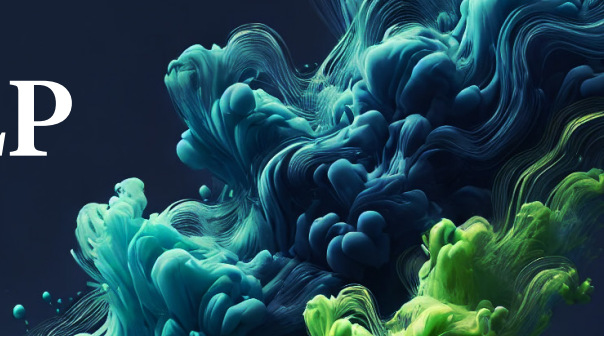


Mercia Evolution LP

Second close overview



A proven track record of strong returns

With over £200m deployed across three debt funds, we've delivered consistent double-digit IRR for investors, underpinned by disciplined deployment and active portfolio management.

Key fund information

Target fund size	£150million
First close commitments	£81.5million
First close investors	<ul style="list-style-type: none">• West Midlands Pension Fund (£40m)• British Business Investments Ltd (£40m)• Mercia (£1.5m)
Current AuM (FDC growth cap team)	£265million

Fund strategy

**Focus:**

Senior / Stretch Senior debt product to UK SMEs

**Geographic focus:**

UK, particularly the North and Midlands

**Sector focus:**

Generalist

Typical loan size:

£1.0million – £8.0million

Target investee leverage:

- Up to 3.5x EBITDA (85% of portfolio)
- 3.5x – 4.5x EBITDA (15% of portfolio – 'Stretch Plus')

Objective:

To deliver best-in-class returns while balancing risk exposure and supporting high-quality UK SMEs

Fund economics

Target gross IRR	19%
Target net IRR (after fees & carry)	16.6%
Annual yield	8 -10% with upside from a nil-cost equity warrant
Distributions	Quarterly
Fund life	8 years
Investment period	3 years
Loan term	5 years

Management fees

- **Investment period:** 0.75% of commitments + 0.75% of net amount invested
- **Post-investment period:** 1.5% of net amount invested

Carried interest

- 15% carry
- 8% hurdle rate
- 50/50 catch-up

Security

- First charge over 75%+ of portfolio (excluding asset finance providers)
- Second charge on remaining investments

Proven track record

Fund	Fund size	Capital deployed	Investor IRR
West Midlands Regional Mezzanine Fund (2014)	£56m	£44m	13%
National Debt Fund (2016)	£50m	£22m	17%
FDC Debt Fund (2020)	£105m	£132m (with re-investment)	12%

Track record of market-leading returns with very low provision levels across all funds. Demonstrated expertise in managing portfolio risk and recoveries.



Investment team

The Growth Capital Team has deep experience across debt and equity investing, with backgrounds in leading investment firms and advisory.



Charlie Robinson
Investment Director
(ex Livingbridge/YFM)



Ondrej Okeke
Investment Director
(ex RBS/YFM)



Simon Kelsall
Investment Director
(ex Barclays Ventures)



Justin Sorby
Investment Director
(ex M&A/PE)



Clive Broadhurst,
Portfolio Director
(ex KPMG)



Kathryn Light
Investment Manager

Responsible investment commitment

Mercia Evolution LP is managed in accordance with Mercia's Responsible Investment Policy, with specific sustainability actions:

- Appraisal of emissions on investment and ongoing monitoring
- Targeting Net Zero portfolio by 2050
- Measurement, recording and reporting of ESG performance across the portfolio
- Active support for businesses to manage sustainability risks and leverage opportunities



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Mercia Asset Management PLC is registered in England and Wales: 09223445. Registered address: Forward House, 17 High Street, Henley-In-Arden, Warwickshire B95 5AA. Its subsidiaries, Mercia Fund Management Limited, Mercia Regional Ventures Limited, Mercia Business Loans Limited and Frontier Development Capital Limited are authorised and regulated by the Financial Conduct Authority.

Mercia Ventures is a trading name of investment funds managed by Mercia Fund Management Limited and Mercia Regional Ventures Limited. Mercia Debt is a trading name of investment funds managed by Mercia Business Loans Limited and Frontier Development Capital Limited. Mercia Private Equity is a trading name of investment funds managed by Mercia Regional Ventures Limited.

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