

POTENTIAL RISK OF ENTERPRISE INVESTMENT[👑] SCHEME

Liquidity

EIS qualifying companies will most likely be small, unquoted companies and such investments carry a high degree of risk with regards to both investment returns and liquidity. For most of the EIS investment there is no market, nor is there intended to be a market for the Shares. It is not intended that any income or capital will be returned to investors during the Three Year EIS initial periods. After the initial holding period, it may still be difficult to realise the shares or to obtain reliable information about their value as the market for shares in smaller companies is less liquid than that for shares in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such shares. Most of the cases investors should expect the investment to take longer than the 3 years to realise, 5 to 8 years are more likely the investment horizon for an EIS investment.

Legislation

The tax treatment and regulation of EIS in general may change from time to time depending on governmental and regulatory priorities and circumstances. There is no guarantee that the expected EIS reliefs will always be available in the form expected. It is possible that some or all of the expected reliefs are withdrawn by the government, potentially retrospectively. The recent changes on the EIS rules covered previously in are examples of this.

Compensation

Often there will be no regulatory oversight and investors will usually not be eligible for compensation if things go wrong. Unlike savings accounts or other deposit accounts offered by high street banks, investments into unlisted shares are not covered by the Financial Services Compensation Scheme (FSCS). Therefore, investors couldn't claim via the FSCS should an EIS investment fail. Although these investments aren't covered by FSCS, platforms and brokers offering investment into EIS eligible companies should be FCA authorised. This means that if the investment is not completed in a compliant way due to the neglect of the service provider, investors could be compensated out of the FSCS, which is established and operated by the FCA.

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Performance

Historic investment performance cannot be used as a guide to future performance, and the value of any given investment may rise or fall. Also, it is not generally technically possible to produce past performance tables for EIS, because most EIS are not 'funds' with a unit price. Most EIS valuation before actual realisation can be more of a matter of judgement. Forward - looking statements such as expected return, fund manager's belief etc. in EIS products literature can not be relied on as a guide of future performance, as they relate to future events and circumstances which involves risk and uncertainty.

Key Personnel

Most EIS qualifying companies may be dependent on the skills of a small group of key executives, the loss of which may be particularly detrimental to those companies.