

Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Product

Mercia EIS Fund Q2 2024 (the “Fund”)

Mercia Fund Management Limited (Company number: 06973399)

Mercia Fund Management Limited is authorised and regulated by the Financial Conduct Authority (FRN: 524856)

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You are about to purchase a product that is not simple and may be difficult to understand.

What is this product?

Type

The Mercia EIS Fund Q2 2024 is an Alternative Investment Fund (AIF) that invests in high-growth technology businesses that we believe have the potential to deliver high-multiple returns, focusing on sectors where we have deep expertise. The Fund is not a distinct legal entity. For legal and tax purposes (and as is typical with such EIS funds), the investor will be the beneficial owner of the shares in each relevant portfolio company.

Each investor has an account administered by our Custodian, and the minimum subscription to the Fund is £25,000. Assets will be held within the name of the Nominee Company, MNL (Mercia) Nominees Limited.

Objectives

The Fund will make equity investments on behalf of investors into a portfolio of Enterprise Investment Scheme (EIS) qualifying companies, which have received advance assurance from HMRC.

Investors can expect approximately 12 underlying investments to be made on their behalf within 12 months of the Fund closing date.

Intended Retail Investor

This product is targeted at professional, high net worth, sophisticated, restricted or advised retail investors, seeking a diversified portfolio of early-stage technology investments. A typical investor for the Fund, would be a high net worth or sophisticated investor, who already owns a quoted equity investment portfolio, and wishes to allocate funds to a higher risk product forming part of a balanced portfolio. The investor may be able to utilise the tax advantages of the product, such as 30% initial income tax relief and CGT deferral, and could afford to withstand any significant losses that may arise.

What are the risks and what could I get in return?

Risk Indicator



Lower risk ← → Higher risk

This rates the potential losses from future performance at a high level, and poor market conditions are very likely to impact the fund.

The risk indicator assumes you keep the product for 7 years. You may not be able to sell your holdings easily or you may have to sell at a price that significantly impacts on how much you get back. The actual risk to your investment can vary significantly if you cash in at an early stage and you may get back less than you invested. Investing in early stage companies that qualify for EIS or SEIS tax reliefs, is by its nature high risk.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because you are not able to realise any value from your shares. The risk category shown is not guaranteed and may change over time. The lowest category does not mean that the product is risk free. We have classified this product as 6 out of 7, which is the second highest risk class.

The Fund is rated 6 due to the nature of its investments, which will be in unquoted private companies whose shares may be difficult to sell or market. Such shares may have risks associated with them greater than quoted securities or shares. Restrictions may apply to the transfer of shares in private companies in which the Fund invests. The timing of any realisation cannot be predicted and complete information for calculating the current value of the Fund's investments or the degree of risk posed may not be available at any given time.

The EIS tax reliefs are subject to legislative change. Furthermore, this product does not include any protection from future market performance, so you could lose some or all of your investment. If we are not able to pay you what is owed, you could lose your entire investment. However, you may benefit from a consumer protection scheme (see the section "What happens if Mercia Fund Management Limited is unable to pay out?")

Investment Performance Information

The performance of the Fund is dependent on the ability of Mercia to identify appropriate Investee Companies and on the ability of the Investee Companies to perform in line with their respective business plans. The income received by the Investee Companies will depend on the revenues generated by the activities they undertake, which may be less than the costs they incur. The availability of the various EIS tax reliefs are dependent on individual circumstances and anyone that is unsure as to whether they will be able to take advantage of any such reliefs should seek tax or financial advice before investing. Please note there is no relevant index or benchmark for Venture Capital investments.

The initial holding period is set at five to seven years and it may be difficult to exit your investment early because there is no market for the Shares.

What could affect my return positively?

Unquoted shares are high risk but also come with the potential of high return. It is expected that a number of investments in the portfolio will fail but that up to four successful investments will perform very well and these will generate the returns for investors. The number of these successful investments, and their level of performance, will be a key factor in increasing the likely returns to investors. The returns will be generated through the sale of the investment and so the buoyancy of the M&A and IPO markets will impact the ability to capitalise on the strong performance of investee companies. There is no cap on the investment returns from these successful investments.

What could affect my return negatively?

As mentioned above it is expected that up to four investments will succeed. If none of the companies within the portfolio perform well, the value of your investment would be impacted. Where investments do perform well, there still needs to be a buyer for the company and it may be harder to find one during a negative economic cycle. Where there is no buyer, you will either be unable to cash in or you will make a large loss if you do so. Please see the Risk Factors section of the Information Memorandum for more details.

What happens if Mercia Fund Management Limited is unable to pay out?

The Fund Manager, Mercia Fund Management Limited and The Custodian, Mainspring Nominees Limited, both participate in the Financial Services Compensation Scheme (FSCS), established under the Financial Services and Markets Act 2000, which provides compensation to eligible Investors in the event of a firm being unable to meet its customer liabilities. The compensation limit available if Mercia Fund Management Limited or Mainspring Nominees Limited fails is £85,000. Further information is available in the Terms and Conditions and upon request.

What are the costs?

Costs over time

The fees are set out in the Information Memorandum and in the Terms and Conditions. The impact of costs and fees on return is illustrated below. The person selling or advising you about this product may make other charges, which they will inform you of. They will also show you the impact of all the costs on your investment over time.

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs. The amounts shown here are the cumulative costs of the product itself, for three different holding periods. The figures assume you invest £10,000. The figures are estimates and may change in the future.

| | Year 1 | Year 4 | Year 7 |
|--|--------|--------|--------|
| Total costs | £480 | £1,430 | £4,310 |
| Impact on return (RIY) per year | 4.80% | 3.58% | 6.16% |

This table is based on all of the fees associated with the moderate performance outcome and includes the impact of VAT.

Composition of costs

The table below shows:

- the impact each year of the different types of costs (including VAT at 20%) on the investment return you might get at the end of the recommended holding period (7 years), assuming a moderate performance outcome.
- the meaning of the different cost categories.

| This table shows the impact on return per year | | Yearly impact | Description |
|--|------------------------------------|---------------|--|
| One off costs | Entry costs | 0.34% | 2%* initial fee. The impact of the costs you pay when entering your investment. |
| | Exit costs | 0.00% | There are no exits costs. |
| On-going costs | Other ongoing costs | 2.06% | 1.75% Annual Management Charge and 0.25% Annual Custody and Administration Fee, both charged for 6 years. The impact of the costs that we take each year for managing your investment. |
| | Portfolio transaction costs | 0.00% | None. |
| Incidental costs | Performance fee | 3.76% | 20% on returns over net cost. The impact of the performance fee. We take these from your investment upon exit if the product returns more than the initial investment cost. |
| | Carried interest | 0.00% | None. |

*the initial fee is reduced to 1.5% for existing Mercia investors and advised investors.

How long should I hold it and can I take money out early?

The product is designed so that investors hold their investment for a recommended period of 7 years. A key investment risk is that the Fund invests in unquoted companies and there is an inherent lack of liquidity as underlying portfolio companies are not available to trade on a secondary market.

How can I complain?

Mercia has an Internal Complaint Handling Procedure, a copy of which can be obtained on request. Once the Internal Complaint Handling Procedure has been exhausted, should you remain dissatisfied, then you may have the right to refer the matter to the Financial Ombudsman Service, Exchange Tower, London, E14 9SR.

Other relevant information

Mainspring Nominees Limited will act as the Custodian for the Fund, with shares held within the Nominee Company, MNL (Mercia) Nominees Limited.

If you have any queries regarding an investment in the Fund, please consult a suitably qualified investment advisor.