Downing Ventures EIS

Investor guide

Key points

- **Targeting high risk, high potential return investment opportunities:** investments spread across approximately 10-15 early-stage UK portfolio companies.
- **30% income tax relief**, subject to three-year holding period and personal circumstances.
- **Exit:** aiming to exit between four and eight years from the date shares are acquired.

Please see overleaf for the risks of investing.

We believe early-stage UK technology companies can offer great investment opportunities. Although high risk, they aim to provide access to high potential returns and attractive Enterprise Investment Scheme (EIS) tax reliefs.

At a glance

Over 40
companies in the Downing Ventures portfolio

c.100
opportunities assessed each month in 2017

Over £30 million
raised by Downing Ventures EIS

Attractive EIS tax reliefs

- **30% income tax relief** on the amount subscribed (subject to a three-year holding period and personal circumstances).
- **IHT-free after two years** (so long as shares are held at death).
- **CGT deferral relief**.
- **CGT-free gains**.
- **Loss relief against income or capital**.

EIS reliefs are subject to a maximum investment of £1 million in each tax year.

Please note, this is a brief summary of the latest tax reliefs available, based on our understanding of current legislation and HMRC practice, which are subject to change in the future and your personal circumstances. We always recommend you seek appropriate professional advice before making an investment. Please note, this information does not constitute tax advice. Please refer to the HMRC website for further information or consult your adviser.

A spread portfolio

To mitigate risk, we aim to spread your investment across a portfolio of 10 - 15 companies, where possible in a variety of sectors. Please note that this cannot be guaranteed. While we target capital growth, we would like to emphasise it is not guaranteed and EIS investments are high risk.

What types of companies do we support?

We look for talented entrepreneurs; early traction; defensible technology or strategy; businesses that are ready to scale; and a large addressable market. The companies we support will typically be at a stage where they have launched a product, are generating revenue and have a strong management team.

Examples of sectors we invest in:

- **Enterprise SaaS (Software-as-a-Service):** we like and understand this sector. We believe we can add value for companies with products built with usability and user experience in mind, with a proven return on investment for their business customers. We are particularly interested in innovative marketing and big data technologies.
- **Large consumer markets:** we seek to invest where we believe the market is large enough that the company would only need to capture a small percentage of that market to be a £100 million business. We prefer companies that have an angle for customer acquisition and retention as capturing consumers online is expensive.
- **Healthcare technology:** this growing sector in the UK has a lack of specialist investors, presenting an opportunity to invest at attractive valuations. We prefer opportunities with a short route to exit, such as devices and software. We aim to mitigate risk through our partnership with Bioscience Managers, a leading lifesciences fund manager with over three decades' investment experience in the sector.
- **Special situations technology:** some markets are only beginning to feel the effects of technological disruption, such as education, insurance, security and banking. We believe there is value to be unlocked here if the companies are led by experienced management teams.

Our exit strategy

We seek to provide investors with the opportunity to exit between four and eight years from the date shares were originally acquired. But for the majority of our portfolio companies, target exit is likely to be closer to eight years. Exit opportunities depend on the growth of the business and market conditions at the time, and are not guaranteed. Although some businesses may exit via flotation, we expect most to be acquired by trade buyers looking to expand and enhance their operations.

Our investment strategy

Due diligence

In 2017, our team reviewed around 100 companies a month, yet only invested in a small number. Our due diligence process is rigorous, using sector specialists to undertake customer, tech, product, market and financial reviews for investments. All of our due diligence is then reviewed and approved by the Investment Committee before an investment is made.

Value-add

Once part of our portfolio, companies have access to our value-add offering, including access to our global networks, recruitment, sales, marketing and PR support, as well as our knowledge sharing events. In addition, two members of our team do not engage in transacting deals and are dedicated to providing support to our portfolio companies.

Follow-on funding

We participate in follow-on rounds in the existing portfolio and entrepreneurs are attracted to our ability to 'follow our money' as we deploy VCT funds for later-stage rounds.

The US

A number of our companies have a presence in America and we are starting to see the portfolio attract US funding. We make regular trips stateside to build relationships with US technology funds to open up a new market as a potential expansion or exit route for our portfolio.

Service details & charges

- ***Minimum subscription***: £15,000.
- ***Initial charge***: 2%.
- ***Management charge***: 2% p.a.
- ***Adviser charges:*** initial and ongoing adviser charges may be facilitated through the Service.

VAT will be charged where applicable.

These charges are listed on the basis that no commission is payable to the intermediary (e.g. where advice has been provided). We will charge an arrangement fee of up to 2% of the amount invested to the EIS companies and a performance fee on exit from the Service of 20% of total proceeds between £1.00 and £1.10 and 30% thereafter (in respect of each £1.00 subscribed). Please refer to the Terms & Conditions document for full details of charges. **Applications will only be accepted if introduced by an FCA authorised intermediary.**

What to do next

When you have read the relevant supporting product literature, if you want to invest, complete and follow the instructions within the Application Form.

If you would like any more information, please call us on **020 7416 7780** and we will be happy to help (please note that we cannot provide investment or tax advice).

The risks of investing

Please refer to the Terms & Conditions document for a full list of risk factors. This investment will not be appropriate for all investors.

- ***Capital is at risk:*** the value of investments and the income derived from them may go down as well as up and investors may not get back the full amount invested.
- ***Investments made through Downing Ventures EIS are long term and high risk:*** you should not consider investing if you think you could require access to your funds within approximately four to eight years from the date shares are originally acquired. **Please remember, investments made through our EIS funds will be in early-stage companies that are higher risk than those listed on the London Stock Exchange. The chances of companies failing are high.**
- ***Tax reliefs are not guaranteed:*** the rates of tax, tax benefits and allowances that are described in this Investor Guide are based on current legislation and HMRC practice - these may change from time to time and as such, they are not guaranteed and are subject to personal circumstances.
- ***Qualifying investments are not guaranteed:*** there is no guarantee that sufficient investments in EIS companies will be made within the expected timetable, or at all. In addition, it is possible that the EIS companies may subsequently cease to qualify for EIS tax reliefs, in which case, the tax reliefs you receive could be delayed or lost.
- ***Gearing:*** although most of our Ventures EIS investments may have little or no leverage, debt (or any other prior-ranking securities) used by qualifying companies will significantly increase risk.
- ***Diversification:*** this may not be achieved and investments may be in the same sector.
- ***You cannot rely on past performance:*** please remember that past performance is not a reliable guide to future performance and there is no guarantee the service's objectives will be achieved.

Information correct as at 5 June 2018.

Downing

Downing LLP, St Magnus House,
3 Lower Thames Street,
London EC3R 6HD
020 7416 7780 / www.downing.co.uk