Syndicate Room Fund Twenty8 EIS

Tax-Advantaged Investments

EIS Review

MARCH 2019

Contents

Overview

Syndicate Room Limited ("Syndicate Room" or "the Manager") is looking to raise up to £10 million for Fund Twenty8 - IV Fund ("the Fund"). The offer launched in January and has an expected close date of 1st April 2019.

> ***Offer:*** The Fund, which is HMRC-Approved, is expected to be invested in at least 28 separate investee companies, and the Manager aims for full capital deployment within 10 months. The strategy is sector agnostic, and Syndicate Room will utilise what it defines as a 'passive' investment strategy, to invest alongside, on the same terms, as Angel and Venture Capital investors.

Investment Details:

Score:	84
Offer Type	Discretionary Approved Portfolio
EIS Strategy	Generalist
EIS AUM (Pre-Offer)	£10 Million (for previous funds)
Manager AUM	£30 Million
EIS Risk Level	Medium

Investment:

Minimum subscription	£10,000
Maximum qualifying subscription per tax year	£1,000,000[1]
Early bird discount	None

Closing Date:

	05th April 2019 (online applications close 1st April 2019)

This document verifies that *Syndicate Room Fund Twenty8-IV* has successfully completed our independent due diligence process, having passed through all stages of the governance process in the run-up to the report's publication on the date listed below. It has therefore been awarded the MJ Hudson Cornerstone Trustmark.

[1] The Manager is of the opinion that the portfolio comprises Knowledge Intensive Companies and so it suspects that it would therefore qualify for the £2,000,000 cap per investor, although this cannot be guaranteed.

Risk Warning for EIS Schemes

Individuals should always read and bear in mind the risk warning notices that are included within providers' investment offer literature / documentation, including prospectuses, information memorandums, securities notes, brochures and other related marketing literature. Whilst the following list is not exhaustive, some of the main risks to be aware of include:

- Investments are in small, unquoted companies and should be considered as high risk;
- Investments are illiquid and need to be held for at least three years in order to retain the initial income tax relief;
- An EIS/Seed EIS investment should be viewed as a long-term investment;
- Legislation, along with the nature and level of tax reliefs is subject to change. There can be no certainty that investments will be eligible or remain eligible for EIS/Seed EIS Relief;
- Historic investment performance cannot be used as a guide to future performance, and the value of any given investment may rise or fall;
- Many EIS/Seed EIS Schemes involve investment in a single company or sector and therefore should only be considered as a small part of an overall portfolio;
- Investors may not have independent representation on the Boards of investee companies which can mean their interests are not adequately considered relative to the executive team;
- EIS/Seed EIS investments should only be considered by sophisticated investors who understand, and have given careful consideration to, the underlying investment strategy and associated risks. For help in determining potential investment suitability, professional advice should be sought;
- Often there will be no regulatory oversight and investors will usually not be eligible for compensation if things go wrong.

Executive Summary

MANAGER:

Syndicate Room was founded in 2011, and made its first investments in late 2013. It initially started out as an equity crowdfunding platform. Following the appointment of James Sore as CIO, the Manager developed its first EIS Fund in 2016, Syndicate Room Fund Twenty8-2016 and, following on from that, Fund Twenty8-2017. The significant majority of the companies listed on the platform qualify for EIS tax relief and, while the Manager expects to launch a number of new products in the coming months and years, its core offering is currently structured around the single company equity investments listed on the platform, as well as its Fund Twenty8 and Growth Fund products. Since inception, Syndicate Room has grown its Assets Under Management to just short of £30 million.

PRODUCT:

The Syndicate Room "Fund Twenty8–IV" is the third iteration[2] of the Fund, all of which are structured as HMRC Approved EIS Funds. Syndicate Room expects to allocate investors across at least 28 individual investee companies, across a broad range of sectors (although it should be noted that the two previous versions of the fund had a significant allocation to both Life Sciences& Healthcare and Technology sectors). Unusually for an EIS fund, Syndicate Room will employ what it defines as a "passive" approach to investment. Most investee companies will be sourced through the Syndicate Room platform, (although some investments can be made through private rounds off platform), with allocations determined by investor demand (both on and off the platform), with larger allocations directed toward more popular investments. All investments will be made alongside a Lead Investor, which will include Angel and Venture Capital investors. Co-investments will be on ostensibly the same terms as the Lead Investor(s), and the Fund will therefore leverage the research and due diligence undertaken by these individuals, who have similarly put their own capital at risk. The Fund is seeking a target return of 13% IRR (excluding tax reliefs), with a target holding period of between three and seven years.

SUMMARY OPINION:

Syndicate Room has enjoyed impressive growth in recent years, with AUM likely to break above £30 million in the near future. In our meeting with the Manager it was made clear that the firm has ambitious growth targets and some exciting developments on the horizon. Not unlike many of the investee companies which it funds, Syndicate Room expects to realise this growth through continued investment, and it therefore continues to operate at a loss. In fact, losses over the past three years have been around £1 million per annum. However, the business has secured a number of rounds of equity investment to support this growth, including institutional investors so, is therefore well-capitalised at this stage.

The two co-founders, Gonçalo De Vasconcelos and Tom Britton, met whilst reading for their MBA's at the Judge Business School in Cambridge, and the business still has close ties to both the university and investors from the region. Notably, Jonathan Milner, who has a 25% stake in the business, founded Abcam and has generated a number of other profitable exits. Given the passive nature of the investment strategy it will rely heavily upon the calibre of the Lead Investors which the Fund will invest alongside, and having relationships with established investors such as Milner is indeed encouraging. Having said that, while the management fee is lower than that of many similar funds, the Manager charges this despite adopting its passive approach, and therefore being less actively involved in investee companies compared to their more active brethren. In addition, the Manager is charging an arrangement fee of 4.5% to investee companies which means that it must compete for deal flow with other managers charging lower fees to investee companies.

[2] SyndicateRoom launched an unapproved Fund named "Fund Twenty8-III" so although it is named Fund Twenty8-IV it is only the third iteration of the HMRC Approved Fund Twenty8 funds.

While the investment team would arguably appear inexperienced relative to other managers within this space, Syndicate Room would argue that, given the nature of its investment process, a team of trained investment analysts is less of a concern. Instead it is the investment process, level of diversification, and relationships with Lead Investors which will provide most of the value for the Fund. The investment strategy is indeed unique, and this level of diversification is well above most EIS funds on offer. The fact that this is one of very few HMRC Approved funds will be added appeal to many investors. However, given the limited track record, in particular with no exits at this stage within the fund, whether the fund's innovative approach proves profitable for investors remains to be seen.

Positives

AT THE MANAGER LEVEL:

- Assets under management have increased over 500% from £4.5 million in 2016 to just under £30 million in March 2019, and with plans to introduce a number of new products there is scope for further expansion;
- Syndicate Room has consistently increased the level of funds raised in each year to 2016 and, given the current trajectory, levels in excess of £20 million per annum appear a possibility;
- Syndicate Room has strong relationships with a number of experienced venture capital and angel investors, including Cambridge Angels, a high-profile group of Cambridge-based angel investors;
- The company will benefit from the advice and expertise which Jonathan Milner (who has a 25% ownership stake in the business) brings to the table, and will help to ensure that the company grows on sustainable trajectory, and along with other members of its shareholder base provide access to additional capital if required;
- Syndicate Room has an established investor base allowing for a certain amount of predictability in fundraising terms;
- The Manager is steadily raising its profile within the market: its CIO James Sore was recently appointed to the board of the EIS Association and it has received a number of industry awards, including *2018 Seed Fund of the Year* at the *Investor Allstars;*
- The Manager has broader FCA permissions than many of its peers allowing it to provide custody services in house which reduces costs although it might be argued that a small, unprofitable firm represents a greater risk to investors with a responsibility for investing client money.

AT THE PRODUCT LEVEL:

- With a minimum allocation across at least 28 investee companies (with the previous two Funds having allocated into 32 companies each), the Fund will provide a level of diversification usually not afforded to EIS investors investing in one product;
- By investing alongside an established Lead Investor and on the same terms, investors will gain access to companies which they otherwise would not have been able to participate in;
- The relationships which the Manager has established with a number of angel investors and venture capitalists will help to ensure that it continues to receive an adequate level of deal flow into the platform and ultimately into the Fund;
- Investments will generally be made into companies undertaking their second round of funding, arguably suggesting that they have achieved certain developmental milestones and thus present a lower level of risk;

- Each investee company will be assessed on a pre-defined set of criteria and issued with a score on each factor, bringing a level of standardisation to the due diligence process and ensuring a consistent approach in assessing potential investee companies;
- As an HMRC-Approved Fund, investors will receive a single EIS5 form, as oppose to individual EIS3 forms as and when a company is invested, providing for a more manageable tax planning scenario;
- Historically the Fund has fully deployed the fundraise in its entirety within 10 months, and therefore well below the required deployment of 90% within 12 months.
- Management fees are lower than those on many similar products whilst performance fees are subject to a significant hurdle. However, some investors might take the view that if the Manager is suggesting they are "passive" investors such fees reward the Manager when it is not up to the Manager to decide what investments are made.

Issues to consider

AT THE MANAGER LEVEL:

- The Manager's product suite is significantly concentrated in tax-advantaged products and particularly EIS, which may leave it heavily exposed to HMRC changes in legislation that could have adverse effects on the portfolios;
- The governance and oversight structure are less formalised than some other managers operating within this space which is of particular concern as the Manager will hold client money (in segregated accounts on behalf of investors); however, an examination of the documents which we have been provided including the firms Compliance Manual indicate that adequate risk and monitoring functions are in place;
- The business continues to operate at a loss, with losses above or around £1 million over the past three financial periods; However, revenue continues to grow in line with growth in the business, and it recently took measures to shore up its balance sheet which is now well capitalised;
- The Manager is reliant on the continued support of its parent to continue as a going concern and without this support is insolvent;
- While the firm continues to expand assets under management at an impressive rate, it has generated just a single profitable exit and thus its investment management capabilities are at this stage, untested

AT THE PRODUCT LEVEL:

- Although adequately resourced, the level of experience across the investment team is below many other managers operating within this space;
- Given the nature of the Investment Committee process all investments decisions are ultimately signed off by a single individual, which does give rise to an element of key person risk which needs to be monitored carefully;

- By construction, the Manager's due diligence process is far less in depth than many other managers undertaking private company investments in this space, and it will rely heavily upon the research undertaken by the Lead Investor;
- The product has been positioned as a "passive investment" strategy which traditionally allows for much lower fees; however, considering all the fees which the Manager will charge, the product is relatively expensive (in light of the costs associated with executing the strategy). In particular the fees charged to investee companies appear high when considering the limited services provided to these companies;
- The investment strategy has been operational for less than three years, and thus is untested in terms of whether it yields a profitable return for investors;
- Investments will be determined using Syndicate Room's bespoke algorithm and, as a result, there will be limited visibility with regard to the potential investee companies into which an investor will be allocated;
- The maximum raise of £10 million, if achieved, will be more than double the amount seen in previous funds, and thus its ability to deploy that amount of capital into suitable investments within the required timeframe is at this stage untested;
- Unusually for an EIS Fund, the Manager will take no part in the management of investee companies nor will they take an active part in selecting investee companies, rather it will rely upon the ability of the Lead Investor to ensure its interests remain at hand.
- The Manager will have to compete for opportunities with their peers, many of which charge investee companies lower fees and might be more attractive to many investee companies for this reason,

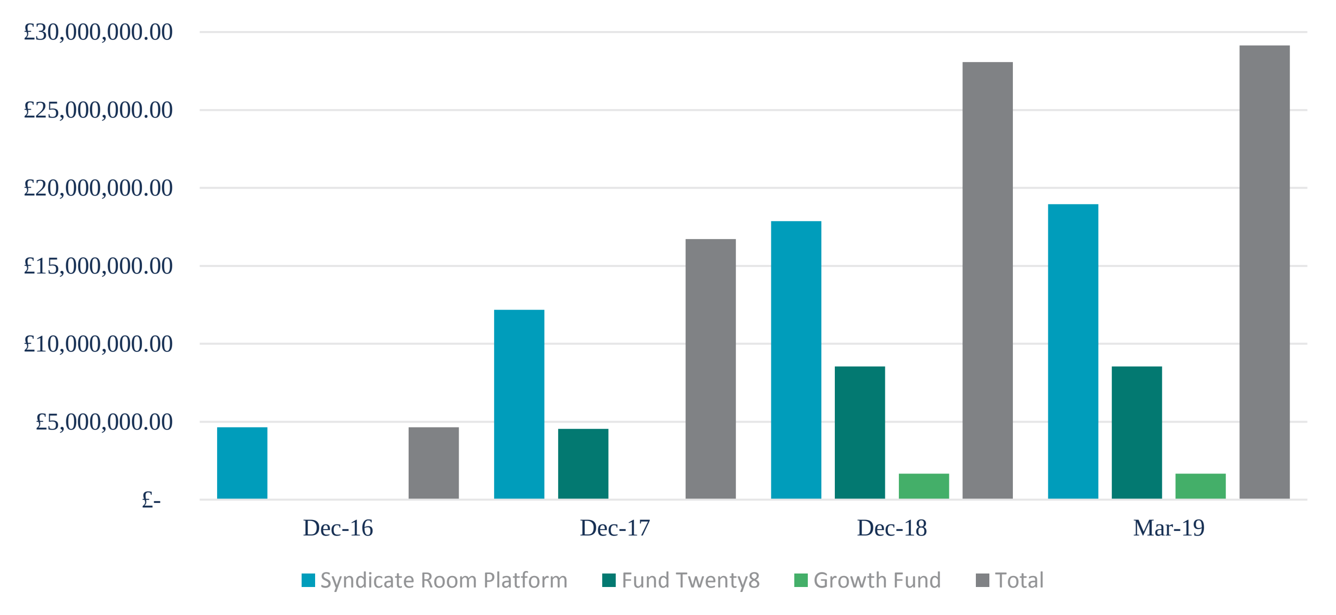
Manager Quality

Manager Profile

Syndicate Room Limited was founded in 2011 (and since 2016 has been a wholly owned subsidiary of Syndicate Room Group Limited) by Gonçalo de Vasconcelos and Tom Britton, who met at Judge Business School in Cambridge when they were reading for their MBA. As part of the program, Gonçalo was seconded to Cambridge Business Angels, where he met the likes of Jonathan Milner (founder of Abcam) and Herman Hauser (founder of ARM), among others. Gonçalo approached a number of these investors regarding the possibility to invest his own money alongside them; however, given the size of investments, he was unable to do so. In order to find a way around the minimum investment levels, he investigated the option to aggregate investments, and in the process came up with the idea for Syndicate Room.

Initially grounded in equity crowdfunding, following the addition of James Sore to the team, Syndicate Room followed the "investor-led®" model. Under this model, terms of investment, including company valuations and legal agreements are set out and defined by the Angel or Venture Capital Investor (the "Lead Investor) through negotiations with the company raising finance and the platform investor then gets to pick which investments he or she wishes to support. The first investment under this strategy closed in 2014, and Syndicate Room currently has just under £30 million in AUM having grown from just over £4.5 million in 2016, an increase of over 500% albeit from a very low base. The Manager expects to open at least one HMRC Approved EIS fund in each tax year and to raise a minimum of £5 million per annum. However, we understand that the Manager is also in the process of developing additional products, which it expects could increase its AUM well above current levels. At this stage, however, most of the Syndicate Room's current AUM is accounted for by its platform investment into individual companies, as can be seen from the graph below.

CHART 1: FIRM AUM PROGRESSION AS AT MARCH 2018

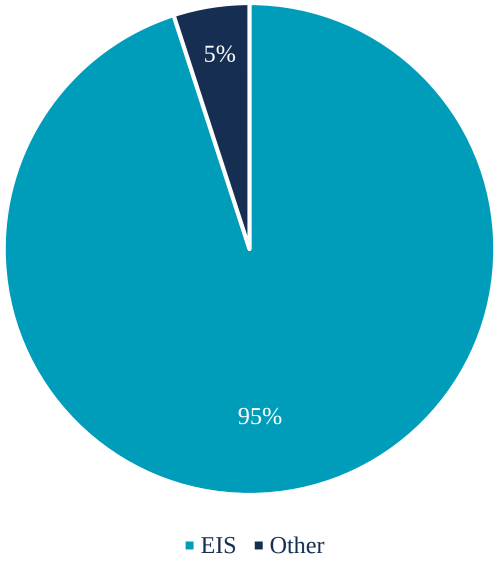


Source: Syndicate Room; AdvantageIQ

The Manager launched its first HMRC approved EIS Fund in 2016 Syndicate Room continues to run its investment platform alongside the EIS funds, and all investments in the Fund will adhere to the aforementioned "investor-led®" model.

The Manager also operates SR-Connect a service which aims to connect Ultra-High Net Worth ("UHNW") individuals, family offices, and venture capital firms with more established private companies seeking growth capital. It is possible that this service could lead to the Manager identifying a means of achieving an exit from many of the investments.

CHART 2: ASSETS UNDER MANAGEMENT BREAKDOWN AS AT FEBRUARY 2019



Source: Syndicate Room; AdvantageIQ

The remaining 5% of AUM comprises the likes of convertible loan notes (CLN), warrants, options and non-tax-advantaged equity. As a result, Syndicate's product range is not as diverse as several other Managers in the tax-advantaged space. Where many of which have branched out into non-tax-advantaged products, the significant majority of Syndicate Room's investments comprises EIS qualifying companies. As a result, Syndicate Room does not benefit from resource or revenue diversity associated with a varied product suite and, given this product concentration, it may be more exposed to regulatory risk. However, we acknowledge plans to introduce other non-tax-advantaged investments in the future which should help to mitigate this risk to an extent.

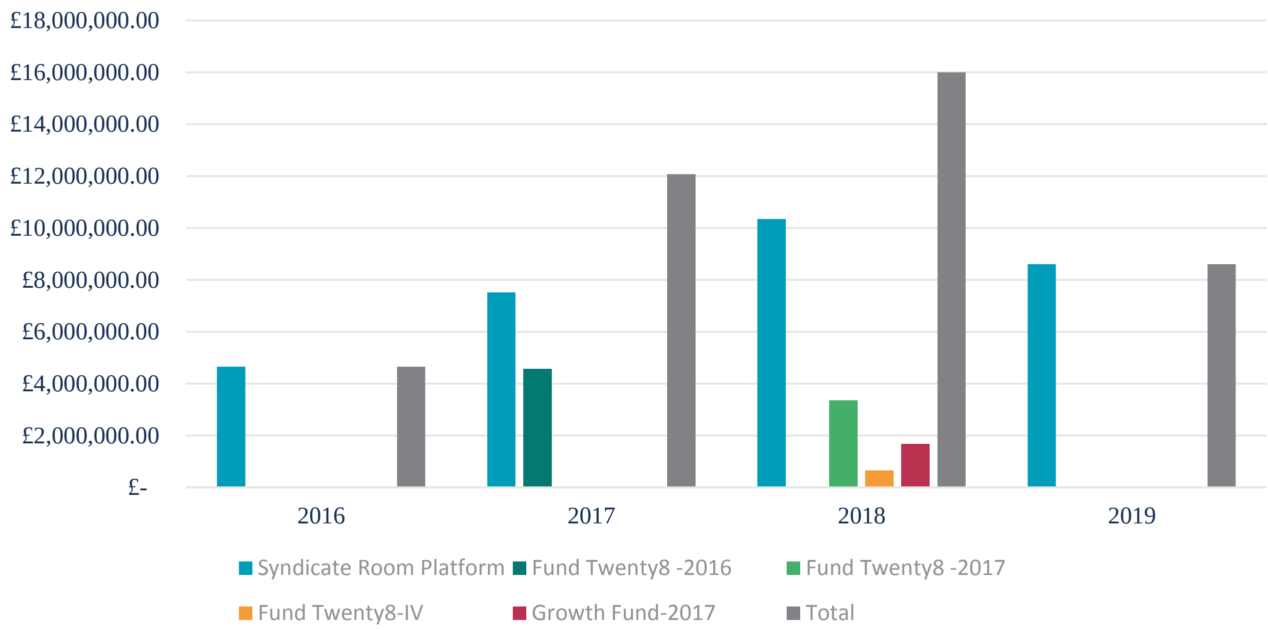
Syndicate Room, which has been nominated for and won a number of industry awards, operates out of a single office in Cambridge, having recently relocated into the Pitt Building. The Cambridge location has been due its proximity to a number of influential organisations and individuals, including Cambridge Angels, and Jonathan Milner, founder of Abcam. The firm currently has 26 employees, having previously had as many as 38 staff, with an office in Lisbon where a technical team of nine employees were employed. However, the company decided to scale down and eventually close this office in order to improve efficiencies, with all functions brought in-house. Outside a small number of leavers from the investment team, at more junior levels the staff turnover at Syndicate Room appears relatively stable. Going forward, the Manager expects to increase its headcount as and when required, and dependant on product and technological developments.

Previously, Syndicate Room had outsourced a number of functions including marketing, client reporting and custody, however, these functions have all been brought in-house. It has acquired the relevant FCA permissions to act as both the nominee and custodian for investors which saves costs and improves service. With regard to client servicing, Syndicate Room has just two (with plans to expand to three) dedicated personnel. This would arguably appear undersized relative to the 5,000 investors which Syndicate Room currently manages. However, we understand that it's already piloted an online reporting platform, onto which investee companies will be able to upload certain information including financials, investee company valuations, and developments in a standardised manner. Using this same platform Syndicate Room expects to automate much of the client servicing functionality (including reporting and valuations), and thus mitigate the need for a larger team.

We have been provided with a copy of Syndicate Room's formal complaints handling procedure and found it to be detailed and robust. It outlines the necessary steps in order to escalate and resolve a complaint, along with the relevant time lines. We were informed that there have no complaints in the past 12 months.

As can be seen from the graph below, the majority of Syndicate Room's fundraise can be accounted for by investments made through the Syndicate Room platform, with the firm's fund offerings accounting for only a small proportion. Encouragingly, overall fundraising has increased each year, with the Manager raising £16 million in 2018. With current levels already above £8 million for 2019, record levels are a distinct possibility.

CHART 3: FUNDRAISING TRACK RECORD



Source: Syndicate Room; AdvantageIQ

In terms of resources, the Manager is more than adequately staffed for the product suite offered, particularly when considering its approach of leveraging technology in many of its process. Along these lines, while MJ Hudson Allenbridge acknowledges the use of technology in its client servicing offering, as the firm continues to expand, and the number of clients which it services grows, we hope to see its staff complement expand accordingly.

Financial & Business Stability

Syndicate Room was originally incorporated in July 2011, however since April 2016 it has been a wholly owned subsidiary of Syndicate Room Group Limited. In our meeting with the Manager, it was noted that between 60% and 70% of its income is generated through investments on the platform, approximately 5% from SR Connect, and the remainder from fee income generated through the Fund (25% to 35%).

Investors will be contracting with Syndicate Room Limited, and its financials from 2013 (abbreviated accounts) until the most recent financials for year ended 31 December 2018 are illustrated in the table below:

TABLE 1: KEY FINANCIAL METRICS SUMMARY OF SYNDICATE ROOM LIMITED

(£'000)	2013	2014	2015	2016	2017	2018[1]
Revenues		117,849	301,036	472,906	804,245	1,035,000
Operating Profit/(loss)		(279,247)	(910,897)	(1,469,522)	(1,098,677)	-
Net Loss		(269,269)	(914,389)	(1,367,787)	(1,078,611)	(863,000)
Net Profit Margin		(228%)	(304%)	(289%)	(134%)	(83%)
Net Balance Sheet Assets/(Liabilities)	95,774	346,509	685,055	(554,395)	(1,592,334)	£3,152,00 0

Source: Syndicate Room, AdvantageIQ

[1]Unaudited results provide by Syndicate Room

Revenues for Syndicate Room have been increasing steadily since 2014, reaching revenues of just over £1 million for the 2018 financial year (based on unaudited estimates provided by the Manager), more than double the amount in 2016. This equates to a CAGR of almost 55% which is a healthy level of growth as the firm expands. However, the same cannot be said about the bottom line. The business has yet to make a profit, and has made significant losses in excess of £1 million in 2016 and 2017, although losses have narrowed in 2018. Investors should accordingly take this into consideration especially as the Manager will be responsible for investing client money (and holding it on an investors behalf in a segregated client account. In addition to this, given its significant exposure to EIS, there is elevated HMRC risk, should there be any unforeseen adjustments to current legislation as has been the case following the Patient Capital Review. However, it is also acknowledged that Syndicate Room's has not had to make any amendments to its investment strategy post recent rule changes, and this risk is therefore arguably subdued.

In its discussion with MJ Hudson Allenbridge, Syndicate Room placed significant emphasis on its objective to grow the business and, as a result, it has made significant reinvestment into the business. It is not unusual for a business pursuing a path to growth to dip into periods of losses. Going forward, Syndicate Room has indicated that, on a conservative projection, it expects to reach profitability within the next three to five years. As it continues to leverage technology to streamline its business, combined with the reduction in its headcount, as well as the introduction of new products, profitability could come well before that.

Investors might be concerned over the balance sheet position of Syndicate Room in 2016 and 2017. However, it is important to take note of Syndicate Room's parent, Syndicate Room Group Ltd's balance sheet which showed a net asset position of £2.7 million and £1.6 million in 2016 and 2017 respectively, including cash of £2.3 million and £1.1 million. It is therefore in a much firmer financial position than might be evident at first sight, and recently raised in excess of £1 million in additional capital through a private rights issue in January 2019 in order to provide an additional capital buffer. We have also been advised that where necessary it can source additional capital from its shareholder base. This level of financial support from its parent should help to ensure that Syndicate Room remains a going concern as it continues to grow.

Syndicate Room has provided its Business Continuity policy, dated April 2018. The document outlines the objectives and prioritises the critical functions of the business, as well as identifies any key contacts in the event of an emergency. The only paper records which the business currently keeps are the investor share certificates held as part of Syndicate Room Nominees obligations. All other records are held on the Cloud, and can only be accessed via a two-factor verification (2FA) verification process. All potential risks are assessed via a matrix, and assigned a score based on likelihood and impact. Contingency plans set out a course of action and personnel responsible. The plan will be reviewed on an annual basis, or as required due to a change in normal operations.

The Manager stated that it foresees no change in the ownership structure nor departures of key management personnel. Both founders of the business continue to play a significant role in the business, with Gonçalo de Vasconcelos (who holds approximately 35% of founding shares) taking the role of CEO, and Tom Britton acting as CTO.

However, senior management is further bolstered by CIO James Sore, as well as the recent addition of Graham Schwikkard who takes the role of COO. This management structure will help to mitigate the risk of a key departure, nonetheless Syndicate Room has ample insurances in place nonetheless. This includes professional indemnity cover of £2.5 million in aggregate, D&O insurance with cover of £2.5 million in aggregate, along with a number of relevant business insurances to cover various aspects of the business.

Syndicate Room has established business continuity and disaster recovery plans, and the plan is tested both annually and, on an ad-hoc basis as is required. There appears to be stability in the management team, which has been bolstered by the addition of a COO. As it stands, the business is yet to make a profit, and although this is not uncommon for growing businesses, investors should ensure that they are comfortable with the measures put in place to ensure the business remains a going concern until such time as it can generate a profit.

Quality of Governance and Management Team

Syndicate Room Limited is a wholly owned subsidiary of Syndicate Room Group Limited, which in turn is owned by over 400 individual investors. The significant shareholders are illustrated below:

TABLE 2: SIGNIFICANT SHAREHOLDERS OF SYNDICATE ROOM GROUP LIMITED

SHAREHOLDER	HOLDING
Gonçalo de Vasconcelos	35%
Jonathan Milner	25%
Marshalls of Cambridge Holdings	5%
Unicorn AIM VCT	4%
Smith Brothers (Leicester) Ltd	3%

Source: Syndicate Room, AdvantageIQ

These five shareholders account for 69% of the total company, with Gonçalo de Vasconcelos holding over a third of the business, and therefore heavily invested in its success. The Manager has just a handful of governance oversight committees as outlined below:

TABLE 3: OVERSIGHT COMMITTEES/WORKING GROUPS

COMMITTEE	DETAILS
The Board of Syndicate Room Group Limited	**Mandate:** Governance is conducted formally and as an ongoing process in order to control and assess risk, set and monitor strategies and objectives, as well as ensuring maintenance of risk management and internal controls **Members:** Tim Bellis (Chairman), Gonçalo de Vasconcelos, Tom Britton, Jonathan Milner, David Gill **Frequency:** Quarterly
Investment Committee	**Mandate:** Determine and agree investment policy, review pipeline of potential investments, monitor current portfolio. **Members:** CEO, CIO, Senior Analyst, Head of Private Markets and four analysts

Frequency: weekly or more frequently if required

Source: Syndicate Room; AdvantageIQ

Syndicate Room's Board comprises five members, including the two founders Gonçalo de Vasconcelos and Tom Britton, along with three external members. The Chairman Tim Bellis, a lawyer by training, lectures at the Judge Business School, and we understand he has been involved with the business from its early days. He is joined by Jonathan Milner, who serves as Non-Executive Director, along with David Gill who is the Managing Director of St John's Innovation Centre in Cambridge. Although there are no specific terms of reference for the Board, Syndicate Room has provided MJ Hudson Allenbridge with a copy of the agenda for its meeting in February. Topics covered include a business update, a human resources review, regulatory compliance, and risk management.

The investment committee comprises all members of the investment team. Further details on the committee and its functions are illustrated below.

With regards to the daily management of business, CEO Gonçalo de Vasconcelos, is assisted by Tom Britton (Chief Technology Officer), and Graham Schwikkard (Chief Operations Officer). Syndicate Room have a separate Compliance Officer in place, Eleanor Richards, along with four other separate heads of department: Francesca O'Brien (Head of Private Markets), Marcin Zaba (Head of Marketing), James Sore (Chief Investment Officer) and Miruna Girtu (Strategic Partnerships Manager).

Previously, Syndicate Room was an appointed representative, however from March 2014 the firm has been directly appointed by the FCA as a Small Authorised UK AIFM (sub-threshold). In our meeting, Syndicate Room noted that it is gradually increasing its permissions, including the ability to hold client money. As it does so, it will be required to maintain a more rigid level of oversight. Compliance Officer Eleanor Richards, holds both the CF10 (compliance monitoring), CF10a (client money and assets) and CF11 (money laundering reporting) functionality. In addition to this, it has a defined compliance monitoring program (CMP). Syndicate Room has provided a copy of its Compliance Manual, dated December 2018. The document is comprehensive and outlines 10 sections addressing the firm's key compliance operating procedures. Included in the document are Senior Management Arrangement Systems and Controls ("SYSC"), Regulator Reporting & Notifications, Conduct of Business, along with a number of other key functions.

The Manager indicated that there were no regulatory or litigation issues at the time of writing. Our view is that Syndicate Room exhibits strong governance characteristics, displaying a good level of internal controls and policies. However, it would be preferable for the Manager to put in place a more formal governance structure with oversight committees separated from the Board. In addition to this, as James Sore is responsible for signing off all investment decisions, this does give rise to element of key person risk. However, the Manager notes that all investment decisions must be ratified independently by Gonçalo de Vasconcelos, and Tom Britton before investment, arguably mitigating this risk.

Product Quality Assessment

Investment Team

Syndicate Room have an investment team of six, comprising James Sore who serves as Chief Investment Officer and five analysts, with support from Gonçalo de Vasconcelos where required. This broader team will oversee research activities for all investee companies listed on the platform, and therefore ultimately the investee companies which will be included in the Fund.

Unlike many other managers within this space, Syndicate Room does not place importance on specific investment experience, but rather (largely as a result of its investment process) on the overall competence of each team member. In our meeting, it was noted that, in its experience, analysts previously employed by a traditional investment firm would apply an unnecessarily narrow focus on the criteria when applying the screening process. In addition to this, as its investment strategy will rely heavily upon the initial screening and judgement of the Lead Investor, the Manager feels that a critical eye and attention to detail are a more important skillset for its purposes.

That being said, we understand that James Sore has been involved in tax-advantaged investments since 2011, both in his private capacity and as an investment manager. He has been managing the Fund in its current structure since 2016, having joined Syndicate Room in 2014 and, in addition to this, he was recently appointed to the board of the EISA. However, while there have been no key departures from the investment team over the past 12 months, the team have been working together for less than five years and thus have less experience working together than some of the more established managers operating within this space.

The investment committee is made up of all investment analysts (of which there are five), along with James Sore and Gonçalo de Vasconcelos. Syndicate Room have described the structure of their investment committee as a "democratic dictatorship", where all members of the committee will be involved in the discussion surrounding a potential investment, but James and Gonçalo will have ultimate decision-making power, and each can veto any decision.

The investment team will receive over 1,000 potential investment opportunities a year, although only 75 to 100 of these will eventually be listed on the platform following the screening process. Screening this many investee companies with a broader team of seven may arguably appear overwhelming, however Syndicate Room would point to its reliance on technology and a well-defined screening process to assist here. In addition to this, as a result of all potential investee companies having a Lead Investor before being considered for the Fund, the investment team will effectively be leveraging the broader experience of the individuals which it will co-invest alongside. As a result, it could be argued that the calibre and experience of the co-investors should be considered an extension of the investment team.

Despite the relative inexperience of the team in comparison to other managers operating within this space, since the launch of the Fund in 2016 the investment team has made 64 investments across two funds. However, it should equally be noted that most of the investee companies remain valued at cost, and yet to demonstrate its ability to generate profitable exits. While a broader exit history would be a better gauge of the team's ability, this track record does at least demonstrate the team's ability to source and deploy suitable investments.

We have included the bios of the key personnel in the Appendix 1 below.

Investment Strategy & Philosophy

The Fund Twenty8 was launched in 2016, and the Manager would argue that it is the first "passive" EIS fund on the market. Where other managers will use their discretion to allocate investors into a portfolio of investee companies, based on its own in-house analysis and due diligence, Syndicate Room's approach is to allocate investors across a portfolio of at least 28 individual investee companies according to a set of rules. This approach, Syndicate Room would argue, is akin to a traditional passive fund which seeks to mimic an index such as the FTSE 100. However, where the more traditional approach is to weight allocation to companies according to the weightings in the index, as there is no established private company index (or at least one which would track EIS-qualifying investments), Syndicate Room will allocate investee companies according to demand for investment.

Many readers may be considering why Lead Investors do not simply invest in the full funding round or source their own co-investors. Furthermore, there may be some concern that only deals for which a Lead Investor cannot find a co-investor at that valuation will be brought to Syndicate Room. Responding to this point, the Manager argued that Lead Investors place value in passive capital, noting that bringing another venture capital investor in may seek to take control of a deal. In addition to this, notes that given its strict criteria, simply being accepted to list on the platform is a reflection of the quality of the investee company, as oppose to a reflection of its inability to source funding.

During our meeting, Syndicate Room argued that the status quo across the EIS market, is that in most instances, investment managers will focus on a narrow sector, and small number of investee companies, usually between five and eight investee companies. As a result, they require a level of sector-specific knowledge, and require additional time in order to undertake adequate due diligence. This, Syndicate Room argue, means that, in most although not all instances, investors will be placed into a concentrated portfolio across a handful of carefully selected investee companies. It feels that this lack of diversification adds another level of undue risk to investors although this does not take into account the fact that investors could achieve the same result by investing across several products, albeit at a much larger cost.

Citing independent studies, Syndicate Room feels that the appropriate level of diversification would be to allocate investors across a portfolio of at least 28 investee companies.[3] Under this scenario, it expects at least one investee company to generate a 10x return or more, between two and five a 2-3x return, and the rest to result in capital loss. On this basis, it expects the Fund to generate an IRR of 13% (excluding tax reliefs) over an investment period of between five and seven years, although it does expect a longer investment period for some investee companies. The Fund will take no part in the valuation at which investment will be made, rather it will rely upon the price negotiated by the Lead investor although it should be noted that if the Manager were to become a full-scope AIFM such an approach may not be permitted.

The Fund will adopt a sector agnostic approach, although it will avoid investments into gambling (but not gaming), and 'offensive-defensive' companies (companies which produce weapons). Investee companies may be pre or post revenue, although Fund will normally invest at the second round (i.e. Series A). The investment team will use a proprietary filtering process to screen for investee companies. The key initial criteria are outlined below, and failure to meet these will eliminate an investment early in the investment process:

- The company must be incorporated in the UK or Ireland;
- There must be one or more professional or sophisticated investors leading the investment round, and the Fund must be able to invest alongside and on the same terms;
- The company must be raising at least £150,000 of equity investment; and
- The funding round must be at least 40% complete.

Once it has been established that investee companies meet these criteria, the investment team will screen investee companies based on additional criteria, as outlined below. Eligibility based on these criteria is less pass/fail, and the investment team will use these factors to produce a score (for five separate factors) when submitting the investment paper to the investment committee.

[3] Although, it should be said that debate on the most suitable portfolio size for venture investing is still a very lively topic of debate. See http://paulgraham.com/swan.html for example.

- Cash comfort, examining the 12-month, 6 month and 3-month cash burn rate, as well as the amount of cash in the bank as well as the level of raise to get a basic sense of how long the amount raised might fund the company for;
- An analysis on the company's internal projections, and an examination of the company's past financial performance;
- An examination of the history and background of directors and their experience; and
- A review of the shareholding and cap table, including the current round as well as the proportion of follow-on funding and who these investors are.

Once companies have passed the initial screening process, the investment team will prepare an investment paper and provide an individual score on: the Lead Investor, the Management Team, the Market, the Product and Financials. The Analyst then presents the company at investment committee, if the committee is satisfied with the proposal it will be submitted for investment. However, the amount to be allocated to each investee company will be determined by a proprietary algorithm. Although the specifics of this algorithm are kept confidential by Syndicate Room, in practical terms we understand that it works as follows: The Fund will assess in real time, investment demand of both the Lead investor in the round, as well as Syndicate Room members in order to calculate the amount to invest proportionally. Investments with the largest level of demand will attract investment from the Fund. Using this method, Syndicate Room expects to be able to deploy the full fundraise within 10 months. Although sector agnostic, Syndicate Room expect that the final allocation is likely to be close to previous iterations: one-third each of life sciences & healthcare, one-third tech, with the remaining third among numerous different sectors.

We understand that investments do not have to be listed on the platform in order to be considered for investment through the Fund but they need to have passed investment committee. More specifically, the Fund may also be involved in private rounds, or it may take up pre-emption rights for previous investments. For investments made through the platform, the Fund will participate as any other individual investor and, as it invests, the amount available for investment will decrease, although the Fund cannot take preference over any other platform investor who has committed. As the Fund relies on the discovery mechanism of investors on the platform, we raised the point that if sufficient investors were to switch to the Fund, or migrate to other platforms, the effectiveness of its allocation mechanism may be eroded. However, in response, the Manager noted that, in its experience, investors have either always wanted to make direct investments themselves, or at least a hybrid of direct investments and investments through the Fund. The Manager feels that as there will always be individuals who believe that they can beat the market, the risk of its allocation mechanism collapsing is subdued. However, it has similarly noted that if necessary, it has the capability to adjust the algorithm to reflect changing demand – although we have not been provided with this algorithm to gauge its ability to do so.

The investment strategy is somewhat novel, and allocation across 28 unquoted investee companies is certainly well above average, and far more than many other services on offer (although it should be noted that some AIM EIS offers do provide allocation into as many as 20 companies). This is encouraging, although it does raise some questions as to whether the Manager would be able to source this many quality investee companies. However, Syndicate Room would argue that the potential benefits of diversification will help to mitigate this risk, notwithstanding the fact that historically, deal flow has not been an issue. The benefits of diversification should appeal to many investors, although it should similarly be noted that there is the risk that significant returns could be overshadowed by numerous company failures.

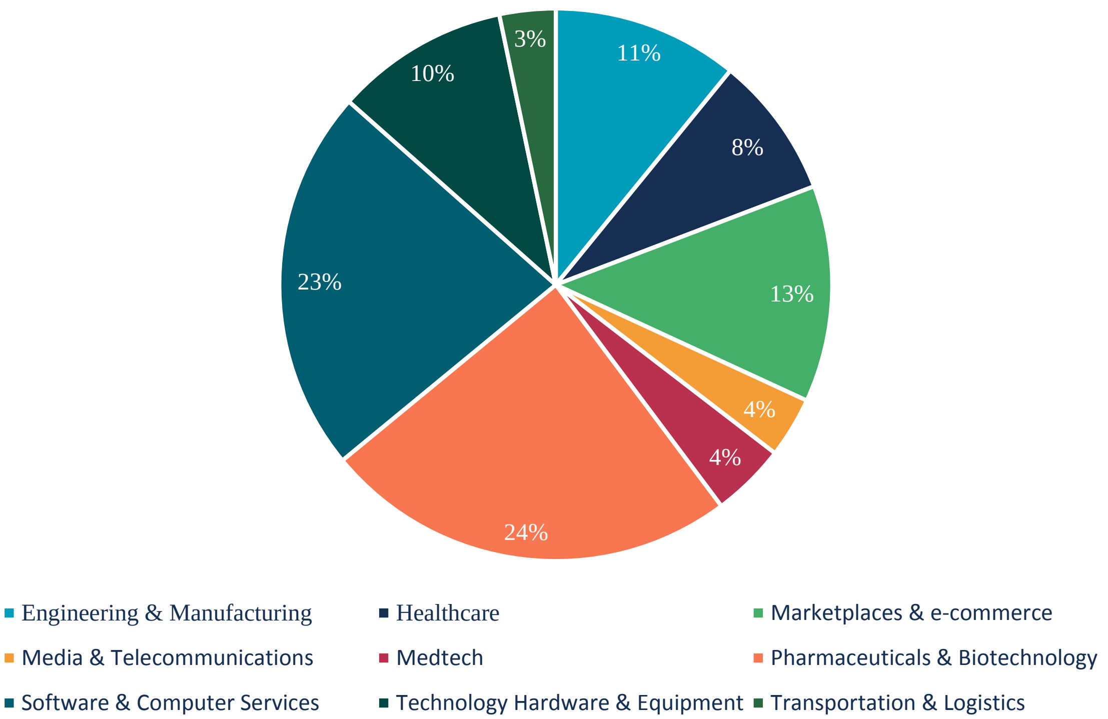
Portfolio construction for venture capital investing is as much art as science, but a rule of thumb observed by most venture capitalists is that investments must have such a large addressable market that success would pay for a significant chunk of the cost of failures. While assessing management teams, technological feasibility, or potential competition is often close to unknowable, one data point that is more tractable is the potential market for a product if it succeeds. It is not clear, however, that the risk/return trade-off in an early-stage portfolio, however, is linear: a portfolio of 30 companies aiming at medium-sized potential markets might not be significantly less risky than the same number of companies aiming at significantly bigger opportunities. While constructing an early-stage portfolio is not straightforward, it is not clear that simply relying on diversification and investor demand for individual investments would automatically lead to an optimised overall portfolio strategy for the portfolio at large. Some sort of trade-off between amounts invested and the overall size of the opportunity has been a main argument for 'active' early-stage investment to date.

Overall however, the effectiveness of the strategy would best be demonstrated through successful exits, and as the first version of the Fund was only fully invested in 2017, there is no demonstrable track record of the current strategy.

Pipeline/Prospects and Current Portfolio

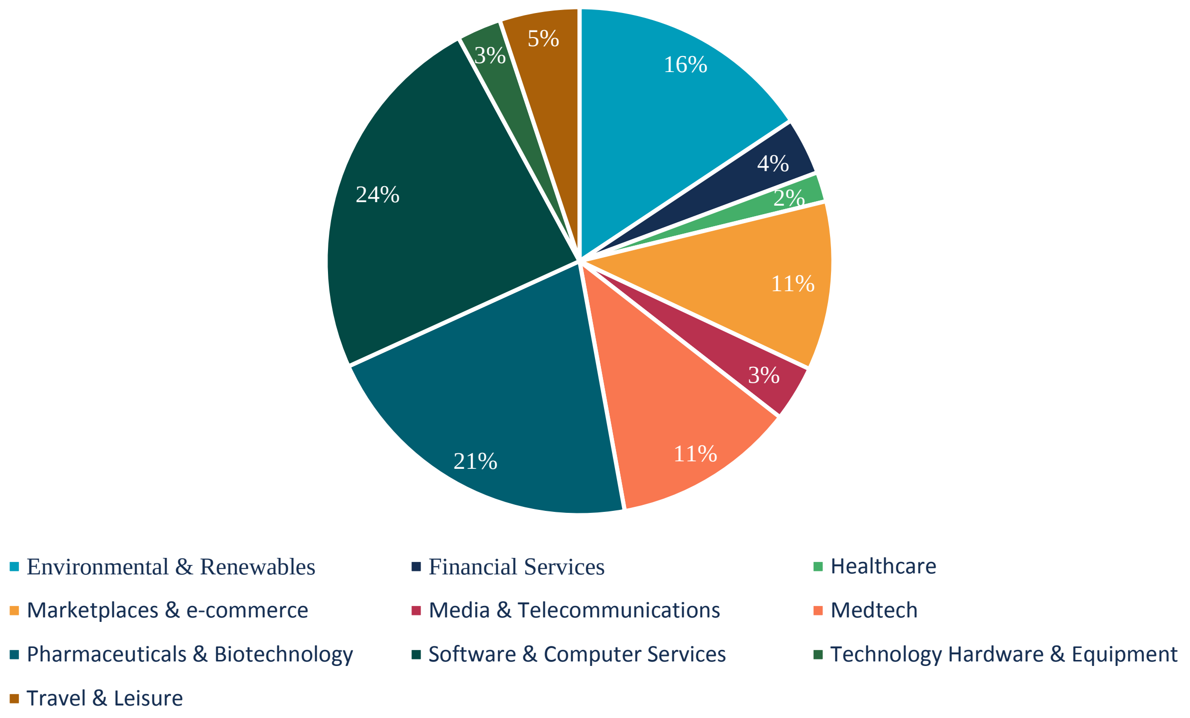
Syndicate Room expects to place investors into at least 28 separate investee companies, although investors may be allocated across more than this. According to the Manager even if only the minimum of £1,000,000 were raised, it would still be able to deploy investors across at least 28 investee companies. Fund Twenty8-2016 (which spans both 2016 and 2017 calendar years) invested in 32 separate investments across 10 sectors and three separate stages of investment, defined as: start-up, scale-up, and growth. Fund Twenty8-2017 adopted a near identical approach to fund construction, however as it only began deployment after 6th April 2018 and it has now deployed into 32 investments across 11 sectors.

CHART 4: SECTOR SPLIT FOR FUND TWENTY8 – 2016 AS AT AUGUST 2018



Note: Syndicate Room; AdvantageIQ

CHART 5: SECTOR SPLIT FOR FUND TWENTY8 – 2017 AS AT AUGUST 2018

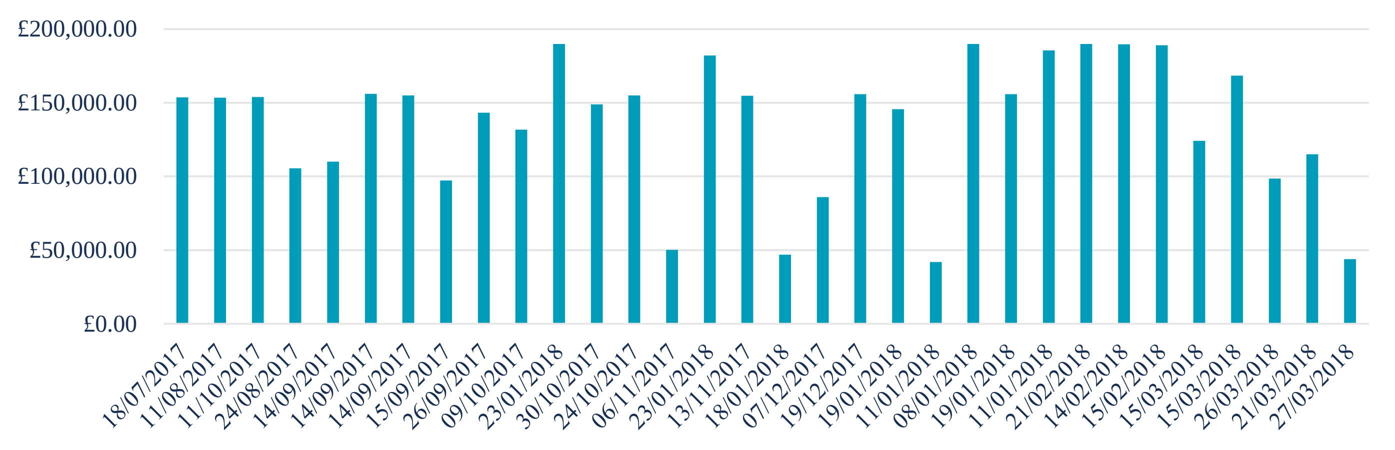


Note: Syndicate Room; AdvantageIQ

As can be seen from the two charts above, both previous iterations of the Fund are relatively well diversified across a number of different sectors. It should be noted however that both portfolios have a significant exposure to Pharmaceuticals & Biotechnology at 24% and 21% respectively, and when including "Healthcare" and "MedTech", the 2016 and 2017 portfolios have an exposure of 36% and 34% to the broader healthcare sector. Similarly, when combining "Software & Computer Services" and "Technology Hardware & Equipment", the respective allocations are 33% and 27%. It should be noted that this sector construction remains similar to the 1/3 Life sciences and Healthcare, 1/3 Technology and 1/3 other as historically achieved on the platform.

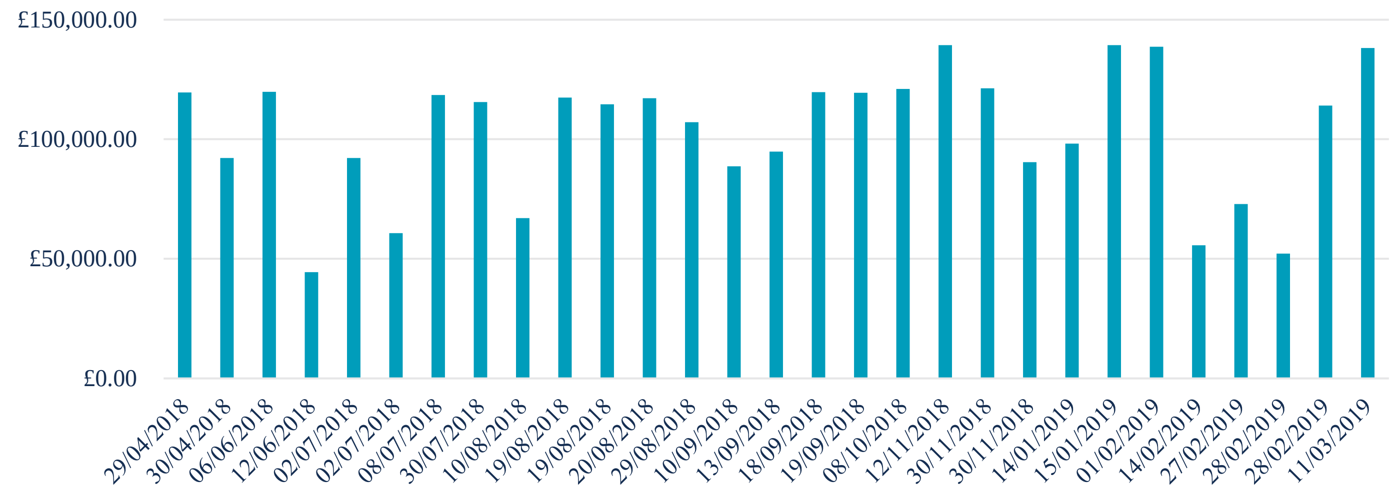
The graph below illustrates the historical deployment for the two previous versions of the Fund. As can be seen from these graphs, investments have been made throughout the year. As investment allocation will be determined by investor demand, the sector split will be heavily dependent on the investments listed on the platform at the time of deployment. In our meeting with the Manager, it was noted that by deploying funds throughout the year, there is a lower probability that the portfolio will be concentrated into only a handful of sectors.

CHART 6: FUND TWENTY8-2016 DEPLOYMENT TRACK RECORD



Source: Syndicate Room; AdvantageIQ

CHART 7: FUND TWENTY8-2017 DEPLOYMENT TRACK RECORD



Source: Syndicate Room; AdvantageIQ

The table below illustrates summary statistics for each of the two previous versions of the Fund. The average investment size across both funds has ranged between approximately £100,000 and £140,000 per investee company, with each Fund taking, on average, between 14% and 20% of each investment round. As has been noted, all investments will be made alongside, and on the same terms, as a Lead Investor. It is encouraging to note that some of these include the likes of Jonathan Milner (founder of Abcam), Sir David Verey, Peter Cowley (UKBAA Angel Investor of the Year 2014), as well as established managers and investment funds including Foresight Group, Mercia Fund Management, Cambridge Angels and London Business Angels to name just a few. In addition to this, there appears to be no bias toward any particular Lead Investor, in fact an examination of the Lead Investors for the previous two funds shows over 50 unique individuals.

MJ HUDSON Allenbridge

TABLE 4: OVERVIEW OF PREVIOUS VERSIONS OF FUND TWENTY8

	FUND TWENTY8-2016	FUND TWENTY8-2017
Number of Investee companies	32	32
Total Deployed	£4.4 million	£3.2 million
Average Investments Size	£136,500	£100,500
Minimum Investment Size	£42,041	£26,000
Maximum Investment Size	£189,990	£139,360
Average Proportion of Funding Round	20%	14%

Source: Syndicate Room.

Below are brief examples of some of the companies into which the two previous funds invested. These have been chosen at random. A full outline of investee companies can be seen in the *Performance* section of the review.

TABLE 5 EXAMPLE PORTFOLIO COMPANIES

COMPANY	SECTOR	DATE OF INVESTMENT	BRIEF DESCRIPTION
Pekama Limited	Marketplaces & e-commerce	July 2017	Pekama is an online platform aimed at transforming the world of intellectual property (IP). The company aims to offer a full solution for IP firms that want to grow their business and profits by acting as a matchmaker and collaboration facilitator in the IP sector.
Warwick Audio Technologies Limited	Technology Hardware & Equipment	September 2017	Warwick Audio has created and patented a new type of electrostatic laminate technology for headphones and loudspeakers to revolutionise the in-car audio experience.
Redecol Limited	MedTech	January 2018	Redecol are developing an asthma monitoring device to address the need for a new type of lung function test.
DriftRock Ltd	Software & Computer Services	September 2018	Driftrock is a software platform already working with companies like BMW, Open University and Heineken to drive stronger return on investment to drive digital marketing by bringing together their online and offline consumer data.
Interpac LTD	Environmental & Renewables	January 2019	Interpac has developed a cardboard corrugator which does not rely on steam, making it a fraction of the size and cost of conventional machines.

Source: Syndicate Room; AdvantageIQ

The maximum raise for the Fund is £10 million and, if achieved, it would make the Fund the largest one thus far. Assuming the minimum allocation of 28 companies, achieving the maximum raise would mean that the Fund will need to source enough deal flow to provide capacity for an average investment of approximately £350,000 into each investee company (however, a smaller fundraise or larger number of investee companies would of course lower this amount). Syndicate Room has indicated that it will list between 60 and 80 new successful investments per year on to the platform. All of the Fund's investee companies will be sourced from this group.

All deal flow will be sourced through Syndicate Room's advisors, investors, entrepreneurs, and professional introducers. Where an investee company is introduced through a professional introducer, Syndicate Room will pay of fee of 1-2% of the capital raised (this will not come from investors). Unpaid sources include the likes of Deloitte, KPMG, Smith & Williamson, CEOs, and referrals from Business Angels. Investee companies will be determined by companies listed on the platform, and as deployment is expected to take place over a period of up to 12 months (although expectations are for less than 10 months), Syndicate Room has indicated that it has limited visibility in terms of the pipeline. However, at the time of writing there were 11 investee companies listed on the platform, seven more in the process of going live, and four additional companies which have recently signed letters of engagement.

Investment Process

The Manager has described its investment process as follows in AdvantageIQ:

TABLE 6: INVESTMENT PROCESS

INVESTMENT PROCESS	DETAILS
Deal sourcing/ origination	Deals are sourced through our extensive network of advisors, investors, entrepreneurs and professional introducers. This has been built over a 5-year period and allows us to gain access to opportunities often not available to other investors.
Deal filtering and selection	Started in 2013, SyndicateRoom has rapidly grown to have more than 150 high-growth businesses in its portfolio. By relentlessly focusing on the interests of private investors, SyndicateRoom has developed a trusted reputation in the industry. SyndicateRoom's Platform Investors invest alongside Business Angels, Venture Capitalists and other Lead Investors. Platform Investors carry out their own due diligence on top of that carried out by the Lead Investors, and make their own investment decisions. To be eligible for SyndicateRoom, companies must: • Be incorporated in the UK or Ireland • Be raising at least £150,000 equity investment • Have one or more professional or sophisticated investors leading the round • Have at least 40% of the current funding round already committed Opportunities are then reviewed by our analyst team who look at the company's plans, its financials and also the market it is in/entering. If the analyst thinks the company meets our standards, it is presented to our investment committee which is held weekly. Only if successful at investment committee does it qualify to list. The fund uses another set of reviews and checks on top before it commits investment.

Due diligence process	We benefit from the detailed due diligence performed by the lead investors before we even receive the opportunity. The opportunity is then reviewed in detail by one of our analysts who check cash flow/cash comfort, previous funding rounds, carry out director searches and reviews the opportunity and market before it is then reviewed at investment committee.
Deal approval	As mentioned, the deal must pass all of the above checks before it is eligible. Only when investment commitments have been received by the company does the fund commit. When a funding round comes to a completion, we still have a number of checks to perform before the fund releases capital. These include making sure all other monies are cleared, the legal paperwork remains acceptable and that the other investors are confirmed

Source: Syndicate Room; AdvantageIQ

Syndicate Room is eager to highlight its "passive" approach to investment selection. Where most investment managers will take an active approach to their investment selection by meeting management, scrutinising due diligence submissions, and assessing products and market potential, Syndicate Room will leverage the work already undertaken by individual lead investors. Although the investment team will apply its own screening criteria to the investment selection process, it will be heavily reliant on the depth and quality of due diligence undertaken by the Lead Investor.

However, Syndicate Room would argue that any risks related to this process would be mitigated through the level of diversification afforded investors. In addition to this, while investment through by a Lead Investor is a pre-requisite for investment, the investment team will also apply its own scoring system to five separate metrics, and where the overall score falls below a certain threshold further analysis will be required.

Syndicate Room has provided MJ Hudson Allenbridge with a copy of the scorecard for one of its potential investee companies prior to submission to the investment committee. We understand that the document takes a standardised format and it clearly outlines the five scoring criteria: Lead Investment, Management Team, Market, Product and Financials. In addition to this, there are explanatory notes outlining justification for each score, as well as the chance to raise any red flags. We have additionally been supplied with investment committee note outlining the discussion. It shows good detail on important areas including an analysis of the market, feasibility and commerciality of the product as well as the potential route to exit.

The investment committee will meet on a weekly basis, and discuss between two and eight investee companies per week, with a success rate of just over 50% for all companies submitted. We understand that the investment process (including electronic submission for funding from investee company, to allocation of capital), to take approximately three months. The investment committee is made up of all investment analysts (of which there are five), along with James Sore and Gonçalo de Vasconcelos. Syndicate Room have described the structure of their investment committee as a "democratic dictatorship", where all members of the committee will be involved in the discussion surrounding a potential investment, but James and Gonçalo will have ultimate decision-making power, and each can veto any decision. Allocation will be determined by investment appetite for the investment round. Investments which attract stronger interest (assuming it meets the criteria) will attract a larger allocation through the Fund.

Overall, the investment process is well-defined and Syndicate Room have been transparent in its submissions. The scoring system applies uniformity to the process and ensures that investment analysts will cover all of the crucial aspects of the business before submission to the investment committee. These elements are indeed encouraging, however there are also some elements which may raise some concerns. The investment committee is reliant on the rigor of this process undertaken, as well as the expertise of the Lead Investor. In addition to this, unusually final sign off is reliant on two individuals, who will only see investee companies as they are presented to the investment committee.

Risk Management

Unusually for an EIS Fund, the primary risk mitigation tool is the level of diversification which it provides. A minimum of 28 companies, with previous funds invested in as many as 32, is well above the average for other EIS funds currently open for investment. In order to come to this number, Syndicate Room cite research undertaken by NESTA which concludes that in a portfolio of no less than 28 companies, there is a 95% chance that at least one of these companies will generate a return of 10x or more.

Most EIS managers will rely upon the depth of its initial due diligence and deal analysis at the time of investment, however as has been noted, Syndicate Room will leverage the work undertaken by the Lead Investor. However, it should also be noted that it does equally employ its own, well defined in-house due diligence procedures before allocating capital. As the investment process is passive, and allocation is determined by an algorithm, Syndicate Room feel that there are few conflicts of interest at hand (although it has set out a conflicts of interest policy).

The Fund will invest at valuations set by the Lead Investor, and will only query (or seek clarification) where it feels that valuations are appear to be elevated. Where the Lead Investor does not have a robust argument or justification for the value, investment will be rejected at investment committee. Going forward, investee companies will be valued according to the British Venture Capital Association (BVCA), however unless there is an equity event, all companies will remain valued at cost.

The allocation of capital will be determined according to investor demand, as determined by Syndicate Room's proprietary algorithm. However, all investee companies must raise the minimum target amount (MTA) before it will be considered for investment. In order to meet the MTA at least 40% of the round must have been committed by Lead Investors, and any investee company which does not achieve the MTA will not be considered for investment, even if it has passed the due diligence process. Should the raise continue and eventually overfund, the Fund will continue to allocate proportionally until the round has closed. Conversely, where demand is low (but the investee company has attained the MTA), allocation will be lower. We understand that allocation usually does not exceed 10-15% of any business, and thus the Fund will therefore usually take a minority position in the business.

In line with its "passive" approach to investment, it does not take an active role in the businesses in which it invests. However, as the Fund will invest alongside and on the same terms as Lead Investors (who, according to the MTA, will take a larger stake in the business), it will rely upon these investors to protect its interests in the business. That being said, Syndicate Room does reserve the right to implement certain rights and legal provisions where appropriate, and it most, although not all instances it reserves the right to appoint a board observer.

It has been noted by the Manager that it may accept follow-on funding for co-investment with a Lead Investor which had participated in the previous round. When queried on the possible conflict of interest which this may bring about, in particular with regard to valuation, the Manager noted that if a Lead Investor were seeking co-investment it is more likely to value the investment at an attractive price in order to source enough capital. In addition to this, Syndicate Room will assess the amount of capital being sourced via follow-on funding and how this compares to previous commitments in order to assess whether the valuation is competitive or not.

Syndicate Room requires EIS Advance Assurance prior to investment, however in our meeting with the Manager it was noted that it feels the best indication for EIS qualification is the recent allocation of EIS qualifying shares. On this, it will apply an 18-month threshold, and where there is some concern that a company may longer qualify it will request a re-submission to HMRC. We understand that there has been no adjustment to the investment strategy following the Patient Capital Review, and while it may accept investee companies which have received EIS Advance Assurance prior to March 2018, it will do so with caution. It is encouraging to note that it will utilise the services of Philip Hare on and ad-hoc basis, and wherever it feels necessary.

Post investment, Syndicate Room will require investee companies to supply biannual updates and annual accounts. It is currently rolling out its online portal for investee companies to submit this information. However, as has been noted, the Manager does not seek to provide influence or intervene, rather it will seek to maintain good working relationships with the founders and the Lead Investors. Its role post monitoring will be to oversee the business as oppose to influence its operations. The Manager does, however, take an active role in voting on resolutions and seeks to protect fund investor's interests that way.

Due to the passive nature of the investment strategy, investments will be made on the basis determined by the Lead Investor, and investors will primarily rely on diversification to mitigate risk. Investors should satisfy that this will be sufficient to adequately mitigate the risks associated with unquoted investments, although our assessment of investment process would suggest a robust investment process which should assist here.

Key Features & Fees

TABLE 7: FEES PAID BY INVESTOR AND INVESTEE COMPANY

FEE	CHARGED TO: INVESTOR	INVESTEE COMPANY
Initial Fee	1.0%[1]	-
Dealing Fee	-	£2,000
Arrangement Fee	-	4.5%[2]
Annual Management Fee	1.0%[1]	1.0%[3]
Annual Admin Fee	-	-
Director's Fee	-	-
Exit Performance Fee	20%[4]	-
Exit Performance Hurdle	110%	-
Available discounts	1% discount on initial fee for existing investors	
Adviser charges	All fees as above with a 1% discount on the initial fee for advised clients, plus any fees as agreed with the investor and the adviser	
Execution Only Fees	All fees as above, plus any intermediary fees	
Direct Application Fees	All fees as above	

[1] Plus VAT

[2] Comprising 4% performance fee and 0.5% payment processing fee for capital raised on the platform

[3] Investee companies will pay the annual management charge to the Syndicate Room Nominees Limited, for three years

[4] This is calculated across the whole portfolio, not the performance of individual investee companies

Syndicate Room will take three years of the annual management charge upfront, which means that 96% of investor subscription will be eligible for EIS tax relief. Although this approach is not uncommon, it would be preferable that investors get access to 100% tax relief. The performance fee of 20% is common across the industry, however it is encouraging to note that the fee will only be taken on 110% of the initial subscription, and therefore across the entire portfolio and not on an individual company basis.

While fees to the investor are well positioned, fees paid by the investee company should not be overlooked. An arrangement fee of 4.5%, combined with an additional £2,000 fee on engagement with investee companies is toward the upper end of the market relative to other funds on offer. In addition to this, investee companies will pay an annual management charge of 1% (for three years), despite the fact that Syndicate Room will provide only limited services to these companies. As a result, when taking all fees into account, the product is placed toward the upper end of the spectrum relative to the market.

Performance

Over the two previous versions of the Fund, Syndicate Room has invested in 64 separate investee companies, deploying a total of £7.9 million. The first investment was closed in July 2017, and the latest as recently as March 2019. As this first investment was less than two years prior, it remains well within the expected investment period of between five and seven years, and potentially longer. As a result, the Fund does not have an exit record to speak of, and it is therefore difficult to gauge the performance of the Fund. However, there have been two write-offs in the Fund Twenty8 -2016. We understand that the first of these was predictable business collapse, while the second was as a result of litigation by one of the company's suppliers effectively putting the company out of business. There have similarly been two significant uplifts in unrealised valuations, one seeing an increase of 196%, and another at 104%, as a result of third-party investment. As Syndicate Room prefers a conservative approach to valuation, the current Fund Twenty8-2016 portfolio is valued at 104.2% (an uplift of 4.2%)).

In order to illustrate its broader investment record, Syndicate Room has provided metrics of its overall investment record across the platform, and illustrated in the table below. Since 2013, the firm has invested in 136 investments (including through the Fund, and those listed on the platform). Of these investments, nine have failed and the Manager has secured an exit, this was a cash exit with a multiple stage earn out.

TABLE 8: SYNDICATE ROOM INVESTMENT PORTFOLIO

INVESTMENT YEAR	NO. OF INVESTMENTS	TOTAL INVESTED	CURRENT VALUE	CHANGE IN VALUE	CAGR
2013	2	£260,336	£937,445	260%	24%
2014	24	£2,423,985	£2,091,341	-14%	-3%
2015	41	£5,294,655	£7,401,896	40%	9%
2016	35	£6,712,322	£8,832,181	32%	10%
2017	64	£6,863,159	£7,509,125	9%	5%
2018	40	£3,829,184	£3,581,414	-6%	-6%
Total	**136**	**£25,383,641**	**£30,353,403**	**19.6%**	-

Source: Syndicate Room; AdvantageIQ

Overall, without a more significant track record with regards to its exit history, it is difficult to gauge the potential for the Fund's investment strategy to generate profitable returns. While any profitable exits for the current portfolio are still some years away, the portfolios for the previous versions of the Fund are illustrated below.

TABLE 9: FUND TWENTY8-2016 PORTFOLIO

COMPANY NAME	SECTOR	LEAD INVESTOR	INITIAL INVESTMENT	INVESTMENT AMOUNT	PROPORTION OF FUNDING ROUND	UPLIFT
Pekama Ltd	Marketplaces & e-commerce	Rockspring (Family Office)	18/07/2017	£153,653.74	26%	38%
Alert Technology Ltd	Environmental & Renewables	DPTI (Fund)	11/08/2017	£153,562.50	15%	0%
Peptinnovate Ltd	Pharmaceuticals & Biotechnology	DPTI (Fund)	11/10/2017	£153,790.00	5%	0%
Warwick Analytical Software Ltd	Software & Computer Services	Robin Southwell OBE (Business Angel)	24/08/2017	£105,596.40	21%	0%
e-Patient Network Ltd	Healthcare	Pam Garside (Business Angel)	14/09/2017	£110,100.90	23%	18%
Warwick Audio Technologies Ltd	Technology Hardware & Equipment	Mercia Technologies (Fund)	14/09/2017	£155,998.75	7%	4%
Mbaso Ltd	Media & Telecommunicat ions	Derek Watts (Business Angel)	14/09/2017	£155,009.40	24%	0%
Dem Dx Ltd	Healthcare	HK Anchor (Fund)	15/09/2017	£97,370.00	19%	25%
Engenie Ltd	Transportation & Logistics	Chris Dougan (Business Angel)	26/09/2017	£143,325.00	9%	0%
Dymag Group Ltd	Engineering & Manufacturing	Boundary Capital (Fund)	09/10/2017	£131,859.00	28%	19%
Redecol Ltd	MedTech	Barbara Lead (Business Angel)	23/1/18	£189,962.50	32%	0%
Make It Social Ltd	Marketplaces & e-commerce	Rob Dobson (Business Angel)	30/10/2017	£148,962.45	29%	-100%
Re-Vana Therapeutics Ltd	Pharmaceuticals & Biotechnology	TechstartNI (Fund)	24/10/2017	£155,076.93	13%	0%
BioTechSpert Ltd	Marketplaces & e-commerce	Zack Feather (Business Angel)	06/11/2017	£50,273.43	18%	196%
BrytLyt Ltd	Software & Computer Services	Charles Morgan (Business Angel)	23/1/2018	£182,000.00	36%	0%
Art-I-Check Ltd	Software & Computer Services	Sir David Verey (Business Angel)	13/11/2017	£154,700.00	25%	0%
Digital Therapeutics Ltd	Pharmaceuticals & Biotechnology	Dr Damien Marmion (Business Angel)	18/1/18	£46,828.61	12%	0%
LegalBeagles Ltd	Marketplaces & e-commerce	Alicia Salinas (Business Angel)	07/12/2017	£86,022.30	11%	0%
Cambridge Allergy Ltd	Pharmaceuticals & Biotechnology	Jonathan Milner (Business Angel)	19/12/2017	£155,855.43	19%	52%
Momentum Bioscience Ltd	Pharmaceuticals & Biotechnology	Longwall Venture Partners (Fund)	19/01/2018	£145,600.00	8%	9%
Fantoo Ltd	Software & Computer Services	Martin Charmoy (Business Angel)	11/01/2018	£42,041.28	7%	0%

Shields Energy Services Ltd	Technology Hardware & Equipment	Michael Sofaer (Business Angel)	08/01/2018	£189,990.44	17%	0%
Emoquo Ltd	Healthcare	Novus Investments (Fund)	19/01/2018	£155,943.28	21%	0%
Cyance Ltd	Software & Computer Services	Peter Brooks (Business Angel)	11/01/2018	£185,640.00	33%	104%
Cambridge Nutraceuticals Ltd	Pharmaceuticals & Biotechnology	Peter Keen (Business Angel)	21/02/2018	£189,871.50	10%	0%
USIO Energy Ltd	Environmental & Renewables	Leandro Almeida (Business Angel)	14/02/2018	£189,780.50	32%	-100%
The Tender Space Ltd	Software & Computer Services	Ashley Tatham (Business Angel)	15/02/2018	£189,109.38	39%	0%
10to8 Ltd	Software & Computer Services	Anthony Jenkins (Business Angel)	15/03/2018	£124,124.00	21%	0%
Metrion Biosciences Ltd	Pharmaceuticals & Biotechnology	Dr Keith McCullagh (Business Angel)	15/03/2018	£168,350.00	28%	0%
Freedom One Life Ltd	Technology Hardware & Equipment	Ian Marchant (Business Angel)	26/03/2018	£98,517.41	35%	0%
StarStock Ltd	Marketplaces & e-commerce	Downing Ventures (Fund)	21/03/2018	£115,123.03	7%	0%
Arcis Biotechnology Holdings Ltd	Pharmaceuticals & Biotechnology	Andrew Parker (Business Angel)	27/03/2018	£43,953.00	3%	0%
				£4,367,991.16		4.2%

TABLE 10: FUND TWENTY8-2017 PORTFOLIO

COMPANY NAME	SECTOR	LEAD INVESTOR	INITIAL INVESTMENT	INVESTMENT AMOUNT	PROPORTION OF FUNDING ROUND	UPLIFT
Arcis Biotechnology Holdings Ltd	Pharma & BioTech	Andy Parker	29/04/2018	£119,595.00	9%	0%
Metrion Biosciences Ltd	Pharma & BioTech	Keith McCullagh	30/04/2018	£92,125.00	15%	0%
LightPoint Medical Ltd	MedTech	Oxford Technology	06/06/2018	£119,872.05	3%	0%
Nextup Comedy Ltd	Travel & Leisure	Velocity Ventures	12/06/2018	£44,475.87	12%	0%
Ambicare Health Ltd	Healthcare	Longbow Capital	02/07/2018	£60,702.00	23%	0%
Nomad AI Ltd (Kulea)	Software & Services	Gavin Disney-May	02/07/2018	£92,170.56	12%	0%
Naked Energy Ltd	Environmental & Renewables	Karen McClellan	08/07/2018	£118,509.60	10%	0%
Sensize Ltd	Software & Services	Mike Brunner	30/07/2018	£115,575.00	24%	0%
2Mee Ltd	Software & Services	David McGuffie	10/08/2018	£67,000.00	17%	0%

Ask Inclusive Finance Group Holding Ltd	Financial Services	Andrew Mullinger	19/08/2018	£117,501.25	17%	0%
Cipher Surgical Ltd	MedTech	Lijun Pharmaceutical	19/08/2018	£114,570.00	5%	0%
Pertinax Pharma Ltd	Pharma & BioTech	Mercia Fund Management	20/08/2018	£117,201.76	15%	0%
Greenspur Renewables Ltd	Environmental & Renewables	Chris Heminway	29/08/2018	£107,200.00	16%	0%
MGB Biopharma Ltd	Pharma & BioTech	Archangels Investors Limited	10/09/2018	£88,741.50	7%	0%
DriftRock Ltd	Software & Services	Ascension Ventures	13/09/2018	£94,786.24	12%	0%
MyFix Apps Ltd	Software & Services	Richard Tufft	18/09/2018	£119,762.50	17%	0%
Cambscuisine Group Ltd	Travel & Leisure	James Spragg	19/09/2018	£119,400.60	16%	0%
Pass The Keys Ltd	Marketplaces & e-commerce	Talis Capital	08/10/2018	£121,073.73	9%	0%
Molecular Warehouse Ltd	MedTech	Oxford Technology	12/11/2018	£139,360.00	13%	0%
Gelmetix Ltd	Pharma & BioTech	Jonathan Milner	30/11/2018	£121,253.25	10%	0%
Mimica Lab Ltd	Tech Hardware & Equipment	R/GA Ventures	30/11/2018	£90,450.00	10%	0%
Cyance Limited	Software & Services	Peter Brooks	14/01/2019	£98,168.40	31%	0%
Interpac LTD	Environmental & Renewables	Ian Marchant	15/01/2019	£139,360.00	22%	0%
Backpatch Ltd	Environmental & Renewables	Gordon Lawson	01/02/2019	£138,690.00	16%	0%
Liopa Ltd	Software & Services	TechStart NI	14/02/2019	£55,727.25	9%	0%
Patientsource Ltd	Software & Services	Vital Healthcare Technologies Ltd	27/02/2019	£72,889.30	25%	0%
Mbaso Ltd	Media & Telecommunications	Oliver Dowson	28/02/2019	£114,127.80	14%	0%
Measurematch Ltd	Software & Services	Stephan Pretorius	28/02/2019	£52,229.30	28%	0%
EnteroBiotix Limited	Pharma & BioTech	Equity Gap Members	11/03/2019	£138,227.70	8%	0%
Luckytrip Ltd	Marketplaces & e-commerce	Piyush Shah	TBC	£81,917.55	6%	0%
Mayku Ltd	Marketplaces & e-commerce	Robert Devereux	20/3/19	£117,585.00	14%	0%
Pekama Ltd	Marketplaces & e-commerce	Rockspring Nominees Ltd	13/3/19	£26,001.37	7%	0%
				£3,216,249.5		%

Appendix 1: Key Personnel

Key Investment Professionals

NAME	JOB TITLE	DATE STARTED	BIOGRAPHY
Gonçalo De Vasconcelos	Co-founder and CEO	Since inception	Gonçalo is considered one of the most influential people in tech in the UK making the Top 10 at the Tyto Tech 500 Power List as well as the Top 40 most influential people in fintech in Europe. He is a contributor for Forbes, a Fellow (Entrepreneurship Centre) and a guest lecturer at Cambridge University. He is also a speaker and panellist at leading industry events on topics including equity crowdfunding, entrepreneurship, fintech, corporate finance, business angel investment and venture capital investment. Goncalo regularly contributes or is featured in the media including BBC, Forbes, Financial Times and The Sunday Times amongst others. Gonçalo pioneered the investor-led® model in the UK, opening up access to exclusive deals that professionals are investing in. Gonçalo is an alumnus of Imperial College London (awarded distinction) and has an MBA from Judge Business School, the University of Cambridge where he received further awards for his academic and professional achievements.
James Sore	CIO	2014	With a degree in Mechanical and Electronics Engineering James began his career as a technology consultant for PA Consulting, designing and improving products for some of the world's leading consumer, medical and pharmaceutical companies. Previous clients include Coca Cola, Johnson & Johnson, Hershey's, British American Tobacco and Pfizer. James left PA to build a technology consultancy as co-founder, growing the company from 2 to 12 full-time employees in under 2 years. He subsequently decided to sell his shares in the consultancy and took a role as an investment analyst for a boutique IP investment company, where he rose through the ranks to investment manager in under three years. James now heads up the investment team at SyndicateRoom as Chief Investment Officer. His key responsibilities include deal attraction, selection and management, as well as growing and managing our rapidly expanding investor network. James is also manager of the five investment funds we currently run.
Francesca O'Brien	Head of Private Markets	2013	Fran graduated from St John's College, Cambridge, where she read Part I History; Part II Psychology, before completing a Graduate Diploma in Law in London. Fran previously worked with one of the legal teams responsible for preparing victim and witness statements for the Leveson Inquiry, and within the schools and education department of the London Borough of Ealing Council. She joined SyndicateRoom to immerse herself in the unique challenge that comes from working at an ambitious, rapidly growing company, within an exciting and disruptive industry.

Oliver Hammond	Senior Analyst	2016	Oli is a member of the sales and due diligence team. He reaches out to potential clients and analyses investment opportunities before they are accepted onto the SyndicateRoom platform. Oli left the University of Kent in 2014 with a BA (hons) in War Studies. Prior to SyndicateRoom, Oli worked in banking in the West End and co-founded a company that specialised in shipping containers. He also worked at an ambitious start-up that aimed to encourage the next generation of entrepreneurs through an app. Oli joined SyndicateRoom because of his passion for early-stage companies.

Source: Syndicate Room; AdvantageIQ

Senior Management Team

GONÇALO DE VASCONCELOS – CO-FOUNDER & CEO

As above

TOM BRITTON- CO-FOUNDER & CTO

Born in Los Angeles, Tom moved to the UK to play football and after three fairly successful years realised it was time to focus on his non-sporting career. Before joining SyndicateRoom as a co-founder Tom worked in product development on a number of software-based projects including managing the development of the mobile applications for The Trainline.

Tom completed his MBA at Cambridge where he focused on developing start-ups and has taken a keen interest in ventures focused on helping other start-ups. Tom leads SyndicateRoom's website development team though his skills and experience.

TIM BELLIS – CHAIRMAN OF THE BOARD

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 – CHAIRMAN OF THE BOARD

Jonathan is the Founder of Abcam, the company which he started 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 start-ups. He has invested in and provided support to more than 30 companies, and has also helped three companies IPO 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.

A Sloan Fellow at the Stanford Graduate School of Business in California (2005), David is currently an Official Visitor at the University of Cambridge Institute for Manufacturing, Non-Executive Chairman of Psonar Ltd (an angel-funded internet music start-up), a Non-Executive Director of UK Business Incubation Ltd and a member of the Department for Business Access to Finance Expert Group.

He was previously a Non-Executive Director of LINC (the Local Investment Networking Company Ltd), a predecessor organisation to the current British Business Angels Association, and of mo.jo (a pioneer crowdfunding website). David is also co-author of several studies on a country basis of innovation (2000–07) and of a review for the National Endowment for Science Technology & the Arts (NESTA) of the impact of business incubation on high-potential firms (2011).

GRAHAM SCHWIKKARD – COO

Graham joined SyndicateRoom as head of operations in January 2017. His drive for delivery and knowledge of best practices is expected to play an integral part in scaling the platform. Before joining SyndicateRoom, Graham spent seven years in management consulting, where he helped companies develop market strategies and optimise their business models. During this time, he developed a strong sense of business operations, with a particular interest in using technology to shift markets but also enable functions and automate routine tasks.

Graham first came to the UK in 2013 for his MBA, where he won multiple awards and focused his studies on start-ups. It was during this time that he met Tom and Gonçalo, and worked on the early version of SyndicateRoom. Soon after, he was obligated to return to South Africa due to contractual commitments but stayed in touch. After ongoing conversations across continents, Graham made the decision to return and join the adventure with SyndicateRoom at the start of 2017.

Offer: The Fund, which is HMRC-Approved, is expected to be invested in at least 28 separate investee companies, and the Manager aims for full capital deployment within 10 months. The strategy is sector agnostic, and Syndicate Room will utilise what it defines as a 'passive' investment strategy, to invest alongside, on the same terms, as Angel and Venture Capital investors.

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