HARDMAN & CO.
TAX ENHANCED

THE HAMBRO PERKS GROWTH EIS FUND

Hambro Perks Asset Management Ltd/Hambro Perks Advisory LLP

	Positives	Issues
Why Invest	**Strategy:** To co-invest alongside Hambro Perks Ltd in a portfolio of fast- growth, disruptive technology-enabled companies.	**Patient capital:** Hambro Perks aims to be a supplier of patient capital, and some investments may take significantly longer than the target.
The Management	**Team:** The management team has a broad range of experience in both finance and entrepreneurship, and has interests aligned with investors.	**Track record:** Although it shows signs of promise, Hambro Perks has a short track record and, so, there is a lack of exits to date.

Nuts & Bolts

- **Duration:** The Fund is evergreen. The aim is to have exits in a three- to five-year timeframe, but investors should note the patient capital comment above.
- **Diversification:** The manager expects to provide 10 to 15 EIS investments, with a mix of early-stage and better-developed companies.
- **Valuation:** Reviewed quarterly, with updates on company progress being sent twice a year.

Fees

- **Fees:** All fees are charged direct to investors.
- **Performance fee:** Charged on a portfolio and tiered basis, with a rate of 20% for aggregate returns over £1 but below £2, and at 30% above that.

Risks

- **Target returns:** The target return of doubling capital, excluding tax reliefs, over three to five years, suggests a high-risk investment strategy.
- **Companies:** Supplying risk capital to early-stage technology companies at the start of commercialisation. There will be a spread of company returns, as the successful investments will do very well, but those that fail may do so completely.

Analyst

Brian Moretta

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Manager information

- ***Fund assets*** *£4.5m*
- ***Fund target*** *£15m p.a.*
- ***Total FUM*** *£55m*
- ***Launch date*** *February 2018*

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Factsheet

Hambro Perks Growth EIS Fund	
Product name	The Hambro Perks Growth EIS Fund
Product manager	Hambro Perks Asset Management Ltd
Product advisor	Hambro Perks Advisory LLP
Tax eligibility	EIS
Target return	Doubling capital
Target income	None
Type of product	Discretionary portfolio service
Term	Evergreen
Sectors	Technology-enabled – particularly edtech, digital health, digital media, fintech and business services
Diversification	
Number of companies	10-15
(Expected) Gini coefficient	0.07-0.10

Fees	Amount	Paid by
Initial fees		
Initial charge	2% (advised)/4% (non-advised/direct)	Investor
Transaction fee	0.35% of net subscription	Investor
Annual fees		
Annual management fee	2% of net subscription	Investor – see *Fees*, page 10
Custody & administration fees	0.35%	Investor
Exit fees		
Performance fee	20%/30%	Investor, portfolio basis – see *Fees*, page 10
Transaction fee	0.35%	Investor

Advisor fee facilitation	Yes
Advisor fee amounts	As agreed with investor
HMRC Approved fund	No
Advance Assurance	Yes, for each investment
Reporting	Reports every six months, valuations quarterly
Expected exit method	Expected mostly via trade or other sale
Fundraising	
Minimum investment	£25,000
Current funds raised	£4.5m
Fundraising target	£15m p.a.
Closing date(s)	No specific closings

Source: Hambro Perks, Hardman & Co Research

Fund aims

The Hambro Perks Growth EIS Fund is a discretionary portfolio service, which will co-invest with Hambro Perks Ltd to build a portfolio of EIS investments in unquoted companies in the target areas. The target return is twice the capital invested, with the aim of holding positions for three to five years. Returns will be focused on capital gains, and investors are unlikely to receive any dividends. The Fund is evergreen, with no set closings.

Slightly unusually, the Fund has a Manager and an Adviser that are both subsidiaries of the same parent company, Hambro Perks Ltd.

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 providing risk capital to an unquoted company, with the portfolio split between early-stage and better-developed companies, with the former having lower individual weights and total portfolio weights to offset the greater risk. Hambro Perks aims to have 10 to 15 EIS companies in the portfolio, which would put it above the average for EIS funds. Although sector diversification is limited, stock-specific risk should dominate market risk.

The target return of doubling capital in three to five years suggests high-risk individual investments, which is corroborated by the strategy.

Sourcing and external oversight

Although the Fund is a new venture, Hambro Perks has been making venture investments in EIS-eligible companies since 2016. It has established sources of deals, and the recent rate of investment is in excess of what is required for the Fund. All deals in the Fund will be co-investments with Hambro Perks Ltd. All decision-making is within the Hambro Perks team, although we note the broad range of experience it brings.

Ongoing support and monitoring

Hambro Perks has created a remarkably strong support environment for its investee companies, given its short history. Hambro Perks prefers to get a seat on the Board, although it may take observer status or, rarely, information rights, depending on circumstances. Hambro Perks' internal resources include digital marketing, legal, book-keeping and even some office space, as well as using its network to strengthen shareholder lists and source wider support.

Exits

Hambro Perks has a limited track record to date and expects that most exits will be via trade sales. The return profile of individual investments is likely to be skewed, with successful investments probably giving very good returns, while those that do not will give little or nothing back.

Manager

Team

Hambro Perks has created an operation that is larger than most new EIS managers. The directors and investment team are very experienced, with a wide range of financial and entrepreneurial backgrounds. Wider members of the team include specialists in digital marketing and legal areas, who are available to support investee companies. The team looks to be well placed to cope with future growth.

Track record

Since 2016, Hambro Perks has made 115 investments over multiple rounds into 46 companies. With no exits to date, the track record is limited, but the follow-on fundings completed so far suggest that the investments have made substantial progress.

Regulation

Product

Advance Assurance is sought for each investment.

Manager

The manager of the Fund is Hambro Perks Asset Management Ltd, and the adviser is Hambro Perks Advisory LLP. The former is Guernsey-regulated, while the latter is FCA-registered (number 791891), as an appointed representative of Mirabella Advisers LLP. Submissions to Companies House appear to be up to date.

Risk analysis/commentary

Although the EIS Fund is new, Hambro Perks has an experienced team in place that has been committed to the area for some time. The team is relatively large for a new entrant, with strong experience in both finance and entrepreneurial activities. The co-investment alongside Hambro Perks Ltd allows the fees to be lower than average, with the team having incentives from the parent company that align them with investors.

With Hambro Perks having started investing less than three years ago, the track record lacks depth, particularly for exits, but its unrealised returns so far show promise. While the proposed time taken to deploy capital is over an extended period, the record to date suggests Hambro Perks should manage to do so within the proposed 12 to 18 months, and possibly more quickly.

Hambro Perks has built an impressive support capability in a short time period, which has some unique capabilities in the EIS space. The company is also developing rapidly. If the plans progress as intended, then the ability to support investee companies will be enhanced further. The proposed capital pools, in addition to the effective network, will give a follow-on funding capability that only a few EIS managers can match.

Investors do need to be aware that they will be investing risk capital into early-stage companies. Diversification is an important consideration for any investor – while the companies that succeed are likely to produce exceedingly good returns, those who do not may return little or nothing. Diversification within the Fund is better than in many other EIS funds, with a spread of development stages too. The Hambro Perks EIS Fund should be considered in the context of an investor's entire portfolio.

Investment process

Hambro Perks has established itself as a direct investor into startup and early-stage companies. The aim of the Fund is to provide EIS investors with the opportunity to co-invest alongside the parent company. Hambro Perks believes that this aligns the interests of Fund investors, Hambro Perks shareholders and the team. Consequently, the investment process will closely follow that of Hambro Perks itself, with some small differences due to various legal requirements and restrictions.

Deeper dig into process

While Hambro Perks is open to making investments in many different sectors, in practice, it leans towards some specifically. Areas that will feature strongly in investments are digital health, digital media, other fintech, education technology (edtech) and business services. These are areas where Hambro Perks can demonstrate that it has high-quality staff with strong experience.

Insurance is another area where Hambro Perks believes its team has deep expertise, and it has a specific investment vehicle, InsurTech Gateway. This is a joint venture with Robert Lumley and Lumley Family Office. This aims to use a common technology platform to allow insurance startups to gain regulatory approval and start trading very quickly.

InsureTech Gateway is currently raising additional capital for a sector-specific fund. It should be noted that, as insurance underwriting is not permitted under EIS, not all of the investments from InsurTech Gateway will be eligible for the Fund. Although the term ‘accelerator’ is sometimes used to describe it, there is no formal programme, and the support perhaps has more in common with an incubator.

The expectation is that investments from the areas listed will form around 70% of an investor’s portfolio, with the balance being from other areas. The latter will depend on which deals progress during the investment period.

Apart from the expertise requirement, Hambro Perks specifies three other strong criteria for company selection:

- **Management**: wants ‘amazing’ founders. The desire is for a high-quality team but also one with a degree of humility, as Hambro Perks wants the team to be able to listen to advice. The team does not rely solely on its judgement, taking extensive references, but it does try to spend a lot of time with company founders to understand them better. This is a two-way process, with Hambro Perks following the view that the best founders can choose their investors, and they want to be the investor of choice for founders.
- **Market**: like many Silicon Valley VCs, Hambro Perks looks for companies to have huge potential markets. The ability and desire to internationalise are seen as essential, and an area in which specific support can be provided, particularly for penetrating US markets.
- **Capital**: the preference is for companies that have light capital needs, with the ability to scale. This has not stopped Hambro Perks from investing in some hardware companies, but there are unlikely to be many of these.

Investments will be split between early- and late-stage investments.

Early-stage are often pre-revenue, although achieving revenue will be in Hambro Perks’ sights and they may be proving their market. Typically, this will be their first or second funding round, raising perhaps a few hundred thousand pounds to a million or two on valuations under £10m and still having small teams.

Later-stage companies are larger, with significant revenues, and at or approaching the scale-up stage. The fundraising will be seen as Series A: historically, valuations have been up to £30m, but there is not a limit and they could be higher. They should be lower-risk investments, and so will have a higher portfolio weighting for investors.

The Fund's investors should expect around half-a-dozen early-stage companies, each with ca.5% weight. The balance will be in later-stage companies, normally with weights of 10%-15%. There may also be some investments that sit between the two categories and will be weighted accordingly.

The Fund will be a co-investor alongside almost every eligible deal that Hambro Perks carries out. There will be a small number of exclusions and one class of exceptions. Insurance was mentioned above as excluded in some circumstances. Hambro Perks also invests in a small number of non-UK companies and occasionally uses convertibles, neither of which are EIS-eligible. There are also some very early-stage investments, dubbed HP Labs, where the cash invested is very small. The main investment is supplying time and expertise to supporting the founders, sometimes with a desk too, which is not seen as suitable for fund investment.

Sourcing deals

Hambro Perks sources most of its potential deals through its network. As well as the connections from the four directors and other members of staff, there is a supportive shareholder base too. The latter appear to be particularly important, especially as they understand the sort of referrals Hambro Perks looks for. The entrepreneurs that have been funded by Hambro Perks or by the staff in previous roles are also a good source.

Hambro Perks has clearly built up a reputation with the venture capital eco-system, which is bringing referrals. There have been approaches from other funds or angels for Hambro Perks to co-invest alongside them, particularly those with which it has already co-invested. There have also been referrals from larger providers of capital who find the deal size too small for them. As with most funds, there is a steady flow of unsolicited inbound enquiries too.

The team is also pro-active, attending accelerator and other events to seek investment opportunities. Overall, the inflow is estimated at over 2,000 deals a year. With Hambro Perks increasing its scale of operations, this has grown quickly, and seems likely to continue to do so. Historically, investments have been made in less than 1% of the opportunities seen.

Hambro Perks expects to be participating in follow-on funding rounds for many of its investments and has reserved capital on its balance sheet accordingly. While some of these may not be EIS-eligible, investors in the Fund should expect some of their investments to be follow-ons. The full due diligence process is done for all follow-on investments, ensuring that such decisions are because of continued conviction, rather than being automatic.

The Fund expects that each investor will have a portfolio of 10-15 investments within 12-18 months of investing. The flow indicated above, the rate of investment to date (allowing for the restrictions mentioned above) and the need for follow-ons in the existing portfolio suggest that this should be achievable.

Decision-making

The decision-making process for the Fund is similar to the best practice seen at other EIS funds, with a couple of distinctive twists.

When new opportunities arrive at Hambro Perks, they are forwarded to a member of the investment team. Cold approaches may be filtered for relevance; otherwise, they are discussed at a weekly deal-flow meeting. If the approach is of interest, then a member of the investment team is associated with the potential investment.

The investment team meets with management, and then reports to the subsequent deal-flow meeting. At this meeting, a brainstorming process takes place, covering the potential risks, the ways in which Hambro Perks can help the company, where references can be obtained from, and people that should be spoken to for feedback. It is unusual for this to be part of the investment process, and illustrates the desire of Hambro Perks to be attractive to entrepreneurs.

Over the next couple of weeks, there will be further meetings with other members of the Hambro Perks investment team and their Venture Partners (see *Investment manager* below). If these are successful, then the Investment Committee will make a decision about whether to go ahead with an investment in principle.

At this point, the Term Sheet is negotiated and issued, although some or all of it may be discussed in the earlier meetings. With this in hand, full due diligence follows, including commercial, financial, legal and technical, if appropriate.

Once the due diligence is complete, the final decision is made by the Investment Committee. There are separate committees for Hambro Perks and the Fund, with the former having greater membership. The expectation is that decisions will be unanimous. The whole process is expected to take 1.5 to 2 months.

It should be noted that, in practice, although the investment terms will usually be the same, some of the money from Hambro Perks may be invested before the Fund. This would be because the Fund requires Advanced Assurance before proceeding. As it is unlikely that the latter will not be granted, given the profile of companies being invested in, this should not be a concern. The main circumstance where the terms may differ is where the funding round involves another VC who takes preference shares. Under those circumstances, Hambro Perks Ltd will also look to take preference shares too, although EIS investors may, in some circumstances, not be able to.

Exits

Hambro Perks has not yet reached the stage of having meaningful exits. Expected routes are the normal ones for EIS funds, including corporate acquisitions and IPOs. As indicated above, the Fund operates a fail-fast model, with follow-on funding only supplied where Hambro Perks has sufficient conviction. This means that investors are likely to see the failures in their portfolio before the successes mature.

Investors should expect a wide range of returns from individual companies. Those that are successful may give a return significantly higher than the 2x target, while those that fail may give little or nothing back to investors.

The management team emphasises that it is a supplier of patient capital. It believes that the majority of investments will exit in three to five years' time, which may be ambitious for the profile of companies in which it is investing. Hambro Perks believes that the later- stage investments, in particular, should mature sooner, with the earlier-stage companies more likely to take longer. Hambro Perks is clearly prepared to stay invested for significantly longer, if required. An investor should expect some investments to significantly extend beyond five years, even if they are successful.

Governance, support and monitoring

Advance Assurance is sought from HMRC on all investments prior to completion.

The Administrator and Custodian of the Fund is Mainspring Nominees Limited. All client assets are held by Mainspring, with the cash kept in a segregated account at Metrobank.

Portfolio valuations will be updated quarterly, with reports available through an online portal operated by Mainspring. This will also provide access to contract notes, EIS Certificates and other paperwork. Valuations will follow the IPEVC guidelines, which, for the current investments, is likely to mean book value or subsequent deal price, unless there is a write-down.

Updates on the investee companies will be sent every six months, although there may be ad-hoc updates if a significant event takes place in the interim.

Hambro Perks insists on having enhanced shareholder rights in every investee company. For most companies, this will be, in decreasing order of preference, a seat on the board, having observer status or information rights. The exceptions to getting a seat are usually where the stake is not big enough or the existing board is already very strong. Generally, earlier-stage investments are more likely to involve taking a seat, due to higher ownership and the likelihood that the existing board is less well developed, with the exceptions more likely among later-stage companies.

The Hambro Perks representative may be a member of the investment team or a Venture Partner. The aim is to appoint someone with the most appropriate knowledge to assist in the investee company's development.

One distinguishing feature of Hambro Perks is the range of post-investment support that it can provide, with the offering wider than that of many EIS managers.

In-house support can include help with digital marketing, legal support and book-keeping. The team for the former sells its services commercially too, but is there to help investee companies as well. Legal support can include contracts for HR or further fundraisings. Book-keeping is usually only for the smaller or newer companies, acting as a bridge until they can take it on themselves.

The more general support available includes help and advice with fundraising, operational support, guidance, corporate governance and using its network to source human capital. For fundraising, Hambro Perks, apart from advising the company, also gives introductions (on a non-promoted basis), with a view to creating a useful cap table, trying to find shareholders who can be an active support to the business.

For some investee companies, particularly those at an earlier stage, Hambro Perks can supply office space. A large part of its offices is given over to investee companies, with 10 currently using the facilities. This has an incubator-like quality, with the ability for companies to share and exchange ideas, and to have ready contact with the Hambro Perks team. Very few fund managers offer similar facilities.

Although Hambro Perks is a relatively young company, it has plans to expand the range of funds that it offers. In particular, this includes a growth fund and a fund aimed at secondary investments. The former will focus on scale-ups at Series A onwards. Should the former attract meaningful amounts of capital, it would give Hambro Perks the ability to provide funding to companies as they grow beyond EIS. It is less clear how significant the secondary fund could be to EIS investors but it may be helpful. While these have still to be funded, they would provide a capability to fund follow-ons, which very few other EIS fund managers have. As helpful as it would be to EIS investors, it would make Hambro Perks more attractive to founders too.

Track record

With the Fund having been launched in February 2018, there is no meaningful track record as yet. At the date of this report, £4.5m had been raised, with two-thirds of that invested into 13 companies.

The parent company, Hambro Perks, started investing external capital in 2016, and has invested £18m through 115 transactions over multiple rounds into 46 companies. Given the short timescale, it is no surprise that, as yet, no exits have been achieved from successful companies. There have been six other exits: four of these have failed or are close to failure, with liquidation the most likely outcome and little in the way of recoveries; two others were situations where things were not working out with management, but secondary sales were achieved into later funding rounds, with the capital returned at the entry price.

Of the remaining companies, a remarkable 24 have had valuation uplifts through subsequent funding rounds, and two have had write-downs. With the former, many of these have had multiple investment rounds – so the earlier investments may be showing uplifts, while the most recent ones are not.

The majority of investments would have been EIS-eligible. The exceptions are, as alluded to above, some of the InsurTech investments (three to date) and a couple of investments in non-UK domiciled companies. Hambro Perks quotes a portfolio IRR of 40% to March 2019, with a total valuation movement of 2x. While these are excellent figures, the portfolio immaturity and lack of realisations suggest that it has low reliability.

In summary, although there are some signs of promise, it is too early to make any real assessment of investment performance. The pace of investments to date does suggest that the Fund should be able to achieve the targeted number of investments in the quoted period of 12-18 months.

Fees

The fees are outlined in the Factsheet on page 3, with additional information below. It should be noted that, as the fund manager is Guernsey-based, no VAT is payable on any fees. This is an advantage compared with some other managers.

Initial fees

The amount of the initial fees depends on whether the investor is advised or non-advised/direct, with the latter paying a higher fee.

At the outset, 10% of the initial investment is set aside to cover fees. From this, the initial fees will be deducted, with the remainder being held to pay the annual fees until exhausted. Any outstanding annual fees will be paid from exiting investments. The initial Transaction Fee is payable on the amount invested, i.e. after this deduction.

Annual fees

The Annual Management Fee is calculated on a net subscription basis, i.e. based on the net amount invested in the Fund, reduced by any distributions.

Exit fees

The Performance Fee is tiered, with a rate of 20% payable on gains above the subscription for gross returns less than twice the investor's subscription. Returns above that level have a rate of 30%. The performance fee is calculated on a fund basis.

Investee company fees

There are no fees charged to the investee companies as a matter of course, although Hambro Perks may charge for other services if they are provided.

Fundraising targets

The Fund is evergreen, with an annual fundraising target of £15m. There are no specific closing dates, with investors getting investments from the ongoing deal flow after their investment is received.

The minimum subscription is £25,000.

Investment manager

Hambro Perks was founded in 2013 after Rupert Hambro CBE and Dominic Perks met and decided to share an office and deal-flow in startup companies. Bringing in like-minded people to the team, the company first took external capital for investment in 2016.

Since then, the company has grown quickly, with a team of 30 people, whose skills and experience cover a variety of disciplines and backgrounds. Roughly half the team, including directors, are involved in the investment and asset management side, with the balance in the areas described above.

In addition to the employees, Hambro Perks has several Venture Partners. These are industry experts who are retained on a part-time or consulting basis. They provide relevant expertise, whether during the diligence process, for support after investment, or as board members.

Overall, Hambro Perks appears to have a good-sized team for the current scale of operations. From discussions, it is clear that staff capacity is not currently a constraint. However, if historical growth rates are maintained, then we would expect to see further additions to the team.

People

Dominic Perks – CEO of Hambro Perks

Spent the early part of his career consulting with McKinsey & Co and originating private equity investments at Morgan Stanley. Since 2002, he has been following an entrepreneurial path, spending eight years turning around and exiting UNO before moving to investment activities.

Andrew Wyke

Joined Goldman Sachs on its graduate programme and had a 20-year career, latterly as a Managing Director. He built and ran pan-European sales within the Fixed Income Currencies and Commodities division. He has been a serial angel investor.

Nicholas Sharp

A Chartered Accountant, he qualified with Deloitte and Touche before joining Odey Asset Management as an analyst, and later as a fund manager, on Japanese equities. He joined Merrill Lynch in 2008 and spent almost eight years on its Asian equity sales team.

Peter Soliman

Gained a broad range of corporate legal experience through various legal firms in Australia and the UK. Following this, he gave advice to various private equity funds focused on turnarounds, including lengthy periods with Better Capital.

The above form the members of Hambro Perks Advisory LLP. The Investment Committee for the Fund consists of the four partners of the LLP. In addition, although not part of the investment-decision process, the following individual has a governance role.

Rupert Hambro CBE – Chairman of Hambro Perks Asset Management

Started in Hambros Bank in 1964, working up to Chairman and CEO before co-founding JO Hambro in 1986. This was followed by successful asset management and other investment/entrepreneurial projects. Co-founded Hambro Perks Ltd, where he is also Chairman.

Appendix 1 – due diligence summary

Summary of core due diligence questions

Manager	Hambro Perks Asset Management Limited	Validated by
Founded	October 2017	Hardman & Co
Type	Non-Cellular Company	Hardman & Co
Ownership	Hambro Perks Ltd	Hambro Perks
FCA registration	No – Guernsey regulated	Hardman & Co
Solvency	Yes	Hambro Perks
EISA member	Yes (via parent)	Hardman & Co
PI arrangements	Yes	Hardman & Co
Adviser	**Hambro Perks Advisory LLP**	**Validated by**
Founded	September 2017	Hardman & Co
Type	Limited Liability Partnership	Hardman & Co
Ownership	5 members, including Hambro Perks Ltd	Hardman & Co
FCA registration	Yes – 791891	Hardman & Co
Solvency	Yes	Hardman & Co
EISA member	Yes (via parent)	Hardman & Co
PI arrangements	Yes	Hardman & Co
Fund Custodian		
Company	Mainspring Nominees Limited	Information Memorandum
FCA registration	Yes – 591814	Hardman & Co

Source: Hardman & Co Research

Hambro Perks Ltd is the parent company of the group. It has a diverse shareholder base. As of the last accounts (31 December 2017), it had £25.2m of shareholder funds, of which £9.9m were cash or short-term investments. Filings at Companies House appear to be up to date.

Hambro Perks Asset Management Limited is a Guernsey-based, wholly-owned subsidiary of Hambro Perks Ltd. It is regulated by the GFSC (reference 2293289) with suitable permissions for managing a fund.

Hambro Perks Advisory LLP has five members: Dominic Perks, Andrew Wyke, Peter Soliman, Nicholas Sharp and Hambro Perks Ltd. The latter owns 96%, with the balance split equally among the partners. It is an appointed representative of Mirabella Advisors LLP.

The structure of having a manager and adviser for an EIS Fund that essentially has the same ownership is very unusual. We understand that this is to allow the manager to run a wider range of funds in the future. Although unusual, Hardman & Co sees no need for this to raise concerns for investors.

Appendix 2 – example fee calculations

This calculates the estimated total amount payable to the manager under certain assumptions.

Basic assumptions	
Term	5 years
Investor amount	£100,000

Source: Hardman & Co Research

Calculations					
		Hardman & Co standard			Target
Gross underlying return		**-50%**	**0%**	**50%**	**122%**
Amount (pre-tax relief)		**£100,000**	**£100,000**	**£100,000**	**£100,000**
Initial fees	**Rate**				
Initial subscription fee	2.00%	£2,000	£2,000	£2,000	£2,000
Total		**£2,000**	**£2,000**	**£2,000**	**£2,000**
Further fee deduction upfront	10% total	£8,000	£8,000	£8,000	£8,000
Net investment		**£90,000**	**£90,000**	**£90,000**	**£90,000**
Transaction fee	0.35%	£315	£315	£315	£315
Annual fees					
From advance deduction and on exit					
Management fee	2.00% p.a.	£2,000	£2,000	£2,000	£2,000
Administration fee	0.35% p.a.	£350	£350	£350	£350
From company					
None					
Gross fund after investment return		£45,000	£90,000	£135,000	£200,000
Exit fees					
Balance of annual fees	2.00% p.a.	£4,065	£4,065	£4,065	£4,065
Performance	20%/30%	£0	£0	£6,180	£19,180
Transaction fee	0.35%	£158	£315	£473	£700
Net amount to investor		£40,935	£85,935	£124,748	£176,748
Gain (pre-tax relief)		- £59,065	- £14,065	£24,748	£76,748
Gain (post-tax relief)		- £32,065	£12,935	£51,748	£103,748
Total fees to manager		£14,223	£14,380	£20,725	£33,952

Source: Hardman & Co Research

Notes: Some fees may be payable for longer, but we have used five years, in line with our standard assumptions

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