The Seneca EIS Portfolio Fund

Supporting UK business, investing for growth

Don't invest unless you are prepared to lose all of the money you invest. This is a high-risk investment and you are unlikely to be protected if something goes wrong. Please take two minutes to learn more by reading the following Risk Summary.

Risk summary **(Estimated reading time: 2 minutes)**

Due to the potential for losses, the Financial Conduct Authority (FCA) considers this investment to be high risk.

What are the key risks?

1. You could lose all the money you invest

- If a business you invest in fails, you are likely to lose 100% of the money you invested in that business. Most start-up businesses fail. Please see page 14 of the Information Memorandum for an overview of the types of businesses this fund invests in.

2. You are unlikely to be protected if something goes wrong

- Protection from the Financial Services Compensation Scheme (FSCS), in relation to claims against failed regulated firms, does not cover poor investment performance. Try the FSCS investment protection checker at https://www.fscs.org.uk/check/investment-protection-checker/.
- Protection from the Financial Ombudsman Service (FOS) does not cover poor investment performance. If you have a complaint against an FCA-regulated firm, FOS may be able to consider it. Learn more about FOS protection at https://www.financial-ombudsman.org.uk/consumers.

3. You won't get your money back quickly

- Even if the business you invest in is successful, it may take several years to get your money back. You are unlikely to be able to sell your investment early.
- For companies whose shares are not listed on any exchange ('unquoted' or 'private' companies), the most likely way to get your money back is if the business is bought by another business or lists its shares on an exchange such as the London Stock Exchange. These events are not common.
- For companies whose shares are listed on an exchange (such as the AQSE or AIM), the most likely way to get your money back is if the business is bought by another business or your shares are sold on that exchange. The latter can only occur if there is a willing buyer.
- If you are investing in a start-up or EIS qualifying business, you should not expect to get your money back through dividends. Such businesses rarely pay these.

4. Don't put all your eggs in one basket

- Putting all your money into a single business or type of investment for example, is risky. Spreading your money across different investments makes you less dependent on any one to do well.
- A good rule of thumb is not to invest more than 10% of your money in high-risk investments. (See https://www.fca.org.uk/investsmart/5-questions-ask-you-invest).

5. The value of your investment can be reduced

- The percentage of the business that you own will decrease if the business issues more shares. This could mean that the value of your investment reduces, depending on how much the business grows. Most start-up businesses issue multiple rounds of shares.
- These new shares could have additional rights that your shares don't have, such as the right to receive a fixed dividend, which could further reduce your chances of getting a return on your investment.

If you are interested in learning more about how to protect yourself, visit the FCA's website at www.fca.org.uk/investsmart

The Enterprise Investment Scheme - in a nutshell

The Enterprise Investment Scheme (“EIS” or “Scheme”) was introduced in 1994, as a way of encouraging investment into smaller UK companies (“SMEs”).

In order to qualify under the Scheme:

- You must hold the shares for at least 3 years and until the company in which you have invested has been trading for at least 3 years.
- The investee company must use the funds it raises under the Scheme for growth and development.
- An investment must meet the “risk to capital” condition. Basically, you must be genuinely at risk of losing more than the value of any tax reliefs you might receive.

There are also a number of other criteria that must be met. Further details can be found at www.gov.uk/guidance/venture-capital-schemes-apply-for-the-enterprise-investment-scheme.

Why invest in UK SMEs?

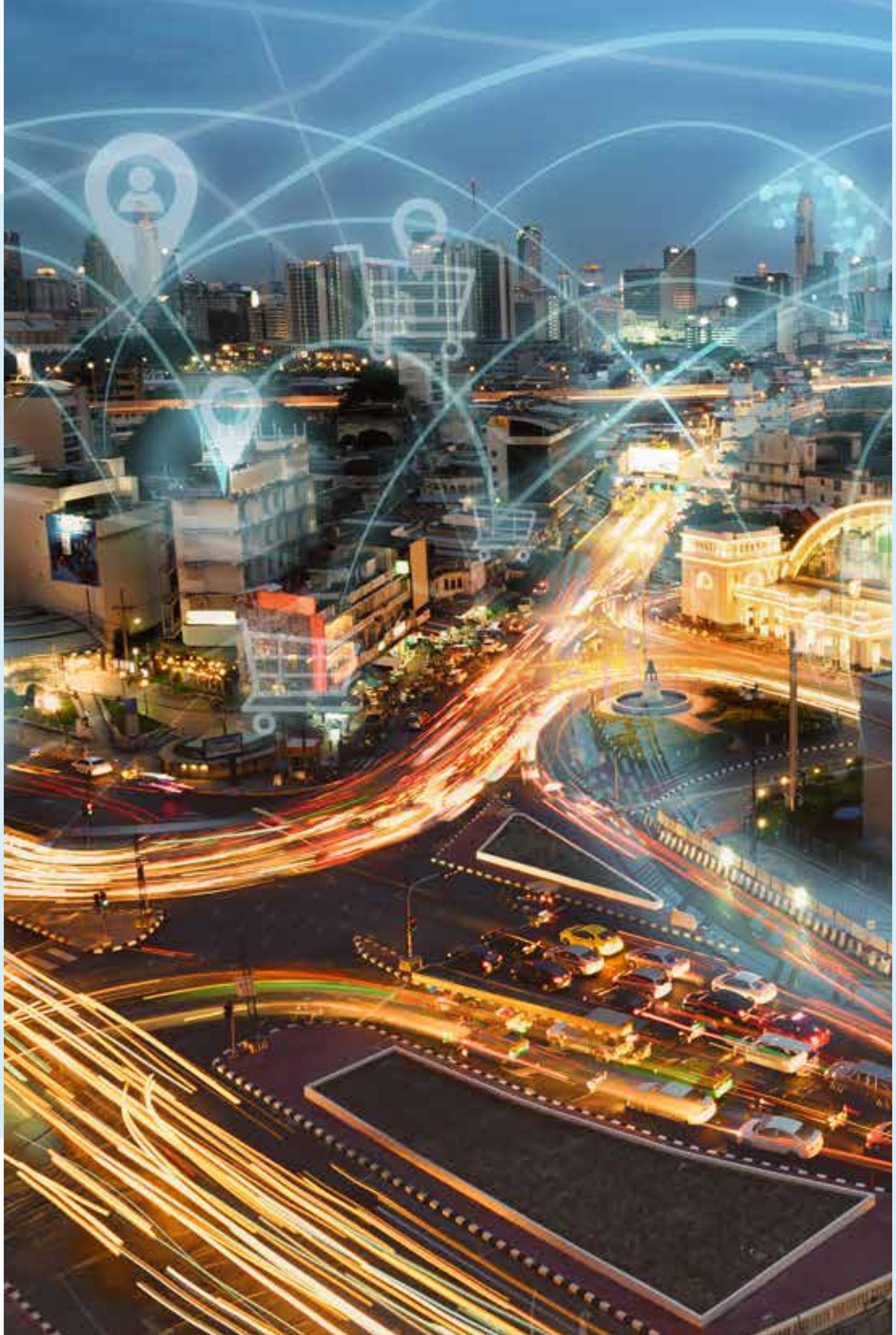
Small and medium sized enterprises (SMEs) represent over 99% of all private sector businesses in the UK, employing 16.3 million people (60% of the private sector workforce) and generating £2.3 trillion of turnover*. SMEs therefore have an important role to play in driving growth in the UK economy, opening new markets and creating jobs.

Seneca Partners is an award winning, specialist SME investment and advisory business headquartered in the North West of England. Our reputation, strong professional intermediary network and geographical footprint gives us access to several hundred opportunities for review each year. From these, we select the best and most appropriate for our portfolios, with the aim of providing growth for our investors.

** Source: "Business Population Estimates for the UK and the Regions 2021" Statistical Release, published by the Department for Business, Energy, & Industrial Strategy on 7th October 2021.*

Seneca Partners has invested more than £100 million in EIS qualifying investments and has so far achieved over £70 million of exits for investors. As at 28th February 2023, Seneca Partners held over £130 million of funds under management.

Past performance is not a guide to future returns.
You may lose some or all of the money you invest.



Tax reliefs

Due to the risk of capital loss and the fact that it can be difficult and time consuming to sell shares in smaller companies, the Scheme offers investors the ability to claim a number of different tax reliefs. These include:

Income tax reliefs

Relief against Income Tax, equivalent to 30% of the purchase cost of the EIS qualifying shares. This can be claimed against Income Tax actually paid or due in the Tax Year in which the shares are purchased.

Alternatively, you can "Carry Back" some or all of this Income Tax relief to the previous Tax Year.

Loss Relief is available against Income Tax or Capital Gains Tax due or paid, where the EIS qualifying shares are sold for a loss. It should be noted that, for this purpose, any loss is calculated by deducting the sale proceeds from the purchase cost net of any Income Tax relief received that is not repayable.

EIS qualifying shares should qualify for Business Relief. If you leave shares that qualify for Business Relief to your beneficiaries and have owned them for at least two years at the time of your death, no Inheritance Tax should be due on the value of those shares.

The ability to defer payment of Capital Gains Tax ("CGT") on a gain made in the period from three years prior to one year after the purchase of the EIS qualifying shares. Any gains deferred will come back into charge on the disposal of the EIS investment.

No Capital Gains Tax will be due on the gain made where the EIS qualifying shares are sold for a profit, as long as you have held the shares for more than 3 years and the company has been trading for at least 3 years.

Who invests in the Seneca EIS Portfolio Fund?

The Seneca EIS Portfolio Fund ("the Fund") is aimed at investors who:

Are looking to invest in UK SMEs with the aim of achieving capital growth over the medium-term (5 to 7 years).

EIS

Are looking for an investment that qualifies for the tax reliefs available under the Enterprise Investment Scheme.

Have experience of investing in tax advantaged investments or buying shares in quoted or unquoted companies.

Understand and accept the risks associated with making an investment in companies whose shares qualify under the Enterprise Investment Scheme and be able to withstand the loss of some or all of the amount they invest.

An example of how the Seneca EIS Portfolio Fund works

We'd like to introduce you to Michael. He is 52 years old and married with two sons at University. He earns £100,000 p.a. as a Senior Manager.

Michael has a personal pension fund of £620,000 and investments worth £380,000. In addition, he has £125,000 in his bank account as a result of recently selling one of his investments. In selling this investment, Michael made a capital gain of £50,000 more than his Capital Gains Tax allowance for the year.

In a recent review with his financial adviser, Michael enquired about the Enterprise Investment Scheme, as he had heard that it was a way in which he could defer paying Capital Gains Tax on his capital gain and also obtain some Income Tax relief.

During the review, it was established that Michael:

- Is a UK taxpayer;
- Is comfortable making an investment for a 5 to 6 year period;
- Is comfortable investing a small portion of his overall wealth in a portfolio of younger, smaller companies that are either private or quoted on the AIM or AQSE (and therefore have a higher risk profile); and
- Has no private equity type investments in his current portfolio and is happy to include some.

His financial adviser has recommended that he consider investing £52,000 in the Seneca EIS Portfolio Fund. This amount has been suggested as it represents less than 10% of Michael's portfolio and the amount available for investment (after the deduction of initial fees) will exceed the amount of the gain he has made:

Subscription	£52.000.00
Initial Fee	-£1,560.00
Dealing Fees (approx.)	-£300.83
Available for Investment	£50,139.17

If we assume that the full amount available for investment is used, the following comparison shows how much tax Michael can save or defer:

Tax due (based on 2023/24 tax rates)		**No investment made (i.e. current position)**	**£52,000 invested in the Seneca EIS Portfolio Fund**
Income Tax:			
£12,570	0%	£0.00	£0.00
£12,570 to £50,270	20%	£7,540.00	£7,540.00
£50,270 to £100,000	40%	£19,892.00	£19,892.00
Income Tax relief on £50,139.17	30%	£0.00	-£15,041.75
Capital Gains Tax	**20%**	**£10,000.00**	**£0.00**
Total tax due		**£37,432.00**	**£12,390.25**
Tax saved or deferred			**£25,041.75**

The net cost of making this investment is therefore £26,958.25 (being £52,000 - £25,041.75).

Michael is interested and would like to know more.

If I invest, how will my money be used?

After the deduction of any upfront fees, Seneca will use your investment to buy shares in 4 or more investee companies on your behalf. These shares are expected to qualify for the tax reliefs available under the Enterprise Investment Scheme.

What type of companies will these be?

Investee companies will either be private companies or those with shares quoted on the Alternative Investment Market ("AIM") or Aquis Stock Exchange ("AQSE") Growth or Trading Markets. A portfolio may include some of each. A typical portfolio will likely include a mixture of holdings in more established companies and some earlier stage businesses, all seeking capital growth. However, the Service does not invest in start-ups. Whilst Seneca will consider investing in most industry sectors, a number are likely to be tech solutions, digital analysis software, e-commerce and life sciences.

Why did you say that the shares are expected to qualify rather than will qualify for EIS tax reliefs?

HMRC will only confirm that an investment qualifies under the Enterprise Investment Scheme after it has been made. However, an investee company can seek Advance Assurance (where HMRC agrees that an investment appears to meet the qualifying conditions) before an investment is made. Seneca will ensure that Advance Assurance has been received before making an investment.

Will my money be invested immediately?

It usually takes between 5 and 9 months to have your money invested, depending upon when you invest, although it can take longer in certain circumstances.

As investors subscribe to the Fund, their Subscription will be held in cash by the Custodian, building up a sum of money available for the fund to invest (an "investment tranche"). Periodically, Seneca will complete what is known as a "soft close" so that they can start making investments for all those investors who are included in that "investment tranche".

Once your Subscription is included in an "investment tranche", Seneca will begin buying shares on your behalf.

How long will my money be invested?

You need to own shares for at least 3 years (sometimes longer) as one of the conditions of you receiving any tax reliefs available under the Enterprise Investment Scheme. However, you should expect to hold the shares in your portfolio for an average of 4 to 6 years. There may be occasions where we are able to sell some of your shares sooner than this but equally there may be occasions where it takes longer to find a buyer for your shares.

How do I claim the Income Tax relief?

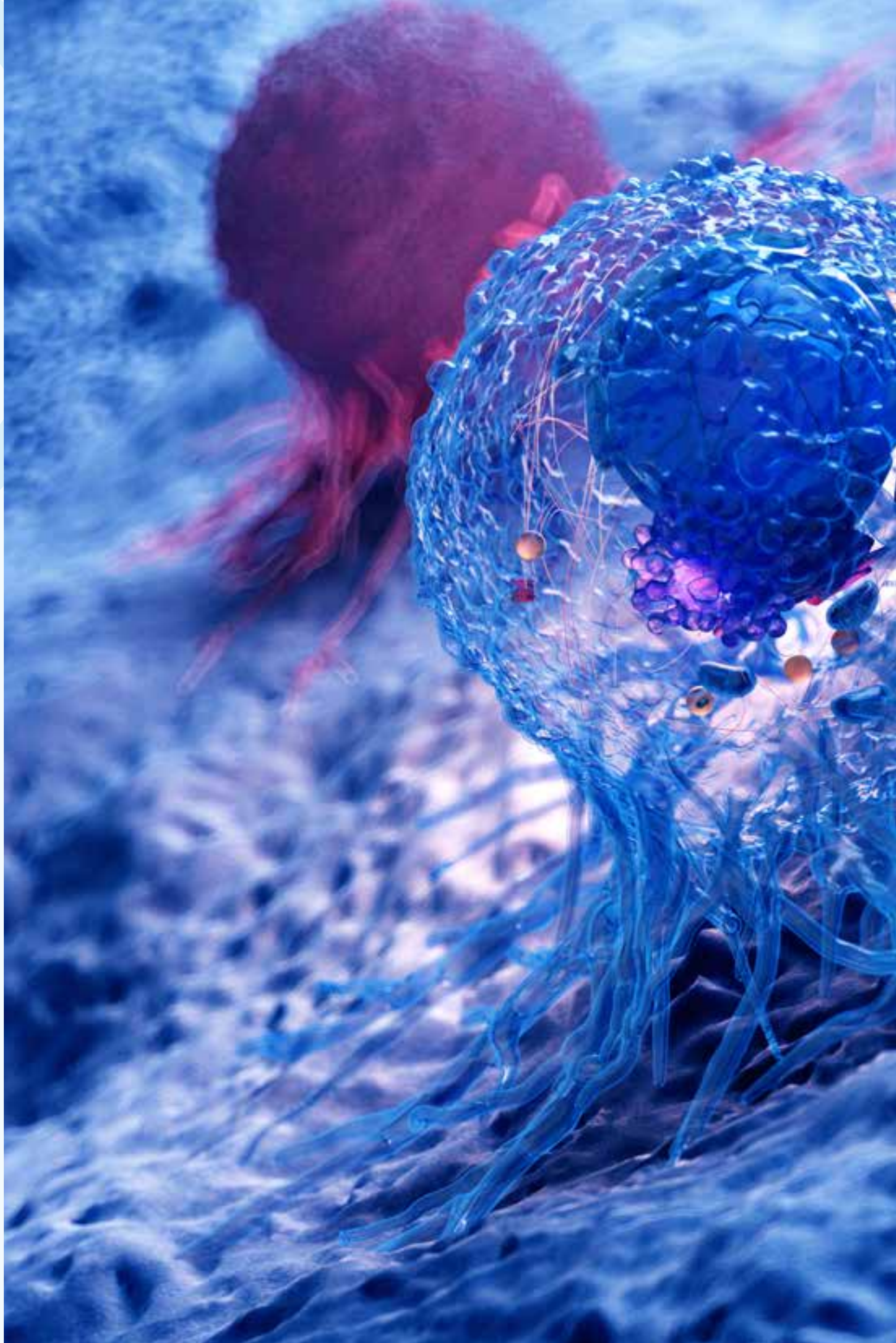
You can only claim your Income Tax relief for an investment in a company once you have received your EIS 3 certificate from that company. Seneca expects that most EIS 3 certificates will be issued within 6 months of the date of the shares being purchased but it can take longer. Please remember that you cannot claim any EIS tax reliefs for an investment until you receive your EIS 3 certificate. The key date is the date your shares were allotted not the date the EIS 3 certificate was issued.

How has the Fund performed?

We restructured our EIS offer as the EIS Portfolio Fund in April 2021, having previously run it as our EIS Portfolio Service since December 2012[1]. As at the 30th September 2022, we had invested over £68m in more than 110 investment rounds across 60 investee companies since launch. In addition, the Service had completed 28 full and partial company exits, returning almost £40m to investors. Whilst this does include 7 companies that failed, the average return across all of these exits was 1.68x before charges and any tax reliefs[2]. This equates to 1.42x after the deduction of our annual management charge (2% + VAT) and our Performance Fee (20% + VAT).

[1] As our EIS offer was restructured as a Fund in 2021, we have used our exit track from when it was a Service to simulate the past performance for this Fund.

[2] Past performance is not a guide to future returns.



What does it cost to invest in the Fund?

The following table summarises the fees charged for investing in the Fund.

Upfront fees	Ongoing fees	Withdrawal fees
Initial fee 2.5% + VAT *Where you have received advice from a financial adviser* [1]	**Annual management charge** 2.0% + VAT *Charged as an exit fee and only out of any profits made* [2] *The maximum you will pay is capped at an amount equivalent to 5 years' fees*	**Performance fee** 20% + VAT *Only charged on any exit proceeds that exceed the amount needed to return your original Investment Amount*[3] *and pay the Annual Management Charge*
Share purchase fee 0.5% + VAT		**Share sale fee** 0.5% + VAT

[1] Please note the initial fee will increase to 3.5% + VAT if you invest without having received advice from a financial adviser.

[2] AMC is calculated as a percentage of the amount available for investment (being your Subscription less the initial and share purchase fees) and only charged out of sale proceeds that exceed that amount.

Important information and key risks

This brochure has been published by Seneca Partners Ltd ("Seneca" or "we"), the Manager of the Seneca EIS Portfolio Fund ("the Fund").

You should base any decision to invest solely on the contents of the Information Memorandum, paying particular attention to the risks detailed in it, and our Terms and Conditions. We cannot offer you with financial, taxation or legal advice and we therefore recommend that you seek advice from your financial adviser before making an investment.

You may lose money

There is a high risk of capital loss when investing in smaller companies. You may therefore get back less than you invest or no return at all.

Growth is not guaranteed

Growth is not guaranteed and your investment may fall in value. Past performance should not be taken as an indication of what the performance might be in the future.

It may take longer than you expect to invest your money

Your Subscription may not be fully invested within 12 months of you paying it. This may lead to your Subscription not being invested in the Tax Year you intended and therefore any EIS tax reliefs not being available when expected or at all. It may also lead to it an eventual exit being further in the future than you originally expected.

Your investment may fluctuate in value

Investments in AIM quoted companies are likely to be more volatile and present a higher degree of risk to your capital than those on the London Stock Exchange official list. Investments in private companies may appear less volatile as there is no market on which to base their share price. However, such shares are illiquid, can be difficult to sell and may be sold for less than the net asset value of the company.

It may take longer than you expect to sell your shares

There is no recognised market on which shares in private companies can be traded and therefore there may be circumstances where it may not be possible to encash your investment in a timely manner or at all. If shares in a private company are sold, the sale price may not represent the net asset value of the company. It may be possible to trade shares that are quoted on either the Alternative Investment Market or Aquis Stock Exchange Growth or Trading Markets. However, this is dependent upon there being a buyer willing to purchase your shares. You should consider an investment in the Fund to be for a 5 to 6 year period although it may take longer to exit your investment.

Changes to tax rules and legislation

Rates of tax, tax benefits and allowances described in this document are based on current legislation and HMRC practice and depend on personal circumstances. These may change from time to time and are not guaranteed.

An investment in a company may lose or not obtain EIS Approval

We will only invest your money in companies whose shares we reasonably believe will be EIS qualifying. Whilst Advance Assurance will be sought from HMRC before we make an investment, it does not guarantee that they will grant EIS status once an investment has been made. Even after HMRC have granted EIS status and allowed the issue of your EIS 3 certificate, there is no guarantee that your investment will maintain its qualifying status. The failure of a company to continue meeting the EIS qualification requirements would likely result in you being required to repay any Income Tax relief received after purchasing the shares (plus interest on the same), a liability to Capital Gains Tax on any gain made upon disposal of the shares and any deferred gain crystallising and falling due for payment. In addition, where your shares are sold at a loss, your ability to claim loss relief against Income Tax may be affected.

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