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Tax Efficient Review

Review of Generalist VCT with track record

Baronsmead Venture Trust and Baronsmead
Second Venture Trust

Reprinted for the use of Gresham House Asset Management Ltd and RAM Capital

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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.

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

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ADDITIONAL RISK WARNINGS Venture Capital Trusts

- (a) An investment in a VCT carries a higher risk than many other forms of investment.
- (b) A VCT's shares, although listed, are likely to be difficult to realise.
- (c) 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.
- (d) 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.
- (e) If a VCT loses its Inland Revenue approval tax reliefs previously obtained may be lost.

Baronsmead Venture Trust and Baronsmead Second Venture Trust	Type	Generalist VCTs: Baronsmead Venture Trusts plc (“BVT”) and Baronsmead Second Venture Trust plc (“BSVT”)
	Size	£25 million in aggregate (before costs): BVT : £12 million; BSVT : £13 million
	Manager	Gresham House Asset Management Ltd
	Sponsor	Dickson Minto
	Promoter	RAM Capital
	Focus	Unquoted & AIM traded companies
	Funds initially invested	Cash, Cash OEICs, Equity funds managed by Gresham House Asset Management Ltd (“Gresham House”)
	Minimum investment	£3,000 per VCT
	Minimum subscription Closing	None 15 March 2019 or when fully subscribed

Table 1: Tax Efficient Review summary of offering Pros and Cos	
PROS	CONS
<ul style="list-style-type: none"> • Good performance to date based on previous management buyout strategy. • Well resourced team • Move of investment management contract from Livingbridge to Gresham House looks well planned and supported 	<ul style="list-style-type: none"> • High exposure to AIM stocks compared to most Generalist VCTs

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Novation of management agreement from Livingbridge to Gresham House

Until recently Livingbridge VC LLP acted as investment manager to the Baronsmead VCTs but in our view the VCT side of the business was no longer core or strategic as Livingbridge positioned itself as an institutional player rather than a retail one. On 8 November 2018 it was announced that the fund and investment business of Livingbridge had been sold to a subsidiary of Gresham House plc. As part of this transaction the VCTs consented to the novation of their existing investment management agreements to Gresham House Asset Management Limited with effect from 30

Table 2: Funds under management by the VCT investment team as at 30 November 2018
Data source Gresham House Asset Management Ltd

	Net assets	Annual Management Fee	Still to be invested to meet Board set 75% in qualifying companies	Already invested in Acquisition Vehicles that are seeking investee companies	Total to be invested (total of two columns to the left)
	£m	£m	£m	£m	£m
Baronsmead Venture Trust plc	164.3	3.33			
Baronsmead Second Venture Trust plc	184.2	4.88			
Total VCTs	348.5	8.21			
Non VCT funds that can co-invest with the Baronsmead VCTs					
None	-	-			
Non VCT funds that cannot co-invest with the Baronsmead VCTs					
LF Gresham House UK Micro Cap Fund (excluding the Baronsmead VCT investments)	118.6	Not disclosed			
LF Gresham House UK Multi Cap Income Fund (excluding the Baronsmead VCT investments)	28.7	Not disclosed			
TOTALS	£495.8m				

November 2018. No changes were made to the terms of the investment management agreements and the core management, investment and operational teams involved with the Companies were all transferred as part of the sale. Accordingly, Gresham House Asset Management Limited now acts as investment manager for the Companies under an agreement that can be terminated by either party on 12 months' notice.

Gresham House plc is an AIM quoted specialist asset manager providing funds, direct investments and tailored investment solutions, including co-investment across a range of highly differentiated alternative investment strategies. Its expertise includes strategic public and private equity (private assets), forestry, renewable energy, housing and infrastructure. Mainly through acquisition, the team has significantly grown the Gresham House plc business, with assets under management now exceeding £2.1 billion, with over £1.5bn of the £2.1 billion of assets under management acquired from three tax advantaged acquisitions (Livingbridge c £500m, FIM c£1.0bn and Hazel c£50m).

As at 30 November 2018 Gresham House had a total of 77 employees, with 23 employees working on the Baronsmead VCTs across investment, operations, finance and investor relations.

In Table 12 we show how the main VCT team members allocate their time.

Gresham House has spent over £45m acquiring three tax advantaged providers in the last two years - Hazel Capital in 2017, FIM in 2018 and Livingbridge in 2018.

- **Hazel Capital:** Hazel Capital LLP is an investment manager of two VCTs with combined assets of £50m dedicated to investing in clean energy and was acquired in October 2017 by Gresham House. The consideration for the acquisition and investment is £2.6 million which initially includes £600,000 in cash for the acquisition of Hazel Capital's asset management business plus an investment of £2.0 million, comprised of £750,000 in cash and £1.25 million satisfied through the issue of new ordinary shares at the prevailing share price on completion of the project investments.
- **FIM:** Founded in 1979, FIM is a sustainable real asset investment manager. In May 2018, the specialist alternative asset manager Gresham House acquired 100% of FIM, in a deal which combines two leading UK forestry and renewable energy investment managers. Combined assets under management are now in excess of £1.5 billion, across five specialist alternative investment strategies: forestry, new energy, housing and infrastructure, private assets and strategic public equity. Clients include unlisted funds, high net worth individuals, family offices and institutions.

Gresham House paid an initial consideration of £21.0 million comprising £11.2 million in cash and £9.8 million in loan notes (such loan notes to be exchanged for new ordinary shares in Gresham House). Further deferred consideration of up to £4.0 million will be payable by the Gresham House, subject to the satisfaction of certain performance targets being met over a two year period post-Completion.

Gresham House placed new ordinary shares in the company at a price of 410 pence per Placing Share to raise £15.0 million (before expenses) to satisfy, in part, the cash consideration payable pursuant to the acquisition¹.

- **Livingbridge:** In November 2018 Livingbridge VC LLP, part of the broader Livingbridge group and a UK investment manager with over £0.5 billion of assets under management (of which over £350m is in VCTs) was purchased by Gresham House for an initial consideration of £30.0 million, increasing up to £40.0 million dependent on the achievement of certain targets. The purchase comprised the management agreements of two VCTs and two dedicated OEICs and was financed by a share issue.

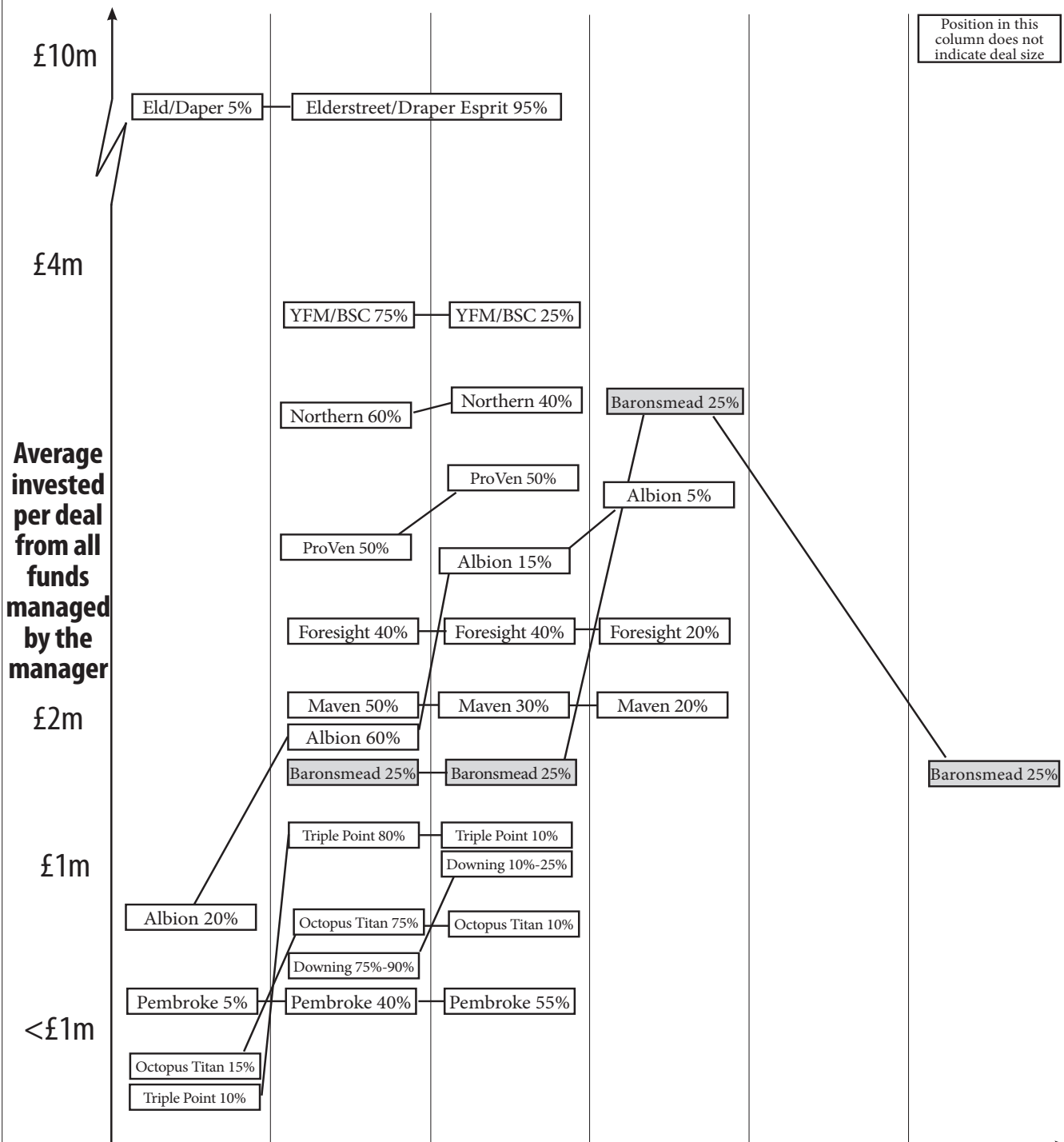
In the year to 31 December 2018, Livingbridge VC LLP turned over £11.3m with a profit before member's remuneration of £7.3m. Therefore the attraction of the Livingbridge purchase for Gresham House is that it immediately adds profit to the bottom line thereby increasing its attraction as an AiM stock, accelerating the Company's profitable growth and increasing the potential to pay dividends.

Gresham House plc says it creates value for its shareholders " ... *through growth in assets under*

¹ www.privateequitywire.co.uk/2018/05/02/263802/gresham-house-acquires-fim-services

Diagram 1: Investment strategies of Growth VCT managers (reflecting ongoing earlier stage focus for post-2015 rules)

Source: Fund Managers (% figures refer to funds invested in qualifying companies, not funds raised)



Position in this column does not indicate deal size

Seed capital/ Early stage	Pre-Profit	Post-Profit	Larger Develop- ment Capital Deals	Asset backed opportunities	AIM stocks
	High Growth and Development capital				
<ul style="list-style-type: none"> - high risk with hopefully high return - all equity investment - should have potential for rapid growth 	<ul style="list-style-type: none"> - should have potential for rapid growth and exit within 3-5 years - some VCT loan interest may be deferred until exit - usually no bank debt because of lack of assets for security and companies may not be able to support interest payments - focus on high growth market sectors in which company growth should be less dependent on the performance of the whole economy 		<ul style="list-style-type: none"> - relatively low returns but should be lower risk - companies usually profitable - companies should be able to sustain loan interest payments - profitable companies seeking capital for expansion 	<ul style="list-style-type: none"> - low return and should be low risk - should be able to support interest on debt 	<ul style="list-style-type: none"> - some stocks are dividend paying - limited liquidity - potential volatility

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management, annual management fees, performance fees, carried interests, profit growth and returns on invested balance sheet capital."²

Gresham House also has an implied target as they say "All corporate acquisitions to date have met or exceeded their 15% medium-term return on shareholder capital hurdle"³

So the issue for investors is how might they be affected by any potential effects of a desire by AiM listed Gresham House to increase profitability. Possible ways that this might be achieved are:

- Launching new products using the same investment team.
- An increase in initial fees through the VCTs raising large amounts of funds.
- The annual management fees could also be increased. At present BVT has an annual management fee of 2.0% and BSVT has an annual management fee of 2.5%. These might be brought into line at a higher figure.
- Gresham House could increase the fees they earn from investee companies. For example, Gresham House will earn arrangement fees on deals invested in by the VCTs. These are typically 3% of the amount invested. In addition they can charge director fees, monitoring fees, exit fees and potentially fees for providing support services such as accounting.
- Gresham House will participate in the VCTs' co-investment schemes which provide for the investment team to co-invest in the unquoted companies that the Baronsmead VCTs invest in.
- The VCTs might invest in companies for which Gresham House are fund raising.
- Gresham House could achieve savings through sharing overhead expenses.

It remains to be seen how the change in investment manager will impact VCT returns for investors but it is already visible in the terms for this offer.

Unlike in previous offers, trail commission will not be paid to "execution only" financial intermediaries in relation to the Offer. VCT raise their funds from (1) financial advisers and wealth managers, (2) direct from investors and (3) from discounters known as "execution-only" brokers who do not give advice and so can earn commission (both initial which is usually rebated to the investors and trail which is retained). Previously trail commission of 0.4% per year was paid by the Manager out of their fee rather than (as in some other offers) being paid by the VCT, so by not paying trail on funds raised by this offer the Manager is increasing the share of their annual fee that they can keep.

Assuming that the "execution-only" portion of funds raised could reach 60% of funds raised (or £15m) then the trail commission payable would be £60,000 (0.4% of £15m).

But instead of reducing their annual fee, the Investment Manager has chosen to just reduce the costs of the Offer by 0.25% from 3% to 2.75% of the total amount raised. At full subscription this comes to £62,500.

As an indicator of how Gresham House might treat investors going forward this leaves a lot to be desired.

No earlybird period

There is no earlybird discount and no exclusive period for existing shareholders but investors who receive New Shares in both VCTs issued in the First Allotment on 4 February will be entitled to receive the 4.5p dividend. Investors who receive New Shares in the Second Allotment will not be entitled to receive the Final Dividend in relation to those New Shares issued. The Offer Price in relation to the Second Allotment will be based on the NAV of each Company as at 28 February 2019. This NAV will be reduced by the payment of the 4.5p dividend. The effect of investing in the First Allotment therefore is to pay a higher price per share but receive back tax free the 4.5p dividend.

Key Information Document

Since January 1 2018 a potential VCT investor must be furnished with a Key Information Document (KID). In the opinion of Tax Efficient Review, the use of KIDs by advisers and investors is not straightforward as VCTs do not easily lend themselves to the prescriptive handling required by

² greshamhouse.com/investor-relations/#rns-announcements

³ greshamhouse.com/wp-content/uploads/2017/09/Gresham-House-interim-report-and-accounts-as-at-30-June-2018.pdf

the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulations. After that date no VCT can be sold to an investor without a KID.

The KIDs are reproduced at the end of this review.

VCT legislation changes There have been significant recent announcements regarding the legislation governing investments by VCTs.

In 2015 the main changes were

- investee companies were not be able to buy existing businesses (includes MBOs),
- first commercial sale by the investee company must be in the last seven years (with certain caveats) and
- there is a lifetime investment limit of £12m (£20m for knowledge intensive companies).

In 2017 (from April 2018) the main changes were:

- 70% qualifying holdings condition increasing to 80% (post 6th April 2019)
- at least 30% of all new funds raised after 5 April 2018 will need to be invested in qualifying holdings within 12 months of end of the accounting period in which the VCT issues its shares
- A number of "grandfathering" provisions for VCTs will be removed:
 - The requirement for VCTs to hold at least 30% of qualifying investments in "eligible shares" (ordinary equity) from funds raised prior to 6 April 2011 will be withdrawn
 - Qualifying trades and employee limits – VCT funds raised prior to 6 April 2008 can no longer continue to invest in companies carrying on certain trades (such as nursing homes, hotels, farms, property development, shipbuilding, and coal and steel production). And the employee limit will also apply to all VCT investments; currently that limit does not apply to VCT funds raised before 6 April 2007
- VCTs can invest part of their qualifying investments in loans which have a term of at least five years. From Royal Assent to the Finance Bill (expected Spring/Summer 2018) any new loans will have to be made on an unsecured basis. Returns on loan capital above 10% are required to represent no more than a commercial return on the principal, and should not be used to return equity capital to investors

VCT market changes In our view the above changes as they impact portfolios over time (as mainly MBO focussed portfolios wind down and are replaced by more early stage and riskier holdings) mean that the VCT market will change.

The **old VCT market** can be summarised as:

- Management Buy-Out based
- large debt component could support running yield and regular annual dividends
- large single investment amounts, no follow-on funding usually needed
- sold to investors as pension alternative with regular yield profile

The **new VCT market** can be summarised as:

- more NAV volatility
- more equity risk as investments have lower debt component
- most investments could require follow-on so VCT market in future needs to support this as biggest risk to investors is that VCT cannot follow its money
- VCT cannot "store" its funds for follow-on investing as new rules make this difficult
- more support needed from VCT manager to investee companies
- no running yield on debt component to support dividends
- yield can only come from capital growth
- there will most probably be early losses not offset by early exits
- investor focus will shift to total return not NAV
- do not expect regular smooth "yield" although distributable reserves will still allow VCTs to smooth dividends for a time
- Metric should be increase on total return in the year over opening NAV.

Key issue for investors is that going forward the VCT asset class will not behave as it has in the

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	Baronsmead Venture Trust plc	Baronsmead Second Venture Trust plc
Estimated issue price	88.60p	87.90p
Net Assets prior to new funds	£164.3m	£184.2m
Current VCT fund allocation:		
Unquoted companies	£40.7m	£48.6m
AIM-listed	£65.7m	£78.4m
Collectives	£27.9m	£24.9m
Cash & Cash OEICs	£30.0m	£32.3m
Other assets	-	-
Dividend policy from last set of accounts	The Board of BVT aims to sustain a minimum annual dividend level at an average of 6.5p per share, mindful of the need to maintain net asset value	The Board of BSVT has the objective to maintain a minimum annual dividend level of around 6.5p per share if possible
Historic Total Expense Ratio	2.20%	2.70%

past.

The prospectus covers this area as follows: *"The team at the Investment Manager are continuing to adapt their deal origination process following the recent changes to the VCT rules and are continuing to identify attractive investment opportunities which comply with the amended rules. Under the amended VCT rules the Companies are required to invest in earlier stage companies. Due to the nature of investments in such investee companies Shareholder returns may take longer to generate and the level of those returns may be more volatile in the future."*

TER classification Tax Efficient Review has always sub-divided the Generalist category of VCTs into those with and those without a track record. We have revisited and revalidated our approach now that most Generalists VCTs are having to change their investment strategies. We have concluded that it is still valid to classify some managers as having a track record given the changes put in place by the various Generalist managers together with the fact that most VCT portfolios contain, and will continue to contain for many years, MBO investments which form the major portion of most VCT track records.

Overview BVT and BSVT are seeking to raise £12 million and £13 million before expenses respectively. BVT and BSVT are among the largest VCTs in the industry and were formed through a series of mergers that took place during 2016:

- BVT is formed from the previous Baronsmead VCT plc (established in 1995) and Baronsmead VCT 2 plc (1998);
- BSVT is formed from the previous Baronsmead VCT 3 plc (2001), Baronsmead VCT 4 plc (2001) Baronsmead VCT 5 plc (established as Baronsmead AIM VCT plc in 2006).

As with the previous five Baronsmead VCTs, BVT and BSVT co-invest alongside each other in unquoted companies as well as AIM-listed companies. These VCTs tend to have a much larger proportion of assets in AIM-traded companies (both qualifying and non-qualifying) than other generalist VCTs which are predominately invested in unquoted companies (see Table 3). As at 30 November 2018 the asset mix of BVT and BSVT were:

	BVT	BSVT
• AIM listed companies	40%	43%
• unquoted companies	25%	26%
• equity funds managed by Gresham House	17%	13%
• cash and cash OEICs	18%	18%

As a further issue of shares, the price at which the New Ordinary Shares will be allotted will be calculated based on the latest published net asset value of an existing Ordinary Share divided by 0.9725 (to allow for the costs of the offer of 2.75 per cent.), rounded up to the nearest 0.1p per share.

VCT Investment policy In the unquoted section of the portfolio, a “top-down, sector-driven” approach to choosing investments is adopted. This starts with the economic drivers that are seen by the Investment team as important going forward (low and stable inflation, resilient sales levels during this current difficult period and information connectivity) which determine the key attributes needed by companies to grow at rates superior to the underlying economy (scalability and pricing power). The sectors favoured at present to deliver this growth include business services, technology, media and telecommunications, consumer markets and healthcare and education.

The new rules introduced in November 2015 require new investments by all the VCT industry to be made in younger and smaller companies for growth and development purposes. The Baronsmead VCTs have adapted to these new rules by amending their investment policies. Table 4 shows the recent investments made by the manager.

For the AIM portion of the portfolio, a private equity approach to AIM investing is adopted. This means undertaking due diligence on both the investee company and its management (with the manager using its knowledge from national and regional connections to assess the trading relationships and competitors of AIM-traded companies), focusing on the Investment team preferred sectors and seeking to identify attractive growing niches. As part of this approach, the manager focuses on businesses that are expected be attractive acquisition targets to realise investments through trade sales / acquisition.

As two of the largest and longest established VCTs, BVT and BSVT each has an established portfolio comprising 22 unquoted investments and 53 AIM-traded investments at 30 November 2018. As “evergreen” VCTs, their strategy is to continually replace investments that are sold with new investments in unquoted and AIM –traded companies to provide long-term investment returns to their shareholders through regular payments of tax-free dividends.

Dividend policy The Board of BVT aims to sustain a minimum annual dividend level at an average of 6.5p per share, mindful of the need to maintain net asset value and has paid average annual dividends since launch of 7.5p. The Board of BSVT has the objective to maintain a minimum annual dividend level of around 6.5p per share if possible and has paid average annual dividends since launch of 7.6p. This includes the final dividend of 4.5p for each VCT due to be paid on 8th March 2019 following shareholder approval at the AGMs. Shareholders that invest before the first allotment date of 4th February 2019 will be on the register when the dividend becomes ex-dividend so will receive this payment.

Share buybacks Particular attention is paid to developing a secondary market in the existing shares. This, together with Dividend Reinvestment Plans whereby participants dividends buy existing shares and a share buy-back scheme at 5% below net asset value is offered to investors wishing to exit, should help reduce any discounts of the share prices to the VCTs’ net asset values.

Tax Efficient Review Strategy rating: 29 out of 30

Track record Our approach to comparing track records between providers is to use the Internal Rate of Return (IRR) for all relevant VCT fund raisings. The IRR on an investment is the “annualised effective compounded return rate” or “rate of return” that makes the net present value of all cash flows (both positive and negative) equal to zero. We calculate it on a daily basis using the net of income tax relief original cost (negative cash flow), the flow of dividends on the date they were paid and the net asset value published in the latest quarterly report from the VCT (both positive cash flows). We favour the IRR over measures such as Total Return as it factors in the “time value of money” and rewards early distributions of cash. We consider relevant VCT fund raisings to be those launched in tax year 2013/14 or before, larger than £6m and where the current management team have been involved since launch.

The result for each VCT manager is a number of IRRs each associated with a position within the relevant launches made in the same tax year. To compare results between providers we calculate the “Percent Ranking” figure for each fund raising and then average them all for the provider. The

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Percent Ranking shows the position within the relevant launches for each fundraising with 100% for first position and 0% for last position. Therefore the higher the "Percent Ranking" figure the better.

Table 5 shows the results for the Baronsmead VCT fund raisings that meet the above criteria and Table 6 shows the position of the Baronsmead VCTs compared to their main competitors using Percent Ranking as a measure as applied to the fund raisings in Table 5. As can be seen the Baronsmead VCTs are in top position.

In Table 7, in order to check on potential manager overvaluation of holdings, we asked Gresham House for the previous four valuations (as reported in quarterly published statements) for each of the last five exits. The valuations show the unpredictability of unquoted investing. Sometimes a very large (£5m) complete write-off occurs in a very short space of time (invested in April 2017, written-off in May 2018) such as In The Style Limited and sometimes an exit can produce a better than expected valuation such as Key Travel Limited.

The stage of development of the Baronsmead VCT unquoted investee companies at the time of investment shows that the majority of the unquoted VCT value is still in Mature stage, MBO companies with two Later Stage, Pre-profit expansion and seven early stage companies making up 11% of the current unquoted portfolio (based on valuation) with the balance in Mature stage, MBO companies. This will change over time as the new rules shift the focus.

In terms of the valuation methods applied to the unquoted holdings, the seven early stage companies that were funded in 2018 are still at valued at cost. Of the Mature stage, MBO companies all except one (Upper Street Events Limited) have been uplifted by the manager.

Table 8 shows the age (time in portfolio, rather than age of company) of current holdings. Average portfolio age is six years.

Table 9 looks at average buyback discounts. Discounts are within the industry norm of a 5% discount.

Table 10 shows the exits over the last three years and Tables 12 to 14 show the current holdings.

Overall Baronsmead has a very good long term track record comprising both unquoted and AIM listed companies. However this is largely based on investing in mature, MBO situations and going forward a large proportion of the unquoted portfolio will move to more risky growth and development focussed investments.

Tax Efficient Review Track Record rating: 33 out of 40

Investment Adviser The VCT Boards are in Appendix A and the prospectus says that all of them are both non-executive and independent of the Investment Manager⁴.

The senior members of the investment team are in Appendix B.

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 70% investment rule requires that by the end of interest, and without in any way implying any criticism of Mr Townsend, we queried with Gresham House how it is that Anthony Townsend can be considered independent as a director of BSVT and be chairman of Gresham House (of which the Investment Manager is a subsidiary). We were told that under Listing Rule 15.2.12A (1)(c) he would not be considered to be independent because he is a Director of another company which is in the same group as the investment manager.

However the VCT Board has decided with legal input that the Listing Rules are less important than the Association of Investment Companies Code of Corporate Governance which takes a different interpretation on this point. However, the AIC Code takes a slightly different interpretation on this point and states that being a Director of the investment manager or another company in the investment manager's group only automatically creates a conflict of interest in relation to the Chairman. It was on this basis that Mr Townsend had to step down as Chairman of the VCT. The AIC is the trade body for closed-ended investment companies. The Code provides that the rest of the VCT Board can determine that a Director of the VCT is independent notwithstanding any circumstances or relationships which may appear to contradict this view, if they believe that the Director maintains the ability to make objective decisions that may be in conflict with the interests of the investment manager. Gresham House tell us that it is on this basis that the Board have determined that Mr Townsend remains independent.

of the third accounting period after launch and in every accounting period thereafter the VCT must have at least 70% of its funds invested in qualifying holdings. Most Boards impose a minimum level that is higher than this to ensure that any exits do not push the VCT below the 70% level. In this case Gresham House tell us that the Boards of both VCTs prefer investment levels of around 75%.

This rule increases to 80% for accounting periods beginning on or after 6 April 2019. Gresham House confirm that the Boards will run a similar level of 5% safety above 80% when this rule applies to the Baronsmead VCTs.

The dedicated Baronsmead team that has transferred from Livingbridge to Gresham House has a total of 16 team members. Of these, there are eight full time investors investing for Baronsmead (see Table 11). This team benefits from leverage from two key areas;

- Gresham House group. Gresham House is a broad investment management firm covering multiple activities and with total funds under management of £2.1bn. It has a total of 77 employees (including the Baronsmead team). This includes team members in addition to the Baronsmead team that invest in non VCT Private Equity and also in some non VCT Quoted funds. The senior team at Gresham House have prior experience in Private Equity and maintain their contact bases across the market. There are therefore group resources that the Baronsmead team can tap into to supplement their dealflow and help with their deal resourcing.
- Transitional services agreement with Livingbridge. As part of the transfer agreed between Livingbridge and Gresham House, there is a 3 year agreement for Livingbridge to provide ongoing support to the Baronsmead team at Gresham House. It is important to note that Livingbridge and Gresham House do not compete with their respective Private Equity activities. So they have agreed to support each other with deal introductions that are relevant for the other and also share insights and contacts as relevant. This will also supplement the dealflow that is generated directly by the Baronsmead team.

Although other members of Gresham House may work on VCT deals from time to time, the Baronsmead team has eight full time equivalent employees focussed on finding and making new investments for the Baronsmead VCTs and their time allocation is indicated in Table 11.

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 Gresham House fare?

There are no funds still awaiting investment to meet the Boards preferred level of 75% total (see Table 2).

Assuming the current offering raises its full subscription of £25m, this would add another £18m (75% of £25m less offer costs of 2.75%) or around £9m per annum assuming funds need to be invested over two years to avoid too much cash drag.

We would normally assume that on average 15% of the VCT unquoted portfolios need to be re-invested each year following realisations (based on the average time to exit being around six years from Table 10). This would add roughly another £29m (total invested funds in Unquoted and Quoted is £258m across both VCTs as at September 2018, 75% being the preferred investment level gives £194m and 15% of that is £29m).

The figure could be lower than this. Some of the exit value will be profit which will be paid out as dividends and we have also applied this logic to the Quoted book where we are informed the average holding period is longer than 6 years. Account also needs to be taken of cash needed to fund dividends, buybacks and pay VCT running costs (including the Gresham House annual management fee of around £8m from Table 2). We understand from Gresham House these approximate £41m per annum (net of income).

So with no funds still needing to be invested to meet the Boards preferred level of 75% total, this seems to indicate that the team is well resourced to invest the new funds being raised.

We understand that the Baronsmead team would expect to invest between £20m and £30m in a full year going forward, so this is also consistent with our view.

Review of Generalist VCT with track record

Deal flow Deal flow will come mainly from direct contact with companies and market contacts, and corporate finance houses. The investment team originate their own deal flow by contacting and maintaining an active interest in companies they would like to invest in 2 or 3 years prior to their requirement for funding. This is a key differentiator and in the past approximately 60% of investments have come from this source. In addition, since the new VCT rules in 2015, the team have built up a growing network of contacts in the earlier stage investing arena including Chairman, angel investors and corporate investors. This contact base is increasingly introducing new dealflow that is converting into completed deals.

Tax Efficient Review Team/Deal Flow rating: 17 out of 20

Fees & Costs Initial costs are fixed at 2.75% with no trail commission being paid to execution only, non-platform based sales. Annual running costs of both VCTs are capped at 3.5% of net assets (excluding performance fees and irrecoverable VAT).

BVT has an annual management fee of 2.0% and a performance fee 10% of the total return that exceeds an annual threshold of the higher of 4% or base rate plus 2% calculated on a compound basis. In the 12 months to 30 September 2018, BVTs running costs were 2.2%. BVT has exceeded the performance fee threshold for the year ended 30 September 2018 and a performance fee of £548,000 is payable.

BSVT has an annual management fee of 2.5% and a performance fee 10% of the total return that exceeds an annual threshold of 8% calculated on a simple basis. In the 12 months to 30 September 2018, BSVTs running costs were 2.7%.BSVT did not pay a performance fee for twelve months to 30 September 2018.

The performance fees mentioned above payable in respect of any period for which it is calculated shall not exceed 5 per cent. of the NAV of either VCT for that period and any balance remaining unpaid will be carried forward to the next calculation period. The performance fees used to be at a rate of 20% but was reduced by 50% to 10% following the introduction of a co-investment scheme which provides for the investment team to co-invest in the unquoted companies that the Baronsmead VCTs invest in at the same time and on the same terms and in accordance with a pre-existing agreement.

Tax Efficient Review Fees rating: 8 out of 10

Conclusion Two offers from Livingbridge, one of the foremost names in the VCT industry, seeking to raise before expenses £12 million for Baronsmead VCT and £13 million for Baronsmead Second VCT.

The AIM content is much higher than other generalist VCTs which has the potential to expose investors to the volatility over future values and the restricted liquidity of the AIM market.

We are impressed with the planning and continuing level of support provided by Livingbridge to Gresham House following the sale by Livingbridge of the fund and investment business to a subsidiary of Gresham House plc.

The performance of all the previous Baronsmead VCTs (albeit with a majority of MBO investments that will no longer be possible) is above average in their respective categories and this plus a pro-active approach to investor support via a good buyback policy could be of particular interest to investors seeking exposure to both unquoted and the AIM-listed investments.

Out top rated VCT offer in the current tax year.

Tax Efficient Review rating: 87 out of 100

Table 4: New investments made December 2016 to 31 August 2018 Source Gresham House				
Company	Business	Month, Year	Amount (£m)	Structure
New Unquoted investments				
Custom Materials Ltd	Retailer of customisable products	17/03/2017	0.5	Ordinary shares
In the Style Ltd	Online fashion e-tailer	25/04/2017	5.0	Ordinary shares plus unsecured loan
Symphony Ventures Ltd	Business transformation consultancy	02/08/2017	3.5	Ordinary shares plus unsecured loan
SilkFred Ltd	Online platform for independent fashion brands	18/08/2017	1.0	Ordinary shares
Munnypot Ltd	Automated online investment platform	18/05/2018	0.5	Ordinary shares
Your Welcome Ltd	Supplier of tablets and software for vacation rental properties	15/08/2018	0.7	Ordinary shares
Pointr Ltd	AI/IOT Indoor positioning platform	16/08/2018	1.0	Preference shares
Labrador Ltd	Smart energy switching technology	20/08/2018	0.5	Ordinary shares
Equipsme (holdings) Ltd	SME Health Insurance plans provider	22/08/2018	0.8	Ordinary shares
Securecloud+ Ltd	Defence and public sector IT systems	01/09/2018	1.5	Ordinary shares
Cisiv Ltd	Pharmaceutical customer data capture platform	01/11/2018	1.5	Ordinary shares
Follow-on Unquoted investments				
SilkFred Ltd	Online platform for independent fashion brands	18/11/2017	0.5	Ordinary shares
Custom Materials Ltd	Retailer of customisable products	01/07/2018	1.0	Ordinary shares
Custom Materials Ltd	Retailer of customisable products	01/09/2018	0.3	Ordinary shares
Total unquoted			£18.3m	
AIM-listed				
Wey Education plc	Online independent UK secondary school	09/12/2015	1	Ordinary shares
Eden Research plc	Developer of biological fungicides	30/03/2016	2	Ordinary shares
SysGroup plc*	IT managed services and hosting	01/07/2016	1.4	Ordinary shares
Loopup Group plc	Audio conferencing solutions	19/08/2016	1.1	Ordinary shares
Cloudcall Group plc*	Cloud based telephony platform	10/10/2016	1.3	Ordinary shares
FreeAgent Holdings plc	Online accounting software	14/11/2016	1.8	Ordinary shares
Collagen Solutions plc	Develops and manufactures medical grade collagen	03/03/2017	0.8	Ordinary shares
Rosslyn Data Technologies plc	Provider of data extraction and analytics software	10/05/2017	1	Ordinary shares
Plant Impact plc*	Crop enhancement technology	26/07/2017	2	Ordinary shares
Beeks Financial Cloud Group plc	Cloud hosting services for the financial trading sector	20/11/2017	0.8	Ordinary shares
Fusion Antibodies plc	Development of antibodies for both therapeutic and diagnostic applications	13/12/2017	1	Ordinary shares
PCI-PAL plc	Secure payment services provider	30/01/2018	0.9	Ordinary shares
KRM22 plc	Software as a service platform buy & build in risk and compliance software	25/04/2018	1	Ordinary shares
Access Intelligence plc	Provider of corporate communications and reputation management software	21/05/2018	1.2	Ordinary shares
IXICO plc	Provides technology enables services to the biopharmaceutical industry worldwide	25/05/2018	1.5	Ordinary shares
I-Nexus Global plc	Strategy and continuous improvement software	18/06/2018	1.3	Ordinary shares
Panoply	Tech-led corporate innovation consultancy	04/11/2018	1.2	Ordinary shares
Total AIM-listed			£21.3m	
Total invested			£39.6m	

* Follow-on investment

Review of Generalist VCT with track record

Table 5: VCT Performance of LIVINGBRIDGE fund raisings				
Launch year	Net Asset Value/Date	Total Dividends to date	Total return (dividends plus latest net asset value)	Annual IRR post initial tax relief/Position in peer group
Baronsmead Venture Trust ord shares (1995/96 investors in Baronsmead VCT raised £8.7m at 100p per share, merged into Baronsmead 2 in Feb 2016 with each share receiving 0.762239 VCT 2 shares, name changed to Baronsmead Venture Trust plc) TIDM BVT TER Ref 54				
1995/96	71.29p 31/07/2018	159.89p	231.18p	8% 2nd out of 8
Baronsmead Venture Trust ord shares (1997/98 investors in Baronsmead VCT raised £10.4m at 104p per share, merged into Baronsmead 2 in Feb 2016 with each share receiving 0.762239 VCT 2 share, name changed to Baronsmead Venture Trust plc) TIDM BVT TER Ref 433				
1997/98	71.29p 31/07/2018	155.06p	226.35p	9% 1st out of 8
Baronsmead Venture Trust ord shares (1997/98 investors in Baronsmead VCT 2 £12.2m raised at 100p per share, merged with Baronsmead in Feb 2016, name changed to Baronsmead Venture Trust plc) TIDM BVT TER Ref 288				
1997/98	93.54p 31/07/2018	146.9p	240.44p	9% 2nd out of 8
Baronsmead Venture Trust ord shares (1998/99 investors in Baronsmead VCT 2 £10.5m raised at 102p per share, merged with Baronsmead in Feb 2016, name changed to Baronsmead Venture Trust plc) TIDM BVT TER Ref 430				
1998/99	93.54p 31/07/2018	143.4p	236.94p	9% 1st out of 6
Baronsmead Venture Trust ord shares (1999/00 investors in Baronsmead VCT 2 £18.3m raised at 130p per share, merged with Baronsmead in Feb 2016, name changed to Baronsmead Venture Trust plc) TIDM BVT TER Ref 432				
1999/00	93.54p 31/07/2018	140.2p	233.74p	7% 2nd out of 7
Baronsmead Second Venture Trust plc ord shares (2000/01 investors in Baronsmead VCT 3 raised £33.1m at 100p, merged with Baronsmead 4 March 2016 and name changed to Baronsmead Second Venture Trust plc) TIDM BMD TER Ref 237				
2000/01	95.09p 31/08/2018	127.3p	222.39p	9% 1st out of 15
Baronsmead Second Venture Trust ord shares (2001/02 investors in Baronsmead VCT 4 raised £18.6m at 100p, merged into Baronsmead 3 in Feb 2016 with each share receiving 0.92919 VCT 3 shares, name changed to Baronsmead Second Venture Trust plc) TIDM BMD TER Ref 179				
2001/02	88.35p 31/08/2018	104.75p	193.1p	7% 2nd out of 8
Baronsmead Venture Trust ord shares (2002/03 investors in Baronsmead VCT C shares raised £10.7m at 100p, converted to 1.10440008 ordinary shares October 2004, merged into Baronsmead 2 in Feb 2016 with each share receiving 0.762239 VCT 2 share, name changed to Baronsmead Venture Trust plc) TIDM BVT TER Ref 466				
2002/03	78.74p 31/07/2018	123.57p	202.31p	10% 1st out of 7
Baronsmead Venture Trust ord shares (2004/05 investors in investors in Baronsmead VCT 2 C shares raised £17.1m at 100p, each C share converted into 0.96576068 Ord shares on 24 Jan 2007, merged with Baronsmead in Feb 2016, name changed to Baronsmead Venture Trust plc) TIDM BVT TER Ref 129				
2004/05	90.33p 31/07/2018	96.02p	186.35p	12% 7th out of 21
Baronsmead Venture Trust ord shares (2004/05 investors in Baronsmead VCT C shares raised £20.9m, converted to 1.1286715 ordinary shares 31 March 2007, merged into Baronsmead 2 in Feb 2016 with each share receiving 0.762239 VCT 2 share, name changed to Baronsmead Venture Trust plc) TIDM BVT TER Ref 63				
2004/05	80.47p 31/07/2018	95.79p	176.26p	13% 5th out of 21
Baronsmead Second Venture Trust plc ord shares (2005/06 investors in Baronsmead VCT 3 C share raised £22.5m at 100p, each C share converted into 0.85642528 Ord shares on 28 January 2008, merged with Baronsmead 4 March 2016 and name changed to Baronsmead Second Venture Trust plc) TIDM BMD TER Ref 314				
2005/06	81.43p 31/08/2018	85.39p	166.82p	11% 6th out of 22
Baronsmead Second Venture Trust plc ord shares (2004/05 investors in Baronsmead VCT 3 ord share at 112p, merged with Baronsmead 4 March 2016 and name changed to Baronsmead Second Venture Trust plc) TIDM BMD TER Ref 2214				
2004/05	81.43p 31/08/2018	111.63p	193.06p	13% 1st out of 18
Baronsmead Second Venture Trust ord shares (2005/06 investors in investors in Baronsmead VCT 4 C shares raised £20m at 100p converted to ord shares end January 2009 at a ratio of 1.03723828 ord share for each C share, merged into Baronsmead 3 in Feb 2016 with each share receiving 0.92919 VCT 3 shares, name changed to Baronsmead Second Venture Trust plc) TIDM BMD TER Ref 332				
2005/06	91.64p 31/08/2018	84.92p	176.56p	12% 4th out of 22
Baronsmead Venture Trust ord shares (2008/09 investors in Baronsmead VCT 2 Linked Offer with Baronsmead VCT, third allotment 13 February 2009 at 91p per Baronsmead VCT 2 share and 75.5p per Baronsmead VCT share, merged with Baronsmead in Feb 2016, name changed to Baronsmead Venture Trust plc) TIDM BVT TER Ref 1182				
2008/09	93.54p 31/07/2018	76.5p	170.04p	13% 3rd out of 20
Baronsmead Second Venture Trust ord shares (2007/08 investors in Baronsmead VCT 4 raised £18.6m at 123p, merged into Baronsmead 3 in Feb 2016 with each share receiving 0.92919 VCT 3 shares, name changed to Baronsmead Second Venture Trust plc) TIDM BMD TER Ref 528				
2007/08	88.35p 31/08/2018	80.75p	169.1p	9% 13th out of 25
Baronsmead Second Venture Trust plc ord shares (2009/10 Linked Offer to Baronsmead VCT 3 with Baronsmead Venture Capital Trust 4, first allotment 1 March 2010 at 102.5p per Baronsmead VCT 3 share in and 95.5p per Baronsmead Venture Capital Trust 4 share, name changed March 2016, merged with Baronsmead 4 March 2016 and name changed to Baronsmead Second Venture Trust plc) TIDM BMD TER Ref 594				
2009/10	95.09p 31/08/2018	79p	174.09p	15% 4th out of 23
Baronsmead Second Venture Trust plc ord shares (2010/11 investors in Baronsmead VCT 5 further offer February to May 2011 raised £12m at average 72p per share, each share converted Nov 2016 to 0.838863 Baronsmead Second shares) TIDM BMD TER Ref 642				
2010/11	79.76p 31/08/2018	35.28p	115.04p	15% 14th out of 38
Baronsmead Venture Trust ord shares (2012/13 investors in Baronsmead VCT £10m raised at 83.20p per share, merged into Baronsmead 2 in Feb 2016 with each share receiving 0.762239 VCT 2 share, name changed to Baronsmead Venture Trust plc) TIDM BVT TER Ref 1207				
2012/13	71.29p 31/07/2018	43.36p	114.65p	18% 6th out of 33
Baronsmead Second Venture Trust ord shares (2013/14 on 24/02/2014 investors in Baronsmead VCT 4 raised £10m at 98.8p per share, merged into Baronsmead 3 in Feb 2016 with each share receiving 0.92919 VCT 3 shares, name changed to Baronsmead Second Venture Trust plc) TIDM BMD TER Ref 1938				
2013/14	88.35p 31/08/2018	32.75p	121.1p	16% 24th out of 34

Table 6: Generalist VCT provider comparison - Net Asset Values are latest announced

VCT manager	Percent Ranking (Higher number is better see Note 1)	Net Asset Value dates used in calculations
GRESHAM HOUSE (Baronsmead VCTs)	81%	31/08/2018 , 31/07/2018
MOBEUS	77%	30/09/2018 , 30/06/2018
NVM	69%	30/09/2018
ALBION	56%	30/09/2018
MAVEN	52%	31/05/2018 , 30/06/2018 , 31/07/2018
YFM (British Smaller Cos VCTs)	51%	30/09/2018
BERINGEA (Proven VCTs)	50%	31/08/2018
ELDERSTREET	36%	30/09/2018
FORESIGHT	28%	31/08/2018

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

Note 1: Each provider has launched a large number of fund raisings over many years, so we use "Percent Ranking" as a way of comparing results for each provider. "Percent Ranking" is the rank of a value in a data set as a percentage of the data set. For each fund raising the data set are the Generalist VCTs launched in the same year. A figure of 100% means the fund raising from the manager ranks ahead of all others in the data set, so the higher the figure the better.

Figure is an average of all fund raisings where the manager has managed the fund since launch, raised more than £6m and launched in tax year 2013/14 or before. Performance for launches after that period are not included as they will be distorted by the initial tax break.

Table 7: Last five Baronsmead exits (whole exits not split by fund) November 2018 Source: Gresham House

Company	Exit date	Value achieved on exit	Valuation last 4 published valuations before exit			
			Most recent to exit	2nd oldest valuation	3rd oldest valuation	4th oldest valuation
Symphony Ventures Limited	Oct-18	8,322,000	7,766,000	4,673,000	4,441,000	4,014,000
Key Travel Limited	May-18	24,959,000	18,263,000	18,333,000	17,108,000	16,212,000
In The Style Limited	May-18	-	-	-	5,000,000	5,000,000
Crew Clothing Holdings Limited	Dec-17	10,755,000	10,063,000	9,904,000	9,798,000	9,693,000
Equ2 Limited	Nov-17	10,110,000	9,001,000	8,701,000	8,111,000	6,787,000

Table 8: Baronsmead VCTs current portfolio as at 30 September 2018: Age breakdown by original cost Source: Gresham House

Less than 1 year old	6%
1 to 2 year old	4%
2 to 3 year old	4%
3 to 4 year old	12%
4 to 5 year old	10%
5 to 6 year old	17%
6 to 7 year old	8%
7 to 8 year old	5%
8 to 9 year old	8%
9 to 10 year old	
10 to 11 year old	1%
11 to 12 year old	2%
12 to 13 year old	8%
13 to 14 year old	3%
14 to 15 year old	3%
15 to 16 year old	4%
16 to 17 year old	2%
17 to 18 year old	
18 to 19 year old	3%
AVERAGE AGE	6.0 years

Table 9: Buyback details 12 months to 30 September 2018 Source: Gresham House Asset Management Ltd

Baronsmead Venture Trust plc		
	Treasury shares Bought	Treasury shares Sold
Treasury shares	3,350,000	Nil
Weighted average discount to NAV	5.08%	-
Baronsmead Second Venture Trust plc		
	Treasury shares Bought	Treasury shares Sold
Totals	5,005,000	400,000
Weighted average discount to NAV	5.1%	5.33%

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Investee company name	Nexus Vehicle Holdings Ltd	Kingsbridge Risk Solutions Ltd	Fisher Outdoor Leisure Holdings Ltd	Independent Community Care Management Ltd	Valldata Group Ltd	Key Travel Limited	Crew Clothing Holdings Ltd	Eque2 Ltd	In The Style Fashion Ltd	Xention Pharma Ltd	Symphony Ventures Ltd
Industry sector	Business Services	Financial Services	Business Services	Healthcare	Business Services	Business Services	Consumer Markets	TMT	Consumer Markets	Healthcare & Education	TMT
Financing stage when first invested	Mature	Mature	Late	Late	Late	Mature stage, MBO	Mature stage, MBO	Mature stage, MBO	Later stage, pre-profit expansion	Early	Later stage, pre-profit expansion
Board seat	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Amount originally invested / date(s)	£2m Feb 2008	£1.7m Jan 2014	£2m Jun 2006	£2.7m Oct 2011	£2m Jan 2011	£1.9m July 2013	£2.9m Nov 2006	£1.7m Apr 2013	£2.2m Apr 2017	£632k Jul 2005	£1.6m Aug 2017
Further investment amounts (if any)	£737k, £998k, £999k, £15k		£847k, £10k	£24k,	£1.2m	n/a	n/a	n/a	n/a	n/a	n/a
Realisations/ Dividends	£11.8m	£5.2m	£1.9m	£1.1m	-	£5.3m	£5.3m	£4.2m	£0	£0	£3.5m
Profit / (Loss)	£7.0m	£3.5m	£(0.96)m	£(3.82)m	£(1.20)m	£3.4m	£2.4m	£2.5m	£(2.2m)	£(632k)	£1.9m
Annual Internal Rate of Return	25.80%	69.00%	(2.30%)	(16.50%)	(30.50%)	26.8%	10.3%	29.8%	COMPLETE LOSS	COMPLETE LOSS	109.9%
Length of investment	8 years	2 years	10 years	5 years	5 years	5 years	12 years	5 years	1 year	13 years	1 year

	Bevan Duncan	Steve Cordiner	Ken Wotton	Henry Alty	Thomas Makey	Brendan Gulston	David Leahy	Graeme Bencke
VCT RELATED WORK								
Deal origination %		30%	10%	30%	30%	10%	10%	10%
General enquiries %								
New deal doing %	40%	60%	85%	60%	60%	85%	85%	85%
Investee board seats No.								
Sitting on Boards/Monitoring %	50%	10%	5%	10%	10%	5%	5%	5%
Fund raising %								
Internal issues %								
Exits %	10%							
NON VCT WORK								
Non-VCT work %	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%
Years in venture capital	12	8	12	6	3	4	2	18
Years involved with VCTs	12	8	12	6	3	4	2	1
Years with current team	12	8	12	6	3	4	2	1

Investee name	Amount invested (BVT & BSVT)	Current Value (BVT & BSVT)	Date of first investment	Syndicated	Lead investor	Structure of investment	Industry sector	Financing stage	Valuation method	Profit/Loss of valuation over cost
Create Health Limited	1,235	10,403	Mar-13	N	Y	Ords, Loan Stock	Healthcare & Education	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple	742%
Carousel Logistics Limited	4,245	10,781	Oct-13	N	Y	Ords, Loan Stock	Business Services	Mature stage, MBO		154%
Armstrong Craven Limited	2,992	7,416	Jun-13	N	Y	Ords, Loan Stock	Business Services	Mature stage, MBO		148%
Kirona Limited	2,369	5,722	Dec-14	N	Y	Ords, Loan Stock	TMT	Mature stage, MBO		142%
Pho Holdings Limited	4,402	9,186	Jul-12	N	Y	Ords, Loan Stock	Consumer Markets	Mature stage, MBO		109%
Glide Limited	5,000	7,499	Oct-13	N	N	Ords, Loan Stock	TMT	Mature stage, MBO		50%
Happy Days Consultancy Limited	7,600	11,297	Apr-12	N	Y	Ords, Loan Stock	Healthcare & Education	Mature stage, MBO		49%
Ten10 Group Limited	4,237	6,136	Feb-15	N	Y	Ords, Loan Stock	Business Services	Mature stage, MBO		45%
Custom Materials Limited	1,814	1,916	Mar-17	N	Y	Ords, Loan Stock	Consumer Markets	Later stage, pre-profit expansion	Uplift in value, manager valuation based follow on funding round valuation	6%
SilkFred Limited	1,500	1,573	Aug-17	N	Y	Ords, Loan Stock	Consumer Markets	Later stage, pre-profit expansion		5%
Key Travel Limited	464	478	Jul-13	Y	Y	Ords, Loan Stock	Business Services	Mature stage, MBO	Loan note based on value plus accrued interest	3%
CMME Group Limited (formerly Niche Finance Group Limited)	4,246	4,318	Apr-15	N	Y	Ords, Loan Stock	Consumer Markets	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple	2%
CR7 Services Limited	4,193	4,193	Aug-14	N	Y	Ords, Loan Stock	TMT	Mature stage, MBO	Cost	0%
SecureCloud+ Limited	1,489	1,489	Aug-18	N	Y	Ords	TMT	Early		0%
Pointr Limited	992	992	Aug-18	N	Y	Ords	TMT	Early		0%
Equipsme (Holdings) Limited	794	794	Aug-18	N	Y	Ords	Business Services	Early		0%
Your Welcome Limited	695	695	Aug-18	N	Y	Ords	TMT	Early		0%
Labrador Limited	496	496	Aug-18	Y	Y	Ords	TMT	Early		0%
Munnypot Limited	496	496	May-18	Y	Y	Ords	TMT	Early		0%
Cisiv Limited	1,489	1,489	Oct-18	Y	N	Ords	TMT	Early		0%
Upper Street Events Limited	4,235	2,095	Dec-14	N	Y	Ords, Loan Stock	Consumer Markets	Mature stage, MBO	Write-down	-51%
TOTALS	£54.9m	£89.5m								

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Table 13: Baronsmead VCT Quoted Investments as at 30 November 2018 Source Gresham House

	Book cost £'000	Valuation £'000
Staffline Group	174	8,826
Ideagen	1,350	7,122
Bioventix	454	5,712
Inspired Energy	575	3,650
Netcall	1,738	3,565
Cerillion	1,800	3,387
Dods Group	2,022	2,452
Sanderson Group	1,176	2,156
Idox	614	2,024
Everyman Media Group	783	1,773
Loopup Group	504	1,739
Anpario	304	1,689
Driver Group	1,126	1,659
Plastics Capital	1,586	1,624
Centralnic Group	918	1,248
Wey Education	428	1,160
Cloudcall Group	1,273	1,098
Eden Research	900	1,098
Vianet Group	1,293	984
Property Franchise Group	686	858
Sysgroup	1,293	829
Access Intelligence	586	820
Begbies Traynor Group	434	756
Beeks Financial Cloud Group	338	743
Castleton Technology	203	725
Rosslyn Data Technologies	431	694
The Panoply Holdings	585	585
Gama Aviation	776	584
Belvoir Lettings	752	540
Ixico	675	530
Krm22	450	464
Scholium Group	900	387
Brady	351	381
Synectics	519	362
I-Nexus Global	563	356
Stm Group	323	350
Tasty	1,189	292
Science In Sport	287	287
Fulcrum Utility Services	31	278
Fusion Antibodies	450	274
Tla Worldwide	1,467	218
Collagen Solutions	338	216
Pci-Pal	405	207
Gresham House	112	192
Paragon Entertainment	498	189
Zoo Digital Group	788	133
Venn Life Sciences Holdings	1,224	124
Mxc Capital	225	113
One Media Ip Group	226	111
Totally	71	65
Mi Pay Group	800	58
Adept4	437	27
Apc Technology Group	79	16
Aortech International	509	14
InterQuest	619	0
Total Quoted	£38.6m	£65.7m

Table 14: Baronsmead Second VCT Quoted Investments as at 30 November 2018 Source Gresham House

	Book cost £'000	Valuation £'000
Ideagen	1,650	8,705
Bioventix	554	6,981
Inspired Energy	862	5,474
Netcall	2,616	5,325
Cerillion	2,200	4,139
Dods Group	3,267	3,701
Anpario	662	3,682
Idox	1,027	3,485
Plastics Capital	2,539	2,597
Sanderson Group	1,324	2,421
Fulcrum Utility Services	342	2,266
Driver Group	1,529	2,229
Everyman Media Group	957	2,167
Loopup Group	616	2,125
Vianet Group	2,093	1,575
Centralnic Group	1,122	1,525
Wey Education	523	1,418
Cloudcall Group	1,556	1,342
Eden Research	1,100	1,341
Property Franchise Group	839	1,048
Sysgroup	1,580	1,013
Access Intelligence	716	1,002
Beeks Financial Cloud Group	413	908
Castleton Technology	248	887
Rosslyn Data Technologies	527	848
Begbies Traynor Group	545	825
Gama Aviation	1,004	760
Stm Group	756	750
Brady	652	707
Belvoir Lettings s	919	660
The Panoply Holdings	660	660
Ixico	825	648
Krm22	550	567
Tasty	2,034	546
Scholium Group	1,100	473
I-Nexus Global	688	435
Science In Sport	351	351
Synectics	482	336
Fusion Antibodies	550	335
Tla Worldwide	2,137	318
Paragon Entertainment	1,020	313
Collagen Solutions	413	264
Pci-Pal	495	253
Gresham House	138	235
Venn Life Sciences Holdings	1,496	151
Mxc Capital	275	138
Zoo Digital Group	817	138
One Media Ip Group	276	135
Totally	87	79
Mi Pay Group	800	58
Adept4	535	33
Apc Technology Group	118	24
InterQuest Group	619	0
Total Quoted	£53.2m	£78.4m

Appendix A: VCT Boards Source Gresham House

The BVT Directors are as follows:

- Peter Lawrence was appointed to the BVT Board on 8 February 2016 following the merger of Baronsmead VCT plc and BVT. Peter joined the board of Baronsmead VCT plc in November 1999, and became Chairman in 2009. Peter was also a prior Chairman of Baronsmead VCT 5 plc before retiring in 2010. Peter is currently chairman of ECO Animal Health Group plc, an AIM-traded company which he founded in 1972. Peter is also the chairman of Amati AIM VCT plc and of Anpario plc, which is traded on AIM. Peter is also a Director of Algatechnologies Limited, which is a private equity backed company.
- Les Gabb was appointed to the BVT Board on 8 February 2016 following the merger with Baronsmead VCT plc where he served as a director from May 2014. He studied biochemistry at Oxford University and subsequently qualified as a Chartered Accountant at KPMG in 1987. For 10 years, Les was the managing director of the London subsidiary of the Bank of Bermuda with responsibility for the finance function of the Bank's European group. Since 2000 Les has been Finance Partner at Advent Venture Partners and currently holds a similar role at the recently formed Felix Capital Partners. Les is an Associate of the Institute of Taxation, and a previous member of the BVCA Legal and Technical committee and the EVCA Venture Capital Council.
- Valerie Marshall was appointed to the BVT Board on 8 February 2016 following the merger with Baronsmead VCT plc where she served as a director from November 2009. Previously, she was corporate finance director at stockbrokers Greig Middleton & Co Ltd, and formerly invested in growing companies with both 3i plc and the Scottish Development Agency. She has also been chair of the Council of the University of Kent and deputy chair of the Committee of University Chairs. She was also treasurer and trustee of the British Science Association, established by Royal Charter. Valerie is CEO of Stratagem Corporate Finance and Strategy Ltd and is a director of Marshall Capital Limited. She is also a non-executive director of Town and Country Housing Group and an investment committee member of the Angel Co-Investment Fund.
- Susannah Nicklin joined the BVT Board on 21 February 2018. Susannah is an investment and financial services professional with 20 years of experience in executive roles at Goldman Sachs and Alliance Bernstein in the US, Australia and the UK. She has also worked in the social impact private equity sector with Bridges Ventures, the Global Impact Investing Network and Impact Ventures UK. Susannah was previously a director of Baronsmead VCT plc. Susannah is a non-executive director and senior independent director at Pantheon International Plc and City of London Investment Group plc, and a non-executive director of The North American Income Trust plc and Amati AIM VCT plc.

The BSVT Directors are as follows:

- John Davies was appointed to the BSVT Board following the merger of BSVT and Baronsmead VCT 5 plc on 30 November 2016. Prior to the merger, he served as a director of Baronsmead VCT 5 from February 2006. He was a Director of BlackRock Smaller Companies Trust plc until his retirement in July 2011. He was Managing Director of 3i Asset Management Ltd (1985 – 2002), responsible for the management of three investment trusts and the group's quoted portfolio. He is also a director of Gardens Pensions Trustees Ltd, a corporate trustee of the 3i Group Pension Scheme and is a member of the investment committee of the scheme.
- Anthony Townsend joined the BSVT Board in August 2009. He has over 40 years' experience in financial services. He was previously a director of Rea Brothers Group plc, a non-executive director of Worldwide Healthcare Trust plc and was chairman of the Association of Investment Companies. He is chairman of Gresham House plc, BMO Global Smaller Companies plc (formally F&C Global Smaller Companies plc), and Finsbury Growth & Income Trust plc, and a non-executive director of Hansa Capital Ltd.
- Malcolm Groat was appointed to the Board following the merger of BSVT and Baronsmead VCT 4 plc on 11 March 2016. Prior to the merger, he served as a director of Baronsmead VCT 4 plc from April 2014. He is a fellow of the Institute of Directors, the Institute of Chartered Accountants in England and Wales and the Royal Society for the Encouragement of Arts, Manufactures and Commerce. During his career, Malcolm has worked as finance director for global businesses in engineering, construction and financial services. Malcolm currently holds directorships with a number of ventures and small listed companies and at the established unlisted business Corps Security.
- Ian Orrock joined the BSVT Board in October 2010. He has wide experience having founded, developed and sold a number of businesses particularly focussing on the international media, technology and telecoms sectors ("TMT") and has worked at board level in quoted global organisations. He was also a non-executive director of Henderson Private Equity Investment Trust plc. He is currently a director of a number of TMT businesses including Arkessa Limited, Iotic-Labs Ltd and Silchester Limited.

Appendix B: VCT team Source Gresham House

- **Ken Wotton** joined Gresham House in November 2018, having previously spent 11 years with Livingbridge leading the Equity Funds investment team managing AIM and other listed investments on behalf of the Baronsmead VCTs, LF Gresham House UK Micro Cap Fund, and LF Gresham House UK Multi Cap Income Fund. He had previously spent two years at Evolution Securities where he worked in equity research, specialising in the telecoms and technology sectors, focusing on smaller companies with significant experience of AIM market fund raisings. Prior to that, he spent five years in the equity research department of Commerzbank Securities where he focused on the pan-European telecoms sector. Ken qualified as a chartered accountant with KPMG in London.
- **Steve Cordiner** joined Gresham House in November 2018 having been at Livingbridge since 2010. Steve has led the VCT unquoted investment team investing on behalf of Baronsmead VCT's since that date. Notable investments include Happy Days Nurseries, Carousel Logistics and Symphony Ventures along with successful realisations such as Kingsbridge. Steve is a qualified Chartered Accountant and prior to joining Livingbridge he spent five years advising Corporate and Private Equity clients on a range of corporate finance and due diligence matters.
- **Bevan Duncan** joined Gresham House in November 2018 having previously been at Livingbridge since 2005. Bevan has overall responsibility for all portfolio management activities for the Baronsmead VCTs. He also directly manages portfolio investments and has been an active board member of several Baronsmead investee companies including MLS, Eque2, Key Travel and Pho. He qualified as a Chartered Accountant at KPMG in New Zealand, where he provided consultancy services to fast growing small businesses.
- **Heather Duncan** joined Gresham House in November 2018 having previously been at Livingbridge since 2002. Heather qualified as a Chartered Management Accountant while working in the Livingbridge fund management department on both the institutional and VCT funds. Following this Heather moved to analysing new investments, then client management on both the VCT and institutional side of the business. Since 2016 Heather has led the client relations and distribution team for the Baronsmead VCTs, LF Gresham House UK Micro Cap Fund and LF Gresham House UK Multi Cap Income Fund.
- **Tania Hayes** joined Gresham House in November 2018 having been at Livingbridge for 13 years. Tania has worked on the Baronsmead VCTs since she joined, progressing from administration assistant to Finance Manager in 2011 and qualified as a Chartered Management Accountant in 2012 while working for Livingbridge. Previously she had worked at a Chartered Accountancy practice in New Zealand for eight years where she commenced her accounting training.
- **Tony Dalwood** became CEO of Gresham House in December 2014 and brought in a new management team that has transformed the company from an investment trust into an AIM listed specialist asset management group. With over 20 years in the industry, Tony is an experienced investor and has also advised numerous public and private equity businesses. He started his career at Phillips & Drew Fund Management (later UBS Global Asset Management), one of the UK's most prominent value investment firms with £60 billion in assets at its peak. He was a member of the UK Equity Investment Committee with responsibility for managing over £1.5 billion of UK equities. In 2002 Tony founded and became CIO of SVG Investment Managers and CEO of SVG Advisers (formerly Schroder Ventures (London) Limited), the global private equity funds business and specialist alternatives manager, before launching Strategic Equity Capital plc, a London listed Investment Trust in 2005.
- **Andrew Hampshire** joined Gresham House at the start of 2017. Prior to Gresham House Andrew was an Investment Director at mid-market private equity firm LDC, leading strategic and operational growth programmes in the underlying investment companies and working with portfolio company boards. Andrew was also responsible for leading integrations and carve-outs within portfolio businesses. Prior to LDC, Andrew held various senior operational management positions within Lloyds Banking Group and started his career with his own software development business. Andrew holds an MBA from the University of Warwick.
- **Sheenagh Egan** joined Livingbridge in 1997. She is the chief operating officer of Livingbridge and was jointly responsible for the overall management of the Baronsmead VCTs prior to the change of investment manager in November 2018. Before joining Livingbridge, her experience encompassed both corporate finance, advising on private equity transactions, and corporate recovery. She trained as a chartered accountant with Deloitte, and has also worked for PricewaterhouseCoopers.
- **Andrew Garside** joined Livingbridge as a Partner in new investments in 2005 and prior to November 2018 was jointly responsible for the overall management of the Baronsmead VCTs. Notable investments include the successful realisations of Inspired Thinking Group and Nexus. He has extensive private equity experience having previously worked on growth investments at 3i plc for 15 years (1989 to 2004), latterly as the Director of a large regional office for 3i.
- Both Andrew and Sheenagh are committed to continuing to work with the Boards and Gresham House in order to support the transition from Livingbridge and ensure continuity.

Key Information Document

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Key Information Document

Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Product

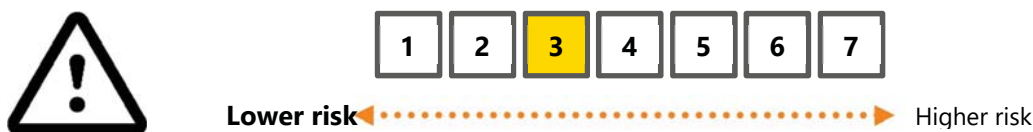
Name: Baronsmead Venture Trust plc **ISIN:** GB0002631934 **Contact number:** 0800 923 1533
PRIIP Manufacturer: Baronsmead Venture Trust plc (the "VCT" or the "Company")
Competent authority: The Company is not authorised or regulated by the Financial Conduct Authority ("FCA"). The FCA has supervisory powers in respect of the product and contents of this document.
 This key information document is accurate as at **30 September 2018**

What is this product?

Type	This product is a Venture Capital Trust and public limited company, traded on the London Stock Exchange as a Closed Ended Investment Fund and incorporated in the United Kingdom.
Objectives	The investment objective of the Company is to generate long term investment returns with tax free capital gains and regular dividend income for its shareholders, primarily through investment in a diverse portfolio of UK growth businesses, whether unquoted or traded on AIM. The VCT will manage its portfolio to comply with the requirements of the rules and regulations applicable to VCTs from time to time.
Intended retail investor	The VCT is intended for UK taxpayers aged 18 or over who are willing to invest in the longer term and be comfortable with higher risk investments in small, illiquid unquoted and quoted companies. It is intended for investors who already have a portfolio of VCT and non-VCT investments. Investors should read the risk factors set out in the most recent Prospectus or Annual report available for the VCT.
Gearing	The Company has the ability to borrow for short term liquidity purposes up to a maximum of 25% of its gross assets. Currently there is no borrowing, however any future borrowing would magnify any gains or losses made by the VCT.
Bid / Offer spread	Shares in the VCT are bought and sold via markets. Typically, at any given time on any given day, the price you pay for a share will be higher than the price at which you could sell it.
Maturity	There is no maturity date. The Company cannot unilaterally terminate this product and there are no circumstances under which it can be automatically terminated.

What are the risks and what could I get in return?

Risk Indicator



The risk indicator assumes you keep the product for 5 years. If you sell your product earlier you may have to sell at a price that significantly impacts how much you get back.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that

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summary risk indicator only reflects historic share price volatility of the company's shares. It excludes other risks inherent in the product and, therefore, does not show the full risks to the investor. Investment in AIM traded and unquoted companies have a higher degree of risk than investments in companies traded on the main market of the London Stock Exchange. These risks include market, credit, liquidity and interest rate risks.

The cost, performance and risk calculations included in this KID follow the methodology prescribed in EU rules.

Performance Scenarios

This table shows the money you could get back over the next 5 years, under different scenarios, assuming that you invest £10,000. The scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the product. The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you. The figures shown include all the costs of the product itself, but may not include all the costs that you pay your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

Investment: £10,000		1 year	3 years	5 years
Stress scenario	What you might get back after costs (£)	6,795	7,868	7,927
	Average return each year (%)	-32.05%	-7.68%	-6.11%
Unfavourable scenario	What you might get back after costs (£)	9,998	11,007	12,341
	Average return each year (%)	-0.02%	3.25%	4.30%
Moderate scenario	What you might get back after costs (£)	10,778	12,853	14,689
	Average return each year (%)	7.78%	7.96%	7.99%
Favourable scenario	What you might get back after costs (£)	11,712	14,499	17,621
	Average return each year (%)	17.12%	13.18%	12.00%

What happens if Baronsmead Venture Trust plc is unable to pay out?

As a shareholder of the Company you would not be able to make a claim to the Financial Services Compensation Scheme about the Company in the event that the Company is unable to pay out.

What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs.

The amounts shown here are the cumulative costs of the product itself, for three different holding periods. They include potential early exit penalties. The figures assume you invest £10,000. The figures are estimates and may change in the future.

Costs over time

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

Investment: £10,000 If you cash in after...	1 year	3 years	5 years
Total Costs (£)	253	906	1 803

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Composition of costs

The table below shows:

- the impact each year of the different types of costs on the investment return you might get at the end of the recommended holding period;
- the meaning of the different cost categories.

This table shows the impact on return per year			
One – off costs	Entry costs	0.00%	The product does not have any entry costs.
	Exit costs	0.00%	This product does not have any exit costs.
Ongoing costs	Portfolio transaction costs	-0.12%	The impact of the costs of the fund buying and selling underlying investments for the product.
	Other ongoing costs	2.22%	The impact of the costs taken by the fund each year for managing your investments.
Incidental costs	Performance fees	0.43%	The impact of the performance fee. The manager is paid from your investment when the total return on shareholders' funds exceed an annual threshold of the higher of 4 per cent or base rate plus 2 % calculated on a compound basis. The manager is paid 10% on performance above the benchmark.
	Carried interests	0.00%	This product does not charge any carried interest.

How long should I hold it and can I take money out early?

Recommended required minimum holding period: 5 years

The recommended minimum holding period of 5 years has been selected, as the VCTs are intended to have a long investment horizon and any divestment less than 5 years, could have implications with respect to tax advantages of investing in VCTs.

Disinvestment is possible at any time. VCT shares are quoted and traded on the London Stock Exchange (LSE), so, provided there is a willing buyer, you can realise the value of your VCT investment at any time through a stockbroker or a share dealing account. You should note that previously owned VCT shares do not qualify for initial income tax relief and there is, therefore, a very limited secondary market for VCT shares. The price you receive on the open market may therefore not reflect the underlying NAV of the shares. As there is a limited market, Baronsmead Venture Trust plc maintains a share buyback programme subject to the opinion of the board, concluding a repurchase of shares would be in the best interests of the shareholders as a whole. The aim is to buy back shares at 5% discount to net asset value, however there is no guarantee.

There are no additional fees or penalties incurred on exit, however the price you receive on the open market may not reflect the underlying NAV of the shares.

How can I complain?

As a shareholder of the Company you do not have the right to complain to the Financial Ombudsman Service (FOS) about the management of the Company. Complaints about the Company or the key information document should be directed to the Company.

More information can be found at: <http://www.baronsmeadvcts.co.uk/enquiry.asp>.

You can submit your complaint via post to Baronsmead Venture Trust plc, Octagon Point, 5 Cheapside, London, EC2U 6LP or via telephone on 020 3837 6270.

Other relevant information

The latest annual report and prospectus can be found at www.baronsmeadvcts.co.uk. The cost, performance and risk calculations included in this KID follow the methodology prescribed by EU rules. Depending on how you buy these shares you may incur other costs, including broker commission, issue costs, platform fees and Stamp Duty. The distributor will provide you with additional documents where necessary. If you are in any doubt about the action you should take, you should seek independent financial advice.

Key Information Document

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Key Information Document

Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Product

Name: Baronsmead Second Venture Trust plc **ISIN:** GB0030028103 **Contact number:** 0800 923 1534

PRIIP Manufacturer: Baronsmead Second Venture Trust plc (the "VCT" or the "Company")

Competent authority: The Company is not authorised or regulated by the Financial Conduct Authority ("FCA"). The FCA has supervisory powers in respect of the product and contents of this document.

This key information document is accurate as at **30 September 2018**

What is this product?

Type	This product is a Venture Capital Trust and public limited company, traded on the London Stock Exchange as a Closed Ended Investment Fund and incorporated in the United Kingdom.
Objectives	The investment objective of the Company is to generate long term investment returns with tax free capital gains and regular dividend income for its shareholders, primarily through investment in a diverse portfolio of UK growth businesses, whether unquoted or traded on AIM. The VCT will manage its portfolio to comply with the requirements of the rules and regulations applicable to VCTs from time to time.
Intended retail investor	The VCT is intended for UK taxpayers aged 18 or over who are willing to invest in the longer term and be comfortable with higher risk investments in small, illiquid unquoted and quoted companies. It is intended for investors who already have a portfolio of VCT and non-VCT investments. Investors should read the risk factors set out in the most recent Prospectus or Annual report available for the VCT.
Gearing	The Company has the ability to borrow for short term liquidity purposes up to a maximum of 25% of its gross assets. Currently there is no borrowing, however any future borrowing would magnify any gains or losses made by the VCT.
Bid / Offer spread	Shares in the VCT are bought and sold via markets. Typically, at any given time on any given day, the price you pay for a share will be higher than the price at which you could sell it.
Maturity	There is no maturity date. The Company cannot unilaterally terminate this product and there are no circumstances under which it can be automatically terminated.

What are the risks and what could I get in return?

Risk Indicator



Lower risk ← → Higher risk

The risk indicator assumes you keep the product for 5 years. If you sell your product earlier you may have to sell at a price that significantly impacts how much you get back.

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required summary risk indicator only reflects historic share price volatility of the company's shares. It excludes other risks inherent in the product and, therefore, does not show the full risks to the investor. Investment in AIM traded and unquoted companies have a higher degree of risk than investments in companies traded on the main market of the London Stock Exchange. These risks include market, credit, liquidity and interest rate risks.

The cost, performance and risk calculations included in this KID follow the methodology prescribed in EU rules.

Performance Scenarios

This table shows the money you could get back over the next 5 years, under different scenarios, assuming that you invest £10,000. The scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the product. The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you. The figures shown include all the costs of the product itself, but may not include all the costs that you pay your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

Investment: £10,000		1 year	3 years	5 years
Stress scenario	What you might get back after costs (£)	7,240	7,874	7,301
	Average return each year (%)	-27.6%	-7.7%	-6.1%
Unfavourable scenario	What you might get back after costs (£)	9,988	10,901	12,104
	Average return each year (%)	-0.1%	2.9%	3.9%
Moderate scenario	What you might get back after costs (£)	10,708	12,349	14,241
	Average return each year (%)	7.1%	7.3%	7.3%
Favourable scenario	What you might get back after costs (£)	11,588	14,120	16,912
	Average return each year (%)	15.9%	12.2%	11.1%

What happens if Baronsmead Second Venture Trust plc is unable to pay out?

As a shareholder of the Company you would not be able to make a claim to the Financial Services Compensation Scheme about the Company in the event that the Company is unable to pay out.

What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs.

The amounts shown here are the cumulative costs of the product itself, for three different holding periods. They include potential early exit penalties. The figures assume you invest £10,000. The figures are estimates and may change in the future.

Costs over time

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

Investment: £10,000 If you cash in after...	1 year	3 years	5 years

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Composition of costs

The table below shows:

- the impact each year of the different types of costs on the investment return you might get at the end of the recommended holding period;
- the meaning of the different cost categories.

This table shows the impact on return per year			
One – off costs	Entry costs	0.00%	The product does not have any entry costs.
	Exit costs	0.00%	This product does not have any exit costs.
Ongoing costs	Portfolio transaction costs	-0.12%	The impact of the costs of the fund buying and selling underlying investments for the product.
	Other ongoing costs	2.75%	The impact of the costs taken by the fund each year for managing your investments.
Incidental costs	Performance fees	0.00%	This product does not have performance fees.
	Carried interests	0.00%	This product does not charge any carried interest.

How long should I hold it and can I take money out early?

Recommended required minimum holding period: 5 years

The recommended minimum holding period of 5 years has been selected, as the VCTs are intended to have a long investment horizon and any divestment less than 5 years, could have implications with respect to tax advantages of investing in VCTs.

Disinvestment is possible at any time. VCT shares are quoted and traded on the London Stock Exchange (LSE), so, provided there is a willing buyer, you can realise the value of your VCT investment at any time through a stockbroker or a share dealing account. You should note that previously owned VCT shares do not qualify for initial income tax relief and there is, therefore, a very limited secondary market for VCT shares. The price you receive on the open market may therefore not reflect the underlying NAV of the shares. As there is a limited market, Baronsmead Second Venture Trust plc maintains a share buyback programme subject to the opinion of the board, concluding a repurchase of shares would be in the best interests of the shareholders as a whole. The aim is to buy back shares at 5% discount to net asset value, however there is no guarantee.

There are no additional fees or penalties incurred on exit, however the price you receive on the open market may not reflect the underlying NAV of the shares.

How can I complain?

As a shareholder of the Company you do not have the right to complain to the Financial Ombudsman Service (FOS) about the management of the Company. Complaints about the Company or the key information document should be directed to the Company.

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Other relevant information

The latest annual report and prospectus can be found at www.baronsmeadvcts.co.uk. The cost, performance and risk calculations included in this KID follow the methodology prescribed by EU rules. Depending on how you buy these shares you may incur other costs, including broker commission, issue costs, platform fees and Stamp Duty. The distributor will provide you with additional documents where necessary.

If you are in any doubt about the actions you should take, you should seek independent financial advice.