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



Leela SEIS Fund: Consumer Duty product pack for distributors

April 2024



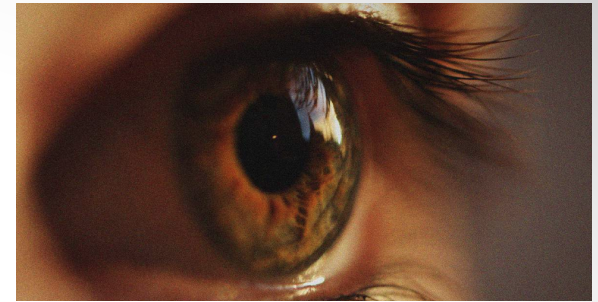
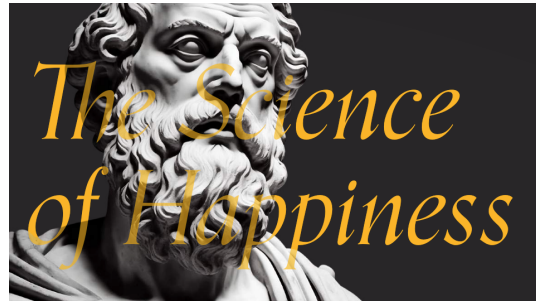
Sapphire Capital Partners LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

Leela SEIS Fund

Product reviewed: April 2024

Previous review: January 2024

Product launched: January 2024



DON'T INVEST UNLESS YOU'RE PREPARED TO LOSE ALL YOUR MONEY. THIS IS A HIGH-RISK INVESTMENT, AND YOU ARE UNLIKELY TO BE PROTECTED IF SOMETHING GOES WRONG. [TAKE 2 MIN TO LEARN MORE](#) (OR SEE THE TEXT ON PAGE 21).

Leela SEIS Fund

Information Memorandum

Dated: 01 January 2024

THE TAX TREATMENT REFERRED TO IN THIS INFORMATION MEMORANDUM DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH INVESTOR AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. IN ADDITION, THE AVAILABILITY OF ANY TAX RELIEFS DEPENDS ON THE INVESTEE COMPANIES MAINTAINING THEIR QUALIFYING STATUS.

THIS INVESTMENT IS NOT SUITABLE FOR ALL INVESTORS AS THE UNDERLYING INVESTMENTS ARE ILLIQUID.

Product: Leela 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 | Recommended holding period of seven years, early-stage investments with a long-term investment horizon. |
| 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 plans to achieve rapid growth, operating across the health and wellness sector. |

Product: Leela SEIS Fund

| | |
|--|--|
| Product Objectives | Target return of 3x the amount invested after seven years. 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 | Investment advisers, wealth managers and 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: Leela SEIS Fund

| | | | |
|------|---------------------------------|------------|---|
| Fees | Initial cost | 6% (+VAT) | This fee is payable by the investee companies as to maximise the amount available for tax relief at a rate of 6% (+VAT) of the net subscription amount (less any advisor fees). |
| | Annual Management Charge (AMC) | 2% (+VAT) | Leela will collect an Annual Administration and Monitoring Fee of 2% (plus VAT) per annum of the amount invested in the Investee Company. Such monitoring fees shall be payable annually in advance, subject only to a downward variation by agreement between the Investment Manager, Strategic Advisor and each Portfolio Company. Leela and Sapphire might also receive warrants from underlying Investee Companies in addition to or in lieu of fees. |
| | Other ongoing costs - exit fees | 1% (+VAT) | The Fund Custodians will accrue a fee of 1% (plus VAT) per year of the investment amount and will be accrued annually and deducted from exit proceeds. For clarity, if an exit is achieved in year five, 5% of the Investor's initial subscription amount will be deducted from exit proceeds as the Custodian fee. |
| | Performance fees | 20% (+VAT) | A performance fee is payable in the event of an investor receiving monies back from the Fund in excess of £1.20 for each £1 of their net subscription amount at a rate of 20% (+VAT). |

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 (2024)

Diversification Target: four companies

Deployment target: all funds deployed within 12 months

Tax Relief - at investment, all companies have SEIS advance assurance

Target Exit: realised with seven 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

N/A - New product, no investments made to date

Conclusion: Not applicable at this stage.

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 (January 2024) |
|--|---|--|---|
| Each investor receives the product as offered | Every investor is assigned a portfolio comprising approximately four companies, each with the potential to achieve 3x return over the life of the fund. | Too early to evidence, no investments made to date. | Too early to evidence, no investments made to date. |
| Product outcomes are attained for each investor | Companies are SEIS-qualifying at the time of investment. | Too early to evidence, no investments made to date. | Too early to evidence, no investments made to date. |
| | Portfolio Performance | Too early to evidence. No exits to date. | |
| | Full deployment within 12 months. | Too early to evidence, Fund launched January 2024. | Too early to evidence, Fund launched January 2024. |
| | Successful exits achieved. | No exits to date – this is a long-term investment with an seven 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 Leela Capital Advisory LLP, 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: Not applicable at this stage.

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: A good outcome for customers was achieved over the review period, as no complaints or communications were received linked to 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: A good outcome for customers was achieved over the review period, as no complaints or communications were received linked to consumer understanding.

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 April 2024.

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 Information Memorandum and Key Information Document before deciding to invest, this can be found at <https://www.sapphirecapitalpartners.co.uk/leela-seis-fund>



You've heard from us.

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

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