



DRIVING ENTREPRENEURSHIP

London Fashion Fund FAQ

Who are we?

This fund has been set-up by a team of professionals with investment, fashion and international expertise including the founder of a Low Carbon Innovation Fund which started in 2009, and the Director of the Centre for Fashion Enterprise from 2007 until 2017, with the support of the Mayor of London, the “Fashion District” member associations including the Trampery, British Fashion Council, UKFT and many of London’s best fashion and digital industry professionals.

What do we do?

The principle of the London Fashion Fund is to provide convertible loans at first. The London Fashion Fund operates through a FCA approved and regulated Fund Manager. Some public funding will be used to provide fashion businesses with up to one third of the small businesses funding need, through convertible loans, with the balance being provided from private sector co-financing sources, angel investors and other funding sources. The fund will be targeting early stage businesses and initially funding 25 fashion enterprises by leveraging a further £600,000 in private sector investment.

How will we do it?

A portfolio approach will de-risk the fund by selecting a range of applicants into a business portfolio. Businesses will benefit from enhanced pathways for access to complementary finance, follow-on funding and support with business success measures. It will offer:

- Convertible loans of typically between £20,000 - £65,000;
- Funding for early stage proof of concept and co-funding to early stage equity funding from venture capital partners.

Why have we set up this fund for fashion and digital fashion businesses?

We have identified an investment “gap” where small businesses across the fashion industry have exhausted the financial support from friends and family and are too early or too small to yet be of interest to investors.

The fund aims to accelerate growth where that potential exists, create a more stable business for future prosperity and act as an “intervention-fund” where it can add value to a business.

Is London Fashion Fund regulated in any way?

Yes, all financial decisions are made by a Fund Manager who is regulated by the Financial Conduct Authority.

Who are our Partnerships with?

Co- Investors and partners including Dreamstake Capital and Turquoise ... The Fashion District partners include London College of Fashion, Mayor of London, Department of International Trade and associations like the Trampery, Poplar Harca, British Fashion Council, UK Fashion Textiles, LLDC & “Pipeline” partnerships include incubators and accelerators like Plexal and Centre for Fashion Enterprise.

Do we get mentoring?

Our team, a network of industry champions include Wolf and Badger & Holition, and a network of high level professionals will be advisors to the fund and investees. We are not an incubator or an accelerator.

What do we consider to be an “early-stage” business?

Typically, a fashion or fashion-tech business who has recently been on an investment readiness, business or growth programme, accelerator or incubation and recognizes it needs funding to grow.

We do not specify business size or turnover however you must be trading already, be an early stage business with needs typically at a seed-funding stage. We prefer you have been in business a minimum of three years, however we recognise that new models for business innovation can require seed funding at an earlier stage. Generally, we would expect recent graduate start-ups to be supported by their university, an incubator or an accelerator to establish their business direction before they apply to the London Fashion Fund.

What type of business would be seen as too big to apply?

A resilient business which doesn't need early-stage funding to be able to trade and grow or one looking for greater scale of investment than LFF offers.

What type of business need would the fund recognise as being eligible?

Typically, a fashion product business of over two people and three years of experience, whose next business need could be to include expanding the capacity in the team, bringing in a new role to expand the expertise in the business, to penetrate a new market, fund a new prototype, change the business model from wholesale to an online model, or boosting the cash-flow.

Typically, a fashion business would already be looking for seed funding with a detailed proof of concept and market and possibly have already received some funding from Innovate UK.

What type of fund are we?

We are a commercial fund to fund growth, which means we must get a return on our investments for our investors. The terms are agreed with the Fund on an individual business basis and will be either a small equity share in your business or a convertible loan where you pay back the capital sum plus interest or convert to equity at a later date...

What type of business are you?

We look for businesses who can demonstrate that they are going to grow and are going to last. We are focused on early stage businesses who probably have not yet had investment outside their family because we believe that early stage fashion businesses need intervention (funds when you need it) and seed funding (relatively small amounts of money). We are most interested to hear from entrepreneurs from across the fashion industry who have the desire and acumen to lead and grow their business. It is important that if you want to apply, that you can demonstrate this.

What do we mean when we say socially responsible?

LFF believes that fashion companies need to link some sustainability values into their core business strategy to increase operational efficiency and contribute to a collective long-term prosperity for the fashion sector financially, socially and environmentally. This may include supply chain traceability, responsible design, efficient use of resources, using a sustainable materials mix, utilizing closed loop systems, mastering disruptive technologies or other. There is a question specific to this in the application form to determine the sustainable “attitude” of the applicant.

What can we offer to the founder of a small fashion business?

- Convertible loans of typically between £20,000 - £65,000;
- Support and Advice from our Fashion and Technology Champions
- Co-funding for early stage proof of concept and co-funding to early stage equity funding from venture capital partners
- Becoming part of London’s new Fashion Founders Network

How does LFF work?

- The fashion business applies to LFF for a convertible loan. These will be made with the intention of conversion to equity at a later date when an early stage company can be valued which may be between 2 to 5 years.
- The investee will bring the “co-funding” from other investors to co-fund the sum agreed from LFF. LFF can make introductions to facilitate this and help the investee to find co-investors if required for EIS and SEIS qualifying investment.

What is the aim of the fund over the next 2 years?

Our initial aim is to find and fund a portfolio of entrepreneurial fashion ventures, diverse and forward thinking, all aware of the social responsibilities of being in business, who will contribute to the resilience & definition of the fashion industry in London and UK as it shapes-up for the future.

How does the LFF define what a fashion business is?

The Fund is interested in “fashion” sectors as diverse as design, brands, accessories, clothes, eyewear, footwear, cosmetics whilst also embracing sustainable design and materiality, digital design, product design & processes, textile innovation, fashion-tech including online platforms, retailing, manufacturing, marketing and communications, supply chain innovation including retail solutions, b to b, block-chain and fin-tech or technology as applied to fashion or product.

Do we operate a statement of purpose?

We are addressing the funding gap we have identified between family and friends funds and the traditional VC funds. The work of the fund team, with its network of co-investors and industry “Champions”, is driven by our deep-rooted belief that the right type of finance at the right time can accelerate the growth potential in a small business in the early stages to advance innovation & growth, enable a greater adoption of technology while building values of social responsibility and sustainability across the fashion industry.

Is there some application criteria?

LFF will tend to take a long-term investment approach and place great value on individual innovation concepts and management teams and supports products and services that it believes could be deployed into global markets for greater growth and market opportunity.

The applicant will:

- a. be a registered limited company
- b. be a “fashion” business, by which we mean it will contribute to the fashion economy, addressing the design, innovation and fashion-tech agendas, and could be a design, technology, making & manufacturing, service or new retail solutions.
- c. be a business which is already trading and “acting” as a business, with a defined leader for the business responsibilities.

- d. have a plan for appropriate global expansion and be able to show market demand and scalability in appropriate global markets.
- e. be able to demonstrate through a pitch that it can bring financial value to investors seeking high-growth investments.
- f. actively address issues of social inclusion, equality, diversity and environmental sustainability with tangible impacts on ethical and sustainable supply chains.
- g. be open to listening to a “Champion” of London Fashion Fund who will advise on the growth strategy relevant to individual businesses and potentially to sit on the investee’s board.

www.londonfashionfund.co.uk