

# Tax Efficient Review

Issue No: 407  
Product: Baronsmead Venture Trust and  
Baronsmead Second Venture Trust  
Tax Status: Venture Capital Trust  
Fund Group: Gresham House Asset Management

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

**Fluctuations in Value of-Investments** The value of investments and the income from them can go down as well as up and you may not get back the amount invested.

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

**Past performance** Past performance is not a guide to future performance.

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

**Taxation** The levels and the bases of the reliefs from taxation may change in the future. You should seek your own professional advice on the taxation consequences of any investment.

**ADDITIONAL RISK WARNINGS** Venture Capital Trusts

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

<b>Offer Name</b>	<b>Baronsmead Venture Trust and Baronsmead Second Venture Trust</b>
<b>Fund Manager</b>	<b>Gresham House Asset Management Ltd</b>
<b>VCT Type</b>	<b>Investing in VCT qualifying unquoted companies and AiM companies</b>
<b>Fund Size</b>	<b>£347m and seeking £40m plus £35m over-allotment</b>
<b>Initial Cost</b>	<b>3% via IFAs, 3.5% direct, 4.5% execution only</b>
<b>Annual Cost</b>	<b>2% (total costs capped at 3.5%)</b>
<b>Minimum Investment</b>	<b>£3,000 in each Venture Trust</b>
<b>Promoter</b>	<b>RAM Capital LLP</b>
<b>Registrars</b>	<b>Computershare Investor Services</b>
<b>Closing Dates</b>	<b>24 March 2021, or when fully subscribed</b>

**Table 1: Offer Pros & Cons**

<b>PROS</b>	<b>CONS</b>
<ul style="list-style-type: none"> <li>• Good long term performance over the past 10 years from a well-regarded house, but recent performance has lagged compared to the peer group</li> </ul>	<ul style="list-style-type: none"> <li>• Current cash on the balance sheet of the two VCTs raises questions of the necessity to raise a further potential £75m</li> </ul>
<ul style="list-style-type: none"> <li>• Well resourced team who have worked together for many years</li> </ul>	<ul style="list-style-type: none"> <li>• Initial costs have risen from 2.75% last year to 3% for this fund raising (more for direct (3.5%) and execution only (4.5%))</li> </ul>
<ul style="list-style-type: none"> <li>• Historical dividend track record has been very good</li> </ul>	<ul style="list-style-type: none"> <li>• Dividends are partially paid out of capital</li> </ul>

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

### TER classification

The Baronsmead VCTs have always been classified as generalist VCTs with a track record, but there still remains a higher percentage of AIM quoted stocks within the portfolios of the two Baronsmead VCTs compared to the rest of the generalist VCT peer group. Of the £347m in assets under management in the Baronsmead VCTs, over £134m is held in AIM investments.

TER classify Baronsmead VCTs as "**VCT Hybrid growth and AIM focussed with track record**".

**Table 2: Funds under management by the VCT investment team as at 31 August 2020**

Data source Gresham House Asset Management Ltd

	Net assets £m	Annual Management fee £m	Still to be invested to meet Board set 80% in qualifying companies £m
VCT Funds			
Baronsmead Venture Trust plc	164.7	2.94	Nil
Baronsmead Second Venture Trust plc	182.0	4.31	Nil
TOTAL	£346.7m	£7.25m	
Non-VCT Funds than can co-invest with VCT funds			
None			
Non-VCT Funds than cannot co-invest with VCT funds			
LF Gresham House UK Micro Cap Fund (excluding the Baronsmead VCT investments)	202.6	Not disclosed	N/A
LF Gresham House UK Multi Cap Income Fund (excluding the Baronsmead VCT investments)	64.7	Not disclosed	N/A
LF Gresham House UK Smaller Companies Fund (excluding the Baronsmead investments)	1.1		
TOTAL	£615.1m	£7.93m	-

### The Offer

This offer looks to raise £20m for each of the two Baronsmead Venture Trusts, plus as further £35m is available as an over-allotment facility (should the board decide to utilise it), giving a total maximum fund raising of £75m across the two companies. The minimum investment is £3,000 and investors are automatically split 50/50 across the two VCTs, unless they choose their own investment split.

Baronsmead Venture Trust (BVT) and Baronsmead Second Venture Trust (BSVT) are amongst 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

### VCT Investment Strategy

The Baronsmead VCTs are split across VCT qualifying AIM companies as well as holdings in unquoted companies; providing investors with a good split of investments across these different sectors.

The investment criteria used to filter out potential investee companies is:

- Bias towards contracted or recurring revenue
- Minimum £1m recurring revenue

**Table 3: Baronsmead VCT offers as at 31 August 2020**

Source: Gresham House and published accounts

	Baronsmead Venture Trust (BVT)	Baronsmead Second Venture Trust (BSVT)
Estimated issue price	74.9p	77.2p
Net Assets prior to new funds	£164.8m	£182m
Current VCT fund allocation:		
Unquoted Companies	£36.4m (22%)	£43m (24%)
AIM-listed	£57.4m (35%)	£76.1m (41%)
Collectives	£30.9m (19%)	£30.2m (17%)
Cash & Cash OEICs	£40.1m (24%)	£32.7m (18%)
Other assets	-	-
Historic Total Expense Ratio	2.20%	2.70%

- Scalable sales model
- Credible path to breakeven

The investments made by the Baronsmead team in AIM, unquoted and follow-on investments over the past 12 months are detailed in table 5 in the appendix, and they include:

- **Vinoteca** - a chain of wine bars/restaurants which offer a differentiated wine list and high quality food - amount invested £2m
- **Glisser Ltd** - audience engagement software for virtual and physical conferences and events - amount invested £1.2m
- **Entertainment AI plc** - Provides automated platform for analysis and monetisation of video content - amount invested £3m
- **Cloudcall Group plc** - a cloud based telephony platform - amount invested £1.5m
- **Rezatec Ltd** - A geospatial data analytics business selling into the forestry and utilities sectors worldwide - amount invested £3m
- **Clarilis** - Legal document automation software - amount invested £3.5m

But, the long term investment strategy over the past 20 years within the unquoted companies was to participate in MBO-style transactions. This has had to change in recent years. Baronsmead have shifted from making larger investments in more established businesses to making a higher number of smaller initial investments, with the expectation of providing follow-on funding to those which have hit their milestones set at the point of investment. Table 5 shows the recent investments made by the manager, which in the twelve months to August 2020 total £23.8m: £10.5m into new unquoted companies, £4.5m into follow-on unquoted investments and £8.8m in AIM companies.]

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. The AIM quoted holdings are also regularly reviewed to see if the investment team at Baronsmead still consider the company a strong long term investment prospect..

As two of the largest and longest established VCTs, BVT and BSVT each has an established portfolio comprising 29 unquoted investments and 46 AIM-traded investments at 31 August 2020. 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 and Share Buy-Back Policy**

A new common dividend policy was announced in Sept 2019.

Each Board will, wherever possible, seek to pay two dividends to Shareholders in each

calendar year, typically an interim in September and a final dividend following the AGM in February/March;

The Boards will use, as a guide, when setting the dividends for a financial year, a sum representing 7% of the opening NAV of that financial year. This is a major change from the previous policy which was based on aiming to sustain a minimum annual dividend level at an average of 6.5p per share.

Baronsmead have been instrumental in showing the way for the rest of the VCT industry when it comes to discount management and have paid attention to developing a healthy secondary market for 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**

Over the past 10 years, the Baronsmead Venture Trust has declared an average dividend of 8.75p per share, and the Baronsmead Second Venture Trust has declared an average dividend of 9.3p. An impressive level of dividends for shareholders within these VCTs, but these were generated under the previous investment style. Whether this can be maintained going forwards will have to be seen, but Gresham House have said that 62% of the existing portfolios remain invested under the "old" rules and they say that the more mature AIM companies should have sufficient liquidity to allow for top-slicing to aid dividends going forwards. However, AIM liquidity can be uncertain, and but it should be noted that all AIM stocks within the Baronsmead VCTs are level 1 liquidity.

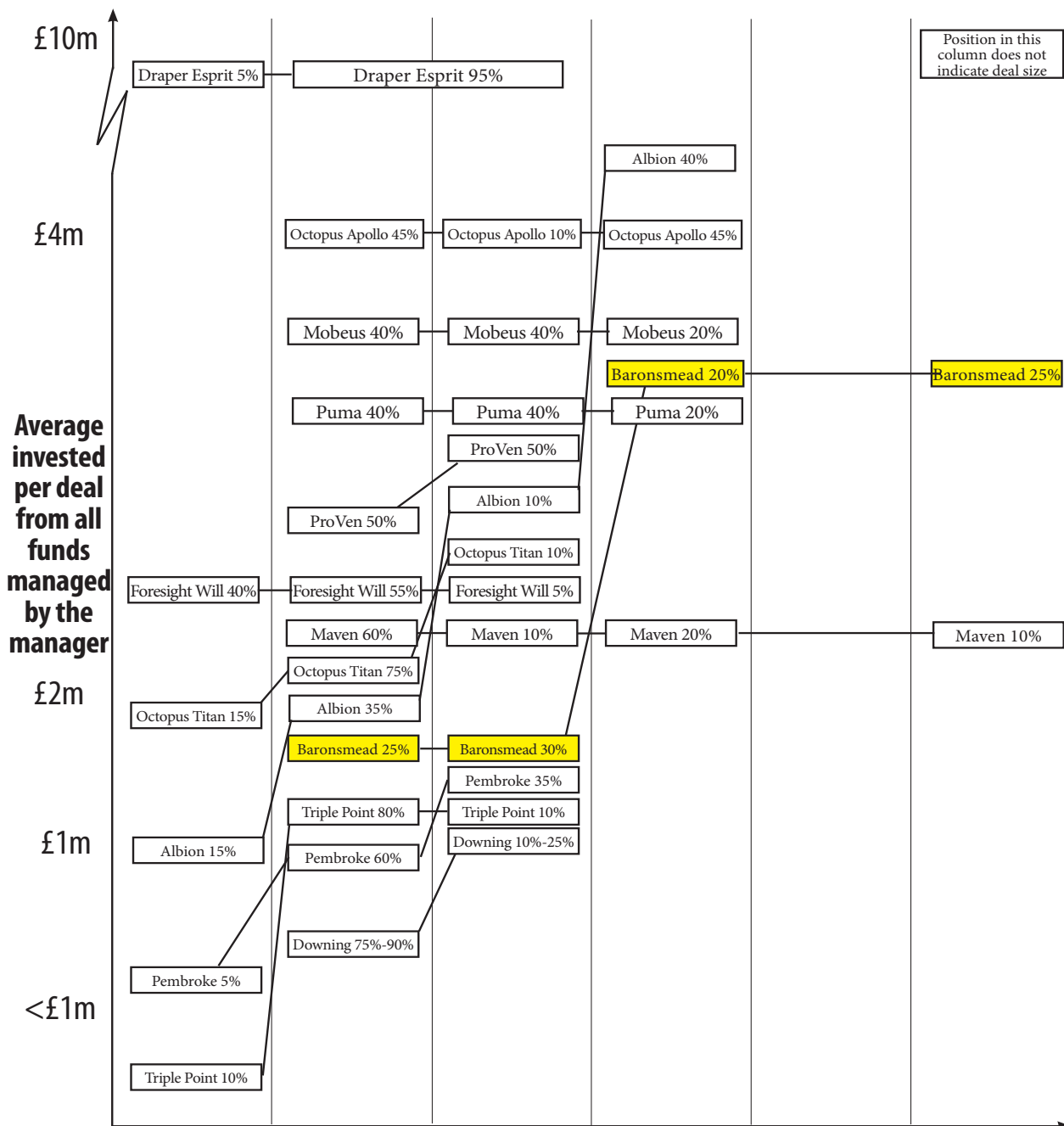
Our approach to comparing track records between providers has changed from previous years. We now use 3, 5 & 10 year measures of the annual increase in total return (calculated as closing net asset value less opening net asset value plus dividends paid during the period). This reflects the changes in strategy that VCTs have adopted which makes the old track record less relevant.

The results are in Table 4 and indicate that whilst the 10 year performance can hold its head up within its peer group, the 3 and 5 years performance has suffered. This was mainly due to the reduction in the value of AIM stocks and some write-offs (including an April 2017 £5m investment in In The Style Fashion Ltd which was completely written off a year later and CR7, which was a £4.2m investment written off after being held for 5 years). When this was put to the Baronsmead team they said:

*"Performance over this period has also been impacted by a slow down in the investment rate post the rule change in November 2015. We purposefully slowed our rate of investment while we adapted our strategy to the new VCT rules. Had the investment rate continued as expected – the investments made in 2016, 2017 would be significantly contributing to the performance of the VCTs now. The investment rate has now consistently picked up."*

In Table 6, in order to check on potential manager overvaluation of holdings, we asked

**Diagram 1: Investment strategies of Growth VCT managers**  
 (% figures refer to manager expectations of VCT qualifying companies portfolio composition post investment of current fund raising)  
 Source: Fund Managers October 2020



Seed capital/ Early stage	Pre-Profit	Post-Profit	Larger Development Capital Deals	Asset backed opportunities	AIM stocks
	High Growth and Development capital				
- high risk with hopefully high return - all equity investment - should have potential for rapid growth	- 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		- 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	- low return and should be low risk - should be able to support interest on debt	- some stocks are dividend paying - limited liquidity - potential volatility

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**Table 4: Generalist VCT provider 3,5 & 10 year performance comparison**

VCT manager (alphabetical order)	VCT name	Data as at	3 year annual % return	5 year annual % return	10 year annual % return
<b>Albion</b>	Albion Development VCT	30/06/2020	9.7%	7.6%	6.6%
	Albion Enterprise VCT	30/06/2020	8.8%	7.8%	7.8%
	Albion Technology & General VCT	30/06/2020	8.6%	4.8%	3.7%
	Albion Venture Capital Trust	30/06/2020	4.9%	6.8%	4.9%
	Crown Place VCT	30/06/2020	8.8%	8.2%	6.6%
	Kings Arms Yard VCT	30/06/2020	3.0%	5.9%	8.5%
<b>Beringea</b>	Proven VCT	31/05/2020	0.6%	3.6%	5.4%
	Proven Growth & Income VCT	31/05/2020	-2.0%	0.9%	5.2%
<b>Draper Esprit</b>	Draper Esprit VCT	30/06/2020	-3.8%	-0.1%	4.8%
<b>Gresham House</b>	Baronsmead Second VCT	31/08/2020	0.5%	2.7%	7.2%
	Baronsmead VCT	31/08/2020	0.2%	2.5%	7.7%
<b>Maven</b>	Maven Income & Growth VCT 5	31/05/2020	4.0%	3.3%	6.6%
	Maven Income & Growth VCT	31/05/2020	1.1%	3.8%	7.3%
	Maven Income & Growth VCT 3	31/05/2020	-0.2%	1.2%	6.0%
	Maven Income & Growth VCT 4	30/06/2020	-0.5%	1.4%	4.4%
<b>Octopus</b>	Octopus Titan VCT	30/06/2020	3.3%	3.8%	8.2%
<b>Pembroke</b>	Pembroke VCT B shares	31/03/2020	3.4%	4.8%	

Source: Tax Efficient Review calculation based on data from public accounts 01/10/2020

Gresham House for the previous four valuations (as reported in quarterly published statements) for each of the last five exits. The valuations show that all exits were achieved near or above the last valuation which is the preferred outcome.

Table 11 shows the stage of development of the Baronsmead VCT unquoted investee companies at the time of investment shows that the majority (70%) of the unquoted VCT value is still in Mature stage, MBO companies. This will change over time as the new rules shift the focus.

Table 7 shows the age (time in portfolio, rather than age of company) of current holdings. Average portfolio age is seven years with a large component, 20%, having been held for ten years or more.

Table 8 looks at average buyback discounts. Discounts are within the industry norm of a 5% discount.

Table 9 shows the exits over the last three years and Tables 11 to 13 show the current holdings.

Overall, Baronsmead has had a good track record over the past 10 years, comprising both unquoted and AIM listed companies, but the 3 and 5 year performance lags against their peer group. This could be due to the changes in the investment strategy as described

above, and fluctuations in the AIM portfolio. Going forward a large proportion of the unquoted portfolio will move to more risky growth and development focussed investments which could further increase the volatility of the net asset value.

### **Tax Efficient Review Track Record rating: 32 out of 40**

#### **The Manager**

In November 2018, the management of the Baronsmead stable of VCTs moved from Livingbridge VC LLP to Gresham House Asset Management. This made sense from the points of view of both companies; Livingbridge were moving more towards larger, institutional private equity deals and Gresham House 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.

Over the past 2 years 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.

The first Baronsmead VCT was launched in 1995 and they now manage £350m of VCT assets across the two merged 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). It is comforting for shareholders within the Baronsmead VCTs to see large majority of the team move from Livingbridge to Gresham House. 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.

The VCT team also can tap into the resources of the Gresham House Group, which has £3.3bn in funds under management and 125 employees. Since joining Gresham House, the investment team has been further strengthened with the addition of 3 investment managers and 2 specialist operating partners. Investment has also been made into portfolio monitoring software and a proprietary deal origination tool.

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. Key members of the team include:

- **Bevan Duncan - Head of Portfolio Management**
- **Ken Wotton - Head of Quoted Investments**
- **Tania Hayes - Divisional Finance Director**
- **Steve Cordiner - Head of Unquoted Investments**

For details see Appendix A.

The size of the challenge for an investment team depends on: funds already raised and requir-

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

The Baronsmead VCTs have £40m (24% of NAV) and £32m (18% of NAV) in cash/liquid holdings respectively as at 31st August 2020. Yet, they are seeking a further £75m across the two companies, if the over-allotment facility is utilised during this fund raising. This would create a high level of cash within both trusts, and upon which the manager still insists on charging the full 2% annual management charge.

The members of the investment team are in Appendix A. The VCT Boards are in Appendix B and the prospectus says that all of them are both non-executive and independent of the Investment Manager.

### **Tax Efficient Review Team rating: 19 out of 20**

#### **Costs**

##### **Initial Costs:**

- Direct investments – 3.5%
- Investments through an advised IFA – 3.0%
- Execution only broker – 4.5%

These initial costs are an increase on the 2.75% which was charged under the previous fund raising in the 2019/2020 tax year.

##### **Annual Costs:**

- BVT - 2% Annual Management Charge
- BSVT - 2.5% Annual Management Charge

Annual running costs of both VCTs are capped at 3.5% of net assets (excluding performance fees and irrecoverable VAT).

##### **Performance Fees**

- BVT - 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.
- BSVT - 10% of the total return that exceeds an annual threshold of 8% calculated on a simple basis.

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 Cost rating: 8 out of 10**

#### **Conclusion**

The name Baronsmead has been a success story of the VCT industry. If one goes back to the beginning of the VCT market in the late 90's, (when the first Baronsmead VCT was launched) names such as Advent, Quester and Matrix were some of the earlier pioneers of this brave new investment world. Whereas the others have all been subject to takeovers, mergers or just plain poor performance, the Baronsmead stable of VCTs has delivered for their investors.

The Baronsmead track record of consistent dividends and growth was built on the dual pillars of conservative fund raising and investing in larger, MBO style transactions, which VCTs were allowed to invest in back then. The fund raising point is interesting, as for many years they only sought small, top-up amounts of around £10m a year. These were snapped up by investors in a matter of days and often oversubscribed, such was their popularity. Since 2015 they have also had to change to investing across a larger number of smaller venture capital investments.

At the end of 2018, the Baronsmead VCTs were acquired by Gresham House from Livingbridge. Last year, the Baronsmead VCTs raised £45m, and this year, they are seeking a total of £75m across the two VCTs (including the £35m overallotment facility).

This means potential investors are looking at a different proposition to the Baronsmead name of old. Baronsmead now seek large sums each year, even when they already have healthy levels of cash, and an investment strategy focussing on a larger number of smaller companies. The long term performance over 10 years is very good, but more recently the Baronsmead Venture Trusts have lagged behind their peer group.

The potential investors would, however, be investing across two large VCTs with a high level of legacy holdings within them, which should help to furnish a healthy level of dividends in the coming years. But, we have concerns of the high levels of cash within the Venture Trust, upon which Baronsmead still levy the full 2% annual management charge.

**Tax Efficient Review rating: 86 out of 100 (for "Hybrid growth and AIM focussed VCT offer with track record")**

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**Table 5 - New investments made September 2019 to 31 August 2020** Source Gresham House

Company	Business	Month, Year	Amount	Structure
<b>New Unquoted investments</b>				
Vinoteca Ltd	Chain of wine bars / restaurants offering high quality, good value food and a differentiated wine list	September, 2019	£1,988,038	Ord Shares / Pref Shares / Loan Notes
Funding Xchange Ltd	SME lending marketplace	November, 2019	£750,001	Ord Shares
Glisser Ltd	Audience engagement software utilised in both physical and virtual conferences and events worldwide	November, 2019	£1,249,938	Ord Shares / Pref Shares
Rezatec Ltd	A geospatial data analytics business selling into the forestry and utilities sectors worldwide	January, 2020	£2,999,994	Convertible Ords Shares / Pref Shares
Clarilis Ltd	Legal document automation software	July, 2020	£3,498,979	Ord Shares
<b>Unquoted follow on investments</b>				
Storyshare Holdings Ltd	Staff engagement and training platform targeting companies with mobile workforces	October, 2019	£999,969	Ord Shares / Pref Shares
Tribe Ltd	Influencer marketing platform - connecting global brands with micro influencers	October, 2019	£526,025	Convertible Pref Shares
Munnypot Ltd	Automated online investment platform	December, 2019	£496,251	Pref Shares
Yappy Ltd	Supplier of customisable pet products in both the UK & US	April, 2020	£799,948	Ord Shares / Pref Shares
Custom Materials Ltd	E-commerce platform enabling merchants to sell bespoke products online	June, 2020	£880,523	Ord Shares
Funding Xchange Ltd	SME lending marketplace	August, 2020	£749,997	Ord Shares
<b>TOTAL UNQUOTED</b>			<b>£14,939,663</b>	
<b>New AIM-listed investments</b>				
None				
<b>Follow-on AIM-listed investments</b>				
Entertainment AI plc	Provides automated platform for analysis and monetisation of video content	September, 2019	£3,000,000	Ord Shares
Cloudcall Group plc	Cloud based telephony platform	September, 2019	£1,590,000	Ord Shares
Eden Research	Developer of biological fungicides and bio equivalents	March, 2020	£499,995	Ord Shares
PCI Pal plc	Secure payment services provider	April, 2020	£1,545,455	Ord Shares
Fusion Antibodies plc	Development of antibodies for both therapeutic and diagnostic applications	April, 2020	£200,001	Ord Shares
Rosslyn Data Technologies plc	Data analytics software platform	May, 2020	£1,600,000	Ord Shares
One Media iP Group plc	Content acquisition and distribution	August, 2020	£378,035	Ord Shares
<b>TOTAL AIM</b>			<b>£ 8,813,485</b>	
<b>TOTAL INVESTED IN PERIOD SEPTEMBER 2019 TO 31 AUGUST 2020</b>			<b>£ 23,753,148</b>	

**Table 6: Last five Baronsmead exits (whole exits not split by fund) August 2020**

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
Glide Ltd	May-20	12,738,000	12,238,000	11,607,000	9,840,000	9,531,000
CR7	Oct-19	0	0	1,593,000	4,193,000	4,193,000
Create Health Ltd	May-19	12,251,000	11,379,000	11,607,000	11,647,000	11,561,000
Kirona Ltd	Apr-19	20,679,000	20,679,000	14,611,000	12,018,000	10,980,000
Upper Street Events Ltd	Jan-19	2,674,000	2,485,000	1,906,000	1,906,000	1,906,000

**Table 7: Baronsmead VCTs current portfolio as at 31 August 2020:**  
**Age breakdown by original cost** Source Gresham House

Less than 1 year old	6%
1 to 2 year old	11%
2 to 3 year old	10%
3 to 4 year old	6%
4 to 5 year old	13%
5 to 6 year old	7%
6 to 7 year old	11%
7 to 8 year old	10%
8 to 9 year old	10%
10 to 15 year old	10%
>16 years old	6%
<b>AVERAGE AGE</b>	<b>6 years 1 month</b>

**Table 8: Buyback details 12 months to 31 August 2020**

Source: Gresham House Asset Management Ltd

<b>Baronsmead Venture Trust plc</b>		
	Treasury shares Bought	Treasury shares Sold
Treasury shares	2,962,000	50,000
Weighted average discount to NAV	5.32%	5.05%
<b>Baronsmead Second Venture Trust plc</b>		
	Treasury shares Bought	Treasury shares Sold
Totals	4,226,000	320,000
Weighted average discount to NAV	5.33%	5.06%

**Table 9 : Baronsmead VCTs realisation events in four years to 31 August 2020**

Source: Gresham House

Investee company name	Industry sector	Financing stage when first invested	Board Seat	Amount originally invested / date(s)	Further investment amounts (if any)	Realisations/ Dividends	Profit / (Loss)	Annual Internal Rate of Return	Length of investment
Key Travel Ltd	Business Services	Mature stage, MBO	Y	£4.3m July 2013	n/a	£13.0m	£8.7m	26.80%	5 years
Crew Clothing Hols Ltd	Consumer Markets		Y	£3.75m Nov 2006	£1.3m	£12.4m	£7.4m	10.30%	12 years
Eque2 Ltd	TMT		Y	£1.7m Apr 2013	n/a	£4.2m	£2.5m	29.80%	5 years
In The Style Fashion Ltd	Consumer Markets	Later stage, pre-profit expansion	Y	£5m Apr 2017	n/a	£0	(£5m)	100% loss	1 year
Xention Pharma Ltd	Healthcare & Education	Early	N	£632k Jul 2005	n/a	£0	(£632k)		13 years
Symphony Ventures Ltd	TMT	Later stage, pre-profit expansion	Y	£3.5m Aug 2017	n/a	£8.3m	£4.80	109%	1 year
Upper Street Events	Consumer Markets	Mature stage, MBO	Y	£4.25m Dec 2014	n/a	£2.9m	(£1.4m)	(9.4%)	4 years
Kirona Holdings Limited	TMT		Y	£4.25m Dec 2014	n/a	£13.0m	£8.7m	32%	4 years
Create Health	Healthcare & Education		Y	£4.8m Mar 2013	n/a	£17.1m	£12.3m	27.20%	7 years
IP solutions Limited	TMT		Y	£4.25m Dec-14	n/a	£1.9m	(£2.4m)	(11.6%)	4 years
CR7 Ltd	TMT	Early	N	£4.2m Aug 2014	-	-	(£4.2m)	100% loss	5 years
Glide Ltd	TMT	Late	Y	£5.0m Oct 2013	-	13.1	8.1	16.50%	6 years

**Table 10: Matrix of individual responsibilities for Baronsmead VCTs**

Data Source: Gresham House September 2020

	Bevan Duncan	Steve Cordiner	Ken Wotton	Hazel Cameron	Tamer Ozmen	Henry Alty	Thomas Makey	Maya Ward	Brendan Gulston	David Leahy	James Hendry	Mackenzie Travers
Deal origination		30%	10%	20%	40%	30%	30%	20%	10%	10%	30%	50%
General enquiries												
New deal doing	20%	60%	75%	40%	20%	60%	50%	40%	85%	85%	60%	40%
Investee board seats No.												
Sitting on Boards/Monitoring	50%	10%	5%	40%	20%	10%	10%	40%	5%	5%	10%	10%
Fund raising	10%		10%									
Internal issues												
Exits	20%						10%					
<b>NON VCT WORK</b>												
Non VCT work					20%							
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Years in venture capital	13	9	13	10+	3	7	4	5	5	3	1	2
Years involved with VCTs	13	9	13	0	1	7	4	1	4	2	1	1
Years with current team	13	9	13	1.5	1	7	4	1	4	2	1	1

## Baronsmead VCT and Baronsmead Second VCT

Table 11: Unquoted Investment Portfolio of Baronsmead VCT & Second VCT as at 31 August 2020  
Source Gresham House

Investee name	Amount invested (BVT & BSVT) £000	Current Value (BVT & BVST) £000	Date of first investment	Syndicated Y/N	Lead investor Y/N	Structure of investment	Industry sector	Financing stage	Valuation method	Profit/Loss of valuation over cost
Carousel Logistics Ltd	4,245	13,949	Oct-13	N	Y	Ords, Loan Stock	Business Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple	229%
Ten10 Ltd	4,237	8,373	Feb-15	N	Y	Ords, Loan Stock	Business Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple	98%
SecureCloud+ Ltd	1,489	2,908	Aug-18	N	Y	Ords	TMT	Later stage, development capital	Uplift in value, manager valuation based on earnings multiple	95%
Custom Materials Ltd	4,431	8,351	Mar-17	N	Y	Ords, Loan Stock	Consumer markets	Later stage, pre profit expansion	Uplift in value, manager valuation based on follow on funding round valuation	88%
Pho Holdings Ltd	4,402	7,302	Jul-12	N	Y	Ords, Loan Stock	Consumer markets	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple	66%
Pointr Ltd	992	1,539	Aug-18	N	Y	Ords	TMT	Early	Uplift in value, manager valuation based on revenue multiple	55%
Yappy Ltd	1,800	2,789	Jun-19	N	Y	Ords, Prefs	Consumer markets	Early	Uplift in value, manager valuation based on revenue multiple	55%
Key Travel Holdings Ltd	464	551	Jul-13	Y	Y	Ords, Loan Stock	Business Services	Mature stage, MBO	Loan note based on value plus accrued interest	19%
Storyshare Holdings Ltd	2,141	2,252	Feb-19	N	Y	Prefs	TMT	Early	Uplift in value, manager valuation based on earnings multiple	5%
Clarilis Ltd	3,499	3,499	Jul-20	Y	Co-Lead	Ords, Loan Stock	TMT	Later stage, development capital	Cost	0%
Equipsme (Holdings) Ltd	1,092	1,092	Aug-18	N	Y	Ords	Business Services	Early	Cost	0%
Funding Xchange Ltd	1,500	1,500	Nov-19	Y	N	Ords, Prefs	Business Services	Early	Cost	0%
Glisser Ltd	1,250	1,250	Nov-19	N	Y	Ords, Prefs	Business Services	Early	Cost	0%
IWP Ltd	2,994	2,994	Jul-19	N	Y	Ords, Prefs, Loan Stock	Business Services	Later stage, development capital	Cost	0%
Rezatec Ltd	3,000	3,000	Jan-20	Y	Y	Ords, Prefs	TMT	Early	Cost	0%
Tribe Ltd	2,014	2,014	Dec-18	N	Y	Ords	Consumer markets	Early	Cost	0%
Your Welcome Ltd	1,944	1,944	Aug-18	N	Y	Ords	TMT	Early	Cost	0%
Cisiv Ltd	1,489	1,432	Oct-18	Y	N	Ords	TMT	Early	Reduction in value, manager valuation based on earnings multiple	-4%
Vinoteca Ltd	1,988	1,900	Sep-19	N	Y	Ords, Prefs, Loan Stock	Consumer markets	Later stage, development capital	Provision taken by manager	-4%
Happy Days Consultancy Ltd	7,600	6,048	Apr-12	N	Y	Ords, Loan Stock	Healthcare & Education	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple	-20%
CMME Group Ltd	2,067	1,643	Apr-15	N	Y	Ords, Loan Stock	Consumer markets	Mature stage, MBO	Reduction in value, manager valuation based on earnings multiple	-21%
TravelLocal Ltd	1,500	1,125	Apr-19	N	Y	Ords, Prefs	Consumer markets	Early	Provision taken by manager	-25%
Munnypot Ltd	993	496	May-18	Y	Y	Ords	TMT	Early	Provision taken by manager	-50%



**Table 11: Unquoted Investment Portfolio of Baronsmead VCT & Second VCT as at 31 August 2020**  
 Source Gresham House

Investee name	Amount invested (BVT & BSVT) £000	Current Value (BVT & BVST) £000	Date of first investment	Syndicated Y/N	Lead investor Y/N	Structure of investment	Industry sector	Financing stage	Valuation method	Profit/Loss of valuation over cost
Rainbird Technologies Ltd	1,489	744	Feb-19	N	Y	Ords	TMT	Early	Provision taken by manager	-50%
Rockfish Group Ltd	1,489	744	Dec-18	N	Y	Ords	Consumer markets	Later stage, development capital	Provision taken by manager	-50%
Armstrong Craven Ltd	1,208	0	Jun-13	N	Y	Ords, Loan Stock	Business Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple	-100%
Labrador Ltd	496	0	Aug-18	Y	Y	Ords	TMT	Early	Written down by manager	-100%
Samuel Knight International Ltd	1,500	0	Jan-19	N	Y	Ords, Prefs, Loan Stock	Business Services	Early	Written down by manager	-100%
SilkFred Ltd	1,756	0	Aug-17	N	Y	Ords, Loan Stock	Consumer markets	Later stage, pre profit expansion	Written down by manager	-100%
<b>TOTALS</b>	<b>£65.1m</b>	<b>£79.4m</b>								

**Table 12: Baronsmead VCT Quoted Investments as at 31 August 2020**

Source Gresham House

	Book cost £'000	Valuation £'000	Multiple
Bioventix plc	261	4,130	15.83
Ideagen plc	565	4,594	8.13
Wey Education plc	428	3,298	7.71
Anpario plc	304	1,760	5.80
Inspired Energy plc	575	2,956	5.14
IDOX plc	614	3,001	4.89
Fulcrum Utility Services Ltd	31	137	4.43
Cerillion plc	1,800	7,247	4.03
Ixico plc	675	2,170	3.21
Gresham House plc	112	267	2.37
Diaceutics plc	1,410	3,321	2.36
LoopUp Group	504	1,169	2.32
Netcall plc	1,738	3,862	2.22
Begbies Traynor Group plc	434	933	2.15
Beeks Financial Cloud Group plc	338	641	1.90
The Panoply Holdings plc	585	1,067	1.82
Access Intelligence plc	586	1,021	1.74
Property Franchise Group plc (The)	686	1,098	1.60
Collagen Solutions plc	451	564	1.25
Belvoir Lettings plc	752	932	1.24
Rosslyn Data Technologies plc	1,151	1,319	1.15
Staffline Recruitment Group plc	174	198	1.14
Driver Group plc	1,127	1,266	1.12
Totally plc	71	79	1.11
PCI Pal plc	1,100	1,223	1.11
Everyman Media Group plc	783	802	1.02
Fusion Antibodies plc	540	519	0.96
One Media iP Group plc	396	330	0.83
Cloudcall Group plc	2,133	1,751	0.82
Vianet Group plc	1,293	973	0.75
Open Orphan plc	1,224	871	0.71
Eden Research	1,125	789	0.70
Sysgroup plc	1,293	642	0.50
Science in Sport plc	287	141	0.49
Entertainment AI plc	1,410	689	0.49
Dods (Group) plc	2,022	872	0.43
KRM22 plc	450	162	0.36
Scholium Group Plc	900	270	0.30
Gama Aviation	776	148	0.19
AorTech International plc	509	38	0.07
Adept4 plc	437	29	0.07
Zoo Digital Group plc	788	50	0.06
Tasty plc	1,189	56	0.05
I-Nexus Global plc	563	25	0.04
Hawkwing Plc	1,467	11	0.01
InterQuest Group plc	619	-	-
Marwyn Management Partners plc	1,050	-	-
Mi-Pay Group plc	800	-	-
MXC Capital Ltd	220	-	-
<b>Total quoted investments</b>	<b>£38.7m</b>	<b>£57.4m</b>	<b>1.48</b>

**Table 13: Baronsmead Second VCT Quoted Investments as at 31 August 2020**

Source Gresham House

	Book cost £'000	Valuation £'000	Multiple
Bioventix plc	319	5,048	15.83
Ideagen plc	691	5,615	8.13
Wey Education plc	522	4,031	7.71
Anpario plc	662	3,835	5.80
Inspired Energy plc	862	4,434	5.14
IDOX plc	1,027	5,167	5.03
Cerillion plc	2,200	8,858	4.03
Fulcrum Utility Services Ltd	342	1,115	3.26
Ixico plc	825	2,652	3.21
Gresham House plc	137	326	2.37
Diaceutics plc	1,590	3,745	2.36
LoopUp Group	616	1,429	2.32
Netcall plc	2,616	5,769	2.21
Beeks Financial Cloud Group plc	413	784	1.90
Begbies Traynor Group plc	545	1,018	1.87
The Panoply Holdings plc	660	1,203	1.82
Access Intelligence plc	716	1,248	1.74
Property Franchise Group plc (The)	839	1,342	1.60
Collagen Solutions plc	551	689	1.25
Belvoir Lettings plc	919	1,139	1.24
Roslyn Data Technologies plc	1,407	1,612	1.15
Totally plc	87	97	1.11
Driver Group plc	1,529	1,701	1.11
PCI Pal plc	1,345	1,495	1.11
Everyman Media Group plc	957	980	1.02
Fusion Antibodies plc	660	634	0.96
One Media iP Group plc	484	403	0.83
Cloudcall Group plc	2,607	2,140	0.82
Vianet Group plc	2,093	1,559	0.74
Open Orphan plc	1,496	1,065	0.71
Eden Research	1,375	965	0.70
Sysgroup plc	1,580	785	0.50
Science in Sport plc	351	173	0.49
Entertainment AI plc	1,590	777	0.49
Dods (Group) plc	3,267	1,316	0.40
KRM22 plc	550	198	0.36
Scholium Group Plc	1,100	330	0.30
Gama Aviation	1,004	193	0.19
Adept4 plc	535	36	0.07
Zoo Digital Group plc	817	52	0.06
Tasty plc	2,034	105	0.05
I-Nexus Global plc	687	30	0.04
Hawkwing Plc	2,137	16	0.01
InterQuest Group plc	619	-	-
Marwyn Management Partners plc	1,950	-	-
Mi-Pay Group plc	800	-	-
MXC Capital Ltd	269	-	-
<b>Total quoted investments</b>	<b>50,381</b>	<b>76,107</b>	<b>1.51</b>

**Appendix A: 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.
- **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.

## Appendix B: VCT Boards Source Gresham House

The Baronsmead VCT Board currently comprises four Directors, all of whom are non-executive and independent of the Investment Manager.

- **Peter Lawrence** was until the merger on 8 February 2016, a Non-Executive Director of Baronsmead VCT plc having been appointed in November 1999 and becoming Chair in 2009. Peter was also a prior Chair of Baronsmead VCT 5 plc before retiring in 2010. Peter was formerly Chair of ECO Animal Health Group plc, an AIM-traded company which he founded in 1972. Peter is currently the Chair of Amati AIM VCT plc and the Chair of Anpario plc, which is traded on AIM.
- **Les Gabb** served as a Director of Baronsmead VCT plc from May 2014 until the merger on 8 February 2016. For 10 years from 1990 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 2015 Les has been Finance Partner at Felix Capital Partners, a venture capital manager specialising in digital technology, and previously from 2000 held a similar role at Advent Venture Partners.
- **Valerie Marshall** was appointed to the Board on 8 February 2016 following the merger with Baronsmead VCT plc where she served as a Director from November 2009. She invested in growing companies with both 3i plc and the Scottish Development Agency for nearly 20 years, and was then Corporate Finance Director of stockbrokers Greig Middleton and Co Ltd.
- **Susannah Nicklin** is an Investment and Financial Services professional with 25 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.

The Baronsmead Second VCT Board currently comprises four Directors, all of whom are non-executive and, with the exception of Anthony Townsend, independent of the Investment Manager.

- **Sarah Fromson** (Chair) retired from her executive role as Head of Risk at Wellcome Trust in 2019. Sarah was previously at RBS Asset Management (formerly Coutts) where she held a number of senior positions, including Chief Investment Risk Officer, Co-Head of Investments and Head of the Long-Only Investment team. Sarah is Chair of JP Morgan Global Emerging Markets Income Trust plc, as well as being a non executive board member of Boston-based Arrowstreet Capital Partners.
- **Anthony Townsend** has spent over 50 years working in the City and was Chairman of the Association of Investment Companies from 2001 to 2003. He is currently Chairman of Gresham House plc and Finsbury Growth & Income Trust plc. He was a Director of Brit Insurance Holdings plc (1999-2008), representing it on the Council of Lloyd's of London (2006 to 2008). Prior to this, he was Managing Director of Finsbury Asset Management Ltd (1988-1998). He was a Non-Executive Director of Worldwide Healthcare Trust plc (1995-2013) and retired as the Chairman of BMO Global Smaller Companies plc on 30 July 2020.
- **Malcolm Groat** served as a Director of Baronsmead VCT 4 plc from April 2014 until the merger on 11 March 2016. 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 executive career, Malcolm held C-suite positions with global businesses in engineering, construction and financial services. Since 2004, he has also served as Chairman or Non-Executive Director in a number of significant businesses, currently holding directorships at two AIM-listed ventures InfraStrata and Tomco Energy.
- **Tim Farazmand** has spent 30 years in private equity. His last full-time role was as a Managing Director at LDC, the private equity arm of Lloyds Bank. He previously worked for 3i Group Plc and Royal Bank of Scotland Private Equity. He was Chair of the British Venture Capital Association (BVCA) for the 2014-2015 term. He currently chairs the Palatine Impact Fund, sits on the Advisory Board of Beechbrook Capital and the boards of Estio, The Lakes Distillery and Vinoteca.