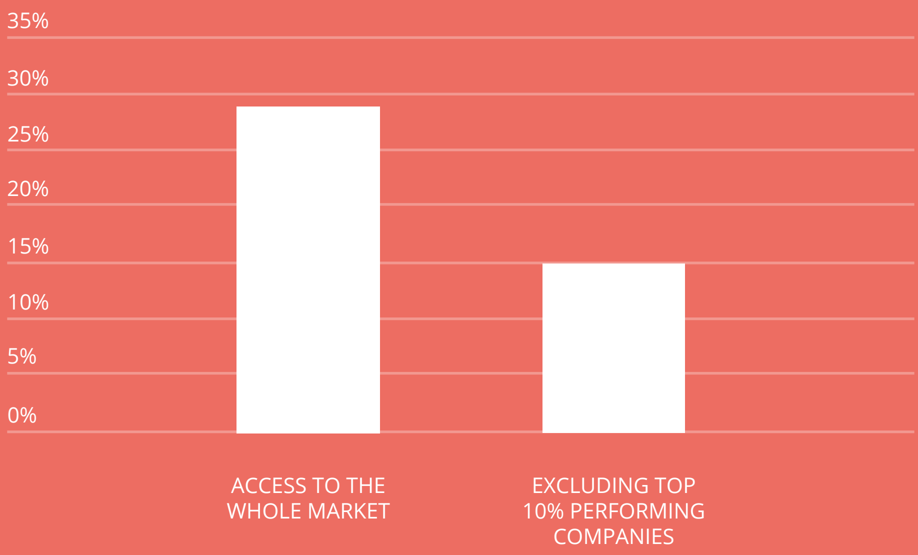
Based on random selection of deals of all historical UK startups fundraising from 2011-2014, repeating the selection 1,000 times and comparing the resultant growth. This is the entire cohort of deals, not just focused on selection from super angels' investments.

* 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 seven 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.

Figure 1b

Average annual capital growth from a portfolio of 50 companies (%) from 2011-2021 based on market access



Key facts

DID YOU KNOW?

No other EIS fund on the market has a performance fee of less than 20%. Our 10% performance fee means you keep more of your upside.

No other EIS fund on the market offers diversification beyond 20 companies, and the vast majority make only 8-10 investments. The Access Fund builds you a portfolio of 50 companies, and adds a further 50 in each subsequent deployment period, because we understand how vital it is to optimal portfolio growth.***

Fees*

Initial/setup fee	2% (1% for repeat investors)
Annual Management Fee	1.5% for 7 years**
Performance fee (carry)	10%
Performance fee hurdle	110%

General

Diversification	50 companies
Minimum subscription	£5,000
Sectors	Sector agnostic
EIS administration	Fully digital
Deadline	Evergreen. Capital invested goes to work straight away.

* VAT is chargeable on fees. ** Fees for years 4 to 7 are chargeable from returns only, and so do not reduce the amount of your capital deployed.

*** The timing of subsequent investments may affect the number of additional companies added to your portfolio, if previous and new deployments overlap.

Our super angels

Our super angels include some of the UK's most capable angel investors, who have a strong track record in backing successful UK startups. They include Chris Mairs, whose investments include what3words, Zzish and Magic Pony Technology, and Twitter co-founder Biz Stone.

Why do we invest with super angels?

01

They connect companies to the right investors for more capital and support

02

They demonstrably invest into high potential startups and generate returns

03

They are excited to open early stage investing to new investors

04

They create more high potential companies, and grow the economy

Why do they share deal flow with Access?

We can move quickly and provide a clear, reliable cheque size and standard terms

We help them bring additional capital to early stage deals, avoiding further rounds of negotiation

They join a community of super angels. We facilitate relevant connections and further amplify their networks

We provide curated deal flow from the other super angels with proven track records

Which super angels is Access co-investing with?

The table below provides some key information about a selection of the super angels who have agreed to work with us. Their names have not been included, for privacy reasons.

IRR	Portfolio CAGR	Number of investments	Notable investments
48%	70%	54	**Ebury** | sold to Santander for £350m **Tide Bank** | last valued at £220m
81%	52%	42	**Smart** | last valued at £432m **Marshmallow** | last valued at £686m
39%	32%	20	**Nutmeg** | acquired by JP Morgan Chase **Gousto** | last valued at £1.42b
65%	121%	70	**Touchlight Genetics** – last valued at £568m **Bit.bio** – last valued at £355m
27%	29%	123	**Magic Pony Technology** | sold to Twitter for £102m **Bloomsbury AI** | sold to Facebook for £23m
216%	67%	34	**Revolut** | last valued at £26.1b **Carwow** | last valued at £262m

British Business Investments is excited to be working with Syndicate Room as it enables us to invest alongside proven angel investors into a wide range of UK startups.

Mark **Barry**

INVESTMENT DIRECTOR AT BRITISH BUSINESS INVESTMENTS

Our startups include...

Our startups represent some of the most diverse and innovative companies around, spanning life sciences, biotech, FMCG, renewables, next gen finance and more. They were selected for investment by our super angels, who carry out extensive due diligence prior to investment.

R.A.D®
Future

- Saw a 300% sales growth increase in 2023 over 2022.
- Saw 350% customer growth over 2022.

R.A.D® produces high-quality training shoes for the functional fitness space, such as CrossFit. Shoes are designed around three core principles: performance, design and environmental impact. Performance is particularly important as these shoes need to support the CrossFit athlete when performing a wide range of activities such as lifting, running and rope climbing.

Shoes are partly manufactured using sustainable products such as bioethanol, sourced from sugar cane. Whilst they also use fossil-based materials, RAD is working hard to reduce this in favour of bio-based content.R.A.D® is a member of '1% for the Planet', through which it donates 1% of sales to environmental causes.

R.A.D's marketing strategy revolves around athlete endorsements, community engagement, and organic channels. R.A.D® aims to delay paid marketing efforts and prioritise brand-building initiatives. The team is expanding to strengthen product development capabilities and seize opportunities for showcasing the brand.

Access invested in R.A.D.® Future in May 2021.

Porotech

- Porotech produces Micro-LED products based on proprietary technology.
- Created world's first microdisplay based on native red indium gallium nitride (InGaN).
- Partnership with Jade Bird Display (JBD)in China, a leader in micro-LED display technology.
- In February 2022 it secured $20m Series A funding.

Porotech's PoroGaNTM semiconductor device solutions offer an entirely new platform for semiconductor devices to be built upon, delivering transformative properties in a single, fully scalable step. The technology is revolutionising the next-generation Micro-LED display industry, while other applications include lasers, power electronics, quantum computing and communication. MicroLED is set to become the ultimate display technology ideally suited for the next generation of AR/MR near-eye applications, wearables and many other consumer electronics devices.

Access invested in Porotech in November 2019.

Dr. Tongtong Zhu | CEO & Founder

MOTH Drinks

MOTH - which stands for Mix of Total Happiness - produces canned cocktails using high quality spirits and mixers.

The company, formerly known as Buveur, was among those fortunate startups able to accelerate its business model during the COVID pandemic, which saw considerable changes in the way people socialised and an increase in demand for the cocktail bar experience in a variety of alternative settings. The new social hotspots: beaches, parks, barbecues and gardens, to name a few, all made the availability of popular cocktails in a form that was easy-to-transport and keep cool ideal.

Counting Selfridges, Harrods, The Ritz and Hoxton Hotels among its early clients, MOTH went on to launch in Waitrose nationwide in February 2021.

In May 2022, MOTH announced that it had launched nationwide into both Tesco and Sainsbury's, going from 250 stores nationwide to over 1600.

Its product line covers the popular favourites: negroni, old fashioned, margarita and espresso martini, and uses primarily British ingredients.

Access invested in MOTH Drinks in December 2020.

Mix of Total Happiness

Methodology

STEP 1

By accessing Companies House records (via our research partner, Beauhurst), we identify all angel investors who invest in the early rounds of startup companies (more than 1000 investors).

STEP 2

From this list, we identify individuals who have made at least eight investments, totalling not less than £100,000, within the past six years. We then further refine the list to include only those individuals who have also achieved at least one positive exit and at least two 5x returns (on paper, so as yet unrealised).

This way, we create a dynamic (regularly reviewed) shortlist of highly active and experienced angels, who have invested meaningful sums into startups within recent years and seen positive results.

STEP 3

As a final threshold to qualify as a 'super angel' we require the individuals to have had 'market beating' performance.

More specifically, we look at all the UK startup investment and performance data available at Companies House and analyse every funding round that has taken place in the past six years, on a rolling basis. Taking all this information together (from the vast majority of companies that fail, right through to the one or two unicorns that have incredible success) the total market 'portfolio' grows at a rate of 25% per year. Of course, no one is or can be invested in the whole market at once, but this gives us a good barometer for what counts as strong performance.

Our super angels must additionally hold a portfolio of startup investments with a weighted average growth rate (Internal Rate of Return on total portfolio valuation) of more than 25% over the last six years. We use a weighted average growth rate (in other words, we assume every amount invested in their portfolio companies was fixed at the same level) because it helps to exclude very lucky and very unlucky investments and instead inform us about overall performance.

Only a very small handful of individual investors meet this threshold and we call them our 'super angels'.

The Access Fund only invests in deals that a super angel is investing in.

Past performance

Figure 2 below shows the past performance (in terms of portfolio growth) of the UK startup market as a whole, leading EIS funds and the combined portfolios of super angels.

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

Figure 2

Growth of simulated £10k investment 2014-2021

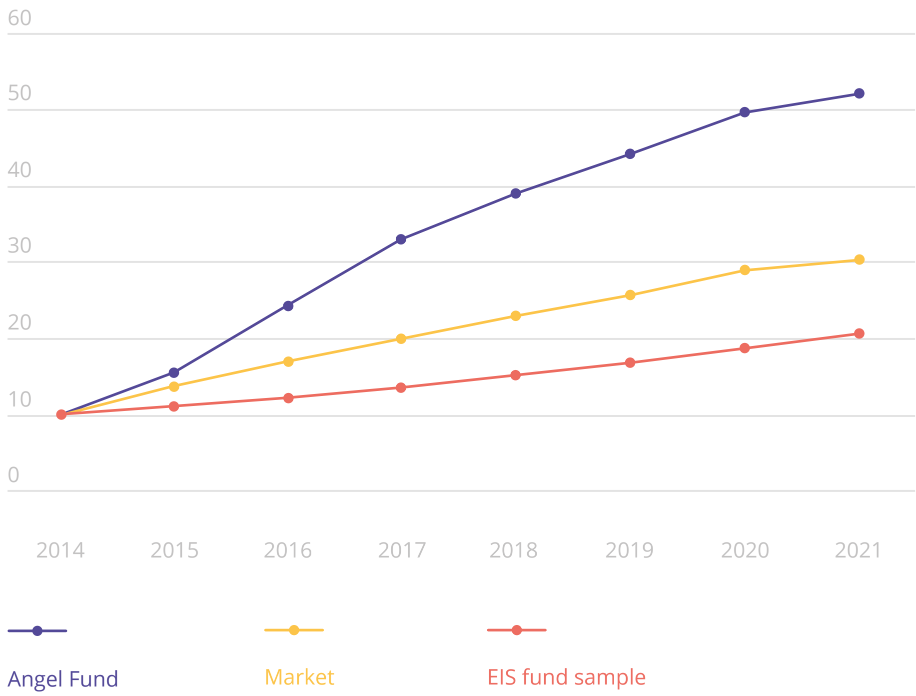
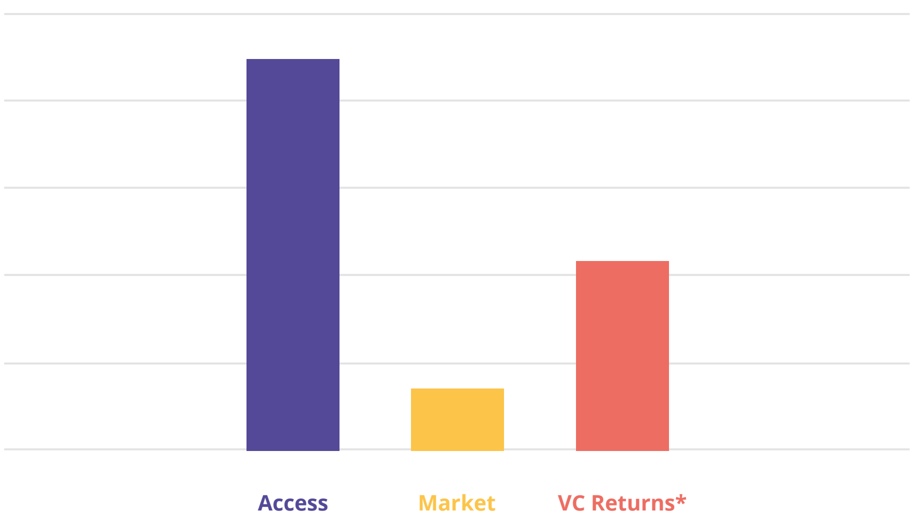


Figure 3 illustrates the simulated cash returns of Access and cash returns from the whole startup market over the period 2014–18. Past performance is not a reliable indicator of future results.

Figure 3

Total cash returns as proportion of initial capital from 2014-2021



* VC returns figures based on British Business Bank reported pooled DPI in their UK Venture Capital Financial Returns report.

Corporate Governance and Team

BOARD OF DIRECTORS

Graham **Schwikkard**

CEO

CEO Graham Schwikkard has over a decade of experience with data science and working with large datasets. He has a fascination with the dynamics of the startup investment network and after coming across the Companies House dataset in 2017, he spent many hours designing much of the analysis behind the Access Fund. Graham would like to see Access become a vehicle for delivering efficient capital throughout the network, and increase the odds of the system producing more Unicorns and economic growth. Prior to working at SyndicateRoom, Graham spent seven years as a management consultant, and has significant experience of helping companies develop market strategies and optimise business models. He also has in-depth technical expertise, focused on maximising efficiency.

Tom **Britton**

CO-FOUNDER

After completing his MBA in Cambridge, Tom co-founded SyndicateRoom to give a wider audience access to venture capital investment. As co-founder, Tom works across all aspects of the business, with an emphasis on product development and marketing strategy, and as much direct contact with our super angels and investors as possible. He enjoys being plugged into the wider industry and sits on the board of the UK Business Angel Association. He also hosts SyndicateRoom's Angel Insights podcast, interviewing key industry figures. Prior to founding SyndicateRoom, Tom was Product Manager at TheTrainline, where he headed up the launch of its mobile applications.

Deborah **Sayagh**

NON-EXECUTIVE DIRECTOR

Deborah has a background in sales and business strategy, running and mobilising teams in bringing on new clients and mining opportunities with existing clients. She has over 13 years' experience in banking, with a particular focus in the Private Client / HNW space, having worked at RBS, Citi and currently Investec.

She uses deep analytics combined with a strong commercial focus to effectively target and market to prospective clients. She currently works at Investec as Head of Strategic Client Partnerships, having been with the bank for over 8 years. In this role she connects clients with new business opportunities or investors via Investec's networks. She strongly believes that deep data insights drive high quality decision making and effective sales strategies.

Deborah has a strong passion around diversity, championing minority groups both within and outside of the organisations she works with. She previously set up the Investec Female Entrepreneurs network and ran the Gender Balance network at Investec.

Simon **Coomes**

NON-EXECUTIVE DIRECTOR

Simon Coomes is a strategic commercial leader with experience in numerous sectors and businesses, ranging from a FTSE 50 corporate to a successful startup.

He leads Marketing and Commercial Performance for FTSE 50 Investment firm Hargreaves Lansdown. His team covers a broad range of specialisms from digital marketing, client and asset acquisition, strategy and planning to brand development, positioning, management and performance monitoring.

He has an extensive network of senior leaders across financial services, fintech and media companies.

He is a Chartered Manager with excellent team and project leadership, problem-solving and analytical skills. With a history of building high calibre teams and driving them to successful outcomes. He also holds an Exec MBA from Cranfield University.

Simone **Koo Ishikawa**

NON-EXECUTIVE DIRECTOR

Simone Koo Ishikawa is an angel investor and an advisor to a number of impact and fintech start-ups globally. She has a broad network across angels, VCs, investment banks, asset management, family offices, private banks, institutional investors and corporates through years of experience in financial services.

She advises start-ups on a number of areas including fundraising, investor management, go-to-market, partnership, scale up and marketing strategy as well as team build and culture.

She is a frequent speaker in fintech, banking, and women's circles in London. She also lectures at Oxford Saïd Business School Entrepreneurial project, Cambridge Judge Business School and is an Honorary Practice Fellow at Imperial College Business School.

Prior to this, she was an operator at a Softbank-backed unicorn scale up; Director of Customer Success at OakNorth – NextGen credit platform for SME lenders globally. OakNorth was the only profitable fintech unicorn in Europe in 2019. Before this, she spent 16 years in asset management and investment banking trading floors at JPMorgan, Credit Suisse, Morgan Stanley and Goldman Sachs. She worked as an ETF Sales Strategist, Chief Operating Officer in charge of divisions with over 2000+ people and +$10bn of revenues, Head of Strategy, Structurer and Trader.

EXECUTIVE TEAM

Graham **Schwikkard**
CEO

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

Francesca **O'Brien**
RISK PARTNER

Miruna **Girtu**
VENTURE PARTNER

Anthony **Pitters**
INVESTMENT ANALYST

I'm already familiar with startup investing, but I hadn't seen this approach before and really welcomed it. Conducting extensive due diligence takes a lot of time and effort – all the more so for a high volume of companies, which is needed to build to a solid, diversified early-stage portfolio. Access addresses this, and I get confidence from knowing every single company is being backed by a top performing UK angel investor as well.

Shilpa **Sikota Taylor**

PRODUCT MANAGER

Q&A

OUR SUPER ANGELS

Are the super angels you work with contractually obliged to share deals with you?

Not contractually, no. We discuss our co-investment arrangements with each super angel individually.

Why do these super angels share their deals with Access?

Despite often being very wealthy, super angels very rarely take on an entire funding round alone. They typically follow the maxim of diversification 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 Access can help boost their profile.

Access has performed extensive due diligence on each super angel and understands their investment behaviours, so Access 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. Collaborating with Access 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 Access?

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 business and solving the problems that inspired the entrepreneur to start up the company in the first place.

Access 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 new investor negotiation.

Businesses typically prefer to take on multiple investors, and not too many strategic ones, 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 does Access perform on each super angel?

In addition to the core analysis underpinning our assessment of an angel's performance (their historic investment behaviour and past performance– see *Past Performance* section for details) we perform thorough and periodic background research to ensure that each individual isn't, for example, a politically exposed person, is not on a sanctions list and does not have a history of bankruptcy or fraud.

We also check for any meaningful negative media coverage in relation to 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. We also monitor, on an ongoing basis, their investment behaviours (size and frequency and so on) to ensure they 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 were confident about the reason for the changes. Should we become uncomfortable with their investing behaviours, we can and will pause or end our partnership.

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

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.

Furthermore, institutional investors frequently invest through more complex financial instruments and arrangements than angels, which makes negotiating the same deal for Access complex. We may expand the Access co-investment offering in the future.

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

If a super angel is making a 'follow on' investment in a company in which they already have an existing investment this must meet certain additional criteria: the IRR of their follow on investments specifically must exceed 25%, they must have completed at least two follow on investments in the last six years and this investment should be in line with their usual following on behaviour. Namely, we would require the amount of investment, valuation invested at and round size of the investment to align with their historic follow on investments.

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

We 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 if a company opts to decline our investment for any reason. We have already accounted for missing out on a proportion of the top deals in our returns modelling.

We've modelled how this might impact on 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 refers to simulated past performance. Past performance is not a reliable indicator of future results.

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 does not invest more than 1/50th of its capital in any given deal, to ensure fund investors have a balanced portfolio without overexposure to an individual company.

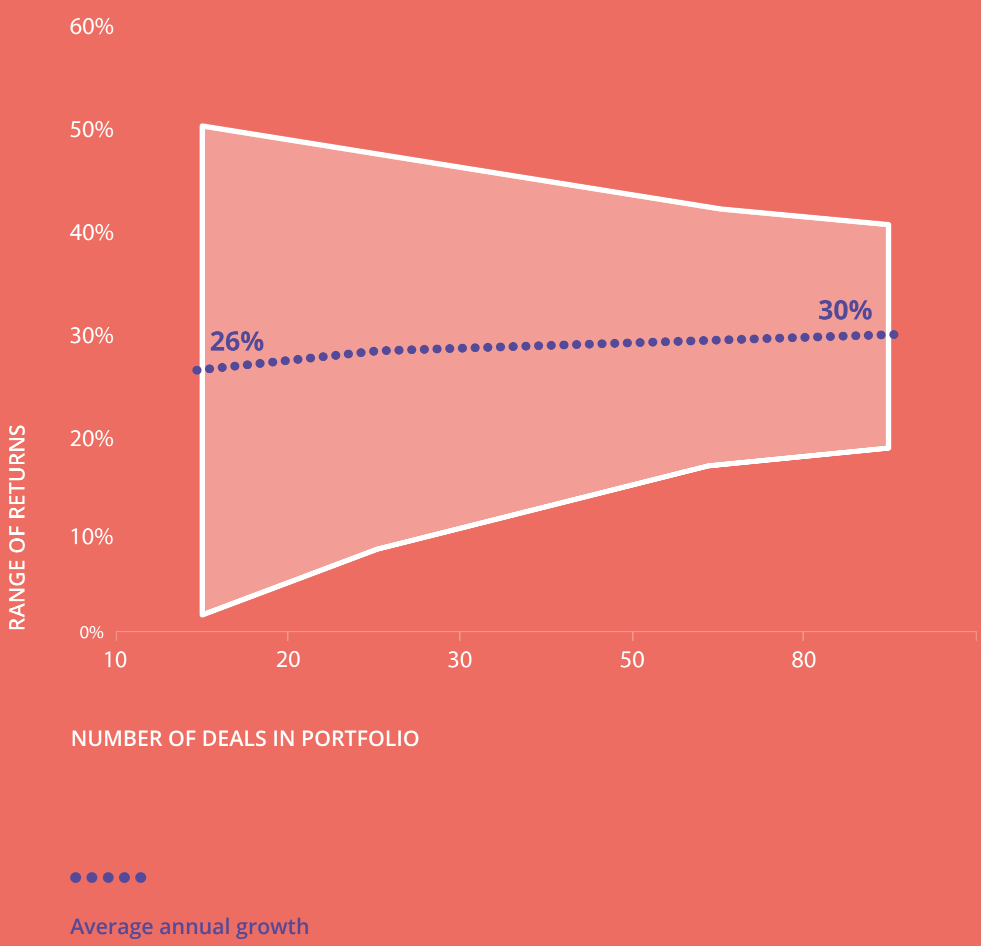
Analysis of the portfolios of the super angels demonstrates the wide variety of industries they invest in between them. This gives us confidence of a broad selection of available deal types.

However, if certain sectors are proving overall more or less popular during a given period, we do not seek to rebalance against market forces.

Furthermore, the fund does 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.

Figure 4

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



Is investing in 50 companies per portfolio too much diversification?

Our research indicates that the entire UK market of startup investments grows consistently at 25% per year on average, so – assuming access to all deals – the more you diversify the more likely you are to achieve portfolio growth of 25%, while reducing risk.

Of course, ensuring access to all available investments is not attainable, which is why Access 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. Our research into UK startup data found that the distribution of return multiples adheres to a power law distribution with an alpha of 1.8. When the alpha, or slope of the power law graph, is less than two, making more investments at random will increase your portfolio's expected average return. This is why we propose a model of completing 50 investments a year into the Access Fund.

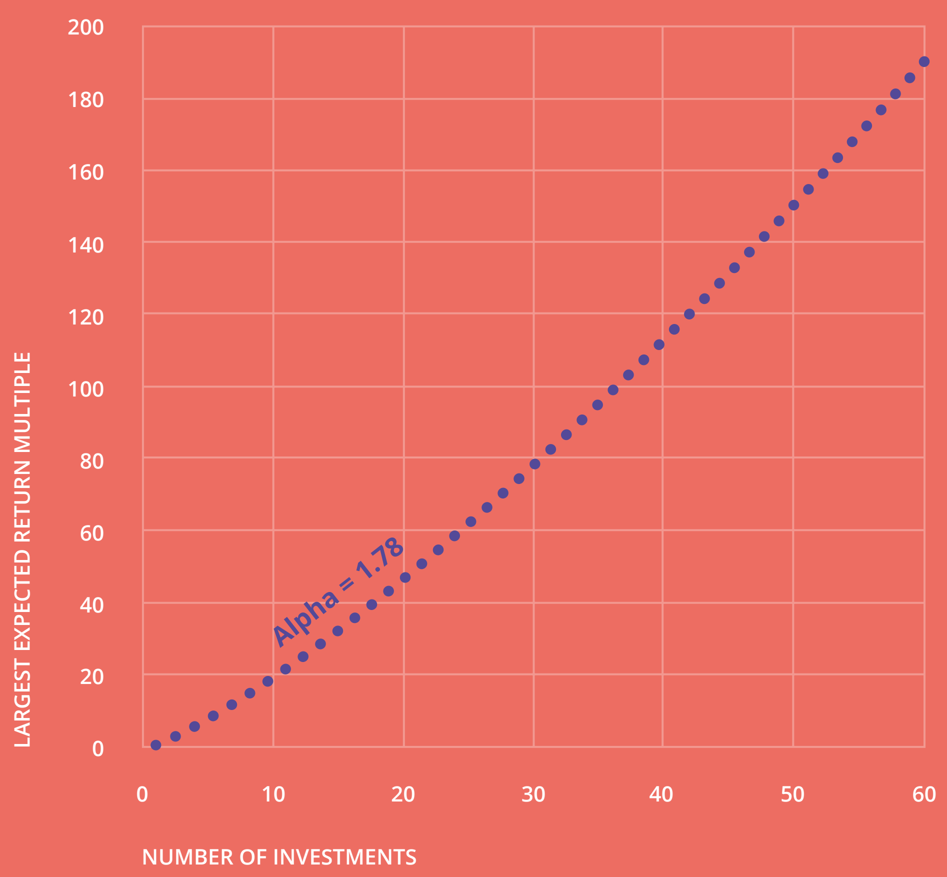
In fact, our findings with the power law model suggests that investing in even more than 50 would be the mathematically sound strategy as your expected return will grow.

Figure 5 shows how the highest expected return increases with portfolio size.

The population used for the analysis was 2,796 companies which raised funds between 2011-2014. We then tracked the share price of those companies to the end of 2021. Past performance is not a reliable indicator of future results.

Figure 5

How the highest expected return increases with portfolio size.
The population used for the analysis was 2,796 companies which raised funds between 2011-2014. We then tracked the share price of those companies to the end of 2021.



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

Yes, we ensure the fund 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 reviews 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. We also check for any negative media coverage about them or the company.
- We ensure that the deals are UK incorporated, 'top' companies (not subsidiaries, unless robust reasoning is supplied and accepted).
- EIS eligibility as demonstrated by Advance Assurance documentation.
- 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 £500,000 and £5m.
- 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 on matters such 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 other investment in the round having transacted, to at least the minimum round size of £500,000.
- Certain sectors are excluded from investment, including - but not limited to - weaponry and unregulated gambling.

It's important to note that Access 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.

SR does not make judgements about the merits of particular startups. Instead, our investment strategy 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 become commercially successful.

Is Access a passive fund?

No. As the fund manager, we still makes active investment decisions. However, unlike other actively managed funds, Access 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.

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 our due-diligence checks).

We, in our role as a fund manager, do 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 on attempting to pick individual companies we think might be successful.

How is Access structured?

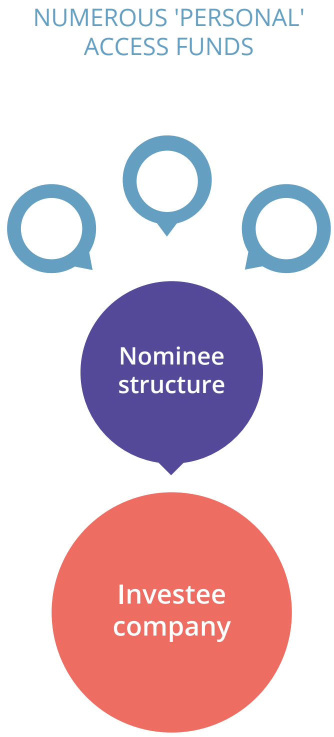
Administratively, Access is structured as an Alternative Investment Fund with Syndicate Room Ltd as the authorised Fund Manager.

The simplest way to understand the structure of Access is as a mechanism to make around 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 does not invest in the same company twice within a portfolio built on a per investor, per initial investment basis.

Access 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 funds are pooled together, via a nominee.

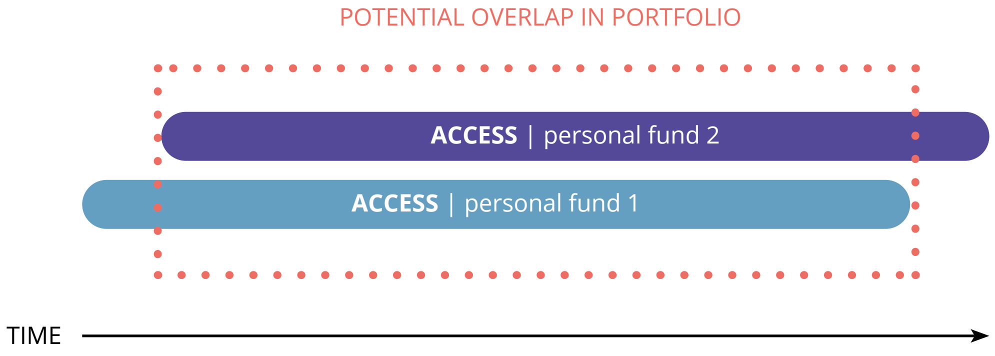


How can I top up my investment into Access?

All you have to do is invest again though our website.

It's worth noting that if you decide to invest in Access 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 will 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). There's more information in the *EIS tax-relief* section of the Q&A.



Does SR take a board seat on each investee company?

No. Access 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 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 our analysis of startup portfolios, investing an equal cash amount into each company can generate higher returns than investing varying cash amounts.

Figure 6 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 2014-2021
(when investing fixed cash amounts per deal)

30%

MODELLED ANNUAL PORTFOLIO GROWTH 2014-2021
(when investing a % of the funding round)

24%

Figure 6
Modelling the difference between fixed and variable investment amounts

The superiority of fixed-amount investing shown in Figure 6 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 is determined in a lesser way by each company's share price.

For this same reason, the fund does not take 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 fund raises a minimum of £2.5m each year, to ensure a minimum investment per company of £50k across at least 50 companies.

We expected to raise between £2.5m and £10m within 12 months of opening the fund for investment from October 2019, and were very pleased to do so. As the fund raises more capital, and provided we believe it is advantageous for investors, 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.

In doing this, 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 for 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, while a £50,000 investment equates to 10 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 see the *How is Access structured* section.

REPORTING AND VOTING

How often will I hear from you about my fund investment?

You can find up to date information about your fund's valuation, and the valuation of each underlying investment, at any time on your Dashboard. We also require companies to provide quarterly updates and we make these available to you on your Dashboard as well. Twice a year, we'll send you our spring/summer and autumn/winter fund write ups, discussing how the Access Fund is performing overall. Between those we'll send you Quarterly Updates, with highlights from the fund. Once annually we'll send you a custody report that has a clear breakdown of each of your investment holdings in a PDF format.

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

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

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. carry) 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 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 a performance fee. The 10% fee would only be charged on the remaining £9,000.

How and when are my fees taken?

Setup/initial fee

As Access is an "evergreen" fund (in other words, always open to new investments at any time), each individual investor has a different deployment start date. For operational clarity, investments which begin deployment in the same calendar month are invoiced together, with both invoice and payment to SR on the first Friday in the month immediately following an investment's first month of deployment.

Management Fees

Years 1-3

The total amount of management fees for years 1 through 3 are deducted pro rata from your total upfront investment amount and held as client money until such time as they fall due for payment to SR. The first payment (for month 1, year 1; when your deployment begins) is taken together with the setup fee, on the first Friday of the month immediately following your first month's deployment. Monthly payments continue to be invoiced and paid on the first Friday in arrears until they are fully paid. Individual invoices are not sent to clients but information about fees paid or outstanding can be requested at any time. In the event that SR has deducted insufficient funds from your total upfront investment amount for Years 1-3 management fees, these will be due to SR either from capital remaining to be deployed, or in the instance there is none, distributable from returns before Years 4-7 and otherwise due and payable on the same basis as Years 4-7 management fees.

Years 4-7 and Distributions

The total amount of management fees for years 4 through 7 are deducted from your investment returns. These fees are invoiced once they begin to fall due, from the first Friday of the month immediately following the month that is 4 calendar years since the start of your investment deployment. Invoices which are then outstanding are paid in the following way. Once any distribution capital from an investee company has been received in full by us, and we have allocated the payment due to outstanding invoices, SR will pay itself the amount equal to all outstanding invoice/s, or otherwise as much as is available towards the payment of any outstanding invoice. Individual invoices are not sent to clients but information about fees paid or outstanding can be requested at any time by emailing investor.relations@syndicateroom.com. Where a distribution later arises that does not correspond to any fees owed in relation to management fees, you will be notified of the distribution and details of how this will be transmitted to you will be provided along with notice of any applicable carry payment. Please be aware that we may at any time need to request up to date bank account information from you and nonresponse to such requests may result in a delay in payments to you.

VAT

VAT will be applied to invoices additionally where it is required by prevailing legislation.

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 upfront (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 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 website.

How will I receive EIS certificates?

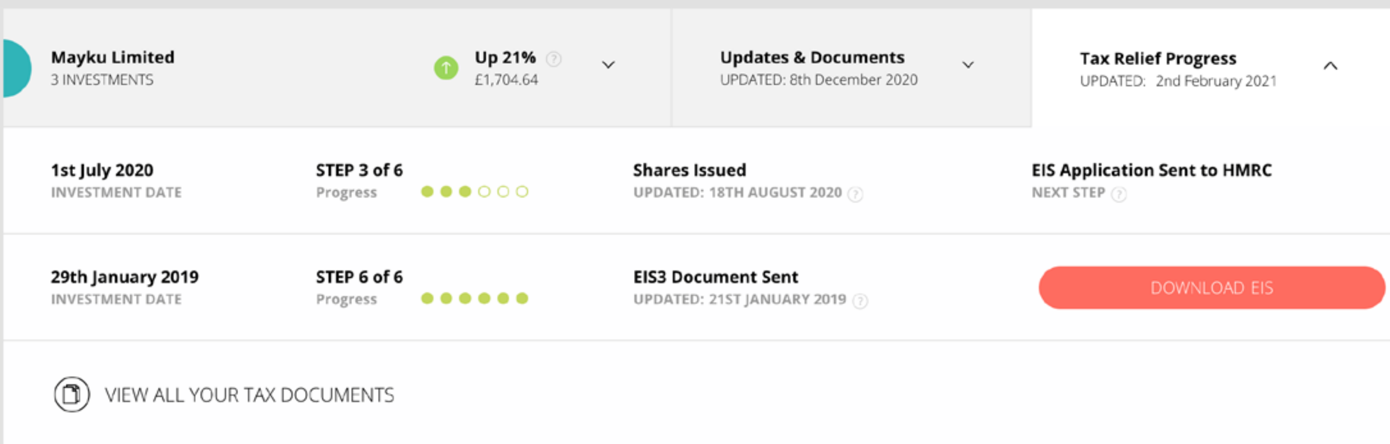
You will receive an EIS certificate (EIS3) for each investment the fund makes on your behalf, as soon as possible after that particular investment is completed (shares issued). Digital copies of these certificates will be saved to your Dashboard and can be used for separate or combined relief applications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

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 beyond SR's control, it can take longer. You will always be able to track the progress of each EIS certificate from your dashboard.

Figure 7

Screenshot of Investor Dashboard on SR's website



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

Access 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 2021/22 tax year.
- The investor makes a £20,000 investment into Access on 1 December 2022.
- Between 1 December 2022 and April 6 2023 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 vary month by month and will ebb and flow due to factors beyond 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 2022/23 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 2022/23 tax year or carry it back to 2021/22.
- The remaining fund investment of approximately £15,000 (minus applicable fees) will be made in the 2023/24 tax year, earning approximately £4,500 in tax relief (30% income tax relief, as per EIS rules) that can be applied to the 2023/24 tax year or carried back to 2022/23.

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 (January 2021) 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, you would be expected to transfer payment for your investment into SR's specified escrow account (details are provided at the point of investment, via the SR website). Your funds are gradually drawn down from the account as the fund makes investments on your behalf.

RETURNS AND EXIT STRATEGY

What returns is the fund targeting?

Assuming £10,000 investment, after fees and excluding EIS, targeted returns are as follows:

SCENARIO			Year 1	Year 4	Year 7
UNFAVOURABLE (the fund misses top 20% of successful deals)	Cash returns	unrealised	0	£514	£2,813
	Average return per year	realised	0	-52%	-17%
MODERATE (the fund misses top 10% of successful deals)	Cash returns	unrealised	0	£3,712	£16,468
	Average return per year	realised	0	-22%	7%
FAVOURABLE (the fund accesses all deals)	Cash returns	unrealised	0	£4,566	£34,143
	Average return per year	realised	0	-18%	19%

● unrealised ● realised

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

Since the fund invests in 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.

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. Alternatively, they may continue to be held by the Nominee at no further cost to you. We will take a decision around what is most practicable based on the information we have available closer to the time.

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, which may require you to return some or all of your relief capital to HMRC.

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 aims 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 targets 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 is not possible to withdraw from the fund.

Our complaints process

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 most complaints will have been substantively addressed within eight weeks of receipt, by either a final response or response letter.

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

If you have any questions, please get in touch.

I like the Syndicate Room Access Fund approach because it offers great diversification – across 50 companies or more – backed by research showing that diversification improves risk and return.

Gerard **Gregg-Smith**

MANAGING DIRECTOR AT GGS ASSOCIATE

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 the SyndicateRoom website 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 the SyndicateRoom website 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 12 Endeavour Square, London, E20 1JN;

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 Wellington House, East Road, Cambridge CB1 1BH, 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.

Please additionally read 'How and when are my fees taken?'in the Questions & Answers section above for more details on management fees.

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.

5.8 Fees may be chargeable to investee companies and be deducted as a percentage or fixed sum from investment payments made to businesses, though as not to affect the number of shares or share price of the full investment, or otherwise may be paid separately by the business.

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