SEEDRS

Portfolio Update Winter 2016/17

Important Information

This report has been approved as a financial promotion by Seedrs Limited (Seedrs), which is authorised and regulated by the Financial Conduct Authority.

Investing in the types of businesses referred to in this report involves risks, including loss of capital, illiquidity, lack of dividends and dilution, and it should be done only as part of a diversified portfolio. For more information about the risks of investing please visit: www.seedrs.com/risk_warning

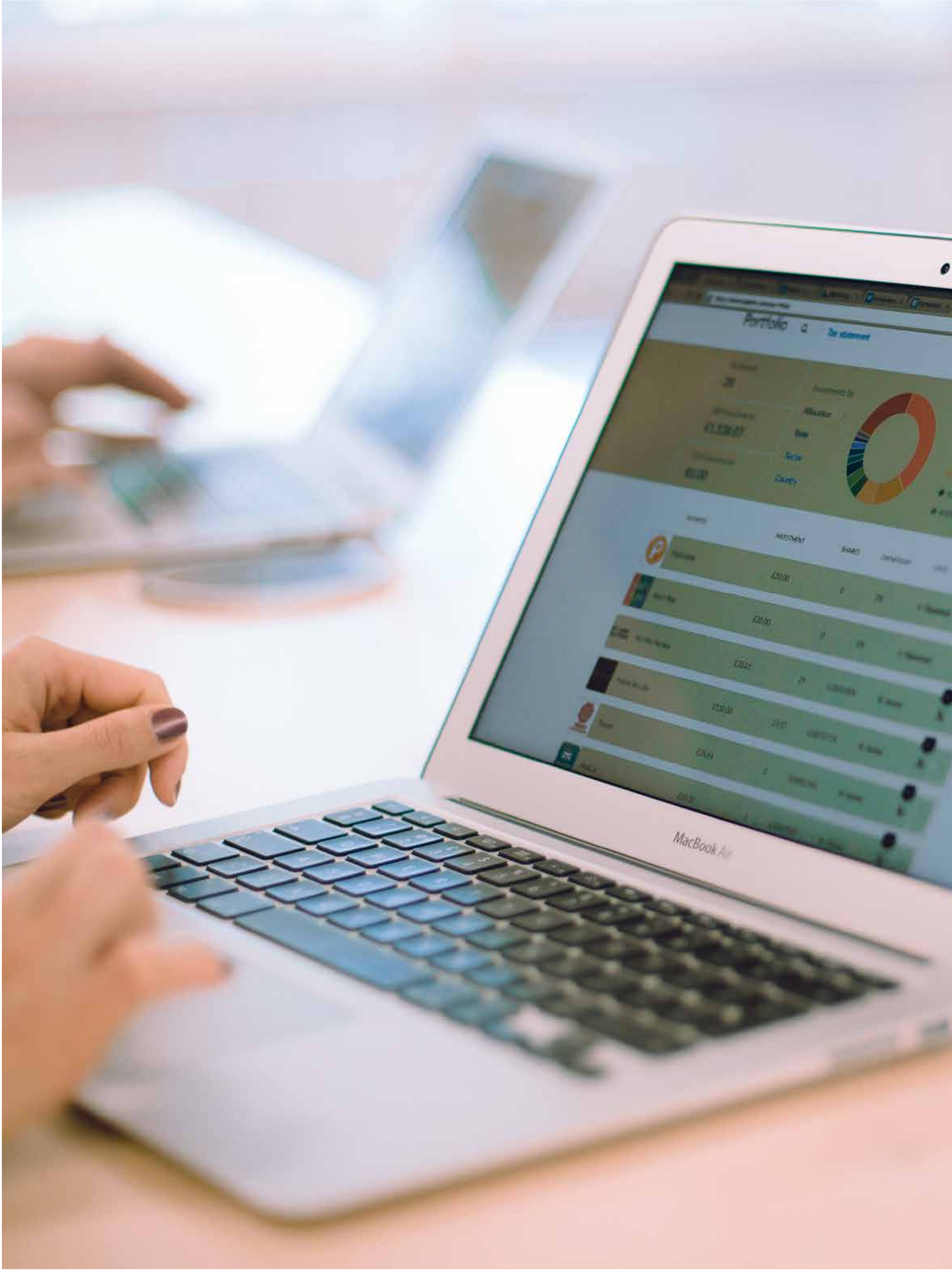
The performance figures set out in this report refer to the past, and past performance is not a reliable indicator of future results. Most of the performance figures reflect paper returns, which means that while they show the notional performance of investments based on market activity, they do not necessarily reflect the cash returns that could be achieved if the relevant investments were sold. Given that there is no secondary market for most of these investments, it may be difficult to sell them at all. Where performance figures include conversions from another currency, those figures may increase or decrease as a result of currency fluctuations.

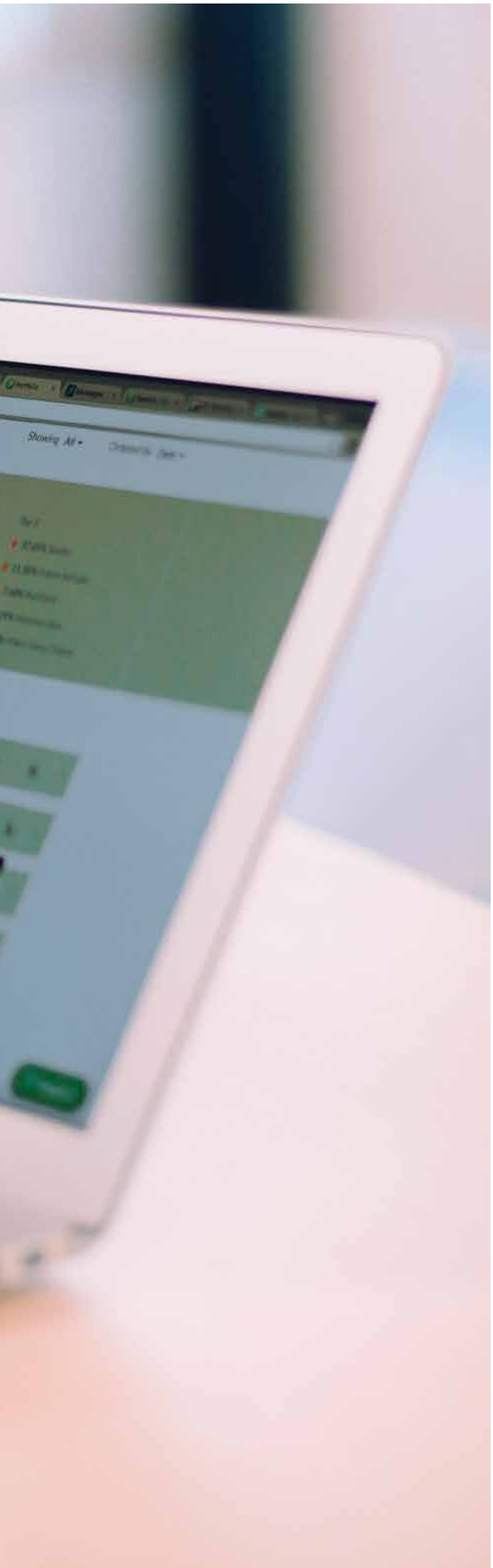
All tax treatment referred to in this report depends on individual circumstances and may be subject to change in future.

Seedrs does not provide legal, financial or tax advice of any kind, and nothing in this report constitutes such advice. If you have any questions with respect to legal, financial or tax matters, you should consult a professional adviser.

Statement of Ernst & Young LLP

Ernst & Young LLP (EY) has reviewed the procedures and processes used by Seedrs for determining its estimates of fair value, as set forth in Section 3 of this report, and consider that they are in line with the industry guidance set forth in the International Private Equity and Venture Capital Valuation (IPEV) Guidelines.


Portfolio
MacBook Air



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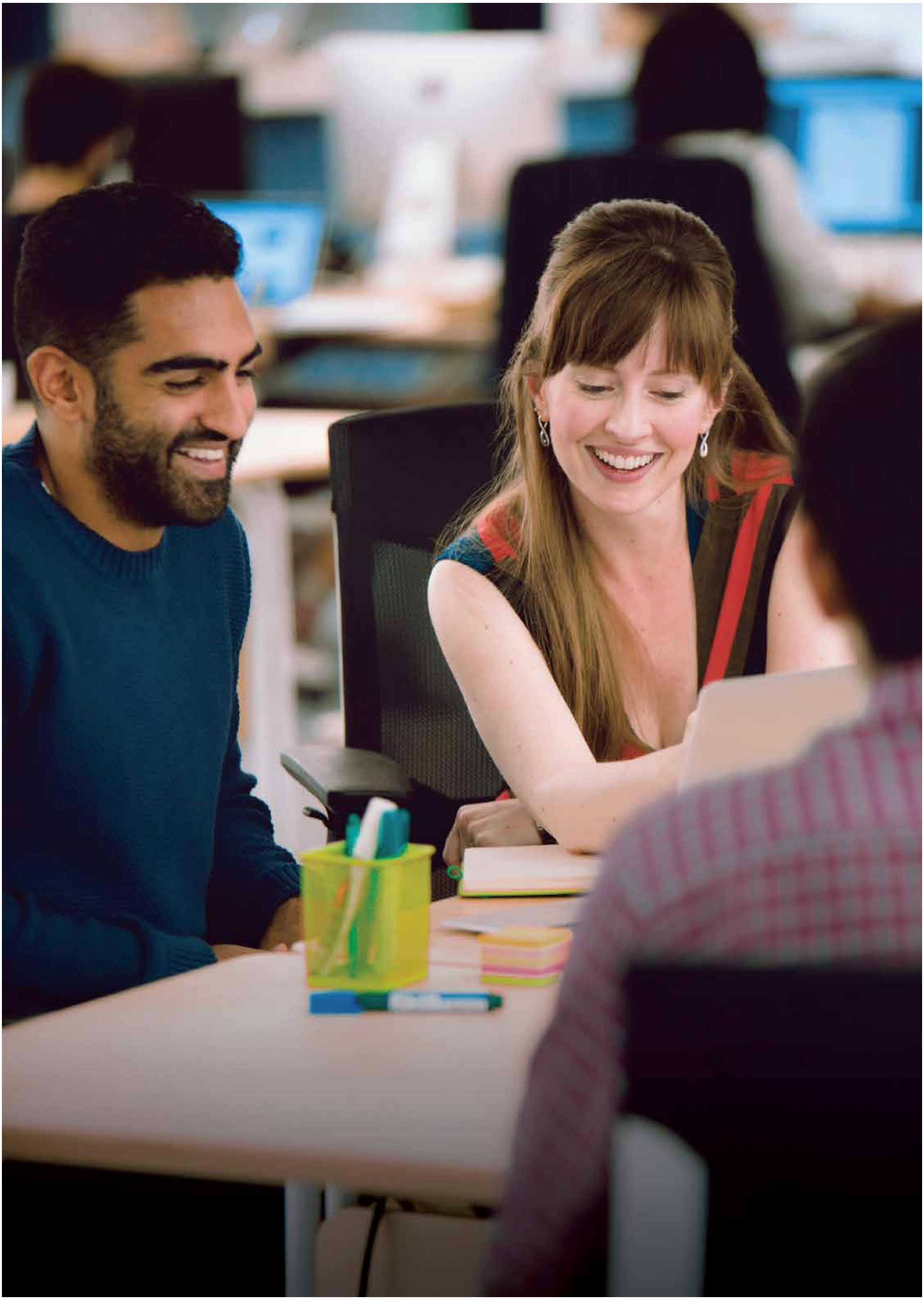


Executive Summary

Seedrs completed 375 deals between our launch in July 2012 and 30 September 2016.

These deals ranged across 15 sectors. No sector accounted for more than 11% of all deals.

As of 30 September 2016, a portfolio of investments in all these deals would have achieved a 14.4% non-tax-adjusted IRR (tax-adjusted: 49.1%).

Following on the hugely well-received release of our first-ever Portfolio Update, we are now publishing an updated version. In this version, we look at the characteristics and performance of all 375 deals we funded from our launch in July 2012 through September 2016. Here are a few highlights:

Deal Characteristics

- Roughly 45% of our deals have been for digital businesses, and 15% for non-digital. The remaining 40% have been hybrid digital/non-digital models.
- Nearly 55% of our deals have been for B2C businesses, with 30% for B2B ones and the remaining 15% for businesses with both B2C and B2B models.
- Of our 15 sectors, the three most popular in terms of number of funded deals have been: Food & Beverage (11% of deals); Home & Personal (11%); and Finance & Payments (10%).

Investment Performance

- The platform-wide internal rate of return (IRR), which means the annualised performance (net of fees) of a hypothetical portfolio that included all 375 deals, as of 30 September 2016 was 14.4% on a non-tax-adjusted basis. When the impacts of tax reliefs and liabilities are taken into account, this goes up to 49.1%.
- Investors who built portfolios of 10 or more investments have, on average, outperformed investors with smaller portfolios. The top quartile of investors who built portfolios of 10 or more investments have achieved non-tax-adjusted IRRs in excess of 20%.
- Businesses with hybrid digital/non-digital elements to their models have performed better than pure digital and pure non-digital businesses on average, achieving a non-tax-adjusted IRR of 20.5% (tax-adjusted: 54.2%).
- Businesses with both B2B and B2C models have outperformed pure B2B and B2C businesses on average, with a 29.8% non-tax-adjusted IRR (tax-adjusted: 67.0%).
- The three best performing sectors to date have been Finance & Payments, with a 38.6% non-tax-adjusted IRR (tax-adjusted: 72.8%); Property, with a 35.8% non-tax-adjusted IRR (tax-adjusted: 62.4%); and SaaS/PaaS, with a 30.3% non-tax-adjusted IRR (tax-adjusted: 63.4%).

Please note that in order to understand the summary information above, it must be read together with the full data and background information provided in Sections 2 and 3 of this report. Note in particular that most of the investment performance figures reflect paper returns, which means that while they show the notional performance of investments based on market activity, they do not necessarily reflect the cash returns that could be achieved if the relevant investments were sold. Given that there is no secondary market for most of these investments, it may difficult to sell them at all. In addition, tax treatment depends on individual circumstances and is subject to change in the future.

1 Introduction

Seedrs is an online platform for investing in startups and other growth businesses. We launched on 6 July 2012 as the first regulated "equity crowdfunding" platform in the world. Since then, we have seen thousands of investors invest in hundreds of exciting companies in the UK and across Europe.

In September 2016, we published our first-ever comprehensive report on our funded deals, which we call our "portfolio". The response to that report was tremendous: investors, entrepreneurs and observers welcomed the data and analysis we shared, and many were pleased to see how well the overall portfolio, as well as a number of subsets of it, had performed on paper to date.

Given this response, we thought it would be worth producing an updated version that reflects our significant expansion over the first nine months of 2016. The new version looks not only at our first three full vintages but also the portion of our fourth vintage that had been completed by 30 September 2016. In all, this covers 375 deals (up from 253 deals in the previous report).[1]

We have also taken this opportunity to refine several parts of our analysis, based on feedback we received, in order to make the report as useful as possible for those who want to understand how investors have, and could have, performed when investing through Seedrs.

Other than the updated data and refined analysis, we have tried to keep this report as similar in style and content to the previous version as possible. Once again the report looks first at the characteristics of the companies that have raised funding through us, and then at how investments in those companies have performed so far.

Launched 2012

Pan-European

First regulated in the world

Most active investor in private companies in the UK[2]

Top seed-stage investor in the UK in 2015[3]

Top equity investor in London in 2015[3]

1 A "deal" represents an individual funding round: where the same company has raised several separate rounds of funding through us, each is a separate deal; and where multiple companies are funded through a single campaign (which happens in our "fund" campaigns, where investors invest in an entire cohort of businesses), the funding of each of those companies constitutes a separate deal. "Completed" means funds have been transferred to the company, and the company has issued shares (or, in the case of convertible equity, entered into a deferred subscription agreement) in exchange for those funds.

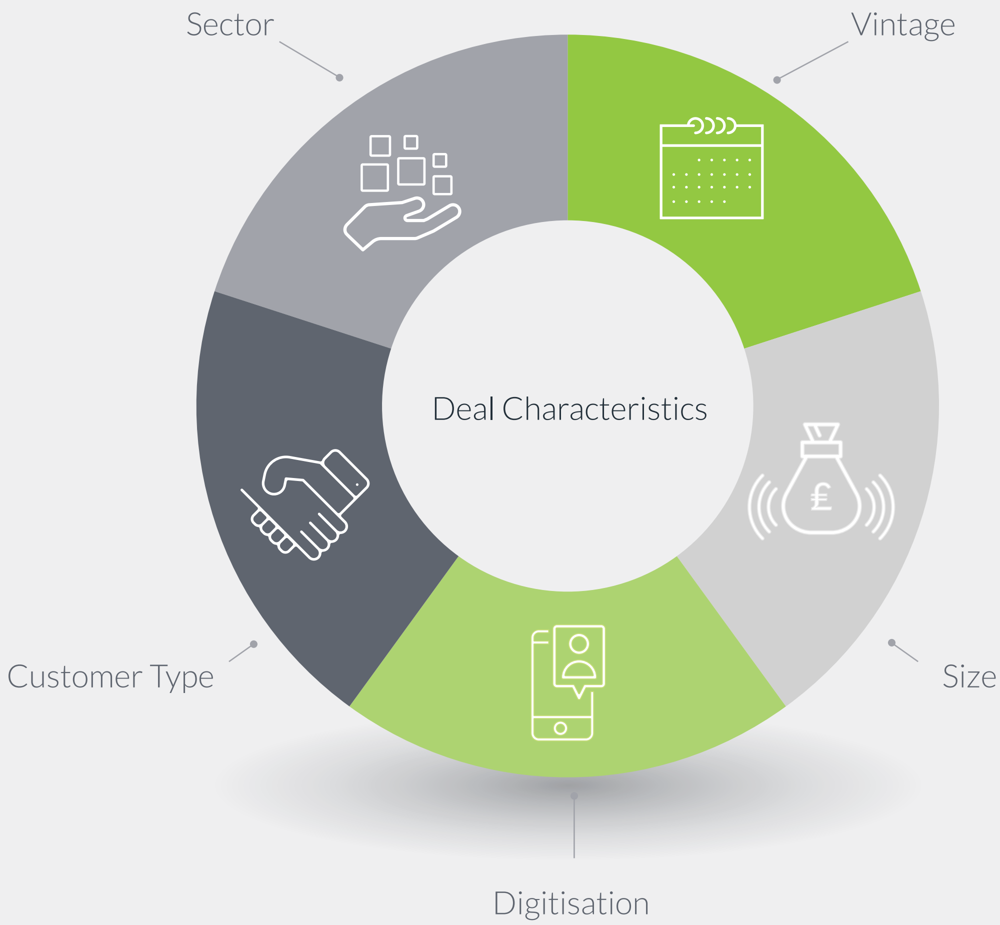
2 Beauhurst report - The Deal Q3 2016 (http://about.beauhurst.com/hubfs/Reports/beauhurst_thedeal_q3_2016.pdf)

3 Beauhurst report – The Deal 2015/16 (http://about.beauhurst.com/report-the-deal-2015-16)

Seedrs offers me an exciting opportunity to build a diverse investment portfolio in a previously inaccessible asset class. So far, as you would expect, some businesses have not succeeded, but many are showing strong paper returns. Short term I can claim up to 50% tax relief from eligible campaigns, long term I hope for significant gains.

Julian Sutton, Managing Director, JRS Partners Limited

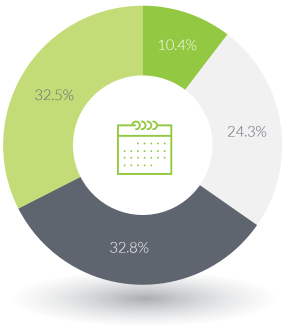
2 Deal Characteristics



We look first at the number of deals we have funded by five sets of characteristics: (1) their vintage; (2) their size; (3) their level of digitisation; (4) their customer type; and (5) their sector. We view this mix of traits as a good way of understanding, in general, what types of businesses have tended to succeed in raising capital through Seedrs.

2.1. Vintage

We group our deals by vintage, which corresponds to the years in which they were completed. As of 30 September 2016, we had completed three vintages of deals, and were much of the way through our fourth, as follows:

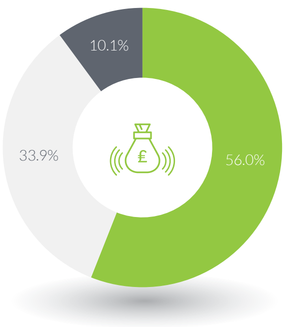


Vintage	Coverage	Number of Deals	Percentage of Total
1	All deals completed in 2013, along with the handful that were completed at the end of 2012 (our first deals closed in November 2012).	39	10.4%
2	All deals completed in 2014.	91	24.3%
3	All deals completed in 2015.	123	32.8%
4	All deals completed thus far in 2016 (through 30 September).	122	32.5%

This year-on-year growth in the number of deals completed reflects our expansion as a business, as well as the growth of the alternative finance space generally. As each year goes by, we find increasing numbers of businesses come to us as their first port of call for finance, while many others want to use us in combination with raising capital from institutional or angel investors.

2.2. Size

Our deals fall into three broad buckets based on the amount invested:

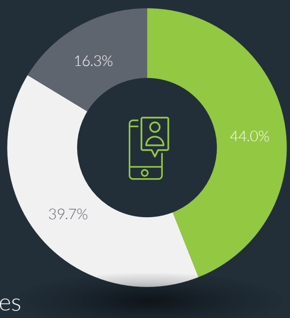


Size	Coverage	Number of Deals	Percentage of Total
Small	Deals of less than £100,000 (or equivalent in euros[4]).	210	56.0%
Medium	Deals between £100,000 and £500,000, inclusive (or equivalent in euros).	127	33.9%
Large	Deals of more than £500,000 (or equivalent in euros).	38	10.1%

When we first launched, we capped the amount that could be raised on Seedrs at £150,000, and our strong focus was on deals that fit into the Small category. As time has gone by, the market has developed, and both our userbase and expertise have grown substantially, we have moved into doing more Medium deals and, recently, an increasing number of Large ones.

[4] For each euro-denominated transaction, we calculate the sterling value by using the European Central Bank's GBP/EUR exchange rate on the date on which the investment was completed.

2.3. Digitisation



We are often asked what proportion of our businesses are "tech" businesses, and increasingly we find this a difficult question to answer. Today there are very few businesses that don't involve some level of technology use or production, and few of those have the growth profile that would make them attractive to equity investors.

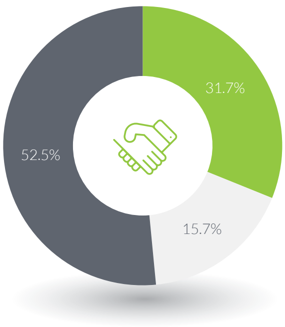
So we think a better way of addressing the issue is by looking at businesses' level of digitisation. We divide our businesses into three categories based on how their customers interact with them:

Digitalisation	Coverage	Example	Number of Deals	Percentage of Total
Digital	Businesses where the customer's use of the product or service is entirely or almost entirely digital.	A business that creates mobile games would be Digital, because customers only interact with it through their mobile phones.	165	44.0%
Mixed	Businesses where the customer's use of the product or service is partially digital and partially non-digital.	An online recruitment platform is likely to be Mixed: the initial engagement between the employer looking to recruit staff and the business is through the online platform, but the ultimate transaction —hiring an employee and having her come to work for the employer— is a non-digital one.	149	39.7%
Non-Digital	Businesses where the customer's use of the product or service is entirely or almost entirely non-digital.	A brewer would likely be Non-Digital: even if there is information about the beer on the company's website, the substantive interaction between the customer and the product is fundamentally an offline one.	61	16.3%

It is not surprising that the majority of our deals have been for businesses that are at least partially digital: these days digital technologies are at the heart of a substantial portion of innovation and growth throughout the economy. But two interesting observations do emerge from this data.

One is how many businesses fall into the Mixed category. In line with the broader early-stage ecosystem, we are seeing more and more businesses that are not pure-play digital ventures but instead are using digital technology to compete in markets with some level of offline component.

The other observation is that the number of Non-Digital deals is far from trivial. We have seen a lot of investor demand for bricks-and-mortar companies, and it is clear that employment of digital technologies is not always a necessary component of building a growth-focused business.



2.4. Customer Type

We also look at our businesses by type of customer, and here again we break this down into three categories:

Customer Type	Coverage	Example	Number of Deals	Percentage of Total
B2B	Businesses whose customers are almost entirely other businesses or individuals acting on behalf of a business.	An analytics platform that helps advertisers track the efficacy of digital ads would be B2B, as advertisers will be almost entirely commercial enterprises.	119	31.7%
Both	Businesses whose customers include both consumers and businesses.	The operator of a financial services marketplace, where the suppliers of capital are largely individuals but the recipients of that capital are businesses, would likely be categorised as Both.	59	15.7%
B2C	Businesses whose customers are almost entirely consumers or individuals acting in a personal capacity.	A manufacturer of craft bicycles is likely to be B2C, as the vast majority of its customers will be individuals purchasing bicycles for themselves or as gifts.	197	52.5%

There is a common perception that platforms like Seedrs are suited primarily, or solely, to B2C businesses. This has not been our experience: B2C businesses do represent a small majority of our completed deals, but we have done deals for a substantial number of B2B businesses, as well as ones that fall into the Both category.

In practice, we have found that campaigns for B2B companies can work very well on Seedrs when the problem they are solving is one that investors from a wide range of backgrounds can understand. Businesses that are building products or services targeted at the SME community, for example, often resonate with investors (many of whom have run SMEs themselves or know people who have done so). In contrast, highly-complex enterprise solutions that are specific to a particular industry or function seem less likely to run successful campaigns.

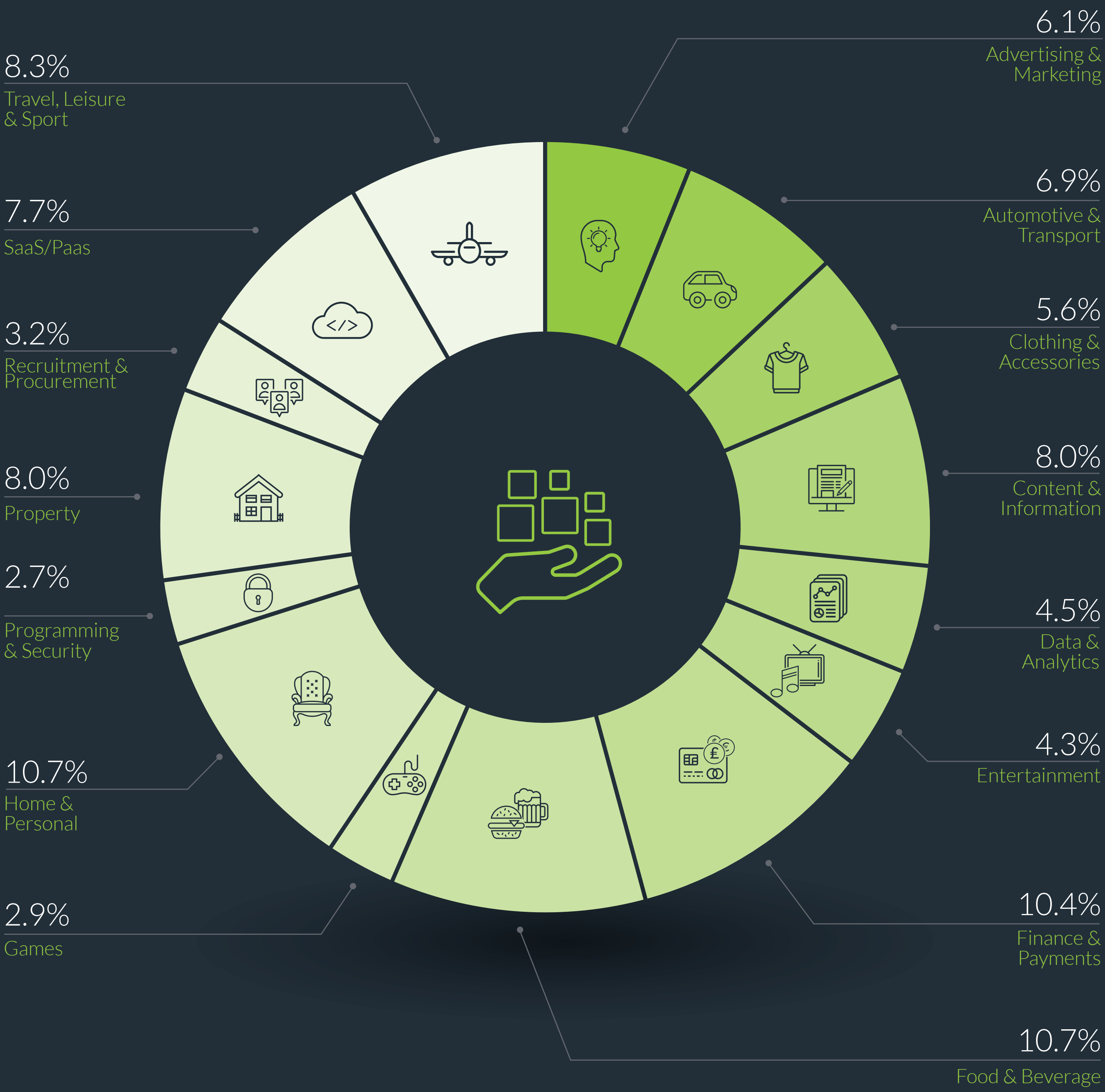
> B2B companies can work very well on Seedrs when the problem they are solving is one that investors from a wide range of backgrounds can understand.

2.5. Sector

Finally, we break down all of our deals into one of 15 sectors:

Sector	Coverage	Number of Deals	Percentage of Total
Advertising & Marketing	Businesses whose primary activity relates to the creation or distribution of advertising or marketing technologies or materials, or activities ancillary thereto.	23	6.1%
Automotive & Transport	Businesses whose primary activity relates to the transportation of people or freight, or activities ancillary thereto.	26	6.9%
Clothing & Accessories	Businesses whose primary activity relates to the manufacture or distribution of clothing, apparel, jewellery or other accessories, or activities ancillary thereto.	21	5.6%
Content & Information	Businesses whose primary activity relates to the creation, provision and/or aggregation of content, news and other information, or activities ancillary thereto.	30	8.0%
Data & Analytics	Businesses whose primary activity relates to the provision or facilitation of analysis of data with a view to driving business-related decisions, or activities ancillary thereto.	17	4.5%
Entertainment	Businesses whose primary activity relates to the production or distribution of films, television, theatre or music, or activities ancillary thereto.	16	4.3%
Finance & Payments	Businesses whose primary activity relates to the provision or facilitation of financial or payment services, or activities ancillary thereto.	39	10.4%
Food & Beverage	Businesses whose primary activity relates to the manufacture or distribution of food or beverage products, or activities ancillary thereto.	40	10.7%
Games	Businesses whose primary activity relates to the creation, publication or distribution of games, or activities ancillary thereto.	11	2.9%
Home & Personal	Businesses whose primary activity relates to the manufacture, creation, provision or distribution of products or services intended for general home or personal use (not otherwise classified), or activities ancillary thereto.	40	10.7%
Programming & Security	Businesses whose primary activity relates to the facilitation or support of computer programming and development or technological security, or activities ancillary thereto.	10	2.7%
Property	Businesses whose primary activity relates to the acquisition, sale, leasing or management of real property, or activities ancillary thereto.	30	8.0%
Recruitment & Procurement	Businesses whose primary activity relates to facilitating the acquisition of human or physical capital, or goods and services used in business, or activities ancillary thereto.	12	3.2%
SaaS/PaaS	Businesses whose primary activity relates to the creation and provision of software or a platform that is provided as an ongoing service, or activities ancillary thereto.	29	7.7%
Travel, Leisure & Sport	Businesses whose primary activity relates to the provision of services for, or the provision or aggregation of information about, travel, leisure or sport-related activities, or activities ancillary thereto.	31	8.3%

Deal breakdown by sector



The biggest takeaway from these sector numbers is simply the diversity of companies that have funded through Seedrs. We are proud of being sector-agnostic and are keen to provide investment opportunities across a wide range of industries. The variety we have seen to date is encouraging and shows the extent to which very different types of businesses can sit alongside each other successfully on our platform.

> Stocked in 1,600 stores in the UK, Oppo have an ambitious plan for growth and are privileged to have 700 Seedrs investors on the journey with us as we make the Oppo brand synonymous with healthy indulgence.

Charlie Thuillier, Co-founder and Managing Director, Oppo
Harry Thuillier, Co-founder and Marketing & Operations Director, Oppo

3 Investment Performance

Investors allocate capital through Seedrs for a number of different reasons.

Sometimes it's to support a company founded by a friend or family member. Sometimes it's because the investor has a particular affinity for the work the business is doing. Sometimes it's even about the enjoyment an investor gets from being part of an exciting, innovative venture.

But fundamentally, the people and institutions who invest through Seedrs do so in the expectation of financial returns. When we set out to build Seedrs, our goal was to give profit-seeking investors access to an asset class that was once difficult or impossible for them to reach. We believe that a diversified portfolio of startups and growth businesses can make an outstanding addition to the broader investment portfolio of an investor who seeks capital appreciation and can tolerate risk. And like any type of growth investing, the overarching goal is to see the value of one's holdings go up and hopefully, in time, sell one's shares for more than the price for which they were purchased.

Startups and growth ventures are, by their nature, a long-term asset class, and meaningful returns are unlikely to be realised for five to seven years at a minimum, if at all. But nearly four years after we closed our first deals, we now have a substantial amount of data about how Seedrs investments have performed on paper across the portfolio. In this section of the report, we share that data.

"People and institutions who invest through Seedrs do so in the expectation of financial returns. When we set out to build Seedrs, our goal was to give profit-seeking investors access to an asset class that was once difficult or impossible for them to reach."

3.1. Methodology and Structure

Valuation of private companies is a notoriously complex undertaking, so before diving into the numbers, we think it is helpful to provide some detail about the processes and procedures we used to measure performance.

3.1.1. Fair Value

For each deal, we have looked at two share prices: the price at which investors subscribed for their shares; and the fair value of the shares as of 30 September 2016.

To determine current fair value, we have developed and followed a comprehensive Valuation Policy following the industry-standard International Private Equity and Venture Capital Valuation (IPEV) Guidelines. In brief, that policy provides as follows:

1. Where the company has raised a further round of equity capital within the last three years, and (1) the capital was raised for shares of the same class of shares as, or a class of shares substantially the same as, the class held by Seedrs investors, and (2) the company is continuing or preparing to trade, we have valued the shares at the value of the most recent fundraising round.

2. Where the company has not raised additional capital for the same or substantially the same class of shares since its Seedrs round, but (1) the Seedrs round closed within the last three years, and (2) the company is continuing or preparing to trade, we have valued the shares at the value of the Seedrs round.

3. Where the company has not raised capital for the same or substantially the same class of shares for over three years, through Seedrs or other means, but it is continuing or preparing to trade, we have conducted a substantive valuation analysis with a presumption of decline in value. Note that this is the only situation where, in theory, we could mark the fair value of an investment as worth more than the share price in its latest round of finance, but we would only do so based on recognised financial metrics. None of the deals covered by this report have been marked up on this basis.

4. Where the company has wound up, indicated its intention to wind up or ceased (or taken measures to cease) trading or preparing to trade, we have valued the shares at zero or, if funds were returned to shareholders as part of the winding up, the per-share value of those funds.

Ernst & Young LLP (EY) has reviewed these processes and procedures and consider that they are in line with the IPEV Guidelines.

It is worth observing that we were able to obtain much of the information required to make these fair value determinations, in a robust and verifiable way, by exercising the information rights we hold in our capacity as nominee for each investment. One of the benefits to investors in our acting as nominee—and entering into subscription and/or shareholders agreements with each investee company—is that we have reliable access to ongoing information about the performance of the investments. Platforms and networks that do not have the comprehensive information rights granted in these agreements do not have access to the same level of information.

3.1.2. Fee Adjustments

After determining the share price as of 30 September 2016, we have adjusted it downward to reflect any carried interest that the investor would need to pay to us if she had sold her shares on that date. All performance numbers are therefore presented on an after-fee basis (although they do not take account of third-party fees, such as brokerage commissions, that could be involved in a sale transaction).

3.1.3. Taxes and Tax Reliefs

We present the data on both non-tax-adjusted and tax-adjusted bases. For non-tax-adjusted performance, we ignore the impact of all taxes and tax relief. This means we calculate performance based solely on the change in share price from purchase to 30 September 2016, adjusted for our fees.

For tax-adjusted performance, we assume the investor is a UK taxpayer who is able to claim in full any available relief under the Enterprise Investment Scheme (EIS) or Seed Enterprise Investment Scheme (SEIS). This means that:

- The investor has sufficient income tax liability to claim the full 30% (EIS) or 50% (SEIS) income tax relief.

- The investor has sufficient capital gains tax (CGT) liability to claim the full CGT relief available for SEIS deals. This means that the investor would have received 28% of the investment amount back for any SEIS investment made prior to 6 April 2014, and 14% of the investment amount back for any investment made thereafter. (We have ignored CGT deferral relief under EIS, as its impact will vary substantially depending on the length for which the investment is held.)

- The investor has sufficient income tax liability to be able to claim loss relief in full as an additional rate (45%) taxpayer. This means that the investor would receive 22.5% of the lost amount back on any failed SEIS investments and 31.5% of the lost amount back on any failed EIS investments.

- The investor must pay CGT at a rate of 20% on any investments that were not eligible for EIS or SEIS relief.

- We have assumed that income tax relief and CGT relief were (or will be) realised on the 31 January immediately following the date on which the investment was completed (the "Tax Relief Date"). We have assumed loss relief was realised on 30 September 2016 or, if the investee company previously wound up, the date on which the winding up was completed (in either case, the "Value Date"). And we have assumed that CGT liability is payable on the Value Date. In practice, delays in paperwork or other administration may mean that investors would not be able to realise the various reliefs as quickly as we have assumed.

- We have not taken into account the minimum three-year holding period for SEIS and EIS investments, and we have assumed that no actions were taken by investors or investee companies to invalidate SEIS or EIS relief.

3.1.4. Measuring Performance

We look at performance in two ways.

One is simply the raw count of how many deals have appreciated, held even, or depreciated. Appreciated deals may have increased in value by a significant multiple, or they may only have increased slightly. Depreciated deals generally represent failed companies, where little or no money was available to return to investors, but in some cases they represent companies that have seen partial declines in value due to down-rounds (i.e., fundraising rounds at reduced valuations).

The other, more important, measure is internal rate of return, or IRR. We believe this to be the best and most widely-used measure of annualised investment performance, and it is intended to reflect how a portfolio has performed in aggregate on an annualised basis. A few notes about how we calculate IRR:

- When calculating non-tax-adjusted IRR, we have set the "cash out" date as the mean date on which investors committed their investment to the deal. For example, if the campaign for a given deal went live on 30 June 2014, and the investments into it were spread evenly from then until the campaign closed on 31 August 2014, we would take 31 July 2014 as the relevant "cash out" date. We think this is the most reasonable way to determine, on average, when investors parted with their cash for a given deal (even though the investment is not actually completed until that cash is transferred to the company and shares are issued). We have set the Value Date as the "cash in" date.

- When calculating tax-adjusted IRR, we use the cash out and cash in dates as above, but we add the Tax Relief Date as a further cash in date, and we add the Value Date as either a cash in or cash out date depending on whether loss relief can be claimed or CGT is payable.

A key conceptual point about IRRs is that they expressly focus on portfolio-wide performance rather than single outperformers. While the skewed nature of this asset class means that a small number of successful businesses are likely to provide the vast majority of returns, we believe that the most important thing for investors to consider is what the overall return of a portfolio looks like and how it compares to other asset classes. Looking at IRRs allows an investor to do that.

3.1.5. Structure

We have divided this report into two broad sections: Market Performance and Individual Performance.

The Market Performance section looks at the return that would have been achieved from a hypothetical portfolio that included investments in all of our deals, as well hypothetical portfolios that included investments in certain subsets of our deals. It shows how an investor's portfolio would have performed, on both a non-tax-adjusted and a tax-adjusted basis, had the investor built a portfolio by making investments of equal size in every deal in a particular group. For example, the investor may have invested £100 in each deal: this means that for a £100,000 deal, he invested £100, and for a £1,000,000 deal, he also invested £100.

Note that this represents a different approach from the one we took in the previous version of this report. There, we looked at the overall market on a "fixed percentage" basis, meaning that the hypothetical portfolio consisted of investments corresponding to the same percentage of each deal. As we reflected on this approach, we came to the conclusion that it was not as useful an indicator of performance as the "fixed amount" basis we have used here, because in practice most investors invest relatively similar amounts in each deal rather than similar percentages of each deal. So the "fixed amount" basis does a better job of telling an investor how she would have performed had she invested in all the deals on the platform or all deals of a particular type.

A consequence of shifting from a "fixed percentage" basis to a "fixed amount" basis is that, although the overall platform IRR has changed very little from the previous version of this report, some of the IRRs of particular subsets have changed significantly. This has generally occurred where larger deals skewed the returns under the "fixed percentage" approach, and the "fixed amount" basis eliminated that skew.

The Individual Performance section looks at the performance of the individual portfolios of investors. This section shows the extent to which portfolio size has impacted both the average returns and the distribution of returns investors have managed to achieve. In the previous version of this report, we limited the analysis to those investors with at least 20 investments, but we received some very fair feedback that doing so meant we were failing to analyse the performance of the vast majority of investors who have used Seedrs. So this time we have looked at every investor who has made at least one completed investment through Seedrs, and instead of focusing on the simple comparison between individual and market performance, we have drilled into the difference in performance characteristics between portfolios of different sizes.

3.1.6. Understanding the Numbers

This report provides what we believe to be the most accurate window possible into the performance of Seedrs investments to date. But it is important to bear in mind several things when looking at these numbers:

- They largely reflect paper returns, which means that while they show the notional performance of investments based on market activity, they do not necessarily reflect the cash returns that could be achieved if the relevant investments were sold.

- There is not a liquid secondary market for the vast majority of these investments, so it may be difficult for an investor to sell his shares at the current share price or at all.

- It is well understood that the value of investments may go down as well as up, and nowhere is that more true than in a high-risk asset class like startups and growth businesses. We would expect the share prices of most of these investments to change substantially in coming years: some are likely to appreciate, and others to depreciate, and it is impossible to predict whether the net effect of those changes will cause IRRs to increase or decrease over time. External events may also affect IRRs across the sector, and in particular it is too early to assess what impact, if any, Brexit may have.

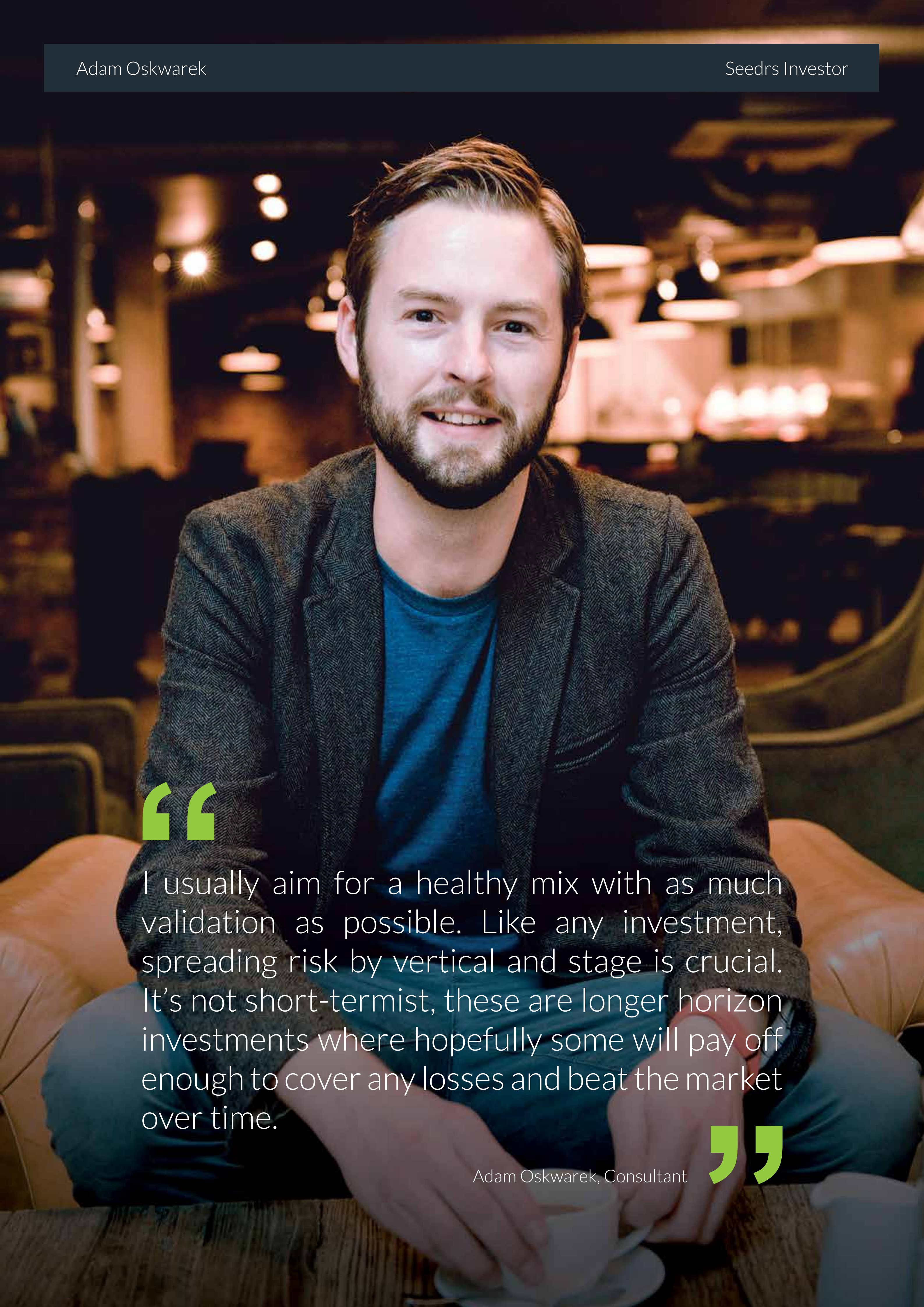
- Whilst the numbers we present represent average annualised performance, individual investors' performance may deviate significantly. Many individual investors have seen their investments perform significantly worse (or significantly better) than the average performance.

- When looking at the performance of certain groups of investments, the number of deals covered may not be statistically significant. Statisticians tend to use a rule of thumb that 30 or more samples are required for statistical significance, and in some cases significantly more than 30 samples are required. It is worth bearing this in mind when looking at the number of deals covered by certain parts of our analysis.

- We may offer access to different types of deals in the future than we have in the past, and the performance characteristics of those deals may differ significantly from the deals we have funded in the past.

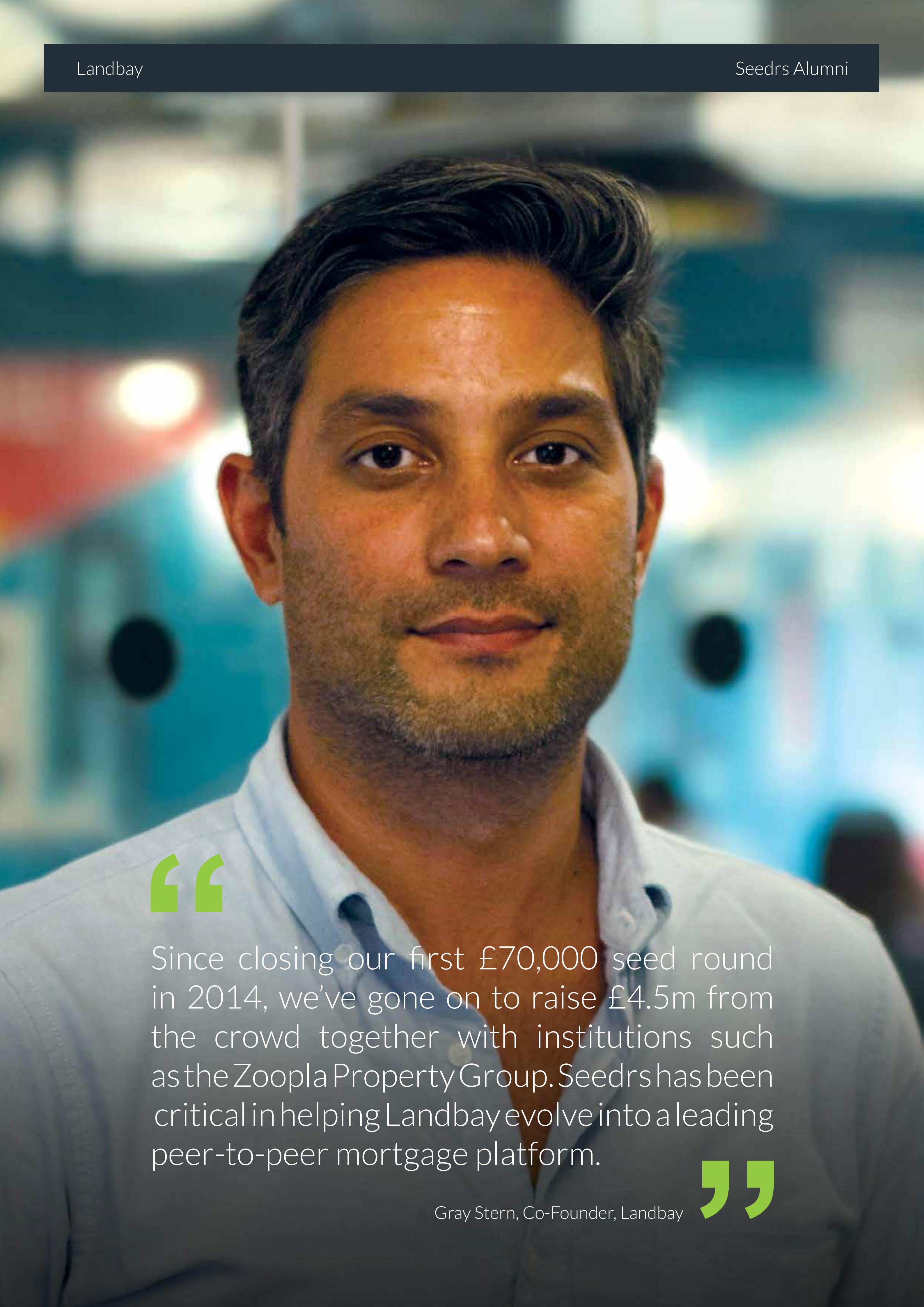
- Not every deal on the Seedrs platform is open to every investor. Most of our deals have at least a period during which they are "private", meaning that they are only available to investors who are granted access by the business, and in some cases they hit their target and close without ever being opened up to all Seedrs members. There are also deals which represent the exercise of pre-emption rights from a previous Seedrs round and are available only to investors who had invested in that round. So although we do not treat private and public deals differently for purposes of this analysis, it is worth bearing in mind that some investors would not have been able to include certain deals in their portfolios.

- Special care should be taken when considering the tax-adjusted returns. As explained above, these assume that an investor could take full advantage of all applicable tax reliefs; in practice, this will not always be the case for individual investors. It is also worth noting that because much of the benefit of the EIS and SEIS reliefs is realised at the time of making an investment, that investment's tax-adjusted IRR will appear particularly strong for investments that have been held for a short period, but over time it will increase more slowly (or decrease more quickly) than the non-tax-adjusted IRR for the same investment. Finally, as we continue to expand our business into continental Europe and elsewhere, we would expect a smaller proportion of our deals to be eligible for EIS and SEIS, meaning that at a market level the difference between tax-adjusted performance and non-tax-adjusted performance is likely to narrow over time.



I usually aim for a healthy mix with as much validation as possible. Like any investment, spreading risk by vertical and stage is crucial. It's not short-termist, these are longer horizon investments where hopefully some will pay off enough to cover any losses and beat the market over time.

Adam Oskwarek, Consultant



"Since closing our first £70,000 seed round in 2014, we've gone on to raise £4.5m from the crowd together with institutions such as the Zoopla Property Group. Seedrs has been critical in helping Landbay evolve into a leading peer-to-peer mortgage platform."

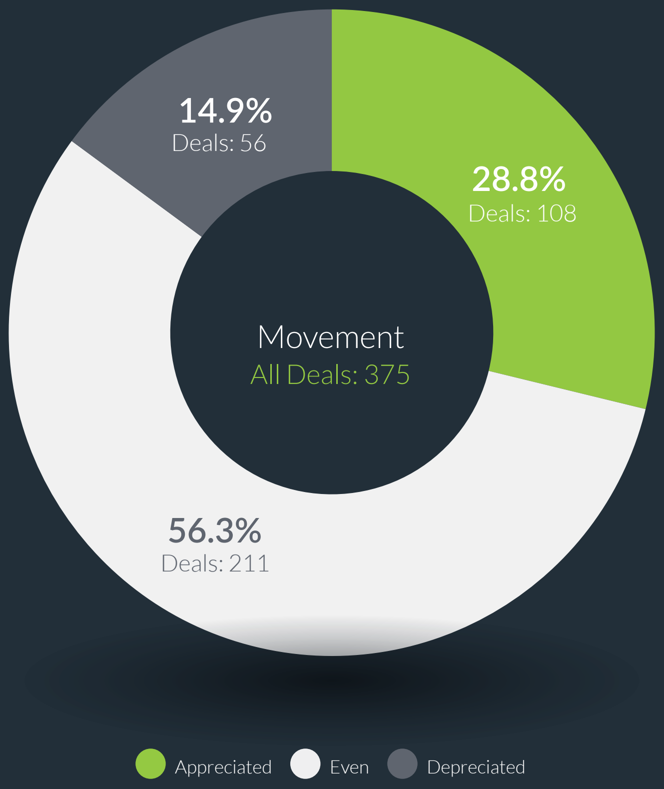
Gray Stern, Co-Founder, Landbay

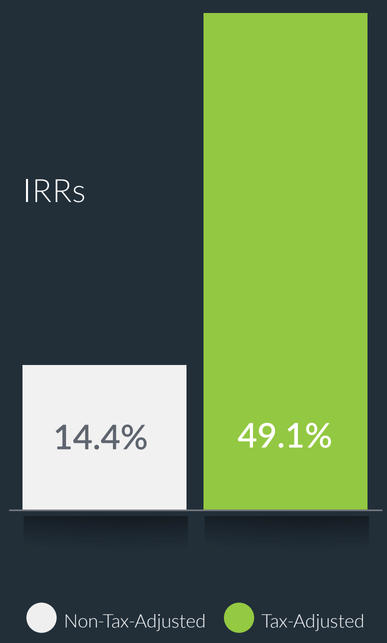
3.2. Market Performance

Starting with the market-wide analysis, we look at performance across the entire platform and then across the same five groupings as in the "Deal Characteristics" section: (1) vintage; (2) size; (3) level of digitisation; (4) customer type; and (5) sector.

3.2.1. Entire Portfolio

We start by looking at the performance of a hypothetical portfolio that included equal-sized investments in all 375 deals taken together:





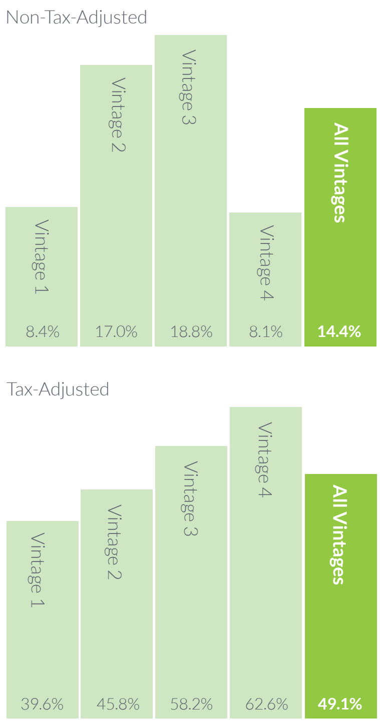
These numbers, and in particular the IRRs, are good news for this asset class. There are very few asset classes where an all-inclusive portfolio would yield a non-tax-adjusted IRR in excess of 14%, and so this data shows that the added risk involved in investing in startups and growth businesses is, at least in terms of paper performance, being compensated for by added reward. The tax reliefs then serve to enhance that performance further by effectively mitigating the impact of losses and magnifying the size of gains.

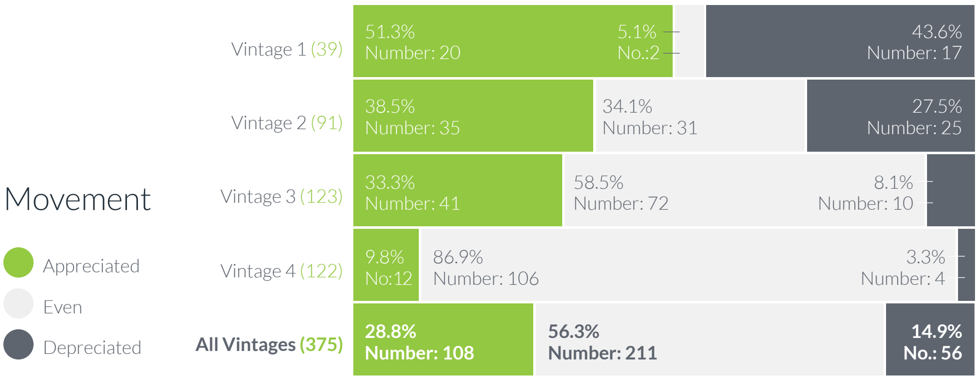
3.2.2. Vintage

Next we look at performance broken down by vintage.

Thus far, a hypothetical portfolio consisting of investments in all deals in Vintage 2 (deals closed in 2014) or Vintage 3 (deals closed in 2015) would have performed very strongly, each in excess of a 17% IRR on a non-tax-adjusted basis. A portfolio of all Vintage 1 deals (those closed in late 2012 and throughout 2013) or Vintage 4 deals (those closed in 2016 through 30 September) would not have done quite as well but would still have exceeded a non-tax-adjusted 8% IRR.

IRRs



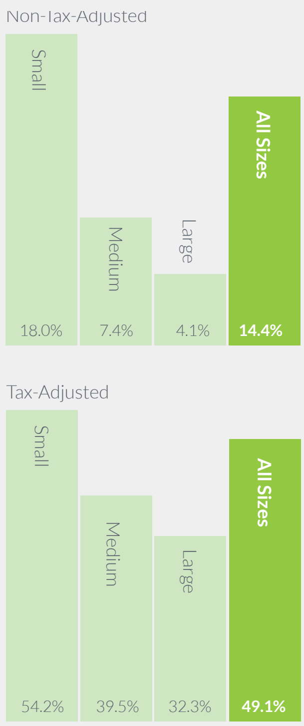


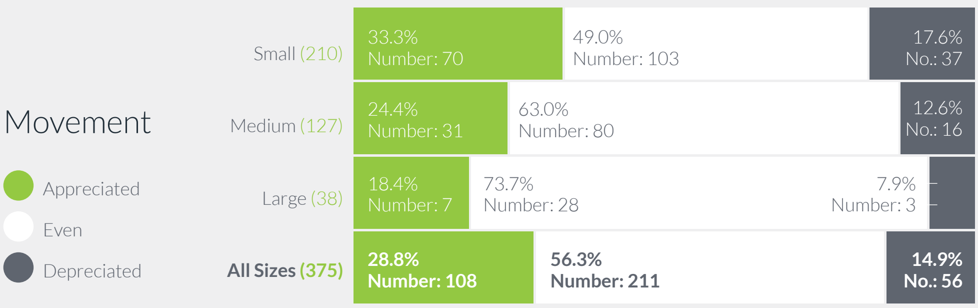
3.2.3. Size

Next we look at round size, using the same bands in the "Deal Characteristics" section.

A hypothetical portfolio of investments in all Small deals would have significantly outperformed one that invested in all Medium or all Large deals on a non-tax-adjusted basis. The difference is magnified further on a tax-adjusted basis, in part because many Small deals qualify for the more generous SEIS reliefs.

IRRs



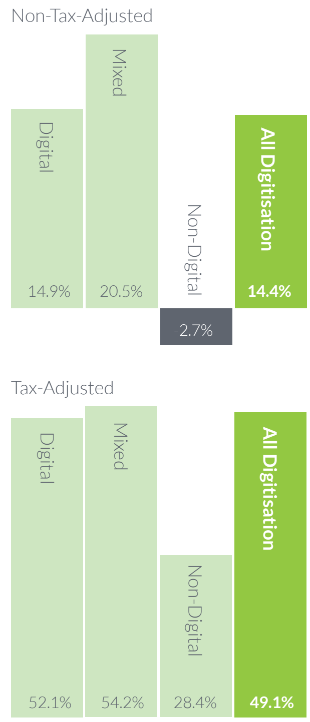


3.2.4. Digitisation

As explained in the "Deal Characteristics" section, we think that the level of digitisation is an effective way of looking at the extent to which the business falls within what would once have been considered the "tech" landscape.

The Mixed category has been the strongest performer, and a hypothetical portfolio of all Mixed deals would have produced a non-tax-adjusted IRR in excess of 20% thus far. Pure Digital deals have also done well, and a portfolio of all of them would have achieved a non-tax-adjusted IRR of nearly 15%. Non-Digital deals have been much weaker performers on the whole, with a negative 2.7% non-tax-adjusted IRR for a portfolio of all of them (although it appears that is largely because relatively fewer of them have appreciated thus far, not that relatively more of them have failed).

IRRs



Movement

Appreciated / Even / Depreciated

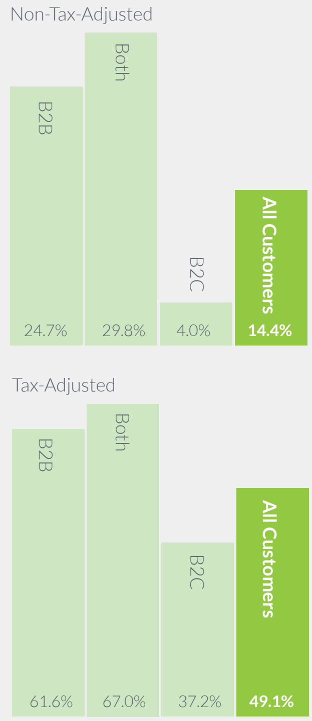
	Appreciated	Even	Depreciated
Digital (165)	28.5% Number: 47	57.0% Number: 94	14.5% No.: 24
Mixed (149)	33.6% Number: 50	51.0% Number: 76	15.4% No.: 23
Non-Digital (61)	18.0% Number: 11	67.2% Number: 41	14.8% No.: 9
All Digitisation (375)	**28.8% Number: 108**	**56.3% Number: 211**	**14.9% No.: 56**

3.2.5. Customer Type

Moving on to customer type, we again look at B2B and B2C businesses, as well as those that have elements of both.

As with digitisation levels, it is the hybrid model that has proven the strongest performer: a hypothetical portfolio of all deals in the Both category would have achieved a non-tax-adjusted IRR nearing 30%. B2B deals are not far behind, with a portfolio of all of them hitting nearly a 25% non-tax-adjusted IRR. A portfolio of B2C deals would have underperformed the others, achieving a non-tax-adjusted IRR of 4%.

IRRs



Movement

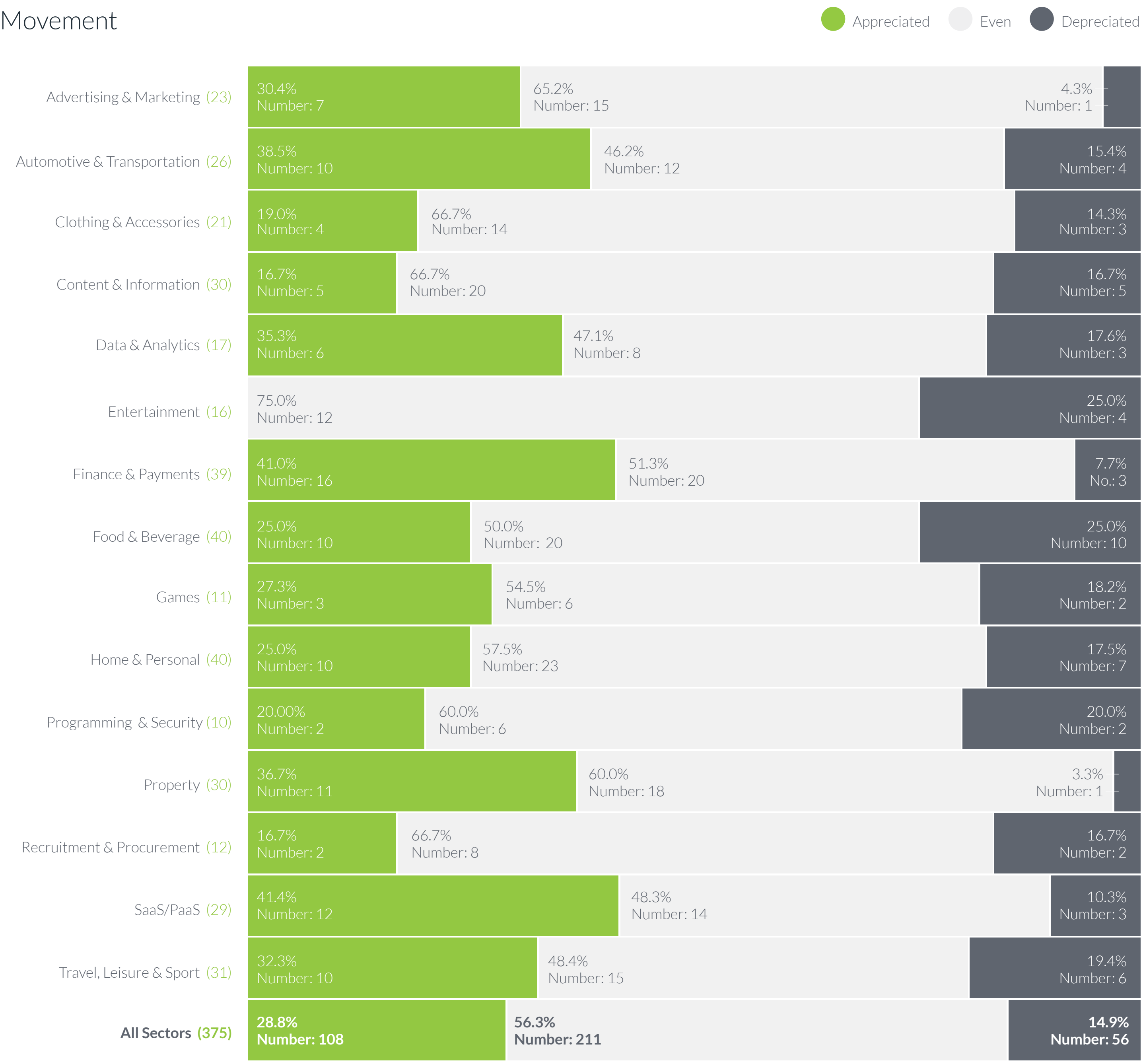
Appreciated / Even / Depreciated

	Appreciated	Even	Depreciated
B2B (119)	36.1% Number: 43	55.5% Number: 66	8.4% No: 10
Both (59)	30.5% Number: 18	57.6% Number: 34	11.9% No: 7
B2C (197)	23.9% Number: 47	56.3% Number: 111	19.8% Number: 39
All Customers (375)	**28.8% Number: 108**	**56.3% Number: 211**	**14.9% No.: 56**

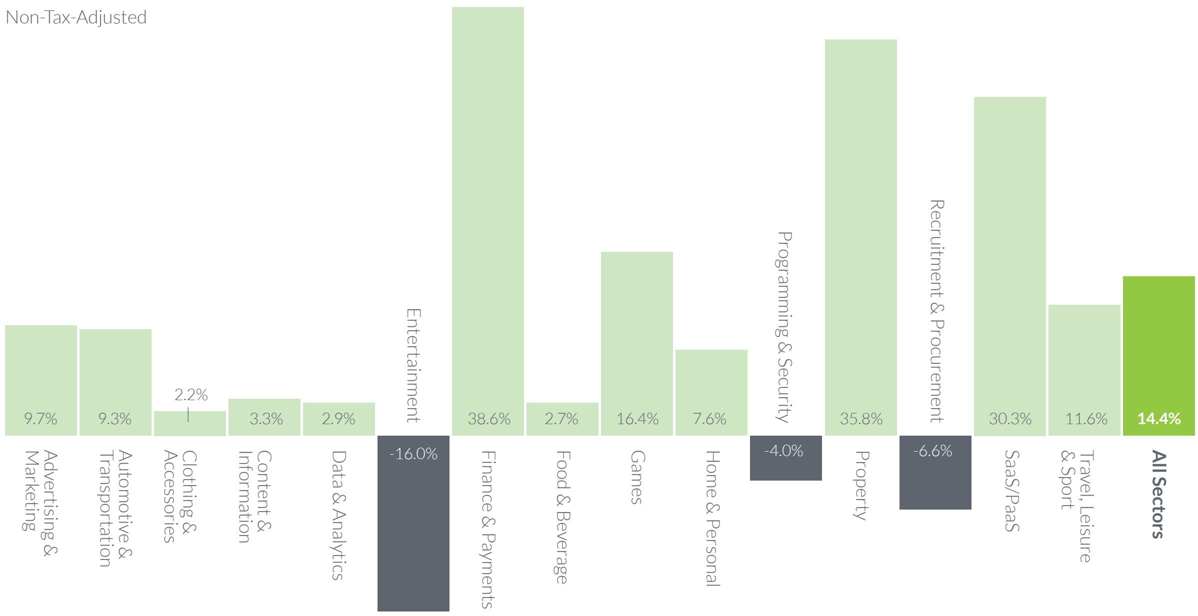
3.2.6. Sector

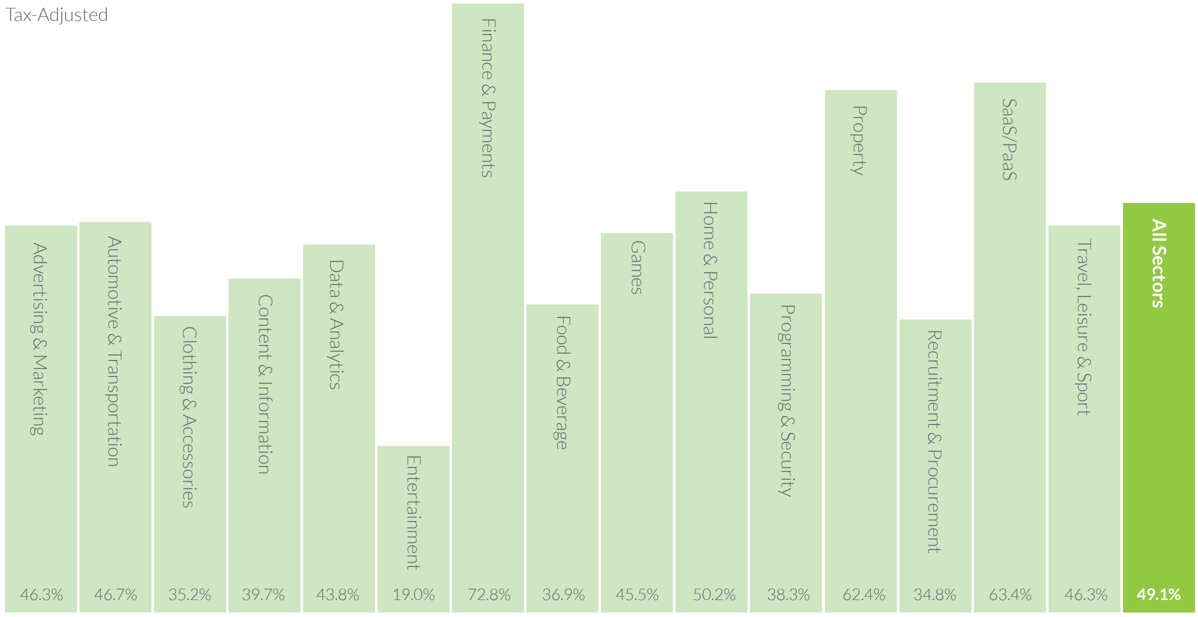
Finally we look at sector. Here the issue of statistical significance becomes particularly important, as a number of sectors have only a handful of deals in them at this stage. So this data should be viewed with caution, but hopefully it gives a broad sense of the relative performance of different sectors.

Movement



IRRs





The hypothetical portfolios that correspond to most sectors would have yielded positive results: Finance & Payments, Property and SaaS/PaaS would all have exceeded a 30% non-tax-adjusted IRR, and a number of other sectors have performed strongly as well. The only three sectors where a portfolio would have seen a negative non-tax-adjusted IRR so far are Programming & Security, Recruitment & Procurement and Entertainment.

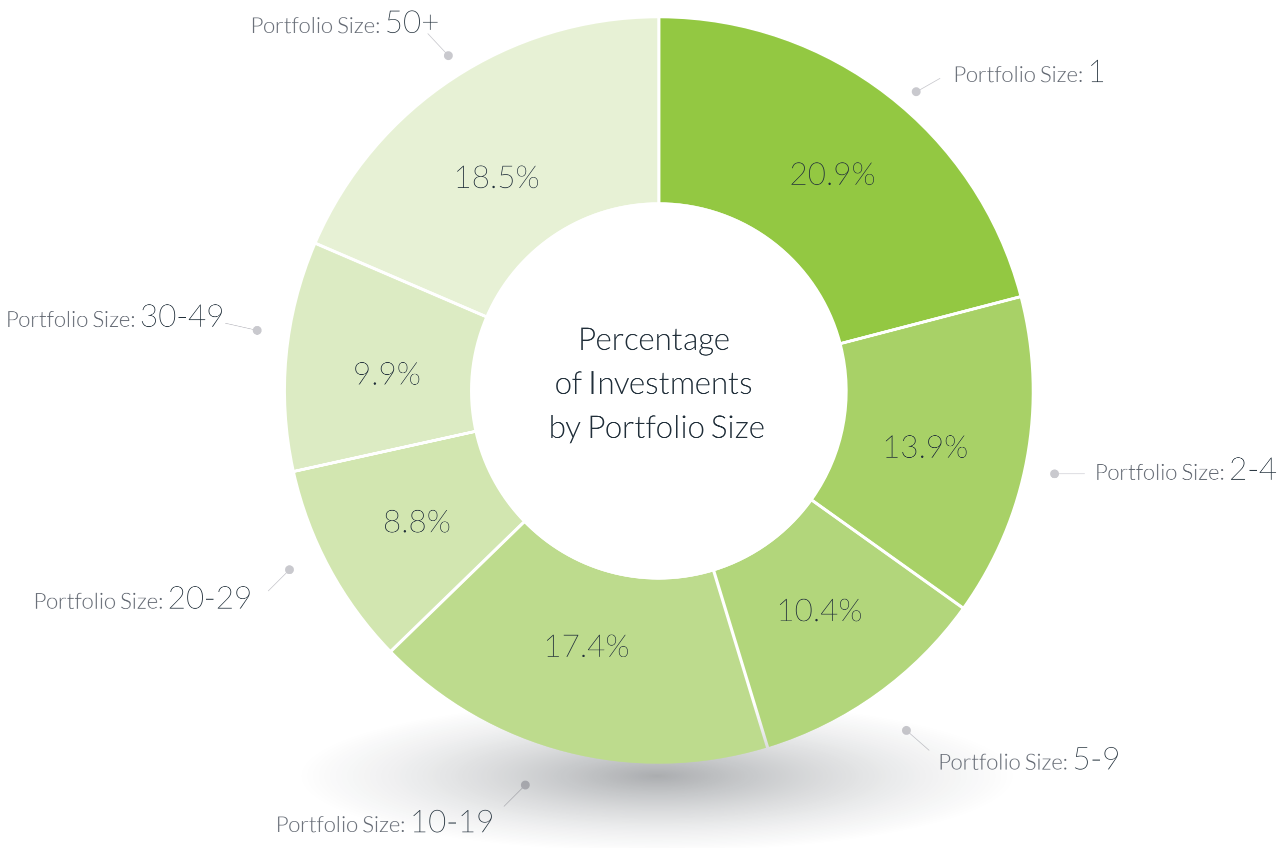
"My work at the EIF, the largest investor into European venture capital, has brought me close to the cutting edge of European technology and innovation, but until I came across Seedrs the opportunity to personally invest in such exciting new ventures did not exist. I find the investment propositions attractive even without any additional tax incentives as a non-UK taxpayer. I'm particularly pleased Seedrs uses private equity industry best practice for valuations."

Robin Vaudrey, Head of Region (CEE), European Investment Fund

3.3. Individual Performance

The Market Performance section gives a good sense of how different types of deals have performed as a group, and how an investor would have done if she had invested a certain amount in each of the deals in a given category or on the platform as a whole.

But most investors don't do that, and instead they pick and choose the deals they think will outperform. This section looks at how these investors have done, examining the portfolios of all the individuals and institutions who had made at least one completed investment through Seedrs by 30 September 2016. We look at the average performance achieved by these investors, as well as the distribution of that performance, on both a tax-adjusted and non-tax-adjusted basis.[6]



[6] This only includes investments held through our nominee structure. We do not track investments that are held directly by the investor, and so they are not included in this analysis. As in the Market Performance section, for purposes of calculating tax-adjusted performance, we assume that the investor is in a position to take full advantage of the available SEIS and EIS tax relief. We have not reflected investors' individual tax positions for these purposes.

3.3.1. Average Returns

We look at the average IRRs achieved by individual investors based on the size of their portfolios.

Portfolio Size	Average Non-Tax Adjusted IRR	Average Tax-Adjusted IRR
1 investment	-2.1%	102.4%
2-4 investments	3.4%	48.8%
5-9 investments	6.8%	42.1%
10-19 investments	14.0%	49.1%
20-29 investments	10.9%	43.9%
30-49 investments	10.5%	43.0%
50+ investments	10.1%	42.2%

On a non-tax-adjusted basis, average IRRs have increased as portfolio sizes have increased, but only until reaching portfolios of 10-19 investments. The average IRRs have then decreased for portfolios of 20-29 investments and continued to decrease marginally for larger portfolios. However, each of the bands of portfolio sizes from 10-19 investments up has performed materially better, on average, than each band of portfolios below 10 investments. And breaking the numbers down slightly differently, we see that the average non-tax-adjusted IRR for all portfolios of 10 investments or more was 12.6%, whereas it was 4.1% for portfolios of between two and nine investments and, as shown above, -2.1% for single-investment portfolios.

On a tax-adjusted basis, there seems to have been little correlation between portfolio size and average IRRs. The one exception to this is that the average IRR for portfolios with only one investment is substantially higher than all the other portfolio bands. However, that data point should probably be regarded with caution: a disproportionate number of the single-investment portfolios will have been created recently, and as discussed in Section 3.1.6, tax-adjusted returns skew higher for newer investments (because some of the tax reliefs are paid upfront) but then do not increase as quickly as, or do decrease more quickly than, non-tax-adjusted returns over time.

3.3.2. Returns Distribution

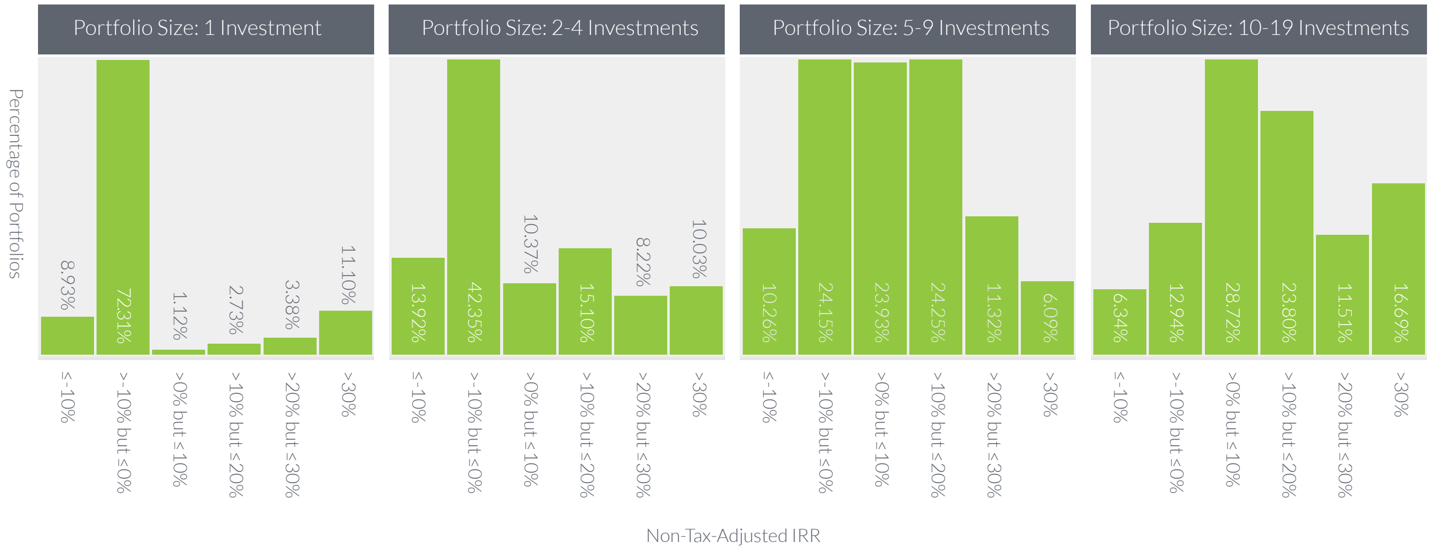
The average returns described in Section 3.3.1 only paint one part of the picture. In order to understand the historical correlation between portfolio size and returns, it is also important to understand the distribution of IRRs across different portfolios of a given size.

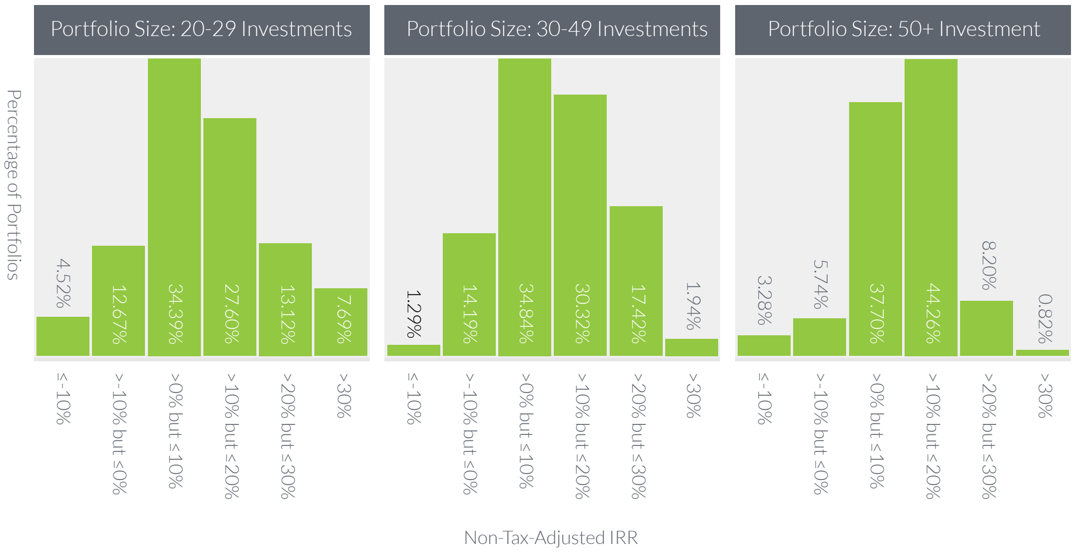
Portfolio Size	Standard Deviation of Non-Tax Adjusted IRR	Standard Deviation of Tax-Adjusted IRR
1 investment	34.6%	195.4%
2-4 investments	29.1%	54.0%
5-9 investments	17.3%	26.6%
10-19 investments	19.2%	24.7%
20-29 investments	13.3%	16.3%
30-49 investments	10.3%	13.0%
50+ investments	9.8%	11.7%

This data tells a very clear story: on both non-tax-adjusted and tax-adjusted bases, as portfolios got larger, the standard deviation of their IRRs decreased, meaning that the distribution of IRRs narrowed. Put differently, the larger the portfolio, the more likely an investor was to achieve an IRR close to the mean. This means that in the larger bands, investors were less likely to achieve extremely high IRRs, but likewise very few saw low or negative IRRs; most investors in these bands wound up relatively near the average. In the smaller bands, however, a greater percentage of investors were at either end of the spectrum (achieving very high or very low/negative IRRs), and fewer grouped around the mean.

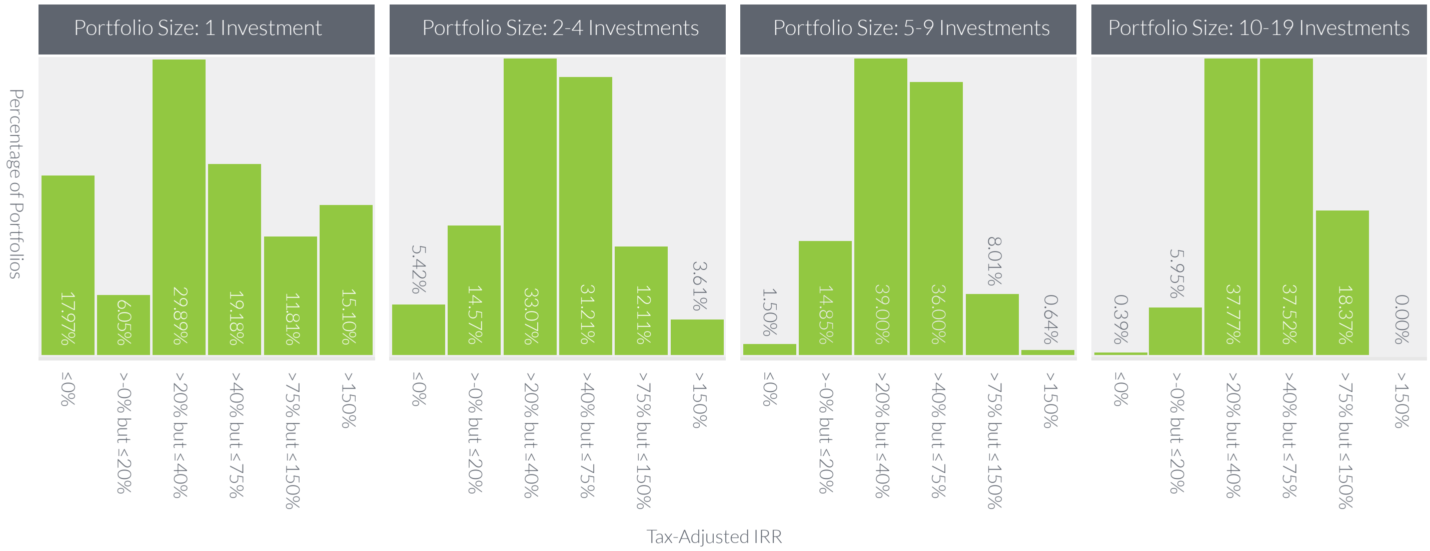
> As portfolios got larger, the standard deviation of their IRRs decreased, meaning that the distribution of IRRs narrowed.

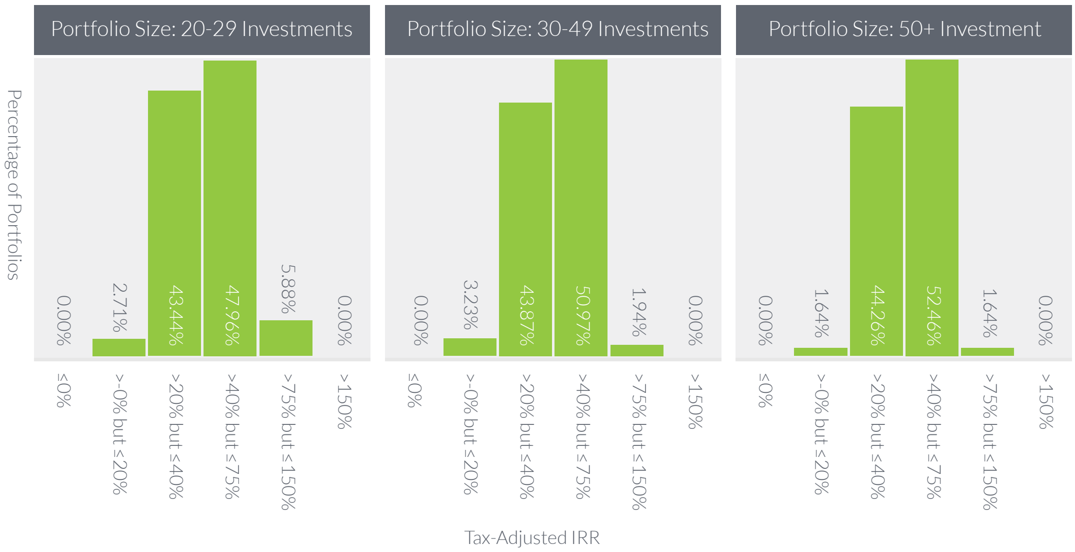
3.3.2. Returns Distribution: Non-Tax-Adjusted





3.3.2. Returns Distribution: Tax-Adjusted





3.3.3. Top Investors

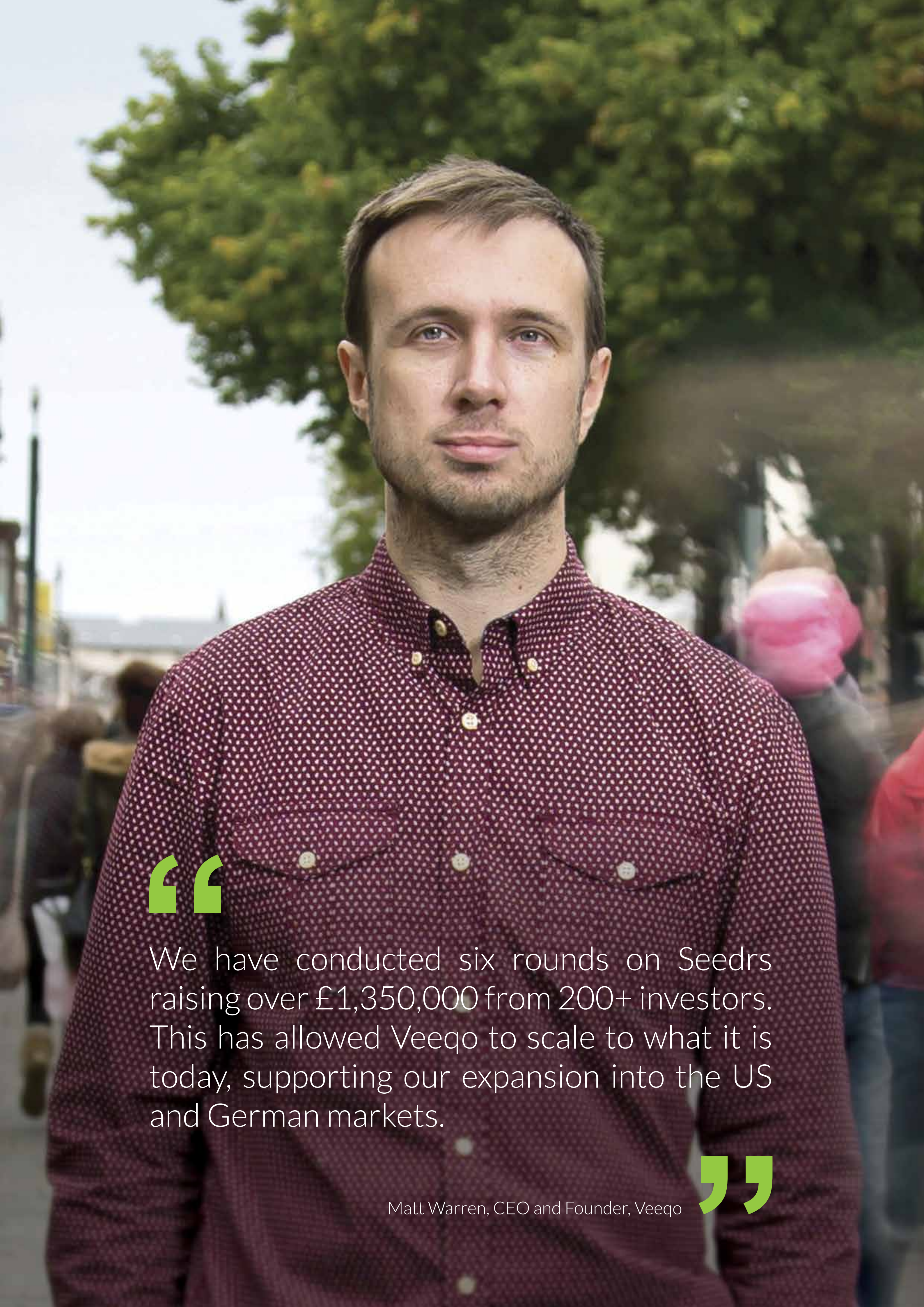
The data on average returns and their distributions yield a number of potential insights, and the purpose of this report is less to provide those insights than to allow readers to develop them independently.

But one takeaway that is worth highlighting relates to how the best-performing investors have done in absolute terms:

Portfolio Size	Non-Tax-Adjusted IRR > 20%	Non-Tax-Adjusted IRR > 30%
1 investment	14.9%	11.1%
2-4 investments	18.2%	10.0%
5-9 investments	17.4%	6.1%
10-19 investments	28.2%	16.7%
20-29 investments	20.8%	7.7%
30-49 investments	19.4%	1.9%
50+ investments	9.0%	0.8%

Portfolio Size	Tax-Adjusted IRR > 40%	Tax-Adjusted IRR > 75%
1 investment	46.0%	26.9%
2-4 investments	46.9%	15.7%
5-9 investments	44.7%	8.7%
10-19 investments	55.9%	18.4%
20-29 investments	53.9%	5.9%
30-49 investments	52.9%	1.9%
50+ investments	54.1%	1.6%

What this shows is that a significant proportion of investors have achieved non-tax-adjusted IRRs in excess of 20%–indeed, roughly the top quartile of investors with portfolios of 10 or more investments have exceeded 20%–and a meaningful number have achieved non-tax-adjusted IRRs in excess of 30%. Those types of IRRs are in the range of what some of the best-performing venture capital funds and professional investors achieve in this asset class. So while there are also plenty of investors who have seen very low or negative IRRs, it is notable there is a group of investors who are using the platform to achieve returns that are really quite significant.



> We have conducted six rounds on Seedrs raising over £1,350,000 from 200+ investors. This has allowed Veeqo to scale to what it is today, supporting our expansion into the US and German markets.

Matt Warren, CEO and Founder, Veeqo

4 Final Observations

The data presented in this report is intended to provide a window into what has been happening so far with the Seedrs portfolio. This is, of course, an unfolding story: as we continue to grow and move into new markets over time, the nature and performance of our businesses is likely to change.

But looking at where we are today, we view the results so far as very positive: investors have used Seedrs to invest in businesses across a whole range of types and sectors, and at least on paper those businesses have, taken as an overall portfolio, performed very well thus far.

We conclude with three general observations;

1. The early-stage equity landscape is larger and richer than has often been assumed.

We find the diversity of business types and sectors that have funded through Seedrs very exciting.

Early-stage equity has traditionally been seen as the preserve of only the very highest-growth businesses, and of those, almost solely the ones working in technology-led spaces. Those kinds of businesses can be great investments, and we are thrilled that so many have raised funding through Seedrs.

But they are not the only value-creating startups or growth businesses out there. The SME landscape has a wide range of equity-fundable businesses that sit at varying points on the risk/return spectrum, and different investors want access to businesses at different points on that spectrum. Meanwhile, so many businesses have historically fallen through the gap that sits between the ultra-conservative ventures that banks will lend to and the ultra-aggressive ones that venture capitalists back. It is sometimes thought that the solution for those businesses is to push banks to make risky loans to them. We think the better solution is often equity, and our progress so far shows that there is indeed demand for the equity of those businesses.

"The SME landscape has a wide range of equity-fundable businesses that sit at varying points on the risk/return spectrum."

2. Market-wide performance has been strong, even when tax reliefs are ignored.

Historically there has been a dearth of available data on the performance of startups and growth businesses as an asset class.

This has led many to wonder whether it is an appealing asset class at all, and in particular whether performance is sufficiently strong to compensate for the risks without the help of tax reliefs. The data set out in the Market Performance section shows that, for a hypothetical portfolio of all deals covered by the report—and bearing in mind that we are talking about paper performance over the portfolio as a whole—the performance numbers are highly compelling even when tax reliefs are ignored. An IRR of over 14% is significantly higher than what can be expected from most other asset classes.

That, of course, is how it should be: this is a riskier and more illquid asset class than most, and the returns need to compensate for that. It is nonetheless an important indicator that startups and growth companies can, as a set, perform strongly even without tax reliefs. The tax reliefs, of course, make investment in this asset class all the more appealing, and to the extent that a government wants to encourage the formation and growth of more new businesses as a policy matter, tax reliefs like SEIS and EIS are an effective way of doing so. But the strength of performance without tax reliefs should be encouraging to those investors who are not eligible for those reliefs, and for investors who are considering investing in companies that do not qualify for those reliefs.

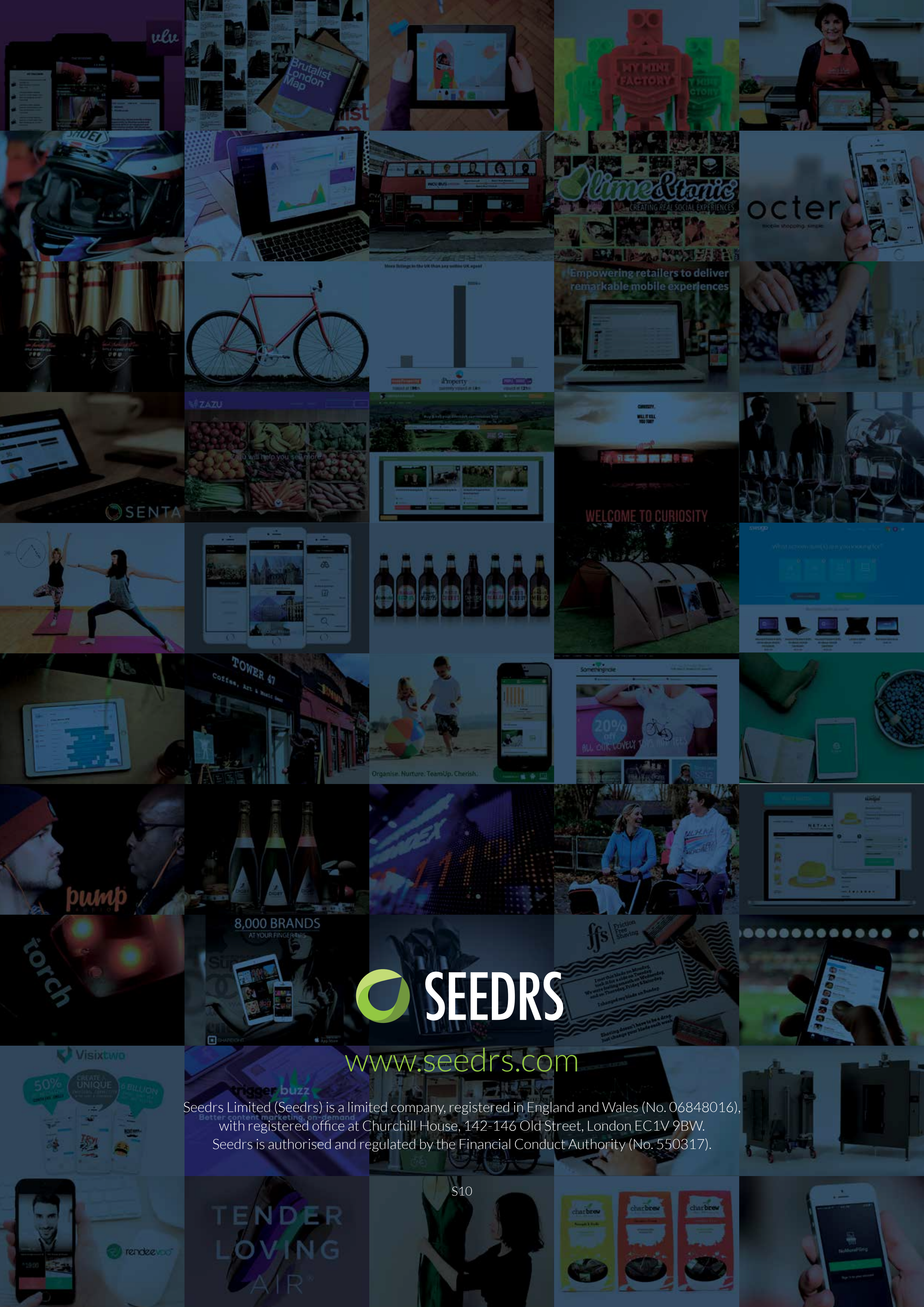
3. The individual performance numbers show that we are delivering on one of our most important objectives.

While it is encouraging to see the strong overall performance of the Seedrs portfolio as a whole, that is not the only important number.

Unlike a venture capital fund, our goal at Seedrs is not simply to pick the best investments ourselves. Instead, we want to offer a marketplace where investors can build their own successful portfolios. Of course, we do curate the platform significantly, in that we try to present those deals that we think are most likely to be interesting to investors. More than that, we rely on the collective knowledge and decision-making ability of the market in picking which businesses to fund and which to pass on. But ultimately, our success is driven less by the performance of the Seedrs portfolio as a whole and more by the extent to which we enable investors to outperform by building their own portfolios.

So the fact that many of our portfolio investors have been effective at generating strong IRRs thus far—and in particular that the top quartile of investors who have built portfolios of 10 or more investments have achieved non-tax-adjusted IRRs in excess of 20%—is very encouraging. Investors are clearly building their own buckets of investments based on their particular views of companies, and the IRRs show that many of them have been successful—and in some cases very successful—at choosing outperformers.

“An IRR of over 14% is significantly higher than what can be expected from most other asset classes. That, of course, is how it should be: this is a riskier and more illiquid asset class than most, and the returns need to compensate for that.”



SEEDRS

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