



Nexus Investments Scale-Up Fund EIS

Tax-Advantaged Investments

EIS Review

JUNE 2019

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Overview

Nexus Investment Management Limited (“NIML” or “the Manager”) is looking to raise up to £10 million for Nexus Investments’ Scale-Up Fund (“the Service”) for the tax years 2019/2020, to invest in EIS-qualifying companies across a range of sectors. The Service targets 8-10+ investments over an investment period of up to 12-24 months. The Offer launched in November 2018.

Offer: Nexus Investment Management Limited (“Nexus” or “the Manager”) is looking to raise up to £10 million for Nexus Investments’ Scale-Up Fund (“the Service”) for the tax years 2019/2020, to invest in EIS-qualifying companies across a range of sectors. The Fund targets 8-10+ investments over an investment period of 24 months. The Offer launched in November 2018.

Investment Details:

Score: 84

Offer Type	Discretionary Non-Approved
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EIS Strategy	Generalist
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EIS AUM	£1.5 Million
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Manager AUM	£2.1 Billion
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EIS Risk Level	Medium
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Investment:

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

Rolling Monthly Tranches



This document verifies that *Nexus Investments’ Scale-Up Fund 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.

Executive Summary

MANAGER:

Nexus Investment Management Limited (“NIML”) is a new manager within the tax-advantaged space, having launched in 2018. Although small, the Manager is part of the larger Nexus Group (“Nexus”) that has an AUM of £2.5 billion as at May 2019, and is under the full ownership of founder Harry Hyman. NIML, along with the advisor, Nexus Investment Ventures Limited (“NIVL”) focusses on the Enterprise Investment Scheme and, for now, this is Nexus’s only tax-advantaged fund.

PRODUCT:

Nexus Investments’ Scale-Up Fund (the “Service”) is a discretionary non-approved EIS service (“the Service”) that invests across the data, digital, education, and health sectors. The Team seek to build up a diversified portfolio of 8 to 10 companies, likely to include one or more in each of the four sectors. Investment size on average will be around £250,000 to 1 million into post seed to pre-Series A stages. The Service has a target IRR of 25% per year and is aiming for an exit multiple of 6x on average. The Service will retain 10% of the subscription price to cover fees for the first 2-3 years. The remaining fees up to the 5-year term will be accrued and taken from any exits.

SUMMARY OPINION:

Nexus is not a new entrant in the EIS investment space, and the launch of this Service is a logical move forward from the years of specialist sectoral investment by the Nexus team and their circle of investors, now creating an opportunity for investment by a broader range of investors in EIS qualifying investments. As part of the large and well-resourced Nexus Group, the Service brings with it certain benefits in terms of governance and financial stability often lacking in other new managers, and attention has been paid to improving the investor service experience that investors could expect, albeit some of the other newer managers have impressed on this front beyond the more traditional offerings from larger rivals. However, as the only tax-advantaged product on offer from the Manager, the Service is still subject to some of the risks common to new firms and relies on the resources of its much larger parent.

The EIS Service stands out mainly for a clear strategy and thorough due diligence process, albeit the focus of the strategy has yet to be tested, and for the fact that its core members always seek to put their own “skin in the game” investing directly alongside other Service investors on the same terms, as they have done on a deal-by-deal basis since NIVL was formed in 2014. In our view the Service’s best chance of achieving strong returns is if the Investment Team stays within its areas of strength, being the education and health fields. We believe that use of data and digital business models may well lead the team into vastly new areas unless a clear circle of competence is established beyond which the Team will not stray. The Team itself is dominated by Matthew O’Kane and Harry Hyman, both with over 10 years of experience in the tax-efficient space and both chartered accountants. The firm has started to broaden out skills and responsibilities. The 2014-2018 NIVL portfolio should provide some scope for attractive follow-on investment opportunities for the Service, and conflicts will need to continue to be managed with a majority of the independent investment advisory committee needing to approve an investment selection first, following the policy set out in the IM. Nonetheless, the performance of these investments, whilst somewhat promising on paper, is still hard to gauge without enough exits to draw firm conclusions on performance.

As such, we regard Nexus as a promising and welcome addition to an increasingly crowded field of new entrants to the EIS growth market. Unlike many of these competitors, Nexus comes with a strong financial backing and some past performance to point to, as well as a differentiated strategy. However Nexus will need to continue adding experienced team members and demonstrate an ability to win new deals, as well as augment their past track record through further exits, before they can truly stand out from similar managers in this space, although this should not detract from some significant early promise.

Positives

AT THE MANAGER LEVEL:

- The Manager is part of the well-established Nexus Group under the guidance of founder Harry Hyman, with a Group AUM of £2.5 billion, giving institutional profile and heft to a first-time EIS fund manager;
- The key members of the Manager have themselves provided personal funding to early-stage companies for many years, leading consortiums of Nexus EIS investors who have backed a chosen set of 20 companies from 2014-2018 prior to the creation of the new investment management entity, almost all within the platform/digital or healthy food & drink sectors;
- The Manager offers a good level of investor servicing by providing their investors half yearly valuation statements, shorter marketing-style email updates, and an annual ‘capital day’, a half-day event for the founders / key management of the investment companies to meet with investors;
- The Nexus Group within which the Manager sits is large and profitable, mitigating the short history of NIML as an entity and helping the Manager demonstrate a satisfactory level of financial stability compared to other newer managers without such a large corporate backing and support;
- The Manager abides by a set of policies which covers Conflict of Interest, Investment Allocation, Business Continuity Plan and Personal Investment Policy, which are incorporated from policies devised for the Nexus Group and also apply to NIML;
- The Manager indicated that there were no regulatory or litigation issues at the time of writing and Nexus show good willingness to follow compliance procedures, as well as being transparent in our requests as part of this review.

AT THE PRODUCT LEVEL:

- Nexus has had a track record in EIS investment since 2014, with Matthew O’Kane (Managing Director of NIML and NIVL) and Harry Hyman (Group Managing Director), in addition each have extensive personal experience of investing and working in the tax-advantaged market;
- The core people named above have been working together for over five years, and Nexus has taken out Directors and Officers insurance for key man risk aversion. Furthermore, a group recovery plan and IT backup plan is in place and is reviewed annually;
- Harry Hyman and Matthew O’Kane have each invested into the Nexus Investments’ Scale-Up Fund, collectively for £275,000 in November 2018 thus showing good alignment with investors and ‘skin in the game’. This is a continuation of Nexus’s approach to its deals from 2014 to 2018 i.e. is not a new approach but considered by Nexus to be a USP;
- Nexus’s network and background in health and education- including the publication of two industry publications in these sectors, and management of a £2.1bn FTSE 250 listed Healthcare REIT - could well allow Nexus to stand out in attracting and adding value to investee companies in these areas compared to generalist managers with a less focussed strategy;

- Spending on education and health has tended to be more resilient than some other sectors in the face of a downturn in the business cycle, and the government has expressed support for continuing efforts to digitise services in both of these areas, perhaps suggesting supportive macro-trends for investments in these areas;
- The Manager will continue, where possible, to be involved in steering its selected companies, to sit on the boards of portfolio companies, and operate a “hands-on” approach to monitor and aid companies through various growth stages, and plans to implement a “100 Day” policy, where a plan to utilise new investment funds is agreed with management teams of portfolio companies, who are also invited annually to present their progress and projections to the NIML Investment Committee;
- Nexus’s resources, the team’s reputations and networks, and Nexus Group’s corporate history all point to a good flow of opportunities and is an advantage over other smaller managers. The investment process is sufficiently thorough and repeatable to adequately explore opportunities to the requisite level of detail.
- Though this is the Manager’s first EIS Fund, the principals have been building Nexus Investments Venture Ltd (“NIVL”) since 2014, which has arranged over £8m of EIS investment, which in every case one or more of the principals have participated in, and in the majority of cases Nexus have monitored or represented investors as “lead investor”. This means the Manager has a large portfolio of EIS-qualifying companies, which it knows intimately, for which the Service may be able to provide follow-on funding should the opportunity arise and if the Service’s Investment Advisory Committee feels it is a good investment opportunity.
- The Manager has deployed 53% of the capital raised since inception in November 2018, showing some ability to deploy capital quickly and efficiently although the total invested amount is less than £1 million so investing the target raise of £10 million might prove more difficult;
- Nexus has seen a 47% growth in the NIVL portfolio since starting in 2014, notably four companies achieving over 80% growth over a five-year period, albeit these returns are below those targeted for the Service;
- Whilst there has been no formal performance record for the Service, having only commenced just over six months ago, the principals have a track record of investing in EIS-qualifying companies alongside almost £8m of investors who have co-invested in the legacy NIVL portfolio – and 18 out of 20 are still trading, and have attracted meaningful follow-on funding. This suggests an ability to carry out the Service mandate effectively.

Issues to consider

AT THE MANAGER LEVEL:

- The Manager currently only offers one tax-advantaged product, and so is susceptible to regulatory changes;
- Harry Hyman is the sole shareholder of the Manager, and therefore can be seen as a key man risk. To somewhat mitigate this risk, key man insurance has been put in place covering the Nexus Group;
- Aside from its management of the £2.1bn REIT, and its publishing arm, Nexus has primarily been known for its work in the EIS space, particularly NIVL’s work with its selected EIS portfolio companies. Potential conflicts between the historic and ongoing (NIML) business services will have to continue to be carefully managed by implementing the policies set out in the IM, in particular the majority Independent Investment Advisory Committee;

- NIML is a newly incorporated entity and so has not yet completed a full accounting period and, thus, there are no financial statements specific to the Manager, though the Nexus group has traded for 25 years and the parent company Nexus Tradeco Holdings Ltd has net assets of £9.9m;
- For NIML as an entity, there is yet to be a proper schedule for Board meetings, although the Board has met and minutes seen by MJ Hudson Allenbridge were appropriate to the size and complexity of the Manager;
- Until the Manager grows significantly it is reliant on the support of its parent and it remains to be seen if this support will remain in place over the projected life of the Service;
- One of the two key decision makers in the Manager (Harry Hyman) has much wider responsibilities within the Group, and the prospective departure of Douglas Lidgitt will need the Manager to add more experienced supporting investment team members if the team is not to be stretched too thin.

AT THE PRODUCT LEVEL:

- Whilst the investment team are led by Harry and Matthew, and each has over 10 years of experience in tax-advantaged investments, should the fund grow in size, team expansion is a recommendation;
- Harry Hyman and Matthew O’Kane have sourced many deals using their networks and Nexus’s reputation, with the fund possibly being reliant on this. The Service will take some time to establish an additional reputation as an active EIS Fund Manager on top of NIVL’s existing reputation in the EIS space”;
- While the Service has a commendable focus on health, education, digital, and data, these areas are quite competitive, with many managers seeing positive trends in these areas and joining in looking for opportunities in these areas;
- While the Manager’s strategy is clearly stated, data and digital based business models might encompass a wide range of underlying businesses such that what might appear to be a clear strategy could end up with a lack of focus;
- The level of due diligence and structure of the investment process itself has been clearly aided by some of the team’s experience in private equity, and there is a formal vote requiring a majority of the investment committee to approve any investment, meaning the investment process is well formalised compared to many of the Manager’s peers;
- While the NIVL portfolio might well provide a healthy source of potential follow-on investments, conflicts will need to continue to be carefully managed. These are currently done so as set out within the IM, via the majority non-Nexus Investment Advisory Committee. Three new deals, alongside three NIVL portfolio deals since the Service launched, is promising;
- While the Manager intends to raise enough money to lead investment rounds and take full board rights, smaller cheque sizes in the meantime might mean that Nexus plays a smaller part of a funding round and could limit the Team’s influence on investee company management teams. To date however, across the first six Fund investments, observer or full board positions have been taken in five of the six cases;
- While a 3% initial fee and 2% annual management charge is in-line with the market, though on the upper-end, the lack of a meaningful hurdle for a growth-fund is disappointing, although we do welcome a five-year AMC cap;
- Retaining funds to pay future fees reduces the amount of tax relief available to investors;

- The Manager has stated they intend to charge investee companies an arrangement fee which will further reduce return to investors;
- As expected for a new Service, the product has no past performance record to allow investors to assess the credibility of the strategy or the Manager's ability to achieve exits, beyond the existing NIVL track record 2014-2018, which has not had any actualised exits thus far (although as mentioned below, exits have arisen on a small number of personal EIS holdings outside of the NIVL portfolio, such as Medopad);
- The NIVL portfolio has experienced two write-off portfolio companies over five years, out of a total portfolio of over twenty companies (equating to just over £120k out of c. £8m (or just 1.6%)).

Manager Quality

Manager Profile

Nexus Investment Management Limited (“the Manager” or “NIML”) is part of The Nexus Group (“Nexus”), whose parent company, Nexus TradeCo Holdings Limited, is ultimately owned by Harry Hyman. Harry founded both Primary Health Properties Plc (PHP) – a real estate investment trust, specialising in the ownership of the freehold and rental of flexible and modern primary healthcare facilities – and the Nexus Group in 1994. Prior to founding Nexus, he worked at Baltic, carrying out leasing but also Business Expansion Scheme (BES) deals (which were, in some ways, the precursor to EIS).

The Nexus Group is comprised of publishing, property management, and capital finance divisions (including Nexus Investments). In particular it is the asset manager for PHP, a FTSE 250 REIT with over £2.1 billion of assets and a market cap in excess of £1.3 billion, which Harry still runs as Managing Director. Nexus Group manages a successful publishing and events business, Investor Publishing, whose publications include ‘Health Investor’, first published in 2004 and ‘Education Investor’, in 2009.

Matthew O’Kane joined Nexus in late 2013 to assist Harry Hyman in establishing an EIS-focussed investment division, initially providing funding, investment, and ongoing board-level expertise and advice to early-stage companies. £8 million of investments have been arranged, led and then managed ongoing by Matthew into more than 20 companies in the Nexus Investment Ventures Limited (“NIVL”) portfolio since 2014. It was the success of these ‘NIVL’ investments, in particular the underlying growth of the portfolio’s share price and appetite from co-investors to have a Fund vehicle through which they could diversify their investments, that led Nexus to create NIML in 2017 in order to create a dedicated entity with specific FCA approvals for Fund Management, to formally direct investments while also allowing participation from retail clients as part of a tax-advantaged fund, starting with the one currently under review.

NIML, as the Manager of the fund under review, currently has four people who work within it, and they are a part of the 80+ workforce of the wider Nexus Group. The Manager obtained FCA approval one year ago and operates out of a single office in Haymarket, London, where it has both its registered and Head Office, alongside the rest of the Nexus Group.

The Manager has a Board of Directors made up of four people, including Harry Hyman acting as Managing Director. Andrew Herd, Alex Dampier, and Matthew O’Kane make up the other three Directors.

NIVL had diligenced and selected 20 companies out of over 200 reviewed between 2014 and 2018, before the creation of the new investment management entity, almost all within the platform/digital or healthy food & drink sectors. The total carrying value of the existing NIVL investments (based on share price per equity round) has increased by over 50% (or over £4m cumulatively) as at 31 December 2018. This is explained in greater depth in the Performance section, below. Other than the EIS Scale-Up Fund, Nexus do not offer any other tax-advantaged products. The Service was launched in 2018, completed its first tranche of investment in November 2018 with £1.1 million of capital raised, and is currently targeting a fundraising of £10 million. The Manager has stated there is a potential consideration of offering a VCT product in the future should this current EIS product turn out to be a success.

The Manager offers a suitable level of investor servicing by providing their investors half yearly valuation statements, a template of which has been shared with MJ Allenbridge. In addition to these more formal statements, NIML plans to provide shorter marketing-style email updates to announce new fund investments and notable news from investee companies. EIS3 forms are provided on a timely basis as they are received from HMRC. We have been informed the Manager will organise an annual ‘capital day’, a half-day event for the founders / key management of the investee companies and the investors in the Service to meet each other. The first event is planned for July 2019. The Manager has appointed Woodside Corporate Services Limited as the custodian to the Service. Woodside are also engaged to provide elements of the reporting and communication with the investors.

While the Manager is small for now, it is supported by the extensive experience of Harry Hyman and the wider Nexus Group which already has a large AUM, albeit not in the tax-efficient market. Matthew O’Kane has been leading Nexus Investments and the NIVL portfolio for over five years, so the Manager should be well placed to start its first EIS fund.

Financial & Business Stability

NIML is a new company itself, having formed only in 2018 to act as Fund Manager within the longstanding Nexus Group. With this being the case, there are only a modest amount of financial statistics for the Manager. Although the Manager has a limited history, the wider group have been operational for 25 years. Table 1 shows the financial position of Nexus Group and its entities from 2016 to 2018. There have been many new entrants to the EIS market over the last few years since the rules change, but the standing and size of the Nexus Group lends NIML a sense of stability lacking in other managers without such an established parent company, even if NIML itself is not long established.

TABLE 1: KEY FINANCIAL METRICS SUMMARY OF NEXUS COMPANIES

(£'000)	2016	2017	2018
Nexus Group			
Fixed Assets	13,711	14,420	-
Net Current Liabilities	(92.7)	(99.1)	-
Other Liabilities	(2,239)	(1,702)	-
Net Assets	11,380	12,618	-
Nexus Tradeco Holdings			
Fixed Assets	-	10,125	-
Net Current Assets	-	1,028	-
Other Liabilities	-	(1,210)	-
Net Assets	-	9,943	-
Nexus Investment Ventures Limited			
Fixed Assets	16.2	16.2	-
Net Current Liabilities	(299.5)	(350.7)	-
Other Liabilities	-	-	-
Net Liabilities	(282.3)	(334.5)	-
Nexus Investment Management Limited			
Fixed Assets	-	-	-
Net Current Assets	-	-	139.9
Current Liabilities	-	-	-
Net Assets	-	-	139.9

Source: Nexus Investments; Companies House

The Manager states that the Nexus Group are contracted with the management of PHP, this has existed since 1996, and will continue for at least the next five years. Although this revenue is not attributed to NIML, it is an indication of the financial stability of the Group in which the Manager sits.

The Nexus Group consists of more than 10 companies with a total employee count of above 80 people, and as a whole is profitable. The major costs incurred by Nexus Group are salaries, while the major sources of revenue include trading income, management fees, investment income, consulting work, and investor fees.

It is important to note that the Nexus Group saw a major change in ownership in late 2017, when Bernard Kelly and Malcolm Morris, founding shareholders back in 1994 alongside Harry Hyman exited the group due to retirement, leaving Harry Hyman as sole shareholder and Chairman. This does result in a key man risk, however, in acknowledgement of this, the Manager has stated that they have purchased 'Key Man Insurance' for Harry for many years as part of the wider Nexus Group. This key man risk regarding ownership in the Nexus Group also, therefore, applies to NIML as an effective subsidiary of the Group.

While a new manager with limited financial track record might ordinarily raise concerns about sustainability, this is somewhat mitigated in this case by the availability of resources from the wider Nexus Group. While any new entity cannot exhibit many years of stability, it does seem like there is a clear pathway to profitability as the Manager scales, provided that the Nexus Group is willing to continue its cross-subsidies while the Manager reaches the stage where it can self-fund.

However, it is imperative to note that this is a new product with differing financial risks with other operations within the Nexus Group.

Quality of Governance and Management Team

Nexus Group Board of Directors meet every quarter to discuss compliance issues and matters within the Nexus Group and is made up of Harry Hyman, Alex Dampier (CFO), Andrew Herd. These four, with Nexus Management Services Limited acting as Secretary, also serve as directors of NIML. However, for NIML as an entity, there is yet to be a proper schedule for Board meetings, although the Board has met and minutes seen by MJ Hudson Allenbridge were appropriate to the size and complexity of the Manager. We have been told that there is likelihood of a couple of meetings a year going forward. While NIML itself manages only one fund, and the issues facing it are unlikely to change radically or overly quickly beyond the ability of the directors, who work in the same office, to deal with matters on an ad hoc basis, it would be reassuring to have a more formal governance structure and practices now that the Manager is up and running.

NIML's only other regular committee is the Investment Advisory Committee. The Investment Advisory Committee consists of six people: Harry Hyman, Matthew O'Kane, Stephen Lawrence, Alan Newman, Paul Downes, and Keith Mansfield. Harry and Matthew represent Nexus, while the other four are independent of the Nexus Group, an important part of the governance. Stephen Lawrence has experience in early-stage companies especially in the education sector. Keith was until very recently a senior tax partners within PwC, and has been London Chairman of PwC. Alan and Paul both have strong experience in finance and so take a 'step back' and look at the financials behind potential investee companies. At the time of writing there have been six meetings since the inception of the Service, two of which have been over the phone. The role of this committee is explained in greater depth in the Investment Team and Investment Process sections, below.

The Manager abides by a set of policies which covers Conflict of Interest, Investment Allocation, Business Continuity Plan and Personal Investment Policy, which are set by the Nexus Group and overseen by Group Compliance Officer, Paul Wright. The Manager has also shown MJ Hudson Allenbridge a ten-page Emergency Management Plan document which covers responses to a set of unplanned events that could threaten Nexus's financial standing or public image, cause death to employees and customers, or shut down of the business. The document is comprehensive and also covers a recovery plan in the event of an IT failure. The Board of Nexus Group along with Alex Dampier (CFO) have been tasked with responsibility for the operations of the group, and the responsibility for individual divisions resting with

their respective senior management, namely Matthew O’Kane who will be responsible for the Manager. Alex Dampier also acts as Finance Director for the Manager.

AML is reviewed by Tony Brown (MLRO), and KYC reviewed by Paul Wright, using the Newgate Compliance platform – a compliance consultancy that implements a compliance function using a software solution. Paul Wright is an in-house Compliance Officer but also serves as Company Secretary to the listed REIT and thus will not be focussed solely on his Fund compliance role full time. However, the Manager states the ultimate compliance function responsibility sits with both Nexus’s board and NIML’s board. The Manager does not have internal audit function, rather, the Nexus Group’s auditing is performed by SRLV.

Investors will appoint Woodside Corporate Services Limited as custodian. As a result, the Manager does not hold any client money at any point during the investment process. When fees are due from the investors, NIML sends an invoice to the custodian and, should the invoice be in line with the fees schedule outlined in the Information Memorandum, these funds are paid.

The Manager indicated that there were no regulatory or litigation issues at the time of writing. Nexus show good willingness to follow compliance procedures, however, despite FCA rule requirements around evidencing Board oversight, there has yet to be an established schedule for board meetings for the Manager itself. However, there are regular Nexus Group boards, and regular reporting to the Main Board of the Nexus Group by the Compliance Officer and MLRO. However we do acknowledge that the Nexus Group can draw upon a wide range of resources and experience when it comes to corporate governance.

TABLE 2: OVERSIGHT COMMITTEES/WORKING GROUPS

COMMITTEE	DETAILS
The Management Board of Nexus Investment Management Limited	<p>Mandate: The Board is responsible for leading the Company and carrying out its duties.</p> <p>Members: Harry Hyman, Andrew Herd, Alex Dampier and Matthew O’Kane.</p> <p>Frequency: Ad hoc</p>
Investment Advisory Committee	<p>Mandate: To debate, and approve by majority, whether or not to proceed with opportunities proposed by the Investment Team, for investment by the EIS fund. To receive reports from the Investment Team, and to advise on the review and monitoring of current investments</p> <p>Members: Harry Hyman, Matthew O’Kane and then a majority of non-Nexus individuals (Stephen Lawrence, Paul Downes, Alan Newman and Keith Mansfield).</p> <p>Frequency: As frequently as required</p>

Source: Nexus Investments; AdvantageIQ

Product Quality Assessment

Investment Team

Harry Hyman founded and leads Nexus, with Matthew O'Kane managing Nexus Investments, a role he has fulfilled since joining the firm in 2013 to start this division. Working under O'Kane's direction are two Investment Associates, Janak Raja and Cameron Kavanagh, who recently graduated from Bath University (and completed relevant internships at Nexus prior to taking full time roles). This four-person team together have responsibility for the Service, as well as responsibility for NIVL's pre-existing twenty EIS portfolio companies.

In addition to the above NIML personnel, the Service has an Investment Advisory Committee, comprising Harry Hyman, Matthew O'Kane, and then a majority of non-Nexus individuals (Stephen Lawrence, Paul Downes, Alan Newman and Keith Mansfield), each of whom has a lengthy background in one or more of the City/Accountancy/Private Equity/Investment/FTSE 350 worlds. They also can advise on issues around portfolio monitoring, however their input is limited to being advisory and final investment responsibility rests with the Manager on behalf of the Service, although before the Manager can proceed, a majority of the Investment Advisory Committee need to have approved an investment case first. The non-Nexus members of the Investment Advisory Committee are not remunerated- with the Manager insisting that they are committed due to the enjoyment of the job, however consideration is being given to providing committee members with carry and potential remuneration at a future stage.

Harry Hyman founded Primary Health Property (PHP) and the Nexus Group in 1994. Prior to that he worked at Baltic, which carried out leasing but also Business Expansion Scheme (precursor to EIS) deals. The Nexus Group, owned by Harry, comprises publishing, property management, and capital finance divisions. In particular it is asset manager for PHP, a FTSE 250 REIT with over £2.1 billion of assets and a market cap in excess of £1.3 billion, which Harry still runs as Managing Director. Harry has made a significant number of private company (EIS etc) investments for a significant period of time including into more than 20 of the NIVL companies. The length of investment experience is in excess of 25 years.

Like Harry, Matthew O'Kane trained and qualified with PriceWaterhouse. He later worked for Deloitte (funds tax), Ingenious (tax-advantaged investments), and also on a long-term secondment for Bridgepoint (private equity investments tax). He is now an FCA and Chartered MSCI. He joined Nexus to help establish Nexus's EIS operations, and has been responsible for the majority of the selections made, over £8 million of co-investment arranged, has invested personal funds into almost all of the 20 companies, and since taken advisory and board positions in many of NIVL's portfolio companies as Investment Director.

The two Associates largely assist in the due diligence process for new opportunities, and also collect and contribute to key performance indicators and other data as part of the portfolio monitoring process.

Harry Hyman and Matthew O'Kane have been working together since 2013, with the other members of the team having joined in the last few years as the Manager's team and operations have expanded. Douglas Lidgitt, an Investment Director, is due to leave the Manager, which might leave the Manager shot-handed if it reaches its fundraising targets and MJ Hudson Allenbridge recommend that consideration is given to expanding the team beyond simply replacing Douglas' contribution. Both Harry Hyman and Matthew O'Kane can be viewed to have a certain amount of key man risk, although the former is covered under Key Man Insurance with D&O plans also in place.

Harry Hyman and Matthew O'Kane have each invested into the Nexus Investments' Scale-Up Fund, collectively £275,000 in November 2018. Each has also invested into almost every one of the historic NIVL portfolio EIS companies, thus showing good alignment with investors and 'skin in the game'.

There are no current plans to expand the team, while Matthew does not believe the team to be too overstretched, which is certainly believable at the current portfolio size, as well as some of the shared oversight of the legacy NIVL

investments with members of the wider Nexus Group. However, the team is smaller than some other EIS growth managers and have not worked together for very long. While Harry's and Matthew's role on the IC lends the team a certain heft and credibility, some more experienced members would be welcome as the portfolio size grows.

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

Investment Strategy & Philosophy

Nexus Investments' Scale-Up Fund ("the Service") is a discretionary portfolio fund that look to invest into EIS-qualifying companies across the data, digital, education, and health sectors. The Service will follow the same strategy Nexus has followed in its EIS activities and investment work since 2014, with a core focus of investing into 8-10 companies at the pre-Series-A stage, as well as some follow-on investments at Series A, and select opportunities at the Seed stage within, or across, the four sectors identified. Companies will tend to be revenue-generating and largely using business-to-business (B2B) business models. The average investment into an investee company is likely to range from £100,000 to £1.5 million (if the fund reaches its maximum fundraise target), and the fund aims to exit completely within eight years, with money returned to investors from five years onwards (but potentially as early as from year three). The fund has a target return of 2x or more over the holding period.

The Manager lists the following as its core investment criteria when evaluating investee companies:

- **Management**

Exceptional 'Mission Driven' Founders with a high level of commitment combined with the right level of experience and skills.

- **Concept**

A great and original concept that is "peeking into the future" and "seeking to make a positive difference".

- **Scale**

Ability of the product and appetite of the founding team to scale, into new markets and distribution.

- **Route to market**

Ability to demonstrate traction in the market and the ability to demonstrate that they will continue to compete and offer a better service or product to their customers.

- **The Right Approach**

Receptiveness to shareholder and advisor guidance / mentoring.

- **Route to exit**

It is intended that these companies will seek an exit at an appropriate point during our investment time horizon, and that we will seek to gain comfort that the founders will wish to realise their returns through either a direct sale to a more established competitor in the market or a public listing. We would wish the management team to demonstrate that there will be potential acquirers and that the business is working to a successful sale of the company.

Nexus believes their sectors of focus, especially health and education, are buttressed by political and social forces (baby boomers retiring, training for fourth industrial revolution, and the skills gap etc.) and thus can be resilient during economic downturns. Nexus considers these to be attractive investments as they believe they are well placed to benefit from disruptive technological changes, as well as these strong secular forces supporting demand for both. As traditional industries are disrupted by the application of data and low-cost/high-innovation digital business models, Nexus is also keen on both data and digital opportunities that support this trend.

The Manager conceives of its investment universe as comprising four interlocking circles in a Venn Diagram, meaning that the Manager may invest in companies that are both digital and aimed at education or data-led and aimed at the

health sector, but could also invest in other verticals where a company is using data or digital business models in interesting ways, for example. As such, the Manager has broken down what other verticals the Service will be investing into: from software and computer services to food and beverages, retail, and the media and entertainment sector. Nexus will also have the opportunity to invest in a select few of their existing NIVL portfolio – thought only where the majority non-Nexus Investment Advisory Committee approve an investment case as compelling and sound for the Service – so there will already be some familiarity with some of the potential investee companies. The Service will invest alongside manager-run vehicles, individuals, and third parties, and co-investment makes up an important part of the Manager’s approach.

It is hard to deny the Manager’s contention that health and education are expanding areas and are likely to have secular growth trends moving in their direction as Baby Boomers retire and governments emphasise skills and training as part of a wider industrial strategy (as well as greater private spending to help ensure that kids fall on the ‘right side’ of broadening trends towards inequality). Data and digital are, of course, also transformative horizontals, disrupting laggard industries not already transformed by sector champions making use of these tools and business models. However, both of these verticals and both horizontals are crowded with other managers with the same theses and insights. Nexus claims to have been ahead of the game in specialising in these areas and selecting early-stage companies to back for some considerable time before the trend became common place, and aims to stand out due to their focus on the four as a combination, rather than simply one of the four in isolation, which may well help at the margin, but can also lay claim to some in-house expertise (and cross-marketing?) through the Nexus Group’s interest in sector publications such as *Education Investor* and *Health Investor*. It might well be that these wider interests, as well as the Nexus Group’s past investments in a similar area, can help a young manager stand out to compete with some of the more established managers active in these areas.

Pipeline/Prospects and Current Portfolio

As a new product, the Service does not have extensive past portfolios in order to see what a typical investor portfolio might look like, however it is possible to both look at past investments via NIVL (20 companies/ over 50 rounds of funding), the investments made by NIML so far (6 companies), as well as looking at the Team’s pipeline of investment opportunities.

The Manager invests in tranches so as to take advantage of deals as they present themselves. The Manager is focussed on ensuring that an investee company’s funding round is filled, through NIML either taking a smaller stake in a larger funding round, or a larger stake in a smaller company. The table 3, shows the historical deployment by the Manager in the six months or so since the Service first launched. MJ Hudson Allenbridge understands that the Manager plans to make a further four to five investments over the next six months, a mix of follow-on and new investments.

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

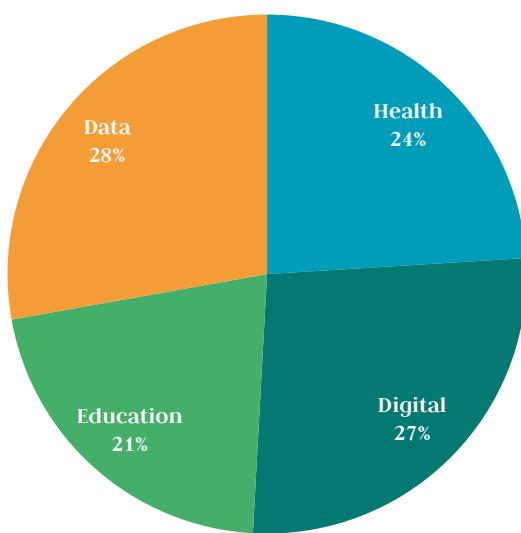
PERIOD ENDING	AMOUNT DEPLOYED (£M)	INVESTMENT IN EXISTING INVESTEE COMPANIES (£M)	INVESTMENT IN NEW INVESTEE COMPANIES (£M)	DRY POWDER (£M) (CASH RESERVES OR EQUIVALENTS)
2018	£97,606	£0	£97,606	£1,016,325
2019	£704,568	£320,786	£383,782	£559,976

Source: Nexus Investment Management Limited; AdvantageIQ

The capital already generated (£1.5 million) from this offer has led to six investments (£802k): three into new portfolio companies (Marco Polo Learning Inc, Perkier Foods Limited, and Cyance Limited), and three follow-on investments into pre-existing NIVL portfolio companies, together constituting the composition of the current Scale-Up fund. Follow-on investments have been made into: Convenient Collect Ltd, PushPull Technologies Limited, and Everpress Limited thus far.

The Manager's strategy as mentioned above in "Investment Strategy" is generalist compared to a Manager looking at a single sector; the current portfolio is almost equally split into the four different chosen sectors: Data (28%), Digital (27%), Health (24%), and Education (21%), as shown by Graph 1. The portfolio companies that are allocated into an investor's portfolio are dependent on the tranche they enter, but they can expect a diversified portfolio of eight to ten companies, at least one from each sector where capital is to be deployed over the next 12-24 months.

GRAPH 1 – PORTFOLIO SECTOR SPLIT BY AMOUNT OF CAPITAL DEPLOYED – NIVL 2014–2018



The list of companies in the table 5 which were invested in by NIVL are not guaranteed to be invested into as a follow-on investment in the Scale-Up fund (although all will likely require follow-on funding in some form in the future), and the current portfolio of NIVL companies is shown in table 4. NIVL portfolio companies will be included into the Scale-Up fund *only if* the Manager decides to provide follow-on funding, and in particular the Investment Advisory Committee approves an investment via majority, as was the case for Convenient Collect Ltd, PushPull Technologies Limited, and Everpress Limited, but was not the case for True Invivo Limited, where the committee felt that the NIVL portfolio company, whilst of great promise, was not yet at the "Scale-Up stage" as per the Service's mandate. Furthermore, the Manager predicts that some or all of the companies in the Scale-Up portfolio will require follow-on funding either in later tranches or in outside rounds, potentially beyond the scope of the Service's mandate.

The pre-existing NIVL portfolio from 2014 to 2018 does have a few notable companies including Knowledgemotion Limited (trading as "BoClips"), a London-based educational video online learning platform for students and teachers to use worldwide. It accounts for 17% of the portfolio and has seen a 162% increase in value over the last 5 years, with Matthew O'Kane of NIVL on its board throughout. Another company, digi.me Limited, the largest NIVL portfolio company, accounts for 28.5% of the overall portfolio and has seen an 88.1% growth in value over the last five years: it is at the forefront of data privacy globally, and is involved in projects like the making available of patients' healthcare data in encrypted fashion, and open banking. NIVL's first investment was arranged in a healthy ice cream company, Perfect World Ice Cream Company, which has gone on to be sold in Tesco's, which has seen its value grow 40% over the last 5 years.

Marco Polo Learning Limited is the first new portfolio investment that has been made through the Scale-Up fund. This portfolio company, also an Ed Tech business (like Knowledgemotion) is an online learning platform for early years children in the STEAM (Science, Technology, Engineering, Arts, and Mathematics) subjects. Using experienced early-childhood education specialists and media experts they have created a platform to encourage children to engage and enjoy the learning experience. New investments have also been made into Perkier Foods Limited, a consumer-aimed gluten-free healthy snack company, and Cyance Limited, a marketing data insights platform used by businesses worldwide. The latter two companies had annual run-rate revenues in excess of £1.5m at the time of making the investments.

In terms of likely investor portfolio, it is advisable for investors to check that they are comfortable with the sectors and investment checklist followed by the Manager, as this is followed consistently in the type of companies into which they invest. While the Scale-Up Fund is new, and the quality and quantity of dealflow is yet to be established, investors can take some comfort from the number of similar investments made under the NIVL banner since 2014 (over 50 deals) and the broader Nexus Group's network and brand, although the investment team will need to be active in the wider early-stage and venture ecosystem in order to make the Service even better known to UK entrepreneurs.

TABLE 4: CURRENT HOLDINGS AND THEIR CURRENT VALUATION – NIML

INVESTEE COMPANY NAME	DATE OF INVESTMENT	SECTOR	SPECIFIC SECTOR	TOTAL COST (£'000)	VALUATION (£'000)	PROPORTION OF PORTFOLIO
Convenient Collect Limited ¹	Dec-18	Digital	Delivery tech platform	£97,606	£97,606	12%
PushPull Technology Limited ¹	Apr-19	Digital	Fintech	£179,459	£179,459	22%
Everpress Limited ¹	May-19	Digital	Consumer B2B tech merchandise platform	£141,327	£141,327	18%
MarcoPolo Learning Limited	Jan-19	Education	Edtech content	£99,967	£99,967	12%
Perkier Limited	Apr-19	Health	Consumer Healthy F&B	£142,447	£142,447	18%
Cyance Limited	Apr-19	Data	Marketing	£141,367	£141,367	18%

Source: Nexus Investment Management Limited; AdvantageIQ

¹ Follow-on Investments from NIVL

TABLE 5: CURRENT HOLDINGS AND THEIR CURRENT VALUATION – NIVL

INVESTEE COMPANY NAME	DATE OF FIRST INVESTMENT	SECTOR	SPECIFIC SECTOR	TOTAL COST (£'000)	VALUATION (£'000)	PROPORTION OF PORTFOLIO	UNREALISED GAIN/LOSS
Perfect World Ice Cream Company	Mar-14	Health	Consumer Healthy F&B	£486,885	£683,165	5.6%	40.31%
Knowledgemotion Limited	Apr-14	Education	Edtech platform	£833,080	£2,179,954	17.8%	161.67%
digi.me Limited	Dec-14	Data	Data security	£1,795,017	£3,376,350	27.5%	88.10%
Benivo Limited	Apr-15	Digital	HR tech platform	£246,908	£454,264	3.7%	83.98%
Soupologie Limited	Nov-15	Health	Consumer Healthy F&B	£636,474	£589,526	4.8%	-7.38%
freemarketFX Limited	Dec-15	Digital	Fintech	£396,258	£383,146	3.1%	-3.31%
Pobble Education Limited	Feb-16	Education	Edtech platform	£389,618	£417,815	3.4%	7.24%
Scene Central Limited	Mar-16	Digital	Ad tech platform	£125,216	£164,343	1.3%	31.25%
Continuity Partner Ltd	May-17	Digital	Insuretech	£262,952	£318,350	2.6%	21.07%
Convenient Collect Limited	Jun-17	Digital	Delivery tech platform	£628,046	£755,419	6.2%	20.28%
Reproductive Sciences Limited	Nov-17	Health	Med tech	£95,000	£0	0.0%	-100.00%
Everpress Limited	Nov-17	Digital	Consumer B2B tech merchandise platform	£355,821	£471,183	3.8%	32.42%
Rest Easy Rentals Limited	Dec-15	Digital	Accommodation tech platform	£67,441	£76,693	0.6%	13.72%
StylePilot Limited	Apr-16	Digital	Ad tech platform	£36,010	£0	0.0%	-100.00%
Purearth Life Limited	Jul-16	Health	Consumer Healthy F&B	£370,635	£670,635	5.5%	80.94%

Heartier Limited	Apr-17	Digital	Food delivery platform	£374,455	£295,685	2.4%	-21.04%
PushPull Technology Limited	Jul-17	Digital	Fintech	£377,449	£377,449	3.1%	0.00%
Vivid Vitality Limited	Dec-15	Health	Consumer Healthy F&B	£403,250	£403,250	3.3%	0.00%
Smarter Applications Limited	Jun-16	Digital	IOT products	£100,083	£100,083	0.8%	0.00%
Trueinvivo Limited	Feb-18	Health	Medical device	£374,157	£549,394	4.5%	46.84%

Source: Nexus Investment Management Limited; AdvantageIQ

The valuations are based upon the price per share of the company taken during the last window they were open for fundraising and are accurate as at 31st December 2018.

Note, in each case the above companies have later received further follow-on rounds of investment. Three companies have opened for follow-on funding at lower valuations than the original, i.e. down-rounds.

Investment Process

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

TABLE 6: INVESTMENT PROCESS

INVESTMENT PROCESS	DETAILS
	<p>We source opportunities through a number of routes including:</p> <ul style="list-style-type: none"> - Direct contacts and other investment firms - From the Nexus group, especially where overlaps via health and education investor
Deal sourcing/ origination	<ul style="list-style-type: none"> - Accountancy and legal firms within London and outside, who know Nexus's approach and value-add well - From over 20 existing portfolio founders, their shareholders, and other board and advisory board members - From over 200 + NIVL circle members
Deal filtering and selection	<p>By way of context, over the past 5 years, we have carried out detailed financial due diligence on over 300 companies and spent time getting to know the entrepreneurs behind over 100 businesses, in order to build the 2014-2018 NIVL portfolio of 20 existing portfolio companies.</p> <p>A three-step process has been put in place:</p> <ul style="list-style-type: none"> - Initial review of the opportunity through desktop and review of the deck.

	<ul style="list-style-type: none"> - Wider dissemination to the investment team and meetings with the founders. - Investment committee are provided with an investment trailer where believed a strong potential opportunity. The opportunity / terms are discussed prior to a final decision being made.
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Due diligence process

We perform our due diligence in house. We do have the option to use external third parties for legal and tax advice as required.

The senior team are all chartered accountants with tax, M&A and TS experience. All the skills are used to help come to an informed and considered opinion about each opportunity.

A careful review of all opportunities are carried out, review of companies house, specific diligence questions are raised and sector expert opinions found when required.

This professional experience is enhanced with in house entrepreneurial expertise.

	<p>An experienced investment advisory committee is in place to review opportunities, with majority non-Nexus to ensure no conflicts of interest.</p> <p>There is a three-tiered structure in place from initial review, trailer, and ultimately finalised document and approval.</p>
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Source: Nexus Investment Management Limited; AdvantageIQ

As a new Service the investment process for the Service itself is relatively untested. However, the Investment Team at Nexus has been doing diligence and making investments for all of the past five and half years (over 50 rounds), and has hence tried to put into place an investment process that attempts to replicate some of the best practice that they have carried out historically, as well as observe elsewhere in the industry.

In terms of deal sourcing it is clear that the size and reputation of the Nexus Group is an important source of dealflow, as are the personal networks of Harry Hyman and Matthew O’Kane. Nexus also sources deals through a number of different channels, including direct contacts and existing portfolio company founders and board members. The wider Nexus Group has 25 years’ experience operating a number of divisions focussed on health and education, which may well prove to continue to be a potentially rich seam for the fund to continue to get access to potential dealflow. But deal flow is not a problem for the Service, focussed as it is on post-Seed pre-Series A/pre-Series B opportunities.

In terms of the due diligence process, MJ Hudson Allenbridge has seen an example of Nexus’ due diligence trailer, which was thorough, as well as investment committee minutes, which showed a good level of involvement from the Advisory members, as well as some push back on certain elements before a deal was recommended. There has to be a formal majority of the committee for an investment to proceed, for the Manager to then move to proposing a Term Sheet to a potential investee company.

Post investment the NIVL portfolio has benefited from the involvement of Matthew O’Kane for the past five years in varying capacities such as providing strategic and financial advice and Board / Advisory Board attendance. This should continue for the Service. In other cases, Nexus have connected companies with experienced industry investors and advisers both to provide further investment but also for connections or advice. The Service intends to actively follow this approach, engaging and monitoring through both observer and full board positions.

Key metrics monitored post-deal include cash levels, sales levels, cost levels, quality and reliability of sales pipeline, road-map, amongst others, although these are outlined in greater depth in the Risk Management section, below.

We regard the investment process as typical for a manager of Nexus's size operating within the EIS market. Nexus's size and corporate financial experience, as well as NIVL's investment history, might well serve as an advantage over other smaller managers. The investment process is sufficiently thorough and repeatable to evaluate opportunities to the requisite level of detail.

Risk Management

The Service's strategy is to invest in later-stage companies (post- Seed, pre-Series A and B) and will, on exceptional occasions, consider early-stage companies (Seed). Later-stage investments should see certain key elements of more venture-style investments de-risked to some extent in terms of areas such as technology development, market fit, etc., which should both lower risk and, thereby, also lower potential returns for such investments.

The main investment risks lie in operational and market risk for 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 (unless investee company takes on external debt-financing), credit market etc. Therefore, the first stage of risk management for the EIS Fund occurs at the due diligence stage. Potential red flags include assessments regarding potential investee company managements' track record, non-EIS-qualifying company status, non-UK based companies, a lack of customer or product, small target market size, negative press, recent changes in key personnel, cash-flow issues, or unsustainable long-term business models. The Manager seeks "Advanced Assurance" from HMRC to ensure EIS-qualification in cases where there may be any doubt about EIS status, and utilises the experience of Matthew O'Kane as an experienced former tax advisor rather than solely relying on outside tax advice on these issues (though Philip Hare & Associates is also tax advisor to the Manager where required).

Post-investment the Manager will, in the majority of cases, take a board seat and/or observer status for any investment. The Manager intends to aid the investee companies to navigate the complexities of building a small company, with the overall aim to align the interests of portfolio companies and shareholders' interest. Additionally, the Manager intends to introduce a "100 Day" plan, where they will touch base with all portfolio companies within a rolling 100 day period. Furthermore, they invite all investee companies on an annual basis to meet the Investment Committee and present their progress over the last year and projections for the following year.

As set out in the "Investment Strategy" section above, the Manager plans to diversify investments in eight to ten companies within the Data, Digital, Education, and Health industries. MJ Hudson Allenbridge believe this to be a viable risk strategy to achieve the marginal benefits of diversification by reducing the underlying correlation of portfolio companies, limiting specific sector idiosyncratic risks that can affect the overall portfolio, albeit the data-led and digital-first business models can change rapidly (being both the draw as well as a risk), and public spending on education and health (while typically faster than inflation thanks to what economists refer to as the "Baumol effect") can rise and fall depending on macroeconomic and political factors. However, private spending on both health and education are likely to be more linked directly to disposable income for the better-off primarily.

Currently, MJ Hudson Allenbridge have no concerns regarding Nexus Investments' Scale-Up Fund's risk management policy, however NIVL's influence in terms of steering management teams is likely to be greatest where they can negotiate for a board seat or where Nexus already play a role or represent a substantial financial stake in the investee company via NIVL on a historic basis. Where this is not the case, and NIVL are a much smaller part of the financing puzzle in a particular investment round, the Manager will have to work with co-investors who have larger stakes in order to better influence the direction of underlying investee companies.

Key Features

Table 7, below, lists the fees chargeable by the Service. A 3% initial fee and 2% annual management charge ("AMC") are in line with other EIS growth offers, and the Manager has stated the AMC is waived after five years which does offer

some incentive for the Manager to achieve an exit within this timeframe. Note the average holding period for a portfolio company is intended to be five to eight years. In order to further attract investors, the Manager states that the AMC will be deferred from the third year if there have been no realisations. The AMC is calculated quarterly and collected monthly.

The Manager states that 90% of the investors' money is invested into portfolio companies, the remaining 10% is kept with Woodside Corporate Services Limited, the Custodian; from this amount fees and charges for the first three years or so are claimed. Custodian fees are covered by the Manager based on day-to-day charges, any extra requests made by the Manager on behalf of the investor/investee company to the Custodian is subject to 0.2% of the aggregated subscriptions, or £25,000, dependent on the greater value.

MJ Hudson Allenbridge always decries deal-by-deal performance fees and, in this Service's case, are encouraged there is a provision that an investor has to get 100% of their subscription back before any performance fee can be claimed. The Performance fee of 20% is taken without a hurdle, meaning all extra returns above the original subscription are subject to the fee, which is less generous than some other EIS growth funds which can have hurdles before performance fees are charged from £1.20-£1.40.

The fees that are imposed upon an investee company for things such as Directors duties, and other ongoing involvement, are decided on a deal-by-deal basis, although we are pleased to see the clear policy of a maximum cap of £15,000 per annum. The Manager's charged fee depends on the involvement of the investment team within the company, the Manager states that the average annual charge equates to £8,000. On top of these monitoring fees however the Manager can charge arrangement fees of up to 5% on each deal which is far from normal: most Managers charge either the investor or the investee company rather than both. Having said this, the Manager has pointed out that these can be 'up to 5%' and in practice are part of the overall negotiation regarding level of involvement from the Manager that the investee company requires or seeks.

As the Scale-Up Investment Fund only launched in November 2018, all initial costs have been covered by the Nexus Group, but the fund should be self-sustaining after initial fees are captured.

With all the above taken into account it leaves the Nexus Scale-Up Investments fund qualifying for 90% EIS Eligibility.

TABLE 7: FEES PAID BY INVESTOR AND INVESTEE COMPANY

FEE (Plus VAT)	INVESTOR	CHARGED TO:	INVESTEE COMPANY
Initial Fee	3.0%		-
Custodian Fee	-		-
Arrangement Fee	-		Deal-by-Deal (5% Max)
Annual Management Fee	2.0% ¹		-
Annual Admin Fee	-		-
Director's Fee	-		Deal-by-Deal (£15,000 Max)
Exit Performance Fee	20%, No Hurdle		-
Available discounts		-	
Execution Only Fees		-	
Direct Application Fees	2%		-

Source: Nexus Investment Management Limited; AdvantageIQ

¹0% fee after 5 years. Calculated quarterly and paid monthly.

Performance

As this is a new product there is no past performance to speak of. We urge investors to assess the team, strategy, risk management, and other sections of this report in order to assess the fund's ability to outperform other EISs in the market.

Though the Manager has recently launched this EIS offer, their first in the tax-advantaged market, Nexus has been active in the EIS industry for several years through Nexus Investments Venture Limited ("NIVL"). NIVL, established in 2014, has not had any exits except for two companies, Reproductive Sciences Limited and StylePilot Limited, which have been written off over the last five years, totalling a cost of £131k (out of c £8m overall, so approximately just 1.6%). Reproductive Sciences Limited, a fertility start-up, ran out of cash due to its main very large investor dropping out of supporting the company, and StylePilot Limited, an advertisement platform, was unsuccessful in raising later funding and its CEO then departed.

Although NIVL does not have any successful exits yet to speak of for its 2014-2018 portfolio, the wider Nexus Group, and Harry Hyman, have experience via previous investments from 2013 or earlier at a successful multiple. For example, Medopad, a biotechnology firm, was exited by Nexus Group in 2018 after 5 years at a 5x multiple, in which Harry Hyman had a personal investment. Similarly, Pharmacy2u, an automated repeat prescriptions business, in 2018 actualised exit returns of 7x after 13 years, and General Medical Clinics, a medical care services company, in 2012 after 14 years at a 3.7x multiple.

While this performance record suffers from a lack of exits under the auspices of the Service and is of a limited sample size, the Nexus Group's record still shows more experience, and results good, bad, and indifferent, than other first-time or recent EIS managers. As such, for a new product, we regard this performance track record as a slight positive, albeit not something that investors can rely upon to give them a firm steer on the likely success of the strategy as carried out by NIML's investment team.

Appendix 1: Key Personnel

Key Investment Professionals

NAME	JOB TITLE	DATE JOINED	BIOGRAPHY
Harry Hyman	Nexus Group Managing Director	1994	<p>Harry Hyman is the founder and managing director of the Nexus Group and Primary Health Properties PLC (PHP), a FTSE-250 listed company that specialises in the ownership of property leased on a long-term basis to healthcare providers. PHP is a leader in its growing market with gross property assets of over £1.3 billion and a consistent record of growth over more than 20 years. Aside from PHP, Nexus manages a successful publishing and events business, Investor Publishing (publisher of Health Investor since 2004 and Education Investor since 2009). Harry also started the prestigious International Opera Awards in 2013, Nexus Investments, Nexus Corporate Finance and CODE. Consequently, Harry has acquired a great depth of knowledge and expertise in entrepreneurship and scaling meaningful businesses. Harry is an active EIS investor in a wide portfolio of businesses. Harry graduated from Christs College, Cambridge University.</p>
Matthew O'Kane	Nexus Investments Managing Director	2013	<p>In late 2013, Matt joined Nexus from Deloitte to spearhead a new division focussed on early stage EIS companies. Matt has a unique set of skills perfect for the Service: he possesses a wealth of knowledge and experience in tax from acquiring his ACA at PwC through to being a Senior Tax Manager at Deloitte; he has also worked on secondment at Bridgepoint Private Equity in 2012-13 covering many aspects of UK M&A transactions; and he has experience of Investment Management at a recognised UK EIS investment house. Matt has particular skills in identifying prospective entrepreneurs able to build attractive yet sound fast growing businesses, striking deals so as to invest, then helping those early stage companies navigate their way through the complexities building boards, setting strategy, managing performance, investing for growth and keeping cognisant of cash flow and the tax realm. He has sourced the vast majority of NIVL's and NIML's existing portfolio company clients, investing personal funds into 18 of them as well as into the Service. Matt currently sits on the main board of two of the portfolio companies, and the Advisory Board of six others. He is an FCA (ICAEW) and a Chartered Member of the Securities. Matt graduated from University College, Oxford University.</p>
Janak Raja	Associate	2017	<p>Janak joined Nexus in 2017 having completed a degree in Chemical Engineering from the University of Bath. He previously had an internship at a Dutch Robotics company as well as companies in the FMCG sector. He has also been a member of the Bath Entrepreneurs society. During his time at NIVL he has already been a part of</p>

transactions and advisory work for Everpress, RSL, TrueInvivo, Purearth and Soupolie.

Cameron Kavanagh Associate 2018

Cameron joined Nexus in 2018 having completed a degree in Economics from the University of Bath. He has previously conducted two internships with Nexus Investment Ventures in 2015 and 2017, prior to joining as a full-time graduate. During his internships he supported with investment rounds for FreemarketFX and iPushPull, two promising Fintech portfolio companies.

Stephen Lawrence Investment Advisory Committee Independent

Stephen is an experienced leader with a consistent track record of creating value in the Education Sector. He is the Chairman of, and between 2005 and 2017 he was the CEO of, Protocol Education Ltd, a private-equity backed recruitment agency specialising in the education sector, where he continually grew the business through the roll out of new branches and products, resulting in an increase in EBITDA of over 380%. Previously of Protocol Education Ltd, Stephen was CEO of Whitehead Mann Group Plc from 2002-05, and a Group Board Member of Datatec Ltd 2000-02.

Paul Downes Investment Advisory Committee Independent

Paul Downes is a proven Private Equity professional with over 30 years of experience. Since 2010 Paul has been the Chairman of E-Synergy, a leading provider of funds and advice to early stage companies, and was, from 2010-2014, a partner at Hutton Collins, a provider of preferred/ mezzanine capital in the UK and European markets with €1.5 billion under management. Paul was responsible for deal origination, and sat on all Investment Committees. Before Hutton Collins, Paul worked for Silver Point Capital as a member of the European Advisory Committee 2006-2009 and European Acquisition Capital Limited 1994-2006.

Alan Newman Investment Advisory Committee Independent

Alan Newman has spent most of his career working with data, content and technology businesses. He is a non-executive director and chair of the audit committee of Future plc, the international media group and digital publisher. Alan was previously Chief Financial Officer of YouGov plc, the global online market research and data analytics group, from 2008 to 2017. Before that he was a Partner at Ernst & Young Business Advisory Services and in the Information, Communications and Entertainment practice of KPMG Consulting. Alan previously held corporate management roles at Pearson Education and MAI plc (now United Business Media). His voluntary Roles include being Chair of the Freud Museum London and Deputy Chair of the Quoted Companies Alliance.

Keith
Mansfield
Investment
Advisory
Committee
Independent

Keith was a Partner at PwC for over 20 years and has been in London since 2001. Over his career at PwC Keith advised both international entrepreneurs and international businesses. He has had a long history of transactions and IPOs across a number of territories. His previous roles include that of the London Chairman. Keith's clients in the last few years include King Digital Entertainment Plc, (Candy Crush) and Game Group Plc. Keith is a chartered accountant and has a deep and long list of clients and connections from his many years, leading various parts of PwC.

Source: Nexus Investment Management Limited; AdvantageIQ

Senior Management Team

HARRY HYMAN – NEXUS GROUP MANAGING DIRECTOR

As above

MATTHEW O'KANE – NEXUS INVESTMENTS MANAGING DIRECTOR

As above

ALEX DAMPIER - DIRECTOR

Alex Dampier joined Nexus Group as Chief Financial Officer in February 2017. Prior to this Mr Dampier was Head of Corporate Finance at Zeal Network SE, a company providing online lotteries on behalf of charity customers (e.g. UNICEF and the Red Cross) and also via its own consumer-facing, lottery-based games. As Head of Corporate Finance and working as part of the leadership team, responsibilities have included a number transformative projects in a fast-moving digital environment. From 2008 to 2015 Mr Dampier was a Corporate Finance Controller responsible for business planning strategic and investment support at Travelodge Hotels Limited. Prior to this he was an Investment Executive at Sovereign Capital Partners, a UK private equity house with £450m under management, typically investing in education, healthcare and support services. Mr Dampier holds a BA (Hons.) Politics, Philosophy & Economics from Keele University and is an Associate of the Institute of Chartered Accountants in England & Wales.

ANDREW HERD – DIRECTOR

Andrew graduated in law from Cambridge University before qualifying as a chartered accountant with Price Waterhouse. He then spent many years as an investment banker, having senior roles with Morgan Grenfell, Paribas Capital Markets and SG Hambros. He is now the Managing Director of Lancashire Court Capital Limited, a London based investment and consulting business (with a special interest in the gaming and banking sectors) and is the Chief Executive of its affiliate, GGV (Developments) Limited. Andrew is a non-executive director and the Audit Committee Chair at United Trust Bank, a rapidly growing U.K. 'challenger' bank.

PAUL WRIGHT – GROUP COMPLIANCE OFFICER

Paul Wright is Chief Legal Counsel of the Nexus Group and Group Compliance Officer. Paul is a solicitor with over 25 years' experience gained in private practice and in-house. Paul has previously been Company Secretary & General Counsel at Taylor Nelson Sofres PLC (now part of WPP PLC), Playtech PLC and Cambian Group PLC. Paul graduated from Christ Church College, Oxford University.

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