

AUGM

| | |
|-------------------------------|--------|
| Share Price | 101.5p |
| Estimated NAV | 99p |
| NAV (undiluted) | 99p |
| Discount (-) / Premium (+) | |
| Now | 2.5% |
| Average | 1.8% |
| Low | 2.5% |
| High | 1.0% |
| Z-Score | n/a |
| Market Cap (m) | £ 95 |
| Assets (m) | £ 93 |
| No. Shares (m) | 94.0 |
| Net Gearing (% of net assets) | 0% |
| Historical Dividend Yield | 0.0% |

Source: Morningstar, The Fund

| Initial Holdings | (% of NAV) |
|-----------------------|--------------|
| Zopa | 19.3% |
| BullionVault | 8.6% |
| Interactive Investor | 3.2% |
| Seedrs | 1.9% |
| SRL Global | 1.6% |
| Whiskey Invest Direct | 0.0% |
| Total | 34.6% |

Number of holdings: 6

Source: The Fund

Fees

Fee summary: Internally managed, pending FCA approval, plus carry

Source: The Fund

Augmentum Fintech

21 May 2018

On 15 May we met **Tim Levene** (TL) to discuss Augmentum Fintech, which began trading in March this year, having raised £94m through its IPO.

Background

- AUGM invests in fast growing and/or high potential private fintech companies in the UK and Europe. It invests in early stage (but not seed stage, where the risk profile of investments is considered to be higher) and later stage fintech businesses that have high growth potential in scalable sectors.
- The investment team's focus is on disruptive technologies in the banking, insurance and asset management sectors, as well as other cross-industry propositions.
- RIT Capital Partners were the sole backer of Augmentum's first fund, which invested £32m in fintech opportunities, and RCP has retained an investment of £18m in AUGM. In addition the fund's management team and the advisory board invested £6m at launch.
- While the fund does not have a formal discount control mechanism, 50% of the gains realised by the disposal of investments in each financial year will be returned to shareholders, either through buybacks, tenders or special dividends. In addition, if the fund's NAV falls below 70p (adjusted by the Board from time to time), new investments will be suspended and shareholders consulted over the fund's future.

Management Team

- As well as TL, the investment team consists of Richard Matthews and Perry Blacher. Each senior member of the team has experience of both investing in and founding fintech companies.
- The team generated a gross IRR of 19% from their existing fund, Augmentum Capital I LP, between 2010 and 2017 (16.5% IRR net of fees).
- The management team also consults with an advisory panel of individuals with industry expertise, including Edward Wray, co-founder of Betfair.
- The investment team sees substantial dealflow and is also actively involved in the investments, helping to scale teams, refining and driving KPIs, stimulating growth, and positively influencing future financing and exits.
- The fund will be internally managed after a transition period, which is estimated to be six months from launch. It has a carried interest scheme of 15% subject to a minimum IRR of 10% p.a. with a catch-up. The first plan will cover the initial portfolio and investments using 80% of the cash raised through the IPO. Thereafter the plans will cover investments over 24 month periods, with 36 months for follow-ons.

Portfolio

- AUGM's seed portfolio consists of six fintech investments: **Zopa**, **Seedrs**, **Interactive Investor**, **BullionVault**, **SRL Global** and **Whiskey Invest Direct**, with an aggregate valuation of £33m.
- **Zopa** is due to receive its banking licence later this year and has a projected exit of 2021, as does **Interactive Investor**. In 2017 **Interactive Investor** acquired TD Direct UK to become the UK's second largest directed investment platform with £20bn AUA. **Bullion Vault**, another key holding, is a global retail precious metals investment and trading platform.
- Through the team's existing network of industry relationships, the fund has access to an identified pipeline of assets valued at £150m. TL expects the fund to be substantially fully invested within 12 months in around eight new holdings, with a deal size of £2-6m. The expectation is that the portfolio will consist of between 15 and 20 holdings when fully invested.
- The fund had an initial NAV of 99p after RIT Capital Partners subsidised the launch costs. The investment portfolio will be revalued twice a year, although material changes in valuations, from funding-rounds, exits, etc. will be reflected immediately.

Winterflood View

- Augmentum Fintech is a highly specialised investment company providing exposure to a segment of the market that is not easily accessible. The management team's venture capital experience in this domain is crucial and we find it encouraging that RIT Capital Partners has continued its support with a holding equivalent to 20% of the share capital. In our opinion the success of this fund in the medium term should be judged both by the performance of its seed portfolio and the ability of the team to invest the new capital raised through the IPO.
- On the first criteria, there are encouraging signs for Zopa, which, according to media reports, is attempting a fund-raising round that could result in an uplift in the value of AUGM's holding. On the latter point, Tim Levene reports good progress is being made. While it is early days for Augmentum Fintech, the potential for upside is considerable, albeit with high risk, and the hope will be that this fund becomes the fintech version of Syncona.

| | Total Return | | | | | |
|-----------------------------|--------------|------|------|-------|-------|--------|
| | 1m | 3m | 6m | 1y | 3y | 5y |
| NAV | 0.0% | n/a | n/a | n/a | n/a | n/a |
| Share Price | 0.0% | n/a | n/a | n/a | n/a | n/a |
| AIC Technology Sector (NAV) | 6.9% | 9.8% | 8.9% | 27.8% | 94.5% | 157.3% |

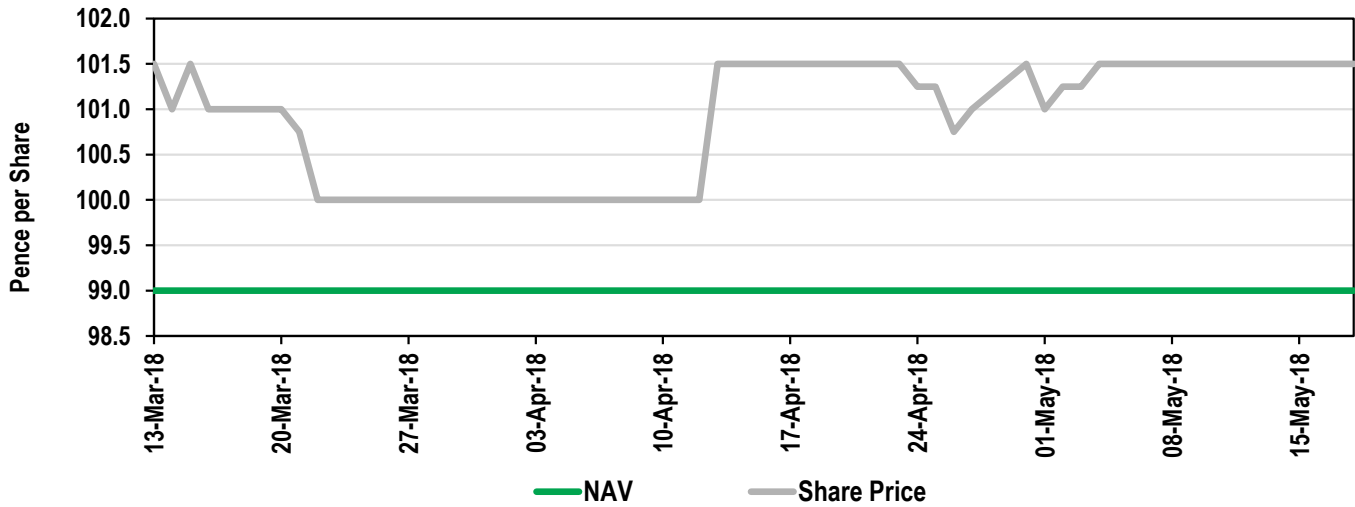
Source: Morningstar, FTSE

AUGM

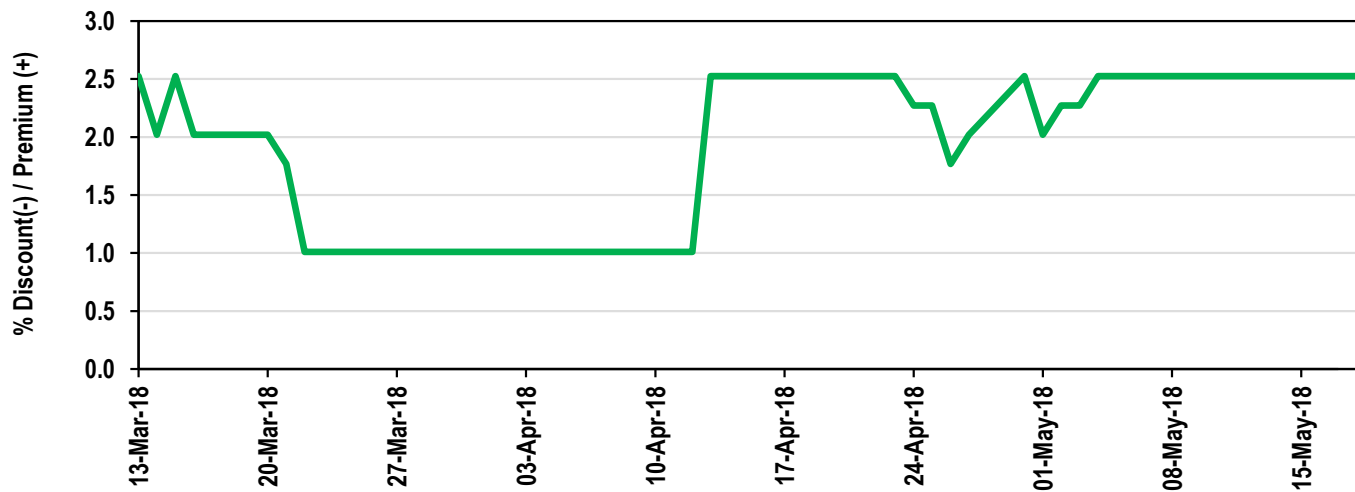
Augmentum Fintech

21 May 2018

Absolute NAV & Price Performance Since Launch



Premium History Since Launch



Source: Morningstar, FTSE

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