

Product

**British Smaller Companies VCT &  
British Smaller Companies VCT 2**

Tax Status

**Venture Capital Trust**

Fund Group

**YFM Equity Partners LLP**

**Risk Warning**

This communication is provided for informational purposes only. This information does not constitute advice on investments within the meaning of Article 53 of the Financial Services and Markets Act (Regulated Activities) Order 2001. Should investment advice be required this should be sought from a FCA authorised person.

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## RISK WARNINGS AND DISCLAIMERS

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## GENERAL RISK WARNINGS

Your attention is drawn to the following risk warnings which identify some of the risks associated with the investments which are mentioned in the Review:

### Fluctuations in value of investments

The value of investments and the income from them can go down as well as up and you may not get back the amount invested.

### Suitability

The investments may not be suitable for all investors and you should only invest if you understand the nature of and risks inherent in such investments and, if in doubt, you should seek professional advice before effecting any such investment.

### Past performance

Past performance is not a guide to future performance.

### Legislation

Changes in legislation may adversely affect the value of the investments.

### Taxation

The levels and the bases of the reliefs from taxation

may change in the future. You should seek your own professional advice on the taxation consequences of any investment.

## ADDITIONAL RISK WARNINGS

### Venture capital trusts

1. An investment in a VCT carries a higher risk than many other forms of investment.
2. A VCT's shares, although listed, are likely to be difficult to realise..
3. You should regard an investment in a VCT as a long term investment, particularly as regards a VCT's investment objectives and policy and the five year period for which shareholders must hold their ordinary shares to retain their initial income tax reliefs.
4. The investments made by VCTs will normally be in companies whose securities are not publicly traded or freely marketable and may therefore be difficult to realise and investments in such companies are substantially riskier than those in larger companies.
5. If a VCT loses its Inland Revenue approval tax reliefs previously obtained may be lost.
6. No investment can made by the VCT in a company whose first commercial sale was more than 7 years prior to date of investment, except where previous State Aid Risk Finance was received by the company within 7 years (10 years for a 'knowledge intensive' company) or where a turnover test is satisfied; and
7. No funds received from an investment by the VCT into a company can be used to acquire another existing business or trade.

## Factsheet

### British Smaller Companies VCT & VCT 2

|                          |   |
|--------------------------|---|
| Type                     | Generalist VCT with track record  |
| Size                     | £217m AUM across both VCTs and is seeking £40m with this launch in aggregate across the two VCTs with a £20m over-allotment facility  |
| Manager                  | YFM Equity Partners LLP ("YFM")   |
| Sponsor                  | Howard Kennedy Corporate Services LLP   |
| Registrars               | Link Group Registrars   |
| Receiving Agent          | The City Partnership  |
| Focus                    | To generate tax free capital gains and regular dividend income for its shareholders through a diversified portfolio of VCT qualifying investments across a broad range of sectors |
| Promoter                 | RAM Capital   |
| Funds initially invested | Cash deposits, fixed income securities and other securities   |
| Minimum investment       | £6,000 per tax year, including initial adviser charges  |
| Initial Closing Date     | 1st April 2022 unless fully subscribed before   |
| Issue costs              | 3% of amount subscribed, 3.5% for direct applicants   |
| Annual costs             | 1.8% per annum plus a 0.35% administration fee  |
| Initial advisor charges  | If charged, these will be facilitated by the VCT on subscription.   |

## Summary

Table 1: Tax Efficient Review summary of offering Pros and Cons

| PROs  | CONs   |
|---|--|
| Very good long term track record of the YFM team, headed up by industry stalwart David Hall   | The largest holding in both VCTs by a considerable margin is Matillion Limited, which is approximately 24% of the NAV of BSC and 30% of BSC2 |
| Excellent track record of dividends paid to shareholders, totalling 157.4p per share since launch for BSC and 71.5p per share since launch for BSC2 | Track record highly influenced by the Matillion holding  |
| Reduced AMC is charged on cash holdings within the VCTs over £15m (BSC, £10m BSC2). Other VCT managers should take note!                            | Highly convoluted performance fee structure for both VCTs  |

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## TER classification

TER classifies this VCT as a “Generalist VCT with track record” and YFM are experience fund managers within the VCT market. The first British

Smaller Companies VCT was launched in the 1996/7 tax year.

## Review based upon

TER always meet/have a internet call with fund managers prior to a review. This review is based on those meetings, the prospectus for the offer,

(British Smaller Cos VCT & VCT 2 prospectus (reference 22 September 2021) and data provided by YFM Equity Partners LLP.

## The Offer

The British Smaller Companies VCT was launched in 1996 and has £128m in assets under management; and the British Smaller Companies VCT 2 was launched in 2000 and has £89m in assets under management.

A joint offer seeking £40m with a potential £20m over-allotment.

Applicants subscribing for the first £10 million of Application Amounts will receive additional New Shares equivalent to 0.5 per cent of the amount they subscribe, and Applicants subscribing for the next £5 million of Application Amounts will receive additional New Shares equivalent to 0.25

per cent of the amount they subscribe, which in each case will be paid for by the Companies' investment manager.

Investors can allocate their investment between the two VCTs in whatever ratio they choose.

The investment strategy of each VCT is to create a portfolio of UK companies operating across a broad range of sectors that blends a mix of businesses operating in established and emerging industries that offer opportunities in the application and development of innovation in their products and services.

Table 2: YFM funds under management as at 30 June 2021

| VCT  | Net assets<br>£m | Annual fee<br>% | Still to be invested<br>£m |
|--|------------------|-----------------|----------------------------|
| <b>VCT funds</b>                                       |                  |                 |                            |
| British Smaller Companies VCT plc                      | £128             | 2%*             | £30                        |
| British Smaller Companies VCT2 plc                     | £89              | 2%*             | £19                        |
| <b>NON VCT funds that can co-invest with VCT Funds</b> |                  |                 |                            |
| Chandos**  | £14              | -               | £0                         |
| YFM Equity Partners Growth Fund I**                    | £10              | 2%              | £0                         |
| YFM Equity Partners Buyout Fund I***                   | £46              | 2%              | £5                         |
| YFM Equity Partners Growth Fund II***                  | £10              | 2%              | £2                         |
| YFM Equity Partners Buyout Fund II                     | £80              | 2%              | £52                        |
| YFM Equity Partners Growth Fund III                    | £10              | 2%              | £8                         |
| <b>TOTAL</b>   | <b>£529m</b>     |                 | <b>£115m</b>               |

\*2% per annum, which is reduced to the extent that cash exceeds £15m for BSC and £10m for BSC2, with a fee of only 1% charged on cash amounts above this level.

\*\*Fully invested

\*\*\* no new investments, follow-on only

Source: YFM Equity Partners LLP

Investing across a range of companies and sectors helps to reduce exposure to particular markets and individual companies. The British Smaller Company VCTs have not had to change their investment style due to the impact of the Patient Capital Review in 2017.

Each VCT will invest in UK businesses across a broad range of sectors including but not limited to Data & Analytics, Software Applications, New Media, Business Services, Retail & Brands, Advanced Manufacturing and Healthcare.

These investments will primarily be in unquoted UK companies which meet the definition of a Qualifying Investment, in order to maintain each VCT's Venture Capital Trust status. It is anticipated that the majority of these businesses will be re-investing their profits for growth and the investments will, therefore, comprise mainly equity instruments. The BSC VCTs seek to build a broad portfolio of investments in early stage companies focused on growth with the aim of spreading maturity profiles and maximizing return as well as ensuring compliance with the VCT guidelines in this regard. The offer builds on the existing diversified portfolio of unquoted investments covering a large number of sectors.

Between them the two BSC VCTs had liquid funds as at 30 June 2021 totaling £52.2m. In the twelve months from to 30 June 2021, the BSC VCTs completed 13 transactions, deploying £20.5m of capital of which £12.8m was into new investments and £7.7m into the portfolio. In addition in the same period the two VCTs utilised a total of £15.1m on share buy-backs, dividend payments (net of re-invested dividends) and ongoing net operating costs.

The two British Smaller Companies VCTs operate remarkably similar investment strategies. Therefore they also have a similar split of investments across different sectors, which is broken down as follows:

| Sector                 | BSC | BSC2 | Total |
|------------------------|-----|------|-------|
| Data & Analytics       | 46% | 53%  | 49%   |
| Software Applications  | 26% | 22%  | 24%   |
| New Media              | 12% | 10%  | 11%   |
| Business Services      | 11% | 10%  | 11%   |
| Retail & Brands        | 3%  | 3%   | 3%    |
| Advanced Manufacturing | 1%  | 1%   | 1%    |
| Other                  | 1%  | 1%   | 1%    |

**Total.** The similarities between the VCTs continue when looking at the top 10 holdings for the VCTs, which can be seen in Table 5. The largest holding in both by a considerable margin is Matillion Limited, which is approximately 24% of the NAV in BSC and just over 30% in BSC2..

On 27 August 2021 the two VCTs announced that contracts had been exchanged for the partial sale of their holding in Matillion, alongside an additional fundraising for the business, with completion expected 30 days from the exchange of contracts. YFM tell us that following the fundraising, Matillion will have cash of approximately \$250m equivalent to around six years' capital. This is a considerably higher capital buffer than the majority of fast expanding businesses and around 4 years more than a business that first receives VCT investment where the maximum cash buffer allowed under the VCT legislation is 2 years. The business continues to deliver around 80% per annum growth.

YFM ideally likes to see at least £1m of sales in the last 12 months, increasing commercial traction and seeks to make investment of a size commensurate with each businesses addressable market.

**Dividend and Share Buy-Back Policy**

Both VCTs aim to pay a consistent annual dividend but this is dependent on the level of investment income and realisations that can be achieved in any one period and cannot be guaranteed. As covered above we think investors should no longer expect a regular smooth "yield" although distributable reserves will still allow VCTs to smooth dividends for a time.

There is also a dividend reinvestment scheme available to shareholders. Cumulative dividends of 157.4p and 71.5p have been paid from BSC and BSC2 respectively.

The VCTs operate a share buy- back policy at a 5% discount to net asset value. In the twelve months to 31 December 2020 BSC acquired 3.6m shares at a cost of £2.3m, and BSC2 3.1m shares at a cost of £1.5m.

**Non-Qualifying Investments**

The initial proceeds of the Offer may be invested in a portfolio of equities, fixed income and other securities, including UK Government bonds, highly rated corporate bonds and cash deposits.

**Tax Efficient Review Strategy rating: 29 out of 30**

## Track record

Our approach to comparing track records between providers is to use 3, 5 & 10 year measures of the annual increase in total return (calculated as closing net asset value less opening net asset value plus dividends paid during the period).

The results are in Table 3 and consist of results for each provider and their VCTs over a 3, 5 and 10 year period. In order to reduce the data down to one figure we score each VCTs' position in the results from 1 (top position) to the total number of VCTs in the analysis, sum them and take an average over the three periods being measured. Thus lower numbers are better and are in Table 4 .

The analysis in Table 4 shows that YFM's performance places it high in our ranking (fourth out of eleven providers), driven primarily by the Deep-Secure Ltd exit in July 2021 and the excellent increase in holding value of "unicorn status" Matillion Limited. Three year performance has BSC fifth and BSC2 sixth, however performance over five and ten years is less impressive.

Prior to 2015, the structuring of investments with the use of secured loan stock/and or preference shares enabled the VCTs to generate more revenue income than, say, other VCTs which use external gearing. In addition, however, dividends can also clearly come from realised capital profits, and like many other VCT managers YFM has regard to a "total return" of longer term performance when advising the Boards on setting their dividend policy.

The balance of investment from 2015 has seen a heavier weighting towards TMT (Technology, Media and Telecoms), with a strong emphasis on enterprise software and data and data analytics, in total 19 investments have been made in these

## Manager

In 2022 YFM will celebrate its fortieth anniversary and over that time has realised around 140 investments. The investment manager has also developed relationships with CEOs and NEDs of these businesses as well as their advisors across the UK regions.

The investment team has grown over time and now comprises 23 investment/portfolio directors, having added a net 9 since the last major fundraise in 2018 (there was a small top up fund

sectors of which 18 were still in the portfolio at 30 June 2021. The three other investments that have been made since 2015 are all in the retail sector, which has been the most directly impacted in 2020/21. The only failure in the portfolio since the first lockdown in March 2020 was one of the retail investments which was realised through an administration with no return to the trusts. The value reduction had been taken in full by March 2020.

Post 2015 there has been a greater emphasis on equity than loans, so the portfolio mix of underlying investment instruments, of which the portfolio is comprised, continues to change over time- with the majority of pre-2015 portfolio anticipated to be realised over the coming 3-5 years.

As at 30 June 2021 BSC held 33 unquoted investments valued at £95.4m and BSC2 held 34 unquoted investments valued at £71m.

Average dividends paid over the last 10 years and cumulative dividends are as follows:

### British Smaller Companies VCT

|                            |        |
|----------------------------|--------|
| Average over last 5 years: | 9.8p   |
| Average over last 10 years | 10.1p  |
| Cumulative since launch:   | 157.4p |

### British Smaller Companies VCT 2

|                            |       |
|----------------------------|-------|
| Average over last 5 years: | 4.2p  |
| Average over last 10 years | 4.4p  |
| Cumulative since launch:   | 71.5p |

**Tax Efficient Review Track Record rating: 33 out of 40**

raise early in 2021). This is one of the largest VCT teams in the UK and gives a substantial presence in each region giving the adviser a larger reach than most. YFM says that this gives access to investment opportunities that many others do not see and which are not the subject of private equity auctions.

YFM has five offices providing national coverage and local presence and through which deals can be sourced. Over the last few years most deals



Table 3: Generalist VCT provider 3,5 &amp; 10 year performance comparison

| VCT manager<br>(alphabetical<br>order) | VCT name                           | Data as at | Annual<br>return<br>over<br>last 3<br>years | Annual<br>return<br>over<br>last 5<br>years | Annual<br>return<br>over<br>last 10<br>years |
|--|------------------------------------|------------|---|---|--|
| <b>ALBION</b>                          | Albion VCT                         | 31/03/2021 | 5.0%  | 7.0%  | 5.2%   |
|  | Albion Technology & General VCT    | 30/06/2021 | 10.1%                                       | 10.7%                                       | 5.1%   |
|  | Kings Arms Yard VCT                | 30/06/2021 | 7.0%  | 10.1%                                       | 11.3%  |
|  | Albion Development VCT             | 30/06/2021 | 10.0%                                       | 13.0%                                       | 8.6%   |
|  | Crown Place VCT                    | 30/06/2021 | 8.9%  | 12.1%                                       | 7.5%   |
|  | Albion Enterprise VCT              | 30/06/2021 | 9.5%  | 12.0%                                       | 10.2%  |
| <b>BERINGEA</b>                        | ProVen Growth & Income New         | 31/05/2021 | 0.9%  | 3.2%  | 4.1%   |
|  | ProVen VCT                         | 31/05/2021 | -0.6%                                       | 4.9%  | 10.7%  |
| <b>DOWNING</b>                         | Downing ONE VCT                    | 31/03/2021 | -6.1%                                       | -1.9%                                       |  |
|  | Downing FOUR VCT Generalist shares | 31/03/2021 | -9.0%                                       |   |  |
| <b>DRAPER</b>                          | Draper Esprit VCT                  | 31/03/2021 | 0.6%  | -0.7%                                       | 4.6%   |
| <b>FORESIGHT</b>                       | Foresight VCT                      | 30/06/2021 | 7.1%  | 5.8%  | 3.1%   |
| <b>GRESHAM<br/>HOUSE</b>               | Baronsmead Second Venture Trust    | 30/06/2021 | 5.6%  | 6.0%  | 6.4%   |
|  | Baronsmead Venture Trust           | 30/06/2021 | 4.5%  | 6.3%  | 6.7%   |
| <b>MAVEN</b>                           | Maven Income & Growth VCT 3        | 31/05/2021 | 3.0%  | 2.2%  | 5.8%   |
|  | Maven Income & Growth VCT 5        | 31/05/2021 | 4.9%  | 5.6%  | 7.1%   |
|  | Maven Income & Growth VCT          | 31/05/2021 | 2.5%  | 2.8%  | 6.0%   |
|  | Maven Income & Growth VCT 4        | 30/06/2021 | 3.9%  | 2.8%  | 4.0%   |
| <b>MOBEUS</b>                          | Mobeus Income & Growth 2 VCT       | 31/03/2021 | 14.6%                                       | 8.4%  | 11.9%  |
|  | Mobeus Income & Growth VCT         | 31/03/2021 | 15.3%                                       | 8.3%  | 10.2%  |
|  | Income & Growth VCT                | 31/03/2021 | 17.4%                                       | 9.1%  | 12.2%  |
|  | Mobeus Income & Growth 4 VCT       | 31/03/2021 | 16.8%                                       | 8.5%  | 8.4%   |
| <b>NVM</b>                             | Northern 3 VCT                     | 30/06/2021 | 9.5%  | 7.4%  | 9.0%   |
|  | Northern 2 VCT                     | 30/06/2021 | 9.2%  | 7.1%  | 7.9%   |
|  | Northern Venture Trust VCT         | 30/06/2021 | 10.5%                                       | 9.3%  | 8.4%   |
| <b>OCTOPUS</b>                         | Octopus Apollo VCT Ord shares      | 31/07/2021 | 7.8%  | 3.2%  | 3.1%   |
|  | Octopus Titan VCT                  | 30/04/2021 | 9.6%  | 7.5%  | 10.4%  |
| <b>PEMBROKE</b>                        | Pembroke VCT B share               | 31/03/2021 | 6.5%  | 5.4%  |  |
| <b>YFM</b>                             | British Smaller Companies VCT      | 30/06/2021 | 12.1%                                       | 7.0%  | 4.9%   |
|  | British Smaller Companies VCT 2    | 30/06/2021 | 10.9%                                       | 7.7%  | 5.7%   |

Source: Tax Efficient Review calculation based on data from public accounts

Calculation: (Closing period NAV less Opening period NAV plus dividends paid in the period) divided by number of years in the period

Report created 01/10/2021

**Table 4: Provider results comparison**

| PROVIDER      | AVERAGE SCORE BASED ON PLACE IN PEER GROUP (lower is better) |
|---------------|--|
| MOBEUS        | 6  |
| ALBION        | 10   |
| NVM           | 11   |
| YFM           | 13   |
| OCTOPUS       | 16   |
| GRESHAM HOUSE | 18   |
| FORESIGHT     | 20   |
| BERINGEA      | 21   |
| PEMBROKE      | 22   |
| MAVEN         | 23   |
| DRAPER        | 25   |

Calculation as at 01/10/2021 and based on results in Table 3. In order to reduce the data down to one figure, each VCTs' position in the Table 3 results is scored from 1 (first in the year) to the total number of VCTs in the analysis for the period (lower numbers are better), added together and then averaged over the three periods being measured

have been sourced through the YFM network and from the network of Chairmen and CEO's that they work with on a regular basis. The local offices see proprietary deal flow from local banks and intermediaries.

Not only must an investment manager obtain deal flow but it must have a team resourced to invest at the correct rate to satisfy the VCT rules. The 30% and 80% investment rules require that by the end of the first accounting period after launch that 30% of the fundraised must be invested and by the end of the third accounting period, and in every accounting period thereafter, the VCT must have at least 80% of its funds invested in qualifying holdings. In this case both VCTs have a preferred investment level of around 85% or more.

The size of the challenge for an investment team depends on:

- funds already raised and requiring investing
- forthcoming exits that will require re-investing and
- the impact of new funds being raised.

So how does YFM fare?

Table 10 shows the team members and where they spend their time. In terms of investing the team is equivalent to 6.25 full-time equivalents (the sum of rows "Deal origination" and "New

deal doing" disregarding any person with less than three years VC experience).

As well as VCTs, YFM manages a number of Limited Partnership Funds, details of which are included in Table 2.

The growth capital funds, that invest alongside the VCTs, are dedicated to providing the replacement capital element of the transactions which the VCTs are unable to provide. The funds invest on the same economic terms as the VCTs.. The buyout funds provide funding where the VCTs are completely precluded; focussing on supporting entrepreneurs, owners and management teams of small businesses throughout the UK.

The VCT position as to funds needing investing by the team is as follows.

Prior to the raising of these monies, the liquid funds of the two VCTs are estimated to total £49m (see Table 2 for breakdown). The initial offer, assuming the full over allotment facility is utilised, will raise around £57m after costs making a total of £106m.

With a NAV post (initial) fundraising of £274m this equates to approximately 39% of the NAV in liquid funds. The VCTs will likely always retain a level of cash of 15-20% of NAV or around £41m-55m.

Table 5: Top 10 VCT holdings as at 30 June 2021 as % of NAV (% of cost in brackets)

| BSC   |               | BSC2  |               |
|---|---------------|---|---------------|
| 1. Matillion Ltd (3.5%) *                   | 23.6%         | 1. Matillion Ltd (4.0%) *                   | 30.4%         |
| 2. Deep Secure (1.7%) **                    | 5.1%          | 2. Deep Secure (1.1%) **                    | 3.7%          |
| 3. Intelligent Office UK (5.0%)             | 3.6%          | 3. Intelligent Office (4.4%)                | 3.4%          |
| 4. Wooshii Ltd (6.3%)                       | 3.3%          | 4. Wooshii Ltd (5.5%)                       | 3.2%          |
| 5. Springboard Research Holdings Ltd (4.7%) | 3.3%          | 5. Springboard Research Holdings Ltd (4.1%) | 3.2%          |
|   |               | 6. KeTech Enterprises Ltd (3.4%)            | 3.1%          |
| 6. Unbiased EC1 Ltd (5.1%)                  | 3.2%          | 7. Unbiased EC1 Ltd (4.5%)                  | 3.0%          |
| 7. SharpCloud Software Ltd (5.8%)           | 3.1%          | 8. SharpCloud Software Ltd (5.2%)           | 3.0%          |
| 8. Elucidat Ltd (4.6%)                      | 3.1%          | 9. Elucidat Ltd (4.1%)                      | 3.0%          |
| 9. Force24 Ltd (4.1%)                       | 2.7%          | 10. Force24 Ltd (3.6%)                      | 2.6%          |
| 10. ACC Aviation Group Ltd (0.4%)           | 2.6%          |   |               |
| <b>Top Ten total as % of NAV</b>            | <b>53.60%</b> |   | <b>58.60%</b> |

\* Partially sold in September 2021

\* Fully exited in July 2021

Source: YFM Equity Partners LLP

Table 6: Sectors data as at 30 June 21

| Sector name            | %           |
|------------------------|-------------|
| Data & Analytics       | 38%         |
| Software Applications  | 19%         |
| New Media              | 9%          |
| Business Services      | 8%          |
| Retail & Brands        | 2%          |
| Advanced Manufacturing | 1%          |
| Other                  | 1%          |
| Cash                   | 22%         |
| <b>TOTAL</b>           | <b>100%</b> |

Source: YFM Equity Partners LLP

Table 7: Stage of investment by current year revenue as at 30 June 2021 (by value)

|                                  |             |
|----------------------------------|-------------|
| Early stage (revenue under £1m): | 0%          |
| Growth (revenue £1m-£5m):        | 28%         |
| Scale up (revenue over £5m):     | 72%         |
| <b>TOTAL</b>                     | <b>100%</b> |

Source: YFM Equity Partners LLP

This would leave cash to invest of £51m -65m.

Between the two VCTs around £15m per annum is utilised for the share buy-back scheme, net operating costs and dividends (net of amounts reinvested from the Dividend Re-investment Scheme). This would leave a net £26m-51m to invest. This compares to investments (new and follow-on) of £20.5m in the twelve months to 30 June 2021 (figure supplied by YFM).

The LP funds position as to funds needing investment by the team is as follows:

The LP funds work differently. YFM tell us that generally they would seek to invest 75-80% of the fund total over a three year period.

- Growth Funds I and II are closed for new investment and Growth Fund III is just about to commence its investment period and is anticipated to invest £7.5m over 3 years, an average of £2.5m per annum.
- For Buyout Fund II, of the total fund of £80.4m the amount for new investment is £60-64m of which £12.4m has been invested. YFM are 18 months into the 4 year investment period so have £48-52m to invest over 30 months or roughly £19-21m per annum, for that fund equivalent to 3-4 investments. £16m was invested from non VCT funds in the 12 months to 30 June 2021 and YFM inform us that they have two investments totaling £12.5m undergoing due diligence.

Between funds, this suggests the need for an average investment rate of £42-43m per annum (£20m VCTs assuming a deployment rate over 18 months of the calculated above figures of £26m-51m of VCT cash; £22-23m BF II/GIII).

YFM tell us that they invested £26.4m in new investments and £10.1m in follow-on in the 12

## Costs

The Performance Fee structures are different for BSC and BSC2 but both are convoluted and complex and affected by the relative weightings of Matillion, the largest holding in both VCTs, with BSC2 having a larger weighting (see Table 5). This is a result of BSC selling down around a quarter of its holding in May 2019. Based on the 30 June 2021 valuations BSC2 will pay out £3.3m for the year ending 31 December 2021 but BSC is just below its hurdle and could pay out in 2022 should the

months July 2020 to June 2021, a total of £36.5m which includes a covid affected first part of that period.

In our view this indicates that the team are well resourced to invest the funds being sought.

The principal members of the investment team are:

- David Hall (managing director, 32 years' experience, ex Enterprise plc and PwC)
- David Bell (Director – Head of Portfolio, 21 years' experience, ex-3i)
- Ian Waterfield (Head of New Investment-north, 18 years' experience)
- Jamie Roberts (Head of New Investment-south, 8 years' experience)
- Victor Christou (Head of Growth 23 years' experience)
- Eamon Nolan (Portfolio Director, 21 years' experience)
- David Gee (member of Investment Committee, 30 years' experience, ex- Grant Thornton)
- Paul Cannings (Director – member of Investment Committee, 30 years' experience, ex-3i)

Table 10 shows the key team members. The VCT directors of the VCTs are:

### BSC VCT

- Helen Sinclair – Chairman
- Adam Bastin
- Jonathan Cartwright
- Rupert Cook

### BSC VCT 2

- Peter Waller – Chairman
- Barbara Anderson
- Roger McDowell

**Tax Efficient Review Team rating: 18 out of 20**

following year's performance exceed the hurdle. A summary is:

- BSC has two hurdles, target levels of both Total Return (the "BSC Total Return Hurdle") and dividend ("BSC Dividend Hurdle"). Subject to meeting the BSC Total Return Hurdle, the Manager will receive an amount equivalent to 20% of the amount by which dividends paid per BSC share exceeds the BSC Dividend Hurdle, multiplied by the number of shares

in issue at the year end. The incentive fee in any financial year will be subject to a cap if the excess of dividends paid over the BSC Dividend Hurdle is greater than the sum of the excess of the Total Return over the BSC Total Return Hurdle divided by 1.2.

The Total Return Hurdle is increased annually by 4.0 pence per BSC share, as increased or decreased by the percentage increase or decrease (if any) in RPI. For the year ended 31 March 2021 the annual increase in the BSC Total Return Hurdle was 5.5 pence per BSC share.

- BSC2 also has a hurdle: the aggregate of cumulative dividends paid as at the last Business Day in December each year and the average of the middle market price per BSC2 Share on the five Business Days prior to that day must exceed 120 pence per BSC2 Share (the "BSC2 Hurdle"). The fee is 20% of the excess over this amount multiplied by the number of BSC2 Shares in issue and the BSC2 Shares under option (if any). Once the BSC2 Hurdle has been exceeded it is reset at that value going forward, which becomes the new BSC2 Hurdle.

Overall we see the effect of the two performance fees as very close with a slight edge for BSC2 driven by the higher weighting of the Matillion holding.

The costs for the British Smaller Companies VCT are as follows:

- **Initial costs:** The Initial Application Fee is 3.0 per cent of the Application Amount and is paid by the relevant Company to the Manager. In consideration, the Manager has agreed to meet the costs associated with the Offers, save for commissions payable to execution only brokers, on behalf of the Companies and the Manager will, therefore, be responsible for all of these costs. For investors who apply direct i.e. not via a broker or advisor the initial cost is 3.5%.
- **Annual management fee:** 1% of surplus cash 2% of other assets. The annual fee for the twelve months to 31 March 2021 was £1,675,000, equal to 1.7 per cent of the average NAV (1.5 per cent of the closing NAV at 31 March 2021).

The annual fee payable to the Manager is calculated as 1.0 per cent on all surplus cash, defined as all cash above £15 million, unless the hurdle has been met triggering a performance incentive payment (see below) in which case the amount determined to be surplus cash will be the excess over £7.5 million. The annual fee on all other assets is 2.0 per cent per annum. This is calculated half yearly at 31 March and 30 September.

In the year ended 31 March 2021 annual operating expenses (including the management fee but excluding any payment of the performance incentive) were 2.10% (they are capped at 2.9% of Net Asset Value). At this level the costs are at the lower end of charges for generalist funds.

- **Performance Fee:** Details are at the start of the Fees section.

No fee was payable in respect of the year ended 31 March 2021.

The costs for the British Smaller Companies VCT 2 are as follows:

- **Initial costs:** The Initial Application Fee is 3.0 per cent of the Application Amount and is paid by the relevant Company to the Manager. In consideration, the Manager has agreed to meet the costs associated with the Offers, save for commissions payable to execution only brokers, on behalf of the Companies and the Manager will, therefore, be responsible for all of these costs. For investors who apply direct i.e. not via a broker or advisor the initial cost is 3.5%
- **Annual management fee:** 1% of surplus cash 2% of other assets, The annual fee for the twelve months ending 31 December 2020 was £1,204,000, equal to 1.8 per cent of the average NAV (1.7 per cent of the NAV at 31 December 2020).

The annual fee payable to the Manager is calculated as 1.0 per cent on all surplus cash, defined as all cash above £10 million, unless the hurdle has been met triggering a performance incentive payment (see below), in which case the amount determined to be surplus cash will be the excess over £5 million. The annual fee on all other assets is 2.0 per

cent per annum. This is calculated half yearly at 30 June and 31 December  
In the year ended 31 December 2020 annual operating expenses (including management fee but excluding any payment of the performance incentive) were 2.45% (they are capped at 2.9% of Net Asset Value). At this level the costs are at the lower end of charges for generalist funds

- **Performance Fee:** Details are at the start of the Fees section.

There has never been an incentive fee payment under this scheme and there was no payment for the year to 31 December 2020, as the shortfall to the Hurdle was 1.8 pence per ordinary share. However, excluding the payment of dividends, the net assets per ordinary share have increased by 10.0 pence per ordinary share as at 30 June 2021. If this increase flows through to an increase in the middle market price per ordinary share in the last five dealing days prior to the last business day of December 2021, at a discount of 5 per cent to the net asset value per ordinary share, then an incentive fee of approximately

£3,316,000 would be payable at 31 December 2021 based on the number of shares in issue at 30 June 2021.

In addition to the fees described above, which are paid by the Companies, the Manager receives advisory fees in connection with new investments which are paid by the relevant investee company. In respect of each of the Companies there is an aggregate annual cap applied to these fees for new investments of 3 per cent and for further investments of 2 per cent, with any fees above this cap being payable to the Companies. Where expenses have been incurred and the investment does not proceed, the Manager pays any abort fees. The Manager also receives monitoring or non-executive director fees from unquoted portfolio companies. In respect of each of the Companies these fees are capped at a maximum of £40,000 per annum for an unquoted company. The aggregate of these fees received by the Manager in the twelve months to 31 March 2021 was £1,158,000, of which £234,000 was borne by the two BSC VCTs.

**Tax Efficient Review Cost rating: 8 out of 10**

## Conclusion

In February 2021 the British Smaller Companies VCTs undertook a small top up fund raising of approximately £13m. At the time TER wrote that it was a shame it was such a small fundraising as it duly sold out in a short amount of time.  
This launch is a full prospectus offer for £40m with a further over allotment facility of £20m (in aggregate across the two BSC VCTs). But given the appetite from advisers and their investors for quality VCTs, we imagine that even this significantly larger fund raising will go quickly.

Why is this? A variety of factors which include the long term presence of David Hall, a highly experienced venture capitalist, heading up the team; an excellent track record of delivering dividends to shareholders; combined with a diverse portfolio of investments derived from a network of regional investment offices across the north of England.

The one main concern is the size of the largest holding of Matillion in each of the VCTs, currently 24% and 30% of BSCVCT and BSCVCT2 respectively. The size of this holding is a concern but it has arisen from the excellent performance of the company and we understand that the Manager is looking to take profits off the table in a transaction that has been announced by the VCT Boards and that we expect to complete during September 2021.

But overall these VCTs can be pointed to as long term success story of the VCT industry. Their conservative approach to raising funds and making investments has delivered for their shareholders, with cumulative dividends of 157.4p and 71.5p respectively. Combined with long term consistent management from David Hall and low fees, we rate them highly within their peer group.

**Tax Efficient Review rating: 88 out of 100 for a generalist VCT**

Table 8: Exits achieved by YFM Equity Partners in last three years as at 31 August 2021

| Company                                 | Activity                          | Date of investment | Date of exit | Total invested<br>£000 | Income received<br>£000 | Gross Proceeds<br>£000 | Total Proceeds<br>£000 | Multiple of proceeds over cost |
|---|-----------------------------------|--------------------|--------------|------------------------|-------------------------|------------------------|------------------------|--------------------------------|
| Deep-Secure Ltd                         | Software, IT & Telecommunications | 09/12/2009         | 13/07/2021   | £1,928,751             | £1,882,090              | £10,469,041            | £12,351,131            | 6.4                            |
| Business Collaborator Limited           | Software, IT & Telecommunications | 25/11/2014         | 10/03/2020   | £3,350,000             | £1,569,176              | £13,475,516            | £15,044,692            | 4.5                            |
| GTK (Holdco) Limited                    | General Industrial                | 10/10/2013         | 10/12/2018   | £2,900,000             | £549,083                | £9,316,004             | £9,865,087             | 3.4                            |
| Eikon Holdco Limited                    | Software, IT & Telecommunications | 26/03/2018         | 10/10/2019   | £3,750,000             | £695,342                | £10,523,356            | £11,218,699            | 3.0                            |
| Mangar Health Limited                   | Health Care Equipment & Services  | 30/01/2014         | 12/12/2018   | £4,100,000             | £1,787,200              | £9,188,364             | £10,975,564            | 2.7                            |
| RMS Group Holdings Limited              | Industrials                       | 19/07/2007         | 22/06/2020   | £1,458,421             | £504,779                | £3,254,652             | £3,759,431             | 2.6                            |
| Leengate Holdings Limited               | Manufacturing and Industrial      | 31/12/2013         | 08/04/2019   | £2,335,000             | £1,195,101              | £4,187,910             | £5,383,011             | 2.3                            |
| Gill Marine Holdings Limited            | Leisure Goods                     | 25/09/2013         | 10/12/2018   | £4,370,000             | £2,032,231              | £6,645,775             | £8,678,006             | 2.0                            |
| Harvey Jones Holdings Limited           | Consumer: Retail                  | 03/05/2007         | 17/08/2017   | £3,176,573             | £1,519,417              | £3,528,816             | £5,048,233             | 1.6                            |
| Harris Hill Holdings Limited            | Business Services                 | 01/06/2009         | 05/07/2021   | £600,000               | £230,186                | £200,997               | £431,183               | 0.7                            |
| Bagel Nash Group Limited                | Retail                            | 15/07/2011         | 15/10/2020   | £2,074,008             | £556,547                | £749,556               | £1,306,104             | 0.6                            |
| Solcom Limited                          | Software, IT & Telecommunications | 08/08/2000         | 31/10/2019   | £375,000               | £0                      | £85,000                | £85,000                | 0.2                            |
| PowerOasis Limited                      | Internet Technology               | 29/11/2011         | 30/09/2018   | £1,143,690             | £2,217                  | £105,030               | £107,247               | 0.1                            |
| The Heritage Windows Company Holdco Ltd | Manufacturing and Industrial      | 01/09/2014         | 02/07/2019   | £3,671,000             | £227,029                | £5                     | £227,034               | 0.1                            |
| Hutchinson Networks Limited             | Software, IT & Telecommunications | 19/04/2018         | 11/05/2019   | £2,200,000             | £41,895                 | £0                     | £41,895                | 0.0                            |
| Friska Limited                          | Retail                            | 13/07/2017         | 05/07/2021   | £3,500,000             | £0                      | £0                     | £0                     | 0.0                            |
| <b>TOTALS</b>                           |                                   |                    |              | <b>£40,932,443</b>     | <b>£12,792,292</b>      | <b>£71,730,022</b>     | <b>£84,522,314</b>     | <b>2.1</b>                     |

Source YFM

Table 9: YFM VCTs unquoted holdings as at 30 June 2021 (sorted by valuation uplift on cost)

| Investee  | Cost<br>£000 | Value<br>£000 | Date in-<br>vested | Structure<br>of invest-<br>ment<br>(Equity/<br>Loan) | Industry<br>Sector            | Stage of<br>Invest-<br>ment<br>Note 1 | Valuation method<br>Note 2   | Multiple<br>on cost |
|---|--------------|---------------|--------------------|--|-------------------------------|---------------------------------------|--|---------------------|
| DisplayPlan Holdings Ltd                          | £200         | £4,500        | 11/01/2012         | Equity   | New<br>Media                  | Scale-up                              | Earnings: Uplift<br>in value, manager<br>valuation based on<br>earnings multiple | 22.5                |
| ACC Aviation Group Ltd                            | £365         | £5,533        | 21/11/2014         | Equity   | Business<br>Services          | Scale-up                              | Earnings: Uplift<br>in value, manager<br>valuation based on<br>earnings multiple | 15.2                |
| Matillion Ltd                                     | £3,824       | £57,249       | 29/11/2016         | Equity   | Data &<br>Analytics           | Scale-up                              | Revenue: Uplift<br>in value, manager<br>valuation based on<br>revenue multiple   | 15.0                |
| Deep-Secure Ltd                                   | £1,500       | £9,826        | 09/12/2009         | Equity/<br>Loan                                      | Software<br>Applica-<br>tions | Scale-up                              | Sales proceeds   | 6.6                 |
| KeTech Enterprises Ltd                            | £3,000       | £5,496        | 09/11/2015         | Equity/<br>Prefs/<br>Loan                            | Data &<br>Analytics           | Scale-up                              | Earnings: Uplift<br>in value, manager<br>valuation based on<br>earnings multiple | 1.8                 |
| Intelligent Office UK (via IO<br>Outsourcing Ltd) | £4,890       | £7,642        | 07/05/2014         | Equity/<br>Prefs/<br>Loan                            | Business<br>Services          | Scale-up                              | Earnings: Uplift<br>in value, manager<br>valuation based on<br>earnings multiple | 1.6                 |
| Springboard Research Holdings<br>Ltd              | £4,555       | £7,095        | 24/10/2014         | Equity/<br>Prefs/<br>Loan                            | Data &<br>Analytics           | Scale-up                              | Revenue: Uplift<br>in value, manager<br>valuation based on<br>revenue multiple   | 1.6                 |
| Elucidat Ltd                                      | £4,500       | £6,613        | 07/05/2019         | Equity/<br>Loan                                      | Software<br>Applica-<br>tions | Growth                                | Revenue: Uplift<br>in value, manager<br>valuation based on<br>revenue multiple   | 1.5                 |
| Unbiased EC1 Ltd                                  | £4,910       | £6,712        | 19/12/2019         | Equity   | Software<br>Applica-<br>tions | Scale-up                              | Revenue: Uplift<br>in value, manager<br>valuation based on<br>revenue multiple   | 1.4                 |
| Force24 Ltd                                       | £4,000       | £5,682        | 20/11/2020         | Equity   | Software<br>Applica-<br>tions | Growth                                | Revenue: Uplift<br>in value, manager<br>valuation based on<br>revenue multiple   | 1.4                 |
| Tissuemed Ltd                                     | 48           | 65            | 07/12/2005         | Equity   | Life-<br>sciences             | Growth                                | Revenue: Uplift<br>in value, manager<br>valuation based on<br>revenue multiple   | 1.4                 |
| Wooshii Ltd                                       | £6,100       | £7,129        | 17/05/2019         | Equity/<br>Prefs                                     | New<br>Media                  | Growth                                | Revenue: Uplift<br>in value, manager<br>valuation based on<br>revenue multiple   | 1.2                 |
| Sharpcloud Software Ltd                           | £5,678       | £6,678        | 15/10/2019         | Equity/<br>Prefs                                     | Data &<br>Analytics           | Growth                                | Revenue: Uplift<br>in value, manager<br>valuation based on<br>revenue multiple   | 1.2                 |
| Vypr Validation Technologies Ltd                  | £2,500       | £2,802        | 07/01/2021         | Equity   | Data &<br>Analytics           | Growth                                | Revenue: Uplift<br>in value, manager<br>valuation based on<br>revenue multiple   | 1.1                 |
| Outpost VFX Ltd                                   | £2,500       | £2,794        | 12/02/2021         | Equity   | New<br>Media                  | Scale-up                              | Revenue: Uplift<br>in value, manager<br>valuation based on<br>revenue multiple   | 1.1                 |
| EL Support Services Ltd                           | 1,000        | 1,138         | 04/04/2015         | Equity/<br>Loan                                      | Other                         | Scale-up                              | Net assets: Uplift<br>in value, manager<br>valuation based on<br>net assets      | 1.1                 |
| Ncam Technologies Ltd                             | £4,187       | £3,990        | 02/03/2018         | Equity/<br>Loan                                      | New<br>Media                  | Growth                                | Write-down up to<br>15%  | 1.0                 |
| SH Healthcare Services Ltd                        | 1,000        | 994           | 04/04/2015         | Equity/<br>Loan                                      | Other                         | Scale-up                              | Write-down up to<br>15%  | 1.0                 |
| OC Engineering Services Ltd                       | 1,000        | 992           | 04/04/2015         | Equity/<br>Loan                                      | Other                         | Scale-up                              | Write-down up to<br>15%  | 1.0                 |



**BRITISH SMALLER COS VCT & VCT 2**
**Table 9: YFM VCTs unquoted holdings as at 30 June 2021 (sorted by valuation uplift on cost)**

| Investee  | Cost<br>£000   | Value<br>£000  | Date in-<br>vested | Structure<br>of invest-<br>ment<br>(Equity/<br>Loan) | Industry<br>Sector                  | Stage of<br>Invest-<br>ment<br>Note 1 | Valuation method<br>Note 2 | Multiple<br>on cost |
|---|----------------|----------------|--------------------|--|-------------------------------------|---------------------------------------|----------------------------|---------------------|
| Arcus Global Ltd                                    | £4,875         | £4,331         | 11/05/2018         | Equity   | Software<br>Applica-<br>tions       | Scale-up                              | Write-down up to<br>15%    | 0.9                 |
| e2E Engineering Ltd                                 | 1500           | 1324           | 29/09/2017         | Equity/<br>Loan                                      | Business<br>Services                | Scale-up                              | Write-down up to<br>15%    | 0.9                 |
| NB Technology Services Ltd                          | 1,000          | 872            | 04/04/2015         | Equity/<br>Loan                                      | Other                               | Scale-up                              | Write-down up to<br>15%    | 0.9                 |
| Sipsynergy (via Hosted Network<br>Services Ltd)     | £3,799         | £3,198         | 30/06/2016         | Equity   | Software<br>Applica-<br>tions       | Growth                                | Write-down 16%<br>to 25%   | 0.8                 |
| Paninsight Ltd                                      | £2,500         | £1,875         | 26/11/2019         | Equity   | Data &<br>Analytics                 | Growth                                | Write-down 16%<br>to 25%   | 0.8                 |
| Tonkotsu Ltd  | £3,980         | £2,899         | 10/06/2019         | Equity/<br>Prefs                                     | Retail &<br>Brands                  | Scale-up                              | Write-down 26%<br>to 50%   | 0.7                 |
| Arraco Global Markets Ltd                           | £3,750         | £2,794         | 10/12/2020         | Equity   | Business<br>Services                | Growth                                | Write-down 16%<br>to 25%   | 0.7                 |
| Frescobol Carioca Ltd                               | £3,000         | £2,160         | 20/03/2019         | Equity   | Retail &<br>Brands                  | Growth                                | Write-down 26%<br>to 50%   | 0.7                 |
| Traveltek Group Holdings Ltd                        | £2,879         | £1,890         | 18/10/2016         | Equity/<br>Prefs/<br>Loan                            | Software<br>Applica-<br>tions       | Growth                                | Write-down 26%<br>to 50%   | 0.7                 |
| SP Manufacturing Services Ltd                       | 1,000          | 686            | 04/04/2015         | Equity/<br>Loan                                      | Other                               | Scale-up                              | Write-down 26%<br>to 50%   | 0.7                 |
| Wakefield Acoustics (via Malvar<br>Engineering Ltd) | 1,800          | 657            | 01/12/2014         | Equity/<br>Prefs/<br>Loan                            | Ad-<br>vanced<br>Manu-<br>facturing | Growth                                | Write-down 51%<br>to 75%   | 0.4                 |
| TeraView Ltd  | 753            | 338            | 22/12/2011         | Equity   | Ad-<br>vanced<br>Manu-<br>facturing | Growth                                | Write-down 51%<br>to 75%   | 0.4                 |
| Biz2Mobile Ltd                                      | 2,963          | 535            | 14/10/2016         | Equity   | Data &<br>Analytics                 | Growth                                | Write-down 76%<br>to 100%  | 0.2                 |
| Intamac Systems Ltd                                 | 1,208          | 71             | 01/06/2014         | Equity/<br>Loan                                      | Business<br>Services                | Early<br>stage                        | Write-down 76%<br>to 100%  | 0.1                 |
| Eikon Holdco Ltd                                    | 1,250          | 0              | 26/03/2018         | Equity/<br>Prefs/<br>Loan                            | New<br>Media                        | Scale-up                              | Write-down 76%<br>to 100%  | 0.0                 |
| Friska Ltd  | 3,500          | 0              | 13/07/2017         | Equity/<br>Loan                                      | Retail &<br>Brands                  | Early<br>stage                        | Write-down 76%<br>to 100%  | 0.0                 |
| Harris Hill Ltd                                     | 438            | 0              | 01/07/2007         | Equity/<br>Loan                                      | Business<br>Services                | Early<br>stage                        | Write-down 76%<br>to 100%  | 0.0                 |
| Immunobiology Ltd                                   | 2,699          | 0              | 02/06/2003         | Equity   | Life-<br>sciences                   | Early<br>stage                        | Write-down 76%<br>to 100%  | 0.0                 |
| Macro Art Holdings Ltd                              | 802            | 0              | 01/06/2014         | Equity/<br>Prefs/<br>Loan                            | New<br>Media                        | Scale-up                              | Write-down 76%<br>to 100%  | 0.0                 |
| Seven Technologies Holdings Ltd                     | 2,898          | 0              | 03/04/2012         | Equity/<br>Prefs/<br>Loan                            | Ad-<br>vanced<br>Manu-<br>facturing | Scale-up                              | Write-down 76%<br>to 100%  | 0.0                 |
| <b>TOTAL GROWTH<br/>PORTFOLIO</b>                   | <b>£102.3m</b> | <b>£166.6m</b> |                    |  |                                     |                                       |                            | <b>1.6</b>          |

Note 1: Options are Early stage, Growth, Scale up

Note 2: Options are -

Earnings: Uplift in value, manager valuation based on earnings multiple

Recent funding round no new External investor: Price of recent investment (price of last investment round)

Recent funding round with new external investor: Price of recent investment where there was a new investor (the price at which the last external investor invested)

Revenue: Uplift in value, manager valuation based on revenue multiple

Net assets: Uplift in value, manager valuation based on net assets

Source: YFM Equity Partners LLP

Table 10 (1 of 2): Matrix of individual responsibilities for investment team as at 30 June 2021

| NAMES                          | David Bell | David Hall | Jamie Roberts | Ian Waterfield | Steve Harrison | Eamon Nolan | Andy Thomas |
|--------------------------------|------------|------------|---------------|----------------|----------------|-------------|-------------|
| <b>VCT WORK</b>                |            |            |               |                |                |             |             |
| Deal origination %             |            | 5%         | 20%           | 20%            | 10%            | 10%         | 30%         |
| General enquiries %            |            |            |               |                |                |             |             |
| New deal doing %               | 5%         | 10%        | 40%           | 40%            |                |             | 40%         |
| Sitting on Boards/Monitoring % | 45%        |            | 5%            | 5%             | 65%            | 40%         | 5%          |
| Fund raising %                 |            | 20%        |               |                |                | 15%         |             |
| Internal issues %              | 10%        | 30%        | 10%           | 10%            |                | 10%         |             |
| Exits %                        | 5%         |            |               |                |                |             |             |
| <b>NON VCT WORK</b>            |            |            |               |                |                |             |             |
| NonVCT work %                  | 35%        | 35%        | 25%           | 25%            | 25%            | 25%         | 25%         |
| TOTAL                          | 100%       | 100%       | 100%          | 100%           | 100%           | 100%        | 100%        |
| Years in venture capital       | 21         | 33         | 9             | 19             | 15             | 22          | 8           |
| Years involved with VCTs       | 12         | 18         | 9             | 10             | 6              | 7           | 8           |
| Years with current team        | 12         | 18         | 9             | 14             | 6              | 7           | 5           |

Source: YFM Equity Partners LLP

Table 10 (2 of 2): Matrix of individual responsibilities for investment team as at 30 June 2021

| NAMES                          | Mike Clarke | Dan Freed | Roshan Puri | Adam Hart | James Savage | Jonathan Simm | Roux Brits |
|--------------------------------|-------------|-----------|-------------|-----------|--------------|---------------|------------|
| <b>VCT WORK</b>                |             |           |             |           |              |               |            |
| Deal origination %             | 30%         | 30%       | 30%         | 30%       | 10%          | 10%           | 10%        |
| General enquiries %            |             |           |             |           |              |               |            |
| New deal doing %               | 40%         | 40%       | 40%         | 40%       |              |               |            |
| Sitting on Boards/Monitoring % | 5%          | 5%        | 5%          | 5%        | 65%          | 65%           | 65%        |
| Fund raising %                 |             |           |             |           |              |               |            |
| Internal issues %              |             |           |             |           |              |               |            |
| <b>Exits %</b>                 |             |           |             |           |              |               |            |
| <b>NON VCT WORK</b>            |             |           |             |           |              |               |            |
| NonVCT work %                  | 25%         | 25%       | 25%         | 25%       | 25%          | 25%           | 25%        |
| TOTAL                          | 100%        | 100%      | 100%        | 100%      | 100%         | 100%          | 100%       |
| Years in venture capital       | 6           | 9         | 6           | 6         | 14           | 26            | 2          |
| Years involved with VCTs       | 3           | 4         | 6           | 4         | 5            | 4             | 2          |
| Years with current team        | 4           | 4         | 2           | 4         | 5            | 2             | 2          |

Source: YFM Equity Partners LLP