

# Tax Efficient Review

Issue No: 405  
Product: Ascension EIS Fund  
Tax Status: Enterprise Investment Scheme  
Fund Group: Ascension Ventures

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## EIS RISK WARNINGS

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**GENERAL RISK WARNINGS** Your attention is drawn to the following risk warnings which identify some of the risks associated with the investments which are mentioned in the Review:

**Fluctuations in Value of-Investments** The value of investments and the income from them can go down as well as up and you may not get back the amount invested.

**Suitability** The investments may not be suitable for all investors and you should only invest if you understand the nature of and risks inherent in such investments and, if in doubt, you should seek professional advice before effecting any such investment.

**Past performance** Past performance is not a guide to future performance.

**Legislation** Changes in legislation may adversely affect the value of the investments.

**Taxation** The levels and the bases of the reliefs from taxation may change in the future. You should seek your own professional advice on the taxation consequences of any investment.

**ADDITIONAL RISK WARNINGS** Enterprise Investment Schemes

1. EIS companies are unquoted
2. The value of EIS Shares can fluctuate and Investors may not get back their investment;
3. There is no market for EIS Shares and Shareholders may not be able to realise their shareholding unless the EIS company is sold or floated on a recognised Stock Exchange. Dividends may not be paid.
4. Potential Investors should consider that past performance of the EIS Manager is no indication of future performance and there can be no guarantees that the EIS Company will meet its objectives.
5. Investment in unquoted companies can offer good investment returns, but, by its uncertain nature involves a much higher degree of risk than investment in a quoted portfolio.
6. Whilst it is the intention of the EIS Directors that the EIS company will be managed so as to qualify as an EIS, there can be no guarantee that it will maintain such status. A failure to qualify could result in the Company losing the tax reliefs previously obtained, resulting in adverse tax consequences for Investors, including a requirement to repay the 30 per cent. income tax relief.
7. Levels and bases of, and relief from, taxation are subject to change. Such changes could be retrospective.
8. A company can raise no more than £5m in any 12 month period after 5 April 2012 from any or all of the Enterprise Investment Scheme, the Corporate Venturing Scheme and Venture Capital Trusts.
9. The 2015 Finance No2 Act made the following changes:
  - The 'age limit' of an investee company must be less than seven years (but ten years for 'knowledge intensive' companies)
  - The 'lifetime limit' of tax advantaged funds that an investee company can receive is £12 million (but £20 million for 'knowledge intensive companies')
  - Since 6 April 2012 it has not been possible to fund management buyout (MBO) transactions using EIS money or VCT funds raised after that date. That rule also affects buy and build strategies and EIS money cannot be used to acquire shares in another company or the trade of another company (including goodwill and other intangibles).
10. Autumn Statement 2017 - from Royal Assent of Finance Bill 2017-18, a principles-based test will be introduced into the tax-advantaged venture capital schemes area. Tax-motivated investments, where the tax relief provides all or most of the return for an investor with limited risk to the original investment (i.e. preserving an investors' capital) will no longer be eligible. The new test will ensure that the schemes are focused towards investment in companies seeking investment for their long-term growth and development. The new test will not affect independent, entrepreneurial companies seeking to expand. A new 'risk to capital' condition depends on taking a 'reasonable' view as to whether an investment has been structured to provide a low risk return for investors. The condition has two parts: whether the company has objectives to grow and develop over the long-term (which mirrors an existing test with the schemes); and whether there is a significant risk that there could be a loss of capital to the investor of an amount greater than the net return

Tax Efficient Review is published by  
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<b>Offer Name</b>	<b>Ascension EIS Fund</b>
<b>Fund Manager</b>	<b>Ascension Ventures</b>
<b>EIS Type</b>	<b>Investing in technology focussed EIS companies</b>
<b>Fund Size</b>	<b>£2.5m</b>
<b>Initial Cost</b>	<b>Nil</b>
<b>Annual Cost</b>	<b>2% deferred and capped at 5 years</b>
<b>Minimum Investment</b>	<b>£25,000</b>
<b>Custodian</b>	<b>Mainspring Nominees Limited</b>
<b>Promoter</b>	<b>RAM Capital LLP</b>
<b>Closing Dates</b>	<b>Close on 4th January, 4th April, 4th July and 4th October</b>

**Table 1: Tax Efficient Review summary of offering Pros and Cons**

<b>Pros</b>	<b>Cons</b>
<ul style="list-style-type: none"> <li>The Ascension EIS has a performance hurdle which properly aligns the investment team with the risk investors undertake</li> </ul>	<ul style="list-style-type: none"> <li>Relatively small amounts of money have been raised and deployed to date in investee companies</li> </ul>
<ul style="list-style-type: none"> <li>Three EIS companies have achieved an exit to date since 2017 (1 partial exit and two complete exits) in a relatively short time</li> </ul>	<ul style="list-style-type: none"> <li>Remains to be seen if the team can replicate early successes if fundraising levels increase</li> </ul>
<ul style="list-style-type: none"> <li>Ascension do not participate in the pricing of follow-on investment rounds as companies move from SEIS funding to EIS funding</li> </ul>	

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**Key Information Document (KID):**

Any investor looking to invest into an EIS must be furnished with a Key Information Document (KID). In the opinion of Tax Efficient Review, the use of KIDs when comparing EIS offers is not straightforward as EISs do not easily lend themselves to the prescriptive handling required by the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulations.

**HMRC Ruling:**

The Finance Act 2017-19 contained important changes to the EIS rules regarding the types of companies which would qualify for EIS relief. The Act introduced a principles-based test for assessing which companies would qualify for EIS/VCT tax relief. The effect of this test is that tax-motivated investments, where the tax relief provides most, or all, of the return for an investor, or if there is limited risk to the original investment, will no longer be eligible. The test does not affect independent, entrepreneurial companies seeking to expand.

Now that the new rules have had time to bed in, what this means for investors and their advisers is that significant risk has to be taken on when investing in EIS companies. Asset-based EIS companies, in which a company traded from a property and which provided a degree of downside mitigation, now longer qualify for EIS relief. Consequently, a number of EIS managers have had to significantly change their investment process over the past 2 years from asset backed investments to those focussed on growth companies.

**Classification**

Tax Efficient Review, in the light of the changes to the EIS rules, has had to amend how it segments the EIS market. In previous years, the market could be split between those EIS managers seeking growth, and the asset backed EIS managers seeking lower returns. This classification no longer applies due to the new EIS rules.

We currently classify EIS managers using the following three categories:

1. Established EIS managers with a track record in growth return EIS investments (e.g. MMC, Parkwalk)
2. Established EIS managers who have had to change their investment strategy to making growth return investments (e.g. Puma, Great Point Media, Ingenious)
3. EIS managers who make growth return EIS investments, but are without a significant track record of investing in and exiting these investments

TER classify the Ascension EIS offer as " EIS Growth fund, no track record".

**Review based upon**

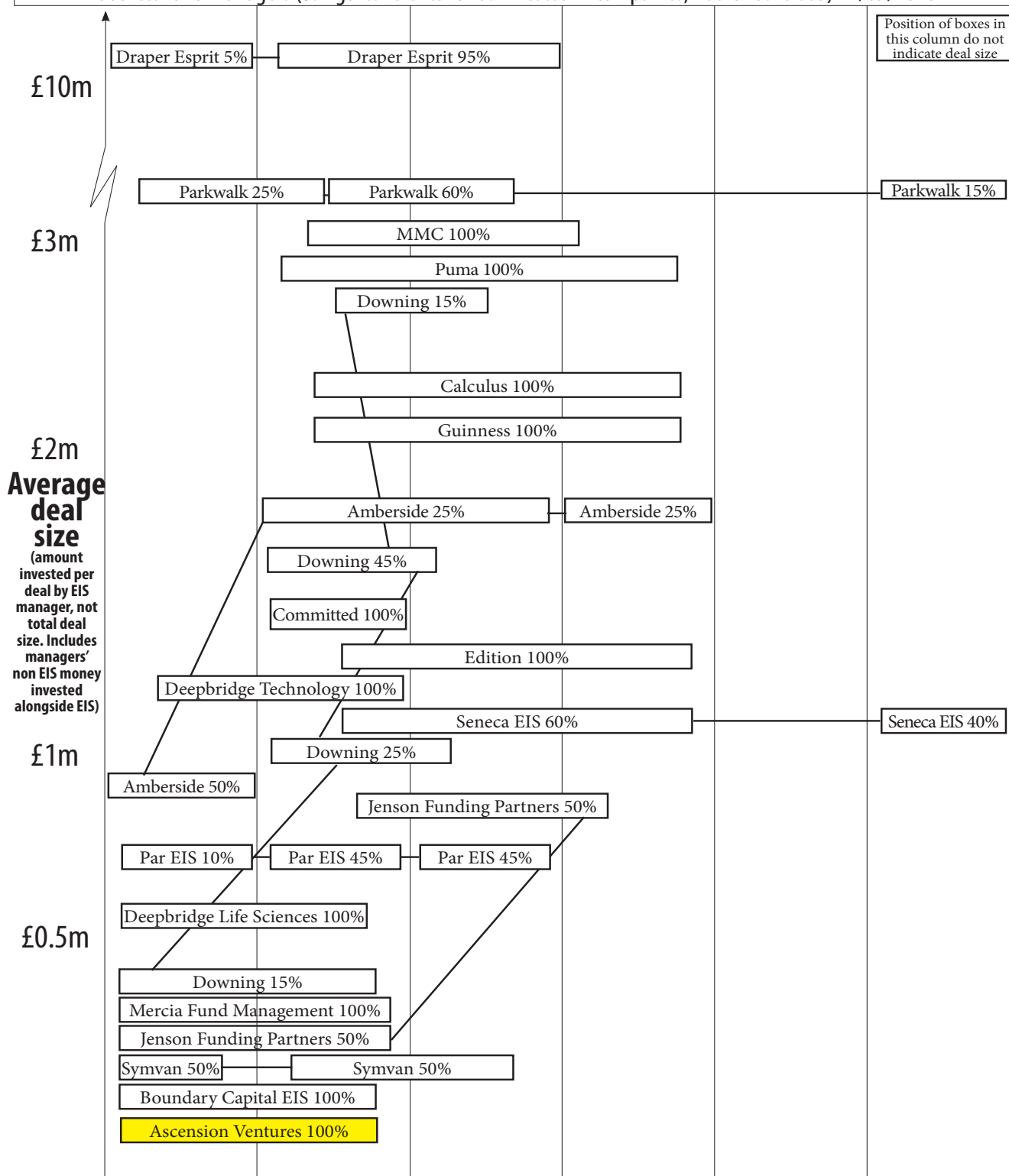
This review is based upon the June 2020 Information Memorandum, as well as a face to face meeting with the investment manager and data provided by the investment manager.

**Review Process**

Tax Efficient Review has enhanced the contents of our EIS reviews to focus more on the areas of investment performance and underlying fees. To increase the comparison of performance, we now include Table 3 which details and amalgamates how many investments the EIS manager has held across the following categorisations:

**Diagram 1: Investment strategies of main Growth EIS managers raising funds in 2020/21**

Source: Fund Managers (% figures refer to funds invested in companies, not funds raised) 17/09/2020



Seed capital/ Early stage	Pre-Profit	Post-Profit	Later Stage Development Capital Deals	Asset backed opportunities	AIM stocks
	Early Stage High Growth and Development capital				
<ul style="list-style-type: none"> <li>- high risk with hopefully high return</li> <li>- all equity investment</li> <li>- should have potential for rapid growth</li> </ul>	<ul style="list-style-type: none"> <li>- should have potential for rapid growth and exit within 3-5 years</li> <li>- usually no bank debt because of lack of assets for security and companies may not be able to support interest payments</li> <li>- focus on high growth market sectors in which company growth should be less dependent on the performance of the whole economy</li> </ul>		<ul style="list-style-type: none"> <li>- relatively low returns but should be lower risk</li> <li>- companies usually profitable</li> <li>- companies should be able to sustain loan interest payments</li> <li>- profitable companies seeking capital for expansion</li> </ul>	<ul style="list-style-type: none"> <li>- low return and should be low risk</li> <li>- should be able to support interest on debt</li> </ul>	<ul style="list-style-type: none"> <li>- some stocks are dividend paying</li> <li>- limited liquidity</li> <li>- potential volatility</li> </ul>

1. Exited above cost (EAC - creating a profit for investors)
2. Exited below cost (EBC – creating a loss for investors)
3. Completely written-off (CWO – resulting in no return for investors)
4. Held at cost (HAC)

**Structure**

This offering is classified by the provider as a non-UCIS discretionary managed investment service. TER by reviewing the product does not validate, ratify, endorse or confirm its classification.

Companies that are hoping to attract subscriptions under the EIS can seek an assurance from HMRC, in advance of inviting applications for shares, to the effect that it is accepted that the conditions of the scheme will be satisfied. The response to a request for an assurance will take the form of a statement as to whether, on the basis of the information provided, HMRC would be able to authorise the company to issue certificates under ICTA/S306 (2) or ITA/S204 in respect of the shares to be issued, following receipt of a form EIS1 satisfactorily completed. For this Fund, we are told that no investment will be made into a company unless advance assurance has been received prior to the date of investment.

The Ascension EIS Fund is an unapproved fund, so tax relief will only be available from the date of the underlying EIS investments. The risk for investors in an unapproved fund is that they cannot be sure how much tax relief will be available in a certain tax year, as it is driven by the investment rate of the provider, nor when they will become fully invested.

Please note Tax Efficient Review does not give tax advice.

**Changes since last review**

This is the first review of the Ascension EIS Fund by Tax Efficient Review.

**The Offer**

The Ascension Ventures started life in 2012 and was set up by Sanjay Wadhvani (ex-Ingenuous) and Jean de Fougérolles. They initially raised a £1.6m SEIS Fund to invest across seed level tech investments.

Jean de Fougérolles bought out Sanjay in January 2015 and was joined by Kieran Hill, and they relaunched the Ascension SEIS fund in 2014. Since then the Ascension team has grown to 7 full time staff and they have launched an annual SEIS fund. In 2017 Ascension launched its inaugural EIS fund to back companies at the next stage of development (post SEIS, but pre-series A), and have raised money annually for their EIS deployment. We cover the track record of these funds raising later in this report.

The Ascension EIS Fund splits investor monies across at least 8 companies, but typically 10-12 companies, which are run on a discretionary basis by the Ascension Ventures team. Investors do get a choice to participate in follow-on funding if one of the companies in their 'pot' decides to raise further funds. They aim to deploy investor capital within 12 months of the date of investment.

The Ascension EIS Fund invests in the form of initial lump sums into investee companies which have passed their due diligence process. They typically look to invest in pre-Series A companies raising between £500,000 and £3m, within a £4m-£8m (pre-money) valuation range and alongside a lead investor.

Rather uniquely, the Ascension EIS Fund is limited as a follow-on funding vehicle for Ascension's SEIS investments. The maximum follow-on SEIS investments the EIS fund can undertake is 4, meaning the majority of the investments within the Ascension EIS will be new investments. Additionally, Ascension does not participate in the pricing of any follow-on investments, which must be priced by a third party lead investor

It is common to see EIS managers run different "pots" of money to accompany investee companies on their development. Starting off with SEIS money at the earliest stage and then progressing through EIS and VCT if things go to plan. But, this can also be an area of concern in terms of who prices these companies as they progress and have they really been subjected to the rigour of a third party valuation? So, it is welcome to see Ascension remove themselves from this pricing process.

The favoured sectors of the Ascension EIS fund are in Fintech, eCommerce & Platforms and Next Gen Media and the majority of investments need to show at least £20,000 of monthly recurring revenues prior to investment. They target companies with sufficient cash to last for at least 12 months with no further revenue growth over that time. Ascension aims to support the increased revenues of investee companies to a £100,000 a month level via their investment and the mentoring and contacts of the Ascension team.

The EIS market is starting to show a split along the lines of those managers whom invest as lump sums into the investee companies and those whom invest in smaller, irregular tranches (which is primarily linked with fund raising). Ascension are in the first group and invest in lump sums as in the same equity position as the founders (i.e. they do not use preferential equity).

The table below shows the breakdown of the AUM of Ascension Ventures as at (3 July 2020)

<b>EIS Funds</b>	<b>Net assets £m</b>	<b>Annual Management fee</b>	<b>Still to be invested £m</b>	<b>Fees Comment</b>
<b>Ascension EIS</b>	3.18	1%	-	Fee has 5 year cap, Deferred Until realisations
	0.66	2%	0.66	Fee has 5 year cap, Deferred Until realisations, Optional 50% discounted upfront fee
<b>Momentum</b>	0.75	1%	0.65	Fee has 5 year cap, Deferred Until realisations
<b>NON EIS funds than can co-invest with EIS Funds</b>				
<b>Fair By Design</b>	12.8	2.10%	4.08	Average of fee, charged annually on 10 year fund
<b>Good Food Fund</b>	1.8	3.30%	1.5	Average of fee, charged annually on 5 year fund
<b>NON EIS funds than cannot co-invest with EIS Funds</b>				
<b>Ascension SEIS</b>	11.8	1%	1.2	Fee has 5 year cap, Deferred Until realisations. On two occasions the SEIS fund has opportunistically invested the EIS fund as SEIS was available, although this is not the standard operating model
<b>TOTAL</b>	<b>£30.99m</b>		<b>£8.09m</b>	

### Track Record/Performance

As part of our review process, we compile a performance measure as follows:

- Initially it will be based on investment cash flows to provide a current valuation compared to initial cost.
- The data will be compiled by year of investment.
- The performance measure will use data already provided by all providers on investments made and these end up in two tables in each TER review - either the current Holdings table (where an investment is still held) or the Realisations table (where an investment has been exited or written-off).
- Follow-on investments will be shown in the year the follow-on investment is made, whereas in the Holdings table any follow-on investment is included in the initial cost figure.
- Fees and tax breaks will not be accounted for.

The data will help to compare performance between providers but suffers from the following restrictions:

1. The performance measure will not reflect any individual investor unless they happened to participate in all investments made by the provider in any one calendar year and in exactly the same proportions.
2. Individual performance will need to reflect fees which will not be included in the measurement and so the TER measure will show a higher return number.
3. The measure will be heavily dependent upon provider valuations of current holdings.
4. It will not differentiate between performance based on realisations and that based on provider valuation of holdings.
5. It will not recognise early return of capital in the way that an Internal Rate of Return based calculation does.

Data for Ascension Capital is in Tables 3, 4 and 5.

- Table 3 compares the growth figures by year for all investments made by a manager in that calendar year. As Ascension Capital is a new entrant to the EIS market, only raising funds since 2017 (although raising SEIS since 2015) data for performance for years 2017 and 2019 is compared to some of the other Growth EIS providers.

- Compared to other providers (recognising the problem with the use of manager valuations of their own holdings), Ascension Capital's valuations rank as follows:

2017	1st out of 14	2018	4th out of 14
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- Table 4 provides the detail back-up to the figures in Table 3. As Ascension Capital has a strategy of investing in companies with pre-money valuations below £8m, there are very few follow-on investments.
- Table 5: has details on the EIS Funds' unquoted investments currently held including the valuation methodology. Of note is that all investments were in Ordinary Shares (without any downside protection), in the sector "Software and Computer Services" (we are not clear how Mutt Motorcycles qualifies under this definition) and the "Later, stage, pre-profit expansion". In addition all the investments amounts were in very small in a range from £20,000 to £120,000 with an average of £57,000.

With just two years of results it is really too early to draw any conclusion from Table 3, especially as the investment in Visionable has driven the first place in 2017 with a multiple of nearly ten times cost.

To date the EIS fund has suffered one complete write-off (£25,000 in Format Zone Ltd) and one full exit (HQ Mobile Ltd) and one partial exit (Mutt Motorcycles Ltd). All the current



holdings are uplifted in value except three held at cost and the Format Zone write-off.

All the uplifted valuations are based on the latest price paid for allotted shares. Ascension tell us that all these uplifts are from further fund raisings with new investors pricing the rounds. Ascension also point out a number of businesses have recently raised on convertible loan notes which are not recognised as value increases until they convert. TER are unable to substantiate this claim in every investment case, but have seen evidence of it in practice.

To date there have been 28 EIS investments made by the Ascension team since 2017 (when the EIS launched). Whilst this is a healthy number of investments (each year is detailed in this report in Table 3), the amount of each investment size was relatively small compared to their EIS peer group. The reason is simply a factor of not having raised much money, and it remains to be seen how Ascension will fare if their AUM starts to increase over the coming years.

Ascension has achieved two EIS exits (one of these partial) in addition to 3 SEIS exits over the past 18 months.

- Ascension EIS Evergreen achieved a partial exit of Mutt Motorcycles Ltd, leading to a 1.98x gain on 50% of the invested capital, although similarly before the required three-year holding period.
- HQ Mobile Ltd generated a return of 1.45x return after 11 months. Further, HQ Mobile Ltd was also held by Ascension's SEIS Fund '15, which made a 5.6x return upon exit and the recent Mutt exit from the same fund came in at 9.5x exit.
- Ascension has also seen an exit of a company called Chilli Connect from its SEIS 2018 which made a return of 2.27x after 9 months.

### The Manager

The Ascension team started out when Jean de Fougerolles bought out Sanjay Wadhvani in 2014, and was joined by Kieran Hill that year. The team is detailed below and has grown as assets under management have increased. Table 4 shows the time allocated to each task by investment team members.

The Ascension SEIS has raised money each year since 2015 and the table below shows how much has been raised across the SEIS and EIS portfolios each year since:

<b>History of Fundraising Source: Ascension Ventures Ltd</b>		
<b>Year</b>	<b>SEIS</b>	<b>EIS</b>
2015	£1.2m	-
2016	£1.6m	-
2017	£900,000	£500,000
2018	£1.1m	£1.2m
2019	£910,000	£511,000
2020 (Sept)	£1,300,000	£725,000

The 2015 and 2016 fund raisings were almost exclusively from high net worth individuals and from 2017 onwards Ascension started to approach the IFA market. The level of funding from financial advisers has increased since then, and with RAM Capital now promoting

**Table 3 (1 of 2): Summary of EIS Performance by Year - Gross multiple of investments purchased in the year**

Source: Annual numbers of investments include new and follow-on, Return calculations from providers, analysis by Tax Efficient Review 31/08/2020

	Ascension EIS Fund	Boundary Capital	Calculus	Committed Capital	Deepbridge Tech	Deepbridge Life Sciences	Downing
	as at 31/05/20	as at 31/08/2019	as at 31/12/2019	as at 29/02/20	as at 29/02/2020	as at 29/02/2020	as at 30/06/2019
<b>2013</b>			<b>0.65x</b> 12 (1 EAC, 3 CWO, 7 SH, 1 PART)	<b>2.07x</b> 2 (2 PART)	<b>2.56x</b> 3 (1 SH, 1 EAC, 1 PART)		
<b>2014</b>		<b>2.41x</b> 4 (1 EAC, 1 CWO, 2 SH)	<b>1.72x</b> 16 (5 CWO, 10 SH, 1 PART)	<b>3.09x</b> 5 (1 EAC, 3 SH, 1 PART)	<b>2.13x</b> 4 (2 SH, 1 EAC, 1 PART)		<b>1.93x</b> 7 (1 CWO, 6 SH)
<b>2015</b>		<b>1.15x</b> 4 (1 CWO, 3 SH)	<b>1.39x</b> 13 (2 EAC, 3 CWO, 7 SH, 1 PART)	<b>1.89x</b> 6 (5 SH, 1 PART)	<b>2.18x</b> 6 (4 SH, 1 EAC, 1 PART)		<b>1.26x</b> 20 (1 EAC, 4 CWO, 15 SH)
<b>2016</b>		<b>0.96x</b> 4 (4 SH)	<b>0.57x</b> 12 (1 EBC, 1 CWO, 10 SH)	<b>1.10x</b> 7 (7 SH)	<b>2.08x</b> 7 (5 SH, 1 EAC, 1 PART)		<b>1.20x</b> 21 (1 EBC, 1 CWO, 19 SH)
<b>2017</b>	<b>3.24x</b> 4 (4 SH)	<b>0.97x</b> 4 (01 CWO, 3 SH)	<b>1.34x</b> 14 (1 EAC, 1 EBC, 1 CWO, 11 SH)	<b>0.85x</b> 7 (7 SH)	<b>1.29x</b> 11 (10 SH, 1 PART)	<b>1.41x</b> 10 (10 SH)	<b>1.21x</b> 29 (29 SH)
<b>2018</b>	<b>1.28x</b> 14 (1 EAC, 13 SH)	<b>1.00x</b> 2 (2 SH)	<b>0.96x</b> 14 (1 EBC, 13 SH)	<b>0.68x</b> 6 (6 SH)	<b>1.31x</b> 13 (13 SH)	<b>1.22x</b> 14 (14 SH)	<b>1.05x</b> 23 (23 SH)
<b>2019</b>	<b>1.03x</b> 5 (5 SH)		<b>1.14x</b> 10 (10 SH)	<b>1.03x</b> 9 (9 SH)	<b>1.14x</b> 24 (24 SH)	<b>1.03x</b> 26 (26 SH)	<b>1.00x</b> 12 (12 SH)

**Table 3 (2 of 2): Summary of EIS Performance by Year - Gross multiple of investments purchased in the year**

Source: Annual numbers of investments include new and follow-on, Return calculations from providers, analysis by Tax Efficient Review 31/08/2020

	Draper Esprit	Guinness	Jenson	Mercia	MMC	Parkwalk	Par
	as at 31/03/2020	as at 30/06/2020	as at 30/09/2019	as at 30/09/2019	as at 30/09/2019	as at 22/11/2019	as at 24/12/2019
<b>2013</b>	<b>1.80x</b> 11 (5 EAC, 2 CWO, 4 SH)			<b>1.74x</b> 6 (1 CWO, 1 EBC, 2 PART, 2 SH)	<b>1.45x</b> 10 (3 EAC, 5 CWO, 2 SH)	<b>2.11x</b> 19 (4 EAC, 1 CWO, 2 PART, 12 SH)	<b>3.17x</b> 5 (1 EAC, 1 CWO, 2 SH)
<b>2014</b>	<b>1.58x</b> 10 (1 EAC, 1 CWO, 2 EBC, 6 SH)			<b>2.26x</b> 10 (4 CWO, 3 PART, 3 SH)	<b>1.45x</b> 9 (2 EAC, 2 CWO, 5 SH)	<b>1.77x</b> 24 (2 EAC, 1 EBC, 3 CWO, 1 PART, 17 SH)	<b>2.29x</b> 4 (4 SH)
<b>2015</b>	<b>2.48x</b> 13 (3 EAC, 1 CWO, 1 EBC, 8 SH)		<b>1.90x</b> 5 (4 SH, 1 CWO)	<b>0.88x</b> 17 (8 CWO, 8 SH, 1 PART)	<b>1.36x</b> 12 (1 EAC, 3 CWO, 8 SH)	<b>2.17x</b> 35 (4 EAC, 2 EBC, 1 PART, 2 CWO, 26 SH)	<b>1.45x</b> 4 (1 CWO, 3 SH)
<b>2016</b>	<b>4.16x</b> 6 (6 SH)		<b>1.56x</b> 6 (1 CWO, 5 SH)	<b>1.21x</b> 24 (6 CWO, 18 SH)	<b>1.79x</b> 10 (2 EAC, 2 CWO, 6 SH)	<b>1.70x</b> 37 (1 EAC, 1 PART, 1 CWO, 34 SH)	<b>1.11x</b> 4 (1 EBC, 3 SH)
<b>2017</b>	<b>1.28x</b> 8 (2 EAC, 6 SH)	<b>0.94x</b> 9 (9 SH)	<b>0.81x</b> 6 (1 CWO, 5 SH)	<b>0.92x</b> 23 (1 EBC, 2 CWO, 20 SH)	<b>1.13x</b> 12 (1 EAC, 3 CWO, 8 SH)	<b>1.15x</b> 34 (34 SH)	<b>0.91x</b> 7 (7 SH)
<b>2018</b>	<b>1.58x</b> 14 (1 EAC, 13 SH)	<b>1.2x</b> 14 (1 CWO, 1 PE, 12 SH)	<b>1.38x</b> 6 (6 SH)	<b>1.15x</b> 21 (1 CWO, 20 SH)	<b>1.10x</b> 15 (2 CWO, 13 SH)	<b>1.13x</b> 58 (1CWO, 57SH)	<b>0.89x</b> 7 (7 SH)
<b>2019</b>	<b>1.16x</b> 12 (12 SH)	<b>1.02x</b> 20 ( 2 CWO, 18 SH)		<b>0.97x</b> 15 (15 SH)			<b>1.00x</b> 13 (13 SH)

**IMPORTANT NOTE:** The main constituent in the valuation is the manager's view of their investments (as there are few exits) - where an investee company is still held then the manager has provided the valuation. As a result of this element of discretion, valuations can vary materially, so a detailed analysis of the manager's valuation methodology is recommended in order to make meaningful comparisons.

**HOW TO READ THIS TABLE:** This table seeks to provide some performance data related to unquoted investments made by the EIS managers in each calendar year. It does not imply that all investors investing in the calendar year received holdings in each investee company so it will not reflect individual portfolio performance.

Gross Valuation multiple → **1.23x** ← Colour of cell indicates direction of travel from gross multiple calculated in previous TER review  
 → indicates valuations have improved at least 5% over last year → indicates valuations have declined at least 5% over last year  
 → indicates less than 5% change from last year → White indicates no previous data  
 ← Number of investments (including follow-on) and current status CWO Complete Write-off where proceeds are less than 5% of cost  
 EAC Exit Above Cost EBC Exit Below Cost PART Partial Exit SH Still Held

**Provider fees have not been accounted for nor have any EIS tax breaks such as up-front tax relief or Loss Relief.**

For each calendar year in column 1, the numbers in columns for each provider show the current value of all the investments made by the provider in that year followed by the number of holdings. So for example, a figure of 1.4x means that the value of the investments made that year are now valued by the manager at 1.4 times cost. A figure below 1 means the current value has declined below cost. As this is not the first year we are producing the table, the arrows indicate the direction of travel of the valuations either up, down or no change.

them, this should increase in coming years.

The Ascension Investment Management team comprises of:

- **Kip Meek** : Kip is an Inquiry Chair at the Competition and Markets Authority, Chair of A Million Ads (an Ascension investee company) and a non-executive director of the Wireless Infrastructure Group. He is also the co-founder of the Communications Chambers, a network of senior communications industry professionals, providing public policy and strategic advice to the industry.
- **Jean de Fougerolles**: Jean is the founder of Ascension Ventures and has over 20 years of experience working in media and technology. He guides the team in each investment decision and also supports the portfolio to scale. After obtaining his MBA from INSEAD in 1996, he became Head of Distribution for MTV Europe out of the London office. Jean then started working at Two Way Media TV, a pioneer in interactive technology, where he became CEO and led the sale of Two Way Media to Virgin Media and a leading private equity group. Jean is originally from Montreal where he received his BA in History with Honours from McGill University. He then became an economist at an NGO having completed a Masters Degree in International Relations. Jean was Seed investor in Atom Films, eventually sold to Viacom for \$200m
- **Kieran Hill** : is a Partner at Ascension and the Chief Investment Officer. He has over 10 years' experience as both an entrepreneur and investor and joined Ascension in 2013 as its first employee. He manages the investment process from origination through to completion and works with Ascension's portfolio companies on a weekly basis. Kieran and Jean have invested together (through running the Ascension Funds) in over 75 EIS eligible tech businesses over the past 5 years. Prior to Ascension, Kieran and Jean met while working at a tech start-up in 2011. Kieran graduated from Westminster University with a first-class honours degree in Journalism.
- **Remy Minute** : is a Partner at Ascension. He was the founder and CEO of CSC Media Group Ltd, which he sold to Sony Pictures Television for £107m in 2014. Remy has worked in broadcast and interactive media for nearly 20 years and is an active angel investor to start-ups. Remy has been a Partner at Ascension since 2018 and is a key driver for the EIS Fund. Additionally, Remy has been a member of the Ascension Investment Committee for its (S)EIS Funds since 2016.
- **Emma Blackburn** : is a Partner at Ascension Ventures. She brings over 20 years' experience leading finance teams both in the US and UK. Graduating from Stanford University with a Bachelor's degree in Economics and Master's degree in Industrial Engineering, Emma worked in Audit and M&A for Ernst and Young before moving in-house first at EQE International and then at Siebel Systems. Emma established and administered all financial systems for international subsidiaries during the explosive growth period of Siebel Systems, "the fastest growing company in the United States (Fortune Magazine, 1999)". Emma has held the CFO position at a number of start-up and scale-up UK technology companies. She is an active angel investor with a strong passion for both impact investing and investing in female-founded companies and is one of the founding members of the UK Stanford Angel Network.
- **Rakesh Murria**: joined Ascension in January 2019, and runs operations across their tax-efficient and institutional funds. Rakesh built a 20-year career within the technology, media, and telecommunications (TMT) sector, including roles such as Head of Strategy before becoming Director of Product for EE across mobile, fixed line, TV and B2B. Most recently, Rakesh co-founded a FinTech start-up and was pivotal in the product build, commercialisation and growth of the business as it raised £3m in funding. Rakesh also

has several years of advisory work with early-stage and growth companies across the technology spectrum, as well as angel investing since 2017.

- **Chris Wheatcroft:** is an Investment Partner at Ascension Ventures and runs the Ascension Syndicate, curating Tech and FinTech deal-flow for HNW investors. He has been raising funds for early-stage technology businesses for over eight years. After graduating from Edinburgh University, Chris started his own business, the Well Dressed Salad Company, before joining Fizzback, a pioneer in customer engagement software which was sold to NICE Systems for c.\$80m. After the Fizzback exit, he joined Angels Den and set up and managed their Tech, FinTech and InsurTech Clubs where he raised investment for 110+ early-stage businesses over 6 ½ years.
- **Nico Albanese:** is an Associate at Ascension. Nico is responsible for sourcing, screening and performing due diligence on investment opportunities - he manages Ascension's 2,000+ annual deal-flow pipeline. Nico also assists across the investor relations and fundraising functions of the business. Prior to joining Ascension, Nico was a student in the World Bachelor of Business program, a triple-degree undergraduate program between the University of Southern California, The Hong Kong University of Science and Technology and Università Bocconi, that allows students to study across three continents over 4 years.

Ascension has developed a network of sixteen Venture Partners . These individuals are primarily ex-entrepreneurs with operational experience in scaling and exiting technology businesses, and also offer extensive industry networks themselves, aiding deal flow, due diligence and investing Ascension's funds. These partners all own shares in Ascension Ventures, and many are invested into underlying investee companies, in which case may involve sitting on boards and providing support where required.

Ascension has also assembled a team of 30 "mentors" who are a range of professionals and entrepreneurs across the spectrum of sectors and who can be called upon to help diligence new investment opportunities and guide investee companies.

Overall, the Ascension EIS team have worked together for a significant number of years and growth in the team has been organic and matched well to the fund raising levels and growth of Ascension Ventures.

### **Fees and Costs**

Fees for the Ascension EIS are as follows:

#### **Levied on investors**

- **No initial charge**
- **Annual management charge of 2%.** This is a deferred 2% Annual Management Fee (capped at 5 years) payable upon any distribution made to the Investors. Alternatively, Investors can, at their own discretion, opt to pay the Discounted Management Fee of 5% up front, with 95% of an Investor's subscription qualifying for EIS Tax relief. There is no annual management fee paid after 5 years.
- **20% performance fee** - after a hurdle rate of 130p on on the investors original £1 (nominal) subscription has been achieved via cash returns from investee companies. There is an "enhanced performance fee" of 30% if investor returns exceed 230p on a £1 investment, and this replaces the standard performance fee, for proceeds beyond 230p per £1 investment, if this hurdle rate is achieved.

TER views this performance fee as being significantly more aligned with investors than

<b>Table 5: Investment team members as at 31 August 2020</b> Source Ascension Capital						
	Jean de Fougierolles	Kieran Hill	Remy Minute	Nico Albanese	Rakesh Murria	Chris Wheatcroft
<b>EIS - RELATED WORK</b>						
Deal origination	5%	15%	5%	10%	5%	10%
General enquiries				15%	5%	
New deal doing	8%	15%	20%	5%	7.5%	12.5%
Investee board seats No.	0	0	0	0	0	0
Sitting on Boards/ Monitoring	8%	10%	15%	5%	10%	12.5%
Fund raising	5%	5%	5%	5%	5%	15%
Internal issues	2%	3%	5%	10%	15%	
Exits	2%	2%			2.5%	
<b>NON-EIS RELATED WORK</b>						
Non-EIS work %	70%	50%	50%	50%	50%	50%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Years in venture capital	10	7	5	3	2	10
Years involved with EISs	5	5	5	3	3	10
Years with current team	7	7	5	3	3	3

the normal EIS performance fee of 20% of any excess returns over the original investment amount. When, in the past, we have challenged other EIS managers about this, they defend themselves by saying it's the "market norm". We hope that Ascension's move to a significantly higher performance hurdle will convince other managers to move in this direction and align themselves with the risk the investor is taking on with these investments.

### **Levied on investee companies**

- **Arrangement fee** of typically 5% (max) of the amount invested
- No Investment Director Fees
- **Reasonable expenses:** No Fees charged to Investee Companies, apart from initial Arrangement fee as described above.

In order to evaluate the type and size of such charges we asked Ascension to provide data on what fees were charged in calendar year 2019 to the five investee companies that were charged the most.

The answer was:

	Amount Raised in 2019	Arrangement fee charged to company (5%)	Investment Director Fee	Total Fees
<b>Vertrak</b>	£ 225,000	£11,250	£0	£11,250
<b>Vine Health</b>	£160,000	£8,000	£0	£8,000
<b>Lick Home</b>	£125,000	£6,250	£0	£6,250
<b>Blokur</b>	£120,400	£6,020	£0	£6,020
<b>Poplar</b>	£105,000	£5,250	£0	£5,250
<b>TOTAL</b>	<b>£735,400</b>	<b>£26,640</b>	<b>£0</b>	<b>£26,640</b>

### Conclusion

The Ascension EIS is a relatively new fund, launched in 2017. Yet the team has been running SEIS funds since 2015, and they see EIS as a natural second step for them to take.

They are far from alone in the crowded EIS market to say that they have SEIS as an "incubator" for early stage companies, and those companies which show encouraging signs then move on to receive EIS funding. But, there are a couple of points which allow Ascension to stand out from this crowd.

Ascension state they do not run the EIS fund as a follow-on vehicle for their SEIS investments. They do not undertake tranche based investments. They can only participate in a maximum of 4 investments a year in the EIS which have arisen from their SEIS, meaning that EIS investors get a majority of new companies. Importantly, if there is an SEIS company moving to the next round of funding, Ascension do not lead that round and nor are they involved in the pricing of any SEIS follow-on investments (this is undertaken by a third party investor). This gives investors clarity that they are not simply providing funding for the companies in the existing Ascension SEIS stable.

They have also set out a significant hurdle rate on their performance fee of 20% above returns over 130% and then 30% if an investor sees 2 times return on their investment. This is more aligned with the risk the individual investor is taking on by investing in an EIS and significantly different to the, sadly, too common 20% performance fee on returns over original capital invested.

There have been only three profitable exits to date and investors need to be aware they are investing in high risk, earlier stage tech companies, but we view the Ascension EIS as one to watch for the future.

**Tax Efficient Review Total rating: 84 out of 100** (for "EIS Growth fund, no track record")

**Table 3: Analysis of Ascension EIS unquoted investments as at July 3rd 2020** (Source Ascension Ventures)

Year	Company Name	Current Status (Exited, Partial Exit, Still held, Complete Write-off)	Total Investment Cost (not per share price) £	Unrealised Value £	Realised Value £	Total Value (Realised & Unrealised) £	Gross Multiple of investments purchased in the year
2017	ZigZag Global Ltd	Still Held	£50,000	£158,907		£158,907	3.18
2017	Localistico Ltd	Still Held	£50,001	£101,066		£101,066	2.02
2017	Visionable Ltd	Still Held	£49,990	£481,600		£481,600	9.63
2017	Wonky Star Ltd	Still Held	£50,000	£78,358		£78,358	1.57
<b>TOTAL 2017</b>			<b>£199,991</b>	<b>£819,931</b>	<b>£-</b>	<b>£819,931</b>	<b>4.10</b>
2018	Avuxi Ltd	Still Held	£65,000	£65,000		£65,000	1.00
2018	Concured Ltd	Still Held	£74,734	£84,484		£84,484	1.13
2018	The Voucher Market Ltd	Still Held	£99,999	£133,371		£133,371	1.33
2018	Agent Cash Ltd	Still Held	£149,996	£242,687		£242,687	1.62
2018	Format Zone Ltd	Write-off	£24,996	£-		£-	0.00
2018	Driftrock Ltd	Still Held	£75,000	£75,000		£75,000	1.00
2018	Mutt Motorcycles Ltd	Partial Exit	£76,000	£74,168	£74,168	£148,336	1.95
2018	HQ Mobile Ltd	Exit	£53,522		£77,917	£77,917	1.46
2018	Team First App Ltd	Still Held	£47,229	£99,916		£99,916	2.12
2018	Noto Technologies Ltd	Still Held	£56,698	£68,004		£68,004	1.20
2018	A Million Ads Ltd	Still Held	£41,528	£41,528		£41,528	1.00
2018	Globechain Ltd	Still Held	£50,000	£50,000		£50,000	1.00
2018	iDefigo Group Ltd	Still Held	£80,000	£80,000		£80,000	1.00
2018	Karamu Ltd	Still Held	£75,000	£133,515		£133,515	1.78
<b>TOTAL 2018</b>			<b>£969,702</b>	<b>£1,147,673</b>	<b>£152,085</b>	<b>£1,299,758</b>	<b>1.34</b>
2019	Secret Spa (London) Ltd	Still Held	£93,998	£109,665		£109,665	1.17
2019	Blokur Ltd	Still Held	£120,386	£120,386		£120,386	1.00
2019	Monolith AI Ltd	Still Held	£100,001	£100,001		£100,001	1.00
2019	Incuto Ltd	Still Held	£98,893	£98,893		£98,893	1.00
2019	Supplycompass Ltd	Still Held	£50,014	£50,014		£50,014	1.00
<b>TOTAL 2019</b>			<b>£463,292</b>	<b>£478,959</b>	<b>£-</b>	<b>£478,959</b>	<b>1.03</b>
2020	Bulbshare Ltd	Still Held	£40,320	£40,320		£40,320	1.00
2020	Secret Spa (London) Ltd	Still Held	£29,999	£29,999		£29,999	1.00
2020	Karamu Ltd	Still Held	£50,000	£50,000		£50,000	1.00
2020	Holome Technologies Ltd	Still Held	£36,493	£36,493		£36,493	1.00
2020	Incall Ltd	Still Held	£40,022	£40,022		£40,022	1.00
<b>TOTAL 2020</b>			<b>£196,834</b>	<b>£196,834</b>	<b>£-</b>	<b>£196,834</b>	<b>1.00</b>
<b>Total Ascension EIS</b>			<b>£1,829,819</b>	<b>£2,643,397</b>	<b>£152,085</b>	<b>£2,795,482</b>	<b>1.53</b>

**Table 4: Analysis of Ascension EIS unquoted holdings as at July 3rd 2020** (Source Ascension Ventures)

Investee name	Amount invested £000	Current Value £000	Multiple	Date of investment	Syndicated (Y/N)	Lead investor (Y/N)	Lead investor Name	Details of share class the EIS investors hold with any rights that attach eg Sale preference (Note 1)	Industry sector	Financing stage	Valuation method
Visionable Ltd	£49.99	£481.60	9.63	11/10/2017	Y	N	Angel Led	Ordinary Shares	Software & Computer Services	Later Stage, Pre-profit expansion	Uplift in value, manager valuation based on price of recent funding round which included new external investor(s)"
ZigZag Global Ltd	£50.00	£158.91	3.18	19/07/2017	Y	N	Angel Led				
FF Poplar Ltd	£19.99	£49.92	2.50	02/04/2019	Y	N	Haatch Ventures				
Team First App Ltd	£47.23	£99.92	2.12	04/04/2018	Y	N	Atlassian				
Localistico Ltd	£50.00	£101.07	2.02	02/10/2017	Y	N	Frontline Ventures				
Mutt Motorcycles Ltd	£76.00	£148.34	1.95	27/02/2018	Y	Y	Ascension Ventures				
Karamu Ltd	£75.00	£133.51	1.78	21/11/2018	Y	N	Jonathan Claydon				
Agent Cash Ltd	£79.13	£128.02	1.62	07/03/2018	Y	N	Angel Led				
Agent Cash Ltd	£70.87	£114.66	1.62	07/03/2018	Y	N	Angel Led				
Wonky Star Ltd	£50.00	£78.36	1.57	24/10/2017	Y	Y	London Business Angels				
HQ Mobile Ltd	£53.52	£77.92	1.46	13/03/2018	Y	N					
The Voucher Market Ltd	£50.00	£66.68	1.33	19/02/2018	Y	N	Fuel Ventures				
The Voucher Market Ltd	£50.00	£66.69	1.33	19/02/2018	Y	N	Fuel Ventures				
Noto Technologies Ltd	£56.70	£68.00	1.20	04/04/2018	Y	N					
Secret Spa London Ltd	£24.96	£29.11	1.17	02/04/2019	Y	Y	Ascension Ventures				
Secret Spa London Ltd	£94.00	£109.66	1.17	22/01/2019	Y	Y	Ascension Ventures				
Concured Ltd	£74.73	£84.48	1.13	14/02/2018	Y	Y	Hambro Perks				
Project Dora Ltd	£30.01	£30.01	1.00	02/04/2019	Y	N	Start-up Funding Club				
Greendeck	£20.00	£20.00	1.00	02/04/2019	Y	N	RLC Ventures				
Blokur Ltd	£120.39	£120.39	1.00	20/03/2019	Y	Y	Frontline Ventures				
Incuto Ltd	£98.89	£98.89	1.00	05/04/2019	Y	Y	Ascension Ventures				
A Million Ads Ltd	£41.53	£41.53	1.00	30/05/2018	Y	N	The Sandpit				
Bulbshare Ltd	£40.32	£40.32	1.00	12/03/2020	Y	N					
HoloMe Ltd	£34.51	£34.51	1.00	03/04/2020	Y	N					
Incall Ltd	£40.02	£40.02	1.00	30/03/2020	Y	N					
iDefigo Group Ltd	£80.00	£80.00	1.00	18/10/2018	Y	N	Chelverton Asset Management				
Avuxi Ltd	£65.00	£65.00	1.00	09/01/2018	Y	N	Amadeus Corporate Venture Arm (not London VC)				
Globechain Ltd	£50.00	£50.00	1.00	31/07/2018	Y	N	Kindred Capital				
MONOLITH AI Ltd	£100.00	£100.00	1.00	31/03/2019	Y	N	Pentech				
Driftrock Ltd	£75.00	£75.00	1.00	19/02/2018	Y	N	Forward Partners				
Supply Compass Ltd	£50.01	£50.01	1.00	25/06/2019	Y	N	Episode 1				
Format Zone Ltd	£25.00	£0.00	-	09/02/2018	Y	N					
<b>TOTALS</b>	<b>£1.84m</b>	<b>£2.84m</b>									Write-down 76%-100%