Draper Esprit EIS

Tax-Advantaged Investments

EIS Review

APRIL 2019

Contents

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Overview

Encore Ventures Limited ("Encore" or "the Manager") is looking to raise up to £40 million for Draper Esprit EIS Fund ("the Fund") for the tax years 2018/2019 and 2019/2020, to invest in EIS-qualifying companies across a range of sectors. The Fund targets 8-12 investments over an investment period of 12-18 months. The Offer launched in October 2017.

Offer: Encore Ventures Limited ("Encore" or "the Manager") is looking to raise up to £40 million for Draper Esprit EIS Fund ("the Fund") for the tax years 2018/2019 and 2019/2020, to invest in EIS-qualifying companies across a range of sectors. The Fund targets 8-12 investments over an investment period of 12-18 months. The Offer launched in October 2017.

Investment Details:

Score:	87
Offer Type	Discretionary Non-Approved
EIS Strategy	Generalist
EIS AUM (Pre-Offer)	£130 Million
Manager AUM	£130 Million
EIS Risk Level	Medium

Investment:

Minimum subscription	£25,000
Maximum qualifying subscription per tax year	£1,000,000
Early bird discount	None

Closing Date:

Closing dates on 5 January, 5 April, 5 July, and 5 October every year

This document verifies that *Draper Esprit EIS* has successfully completed our independent due diligence process, having passed through all stages of the governance process in the run-up to the report's publication on the date listed below. It has therefore been awarded the MJ Hudson Cornerstone Trustmark.

Risk Warning for EIS Schemes

Individuals should always read and bear in mind the risk warning notices that are included within providers' investment offer literature / documentation, including prospectuses, information memorandums, securities notes, brochures and other related marketing literature. Whilst the following list is not exhaustive, some of the main risks to be aware of include:

- Investments are in small, unquoted companies and should be considered as high risk;
- Investments are illiquid and need to be held for at least three years in order to retain the initial income tax relief;
- An EIS/Seed EIS investment should be viewed as a long-term investment;
- Legislation, along with the nature and level of tax reliefs is subject to change. There can be no certainty that investments will be eligible or remain eligible for EIS/Seed EIS Relief;
- Historic investment performance cannot be used as a guide to future performance, and the value of any given investment may rise or fall;
- Many EIS/Seed EIS Schemes involve investment in a single company or sector and therefore should only be considered as a small part of an overall portfolio;
- Investors may not have independent representation on the Boards of investee companies which can mean their interests are not adequately considered relative to the executive team;
- EIS/Seed EIS investments should only be considered by sophisticated investors who understand, and have given careful consideration to, the underlying investment strategy and associated risks. For help in determining potential investment suitability, professional advice should be sought;
- Often there will be no regulatory oversight and investors will usually not be eligible for compensation if things go wrong.

NOTE: Please be aware that the Manager mentioned in this report purchased the rights to distribute our report only (no payment was taken to undertake the research which is fully independent). To access full research services, including further tax-advantaged investment research reports, which can be used for the purpose of investment advice, please visit **www.advantageiq.co.uk** where both individual reports and subscriptions are available for purchase.

Executive Summary

MANAGER:

Encore Ventures LLP ("Encore Ventures" or "the Manager") is an independently authorised FCA entity that has been operated by Richard Marsh, David Cummings and Draper Esprit plc ("Draper") since 2012 in order to invest into EIS-qualifying opportunities on behalf of its clients. The Manager habitually co-invests alongside Draper in the same deals but has also co-invested with other funds and managers in the past. Draper Esprit, formerly DFJ Esprit, was formed as "Esprit Capital" in 2006. It was created by and with the former Cazenove VC fund and team, in combination the former (listed) Prelude Trust fund and team. It later became "DFJ Esprit" when it joined the DFJ Global Network alongside Silicon Valley-based Draper Fisher Jurvetson (DFJ), investors in Skype, Baidu, Tesla Motors, Twitter, Yammer, Box, etc. In summer 2015 DFJ Esprit re-branded to Draper Esprit in conjunction with a re-branding of the DFJ Global Network to the Draper Global Network. Draper Esprit is the manager of multiple venture capital funds and institutional investors have committed over $1 billion to its funds. In June 2016 Draper Esprit completed an AIM IPO and is now Draper Esprit Plc.

Encore Ventures was originally formed for another purpose (the acquisition of a portfolio of investments from 3i) but was resurrected for the purpose of managing EIS investments so that it could have separate FCA permissions in order to better accommodate retail investors rather than the professional LPs who invested in Draper's funds of that era prior to its IPO. Encore Ventures has a team of 6 and solely manages Draper Esprit EIS. It has approximately £130 million under management.

PRODUCT:

Draper Esprit EIS is an established part of the tax-advantaged scene, with the Manager commencing EIS investing after changes made in the 2012 Budget to make tax-advantaged investing an attractive entry point for Draper's dealflow. Richard Marsh and David Cummings co-manage the fund: both graduates of Cambridge University, the former started a successful software business that was sold to Oracle and following an MBA at IMD, Lausanne started a career in venture capital at Oxford Capital, while Mr Cummings was formerly head of the TMT team as a Managing Director at Lazard and a prominent Angel Investor.

With the EIS investing alongside both Draper Esprit plc and Draper VCT, and boasting the Draper brand that comes with its international origins in Silicon Valley as well as being one of the preeminent European venture capital firms, the Manager is able to access 8-12 high-growth, later-stage deals normally far outside the capabilities of the rest of the EIS market. With a strategy which focuses on consumer technology, enterprise technology, hardware, and healthcare/medtech, the EIS Service has provided consistent returns since its first fund.

SUMMARY OPINION:

Draper Esprit EIS has long been part of the tax-advantaged ecosystem, but in many ways is an anomaly compared to other funds on the market: Draper Esprit EIS invests as part of a Draper syndicate which is both one of the very biggest investors in early-stage companies across Europe, as well as being one of the biggest LPs in Seed and Series A funds through Draper Esprit plc's Fund of Funds. Draper Esprit Plc is a listed entity and part of the global Draper Venture Network, reflecting the Manager's origins as the European partner of Silicon Valley-based Draper Fisher Jurvetson, and has recently signed a deal with Earlybird, a prominent German Seed and Series A venture firm. As such the Manager should rightly be considered one of the preeminent venture capital firms in Europe (and not something that retail investors can normally get access to, although as a listed patient capital fund following its IPO, Draper Esprit Plc is itself highly innovative).

By combining the fire power of the EIS, Draper Esprit plc's balance sheet, and that of Draper Esprit VCT (managed by Elderstreet) in order to invest into high-growth, later-stage investment deals, the product gives retail investors the chance to access deals normally beyond their reach. Unlike most other growth EISs, Draper Esprit EIS invests into 'Series B' growth stage deals with the majority of its capital but is still able to participate as the Manager can combine funding streams to take a meaningful stake in high-growth companies at this stage of development. Correspondingly, returns should be less volatile and holding periods should be shorter than those of many other EIS funds, although investors might not have the same return expectation as they might have by investing in a fund which invests into a "unicorn" at the very earliest stage of development. However, looking at Draper's track record of returns, stable team, and progress of current portfolio companies, this consistent, later-stage strategy should very well be considered a strong alternative to the much higher-risk, earlier-stage investments of many of its peers especially when factoring in the greater potential to achieve an exit shortly after the three-year minimum holding period.

While the Draper offer is compelling, there are still some issues to consider: the core EIS team is small and may need to expand in coming years if the overall number of investee companies continues to rise; holding periods may rise somewhat if corporates are less acquisitive and IPOs remain less attractive; while the fund focusses across four main areas of investment which, while fairly diverse, does limit the types of investment somewhat. There is also the concern that investing as part of a much wider investment by the group could lead to the interests of EIS investors being subsumed by those of other investors, although this is always the case with co-investing alongside other non-EIS vehicles.

In summary, with access to an institutional calibre and experienced team, a continent-wide pipeline, and a track record of exits, Draper should be considered by all investors who would like exposure to European growth investments with a technology bias.

Positives

AT THE MANAGER LEVEL:

- Encore Ventures is co-owned by Richard Marsh, David Cummings and Draper Esprit plc, which boasts a global reputation thanks to its position as a leading European venture capital house, as well as its heritage with Draper Fisher Jurvetson, a well-known Silicon Valley institution;
- Draper Esprit is one of Europe's largest venture capital investors and, thanks to its Fund of Seed Funds, one of Europe's largest venture LPs, ranking it with a small handful of peer institutions in Europe;
- The presence of Draper Esprit Plc in the syndicate with the EIS (as well as the VCT) means that there is a high degree of investor servicing, with a very well attended CEO day testament to the communications of the Manager to investors;
- Richard Marsh and David Cummings have partnered together to run Encore Ventures for a number of years, were both previously part of Draper Esprit (joining in 2010 and 2011 respectively) and continue to work alongside Draper's CEO Simon Cook and COO Stuart Chapman, showing a high level of continuity in stewardship of the business;
- Encore Ventures' cost base is primarily remuneration for its Partners, with Draper Esprit providing the Manager with paid services to assist with investments, dedicated support staff for investor relations and office management, and the provision of two offices in London and Cambridge. The arrangement with Draper Esprit adds to the fact that Encore Ventures exhibits a high level of financial stability;
- Draper Esprit's governance befits that of a listed entity and this, in turn, is reflected in the standards demanded of Encore Ventures.

AT THE PRODUCT LEVEL:

- The core EIS team of Richard Marsh and David Cummings are very experienced, and have been working together for a number of years;
- The EIS' co-investment policy with Draper Esprit plc and Draper VCT gives it the firepower to invest in larger, higher-valuation, later-stage deals beyond the reach of other EISs. Most other tax-advantaged funds only have enough to invest small amounts into a range of early-stage Seed and Series A companies, as they do not have the fire power to take positions in high-growth, Series B companies on their own;
- Due to the increased capital requirements to successfully invest in this high-growth, later-stage part of the venture capital value chain, and the attendant barriers to entry restricting the emergence of new competitors, the Draper Esprit syndicate of funds has less competition for deals than might be the case for other firms which invest at Seed or Series A rounds and must compete with a broader swathe of competitors to secure the best deals;
- Due to Draper Esprit's origins as the European partner of the well-regarded, Silicon Valley Venture Capital firm Draper Fisher Jurvetson, and its ongoing relationship and links to other Draper-related firms through the Draper Venture Network, Draper EIS can secure deal flow based on this brand association that is significantly beyond most tax-advantaged funds;
- The Investment Process is well documented and enhanced by the presence of the other co-investment investment managers as part of a combined investment team, which adds another level of scrutiny to deals;
- With a number of previous tranches already invested (and some exited), as well as a clearly defined strategy, there is a strong track record in terms of both investments made and exits achieved;
- The regular firm-wide strategy of portfolio reviews helps add another level of accountability on top of the usual risk management procedures in place for the EIS;
- Performance to date has been strong, with a number of exits and fund realisations meeting target returns;
- In response to market demand, the Manager has recently introduced a new fee model so that approximately 90p in each £1 subscribed is invested and is expected to qualify for EIS relief. This is achieved by charging a proportion of the fees as they fall due, and deferring the balance to be paid out of exit proceeds.

Issues to consider

AT THE MANAGER LEVEL:

- Whilst Draper Esprit owns a significant stake in the Manager and the two firms collaborate in many aspects, the remaining holdings are owned by the company's two managing partners, meaning that the future of Encore Ventures is ineluctably bound up with Richard Marsh and David Cummings and their commitment to the business;
- While Draper Esprit EIS is very much in the spirit of the rules surrounding tax-advantaged investments, and may even further benefit from the proposed introduction of an Approved Knowledge-Intensive fund structure mooted by the Treasury, the Manager does essentially have one product, rather than a diverse suite of products overseen by some of their peers;
- While the Manager's financial strength is robust, and the costs incurred by the business are relatively predictable, any change in the leadership of Draper Esprit plc could lead to this settlement being reopened on less

advantageous terms to Encore Venture, although the likelihood of any immediately foreseeable change is very low;

- The dual structure of both Encore Ventures and Draper Esprit in the practical operation of the former business is somewhat more complicated than the simpler governance structures of the Manager's peer group.
- There is significant key man risk in the two main individuals involved at the manager level although the wider team has been expanded considerably in the past 12 months

AT THE PRODUCT LEVEL:

- While the EIS gains considerably from the co-investment syndicate with Draper Esprit plc and Draper VCT, the needs of EIS investors may not be aligned with the interests of the rest of the syndicate which could lead to sub-optimal decisions being made from the perspective of the Manager's clients, although this is somewhat mitigated by the fact the executive members invest their own money in the EIS;
- The Manager mainly targets later-stage opportunities (although it does invest in selective Seed and Series A investments), so the strategy is unlikely to have the potential to deliver the returns that some riskier, earlier-stage funds might (but equally investments should be less prone to write-offs than higher risk/reward investments);
- As deals are primarily sourced from with a view to co-investment across the group, some exciting opportunities that might be ideal for EIS investors on a standalone basis may be overlooked;
- Due to the small dedicated EIS team, Richard Marsh and David Cummings have to coordinate with others who serve on investee company boards, as they do themselves and represent other members of the investing syndicate in a reciprocal manner, which adds another layer of complication compared to having 100% dedicated resources;
- While the EIS will invest in 8-12 investment opportunities in each tranche, some other EIS products do offer a higher level of diversification;
- Up to 10% of fees are paid from cash as they fall due. This reduces the amount available for EIS reliefs to approximately 90p in each £1 subscribed.

Manager Quality

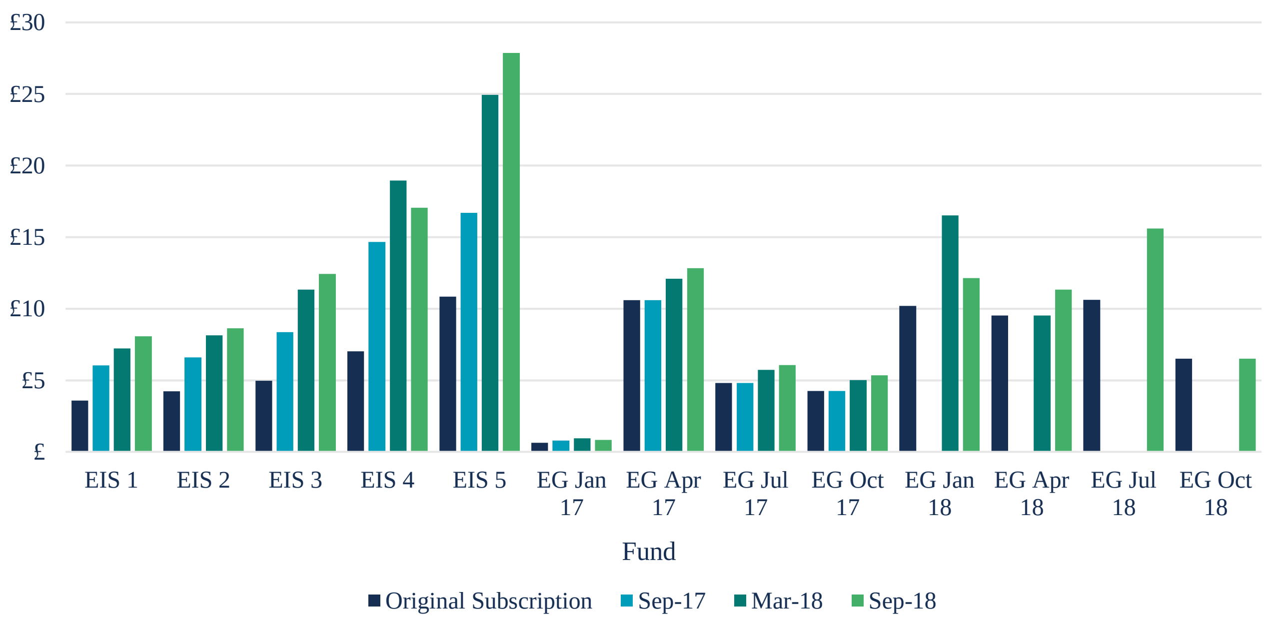
Manager Profile

Encore Ventures LLP ("Encore Ventures" or "the Manager") was fully owned by Draper Esprit ("Draper") when it launched its first EIS funds but since 2015 has been owned and managed collectively by David Cummings, Richard Marsh and Draper. Whilst Draper Esprit Plc reports its own ownership as 71.2% it is evident from the Manager's accounts that the economic interests are more broadly distributed. The Manager is a partnership and is operated and managed collegiately. Draper Esprit was founded in 2006, following a Management Buyout (MBO) from Cazenove by a team formerly at 3i, a multinational private equity and venture capital company. Draper Esprit is the manager of multiple venture capital funds and institutional investors have committed over $1 billion to its funds.

Following the 2012 Budget which enacted positive rule changes to expand EIS, Richard Marsh and David Cummings repurposed an existing entity within Draper to found Encore Ventures, with the idea that separate FCA permissions would be required over time in order to serve retail investors. The EIS would join Draper Esprit (which floated on AIM and the Irish exchange in 2016 to become Draper Esprit plc) in a larger syndicate in order to access larger deals. With the addition of Elderstreet VCT (now Draper VCT) to the syndicate (henceforth "the Draper syndicate") in 2016, the EIS now accesses investments with rounds over £10 million.

The Manager is a partnership with three members: Richard Marsh, David Cummings, and Draper Esprit. There is a wider EIS team of 6 in total including staff who are either contracted directly by Encore Ventures or who are seconded to it under a services arrangement with Draper.

CHART 1: FIRM AUM AS AT APRIL 2019 (£ MILLION)



Source: Encore Ventures; AdvantageIQ

During the 1990s Simon Cook and Stuart Chapman (now CEO and COO respectively of Draper, and members of the management board of Encore Ventures) worked together in 3i plc's technology venture team. They later worked together again to manage venture capital investments for Cazenove Private Equity, a division of the UK investment bank. In 2006, Simon and Stuart set up Esprit Capital which was rebranded as DFJ Esprit in 2007 when the Silicon Valley-based venture capital firm, Draper Fisher Jurvetson, founded by Tim Draper and part of a long lineage of Silicon Valley venture capitalists, acquired a minority stake in Esprit Capital and Esprit Capital became Draper Fisher Jurvetson's exclusive partner in Western Europe. Draper Esprit floated on AIM and Ireland's Enterprise Securities market (ESM) in 2016.

Draper Esprit ("Draper") is a member of the Draper Venture Network (formerly the DFJ Network). Headquartered in Silicon Valley, the Draper Venture Network is a self-governed collective of over twenty independent growth and venture funds managing hundreds of portfolio companies in multiple countries. These independent venture capital funds are based in technology hubs across the world and collaborate on deals, diligence and the provision of value-added services. Draper Esprit is the Western European member of the Draper Venture Network. The Draper Venture Network has offices in Silicon Valley and a team of business development executives available to assist any network portfolio company. An annual CEO conference is arranged by the Draper Venture Network with attendance by hundreds of CEOs and dozens of business development executives of significant technology companies.

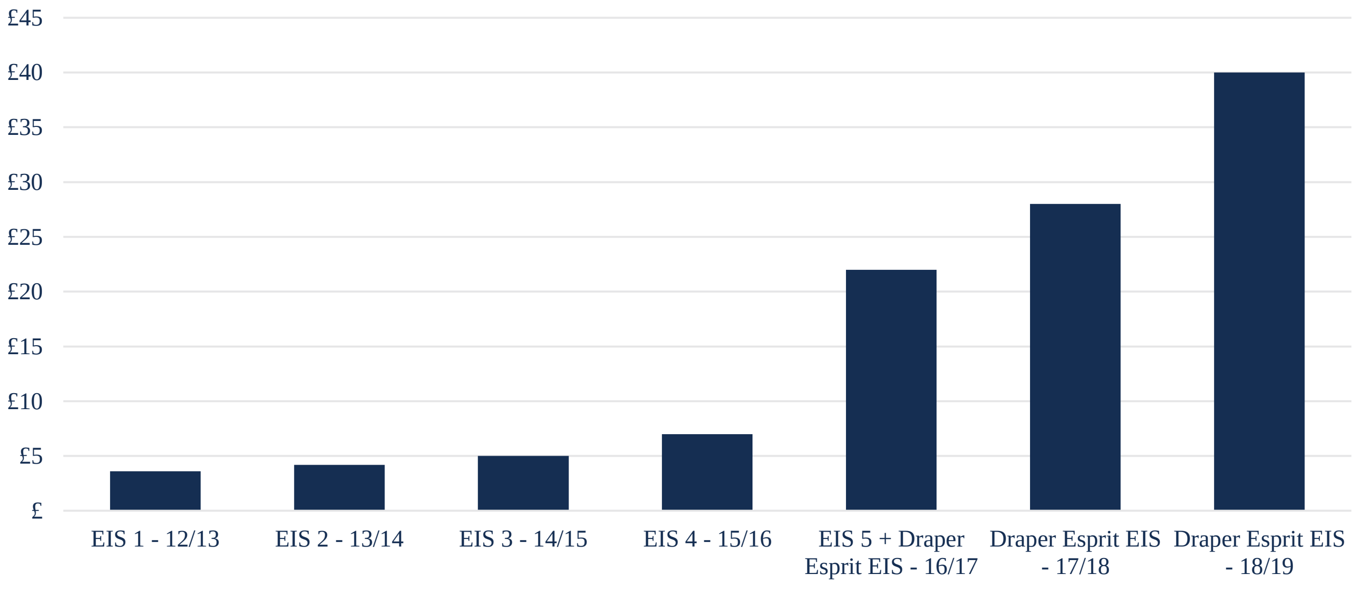
Draper Esprit believes its membership of the Draper Venture Network provides it with a significant advantage in the origination and diligence of potential investments, the generation of market intelligence and the development of valuable corporate relationships. It also enables Draper to provide portfolio companies with assistance in approaching sources of funding in the United States for future fundraising rounds and provides them with an opportunity to expand into new and lucrative markets or to position them in global markets with the intention of attracting higher valuations at exit. Simon Cook, Drapers chief executive officer, and Stuart Chapman, Draper's chief operating officer, have both served as one of five global board directors of the Draper Venture Network.

The Manager works with Ram Capital, the Manager's promotor, and now Mainspring the custodian (previously this was The Share Centre), to facilitate investors and advisor reporting, including:

- Account opening, fund transfer;
- Deal note and contract note for each investment when made;
- Distribution of EIS 3 certificates;
- 6 monthly reporting and statements;
- Annual CEO/Investor day; and
- an investor and adviser online portal which will be launched during 2019

Ad hoc IFA enquiries are handled by both RAM Capital, in the first instance, and Encore Ventures.

CHART 2: FUNDRAISING TRACK RECORD – AMOUNT RAISED (£ MILLIONS)



Source: Encore Ventures; AdvantageIQ

With a team of six, a shared office space with Draper Esprit plc in London, and outsourced functions for every other aspect of the business (including the use of Ram Capital to help with fundraising and promotion), Encore Ventures benefits substantially from the brand association with, and the profile of, Draper Esprit. Draper's wider team also supplements the core investment team of Encore Ventures which adds considerable value on the investment side, and likewise the partners of Encore Ventures contribute to Draper's deal flow and portfolio management and are some of the most experienced in the wider team. Outsourcing all of the non-core functions allows the Manager's investment team to focus on their core competency of investing into and adding value to portfolio companies, and fundraising has no doubt been enhanced by the Draper association married with Draper Esprit EIS's long tenure in the EIS space.

The Manager had received no investor complaints over the previous 12 months, and there were no regulatory or other concerns at the time of writing.

Financial & Business Stability

Due to the structure of the Manager as a partnership, Draper is able to nominate two Board members (habitually Simon Cook and Stuart Chapman) and Richard Marsh and David Cummings are also able to nominate two Board members. There is a wider agreement encompassing the use of the Draper name, cost sharing etc. which spells out the rights and responsibilities between the two entities. However, while there are considerable benefits from each sharing the dealflow from the other as well as other synergies, it is important for investors to understand that Encore Ventures has to be able to stand on its own two feet, both due to its role as the counterparty for investors but also as it has its own governance.

Table 1, below, sets out the accounts for Encore Ventures LLP. The jump in both revenues and expenses in 2018 was due to an accounting treatment where uncrystallised performance fees were booked as revenue (along with attendant expenses due to the carry being earmarked for the investment team). Note 7 in the 2018 accounts sees a "performance fee" of £4,360,623, which appears in revenue, and is netted off as an equal and opposite expense so it has no impact of the profitability reported. Hence, for a like for like comparison to prior years, we can deduct this amount from both revenue and expenses (profit remains unchanged), giving us a revenue figure of £1.4 million (healthy growth on the previous year). The Manager's outlook for 2019 is over £2 million in revenues, with growth driven by an increasing balance of funds under management. Larger fundraises bring larger initial fees, even as management charges for older fund tranches roll off.

TABLE 1: KEY FINANCIAL METRICS SUMMARY OF ENCORE VENTURES LLP

(£'000) YEAR END MARCH	2016	2017	2018
Turnover	531.8	756.1	5784.7
Administrative Expenses	196.4	194.0	4802.8
Operating Profit	335.1	562.1	918.9
Members Remuneration Charged as Expense	103.3	66.7	66.7
Profit to be Divided Amongst Members	232.1	495.5	915.3
Net Current Assets	169.3	169.4	448.7

Source: Encore Ventures, AdvantageIQ, Companies House

As can be seen from the table above, the Manager is profitable and has a decent buffer on its balance sheet. Expenses, mainly partners' drawings and a share of expenses related to office rent and staff, are relatively predictable and the rise in fundraising over the last few years have continued to boost the Manager's income. We have also seen line of sight of the Management Accounts for this year and, looking over all of the information available to us to ascertain the Manager's financial position, we view the Manager as financially robust although it should be borne in mind that as the firm in an LLP the true cost of the members is not reflected in the above numbers as they receive a profit allocation instead of a salary.

The Manager has a long established, close working relationship with Draper Esprit plc and has been run since the inception of the EIS by Richard Marsh and David Cummings. The latter does not work a full five days a week for Encore, and has other interest including as an active angel investor, but is heavily involved with the business, although it is fair to say that there is a relatively high level of key man risk for both principals in terms of the continued stewardship of the business, although the Manager foresees no change on the immediate horizon.

Quality of Governance and Management Team

The partnership structure of Encore Ventures LLP means that the Manager is run by those that make up the partnership: Richard Marsh, David Cummings, and Draper Esprit plc representatives Stuart Chapman (Draper COO) and Simon Cook (Draper CEO). The team has worked together for nearly ten years as the Draper and then Encore businesses have evolved.

The ultimate decision-making entity for Encore Ventures is the Manager's Management Board, which also crucially serves as a link between Encore Ventures and Draper Esprit plc, through the presence of Simon Cook and Stuart Chapman.

Due to the limited number of funds run by the Manager, and the very small size of the team, most of the day to day running of the company is delegated to Richard Marsh and David Cummings. The long running nature of the arrangement between Encore Ventures and Draper Esprit plc, as well as the close working proximity of the principals, means that all parties work habitually very closely together.

Draper, Encore (and also Elderstreet, the Manager of Draper VCT) each have their own Investment Committees, whose role is discussed in more detail in the Investment Process section later on in this report, but the decisions are discussed and taken collaboratively around the same table. This helps all of the funds share insights on dealflow and other investment issues. However, the IC described in Table 2 below is for the Encore Ventures Investment Committee which has to approve any deal also agreed by the syndicate as a whole.

TABLE 2: OVERSIGHT COMMITTEES/WORKING GROUPS

COMMITTEE	DETAILS
The Management Board of Encore Ventures	**Mandate:** The Board is responsible for leading the Company and carrying out its duties **Members:** Richard Marsh, David Cummings, Simon Cook, Stuart Chapman **Frequency:** Monthly
Advisory Committee	**Mandate:** This exists for each EIS fund **Members:** Typically the three largest investors, if willing **Frequency:** As required when the Manager has non-routine areas where it seeks the views of investors.

Investment Committee	**Mandate:** Find and propose new investments, review and monitor current investments, monitor compliance with legislation, consider external appointments for advisers and directorships. **Members:** Richard Marsh, David Cummings, Simon Cook, Stuart Chapman **Frequency:** As frequently as required

Source: Encore Ventures; AdvantageIQ

The major control framework is carried out via the Management Board with policies monitored and updated as required. The Manager retains external compliance advisors and is in the process of moving to Augentius. The fund manager has its own compliance officer: Stuart Chapman, the Chief Operating Office of Draper Esprit Plc. The Manager has a full suite of policies, including those regarding Conflict of Interests, Co-investment, Code of Ethics, Investment Allocation, Business Continuity Plan, Personal Investment Policy, and a Code of Professional Conduct.

Investors' funds are held by the fund custodian. To date this has been The Share Centre but the Manager has announced a move commencing in the 2019-20 tax year to Mainspring Fund Services. Key reasons behind this are cited as increased IT system integration, the incorporation of new digital EIS3 certificates into the custody processes and systems, and an online portal for investors and advisers.

We reviewed a sample board pack and found the documentation to be suitable for a manager of its size.

The Manager indicated that there were no regulatory or litigation issues at the time of writing. While some of the Manager’s governance characteristics fall short of best practice- such an overlap in personnel between the compliance and investment functions- we also acknowledge that the size of the Manager is not similar to some of their larger peers who have multiple products. The presence of Draper Esprit plc as an integral collaborator and member of the business helps give some comfort as the Manager adopts Draper’s more formal plc-standard governance policies in the main.

Product Quality Assessment

Investment Team

Richard Marsh and David Cummings are primarily responsible for Draper Esprit EIS, with the former being involved on a full-time basis and David working 2.5 days a week. However, while they both have primary responsibility for the Service, they are also part of a wider group with their Draper colleagues which help source, evaluate, and monitor deals which the EIS takes part in, with an overall team of 17 investment professionals. While each of the PLC, the EIS, and the VCT have separate investment committees and deal agreement processes, in operation the Investment Committee process contains representatives across these three different funding sources, with all three co-investing together after agreeing to invest in the opportunities which are put to them. The EIS would not invest in any proposed new deal together with the Plc unless the deal was EIS qualifying and a proportion of the Plc investments will fall into this category in which case the EIS fund does not participate. For qualifying companies, any concerns raised by any of the funding vehicle executives are likely in reality to materially affect any decision to invest in the first place rather than to solely exclude one fund. As such, while Richard Marsh and David Cummings are primarily responsible for the EIS, it is worth taking into account the additionality provided by the VCT team and Draper Esprit Plc to the investment team and process, and vice versa.

All three funding vehicles (i.e. the PLC, the EIS and the VCT) are supported by a team of Associates who work under the auspices of the PLC. Often these Associates have a wider European responsibility- one of the Associates, for example, has extensive links into the French venture world- but help scout for deals that might be within the mandates of any, or all, of Draper's investment vehicles. Whereas previously deal-sourcing and management was primarily partner-led, something like the model of a barrister's chambers, now the model is a firm-wide approach to proactively sourcing deals for the entities as a whole, with the Associates providing additional resources and leverage to the Partners time in this aspect. This entails everything from meeting early-stage venture capitalists to discuss their portfolios, to thematic-led research and venture scanning on Pitchbook or other databases, to utilising their own professional networks. The Associates come from a variety of backgrounds, from strategy consulting to their own entrepreneurial ventures, and pitch partners with interesting opportunities that they find.

Richard Marsh is an experienced venture capitalist originally from an entrepreneurial background- he founded an enterprise software company that was sold to Oracle- while David Cummings has a long history in TMT (technology, media and telecommunications) from the banking side. They have worked together for many years. On their own they would be a very strong EIS investing team with a demonstrable track record. However they are also supplemented from the tax-advantaged side by Elderstreet's William Horlick (an experienced technology investor) and Michael Jackson (with extensive experience serving on boards of technology-enabled businesses). They further benefit from the input of Draper Esprit's CEO Simon Cook and COO Stuart Chapman on the investment committee, who add a long track record of successful tech-focussed investing. Michael Jackson and William Horlick have worked together for over 20 years, while the rest of the Investment Committee have nearly 10 years together as one unit, going back to before the EIS was launched in 2012. There have been no key departures in the last few years.

Both Richard Marsh and David Cummings have invested personally in the EIS and continue to do so, showing good alignment with investors and 'skin in the game'.

We are satisfied that the investment team is well resourced and it has the relevant mix of experience to effectively execute the investment mandate. The team has a significant depth of expertise in early-stage investment and is very much augmented with the experience of the link with Draper Esprit.

We have included the bios of the key personnel in the Appendix 1 below.

Investment Strategy & Philosophy

The Draper Esprit EIS fund was launched in 2012 following positive changes in the Budget to expand EIS. The EIS Service was conceived as a co-investment vehicle to allow retail investors to invest alongside the professional investors who made up Draper Esprit's LP funds. The Strategy employed by the EIS has been consistent since its founding, albeit operating on a larger scale as fundraising has increased over the years, with over £100 million raised since the EIS's start.

The objective of the fund is to target a portfolio of 8-12 portfolio companies, invested over 12-18 months (each with their own EIS3 certificate). The majority of invested capital will be earmarked for "late-stage" companies with between £2 million and £20 million in revenues, meaning that the fund is likely to have a much shorter holding period than the vast majority of other EISs on the market (Draper Esprit has a target holding period of between 3 and 5 years). The rest of invested capital will be for Seed and Series A investments, frequently where those opportunities are headed up by known, serial entrepreneurs with whom Draper already has a working relationship and high regard, with the added benefit of the Service getting optionality to participate in later rounds. Most investee companies into which Draper will invest at Series B will be high growth (c.30-100% growth per annum) and looking for between £5-10 million in funding for an investment round with the aim of exiting via a trade sale or, more rarely, via an IPO.

It is important to point out that these levels of revenues and stage of financing shows that the Manager operates in something of its own part of the tax-advantaged world: using the Draper brand and the ability to invest across both the EIS, VCT, as well as through the Plc, allows the EIS Service to participate in funding opportunities much outside of the reach of other EISs in the market. The Draper syndicate is amongst the largest early-stage investors in Europe and most of its competitors for deals take only institutional money, presenting something of a unique opportunity to invest in high-growth, later stage companies for a tax-advantaged investor.

In terms of the attributes looked for in potential investee companies and/or in the sectors in which they operate, the Manager looks for:

- High gross margins,
- Highly scalable, rapidly scalable (30-100% growth per annum),
- Highly profitable business models at scale,
- Large international markets, and
- Companies with reasonable prospects of achieving a trade sale or stock market flotation.

The Manager told MJ Hudson Allenbridge that they currently are very interested in the following sub-sectors within the broader technology sector:

- **Consumer Technology** – companies with exceptional growth opportunities in international markets that are underpinned by new consumer-facing products, innovative business models and proven execution capabilities.
- **Enterprise Technology** – companies developing the software infrastructure, applications and services that drive productivity improvements, convenience and cost reduction for enterprises.
- **Hardware and Deep Tech** – companies developing different technologies that underpin advances in computing, consumer electronics and other industries.
- **Healthcare and Wellness** – companies leveraging digital and other technologies to create new products and services for the health and wellness market.

For those investee companies who seek to expand internationally, the Manager is able to call upon the benefits of the Draper Venture network, an organisation which links sister funds throughout the world, allowing companies access to market intelligence and further venture capital from Silicon Valley and beyond. The recent partnership between Draper Esprit plc and Earlybird (a German early-stage venture house with links in Germany and Eastern Europe) also allows for intelligence from continental Europe, as well as potential dealflow from promising start-ups emanating from beyond Britain but with plans for a presence in the U.K.

Overall we find the Manager's strategy to be compelling: as a component part of one of Europe's biggest venture houses, tax-advantaged investors get the benefit of institutional-level venture investments but within an EIS tax wrapper. The lack of capital at the later stages of venture investment compared to the amounts targeted at Seed and Series A, detailed in the government's analysis for the recent Patient Capital Review, allows Draper to exploit the imbalance between the availability of capital and promising sources of investment, while this imbalance is further enhanced by the fact that fewer venture managers can muster the fire power or the reputation to compete for the highest-growth investments at that stage of financing. By investing EIS funds into UK Plc's equity gap for 'scale up' companies that is highlighted by the Government's Patient Capital Review, Draper Esprit EIS is somewhat unique as an EIS fund. Encore's history of exits- most recently selling Grapeshot to Oracle and Tails.com to Nestle Purina- shows that the strategy works in practice as much as it would seem to in theory.

Pipeline/Prospects and Current Portfolio

Draper invests in tranches so as to take advantage of deals as they present themselves (the plc can invest the initial money in order to secure a deal, with the EIS and VCT money following owing to the lead time required to obtain HMRC's "Advance Assurance"), but Table 3 below shows the Service's deployment history over the last few calendar years. As one can see, a healthy proportion of capital raised is earmarked for investment into existing portfolio companies. This generally will be further investment into investee companies that received Seed or Series A investment in previous tranches of the Service. The table also shows that Draper Esprit EIS has raised considerably more money over the last few years than was the case previously, which mandates that the EIS either takes a larger proportion of any one Draper syndicate deal, or that it must invest in a larger number of deals than previously. From talking to the Manager it seems that the former is the main case, although Draper Esprit plc has taken steps in recent years to deepen its pipeline, with its Seed Fund of Funds being one of the largest venture investors in Europe, making commitments to some of the top Seed and Series A investors across the continent, and particularly in the U.K..[1] Equally, the deal between Draper Esprit plc and EarlyBird may also yield some opportunities sourced from Germany or Eastern Europe where the company may wish to start a UK entity and establish a footprint here. We do not have particular worries about quality dealflow and the EIS's ability to deploy capital in a timely manner, although it will likely have to invest more money than previously if it is to abide by the Service's stated parameters of investing over 12-18 months.

TABLE 3: CAPITAL DEPLOYMENT – NEW COMPANIES VS FOLLOW-ON INVESTMENTS

PERIOD ENDING	AMOUNT DEPLOYED (£M)	INVESTMENT IN EXISTING INVESTEE COMPANIES (£M)	INVESTMENT IN NEW INVESTEE COMPANIES (£M)	DRY POWDER (£M) (CASH RESERVES OR EQUIVALENTS)
2014/01/01	£3.30	£0	£3.30	£
2015/01/01	£2.90	£1.50	£1.40	£
2016/01/01	£7.10	£2.90	£4.20	£
2017/01/01	£4.30	£1.80	£2.50	£

[1] For more information on these funds, please see https://draperesprit.com/entrepreneurs/fund-of-funds

2018/01/01	£8.10	£1.60	£6.50	£
2019/01/01	£24.40	£10.40	£14	£18

Source: Encore Ventures; AdvantageIQ

In terms of a likely investor portfolio, it is advisable for investors to check that they are comfortable with the sectors and investment checklist followed by Draper, as this is followed consistently in the types of companies into which they invest into. In recent times the syndicate have invested into such companies as Graphcore, Perkbox, Podpoint and Fluid Analytics, amongst many others.[2] A list of current EIS holdings and their current valuation can be found in Table 4 below:

TABLE 4: CURRENT HOLDINGS AND THEIR CURRENT VALUATION

INVESTEE COMPANY NAME	DATE OF INVESTMENT	SECTOR	TOTAL COST (£ 000)	VALUATION (£ 000)
Achica	2013/01/01	Technology	£ 1777161	-
Achica (follow on)	2014/01/01	Consumer Goods	£ 150103	-
Apperio	2018/01/01	Technology	£ 3000000	£ 3000000
Appux	2018/01/01	Technology	£ 424500	£ 424496
Aveillant	2013/01/01	Industrials	£ 174761	-
Aveillant (follow on)	2014/01/01	Industrials	£ 52428	£ 9827
Aveillant Tr1	2014/01/01	Industrials	£ 73399	£ 13758
Aveillant Tr2 (follow on)	2015/01/01	Industrials	£ 83885	£ 15723
Bright Computing	2015/01/01	Technology	£ 738635	£ 382414
Campanja	2014/01/01	Technology	£ 307478	£ 55137
Conversocial	2013/01/01	Technology	£ 503054	£ 927106
Conversocial (follow on)	2014/01/01	Technology	£ 52422	£ 83147
Crowdcube	2015/01/01	Consumer Goods	£ 680000	£ 818295
CurrencyFair	2015/01/01	Consumer Goods	£ 357142	£ 262903
Datahug	2013/01/01	Technology	£ 371576	£ 440444
Datahug (follow on)	2015/01/01	Technology	£ 93821	£ 167605
Doutissima	2014/01/01	Technology	£ 76440	£ 105840
Endomagnetics	2018/01/01	Healthcare	£ 4087854	£ 4087854
Evonetix	2018/01/01	Healthcare	£ 1033748	£ 1033748
Fluidic Analytics	2014/01/01	Healthcare	£ 999989	£ 2167849
Grapeshot	2015/01/01	Technology	£ 1391970	£ 11666336

[2] A list of Draper investee companies can be found at https://www.crunchbase.com/hub/draper-esprit-portfolio-companies#section-leaderboard

Graphcore	2016/01/01	Technology	£ 750525	£ 7590000
Green Park Content	2016/01/01	Technology	£ 959923	£ 887904
Horizon	2013/01/01	Healthcare	£ 235900	£ 468743
Horizon Tranche 2	2014/01/01	Healthcare	£ 235900	£ 638439
IESO	2017/01/01	Healthcare	£ 2249988	£ 2249988
Light Blue Optics Ltd	2018/01/01	Technology	£ 453635	£ 453635
Lyst	2013/01/01	Consumer Goods	£ 1604664	£ 6426291
Lyst (follow on)	2014/01/01	Consumer Goods	£ 99362	£ 419348
Miura	2015/01/01	Industrials	£ 1010914	£ 1215104
Miura (follow on)	2017/01/01	Industrials	£ 86573	£ 1463800
Neul	2013/01/01	Industrials	£ 367636	£ 756015
Perkbox	2016/01/01	Technology	£ 4589955	£ 5578337
Podpoint	2017/01/01	Industrials	£ 1650000	£ 2653353
Podpoint	2018/01/01	Industrials	£ 1140000	£ 2109000
Premfina	2018/01/01	Technology	£ 2458039	£ 5076366
PushDr (follow on)	2018/01/01	Healthcare	£ 1454253	£ 1657282
PushDr	2015/01/01	Healthcare	£ 1499871	£ 2294904
Real Eyes	2017/01/01	Technology	£ 1000239	£ 1024587
Resolver	2017/01/01	Technology	£ 2398722	£ 2751663
Roomex	2018/01/01	Technology	£ 2453977	£ 2453977
SportPursuit D	2015/01/01	Consumer Goods	£ 275002	£ 602849
SportPursuit	2013/01/01	Consumer Goods	£ 1743815	£ 5392038
Streeteam	2017/01/01	Technology	£ 1714287	£ 3605735
Tails	2013/01/01	Consumer Goods	£ 266271	£ 1759465
Unbound	2013/01/01	Consumer Goods	£ 1449090	£ 1759023

Investment Process

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

TABLE 5: INVESTMENT PROCESS

INVESTMENT PROCESS	DETAILS
Deal sourcing/ origination	Approx 50% of deals sourced through proprietary networks. There are approx 200 deals p.a. in UK which are >$5m. We aim to see all of these, and the large proportion of European equivalent deals. Inbound deal flow is 2-3,000 companies per annum.
Deal filtering and selection	Stage gated deal evaluation and investment process.
Due diligence process	Stage gated due diligence, involving internal review and 3rd party (paid) specialist advisors.
Deal approval	All investments are approved by Investment Committee - preliminary and final paper.

Source: Encore Ventures; AdvantageIQ

Deals are primarily sourced from a combination of the partners' own networks (perhaps co-investing alongside peers from other institutions with whom they have had positive experiences in previous deals), can sometimes emerge from contacts through the Draper Venture Network (although more commonly this is a potential resource for investee companies looking to expand into the United States), and are often scouted by Associates and more junior members of the wider Draper team. When a more junior team member finds a potentially promising investee company, they will often run it by a Partner to see if they are willing to endorse undertaking further research on it. With more junior team members adding to the partners in much of the scouting runs the risk of missing opportunities which might not have been by more seasoned colleagues, Draper's juniors do often come with past professional experience which gives some comfort on this score.[3]

While the Draper Esprit funds typically invest at the Series B stage of company development, some Seed (in the case of wanting to back a trusted entrepreneur) and Series A (in order to guarantee optionality at Series B and not to be locked out by earlier investors) can also be made, with those earlier-stage deals acting as a source of effectively proprietary dealflow when bigger investments are made at the scale-up stage.

In terms of documentation there is both a one-pager which goes to the Investment Committee ("IC"), where preliminary sign-off to commence further due diligence is agreed, and a final IC paper where final investment approval is given. MJ Hudson Allenbridge were allowed to view examples of both of these documents, which were of a high standard. Technically each of the EIS, plc, and VCT have separate investment committees, but investments have always been done on a consensus basis within Draper, although the EIS Investment Committee retains the right for final deal approval.

[3] For more on the background of the wider Draper investment team beyond the core team for the EIS, please see https://draperesprit.com/entrepreneurs/team

Post investment, in the majority of cases a Draper, Encore or Elderstreet partner will sit on the board of the investee companies (sometimes assisted by an Associate in order to help them gain some experience). In certain cases, where there is confidence in the current board make-up, a member of the Draper investment team will attend the board as an observer and receive all the management data. The Manager has six monthly reviews of the portfolio with all investment executives which allows for a greater degree of accountability for each of the Partners' investee companies to the rest of the Draper team.

The Fund is expected to co-invest alongside other Manager-run vehicles (i.e. Draper Esprit VCT and Draper Esprit plc) that operate under a similar strategy, with the EIS typically being allotted 40% of any qualifying deal. The Manager believes it has access to quality growth opportunities often in much larger and more proven companies compared to other EIS managers. By co-investing alongside the Draper Esprit plc and the VCT, the EIS gains access to some companies requiring funds in excess of $10m-$20m - which implies much larger valuations at the Series B stage of investment than other tax-advantaged vehicles would be able to contemplate. These deals typically have relatively shorter investment holding periods and are not as prone to fail completely. For example, the Manager has only had one complete write off since commencing EIS investments in 2012. The Manager stresses however that whilst it applies extensive experience in deal selection and asset management, its investments are risk equity.

We regard the investment process as typical for a manager of Draper's size and stature. Draper's brand recognition, the partners' reputations and networks, and the efforts of the Draper associates guarantee a good flow of opportunities and the investment process is sufficiently thorough and repeatable to adequately explore opportunities to the requisite level of detail.

Risk Management

The fund's strategy is to invest in both late-stage companies (with revenues £2-20m+) and early-stage companies. In addition to the general risk management in the investment process, the late stage opportunities will have substantially de-risked the areas such as technology development, market fit, etc., which should both lower risk and, arguably thereby, also lower returns for such investments.

The main investment risks lie in operational risk in the portfolio companies. For example, technology risk, market (adoption, timing) risk, funding risk and execution risk. There is no or very little systematic risk in interest-rate, credit market, counterparty, etc. Therefore, the first stage of risk management for the EIS occurs at the due diligence stage. Potential red flags include assessments regarding potential investee company managements' track record, non-EIS-qualifying company status, a lack of customers or product, existing investors with dubious track records or failing anti-money laundering ("AML") procedures, sanction checks, small target market size, the absence of candidate M&A acquirers, the potential investee company requiring too much capital to get to breakeven/sale, or unsustainable long-term business models. Third parties are often consulted as part of the due diligence process to check on certain aspects of a deal, from technological due diligence to legal checks.

Post-investment the Manager or a Draper Partner will in the majority of cases take a board seat and/or observer status for any investment. As the EIS will co-invest with other Draper funds it might well be that another member of the wider Draper team will take a seat on the investee company board, just as an Encore Partner may hold a Board seat for similar combined investments, but certain set triggers, from poor trading performance, management issues, potential qualification issues etc. will make the team dig deeper to find out the cause of any underlying issues. Richard Marsh coordinates with the plc reporting and valuation team, observers or board members (if Draper Esprit have invested enough) to make sure that the EIS reporting is fully informed of progress. Six monthly full portfolio strategy days allow the wider Draper team to get around the table and share progress updates and challenges.

Due to the "added-value" approach to both helping investee companies with growth plans and also monitoring risks, as well as general progress against KPIs, it might well be that the Investment Team will have to rely on the broader Draper syndicate's resources in order to properly manage risk for EIS investors. We currently have no concerns in terms of Draper's ability to do this, but if new investments outstrip exits on an ongoing basis (for any numbers of reasons from larger fundraises to a drop in acquisitiveness from corporates) then a dedicated portfolio manager for the EIS might be necessary, or another member of the investment team so that Richard Marsh and David Cumming are not stretched across too many investee companies.

Key Features

Table 6, below, lists the fees chargeable by the Service. This reflects a change commencing for the 2019-20 tax year in response to market feedback. A 2% initial fee and 2% annual management charge ("AMC") are quite normal for an EIS growth offer, and the fees reduce in later years based on the cost of remaining holdings so that investors are not charged for assets that are no longer being managed. A proportion of the fees in the early years will be charged upfront against cash as they fall due, but with the balance being deferred to be paid out of exits fees. It is worth pointing out that the nature of the strategy interacts with the fees schedule in ways perhaps not obvious for investors: The shorter holding period allows investors to reinvest money returned in order to accrue further tax reliefs.

Many offers might have comparable or lower ongoing management charges but the holding periods for early-stage investments should be much longer than for those funds who target Series B investments. Therefore, a 2% AMC for another fund might seem comparable but, if the investors' holding period is for eight years rather than four then the overall quantum of fees charged is likely to be much higher for the early-stage investment.

While MJ Hudson Allenbridge normally look askance at deal-by-deal performance fees, the proviso that an investor has to get 100% of their subscription back before this applies limits the normal downside of such an arrangement that managers can charge for performance when losing investors' money. As such, the performance hurdle is more attractive than many other EIS growth performance marks.

TABLE 6: FEES PAID BY INVESTOR AND INVESTEE COMPANY

FEE	CHARGED TO:	
	INVESTOR	INVESTEE COMPANY
Initial Fee	2.0%[1]	-
Custodian Fee	£80 p.a. and 0.2% on deals	-
Arrangement Fee	-	-
Annual Management Fee	2.0%[1]	-
Annual Admin Fee	-	-
Director's Fee	-	-
Exit Performance Fee	6% p.a. deal by deal hurdle (with a 1.25x maximum hurdle).	-
Available discounts	-	
Adviser charges		
Execution Only Fees	All fees as above, plus any intermediary fees	
Direct Application Fees	All fees as above	

[1] Plus VAT. 4 years collected upfront

Performance

Due to the long-running nature of the Service, and a continuity of strategy, it is possible to look at the past performance of the Service's strategy when put into action. Below is the performance of each of the first five iterations of the Service, which have each had at least one exit, as well as the status of more recent tranches which are not yet fully deployed.

EIS I - Commenced investments December 2012. 8 companies of which 4 exited. NAV at 30 September 2018 per £1.00 subscribed to the fund is £1.95, including £0.47 cash that has been returned to investors, plus an additional £0.31 of EIS reliefs (ITR, loss relief calculated on the basis of a 45% tax payer) subject to personal circumstances.

EIS II - Commenced investments September 2013. 9 companies of which 5 exited. NAV at 30 September 2018 per £1.00 subscribed to the fund is £1.75, including £0.28 cash that has been returned to investors, plus an additional £0.31 of EIS reliefs (ITR, loss relief calculated on the basis of a 45% tax payer) subject to personal circumstances.

EIS III - Commenced investments December 2014. 8 companies of which 1 exited. NAV at 30 September 2018 per £1.00 subscribed to the fund is £1.94, including £0.59 cash that has been returned to investors, plus an additional £0.22 of EIS reliefs (ITR, loss relief calculated on the basis of a 45% tax payer) subject to personal circumstances.

EIS IV - Commenced investments November 2015. 10 companies of which 2 exited. NAV at 30 September 2018 per £1.00 subscribed to the fund is £1.82, including £0.56 cash that has been returned to investors, plus an additional £0.20 of EIS reliefs (ITR, loss relief calculated on the basis of a 45% tax payer) subject to personal circumstances.

EIS V - Commenced investments September 2016. 12 companies of which 1 exited. NAV at 30 September 2018 per £1.00 subscribed to the fund is £2.34, including £0.11 cash that has been returned to investors, plus an additional £0.22 of EIS reliefs (ITR, loss relief calculated on the basis of a 45% tax payer) subject to personal circumstances.

Draper Esprit EIS Jan17, Apr17, Jul17, Oct 17 - Fully deployed. Majority of recent investments at last reporting date of 30 September 2018 held at cost.

Draper Esprit EIS Jan18, Apr18, Jul18, Oct18 - Majority to partially deployed.

Draper Esprit EIS Jan19 - Started deployment.

As can be seen from the data above, the Service has performed well in its existence so far, with somewhat consistent performance over time. Later-stage investing should be lower-risk but also lower return and, while we see less volatility than in some other seed-stage services, the higher return than many of these funds is less expected. However, it should also be said that the five funds which have returned significant money so far is still something of a limited sample size and, the old adage that past performance does not always guarantee future returns, should still be borne somewhat in mind.

Appendix 1: Key Personnel

Key Investment Professionals

NAME	JOB TITLE	BIOGRAPHY
Simon Cook	CEO, Draper Esprit	Simon Cook is the CEO of Draper Esprit PLC, which IPO'd on the London and Irish stock exchanges in 2016. Simon has been involved with the European VC industry since 1995 and co-founded Draper Esprit in 2005. He has been involved with a number of Europe's most successful startups including Lovefilm (Amazon), Cambridge Silicon Radio (IPO), Virata (IPO), nCipher (IPO) and KVS (Symantec). He currently works with Trustpilot, Revolut, Ledger and Podpoint. Previously Simon was a partner with Cazenove Private Equity, which Draper Esprit acquired in 2006; a partner at Elderstreet Investments, which Draper Esprit acquired 30% of in 2016; and an Investment Director of 3i Technology Europe, which Draper Esprit acquired in 2009. He was a computer games developer early in his career and is a Computer Science graduate of the University of Manchester Institute of Science and Technology (UMIST).
Stuart Chapman	COO, Draper Esprit	Stuart Chapman is the COO of Draper Esprit. Prior to establishing the Draper Esprit group, with Simon in 2006, Stuart was a Director of 3i Ventures in London. Having joined 3i in 1992, he has 25 years of venture capital experience in Europe and the US. He was a founding partner of 3i US, based in Menlo Park, CA from 1999 until 2003. Stuart was responsible for Esprit's investments in Lagan Technology (sold to Verint), Redkite (sold to Nice) and Kiadis (IPO). Stuart currently serves as a director with Graphcore, Resolver, Realeyes and Conversocial. Prior to 3i, Stuart was involved in software and systems implementations for Midland Bank. He is a graduate of Loughborough University and currently serves on the Strategic Advisory Board for the Loughborough School of Business and has served as a member of the British Venture Capital Association Venture Committee.
Richard Marsh	Partner- Encore Ventures	Richard Marsh (Managing Partner – Encore Ventures) has worked in start-ups and venture capital since 1997 and is an experienced entrepreneur as well as a venture capitalist. He founded and built Datanomic, a Cambridge-based software company which was a pioneer of Data Quality software and was acquired by Oracle. As an investor, Richard has worked across software, hardware, mobile and cleantech sectors. He is responsible for the Draper Esprit group's investments in Apperio, Birght Computing, Garlik (acquired by Experian), Green Park Content, GreenPeak Technologies (acquired by Qorvo), Polatis (acquired by Huber and Suhner), Psytechnics (acquired by NetScout), and SportPursuit. Richard is an Engineering graduate of Cambridge University where he also received his PhD. Richard holds an MBA from IMD Business School, Lausanne, where he was a Sainsbury Management Fellow.

David Cummings	Partner- Encore Ventures	David Cummings (Managing Partner – Encore Ventures) has worked for IMI Plc, Lazard and KPMG. His early career at IMI Titanium was as a research and development metallurgist developing superconductors and titanium alloys. From 1986-2002, David worked at Lazard, where he became a partner and the managing director running the TMT group in London. While there he gained a wide variety of experience in corporate finance, M&A, debt restructuring and equity capital markets based on over a decade of transactions in the TMT sector. From 2004-2011, David was a senior director of KPMG Corporate Finance focusing on Business development and relationship building with medium to large corporations in the telecom and technology sectors. David is an active investor in early stage private technology companies and is a member of Cambridge Angels. David is a graduate of Trinity Hall, Cambridge University (Natural Sciences) and London Business School (Msc21).

Source: Encore Ventures; AdvantageIQ

Senior Management Team

RICHARD MARSH – MANAGING PARTNER

As above

DAVID CUMMINGS – MANAGING PARTNER

As above

SIMON COOK- CEO, DRAPER ESPRIT PLC

As above

STUART CHAPMAN – COO, DRAPER ESPRIT PLC

As above

NOTE: Please be aware that the Manager mentioned in this report purchased the rights to distribute our report only (no payment was taken to undertake the research which is fully independent). To access full research services, including further tax-advantaged investment research reports, which can be used for the purpose of investment advice, please visit **www.advantageiq.co.uk** where both individual reports and subscriptions are available for purchase.

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