HARDMAN & CO.
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VALA SUSTAINABLE GROWTH EIS

Sapphire Capital Partners/Vala Capital

	Positives	Issues
Why invest	▶ **Strategy:** Sustainable investments across three themes, with a strong framework for monitoring companies' ESG capabilities.	▶ **Track record:** Given Vala's short history, the track record so far is limited, with no exits.
The investment manager	▶ **Team:** The team has a broad range of entrepreneurial and ESG experience, and a successful track record prior to Vala.	▶ **Key man risk:** Jasper Smith is the key person for Vala, although the growing team may mitigate some of this risk.

Nuts & bolts

- **Duration:** The fund is evergreen, with investors participating in deal flow after investment. Vala aims to invest within 12 months.
- **Diversification:** The manager aims to provide 6-10 investments for each investor, with no more than 20% in one company.Val
- **Valuation:** Mixture of last transaction and internal valuation.

Fees

- **Fees:** The fee structure is straightforward, with an AMC for up to five years and only an initial fee charged to the investee company, plus the performance fee. The former is split, with two years charged upfront and any balance on exits.
- **Performance fee:** Charged at 20% on aggregate returns over 110% of invested capital.

Risks

- **Target returns:** The target return of 2.5x capital after fees suggests a medium- to high-risk investment strategy.
- **Companies:** The fund supplies risk capital to early-stage companies, with a mix of pre-and post-revenue investments. There will be a spread of company returns, as the successful ones will do very well, but those who fail may do so completely.

	Adviser information	Contact details
Analyst	▶ ***Scheme assets:*** *£1.5m*	***Vala owners:***
	▶ ***Scheme target:*** *£2m per tranche*	*Jasper Smith, James Faulkner*
	▶ ***EIS assets:*** *£10.8m*	***Contact:***
	▶ ***Total FUM:*** *£10.8m*	*John Oliver*
	▶ ***Launch date:*** *2020*	*+44 (0)203 951 0590*
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Factsheet

Vala Sustainable Growth EIS	
Product name	Vala Sustainable Growth EIS
Investment Manager	Sapphire Capital Partners
Investment Adviser	Vala Capital
Tax eligibility	EIS
Target return	2.5x after fees
Target income	None
Type of product	Discretionary portfolio service
Term	Evergreen
Sectors	Sustainability/ESG-positive
Diversification:	
Number of companies	6-10
(Expected) Gini coefficient	0.10-0.17

Fees	Amount	Paid by
Initial fees:		
Initial fee	5.0% (excl. VAT)	Investee company
Annual fees:		
Annual management charge	1.5% + VAT	Investor (five years only – see page 10)
Exit fees:		
Performance fee	20%	Investor – aggregate proceeds over 110% of invested capital

Advisor fee facilitation	Yes
Advisor fee amounts	As agreed with investor
HMRC Approved	No
Advance Assurance	Yes, for each investment
Reporting	Six-monthly with investor portal access
Minimum investment	£20,000
Current funds raised	£1.5m
Fundraising target	£2m per tranche
Closing date(s)	Six-monthly – next 28 January 2022
Expected exit method	Mostly trade sale

Source: Vala Capital, Hardman & Co Research

Fund aims

The Vala Sustainable Growth EIS is a discretionary portfolio service, which will provide a portfolio of sustainable investments across a range of themes. The target is a 2.5x return after fees. Returns will be focused on capital gains, and investors are unlikely to receive any dividends. The fund is evergreen.

We note that there are two parties involved in the management of the fund:

- Vala Capital, the Investment Adviser; and
- Sapphire Capital Partners, the Fund Manager.

Summary of risk areas

Note: *There are generic risks from investing in EIS or unquoted companies, in addition to the specific ones commented on below. Comments on relative risk refer to other EIS investments and not to wider investments.*

Investments

Portfolio risk

Each investment will be providing risk capital to an unquoted early-stage company. Vala aims to have 6-10 companies in each tranche, with new investments typically getting smaller weights than those receiving follow-ons. Some sector diversification should be expected, although stock-specific risk should dominate market or sector risk.

The target of 2.5x capital suggests medium to high risk, and seems appropriate for the strategy.

Sourcing and external oversight

Vala is getting some, limited, relevant deal flow from its existing sources. It is looking to expand this, and has made sensible steps to do so. Vala's ability to supply the targeted 6-10 investments per portfolio has only been demonstrated for the first tranche so far; however, the steps it is taking, and the shortage of capital in this area, should reduce concerns. Of the Investment Committee members, two are external to Vala. Decisions have to be unanimous.

Ongoing support and monitoring

Support for investee companies comes through a combination of a member of the team being appointed to the board and support from the Vala network. This is tailored to individual companies' needs and requirements. Metrics for both operational and sustainability factors will be agreed

Exits

With a short track record, Vala's expectations for exits are in line with industry norms, and trade sales are expected to dominate. The investment process includes the development of an exit map, with a plan to make appropriate contacts post-investment, but ahead of the company being ready to exit.

Manager

Team

The internal investment team is small, at three people, with the key supplement being highly experienced, and successful, Investment Directors. This team, together with the other staffing, seems more than adequate for the current scale of operations. We note that Vala has grown its staff ahead of requirements and plans for further additions.

Track record

Since Vala began investing in early 2018, it has invested £9m. Its conventional EIS funds have made 55 investments into 17 companies, with a total of £8.2m invested. The Sustainable Growth EIS is a relatively new fund, and has invested one tranche of £1.2m into six companies. Given that it is just over three years since the first of these investments, it is no surprise that Vala has not had any exits yet, and there have been limited valuation changes to date. Jasper Smith and Arthur Hughes have a substantial track record prior to Vala of founding companies and achieving good returns on exits.

Regulation

Product

Advance Assurance is sought for each investment.

Manager

The manager of the fund is Sapphire Capital Partners Limited. It is FCA-registered (number 565716), with fund management permissions. Vala Capital is an Authorised Representative of Sapphire. Submissions to Companies House appear to be up to date.

Risk analysis/commentary

Although Vala has only been running EIS money for a short period of time, this new fund pulls together an interesting proposition. The team has a wide range of entrepreneurial experience and, although not large, has capacity above its current level of activities. Sensible processes for sourcing investments and decision-making have been put in place, with early signs that they are working well, with a clear process for handling potential conflicts of interest.

While sustainability EIS funds are relatively rare, they are growing in popularity. Vala has recruited people with experience in this area, and is showing a commitment to developing an ESG orientation across the whole business. The adoption of established frameworks should help position companies well for later exits. The themes that have been adopted look sensible, while remaining somewhat broad. The first tranche of investments seems to satisfy the ESG criteria.

Vala has demonstrated an awareness of the need to balance profit and sustainability: the latter cannot be achieved without the former. Vala intends to have twin targets, with no sacrifice of returns to achieve the sustainability targets.

Diversification is an important consideration for any investor – while the companies that succeed are likely to produce exceedingly good returns, those that do not may return little. Diversification within the fund is limited, although typical for products in this area. This EIS fund should be considered in the context of an investor's entire portfolio.

Investment process

Deeper dig into process

Through the Sustainable Growth EIS, Vala will try to find companies that are making, or will make, a positive ESG impact. It will target companies with four key attributes:

- sustainability at the core of their ethos and business model;
- transformative and scalable technologies;
- potential for substantial revenues, implicitly suggesting a large market; and
- can meet Vala's sustainability and reporting requirements.

While, in common with many sustainability funds, the concepts are underpinned by the UN Sustainable Development Goals, Vala will focus on three themes. These have been chosen as areas that are short of capital, are generally capital-light and have good prospects of being commercialised within a few years.

- Technology for planetary health: developing processes and manufacturing to use fewer resources.
- Sustainable consumption and commerce: extending product life.
- Democratising access to key societal needs: may include education, food, water and healthcare.

These can be seen as reasonably wide, and each touches on more than one of the Sustainable Development Goals. They may encompass B2B or B2C companies, although some themes will have a natural tendency to one or the other.

Measurability

Vala emphasises the measurement of sustainability in investee companies. The processes for doing this are not well-known yet, although there are now several frameworks available. Vala will use up to four of these in different ways, although they overlap in concept and application, and we suspect that some will be dropped.

Within the investment process, the overall sustainability outcomes are assessed using the Impact Management Project Framework (*https://impactmanagementproject.com/*). This looks at the outcomes the company is having, or intends to have, on different stakeholders. It aims to quantify the number of stakeholders affected and to what degree, how much the company has influenced that and the risk that these benefits are not achieved.

When an investment is made, sustainability metrics will be agreed using the Sustainable Accounting Standard Board standards (*https://www.sasb.org/*). These are wide-ranging, with a set of 77 industry standards underpinned by a conceptual framework and materiality map. These should help Vala and investee companies to focus more easily on what the right metrics are.

Since our last review, Vala has invested in The Sustainability Group (*https://www.sustainabilitygroup.co.uk/*), and is using their FuturePlus dashboard across the portfolio. This uses up to 200 micro-indicators across five key areas. These have been developed specifically for SMEs but are based on international best practice. A baseline is established during diligence, with future ambitions agreed. The dashboard will measure progress towards them.

The first two frameworks are gaining acceptance in the corporate and asset management world, for both ESG compliance and companies wishing to make more of an impact. However, they are harder to apply to startups, and measure outcome, rather than cover the entire business. Vala will use all three in its diligence process, with the SASB and FuturePlus used for ongoing monitoring. We note impact measurement is an area that is developing rapidly, and may see further changes in the future.

The final framework requires a positive contribution; and is B-Corp certification (*https://bcorporation.uk/*). To obtain the certification, a company must be able to demonstrate that it is balancing purpose and profit. This certification has now been gained by 3,500 companies, including some multinationals. Vala will work with portfolio companies that want to obtain B-Corp certification. The certification process includes feedback, which should be helpful in improving companies' ability to meet their sustainability targets.

Vala is also working with B Corporation on a fund-wide GIIRS Rating (*https://b-analytics.net/giirs-funds*). While this is work in progress, it is a challenging target for a small manager, and demonstrates Vala's commitment to this area.

In applying these frameworks, Vala is conscious that it does not want to overburden the companies. The application will be context-specific, taking into account that some businesses will be pre-revenue and light on resources.

Other investment factors

Vala stresses that there is as much emphasis on profit and developing good businesses as there is on sustainability. Beyond the frameworks described above, assessment will follow the existing Vala template. For individual companies, Vala has two areas that it values above others:

- Management quality: there is a desire to establish strong trust – so the Vala team aims to spend a lot of time with company managements, both formally and informally, to gain a deep understanding of them.
- Exit map: this is established during the diligence process. In conjunction with company founders, the Vala team will produce a list of potential acquirors. The map will help provide an idea of contacts to be developed over the next few years, and before the investee company is ready to sell itself.

These are not the exclusive focus, and the team also assesses typical venture capital factors such as market size, product/market fit, routes to market, operational capability and capital structure – albeit they get slightly less weight in the final decision.

Vala, to some extent, is agnostic about the stage of development. Investors may get exposure to companies that are both pre- and post-profit. Vala seeks to address a market gap, providing funding to companies in sustainable areas that are looking for £1m-£5m in funding.

The Vala ethos is to have entrepreneurs supporting entrepreneurs, with a deeper involvement in businesses than some other managers. It also sees the need to be empathic about an entrepreneur's journey: it is a challenging path.

Overall, while Vala looks at similar factors to many managers, there is a clear emphasis on what is important to Vala, and the philosophy for managing and supporting investee companies. As usual, much will depend on executing these factors successfully over the lifespan of the investments.

Examples

As this is still a relatively new fund, investors may find it helpful to see examples of the first few investments (*note that Hardman & Co has not assessed these companies*). All of the examples are revenue-generating.

- Qflow: captures data on material usage on building sites, allowing companies to monitor and reduce usage.
- Oxwash: laundry service that cuts water, energy and chemical usage, with an e-bike collection and delivery service.
- Good Club: online grocer focusing on ethical products in zero-waste packaging, delivered by a carbon-neutral fleet.
- Homethings: non-toxic home-cleaning products sold in capsule form.

Sourcing deals

Although it receives the usual range of unsolicited approaches, Vala's sourcing emphasis to date has been very much on its network. The investment team has built up a global network, which it estimates at 50,000-60,000 people. This includes entrepreneurs, venture partners and accelerators.

While some appropriate deal flow is coming through its established sources, Vala is working on expanding its sourcing channels. It has taken sensible steps, contacting incubators and earlier-stage investors. It is also tracking companies that have accessed appropriate grants. In time, there will also be some follow-on investments, with this fund differing from the Better Ventures EIS Portfolio, which has greater emphasis on these.

As a generalist investor, Vala has no geographical preference, and has invested in companies from all around the UK.

Overall, Vala's sourcing aim is to produce a pipeline that emphasises quality over quantity. Currently, the run rate of business plans arriving is equivalent to 200 a year. The aim is to give investors 6-10 investments in their portfolio, although Vala managed six in the first tranche, which shows a good start. At the time of writing, Vala indicates that it has a strong pipeline of potential investments. It is taking the right steps in sourcing, and will be aided by the shortage of capital in this area.

Decision-making

In broad terms, Vala's decision-making process is similar to that of most mainstream EIS managers, although there are a couple of areas worth highlighting, notably the integration of ESG.

The initial approaches are roughly halved using a basic filtering process and a quick scan of the pitch materials. The first filter is to look at the company's sustainability objective, assessing whether it is core to the activities of the business.

The other filters are based on straightforward business factors, such as whether the company brings a credible solution to a problem, whether there is a large-enough market and whether the company is EIS-qualifying. There is also a consideration of where the Vala value-add will be.

Qualifying companies receive an initial call lasting around 30 minutes. Vala has a template for what it wants to get out of the call, which is a mixture of digging a bit deeper into the questions appraised at the previous stage, exploring whether the product makes sense and assessing the quality of the management.

This screening reduces the number of companies by around a quarter to c.25 a year. These companies get a first pass by the Investment Committee before progressing to further, internal, diligence. A big part of this process involves spending time with management, and aiming to go as deep as possible into understanding their strengths, weaknesses and motivations. The Vala team wants to avoid management teams who simply present well and say the right things, but do not have the substance to deliver.

In parallel to this business, diligence is conducted, particularly looking at the product roadmap, the commercial pipeline and making customer reference calls. This will include assessing ESG criteria using the FuturePlus framework. Following on from this process, about half of companies pass fuller Investment Committee consideration and get term sheets.

A fuller diligence involving legal, background, technology and other checks follows. Most of these involve external consultants, although the diligence process is run by Vala's COO. One unusual area of emphasis is company structuring, not only from an EIS perspective but also to ensure availability of funding from other sources, such as grants.

While, for new investments, the diligence process can take up to three months, for follow-ons, it tends to be much shorter, at around a month. While, in theory, a company could be eligible for both the EIS Portfolio and Sustainable Growth EIS, Vala believes this is unlikely. Conflict procedures are in place.

The aim is for each tranche to give an investor exposure to 6-10 companies. These are unlikely to be equal-sized: earlier-stage companies will typically get smaller investments than later-stage ones. Vala has co-invested with other parties too.

Exits

With the track record not being long enough to have achieved exits yet, Vala expects them to be mostly through trade sales, in line with industry norms. We note the rise in sustainability as an investment theme, which suggests improved exit prospects for companies in this area. As noted above, an exit map in which potential purchasers are identified is a key part of Vala's investment process.

Governance and monitoring

Investors

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

All client assets, including shares and cash, will be held by Woodside Corporate Services, which is the Administrator for the fund.

The values of investments will be reported to investors every six months, although ongoing access is available through an Investor portal. BVCA guidelines are used. Currently, most valuations use the latest transaction price, with a smaller number being internally calculated. These mostly use DCFs based on forecasts, possibly with robustness adjustments.

Vala intends for the FuturePlus dashboard to be integrated into its investor portal, probably early in 2022. This will allow investors to see how companies are progressing towards their goals on an ongoing basis.

Investee companies

Usually, Vala will look to take a board seat, but, on occasions, will be satisfied with an observer position. Vala makes an effort to ensure that the board member is the right fit for the company, with an appointment not made until a couple of board meetings have taken place after the close of the investment. The appointment is not based simply on who has relevant sector experience, but also on the skills of the team members and the needs of the company. Even once appointed, the board member may be changed after a year or so if the appointment is not working well.

Vala stresses that it has a flexible support model, based around the needs of the investee company. The team cites an example where a company had an experienced founder and did not need much support immediately, but drew on support when a pivot was required. In other cases, the team is much more actively involved from the outset.

The entire Vala community is considered to be available to all the companies at any time. In most cases, the board member will be the conduit to finding the right person, but the investee company can contact any of the team directly.

Regardless of the amount of team involvement, investee companies are expected to report to Vala at least monthly. Companies have financial KPIs and business objectives against which they are monitored, as well as the sustainability metrics. The metrics to be used will be included in the term sheet, but the targets are agreed between the Investment Committee and the management teams. The FuturePlus dashboard costs a small monthly fee.

As indicated above, Vala will also work with companies to apply for B-Corp certification, if they wish. The process is two-way, and Vala will also support companies in their efforts to improve in areas that the feedback highlights.

ESG

The approach towards ESG for this fund is described above, and we would say that this is an impact fund, going well beyond simple compliance. With three of the first batch of investee companies being invited to speak at COP26 events, there are good signs that the investments are of an impact nature.

Track record

As noted, since Vala started investing in early 2018, it has made 55 investments into 17 companies, with a total of £8.2m invested. Given that it is just over three years since the first of these investments, it is no surprise that Vala has not had any exits yet. As the Sustainable Growth EIS was launched a year ago, it has a more limited track record, deploying £1.2m into six companies.

Of the 17 companies, seven have had valuation changes, based primarily on subsequent investment rounds, and Vala was involved in most of these. Five of these appreciated in value, and two decreased, one of which was a liquidation. With most investments unchanged, the aggregate portfolio movement was a gain of 5%.

We have been supplied with exit data from investments made/companies founded by members of the Investment Committee, mostly Jasper Smith and Arthur Hughes. These show 39 achieved exits, of which 16 were writeoffs, one showed a loss and 22 showed gains. The team invested £22.9m, with another £33.5m from third parties into six of the companies. The aggregate return was 201% over an average of six years.

In summary, Vala has shown an ability to deploy capital, but it is too early to assess the performance of these investments. Jasper Smith and Arthur Hughes appear to have had a very good track record prior to joining Vala, while data on the other two members of the Investment Committee are limited.

Fees

The fees for the fund are set out in the table on page 3, and are straightforward. Custody fees are paid from Vala's charges.

Annual fees

The AMC is collected by two years' worth being deducted from the subscription before investment, with the balance collected from returns from exits. Pleasingly, the amount of the later fees will be calculated on the lower of the subscription or the NPV of the fund. Given that failures usually arrive before successes in venture capital, this may give a meaningful reduction.

There are no annual fees after the fifth year.

Exit fees

The performance fee is paid on returns over 110% of the initial subscription. It is based on the aggregate capital return over the client's invested capital, and is charged after the other fees.

Fundraising targets and deployment

The Sustainable Growth EIS is evergreen, with no set close dates. Vala is targeting a raise of £2m in each tranche, with two tranches a year. Currently, it operates with January and July closes, although we understand that Vala is monitoring this and may change the schedule in the future.

The minimum subscription is £20,000.

Once deployments have commenced, investors will participate in subsequent deal flow until their portfolio is completed. Vala aims to have subscriptions invested within 12 months. An exception is the tranche closing on 28 January 2022 – Vala intends this tranche to be fully invested before 5 April 2022.

Currently, EIS3 Certificates take an average of three months from investment to be received.

Investment advisor

Founded in 2018, Vala Capital is a relatively new manager, focused on EIS funding, although it does also have a small lending business. It currently manages two EIS funds. It has invested in growing its staffing, and adding finance and operational capabilities alongside its investment team.

There are currently 16 staff, with another member of staff being recruited at the time of writing. This is a 45% increase since our report a year ago. In addition to the staff, there are four Venture Partners for the two funds. Having recently brought in a new Head of Venture Investing, Vala seems to have more than adequate capacity for its current operations. Although its history is short, it has, so far, grown capacity ahead of requirements. Nevertheless, Jasper Smith remains a key person, although to a lesser extent than 12 months ago.

The Investment Committee consists of the members listed below, together with the CEO, with Boyd Carson from Sapphire being the designated Fund Manager.

People

Jasper Smith – CEO and Founder

The first few years of his career were spent working in media and consumer electronics. Since then, he has co-founded, and invested in, a series of companies in similar areas (Static 2358, PlayJam, PlayStack) and engineering (Arksen). He co-founded Vala in 2018.

Jonathon Spanos – Head of Venture Investing

Started his career in biotech, spending a decade in product manager and business development roles at Miltenyi Biotech, Informa Healthcare, VivoPharm and the Australian Genome Research Facility. He was a founding member of Allbirds in 2013, before taking on senior roles at Virgin Startup. He joined Vala in 2021.

Jake Wombwell-Povey – Investment Director

Started his career in corporate finance at Grant Thornton. In 2015, he founded Goji, a European platform for the alternative investment industry, where he remains a non-executive director.

Mike Penrose – Investment Committee Chairman

Has an extensive career in international NGOs. Following five years at ACTION CONTRE LE FAIM, he was a conflict adviser at DFID. Following a spell at International SOS, he was Humanitarian Director at Save the Children, he returned to ACTION CONTRE LE FAIM as CEO and he was an executive director at Unicef UK. In 2019, he founded the Sustainability Group.

John Swingewood – Investment Committee

Has an extensive background in media, with a decade in senior positions at BT and BskyB. Since 2002, he has founded or held board positions, notably at CentralNIC, which floated on AIM, and at DITG and Emizon, which exited through trade sales. As well as his directorships, he also owns a farm in Sussex.

Investment manager

Sapphire Capital was established in 2009, and is an independent fund manager that supplies services to small EIS and SEIS fund managers, particularly in their early days. It is currently fund manager for 17 advisors, and has over £100m under management in its funds.

Boyd Carson – Founder & Managing Partner, Sapphire Capital Partners LLP

Previously worked as a Director of PwC LLP corporate finance in New York. Boyd is a Fellow of the Institute of Chartered Accountants. He also acts as a director for several companies in the UK, and is the honorary treasurer of a leading cancer charity.

Vasiliki Carson – Partner, Sapphire Capital Partners LLP

Having started her career at JPMorgan Chase, Vasiliki moved to PwC LLP, before joining Goldman Sachs, where she worked in both New York and Tokyo. She returned to PwC Corporate Finance, staying there until she left to become a partner in Sapphire Capital. She is a qualified accountant.

Appendix 1 – due diligence summary

Summary of core due diligence questions		
Manager		**Validated by**
Company	Sapphire Capital Partners LLP	
Founded	2009	Hardman & Co
Type	Limited Liability Partnership	Hardman & Co
Ownership	Two LLP designated members	Hardman & Co
FCA registration	565716	Hardman & Co
Solvency	Yes	Sapphire
EISA member	Yes	Hardman & Co
Advisor		
Company	Vala Capital Limited	Information Memorandum
Founded	2016	Hardman & Co
Type	Private Limited Company	Hardman & Co
Ownership	Jasper Smith (92%) and James Faulkner (8%)	Hardman & Co
CRN	10223525	Hardman & Co
FCA registration	827386	Hardman & Co
Solvency	n/a	
EISA member	Yes	Hardman & Co
Fund Custodian		
Company	Woodside Corporate Services Limited	Information Memorandum
FCA registration	467652	Hardman & Co

Source: Hardman & Co Research

The Fund Manager is Sapphire Capital Partners LLP. It has two LLP-designated members: Mr Boyd Carson and Mrs Vasiliki Carson. It was created in 2009, and has its accounts made up to 31 December 2020. With £172,000 of members' capital, the partnership is comfortably solvent, and has appropriate investment management permissions from the FCA.

The Investment Advisor is Vala Capital Limited. It is an Authorised Representative of Sapphire. Although the accounts show a weak balance sheet, it is adequately capitalised through a facility from the main shareholder. Ownership is indirect through Vala Group Holdings Limited.

Appendix 2 – example fee calculations

These examples calculate the estimated total amount payable to the manager under certain assumptions.

Basic assumptions	
Term	5 years
Investor amount	£100,000
VAT on company fees is offset against revenue	

Source: Hardman & Co Research

Calculations					
		Hardman & Co standard			Target
Gross return		**-50%**	**0%**	**50%**	**211%**
Amount (pre-tax relief)		**£100,000**	**£100,000**	**£100,000**	**£100,000**
Initial fees	**Rate**				
Company	5.00%	£4,820	£4,820	£4,820	£4,820
AMC deducted up front (2 years)	1.5%+VAT	£3,600	£3,600	£3,600	£3,600
Total		**£8,420**	**£8,420**	**£8,420**	**£8,420**
Net fund investment		**£96,400**	**£96,400**	**£96,400**	**£96,400**
Annual fees					
Annual management fee (3 years)	1.5%+VAT	£5,400	£5,400	£5,400	£5,400
Gross fund after investment return		**£42,800**	**£91,000**	**£139,200**	**£294,211**
Exit fees					
Performance (above 110% return)	20%	£0	£0	£7,008	£44,211
Net amount to investor		£42,800	£91,000	£132,192	£250,000
Gain (pre-tax relief)		-£57,200	-£9,000	£32,192	£150,000
Gain (post-tax relief)		-£28,280	£19,920	£61,112	£178,920
Total fees to manager		£13,730	£13,730	£20,522	£57,941

Notes: post-tax relief figures assume initial income tax relief only; other reliefs may be available to investors; Source: Hardman & Co Research

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