Praetura EIS Growth Fund

Tax-Advantaged Investments

EIS Review

MAY 2020

Contents

Overview

Praetura Ventures Limited ("PVL" or "the Manager") is seeking to raise £30 million a year for the Praetura EIS Growth Fund ("PVL EIS" or the "Fund"), an evergreen EIS qualifying opportunity. The Fund will seek to deploy £1-3 million across a range of EIS eligible early-stage businesses, predominantly in the North of England, with the goal to provide investors with meaningful capital growth. The Fund, which launched in February 2020, will operate in biannual tranches, and PVL expect to allocate investors across 8-10 investee companies.

Investment Details:

Score:	84
Offer Type	Discretionary Approved
EIS Strategy	Generalist
EIS AUM (Pre-Offer)	£0
Manager AUM	£21,843,352
EIS Risk Level	Medium – High Risk

Investment:

Minimum subscription	£25,000
Maximum qualifying subscription per tax year	£1,000,000
Early bird discount	Early bird discount of 1% off the initial charge for all applications and funds received by 30th June 2020.

Closing Date:

Evergreen (biannual allocations)

This document verifies that *Praetura EIS Growth Fund* 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.

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:

Praetura Ventures Limited ("PVL" or "the Manager") is a Manchester based Venture Capital firm that was established in 2018. It is a wholly owned subsidiary of Praetura Group, currently comprising four entities: Praetura Debt Services Limited ("PDS"), Praetura Asset Finance Limited ("PAF"), Praetura Commercial Finance Limited ("PCF") and Praetura Ventures Limited. Praetura Capital LLP, which we understand now ceases to exist following a restructuring whereby Praetura Group purchased all of its assets, was the first of the Praetura companies to be formed. Since its incorporation in 2011, the group has evolved considerably, and has organised investments of approximately £100m, into over 20 start ups or early stage businesses, with the majority of investments qualifying for EIS. In 2019, Praetura Group raised £20 million of capital and capital commitments from its three shareholders and started implementing ambitious expansion plans, as part of this PVL launched its first EIS; a £15million approved fund, fully deployed into 11 businesses. In 2020, PVL subsequently launched a £7 million unapproved fund, which had been deployed into five businesses as of April 2020, representing circa 70% of the fund. PVL have informed us that another deal will be completed in the next few months, but the last deal has been deferred, pending the eventual outcome and implications of the current COVID-19 pandemic. PVL are now fundraising for its new EIS fund: Praetura EIS Growth Fund, which is targeting full deployment on all subscriptions made prior to 30th September 2020, by 31st March 2021.

PRODUCT:

The Praetura EIS Growth Fund ("PVL EIS" or the "Fund") is a discretionary managed portfolio service that invests in early stage companies, predominantly in the North of England. The Fund will provide, seed capital, development capital and growth capital into companies. Although the Fund is sector agnostic, historically PVL have targeted companies with a focus on B2B rather than B2C. At the investor portfolio level, PVL hope to deliver a diversified portfolio of 8-10 companies, with a target return of 2x, over a 4-7-year investment horizon. The Fund will operate in semi-annual tranches, with two soft closes per annum, in September and March.

SUMMARY OPINION:

Although PVL was only incorporated in 2018 and is yet to establish itself in the tax-advantaged space, the wider Praetura Group has been involved in single company, early stage investments since 2011. David Foreman, Managing Director at PVL, co-founded the Praetura Group, having been heavily involved in the company's earlier investments. David will continue to oversee the investment strategy; but will be less involved in the day to day operations of the investment team. Although PVL is only recently formed, it is a 100% owned subsidiary of Praetura Group, which means it will have access to the Group's well-defined governance structure and financial resources, not usually afforded by a manager of its size.

The Fund is targeting early-stage investee companies in the North of England. Although the Fund's mandate is generalist, PVL naturally warm to technology focused companies, albeit servicing a variety of end markets. PVL have a well-defined investment strategy and investment criterion. PVL has positioned itself for growth, and has a sizeable investment team relative to AUM, with significant experience and expertise; however, the team has a very limited track record of working together. Further, due to PVL's recent establishment, we are yet to see the investment strategy in action, and therefore we have little evidence on the investment team's ability to effectively execute the strategy and in particular their ability to achieve exits.

PVL's investment process and risk management controls appear robust and fit for purpose, and the Fund EIS is worth consideration by individuals who seek a growth orientated portfolio with a regional focus toward investment in the North of England. Further, individually, members of the investment team have an impressive track record, and the Praetura Group can point to an existing track record of investments, albeit on a single company basis. However, as with any new entrant to the market, investors should satisfy themselves that they are comfortable investing with a manager which has a limited track record of executing the strategy within the current framework.

Positives

AT THE MANAGER LEVEL:

- PVL has a strong presence in the North of England, which has meant they have developed significant networks and relationships in the region;
- Although a relatively new entity, as a 100% owned subsidiary of the Praetura Group Limited, PVL will have access to central services, as well as product and revenue diversity, making PVL less exposed to changes in rules governing tax advantaged investments;
- PVL have a well-defined client-servicing proposition. Investors have access to PVL's white labelled online portal, where they can self-manage their portfolio from an administrative perspective, and will receive bi-annual reporting. The portal also allows investors to see where any fees have been taken;
- PVL has an appropriate approach to corporate governance, given the size and nature of the firm; the composition of the Board and Investment Committee, the frequency of the meetings and the topics discussed are as we would expect. Furthermore, being part of a larger group means that PVL will benefit from a more enhanced level of oversight;
- Although PVL are recently established, the wider Praetura Group have had experience investing on a deal by deal basis since 2011, with involvement in deals costing over £100 million to date, and the track record hints at promising results;
- The Group has very significant capital resources compared to many firms of this size and are investing heavily in PVL to try to make it a success.

AT THE PRODUCT LEVEL:

- PVL have a dedicated portfolio management team which will help to shore up the post-investment management process, and we also understand that members of this team will spend time assisting companies in with key strategic objectives;
- Praetura's regional presence should ensure that the EIS receives good deal flow from its network of professional advisers and intermediaries situated outside the South of England, where valuations, the Manager believes, are lower, thanks to the shortage of readily available capital in the region;
- Investor subscriptions are diversified across approximately 8-10 underlying companies, and across companies at varying stages of development, which should provide investors with a good level of portfolio diversification not usually afforded by many offers currently raising;
- PVL boasts a sufficiently comprehensive investment process using diverse deal-sourcing channels which has been well-documented to us; however, given that the Fund was only recently launched, it is still too early to make judgements on its effectiveness;
- The EIS Fund invests largely in companies operating in a B2B context, which means that it will be less exposed to typical risks associated with changes in consumer sentiment, and any potential macroeconomic headwinds;
- PVL will require a Board seat as well as non-voting observer rights for all of its underlying investee companies and will remain actively involved in each business. This level of oversight should help to ensure investee companies continue to work toward pre-defined KPIs, and also gives PVL early insight into whether companies are falling short of these objectives;
- Given the size and structure of the investment team, there is a low level of key-person risk;
- Performance fees are subject to a 20% performance hurdle and charge based on subscription amounts which is a welcome alignment of interests.

Issues to consider

AT THE MANAGER LEVEL:

- PVL has been founded very recently, in 2018, therefore, the investment team has a limited track record in delivering its investment strategy;

- Although the longest serving member of the Investment Team, Peter Carway, has been with Praetura since April 2016, the rest of the team have very limited experience working together, having only been with Praetura since November 2017 onwards; specifically, the two directors that co-lead the investment team have only been at PVL for under two years[1];
- Although it is encouraging to learn that PVL is looking to launch a BPR offering and a scale up fund, the Manager's product suite is solely concentrated in a single tax-advantaged product (although we acknowledge the wider group does generate supplementary income), which means that it is heavily exposed to HMRC changes in legislation;
- Although it is a positive to be financially aligned with the strategy, the need for the Praetura Group to co-invest 25% in its first Fund offering could indicate a lack of fundraising ability;
- As a newly formed entity, there is a very limited financial track record for examination; the Manager, along with its parent, is currently operating at a significant loss amidst a period of significant economic uncertainty; however, we do acknowledge that its parent Praetura Group Limited is well capitalised having recently undertaken a capital raise through new share issuance, and we understand the shareholders have committed to invest further funds;
- PVL is a new player in an EIS market which has seen a proliferation of new products on the scene. As such, it remains to be seen whether it can adequately distinguish itself and its strategy from other offers.

AT THE PRODUCT LEVEL:

- While the breadth of sub-sector exposure does mean that there are different value drivers, all the opportunities to date are coming from the technology sector, albeit servicing a number of end markets and operating across a number verticals, which means that investors will have to find a level of comfort with the sector concentration;
- The Praetura EIS 2019 fund portfolio is exposed to healthcare technology and biotechnology, which in total occupies 23% of the portfolio. In our opinion, these are very specialised and sometimes quite a niche sectors. We note that Dr Andy Round has a PhD in Biochemistry and specialises in these sectors, but that no other member of the team has expertise, which presents the issue of key person risk;
- As is a common issue for all managers operating within this space, due the current economic environment and impacts associated with the government imposed lockdown, the Fund may struggle to raise the level of funds required to satisfy its pipeline; further, there may be delays in the Manager's ability to effectively deploy funds;
- Acquiring interests in Portfolio Companies which are held by other funds managed by the Manager creates a conflict of interest. These conflicts will need to be managed carefully to ensure incoming investors don't overpay and that exits are timed so as to ensure retention of EIS tax reliefs;
- The benefits Venture Partners receive gives rise to a potential conflict of intertest, since 15% of every deal is reserved for Venture Partner's to invest over and above the fund allocation, meaning that there could be some preference given to certain underlying investee companies. Although PVL mentioned in our discussion that the 15% is a hard limit, there is no formal documentation of this. As the Fund and the pool of investors grow, we would welcome a more formalised documentation of this limit[2];
- There are a number of different fees charged: in addition to the 3% arrangement fee charged on deals, Praetura will charge an annual management fee of £36,000 to investee companies, this is in addition to the fees charged to investors. Whilst we acknowledge the fact that all fees are explicitly stated, unlike many other managers operating in the market charging both investors and investee companies creates conflicts of interest that need to be managed carefully;
- As expected for a new fund, the product has no past performance record to allow investors to assess the credibility of the strategy or the Manager's ability to achieve exits beyond the investment teams experience at previous roles. It could be many years before any exits are achieved. However, we acknowledge the prior experience in attaining exits across the Group as demonstrating the Group's ability to identify successful investments.

[1] Praetura would also like to point out that the Head of the Portfolio Team has been with Praetura since 2014.

[2] Praetura would like to point out that all deals must have approval from both the investment and conflicts committee.

Manager Quality

Manager Profile

The Praetura group began in 2011, with the incorporation of Praetura Capital LLP (“PCL”), which focused exclusively on single company investments, raising the required capital on a deal by-deal basis. PCL was founded by Michael Fletcher, David Foreman and Peadar O’Reilly (the “Founders”). Thenceforth, the Praetura family has grown considerably over the years. Between 2011 and 2018, Praetura was involved in investments of £100m across 24 start ups or early stage businesses, with the majority qualifying for EIS. Concurrently, two entities were incorporated: Praetura Asset Finance (“PAF”) in March 2013, providing asset-based financing to businesses across the UK, and Praetura Commercial Finance (“PCF”) in September 2016, providing invoice discounting and growth finance to businesses across the UK. PAF and PCF are 73% and 64% owned by Praetura Debt Services Limited (“PDS”), respectively, which is a wholly owned subsidiary of Praetura Group Limited (“PGL” or “Top Co”). PDS was incorporated in June 2019, and PGL was incorporated in May 2018. In June 2018, Praetura Ventures Limited (“PVL” or “the Manager”), a Manchester based Venture Capital fund manager, that is wholly owned by TopCo, was launched.

Michael is now the CEO of PGL, Peadar is the Managing Director of PDS and David is the Managing Director of PVL. Mike and Peadar both sit on the Investment Committee of PVL. We understand that the Founders all left senior roles in investment banking and asset-based lending, at top financial institutions. Their experiences are given in more detail in the Biographies, in Appendix 1.

In 2018, the group raised £20 million of external capital, which allowed it to grow the business in different ways, including launching PVL, which is directly authorised by the FCA, whilst expanding out the team to a headcount of 26. Prior to the outbreak of COVID-19, PVL were hoping to expand its portfolio team by four, its fundraising team by two and recruit two graduates onto the investment team, whilst keeping to their single Manchester office. Unfortunately, this has had to be put on hold due to the current level of uncertainty.

PVL are fully committed to venture capital via EIS and have no other products to date. In the future it may consider a BR solution or a scale up fund, with the ability to provide follow-on funding to businesses invested in via the Fund.

PVL currently manages three products as follows:

- **Praetura EIS 2019 Fund:** £15 million approved EIS fund, which was fully deployed into 11 businesses, with 115 investors and 25 Venture Partners.
- **Praetura EIS 2020 Fund:** £7 million unapproved fund, which had been deployed into five businesses as of April 2020, representing circa 70% of the fund. PVL have informed us that another deal will be completed in the next few months, but the last deal has been deferred, pending the eventual outcome and implications of the current COVID-19 pandemic.
- **Praetura EIS Growth fund (“PVL EIS” or the “Fund”):** PVL are currently fundraising for an evergreen, generalist, discretionary portfolio, seeking to raise £30 million over 12 months, operating in tranches with two soft closes through the year.

TABLE 1: PRAETURA VENTURES LIMITED PRODUCT BREAKDOWN AS AT JANUARY 2020

(£'000)	AUM
Praetura EIS 2019 Fund	£14,482,352
Praetura EIS 2019 Co Investment	£405,000
Praetura EIS 2020 Fund	£6,956,000
Praetura Capital LLP[1]	£8,314,499

Source: Praetura Ventures Limited; Advantage IQ

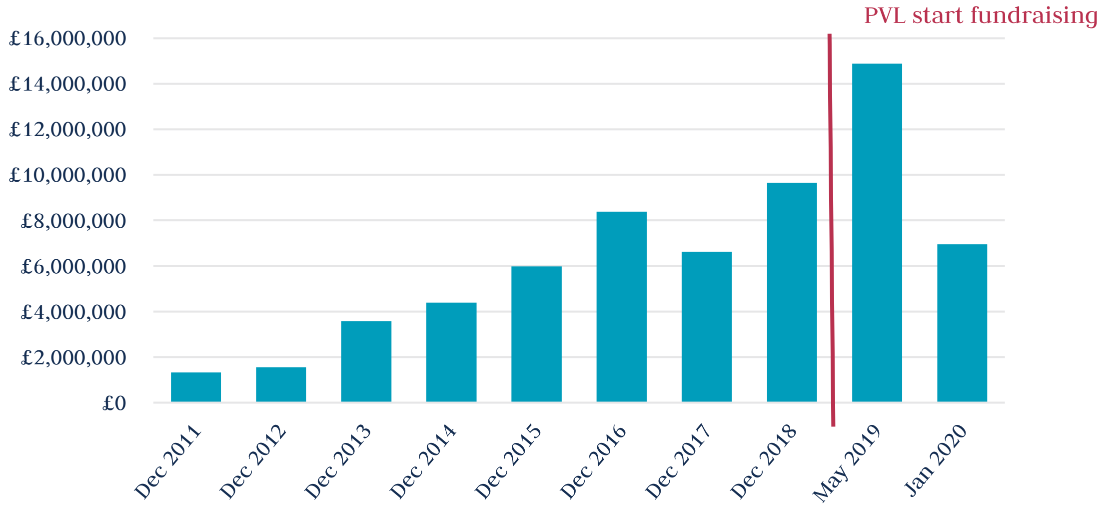
[1] Amalgamation of all the prior deals done by Praetura Capital LLP

As of January 2020, PVL had an AUM of £21,843,352, and it is aiming to reach £135 million in the next 3 years, although the Manager recognises there may be some delay as a result of COVID-19.

In 2019, PVL launched its maiden £15 million EIS 2019 Fund, quickly followed by a top up fund of £7 million in early 2020. The Fund aims to raise £30 million, which is a considerable step-up from the previous raise, particularly when considering that 25% of the funds raised for the first fund were invested by staff, founders, and the Group directors. As evidenced in Table 1, and by the fact they are raising for the Fund, which is EIS qualifying, PVL are currently suffering from product concentration. PVL do not have any other products, neither in the tax-advantaged sphere or institutionally. However, as has been noted, it is considering the launch of a BR opportunity, as well as a scale up fund which is expected to comprise 70% follow on investments, which will add some diversification to the product base. Furthermore, the wider Praetura Group provides a better level of diversification across its product base, providing asset-based financing, invoice discounting and growth finance to businesses across the UK.

The wider Praetura Group has been involved in raising funds on a deal by deal basis since 2011. Praetura Ventures Limited adopted a fund-based approach in 2019, raising its maiden EIS 2019 fund, as indicated in the chart below.

CHART 1: PRAETURA GROUP AND PRAETURA VENTURES COMBINED FUNDRAISING AS AT 28TH FEBRUARY 2020



Source: Praetura Ventures Limited; Advantage IQ

As can be seen in the chart above, fundraising levels across the group have steadily increased over time, with a slight dip in 2017, and a peak in 2019 where they were raising for their 2019 EIS fund. PVL informed us that in 2017, it had placed its focus on expansion of the Group, and therefore had limited capacity to undertake further investments, resulting in the dip in 2017.

PVL carry out fundraising internally, with no help from third parties. Jon Prescott heads up the Distribution team, who source fundraising primarily from advised clients of IFA's, as well as directly from high net worth and ultra-high net worth individuals, family offices as well as the Praetura Group's wider network. PVL informed us that will commit only to raise money where it is confident of its pipeline.

At present, PVL are aiming to raise £30 million for the Fund in two £15 million tranches, closing in September and March, respectively. Originally, PVL planned the first soft close in June, but the outbreak of Coronavirus has forced it to push the close back. PVL are aware that there will be an inevitable effect on fundraising due to the virus, but currently, due to the uncertainty of the situation, they do not have clarity on what these effects will be.

PVL inform us that its custodian, The Share Centre ("TSC"), send out investment confirmation letters post receipt of the application form and funds confirming receipt. PVL also sends further acknowledgements via email to advisors confirming receipt of their client's application. On completion of any investment made by PVL, all advisers and investors will be notified and sent a 20-page memo on the deal. An 80-100-page biannual update is also sent to investors and advisers, providing a 6-month detailed update on each investee company, including forecasted returns, progress report, negative positions, and interim company valuations. PVL follow this report up by inviting investors to join a call where representatives from the Investment Team, Portfolio Team and Investor Support Team are available to answer questions. Investors have access to PVL's white labelled online portal, where they can self-manage their portfolio from an administrative perspective. The portal also allows them to see their holdings in real time and gives clarity to where any fees have been taken.

PVL have two types of investors: a normal investor and a Venture Partner. Venture Partners are investors that invest £250k or more into the fund. They invest in the same terms as normal investors but receive several benefits. In terms of client servicing, they have earlier access and greater clarity on all of PVL's deals, and receive the following above a normal investor:

- Opportunities to meet with investee companies before and after a deal is secured
- "Sightings": a 12-20-page document on deals PVL are considering
- "IC1": a full investment committee paper (before due diligence)
- "IC2": a paper focusing on what has been found after due diligence, and the deal structure PVL have come to with the investee companies.

More detail on Venture Partners and these documents can be found in the investment strategy section.

All customer queries are internally handled by the Investor Support team, but the Portfolio and Investment team are also available, should an investor or adviser require assistance regarding the investee companies. PVL have informed us that they have not reported any complaints in the last 12 months, and any complaint received would be dealt with in accordance with the FCA rule book Dispute Resolution: Complaints.

Financial & Business Stability

PVL derives its income solely from its alternative investment fund management activities, specifically through its EIS funds, where they receive fees from both investee companies and investors, discussed in more detail in the Key Features section of the report. To date, PVL have collected £230,165 through management fees and £448,116 through deal fees, thus demonstrating a reliance on an ability to source ample deal flow to sustain levels on income in its earlier years of operation.

As mentioned in the manager section, Praetura Capital LLP ("PCL") was the first of the Praetura entities to be incorporated in 2011. It was not until 2018 that Praetura Group Limited ("PGL") and Praetura Ventures Limited ("PVL") were formed, and the restructuring of the group took place. As such, the accounts for the historic entity PCL, outlined below, should be viewed purely for illustrative purposes to indicate the group's financial progression. In order to assess the financial stability of the Manager, it is instead more relevant to examine the financial accounts for PVL, and its parent PGL outlined below.

TABLE 2: KEY FINANCIAL METRICS SUMMARY OF PRAETURA CAPITAL LLP FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

PRAETURA CAPITAL LLP	2015	2016	2017	2018	2019	4 YEAR CAGR
Revenues	£974,338	£1,235,446	£1,635,201	£1,355,357	£770,204	(0.06)
Administrative Expenses, Cost of Sales and Members' Remuneration	£634,742	£848,397.66	£1,122,690	£711,859	£764,459	0.05
Cost to Income ratio	0.65	0.69	0.69	0.53	0.99	
Operating Profit	339,595.77	387,048.44	512,510.65	643,497.87	5,745.46	(0.64)
Net Profit	339,595.77	387,048.44	512,510.65	643,497.87	5,745.46	(0.64)
Net Profit Margin	34.85%	31.33%	31.34%	47.48%	0.75%	
Net Assets	957,450.00	64,511.00	5,689.00	(65,415.00)	(1,507,906.24)	

Source: Praetura Ventures Limited; Advantage IQ

Between 2015 and 2017 we can see a steady revenue growth, complimented by a steady growth in net profits, which spreads over into 2018. However, in 2019, there is a sharp dip in both revenue and net profits, and PVL has reassured us that this reflects the start-up costs related to the establishment of PVL. With regards to the balance sheet position, there has been a significant decrease in net assets over the years as the assets have been transferred to other entities within the Group.

Below we have included the most recent accounts for Praetura Ventures Limited and Praetura Group Limited as of 31st December 2019. We note that after the reporting date, PVL issued 2,000,000 ordinary shares of £1 each to Praetura Group Limited. In relation to the issuance, £981,000 of the Trade and other creditors balance existing at the reporting date due to Praetura Group Limited was repaid.

TABLE 3: KEY FINANCIAL METRICS SUMMARY OF PRAETURA GROUP LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

PRAETURA GROUP LIMITED	2018	2019	1YR GROWTH RATE
Revenues	£152,462	£1,438,151	843.28%
Costs	£713,947	£4,361,013	510.83%
Cost to Income ratio	0.18	0.12	
Operating Profit	-£561,485	-£2,922,862	-420.56%
Net Profit	-£561,485	-£2,922,862	-420.56%
Net Profit Margin	-368.28%	-203.24%	
Net Assets	£3,941,180	£8,518,930	116.15%

Source: Praetura Ventures Limited; Advantage IQ

TABLE 4: KEY FINANCIAL METRICS SUMMARY OF PRAETURA VENTURES LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

PRAETURA VENTURES LIMITED	2018	2019	1YR GROWTH RATE
Revenues	£270,814	£1,411,041	421.04%
Costs	£865,397	£3,552,913	310.55%
Cost to Income ratio	0.61	2.52	
Operating Profit	-£594,583	-£2,141,872	-72.24%
Net Profit	-£594,583	-£2,141,475	-72.23%
Net Profit Margin	-219.55%	-151.77%	
Net Assets	-£594,582	-£736,057	-19.22%

Source: Praetura Ventures Limited; Advantage IQ

As can be seen above, both the Manager of the Fund and its parent PGL are operating at a significant loss. We have been informed however, that both PVL and its parent are expected to turn a profit 2022[3]. It should be stated though, that this is as a newly formed manager, operating amidst a particularly uncertain economic climate, and financial forecasts are based on a significant rise in AUM. As such, its ability to generate sufficient revenues to both cover the costs of expansion and make a profit in such a short space of time is largely unknown at this stage. However, we do acknowledge that its parent, Praetura Group Limited is well capitalised with over £8.5 million of net assets, and we understand that since the last reporting date, it undertook a share issuance for a total cash consideration of over £4 million.

As discussed previously, PVL is a wholly owned subsidiary of Praetura Group Limited ("PGL"), and as such is likely to provide PVL with necessary financial support, should this be required. We note that the largest shareholders of PGL hold no more than 18.3%, reducing concentration risk in the ownership structure. Although PVL itself has a limited

[3] Praetura would like to note that another one of the companies within the Group, PCF is already operating at a net profit margin of 11.8%, and both PCF and PAF are showing a positive trajectory in terms of revenues and profit.

level of diversification with regard to income, the larger group as a whole does provide a necessary level of diversification.

Quality of Governance and Management Team

The Board of PVL (see the Table below) are ultimately responsible for product governance; however, as a wholly owned subsidiary, PVL will leverage many of the oversight functions at the Group level. The Group's governance structures, along with the Praetura Ventures Board, are outlined below. As of mid-April 2020, Paul Bond held the position of Compliance Director, and was responsible for the day-today oversight of PVL. However, we have been informed that Paul has retired, and his responsibilities are now being undertaken by the CFO, Rob Memmott.

TABLE 5: OVERSIGHT COMMITTEES

COMMITTEE	DETAILS
Praetura Ventures Board	**Mandate:** Governance and Oversight **Members:** Jonathon Brown (Chairman – Praetura Group), Darren Carter (NED – Praetura Group), Mike Fletcher (CEO - Praetura Group), David Foreman (MD - Praetura Ventures), Rob Memmott (CFO - Praetura Group) and David Moore (NED – Praetura Group) **Frequency:** Monthly and at least 10x per year
Risk and Governance	**Mandate:** Risk and Governance and Oversight **Members:** David Foreman (MD - Praetura Ventures), Rob Memmott (CFO - Praetura Group), Peadar O'Reilly (MD - Praetura Debt) and Mike Fletcher (CEO - Praetura Group) **Frequency:** Quarterly
Investment	**Mandate:** Investment Approval **Permanent Members:** (minimum two for quorum) Mike Fletcher (CEO - Praetura Group), David Foreman (MD - Praetura Ventures), Rob Memmott (CFO - Praetura Group) and Peadar O'Reilly (MD - Praetura Debt) **Invitee Members:** (minimum one for quorum) Danny Summers (MD – Praetura Group, Portfolio), Darren Carter (NED – Praetura Group), David Moore (NED – Praetura Group) and Jonathon Brown (Chairman – Praetura Group), Investment Team Representative **Frequency:** Every two weeks or as required
Conflict of Interest	**Mandate:** Assessing all potential conflicts of interest identified particularly during the Investment Committee process **Members:** Rob Memmott (CFO - Praetura Group) and Jonathon Brown (Chairman - Praetura Group) **Frequency:** Investment conflicts when required. Group conflicts committee meets quarterly

Audit	**Mandate:** Assisting the Board in carrying out its responsibilities relating to accounting policies, internal controls, and financial reporting functions **Members:** Rob Memmott (CFO - Praetura Group), Jonathon Brown (Chairman - Praetura Group) and a Non-Executive Director **Frequency:** Quarterly
Remuneration	**Mandate:** Monitoring of remuneration (including nomination) policies for Employees and Directors **Members:** Jonathon Brown (Chairmen - Praetura Group), David Foreman (MD - Praetura Ventures) and a Non-Executive Director **Frequency:** Quarterly

Source: Praetura Ventures Limited; Advantage IQ

The Board includes a sufficient mix of executive and non-executive directors, ensuring that no one individual or small group of individuals dominates the board's decision-making; further, it is encouraging to note that the Board comprises two independent non-executive directors, David Moore and Jonathon Brown. The Board exhibits a combination of skills, experience and knowledge: Rob is an experienced CFO, with over 18 years in senior financial leadership roles, Jonathan has extensive legal experience and is currently Chairman of Hill Dickinson LLP, Darren is an experienced CEO and Director, with significant experience in the financial services and investment sector and David Moore is Executive Chairman of Axon Moore and has more than 20 years' experience in senior finance recruitment. More information on the biographies of key personnel is given in Appendix 1.

PVL have no compliance committee as such, and following the retirement of Paul Bond in mid-April, the responsibilities of Compliance Officer are now being undertaken by Rob Memmott. However, we note that, at the time of writing, the FCA register currently has no one listed as the Compliance Oversight Officer (SMF16) or the Money Laundering Reporting Officer (SMF17) for Praetura Ventures Limited. Nonetheless, Spencer Jacobs remains a dedicated Compliance Manager with over 15 years spent setting up and supporting the regulatory framework of various financial services firms.

In our discussion with PVL, it mentioned that there has been no need to adopt an allocation policy, due to having only one fund open at a time. However, the benefits Venture Partners ("VP") receive, in that 15% of every deal is reserved for VP's to invest over the usual fund allocation, could give rise to a conflict of interest, which we would consider best practice to be addressed in an allocation policy so as to avoid PVL focusing more efforts on underlying companies that are favoured by VP. Praetura would like to note that all investments require approval from the Investment Committee and the Conflicts of Interest Committee.

PVL have established an audit committee, which consists of a Non-Executive Director, the Chairman and the CFO. Rob, CFO, provides the committee with sufficient, recent and relevant financial experience, and the committee as a whole have ample sector familiarity.

Overall, considering PVL's size, we believe it has a well-structured governance system, with appropriate policies in place. Specifically, PVL have a conflicts committee, a documented conflicts policy and a business continuity policy. Further, while PVL is a relatively new entity, it does benefit from its ability to leverage the policies and structures in place at the Group level.

Product Quality Assessment

Investment Team

The investment team is comprised of nine individuals and is overseen by David Foreman, Managing Director of PVL, and co-founder and shareholder of the wider Praetura Group. David began his career in the stockbroking, M&A and advisory focused industries, but then moved into Private Equity at Altium Capital where he spent five years. While David maintains an important influence over the investment strategy, he will play less of a role in the day to day operations.

Instead, this is overseen by Guy Weaver and Mark Lyons, who have been Directors at Praetura Ventures since September 2018 and June 2018, respectively, where they co-lead the investment team. Andy Round, who is also a Director, has been at PVL since August 2018. Peter Carway and Louise Chapman are Investment Directors and have been at PVL, and the wider Praetura group, since September 2017 and November 2017, respectively. Investment Manager, Sim Singh Landa joined PVL as a contractor in July 2018, before transitioning into a permanent role in October 2019, and finally, the team is rounded off with Investment Executives Jamie Newall and Myrto Lalacos, who have been at PVL for just under two years and five months, respectively. In their roles, they support Directors and Investment Directors in the assessment of investment opportunities.

The investment team will report to David, who in addition to other managerial roles at the business, will provide oversight and advice. Mark and Guy are responsible for introducing investment opportunities. Further, they manage the investment pipeline and the day to day management of the investment team, including performance reviews and appraisals. Peter, Andy, and Louise lead and manage introducer relationships, with Andy focusing on the medical, life science and bio-tech sectors.

Sim, Jamie and Myrto also review initial opportunities and draft investment committee submissions, but their responsibilities differ slightly in that when they present to the Investment Committee, they present alongside a Director or an Investment Director. These three will undertake internal diligence and review of external diligence reports. Sim is responsible for managing the legal documentation negotiation, whereas Jamie and Myrto are only responsible for reviewing such documentation, but all are overseen by a Director or an Investment Director.

In our discussion with Praetura, it was noted that although the investment team has hierarchical titles, in practice the team works under a flat structure, where all members of the team will be involved in various areas of the investment process. This, according to Praetura, helps to ensure continuity with each deal, whereby the same three individuals are able to see a deal from origination to completion. Further, it will help to ensure that more junior members of the team will be exposed to all elements of the investment process. There is a clear split between junior and senior members of staff, with juniors requiring oversight for particular tasks, although are given the opportunity to carry out all parts of the deal process.

Post investment, investee companies have access to PVL's Portfolio Team, who are available to provide strategic level assistance as the investee companies seek to scale. Often, a member of the portfolio team will sit on the board of a portfolio company which enables them to provide further, hands-on assistance. The portfolio team is comprised of eight individuals, co-lead by Andy Sumner and Ben Hatton, who have been Managing Directors at PVL for five months and just under a year and a half, respectively, although Ben has been with the Praetura Group since 2014. It should be viewed as a positive to have a dedicated portfolio team, as it enables the investment team to focus on other elements of the process.

There is a great degree of alignment between the investment team and the product: all members of staff have invested in the 2019 Fund. Further, we note that the Praetura Board are also aligned, having invested £3.75m of the £15m first fund. Although it is a positive to be financially aligned with the strategy, the need to co-invest 25% could indicate a lack of fundraising ability.

The investment team presents a low degree of key person risk, as the investment process is spread across its eight-person strong investment team, which is of significant size relative to AUM. Moreover, the risk is mitigated further, given that key investment roles are split across three investment directors. Additionally, there is a good split between junior and senior members, which ensures a strong degree of oversight over junior staff, thereby minimising any risk associated with an 'inexperienced' team. Although members of the team demonstrate strong individual experience and expertise, it should be noted that the team is recently established, and hence lack the experience of working together. As such, it is too early to assess its effectiveness in executing the investment strategy.

Investment Strategy & Philosophy

The investment strategy for the Fund will have a strong bias towards investment in companies in the North of England. PVL believes that the North is a historically underserved region when it comes to start-up funding and, as such, it could potentially result in more favourable valuations when compared to counterparts in London and the South-East. Furthermore, in our discussions with the Praetura, it was noted that the founders, and many of the investment team are from this region; and with nearly a decade of experience, have developed significant networks and relationships. Further, the fact that the team will be in closer proximity to investee companies also enables regular face-to-face meetings.

Praetura has outlined its strategy as focusing on what it has described as the "Five M's":

1. **Market**

PVL will seek investment in companies which can thrive in its target market. More specifically, the investment team are looking for attractive niches within existing markets, or alternatively opportunities to be a first mover in a new market. Although the strategy is generalist in nature, areas of focus include Creative, Digital & Tech, Financial, Professional & Business Services, Energy & Environment, Advanced Manufacturing and Health & Life Sciences, as these are sectors which it believes have historically had a strong presence in the North, and where Praetura sees alignment with its existing skillset. PVL also note that it is seeking to increase its exposure to ESG and impact investing, thus will avoid areas such as Gambling and Lending, although this is not a core requirement. Other areas PVL will actively avoid include capital intensive firms, and businesses which may be overly exposed to economic cycles such as: Construction, Property, Long term contracting businesses, FMCG, Retail (Bricks & Mortar), Aerospace, Transport and Mining.

2. **Model**

PVL will look to fund businesses that show a clear understanding and evidence of customer need and acquisition strategies, and the potential to scale. In our discussion with Praetura, it was noted that in its experience, there are particular business model traits which its successful investments have held, and accordingly, it places particular value on well-defined sales strategies which deliver the following:

- Recurring revenue (PVL do not have a minimum revenue requirement, so long as there is evidence that it is recurring)
- Products that can be sold repeatedly
- High profit margins
- Ability for the business to benefit from significant operational leverage, once scale is achieved
- Minimum working capital cycles

Although the Fund is not tech focused, PVL have found that these desirable attributes are often enabled by innovative uses of technology or IP, so the fund may, by construction, end up having a strong technology focus.

3. **Momentum**

PVL have informed us that momentum, that is companies which have can demonstrate positive and consistent progression, as one of most important metrics to they look for in a potential investee company; without a demonstrable track record, Praetura is unlikely to invest. Further, PVL only back management teams who can genuinely evidence that they have made tangible progress to date, by displaying product-market fit and have a developed, qualified pipeline of clients, which proves that commercialising the product or service is viable. On every deal thus far, PVL have utilised third party due diligence to undertake customer referencing, assessment of the market opportunity and competition, as well as pipeline and technology evaluation. It was made clear in our discussion that PVL are unashamedly cautious investors, which may result in a longer due diligence process. Along these lines, we understand that even after the completion of the due diligence process, the investment team will often conduct checks to confirm the 'proposed pipeline' has materialised, prior to investment.

4. **Management**

PVL look for high performing, entrepreneurial teams which share PVL's ethos and can demonstrate cultural alignment. Along these lines, these teams must demonstrate an ability to execute plans, whilst effectively managing rapid growth. PVL informed us that the most important attribute is a well-resourced management team; PVL do not believe a business can scale if the founder is responsible for everything. PVL would rather invest more money at the beginning to grow the team, than invest in an incomplete management team. Formally, investee companies must have a sufficiently qualified Finance Director.

5. **More than Money**

PVL look for ways that it can add significant value and help shape a company's growth, as it believes it helps to reduce the risk, inherent in early-stage investing. It seeks to take a hands-on approach to investment and will mentor investee companies wherever possible. Evidently, post investment, PVL provide their portfolio companies with a '100-day post investment plan' which PVL describe as a collaborative document between the investee company and PVL, and often includes findings from PVL's due diligence process, as well as including a recruitment plan, technology roadmap and a strategy to achieve the "Five M's".

PVL have informed us that it is insistent on the key attributes listed above. Further, we understand that it would prefer to invest more money at outset if it would help to achieve the "Five M's", as oppose to investing smaller amounts into a company which may prove to be an attractive investment, but is not willing to make the necessary changes in order to meet this criteria. As such, it does not always expect to make follow-on funding. However, PVL are prepared to offer follow on funding under certain circumstances: (1) should there exist a viable business case, (2) the investment committee is supportive of another capital injection, and (3) additional capital is required in order for these companies to achieve its targets. Importantly, however, if PVL is the sole provider, it will often discuss follow on funding with potential co-investors.

PVL are targeting investee companies at a range of stages of investment. Specifically, it will provide:

- **Seed capital:** to businesses seeking to commercialise a product
- **Development capital**: to revenue generating businesses looking to scale up and accelerate their growth or build out their tech platform
- **Growth Capital:** to established businesses looking to rapidly scale up.

In addition to PVL's large Northern network, it also has access to its Venture Partner ("VP") network. VP's are high net worth individuals who invest £250,000 or more into a Praetura fund. They invest on the same terms as normal investors but receive several benefits. As discussed in the Manager profile section, VP's benefit from earlier access and greater clarity on all PVL's deals. Furthermore, 15% of every deal is reserved for VP's to invest over and above the fund allocation. Effectively, this means that VPs will have the ability to increase individual exposure to some companies within the portfolio. VP's also have the opportunity to sit on boards of investee companies, to provide guidance to management teams. Usually, VPs are board level individuals of successful businesses, with expertise in managing, operating, and exiting companies. According to PVL, these VP's can potentially provide high-quality leads across various sectors due to their diverse expertise in a range of verticals. There is the potential for some investee companies to be favoured over others where there is a particular interest from influential VPs. Praetura would like to note that all deals are signed off by the Investment and Conflicts of Interest Committees.

The Fund is targeting a minimum of 2x return, over a 4 – 7 year holding period, operating in biannual tranches. The expected ticket size for investments is £1 million to £3 million. PVL have informed us that they would invest below £1 million in exceptional cases, after ensuring that there is sufficient cash runway and robustness in the model, but note that they don't usually do this as in its prior experience, an investment of £500,000 can be used up well before any significant milestones have been achieved. PVL invests in businesses taking a minority holding, typically between 10% and 30%. Further information can be seen in the table below.

TABLE 6: EXPECTED INVESTOR PORTFOLIO CHARACTERISTICS

METRIC	TARGET
Number of investee companies	8 - 10
Target rate of deployment	6 months of each relevant close date
Expected holding period	4 – 7 years
Level of tax relief after fees (including VAT)	Up to 95%[1]
Target investor portfolio return per £1 invested (net of fees, excluding tax reliefs)	£2
Target return on individual investee company	5x – 10x
Target Stage of investee company development	Seed, Development, Growth
Proportion of follow-on investments	25%
Expected average ticket size	£1m - £3m

Source: Praetura Ventures Limited; Advantage IQ

[1]After any advisor initial charges

The Fund is targeting 8-10 companies, spread across a range of business stages and sectors, which should provide a good level of diversification. The Fund is aiming for full deployment within 6 months; however, due to the recent environment surrounding the Coronavirus, these targets may be pushed back. The target holding period is between 4 and 7 years, although PVL points out that some investments may take longer to realise.

Overall, the investment strategy is well thought through and PVL can leverage the expertise of a number of highly qualified individuals within its investment team, as well as the ability to call upon the Praetura Ventura Partners network for sourcing and investment insight; albeit there is a potential conflict where VPs favour some investee companies over others. The Fund presents a generalist strategy, seeking to leverage its regional presence in the North of England. However, it is important to note that this a new strategy, with a very limited track record and as such, it is too premature to infer how successful will be.

Pipeline/Prospects and Current Portfolio

As the Fund does not have a portfolio to speak of, an examination of the current holdings within the Praetura EIS 2019 Fund and the smaller 2020 top-up EIS 2020 Fund, which both follow the same investment strategy, serve as good proxies for the type of investments that an investor can expect to be exposed to. PVL has fully deployed its maiden fund, the £15 million Praetura EIS 2019 Fund, 8 months after its close. PVL deployed circa 70% of its smaller, £7 million fund by the 5th April 2020, just 2 months after its close at the end of January[4].

TABLE 7: PRAETURA EIS 2019 FUND AND EIS 2020 FUND PORTFOLIO OVERVIEW

METRIC	EIS 2019 FUND	EIS 2020 FUND
Date of Fund launch	2019	2020
Amount deployed	£15 million	£7 million
Number of individual company investments	11	5[1]
Average Equity Stake	13.5%	9%
Average Initial Investment Size	£1,242,096	£1,150,000
Estimated average holding period since initial investment	4 – 7 years	4 – 7 years
Proportion of follow on investments	36%	29%[2]

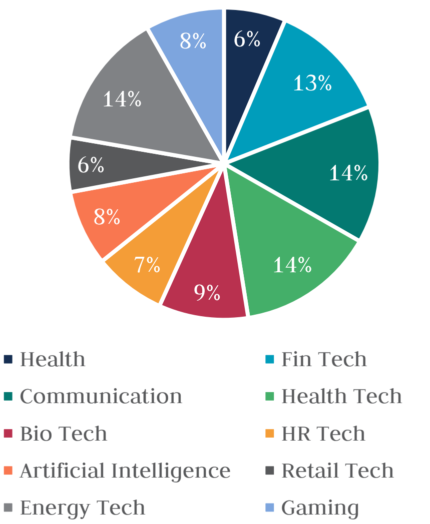
Source: Praetura Ventures Limited; Advantage IQ

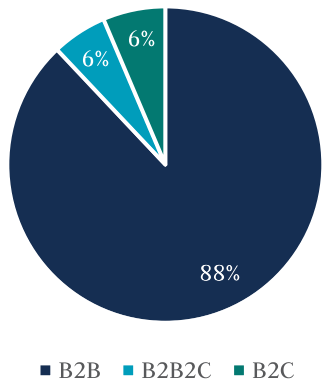
[1]Goal to make two more investments

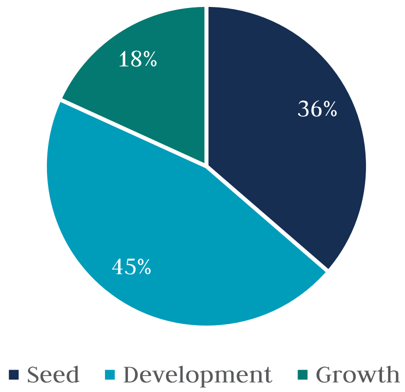
[2]Based on the assumption that there will be a total of seven deals.

As can be seen in the pie charts below, although both the 2019 and 2020 fund were sector agnostic, there is a significant exposure to technology focused businesses, albeit servicing a variety of end markets. However, it is also acknowledged that there are a number of verticals within, providing a layer of diversification.

CHART 2: PRAETURA EIS 2019 FUND SECTOR AND STAGE SPLIT AS AT MARCH 2020





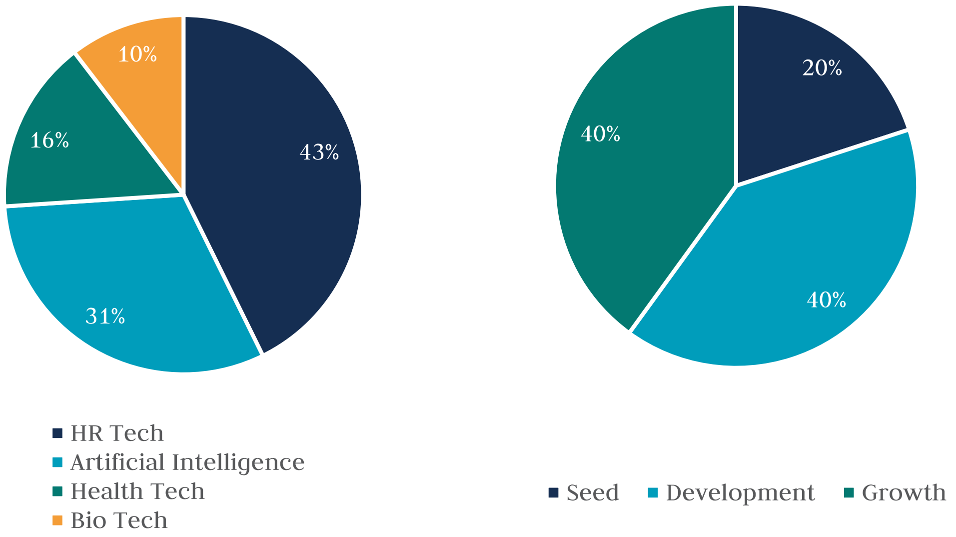


Source: Praetura Ventures Limited; AdvantageIQ

Note: Sectors are as defined by PVL

[4] PVL would like to note that EIS3s for four of the five investments were posted on its portal for clients in the week commencing 11/05/2020 and that EIS 5 for the 2019 Fund was posted on 02/04/2020.

CHART 3: PRAETURA EIS 2020 FUND SECTOR AND STAGE SPLIT AS AT MARCH 2020



Source: Praetura Ventures Limited; AdvantageIQ

Note: Sectors are as defined by PVL

The Praetura EIS 2020 fund is currently invested in five B2B companies, two of which are follow on investments from the 2019 EIS Fund. PVL have informed us that, although Inotec and Patchwork appear in both the 2019 and 2020 fund, they are not follow on investments, as PVL initially committed a level of capital to the companies, but for reasons of diversification and sizing in each fund, it split this commitment between the 2019 and 2020 Funds. PVL have informed us that another investment in the 2020 Fund will be completed within the next few months, whilst the last deal has been deferred, pending the eventual implications and outcome of the COVID-19 pandemic. These two further investments plan to be £0.6 million and £1 million, and occupy the Cyber Security and Insurance sectors, respectively. PVL would like to note that it has invested below its usual £1 million parameter to diversify the portfolio during the uncertainty which the Coronavirus pandemic has brought about, and with the view of providing follow on funding when milestones are met by the investee company.

It was mentioned in our discussion with PVL that it will avoid investments in B2C companies, which is evident in its current portfolios, with only one company being B2C. A sufficient mix in the investee companies stages is also apparent, with no stage occupying more than 50% of the portfolio. This provides a good level of diversity for the investors, and investors can expect a similar split in the Fund.

The tables below break down the current portfolio holdings for the two previous Praetura EIS funds. It should be noted that all companies, bar Peak and LCC, remain valued at cost. Peak valuation was at £25.94 per share for the 2019 Fund and £26.85 per share for the 2020 Fund.

TABLE 8: PRAETURA EIS 2019 FUND PORTFOLIO AS AT MARCH 2020

COMPANY NAME	SECTOR	DATE OF INITIAL INVESTMENT	FUND INVESTMENT (£)	VENTURE PARTNER INVESTMENT (£)	TOTAL INVESTMENT (£)	PROPORTION OF PORTFOLIO
Doctor Fertility	Health	Jun-19	890,000	10,000	900,000	6%
Feedstock Ltd	Fin Tech	Dec-19	1,760,180	14,908	1,775,088	13%

Futr	Communication	Jul-19	1,985,000	14,999	1,999,999	14%
Inotec AMD	Health Tech	Dec-19	1,985,000	15,000	2,000,000	14%
LCC	Bio Tech	Aug-19	490,000	10,000	500,000	4%
Locumtap Ltd t/a Patchwork	HR Tech	Jan-20	1,002,500	47,500	1,050,000	7%
Ostara Biomedical Ltd	Bio Tech	Oct-19	790,000	10,000	800,000	6%
Peak	Artificial Intelligence	Sep-19	852,518	248,299	1,100,817	8%
Sorted	Retail Tech	Aug-19	791,400	–	791,400	6%
Steamaco	Energy Tech	Jul-19	1,981,202	–	1,981,202	14%
X R Games Ltd	Gaming	Nov-19	1,135,251	14,767	1,150,018	8%
Total			**13,663,051**	**385,473**	**14,048,524**	

Source: Praetura Ventures Limited; AdvantageIQ

TABLE 9: PRAETURA EIS 2020 FUND PORTFOLIO AS AT MARCH 2020

COMPANY NAME	SECTOR	DATE OF INITIAL INVESTMENT	FUND INVESTMENT (£)	VENTURE PARTNER INVESTMENT (£)	TOTAL INVESTMENT (£)	PROPORTION OF PORTFOLIO
Culture Shift	HR Tech	Mar-20	1,150,000	100,000	1,250,000	26%
Inotec AMD	Health Tech	Feb-20	740,000	10,000	750,000	16%
Locumtap Ltd t/a Patchwork	HR Tech	Feb-20	800,000	–	800,000	17%
Peak	Artificial Intelligence	Mar-20	1,500,000	–	1,500,000	31%
LCC	Bio Tech	Apr-20	500,0000	-	500,000	10%
Total			**4,690,000**	**110,000**	**4,800,000**	

Source: Praetura Ventures Limited; AdvantageIQ

Praetura Ventures receives on average 90 new investment opportunities every month. The majority of these opportunities are introduced from PVL's network, and directly through the website. The introducer network includes a variety of sources, including professional advisers (lawyers, accountants, financial advisers, etc), other VCs or PE houses, portfolio companies, entrepreneurs PVL have previously worked with, accelerator programmes and key hubs, events, Venture Partners and investors. As has been noted, PVL will place its focus on potential investments located in the North of England and will leverage its Venture Partner network in order to access new deals, as well as the wider network mentioned above.

PVL fully deployed the £15 million Praetura EIS 2019 Fund in eight months and have deployed circa 70% of the £7 million Praetura EIS 2020 Fund, as of April 2020. Hence, PVL were able to deploy just under £20 million in the 2019/20 tax year. 36% of the 2019 EIS fund was, and 29% of the 2020 EIS Fund will be, from follow on investment.

PVL has provided us with an indicative pipeline for the Fund, which are all new companies totalling £32,750,000. All of these companies have received advance assurance. Aside from this, PVL have informed us that it is considering providing follow on funding to Steamaco, a company which was invested in through the 2019 EIS Fund, albeit this is still yet to be confirmed by the team and the Investment Committee. As with current portfolio investments, all companies have a technology element to them, and there is a large proportion within the healthcare industry. It should be noted that these are for indicative purposes, and there is no guarantee that any of these investments will be made. Praetura would also like to note that, although healthcare accounts for a large proportion of the current pipeline, it actively monitors to mitigate concentration risks at sector and target customer level.

The table below lists the companies that are either at investment proposal level of the due diligence process, or higher.

TABLE 10: CURRENT PIPELINE OF INVESTMENT

COMPANY	SECTOR	CAPACITY	DD STAGE	DESCRIPTION
Hughub	Insurance	£1,500,000	Second Committee	SaaS model selling into insurance retailers
RapidSpike	Cyber Security	£1,000,000	Offer	Cyber security business
Maxwellia	Bio Tech and Pharmaceuticals	£1,500,000	Investment Proposal	Company getting prescription-based medicine approved for over the counter use
Nidor	Bio Tech and Pharmaceuticals	£1,000,000	Investment Proposal	Diagnostic company
Datatecnics	Software as a Service	£1,000,000	Investment Proposal	High tech water pipe sensor that finds exact locations of existing or leak risks in real time
Total		**£6,000,000**		

Source: Praetura Ventures Limited; AdvantageIQ

PVL also have more companies at the earlier stages of the due diligence process in the pipeline. There are a further eight technology focused companies that are at the preparing investment proposal stage, totalling £12.5 million. A further nine technology focused are at the evaluation stage. totalling £14.25 million.

Investment Process

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

TABLE 11: INVESTMENT PROCESS

<table>
<tr><th>INVESTMENT PROCESS</th><th>DETAILS</th></tr>
<tr><td>Deal sourcing/ origination</td><td>
Praetura Ventures receives on average 90 new investment opportunities every month. The majority of these opportunities are introduced from their network, as outlined below, with the balance emanating from companies approaching them directly via their website. PVL's preference is to receive introductions from their network as these companies are typically pre-vetted by the introducer and they broadly align with PVL's investment criteria, which is known to them.
PVL's introducer network includes a variety of sources, including professional advisers (lawyers, accountants, financial advisers, etc), other VCs or PE houses, portfolio companies, entrepreneurs they have previously worked with, accelerator programmes and key hubs, events, Venture Partners and investors.
Praetura currently has 40 Venture Partners – individuals who have invested over £250k into Praetura Fund structures. Venture Partners are a key introducer of high-quality leads across various sectors due to their diverse expertise in their respective verticals.
Examples of historic investment opportunities and sources:

Portfolio Company; Introducer
Inspired; Energy Champion Accountants
Inotec; Amadeus Capital
LCC; Deepbridge Capital
Noblet; North Edge Capital
Peak; Swiftscale Accelerator
SteamaCo; Venture Fest event (Guy Weaver was a panel member)
XR Games; Natwest Accelerator
Futr; Praetura Venture Partner
Patchwork; Public.io Gov Start Programme
Dr Fertility; Personal network
Feedstock; Shore Capital

PVL's team attend various events throughout the year and are also involved in a number of initiates which helps generate opportunities. Examples include:

Startup Grind- part of the meet the VC panel
KPMG – regional judge for their growth business competition
Tech Nation - Rising Star judge
Headline sponsor for the MEN Tech Awards
Judge for the top 100 Asians in Tech awards

</td></tr>
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Deal filtering and selection	**Initial Evaluation** Opportunities PVL receive are initially reviewed by at least two members of the investment team ("Deal Team") to assess the business against their key investment criteria: • Market • Model • Momentum • Management • 'More than money' – where PVL as an investor can add value. PVL only deploy capital where there is a complete cultural alignment between the founders and PVL. They place a large emphasis on getting to know the management team and understanding their backgrounds and drivers. At this stage of the investment process PVL will have initial calls and/or meetings to start the management and wider assessment, backed up by some initial desk-top analysis. PVL's investment ethos is to invest where they feel they can truly partner with a business and supplement the management team through the skill set of PVL's team and through leveraging PVL's network, whether that be via their investment portfolio, their investors or their personal networks. PVL invest in markets where there is an addressable need and the opportunity to scale. The models PVL favour have recurring revenue streams with low working capital requirements. As a minimum, PVL like to see a marketable product/service and some traction within the target market. **Detailed Evaluation** Following a successful initial review, the opportunity will then move onto more detailed evaluation which will involve 2 members of the Investment Team ("Deal Team") who will; • Hold various meetings with the business, founders, senior management team and pertinent advisers; • Undertake market analysis including examining the addressable market, the need for the product/service, competitor landscape, potential risks associated with operating in the sector and legislative/regulatory parameters; • Carry out financial model analysis including accuracy of the detail, applying forecast sensitivities, examining any anomalies, evaluating any debt within the business and exploring the use of funds. The Deal Team will use their own skills, resources, network and other colleagues to evaluate the opportunity as far as possible. Within PVL's Venture Partner network, they have various individuals who have considerable sector relevant experience. PVL utilise them to appraise the opportunity and validate the findings from their own evaluation. Should the opportunity still have merit once the in-depth evaluation has been undertaken, the Deal Team will report their findings to the rest of the investment team. This is an important element of deal selection as a deal is not presented to our Investment Committee unless all of the investment team are collectively

	supportive of the potential investment. At this point, feedback, potential risks and areas of further due diligence are collated with the Deal Team undertaking this work. Subject to positive sentiments and feedback throughout the above, the Deal Team will prepare a full and thorough Investment Proposal document which is sent to the Investment Committee ahead of the Deal Team presenting the opportunity in person to the Investment Committee. The opportunity is reviewed and debated by the Investment Committee against the Fund's investment criteria.
Due diligence process	Upon agreement and signing of a Term Sheet PVL will undertake further and more detailed due diligence to build upon the work carried out in the earlier stages of evaluation or to specifically address issues raised at the Investment Committee meeting. Financial analysis will continue in-house with further work around the financial forecasting and sensitivity analysis. Independent third-party providers are selected from PVL's panel and engaged, where appropriate, to undertake more specialised due diligence on various aspects of the business as follows: **Commercial:** The scope for this process is to verify that customer traction is as stated in the business plan and to undertake a further review on the addressable market. A number of contracted clients are contacted and asked a variety of open-ended questions designed to extract the value they place on the product/service being received from the business. The strength of relationship is also explored along with their level of overall satisfaction. A similar process is undertaken for pipeline customers to understand their view of the business/product/service and the probability of contracting. Research work is also completed on the targeted market(s) to ensure it is; significant enough for the investment case, the proposed solution is required and any known regulatory or legislative parameters which could pose a potential risk to the viability of the business. **Technical:** PVL engage a specialist provider to undertake a detailed appraisal of the technology within the business. This may involve an in-depth evaluation of product(s), any platform or any other technology-based solution to analyse the strengths and weaknesses of the provision, its scalability and risk areas. **Legal:** Legal professionals are engaged to complete a legal review of the business, including key commercial contracts to ensure the contracts are legally binding and there is no onerous or extraordinary exposure to the business. Senior management service contracts are reviewed as well as exploring the status of IP rights, patents, real estate, litigation matters and other areas of potential legal contention. **Investment Documents:** Simultaneous to due diligence PVL instruct their lawyers to put in place standard legal agreements, most notably an Investment Agreement and Articles of Association based on their standard format in line with typical venture capital investments. Once these are agreed between the parties, the Company is required to submit the documents to HMRC in order to obtain EIS Advanced Assurance.

Deal approval	As outlined earlier, the deal is presented to our Investment Committee (IC) only once it has successfully passed through a multi-layer review by the Investment Team and has undergone an in-depth analysis of every aspect of PVL's investment criteria. The IC is empowered to independently oversee and manage various controls across Praetura Group and is comprised of at least three members in total. For any IC meeting, at least two members must be 'Permanent Investment Committee Members' which comprises of Praetura's most senior management team and one may be an 'Invitee Investment Committee Members' which comprises of any Praetura Ventures Operational Board Member, Danny Summers (MD of Praetura Debt portfolio) or any Praetura NED. Approval can be granted with a majority vote. A comprehensive proposal is presented to the IC detailing; the business, the opportunity it presents, the management, the addressable market, competitors, financial forecasts, the business plan, key risks and mitigations, critical areas that require further diligence and critical success factors. The IC has a wealth of venture investment experience and their role is to challenge the Investment Team on the investment proposal, key risk areas, transaction structure and proposed diligence streams. There are several outcomes to an IC meeting which is dependent on the opportunity; • approval to issue indicative terms; • approval but with amended terms; • further work required around key risk(s), process(es), or contract(s); or= • decline. Third-party due diligence streams are commenced once a deal has been approved by the IC and a term sheet has been signed. The IC is then reconvened for final sign off once the business has been through independent due diligence. All findings are presented, and a deal is only finally ratified where the IC are comfortable with the outcome.

Source: Praetura Ventures Limited; AdvantageIQ

As is the case with most managers, PVL employs a tiered process when filtering deals. According to the Manager, it reviews on average 90 opportunities per month, which are sourced both through PVL's network, the Venture Partners network, and directly through the website. PVL have informed us that roughly four of these initial leads make it to the investment proposal stage. Of the deals that make it through the investment proposal stage, two of them reach due diligence stage, and one of these will pass due diligence and make it to deal completion.

A welcome aspect of the process is that every deal requires the support from the entire investment team, before it is taken to the investment committee ("IC"), and often there is oversight from Venture Partners, who bring a wealth of expertise and experience. The IC will see the initial evaluation of the deal before it even reaches due diligence. PVL informed us that the investment team are "unashamedly slow investors", with the entire process taking up to 6 months. PVL often use this to their advantage by examining whether progress the investee company had described has actually been made during the period.

PVL appear to enforce a thorough due diligence process, where they address issues pointed out by the IC in the initial review, conduct financial analysis, including forecasting and sensitivity analysis, and build upon the work carried out in earlier stages of the evaluation. It is reassuring to note that PVL use external due diligence providers to analyse commercial, technical, and legal aspects, as mentioned in more detail in the table above. During the due diligence process the investee company is required to submit the relevant documents to HMRC in order to obtain EIS Advanced Assurance.

Once the deal has progressed through due diligence, a deal summary is produced which includes the diligence findings, a 100-day post investment plan and, confirmation of EIS Advance Assurance. This summary is submitted to the investment committee for sign off, which requires a unanimous vote before PVL invest.

MJ Hudson Allenbridge have received copies of sighting proposals, IC1 and IC2 proposals and full IC minutes. We have been impressed with the level of detail within the proposals, even at sightings level, and we can clearly see the investment process at work through the documents. We have witnessed email exchanges as well as IC minutes which gives us further confidence in the process.

Risk Management

Similar to other EIS funds, the primary source of risk management hinges on the depth of initial due diligence and deal analysis at the time of the original (as well as for follow-on investments) and the level of diversification in the portfolio. PVL exhibit a robust due diligence process, with multiple stages, vast oversight, and utilisation of third parties, which brings a welcome element of independence.

The Manager aims to maintain a diverse portfolio by providing each investor with between eight and ten investee companies. PVL do not have any formal diversification guidelines in place, but naturally diversify the split between the stages of investee companies (Seed, Development and Growth, as defined earlier), with no stage occupying more than 50% of the portfolio in its current funds. PVL are concentrated in the B2B sector, and only have two investments outside of B2B: one B2C and one B2B2C. It was mentioned in our discussion that PVL generally seek to avoid investment in B2C companies. Although PVL's mandate is sector agnostic, there has been a gravitation toward technology companies, although it is acknowledged that this is not uncommon within this space given the wide array of verticals within this sector. We do note however, that currently there is a particular focus on health care technologies. We acknowledge however, that Andy Round, investment director, has particular expertise in this sector, holding a PhD in Biochemistry. Overall, the target portfolio appears to offer a good level of diversification by both number of holdings, and across stage of development.

Post investment, PVL have substantial involvement with the investee companies. PVL will always appoint a Director to the Board of the investee company, as well as being able to attend Board meetings as a non-voting Observer, allowing members of the wider team to also add value to the business. PVL choose the Director based on alignment with the company and their ability to bring additional value to the business. The Director will be in contact with the management team and actively involved with the business on a regular basis.

PVL's portfolio team will assist the investee companies with integration into the proprietary Praetura Reporting Platform, to facilitate reporting and the monitoring of KPIs. Portfolio companies are required to upload all budgets and forecasts, monthly financial performance, and all board information via the portal. Management accounts are uploaded in a standardised Trial Balance format and the portal automatically produces management accounts and analysis against forecasts. The system also tracks KPIs, both mandatory ones specified by Praetura and any other KPIs the management team wish to track. There are two key metrics that PVL monitor to evaluate a portfolio company's performance: Actual vs Target, which is the variance between a chosen metric that is best suited to the company, and the budget provided; and Cash Runway, which is how many months of cash a company has left. Furthermore, investee companies are required to fill in standardised monthly questionnaires which focus on identifying areas of concern and operational highlights. Data from the platform is used in investor updates, which are sent to all investors every six months.

Alongside monitoring the portfolio companies through the platform, the portfolio team are responsible for the "More than Money" aspect of PVL's investment criteria, which specifically involves executing the '100-day post investment plan' which includes a recruitment plan, technology roadmap and a strategy to achieve the "Five M's".

At the point of investment, valuations of each investee company are performed in line with International Private Equity and Venture Capital (IPEV) valuation guidelines, utilising external expertise to assist where necessary. PVL have informed us that valuations take into account various factors including, but not limited to, projections outlined by the investee company, sensitivity analysis of such projections and the use of funds. On an ongoing basis, companies will only be revalued as and when an event takes place including a new fundraise, sale of shares or sale of the business.

PVL have informed us that its response to COVID-19 for each investee company has centred around four key areas, namely, Cash Management Process, Reducing Cash Outflows, Increasing Sources of Cash and HR Initiatives. In order to approach the first area, PVL have worked with each investee company to build a 13-week cash-flow forecast, in which they will diligently monitor, and respond to challenges as they arise. Furthermore, they have encouraged each finance team to carry out scenario planning, which involves identifying points of inflexion where additional sacrifices will need to be made. To address the second area, PVL have encouraged investee companies to take advantage of deferral schemes for VAT and PAYE/NI, to negotiate rent terms with landlords and have also facilitated conversations between investee companies to share advice. PVL have signed up to the Amazon Web Services (AWS) 'Activate' programme, which is a free program that provides approved start-ups with resources for working with AWS, and can provide up to £100,000 in credit against annual hosting fees, which is a considerable cash saving at a crucial time. PVL are also in other similar conversations with common suppliers to leverage its portfolio effect. To address area three, PVL have been working with Granttree to asses any grant funding that it may be able to access in the current climate and PwC to examine previous tax credit submissions and prepare revised computations to maximise those historic claims. PVL have also been helping investee companies with Coronavirus Business Interruption Loan Scheme ("CBILS") funding applications. Finally, to address the last area, PVL have made the PGL HR Director available to all investee companies to assist with the Job Retention Scheme and furloughing.

Key Features

Individual advised investors will be charged an initial fee and an AMC of 1.0% and 1.5%, respectively. PVL will retain the initial fee and one years' worth of AMC up front, meaning that 97% be put towards EIS qualifying opportunities, respectively, inclusive of VAT. We note that this 97% excludes any additional adviser fees, but that PVL still aim to invest 95% of the investor's subscription after any advisor initial charge.

PVL reserves the right to charge an arrangement fee of up to 4% to investee companies on completion of an investment. It will also charge investee companies a monitoring fee of £36,000 per annum, inclusive of VAT). All other fees that PVL reserve the right to charge are detailed in the table below. It is a welcome aspect that PVL do not have discretion to charge any fees without disclosure.

Similar to other Funds in the market, PVL charges a performance fee of 20%, although it is encouraging to note that this fee will only be paid on returns above a hurdle of 120%, of the subscription amount.

TABLE 12: FEES PAID BY INVESTOR AND INVESTEE COMPANY

FEE (excluding VAT)	CHARGED TO:	
	INVESTOR	INVESTEE COMPANY
Initial Fee	1.0%	Up to 4%
Custodian Fee	£75 pa	
Arrangement Fee	-	3%
Annual Management Fee	1.5%	£36,000 per annum (incl. VAT)
Annual Admin/Service Fee	-	
Dealing Fee	0.35% of monies paid by Investors on sale of shares	-
Director's or other Company Fees	-	-
Exit Performance Fee	20%	-
Exit Performance Hurdle	120%	-
Available discounts	Early bird discount of 1% off the initial charge for all applications and funds received by 30th June 2020.	
Adviser/Intermediary charges	Initial fee up to 3% Annual management charge of up to 1%, for up to four years.	

Source: Praetura Ventures Limited; AdvantageIQ

Performance

As a new Fund which has yet to make an investment, there is no performance record to speak of at this stage. Since the two EIS funds PVL have launched have only been around for a very short amount of time, it is too soon to use their performances to gauge the effectiveness of the investment strategy. However, we can examine the performance of the wider Praetura Group, who have been raising funds on a deal by deal basis since 2011, to get an idea. The table below details the exits Praetura Group have made thus far. We note that all of these exits have been EIS qualifying.

TABLE 13: SUMMARY OF ALL EXITS

INVESTEE COMPANY	DETAILS OF EXIT	INITIAL INVESTMENT DATE	INVESTMENT DURATION	TOTAL INVESTED	TOTAL REALISED	EXIT MULTIPLE	IRR
Big Red	Liquidation	08/04/2014	3.7 years	£1,971,833	£552,113	0.3x	-83%
EC3	Trade Sale	30/06/2014	3.5 years	£596,896	£11,723,206	19.6x	202%
Hultons	Liquidation	19/07/2013	4.6 years	£1,967,799	£958,417	0.5x	-25%
Inspired	Listed Vehicle	01/09/2011	7.2 years	£1,337,913	£21,368,033	16.0x	49%
Noblet	Trade Sale	18/09/2012	5.3 years	£1,000,295	£5,392,040	5.4x	56%
PIB	PE Buyout	14/05/2014	1.9 years	£2,767,486	£7,576,675	2.7x	89%

Postio	Liquidation	10/07/2015	1.7 years	£129,987	£36,396	0.3x	-47%
Starcount	Partial Disposal	25/05/2012	6.5 years	£3,084,086	£344,285	0.1x	-18%
Total/ Average			4.3 years	£12,856,296	£47,951,166	3.7x	28%

Source: Praetura Ventures Limited; AdvantageIQ

Appendix 1: Key Personnel

Key Investment Professionals

NAME	JOB TITLE	DATE STARTED	BIOGRAPHY
David Foreman	Managing Director	Jun-2011	David co-founded Praetura with a background of over 12 years in corporate finance and venture capital. He qualified as an ACA with KPMG and has considerable experience in backing financial services and recurring revenue businesses. David has a focus on the application of data, IT and technology to enable efficiencies within businesses.
Guy Weaver	Director	Sep-2018	Guy was formerly a Corporate Director at KPMG and has extensive SaaS experience and a large network within the technology sector. Guy has raised over £1.5 billion for a range of businesses. He co-founded Introstream, a business helping companies connect with technology solutions providers. Guy is a member of Pro Manchester Science and Technology Committee and a mentor for Manchester Tech Trust & Pitch@Palace.
Mark Lyons	Director	June-2018	Mark has extensive experience in investing funds, evaluating and managing business opportunities and working with management teams to implement growth strategies. Most recently Mark held a Director position at a family office with over £1.5bn of assets under management and administration. Mark trained as a Chartered Accountant at PwC.
Dr Andy Round	Director	Aug-2018	Andy has over 12 years' experience investing from balance sheet, regional and institutional funds most recently with Maven Capital Partners. Andy has worked for IP-Group, investing in a range of early stage university companies across a wide range of sectors. He worked at Yet2 as a Consulting Director providing services to company.
Peter Carway	Investment Director	Apr-2016	Pete is a qualified accountant with 12 years' experience including Finance Director and Financial Controller positions in software and other service businesses. He held the role of Finance Director in a fast growth Artificial Intelligence business raising over £5m of investment and overseeing a 5x increase in company value in 2 years.
Louise Chapman	Investment Director	Nov-2017	Louise joined Praetura in November 2017 from KPMG, where she had spent over 9 years in its Advisory business, including a secondment to a clearing bank. Louise is a Chartered Accountant with significant experience in advising SMEs and has undertaken a role as Finance Director of a high growth business.

Sim Singh Landa	Investment Manager	Jan-2019	Sim has worked in the financial services industry for over 17 years with experience spanning banking, real estate, finance, investments, pensions and funds. Sim's responsibilities include undertaking financial and qualitative appraisals, marketing, due diligence, project management and client relationship management.
Jamie Newall	Investment Executive	July-2018	Jamie graduated from Lancaster University in 2015 with a 1st class honours in an Ernst & Young sponsored Accounting & Finance degree. Post-graduation he joined Ernst & Young full time and completed his Chartered Accountancy qualification working on a wide-ranging client base across multiple industries.
Myrto Lalacos	Investment Executive	Nov-2019	Myrto joins us from Accelerate ME, which supports student-founded startups. She also spent some time at L Marks, Europe's largest corporate accelerator, where she supported the growth of 250 alumni startups. Myrto will help us to source and evaluate new investment opportunities, and work alongside the team on deal execution.

Senior Management Team

JONATHON BROWN

Occupation: Praetura Group Limited and Praetura Ventures Limited Board Chairman.

Biography: Jonathan has extensive legal experience and is currently a partner at Hill Dickinson LLP. With a range of legal and financial expertise, Jonathan has an extensive understanding of the M&A market, covering mergers, acquisitions, IPOs, joint ventures, and more. He has overseen corporate transactions across Europe, as well as America, Australia and India.

DARREN CARTER

Occupation: Praetura Group Limited and Praetura Ventures Limited Non-Executive Director.

Biography: Darren is an experienced CEO and director, with significant experience in the financial services and investment sector. Formerly managing director at D.E Shaw & Co and CEO at KBC Financial Products, Darren currently sits as chairman at Peel Hunt LLP and is a non-executive director at Avoca Capital.

MIKE FLETCHER

Occupation: Praetura Group Limited CEO and Praetura Ventures Limited Director.

Biography: Mike is former Managing Director at global investment bank GCA Altium and a Chartered Accountant (PwC). Mike is an experienced venture investor and advisor to some of the North West's leading entrepreneurs and investors. He co-founded Praetura in 2011 bringing with him specialisms in financial services, technology, ecommerce, support services and energy services.

DAVID FOREMAN

Occupation: Praetura Ventures Limited Managing Director.

Biography: As above

ROB MEMMOTT

Occupation: Praetura Group Limited and Praetura Ventures Limited Chief Financial Officer.

Biography: Rob is an experienced chief financial officer, with over 18 years in senior financial leadership roles. Previously Rob was Group CFO at Arrow Global Group Plc where he co-led the successful IPO on the main LSE in 2013 and the issuance of more than £1.5bn in the debt capital markets. Rob qualified as a chartered accountant with KPMG in Manchester has served as financial director at Servisair Plc, Alfred McAlpine and Leeds Bradford International Airport.

DAVID MOORE

Occupation: Praetura Group Limited and Praetura Ventures Limited Non-Executive Director.

Biography: David is Executive Chairman of Axon Moore and has more than 20 years' experience in senior finance recruitment. An accountant by background, he moved into recruitment early in his career and, after helping establish a major independent in the North of England, went on to set up Watson Moore. Over the past 10 years David has placed CFO's into some of the north west's most entrepreneurial businesses, many of which have featured in the Sunday Times Fast Track lists and been the subject of private equity interest and investment.

Other Key Personnel

PEADAR O'REILLY

Occupation: Managing Director of Praetura Asset Finance Limited and Praetura Commercial Finance Limited. Sits on the Investment Committee at Praetura Ventures Limited.

Biography: Peadar, a founding partner at Praetura, has over 20 years secured lending experience having previously held senior roles at Bank of Ireland and ABN Amro. He helped establish a successful UK ABL business for Bank of Ireland and is responsible for raising over £200m of bank facilities from mainstream and specialist institutions for the Praetura Group companies. He is a founding Director of Praetura Asset Finance, Praetura Commercial Finance and Praetura Debt Co.

DANNY SUMMERS

Occupation: Managing Director at Praetura Group Limited, Portfolio.

Biography: Danny joined Praetura in 2014 and was promoted to Partner in January 2018. Danny was instrumental in founding both PAF and PCF, where he acted as FD upon inception. He has significant experience in raising external financing and was instrumental in the pre-securitisation facility for PAF. Alongside Peadar, Danny helps lead PDS and is responsible for appraising all new growth opportunities.

SPENCER JACOBS

Occupation: Compliance Manager at Praetura Ventures Limited.

Biography: With over 15 years spent setting up and supporting the regulatory framework of various financial services firms, Spencer brings with him a wealth of experience in the Investment, Consumer Credit and Life and Pension Markets. His role at Praetura is to ensure that Praetura's Governance, Risk and Compliance controls are robust, efficient, and adhered to

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