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EIS Fund II
Product Summary

On a mission to build the next generation of high-growth Welsh businesses

www.waterspring.vc



Summary

A portfolio of **3-5 high-growth companies** in a variety of sectors	EIS qualifying – **30% income tax** relief plus other tax reliefs available if applicable	Investments selected and managed by **a team experienced in business,** private-equity, M&A and venture capital
Target **return 3-5x** capital invested	**£110,000** minimum investment	

Overview

The Waterspring Ventures mission is to make Wales *the* place to start and successfully scale a business in the UK. We want investors worldwide to know that great companies can flourish in Wales.

Wales has an opportunity to create a dynamic early-stage ecosystem, where the best founders with the best ideas know they will be able to build a world-class company and ultimately achieve a profitable exit.

Currently, even the most promising Welsh companies struggle to raise the required funds to build sufficient scale. Many fail or relocate to where capital is more available. In order for Wales to be an economic success, this must change.



Waterspring was founded in 2021 to address what we believe is the first piece of the puzzle - radically increasing the amount of private capital invested in businesses based in Wales, with £100k - £1m of annual revenue.

Every year, we aim to raise £2m from private individuals and select two or three new businesses. The Waterspring team supports investee companies through funding, board representation and, in due course, by introducing suitably attractive propositions to our global network of later-stage investors or help prepare for exit to trade or private equity acquirers.

The Waterspring team are a group of investors and business operators with a demonstrable track record in scaling companies and maximising value to shareholders. As a group, the team have personally led and achieved over £300m of exits and advise on numerous private equity and trade acquisitions each year.

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How does it work?

The Waterspring EIS Fund offers a hassle-free route for investors to **build equity stakes in the most promising early-stage companies Wales** has to offer, whilst benefiting from the tax reliefs offered by the **Enterprise Investment Scheme (EIS).**

Once fully deployed, each investor's portfolio will include up to five companies, consisting of new Waterspring investments and follow-on investments in companies we have previously backed which are showing more potential for growth. On a portfolio basis, we aim to **return 3-5x capital invested over 4-7 years**.

New proposals are sourced by our team and network throughout Wales, with the aim of **selecting two or three new companies per annum**.

We drive the legal process for each investment, usually as the lead investor, and endeavour to be **fully invested within 18 months.**

We conduct market research and cross-reference with our network of industry specialists, negotiate the investment terms and complete all necessary due-diligence checks.

After each deal completes, we will issue investors with their EIS 3 certificates, which can be used to claim the relevant tax reliefs e.g. 30% income tax relief. For more information on EIS and the available tax reliefs please see page 5.

To represent and protect our investors, Waterspring will have the right to appoint at least one Investor Director on each portfolio company's board, ensuring we stay close to our investments and provide the active support required for early-stage companies to reach their full potential.

Our Managing Partner provides investors with bi-annual reports outlining how the companies are performing.

Why invest through Waterspring rather than directly investing in companies yourself?

Investing through the Waterspring fund rather than on a personal basis is beneficial for both Waterspring investors and the investee companies:



Focus

We do this full-time. We purposely raise a relatively small amount each year so we can dedicate our time to finding the best early-stage businesses in Wales.



Experience

We have personally achieved more than £300m of exits and have a deep understanding of how to maximise shareholder value.



Connected

We develop strategic relationships with local accelerators, angel investors, corporate advisors, non-executive directors, universities and co-working spaces. As such we have access to a wide range of deal flow and assess a large volume of proposals.



Multiplier effect

We are an approved investor with the Angel Co-Fund at Development Bank of Wales, who can co-match 100% of our investment up to £250k, allowing our investees to raise more cash and reach their full potential.



Simplicity

Companies prefer to raise larger amounts of money from as few investors as possible. This enables the ownership structure to be less complex and reduces the amount of the founders' time dedicated to raising new funding, so they can focus on executing the business plan and scaling their company.



Better value

In return for Waterspring investing larger sums of capital than individual angels, we are able to negotiate better terms and can gain access to the most sought-after companies. Our investors have exposure to better companies with better investor rights and protections.



Future de-risking

We have built a network of likeminded investors and know what they are looking for. In due course, we can provide appropriate introductions for our portfolio companies to later-stage investors across the UK, Europe and US who may provide an exit route or further investment.

Waterspring offers investors the ability to help develop the next generation of world-class Welsh businesses, whilst building a diversified equity portfolio of the very best Welsh start-ups.

Join the Waterspring mission here

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What is the Enterprise Investment Scheme (EIS) and what tax reliefs does it offer?

The Enterprise Investment Scheme (EIS) was introduced by the UK Government in 1994 to encourage private individuals to invest in early-stage businesses and drive economic growth, in return for tax reliefs unavailable to other forms of investing.

- **30% income tax relief**
- **Any capital gains are exempt from CGT after 3 years**
- **Capital gains deferral**
- **Inheritance tax exempt after 2 years**
- **Up to 45% of losses (net of income tax relief) can be offset against income or capital gains elsewhere in your portfolio**

For more information on EIS click here

Key Risks

Capital at risk:
This is an investment in early-stage companies. It's possible that some or all of the companies could fall in value, potentially to nil. Investors may not get back the full amount invested.

The investment is high risk:
Investing in smaller companies is considered a high-risk investment. They can fall or rise in value much more sharply than shares in larger, more established companies.

The investment is illiquid:
Shares in unquoted companies cannot easily be sold as it may take time to find a buyer. We expect investment in each company to last for at least four years and that an exit will only be possible when each company is sold.

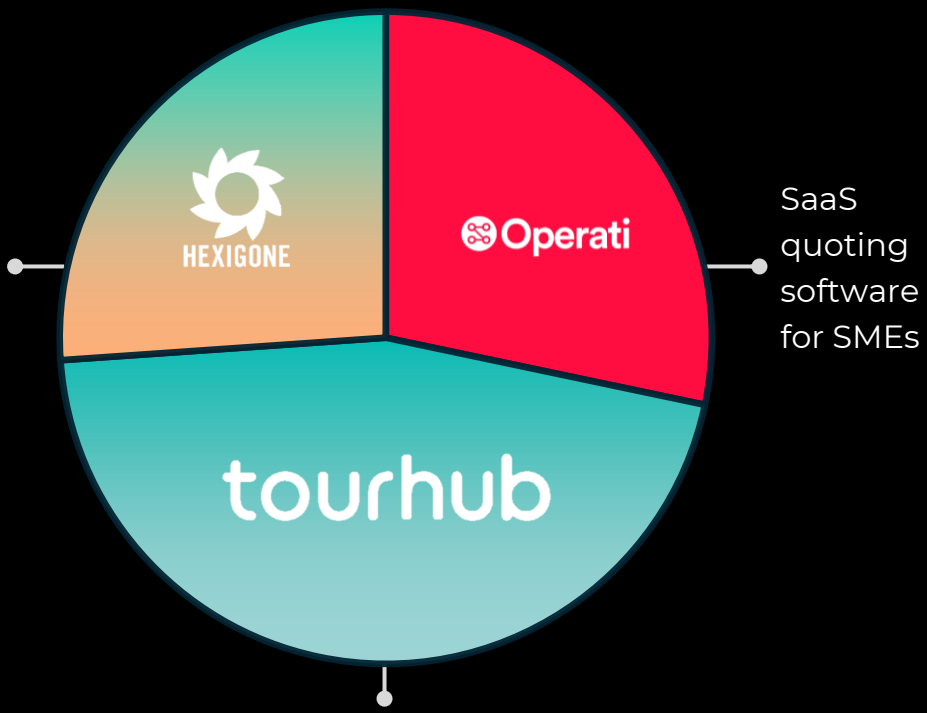
Tax rules could change:
HMRC could change existing tax rules, and tax treatment depends on personal circumstances.

Companies may cease to be EIS qualifying:
A number of EIS tax reliefs depend on the portfolio companies maintaining their EIS-qualifying status for at least three years. Due to the nature of this investment, it is possible that a company might cease to be EIS-qualifying. EIS reliefs previously granted could be reclaimed.

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Waterspring EIS I Fund Portfolio

Total Invested	Total Market Cap	Combined Annual Revenues
£1.7 Million	**£10.3 Million**	**£1.4 Million**



Investment Details

- Minimum investment: **£110,000**.
- Maximum investment qualifying for income tax and capital gains tax relief each tax year: **£1m**.
- Waterspring partners invest personal money alongside investors, with the **same fees applied.**
- Small fundraises **align Waterspring's and investor interests** by incentivising Waterspring to make great investment decisions, rather than raising as much investment as possible.

Fees and Charges

- Initial fee: 4% (see below for tiered fees for subscriptions of £150k and above).
- AMC: 1.25% per annum.
- VAT is applied where relevant.
- Performance fee: 20% of the difference between sale proceeds and the amount invested when each company is sold.
- **Reduction** (from 4% to 3%) on initial fees for subscriptions over **£150k**
- **Reduction** (from 4% to 1%) on initial fees for subscriptions over **£200k**

Register here to download our Information Memorandum

Waterspring Ventures Ltd is an Appointed Representative of The Fund Incubator Limited (FRN 208716) which is authorised and regulated by the Financial Conduct Authority.

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Making an Investment

If you would like to join the Waterspring mission in helping build the next generation of high-growth companies in Wales, please follow the steps below:

1

Register on the Waterspring Investor Platform

Click the above link and click “Create an Account”. Enter personal details.

Confirm if you wish to claim EIS relief.

Confirm you have read the personalised FCA risk warning.

Select your investor classification (Everyday, HNW, Sophisticated, Professional).

Verify your email by clicking the link sent to your address.

Select ‘View My Portal’ to download the full suite of Waterspring Investor Documentation.

Download and read the Information Memorandum (IM) and Key Information Document (KID).

2

Make an investment

If not already signed in, log into your **Waterspring investor portal**

If not already done so, download, open and read the Information Memorandum (IM).

Follow the instructions on page 23 of the IM.

If you need assistance at any stage, please email Sam Huxtable at **sam@waterspring.vc**

