

## Deepbridge Life Sciences EIS

Deepbridge Advisers Limited/Enterprise Investment Partners

### Summary

The Deepbridge Life Sciences EIS is a discretionary portfolio service that will invest into a portfolio of up to 10 underlying companies, focusing on start-up or early-stage life science companies.

	Positives	Issues
<b>Why Invest</b>	<b>Strategy:</b> Well defined investment process to invest directly in new companies in selected technology areas.	<b>Concentration:</b> Portfolio may be up to 10 investments, although smaller investors may get greater concentration.

### The Investment Adviser

**Team:** The Deepbridge team is very experienced in the relevant areas, and its Committees have very strong outside members.

**Newer product area:** Although Deepbridge has been investing in EIS since 2013, dedicated Life Science products are a relatively new area.

### Nuts & Bolts

- ▶ **Investing:** Deployments take place on a monthly basis, so new money will usually be invested within that period.
- ▶ **Diversification:** Portfolio of between three and 10 companies.
- ▶ **Valuation:** Unprofitable companies will be held at cost or at the last relevant transaction. Profitable companies use a discounted average multiple from relevant companies.

### Specific Issues

- ▶ **Fees:** Only the performance fee is not charged directly to the company.
- ▶ **Performance fee:** Performance fee of 20% on gross returns over £1.20 on a per company basis.

### Risks

- ▶ **Risk mitigation:** Deepbridge aims to mitigate risk by active ongoing support of the company and choosing conservative business plans. Most of the companies will be introduced by partners, who will also be bringing support.
- ▶ **Target return:** The target return for the fund is £1.70 for each gross £1 invested over three to five years. Individual companies tend to have much higher targets, reflecting that success in a company will give an excellent return, but there is a real risk of loss in any project.

Analyst	Adviser information	Contact details
Brian Moretta 020 7194 7622 <a href="mailto:bm@hardmanandco.com">bm@hardmanandco.com</a>	Scheme assets £3.3m	Managing Partner Ian Warwick
	Scheme target uncapped	Contact Andrew Aldridge
	EIS assets £45m	01244 746000
	Total FUM £92m	<a href="http://www.deepbridgecapital.com">www.deepbridgecapital.com</a>
	Fund launch date 2017	

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## Factsheet

Deepbridge Life Sciences EIS		
Product name	Deepbridge Life Sciences EIS	
Product manager	Enterprise Investment Partners LLP	
Investment adviser	Deepbridge Advisers Limited	
Tax eligibility	EIS	
Target return	£1.70 for each £1 invested	
Target income	None	
Type of product	Discretionary portfolio service	
Term	Four to five years	
Sectors	Pharmaceuticals and Biotechnology	
<b>Diversification:</b>		
Number of companies	3-10	
(Expected) Gini coefficient	0.1-0.33	
Fees	Amount	Paid by
<b>Initial fees:</b>		
Corporate advisory and arrangement fee	Up to 5% (excl. VAT)	Investee company
Non-advised investor fee	2.5% (incl. VAT)	Investor
Dealing fee	0.65%	Investee company
<b>Annual fees:</b>		
Maintenance fee	2% (excl. VAT) of investment	Investee company
Custody administration fee	0.5% (excl. VAT)	Investee company
<b>Exit fees:</b>		
Performance fee	20%	Investor share of proceeds above a £1.20 hurdle per company
Dealing fee	0.65%	Investee company
Advisor fee facilitation	Yes	
Advisor fee amounts	As agreed with investor up to 3%	
HMRC Approved fund?	No	
Advance Assurance from HMRC	Yes	
Reporting	Semi-annually	
Minimum investment	£10,000	
Current funds raised	£3.3m	
Fundraising target	£10m in this financial year	
Closing date(s)	Evergreen, but by 26 <sup>th</sup> March 2018 for deployment before FY- end	
Expected exit method	Trade sale, IPO or other exit opportunity	

Source: Deepbridge Advisers Limited, Hardman & Co research

## Fund aims

The Deepbridge Life Sciences EIS is a discretionary managed portfolio service focused on investing in a portfolio of life science-focused companies across a variety of areas. The target return is £1.70 for each £1 invested (gross) in four to five years. There is no income target.

There are two parties involved in running the fund:

- ▶ **Deepbridge Advisers Limited:** the Investment Adviser, who sources and recommends investments and provides ongoing support to companies.
- ▶ **Enterprise Investment Partners LLP (EIP):** the Fund Manager, who makes the final decisions and provides appropriate regulatory support.

## Summary of risk areas

*Note: There are generic risks from investing in 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 into a life science company. The target is for investors to receive shares in up to 10 companies. Each investment is likely to perform independently of the others, with idiosyncratic risk dominating market risk.

While the target return for the fund is £1.70 for each £1 invested, each company will be start-up or very early-stage, and will be a high-risk investment.

#### *Sourcing and external oversight*

Sourcing has been focused on the network of Deepbridge's partners, but has expanded to include university incubators, Alder Hey NHS Trust and Sci-Tech Daresbury. Deepbridge assures us that it intends to raise only the funds it can deploy, but we note that the expansion into new products requires a greater sourcing rate than before.

The EIS has two sources of external oversight: The Supervisory Investment Board has members who are external and voluntary; Enterprise Investment Partners also has to have investments approved by its Investment Committee.

#### *Ongoing support and monitoring*

As per many (S)EIS managers, Deepbridge takes a board position on investee companies. However, one of Deepbridge's distinguishing features is that most of its senior staff members have been entrepreneurs themselves, and can bring the appropriate support and insight that enables. As well as having a formal reporting structure, Deepbridge expects to be in daily contact with many investee companies.

#### *Exits*

The intention is that most exits will come through trade sales, but other normal exit routes such as IPOs are possible. To date, there have been no exits from this EIS.

## Adviser

### *Team*

The Deepbridge team brings both entrepreneurial and investment experience, with a range of backgrounds including various technology areas and beyond. We note that Deepbridge has recruitment plans based on expected growth, as some operational areas are approaching capacity with their current staff.

### *Track record*

Having started only in 2017, the EIS does not have a meaningful track record. Deepbridge Technology Growth EIS has invested in 12 companies, with one partial exit to date.

## Regulation

### *Product*

Advance Assurance will be sought from HMRC prior to each company investment.

### *Manager*

The Fund Manager is Enterprise Investment Partners LLP. It is FCA registered (number 604439) with fund management and custodian permissions. Submissions to Companies House appear to be up to date. Deepbridge Capital LLP is also authorised by the FCA.

## Risk analysis/commentary

Although the age of Deepbridge means it does not have an extensive track record in EIS, it brings a team that is experienced and has developed a very well-defined investment process. The members of the team that we have met have shown a commitment to understanding, analysing and supporting businesses, rather than being technology evangelists. We note that internal resources are a potential constraint, but that recruitment is planned to keep capacity ahead of requirements.

To date, Deepbridge has shown an ability to source and deploy assets. We note that the recent expansion with new products is as yet unproven, and will need Deepbridge to source investments at a faster rate than previously. Deepbridge has expanded its sources of deals and committed to raising only the money that it can deploy, so we do not see this as a major risk.

It is also too early to assess whether it can produce the intended returns in the target timescale. The external scrutiny to which decisions are subject does give comfort to investors that there is a good degree of oversight on their decision-making.

Diversification within the fund is limited. Individual companies that succeed are likely to give excellent returns, but those that do not may return little or nothing. This EIS should be considered in the context of an investor's entire portfolio.

Overall, while investing in this area inevitably carries risks, the Deepbridge process looks at potentially exciting investments and may be rewarding too.

## Investment process

### Deeper dig into process

The Life Sciences EIS will invest in a portfolio of very new companies. We note that this product has, to some extent, been conceived of as a potential source of follow-on funding for the Life Sciences SEIS. As such, its investment criteria have much in common with that product – although adjusted to reflect slightly more developed companies.

Deepbridge lists three main areas of interest for the EIS and SEIS. The SEIS also gives specific areas of interest, which we include here, as they seem to be relevant for investors:

- ▶ **Biopharmaceuticals:** drug development, drug delivery systems, drug discovery-enabling technologies and new screening technologies.
- ▶ **Biotechnology:** genomics and proteomics, bioinformatics and tissue engineering.
- ▶ **Medical technology:** medical instrumentation, implantable devices and disposable component-based devices.

Investors will note that some of these are quite broad categories, and medical technology also has a generic ‘other technologies’ option. However, investors should expect most of the investee companies to sit within one of these categories. The intention is to provide some diversification within each investor’s portfolio across these areas.

Broadly, Deepbridge has a preference for companies that are already revenue-generating. However, given the regulatory considerations around life sciences, it is anticipated that some or most of the companies will be at an earlier stage of development. This means they are unlikely to be revenue-generating, and, in many cases, will not have a product ready for market.

It is clear that Deepbridge is bringing an international outlook and focusing on companies in the context of a global market, while noting that the UK is a genuine leader in this area. Deepbridge articulates a set of desirable criteria for investee companies:

- ▶ **Technology:** a novel product or platform technology with a clear market need. Deepbridge has a preference for disruptive technologies.
- ▶ **Path to commercialisation:** the route to achieving commercial revenues should be clear and realistic.
- ▶ **Global potential:** although EIS companies must be UK-based, the product should have the potential for having global demand.
- ▶ **Intellectual property:** Deepbridge looks for either patent protection or a strategy to be in place to protect any intellectual property. Investors should note that this is not a panacea, as such cases can consume considerable resources and take a long time to resolve.
- ▶ **Management:** a team that is passionate and experienced is ideal. It should also be open to advice and guidance and, in particular, it must have an understanding of value creation – at this stage, some companies are still focused on research for its own sake, rather than making it commercial.

- ▶ **Exit:** strategy for an exit within four to five years.

The latter is clearly for the benefit of EIS shareholders. Additionally, Deepbridge is realistic that not all these criteria may be possible at the investment stage. It sees the team, IP strategy and commercial prospects as the most important issues.

We would note that SEIS investors typically take a 30%-40% stake of the equity in investee companies, and almost never a majority. All investments will be unquoted.

Deepbridge will also look for additional or match funding, such as grants, where available. With most of these sectors being areas that the government is keen to support, investee companies should be well placed to benefit from additional funding. Receipt of such funding is not a necessary requirement to be considered by Deepbridge, but its availability is obviously important to the investment decision.

Overall, Hardman & Co finds the investment process and criteria to be articulated better than many others in the (S)EIS sector, although discipline in its execution remains a key factor in whether it is successful.

### *Sourcing deals*

Across all its funds, Deepbridge relies strongly on the network of contacts from its senior management to source deals. Although based in the north of England, it has no geographical restrictions or preferences; however, from conversations, its strongest areas appear to be outside the south-east.

It also cites some institutions, universities and research centres with which it has active relationships, including Alder Hey NHS Trust, Imperial College London, Scottish Investment Bank and Daresbury Innovation Centre. Deepbridge appears to have grown the range and depth of these relationships over the last few years, some of which are linked to the launch of its other products. For the life sciences areas, Deepbridge does have preferences for specific partners, such as university accelerators or Innovate UK.

Deepbridge uses its experience in developing businesses as a key attraction for potential investments. Its main interest is in companies that need access to expertise, not those that just want a cheque.

Deepbridge is looking to have up to 10 investments in this EIS, with a minimum of three (depending on the size of the investment). Some of these will be follow-on investments for companies in its Life Sciences SEIS fund. We note that this fund has also been launched relatively recently, and so may not be a significant source for the EIS for a year or two.

### *Decision-making*

The decision-making process follows a similar pattern to that of most EIS managers. The executive team at Deepbridge carries out the selection, appraisal and review of all potential investments. This is a very considered decision.

For Life Sciences, Deepbridge usually sources expert opinion at an early stage in the decision-making process. The usual route for getting this opinion is through the Supervisory Investment Committee. This has experts from a variety of life science fields. While these experts have their own specialisation, they are very well connected and can usually find an expert in the relevant area.

Valuations are usually based off business plans, using discounted multiples of expected profits in four to five years' time. Deepbridge does examine the forecast revenue figures to check their validity, discounting for execution risk. For life science companies, the earlier stage and greater uncertainty of revenues mean less importance is attached to this. Valuation is more of an art than a science at this stage.

Proposed investments are presented to the Supervisory Investment Committee for approval. It should be noted that most of the people on the Committee are very strong industry figures who are not Deepbridge employees, giving added credibility to this part of the process. Not all members participate in every investment decision.

The Committee is given an aggregation of the due diligence information, including information on the company, its directors and significant shareholders, as well as the rationale for investing. The shareholder agreement is seen as a particularly important element, making sure that EIS investors get appropriate rights.

The Committee's designated role is not simply to validate investment decisions, but also to act on behalf of EIS investors. Consequently, its involvement continues beyond the approval of any company for investment. It also has responsibility for appointing specialists to help the company and monitoring any exits.

After the Supervisory Investment Committee has agreed on an investment, it needs to be approved by Enterprise Investment Partners' Investment Committee. At the time of writing, this is a relatively newer part of the set-up. Deepbridge notes that, so far, EIP has challenged the diligence information more, looking for better back-up evidence and information. To date, however, it has not challenged the rationale for any decisions and has not rejected any investments.

Overall, it usually takes about three months from initial interest to deployment of capital. It should be noted that, in most cases, the investment is not normally deployed in a lump sum, but is usually paid down over time and subject to the achievement of milestones. This has the advantage for investors that the EIS is usually making ongoing investments and can allow rapid deployment of investor funds. It also effectively means monthly tranches, as each month may see changes in the companies receiving investment.

It should be noted that Deepbridge, members of its team or members of the Supervisory Investment Committee may invest alongside EIS investors, but will do so on the same terms (although see *Fees* below).

## Governance and post-investment monitoring

Before being added to the portfolio, all companies will be in receipt of Advance Assurance from HMRC. Deepbridge notes that it sometimes gives companies help with structuring, usually for technical reasons, rather than due to the core business plan.

Investors will receive half-yearly reports and valuations on their holdings. Deepbridge has published a valuation methodology that will be applied to holdings. In short, companies that do not have a positive EBITDA will be valued at the book cost of the shares. Companies with a positive EBITDA will be valued using an average price-earnings multiple of comparable listed companies and applying a discount (to reflect higher risk and reduced liquidity). These are in line with standard international guidelines. Since 2016, Deepbridge has a policy that all valuations will be examined at least annually.

As mentioned above, Deepbridge sees one of its key roles as supplying expertise to the investee companies. One of its differentiators from some other EIS managers is that most members of the investment team have been successful entrepreneurs themselves. Their experience of investee companies is that the management are often very good at technology but less experienced on business matters.

Like many (S)EIS managers, Deepbridge looks to appoint a senior member of its team to the Board of investee companies in a non-executive position. However, Deepbridge sees its involvement going beyond that. In essence, it is looking to be more of a mentor to the company, encouraging its development by bringing technical, financial or other support. This may or may not come from Deepbridge directly. Often it is ensuring that suitable management or experts are involved with the company as staff or consultants. Sometimes, its involvement has been more direct, such as assisting with project management for a build that can have cost savings, while reducing execution risk.

Formally, Deepbridge expects a six-month formal report, quarterly management accounts, to attend board meetings and to monitor the share capital. Informally, contact with the company will extend beyond board meetings, and Deepbridge will maintain regular management contact; for new investments, this means almost daily, but for more mature investments, the contact can be less frequent.

Performance is also regularly compared against the operational plan and, if necessary, remedial action is sought. Deepbridge has indicated that it is looking for investee companies to follow a “conservative business model” and it will be making sure that this happens. Overall, this goes well beyond simply monitoring the investment, and Deepbridge see this as an important part of its risk mitigation.

A good number of the EIS investments will have further funding needs, and the investments in this fund will be no exception. Investors should also note the potential tension between receiving later EIS funding, which requires a minimum three-year holding time for tax relief, and Deepbridge’s aim of exiting in four to five years’ time. Hardman & Co notes that the latter could be ambitious for an EIS Life Sciences fund.

### *Exits*

Deepbridge emphasises that it is exit-focused from the time of the initial investment. Although the team will have an idea of how the exit may occur, this is by necessity a flexible plan. The main anticipated exit route is through a trade sale, although IPOs or other routes are possible. The one (partial) exit to date came through a secondary market sale, although this is unlikely to be common.

## Track record

The Life Sciences EIS was launched in 2017, so does not have a meaningful track record yet.

The initial EIS product was the Technology Growth EIS, which was launched in 2013. Some of the investments in this fund have been in the life sciences area. As of December 2017, this had invested in 12 companies, some of which have had multiple tranches of investment. There has been one partial exit – Sky Medical – in which all shareholders could have exited, but many chose not to. This gave a return of 2-4x investment, depending on when the investment was made.

Of the 12 investments, seven have seen a positive revaluation, with only one decline. The four without a valuation change were investments in the previous year. Overall, while the EIS track record is limited, it does show signs of promise. It is too early to say whether SEIS will follow a similar pattern.

## Fees

The fees for the EIS are set out in the table on page 3 and, other than the performance fee and non-advised investor fee, are payable by the investee companies. These are straightforward, other than as noted below:

- ▶ **Non-advised investor fee:** where an investor does not come through an intermediary, Deepbridge charges a fee of 2.5% (including VAT) to reflect the additional support these investors usually need. This is deducted before subscription, and so is not eligible for relief.
- ▶ **Corporate advisory and arrangement fee:** the Information Memorandum says this is up to 5%. We understand that, in practice, it is almost always 5%.
- ▶ **Performance fee:** this is charged on a per company basis. It is possible that performance fees may be payable if the fund as a whole has lost money. However, the threshold of £1.20 helps to offset this risk.
- ▶ **Warrants:** Deepbridge will sometimes receive warrants either in lieu of the above payments or in addition to them. These typically are for five to six years, and are intended to incentivise the management.

Unless otherwise noted, the fees and charges are quoted net of VAT. Where investee companies have sufficient VATable revenue, the VAT can be offset, but where a project is unsuccessful, this may not be the case.

## Fundraising targets

The target fundraise is £10m in the 2017/18 financial year. Deployments take place monthly, so it is expected that new money will be invested in that timescale. The fund itself is evergreen, but the closing date for money to be invested in the 2017/18 financial year is 26<sup>th</sup> March 2018.

The minimum subscription is £10,000 per investor. The number of companies an investor will receive may depend on the amount invested; those who make the minimum subscription can expect the minimum of three companies.

## Fund manager & investment adviser

Enterprise Investment Partners was established in 2010. It has acted as a manager and/or promoter for various EIS, SEIS and BPR/BR products.

Deepbridge Advisers has been focused on technology investments since its inception. Founded by Ian Warwick, the Technology Growth EIS has been its flagship product in EIS. Deepbridge has expanded its product range over the last couple of years, and now has four active EIS and SEIS funds. It has also added investments in renewables, which are used, inter alia, in its Business Relief product.

### Key people

#### *Ian Warwick – Managing Partner*

Has spent the last 20 years leading publicly-quoted technology businesses in the UK and USA. Prior to Deepbridge, he was Chairman and CEO of Aftersoft Group Inc, turning around the business and returning it to profit.

#### *Dr Savvas Neophytou – Partner, Head of Life Sciences*

After gaining a PhD in psychopharmacology, he spent 15 years as a top- rated investment banker and analyst at several large investment banks and brokers. He was also CEO of Now Healthcare Group, a telemedicine business.

#### *Ben Carter – Investment Manager, Life Sciences*

Has had corporate experience in the healthcare sector, mostly in sales and sales development. He was chief commercial officer at Possum, commercial director at Now Healthcare and managing director of Touchpoint Service. He joined Deepbridge in 2018.

#### *Kieran O’Gorman – Technical Partner*

Has had a broad range of roles in insurance, private client stockbroking and the alternative asset space. Within Deepbridge, his role includes sourcing investment capital and client communication.

#### *Rick Parry – Partner*

Has held various senior roles in the sporting world, most notably as CEO of the FA Premier League and CEO of Liverpool Football Club. He was chair of The Sports Betting Integrity Panel and is an advisor to the Kingdom of Saudi Arabia.

#### *Professor Chris Wood – Senior Medical Adviser*

Is an experienced biotech entrepreneur who has founded and successfully exited two companies (Bloenvision Inc and Medirace Limited) for a combined \$900m. As well as his Deepbridge role, he is involved in several biotech projects.

#### *Matthias Mueller – Senior Technology Adviser*

Has worked in innovation-led technology engineering, as well as IT and Systems Integration. His primary role is assisting with the appraisal and assessment of new technologies.

In operational terms, the Deepbridge investment team is split into life sciences and technology, with a common due diligence and post-investment team.

At the time of the last Hardman & Co review of a Deepbridge product, we noted that the team was small. It has grown substantially since then, and currently has 32 members of staff. The bulk of this growth has been on the support side, as Deepbridge has developed its in-house capabilities.

The staff on the investment side of the business has grown at a slower rate. Recently, a new manager was recruited for life sciences, and an appointment is being sought for the technology side too. This is welcome, as the current partners are approaching their capacity for the close involvement in investee companies that the Deepbridge process demands, and the expansion into SEIS will probably bring faster growth in the number of companies.

We understand that there are also some administrative areas in which expected growth will push capacity to the limit with current staffing levels. There is a plan to increase headcount significantly over the course of 2018, with some recruitment having started already.

The Supervisory Investment Committee for the fund consists of Kieran O’Gorman as the Deepbridge representative, together with Professor Chris Wood and the following individuals:

- ▶ **Professor Nagy Habib**, Professor of Hepatobiliary Surgery, Department of Cancer Surgery, Imperial College London. He is a specialist in liver diseases, including cancer.
- ▶ **Professor Raj Chopra**, Director of Cancer Research UK Cancer Therapeutics Unit. He specialises in cancer.
- ▶ **Dr Geoff Davison**, Chief Executive of Bionow, and former founder of Biorite Ltd and Advanced Biomedical Ltd. Bionow is a life sciences membership organisation with 15 university and over 300 industry members.
- ▶ **Dr Gary O’Hare**, clinical lead for Primary Care and Governing Body member at Halton CCG. He has been a GP Principal.
- ▶ **Lloyd Price**, co-founder of Zesty. He has experience of building digital businesses across six industries, including healthcare.
- ▶ **Miss Rebecca Roberts**, paediatric surgeon at Bristol Royal Hospital for Children. She has surgical and medical experience across the developing world.

We note that, unusually, the members of the Committee receive no direct remuneration. They are incentivised by the increased connections and knowledge that the role brings, although some do also invest alongside the EIS (on the same terms).

## Appendix 1 – due diligence summary

Summary of core due diligence questions		
Investment Manager		Validated by
Company	Enterprise Investment Partners LLP	
Founded	2010	Hardman & Co
Type	Limited liability partnership	Hardman & Co
Company number	OC357090	Hardman & Co
Ownership	Two members	Hardman & Co
FCA registration	604439	Hardman & Co
Solvency	Yes	Company
EISA member	Yes	Hardman & Co
<b>Investment Adviser</b>		
Company	Deepbridge Advisers Limited	
Founded	2013	Hardman & Co
Type	Private limited company	Hardman & Co
Company number	08614835	Hardman & Co
Ownership	Deepbridge Capital LLP	Hardman & Co
FCA registration	609786	Hardman & Co
Solvency	Yes	Hardman & Co
EISA member	Yes	Hardman & Co
<b>Fund Custodian</b>		
Company	Reyker Securities plc	Information Memorandum
FCA registration	115308	Hardman & Co

Source: Hardman & Co research

### Regulation

Enterprise Investment Partners LLP currently has two members: Martin Sherwood and Christian Elmes. It has appropriate permissions for a fund manager. The company has a strong balance sheet as of the last accounts (March 2017), with £288,630 of equity reserves. Currently, EIP has capital at 109% of its requirements. Submissions to Companies House appear to be up to date.

Deepbridge Advisers Limited is wholly owned by Deepbridge Capital LLP. This has seven members, with Ian Warwick holding a 51.1% stake and the balance being held by other senior members of the Deepbridge team. Deepbridge Capital LLP is authorised by the FCA (number 563366), with Deepbridge Advisers Limited being an appointed representative. Deepbridge Advisers Limited has accounts made up to July 2016, and submissions to Companies House appear to be up to date. For capital needs, Deepbridge Capital LLP is a BIPRU50k firm. At 31<sup>st</sup> July 2017 (latest accounts), its net members' interest was £316,501 and its solvency ratio was 109%.

## Appendix 2 – example fee calculations

This calculates the estimated amounts payable both directly and indirectly under certain assumptions.

### Basic assumptions

Term	5 Five years
Investor amount	£100,000
VAT s reclaimed by investee companies	

Source: Hardman & Co Research

Note: Fees as on page 3. For Deepbridge, all except performance fee payable by investee company.

### Calculations

		Hardman & Co Standard			Target
Gross return		-50%	0%	50%	60%
Amount (pre-tax relief)		£100,000	£100,000	£100,000	£100,000
<b>Initial fees</b>	<b>Rate</b>				
Corporate advisory and arrangement fee	5.00% (excl VAT)	£5,000	£5,000	£5,000	£5,000
Dealing fee	0.65%	£650	£650	£650	£650
<b>Total initial fees</b>		£5,650	£5,650	£5,650	£5,650
Net investment		£100,000	£100,000	£100,000	£100,000
<b>Annual fees</b>					
Maintenance fee	2.00%	£2,000	£2,000	£2,000	£2,000
Custody administration fee (annual)	0.50%	£500	£500	£500	£500
<b>Total over 5 years</b>		£12,500	£12,500	£12,500	£12,500
<b>Gross fund after investment return</b>		£50,000	£100,000	£150,000	£160,000
<b>Exit fees</b>					
Dealing fee	0.65%	£325	£650	£975	£1,040
Performance	20% over £1.20	£0	£0	£6,000	£8,000
Net amount to investor		£50,000	£100,000	£144,000	£152,000
Gain (pre-tax relief)		-£50,000	£0	£44,000	£52,000
Gain (post tax relief)		-£20,000	£30,000	£74,000	£82,000
Total fees paid		£18,475	£18,800	£25,125	£27,190

Source: Hardman & Co research

Notes: tax relief allows for only basic relief and makes no allowance for any loss relief or other benefits.

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*The full detail is on page 26 of the full directive, which can be accessed here: <http://ec.europa.eu/finance/docs/level-2-measures/mifid-delegated-regulation-2016-2031.pdf>*

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