FOR ASPIRING FUND MANAGERS

A GUIDE TO

Launching an EIS Fund

From angel investing to running your own fund

A plain-English guide to what is involved in setting up and running a venture capital fund in the UK, the routes available, and the part an authorised manager plays.

Sapphire

CONTENTS

What's inside

A note for the reader. This guide is for people who want to start a fund. It explains the process, not how to invest. It is general information, not regulatory, legal or financial advice.

A WORD FROM OUR CHAIRMAN

The hard part isn't the investing

Most people who come to us are already good at the part everyone thinks is hard. They know their sector, they have seen deals, and they have often invested their own money with real success. What stops them setting up a fund is rarely judgement about companies. It is the machinery around it.

Running a fund in the UK means stepping into a regulated world: authorisation, compliance, fund structures, investor protections and a great deal of documentation. None of it is impossible, but it is unfamiliar, and getting it wrong is costly.

We have spent more than fifteen years helping people through exactly this. This guide sets out, plainly, what is actually involved, so you can decide whether launching a fund is right for you and how best to go about it. It is a starting point, not advice on your own situation.

Boyd Carson FCA

CHAIRMAN, SAPPHIRE CAPITAL PARTNERS LLP

01 · INTRODUCTION

Why this guide exists

Every year, talented people decide they want to do more than invest their own money. They want to raise a fund, deploy capital across a portfolio, and build something lasting in a sector they know well. Very few of them have run a regulated fund before, and the path is not obvious from the outside.

1

You know your field

You have sector expertise, a network, and often a track record as an angel or operator. That is the foundation a fund is built on.

2

The rest is unfamiliar

Authorisation, structures, compliance and investor protection are a different discipline, and one with real legal weight behind it.

3

There is more than one way

You do not have to do everything yourself. This guide explains the routes, so you can pick the one that fits your ambition and resources.

A useful way to think about it: launching a fund is a bit like opening a restaurant. You may be a brilliant chef, but you still need premises that meet the regulations, the right licences, and someone accountable if something goes wrong. The cooking is yours. The kitchen has rules. This guide is about the kitchen.

02 · THE STEP UP

From angel to fund manager

Investing your own money and managing other people's are different activities, with a clear line between them. Crossing that line is what makes a fund a fund, and it is why the regulatory framework exists.

Investing your own money

As an angel, you answer only to yourself. You pick companies, you take the risk, and you keep the reward. There is no duty to anyone else and very little regulation, because the only money at stake is yours.

The appeal of a fund

A fund lets you deploy far more capital, back more companies, and build a track record and a business, not just a portfolio. It also lets others invest alongside your judgement.

Managing other people's money

The moment you invest on behalf of others, you take on legal duties to them. You must act in their best interests, treat them fairly, manage conflicts, and meet a long list of regulatory obligations. This is a regulated activity, and you cannot simply start doing it.

The key shift. A fund is not just a bigger pot of money. It is a position of responsibility for other people's money, and the law treats it accordingly.

03 · THE CENTRAL QUESTION

The thing most people lack

To manage investments for other people in the UK, you must be authorised by the Financial Conduct Authority, or operate under someone who is. This single requirement shapes everything about how a fund is launched.

What FCA authorisation means

The FCA is the UK's financial regulator. Managing a fund is a regulated activity, so the manager must hold the right permissions, meet capital and competence requirements, and answer to the regulator for how the fund is run. Senior individuals are personally accountable.

Getting your own authorisation is possible, but it takes time, money and proven competence, and it brings ongoing obligations. For a first-time manager it is a significant undertaking.

Why it matters to you

Without authorisation, or an authorised manager standing behind you, you cannot legally run a fund or promote it to investors. It is the gateway everything else depends on.

IN SHORT

You can have the best deals and the sharpest judgement in your sector. Without authorisation, you still cannot legally take other people's money to invest. Solving that is the first real decision in launching a fund.

04 · THE TAX-ADVANTAGED ANGLE

What makes an EIS fund different

Most people launching a fund in the UK are drawn to EIS or SEIS, because the tax reliefs make it far easier to attract investors. Understanding these reliefs, and the unusual way an EIS "fund" is built, is central to deciding what kind of fund to run.

The reliefs that draw investors

EIS offers investors 30% income tax relief on up to £1m a year, and SEIS 50% on up to £200,000, with no capital gains tax on the shares after three years, loss relief if a company fails, and inheritance tax relief after two years. These reliefs reduce an investor's downside, which is exactly the reassurance an early-stage investor wants.

The unusual part: direct ownership

In law there is no such thing as an EIS "fund". The term describes a managed portfolio of individual company investments. Crucially, each investor directly owns the shares in each underlying company. That direct ownership is what makes the tax relief available to them, and it is the defining feature of an EIS fund.

Think of it like a managed share portfolio rather than a traditional pooled fund. The manager chooses the companies and runs everything on the investor's behalf, but the shares sit in the investor's own name. That single feature shapes how an EIS fund is structured, marketed and reported.

05 · TWO DIFFERENT ANIMALS

An EIS fund versus a GP / LP fund

The two structures most managers consider work in fundamentally different ways. The choice affects who owns the shares, how investors are taxed, and the kind of investor the fund suits.

	EIS fund	GP / LP fund
Who owns the shares	The investor directly	The partnership
Tax reliefs	EIS / SEIS reliefs available	Not inherently tax-advantaged
Structure	Managed portfolio	Limited partnership
Typical use	Early-stage, tax-led	Larger or institutional
Complexity to launch	Lower	Higher
Investor profile	UK taxpayers seeking relief	Committed capital, longer horizon

The EIS fund suits a manager backing young UK companies for investors who want the tax reliefs. It is simpler to launch and is the most common starting point.

The GP / LP fund is the classic venture structure for larger, pooled commitments. It is more complex, and is often the right choice as a manager grows or raises from institutions.

The honest starting question is not "which structure", but "what are you trying to achieve?" Early-stage and tax-led tends to point to SEIS or EIS; financing later-stage companies, or raising committed capital from institutions, tends to point to a GP / LP fund. The right answer follows from your strategy and your investors.

Tax reliefs depend on individual circumstances and may change. This page is general information, not tax or investment advice.

06 · THE ROUTES

Three routes to market

There are three main ways to get a fund off the ground. They differ mainly in how you deal with the authorisation question, and each suits a different level of ambition, budget and appetite for regulatory responsibility.

Get your own authorisation

You apply to the FCA to become an authorised manager in your own right.

IN ITS FAVOUR

- Full control and independence
- Builds long-term standalone value
- No reliance on a third party

THINGS TO WEIGH

- Slow: authorisation can take many months
- Costly, with capital requirements
- Heavy ongoing compliance burden
- Hard for a first-time manager

Run under an authorised manager

An established authorised firm acts as manager; you advise on the deals.

IN ITS FAVOUR

- Launch in a fraction of the time
- No authorisation of your own needed
- You focus on deals, not regulation
- Proven infrastructure from day one

THINGS TO WEIGH

- You operate within the manager's framework
- An ongoing commercial relationship
- Fees for the service

Become an appointed representative

You operate under an authorised firm's permissions as its representative.

IN ITS FAVOUR

- A halfway house with more autonomy
- Faster than full authorisation
- Some of your own brand and identity

THINGS TO WEIGH

- The principal firm remains responsible for you
- Still significant obligations
- Suits those wanting a stepping stone

07 · AT A GLANCE

Comparing the routes

No route is best for everyone. The right one depends on how quickly you want to launch, how much you want to invest up front, and how much regulatory responsibility you are willing and able to carry yourself.

Consideration	Own authorisation	Under a manager	Appointed rep
Time to launch	Many months	Weeks to months	Months
Up-front cost	High	Lower	Moderate
Regulatory burden on you	Full	Light	Shared
Independence	Complete	Within a framework	Substantial
Suits a first-time manager	Rarely	Often	Sometimes

Many managers begin under an authorised firm to get to market quickly, then seek their own authorisation later once they have a track record. The first choice does not have to be the last.

08 · STRUCTURE

Choosing a fund structure

Once the authorisation question is settled, the next decision is how the fund is structured. For EIS, two structures are common. They suit different sizes and styles of fund, and the choice affects how investors hold their shares and how the fund is run.

The discretionary portfolio "fund"

Strictly, there is no such thing as an EIS "fund" in law. The term describes a managed portfolio of individual company investments, run on investors' behalf. Crucially, each investor directly owns the shares in each underlying company, which is what makes the EIS tax relief available to them.

This is the most common structure for EIS and SEIS, and the simplest to launch. It suits managers building a diversified portfolio of qualifying companies for a group of investors.

The GP / LP fund

A limited partnership structure, with a general partner who runs the fund and limited partners who invest. This is the classic venture capital structure, used widely for larger or more institutional funds, and for strategies beyond EIS.

It is more complex to set up and administer, but offers a familiar framework for larger commitments and a clear separation between management and investors.

Which structure fits depends on your strategy, the size of fund you are raising, and the kind of investor you expect. An experienced manager can help you weigh this early, before any documents are drafted.

09 · THE WORK BEHIND THE SCENES

What a fund manager actually does

The visible part of a fund is choosing companies. Behind that sits a great deal of regulated work that has to be done properly and continuously. Whether you do it yourself or rely on an authorised manager, it all has to happen.

Regulatory oversight	Holding the permissions, meeting the FCA's rules, and carrying the responsibility for how the fund operates day to day.
Fund administration	Processing subscriptions, keeping records, handling settlements, and running the operational machinery of the fund.
Compliance	Checking that everything from marketing to investor onboarding meets the rules, and keeping the evidence to prove it.
Investor relations	Onboarding investors correctly, reporting to them, and dealing with their queries throughout the life of the fund.
Reporting and valuations	Producing regular statements, valuing the portfolio, and meeting reporting obligations to investors and the regulator.
Tax compliance	Ensuring investments qualify, and that investors receive the certificates they need to claim their relief.

10 · PAPERWORK

The documents you need

A fund cannot launch without a set of core documents. They set out what the fund will do, protect investors, and satisfy the regulator. Each has a clear purpose, and each must be accurate and compliant.

Information Memorandum (IM)

The central document. It describes the fund's strategy, terms, fees, risks and the team. It is what a prospective investor reads to understand what they are committing to.

Key Information Document (KID)

A short, standardised summary of the fund's risks, costs and likely outcomes, designed so investors can compare products and understand the risk they are taking.

Application form

How an investor formally commits to the fund, including the checks and declarations needed to confirm they are eligible and properly categorised.

These documents are not templates to fill in lightly. They carry legal and regulatory weight, and the manager is responsible for their accuracy and compliance. This is one of the areas where experienced support makes the most difference.

11 · TIMING

A realistic timeline

How long it takes to launch depends mostly on the route you choose. Doing everything yourself, including seeking your own authorisation, is the slowest path. Launching under an established manager is the quickest.

What is quicker

Launching under an authorised manager removes the longest single step, which is getting authorised. With the infrastructure already in place, attention can turn straight to structure, documents and raising capital.

What takes time

Your own FCA authorisation can take many months and is not guaranteed. Drafting and reviewing documents, agreeing the structure, and putting compliance processes in place all take time and care, however you proceed.

A sensible expectation: launching under an authorised manager can often be measured in weeks to a few months once you are ready, whereas building everything independently, including authorisation, is usually a year-long project or more. The specifics depend on your circumstances.

12 · ECONOMICS

The economics of a fund

A fund needs to make commercial sense for the manager as well as the investors. The economics are usually built from two kinds of fee, and it is worth understanding how they work before you set your terms.

Management fee

An annual charge, usually a percentage of the capital invested, that funds the running of the fund: the regulatory, administrative and operational work that has to happen every year regardless of performance.

Performance fee

A share of the returns above an agreed level, often only once investors have had their original capital back. It aligns the manager's reward with the investors' success.

Splitting the roles

Where you run a fund under an authorised manager, the economics are shared. The manager is paid for the regulatory and operational work; you are rewarded for sourcing deals and building the portfolio. How this is divided is agreed at the outset.

The right structure leaves everyone properly incentivised and the investors fairly treated, which is a regulatory requirement, not just good practice.

Fee levels vary by fund, strategy and size. The figures that apply to any particular fund should be set with proper advice. This page is general information, not a recommendation.

13 · PROMOTION

Marketing within the rules

Once a fund exists, you have to tell people about it, and this is one of the most heavily regulated parts of the whole exercise. How you may promote a fund, and to whom, is tightly controlled.

Financial promotions

Any invitation or inducement to invest is a "financial promotion". It can only be made or approved by an authorised person, and it must be fair, clear and not misleading. Getting this wrong can carry serious consequences, including criminal liability.

Who you can talk to

EIS funds are typically promoted only to certain categories of investor, such as high net worth or sophisticated investors, who must be properly assessed and categorised first. The rules on this are detailed and must be followed precisely.

This is an area where an authorised manager earns its place. Promotions usually have to be approved by the authorised firm, which takes responsibility for ensuring they meet the rules before they reach a single investor.

14 · THE INVESTING

Building and supporting a portfolio

This is the part you already know, and the reason you want a fund in the first place. Once the structure is in place, the manager's investment work begins, and it is where your expertise comes into its own.

Sourcing and selecting

Finding companies, carrying out due diligence, and choosing where to deploy capital. This is where your sector knowledge and network matter most.

Qualifying for EIS

Each investment must meet the EIS rules for investors to get their relief. Advance assurance from HMRC is often sought to give investors confidence.

Diversification

Early-stage investing is high risk, and most funds spread capital across a number of companies to manage that. A portfolio approach is central to how EIS funds are run.

Supporting companies

Many managers add value beyond capital, through mentoring, contacts and guidance. This is often where an expert founder-turned-manager is strongest.

15 · WHAT TO AVOID

Common pitfalls

Most problems come not from poor investment judgement but from underestimating the regulated side of running a fund. A few recurring mistakes are worth knowing about before you start.

Underestimating the burden	Treating compliance and administration as an afterthought. They are continuous, demanding, and carry personal accountability for senior people.
Promoting too widely	Marketing a fund to people who are not properly categorised, or using promotions that have not been approved. This is a serious regulatory breach.
Getting the documents wrong	Inaccurate or non-compliant documents can expose the fund and its managers to liability and investor claims.
Going it alone too soon	Seeking full authorisation as a first-time manager, when launching under an established firm would have been faster, cheaper and safer.
Neglecting fair treatment	Failing to manage conflicts or treat all investors fairly. These are core regulatory duties, not optional courtesies.

16 · CASE STUDY · LOVE VENTURES

From angel syndicate to fund leader

Love Ventures shows how a successful angel team can become authorised fund managers in their own right, using a partnership with an experienced manager as the launch pad.

CLIENT	STRUCTURE	SECTOR	OUTCOME
Love Ventures VC	EIS funds (advised)	Fintech & tech	Self-authorised, 2024

The challenge

Founded in 2020 by brothers Marcus and Adrian Love, Love Ventures set out to turn a successful angel syndicate, through which they had backed more than 20 early-stage businesses, into a formal venture capital fund investing from pre-seed to Series A in fintech, the future of work and consumer technology. To launch, they needed a seasoned FCA-authorised investment manager.

What Sapphire did

Sapphire acted as the FCA-authorised investment manager while Love Ventures advised the funds, drafting all the key documentation and providing investment management, investor relations and compliance oversight throughout the launch of the first three funds.

The result

With the regulatory framework in place, Love Ventures could focus on sourcing deals. The collaboration culminated in Love Ventures securing its own FCA authorisation in July 2024, effectively graduating from the umbrella it had started under.

3
Funds launched with Sapphire

28
Investment deals completed

4 yrs
As fund manager, before self-authorisation

"Sapphire's partnership and guidance proved transformative, providing practical solutions, timely assistance and strategic insights."

MARCUS LOVE · CO-FOUNDER, LOVE VENTURES

Why this matters for you. This is the "graduating" route from page 06: begin under an authorised manager to get to market quickly, then take on your own authorisation later once you have a track record. The first choice need not be the last.

17 · CASE STUDY · ZERO CARBON CAPITAL

An EIS fund, then a GP / LP fund

Zero Carbon Capital shows the appointed representative route in action, and how a manager can begin with an EIS fund and then progress to a GP / LP structure as it grows.

CLIENT	STRUCTURE	SECTOR	RELATIONSHIP
Zero Carbon Capital	**EIS, then GP / LP**	**Deep-tech climate**	**Appointed representative**

The challenge

Founded in 2019 by Pippa and Alex Gawley, Zero Carbon Capital is a deep-tech climate fund investing at pre-seed and seed stage across Europe in science that cuts costs and emissions. As a young firm, it needed a manager with the technical expertise and governance to run both an EIS fund and a GP / LP structure.

What Sapphire did

Zero Carbon became an appointed representative of Sapphire in November 2019. The Zero Carbon EIS Fund launched in early 2020, focused on GreenTech. Building on that momentum, Sapphire then supported the launch of a second vehicle, the Zero Carbon Capital 2022 LP, a GP / LP structure pooling investor commitments.

The result

The two structures together have backed companies such as Spark e-Fuels, Climate Crop and Ionate. The early EIS fund created the foundation and momentum for the move to a GP / LP structure, with Sapphire providing governance throughout.

2
Funds launched (EIS, then GP/LP)

25
Investment deals completed

5 yrs
Sapphire as fund manager

"Sapphire demonstrated expertise and professionalism in guiding the launch of both our EIS and our GP/LP fund."

PIPPA GAWLEY · CO-FOUNDER, ZERO CARBON CAPITAL

Why this matters for you. This shows the appointed representative route from page 06, and the two structures from page 05 in practice: an EIS fund can be the natural first step, with a GP / LP fund following as the manager grows.

18 · CASE STUDY · SUSTAINABLE VENTURES

Two funds, launched in parallel

Sustainable Ventures shows that an SEIS fund and an EIS fund can be launched at the same time, under one appointed representative arrangement, which is operationally more demanding than a single launch.

CLIENT	STRUCTURE	SECTOR	RELATIONSHIP
Sustainable Ventures	SEIS + EIS funds	Climate-tech	Appointed representative

The challenge

Sustainable Ventures is a UK climate-tech company that has spent more than ten years backing sustainability startups, working with over 1,000 startups and more than 54 portfolio companies. In 2024 it set out to launch two investment funds at once, a SEIS Impact Fund and an EIS Impact Fund, and needed an FCA-authorised manager able to navigate running both in parallel.

What Sapphire did

Sustainable Ventures became an appointed representative of Sapphire in March 2025, operating under Sapphire's regulatory oversight. Sapphire took on the regulatory and compliance obligations for both funds, enabling the simultaneous launch of the SEIS Impact Fund and the EIS Impact Fund and leaving the team free to source deals.

The result

Both funds launched together, focused on clean energy, energy efficiency and transportation, demonstrating that a dual SEIS and EIS launch can be managed as an efficient, well-run process with the right partner.

2
Funds launched in parallel (SEIS + EIS)

7
Investment deals completed

1 yr
Sapphire as fund manager

"They helped us launch the SEIS and EIS funds simultaneously and handled everything with regulatory knowledge and clear communication."

STUART FERGUSON · INVESTMENT PARTNER, SUSTAINABLE VENTURES

Why this matters for you. If your strategy spans both the very earliest stage and slightly later, running an SEIS and an EIS fund side by side lets you serve both. It is more complex to run, which is where an experienced manager earns its place.

Questions to ask yourself

Launching a fund is a serious commitment. Before taking the first step, it is worth being honest with yourself about a handful of questions. They will point you towards the right route.

What is my strategy?	What sector, stage and kind of company will I back, and is there a clear and credible thesis behind it?
Who will invest?	Do I have, or can I reach, investors who fit the categories a fund like this can be promoted to?
How fast do I need to launch?	Am I willing to wait many months for my own authorisation, or do I need to be in the market sooner?
What can I take on myself?	Do I want to carry the full regulatory and operational burden, or focus on investing and leave the rest to a manager?
What does success look like?	Is this one fund, or the start of a long-term business? The answer shapes which route makes sense.

20 · ABOUT SAPPHIRE

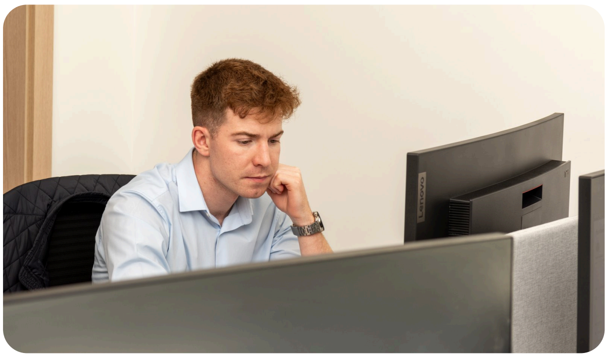
How Sapphire helps

Sapphire Capital Partners LLP is a fund incubator. We help individuals and teams launch and run their own funds by providing the regulatory infrastructure and operational support around them.

What we actually do is straightforward, even if the execution isn't: we take experienced operators, sector specialists and recognised experts who want to deploy capital in their field, and we build the fund around them. As the authorised manager, we carry the regulatory responsibility, so you can focus on the part you know best.

Over more than fifteen years we have helped launch more than seventy funds, and we are a certified B Corporation, which means we hold ourselves to standards beyond return.

BOYD CARSON FCA · CHAIRMAN



If you are considering it

If you are thinking about launching a fund and want to talk to people who have built this infrastructure from scratch, not just advised on it, we are happy to have that conversation.

Sapphire

Sapphire Capital Partners LLP

We help build and support investment funds, providing the regulatory infrastructure so fund managers can focus on investing.

WEBSITE

sapphirecapitalpartners.co.uk

LONDON

Suite 27
Shepherd Market
Mayfair, London W1J 7JY

BELFAST

Pearl Assurance House
One Donegall Square East
Belfast, BT1 5HB

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