







Syndicate Room focusses its own due diligence on the legal structure of investments. Each investment is structured so that the fund has pre-emption rights. This means that if there is a subsequent capital raising the fund can take part so that its initial investment is not diluted. There are also “drag along” and “tag along” rights in place, ensuring that if the investee company is acquired, the fund receives the same terms as the lead investor. Syndicate Room also undertakes background checks of company directors and verifies that the deal is EIS compliant. Evidence that the angel investor has committed funds is also received. All other due diligence on the investee company is carried out by the angel investor and the fund takes a passive approach to following that investor’s decisions. Syndicate Room’s due diligence focusses on the angel investors themselves.

Although the Access fund was only launched in Q419, this investment process has been used to make 17 investments in the last vintage of Fund Twenty8 and it is encouraging to see that a significant number of deals have been sourced, and invested in, already.

#### **Investment Personnel:**

**Graham Schwikkard:** CEO, joined Syndicate Room as Head of Operations in 2017, after seven years as a management consultant. Graham leads the Investment Committee and is focussed on the overall structure of the portfolio.

**Tom Britton:** Co-founder and CTO of Syndicate Room, has a background in IT product development.

**Francesca O’Brien:** Head of Clients and Investments, joined Syndicate Room in 2013 and has since been responsible for oversight of funding round transactions and leadership of sales, legal and deal-analysis teams.

**Edward Hume-Kendall:** Portfolio Manager, responsible for overseeing the work of the Clients and Investments team. He has been with Syndicate Room for almost 3 years, having joined as a graduate, and manages the underlying portfolio as well as the administration and execution of investments by SR funds.

There are also 2 investment analysts in the team, they have strong academic credentials, but are at early stages in their careers and do not have a lot of experience in investment analysis.

**Fund holdings:** The fund aims to hold a minimum of 50 investments. It will not invest more than 1/50<sup>th</sup> of its capital value in any single deal and a maximum of 10% of the fund will be invested in deals sourced from a single angel investor.

The fund will not invest in companies with operations in weaponry or unregulated gambling. There are no other sector restrictions. Should natural deal flow lead to a concentration in any sector, Syndicate Room will not intervene, but will allow market forces to shape the portfolio.

All deals participated in are pre-approved for EIS status by HMRC.

There is good visibility on the deal pipeline (which we have been able to review), which includes 27 potential investments across a variety of sectors.





**Financial Planning Considerations:** the fund opened in October 2019 and has exceeded its minimum raising of £2.5.m (as at 15.1.20) and is expected to raise up to £10m over 12 months. The fund will remain open and continue investment into companies on an ongoing basis. 38% of investments received so far are from existing clients, so the fund is attracting new investors.

EIS tax certificates will be issued when individual investments are made in the investor's own portfolio. The certificates are saved to the SR Dashboard and can be exported for HMRC self-assessment. The dashboard will also reflect the status of certificates not yet received from HMRC. A single spreadsheet showing all investments in the portfolio can also be downloaded and used for self-reporting.

It is important to note that full investment will not occur in the current tax year and full tax relief may not be achieved until the following tax year. Syndicate Room estimates that all tax certificates will be available within 15 months of the initial investment to the fund, but this is not guaranteed and there may be delays that Syndicate Room has no control over.

Minimum investment is £5000 and application is online. This is the lowest of funds screened and makes EIS more accessible to individual investors.

Investee companies will provide online quarterly updates via the Syndicate Room dashboard.

The fund is held on the Syndicate Room platform with no associated platform charges.

If a company held in the fund is acquired or sold through IPO, cash proceeds are returned to the fund holder. If this occurs within less than the 3 year minimum holding period the investor loses the tax benefits associated with that holding and would need to pay back any income tax that had been reclaimed or pay any CGT that had been deferred in association with the EIS investment. This is standard for any EIS that monetises ahead of the HMRC 3-year limit. Cash due to the individual investor would be calculated on a pro-rata basis considering the size of the total holding in the fund and the proportionate size of the holding that had been divested. This would be an administrative burden but is in line with other EIS portfolio solutions. Syndicate Room has confirmed it would be able to provide evidence of the investment made on the client's behalf and associated EIS(3) issued to the Fund for that investment.

After approximately 7 years, the fund structure is expected to be dissolved and any remaining shareholdings would be transferred to the investor.

**Conclusion:**

- The underlying fund holdings are high risk being early stage companies. This is in line with HMRC intentions for EIS tax relief.
- The fund management process appears robust but is unproven.
- As the fund is likely to always be a minority investor in the company, it may have less influence over company strategy than could be the case at other EIS funds. We note that the angel investor making the introduction to the company will be likely to have influence that will benefit all investors.
- The fund has a high degree of diversification relative to other EIS portfolio solutions, having a target of 50 holdings. This is way above competitor funds. This degree of diversification offsets the unproven nature of the investment process and the inability of the manager to influence companies held. It also manages the high degree of risk inherent in early stage companies.
- Fees are competitive relative to other EIS portfolio solutions.

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