Seneca EIS Portfolio Service

Tax-Advantaged Investments

EIS Review

DECEMBER 2019

MJ HUDSON Allenbridge

Contents

Overview

Seneca Partners Limited ("Seneca" or the "Manager") continues to raise funds for the Seneca EIS Portfolio Service (the "Service"). The Service, which operates an evergreen product, has been open to new and existing shareholders since December 2012 and has raised over £58 million to date.

Investment Details:

Score:	85
Offer Type	Discretionary Non-Approved
EIS Strategy	Generalist
EIS AUM (Pre-Offer)	£80.3 Million
Manager AUM	£151.3 Million
EIS Risk Level	Medium

Investment:

Minimum subscription	£25,000
Maximum qualifying subscription per tax year	No Maximum
Early bird discount	None

Closing Date:

Evergreen

This document verifies that *Seneca EIS Portfolio Service* 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:

Founded in 2010, Seneca Partners Limited ("Seneca" or the "Manager") is a specialist corporate financier providing equity and debt funding, as well advisory services to small and medium sized enterprises ("SMEs"), which Seneca defines as businesses with an annual turnover of up to £100 million. It operates mostly in the North West, Yorkshire, Midlands and the North East, where it has established a strong presence across its group of Seneca branded companies. In order to help SMEs to raise capital tax-efficiently, Seneca entered the tax-advantaged sector in 2012, raising funds for Enterprise Investment Scheme ("EIS") qualifying companies and an inheritance tax service using business relief ("BR"). More recently, Seneca has become the manager of a range of Alternative Investment Funds (AIFs) for Seneca Property.

Seneca also has experience in providing corporate finance and debt advisory services to SMEs. In the coming months, the Corporate Finance function will be transferring to a new legal entity, Seneca Corporate Finance Ltd, allowing Seneca Partners to focus on the management of its range of investments which should, to some extent, help to address the inherent conflict between the two services. The Seneca family of companies have assets under management ("AUM") of circa £883 million. These associated companies provide a range of financial services including equity investments, debt funding and corporate advisory services to SMEs. This review concentrates on the Seneca entity that manages the Seneca EIS Portfolio Service, Seneca Partners Limited.

PRODUCT:

Launched in December 2012, the Service has invested £58.4 million across 86 separate investments into 46 companies in a wide number of sectors. Seneca will invest in companies where it believes it has the expertise and connections to enhance the operational and trading efficiency of the business, thereby raising its valuation in order to facilitate an exit, such as attracting a third party buyer or via an AIM flotation. Most of these companies will have already demonstrated commerciality and, will be a point of generating revenue, thus helping to mitigate some of the risks associated with early stage investment. Seneca's network of long standing relationships with intermediaries, accountants and business advisers suggests that adequate suitable opportunities can be sourced in its preferred regions outside London and the Home Counties. The Manager believes valuations can be more attractive outside the South East, as it sees a lower supply of venture capital ("VC") funding. The Service is generalist and sector agnostic, although the portfolio historically has been biased towards biotech/pharmaceutical companies. Seneca has stated that it has up to £10.5 million of potential new opportunities which could receive immediate funding from new subscription. This Service will invest alongside the Seneca Growth Capital VCT, and as such it will share the same pipeline; although there is no formal allocation policy in place, with Seneca noting that it will take a more "common sense" approach with regard to its allocation policy. Seneca remain committed to having subscriptions fully invested across a portfolio of between four and six investee companies, and Seneca expects to be able to deploy these funds within a 6 to 12 month period.

SUMMARY OPINION:

Seneca's regional presence may help EIS investors with existing EIS portfolios to gain a degree of geographical diversification. Seneca has been very active in acquiring, establishing and affiliating companies to trade under the Seneca name. We acknowledge that this should boost economies of scale and rise the firm's market presence, helping it to attract good deals and raise funds but equally will give rise to conflicts of interest that need to be managed carefully. Seneca will target more established companies, with an existing product or service, and where Seneca will have the potential to drive growth in the business. Companies at this stage of development arguably provide a lower level of risk, reflected in the target return of 1.6x to 1.8x initial investment, before fees and excluding EIS tax reliefs. Just less than half of the current portfolio comprises of AIM listings which, if repeated for new investors, will potentially provide some liquidity for investors who would prefer an exit promptly after the minimum holding period. However, this does similarly expose investors to market volatility associated with AIM, as demonstrated by the recent underperformance of that element of the portfolio.

Although a relatively small investment manager, we found its governance and due diligence to be thorough and robust, and its investment team well resourced, with expertise in identifying VC opportunities. In summary, investors seeking to widen their geographical diversification, into companies at a later stage of development, may be attracted to the Service. As has been noted, though the portfolio's performance, particularly the AIM portion, has been somewhat disappointing, this can largely be attributed to lacklustre performance across the AIM market over the past 12 months, and does therefore illustrate the risks associated with AIM focused strategies. However, the Manager's track record and stronger performance of unlisted investments, along with five profitable exits, should reassure investors that the strategy does have potential to deliver positive returns.

Positives

AT THE MANAGER LEVEL:

- Seneca has demonstrated very strong growth in assets under management ("AUM") year on year since entering the tax-advantaged sector in 2012;
- The product range has grown from the provision of equity, debt and corporate advisory services to include a VCT and an inheritance tax service as part of its tax-advantaged product range, in addition to the EIS portfolio service reviewed here;
- Seneca has a wide group of affiliated companies, through which it can exploit economies of scale through the pooling of central resources for many back office and middle office functions, such as Human Resources and payroll;
- The Advisory Partners Network, which is made up of successful business owners and senior executives with whom Seneca has longstanding relationships, has helped to further boost its profile amongst potential target investments;
- Seneca is a financially stable, profitable company with adequate cash reserves;
- Seneca's regional presence may enable it to employ more experienced investment professionals as these locations should arguably prove more attractive to those not wishing to work in London or the Home Counties, where VC firms historically tend to prefer to be located;
- All the senior management are shareholders in the business; and the shareholding is diverse, which reduces key-man risk; In our view John Davies holds a key-role in terms of investment decisions; however Seneca would like to note that final investment decisions are made by the Investment Committee and not John Davies alone;
- Governance is controlled and overseen by four committees, each linked to the Board of Directors, which is a reassuring feature;

AT THE PRODUCT LEVEL:

- The Manager has previously made investments that subsequently listed on AIM which may increase the likelihood of being able to achieve an exit through an AIM listing for successful investments;
- Seneca'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 regions;
- The pipeline appears strong, with £10.5 million in identified opportunities; although this is qualified by the fact that this pipeline is shared between two tax-advantaged products with an unquoted and AIM-related strategy;

- The focus on businesses in the Midlands and North may provide an element of geographical diversification to investors with existing EIS portfolios;
- The investment team of seven is, in our opinion, of ample size to fulfil the EIS's mandate; although it should be noted that the same team will be responsible for management of the VCT portfolio;
- Combining an AIM listed portfolio with unlisted companies offers the potential for significant distributions if exits are achieved and the payment of regular dividends, without necessarily having to retain significant cash balances;
- The EIS has made six successful exits, with an average exit multiple of 3.86x, in addition to successfully listing two unlisted investments on AIM with a positive return which over a seven year life suggests a reasonably strong proportion of successful exits;
- Some of the risks associated with investment into earlier stage investments will be mitigated to an extend by targeting investment into more established companies, which should appeal to some investors; albeit for a more conservative target return of 1.6x to 1.8x.

Issues to consider

AT THE MANAGER LEVEL:

- The corporate structure, while creating economies of scale, can appear complex to external third parties, and may lead to a lack of clarity over the different Seneca companies' functions and the possibility of conflicts of interest between them. However, Seneca has a robust conflicts of interest policy;
- Though the separation of corporate finance has its benefits, it has to date been the most significant revenue stream for Seneca Partners; therefore, whilst we expect overall revenue to decrease in the future, this is not necessarily a threat to the Manager's financial stability as the funds under management continue to grow (from further fundraising and with the introduction of a range of non-tax advantaged AIFs);
- Following, the recent separation of the corporate finance arm, the Manager is more dependent on the income generated from its tax-advantaged products, and thus vulnerable to potential future commercial and legislative changes. However, the range of investment products has recently been widened to include a range of non-tax advantaged products. In addition, the revenue from the tax-advantaged business is small relative to the wider Seneca family of companies and as such the impact of these risks could potentially be absorbed by other parts of the group;
- Although the EIS product under review has been in operation for seven years, Seneca has a very limited track record as a VCT manager and will need to ensure it is able to manage the different tax advantaged products in such a way as to meet its different rules and, to handle conflicts of interest between each product fairly.

AT THE PRODUCT LEVEL:

- As the EIS sometimes co-invest alongside the VCT, particularly in the early years as the VCT establishes its portfolio, questions of fair allocation between these products may arise. While conversations with Seneca indicate it would take a common sense approach to allocations between VCT and EIS funds, in the main allocations will primarily be dependent upon the requirement for Seneca to satisfy VCT investment and EIS deployment timeline;
- Investing part of the portfolio in AIM-listed stocks means performance will be vulnerable to the volatility of the AIM market as a whole, as evidenced with the EIS Portfolio Services recent performance;
- As is not uncommon, Seneca can charge investee companies up to 4% in arrangement fees for raising finance as well as up to 2% per annum for monitoring services (although we acknowledge that according to data provided by Seneca, the average fee is 2.33% and 0.89% respectively). These fees will reduce the profitability of investee

companies and thereby reduce their value on exit which creates a conflict of interest between the Manager and investors as well as in effect duplicating management fees;

- At the time of writing (November 2019), a majority of the AIM investments were trading below initial cost, even though the unlisted portion of the portfolio has increased in value, the AIM devaluations were significant enough to cause the overall portfolio to decrease by almost £1.7 million. However, this must be seen in the context of an overall lower market value for AIM;
- Unlike unquoted investments, Seneca has less influence over board decisions made by the AIM-listed companies;
- In exceptional circumstances, where the Manager would find justification, it has historically shown a willingness to sell investments ahead of the minimum holding period which means investors would lose out on part of their EIS reliefs[1], albeit this risk is partly mitigated by the fact that each holding should represent less than 15% of the overall investment. There is no performance fee hurdle and performance fee rates are higher than many of its peers. Furthermore the Manager receives a higher performance fee on exits within four years;
- The Manager expects to invest each tranche in only five or six companies with up to 25% in a single company which gives rise to concentration risk.

[1] We note that to date this has occurred twice, once when an investment had grown by c. 10x (and a number of investors were keen to crystalise the gain) and the other when RBS made an offer to buy all of the shares in an investee company (where the majority of shareholders outside of the Service accepted the offer, forcing Seneca to sell the shares).

Manager Quality

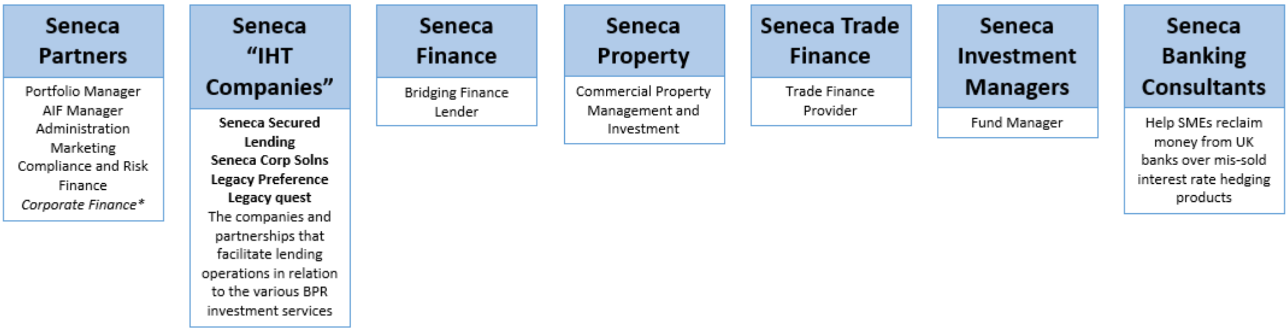
Manager Profile

Seneca Partners Limited ("Seneca" or the "Manager") was formed in 2010 by private individuals with the aim to provide small and medium sized companies ("SMEs") with equity/debt funding and corporate advisory services, particularly in the Midlands and North of England. It entered the EIS sector in 2012, with the launch of an approved EIS fund. Subsequently, three more EIS products were launched: the EIS Portfolio Service (under review here) in December 2012, the Managed Storage EIS Fund in 2016, the Evolution EIS Approved Fund in 2018 (though the Manager had told us that they will not be re-opening this fund), and finally the Seneca Growth Capital VCT, launched in Q1 2018.

Since the firm's founding in 2010, the Directors have been very active in assembling an affiliation of companies to trade under the Seneca name ("the Companies"), in order to provide a range of complementary services. Thus far, it has created one subsidiary and acquired another, as well as four stand-alone entities. Although the Companies cannot be viewed as a corporate group through interconnecting holdings, they share central systems conducted from the Haydock central office, including human resources and payroll. Seneca believes this brings advantages in the form of economies of scale and increased commercial opportunities. We note these benefits, but remain mindful that the overall corporate structure is somewhat informal.

The chart and table below summarise the current seven related entities trading under the Seneca name:

CHART 1: SENECA COMPANIES CORPORATE STRUCTURE



Source: Seneca; AdvantageIQ

*In the process of separating this function into a separate entity

TABLE 1: SENECA COMPANIES

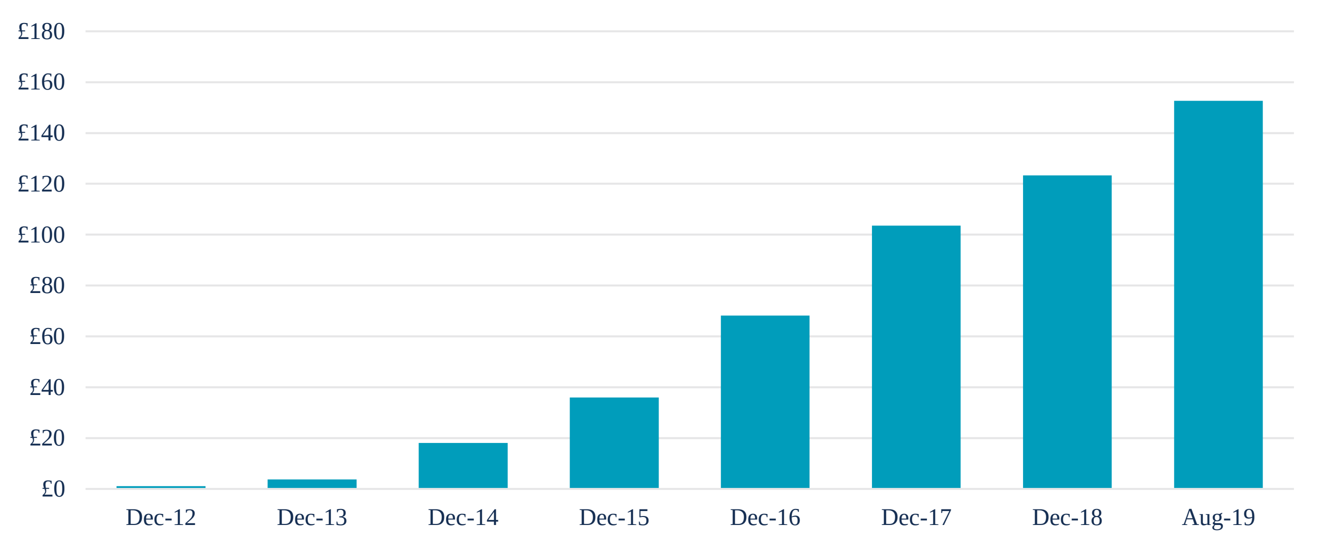
ENTITY	ACTIVITY	LOCATION	AUM
Seneca Partners Limited	Corporate Finance/Investment Management	Haydock/ Birmingham	£153 million
Seneca Investment Managers Ltd	Fund Management	Liverpool	£697 million
Seneca Secured Lending Ltd	Asset Based Lending & Bridge Finance	Haydock	Included under Seneca Partners (as Manager)
Seneca Finance	Bridge Finance	Haydock	£23 million
Seneca Property	Property Investment	Haydock	£10 million (excluding AIFs managed by Seneca Partners)

Source: Seneca; AdvantageIQ

Seneca Partners Limited, under review here, employs 18, and manages assets of £152.7 million: £84.7 million of EIS funds, £27.1 million of BR inheritance tax products, and £8 million in VCT funds. In total, the Seneca Group of Companies manage around £883 million. Further, Seneca are in the process of separating their corporate finance function from Seneca Partners, thus creating an eighth entity. Lastly, Seneca Partners are the manager of a range of new Alternative Investment Funds (AIFs) for Seneca Property; we have been informed by Seneca that these changes will have no material impact on the business or its activities.

There has been considerable AUM growth, to over £150 million, with an increase of almost £30 million in the last year alone, which may be partly attributable to the acquisition of the AIFs from Seneca Property.

CHART 2: SENECA PARTNERS AUM GROWTH AS AT 31 AUGUST 2019 (MILLIONS)

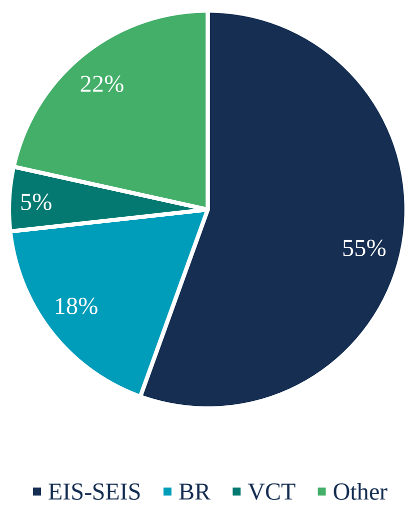


Source: Seneca; AdvantageIQ

As Seneca continues to expand its product range, it seems likely that AUM will also continue to grow. It has also benefited from Seneca's strengthening market profile; the firm has successfully established itself, through its sales campaigns, as a regional alternative corporate financier and EIS funding provider.

The chart below illustrates the breakdown by AUM of Seneca's retail product range. ("Others" refers to non-tax-advantaged, bespoke investments such as loan stock on a large property assets):

CHART 3: PRODUCT BREAKDOWN OF AUM AS OF SEPTEMBER 2019

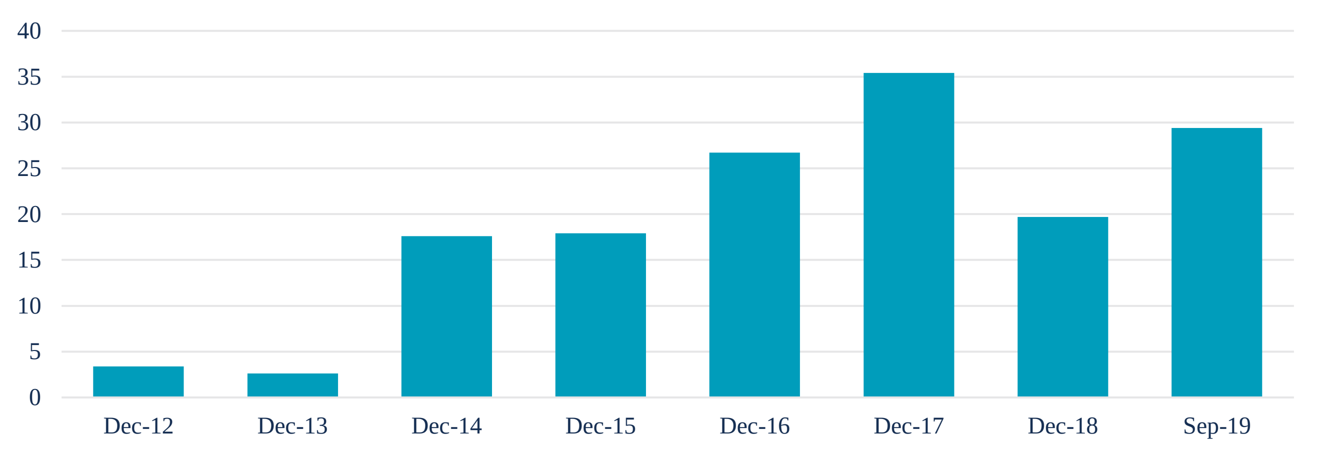


Source: Seneca; AdvantageIQ

There is reason to believe that the growth in Seneca's AUM will continue along the current trajectory in the foreseeable future, thanks to limited competition from regional managers in EIS and VCT, and the commitment of Seneca's Board to its ambitions to grow, as evidenced by the resource it allocates to the growth in tax-advantaged investments. To help maintain its AUM growth, Seneca has engaged additional salespeople to help the sales director cover a widening audience of wealth managers. In addition, Seneca has engaged the specialist marketer, LightBridge Partners[2], since January 2015 to help raise assets. The Manager is in the process of recruiting a sales team which will work alongside LightBridge Partners.

In the last five years, Seneca's fundraising has steadily increased. Initial fundraising was modest, as might be expected, but fundraising has grown substantially as the firm established its regional presence and widened its product range. There was however, a decline in the level of funds raised in 2018, primarily due to Seneca no longer offering its range of Managed Storage EIS Funds and a reduction in fundraising efforts for its BR products whilst preparing for the launch of the VCT.

CHART 4: FUNDRAISING TRACK RECORD



Source: Seneca; AdvantageIQ

Seneca has a dedicated client relationship team at its Haydock office, which handles incoming queries from advisers and clients. Seneca has two members of staff available to visit advisers and high net worth investors locally, along with four dedicated customer service managers. For most of Seneca's products (except for the VCT), advisors can access valuation statements for their clients online, and although clients cannot currently do so themselves, Seneca is in the process of implementing a new CRM system, which it states has brought a number of improvements. The Manager hopes that this enhanced online portal will soon be accessible to investors as well as advisers. Valuations of the portfolio companies are updated every month. With the changes introduced under MiFID II, investors will now receive a quarterly valuation statement on their investments, showing performance and corporate activity. For each deal, investors will receive a business summary of the rationale for investment on a six monthly basis. The Seneca website provides details of each portfolio investee company, with updated news flow and pricing for all AIM-listed companies within investor portfolios.

We have previously reviewed the Manager's complaint procedure and found it robust and detailed. The Manager received one complaint in the last year which was not upheld, and further indicated that, to date, it has not received any complaints requiring escalation to the Ombudsman.

[2] Formerly LGBR Capital

Financial & Business Stability

Seneca is a profitable and growing business, according to the latest financial report for the year end March 2019, the net profit margin was 13.4%, and net assets have grown at a CAGR of 10% between 2015 and 2019, indicating that the Manager has established a solid financial position over this time. While there was a decrease in revenue in 2018, the Manager has informed us that this was the result of a one-off corporate finance deal in the previous year, resulting in a significant one-off increase in revenues. As mentioned previously, this function is soon to be divested from Seneca Partners, and as such Seneca expect to see a more consistent revenue trend going forward. However, it should also be noted that as it stands, we understand corporate finance activity currently accounts for approximately 60% of the Managers revenue, and as such Seneca will become increasingly dependent on income generated through its tax-advantaged investment offering; the AIFs managed for Seneca Property may help to provide a level of diversification in its revenue source.

The table below summarises the key financials of the Manager from 2015-2019.

TABLE 2: KEY FINANCIAL METRICS SUMMARY

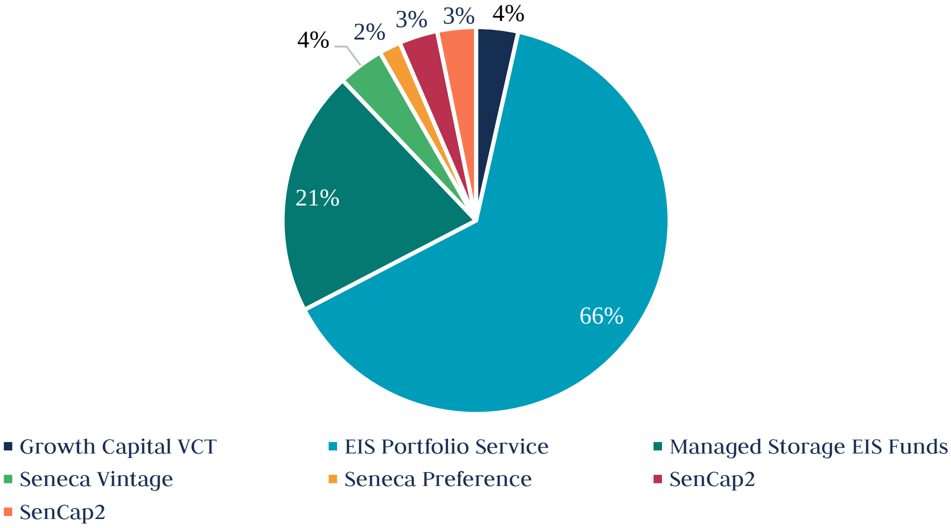
£('000)	2015	2016	2017	2018	2019	4 YR CAGR
Revenues	3,148	3,427	4,327	3,679	4,372	**9%**
Revenue growth (%)		*8.9%*	*26.3%*	*-15.0%*	*18.8%*	
Administrative Expenses	2,464	2,859	4,166	3,199	3,486	**9%**
Cost to Income ratio	*0.78*	*0.83*	*0.96*	*0.87*	*0.8*	
Operating Profit	684	568	161	480	929	
Net Profit	622	457	116	303	588	**-1%**
Net Profit Margin (%)	*19.8%*	*13.3%*	*2.7%*	*8.2%*	*13.4%*	
Net Assets	1,133	1,591	1,708	2,012	1,674	**10%**

Source: Seneca; AdvantageIQ

Note: financial statement of Seneca Partners Limited for the years ended 31 March 2015, 31 March 2016, 31 March 2017, 31 March 2018, and 31 March 2019.

As described to MJ Hudson Allenbridge, outside of corporate finance activity, the remainder of Seneca's revenue has to date, been derived from fundraising, that is the initial fees levied on the tax-advantaged products and the arrangement fees earned from investee companies. Both of these fees depend heavily on Seneca's ability to fundraise but, given its fundraising performance (as noted above), it is reasonable to expect that this is likely to be a relatively reliable source of income for the foreseeable future. However, it is worth noting that a significant drop in fund inflows may add pressure on Seneca's profit margins. The Manager, depending on the success of its VCT and the EIS Portfolio Service, will be due to collect annual management fees and also performance fees once hurdle rates have been met. However, as the majority of the holdings within the Service are within their 3-year minimum holding period, the aforementioned revenues may take some time to crystallise, hence, Seneca has to depend heavily on initial fees, arrangement fees and monitoring fees.

CHART 5: PRODUCT BREAKDOWN OF TAX-ADVANTAGED REVENUE AS AT MARCH 2019



Source: Seneca

Note: SenTwo contributes a further 0.23% to revenue, but has not been represented on the chart above

The Manager (as distinct from the wider 'group') could be vulnerable to legislation changes, since it will rely to a significant extent on the revenues generated from tax-advantaged products. However, as mentioned above, the revenues generated from Seneca are relatively small in comparison to the income generated by the wider group of Seneca branded companies, hence, the impact of changes in legislation could potentially be absorbed by the wider group whilst any necessary adjustments are made to the product offerings. It should also be noted that the group is likely to provide the Manager with support in terms of staff and working capital if called upon. We note however, since three of the seven (soon to be eight) affiliated companies are not controlled by Seneca but by common shareholders, it may not be enforceable and could also prove unpredictable.

The Manager operates from an office in Haydock, and employs 19 members of staff. However, this number will decrease to 15 members once corporate finance has been separated. On the other hand, Seneca Partners are in the process of recruiting an in-house sales team to work alongside Lightbridge Partners, with the first member of this team joining in January 2020.

Quality of Governance and Management Team

As mentioned above, Seneca was founded in 2010 by five professionals, raising additional funds from personal contacts who became passive investors. Three of the five professionals are members of the board: Ian Currie, Richard Manley, and Tim Murphy. No individual shareholder owns more than 25%, resulting in a shareholder base that is unlikely in the near future to be influenced by one or more shareholders. The directors also benefit from diversified revenue from other Seneca companies.

Seneca has put in place governance structures which are robust and defensible, especially so when considering its size. There are four committees which detail processes and allocate responsibility to individual directors: The Executive Committee, the Management Committee, the Investment Committee and the Compliance Committee. Minutes are taken for the meetings of all the committees except the Management Committee.

Details of the committees are found in Table 3 below:

TABLE 3: COMMITTEES

NAME	DETAILS
Executive Committee	Mandate: Manage, oversee and implement the daily strategic and operational activities of the firm Members: All executive board members Frequency: Quarterly
Management Committee	Mandate: Project management of all products Members: Main directors plus heads of department Frequency: Weekly
Investment Committee	Mandate: Oversee and ratify daily and ongoing investment/portfolio activities Members: All executive board members plus senior investment personnel Frequency: Monthly, or as required
Compliance Committee	Mandate: To review daily activities in relation to risk and compliance Members: Compliance Director, Compliance Officer, CEO Frequency: Daily

Source: Seneca; AdvantageIQ

The ultimate decision-making body is the Executive Committee, which sets strategy, allocates resources and rules on compliance or risk issues escalated by the Compliance Committee. There has recently been an addition to the Committee in the form of Tim Murphy, a co-founder of Seneca, who is now a director.

The Management Committee sits weekly to deal with operational issues within project management, including the allocation of resources available within the firm, dealing with staff issues, project analysis, and pipeline development. Decisions are arrived at democratically, through compromise and agreement between the different divisions. If ratification at the executive level is required, issues will be escalated to the Investment Committee, but normally points are resolved.

The Investment Committee reviews investments for both the Growth capital VCT and the EIS portfolio service, and is specifically comprised of individuals with expertise in early stage company investment (it is constructed differently from those which monitor the inheritance tax service). It considers issues relating to the review and management of the funds' investment policies, strategies, transactions and direction. It sets all aspects of the investment process, reviews existing investments and ratifies proposals of new ones. It reviews client portfolios, agrees valuations, and considers offers to exit proposed by its portfolio companies.

The Compliance Committee deliberates on ongoing risk mitigation issues, the firm's compliance monitoring programme, client issues including money laundering checks, as well as suitability and appropriateness checks. The firm's CEO, compliance officer, and compliance manager meet daily to discuss regulatory and compliance issues, generally with regard to individual client checks and the information that clients are receiving. If any issue is outside its knowledge base, it will seek third party specialist advice.

Seneca provides corporate finance and advisory services to some of the investee companies which may create a conflict of interest with investors. However, Seneca operates under stringent compliance procedures to address such matters and the conflicts of interest policy adhered to is detailed and comprehensive, according to compliance documents dated at April 2014, and supported by corporate governance details in the annual reports for the various products.

Mark Hopton is responsible for the CF10 and CF11 function, and has recently been appointed as financial director, though the Manager has told us that his responsibilities have not changed, the title has been adjusted in order to better suit his role.

Product Quality Assessment

Investment Team

Seneca has seven investment professionals actively running the Service, three of whom constitute the Management team, with four people constituting the Investment team. Richard Manley, Ian Currie, and Tim Murphy make up the Management team, and have long been involved in managing tax-advantaged products, having worked together for many years both at Seneca and on their suite of tax-advantaged products. It should be noted the investment team charged with the execution of the EIS Service's strategy will similarly be responsible for the Seneca Growth VCT.

John Davies, who heads up the growth capital investment team and is also the Investment Director for the VCT, will be assisted by Connor Grimes, who has been at Seneca since 2014, along with Matt Currie, who joined Seneca in 2017. In October 2019, Siobhan Pycroft joined the team from Seneca Banking Consultants, where she was an operations manager for over 4 years. She joins as an Investment Executive, and will assist in providing legal and investment experience.

The team is split by investment type, both for investments and monitoring. Connor Grimes focuses on AIM investments, where Matt Currie focuses on unquoted companies and Siobhan mainly focuses on the administration side for the VCT, though she does work across both EIS and VCT products. Seneca had told us that it was planning to expand its portfolio management capabilities in due course as the portfolio grows. John Davies provides oversight across the strategy.

Seneca also has access to its Advisory Partners Network (the "Network"), comprised of successful entrepreneurs and business owners, as well as senior executives. The Network allows Seneca, with its generalist approach, to access sector-specific expertise; if Seneca is unable to bring in the right level of knowledge, it will not make an investment and access to these individuals helps to widen its level of expertise.

In terms of compensation, staff are salaried with discretionary bonuses available, dependent on performance. In addition, some members of the investment team invest into companies alongside the Portfolio Service. Given his influence over the overall strategy, John Davies does provide a level of key man risk.

However, given the wider Seneca investment team providing both leads and due diligence assistance for products in which the EIS Service might seek to either invest or co-invest with the VCT; and, with the Network providing specialist knowledge, this risk is alleviated to an extent. As such, the team appears to be appropriately qualified and has (or has access to) the relevant expertise to run the Service's mandate.

The biographies of the key personnel can be found in Appendix 1.

Investment Strategy & Philosophy

The EIS Portfolio Service follows a very similar strategy to the Evolution EIS and the Seneca Growth Capital VCT, and the products may co-invest alongside each other; although we note that the Evolution EIS is not expected to reopen in the near term. The VCT was launched in 2018 to effectively offer investors the opportunity to access the Seneca strategy and team through a different tax wrapper. The primary objective of these products is capital growth, with investments into later-stage, established, well-managed businesses to promote growth projects, and will follow the same investment strategy.

Investee companies will need to have strong management above all, sound financial metrics, established market share, and a product or service that can be quickly scalable. This level of development will help to mitigate some of the risks associated with early stage investments. The EIS (as well as the Evolution EIS) will target a return of 1.6x to 1.8x, equating to a net IRR of c. 11% and c.13% respectively.

The strategy can be broken down into three different areas of investment:

- Investing in private companies which will exit via a trade sale, to private equity or in a management buyout (MBO);
- Taking stakes in private companies with the idea of floating them on AIM and selling down their position at a price which Seneca considers represents value; and
- Investing in a company at IPO or once it has floated on AIM.

The benefits of this blended strategy is that it allows investors to gain exposure to both AIM-listed and private investments, in roughly equal proportion, something not offered by others in the market, which usually specialise one way or the other.

Though strategies involving AIM benefit from being more liquid, they can also expose the portfolio to market volatility, and illiquidity in times of market distress. This was evident in the downturn on AIM through Q4 2018, which had a strong impact on portfolio valuations; Seneca's EIS Portfolio Service being no exception. Therefore, the risk of this strategy is, therefore, that its advantage in providing investors with additional liquidity will not always hold.

Furthermore, the headline statistics of the market can be heavily skewed by larger companies, which can have much higher price/earnings multiples, especially when the market is doing well. However, Seneca state that it invests in companies at the lower level of this range, where prices are less inflated. Additionally, the third arm of the investment strategy, investing in a company at IPO or buying a position after it has floated on AIM, does not mean buying into companies with sky-high valuations or prohibitively expensive multiples.

The EIS will tend to avoid technologies that require high levels of capital to develop, or firms that are in heavily regulated environments, instead providing small businesses with growth and development capital and advisory support, where the fundamentals appear to offer good growth prospects within five years of investing. The Manager will expect to invest between £500,000 and £2 million in each portfolio company, making four to six diverse holdings within each investor's individual portfolio.

The EIS is sector-agnostic, although currently there is a bias towards healthcare and technology, making up 37.3% and 36% of the portfolio respectively. Each investor's portfolio should have a degree of sector, industry and investment-stage diversification. However, the Manager prefers to select investments on their commercial merit rather than as part of an overall investment strategy.

The Service will seek to exit between six to seven years after the initial investment, although Seneca emphasise that investors should expect to be invested in the long-run with exits based more on value than simply exiting quickly post-EIS qualifying holding period.

The Service is likely to provide follow-on capital to its portfolio companies. Generally, it will pay a price at par with the original investment valuation, or potentially at a premium. In the case of a potential premium, the uplift in valuation must be fully evidenced by Seneca, through the demonstration of clear growth and key milestones achieved in accordance with the original plan. The investment team will take board positions based on their area of focus (see *Investment Team*) and will sometimes appoint advisory partners from their network to sit on the board, in which case they will be paid by the investee company. It should be noted that the advisory partners have no contractual relationship with Seneca.

In terms of private trade sales or other exit routes, Seneca's network does lend credibility to its potential for exits via existing network of private equity firms, or trade buyers. However, there have not yet been enough exits from the EIS to evidence this point (albeit valuation uplifts have been largely positive when evidenced by an arms-length third-party investment).

Overall, we find the strategy credible: we like the flexibility that the strategy allows, but to benefit from this flexibility the investor may have to track their investment more than a more straightforward product; and the results from Seneca's EIS Portfolio Service so far, in addition to one partial exit from the VCT, show that it has the potential to deliver. We look forward to seeing how the strategy progresses over time, and how Seneca might exit smaller companies which have been floated and in which it owns a large stake, without spooking the market (otherwise selling a large chunk of the company to a single buyer makes it much like a private sale anyway); and how further exits confirm Seneca's aim, to have a few great successes that more than make up for the inevitable investments that are not so successful, at this very early and high-risk stage of development for young companies.

Pipeline/Prospects and Current Portfolio

This is an evergreen service and its existing portfolio of investments has evolved over time to adjust for the market opportunity. The current portfolio is comprised of 86 investments into 46 companies, of which 19 are AIM listed.

As stated, the Service is sector agnostic, however, healthcare, and specifically biotech and pharmaceuticals, is currently a significant component of the aggregate portfolio. Seneca expects the bio-technology/pharmaceutical sector to reduce significantly as the relevant portfolio companies become a smaller component of the overall portfolio, although over the past year biotech/pharmaceuticals has only declined from 30.7% to 29.81%.

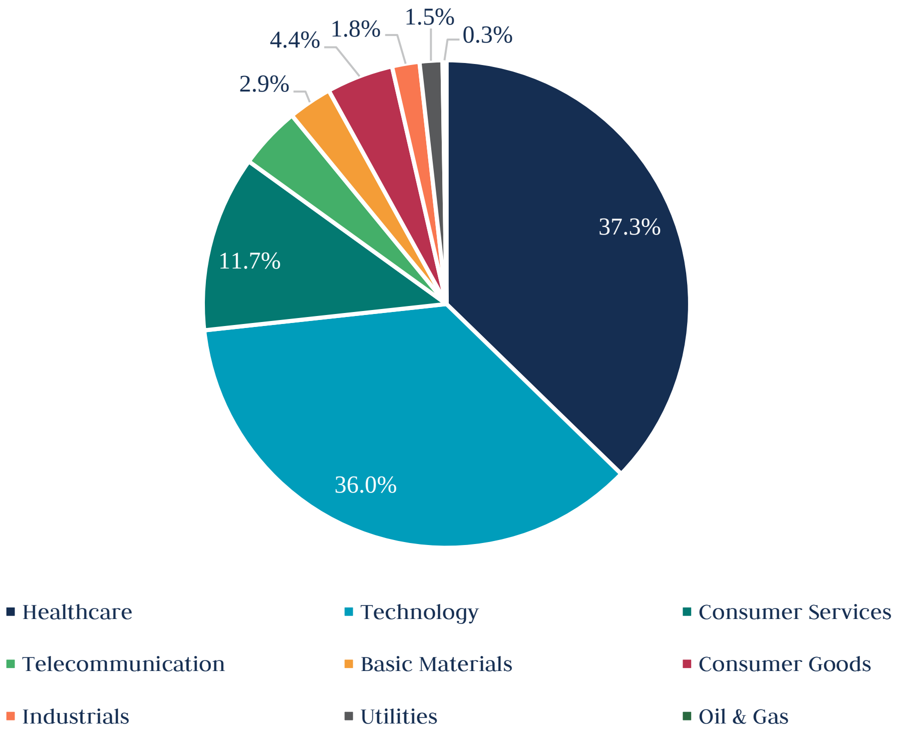
The table below shows the largest 10 investments in the portfolio (by value), which have had unrealised gains of 34%, while the portfolio as a whole has made an unrealised loss of 3%.

TABLE 4: TOP 10 INVESTMENTS IN THE PORTFOLIO (AS AT SEPTEMBER 2019)

INVESTEE COMPANY	DATE OF INITIAL INVESTMENT	SECTOR	AIM/ UNQUOTED	INVESTMENT AMOUNT (£)	VALUE (£)	UNREALISED GAIN/LOSS
Wejo Ltd	07/07/2016	Technology	Unquoted	£3,844,358	£6,518,505	70%
Sorted Holdings Ltd	04/04/2014	Technology	Unquoted	£2,478,350	£4,818,600	94%
Skinbiotherapeutics PLC	05/04/2017	Healthcare	AIM	£2,251,663	£3,204,684	42%
ADC Biotechnology Ltd	23/12/2016	Healthcare	Unquoted	£2,918,406	£2,918,406	0%
Rockar 2016 Ltd	13/08/2014	Technology	Unquoted	£1,374,160	£2,654,228	93%
Vapour Cloud Ltd	05/04/2016	Telecommunications	Unquoted	£2,409,055	£2,409,055	0%
Redag Crop Protection Ltd	10/10/2014	Basic Materials	Unquoted	£1,699,997	£2,286,610	35%
Fabacus Holdings Ltd	14/02/2019	Technology	Unquoted	£1,909,339	£1,909,339	0%
Silkfred Ltd	28/03/2018	Consumer Goods	Unquoted	£1,339,786	£1,774,052	32%
Collagen Solutions PLC	10/12/2014	Healthcare	AIM	£2,204,850	£1,609,313	-27%
Total top 10 Investments				**22,429,964**	**30,102,792**	**34%**
Other investments (36 companies)				*28,220,503*	*18,853,154*	*-33%*
Total Investments				**50,650,467**	**48,955,946**	**-3%**

Overall the largest 10 investments have performed well, and with many having been held for well in excess of the required three year holding period, we would expect some of them to be positioning for an exit. The remaining 36 investments however, have performed less favourably; however, as many of these companies are listed on AIM, they are more susceptible to swings in valuation. As has been noted of the 46 companies within the current portfolio 19 are listed on AIM, and only two of these are among the 10 largest companies listed above.

CHART 6: PORTFOLIO SECTOR BREAKDOWN (AS AT SEPTEMBER 2019)

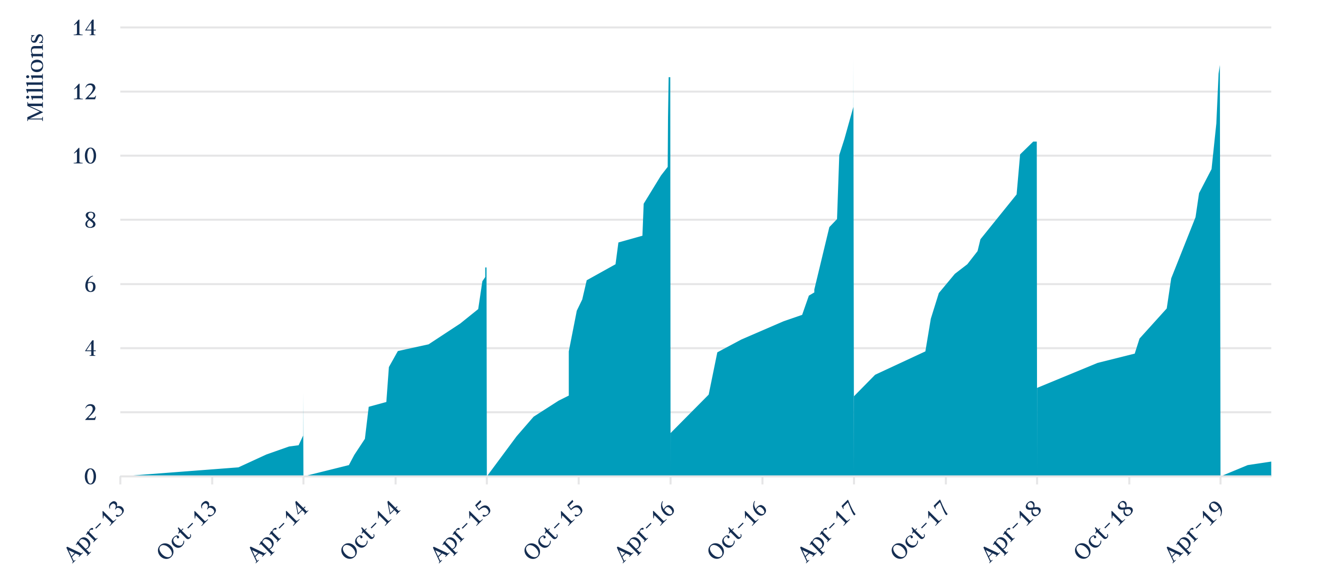


Source: Seneca; AdvantageIQ

As has been noted, Healthcare accounts for the largest sector allocation within current portfolio companies, and together with Technology, this accounts for over 73% of the overall portfolio. While this may appear to represent an element of concentration, it is important to note that there are a number of subsectors and verticals within the Technology sector, which can provide a level of diversification.

The table below illustrates the Service's recent deployment rate of deployment by tax year. As can be seen from the chart below, Seneca has deployed in excess of £10 million in every tax year since April 2015. Further, while deployment takes place throughout the year, the rate generally increases toward the end of the tax year, as would be expected. Investments will be made into both new and existing portfolio companies and, the current portfolio consists of 54% new investments, and 46% follow-on investments. Accordingly, going forward, investors can expect to their portfolios to consist of a mixture both new and follow-on investments.

CHART 7: DEPLOYMENT BY TAX YEAR.



Source: Seneca

As at September 2019, there was £1.6 million in uninvested cash awaiting deployment. There are currently 11 companies in the pipeline, with a total value of £10.5 million. However, investors should note that this pipeline is shared with the Seneca Growth Capital VCT, and that there is no formal allocation policy. According to Seneca, all of the investments in the pipeline are expected to close before the end of Q1 2020; however, these should be viewed for illustrative purposes as the final investments may differ. The Pipeline below shows that the largest portion of sector exposure will be in technology, with only two of the 11 investments being in healthcare, therefore reducing the concentration into pharmaceuticals/biotech if this pipeline is fulfilled.

TABLE 5: SENECA PIPELINE (AS AT SEPTEMBER 2019)

INVESTEE COMPANY	SECTOR	CAPACITY	EXPECTED COMPLETION DATE	INVESTMENT RATIONALLE
Company 1	Technology	£ 1,000,000	Dec-19	Additional support to ramp up global expansion and capitalise on new customer wins.
Company 2	Technology	£ 500,000	Dec-19	Supporting integration and significant cross selling opportunities of newly enlarged business.
Company 3	Healthcare	£ 500,000	Dec-19	Continue geographical rollout and provide additional marketing resource to support customer acquisition strategy
Company 4	Technology	£ 500,000	Dec-19	Investment in asset base to strengthen market position and unlock new customer wins
Company 5	Consumer Goods	£ 500,000	Dec-19	50% year on year growth achieved to date, funding required to continue global rollout

Company 6	Technology	£ 1,000,000	Dec-19	Working capital requirement as customer onboarding ramps up significantly heading into 2020 - capitalise on massively underserved market
Company 7	Healthcare	£ 1,000,000	Dec-19	Funding requirement for clinical trials given impressive data readouts achieved to date. Technology has some extremely credible industry backers.
Company 8	Technology	£ 1,000,000	Dec-19	Co-investment opportunity to support rapidly expanding SaaS (Software as a Service) proposition. Proposition demonstrates a strong offering to all key stakeholders.
Company 9	Technology	£ 1,500,000	Dec-19	Compelling customer proposition. Funding and support required to onboard significant global customers.
Company 10	Manufacturing	£ 1,000,000	Apr-20	Highly impressive and innovative intellectual property - funding required to rollout to new customers.
Company 11	Communications	£ 2,000,000	Apr-20	Funding required to capitalise on traction in the market and meet significant customer demand for new products
Total		**£10,500,000**		

Source: Seneca; AdvantageIQ

Overall, the portfolio is in line with the investment strategy, with a mix between both AIM and unquoted companies. Although a large proportion of these are allocated toward Technology and Healthcare, the former does provide an element of sub-sector diversification, while the latter is expected to decrease as additional companies are invested in. By virtue of the pipeline which we have been provided for illustration, investors can expect to be allocated across a good level of sector diversification. Further, funding for these companies will be used to support further expansion of existing products or services, thus aligned to the investment strategy.

Investment Process

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

TABLE 6: INVESTMENT PROCESS

INVESTMENT PROCESS	DETAILS
Deal sourcing/origination	According to Seneca, deal origination is a core strength and a large proportion of its deal flow comes to it "off market". It has a dedicated member of the team, recruited from BDO where he was the UK head of research, who focuses on developing the network of professional intermediaries and market and sector analysis and performance –this is also highly relevant when preparing investments for exit. The senior members of the team are also tasked with originating deals from their

	personal and long established networks. Finally deals are also sourced from the Seneca Partner Network which is made up of the Region's most successful entrepreneurs and where there is often the opportunity to co invest alongside existing sector specialism.
Deal filtering and selection	As Portfolio Manager to the Service, Seneca see over 500 opportunities a year and will filter to meet c200 management teams. Before a deal reaches to the first stage of the investment process it must first pass an initial due diligence process. Whilst this is not exhaustive process it does require a potential investee company to meet certain criteria before advancing to the next stage of the selection process. If a company meets the initial criteria, then the next step will be management meetings and requests for further information to allow for deeper due diligence. This process alone can typically be 4-6 months duration. If a company still meets the criteria and is recommended by the investment team as one to progress, then the investment case is formally presented to the Equity Investment Committee. The committee is made up of very experienced investment professionals and they agree the terms and valuation upon which the investment can be progressed to completion.
Due diligence process	Stage one consists of producing a summary of the potential deal including key features, market analysis, possible entry price, exit strategy, potential returns and key Due Diligence (DD) issues. These initial high level findings are discussed with the senior Seneca Partners team, at which point the opportunity is either declined or it is agreed to move to stage two. Stage two consists of a more detailed investigation of the investment opportunity, preparation of an investment paper supported by applicable DD findings (areas of DD may include legal, commercial, management and financial), finalisation of deal structure and agreement of terms. Usually, Advance Assurance is applied for at this stage.
Deal approval	Following approval by the Investment Committee, a summary of the approved 'Terms of Investment' is provided to the Fund Manager. These terms reach beyond the provision of funding. They will include voting, dragging and swamping rights to ensure that Seneca can influence the investment journey for its investors and these terms will be crucial to the level of influence and control, especially where minority stakes are held. Ultimately, this Investment Agreement will be the key driver in how Seneca protect investors. Once agreed and accepted by the investee company the deal will move to legal completion.

Source: Seneca; AdvantageIQ

The process used for the EIS is very similar to that used by the VCT. The intensive due diligence process operates as a robust filtering system, as well as playing a key role in risk management.

Further, some members of the IC, in particular Richard and Tim, are partly involved in deal execution, due diligence and negotiations with companies. This serves as some form of deal filtering so that due diligence isn't carried out on companies likely to be rejected by the IC at approval stage. Additionally, it means that they are more knowledgeable on viable companies when they get to the approval stage.

Risk Management

Seneca does not rely on traditional financial gauges and instruments, such as stop losses, correlation matrices, as it believes that they are not applicable to SMEs. Instead, it emphasises the risk mitigation value of ensuring that the shares of the investee company are bought at good valuations. The rigour of initial due diligence is therefore critical to effective risk management. Red flags that Seneca looks out for include inexperienced management, unrealistic valuations and revenue projections. Seneca relies strongly on qualitative judgement of management.

The Manager also stresses the benefits of risk mitigation through the provision of ongoing support to portfolio companies, and added value during important growth stages. Ongoing monitoring will be undertaken through a seat on the Board of each underlying company. Accordingly, the requirement for a board position or observer rights are stipulated at outset, carefully monitoring to see that milestones are met. The addition of Siobhan Pycroft will also help in this respect as a part of her role is the portfolio monitoring for the VCT. Seneca will also seek to protect itself against boards acting outside the interests of its investors by asking for written shareholder agreements. However, it is worth noting that Seneca has less clout over AIM-quoted companies when it comes to influencing board decisions.[3] Through its monitoring role, Seneca will monitor activity for threats to revenues such as the loss of major customers, disruptions to the management team, supplier issues, or regulatory changes. All such issues would instigate a more formal review of the investment.

As mentioned previously, the EIS may co-invest alongside the VCT offered by Seneca, and will have access to the same pipeline. There is no formal allocation policy in place, but instead allocation will be done using a common sense approach. While this may currently be appropriate for the size of the VCT, it would be best practice to have a more formal policy in place, especially as the VCT grows. We understand that the Manager does not currently have any plans to create a formal allocation policy, though it has acknowledged that it is likely to move to a more rules-based system as it grows, which would be preferred.

At the portfolio level, the Service has guidelines for diversification. The minimum number of holdings per shareholder subscription is four, preferably six. At least four of the holdings should be trading in different sectors. Preferably, the holdings will demonstrate other disparate characteristics that might suggest diversification benefits, such as being at different stages of their development, or trading in different geographical areas. The investment committee manages the risks of individual client portfolios; it aims to limit the exposure to a single company to 10% to 25% of the invested amount and diversify subscriptions across various sectors. Regarding the unquoted company portfolio, valuations will be made in accordance with International Private Equity and Venture Capital Valuation ("IPEVC") guidelines. Investments will be reported at fair value, which is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction.

Key Features

The table below outlines all of the fees charged by the VCT.

TABLE 7: FEES PAID BY INVESTOR AND INVESTEE COMPANY

FEE (excluding VAT)	CHARGED TO:	
	INVESTMENT	INVESTEE COMPANY
Initial Fee	2.5%[1]	-
Arrangement Fee	-	0-4%
Annual Management Fee	2%	0-2% (monitoring fee)
Annual Admin Fee	-	-

[3] Seneca informed us that it aims to meet AIM-listed investee companies once a quarter.

Custodian Fee	£55	-
Dealing Fee	-	-
Director’s Fee	-	-
Performance Fee	20%-30%	-
Hurdle	1x	-
Available discounts	-	
Adviser/Intermediary charges	-	
Execution Only Fees	-	
Direct Application Fees	5%	

Source: Seneca; AdvantageIQ

[1]The annual management fee is calculated based on the investor’s net investment amount (i.e. the amount available after deduction of initial, custodian and advice fees).

Investors will be charged an initial fee of 2.5%, along with a 2% annual management charge (“AMC”). There is a performance fee in place with applies to the EIS. A performance fee of 20% will be payable to the manager on the net proceeds received by an investor that exceed their original investment amount after the payment of the annual management fee. The Manager aims to only exit an investment after five years. However, if a profitable exit is made before four years, the performance fee is increased to 30%.

This latter performance fee is higher than most peers, although we understand that this does not affect any of the exits to date (as those investments were made prior to the introduction of the current charging structure). Further, two of these exits were made before the 3-year minimum holding period, so will further not be eligible for EIS tax relief. Seneca advises that of these was where an investment had grown by c. 10x (and a number of investors were keen to crystallise the gain) and the other when RBS made an offer to buy all of the shares in an investee company (where the majority of shareholders outside of the Service accepted the offer, forcing Seneca to sell the shares). Similarly, the lack of hurdle for this performance fee is also not in line with many peers.

In addition, there is a custodian charge of an annual administration fee of £55, of which the first five years will be put aside at time of investment, equalling £275. Seneca charges arrangement fees to investee companies on a case-by-case basis. This has been as high as 4%, although the weighted average arrangement fee charged will be lower, because these fees are not charged to AIM-listed companies. There is a further monitoring fee to investee companies of up to 2%. However, it should be noted that the averages for these arrangement and monitoring fees are 3.33% and 0.89% respectively.

Performance

The Seneca Portfolio Service was launched in 2012, making its first investment in spring 2013. Since then, the Service had made 86 investments into 46 companies, of which 19 are listed on the AIM. Since inception, the fund has made a return of 13.98%, including both realised and unrealised gains. The table below illustrates performance by tax year, again including both realised and unrealised gains. As the table demonstrates below, performance over each tax year varies considerably, with a gain of 99% in the 2014/15 tax year compared to a loss of 7% the year prior. However, it is important to note that a number of these companies have yet to exit, and as such eventual performance figures may differ.

TABLE 8: PERFORMANCE BY TAX-YEAR (AS AT OCTOBER 2019)

TAX YEAR	NO OF INVESTMENTS		NO OF EXITS (INCL FAILURES)		AMOUNT INVESTED (£)	CURRENT VALUATION (INCL EXITS) (£)	GAIN/LOSS (%)
	LISTED	UNLISTED	LISTED	UNLISTED			
2012-13	0	1	0	0	£29,150.00	£29,425.00	0.94%
2013-14	5*	5	1	1	£2,611,933.30	£2,427,576.77	-7.06%
2014-15	6	7	2	1	£6,514,323.70	£12,935,868.03	98.58%
2015-16	12	4	1	1	£12,453,775.98	£14,514,826.18	16.55%
2016-17	5	11	1	2	£13,088,950.30	£12,429,022	-5.04%
2017-18	5	8	0	2	£10,445,662.70	£10,450,479.65	0.05%
2018-19	2	13	0	0	£12,829,632.79	£13,353,973.36	4.09%
2019-20	0	2	0	0	£461,538.10	£461,538.10	0.00%
Total	35	51	5	7	£58,434,966.87	£66,602,709.10	13.98%

Source: Seneca; AdvantageIQ
*Four of the five are "RedX Pharma Ltd (2 to 5)" listed together as one, but are four separate investment tranches.

The Service is starting to build an exit track record having achieved six successful exits, with an average return of c.3.86x (before fees), along with three write-offs. There are many investments that were made in 2017 or earlier, meaning that they are past the 3-year minimum holding period, therefore we may see a higher rate of exits in the near future. On the other hand, given the poor performance of the AIM Market, these potential exits are more likely to be from the unlisted side of the portfolio.

TABLE 9: REALISATION DETAILS OF INVESTMENTS

NAME	SECTOR	LISTED/ UNLISTED	HOLDING PERIOD (YEARS)	AMOUNT INVESTED (£000'S)	EXIT PROCEEDS (£000'S)	EXIT MULTIPLE
Kalibrate Technologies PLC	Technology	Listed	3.85	280	303	1.08x
Optibiotix Health PLC*	Healthcare	Listed	2.82	425	4,798	9.60x

Premier Technical Services Group PLC	Business Services	Listed	3.38	652	2,328	3.57x
Gear4music plc	Consumer Goods	Listed	3.08	1,250	6,493	5.19x
Foodpack	Business Services	Unlisted	3.25	1,275	2,899	2.27x
FreeAgent Holdings PLC	Technology	Listed	1.62	578	835	1.43x

Source: Seneca; AdvantageIQ
*Optibiotix shares sold in 57 tranches at a variety of prices over a two-year period.

1. Investments in private companies

The service had achieved one successful exit, and three write offs. FJ Holdings entered into administration on May 2016 as it was unable to service its debt payments. Seneca informed us that the company took on debt capital to expand its operations, however, it was unable to honour the payments which led to a deterioration in its working capital position. JS Commissioning become insolvent owing to withdrawal, cancellation and delay of contract which was due to the continued suppression of oil prices in 2015 and 2016. Jump Xtreme was the services biggest failure to date, and Seneca have told us that this was due to low demand caused by a number of factors. The indoor trampoline park saw low customer numbers due to hot weather and the Football world Cup. Further, one of the two sites saw the failure of neighbouring toys r us, whom it depended on for customer attraction.

Foodpack was the only successful exit of this portion of the portfolio. It is a Food Packaging company that was invested into in October 2015, and made a return if 2.27x (before fees) following an exit in December 2018.

2. Investments in private companies that were subsequently listed on AIM

The Manager made seven investments in private companies that were later listed on the AIM; this includes the six follow-on investment rounds in Redx Pharma, which is a company focused on discovering drugs for cancer and fibrosis therapeutics. In total, the IPO value had increased by 58% from initial cost; however, both Evgen Pharma and RedX Pharma have received subsequent investments from Seneca, which have seen poor performance since their IPOs, which is in line with the majority of the portfolios AIM listed investments. See *AIM Listed Investments* below for more details.

3. AIM-listed investments

Seneca has made 32 investments over 19 companies, including three follow-on rounds in Redx Pharma and two in Evgen Pharma post IPO. The Manager was able to secure five exits from the AIM portfolio, which were all profitable, though Optobiotix was only a partial exit. We note that the overall AIM portfolio has decreased in value by 41%. This may be partly due to recent volatility on the AIM Market, most notably the significant decline through Q4 2018. As a result, twelve of Seneca's fifteen AIM-Listed companies are valued at below cost. As an example, Seneca invested in RedX Pharma pre-IPO, and it was listed at 86.5p in March 2015, since then it has decreased to 7.05p at the time of writing.

Appendix 1: Key Personnel

Key Investment Professionals

NAME	JOB TITLE	DATE STARTED	BIOGRAPHY
Ian Currie	Director	2010	Ian qualified as a chartered accountant in 1986 with KPMG and has been involved in corporate finance with Peel Hunt & Co, Apax Partners & Co and Altium Capital. He co-founded Zeus Group and at the point of demerger in 2010, the Group had over £350m of assets in a variety of businesses, including corporate finance, private equity, stockbroking and pension administration. Ian sits on the board of Hedley & Co Stockbrokers, is a founder and majority shareholder of Liberty SIPP, is a partner of Palatine Private Equity LLP and is on the board of trustees for the Lowry Arts Centre in Manchester.
Richard Manley	Director	2012	Richard qualified as a chartered accountant with KMPG in 2003. He worked for KPMG for over five years, initially in their audit business and latterly in their corporate recovery division working on financial and operational restructurings and formal insolvencies. In 2007, Richard joined NM Rothschild's leveraged finance team in Manchester before joining Cenkos Fund Managers in June 2008. Richard holds a BSc (Hons) in Mathematics from the University of Birmingham.
Tim Murphy	Director	2017	Tim is a Director of Seneca Banking Consultants Ltd. He began his finance career with Barclays in 1983 where he undertook corporate and credit roles, before joining County Natwest in 1990 where he worked in structured and acquisition finance. In 1993, Tim joined the Royal Bank of Scotland's fledgling acquisition finance business, initially establishing the Leeds office. He was subsequently responsible for all UK regional teams before, in 2002, founding RBS Corporate & Structured Finance. As joint managing director, he had responsibility for the national mid-cap structured finance business, whilst being a member of the Banks Corporate Credit Committee. In 2005, Tim joined Deloitte (Manchester) as a corporate finance partner to establish the National Debt Advisory business, advising on capital raising and stressed debt refinancing. After a successful spell, he joined HBOS as UK Managing Director, Large Corporate in 2008. Tim joined Seneca from NorthEdge Capital, where he was a founding partner. Tim's investment record includes working on an EIS investment into a specialist healthcare manufacturer WS Rothband and the MBO of rented storage company Smart Storage. Tim became a Director in December 2017.

John Davies	Investment Director	2015	John joined Seneca Partners in June 2015 as Investment Director, assisting in the deal execution of new EIS investments and managing the EIS investment portfolio. John qualified as a chartered accountant in 2006 having worked for PwC and RSM Robson Rhodes for a combined 4 years, initially in their Audit businesses and latterly in Robson Rhodes' Transaction Services team. In 2007, John joined BDO, where he worked in the Transaction Services. In 2012, John joined Clearwater Corporate Finance. John holds a BSc (Hons) in Business and Financial Management from the University of Salford.
Connor Grimes	Portfolio Manager	2014	Connor joined Seneca Partners in September 2014. He actively monitors our existing portfolio, conducts due diligence on potential investee companies and is part of the deal execution team on new investments. He also heads up our internal reporting and monitoring function which forms the basis of all investor portfolio communications. Previously he gained experience at Kleinwort Benson in London working with their Finance and Principal Investment & Advisory teams. Connor is a graduate of the Rotterdam School of Management where he earned an MSc in Finance & Investments. Alongside his academic and professional backgrounds, he has competed at the highest level in field hockey in the Netherlands and represented Canada at the Beijing Olympic Games.
Matt Currie	Investment Executive	2017	Matt has previously worked at Deloitte for four years, and qualified as a Chartered Accountant. Prior to joining Seneca, he worked at RBS in the Structured Finance team.

Source: Seneca; AdvantageIQ

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