Tax-Advantaged Investments

SEIS Review

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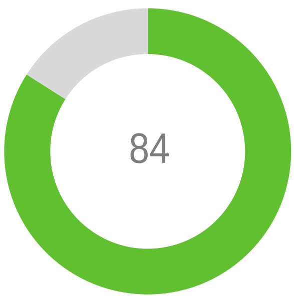
Deepbridge Life Sciences SEIS

January 2018

Deepbridge Advisers Limited ("Deepbridge" or "the Manager") seeks to raise up to £6 million for discretionary investment in a portfolio of Life Sciences SEIS qualifying companies for the tax years 2017/18 and 2018/19. The offer is open to both new and existing shareholders.

The service launched in 2015 and is evergreen.

Score Card



Fund Type	Discretionary Non-approved
SEIS Strategy	Specialist
SEIS AUM (Pre-offer)	£6.5 million
Manager AUM	£85 million
SEIS Risk Level	High

Investment

Minimum subscription	£10,000
Maximum qualifying subscription per tax year	£100,000
Early bird discount	No

Contents

Closing Dates

Evergreen - monthly share issues

Risk Warning for SEIS 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/SEIS 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/SEIS 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/SEIS 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/SEIS 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; and
- Often there will be no regulatory oversight and investors will usually not be eligible for compensation if things go wrong.

Executive Summary

Offer: Deepbridge Advisers Limited ("Deepbridge" or "the Manager") seeks to raise up to £6 million for discretionary investment in a portfolio of Life Sciences EIS qualifying companies for the tax years 2017/18 and 2018/19. The offer is open to both new and existing shareholders. The portfolio was launched in 2016 and has £6.5 million invested in 39 companies.

Manager: Deepbridge Capital LLP ("the LLP" was set up in 2010 by Ian Warwick and Chris Wood. They first started providing tax-advantaged products through their wholly-owned subsidiary Deepbridge Advisers Limited ("Deepbridge" or "the Manager") in 2012. Operating out of their head office in Chester, they offer four EIS and SEIS products and one BPR product on an evergreen basis and currently have just over £70 million assets under management "AUM"). The manager has a specialism for technology and life sciences with previous investments in asset-backed energy generation before government restrictions were put in place in 2015.

Product: Deepbridge Life Sciences SEIS fund seeks to offer investors shares in a portfolio of six to ten companies focussing on three chosen sub-sectors which are medtech, drug discovery, and general healthcare. Normally these companies will be developing intellectual property and disruptive technology for a known problem or identifiable gap in the market. Deepbridge aims to hold these shares for around 4-7 years depending on the sector and probable exit route which either will normally be to a larger venture capital firm or an acquisition by a larger pharmaceutical company. A large majority of the investments for this product are expected to be provided with follow-on funding by the Deepbridge Life Sciences EIS.

Summary Opinion: Deepbridge is a growing and profitable firm with high standards of client servicing and a consistent investment strategy. The key in-house team are close-knit with many years of experience in the chosen sector. In addition, Deepbridge draw on the expertise of roughly 15 industry advisers who freely give their time and knowledge to Deepbridge in return for staying connected to current venture capital tech development. In our view, the size of the team at Deepbridge will need to increase soon, however, if they are to maintain their well-earned managerial and investment reputation, particularly as the advisers have no formal ties to the Manager and could cease offering support at any time. The pipeline for the product is strong and the current portfolio is either valued at cost or has shown uplift. The Manager's fees are competitive and transparent. The current offer is a worthy consideration by investors who seek exposure to life sciences and can see the strong benefits that Deepbridge's connections might bring. Prospective investors need to be comfortable with the risks associated with investing in early-stage unquoted life sciences companies, the need to lock away capital beyond the minimum holding period for SEIS, and the limited track record to accurately assess the performance and strategy of the Manager.

Positives

At the Manager level:

- The firm is growing and ambitious, and has expanded to operate out of four UK offices including its new Chester HQ and is considering opening in New York as a potential hub for further investment;
- The Manager's client servicing team is well resourced and it puts client servicing at the forefront of its business approach;
- The Manager continues to expand its offerings with a view to increasing AUM and reducing dependency on individual products;
- Individual members of the LLP invest alongside their investors pari passu in all products, highlighting good alignment of interests with investors and minimising any conflicts.
- The investment team is experienced, highly qualified and has worked together for a number of years;

At the Product level:

- The life sciences team is growing with two additional hires joining Deepbridge at the start of 2018. This is to support Savvas Neophytou as Head of Life Sciences.
- The supplementary investment committee bring a significant amount of external expertise to evaluating potential and overseeing current investments;
- The investment process is robust with a strong three-tier approval process (which involves an internal committee, a supplementary committee and full approval by Enterprise Investment Partners);
- The Manager's strategy is promising and benefits from agreements with universities and hospitals to give investee companies immediate access to the doctors and possible fast-track testing of products.
- The existence of follow-on funding from the Deepbridge Life Science EIS Fund should facilitate successful investee companies reaching sufficient size to attract interest from buyers.
- The pipeline appears to be reasonably healthy with a wide range of sources regularly feeding opportunities into Deepbridge and no doubt enhanced by its connections with organisations such as a children's hospital.
- Fees are transparent, simple and competitive. No charges are levied upfront so all of an investors' subscription is qualifying. The 2% annual management charge, charged to the investee company, covers all services Deepbridge provide to an investee company;
- HMRC advanced-approval is sought to ensure that each new investee company is SEIS-qualifying;
- The Manager will always take a board seat to help the investee company with its knowledge, contacts, and experience;
- Investments are structured in a way such that the Manager has majority/veto voting rights despite holding a minority equity position, reducing operation risk for investors.
- The performance fee hurdle of 150p per 100p invested is in our view reflective of the fact that the Manager understands the risks of the product as well as the potential returns.

Issues to consider

At the Manager level:

- In our view, the senior management team and investment team needs to grow to keep up with the demands and ambitions of the business. This is complicated somewhat by overlapping demands of the management team and the investment team. Accordingly we welcome the two new planned appointments in Life Sciences.
- The Manager's costs have grown due to substantial investment into the business but it remains to be seen if will grow as a result.
- The manager's AUM is predominantly invested in tax-advantaged products which could leave it exposed should tax regulations change.

At the Product level:

- There is some key man risk concerning Savvas Neophytou as Head of Life Sciences. However Deepbridge attempt to mitigate this by having Kieran O'Gorman, Technical Partner, shadow his work and have hired two additional team members.
- The track record of the portfolio is limited with no exits achieved for this product and only some of the investments showing uplift from their initial cost. Investor's will find it difficult to accurately evaluate the Manager's strategy.
- The supplementary investment committee are not formally remunerated and members could cease giving their services to Deepbridge at any time.

- With any follow-on investments, Deepbridge will need to balance the interests of current and new investors. This is especially important due to the volume of Life Sciences SEIS deals feeding into the Life Sciences EIS.
- Given that the portfolio will be focussed on one sector (albeit the Service is much more diversified on the sub-sector level), the Service is unlikely to be appropriate unless seen as part of a wider portfolio.

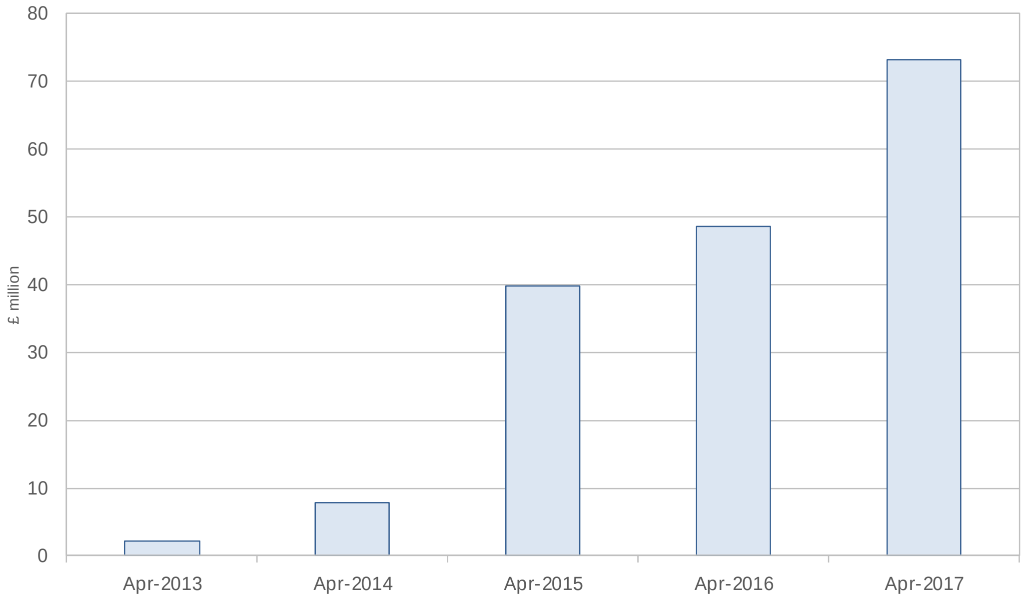
Manager Quality

Manager Profile

Deepbridge Capital LLP ("the LLP") was founded in 2010 by Ian Warwick and Professor Chris Wood to provide bespoke venture capital offerings to professional clients. Ian Warwick is the former CEO of MAM Software Inc., and Chris Wood is a former Professor of Surgery at Imperial College, London. The manager's first foray into tax-advantaged products was in 2012, following the widening of the remit of the Enterprise Investment Scheme by HMRC. In July 2013, a wholly-owned subsidiary Deepbridge Advisers Limited ("Deepbridge" or "the Manager") was established to offer investment products to retail clients via financial intermediaries.

As at November 2017, the Manager had 28 employees based out of four offices: Chester (Main), London, Edinburgh, and Bristol, the latter two being opened this year. As at April 2017, Deepbridge had £70 million of assets under management ("AUM").

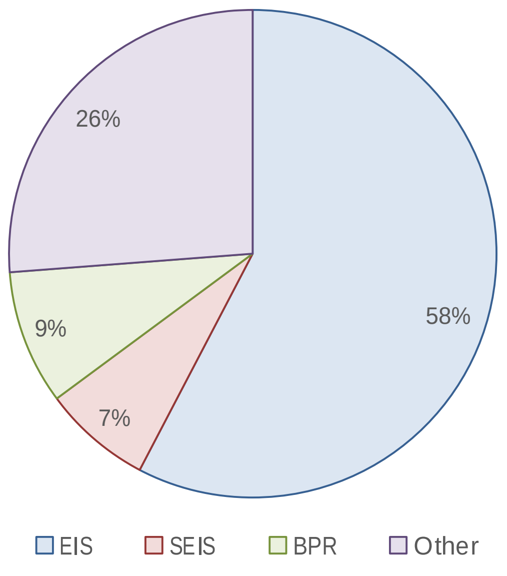
CHART 1:
FIRM AUM AS AT 5 APRIL 2017



Source: Deepbridge; AllenbridgeIQ

The Manager expects in the next three years that their AUM will grow to around £250 million which would approximately triple it from where it is currently. This seems fairly ambitious given the rate of AUM growth achieved so far, but we also note they hope to open a New York office at some point in the future to attract follow-on funding/exits for their tech and life sciences investments. It is well-known that these sectors often look to the US for further funding, so we view this target as bold but potentially achievable.

CHART 2:
AUM BREAKDOWN AS AT 30 JUNE 2017



Source: Deepbridge; AllenbridgeIQ

The Manager currently runs four EIS portfolios (two of which are open for investment), two SEIS portfolios, and one inheritance tax product. In addition, a quarter of the AUM is in bespoke propositions, mainly BPR schemes for family offices. The two closed EIS products were shut to new investors due to the restrictions implemented on EIS energy generation investments.

With regards to fundraising performance we note that the Manager has raised over £70 million in funds since inception, typically raising funds on an ongoing basis for their products. As all funds are evergreen, there is no formal fundraising target but only a rough guide based on the current potential pipeline. The Manager stated that fundraising was a balance between the funding needs of the investee companies and a conservative attitude towards raising money that can wisely be deployed in a timely manner so as to benefit investors.

As shown in Chart 3, although funds raised have varied significantly from year to year, Deepbridge has raised at least £5 million per annum in the past four years; in particular, the total fundraise was nearly £25 million during the year end April 2017.

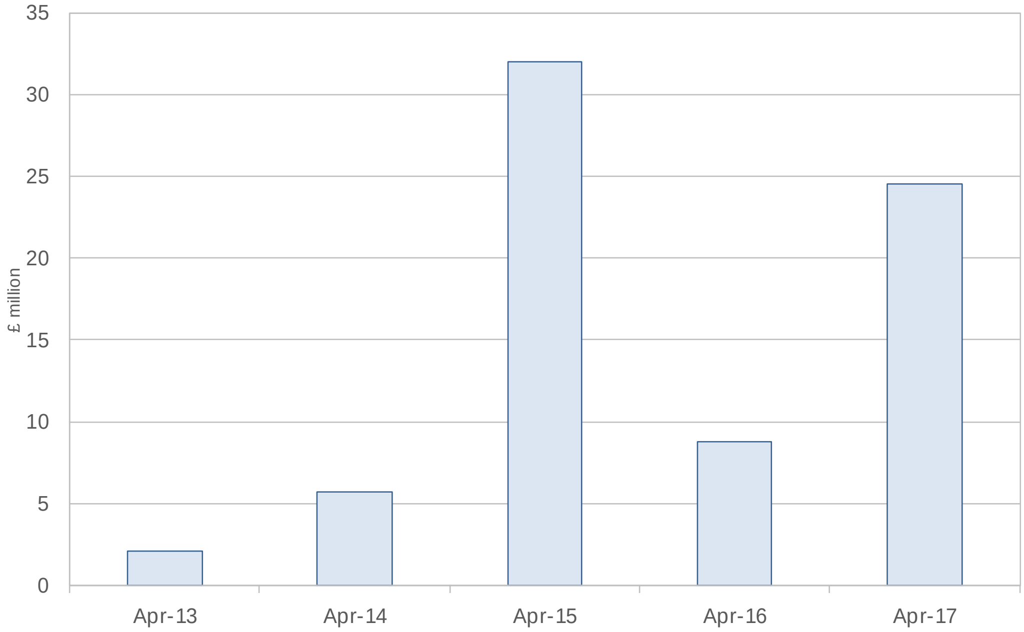
Client servicing is a key area of emphasis for Deepbridge. They have a dedicated Administration Manager supported by a team of administrators with custodian services provided by Reyker Securities PLC. This in turn is overseen by Deepbridge's CFO and Technical Partner to ensure strict internal standards are kept. Key targets include responding to all enquiries within 24 hours of receipt (excluding weekends and bank holidays) and processing correctly completed applications within 72 hours. Investor communications involve a written update for each company on a bi-annual basis along with valuations available on the custodian's online portal. In addition to this, Deepbridge invites investors to a minimum of two events per annum, giving them a chance to meet both representatives from Deepbridge and the investee companies. Deepbridge firmly believe that keeping admin in-house is best practice and that it is important for both investee companies and investors. They intend to grow their investor relations team in 2018 to keep up with increased fundraising and clients.

We reviewed Deepbridge's formal complaints-handling procedure and found it to be detailed and robust. According to the Manager's disclosure, as provided to Allenbridge during our review, Deepbridge had received no investor complaints and had no adverse Financial Ombudsman rulings.

We note that the manager has been nominated or won several awards for its products and services in recent years.

CHART 3:

FUND RAISING TRACK RECORD AS AT 5 APRIL 2017



Source: Deepbridge; AllenbridgeIQ

The manager's fundraising is broadly in line with AUM growth. This is understandable given that all funds have been deployed in the tax year that they are raised in. Most investments are also valued at cost and there has been only one partial realisation across any of their products.

Financial & Business Stability

Deepbridge's revenues are derived from the fees associated with running the following products:

- Deepbridge Life Sciences EIS
- Deepbridge Life Sciences SEIS
- Deepbridge Technology Growth EIS
- Deepbridge Hydro EIS (closed to new investment)
- Deepbridge Renewable Energy EIS (closed to new investment)
- Deepbridge Innovations SEIS
- Deepbridge IHT Service
- Bespoke offerings

Deepbridge's response to the restriction of the energy generation investments in 2015 was extremely positive. They expanded further into the life sciences sector with new EIS and SEIS offerings as well as bringing Dr Savvas Neophytou on board in early 2016 to help oversee these new investments.

TABLE 1:
KEY FINANCIAL METRICS SUMMARY OF DEEPBRIDGE CAPITAL LLP

	2013	2014	2015	2016	3 yr. CAGR
Revenues	121,407	860,418	1,905,793	2,658,959	180%
Revenue growth (%)	100	609	121	40	
Administrative Expenses, Cost of Sales and Members' Remuneration	112,603	471,243	1,114,219	1,876,769	155%
Cost to Income ratio	0.93	0.55	0.58	0.71	
Operating Profit	8,804	389,175	791,574	782,190	
Net Profit	8,658	388,358	791,368	781,845	349%
Net Profit Margin (%)	7	45	42	29	
Net Assets	59,972	73,701	286,873	269,885	
Current Ratio	2.02	1.77	2.19	1.55	
Total Debt/Equity	0	0	0	0	
Total Assets/Liabilities	2.03	1.80	2.31	1.76	

Source: Deepbridge; AllenbridgeIQ

As with all LLPs the above numbers are not directly comparable with those of a company since some of the member's drawings which would be treated as an expense in the accounts of a company are part of the profits in an LLP. As can be seen from the movement in net assets, most of the net profits were paid out to members and it is likely that a similar levels of drawings would be necessary in future to retain senior management.

The Manager appears to be financially healthy with increasing revenues year on year. However the £750,000 increase in 2016 revenue, coupled with a fall in profits, stands out from the financial data. The Manager said that they had invested heavily into the business that year including increasing headcount and moving into a larger main office in Chester. Justifiably, their costs will have increased but the manager expects their 2017 revenues to increase as well and profit to catch up.

Deepbridge's corporate structure is straightforward – Deepbridge Capital LLP owns the Manager outright and the LLP is owned by its 7 partners. One co-founder, Ian Warwick, retains a majority interest in the LLP. The current equity partners are: Ian Warwick, Kieran O'Gorman, Ray Eugeni, Gareth Groome, Rick Parry, Peter Johnson, and Savvas Neophytou.

We understand that there are plans afoot for Deepbridge Capital LLP to convert to a limited company at some point in the 2018/19 tax year. However as the tax-advantaged business operations are technically overseen by the subsidiary, Deepbridge Advisers Limited, we foresee this as having limited impact and will ultimately be beneficial for the business.

Quality of Governance and Management Team

The ultimate decision-making entity is the Manager's Board, which is chaired by Deepbridge's Managing Partner, Ian Warwick, and includes all partners, both executive and non-executive and some advisory members. To both govern and advise the firm, the Manager has a number of committees, including an Investment Committee and a Risk/Compliance Committee, which oversee various business functions and are an integral part of the decision-making process. These are detailed below:

TABLE 2:
OVERSIGHT COMMITTEES

Committee	Details
Board	- Mandate: All matters relating to Deepbridge's business activities. - Members: All partners and advisory members - Frequency: Quarterly
Investment Committee	- Mandate: To propose all new investments - Members: Ian Warwick, Kieran O'Gorman, Gareth Groome, Savvas Neophytou - Frequency: When required
Supervisory Investment Committee	- Mandate: To oversee and review all proposals from the investment committee - Members: 3 members per product including Kieran O'Gorman and 2 selected from 9 that are relevant to each investment. - Frequency: When required
Compliance Committee	- Mandate: To develop and implement policies to ensure high quality governance is maintained, and that the company remains fully adherent to the regulatory and legislative environment in which it operates. - Members: Kieran O'Gorman, 2 Deepbridge senior members - Frequency: Quarterly
Risk Management Committee	- Mandate: To implement policies to identify, mitigate and manage business and investment risks. - Members: Kieran O'Gorman, 2 Deepbridge senior members. - Frequency: Quarterly

Source: Deepbridge; AllenbridgeIQ

In addition to this, on a per-product basis there is the Supervisory Investment Committee. This committee is non-remunerated; members offer their time and services freely to Deepbridge for a number of personal reasons, such as remaining part of a venture capital network, passing on their knowledge and experience to smaller companies, and being in a position to keep abreast of new industry developments. If a member were to invest in one of the Deepbridge portfolio companies, he would have to resign from the Supervisory Investment Committee. Deepbridge confirmed to Allenbridge that these members of the Supervisory Investment Committee are free to leave and are not contractually bound to the Manager, although the fact that they offer their services for free should also be considered a significant value-add for investors at the same time.

As the appointed representative of Enterprise Investment Partners LLP ("EIP"), all of Deepbridge's investment activities are independently reviewed by them. For this purpose Deepbridge is the investment adviser whilst EIP is the investment manager.

The Manager conducts a thorough annual review of all its business operations to see what could be improved. They acknowledged to us that their entire internal governance is undergoing review as it has lagged behind their fast business growth. They stressed that they intend to make more senior hires to lessen the burden on the senior management team. Currently there is considerable time pressure with regards to their managerial and investment duties due to the small team size.

Deepbridge aims to incentivise staff through share options, profit participation, and has had a high staff retention rate to date with only two departures from the partnership namely Simon Chadwick and Chris Wood, who both resigned for personal reasons in December 2012 and March 2017 respectively. We note that Chris Wood has stayed connected to Deepbridge as Senior Medical Adviser. In addition two of their business development managers have left in 2014 for new opportunities elsewhere.

The Manager indicated that there were no material regulatory or litigation issues, as at the time of writing.

Product Quality Assessment

Investment Team

Deepbridge's investment team consists of 16 individuals, responsible for managing all investments made by the manager. The team is composed of two sections – the "in house" team of 6 and then the supervisory committee members of which there are 10. Of this team, 12 (4+8) of them lend their expertise to the Life Sciences SEIS. The team is very well resourced and experienced. At Deepbridge most have worked together since or close to inception however many of the team had worked together prior to this. The team is expected to grow to reflect the increase in size of the Manager and to allow for both managerial and investing duties to continue to be carried out to the same high standard.

Of particular importance on the life sciences side is the Head of Life Sciences, Dr Savvas Neophytou, who joined Deepbridge in January 2016. Savvas was a former investment banker turned life sciences entrepreneur and had been known to Deepbridge for a number of years prior to joining. In addition to this, Deepbridge has made two new hires at a senior level to help oversee the life sciences portfolios, both of whom will join the team in January 2018.

The Supervisory Investment Committee members also bring a wealth of experience to Deepbridge. However currently Deepbridge relies on their goodwill for them to contribute their time, only reimbursing their expenses. Whilst this relationship has worked up until now, with the members extremely passionate about developing new technology, the Manager said they were revaluating the current set up going forward considering the growth in the business and number of investee companies to manage.

Enterprise also provide some level of oversight with any investment. Any investment made requires unanimous internal approval, followed by majority supervisory approval, and finally complete approval from Enterprise.

The team attempts to mitigate key man risk by data sharing and regular communication. The manager said that at least two people are aware of everything happening with regards to a company. In addition to this, the senior team have key man insurance as do the managing teams of the investee companies.

We understand the incentive schemes are linked to the performance of the company as a whole. The performance fee charged on the SEIS is one way to align the interests of the team with investors. In addition to this, if any of the employees or advisors of Deepbridge invests in the companies, it will be on exactly the same terms as the investors in order to have any conflicts of interest.

Currently the team is well-resourced and has the relevant mix of experience to effectively execute deals to the stated mandate but it is a good sign that it is growing to uphold the level of commitment and attention given to each investee company.

We present the biographies of the investment team relevant to life sciences in the appendix to this report.

Investment Strategy & Philosophy

The core investment strategy is to invest in an individual portfolio of up to 10 early-stage life sciences companies with significant growth prospects. These companies will focus on one of three key areas which are biopharmaceuticals, biotechnology, and medical technology. In addition Deepbridge has investment criteria that potential investee companies must demonstrate:

- A focus on life sciences and medical device technology;
- Significant market potential with clear need and market growth;
- Provide a solution to a recognised clinical or healthcare need;
- Innovation-driven products that have the potential to create new market segments or displace current technologies;
- Medical technology businesses with a clear and realistic path to commercialisation;
- Robust intellectual property which may provide patented or patentable IP protection;
- Passionate, energetic, experienced and aligned founding team; and

- Clear exit strategy to be implemented within 4-5 years with alignment of interests with our stakeholders.

Some of Deepbridge's investments ultimately wish to sell their product to the NHS. This is because the NHS has a global reputation and products approved for use in the NHS are likely to be quickly approved in other countries. The difficulty comes from the restricted budget of the NHS and the tough competition to sell products and get approval for use.

The NHS is biased toward towards large companies for certain products (mainly drugs and specialist equipment) so a small company with such products will face huge difficulty in selling directly to them. However, technologies such as apps are far easier to market. Deepbridge are fortunate in that they have an ongoing arrangement with Alder Hey Children's Hospital in Liverpool for both developing and testing relevant new technology from their investee companies. This has the benefit of bypassing the main procurement process of the NHS and allows doctors to interact with the company at an early-stage, giving essential feedback for the development of the product. Often testing is done in parallel with current systems and if successful the hospital provides a much greater endorsement for further sales to the rest of the NHS. This relationship in turn should make it easier for Deepbridge to source good ideas than might otherwise be the case.

An example of this in action was an app trialled by paramedics to improve on the current way patient data collected during the emergency response and ambulance journey is then transferred to the main hospital.

With regards to their drug development companies, Deepbridge took a slightly different stance. They would be investing with a view to exit before the product has been fully developed. This is because the development cycle is often far longer than a typical SEIS/EIS holding period. Also recently there has been some shift amongst the large drug companies from developing their own products from scratch to acquiring new intellectual property from smaller companies. The value of the small companies comes from the potential of the product and the cumulative R&D. Indeed, few of such companies are profitable at the time of acquisition.

The Manager said they were fortunate enough to have very little competition and have a reputation based on the services and experience they provide in helping to commercialise a company in addition to funding. An example given to us was Deepbridge's own marketing team helping investee companies with their own branding. They refuse to participate in bidding wars due to relationship it would create with the company from the start. Furthermore, provided a company meets or has met its agreed SEIS funding milestones, it is almost guaranteed to receive follow-on funding from Deepbridge at EIS level. The Manager said it would be pointless to fund at SEIS and then to cease if a promising company had met its objectives. They were aware of competing managers that have refused to give EIS funding to companies in similar situations.

Deepbridge will always take an active executive board position on the investee company in order to utilise its investment team's experience. In addition to this, Deepbridge ensures it has veto rights despite taking a minority stake.

They were realistic when it came to targets and expectations of companies and explained that their return target may be lower that some of their competitors because it is on a portfolio level rather than a per company level.

Pipeline/Prospects and Current Portfolio

Deepbridge sources its deal flow from a wide range of relationships developed by the Deepbridge team members over the course of their respective careers. This network of deal flow originators is international, including universities, angel networks, regional development funds, development campuses, current investee companies, institutional venture capital funds, as well as individual business introducers such as entrepreneurs. Examples given by Deepbridge include the universities such as Liverpool John Moores and Strathclyde as well as Alder Hey Children's Hospital in Liverpool.

Deepbridge maintains an agnostic approach to deal flow sourcing and origination, in its endeavour to avoid any potential conflict of interest associated with a relationship with a particular source but admits it has strong sources from the North-West, the Home Counties and London. Currently they invest in 5-10% of the companies that they look at.

The current pipeline for this product for the remainder of this tax year, is approximately £2.5 million. Of this pipeline, 60% has approval and the remaining 40% is expected to pass through the investment committee before the year-end.

Since Deepbridge intends to invest in no less than three and no more than six investee companies in any six month period, future deal flow is not expected to be an issue, given its well-connected partners.

The portfolio has existed since 2016 and currently consists of 39 investee companies which are summarised in the table below. The historical deployment schedule by tax year has been as follows: 2015/16 - £1,550,000; 2016/17 - £3,014,000; and 2017/18 - £700,000.

TABLE 3:
CURRENT LIFE SCIENCES SEIS PORTFOLIO COMPANIES

Heading	Cost (£'000)	Value (£'000)	Uplift
Elasmogen	£150	£323	116%
Metix	£130	£304	134%
Beamline Diagnostics	£150	£266	77%
Eligochem	£150	£241	61%
Stent Tek	£80	£152	89%
Top 5	**£660**	**£1,286**	
eLucid Mhealth	£126	£118	-6%*
Remaining 33 Companies all valued at cost	£4,478	£4,478	
Total	**£5,264**	**£5,882**	

*Slight write-down in value because of a grant delay.

The portfolio, while small, appears to represent the types of companies that the strategy aims to identify within the preferred sectors of investment. All these companies appear to have scalable opportunities and have created intellectual property that could potentially be monetised. In addition some of the companies that have received follow-on EIS funding have shown significant uplift from their initial SEIS valuation.

Investment Process

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

Deal Sourcing

> Deepbridge sources its deal flow from a wide range of relationships developed by the Deepbridge team members over the course of their respective careers. This network of deal flow originators is global in nature, and includes university research agencies, angel networks, regional development funds, institutional venture capital funds, as well as individual business introducers such as entrepreneurs.
>
> Deepbridge maintains an agnostic approach to deal flow sourcing and origination, in its endeavour to avoid any potential conflict of interest associated with a relationship with a particular source. For example, whilst Deepbridge maintain a constructive relationship with a number of University research agencies, Deepbridge has not entered into any exclusive agreements thus avoiding the potential of having to fund any proposals made by that research agency.

Source: Deepbridge; AllenbridgeIQ

Deal Filtering and Selection

> Deepbridge operate a three-staged 'funnel' process to which all funding proposals are submitted, this process includes any companies that may have previously received funding via the Deepbridge Life Sciences SEIS.
>
> First stage: the nature of all submissions received are compared to the minimum criteria of the Deepbridge Life Sciences SEIS. If successful, a request for full information is made by Deepbridge to the proposer and the proposal is then moved to the second stage;

Second stage: once full data is received, this data is then reviewed by the Head of Life Sciences and Technical Partner of Deepbridge. In the event that the data provided solicits a successful match to the investment strategy of the SEIS, a business plan will be prepared with the investee company and submitted to the Independent Supervisory Investment Committee.

Third stage: The Independent Supervisory Investment Committee will then review the submitted business plan, reviewing the commercial appropriateness and the risks of the business plan. If successfully passed by the Committee, initial funding deployments will be executed.

Source: Deepbridge; AllenbridgeIQ

Due Diligence

The Due Diligence of the Investee Company will be a comprehensive ground-up exploration and examination of the investee business. While the review will vary for each business, all Due Diligence will cover as a minimum:

- Key personnel: history, experience, qualifications;
- Review of the clinical and non-clinical data/ prototype trials data which must evidence that the technology constitutes a viable advancement on existing technology;
- Current and future financial stability/position;
- Required resource commitment;
- Intellectual Property Protection;
- Current Management Structure;
- Current Corporate Structure (if any); and
- Appropriate Money Laundering Checks.

Ultimately the due diligence process will be used to i) validate all information provided to date and ii) to identify the steps necessary to expedite the current Investee opportunity toward the optimal target outcome.

Following completion of the review the opportunity should meet the Due Diligence criteria:

- APPROPRIATE: The information provided to date is substantially accurate and complete;
- PRACTICABLE: The opportunity can accommodate a business execution plan;
- RELEVANT: The Investment opportunity has a good prospect of solving the identified problem/addressing the identified market need;
- OPPORTUNE: That the return on investment is within the fund criteria and likely to deliver within the time horizon given that a market exists for the investment opportunity post launch
- VIABLE: The size/speed of investment and the ideal/minimal security required; and
- EXECUTABLE: That the Management/Corporate structure can be implemented/is suitable and/or can be reinforced and/or made suitable through deployment of identified key resources (and where it is the case that those resources are to be earmarked from the proposed investment i.e. they are a condition of the investment being made).

A written Due Diligence report will be compiled and presented to the Deepbridge Supervisory Investment Committee for review and approval to proceed.

The investment opportunity will be compared with other potential/competing investments and a determination made as to whether one opportunity represents a significantly better opportunity than the other. As with all other Stages comprehensive documentation of all decisions will be created and retained. At the completion of this stage, a decision to invest in principle will be made by Deepbridge Advisers.

Source: Deepbridge; AllenbridgeIQ

Deal Approval

The Due Diligence Report, Heads of Terms, and any other relevant documentation will then be sent to the Deepbridge Supervisory Investment Committee for an independent review. The Supervisory Investment Committee will be invited to comment on the opportunity and the terms. Upon receipt of their opinion and consideration of all documentation produced to date, Deepbridge will determine whether to proceed to a full Investment Agreement. This will require sign-off by at least two members of the Deepbridge Supervisory Investment Committee.

The Deepbridge Supervisory Investment Committee:

The core discipline of the Committee is advisory corporate •nance, a signi•cant part of which is to review every aspect of an Investee Company and to set the investment and operational strategy as appropriate. The Committee members and their af•liates have speci•c technological, operational and •nancial management experience in emerging companies from early stage to exit and therefore can conduct due diligence on each investment to a high level of granularity and detail.

The Investment Supervisory Committee may deploy sound quality advice from tax professionals teamed with its own management, who understand the need to monitor the investee company's growth, This is intended to considerably reduce the risk of inadvertent breach of SEIS status, unless otherwise advantageous to Investors.

In summary, the Investment Supervisory Committee provides independent oversight on all matters relating to the investments made by the Deepbridge Life Sciences Team, thus ensuring compliance as to its duties in the execution of the investment mandate of the products and services it manages on behalf of investors. The Committee comprises of three appointees, two independent members and one member from the executive management of Deepbridge.

Source: Deepbridge; AllenbridgeIQ

We have reviewed the investment process for the SEIS and were impressed with the structure and rigour of the processes followed. The process is comprehensive with a good level of due diligence and governance around decision making. We reviewed sample investment committee packs and minutes for new deals and found them to be comprehensive and detailed in scope. Additionally, we note that origination stage of the investment process is enhanced by the diversified deal sourcing channels.

Risk Management

Investment in smaller, unquoted companies, by its nature, involves a high amount of risk. This goes double for investing in early-stage life sciences. Deepbridge aim to realise all investments within 5-7 years but this is not always the case. Investors in this product should have an appropriate risk appetite along with the patience to wait past the mandatory three years for SEIS tax relief before expecting to receive returns.

There is an undoubted concentration risk with this portfolio as well. Despite the experience of the investment team, the portfolio is, by design, a specialist fund so could be heavily impacted by future events in the life sciences sector. Investors would be wise to ensure diversification away from this sector with other investments.

Returns could be affected by the potential for cash drag: cash sitting in a bank account not invested can lose value as inflation cuts away at it rather than being productively invested in a growing company. Deepbridge aims to balance their fundraising in line with their investee companies' requirements so investors' cash should not sit idle for long. They have ongoing monthly share deployments.

There is some key man risk on the Deepbridge side. Savvas Neophytou as Head of Life Sciences, along with the rest of the wider committee is a great sign that Deepbridge will be able to muster both their business and life sciences skills to be able to meet any needs investee companies may have along their growth trajectory. However should any of them leave for any reason, the remaining team may be stretched as a result. This is more crucial on the life sciences side with Savvas as head so Deepbridge are taking active steps such as hiring two new life sciences directors to assist Savvas the rest of the team.

Potential conflicts of interests will have to be policed with care. Any follow-on funding from the Life Sciences EIS at a subsequent higher valuation will have to balance the interests of both sets of investors. Crucially the EIS investors must not be "bailing out" the SEIS investors. To that effect, only one exit is made for both the SEIS and EIS investors at the same time – the SEIS investors do not exit earlier.   Allenbridge was pleased to learn that members of the senior management team at Deepbridge have in the past invested into the companies at both EIS and SEIS level. In addition they did so without claiming tax reliefs themselves, purely to demonstrate their own belief in the investments.

Also, there is a potential conflict between which of the EIS portfolios to allocate investments that overlap both technology and life sciences. Deepbridge acknowledge that this is unlikely to be an issue due to the portfolio criteria being nearly mutually exclusive but they do have a policy for such occurrences.

There is the usual conflict between the Manager charging the annual management fee based on the value of the company but also doing the valuation. Deepbridge state they charge their fee based off the initial valuation only, with any subsequent uplift being independently appraised or evidenced by further funding greater than the amount to be deployed by Deepbridge at the newer share price.

Finally, like any investment in a tax-advantaged product, there is the risk of legislative changes. Exit multiples many years from now could be considerably affected by the macroeconomic conditions prevailing at that time – a future state that has proved extremely perilous to predict with any accuracy.

Key Features

The following fees (number 1-4) describe the fees directly payable by the investors and the fees (number 5) incurred by the product. We note, where possible, investor fees are offset with fees charged to the underlying portfolio companies.

1. Initial and Ongoing Fund Management Fee

TABLE 5:
FEES PAID TO THE MANAGER

Initial Fees	On-Going Annual Management Fees	Annual Administration Charges
5% arrangement fee per investee company	2.0% per investee company	None

Source: Deepbridge; AllenbridgeIQ
Note: Deepbridge recoup their fees from the investee companies directly so the arrangement fee offsets the lack of initial fee. This does mean however that an investor's subscription is 100% EIS qualifying.

2. Early-Bird Discounts

There is no early bird discount offered for this service.

3. Subscription/Application Fees

TABLE 6:
SUBSCRIPTION/APPLICATION FEES

Type of Investor	Initial Application Fee (and initial commissions/initial adviser charges)	Ongoing management charges (and ongoing commissions /ongoing adviser charges)
Direct Application (investors who make an application, without using a financial adviser or 'execution-only intermediary)'	2.5% (inc VAT)	0%
Application through a financial adviser	None (+ up to 3.0% facilitated as an adviser charge)	0% (no ongoing adviser charges facilitated)
Application through an execution-only intermediary	None (+ up to 2.0% initial commission to the intermediary)	0% (no trail commission payable)

Source: Deepbridge; AllenbridgeIQ
Note: Fees subject to VAT where applicable.

4. Performance Fee

There is a 20% performance fee in place for the Deepbridge Life Sciences SEIS. There is a hurdle of 150p returned per 100p invested before any fee is charged and there is no catch-up in place. This structure is commonplace within the industry and is exceedingly competitive – many products charge for a fee on all returns above 100p

5. Product Fees

The other fees charged are listed in the following table.

TABLE 7:
FEE DETAILS

Fees	Details
Administration Charge (charged by the Custodian)	0.5% paid by investee company
Annual Management Charge	2.0% paid by investee company
Arrangement Fee (% of deal)	5.0% paid by investee company
Average Annual Costs	£20,000
Running Costs	Capped at 2% of invested capital
Dealing costs (charged by the Custodian)	0.65% paid by investee company

Source: Deepbridge

Performance

The portfolio was first invested in in 2016 and there have been no exits to date. However as mentioned earlier, some of the follow-on investments at EIS level have been at a significant uplift to the initial SEIS investment. In addition, three companies have been put on watch lists by big pharmaceutical firms for a possible future acquisition though Deepbridge admitted the nearest company to a realistic exit was at least 2-3 years away. One company, eLucid Mhealth Ltd had a 6% drop from £2.26 to £2.13 per share due to a delay in grant funding, however that is the only negative performer in the entire portfolio, and a minor one at that.

Appendix 1: Key Personnel

Key Investment Professionals

Name	Job title	Date started	Biography
Ian Warwick	Managing Partner	Jul-10	Ian is a successful entrepreneur and CEO with a complete set of business skills earned over more than 20 years working with and for private and public companies. He spent the last 10 years leading publicly listed (OTCBB) technology businesses in the UK and USA, focusing on business structure, capital investment, transformation and growth. Immediately prior to establishing Deepbridge Advisers Ltd and Deepbridge Capital LLP, Ian spent 5 years as Chairman and CEO of Aftersoft Group Inc. (now MAM Software Group Inc. OTCBB: MAMS), supplying Enterprise Resources Planning software solutions to the automotive aftermarket in the US, Canada and the UK. Ian successfully led the turnaround, re-capitalisation and listing of the business (OTCBB: MAMS), returning it to pro?t. He currently holds personal investments in a number of technology companies whose new products are in the proof of concept stage. He holds a Business Education Diploma from Newcastle Polytechnic, and a Licentiateship (LCGI) (NVQ Level 4) from the Royal Navy.
Professor Chris Wood	Senior Medical Adviser	Jan-11	Chris has 20 years of experience in the biotechnology sector, having founded, managed and successfully exited two biotechnology companies, Bioenvision Inc. (NASDAQ:BIV, which grew to a market capitalization of $345 million, and was acquired by Genzyme Corporation in October 2007), and Medirace Limited (later Medeva PLC, traded on both the London Stock Exchange and the New York Stock Exchange, and subsequently acquired by Celltech Group PLC, now UCB, for £554 million). Chris is currently involved in several biotech projects with outstanding prospects for growth. He is an Honorary Professor at Imperial College London, holds an M.D. from the University of Wales School of Medicine, and is a Fellow of the Royal College of Surgeons of Edinburgh.
Kieran O'Gorman	Technical Partner	Jul-11	During a career spanning more than two decades, Kieran has acquired a wealth of experience in ?nancial services, including institutional fund management within the Lloyd's of London insurance community, HNW private client stockbroking at Popes Stockbrokers (now Brewin Dolphin), as well as roles in institutional client relationship management and fund structuring within the alternative assets space. With an indepth knowledge of the private capital markets, Kieran's role involves identifying new sources of investment capital, ensuring consistent high standards of investor communication, as well as coordinating fund-raising efforts on behalf of the Deepbridge team, particularly with respect to the IHT Service and the managed EIS portfolio service. Kieran has been a Fellow of the Chartered Institute of Securities and Investments since 2001.
Gareth Groome	Finance Director	Nov-13	As Finance Director at Deepbridge, Gareth manages and oversees the ?nancial and investment accounting function for the Deepbridge IHT Service and the Deepbridge EIS Technology Growth Fund. A full member of the Institute of Chartered Accountants in England and Wales, coupled with a solid commercial background as a Chartered Accountant and Finance Director, Gareth has a proven depth of understanding of the ef?cient management of complex fund and investment structures, including the production of NAV and asset performance data. His wide breadth of experience includes directorships in a number of ?nancial services companies, as well as regulatory, legislative and risk management expertise. Prior to his recent role as CFO at a major alternative asset manager, with over

			£900m FUMA, Gareth was employed at Saffery Champness Chartered Accountant in Cheshire.
Professor Nagy Habib	Supervisory Investment Committee Member	Jul-15	Nagy Habib is Professor of Hepatobiliary Surgery, at the Department of Cancer Surgery, at Imperial College London. With principal research activities focusing on the improvement of surgical technologies, Nagy has also been instrumental in the development of remediation and/or cure of diseases of the liver as either a complement or replacement to surgery with particular focus on gene therapy, the use of stem cells and immunotherapy. Nagy has also pioneered novel clinical trials for the treatment of liver cancer. Nagy has extensively published on a wide range of related topics, and is the inventor of, and co-author of the ?rst publication about the use for, radiofrequency in devices used in liver surgery. Awarded by the Advisory Committee for Clinical Excellence, which is given in recognition of exceptional contributions from NHS consultants, Nagy has been named as one of Britain's top surgeons by the Saturday Times Magazine in 2011.
Dr Savvas Neophytou	Partner. Head of Life Sciences	Jan-16	Savvas is the Head of Life Sciences at Deepbridge. Prior to joining Deepridge, Savvas enjoyed a 15 year career in the City, working as an investment banker at JP Morgan, Bear Stearns, Shore Capital, Cantor Fitzgerald, and Panmure Gordon. Savvas was also CEO of telemedicine business Now Healthcare Group. As a highly acclaimed analyst, Savvas has won multiple awards, most recently in 2015 when Savvas was ranked 2nd overall in the prestigious Reuters Starmine survey, a position he also held in 2014. In the same year, Savvas was also runner-up in the CityAM Analyst of the Year awards. Savvas holds a PhD in psychopharmacology from Nottingham University and a BSc (Hons) degree in pharmacology from Manchester University.
Miss Rebecca Roberts	Supervisory Investment Committee Member - Life Sciences	Dec-16	Rebecca is a paediatric surgeon at the Bristol Royal Hospital for Children. A member of the Royal College of Surgeons (England) and the British Association of Paediatric Surgeons, she has experience in surgical and medical settings in India, Tanzania, South Africa and Cambodia. Graduating from The University of Sheffield Medical School, Rebecca also holds a Masters' in Health Research from the University of Lancaster and the Diploma in Tropical Medicine & Hygiene from the London School of Hygiene & Tropical Medicine. She is an Advanced Paediatric Life Support Instructor and has presented her research at many national and international surgical conferences.
Dr Gary O'Hare	Supervisory Investment Committee Member - Life Sciences	Dec-16	Gary graduated from Trinity College, Dublin with MB BCh BAO, in 1997. Subsequently he undertook training in various medical specialities prior to being awarded AFRCSI from Royal College of Surgeons, Ireland in 2001. Subsequently he undertook general practice training in the Mersey Deanery and was awarded Merit in the MRCGP examinations 2006. Further he studied at Manchester University to obtain Certificate of Occupational Health. Gary has been a GP Principal and Partner in an 8000 patient practice in Cheshire. This experience gives him an understanding of front-line medical services and a distinct insight into the needs of patients and clinicians. Gary is also clinical lead for Primary Care, a Governing Body member at Halton CCG and has been selected to study on the Nye Bevan program at the NHS leadership Academy.

Professor Raj Chopra	Supervisory Investment Committee Member - Life Sciences	Jan-17	Professor Raj Chopra is Director of the Cancer Research UK Cancer Therapeutics Unit and Head of the Division of Cancer Therapeutics. He is currently a member of the Cancer Research UK Drug Discovery Committee and of the Scientific Board of the California Institute of Regenerative Medicine (CIRM). Raj received his M.D. at the University College and Middlesex School of Medicine, London and his Ph.D. from the University of London. Raj was previously part of the leadership team for the largest Oncology group in AstraZeneca, and established Translational Medicine for AstraZeneca in Boston, Massachusetts, US. He was also a leader within the Executive R&D Team and Corporate Vice President of Translational and Early Drug Development at Celgene Corporation. In addition, he has been a Non-Executive Director for e-Therapeutics (Oxford, UK) and has been on the Board of Agios (Boston, Massachusetts, US).
Dr Geoff Davison	Supervisory Investment Committee Member - Life Sciences	Jan-17	Geoff is the Chief Executive of Bionow, the life sciences membership organisation for the North of England. Having founded the business in 2011, Bionow has 15 University members and 300 industry members across the North of England and North Wales. Geoff is regularly invited to advise and comment on industry requirements and represent the Bionow membership both regionally and nationally. Previously, Geoff founded 2 biotech companies, Biorite Ltd and Advanced Biomedical Ltd, both spinout companies from the University of Manchester focused on developing point of care diagnostic technologies. Geoff has a degree in Biochemistry and a PhD from the School of Pharmacy, University of Manchester. Geoff is also a Board Member and Treasurer of the Academy of Pharmaceutical Sciences, a member of the Liverpool LEP Health and Life Sciences Advisory Board, member of Health Innovation Manchester Exec group and member of Northeast LEP Health and Life Sciences Advisory Board.
Lloyd Price	Supervisory Investment Committee Member - Life Sciences	Jan-17	Lloyd co-founded, launched and scaled Zesty from an idea in July 2012 into one of the UK's leading Digital Health companies, winning multiple awards and raising in excess of $10M in funding. Zesty was selected as "1 of the UK's 30 Finest Early Stage Technology Businesses" by TechCityUK for the Upscale program in 2015 and subsequently Lloyd was voted "1 of the 100 most influential people in HealthTech globally" in 2016 by HotTopics magazine. Prior to his 5 years in Healthcare, Lloyd had 15 years' experience building Digital Businesses within 6 Industries - Retail, Travel, Finance, Advertising, Dating and Social Networking. Lloyd studied Business Administration at Coventry University and Corporate Finance at London Business School.

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NOTE:

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