

Full Manager Report **Symvan Capital**

Symvan Technology EIS Fund & Symvan Technology SEIS Fund 3

Summary

The funds' strategy is to invest in EIS and SEIS qualifying companies involved in the development, commercialisation and sale of innovative technologies or services, or use them to gain a competitive advantage.

	Positives	Issues
Why Invest?	Strategy: Exposure to a portfolio of early start-up or scale-up technology companies.	Portfolio Risk: Early stage companies carry significant risk. To date Symvan have had only one failure across their portfolios.
The Fund Manager	Team: Symvan bring a broad range of capital markets experience and a focus on a company's funding needs throughout its investment period.	Depth of Staff: The Symvan team is small, though has very experienced advisors and only a few companies to manage.

Nuts & Bolts

- ▶ **Regulation:** The open funds have Symvan as Fund Manager.
- ▶ **Diversification:** Exposure to a 'handful' of companies – previous closings have had 4-6 investments with those investing across more than one tranche getting up to 11.
- ▶ **Valuation:** Initially companies will be unquoted. Valuation changes prior to exit mainly through follow on investments, and in line with IPEV guidelines.

Specific Issues

- ▶ **Fees:** All charged via company except performance fee, though some may be taken in warrants to reduce cash flow strain. Performance fee of 20% of all gains.
- ▶ **Investment Process:** A life-cycle approach to investment, looking at the plan for the next five years. Focus on deeper rather than wider knowledge of companies and management.

Manager information	Risks
(S)EIS assets £3.3m	<ul style="list-style-type: none"> ▶ Target Returns: The target return in both funds is around £2.85 for each £1 invested, which is appropriate for a higher risk product. ▶ Risk Mitigation: The Symvan approach is one of 'deeper rather than wider', with a strong focus on management.
Total Funds raised £6.1m	
Product Launch 2016/2017 date	

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Table of Contents

Factsheets	3
Fund Aims	5
Summary of Risk Areas.....	5
Risk Analysis / Commentary.....	6
Investment Process	7
Cognisess Case Study (part 1).....	8
Governance and Monitoring	9
Cognisess Case Study (part 2).....	11
Track Record.....	12
Fees	12
Regulatory and Staffing	14
Appendix 1 – Due Diligence Summary	15
Appendix 2 – Example Fee Calculations	16
Disclaimer	18
Hardman Team	19

Factsheets

Symvan Technology SEIS Fund 3

Product name	Symvan Technology SEIS Fund 3
Product manager	Symvan Capital
Product advisor	NA
Tax eligibility	SEIS
Target return	£2.85 for each £1 invested in 5-7 years
Target income	None
Type of product	Discretionary portfolio service
Term	Evergreen
Sectors	Technology
Diversification	
Number of companies	8-10
(Expected) Gini coefficient	0.17-0.25

Fees	Amount	Paid by
Initial fees		
Investment Fee	10%	Investee company
Launch & Establishment Fee	£2,000 across portfolio (Custodian fee)	Investee company
Annual fees		
Administration and Monitoring Fee	£3,000 per company Directors fee (variable)	Investee company Investee company
Performance fee	20%	Aggregate proceeds over subscription
Exit fee	none	

Advisor fee facilitation	Yes
Advisor fee amounts	By arrangement
HMRC Approved?	No
Advance Assurance	For each investment
Reporting	6 monthly (as of 30 June and 31 December)
Minimum investment	£10,000
Current funds raised	£0m
Fundraising target	£1.5m
Closing date(s)	5 April 2018 and quarterly as funds are raised
Expected exit method	Mostly trade sale

Source: Symvan Capital, Hardman & Co research

Symvan Technology EIS Fund

Product name	Symvan Technology EIS Fund	
Product manager	Symvan Capital	
Tax eligibility	EIS	
Target return	£2.85 for each £1 invested	
Target income	None	
Type of product	Discretionary portfolio service	
Term	Evergreen	
Sectors	Technology	
Diversification		
Number of companies	8-10	
(Expected) Gini coefficient	0.17-0.25	
Fees	Amount	Paid by
Initial fees	6%	investee company
Annual fees		Investee company
Administration & Monitoring fee	2%	Investee company
Performance fee	20%	Aggregate proceeds over subscription
Exit fee	none	
Advisor fee facilitation		Yes
Advisor fee amounts		By arrangement
HMRC Approved?		No
Advance Assurance Reporting		For each investment 6 monthly (as of 30 June and 31 December)
Minimum investment	£20,000 (subject to manager discretion)	
Current funds raised	£1.3m	
Fundraising target	£10m	
Closing date(s)	As funds are raised	
Expected exit method	Mostly trade sale	

Source: Symvan Capital, Hardman & Co research

Fund Aims

Symvan Capital currently have two open funds: the Symvan Technology SEIS Fund 3 and the Symvan Technology EIS Fund. Both are discretionary services that invest in a portfolio of early stage or start-up technology companies. The target return in both funds is £2.85 for each £1 invested. There is no income target on either fund. The funds have no set target for exit date, but there is acknowledgement that investors may wish to exit after three years and a variety of potential routes are outlined.

Summary of Risk Areas

Note that there are generic risks from investing in (S)EIS or unquoted companies in addition to the specific ones commented on below. Comments on relative risk refer to other EIS investments and not to wider investments.

Investments

Portfolio Risk

Each investment will be providing risk capital to an unquoted early stage technology company. Symvan aim to have a 'handful' of companies in each portfolio, which has been 4-6 per tranche in practice and up to 11 across a fund. Sector diversification is limited and stock specific risk should dominate market risk.

The target return of £2.85 for each £1 invested supports a higher risk strategy, with the individual investments being into early stage technology companies.

Sourcing and External Oversight

Symvan appear to have a good sourcing network and are also more pro-active about seeking out potential investments than many managers. Sourcing the required number of investments looks very achievable.

Symvan have a very strong and experienced advisory panel, as well as strong support from its Angel network, which, inter alia, helps with technology validation.

On-going Support and Monitoring

Support for investee companies comes through a combination of Symvan Capital being appointed to the board, regular ongoing contact and support from Symvan's advisory panel and Angel network.

Exits

Limited track record to date, but expect to achieve exit mostly via trade sales. The return profile of individual investments is likely to be skewed, with successful investments probably giving very good returns while those that do not will give little or nothing back.

Manager

Team

The Symvan team is small, though the number of investee companies to date is also small, allowing them to pursue their 'deeper not wider' approach. The Directors work closely enough that each could cover the other if need be. While there is some

further capacity with current staffing, they have recruited in advance of needs as the company grows.

Track Record

To date their (S)EIS funds have made investments into 15 companies with no exits. Across the portfolio the unweighted average uplift is 33%, with four companies not having moved yet and one complete write down. Hardman & Co see the track record as promising, though it is still at an early stage.

Regulation

Product

Advance Assurance is sought for each investment.

Manager

Symvan Capital is FCA registered and has the appropriate fund management permissions. Submissions to Companies House appear to be up to date.

Risk Analysis / Commentary

The broad experience of the Symvan team belies its short history. They give the impression of having thought very hard about their investment process and it is articulated as well as anyone in the field. Reassuringly, they come across as pragmatic financiers rather than technology evangelists. The age of the company does mean the track record currently lacks depth, but its returns so far show promise. Their success in attracting follow on investment gives further support to their approach.

Investors do need to be aware they will be investing risk capital into early stage technology companies. Symvan's hands on approach and pool of advisors do give some comfort. There has only been one failure in their portfolio to date, but almost every conversation we have had with the Directors has included their expectation that some will occur. The small size of the team does not give concern with the current portfolio size, and we are reassured that they have recruited in anticipation of future growth.

Diversification is an important consideration for any investor – while the companies that succeed are likely to produce exceedingly good returns, those which do not may return little. Diversification within each fund is limited, though typical for products in this area. Both funds should be considered in the context of an investor's entire portfolio.

Overall the Symvan approach is very well thought out with a track record that suggests it may deliver in due course.

Investment Process

Deeper dig into process

The Symvan Capital approach to investment blends two distinctive strategies. The first is 'life-cycle' investing, considering the capital needs of a company from initial investment to exit. The second they characterise as 'deeper not wider', with the emphasis being much more on company management than the technology. They refer to this process as 'Symvan Select'.

Symvan list five success factors that they see as being critical:

- ▶ **Company selection:** As mentioned above, the most important part of this is the quality of the management team. Symvan spend a few months getting to know them before committing to investing.
- ▶ **Follow on funding:** SEIS funding is limited and usually not sufficient to bring a company to success. Symvan look to map out the future needs and plan for those.
- ▶ **Exit planning:** Looks to incubators to de-risk investments. They mention that accelerators can bring vital support and enhance credibility or provide natural exit options.
- ▶ **Sector and SME experience:** Symvan draw on their own experience together with that of their advisors who are strong in the technology areas. They use this to identify weaknesses early (all companies at this stage have some!) and, if necessary, bolster the management team.
- ▶ **Portfolio size:** Symvan limit their SEIS capital which allows them to be highly selective, only looking to choose the best opportunities from those that they see. It also means that the managers are able to spend meaningful time supporting their investments.

The 'life-cycle' approach to their investments is clear in these factors. They do not just consider whether the company is a good investment now, but how their needs will develop over time and how Symvan can support that. We note that most of the investee companies to date have received follow on funding, which is supportive of their approach. The launch of the EIS Fund in 2016 is a useful factor in supporting that, though they do have links to other sources of capital, most notably from their links to business angels.

Symvan see investing in a company as entering a relationship that could last five years or more. The process of getting to know the management is a little like a multi-stage interview. Symvan make sure they meet the management in different environments and for different purposes to get a broad feeling for their capabilities. They are looking to assess competence, honesty, ethic and strategic vision. One particular matter they would like to avoid is an unwillingness to take advice, something the Symvan Directors have learned from past experience.

Technology is assessed together with their expert network. Symvan have a very experienced advisory panel, and within their network have good contacts with technology users, who can inform them on the likelihood of successful commercialisation. The advisory panel has expertise in machine learning, mobile & mobile platforms, IT security, media and financial technology. The funds will not invest in biotech.

Sourcing Deals

Symvan are more proactive in sourcing deals than many other (S)EIS managers. They do take measures to identify and approach potential investments, often through their connections to accelerators and visiting the latter's pitch days.

It does also follow the more conventional route of sourcing deals through their network of accountants, lawyers, advisors and Angel investors. Historically the split has been roughly half active and half passive. Given the small number of deals that Symvan require, we do not envisage any sourcing issues. Currently their conversion rate is roughly one investment for every fifty considered.

Like many VC firms, Symvan have a desire to be close to the company. However they feel applying this geographically would restrict their options and in practice they are location agnostic. A stronger London network has led to more deals having been based in the capital, but they now have investee companies all round the UK and overseas too.

Symvan aim to spread investments across several different technology areas, which they list as: Media & Entertainment (digital media and gaming), Software, Machine Learning and Analytics, Social Media and Digital Media. They note that they are currently seeing some good opportunities in recruitment and fintech. The latter is a recent change, as previously they had felt prospects in this area were not sufficiently disruptive. As noted above they do not invest in biotech. Investors will get exposure to a 'handful' of companies.

The first tranche of SEIS Fund 2 was spread across six investments, the previous fund across four. In their current funds Symvan are aiming to increase these figures, with up to 10 investments in each fund. Investors should note that while the whole fund may reach that, going by previous investments, individual tranches may have fewer companies in.

Funds may be released to companies in tranches that are conditional on the achievement of defined milestones.

The funds may be co-invested with other parties. To date they have done this twice, once with an accelerator fund and once with another SEIS/EIS fund. Symvan do not expect this to be common for SEIS, but more likely in their EIS Fund. They emphasise that they do not rely on any co-investing party's due diligence.

Decision Making

All approaches for a potential investment get a quick look from a Director before a more junior member of staff does a brief review with potential Yes/No decision and summary report. There is a weekly meeting with the Directors to go through these.

Once an investment is to proceed, it enters Symvan's due diligence process. They emphasise that this is an ongoing process rather than a snapshot. Initially it is spread over a period of time to allow them to get to know the management and vice versa. Valuation is seen as a key part of this, with agreement sought at an early stage.

The Investment Committee for both funds consists of the Symvan Directors plus two members of the Advisory Panel (Rob Bird & Julian Sampson). Any decisions to invest have to be agreed by all the members of the committee.

Cognisess Case Study (part 1)

Cognisess Description

Cognisess is a SaaS predictive people analytics platform. The concept is similar to the personality/aptitude tests that have been part of many companies' recruitment process for some time, but developed much further. Based on developments in cognitive neuroscience, the company uses online games together with some statement based surveys to assess a wide range of attributes. The aim is to provide a deeper insight into the strengths of both existing employees and job applicants to allocate them the role best suited to them. A key factor for marketing is pricing – by using a 'software as a service' platform it can price at a fraction of traditional approaches while being more effective.

Symvan Capital Investment

Symvan first encountered Cognisess over three years ago through the Microsoft Accelerator Programme in London. At this stage the company had finished its initial product development and had its first pilot clients.

The time to the first investment was slower than usual – as well as the lengthy process of getting to know the management, Cognisess spent some time in talks with a recruitment industry player which was seeking to make a significant investment. However, these eventually fell through as Cognisess felt the proposed terms were too onerous. Overall it took ten months from first contact to investing.

Some of the key factors that attracted Symvan include:

- ▶ Management that have deep knowledge in the area together with impressive scientific advisors.
- ▶ Very credible existing clients included Havas, Ford and PayPal. Pipeline also strong.
- ▶ Clear ownership of intellectual property, though software itself is not yet patent protected as advice was that it was not cost effective at that time.
- ▶ Technology is scalable and potentially disruptive.

It is worth noting that there are competitors that offer similar products. Interestingly InterContinental Hotels used a competitor, but have started using Cognisess. As well as getting advice from their Angel network, Symvan extensively tested the software themselves, and, incidentally, gained insight into their own abilities while doing so.

The initial investment from the first closing of SEIS Fund 2 was for £150,000 with a pre-investment valuation of £2.25m.

Governance and Monitoring

All investee companies will have received Advance Assurance from HMRC before any cash is invested. Interestingly, many seed companies get assurance very early in the process and Symvan have added a check once the diligence process is complete to make sure that it still covers the company properly.

Investors will receive reports from Symvan every six months. Valuations are derived by reference to IPEV guidelines. To date all changes have been based on subsequent transactions, but the guidelines allow other methods when suitable.

A condition of Symvan investing in a company is the latter appoint Symvan Capital Limited to the board as a corporate director. This allows both of the Symvan

Directors to be actively involved with each company. Further two of their advisors have each been appointed to an executive role in an investee company.

As can be gathered from the investment process, Symvan's relationship with the investee companies is an ongoing one. At its most basic, the Symvan investment agreement gives them veto rights over most capital decisions within the company. They also have meetings with management at least monthly, though communication is typically more frequent. Symvan's primary support is capital markets, though they do provide some business support, mainly through their advisors and network.

Symvan places great emphasis on good corporate governance, which they see as establishing good habits before bad ones can set in. This helps ensure that investors are treated fairly and potential future investors/acquirers are not put-off by poor practice.

The nature of investing in such early stage companies is that they are likely to be unprofitable when the SEIS investment takes place. In most cases they will require follow on investments to get to the point of achieving revenue, and sometimes for beyond that. Once the SEIS allowance of £150,000 per company is used up, no further investment can be made under the scheme, and as almost all investments will be of that size the SEIS fund is unable to make follow on investments.

When appropriate, Symvan will make sure investors are informed of subsequent fundraisings. Investors will usually get the opportunity to participate in post SEIS follow-ons – even where pre-emption rights have been waived – but there will be exceptions where, for example, the amount is small or the deal is complex. Investors who do not participate in follow on fundraisings may, depending on terms, have their existing investment diluted. New investors who get EIS benefits may look to hold for a further three years to secure their tax reliefs, possibly delaying any exit. Existing investors who do not follow on their investment need to accept that this may be a price of making their holding more valuable.

It should be noted that Symvan Capital collaborate with a corporate finance company, Symvan Securities, which is also owned by the Symvan Directors. This has done several of the follow-on fundraisings for the SEIS investments. There is no obligation for investee companies to use them and any relationship is non-exclusive. Procedures are in place should any conflicts of interest arise. Symvan Capital have also launched an EIS Fund which has already participated in four follow-on investments.

Although not emphasised in their literature, Symvan have a very strong Angel network. This has proved to be a strong source of funds as well as providing some expertise. Their list comprises around 1,200 individuals, with Symvan classifying about 150 of those as active. These are distinct from investors into the funds in that they are generally sophisticated investors who typically do their own due diligence. Since 2014 Symvan have raised almost £3m through the network, more than twice as much as the funds. They have also supported investee companies in the raising of £6m from third parties too, with an intention for more to come in the near future. These have come from EIS investors and institutional funds.

Exits

As noted below, due to its short history Symvan has not had any exits yet from its funds. The information memorandum cites a list of possible methods, including further fundraisings, use of internally generated cash, company sale or merger or

third party sale. Investors should note that if an exit is not achieved within five years then there is the possibility they will be transferred back to the beneficial holder.

Cognisess Case Study (part 2)

Since the SEIS investment in 2015 the company has made good progress. In particular, it has secured several new clients, including AB InBev, Volkswagen UK, Audi and Uber in Australia. They have also updated their software and expanded the team to 14 staff.

Over the course of this time Symvan have been in regular contact with the company, particularly Chris Butt (CEO). This has extended beyond the regular board meetings and Symvan have on occasions, been active in supporting the business development. For example, they gave advice to Cognisess when they were negotiating the IHG contract and have been involved in other new business developments.

Cognisess is still in the early stages of development and continues to require support. As per one of their main objectives, Symvan have continued to make sure that corporate governance is not left behind in the quest to drive the company forward. In particular, they strive to make sure their (electronic) data room is kept up to date, as are Company House filings. This made planning the recent fundraising much easier. For Cognisess all the finance functions are currently outsourced and Symvan have given support here too, striving to make sure this is kept up to date. We understand discussions have started about bringing this in house Symvan note that other companies have required different support.

Since 2015 the company has done two fundraisings for a total of £0.6m, with the second at a pre-money valuation of £2.5m. All the funding was sourced by Symvan. The additional money has been used to develop the platform further and service new customers. Already the R&D capability has been expanded. The company has also moved towards being more sales orientated, having relied on the CEO up to then.

They are also continuing to source research to make the product better and in the second half of 2016 worked hard on v2 of the platform. They added an online video interview facility which can add an interpretative layer of facial analysis, as well as a multi-language option. In early 2017 they added a Graduate version, designed specifically for universities and colleges. They have also divided their offering into different products, each aimed at a specific company size. Early indications are the evolved product is being received well.

In spring 2017 the company was chosen to be one of 15 startups at the Microsoft Global Startup Roadshow in Seattle. As well as direct introductions to potential enterprise customers it also met with some Silicon Valley investors, with positive feedback.

Future Plans

As would be expected from Symvan's success factors, there is a roadmap for how they see Cognisess's future funding needs. There will likely be another funding round in 2018. If they are successful in getting US clients then that may involve US venture capital, but regardless they are confident that there will be ongoing growth and funding should be obtainable. HR has become a hot tech sector, suggesting the market as whole will be supportive.

When it comes to exit they anticipate that the most likely form is a trade sale in about two - three years. While they believe the company would be suitable for an IPO, they feel that it will be a very attractive asset for one of the big recruitment companies.

Track Record

Symvan is a relatively young company, having only started to raise SEIS funds in 2014. To date they have raised money in two previous SEIS funds and through one tranche of their newer EIS fund. None of the companies have exited yet, though several companies have had follow-on funding, with valuation uplifts, and one has been written down. This funding has come from within the Symvan network, including its EIS Fund, and from third party investors. Data has been supplied as of 1 December 2017.

The first fund, the Seed EIS Opportunities Fund, made four investments, three of which have received follow-on funding, with implied NAV uplifts of 44%, 58% and 90%. The fourth investment has had a 98% write down, for an overall money-weighted average change to date of 0.7%.

The Technology SEIS Fund 2 has made eleven investments to date over different tranches. These are younger than those from the first SEIS fund, but eight have had a valuation uplift, from 3% to 144%, with an unweighted average move of 38% and money weighted average of 35%.

The EIS Fund has made four investments to date, all into companies that had already received funding from the SEIS funds. Three of these are showing valuation uplifts, of 11%, 31% and 72% with a money weighted average of 29.5%.

Looking across the investments as a whole, the unweighted average change is 33.0%, while on a money weighted basis (including angel investments) it is 33.9%.

Overall it is very early days with no exits having been achieved yet. Despite that the track record so far does look promising.

Fees

The fees are listed in full in the Factsheets on pages 3 and 4. Apart from potential performance fees, they are all paid through the investee companies. In late 2016 Symvan became the fund manager of the EIS Fund, reducing the number of parties involved, and, we are pleased to note, also reducing the fees payable.

The launch of SEIS Fund 3 with Symvan as the Fund Manager has seen a similar effect on fees relative to SEIS Fund 2. Under the standard Hardman & Co scenarios the effect is to reduce these by about a third. This Fund has a fee that requires a little further clarification. The Director Fee will be paid in options for shares in the investee company. The exact amount will vary from company to company, but broadly these will have an execution value of around £10,000. These are obviously further geared to success of individual portfolio companies, with the usual caveats about options.

As is usual for SEIS products, the small scale of the investments means the fees in the SEIS Fund are proportionally somewhat higher than for other products.

Fundraising targets

The SEIS Fund 3 has a fund raising target of £1.5m. The fund has a target life of between five and seven years, and we would suggest that the upper end of that seems most likely in practice.

The minimum investment is £10,000. The staggered closings mean that individual investors may not own shares in all investee companies. In the past this has not prevented later subscribers getting exposure to previously committed investments.

The EIS Fund has a fund raising target of £10m and to date has raised £1.3m. The first closing was 4 April 2016. The fund has a target life of seven years. The minimum investment is £20,000 (subject to managers discretion).

Regulatory and Staffing

People

Kealan Doyle – CEO and co-founder, Symvan Capital

Has had wide ranging experience having worked in structured equity products at HSBC, derivatives at Deutsche Bank and was an economist at UBS. More recently has advised SME clients on IPOs, and co-founded Symvan Securities in 2010.

Nicholas Nicolaides – Director and co-founder, Symvan Capital

Started his career in Equity Capital Markets at BNP Paribas, latterly focussing on TMT. Spent years at Lehman's, before having senior roles at smaller corporate finance houses. Co-founded Symvan Securities in 2010.

Rob Bird – Advisory Panel and EIS Fund Investment Committee

An expert on big data and machine learning, he is the author of 10 patents in the area and is on the Editorial Board of the Journal of Big Data. Following ten years at the University of Florida, he has led Akamai Technologies machine learning Center of Excellence since 2014.

Julian Sampson – Advisory Panel and EIS Fund Investment Committee

After 15 years in compliance roles, he founded Fulcrum Compliance in 2008. Since then he has supplied consulting services to FCA regulated firms. He spent six years as Chairman of the CISI Compliance Forum and was a member of the British Standards Institute Steering Committee.

Ian Pearson – Chair of Conflicts Committee

Has had extensive experience in business development in various technology and other companies. Since 2009 he has been CEO at Ballintrae Ltd, an IT consultancy supplying services to large investment banks. He will not sit on the Investment Committee to preserve his independence in case of any conflicts.

Firm

In addition to the Directors, Symvan has four other staff plus contracted consultants for sales and compliance. The advisory team currently has three other members who are not on the Investment Committee and, as referred to earlier, includes industry experts and an executive coach. One member of this team has moved on since our last report, and we understand Symvan will look to add another member.

The Symvan Capital team is very small, though they have a very strong, experienced group of advisors. As the number of investee companies grows the company will have to recruit further, but we are reassured that they have done so in anticipation of growth. They estimate that they could cope with 15 investments with their current team size, with the additional member of staff likely to increase that.

Appendix 1 – Due Diligence Summary

Summary of core due diligence questions		
Symvan Capital		Validated by
Founded	2013	Hardman & Co
Type	Limited Company	Hardman & Co
Ownership	Equally by Directors	Hardman & Co
FCA Registration	Yes – 685262	Hardman & Co
Solvency	Confirmed	Hardman & Co
EISA member	Yes	Hardman & Co
PI arrangements	Yes	Hardman & Co
Administrator		
Company	Woodside Corporate Services	Information Memorandum
FCA Registration	Yes – 467652	Hardman & Co
Fund Custodian		
Company	Woodside Corporate Services	
FCA Registration	Yes – 467652	Hardman & Co

Source: Hardman & Co Research

Symvan Capital Limited is a limited company incorporated in 2013. In 2015 Symvan Capital become FCA Registered and in 2016 obtained permissions for managing an unauthorised Alternative Investment Fund. The latest published accounts are as of 31 December 2016. Symvan Capital is an “IFPRU €50k” company. Hardman can confirm capital is in excess of its requirement.

The ownership of Symvan Capital is split equally between Nicholas Nicolaidis and Kealan Doyle. The same people own the related Symvan Securities.

Appendix 2 – Example Fee Calculations

This calculates the estimated amount payable to the manager under certain assumptions. We only add in the income tax relief and do not allow for other tax benefits, such as loss relief, which will also be valuable to some investors.

Basic Assumptions

Term	5 years
Investor amount	£100,000
Company investment	£150,000
Fund Size	£1.5m

Source: Hardman & Co Research

Estimated fees payable to manager – SEIS Fund 3

		Hardman Standard			Target
Gross Return		-50%	0%	50%	185%
Amount (pre tax relief)		£100,000	£100,000	£100,000	£100,000
Initial Fees	Rate				
Manager	10.00%	£10,000	£10,000	£10,000	£10,000
Fund Setup fee	£2,000 pro forma	£1,333	£1,333	£1,333	£1,333
Total		£11,333	£11,333	£11,333	£11,333
Annual Fees					
Administration and monitoring fee	£3,000 pro forma	£2,000	£2,000	£2,000	£2,000
Director fee	Options, approx	£0	£0	£5,000	£18,500
Total (5 years)		£10,000	£10,000	£15,000	£28,500
Net investment		£100,000	£100,000	£100,000	£100,000
Gross fund after investment return		£50,000	£100,000	£150,000	£285,000
Exit fees					
Performance	20%	£0	£0	£10,000	£37,000
Net amount to investor		£50,000	£100,000	£140,000	£248,000
Gain (pre tax relief)		-£50,000	£0	£40,000	£148,000
Gain (post tax relief)		£0	£50,000	£90,000	£198,000
Total fees to manager		£21,333	£21,333	£36,333	£76,833

Source Hardman & Co Research

Basic Assumptions

Term	5 years
Investor amount	£100,000
Company investment	£100,000

Source: Hardman & Co Research

Estimated fees payable to manager – EIS Fund

		Hardman Standard			Target
Gross Return		-50%	0%	50%	60%
Amount (pre tax relief)		£100,000	£100,000	£100,000	£100,000
Initial Fees	Rate				
Administrator		£0	£0	£0	£0
Company	6.00%	£6,000	£6,000	£6,000	£6,000
Total		£6,000	£6,000	£6,000	£6,000
Annual Fees					
Administration & Monitoring	2.00%	£2,000	£2,000	£2,000	£2,000
Total payable		£10,000	£10,000	£10,000	£10,000
Net investment		£100,000	£100,000	£100,000	£100,000
Net investment		£100,000	£100,000	£100,000	£100,000
Gross fund after investment return		£50,000	£100,000	£150,000	£160,000
Exit fees					
Performance	20%	£0.00	£0.00	£10,000	£12,000
Net amount to investor		£50,000	£100,000	£140,000	£148,000
Gain (pre tax relief)		-£50,000	-£0.00	£40,000	£48,000
Gain (post tax relief)		-£20,000	£30,000	£70,000	£78,000
Total fees to manager		£16,000	£16,000	£26,000	£28,000

Source: Hardman & Co Research

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