

Kuber
Ventures
Investment
Governance
Process



Kuber VENTURES

For professional advisers, their clients and high net worth investors only



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bee in safe hands



Process

“We believe that this robust and independent investment governance process can provide advisers with the confidence to recommend a diversified portfolio of EIS /SEIS & BPR investments through Kuber Ventures”

1. Manager Screening

In the first instance, Kuber uses its knowledge of the EIS/SEIS & BPR market together with Independent research sources such as MICAP, Tax Efficient Review and Allenbridge’s Tax Shelter Report to identify the universe of suitable EIS/SEIS & BPR funds. Kuber aims to apply its parameters to the whole EIS/SEIS & BPR market.

Parameters aim to share common criteria with those set by banks and wealth managers and include:

- > EIS/SEIS & BPR fund manager must be authorised and regulated by the FCA with permission to manage investments for retail clients
- > The manager must have a track record of working with EIS, VCT or other similar solutions in each of last 3 tax years. Where the manager does not have such a track record, senior personnel must have worked in EIS/VCT at senior level
- > Must have clear intention to open new EIS/SEIS solutions in subsequent tax years.
- > Manager or its employees, consultants or advisers must have at least 5 years’ experience of investing in unquoted smaller companies with particular expertise in the sector in which EIS will be investing, with track record of realising existing investments
- > Manager must have robust and documented processes for selecting investment opportunities. Where the Manager might be regarded as a boutique, process should be governed and validated by an investment committee or external specialist
- > HMRC advanced assurance must be obtained on all investee companies prior to investment.

2. Initial Manager Selection

Kuber will at this stage review each manager who has passed the screening process completed by Hardman & Co. This will involve a meeting or detailed call with each manager, primarily to gauge their appetite for making their EIS/SEIS & BPR portfolios available through the Kuber platform.

Process

3. Due Diligence Review

A detailed due diligence questionnaire will be issued by Hardman & Co to all those managers who have confirmed their interest in joining the Kuber platform.

The questionnaire covers the Details of Scheme Manager, Product, Investor Protection/Administration and General information.

The completed questionnaires are returned to Hardman & Co for them to review.

4. Investment Committee Review

The Kuber Investment Committee is made up of 3 members, two of which are independent of Kuber.

The purpose of the Committee is to independently validate the information supplied by the EIS managers on the completed questionnaires, and if necessary to request further information / clarification.

The Committee will then make the final decision with regard to the inclusion of managers on the Kuber platform.

5. On-boarding

At this stage Managers complete the necessary documentation to join the Kuber platform, and supply full information on their EIS portfolio to be included in the Kuber literature and website.

Managers must also agree to the ongoing monitoring process

6. Monitoring

Once the EIS manager is on the Kuber platform, this is not the end of the due diligence process. The Committee will conduct half yearly validation checks on all managers to determine whether there have been any adverse changes since completion of the original questionnaire.

This process may require further information to be supplied to the Committee. The outcome of this process will determine whether the manager continues to be made available to investors through Kuber, and also if an update is required for all existing investors and advisers.



Appendix “a”

Initial Manager Selection

The Kuber panel must cover a broad spectrum of risk/return profiles across a broad range of industry sectors.

FCA authorisation:

- > EIS fund manager must be authorised and regulated by the FCA or be an appointed representative of a firm authorised and regulated by the FCA.
- > Manager must hold retail permission for managing EIS portfolios.

Enterprise Investment Scheme (EIS) track record:

- > Managers must have promoted (Seed) Enterprise Investment Schemes solutions during the past 3 tax years. If the manager is new to EIS/SEIS, key personnel must have worked in EIS or private equity sector at a senior level.
- > There must be a clear intention of opening new EIS solutions in subsequent tax years.
- > Senior management team must have a minimum of 5 years experience of investing in unquoted companies; with expertise in the relevant sector in which the portfolio will be investing. A track record is required.

Senior Management Experience

- > Senior management team must have a strong record in deal origination and strong deal flow.
- > Manager must have a robust administration process, and have a dedicated client service function.

HMRC

- > HMRC advanced assurance must be obtained on all investee companies prior to investment.



Appendix “b”

Due Diligence

Questionnaire

Please provide the following

1. Details of Scheme Manager

In addition to the following please supply the latest set of annual audited accounts and any interims produced since then.

- 1.1 Details of organisation ownership/structure (organisation chart)
- 1.2 Hierarchy chart detailing the key members of the management team and their areas of responsibility
- 1.3 Confirmation of your solvency position, both absolute and regulatory including details of your regulatory capital requirements (if any)
- 1.4 What levels of Professional Indemnity Insurance are in place (copy of schedule)
- 1.5 What is your regulatory status and permissions?
- 1.6 Have you had any complaints, regulatory or other, or enforcement actions in the last 3 years?
- 1.7 Are there any regulatory issues outstanding?
- 1.8 Supply any current credit rating awarded by a recognised credit agency, if available
- 1.9 Total funds raised in each of last 3 years. If more than one relevant product then split by product.
- 1.10 Current total funds under management (include as of date) – 31/10/15

Management Team

- 1.11 List all those making investment decisions, together with brief biographies. Include those on your Investment Committee. Outline why these are the right people to be managing the product. Include length of employment and any relevant qualifications.
- 1.12 Are all the individuals listed and active on the Financial Services Register? If not then what due diligence has been performed on them?
- 1.13 Are these people employees, consultants or acting in own capacity?
- 1.14 If not employees, what is their commitment to the scheme?
- 1.15 How are they remunerated?
- 1.16 List any potential conflicts of interest and how these are being managed.
- 1.17 Please give a list of directors, together with brief biographies.
- 1.18 Supply details of succession plans if available

Due Diligence Questionnaire continued

2. Product

In addition to the following please supply any prospectus, schemes of arrangement, marketing literature or any other supporting documents. For companies please supply the latest audited accounts.

- 2.1 Is the product eligible for EIS, SEIS or any other scheme?
- 2.2 Has advance assurance been received from HMRC? Will it be obtained for future investments?
- 2.3 Provide an overview of the investment strategy. Include reference to any style or sector preferences
- 2.4 Outline your experience managing this particular type of investment
- 2.5 Outline your processes for managing risk for investors, especially with respect to capital.
- 2.6 Outline what diversification investors can expect, if any. How many expected holdings and what weighting balance?
- 2.7 What is your minimum investment?
- 2.8 List all fees payable by investors, the portfolio and investee companies. This includes any fees that may be for specific services supplied e.g. director's fees, consulting services etc.
- 2.9 Describe the monitoring procedures in place to ensure the investments continue to meet the stated objectives.
- 2.10 Give any target returns for your product(s) and outline the basis on which they are calculated.
- 2.11 Are other funds raised in parallel to the portfolio? If so are outside firms used and what measures are in place to limit/prevent dilution?

Performance

- 2.12 Provide any available past performance statistics.
- 2.13 List previous investments made, holding times, exits and returns achieved. Include any failures
- 2.14 What income have investors or the portfolio received?
- 2.15 What income should investors expect to receive?
- 2.16 How is portfolio cash invested? List any institutions used and how they are monitored.
- 2.17 How will investors be able to exit from the product? Will in specie transfer ever be used?
- 2.15 Assets raised for product in each of last 3 years, number of investors and amount currently invested?
- 2.16 What valuations are available to investors and how are they calculated?

Due Diligence Questionnaire

continued

3. Investor Protection/Administration

Please supply copies of any investment manager, custody or administration agreements. Please note when any agreements expire.

- 3.1 What are the custody arrangements for client funds? Include arrangements for segregation.
- 3.2 What are the custody/nominee arrangements for investments?
- 3.3 What are the counterparty risks?
- 3.4 Provide an overview of administration systems, together with details of client servicing team.
- 3.5 Where processes are outsourced outline any monitoring arrangements.
- 3.6 How many complaints have been received from investors in the last 6 months (upheld/rejected, if applicable)?
- 3.7 How are complaints handled? Include details of the process followed.
- 3.8 Is the administration FATCA compliant?
- 3.9 Where any part of the service is outsourced please provide an overview of due diligence undertaken prior to working with the third party.
- 3.10 Are you able to supply electronic data feeds?
- 3.11 Are you a member of the Enterprise Investment Scheme Association?

Due Diligence Questionnaire continued

4. General

- 4.1 Outline any negative news or litigation which your firm or key personnel have been associated with.
- 4.2 Confirm whether there have been any regulatory breaches or whether there are any current investigations by the FCA or any other regulatory body.
- 4.3 What problems, if any, have you had in the last 3 years?



Appendix “c”

Kuber Investment Committee

Committee Members:

Seonaid Mackenzie, Managing Partner Sturgeon Ventures

Seonaid Mackenzie, has had a 29 year career in the City, having been a stockbroker, fund manager, as well as operating UK funds, and fund raising for private companies and funds. Seonaid founded Sturgeon Ventures LLP as a “single family office” in 1998 investing in public and private companies. Sturgeon Ventures LLP are the longest serving/running wholesale incubator in London; their clients include fund managers with various strategies from the UK and US, third party fund raisers, corporate finance firms, family offices, amongst others. Sturgeon’s team offer regulatory and risk services and start up mentoring, a virtual Chief Operating Officer service for fund launches, and often assist overseas firms starting in London.

Jenny Harding, Senior Legal Counsel TT International

Jenny Harding works at Gulf International Bank (UK) Ltd. as Head of Legal. Prior to this Jenny spent 8 years at TT International where she was also Head of Legal. She has also worked as a lawyer at Merrill Lynch Investment Managers (now Blackrock) and AXA Investment Managers Limited. Jenny is a qualified barrister and began her legal career at the bar of England and Wales.

Dermot Campbell, Chief Executive Officer of Kuber Ventures

Dermot is CEO of Kuber Ventures and part of the executive team. He has many years experience as a wealth management professional covering both investment management and wealth structuring. He has worked for UBS Wealth Management in the UK where he was a director and head of the intermediaries’ client management team and before that he worked for various organisations including Abacus, the Channel Isles trust company formally owned by PWC and several boutique advisory firms.

Dermot is a Chartered Financial Planner, an associate of the Personal Finance Society and a member of the Chartered Institute of Securities and Investments.

Appendix “d”

On-boarding

Process

- > Manager successfully completes due diligence process and agrees to Kuber terms and conditions.
- > Manager completes fund and administration agreements.
- > Manager provides information to be included on Kuber website and in Kuber literature.
- > Manager agrees to complete ongoing due diligence as required by Kuber.



Appendix “e”

Monitoring

Validation Checks

Half-yearly monitoring by Kuber Committee - to include the following:

- > Confirm any changes to the manager’s key personnel and members of its Investment Committee.
 - > New personnel listed and active on the Financial Services Register?
- > Confirmation of regulatory status of firm and key individuals.
- > Changes to structure/ownership of organization.
- > Have there been client complaints or enforcement actions by the FCA?
- > Changes of administration processes or outsourced partners?
- > Outline negative news or litigation under which firm or any key personnel have been associated with.
- > Confirmation of Professional Indemnity Insurance (PI) and provider of coverage.
- > Confirmation that audited accounts filed in timely manner.



For more information

Important Notice/Terms and Conditions

Please read the following information carefully as a professional adviser.

The information contained in this factsheet is for discussion purposes only for professional advisers and their clients, it is not for Retail Clients. EIS Funds are not suitable for all investors as the underlying investments are often illiquid and therefore high risk. Advice should always be sought from a professional adviser prior to investing.

By reading this factsheet you are agreeing to the terms and conditions. For purposes of compliance with the UK Financial Services and Markets ACT 2000 (FSMA), this material is communicated by Kuber Ventures; and the contents of this financial promotion have been approved for the purposes of section 21 of the FSMA by Sturgeon Ventures Limited which is authorised and regulated by the Financial Conduct Authority (FCA) and it has its trading office at Dorland House, 20 Regent Street, London SW1Y 4PH.

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