

# Key Information Document



## 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 Q1 2021 (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 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 the underserved regions of the UK, in 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, Share 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. There may also be the opportunity to invest into some Seed Enterprise Investment Scheme (SEIS) qualifying companies, in which case, investments will be made into both EIS and SEIS qualifying companies where an investor has chosen to allocate a portion of their investment into SEIS qualifying companies.

Investors can expect approximately 15 underlying investments to be made on their behalf within 6 - 12 months of the Fund closing date. These investments will comprise new deals and follow-on funding rounds for existing Mercia portfolio companies.

### 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 and SEIS 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?")

### Performance Scenarios

Example investment of £100,000

Scenarios		Year 1	Year 4	Year 7
<b>Unfavourable</b>	What you might get back after costs	£0	£37,475	£82,500
	Average return each year	-100%	-21.8%	-2.7%
<b>Moderate</b>	What you might get back after costs	£0	£87,300	£158,500
	Average return each year	-100%	-3.3%	6.8%
<b>Favourable</b>	What you might get back after costs	£0	£125,300	£234,500
	Average return each year	-100%	5.8%	12.9%

Source: Mercia Fund Management estimated values.

Note: 7 years is the recommended holding period for this fund, and the minimum investment is £25,000.

The table presented above shows the money you could get back over the next 7 years, under different scenarios, assuming that you invest £100,000 into EIS investments only. The scenarios shown illustrate how your investment could perform, and you can compare them with the scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the investment. Past performance is not a guide to future performance and you may get back less than you invested.

Due to the nature of the investment, it is expected that investors will not be able to realise any value within the first year. This product cannot be easily cashed in. This means it is difficult to estimate how much you would get back if you cash in before the end of the recommended holding period. Given the holdings are in unquoted companies you will either be unable to cash in early or make a large loss if you do so.

The figures shown include all of the costs of the product itself, but it does not include all the costs that you may pay to an advisor. The figures do not take into account your personal tax situation which may also affect how much you get back. The performance scenarios do not take into account the impact of tax reliefs which investors may be eligible for depending on their personal circumstances.

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

The Fund Manager, Mercia Fund Management Limited and The Custodian, The Share Centre 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 The Share Centre 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 £100,000. The figures are estimates and may change in the future.

	Year 1	Year 4	Year 7
<b>Total costs</b>	£5,150	£12,700	£41,500
<b>Impact on return (RIY) per year</b>	5.15%	3.18%	5.93%

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 as described.
- the meaning of the different cost categories.

This table shows the impact on return per year		Yearly impact	Description
<b>One off costs</b>	<b>Entry costs</b>	0.34%	2%* initial fee. The impact of the costs you pay when entering your investment.
<b>On-going costs</b>	<b>Portfolio transaction costs</b>	0.10%	0.35% dealing charge. The impact of the costs of us buying and selling underlying investments for the product.
	<b>Other ongoing costs</b>	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.
<b>Incidental costs</b>	<b>Performance fee</b>	3.43%	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.

\*the initial fee is reduced to 1% for existing Mercia 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

The Share Centre will act as the Custodian for the Fund, with shares held within the Nominee Company, Share Nominees Limited.

Please refer to the Key Features of the Investment Memorandum for full details regarding the option to make an allocation to SEIS investments.

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