

## **Explanatory Material**

In line with the FCA announcement on the 24<sup>th</sup> January 2018<sup>1</sup> the Company has prepared this explanatory material to put the calculations and figures presented in the Key Information Document (KID) into context and to set out its concerns on these for investors to consider. This explanatory material is not part of the Company's KID.

The cost, performance and risk calculations included in the KID follow the methodology prescribed by the Packaged Retail and Insurance-based Investment Products Regulations (PRIIPS Regulations) which are set by the EU. The Company in preparing the KID is not allowed to deviate from the calculations even where they consider that these are over optimistic and may mislead investors.

Investors should ensure that they read the Prospectus, Annual Report for the period ended 31 March 2019, and other information about the Company, prior to making a decision to invest, to ensure that they fully understand the risks of investing in the Company.

### **Key Information Document – Summary Risk Indicator**

As the Company is recently listed with limited share price history the Summary Risk Indicator (SRI) and future performance scenarios presented are partially based on the historic share price performance of a proxy benchmark in accordance with the PRIIP Regulations. The proxy used for the Company is the AIC (Association of Investment Companies) Private Equity sector.

Investors should remember that past performance is not an indicator of future performance and that they may lose some or all of their investment.

The prescribed calculations, using the AIC Private Equity sector two-year historic share price returns as a proxy, generate a SRI of 3 (out of 7) which is a medium-low risk class.

The SRI only reflects historic share price volatility of the Company since launch on 13 March 2018 and the Company's proxy prior to that. It excludes other risks inherent in the Company and, therefore, underestimates the risk to the investor. These other risks, including those associated with investing in early stage private businesses in a narrow industry sector and holding a concentrated portfolio of unquoted investments, which have valuation and performance uncertainties and liquidity risk, may affect the Company's performance. Please refer to the Company's Prospectus at [www.augmentum.vc](http://www.augmentum.vc) which should be read to ensure a full understanding of the risks involved in investing in the Company. An investor should not make a decision to invest in the Company solely on reading the Key Information Document.

### **Key Information Document - Performance Scenarios**

The performance scenarios shown on a Key Information Document (KID) show what you could get back from an investment of £10,000 into the Company over a number of time periods. The four scenarios represent unfavourable, moderate and favourable market conditions, as well as a stress scenario, showing extreme market conditions.

The returns shown on the KID are produced by applying a prescribed formula to the Company's and proxy's share price returns over the last two years when markets have been particularly strong. This situation might not be replicated in the future. They are not intended to show that the past performance of the Company's shares and proxy are expected to be replicated by the Company or to indicate which scenario is most likely over the time periods shown.

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<sup>1</sup> <https://www.fca.org.uk/news/statements/statement-communications-relation-priips>

Given this context, investors should be cautious about the performance scenarios. These may be too optimistic and unlikely to reflect future performance. Past performance of an investment is not necessarily a guide to its performance in the future and value of the Company's shares can go down as well as up and investors may not get back the full amount invested.

While the Company aims to deliver returns in line with the objectives of the fund, they are subject to a number of factors, including market conditions, and investors should remember that the returns are not guaranteed.

### **Key Information Document – What are the costs?**

The costs shown in the 'What are the costs?' section may differ materially from the Ongoing Charges Figure declared in the Company's Annual Report, Half Year Report and website as the methodology for the calculation of costs mandated under PRIIPs includes, for example, the transaction costs of buying and selling investments. There can be no guarantee that this is what the Company will actually pay in future; the level of costs may be higher, or lower, dependent on a number of factors including the size of the Company and the performance of its investments.

In particular the amount estimated to be paid on the carried interest fee to Augmentum Fintech Management Limited, the Company's portfolio manager, is estimated at nil over the next three years as the fee is only due and payable once 80% of the proceeds have been invested and then realised, which is expected to take more than three years, whilst generating an internal rate of return of more than 10% from the investments. The actual timing and quantum of the fee paid is dependent on a number of factors, including the performance of the Company's investment portfolio, the timing of realisations and the proceeds from the realisations.