

Baronsmead VCTs

May 2020 update

The impact of COVID-19 has been significant for us all, across our personal and business lives. The team at Gresham House is working hard to continue to deliver 'business as usual' across its portfolio, including staying in regular contact as a valued resource to our investee companies.

While COVID-19 presents an unprecedented challenge to the country and economy, we are well prepared to play our role in the economic recovery by continuing to support ambitious and innovative SMEs. We remain focused on delivering value for shareholders and ensuring investments are managed to our usual high standards.

Performance

Both our quoted and unquoted portfolios have not been immune to the wide-reaching impact COVID-19 has had on economic activity and general market sentiment.

Our quoted portfolio has seen a material uptick in performance during April which is reflected in the higher April NAV. However, public markets remain volatile and our focus as investment manager remains on aiming to deliver consistently strong performance over the medium to long term.

NAV

Further to the March NAV update w/c 4 May, we released our April update on Monday 11 May.

	NAV 31 Dec 19 ¹	Performance	NAV 31 Mar 20	Performance	NAV 30 Apr 20
Baronsmead Venture Trust	77.05p	(15.1%)	65.43p	6.8%	69.90p
Baronsmead Second Venture Trust	79.35p	(16.3%)	66.44p	7.7%	71.55p

1. Adjusted for 2019 final dividend paid 8 March 2020.

Investment activity

In general, we expect sale processes of our private equity assets to be put on hold or delayed.

However, there continues to be some liquidity in public markets, and we have made a select number of divestments within our quoted portfolio to take profits on several holdings where share prices have rallied strongly over the past month. We aim to be able to realise capital profits from our publicly listed investments more readily, which will support future dividends. This is one of the key benefits of our diversified quoted and unquoted portfolio.

We have also made five follow-on investments into existing portfolio companies, with the aim of either supporting continued growth or helping fundamentally strongly positioned businesses trade through the COVID-19 related disruption. In addition to the opportunities within the existing portfolio, the pipeline of new deals has continued to grow.

Portfolio

We have proactively communicated with the management teams of our portfolio companies to share insight and best practice as well as ensuring early, decisive action on costs and a strong focus on cash management. We have also encouraged our portfolio company management teams to run detailed scenario planning to help think through second order risks and opportunities.

Another benefit of our diversified portfolio has been the ability to engage across a wide range of smaller and larger, quoted and unquoted businesses to understand the impact of the crisis. We have been able to cross refer our learnings around practical issues such as the reality of accessing government support schemes, highlighting pockets of increased demand across the market and the potential to generate new sales leads and opportunities, as well as better informing our advice and financial support for our portfolio companies.

Our consumer facing investments such as restaurants, Pho and Rockfish have experienced the most significant impact from the COVID-19 related lockdown. However, we have been impressed by the pragmatic response of the management teams within these businesses and expect them to be well-positioned when demand eventually returns.

Whilst trading conditions are clearly challenging, our portfolio is heavily weighted towards software and technology focused companies where performance has remained robust. Several portfolio companies have experienced a noticeable uptick in demand for their product or services as COVID-19 has changed consumer behaviour and corporate priorities.

A good example would be Equipme. Equipme has developed a product which makes health insurance accessible to SMEs, with coverage starting from as low as £7 per person per month and a greatly simplified application process. A key feature of the product is access to a 24 / 7 remote GP service. The business has seen a strong increase in enquiries and had its best ever month for new sales in March 2020.

We will continue to believe in the long-term prospects of our portfolio companies and will be working closely with our investee company Management teams as the COVID-19 situation evolves and the structural changes in the economy become clearer.

Will dividends continue to be paid?

Both Baronsmead VCTs have good levels of realised capital reserves to fund potential future dividends. At this stage, the Boards' dividend policies remain unchanged and we currently expect dividend payments to be paid as normal.

Share buy-back policy

Our buy-back policy remains in place and again at this stage there are no current plans to amend the policy.

Outlook

We expect the economic environment will remain challenging and there will be further volatility in public markets. Despite this, SMEs run by entrepreneurial and forward-looking management teams will continue to innovate and build market leading businesses.

The Baronsmead VCTs remain well positioned to support high growth companies through a combination of capital and smaller company expertise.

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