

NOVA

Nova Cofounder SEIS & EIS Fund

Product Overview

Welcome

We now live in an online, on-demand disruptive economy. In the last 15 years, 52% of the Fortune 500 companies have disappeared. In 1955 the average life expectancy of a fortune 500 company was 75 years, in 2015 that life expectancy was 15 years. Of the 58,000 digital technology companies in the UK, it's reasonable to expect that half of them will be gone in 15 years. We have never seen a time of more dramatic corporate churn.

Research tells us that the companies created to take advantage of this turmoil, built to fill the gap in changing markets, with no historical baggage to slow them down on average are growing at 30% year on year^[i], I think you will agree this is really compelling growth.

However, 92% of these companies fail within 3 years^[ii]. I hear this figure all the time, it seems like it has almost become acceptable to some investors.

Interestingly when you look at the reasons for failure, 80% of companies cite the same five causes^[iii]. Further, these causes of failure are addressed by accepted current business thinking, commonly found in the teachings of the Lean movement.

We believe we owe it to our entrepreneurs and our investors to create a more rewarding experience, and this belief led Nova to develop the Cofoundery business model.

The Cofoundery approach to creating new ventures addresses the common reasons for startup failure.

As you would expect this results in a significant increase in the success rate of our portfolio companies. After over 70 investments, our current portfolio post-3-year failure rate is just 51% as compared to the industry standard of 92%.

In turn, this has resulted in exceptional growth in portfolio value. At July 2018 the Nova portfolio has enjoyed average annual growth in excess of 80% year on year for over 8 years.

Now for the first time, as a private investor, you can invest in the Nova Cofoundery SEIS and EIS Fund. In doing so you are investing alongside Nova in our Cofoundery portfolio. Along with benefiting from the many years of operating experience accumulated by the Nova team you are also benefiting from the best category of tax relief available to UK investors.

Welcome to the Nova Cofoundery SEIS and EIS Fund, I believe you will have a rewarding experience.



Yours Faithfully,

Andy Davidson
Chief Executive Officer

[i] syndicatoroom, [ii] startupgenome project, [iii] 100firsthits

Opportunity.

The Nova Cofoundry SEIS and EIS is an opportunity to invest alongside Nova in their portfolio of early-stage knowledge-intensive companies.

Nova accepts the available data that suggests:

- Companies within the UK knowledge intensive market segment are growing on average at 30% year on year.
- 92% of these technology startups typically fail within 3 years.
- 80% of these startups fail for the same 5 reasons.

Members of the Nova team have spent the last 9 years developing their Cofoundry model in order to access this 30% year on year market growth while minimising the risk of losses due to the high 92% failure rate of companies within this market.

The Cofoundry model works by operationally addressing the 5 common reasons for startups failure:

- Building something nobody wants
- Having the wrong cofounders
- Hiring the wrong people
- Failing to execute sales and marketing
- Chasing investors and not customers

This in turn reduces the failure rate of individual companies within the portfolio.

Each investors funds are co-invested alongside Nova into a diversified cohort of at least ten early-stage knowledge-intensive companies within Nova's portfolio. This diversification is large enough to reasonably mitigate the risk of failure across the whole cohort.

The Nova Cofoundry SEIS and EIS fund further reduces investor risk and increases returns by allowing the investor to take advantage of considerable income tax, capital gains tax, and inheritance tax benefits available under the Seed Enterprise Investment Scheme or Enterprise Investment Scheme.

Nova takes a digital approach to deal with origination and a mentorship-based approach to founder due diligence, regularly appraising over twenty-five opportunities before making an investment.

As you would expect, Nova's portfolio data reflects their improvement on market norms:

- Portfolio value growth of 88% year on year.
- 51% of portfolio companies fail within 3 years.

When combined with the SEIS or EIS benefits offered by the Nova Cofoundry EIS, this makes a compelling proposition for investors:

- A 0.1% chance of every company in the cohort failing
- A return of 58p in the £1 in the unlikely event that every company in the cohort fails
- Target returns of £2.22 in the £1 based on targeted 20% year on year portfolio growth
- Returns of £7.14 in the £1 if portfolio growth continues at 88%

Historical Portfolio Performance.

The Nova Cofoundry approach has been developed by Nova's CEO Andrew Davidson since 2008.

During this time, the team has invested in over 70 companies and the value of this portfolio has grown at 88% year on year.

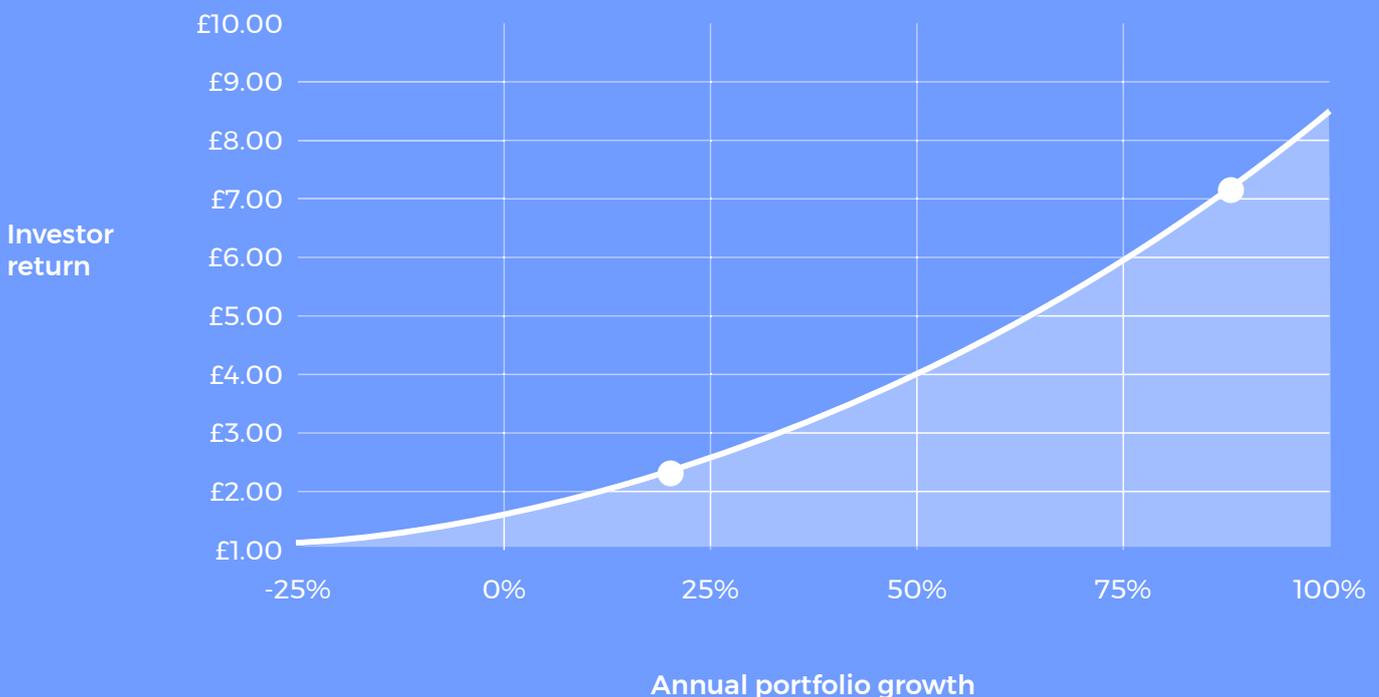
Research from syndicate room suggests that the market annual rate of growth for this sector is 30% since 2011.

The funds raised from the fund will be invested alongside Nova in their growing portfolio of digital technology companies.

Nova is targeting portfolio growth of 20% year on year. This will result in the Nova Cofoundry EIS making its targeted return of £2.37 for every £1 invested.

If the portfolio continues to grow at 88%, the product will make returns of £7.14 for every £1 invested.

Projected returns



88% portfolio growth, yielding returns of **£7.14 in the £1**

20% portfolio growth, yielding returns of **£2.22 in the £1**

Key Tax Benefits.

The Nova Enterprise Investment Scheme is structured to provide eligible investors who are a tax resident in the UK, with the opportunity to obtain tax advantages available under the Seed Enterprise Investment Scheme (SEIS) or the Enterprise Investment Scheme (EIS).

The main shared SEIS and EIS tax advantages are:

Tax free capital gains

There is no capital gains tax liability on gains on the disposal of shares which have been held for at least three years in SEIS or EIS qualifying companies.

100% inheritance tax exemption

Through the availability of Business Property Relief, there may be 100% inheritance tax exemption on the death of the investor (or on certain lifetime transfers) for each individual investment that has been held for at least two years.

Loss relief

A loss on any qualifying investment in the portfolio, irrespective of the overall performance of the portfolio, can be offset by individuals against income of the tax year of the loss, or of the previous year, or against capital gains of the tax year of the loss and future years.

The main SEIS tax advantages are:

50% income tax relief

50% income tax relief may be claimed against income tax paid of up to £100,000 per Investor. Alternatively, an Investor can opt to treat an investment as having been made in the previous tax year, in whole or in part, such that 50% tax relief is available against income tax paid or payable for that year.

Capital gains tax exemption

Gains on sales of other assets that are realised and invested in SEIS shares in the same tax year will qualify for a 50% tax exemption.

The main EIS tax advantages are:

30% income tax relief

30% income tax relief may be claimed against income tax paid of up to £2,000,000 per Investor. Alternatively, an Investor can opt to treat an investment as having been made in the previous tax year, in whole or in part, such that 30% tax relief is available against income tax paid or payable for that year.

Capital gains tax deferral

Deferral of unlimited gains on the sale of any assets if an EIS investment made within one year before or three years after the date of the disposal of the assets which give rise to a gain.

Investment details



TAX RELIEF SCHEME

SEIS & EIS



COMPLIANCE STATUS

Alternative Investment Fund



MINIMUM INVESTMENT

£10,000



MAXIMUM INVESTMENT

£2,000,000



SECTOR

Knowledge Intensive



CLOSING DATE

Evergreen



MAXIMUM RAISE

Uncapped



CLIENT TYPE

Retail & Professional



HMRC

Advance Assurance



DEPLOYMENT

Annual



TARGET RETURNS

222p for every 100p invested



TARGET TIME SCALE

5 - 6 years

Please note that tax benefits depend on personal circumstances, are not guaranteed, and rely on UK tax legislation which may change in the future. This is not an exhaustive list of SEIS and EIS tax rules and is only intended as guidance on SEIS and EIS. Nothing in this document shall be regarded as constituting tax advice and prospective subscribers should seek advice from a suitably qualified independent adviser before deciding whether or not to make an investment. No reliance should be placed upon the tax content herein.

Portfolio Diversification & Risk Mitigation.

Each investor's investment is spread across a cohort of at least 10 different companies.

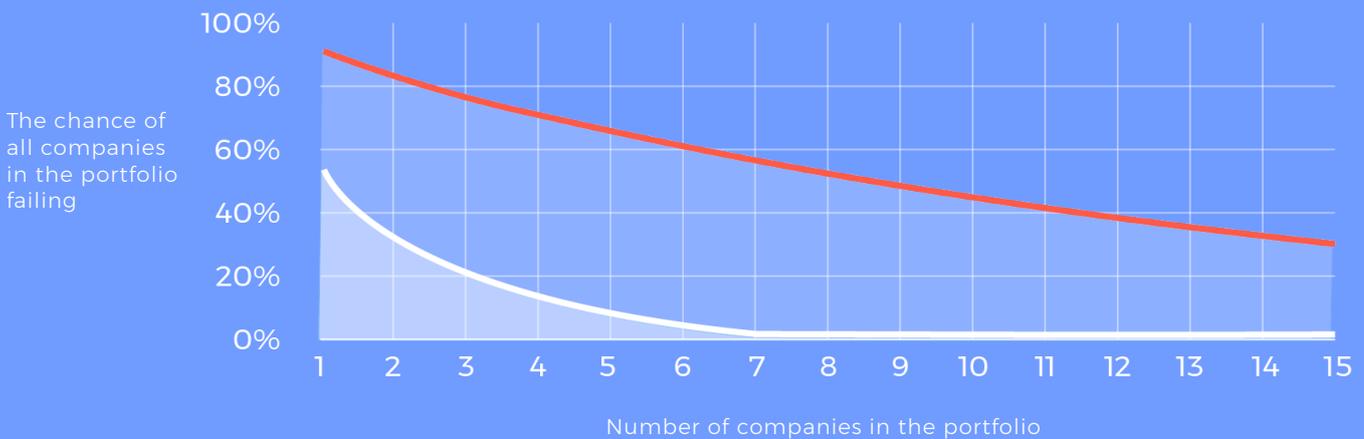
Statistical analysis of our performance data shows that a portfolio of 10 companies has a 0.1% chance of all companies failing within 3 years.

The cohort is most likely to have between 4 and 6 successful companies.

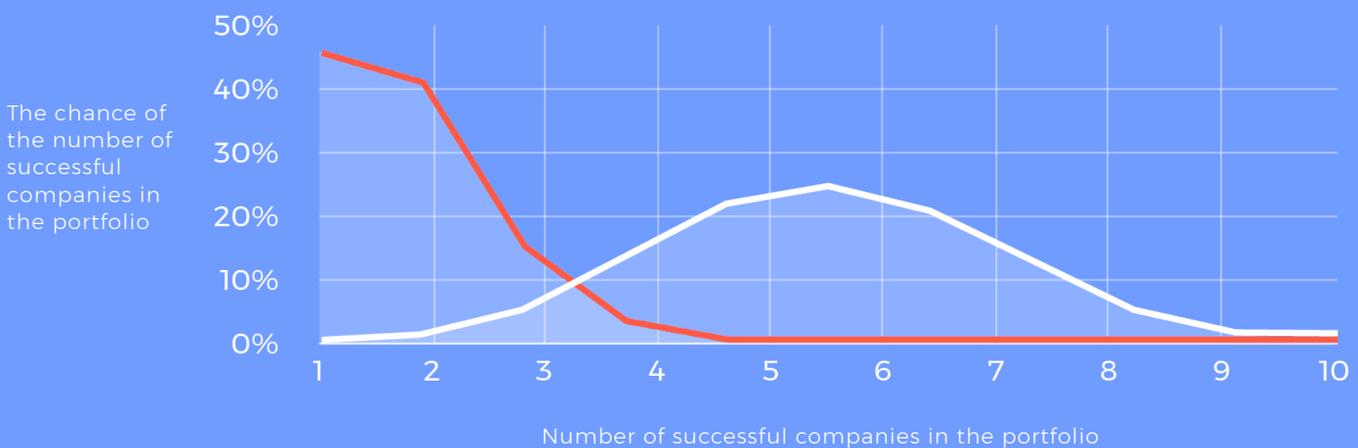
In the unlikely event that each company in the portfolio fails, the NOVA Cofoundery EIS product will still provide a 58p in the £1 return from income tax relief.

— Market 92% individual failure rate — Nova historical 51% individual failure rate

Chance of all companies failing at various portfolio sizes



Likely number of successful companies within a portfolio of 10



You must be able to take full advantage of available income tax relief and have paid enough income tax in the year the portfolio losses are realised to benefit from the full downside protection provided through tax relief.

Charges & Investment Criteria.

Charges

There are no management charges levied on the investor at the point of investment for advised subscriptions received by a financial adviser.

Nova charge an incentive fee of 20% of cash returned, in excess of 150% of the funds invested. Please see the Information Memorandum for full details.

Investment Criteria

The investment strategy of the Nova Cofoundry SEIS and EIS fund is for subscriptions to be invested in a diversified portfolio of a minimum of 10 investee companies that exhibit some or all of the following qualities:

- Significant market potential with clear and demonstrable consumer or commercial need or demand.
- A problem originated solution that has the potential to create new market segments or displace current market offerings
- Companies that utilise a technology-derived platform and/or an innovative approach to meet a newly-identified or existing market or consumer demand
- Knowledge-intensive opportunities that possess a clear and realistic path to the delivery of a minimum viable product or prototype
- A clearly defined strategy aimed at creating and protecting intellectual property.
- Passionate, energetic and experienced founders
- A clear exit strategy to be implemented within 4-5 years with an alignment of founder interests with shareholders.

Example Portfolio Companies.



ORCHA

ORCHA provide comprehensive and dynamic monitoring of the fast-paced and ever-changing health and care app market. Their team includes experts from all aspects of the health and care app world. The combination of these skills and capabilities ensures that the ORCHA review process and score is based on a fully rounded and rich analysis of each app. ORCHA's customers include primary care trusts and other healthcare ecosystems in the UK and in the near future overseas!



Door

Solves a common problem in the investment industry with a simple solution: a new way to exchange common due diligence information. Combining the benefits of standardisation and digitisation, we have reimaged the archaic due diligence questionnaire process.



Pinpoint

Pinpoint allows companies to offer their employees financial advice tailored to their specific circumstances via their mobile phone. Whether the individual is making short-term month-to-month goals or longer-term objectives like planning for retirement, Pinpoint has the correct level of targeted goal based advice.



Aquarate

Aquarate provides accurate and automated fluid balance monitoring to prevent hydration-related illnesses. They empower clinicians to improve the quality of patient care. Aquarate's automatic system allows healthcare professionals to track their patients fluid balance with accuracy and assurance. With 40,000 hydration related preventable deaths per year, poor hydration costs the NHS £1 Billion per year.

Important Information & Risks.

The underlying investments are both illiquid and high risk, not suitable for all investors and investors should not consider investing unless they can afford the full loss of their investment.

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