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This document is not to be circulated to or relied upon by retail clients.



AI Ventureflows SEIS Fund: Consumer Duty Product Pack for Distributors

February 2025



Sapphire Capital Partners LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

AI Ventureflows SEIS Fund

Product reviewed: February 2025

Previous review: N/A - new product

Product launched: February 2025



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Product: AI Ventureflows SEIS Fund

Key Documents	Information Memorandum and Key Information Document (KID).
Nature of Security	Unquoted shares in SEIS qualifying companies.
Nature of Product	Discretionary managed portfolio service - alternative investment fund ("AIF").
Length of hold	Early-stage investments with a long-term investment horizon. Recommended holding period 7 to 10 years.
Tax Advantages	SEIS reliefs such as, income tax relief, capital gains tax deferral and/or reinvestment relief, capital gains tax free growth and inheritance tax relief via business relief.
Nature of Risk	The risk score is 6 out of 7, because SEIS funds invest in early-stage and growth companies which are hard to value and where it may not be possible to sell the investment. This rates the potential losses from future performance at a high level, and poor market conditions are likely to impact the capacity of the Product.
Target Investor	Designed for private investors who understand the risks of investing in unlisted investments, typically a UK higher-rate taxpayer, over 18 years of age, normally advised by an FCA authorised adviser or a retail client that is a high net worth or sophisticated client. They may also be a professional client or an eligible counterparty. Investors should be able to lose all funds invested.
Target Sector	The Product's objective is to invest in SEIS qualifying early-stage companies with high growth potential seeking to leverage technology to scale globally.

Product: AI Ventureflows SEIS Fund

Product Objectives	Target return of £5 for every £1 invested at the portfolio level. Note that targeted returns are not a reliable indicator of future performance. The target return may not take into account all commissions, fees or other charges.
Distribution Strategy	IFAs distribution.
Withdrawal/ liquidity	The Product will subscribe for shares in unquoted early-stage businesses with no readily accessible secondary market. Investments in the Product should be expected to be held for the anticipated holding period but may take longer to realise.
Transferability	Once investments have been held for the expected life of the Product, the Investment Manager may instruct the transfer of the shares into the name of the individual investors.
Financial Services Compensation Scheme	Deposit protection of up to £85,000 per person per eligible claim for investors' money held on client account at the custodian. Please review the Fund information memorandum to understand the full details in relation to eligibility to claim under the Financial Services Compensation Scheme or contact the FSCS directly at www.fscs.org.uk .
Insurance Benefits	The Product does not have any insurance benefits.

Product: AI Ventureflows SEIS Fund

Fees	Initial cost	5% (Plus Vat)	<p>There will be an Initial Charge payable by each Investee Company equal to a total of 5% (plus VAT) of the amounts invested in the Investee Company paid to the Investment Manager. Investors pay zero charges so charges do not reduce the SEIS relief available to them and they can claim SEIS relief on their total gross investment into the Fund.</p>
	Annual Management Charge (AMC)	Up to 2% Per annum (plus VAT) of the amount invested by the Fund in the Investee Company. (unless otherwise agreed)	<p>An Annual Charge for management is payable to the Investment Manager by each Investee Company equal to a total of 2% (plus VAT) of the amounts invested in the Investee Company (unless otherwise agreed).</p> <p>The Investment Manager will, out of the Initial Charges and the Annual Charges payable by Investee Companies and Investors, pay for the Investment Consulting and Mentoring Services undertaken by VentureFlows Limited and the services provided by the Custodian.</p> <p>It is noted that the annual charge (plus VAT), relating to the first three years, will be aggregated and paid in full on the date in which the Fund money is invested into each Investee Company. The Investment Manager may, at its discretion, charge fees in respect of each year thereafter to be paid on the commencement of each successive year or accrued and collected from future distributions.</p>

Product: AI Ventureflows SEIS Fund

<p>Fees</p>	<p>Adviser Fees</p>	<p>The maximum adviser fee is 4.5% (plus VAT) of the subscription monies.</p>	<p>If an Investor requests that a payment is made to their financial adviser or Intermediary for advice received, this will be deducted from the Investor's subscription monies, before their investment is made in the Investee Companies. The maximum adviser fee is 4.5% (plus VAT) of the subscription monies.</p>
	<p>Performance fees</p>	<p>25% (+VAT) on returns which exceed £1 for each £1 invested in the fund.</p>	<p>If an Investor has received cash distributions equal to £1.00 for every £1.00 of his or her Subscription to the Fund, then VentureFlows Limited and Sapphire Capital Partners LLP will be entitled to a Performance Fee of 25% (plus VAT) of the Surplus Distributions. No Performance Fee will be charged on any amounts below the hurdle rate of £1.00.</p>

Target Market Analysis



Analysis

Requirement	Target Market Criteria	Compatibility
Client type	Retail	Compatible
	Professional	Compatible
	Eligible counterparty	Compatible
Sub-type of Retail	Unrestricted	Not compatible
	Restricted/ HNW/Sophisticated	Compatible
	Suitability/Appropriateness Test	Compatible
Notes	Based on the Product strategy and target market analysis, it is deduced that the Product is suitable for eligible counterparties, professional, high net worth or sophisticated retail investors. Restricted retail investors can access the Product if they meet the suitability or appropriateness of the Product, however, it is strongly recommended that restricted investors are advised by an IFA.	
Knowledge and experience	Low	Not compatible
	Medium	Not compatible
	High	Compatible
	Advised	Compatible

Analysis

Requirement	Target Market Criteria	Compatibility
Financial situation, with a focus on ability to bear losses	No tolerance for loss in their investment	Not compatible
	Tolerance of moderate loss	Not compatible
	Tolerance of entire loss	Compatible
	Tolerance of loss exceeding investment	N/A
Characteristics of vulnerability	Poor health	Not compatible
	Experiencing a negative life event	Not compatible
	Having low financial resilience	Not compatible
	Having low capability	Not compatible
Notes	<p>This Product is not targeted at consumers with characteristics of vulnerability; however, when onboarding and/or communicating with a consumer, staff will be on the lookout for signs of vulnerability that can lead to the individual concerned making poor decisions. Sapphire will act in line with the Sapphire Vulnerable Persons Policy. Subject to the vulnerability assessment, Sapphire may reject an investor application and may recommend seeking advice from an IFA.</p>	

Analysis

Requirement		Target Market Criteria	Compatibility
Client's objectives and needs	Investment Tenor	Short	Not compatible
		Medium	Not compatible
		Long	Compatible
	Investment Objective	Capital protection	Not compatible
		Appreciation	Compatible
		Future income stream	Not compatible
		Tax advantages	Compatible
	Liquidity	Requires the possibility to exit investment early	Not compatible
		Willing to hold the investment long term/until maturity	Compatible
	Additional criteria	Preservation of tax relief	Compatible
		Portfolio diversification	Compatible
		Hedging	Not compatible
		Ethical/green	Not compatible
		Sharia compliant	Not compatible

Analysis

Requirement	Target Market Criteria	Compatibility
Distribution Strategy	Advised	Compatible
	Non-advised	Compatible
	Execution only	N/A
	Discretionary	N/A
Notes	The Product is only to be distributed via suitable channels such as Investment Advisers or Mentors, IFAs, intermediaries and wealth manager networks who have an expertise in high risk investments in venture capital (as described above) for investment by qualifying professional investors (as per COBS 3.5) or high net worth, sophisticated or restricted retail clients (as per COBS 4 - Annex 2, 3, 4 and 5). It is for advised investors and non-advised investors.	

The Investment Manager



SAPPHIRE

How Sapphire prioritises good outcomes for customers

More than just profits

- Certified B Corporation: Achieving the most stringent criteria for verified social and environmental performance, public transparency, and legal accountability.
- Striving to redefine business success by evaluating it beyond mere profit.

Established

- Over 50 funds managed.
- £400+ million AUM.
- 6,000+ Investors onboarded.
- Immeasurable support of innovation.



Personable

- An experienced team of investment professionals.
- Diverse backgrounds in accountancy, corporate finance and more.



Products & Services

Annually, we conduct a thorough evaluation of this product to ensure it consistently delivers good outcomes for customers.

Target Outcome	Outcome Achieved	
	Yes	No
	Last 12 months	Since inception (February 2025)
Tax Relief - at investment, all companies have SEIS advance assurance	Not applicable, the Product launched February 2025, data will be gathered over the next 12 months.	
Target Exit: realised within 10 years		
Feedback requested to understand processes in place to ensure product is sold within the target market		
Product sold only via the defined distribution channels		
Product passed annual review and testing		

Conclusion: As of February 2025, the AI VentureFlows SEIS Fund has insufficient history to complete the above.

Price and Value

Ensuring customers receive essential product services, attain all features, and exceptional value for their investment is crucial for a favourable outcome.

Target for a good outcome	Relevant contributors	Last 12 months	Since inception (February 2025)
Each investor receives the product as offered	Every investor is assigned a portfolio of companies within a range of industries, each with the potential to achieve a 6x return over the life of the fund.	N/A - New product, no money raised and no investments made	N/A - New product, no money raised and no investments made
Product outcomes are attained for each investor	Companies are SEIS-qualifying at the time of investment.	N/A - New product, no money raised and no investments made. The intention is that all investee companies will have received SEIS and/or EIS advance assurance prior to receiving investment.	N/A - New product, no money raised and no investments made
	Portfolio Performance	Too early to evidence. No exits to date.	
	Full deployment within 12 months.	N/A - New product, no money raised and no investments made	N/A - New product, no money raised and no investments made
	Successful exits achieved.	No exits to date – this is a long-term investment with a 10 year expected exit horizon.	
An investor cannot obtain a comparable product or service for a lower fee.	SEIS portfolios with similar overall pricing have been identified, but none of them provide customers with the same proposition.	Pricing - Refer to slide five for the fee summary. Proposition - Guided by VentureFlows Limited, an expert venture-focused investment team which offers advantages in terms of access to high-quality deals and assists portfolio companies in their growth journey toward securing successful exits.	

Conclusion: This product launched in February 2025. Insights will be gathered over the next 12 months.

Consumer Understanding

Our customers should be able to understand all of our communications and be able to make informed decisions.

How we define a good outcome	How we assess it	Reviewed in most recent assessment
All customer communications and financial promotions have gone through a defined process.	Comprehensive sign-off of all documents and communications.	Yes
Benefits & risks are clearly outlined and in no way unclear, misleading, unfair.	Thorough analysis of the promotional materials and risk warnings completed at launch or if there was a material change.	Yes
Tax reliefs offered by the product are clearly communicated.	All reliefs and documents available are clearly communicated to investors, and understanding is assessed on multiple levels.	Yes
Documents and communications provide clear information to consumers to make informed investment decisions.		

Conclusion: The Investment Manager has the appropriate measures in place to aim good consumer understanding.

Consumer Support

A good outcome for customers is when they have been supported throughout their journey.

Divison	We have defined a good outcome as:	Reviewed last 12 months:
Customer service team	Dedicated service team with significant knowledge and experience.	Yes
Customer journey from onboarding to exit	All customers recieve regular communications throughout their journey.	Yes
Methods for feedback	Email, mail, phone, in person and anonymous feedback form.	Yes
Feedback received	Customer Feedback reviewed monthly, and action taken where appropriate.	Yes
Complaints - responsiveness	All complaints are responded to within within 3 days and conducted within 8 weeks.	Yes
Complaints - FOS	No complaints upheld by FOS.	Yes
Provisions for vulnerable clients	Vulnerability training completed by the service team, and actions taken where appropriate.	Yes
Service team	Low turnover and excellent employee satisfaction.	Yes
Abandoned calls	None occurred.	Yes
3rd Party Suppliers	Feedback reviewed when received and acted on where appropriate.	Yes

Conclusion: The team supporting the consumer have the relevant controls in place to provide good consumer support.

SUMMARY

Characteristics of the Product

Summary Disclosure to Distributors

Characteristics of the Product

Based on the Product details and target market analysis, we conclude that the Product is most suitable for high net worth or sophisticated retail clients and not for ordinary unadvised retail investors.

It is recommended that restricted investors are advised by an IFA, to reduce potentially vulnerable customers accessing an unsuitable product.

Product will be distributed in accordance with the needs, characteristics and objectives of the target market

The onus is on the distributor to ensure they act within accordance with the needs, characteristics and objectives of the Target Market. Consumers must be able to make informed investment decisions supported by information and documentation from Sapphire and, if applicable, a financial adviser. In the event a distributor believes they do not have the necessary information required to act within their capacity, the distributor is recommended to contact Sapphire and request the missing information.

Identify the intended distribution strategy for the Product

The Product is intended to be distributed via the Investment Adviser as well as wealth manager and IFAs distribution networks. The Product may also be distributed via FCA-qualifying HNW/Sophisticated networks.

Summary Disclosure to Distributors

Understand the identified target market

The Product is designed for private investors who understand the risks of investing in unlisted investments, typically a UK higher-rate taxpayer, over 18 years of age, normally advised by an FCA authorised adviser or a retail client that is a high net worth, sophisticated or restricted investor (as per COBS 4 Annex 2, 3, 4 and 5). They may also be a professional client (as per COBS 3.5). Investors should be able to lose all funds invested. An investor should:

- be aged at least 18;
- need to diversify investment portfolios across asset classes;
- not need income from or access to the capital invested during the anticipated holding period;
- not be under any pressure to invest or secure a certain income from investing;
- understand investing will expose you to capital losses;
- understand that there is no guarantee that the tax-efficient status of the investment will be obtained or remain;
- understand that the investment may not be able to be realised early, at market value, or at all;
- understand that there is no secondary market for this investment;
- understand that this is a high risk, illiquid, speculative investment and that there is the potential to lose all capital invested;
- not be aware of any health issues or events which would impact their ability to make decisions for financial matters or day to day capability (see FCA guidance FG21/1);
- have a sufficient UK income tax liability to reclaim income tax relief at 50% of the amount subscribed;
- be seeking to reinvest a recently realised gain; and/or
- be seeking to shelter assets from inheritance tax.

It is recommended that all investors are advised by an IFA, to reduce vulnerable customers accessing an unsuitable product and ensure the suitability of the Product for the investor as well as ensuring the Product meets the investor's financial requirements.

Summary Disclosure to Distributors

Understand the identified target market (continued):

The Product is not suitable for clients who:

- under the age of 18;
- have limited to no investment experience;
- are under pressure to invest or secure a certain income from investing;
- can not be exposed to capital losses;
- whose lifestyle would be impacted by the loss of 100% of their investment;
- seek a short to medium term investment product, or need their money back quickly (most funds can be a duration of at least ten years or more);
- whose decision-making is impacted by health issues or life events;
- aren't willing to hold their investment for at least the expected life of the Product;
- have a low- to medium- risk appetite;
- have no UK income tax liability;
- don't seek to reinvest a recently realised gain; and/or
- don't seek to shelter assets from inheritance tax.

Subject to Sapphire's approval, corporate and professional investors can invest in this product; however, the application route involves manual intervention and more documentation.

Issued by Sapphire Capital Partners LLP (FRN:565716), which is authorised and regulated by the Financial Conduct Authority. Registered office: 28 Deramore Park, Belfast, Antrim, BT9 5JU. Issued February 2025.

Investing in start-ups and early-stage companies involves risks, including illiquidity, lack of dividends, loss of investment and dilution. It should be done only as part of a diversified portfolio. There is no assurance that the investment objectives of any investment opportunity will be achieved or that the strategies and methods described by the product will be successful. Past performance is not necessarily a guide to future performance and the value of an investment may go down as well as up.

Tax reliefs available on these investments depend on individual circumstances. Tax treatment is assumed as per current legislation and interpretation, which may change in the future. Tax reliefs also depend on the portfolio companies maintaining qualifying status, which is not guaranteed.


The investments discussed are not suitable for everyone. This document does not constitute advice on investments, legal matters, taxation or any other matters. Any recommendation should be based on a holistic review of a client's financial situation, objectives and needs.

Investors should read the Product's Information Memorandum and Key Information Document before deciding to invest, this can be found at: <https://aiventflows.wpenginepowered.com/>



You've heard from us.

If you need
anything
further, we want
to hear from
you.

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