Seneca Growth Capital VCT

Tax-Advantaged Investments

VCT Review

NOVEMBER 2019

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Overview

Seneca Partners Limited ("Seneca" or the "Manager") is looking to raise £10 million with an overallotment facility of £10 million, for the Seneca Growth Capital VCT B Share Class ("the VCT"), for the tax years 2019/20 and 2020/21. The B Share Class for the VCT was launched in May 2018.

Investment Details:

Score:	84
Offer Type	Evergreen
VCT Strategy	Generalist
VCT AUM (Pre-Offer)	£5.4 Million
Manager AUM	£151.3 million
VCT Risk Level	Medium

Investment:

Minimum subscription	£5,000
Maximum qualifying subscription per tax year	£200,000
Early bird discount	yes

Closing Date:

3rd April 2020 (for allotment in the 2019/20 tax year) and 9th July 2020 (for allotment in the 2020/21 tax year)

This document verifies that *Seneca Growth Capital VCT 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 VCT 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;
- An investment in a VCTs should be viewed as a long-term investment and should only be considered if you can afford to tie up capital for long periods;
- 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 VCT Relief;
- Historic investment performance may not be a guide to future performance, and any given investment may fail completely causing you to lose the full amount invested;
- Managers of VCTs will have inherent conflicts of interest as a result of, *inter alia*, existence of legacy holdings, investments in other funds managed by the same manager, the potential to earn performance related fees and the existence of different schemes with identical or very similar mandates;
- VCT investments should only be undertaken 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;
- There can be no certainty that VCTs will continue to pay out their current level of income or indeed any income;
- Investors will usually not be eligible for compensation if things go wrong;
- Although VCTs are listed there is generally little or no secondary market for the shares and investors are likely to be reliant on share buybacks to get their money back; and
- In order to retain the tax benefits, shares need to be held for a minimum of five years. Investors who are not able to commit to a five-year investment could consider investing through the secondary market which generally trades at a discount.

Executive Summary

MANAGER:

Founded in 2010, Seneca Partners Limited ("Seneca" or the "Manager") is a specialist corporate financier providing equity/debt funding and 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. 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 Growth Capital VCT, Seneca Partners Limited.

PRODUCT:

The Seneca Growth Capital VCT B Share class launched in May 2018, and this will be its second raise. The VCT will follow the same strategy as Seneca's EIS Portfolio Service and Evolution Fund, investing in a range of sectors, in companies where Seneca 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 strategy, such as attracting a third party buyer or via an AIM flotation. According to Seneca, its network of long standing relationships with intermediaries, accountants and business advisers provides it with an abundance of suitable opportunities that can be sourced in its preferred regions outside London and the Home Counties, where it feels that valuations can be far more attractive due to a generally regarded lower supply of venture capital ("VC") funding. Although the VCT is relatively new, as it operates under a new share class within an existing VCT, it does have access to distributable reserves and can therefore pay dividends. Indeed, the VCT paid a dividend of 1.50p per B share in April 2019 and a further dividend of 1.5p per B share has recently been announced, for payment in December 2019.

SUMMARY OPINION:

Seneca's regional presence may help VCT investors with existing VCT 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 strengthen the firm's market presence, helping it to attract good deals and raise funds. The Manager intends to invest up to 50% of the portfolio in AIM listed companies which should ensure there is some liquidity to pay regular dividends and meet demand for share buy-backs. However, at this stage the number of investments is very limited and only one is AIM listed. As has been noted above, after one year the VCT has already paid a dividend of 1.50p per share, with a further dividend of 1.50p per share due for payment in December 2019.

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. The fact that this is a relatively new fund might usually mean there is a risk that the total expense ratio could be higher than other VCTs, but Seneca have sought to address this by capping these expenses to 3% p.a. of the NAV of the B share class for the first 3 years and by utilising an existing VCT structure with a relatively low cost base. This existing structure also gives Seneca access to distributable reserves with which it can pay dividends in the first few years of investment.

In summary, investors seeking to widen the geographical diversification of an existing portfolio of tax-advantaged investments may be attracted to the VCT. Whilst the lack of an existing diversified VCT portfolio, limited track record in managing a VCT and evidence of ability to achieve exits in the VCT space is a concern, this is in part alleviated by their track record of achieving growth capital exits in the EIS space and the group's links to the AIM market which may help successful investments to obtain a listing. Further, given the stage of investee company which the VCT will target, it does arguably help to lower the risk profile of the strategy. However, the VCT remains much smaller than more established offers in the market, and a substantial proportion of its AUM remains uninvested and in cash, with high concentration as Seneca builds the portfolio. As such, investors may be exposed to an element of cash drag; however, this is arguably offset by the fact that Seneca have a good track record of deploying growth capital funds through its EIS investment activity and the VCT can pay dividends, unlike many other younger VCTs in the market.

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 an EIS portfolio service and an inheritance tax service as part of their tax-advantaged product range, in addition to the VCT 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;
- 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 VCT 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 the two tax-advantaged products with an AIM-related strategy;
- The focus on businesses in the Midlands and North may provide an element of geographical diversification to investors with existing VCT portfolios;

- The VCT market has seen a consolidation over recent few years, as certain VCTs retool their teams and strategies in light of legislative changes, while others have completed huge fundraises in advance of the Patient Capital Review, putting strain on their ability to deploy cash in a timely manner. Seneca's existing, growth-oriented investment team and modest fundraise differentiates them as a recent entrant in the VCT market;
- The investment team of seven is, in our opinion, of ample size to fulfil the VCT's mandate; it has evidenced itself as being as skilled in the construction and management of EIS investment in early-stage companies, and we feel that this should translate into the VCT arena, although it is taking longer than might have been hoped to invest the funds raised;
- 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;
- By utilising an existing VCT structure, Seneca has access to distributable reserves with which it can pay dividends in the first few years following investment. Seneca has declared dividends totalling 3p per B share in 2019.
- Previously, the board was comprised of all Hygea members. The recent addition of a Seneca member to this board is a welcome development in ensuring Seneca's interests are kept in mind.
- Performance fees are only payable on cash dividends which aligns the interests of the Manager with investors.

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 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;
- 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:

- Due to a quirk of taking over an existing VCT, Seneca has inherited Hygea's Board of Directors. While they bring with them ample experience of performing the functions of VCT directors, Hygea itself is in wind-down, and we welcome the appointment of a Seneca director;
- As a relatively new fund, launched only in May 2018, there have been only five investments made and, therefore, there is no performance record and any potential for one-off distributions is likely to be much further into the future than would be the case for a fund with a trading history;

- The Manager's first fundraise for this product reached just over half of the target of £10 million, therefore, whether it will achieve the current target remains to be seen;
- With only five investments in the portfolio, as it stands the portfolio is highly concentrated, although this should improve over time;
- There is no formal dividend target, unlike some other more seasoned VCTs, although the Manager has indicated they intend to pay out meaningful dividends from year one from existing distributable reserves. However, as has been noted, Seneca has declared dividends totalling 3p per B share in 2019.
- In looking at the EIS Portfolio Service as a proxy for performance of the VCT, the Manager has made six successful exits and has experienced three write-offs. Seneca has stated that the VCT will sometimes co-invest alongside the EIS products, particularly in the early years, and questions of fair allocation between these products may arise. While conversations with Seneca indicate they 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 timelines;
- 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 of its AIM-listed investments.
- The Manager charges investee companies up to 4% in arrangement fees for raising finance and up to 2% per annum for monitoring services. 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. However, Seneca would argue that it feels this to be common place in the VCT and EIS market;
- Though the portfolio is relatively new, and so a cash holding is somewhat to be expected, the 45.9% in cash is a significant holding, and so imposes the risk of cash drag on the fund. It also points to the possibility that there will be delays in investing amounts raised from the current offering;

Manager Quality

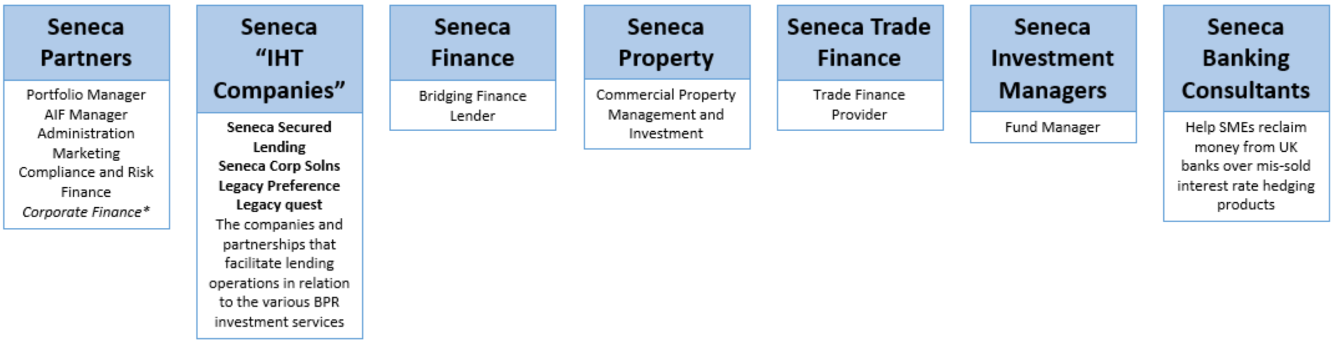
Manager Profile

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 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 (under review here), 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

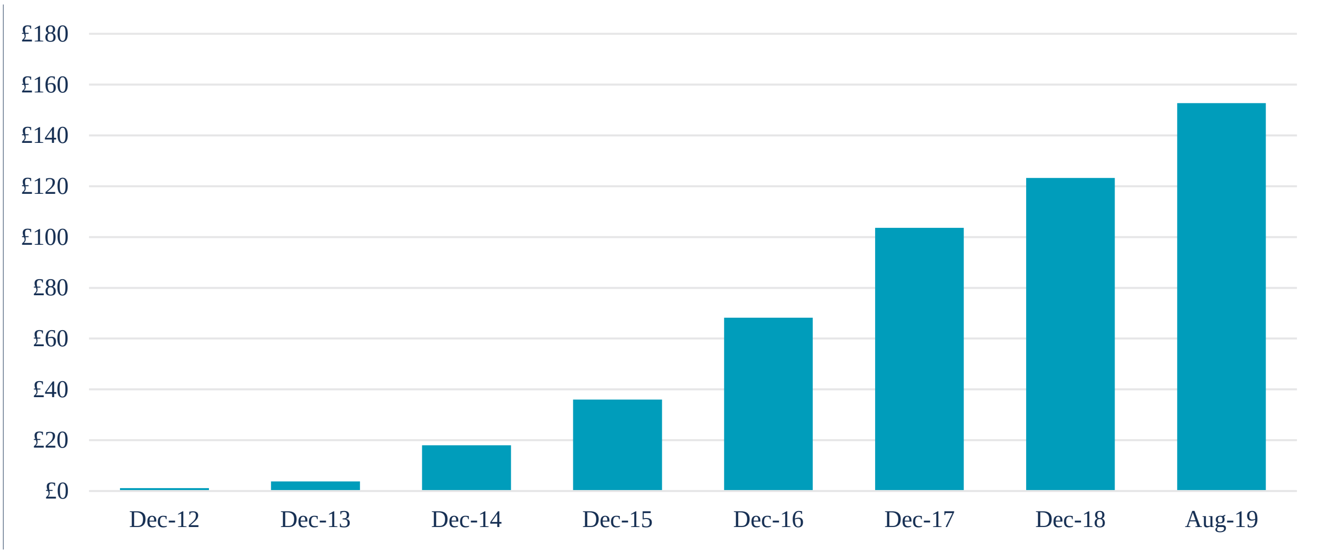
ENTITY	ACTIVITY	LOCATION	AUM
Seneca Partners Limited	Corporate Finance/Investment Management	Haydock/ Birmingham	£153 million
Seneca Investment Managers Ltd	Fund Management	Liverpool	£697 million
Seneca Secured Lending Ltd	Asset Based Lending & Bridge Finance	Haydock	Included under Seneca Partners (as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

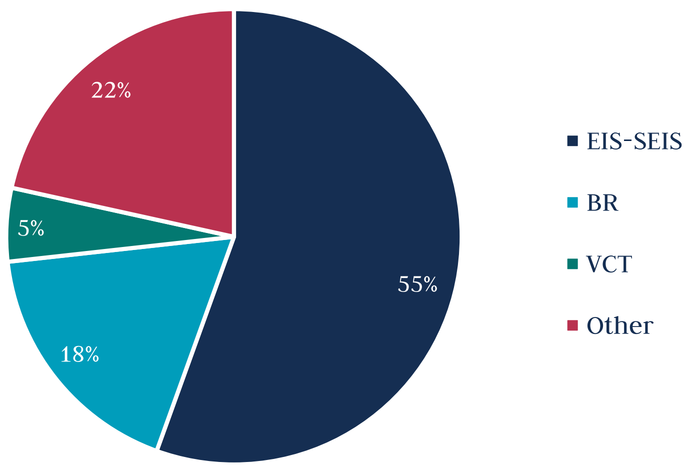


Source: Seneca; AdvantageIQ

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

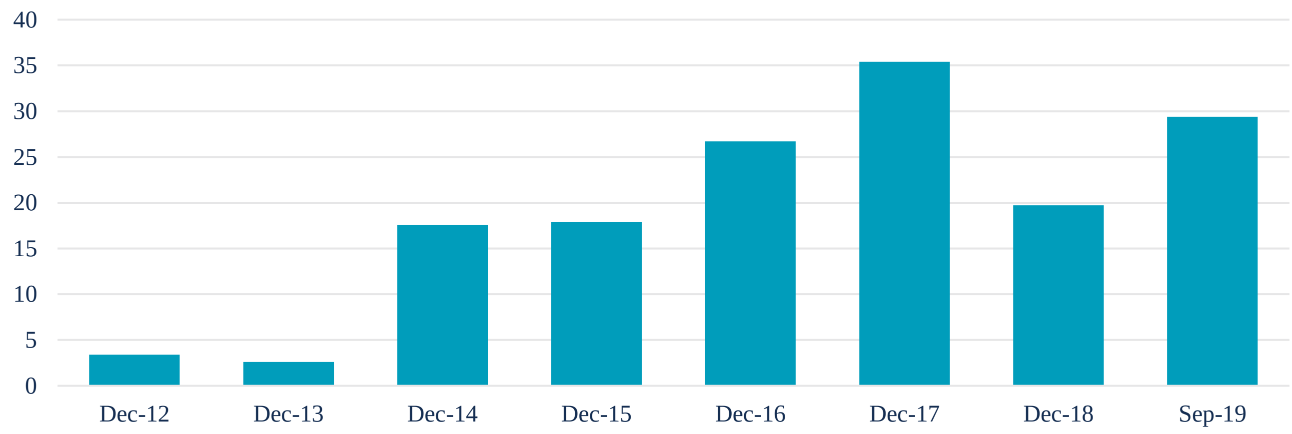


Source: Seneca; AdvantageIQ

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[1], 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. When it launched in May 2018, the VCT B share's first fundraising target was £10 million, of which the Manager raised just £5.5 million.

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. Seneca have implemented a new CRM system, which has brought a number of improvements including the ability for investors to view valuation statement online. Valuations of the portfolio companies are updated every day. 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. While this is not currently available for the VCT-, it is still good progress in terms of client servicing for the Manager.

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.

[1] 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

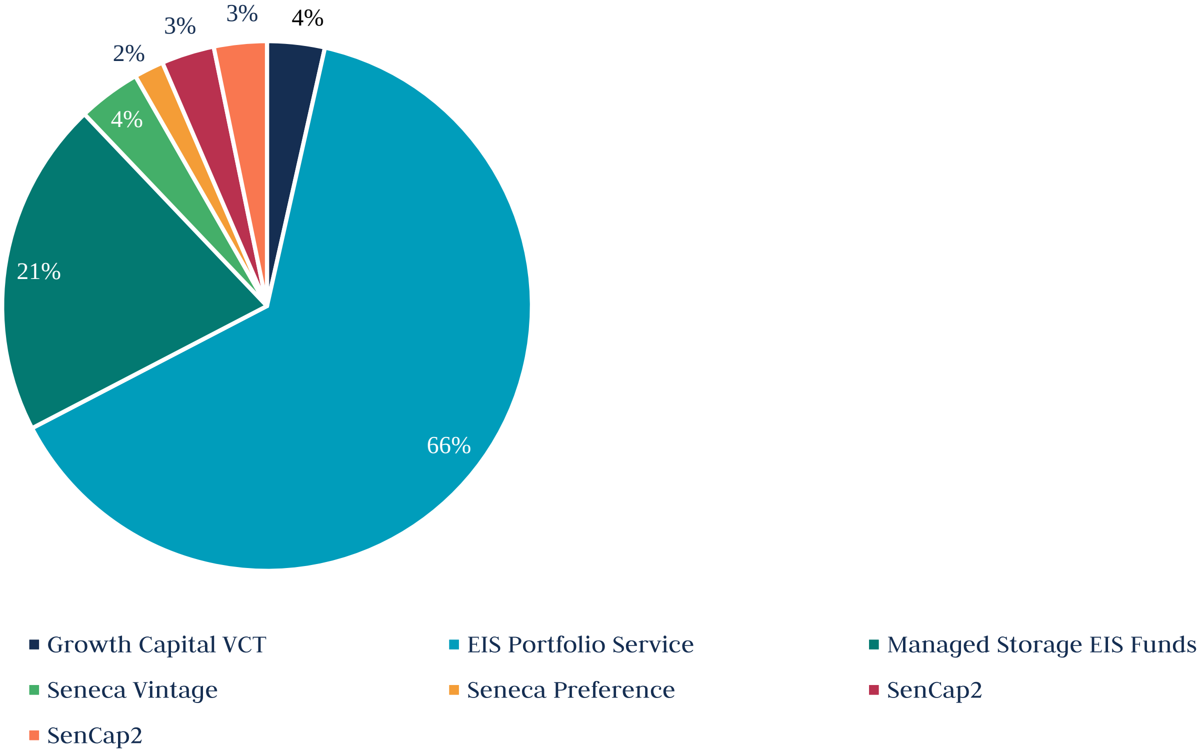
£('000)	2015	2016	2017	2018	2019	4 YR CAGR
Revenues	3,148	3,427	4,327	3,679	4,372	**9%**
Revenue growth (%)		*8.9%*	*26.3%*	*-15.0%*	*18.8%*	
Administrative Expenses	2,464	2,859	4,166	3,199	3,486	**9%**
Cost to Income ratio	*0.78*	*0.83*	*0.96*	*0.87*	*0.8*	
Operating Profit	684	568	161	480	929	
Net 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 their knowledge base, they 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 VCT, 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. While most of the Board of the VCT is held over from the Hygea VCT, one of the Hygea directors, Charles Breese, has recently retired and Seneca are expecting to appoint a replacement by January 2020. Richard Manley has joined the VCT Board and provides it with greater influence on the direction of Seneca's share class. It should be noted the investment team charged with the execution of the VCTs strategy will similarly be responsible for the Seneca EIS Portfolio Service.

John Davies, who heads up the growth capital investment team, is the Investment Director for the VCT, assisted by Connor Grimes, who has been at Seneca since 2014, along with Matt Currie, who joined Seneca in 2017, with all three leveraging the experience gained through their time working on the EIS growth products. 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. 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. Members of the Network who have advised on an investment also co-invest in around 60% of cases. Seneca's management have also invested c.£300,000 in the VCT, which shows an encouraging level of alignment.

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 VCT might seek to either invest or co-invest with the EIS products, and with the Network providing specialist knowledge, helps to alleviate this risk. 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 Growth Capital VCT follows a very similar strategy to the two Seneca EIS products, 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 effectively offers investors the opportunity to access the Seneca strategy and team through a different tax wrapper. The primary objective of the VCT is capital growth, with investments into later-stage, established, well-managed businesses to promote growth projects.

The 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 VCT will target growth capital investments with profits paying a midrange dividend (relative to other VCTs) from year one, which could increase as the investments become more mature. The Manager will aim for a strong, steady stream of dividends, with higher payments when performance is particularly good. As the current share class was launched just over a year ago, initial dividends are unlikely to be as high as those offered by others in the market; however, the Manager aims to pay a reasonably substantial dividend, which will increase to match the market as the portfolio becomes more mature. We note, however there is no commitment in the offering documents to maintain a certain level of dividends which is disappointing given the treatment of dividends is one of the key benefits to VCT investors. Nonetheless, it is encouraging to note that the VCT has already paid its first dividend of 1.50p per share in April 2019 and a second has been announced for payment in December 2019 at the same level, that performance fees are based on dividend pay-outs which incentivises the Manager to make pay-outs and that the VCT will offer share buybacks at a 5% discount to NAV.

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 are 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. Seneca state that this VCT benefits from being evergreen, and so can afford to wait for the market to rebound before making exits. However, 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 the 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 VCT 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 £3 million in each portfolio company, with an average holding period of three to five years. Currently, ticket sizes are at the smaller end of this scale, however Seneca feel that as the VCT gains traction, it expects this current conservative approach to mature over the next few years, investing larger ticket sizes in a portfolio of 10-20 companies in the near future. Though the VCT will not be used to leverage any debt, VCT funds may, on some occasions, be invested alongside external debt in the form of loan notes, usually at around 40% debt at the individual investment level. Overall, the Manager estimates that the overall debt to equity mix of the VCT fund to be 85% equity to 15% debt.

The VCT is sector-agnostic, although there is a bias towards technology, making up three of the five investments in the current portfolio. Though this is somewhat to be expected in the early stages, as the portfolio grows, we would expect the VCT to show 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 VCT 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 VCT (or the EIS Portfolio Service) to evidence this point (albeit valuation uplifts have been largely positive when evidenced by an arms-length third-party investment).

In terms of the non-qualifying portion, Seneca expect to make a mixture of non-qualifying equity shares and loan notes into the same investee companies. Seneca do not expect the non-qualifying investments to contribute significantly to performance as they expect the VCT to be predominantly fully invested in qualifying assets, in a similar fashion to their EIS Portfolio Service.

Overall, we find the strategy credible, 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; although it should be stressed that the VCT is still in its very early stages of development. 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

The table below shows the current portfolio of the VCT. Currently, only 53.7% of the portfolio is invested over five qualifying investments. We understand that there is still capital from the fundraise available for deployment, but Seneca is hopeful that it can enlarge the size of the current portfolio in the near term, although given that the VCT failed to meet its fundraising target we would have expected that the VCT would be close to fully invested.

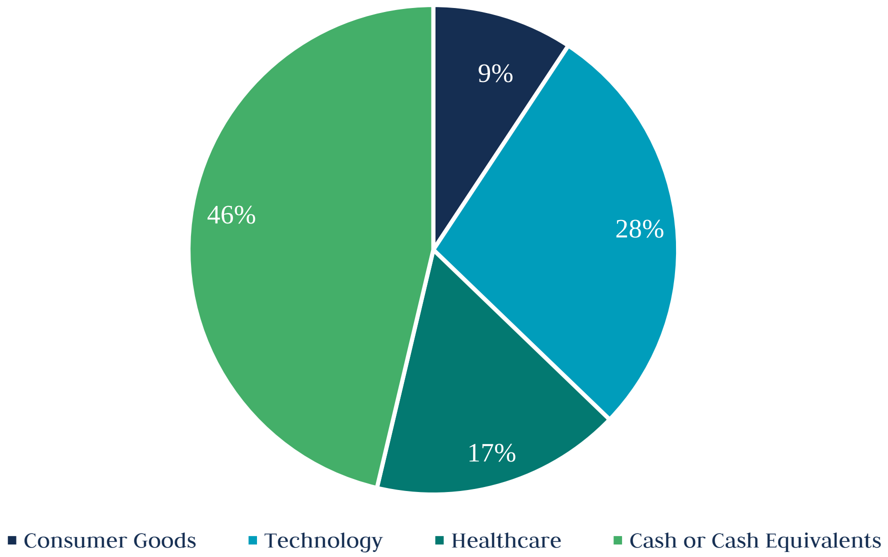
TABLE 4: GROWTH CAPITAL VCT PORTFOLIO AS AT OCTOBER 2019

COMPANY	DATE OF INVESTMENT	SECTOR	INVESTMENT AMOUNT	VALUE	PROPORTION TOTAL ASSETS
Silkfred Ltd	2018/12/31	Consumer Goods	£500,000	£500,000	9.3%
Fabacus Holdings Ltd	2019/02/14	Technology	£500,000	£500,000	9.3%
Skinbiotherapeutics PLC	2019/02/21	Healthcare	£748,000	£878,000	16.5%
Old St Labs Ltd	2019/03/28	Technology	£500,000	£500,000	9.3%
Qudini Ltd	2019/04/01	Technology	£500,000	£500,000	9.3%
Total portfolio			***£2,748,000***	***£2,878,000***	***53.7%***
Other assets				**£23,000**	**0.4%**
Cash				**£2,458,000**	**45.9%**
Total				**£5,359,000**	**100%**

Source: Seneca; Advantage IQ

Despite only launching in 2018, the VCT has already made a first partial realisation on Skinbiotherapeutics plc, the portfolio's only AIM quoted investment. The VCT sold 3.7% of their shares at around 25p each, generating a return of 1.5x on these shares. The remaining shares have been valued at 19.6p per share (originally purchased at 16p), as illustrated in the valuation uplift in the table above, the remaining investments are held at cost.

CHART 6: PORTFOLIO BREAKDOWN AS AT OCTOBER 2019



Source: Seneca; Advantage IQ

*Cash or Cash Equivalents includes other assets of 0.4%

Three of the five investments in the portfolio are technology companies, all of which are in Software and computer services. This poses some concertation risk, though this is to be somewhat expected given the small size of the portfolio. These three technology companies are new to the manager, whereas the other two investments (Silkfred ltd and Skinbiotherapeutics plc) were previously invested into through the EIS Portfolio Service. All five of the investments are currently co-invested with the EIS Portfolio Service.

The VCT currently has a significant allocation to cash, at 45.9%, albeit a relatively small nominal value of £2.6 million. Dependent on the level of funds raised in the current offer, the level of cash within the portfolio will naturally increase, which will give rise to the risk of cash drag on performance.

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 EIS portfolio service, 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.

TABLE 5: SENECA EIS AND VCT PIPELINE (AS AT SEPTEMBER 2019)

INVESTEE COMPANY	SECTOR	EXPECTED COST	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; Advantage IQ

As can be seen above, in the current pipeline there is again a significant weighting toward Technology, accounting for over half of the value of the pipeline, which may further concentrate the portfolio into this sector. Though it should be noted that as with all technology investments, these companies are likely to provide products and services across a number of sub-sectors.

Overall, the portfolio is in line with the investment strategy, although there is still some way before the VCT can provide the level of diversification offered by more established VCTs in the market. Further, a large proportion of the portfolio remains in cash, and these levels will increase following the current raise. However, we have been provided with a pipeline of potential investments amounting to over £10 million (albeit shared with the EIS portfolio service), which should help to alleviate the potential for cash drag on the portfolio. Further, given that the share class on offer will have access to existing VCT assets, Seneca expects to be able to provide investors with dividends, unlike many other newly established VCTs within the market.

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 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. The senior members of the team are also tasked with originating deals from their personal networks. Finally, it also sources deals from the Seneca advisory network made up of successful entrepreneurs, who often send through deals they are considering themselves for the team's views.
Deal filtering and selection	Seneca meet over 200 management teams and see over 500 opportunities a year. Before a deal gets 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. If a company still meets all the right criteria and the investment team would like to progress to investment, then the investment case is formally presented to the Investment Committee. The committee is made up of extremely experienced investment professionals and they dictate whether a deal is returned to the investment team to be progressed to completion.
0Due 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.
Deal approval	The Committee Members are Richard Manley (Director), Ian Currie (Director and Chairman), Tim Murphy (Director), John Davies and Gordon Lane. They meet monthly or more often if required. A minimum of three must approve.

Source: Seneca; AdvantageIQ

The process used for the VCT is very similar to that used by the EIS products. 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 and 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.[2] 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.

Seneca retains Philip Hare & Associates, a specialist tax consultancy, to ensure that investments meet the requirements to qualify as VCT investments. The Board will also check that each investment is appropriate and qualifying.

As mentioned previously, the VCT may co-invest alongside the EIS products 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. As per current VCT rules, one holding cannot make up more than 15% of the total portfolio, which reduces the idiosyncratic risk posed by any one investment. There are no formal sector limits, but the Manager will aim for a diverse range of sectors in the portfolio, although it emphasises that its strategy is investment-driven.

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

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.

Investors will be charged an initial fee of 3% (subject to any available discounts), along with a 2% annual management charge("AMC"). There is a performance fee in place with applies to the VCT. A performance fee of 20% will be payable to the Manager should the VCT make a return of 5% or above, which is a relatively low hurdle compared to its peers. Seneca charges arrangement fees on investee companies on a case-by-case basis. This has been as high as 4%, although the weighted average arrangement fee charged may be lower, because the maximum fee is not always charged, and these fees are not charged to AIM-listed companies.

TABLE 7: FEES

FEE (excluding VAT)	CHARGED TO:	
	INVESTMENT	INVESTEE COMPANY
Initial Fee	3%[1]	-
Arrangement Fee	-	0-4%
Annual Management Fee	2%[2]	0-2% (monitoring fee)
Annual Admin Fee	-	-
Custodian Fee	-	-
Dealing Fee	-	-
Director's Fee	-	-
Performance Fee	20%	-
Hurdle	1.05x[3]	-
Available discounts	Check with Seneca.[4]	
Adviser/Intermediary charges	-	
Execution Only Fees	-	
Direct Application Fees	5.5%	

[1]Upon an Investor subscribing to the Fund, an amount of £275 plus VAT will be set aside from the initial Subscription and held in cash to cover this fee for the first five years.

[2]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).

[3] payment of such a fee is conditional on a return being generated on the B Share Pool for B Shareholders in respect of that period of more than 5% per annum

[4] By way of example, the Promoters Fee was discounted by 0.5% for existing company shareholders and existing Seneca investors whose applications under offer were received and accepted before 30 September 2019. In addition, the promoter fee was discounted by 1% for investors whose applications were received and accepted before 30 September 2019.

Performance

The VCT is a new product, having launched in April 2018, and as such has a limited performance record. Other than a partial realisation of Skinbiotherapeutics, with 3.7% of the investment sold at 1.5x, there has been no other realisations. Nonetheless, the fund has declared dividends totalling 3p per B share in 2019. We consider the track record of Hygea to be largely irrelevant, as its share class and portfolio are distinct from those of the Seneca VCT, and were run under a very different strategy. However, as the Seneca Portfolio Service is run under a similar strategy, we have included its performance as an indication of how the strategy may perform.

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. The Seneca Portfolio Service has three areas of investment similar to the VCT, and so, we have analysed the performance of the underlying investments of the EIS, according to each area.

1. **Investments in private companies**

The service had achieved one successful exit, and three write offs. The table below shows the remaining 23 unlisted companies, only six of which have had an increase in valuations, however achieving an overall portfolio increase of 24%. The majority of these increases are in the technology sector, which account for 56% of the cost of this section of the portfolio.

TABLE 8: AGGREGATE PERFORMANCE OF THE UNLISTED INVESTMENTS AS AT THE 2018/2019 TAX YEAR

							NUMBER OF INVESTMENTS		
SECTOR	NO OF DEALS	COST (£000'S)	AS A % OF OVERALL COST	VALUE (£000'S)	AS A % OF OVERALL VALUE	CHANGE IN VALUE	ABOVE COST	AT COST	BELOW COST
Technology	10	16322637.94	56%	22,617,103	63%	39%	3	7	-
Healthcare	6	5,072,586	17%	4,925,111	14%	-3%	1	3	2
Consumer Services	3	1,568,873	5%	1,472,463	4%	-6%	-	3	-
Consumer Goods	1	1339786.23	5%	1774052	5%	32%	1	-	-
Business Services	1	625,200	2%	625,200	2%	0%	-	1	-
Basic materials	1	1699997.32	6%	2,286,610	6%	35%	1	-	-
Telecommunications	1	2,409,055	8%	2,409,055	7%	0%	-	1	-
Total	23	29,038,136		36,109,596		24%	6	15	2

Source: Seneca; AdvantageIQ

Investments in private companies that were subsequently listed on AIM

The Manager made 7 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. 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.

AIM-listed investments

Seneca has made 32 investments over 15 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 portfolio has decreased in value by 41%. This may be partly due to poor performance of the AIM Market in Q4 2018, which had caused a significant drop in share price of most AIM-listed companies. 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.

The details of the AIM-listed portfolio are depicted in the table below:

TABLE 9: AGGREGATE PERFORMANCE OF THE AIM-LISTED INVESTMENTS AS AT THE 2018/2019 TAX YEAR

							NUMBER OF INVESTMENTS		
SECTOR	NO OF DEALS	COST (£000'S)	AS A % OF OVERALL COST	VALUE (£000'S)	AS A % OF OVERALL VALUE	CHANGE IN VALUE	ABOVE COST	AT COST	BELOW COST
Healthcare	8	16,205,890	75%	9,092,397	71%	-44%	1	0	7
Technology	5	3,859,192	18%	2,924,988	23%	-24%	2	0	3
Utilities	1	881,249	4%	595,439	5%	-32%	0	0	1
Industrial	1	666,000	3%	137,118	1%	-79%	0	0	1
Total	15	21,612,331		12,749,941		-41%	3	0	12

Source: Seneca; AdvantageIQ

Overall, the Seneca EIS Portfolio Service has achieved six successful exits, and three write-offs with an average return of c. 2.6x (before fees). Given the small sample size of exits in comparison to the size of the portfolio, it is difficult arrive at a meaningful conclusion about the performance of the Service. Nonetheless, it is worth pointing out that many of the investments were made between 2015 and 2017, and therefore a large portion of companies may be coming up to their minimum three year 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.

As mentioned, the VCT is run under analogous strategy to the EIS Portfolio Service and will often co-invest alongside it. Therefore, investors may choose to look at the track record of the EIS Portfolio Service to give them an idea of how the VCT could perform, but investors should remain mindful of the differences as much as the similarities: the rules for VCT meaningfully differ for EIS, and past performance does not guarantee future returns.

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.
Siobhan Pycroft	Investment Executive	2019	Siobhan completed an undergraduate degree in International Relations, receiving a First in 2007 from the University of Southern California as a Presidential and Renaissance Scholar. Siobhan then served as a Congressional Intern in the U.S. House of Representatives during the 2007-2008 Global Financial Crisis, working on economic policy pertaining to complex financial instruments, derivatives and matters relating to the House Appropriations Committee. Between 2008 and 2009, Siobhan worked for two leading international law firms in Risk Management, Ethics and Compliance. In 2009, she received a Michael Sullivan Award to attend the University of Cambridge, Jesus College and completed an MPhil in Development Studies, researching debt finance and corporate investment in emerging markets. Siobhan then went on to complete the Graduate Diploma in Law in 2011 and the Legal Practice Course in 2012 at the College of Law. Prior to joining Seneca's Banking Advisory team in March 2013, Siobhan gained invaluable experience in business as an eCommerce Manager for a prominent UK SME.

Appendix 2: VCT Board

NAME	JOB TITLE	BIOGRAPHY
John Hustler	Non-Executive Chairman	John joined Peat Marwick, now KPMG, in 1965 and became a Partner in 1983. Since leaving KPMG in 1993 to form Hustler Venture Partners Limited, he has advised and been a director of a number of growing companies. He is presently Chairman of Octopus Titan VCT plc. He was also a member of the Council of The Institute of Chartered Accountants in England and Wales and Chairman of its Corporate Finance Faculty from 1997-2000, and was a member of the Council of the British Venture Capital Association from 1989-1991.
Richard Manley	Director	As above
Richard Roth	Non-Executive Director	Richard is a Director of all the Oxford Technology Venture Capital Trusts and Chairman of Oxford Technology 2 Venture Capital Trust Plc. He is a Chartered Management Accountant and worked in the airline industry for a number of companies including easyJet and the Monarch Group, and was CFO of RoyalJet. He has subsequently had a number of consulting assignments, in particular helping companies determine their strategy, and implementing business improvements. Richard has been a VCT investor for over 15 years. He has invested in a number of small (mainly unquoted) companies and has also advised several potential start-up businesses – mainly travel-related.

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