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Risk warning for investments into start up / private companies

This following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved. Prospective investors should read the documents provided in relation to any specific investment opportunity in their entirety and consult with their own advisers before deciding whether to invest.

Loss of capital

Most startups fail, and if you invest in such a company, it is significantly more likely that you will lose all of your invested capital than that you will see a return of capital or a profit. You should not invest more money in startup companies than you can afford to lose without altering your standard of living.

Investment Risk

Potential investors should note that an investment into any company is subject to market fluctuations and there can be no assurance that any appreciation in value will occur. The value of investments and the income from them can fluctuate and may fall and there is no certainty that an investor will get back any part of his investment. Any investment in a start-up or other private company should be viewed as a long term and illiquid investment. Investors' interests are unsecured and rank subordinate to the interests of all creditors.

In the event that a company becomes unable to meet its debts as they fall due, investors may realise less than their original investment. The price which investors may realise for their investments and the timing of any such realisation may be influenced by a large number of factors, some of which are specific to the investment and others of which are extraneous. The ability of an investor to sell shares will depend on there being a willing buyer for such shares at an acceptable price. Consequently, it may be difficult for an investor to realise his investment.

Rarity of dividends

Startups rarely pay dividends. This means that if you invest in a startup, even if it is successful you are unlikely to see any return of capital or profit until you are able to sell your shares in the investee company. Even for a successful or longer established business, this is unlikely to occur for a number of years from the time you make your investment.

Dilution

Any investment you make in a private company, but particularly a startup, is likely to be subject to dilution. This means that if the business raises additional capital at a later date, it will issue new shares in the investee company to the new investors, and the percentage of the investee company that you own will decline. These new shares may also have certain preferential rights to dividends, sale proceeds and other matters, and the exercise of these rights may work to your disadvantage. Your investment may also be subject to dilution as a result of the grant of options (or similar rights to acquire shares) to employees of, service providers to, or certain other parties connected with, the investee company.

Lack of operating history

Startups will not have a material operating history from which prospective investors can evaluate likely performance.

Diversification

Investing in startups or other private companies should only be done as part of a diversified portfolio. This means that you should invest relatively small amounts in multiple businesses rather than a lot in one or two businesses. It also means that you should invest only a small proportion of your investable capital in startups or other private companies as an asset class, with the majority of your investable capital invested in safer, more liquid assets.

Dependence on the directors

The success of many startups will depend in part upon the ability of their directors to develop and maintain a strategy that achieves the company's investment objectives.

Limited liquidity

Shares in startups are not and will not be listed on a recognised market in the short to medium term and a secondary market in such shares is not expected to develop. Consequently, it may be difficult for an investor to sell shares and investors may receive less than the amount invested. Share prices may also be subject to fluctuation.

Tax treatment of shares

Tax reliefs are not guaranteed, depend on the entities invested in maintaining their qualifying status, and may be withdrawn at any time by HM Revenue & Customs. The tax treatment of EIS and SEIS schemes depends on the individual circumstances of each client/investor and may be subject to change in future.

Past performance and Forecasts

Past performance is not a reliable indicator of future performance. You should not rely on any past performance as a guarantee of future investment performance. Forecasts are not a reliable indicator of future performance.

Financial Services Compensation Scheme

The information relating to investment opportunities has been approved for the purposes of the Financial Services and Markets Act 2000 by Sturgeon Ventures LLP, which is authorised and regulated by the Financial Services Authority (FRN 452811). In providing its approval of any information relating to investment opportunities, Sturgeon Ventures LLP is not providing any verification, review of or advice on the underlying companies' activities, finances or documentation or on any of their Principals or Directors.

Sturgeon Ventures is exempt from the Financial Compensation Scheme and the Financial Ombudsman Scheme, since it does not give advice to retail, other than for corporate finance purposes, nor does it assess the suitability of products for any retail client. As a result, an investment into one of the companies listed here is not covered by the Financial Services Compensation Scheme.

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