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10th March 2017

Private & Confidential
Attention of Deputy Gavin St Pier & Deputy Lyndon Trott
Office of the Policy & Resources Committee States of Guernsey
Sir Charles Frossard House
La Charroterie
St Peter Port
GUERNSEY
GY1 1FH

Dear Gavin & Lyndon,

Following on from our initial meetings on the subject of an Innovations Fund, we enclose a brief presentation outlining our thoughts on how best to run the fund. We believe that this approach will give us the best chance of success i.e. making a commercial return on investment and avoiding concentrated losses. In addition, it should allow the fund access to co-investment opportunities in underlying investments and thereby give direct access to the principals involved. In this way we believe we can influence the possibility of a Guernsey presence. We hope you find this informative and that it meets your expectations.

Also mentioned at our meetings was the opportunity of launching an infrastructure fund and we are excited by that possibility opportunity.

We are very happy to meet to run through the presentation in more detail and indeed discuss possibility of the infrastructure fund.

Kind regards,

Jon

Ravenscroft

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About the Ravenscroft Group of Companies

RIML and RJL are wholly owned subsidiaries of RL.



Innovation Fund Presentation – March 2017



BACKGROUND

The States would like to allocate £20m of its capital fund to the development of an investment portfolio in technology related businesses. The objectives for this fund and the management team of the fund are as follows:

- Make a commercial return over the medium/long term net of fees;
- Invest in a portfolio of businesses in new technology sectors which could potentially generate opportunities for Guernsey based operating businesses;
- Provide an outsourced business evaluation function for business ideas presented directly to the States for consideration; and
- Invest in island based technology opportunities.



INVESTMENT STRATEGY

Ravenscroft Approach

Ravenscroft would recommend the following:

To achieve the above objectives, the Innovation Fund needs to invest in a broadly spread portfolio. This will maximise the opportunity to capture business introductions that could lead to inward investment into Guernsey and minimise the risk of poor performance in a high risk sector.

- Ravenscroft believes a “fund of fund” approach should be adopted for part of the fund. This would enable the fund to gain greater spread of investments. It would also connect Guernsey through the managers to an information flow that would inform future potential inward investment decisions;
- An element of the fund would then also be allocated to direct investments. This would be primarily targeted at co-investments in businesses that not only have intrinsic commercial value but also have potential for Guernsey either from a sectorial and/or employment basis;



INVESTMENT STRATEGY CONTINUED

- The balance of the fund would be available for investments in businesses which have approached the States/Ravenscroft directly and provide both a commercial and community benefit from investment.

The proposed portfolio would therefore be constructed as follows:

- No more than 50% would be allocated to up to 5 tech fund managers, based in the UK or Europe. We would expect that these fund investments would generate investments in at least 20 businesses.
- We believe the focus should be more on technologies or service platforms in the B2B sectors where there is more likelihood of connection with and benefit to Guernsey. We would not be able to make the funds invest in 'Guernsey only investments' but by keeping close to the managers and the underlying investments, we would hope to develop links which could lead to inward investment.



INVESTMENT STRATEGY CONTINUED

The balance of the fund would be held back for:

- Co-investment opportunities with the chosen fund managers. We would expect that this would generate approximately 4 or 5 co-investments and would try to emphasize a Guernsey linkage;
- Direct investments which would be Guernsey sourced and based.

With this latter allocation, we would be looking more closely at the “collateral” benefits of the investment. Would the investment generate jobs in Guernsey? Is there crossover with business activity in Guernsey etc. etc.?

In addition, the fund management team could also be used to evaluate business opportunities which are directed at the States.



MANAGEMENT FEE

Ravenscroft would propose to charge 1.5% p.a. for a 5 year period. After 5 years or after 100% of the capital is committed, whichever is the sooner, the fee would be 0.75% of NAV. It is intended that the fund would have a maximum life of 10 years.

PERFORMANCE FEE

Ravenscroft would propose a performance fee of 15% after a hurdle of 8% has been achieved.

CO-INVESTMENT RIGHT

Ravenscroft would want to reserve the right to co-invest other client funds into the funds and where possible the direct investments on pari passu terms.



TERM SHEET

Fund:

Innovation Guernsey LP

Fund size:

£20 million

Fund term:

10+1+1 years from its first closing

Investment period:

5 years from first closing

Annual management fee:

During investment period: 1.5% of commitments, thereafter 0.75% of NAV

Distributions:

Return of commitments, 8% preferred return, thereafter 100% catch-up and 15% carried interest



THE TEAM / KEY PERSONNEL



JON RAVENSCROFT

Jon Ravenscroft has been a stockbroker for over 30 years, starting his career at Sheppards & Chase in 1983 in Guernsey and then the Isle of Man before returning to establish what became 'Collins Stewart (CI) Limited' (now 'Canaccord Genuity') where he was Head of Broking. Jon then founded Cenkos Channel Islands Limited in 2005 which became Ravenscroft Limited in 2013. Jon is Group CEO of Ravenscroft, he is a fellow of the Chartered Institute for Securities & Investment and has overseen the creation of the CISE listed Ravenscroft wealth management business.



BRIAN O'MAHONEY

Brian O'Mahoney is a Fellow of the Institute of Chartered Accountants in Ireland and holds a finance based MBA from Manchester Business School. Brian has over 20 years of post-qualification commercial and financial experience. He was until recently the Group Financial Director for the Legis Group and was instrumental in steering that business through its initial management buyout and its subsequent industry sales. Prior to working at Legis, Brian was the Chief Financial Officer for Kleinwort Benson in the Channel Islands a role he held for a number of years.



THE TEAM / KEY PERSONNEL



ANDREW HAINING Non-Executive Chairman

Andrew has had a 30 year career in banking and private equity with Bank of America, CDC (now Bridgepoint) and Botts & Company. During this career, he has been responsible for over 20 private equity investments with transactional values in excess of \$1bn. He holds several Guernsey and UK board positions including Chairman for Aurigny, the state owned Channel Islands airline.



TIM RAVENSCROFT

Tim joined Ravenscroft as part of the settlements team in December 2011 before moving to the broking team for a short period of time. Tim then joined the Corporate Finance team midway through 2012. During his time at Ravenscroft Tim has seen the two specialist funds, Bailiwick Investments Limited and The Channel Islands Property Fund Limited grow from relatively small entities to what they are today. Tim assists will all aspects of the management of the specialist funds including the completion of acquisitions.



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