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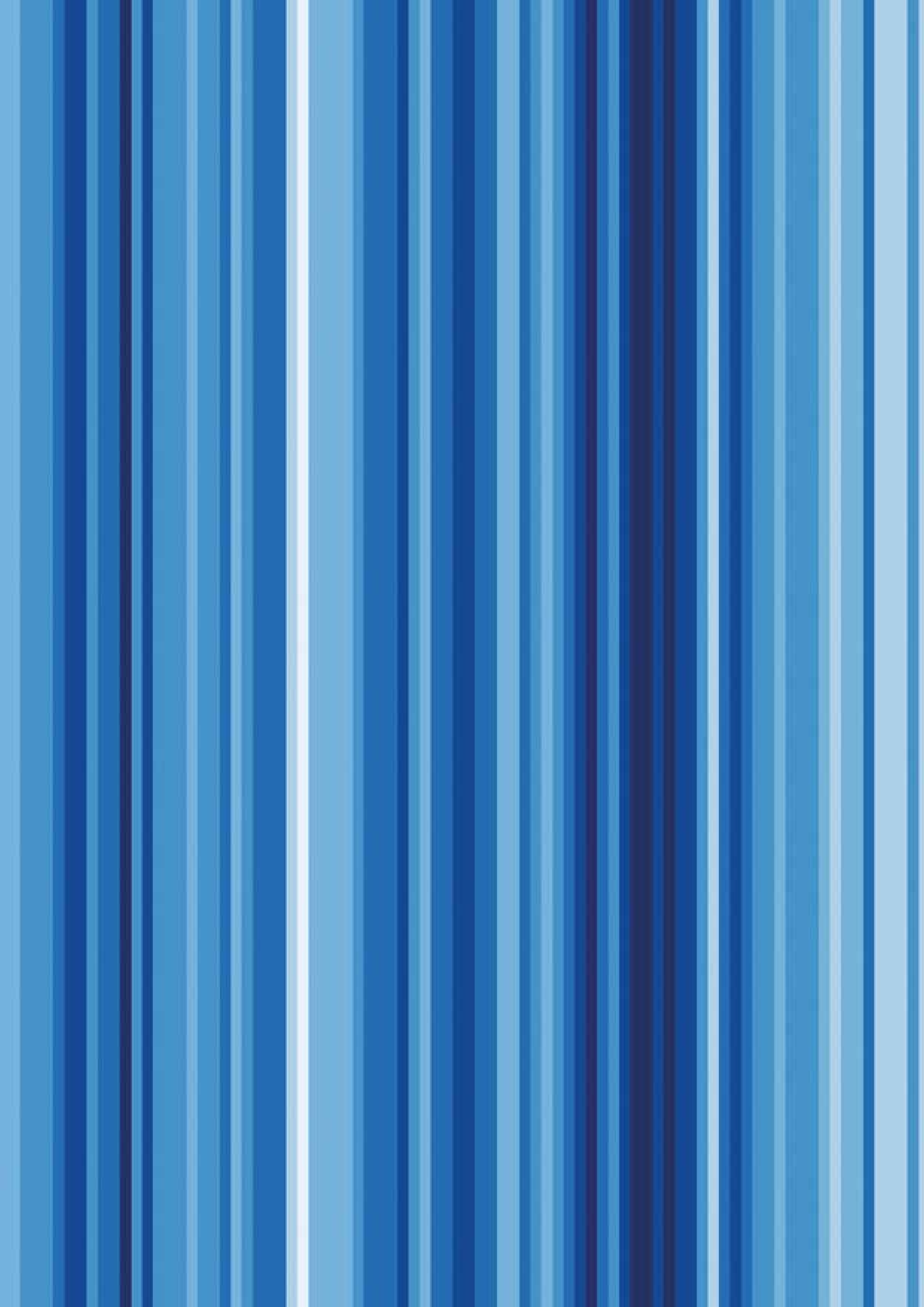
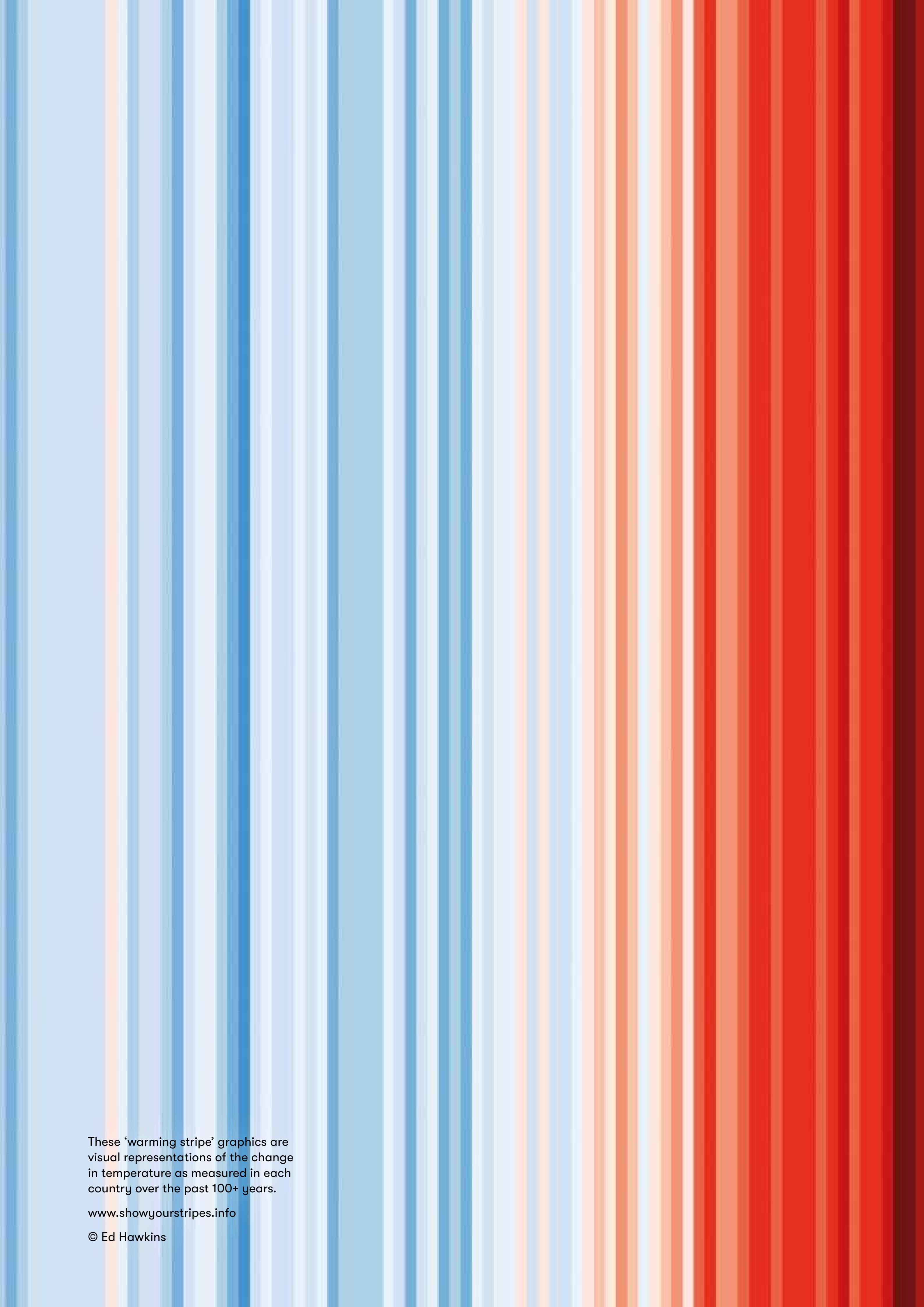
Vala Sustainable Growth EIS

Information Memorandum

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 tax reliefs depends on the investee companies maintaining their qualifying status and the shares being held for at least three years. This investment is not suitable for all investors as the underlying investments are illiquid.





These ‘warming stripe’ graphics are visual representations of the change in temperature as measured in each country over the past 100+ years.

www.showyourstripes.info

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Important notice

This notice is important and requires your immediate attention. If you are in any doubt about the action you should take in regard to the contents of this Information Memorandum you should contact an independent financial adviser or other professional adviser authorised under the Financial Services and Markets Act 2000 (FSMA) who specialises in advising on investments of this type.

Reliance on this Information Memorandum for the purpose of engaging in any type of investment activity may expose an individual to a significant risk of losing all of the capital invested. Your attention is drawn to the Risks section. Nothing in this document constitutes investment, tax, financial, regulatory or other advice by Sapphire Capital Partners LLP or by Vala Capital Limited.

This Information Memorandum and the Application Pack including Investment Management Agreement that accompanies it constitutes a financial promotion pursuant to section 21 of FSMA. Its contents have been approved for the purposes of section 21 of FSMA by Sapphire Capital Partners LLP (the **"Authorised Person"**), which is authorised and regulated by the Financial Conduct Authority in the United Kingdom and whose registered office is at 28 Deramore Park, Malone, Belfast BT9 5JU.

The communication of this Information Memorandum and the contents thereof is made to and directed at persons reasonably believed to be such persons as are referred to below and must not be passed on, directly or indirectly, to any other person in the United Kingdom:

(a) professional clients or eligible counterparties as defined in the Conduct of Business Sourcebook (**"COBS"**) forming part of the FCA's Handbook of Rules and Guidance;

(b) retail clients who confirm in writing that they will receive advice on the investments referred to in this Information Memorandum from a financial adviser authorised and regulated by the FCA;

(c) persons who may otherwise be permitted to receive this Information Memorandum under the COBS rules.

Neither Sapphire Capital Partners LLP nor Vala Capital Limited or any of their respective directors, officers, employees, advisers and agents accept any liability for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any information or opinions contained herein or in any other communication in connection with an investment in Vala Sustainable Growth EIS (the **"Fund"**), except where such liability arises under FSMA, regulations made under FSMA, the FCA Rules or any applicable law and may not be excluded.

All information and illustrations in this Information Memorandum are stated as at the date of its issue. All statements of opinion or belief contained in this Information Memorandum and all views expressed and statements made represent the Authorised Person's own assessment and interpretation of information available to them as at the date of this Information Memorandum. No representation is made or assurance given as to the accuracy, completeness, achievability or reasonableness of any views, statements, illustrations or forecasts or that the objectives of the Fund will be achieved. Prospective Investors are strongly advised to conduct their own due diligence including, without limitation, the financial, legal and tax consequences to them of investing in the Fund and must determine for themselves what reliance (if any) they should place on such statements, views or forecasts. Prospective Investors' attention is drawn to the section entitled Risks.

This Information Memorandum contains certain information that constitutes "forward-looking statements" which can be recognised by use of terminology such as "may", "will", "should", "anticipate", "estimate", "intend", "continue", or "believe" or their respective negatives or other comparable terminology. Forward-looking statements are provided for illustrative purposes only. Due to various risks and uncertainties, actual events, results or performance may differ materially from those reflected or contemplated in such forward-looking statements.

Throughout this Information Memorandum, "us", "we" and "our" are used to refer to Vala Capital Limited.

This Information Memorandum is dated 1 November 2020 (ref: 1120).

“We are the first generation to feel the effect of climate change and the last generation who can do something about it.”

Barack Obama, Former US President[1]

“This may be the single biggest business opportunity in human history.”

Dr Jonathan Foley, Project Drawdown[2]

“Climate change is the single greatest threat to a sustainable future but, at the same time, addressing the climate challenge presents a golden opportunity to promote prosperity, security and a brighter future for all.”

Ban Ki-Moon,
Former Secretary General of the United Nations[3]

1 UN Climate Change Summit, 2014
2 Interview with Forbes, August 2019
3 UN Climate Change Summit, 2014

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Vala

Introducing the Vala Sustainable Growth EIS

Dear Investor,

Sustainability is not a new issue. Climate change, deforestation, soil depletion, resource extraction, poverty, population growth and many other sustainability issues have been a source of concern for decades. But it's only relatively recently that the public has collectively tuned in to the severity and urgency of the sustainability crisis we now face.

This public focus is important. Though it may not always feel like it, by acting together people have the power to shape a better, more sustainable future. The choices we all make as consumers will influence businesses. And, as voters, we have the ability to demand that our governments take action.

Given the surge in public awareness, it is no surprise that governments and intergovernmental organisations are setting increasingly ambitious targets for controlling CO_2 emissions and addressing other sustainability issues. And many businesses are working hard to make changes to the way they operate, driven partly by environmental regulation and partly by the demands of their sustainability-conscious customer bases.

I have been investing in start-ups and early-stage companies for decades, and I believe there has never been a better or more important time to be investing in sustainable businesses – companies that are creating technology, products and services that can make our economy and society more sustainable.

These companies have the opportunity to grow rapidly not in spite of their focus on sustainability, but because of it. However, we also believe these companies often experience an 'equity gap'. After raising seed funding, they can find it difficult to finance their growth to get to the point where larger venture capital funds become interested in investing in them.

One of goals of the Vala Sustainable Growth EIS is to plug that funding gap. Financing this stage of development creates significant potential for value growth and accelerates progress towards making a real impact on sustainability challenges.

Thank you for your interest in the Fund.

Jasper Smith, founder of Vala Capital

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Investment thesis

The Vala Sustainable Growth EIS aims to invest in companies that have the potential to grow rapidly, create significant value for investors, and make a positive contribution to the world's sustainability challenges.

"Companies that don't adapt will go bankrupt without question. But there will be great fortunes made along this path aligned with what society wants."[4]

Mark Carney, Former Governor of the Bank of England and United Nations special envoy for climate action and finance

4 The Guardian, Capitalism is part of solution to climate crisis, says Mark Carney

Why sustainability?

Central to our investment thesis is the sheer scale of the growth opportunity that the world's push for sustainability is creating[5].

Reducing carbon emissions from developed economies to net zero, whilst also tackling other major sustainable development challenges, will take nothing less than a reinvention of almost everything we do - food production, energy supplies, consumer behaviour, manufacturing techniques, transport, and much more.

Clearly, these challenges are daunting. But they also create fertile growth conditions for innovative companies. We believe that start-ups and early-stage companies with products and services designed to alleviate sustainability issues could grow at least as quickly as companies operating in any other technology niche. In short, the perception that 'sustainable' investing means targeting a lower investment return has become outdated[6]. It is now possible to aim for high levels of target returns whilst also aiming to make a positive impact.

Why now?

In our view, the following factors are contributing to an environment that makes sustainable start-up investment a highly attractive proposition:

Political will

The Intergovernmental Panel on Climate Change (IPCC) was founded in 1988, and scientists have been sounding the alarm bell on carbon emissions since the 1950s[7]. But in recent years national governments and intergovernmental organisations have started to show real commitment to tackling sustainability issues. For example, in June 2019 the UK's government became the first in the world to pass legislation[8] committing the country to becoming carbon neutral by 2050. An estimated £1 trillion of investment will be needed to achieve the target[9]. The European Commission's long-term strategy also sets 2050 as the target date for achieving carbon neutrality across the European Union[10].

These ambitious goals are in line with warnings from the IPCC, who state that to keep the average global temperature increase to 1.5°C or below, the world must reduce net carbon emissions to zero by the middle of this century[11]. Separately, the UN has set 2030 as the deadline for achieving its Sustainable Development Goals ("**SDGs**"), which cover a broad range of interconnected sustainability issues. The UN estimates that up to $3 trillion of public and private investment per year will be needed to achieve the SDGs[12].

Consumer trends and preferences

Consumer preferences are another important factor in creating growth opportunities for sustainable businesses. In recent years various environmental and societal issues have captured the public imagination, leading to changes in consumer behaviour[13] and the sudden growth of companies and industry subsectors. Food habits are one prominent example. A growth in veganism and 'flexitarianism' (eating meat only occasionally) has created a market in which food innovations, such as milk alternatives and plant-based meat alternatives, can thrive[14]. Being a sustainable business is now not just a feel-good marketing message, but a potential differentiator that could help companies to outgrow and outlast their less sustainable competitors.

5 For example, the UN's 2014 World Investment Report estimates up to $3 trillion of investment per year will be needed to achieve the SDGs

6 BlackRock, Sustainable investing: a 'why not' moment: Environmental, social and governance investing insights

7 National Geographic, Climate Change First Became News 30 Years Ago. Why haven't we fixed it?

8 The Climate Change Act 2008 (2050 Target Amendment) Order 2019

9 Financial Times, UK net zero target will 'cost more than £1trn'

10 BBC, Climate Change: EU aims to be 'climate neutral' by 2050

11 Intergovernmental Panel on Climate Change, Global Warming of 1.5°C

12 UN Conference on Trade and Development, World Investment Report 2014

13 Deloitte, Shifting sands: How consumer behaviour is embracing sustainability

14 The Good Food Institute, Plant-Based Market Overview

Demand from bigger companies

Some big companies, with long-established operating models, may struggle to keep pace with the change that will be required of them in the coming years. Regulatory pressure from governments together with evolving consumer and investor preferences will simultaneously increase costs and chip away at demand.

Regulation also brings the risk of financial penalties for non-compliance. For example, the top ten car manufacturers could be hit with fines of more than €11 billion in 2021, for failing to comply with new EU emissions rules[15]. In addition, some businesses may be directly impacted by increased input costs, as water, metals and other raw materials become scarcer and more expensive[16].

Smaller companies are generally able to innovate more quickly. By creating technology, products and services that can help big businesses comply with regulatory standards, operate more efficiently and consume fewer resources, start-ups and early-stage companies could grow rapidly.

Funding and exit environment

Start-ups and early stage companies working on truly sustainable products, services and new technologies may have access to funding from sources such as government grants[17]. As an investor, this could potentially enhance returns by reducing the need to raise further equity funding from other funds, avoiding dilution.

At the same time, the existence of larger sustainable investment funds[18] could help to create opportunities for co-investment, follow-on investments and exits. Acquisitive larger companies, interested in buying in technology developed by smaller innovators, could also create potential routes to exit.

15 Global News Wire, Auto manufacturers to face fines of €11.4 billion for exceeding EU carbon targets

16 Allianz report, Measuring and Managing Environmental Exposure, 2018

17 For example, the UK government's Energy Entrepreneurs Fund.

18 For example, Breakthrough Energy Ventures

Why focus on sustainability now?

We believe a number of trends are aligning to create the sustainable growth investment opportunity.

Consumer demand

Consumers increasingly looking for ethical products and services and are prepared to pay a premium.

Government regulation

E.g. UK committed to zero carbon economy by 2050. UN's target to hit its SDGs is 2030.

Technological progress

New and emerging innovative technology has the potential to address sustainability (e.g. AI, innovative materials, etc.)

Corporate change

Big companies need to find ways to be more sustainable, to align with changing consumer appetite and to meet increased regulatory requirements.

Investment appetite

Proliferation of later-stage funds with sustainability focus looking to invest in addition to big businesses looking for solutions to their sustainability challenges.

Investment summary

Through the Vala Sustainable Growth EIS, investors can acquire a portfolio of shares in small companies. These companies will have credible plans to achieve rapid growth, offering products or services that have the potential to address one or more of the sustainability issues explained in more detail in the Investment Strategy section of this document.

The companies we back should qualify for the Enterprise Investment Scheme ("EIS"). This means your investment may benefit from tax benefits, designed to incentivise you to take the risks associated with early-stage investing. See pages 42-46 for more information about risks.

Minimum subscription	£25,000. Lower amounts may occasionally be accepted, at the absolute discretion of the Investment Manager.
Portfolio size	We aim to invest your subscription funds ("**Subscription**") into six to ten companies. The exact size of your portfolio may vary. No more than 20% of your Subscription will be committed in any investment round to a single company.
Investment timing	Your Subscription will normally be fully invested into shares within 12 months. However, various factors will influence the exact timing of investments, including the availability of suitable companies to invest in.
Investment duration	You should expect to hold each of the investments in your portfolio for at least five years from the time that the shares are purchased. It is possible that some companies may be held for significantly longer or shorter periods.
Closing date	The Fund is 'evergreen' – there is no deadline for application, for as long as the Fund remains open to new Subscriptions.
Fees	Our Annual Management Charge is 1.5% of your Subscription to the Fund per year for the first three years. For the fourth and fifth years, the charge is 1.5% of the lower of the value or the acquisition cost of your remaining shareholdings. No annual charge is applied after the fifth year. For individuals who invest in the Fund directly (rather than through their financial adviser), a 2.5% initial fee is collected from the gross Subscription amount to cover the costs of setting up the Fund. We also may charge an initial fee of up to 5% of the amount invested into companies. This fee is invoiced to the companies we invest in (the **"Investee Companies"**), so it does not reduce the amount invested into shares. Vala Capital and Sapphire Capital Partners LLP charge a performance fee, calculated as 20% of the cash returns that exceed 110% of the amount invested into companies. The 2.5% initial fee (where applicable) and the Annual Management Charge both reduce the amount of your Subscription that can be invested into shares, which also reduces the EIS reliefs available on your investment. Please refer to pages 36-37 for more information about how charges are applied.
EIS reliefs	Prior to investment, advance assurance of EIS qualification will be obtained from HMRC for each portfolio company. This does not guarantee that EIS reliefs will be available. Please refer to pages 38-41 for more information on the tax benefits.

Investment strategy

Our goal is to invest in companies that are aiming to make a meaningful difference to one of the major sustainability issues facing our economy, society and environment.

Success for these companies will be defined by three equally important measures: their sustainability impact, their growth and development, and the value they build for investors.

Sustainable investment themes

The UN has 169 different sustainability targets, collated under 17 different Sustainable Development Goals ("**SDGs**")[19]. This indicates that 'sustainability' can have a very broad definition. Many of the SDGs, particularly in a global context, are better tackled by governments, charities and non-governmental organisations. But others can be addressed by small, innovative companies.

Therefore, to define the investment strategy for the Vala Sustainable Growth EIS, we reviewed the UN's goals and targets and identified three key investment themes. These themes represent sustainability challenges that we believe innovative companies can best help to address, whist also aiming to achieve venture capital grade investment returns.

Theme	Example activities
Technology for planetary health	• Innovations in energy production, consumption and storage. • Reducing the energy and resources used in manufacturing and industrial processes. • Producing more food from less land, without recourse to unsustainable farming methods.
Sustainable consumption and commerce	• Helping consumers make more sustainable choices. • Improving recyclability and reducing waste. • Making products that last longer
Fairer access to social goods	• Improving access to education. • Helping people to access capital and breaking down barriers to economic participation. • New ways to meet basic human needs, including better food supplies, clean drinking water and sanitation.

19 https://www.un.org/sustainabledevelopment/sustainable-development-goals/

Development stage

The companies we invest will all be start-ups and early-stage companies, but they may be at different phases of their business plans when the Fund first invests. Some companies may already be ‘post-revenue’ - they have already started to sell their product or service and now require funding to accelerate growth (for example, by investing in their sales and marketing function or expanding their product range). Other companies may be ‘pre-revenue’ - they are still developing a product, and they require funding to cover the costs of finalising and launching it into their chosen markets. The Fund may also invest in some businesses more than once. As such, your portfolio could include companies that have already been invested in by previous Fund Investors and mentored by Vala Capital over a number of years.

Investment size

Typically, though not always, we expect to invest in companies that have received seed investment in the past, but which have not yet reached a scale where they are likely to be able to raise a large venture capital investment round.

As such, each investment round (i.e. the capital committed to each company by the Vala Sustainable Growth EIS on a particular occasion) is likely to be between £200,000 and £2,000,000, but it could vary.

Target return

The Fund’s goal is to generate the level of returns typically associated with high-performing venture capital funds. As such, the target for the Fund is to return 2.5x the amount invested into companies, net of fees. This target does not include the value of any tax reliefs you claim in connection with your investments.

It’s important to note that the returns from this sort of investing are hard to predict. It is expected that some Investee Companies may eventually fail or be sold for less than the 2.5x target. As such, for the Fund to achieve its overall 2.5x target return, the best performing Investee Companies will need to be sold for more than 2.5x their acquisition cost. This is by no means guaranteed. The stated 2.5x target should remind you that this is a risky investment, with returns that are unpredictable.

Measurement and reporting

As well as monitoring the commercial and financial performance of Investee Companies, we will also continually assess their sustainability impact. Where appropriate, sustainability metrics will be included in the management objectives that we agree with the Investee Companies. Progress against these objectives will be reported to us through board meetings and monthly management reports, as well as our regular contact with the Investee Company management teams.

For some companies, sustainability impact will be quantifiable by tracking metrics such as reductions in water usage, CO_2 emissions, or energy consumption. For other companies, particularly those that are still in the early stages of their development, qualitative assessment may be more appropriate. The Fund’s six-monthly reports to Investors will include commentary on the sustainability impact alongside information about financial performance and company valuations.

UN Sustainable Development Goals

With a target deadline of 2030, the UN's SDGs represent a broad and ambitious sustainability agenda. Hitting that deadline will require a combination of iterative changes and game-changing innovation. The Fund's aims to invest in start-ups that can help the world take big steps forward towards achieving the SDGs.

Company examples

The best way to understand the sort of companies the Vala Sustainable Growth EIS will invest in is to look at some real examples. During the development phase of the Fund, we identified dozens of companies whose activities we consider to be a good fit with our investment criteria. We have highlighted a selection of these companies below.

It is important to note that these are only examples - the Fund may not necessarily invest in these particular companies, and they may not meet all of our investment criteria. They are included here purely to illustrate the variety of innovative, high-growth potential companies that are currently operating within our chosen investment themes.

	Product/service	Sustainability USP	Likely use of funds
Toraphene	Toraphene is a new packaging material that is stronger, thinner and more impermeable than alternatives. It can also be manufactured at a competitive price, making it economically viable.	Made from biopolymers (derived from algae or starch) combined with graphene, Toraphene is fully biodegradable and compostable.	Broaden product line, develop distribution channels and attain regulatory approval for using material for food packaging.
GOOD CLUB	Good Club is an online grocery retailer, selling sustainable products and offering carbon neutral home deliveries.	Good Club aims to stock responsibly produced groceries and reduce the use of plastic packaging. Food production currently accounts for 26% of greenhouse gas emissions and food waste 8%[20], whilst 6m tonnes of plastic food packaging is used in the EU each year[21].	Increase marketing to build customer base and develop zero-waste model for product lines where possible.
thymia	Thymia allows clinicians to diagnose and monitor mental health issues, using video games that draw on the latest principles of neuropsychology and psycholinguistics.	Improving the accuracy and timeliness of mental health diagnoses could have a big impact not just on individual patients but on the global economy – mental health disorders are expected to cost $16 trillion by 2030[22].	Recruit more employees for the commercial team and move from the pilot phase to securing long-term licenses with clinicians across the UK and Europe.
smartharvest Ripening. Reinvented.	Smart Harvest has developed technology that allows fruit and vegetable growers to precisely control the ripening process, helping them match capacity to demand.	Currently, up half of all food produced is wasted[23], in turn wasting water, increasing deforestation and resulting in needless greenhouse gas emissions. By helping to avoid premature ripening, Smart Harvest can help growers to reduce food wastage.	Reduce cost of sales and develop a financing model for the leasing or sale of ripening control systems across Europe and North America.

20 UN Intergovernmental Panel on Climate Change.

21 Friends of the Earth, Unwrapped: How throwaway plastic is failing to solve Europe's food waste problem.

22 World Economic Forum and Harvard Business School, The global economic burden of non-communicable diseases.

23 UN Food & Agriculture Organisation, Estimation of European food waste levels

What to expect

When you subscribe to the Vala Sustainable Growth EIS, your Subscription will be used to purchase shares in a number of different companies – we will aim to build you a portfolio of six to ten companies, although the exact number could vary.

For each of these separate company investments, you will receive an EIS3 certificate, once HMRC has authorised the relevant company to issue it. This certificate allows eligible investors to claim various tax reliefs, as described on pages 38-41.

The Vala Sustainable Growth EIS is evergreen – this means the Fund has no set closing date, and will continue to accept new Subscriptions for as long as it remains open.

Your Subscription will be invested gradually, as the Fund allocates to you and its other investors a proportion of each investment completed. We would normally expect the process of fully investing your Subscription to take around 12 months, but this could vary. The Fund's priority is to invest your money into companies that are believed to have a good chance of achieving the Fund's investment objectives, even if that extends the process of investing your Subscription.

Once the Fund has built your portfolio, we will work with each of the companies to help them grow and become more valuable. The ultimate goal is to be able to sell your shares after you have held them for the three-year EIS qualifying period. However, you should expect to hold your shares for at least five years. It is possible that the holding period for some Investee Companies could be considerably longer than five years. It is also likely that some companies in the portfolio will fail or be sold at a loss.

Understanding EIS 'funds'

If you are new to EIS investments, remember that the Vala Sustainable Growth EIS is not a 'fund' in the conventional sense. You are not buying units of a pre-existing fund, like you might do through your pension. Instead, as described above, your Subscription is used to purchase shares in the companies backed by the Vala Sustainable Growth EIS. This means an Investor who subscribes in a year's time is likely to acquire shares in a different set of companies to an Investor who subscribes today. Other types of investment fund also allow you to sell your holding, either to access the cash value or to transfer into a different fund. You cannot do this with an EIS 'fund', which is an illiquid investment. You will only be able to access your cash if the Investment Manager is able to sell the individual companies in your portfolio.

Legal structure and regulatory position

The Vala Sustainable Growth EIS is unlike a conventional fund in key respects, and it is also not considered to be a 'collective investment scheme' (under section 235 of the Financial Services and Markets Act 2000). However, it is classified as an Alternative Investment Fund (AIF) under the Alternative Investment Fund Managers Directive (AIFMD).

The Fund is not a legal entity, but a collection of bare trusts – one for each Investor. As an Investor, you will be the sole beneficiary of a bare trust, and a Custodian arrangement will be used to hold your cash prior to investment and your portfolio of shares. A few different parties will be involved in your investment. Their roles are summarised in simple terms below.

Vala Capital – Investment Adviser

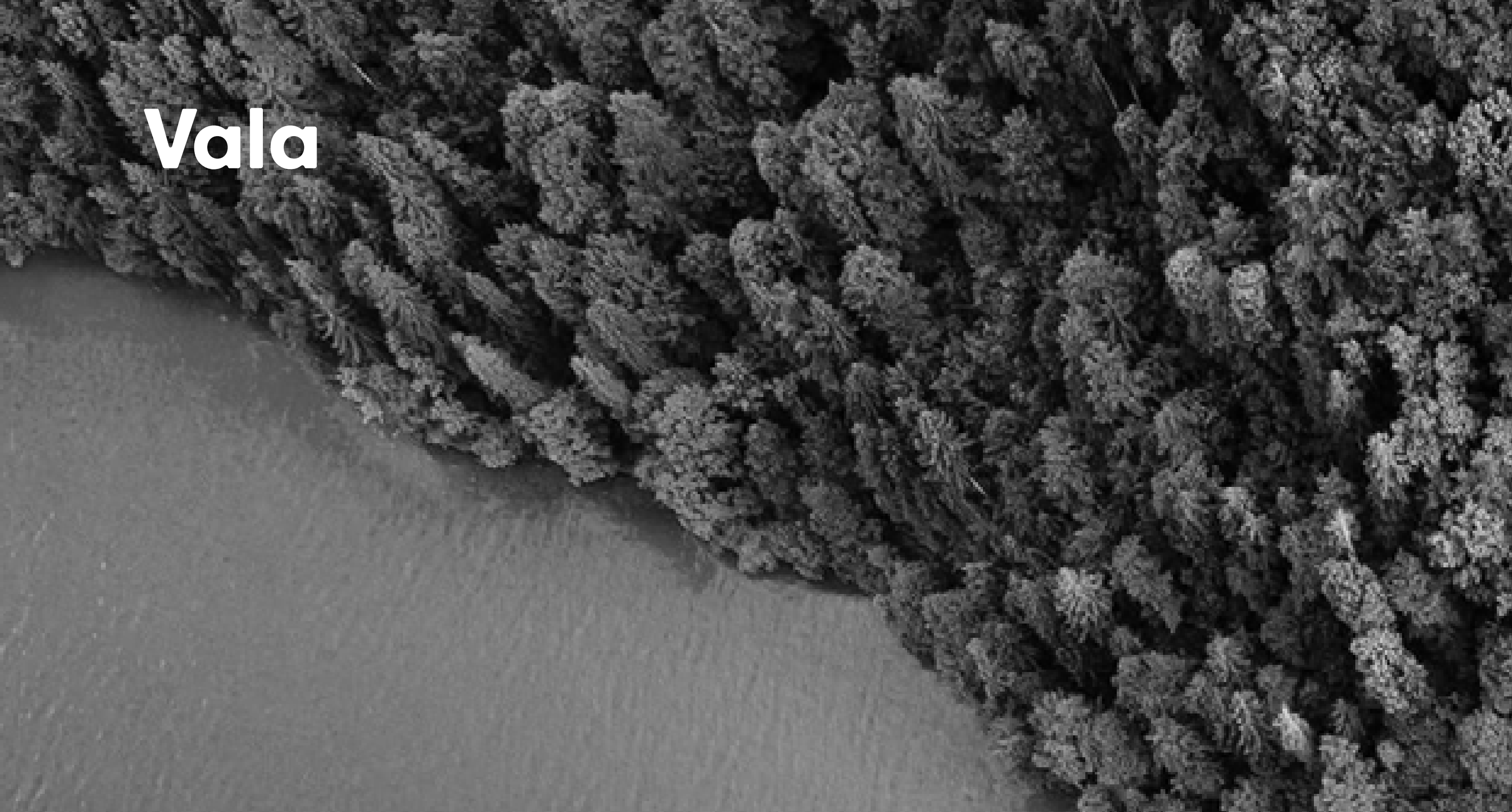
Vala Capital has developed the Vala Sustainable Growth EIS's investment thesis and strategy. We identify the companies that the Vala Sustainable Growth EIS invests in, and we are closely involved with the investment process from start to finish. We also provide partnership, support and advice to the entrepreneurs who receive funding for their businesses through the Vala Sustainable Growth EIS. Vala Capital acts as an 'appointed representative' of Sapphire Capital Partners LLP[24].

Sapphire Capital Partners – Investment Manager

Sapphire Capital is an investment management firm authorised and regulated by the Financial Conduct Authority (FCA), with the reference number 565716. Sapphire has permissions from the FCA that allow it to act as an investment manager for retail and professional investors and to act as an Alternative Investment Fund Manager.

Sapphire has responsibility for making sure that all of Vala Capital's activities are carried out in a way that complies with the relevant regulations. As Investment Manager for the Fund, they will independently review the opportunities selected for investment by Vala Capital. They must give their approval before the Fund can complete an investment in a portfolio company.

24 This arrangement may change in the future if, for example, Vala Capital applies for its own regulatory permissions from the FCA.

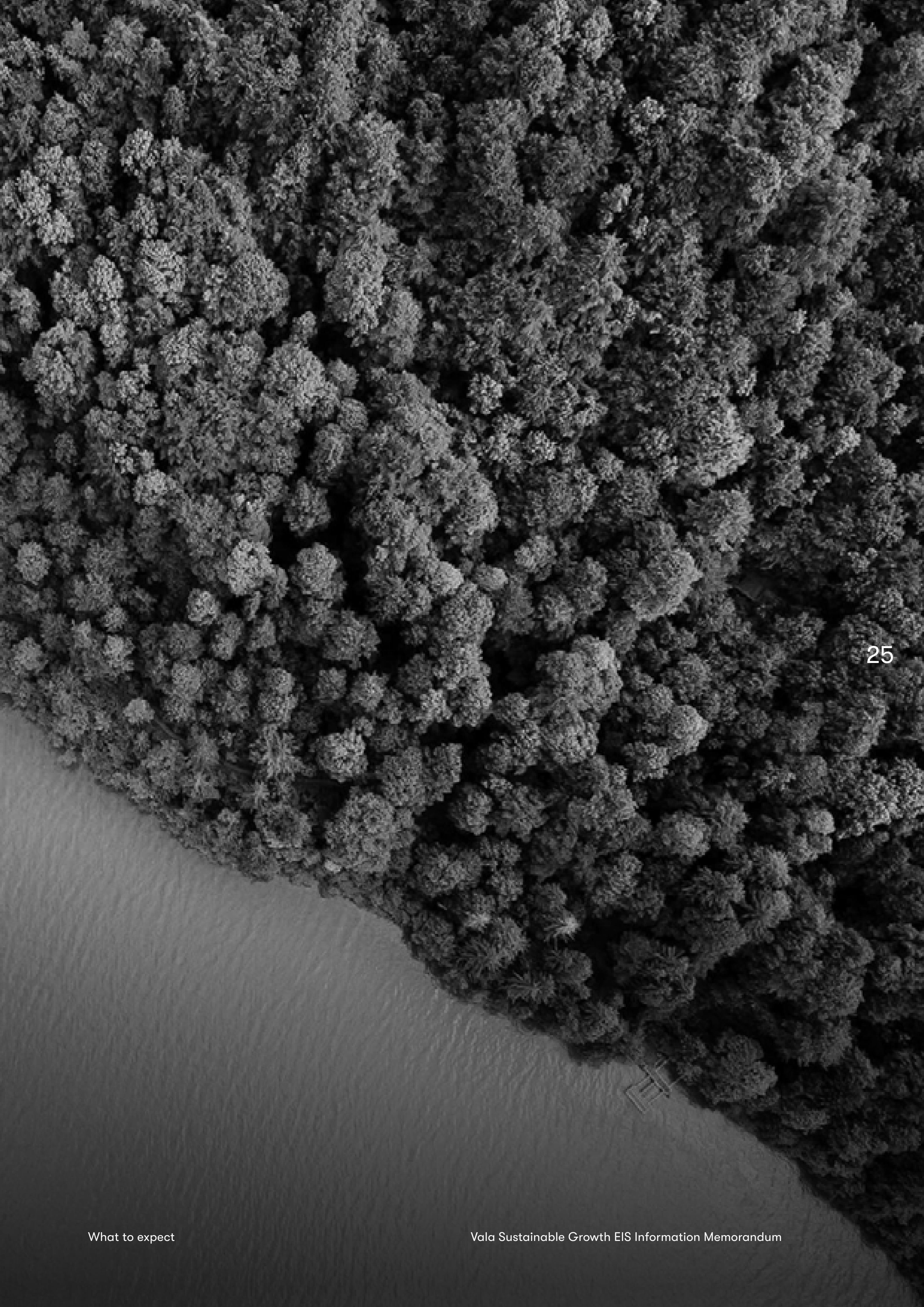


Woodside Corporate Services – Custodian

When you invest in the Vala Sustainable Growth EIS, a client account will be opened for you by Woodside Corporate Services, into which your Subscription will be deposited. When the Fund makes an investment, Woodside Corporate Services will use a nominee company, WCS Nominees Limited, to be the legal owner of shares on your behalf. These shares will be allocated to your account at Woodside Corporate Services. You will own what is known as 'beneficial title' to the shares in the Investee Companies, and the EIS tax relief will then flow through the nominee to you personally.

Financial Services Compensation Scheme

The Investment Manager participates in the Financial Services Compensation Scheme, established under the Financial Services and Markets Act 2000. The scheme provides compensation to eligible investors in the event of a firm being unable to meet its customer liabilities. Payments under the scheme to an eligible investor for protected claims against a firm in respect of protected investment business are limited to a maximum of the first £85,000 of the claim. Not every investor is eligible to claim under this scheme. **Whilst Sapphire Capital Partners LLP is authorised and regulated by the FCA, the FCA categorises the Fund as an alternative investment fund, and so participation in the Fund is not covered by the Financial Services Compensation Scheme.** Further information is available from the Financial Services Compensation Scheme, 10th Floor, Beaufort House, 15 St Botolph Street, London, EC3A 7QU.



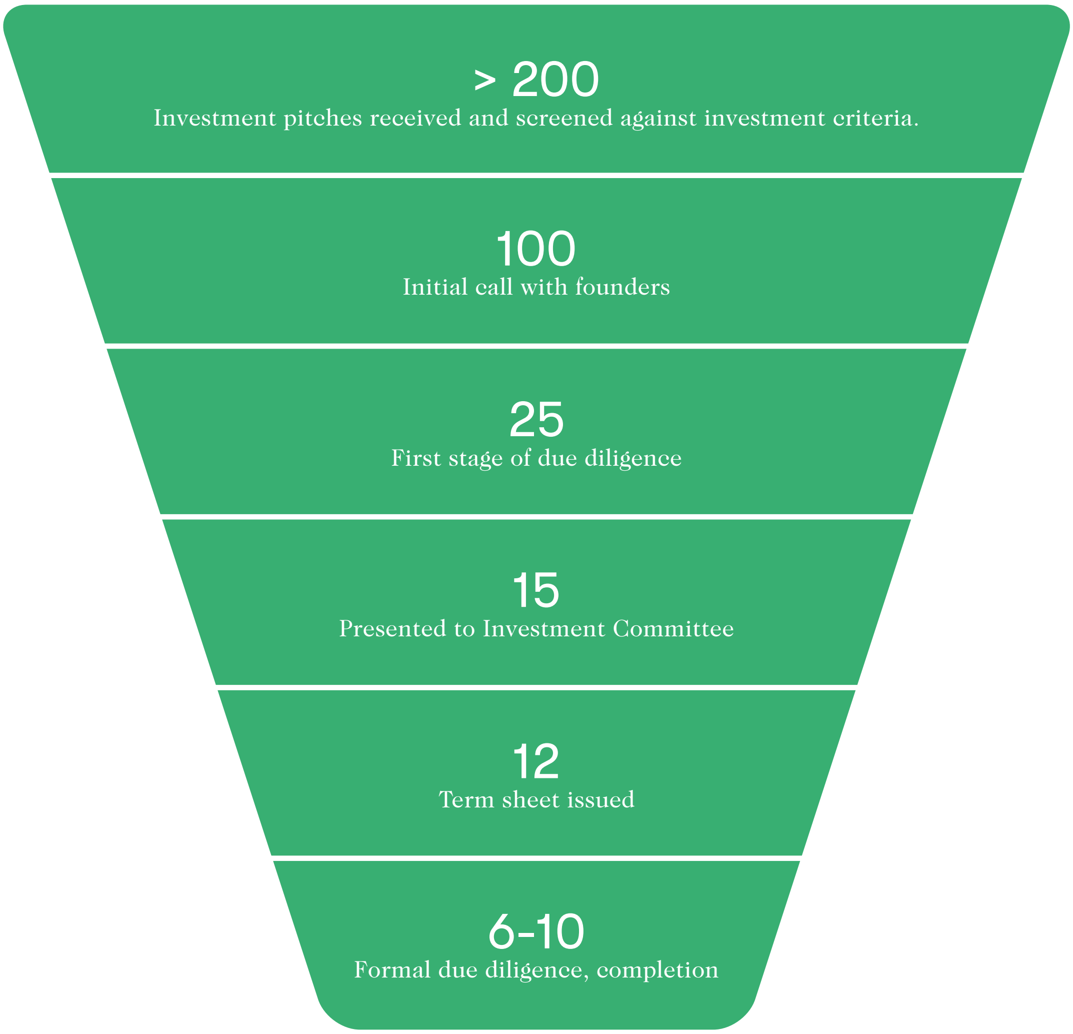
Investment process

Sourcing deals	The companies the Fund invests in will be sourced through our network of well-connected associates, business leaders and entrepreneurs, and by fostering relationships with organisations such as university spin-out offices and company incubators and accelerator programmes. Companies may also contact us directly when seeking investment. Sometimes, the Vala Sustainable Growth EIS may invest in companies which members of our investment committee, or other entrepreneurs who we know well, have themselves started or incubated.
Due diligence	We love a good sales pitch from an enthusiastic founder. But we also love the forensic research required to decide whether or not to invest. Due diligence is crucial. It helps us to manage risk exposure, and it lays the groundwork for supporting the businesses that we select for investment. Vala Capital carries out extensive due diligence in collaboration with professional advisers, handpicked for their experience in the relevant sector. We spend time researching market dynamics to assess whether the company's product is the right fit with the right route to market. We unpick the company's business plans, financial projections and budgets to understand how they will use the investment, their prospects for growth, and their potential to make an impact on their chosen sustainability issues. Throughout this process, we spend time getting to know the founder and the team they have built around them. We believe this is one of the most important aspects of our due diligence.

Investment decision	Once detailed due diligence work is completed, the Investment Committee (see page 32) will review the opportunity in detail before providing investment advice to the Investment Manager (which is Sapphire Capital Partners LLP). The policy of the Vala Sustainable Growth EIS is that investments will only proceed if there is unanimous agreement across all members of the Investment Committee.
Mentoring	Whenever possible, we prefer to take a seat on the board of each company we invest in. For us, this is not solely about monitoring performance. It is about becoming a trusted mentor to the founders, empowering them and providing whatever support they might need to be successful. Drawing on the expertise and experience of both the Vala team and experts within our network, the support we provide might include commercial and strategic advice, connecting businesses with potential partners, helping them to recruit talented new staff members, and managing their cash flow and financing position.
Exit	The ultimate goal for each portfolio company is to achieve an exit event, to allow the Vala Sustainable Growth EIS to produce a profitable return to Investors. The companies may be acquired by other parties (such as a bigger company in the same industry or a private equity firm) or listed on a stock exchange. At the time of the initial investment, it is impossible to know how long a company might take to reach an exit. However, Vala Capital and the Investment Manager will work closely with the companies during any exit process.

Expected investment pipeline

The diagram below shows the approximate number of companies we expect to assess each year, at the different stages of our investment process.



Our team

Our approach to investment is based on a belief that the best people to help growing businesses become successful are experienced entrepreneurs. That's why at the heart of our organisation is a team of seasoned entrepreneurs with decades of experience starting, growing, investing in and selling companies.

That core entrepreneurial expertise is complemented by team members with extensive investment management experience and in-depth knowledge and understanding of the relevant sustainability sectors.

We have also built relationships with experts from outside Vala Capital, whose expertise and extensive networks within specific industry subsectors will help us to source companies to invest in and support them as they grow.

In this section, we introduce some key members of the team.

Investment adviser team

Jane Holland, Investment Director

Jane is the Chief Operating Officer of Vala Capital and the Investment Director for the Vala Sustainable Growth EIS. Jane is a qualified Chartered Management Accountant and has a wealth of experience from holding senior finance roles in industries including Media, Food and Beverage and FMCG. Jane has been working within the investment management sector for more than 10 years.

Jake Wombwell-Povey, Investment Director

Jake is the founder and former CEO of Goji, a fintech asset management platform. Jake led the company through a number of VC-led investment rounds from some of Europe's largest fintech VCs including Axa and Anthemis. Goji now provides asset management services to clients across Europe administering over £400m of assets.

Max Middleton, Fund Manager

Max is an investment manager at Vala Capital, with responsibilities that include managing due diligence, investment execution and operations for the Vala Sustainable Growth EIS. He joined Vala from The Ingenious Group, where his focus was investments within the energy, transportation and resource efficiency sectors. He has also worked for EcoMachines Ventures, a venture capital firm investing in resource efficiency and industrial technology.

Jasper Smith, Vala CEO

Jasper is the founder of Vala. He has overall responsibility for deal flow and mentoring services and sits on the investment committee for the Vala Sustainable Growth EIS. He is an entrepreneur who has founded and invested in many companies in the media, technology and engineering sectors. His ventures include: PlayJam, one of the largest TV and mobile games networks; PlayStack a mobile games publisher; and Arksen, an engineering company focused on developing offshore explorer vessels and marine technology. He has achieved a number of highly successful exits, creating significant shareholder value along the way. Jasper started the World Ocean Trust in 1987 and is now a trustee at the Arksen Foundation.

Investment Committee

Jasper Smith and Max Middleton are members of the Investment Committee, alongside:

Mike Penrose, Chairman

Mike set up the Sustainability Group to make sustainability and social purpose a core part of how businesses and investors plan for the future. He was previously Executive Director of UNICEF UK, CEO of Action Contre Le Faim in Paris, Chair of Soccer Aid, and Global Humanitarian Director at Save the Children. He has worked as a commercial consultant for numerous financial institutions and businesses, helping them achieve their social, sustainability and ESG investment objectives. Mike has also sat on the ESG advisory committee of FTSE Russell, advised numerous family offices, businesses, investment funds and social entrepreneurs on how to implement programmes that achieve both social impact and financial returns, and he is a retained advisor to a number of high profile boards and businesses.

John Swingewood, Tech Scale-Up Expert

After senior leadership roles at BT and BSkyB, where he was instrumental in developing their early internet strategies both through organic development and significant joint ventures and acquisitions, John has gone on to lead various companies through substantial growth through to exit. John was the Chairman at CENTRALNIC, which successfully floated on AIM, and Chairman at DITG and Executive Chairman of Emizon, both of which were sold through significant trade sales. John continues to conceptualise, incubate, support and invest in businesses through growth, specialising in media, technology and IP.

Boyd Carson, Investment Manager

Boyd is managing partner of Sapphire Capital Partners, the Investment Manager for the Vala Sustainable Growth EIS. He is a Fellow of the Institute of Chartered Accountants and a former director of PwC in New York. Sapphire specialises in the SEIS and EIS sector. They currently manage multiple funds and have helped more than 300 companies with the process of qualifying for tax reliefs. The firm has won multiple industry accolades, including the EIS Association’s award for Best SEIS Fund Manager.

Investment and Sustainability Advisors

Our Fund Team and Investment Committee are able to draw on the guidance of our panel of advisors, to help inform investment decisions and to provide strategic and practical support to Investee Companies as they grow. Our advisors bring a diverse range of experiences from investment management, corporate sustainability and academia. If you would like to find out more about the panel, please contact Vala Capital.

Vala

Investing in the Vala Sustainable Growth EIS

How to invest

To invest you will need an Application Pack, which includes the Investment Management Agreement and Application Form. The Application Pack is available as a separate document. You cannot make a joint application. If another person, such as your spouse or civil partner, wishes to invest, they will need to apply separately. Please take care to read all the instructions on the application form, make sure you meet the specified anti money laundering requirements, and submit all the requested documentation. Your application should be sent to the Fund's Custodian, Woodside Corporate Services. The relevant address and payment details are provided on the Application Form.

Fund reporting

Investors will receive six-monthly statements and reports, with details of investments made within their portfolios. This may also include highlights and information regarding the progress of the Investee Companies.

Charges

Fee name	Charged to	Amount	How it works
Direct Initial Fee	Investor	2.5% of Subscription +VAT	Charged to individuals who invest in the Fund directly. Collected by Sapphire Capital Partners LLP, by invoicing the investor's account at the Custodian at the end of the month in which the Subscription is received. Because this fee is collected in this way, it reduces the value of the Subscription that is available to invest into shares, therefore also reducing the value of tax reliefs. This fee does not apply to individuals who invest in the Fund through their financial adviser.
Initial fee	Investee Companies	Up to 5% of the amount invested into company +VAT	When the Fund invests in a company, Sapphire Capital Partners LLP may charge the company a fee of up to 5% of the amount invested. The amount charged is at the discretion of the Investment Manager. Because it is charged to the companies in this way, this fee does not reduce the amount of the investor's Subscription that can be invested into shares.

Fee name	Charged to	Amount	How it works
Annual Management Charge (“**AMC**”)	Investor	1.5% + VAT	For the first three years after an investor’s Subscription is received, the Fund’s AMC is calculated as 1.5% of the net Subscription amount. The net Subscription is the amount left after the deduction of either the Direct Initial Fee or any fee charged by the investor’s financial adviser. A cash balance equal to 5.4% of the gross Subscription will be retained (i.e. set aside and not invested into shares, therefore also reducing the value of tax reliefs) on the investor’s account at the Fund’s Custodian. This amount is to cover the cost of the AMC plus VAT at 20%, for the first three years. Sapphire Capital Partners LLP will draw down the AMC annually in advance over that period. In the fourth and fifth years, the AMC will be calculated as 1.5% of the lower of the acquisition cost or net value of the shares remaining in the investor’s portfolio. This fee will accrue on the Investor’s account, until such time as cash is returned from the sale of shares, at which point the amount accrued will be collected by Sapphire Capital Partners LLP. No AMC is charged after the fifth year.
Performance fee	Investor	20% of returns above 110%	Vala Capital and the Investment Manager will earn a shared performance fee, equal to 20% of any return to investors that is in excess of 110% of the total amount invested into Investee Companies. In other words, an investor must receive cash payments equal to 110% of the acquisition cost of all the shares in their portfolio, before any performance fee becomes due. 80% of the performance fee will be paid to Vala Capital, 20% to the Investment Manager. VAT may be charged on the performance fee if applicable.

Tax reliefs

Each Investee Company should qualify for the Enterprise Investment Scheme, making a number of tax reliefs potentially available to eligible Investors.

These tax reliefs provide a significant incentive to invest and protection from losses. For an individual who pays income tax at the top rate of 45% and who is eligible for all EIS reliefs, only 38.5p of each £1 invested is at risk.

However, it is important to remember that these reliefs only exist because EIS investments are very risky. Also, the availability of tax reliefs will depend on your personal circumstances, and tax legislation can change in the future.

The main reliefs available at the time of writing:

Income Tax Relief	30% of the amount invested into EIS-qualifying companies can be claimed as a deduction from the investor's income tax bill. The investor can apply this relief to either the tax year in which the shares were purchased, or the preceding tax year. Relief can be claimed on investments of up to £1m (or £2m if the companies invested in meet HMRC's definition of 'knowledge intensive') per tax year. Income Tax relief can later be wholly or partly clawed back by HMRC, if the shares are not held for three years or the company ceases to be EIS qualifying.
Tax-free gains	There is no Capital Gains Tax to pay on any gains from the sale of EIS qualifying Shares. For this relief to apply, the Investor must have owned the shares for at least three years (the EIS qualifying period) prior to the sale, and the company must have maintained its EIS qualifying status.
Loss relief	When losses occur, they can be offset against income on the investor's tax return to reduce tax. Losses can also be offset against capital gains in the usual way.
Inheritance Tax relief	If the Investor owns the shares for at least two years and still owns them when they die, then the investment may qualify for Business Relief. This means there could be no Inheritance Tax to pay on the value of the shares. Business Relief is not an EIS relief, but EIS-qualifying companies will usually qualify for Business Relief too.
Deferral of CGT	Investments into EIS-qualifying shares can be used to defer part or all of the Capital Gains Tax due on gains from the disposal of an asset. Gains that arose up to 36 months before or 12 months after the purchase of the EIS shares can be deferred. If an investor dies whilst holding the shares, the deferred CGT liability is extinguished entirely.

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How tax reliefs could impact your investment

EIS tax reliefs help to cushion the blow if an investment does not perform well and enhance the return when a company is successful.

This is illustrated by the simple example below, which shows an investment into a single company. In Scenario 1, the company does not perform well and the shares are eventually sold at 50% loss on their acquisition price. In Scenario 2, the value of the shares increases 2.5x over the holding period.

	Scenario 1	Scenario 2
Initial investment	(£100,000)	(£100,000)
Sale proceeds on exit	£50,000	£250,000
Tax-free gain/(loss) if ignoring the impact of EIS reliefs	(£50,000)	£150,000
Income Tax Relief on original investment	£30,000	£30,000
EIS loss relief	£9,000	
Loss after beneficial impact of EIS reliefs	£11,000	
Tax-free profit including beneficial impact of EIS Income Tax Relief		£180,000

Scenario 1 example assumes the investor is able to set off their loss (which, net of Income Tax relief, is £20,000) against income tax at the 45% rate. The example does not show the further potential beneficial impact of Capital Gains Tax reliefs or Inheritance Tax Relief.

Please note that the above summary is only a general overview and is not a description of all tax considerations which may be relevant to a decision to invest in the Fund. It should not be construed as constituting advice. You should consult your own financial or tax advisor before applying for an investment in the Fund.

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Risks

Below we have set out some of the main risks associated with investing in the Vala Sustainable Growth EIS. Please read this information carefully.

The most important thing to understand is that investing in small, early-stage companies is inherently very risky. It is possible for you to lose your entire investment. As such, you should only invest what you can afford to lose.

The Vala Sustainable Growth EIS will not be suitable for all investors. We recommend that you seek financial advice before investing.

Portfolio company risks

Company underperformance or failure

To reiterate, the investments made by the Fund are inherently high risk. Small companies often struggle to grow. They may never become profitable and it is possible they could go out of business.

The companies are also often heavily reliant on a small number of directors and employees. If a key team member resigns or becomes unable to work for the company, it can have a significant detrimental impact on the company's chances of success.

'Force majeure' events, such as floods, fires and terrorist attacks could also result in the underperformance or failure of a company.

Demand for the products and services sold by some Investee Companies may be dependent on laws and regulations related to environmental protection or other sustainability matters. As such, changes in government policy or priorities could have a detrimental effect on performance.

In short, one or more companies in your portfolio may reach a point where their shares are worth less than you paid for them or have no market value at all. You should only invest in the Vala Sustainable Growth EIS if you can afford to lose your entire investment.

External factors

The performance of Investee Companies, and therefore the value of an Investor's shares, may be affected by external factors. Such factors include (but are not limited to) economic and political conditions, interest rate changes, and fluctuations in foreign exchange rates. The UK's departure from the European Union and the global Coronavirus pandemic both create economic uncertainty and the potential for successive periods of slow or negative economic growth. Difficult economic conditions in the UK or in countries that trade with the UK could have an adverse impact on the performance of Investee Companies and the value of an Investor's shares.

Debt finance

Portfolio companies will often need to borrow finance from third party lenders. This poses an additional risk. For example, if a company becomes insolvent and has to sell off its assets, lenders may be entitled to be repaid before shareholders receive any proceeds.

International risks

Some portfolio companies may have their headquarters or another part of their operations in a country or countries other than the UK. This may expose those companies to additional economic, political, regulatory and commercial risks.

Investments into portfolio companies will usually be made in Sterling, but could occasionally be made in other currencies. Furthermore, some portfolio companies may generate revenues or incur expenses in other currencies. As such, your investment in the Vala Sustainable Growth EIS could be adversely affected by fluctuations in the value of Sterling in relation to other currencies.

Valuations

Investments into unquoted private companies are difficult to value. We will carry out valuations of your shares using standard venture capital industry methods. However, these valuations will be estimates and could vary significantly from the eventual sale value of the shares.

Fund risks

Past performance

The past performance of investments within the Vala Sustainable Growth EIS (or of other investments connected to Vala Capital or the Investment Manager) is not an indication of the likely future performance of investments in the Vala Sustainable Growth EIS.

Illiquidity

The Vala Sustainable Growth EIS is an illiquid investment. You cannot withdraw the money you invest after it has been used to buy shares. The shares will not be listed on a public market, so they cannot be easily sold.

You will receive a cash return from your investment only if the Fund is able to sell your shares. This may occur when a portfolio company is purchased by another company or investment firm, or goes through an initial public offering. In the case of an IPO the decision to sell your shares remains the responsibility of the Investment Manager. Your shares may not be sold as soon as the IPO is completed, if we think it is in your best interests to postpone the sale.

Duration

You should consider an investment in the Vala Sustainable Growth EIS to be for the medium to long-term. The Investment Manager aims to sell the companies the Fund invests in within five years, but it could take significantly longer.

No FSCS coverage

Whilst Sapphire Capital Partners LLP is authorised and regulated by the FCA, the FCA categorises the Fund as an alternative investment fund, and so participation in the Fund is not covered by the Financial Services Compensation Scheme. See page 24 for more information.

Minority stakes

The Vala Sustainable Growth EIS will typically own a minority of each portfolio company's shares. We may therefore have limited ability to influence the strategy and policies of the companies, including decisions about selling the company to realise a return.

Follow-on investments

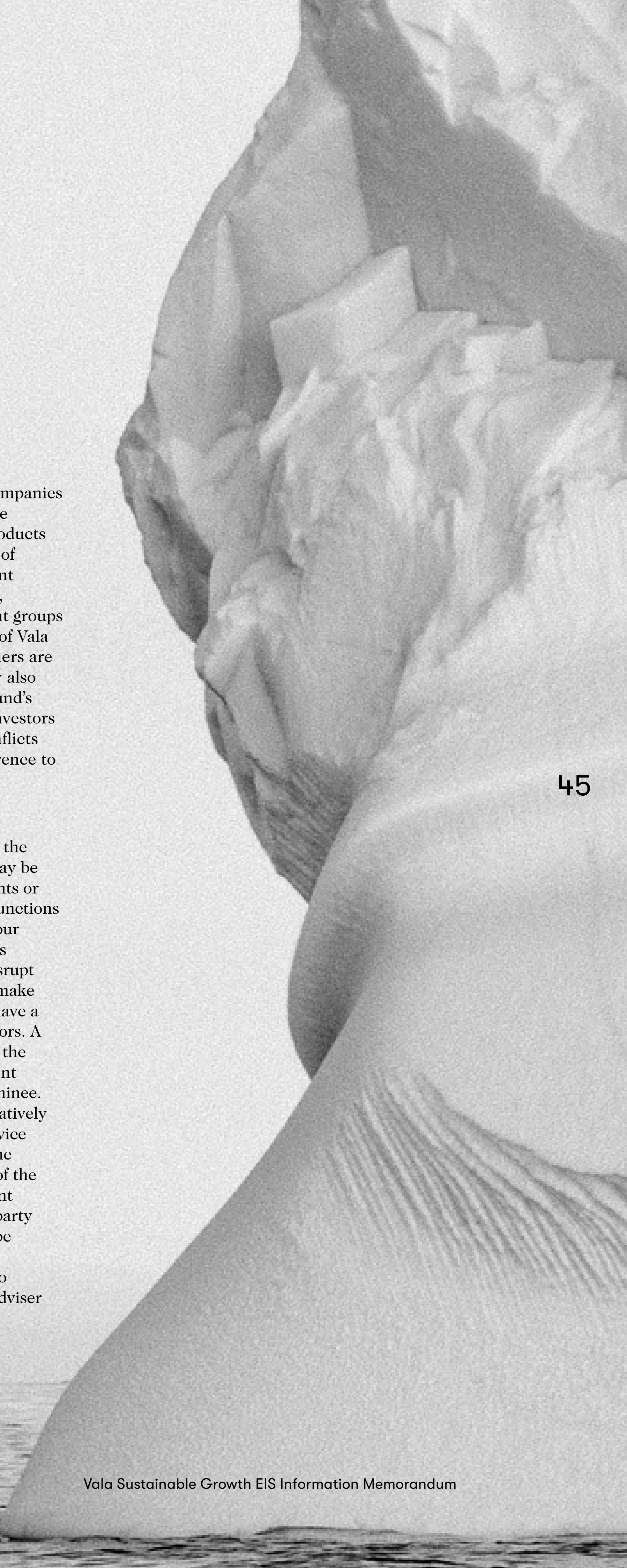
The Vala Sustainable Growth EIS will sometimes use funds raised to make follow-on investments into companies that the Fund has invested in previously. Follow-on investments may take place at different share prices, so when an exit occurs the returns to the Vala Sustainable Growth EIS's Investors may vary. It is also possible that portfolio companies may require follow-on investments which the Fund is unable to provide. In such situations, companies may secure follow-on funding from other investors at terms which are unfavourable to Investors in the Vala Sustainable Growth EIS.

Key individuals

The Vala Sustainable Growth EIS relies heavily on the individuals who work for Vala Capital. If for any reason key individuals were to no longer be available to work for Vala Capital, it could effect the company's ability to provide services to the Vala Sustainable Growth EIS. This could impact the performance of investments.

Custody

Before it is invested into shares, your cash will be deposited by the Custodian (Woodside Corporate Services) into UK banks of their choosing. Cash deposits are held entirely at the Investor's risk. You can read more about these arrangements in the Investment Management Agreement.



Conflicts of interest

The Vala Sustainable Growth EIS may invest in companies on more than one occasion, and Vala Capital or the Investment Manager may use other investment products to purchase, invest in or provide different sources of finance to companies that have received investment through the Vala Sustainable Growth EIS. As such, situations may arise where the interests of different groups of Investors are in conflict, or where the interests of Vala Capital or the Investment Manager and their partners are in conflict with Investors' interests. The Fund may also invest into companies in which members of the Fund's investment committee own shares. Treating our Investors fairly is a top priority for us, and any potential conflicts will be identified, managed and resolved with reference to our conflicts of interest policy and procedures.

Cybersecurity

The Fund or any of the service providers, including the Investment Manager and the Investment Adviser may be subject to risks resulting from cybersecurity incidents or technological malfunctions. Such incidents or malfunctions may have a negative impact on the repayment of your investment, interfere with the Investment Manager's ability to calculate the value of your investment, disrupt the ability of investors to subscribe to the Fund or make withdrawals and other processes all of which may have a negative impact on the returns generated for investors. A cybersecurity incident may also have an impact on the security of your personal data held by the Investment Manager, Investment Adviser or Custodian and Nominee. Additionally, such cybersecurity incidents may negatively impact the reputation of the Fund or any of the service providers, including the Investment Manager and the Investment Adviser which may affect the capacity of the Fund to achieve any targeted return. The Investment Manager and the Investment Adviser rely on third party providers for many day-to-day operations and will be subject to the risk that the protections and policies implemented by such providers will be ineffective to protect the Investment Manager or the Company Adviser from such incidents or malfunctions.

Tax risks

No guarantees

The Fund cannot guarantee that portfolio companies will qualify for EIS tax reliefs at the time of investment, or that they will remain eligible for reliefs for the entire investment holding period. Changes in the circumstances of a company can lead to the withdrawal of reliefs. Tax legislation can change, so it is possible that HMRC could alter or withdraw EIS reliefs in the future.

Neither the Investment Manager nor Vala Capital will be liable for any losses that result due to the unavailability of EIS reliefs for any reason. This includes situations (however unlikely) where the Vala Sustainable Growth EIS invests into a company to which you are 'connected' (broadly defined as holding, either directly or through 'associates' more than 30% of the capital or voting rights in a company).

Timing of EIS certificates

You cannot make any claim for EIS tax reliefs until you have received EIS3 certificates in relation to your investment. These certificates are only issued after shares in qualifying companies have been purchased. In other words, claiming reliefs is linked to the timing of the Vala Sustainable Growth EIS's investments into companies, rather than the timing of your Subscription to the Fund. We cannot accurately predict when you will receive your certificates. It is possible you may have to pay your income tax bill for a given year in full and then retrospectively claim your reliefs when your EIS3 certificates become available.

Personal circumstances

EIS tax reliefs are generally available to UK resident individual taxpayers. But your ability to claim reliefs will depend on your personal circumstances. We recommend you seek independent tax advice.

Complexity

Owning a portfolio of EIS Qualifying Shares can sometimes result in complicated tax consequences. It is your responsibility to comply with tax law and complete your tax return correctly – we are not able to provide you with any advice or guidance. We recommend you seek help from a financial adviser, tax professional or accountant if you are not confident about managing this aspect of your investment.

Early exits

We may choose to sell some portfolio companies before you have owned your shares for three years. In these circumstances, some or all of the EIS reliefs relating to that portfolio company may be withdrawn by HMRC.

Business Relief

Business Relief is assessed by HMRC after the Investor's death, so there is no guarantee that investments made through the Vala Sustainable Growth EIS will qualify for 100% relief from Inheritance Tax. Any potential for an investment in a portfolio company to qualify for Business Relief will cease when that company is sold or listed on a stock exchange (although a company listed on the Alternative Investment Market may still qualify for Business Relief, subject to meeting a number of other criteria).

Next steps

If you would like to invest in the Vala Sustainable Growth EIS, please request a copy of our Application Pack.

Vala

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