

Product

Baronsmead Venture Trust and Baronsmead Second Venture Trust

Tax Status

Venture Capital Trust

Fund Group

Gresham House Asset Management

Risk Warning

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

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RISK WARNINGS AND DISCLAIMERS

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GENERAL RISK WARNINGS

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

Fluctuations in value of investments

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

Suitability

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

Past performance

Past performance is not a guide to future performance.

Legislation

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

Taxation

The levels and the bases of the reliefs from taxation may change in the future. You should seek your own

professional advice on the taxation consequences of any investment.

ADDITIONAL RISK WARNINGS

Venture capital trusts

1. An investment in a VCT carries a higher risk than many other forms of investment.
2. A VCT's shares, although listed, are likely to be difficult to realise.
3. You should regard an investment in a VCT as a long term investment, particularly as regards a VCT's investment objectives and policy and the five year period for which shareholders must hold their ordinary shares to retain their initial income tax reliefs.
4. The investments made by VCTs will normally be in companies whose securities are not publicly traded or freely marketable and may therefore be difficult to realise and investments in such companies are substantially riskier than those in larger companies.
5. If a VCT loses its Inland Revenue approval tax reliefs previously obtained may be lost.
6. No investment can 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.

Factsheet

Baronsmead VCT & Baronsmead Second VCT

Type	Hybrid VCT
Size	£20m per VCT (plus £5m over allotment facility). AUM is £420m across the two VCTs as at 30 November 2022
Manager	Gresham House Asset Management Ltd
Sponsor	Dickson Minto W.S.
Registrar	Computershare Investor Services plc
Focus	To generate tax free capital gains and regular dividend income for its shareholders through a diversified portfolio of VCT qualifying AIM and unquoted investments
Promoter	RAM Capital LLP
Funds initially invested	Cash and near cash instruments
Minimum investment	£5,000 per Company (VCT)
Initial Closing dates	24th March 2023, unless fully subscribed before this date, for the 2022/23 tax year
Issue costs	Direct investments – 3.5%, Investments through an advised IFA – 3.0% Execution only broker – 4.5%
Annual costs	2%
Initial advisor charges	If charged, these will be facilitated by the VCT on subscription

Summary

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

PROs	CONS
The hybrid holdings of both AIM stocks and unquoted investments make the Baronsmead VCTs good first investments for those new to the VCT market and looking for a combination of both AIM and unquoted investments within the one VCT	The poor performance of the AIM market in 2022 has had a large impact on the performance of Baronsmead VCTs in past 12 months
The Baronsmead VCTs are large, diverse VCTs with a total of £420m across the two VCTs and 85 investee companies, and are part of Gresham House, who also now oversee the Mobeus VCTs	The unquoted portfolio and the equity funds have also suffered drops in value in the past 12 months and long term unquoted manager Bevan Duncan departed early in 2022
There are 85 companies within the Baronsmead portfolio, circa 50% of the value of which are under the old VCT rules, and which should give a level of predictability to the ability of the Baronsmead VCTs to generate dividends	Only two profitable realisations from the Baronsmead portfolio in 2022, but the AIM holdings also allow for top slicing of profits

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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 £420m in assets under management in the Baronsmead

VCTs, over £141m is held in AIM investments.

For this reason, TER classify the Baronsmead VCTs as “VCT Hybrid growth and AIM focussed with track record”.

‘Sunset’ Clause

The ‘Sunset Clause’ was introduced by the Treasury for EIS and VCT reliefs to be reviewed and renewed by 6 April 2025. The clause provides that income tax relief will no longer be given to subscriptions made on or after 6 April 2025, unless the legislation is amended to make the scheme permanent, or the “sunset clause” is extended. The government has the power to extend or remove the sunset clause through

secondary legislation, which would allow the VCT & EIS schemes to operate in their current form beyond the current expiry date of the scheme. The then Chancellor Kwasi Kwarteng announced during his mini-budget of 23 September 2022 that venture capital schemes will be safeguarded beyond 2025 but no further details were given as to how this will be implemented.

The Offer

This offer looks to raise £20m for each of the two Baronsmead Venture Trusts, plus as further £5m is available for each Baronsmead VCT as an over-allotment facility (should the board decide to utilise it). This gives a total maximum fund raising of £50m across the two VCTs (£20m per VCT plus a £5m over allotment each).

The minimum investment is £5,000 per Company

and investors are able to choose to invest in either Company, or split their investment across both (subject to reaching the minimum £5,000 investment per VCT).

Baronsmead Venture Trust (BVT) and Baronsmead Second Venture Trust (BSVT) are amongst the largest VCTs in the industry. The Baronsmead name is also one of the lon-

Table 2: **GRESHAM HOUSE funds under management as at 30 November 2022**

VCT	Net assets £m	Annual fee %	Still to be invested to meet board set 80% invested
VCT funds			
Baronsmead Venture Trust plc	200	2.00%	£Nil
Baronsmead Second Venture Trust plc	220	2.50%	£Nil
Mobeus Income & Growth VCT plc	88	2.00%	£Nil
Mobeus Income & Growth 2 VCT plc	64	2.00%	£Nil
Mobeus Income & Growth 4 VCT plc	74	2.00%	£Nil
The Income & Growth VCT plc	104	2.40%	£Nil
NON VCT funds than can co-invest with VCT Funds			
None			
TOTAL	£749m		£Nil

Source: Gresham House Asset Management

gest established VCT managers, with the first Baronsmead VCT being launched in April 1995. The two VCTs raising funds here 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 VCT holdings are split across VCT qualifying AIM companies as well as holdings in unquoted companies. This should help provide investors with a good split of investments across these different markets. The sector preferences of the Baronsmead VCT are for healthcare & education, service based businesses and technology companies.

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

- Bias towards contracted or recurring revenue
- Minimum £1m recurring revenue
- Scalable sales model
- Credible path to breakeven

The long term investment strategy over most of 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.

The recent investments made by the manager in the twelve months to November 2022 total £41.0m:

£17.5m into new unquoted companies, £15.5m into follow-on unquoted investments and £8.0m in AIM companies. The unquoted investment figures are a significant increase on the previous year, which, Baronsmead say, is mainly as a result of the opportunities to make follow-on investments in existing portfolio companies as the portfolio matures. The AIM investment rate has not increased, but more companies may seek funding on the AIM market over the next year.

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 to 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 the same 37 unquoted investments and 50 AIM-traded investments for BVT and 48 for BSVT at 30 November 2022. 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 yield 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.

The breakdown of the recent dividend history of the Baronsmead VCTs is as follows:

Dividends in 12-month period to the 31st September	Baronsmead VCT	Baronsmead Second VCT
2018	7.5p	7.5p
2019	6.5p	6.5p
2020	6.5p	6.5p
2021	6.5p	6.5p
2022	5.75p*	6.0p
Total	32.75p	33.0p

*Includes final dividend to be paid in March 2023

Over the past 10 years, the Baronsmead Venture Trust has declared an average dividend of 8.8p per share, and the Baronsmead Second Venture Trust has declared an average dividend of 9.2p.

An impressive level of dividends for shareholders within these VCTs, but these were generated under the previous investment style. Whether

Track Record

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 divided by the number of years in 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 3 which shows how the Baronsmead VCTs have compared over the same time period to other VCTs. The results have not been particularly good. This is also shown in Table 4, which collates the average performance, and this shows the Baronsmead VCTs being joint last.

This is disappointing for investors to see and for a long standing manager like Baronsmead, who have for many years been seen as a beacon for the VCT industry.

However, TER have to point out that this may not be the most fair comparison due to the

this can be maintained going forwards will have to be seen, but Gresham House have said that circa 50% of the value of the portfolio 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, even though all the AIM stocks within the Baronsmead VCTs are considered to have level 1 liquidity (assets that have a regular mark-to-market mechanism for setting a fair market value).

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

unique make up of the Baronsmead VCTs. Approximately 50% of the investee companies are AIM listed within Baronsmead. Which makes the performance of the Baronsmead VCTs significantly dependent upon the performance of their holdings on the AIM market, which the other generalist VCTs we are comparing them to do not have to deal with. This can be a good thing for Baronsmead, as was seen in 2021, with the strong performance of the AIM market delivering for their VCTs that year.

But this works both ways and the AIM market has seen significant falls since the beginning of 2022 and all the AIM VCTs have seen falls in their performance. Whereas the Generalist VCTs in Table 3 would typically only value their unquoted holdings quarterly or 6 monthly and may hold investments at cost for some time after the investments is made.

But even taking the unpredictable nature of the AIM stocks within the Baronsmead VCTs into account, the two other areas - the unquoted holdings and the equity funds - have also seen drops of around 20% each in the past 12 months.

BARONSMEAD VENTURE TRUST AND BARONSMEAD SECOND VENTURE TRUST

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

VCT manager (alphabetical order)	VCT name	Data as at	Annual return over last 3 years	Annual return over last 5 years	Annual return over last 10 years
ALBION	Albion VCT	30/09/2022	3.6%	6.0%	6.0%
	Albion Technology & General VCT	30/09/2022	5.2%	8.9%	5.6%
	Kings Arms Yard VCT	30/09/2022	7.4%	7.6%	10.8%
	Albion Development VCT	30/09/2022	8.4%	11.4%	9.0%
	Crown Place VCT	30/09/2022	6.3%	9.4%	7.7%
	Albion Enterprise VCT	30/09/2022	7.1%	10.8%	11.3%
BARONSMEAD	Baronsmead Second Venture Trust	30/11/2022	3.1%	1.4%	4.5%
	Baronsmead Venture Trust	30/11/2022	2.4%	1.0%	4.6%
BERINGEA	ProVen Growth & Income New	31/08/2022	2.9%	1.9%	4.4%
	ProVen VCT	31/08/2022	1.7%	3.1%	4.4%
DOWNING	Thames Ventures VCT 2 Healthcare shares	31/08/2022	0.9%	-3.0%	
FORESIGHT	Foresight Enterprise VCT	30/06/2022	6.7%	4.6%	0.1%
	Foresight VCT	30/06/2022	10.9%	7.2%	2.2%
MAVEN	Maven Income & Growth VCT 5	31/08/2022	4.9%	5.0%	8.7%
	Maven Income & Growth VCT	31/08/2022	1.7%	2.3%	4.1%
	Maven Income & Growth VCT 4	30/09/2022	3.2%	2.2%	3.2%
	Maven Income & Growth VCT 3	31/08/2022	3.6%	1.7%	4.7%
MERCIA	Northern 2 VCT	30/09/2022	6.2%	4.6%	6.5%
	Northern Venture Trust VCT	30/09/2022	6.1%	4.9%	6.6%
	Northern 3 VCT	30/09/2022	6.5%	4.4%	7.3%
MOBEUS	Income & Growth VCT	30/09/2022	15.2%	11.0%	8.2%
	Mobeus Income & Growth 4 VCT	30/09/2022	16.3%	10.9%	8.2%
	Mobeus Income & Growth VCT	30/09/2022	14.1%	11.4%	10.5%
	Mobeus Income & Growth 2 VCT	30/09/2022	11.8%	9.2%	10.7%
MOLTEN	Molten Ventures VCT	30/09/2022	4.3%		
OCTOPUS	Octopus Titan VCT	30/06/2022	7.2%	5.7%	9.6%
	Octopus Apollo VCT	31/07/2022	12.7%	5.5%	3.5%
PEMBROKE	Pembroke VCT B share	30/09/2022	7.1%	8.4%	
PUMA	Puma VCT 13	31/08/2022	22.6%		
SENECA	Seneca Growth Capital VCT B shares	30/06/2022	-1.0%		
TRIPLE POINT	Triple Point VCT 2011 plc Venture shares	31/07/2022	6.6%		
YFM	British Smaller Companies VCT	30/09/2022	13.6%	10.4%	8.2%
	British Smaller Companies VCT 2	30/09/2022	12.2%	9.1%	5.9%

Source: Tax Efficient Review calculation based on dividend and Net Asset Value data from public accounts
 Calculation: (Closing period NAV less Opening period NAV plus dividends paid in the period) divided by number of years in the period. Figures do not include tax relief. Report produced 26/12/2022

Table 4: **Provider results comparison**

PROVIDER	AVERAGE SCORE BASED ON PLACE IN PEER GROUP (lower is better)
MOBEUS	5
ALBION	11
OCTOPUS	13
MERCIA	17
YFM	18
FORESIGHT	19
MAVEN	22
BARONSMEAD	25
BERINGEA	25

Calculation as at 26/12/2022 and based on results in Table 3 for providers with ten year performance. In order to reduce the data down to one figure, each VCTs' position in the Table 3 results is scored from 1 (first in the year) to the total number of VCTs in the analysis for the period (lower numbers are better), added together and then averaged over the three periods being measured

Table 5: **Baronsmead VCTs Sectors data as at 30/11/22 (excluding cash the equity funds and quoted AIM investments)**

Sector name	
Technology	57%
Healthcare & Education	23%
Business Services	12%
Consumer Markets	8%
TOTAL	100%

Source: Gresham House Asset Management

Table 6: **Baronsmead VCTs Stage of investment by current year revenue as at 30/11/22 (excluding cash the equity funds and quoted AIM investments)**

Early stage (revenue under £1m):	3%
Growth (revenue £1m-£5m):	32%
Scale up (revenue over £5m):	64%
TOTAL	100%

Source: Gresham House Asset Management

One unarguable area of VCT performance is in exits from investee companies. In 2022 there were only 3 exits from the unquoted portfolio within Baronsmead, and 2 exits on the quoted portfolio which are as follows:

1. Carousel Logistics - £4.25m invested in 2013 resulted in an exit of £18.6m in Feb 2022
2. Happy Days Consultancy - £7.6m invested in April 2012 resulted in an exit of £5.7m with interest received of £2.5m in July 2022
3. Rainbird Technologies - £1.5m invested in Feb 2019 resulted in a zero return in Sept 2022
4. Ideagen (quoted) - £1.3m invested in January 2013 resulted in an exit of £17.0m in July 2022
5. Cloudcall Group (quoted) - £5.8m invested in April 2014 resulted in an exit of £5.2m in February 2022

Table 7 shows the exits which have occurred over the past 3 years. There have been 21 companies realised in the past 3 years to 30th November 2022 which have realised £113m.

The benefit of the AIM stocks within the portfolio is that this allows for the top-slicing of profits from these holdings, which is something not typically available to the unquoted holdings of the other generalist VCTs.

The Manager

The first Baronsmead VCT was launched in 1995 and they now manage £420m of VCT assets across the two merged VCTs. 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.

In recent years Gresham House has acquired

In Table 5 shows the sector breakdown of the investment portfolio and Table 6 shows the bias is towards scale-up companies with substantial existing revenues in place. But a lot of these will be legacy holdings made prior to the MBO investment rule change.

Within the existing combined portfolio shown in Table 8, there are also substantial investments in eConsult and Airfinity.

But the fact still remain that the performance of the Baronsmead VCTs has not been what they would have wanted for their investors.

TER understand from Gresham House that going forwards the unquoted part of the portfolio will be overseen by Ed Wass, who was part of the Mobeus team (stable mate VCTs within Gresham House), after the departure of Bevan Duncan earlier in 2022. Also, that all new investments within the unquoted part of the portfolio will be made in conjunction with the Mobeus VCTs.

So maybe Gresham House are looking to their star pupil Mobeus to work some magic with the unquoted portfolio within the Baronsmead VCTs, which, along with an improvement in the AIM and listed equity funds, should help to lift the Baronsmead VCTs.

Tax Efficient Review Track Record rating: 31 out of 40

Hazel Capital in 2017, FIM in 2018, the VCT and Equity fund management contracts from Livingbridge in 2018 and Mobeus VCTs in 2021. Mobeus VCTs last reported AUM was £330m, which is highly significant, although less than the £420m managed by Baronsmead.

All of these together combine to make Gresham House one of the largest VCT managers in the UK in the space of only 3 years.

TER understand from Gresham House that the investment teams are now fully integrated and all AIM dealflow goes to the quoted team at Baronsmead and the unquoted investments are split across the six VCTs (two Baronsmead and four Mobeus ones).

The investment team managing the VCT portfolios within Gresham House remains one of the largest in the industry consisting of 31 investment professionals including operating partners and portfolio management consultants.

As the Baronsmead and Mobeus VCTs settle within the Gresham House stable, there will undoubtedly be some synergies which can be achieved from running the 6 separate VCTs (4 Mobeus and 2 Baronsmead). But this will also lead to cuts and one significant one seen has been the departure of long standing unquoted manager Bevan Duncan.

Bevan ran the unquoted portfolio for many years, alongside Ken Wotton who is responsible for the AIM listed side of the Baronsmead VCT portfolio. Ed Wass and Tom Makey are now running the unquoted portfolio. Ed is a portfolio partner at Gresham House and has worked on the Mobeus VCTs. Tom was investment director for the Baronsmead unquoted portfolio.

Furthermore, TER understand that, going forwards, all the new unquoted investments made by the Baronsmead VCTs will be made in conjunction with the Mobeus VCTs. So over time, there will be an increasing level of homogeneity between the unquoted side of the Baronsmead VCTs and the Mobeus VCTs.

Costs

Initial Costs:

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

These initial costs are the same as was charged under the previous fund raising in the 2021/2022 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%

The VCT team also can tap into the resources of the Gresham House Group, which has £7.5bn in funds under management (pro forma at 30 September 2022) and 223 employees.

Although other members of Gresham House may work on VCT deals from time to time, the team now has 21 full time equivalent employees focussed on finding and making new investments for the Baronsmead VCTs and the time allocation of members with at least three years VCT investing experience is indicated in Table 9.

The size of the investing 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.

The Baronsmead VCTs have £36m (18% of NAV) and £37m (16% of NAV) in cash/liquid holdings respectively as at 30th November 2022. Yet, they are seeking a further £50m 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.

Tax Efficient Review Team rating: 18 out of 20

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 Baronsmead VCTs are long standing members of the VCT market and have always been run as a “hybrid” VCT which holds both AIM listed and unquoted investments. The majority of the VCT managers in the market are focussed on investing into unquoted investee companies, and there are 4 main AIM VCTs, (Amati, Hargreave Hale, Octopus and Unicorn) which focus on investing in VCT qualifying AIM companies.

Baronsmead sits between these two groups by having a roughly equal split of unquoted and AIM quoted investee companies to make up the 85 companies within their VCTs. This is important to understand when it comes to assessing performance, as the two elements (AIM and unquoted) work in very different ways. The AIM listed companies are easy to value, as there is a “listed” price for them on the AIM market and these companies are affected quickly and easily by the performance of the AIM market as a whole. The unquoted companies, however, are valued far less frequently and have no listed price. The VCT managers are the sole providers of a “price”, or book value, which they derive quarterly using a variety of performance indicators and by following the IPEV guidelines.

This presents a bit of a double-edged sword when assessing the performance of Baronsmead VCTs. During the rapid recovery of the small cap indices during 2021, as the world eased out of COVID-19 restrictions, the AIM element of the Baronsmead portfolio performed very well. This may well have masked the performance of the unquoted element of the Baronsmead portfolio. But, the performance of the AIM market works both ways, and, since the beginning of 2022, there has been significant retrenchment of the AIM market. This is more immediately reflected in the performance of the AIM listed part of the Baronsmead portfolio, and has further exposed the poor performance of the unquoted holdings. To be fair, all the AIM VCTs mentioned above have seen similar drops in performance recently, but the overall performance of Baronsmead is not reflected well in the performance comparison tables of this report.

So, should advisers dismiss Baronsmead after this double whammy of drops in the AIM market and their unquoted holdings? The previous manager of the unquoted holdings, Bevan Duncan, is no longer with Gresham House, and instead Ed Wass has been drafted in from the Gresham House stable mate Mobeus VCTs to oversee the unquoted portfolio for Baronsmead. Furthermore, all new unquoted investments made by the Baronsmead VCTs will be made in conjunction with investments made by the Mobeus VCT going forwards.

Since acquiring both Baronsmead and Mobeus VCT houses, Gresham House now have 6 different VCTs (4 Mobeus VCTs and 2 Baronsmead), and they are clearly hoping to sprinkle some Mobeus magic dust on the performance of the unquoted element of the Baronsmead VCTs, whilst simultaneously hoping for a recovery in AIM stocks after a dismal 2022 for the AIM market.

In summary, the Baronsmead VCTs still represent a good, diverse VCT which is ideal for an adviser looking for a combination of both AIM and unquoted investments within the one VCT. But, unless performance picks up, advisers may consider investing in separate unquoted and AIM VCTs rather than a hybrid of both? The performance has reduced the score for this offer from 87 to 86 out of 100.

Tax Efficient Review rating: 86 out of 100 (for “Hybrid VCT offer with track record”)

BARONSMEAD VENTURE TRUST AND BARONSMEAD SECOND VENTURE TRUST

Table 7: Exits achieved in the last 3 years by BVT and BSVT as at 30/11/2022 (sorted by date of exit)

Company	Activity	Date of investment	Date of exit	Total invested £000	Interest received £000	Total Proceeds £000
APC Technology	Business Services	31/12/2009	01/11/2019	197	0	55
Synnovia (Plastics Capital)	Business Services	13/11/2007	20/11/2019	4,126	0	5,172
Synectics plc	Business Services	23/01/2004	18/12/2019	1,000	0	557
STM Group plc	Business Services	14/03/2008	09/01/2020	1,079	0	758
MXC Capital Ltd	Business Services	06/05/2015	23/01/2020	11	0	10
Glide	Technology, Media & Telecommunications	25/10/2013	31/05/2020	5,000	5,533	13,124
Castleton Technology plc	Technology, Media & Telecommunications	14/11/2014	04/06/2020	450	0	1,612
Centralnic Group	Technology, Media & Telecommunications	16/06/2015	18/06/2020	2,040	0	4,314
Ten10	Business Services	26/02/2015	19/10/2020	4,250	2,245	15,579
Labrador	Technology, Media & Telecommunications	20/08/2018	01/09/2020	500	0	0
Collagen	Healthcare & Education	03/03/2017	03/11/2020	1,002	0	1,303
Wey Education plc	Healthcare & Education	11/12/2015	25/05/2021	950	0	12,893
Pho	Consumer markets	26/07/2012	02/08/2021	4,400	4,781	10,958
Mi-Pay Group plc	Business Services	02/12/2005	12/11/2021	1,600	0	21
Cloudcall Group plc	Technology, Media & Telecommunications	04/04/2014	09/02/2022	5,840	0	5,273
Carousel Logistics	Business Services	02/10/2013	28/02/2022	4,245	62	18,648
Ideagen plc	Technology, Media & Telecommunications	07/01/2013	08/07/2022	1,256	0	17,014
Happy Days Consultancy Ltd	Healthcare & Education	04/04/2012	25/07/2022	7,600	2,569	5,789
Rainbird Technologies Ltd	Technology, Media & Telecommunications	01/02/2019	01/09/2022	1,489	0	0
TOTAL				£52.3m	£15.2m	£113.1m

Source: Gresham House Asset Management

BARONSMEAD VENTURE TRUST AND BARONSMEAD SECOND VENTURE TRUST
Table 8: Baronsmead VCTs unquoted holdings as at 30/11/22 (sorted by Multiple on cost)

Investee Company	Cost £000	Value £000	Date invested	Structure of investment (Equity/Loan)	Did equity involve downside protection (if so provide detail)	Industry Sector	Stage of Investment	Valuation method	Multiple on cost
Armstrong Craven Ltd	1,208	3,300	Jun-13	Ords, Loan Stock	Yes - loan notes	Business Services	Scale up	Earnings multiple	2.7
Pointr Limited	992	2,243	Aug-18	Ords, Pref Shares	Yes - pref shares	Technology, Media & Telecommunications	Growth	Recent investment	2.3
Metrion	2,249	4,442	Mar-21	Equity	Yes - pref shares	Healthcare & Education	Growth	Earnings multiple	2.0
IWP	2,994	5,796	Jul-19	Ords, Prefs, Loan Stock	Yes - loan notes	Business Services	Scale up	Earnings multiple	1.9
SecureCloud+ Limited	1,489	2,796	Aug-18	Ords, Pref Shares	Yes - pref shares	Technology, Media & Telecommunications	Scale up	Earnings multiple	1.9
Clarilis Ltd	3,499	5,237	Jul-20	Ords, Pref Shares	Yes - pref shares	Technology, Media & Telecommunications	Growth	Earnings multiple	1.5
Patchworks	4,799	7,172	Jul-21	Debt/equity	Yes - loan notes	Technology, Media & Telecommunications	Growth	Earnings multiple	1.5
Key Travel Holdings Limited	464	661	Jul-13	Loan Stock	Yes - loan notes	Business Services	Scale up	Earnings multiple	1.4
Airfinity	5,598	7,703	Jul-21	Equity	Yes - pref shares	Healthcare & Education	Growth	Earnings multiple	1.4
eConsult	7,499	9,992	Oct-20	Equity	Yes - pref shares	Healthcare & Education	Growth	Earnings multiple	1.3
Yappy Ltd	3,799	4,908	Jun-19	Ords, Pref Shares	Yes - pref shares	Consumer markets	Growth	Earnings multiple	1.3
Cisiv Limited	1,489	1,871	Oct-18	Ords	No	Technology, Media & Telecommunications	Growth	Earnings multiple	1.3
RevLifter	2,998	3,594	Nov-20	Equity	Yes - pref shares	Technology, Media & Telecommunications	Scale up	Earnings multiple	1.2
Scurri	4,325	4,841	Jun-21	Equity	Yes - pref shares	Technology, Media & Telecommunications	Growth	Earnings multiple	1.1
Panthera Biopartners	5,496	5,720	Sep-20	Equity	Yes - pref shares	Healthcare & Education	Growth	Earnings multiple	1.0
Fu3e	3,499	3,569	Jun-22	Ords, Pref Shares	Yes - pref shares	Technology, Media & Telecommunications	Growth	Earnings multiple	1.0
Munnypot Limited	1,022	1,022	May-18	Ords, Pref Shares	Yes - pref shares	Technology, Media & Telecommunications	Growth	Earnings multiple	1.0
Proximity	2,300	2,300	Feb-22	Ords, Pref Shares	Yes - pref shares	Technology, Media & Telecommunications	Growth	Earnings multiple	1.0
Focal Point Positioning Limited	1,813	1,813	Sep-22	Ords, Pref Shares	Yes - pref shares	Technology, Media & Telecommunications	Early stage	Recent investment	1.0
Orri Ltd	1,587	1,587	Sep-22	Ords, Pref Shares	Yes - pref shares	Healthcare & Education	Growth	Recent investment	1.0
Popsa	6,499	6,499	Dec-21	Ords, Pref Shares	Yes - pref shares	Technology, Media & Telecommunications	Scale up	Recent investment	1.0
SHE Software Group Ltd	798	798	Feb-19	Equity	No	Technology, Media & Telecommunications	Scale up	Earnings multiple	1.0
Counting Up	1,999	1,992	Feb-21	Equity	Yes - pref shares	Business Services	Growth	Earnings multiple	1.0
Bidnamic	1,870	1,859	May-22	Ords, Pref Shares	Yes - pref shares	Technology, Media & Telecommunications	Growth	Earnings multiple	1.0
SilkFred	1,756	1,714	Aug-17	Ords	No	Consumer markets	Scale up	Earnings multiple	1.0
Vinoteca Limited	1,988	1,591	Sep-19	Ords, Prefs, Loan Stock	Yes - loan notes	Consumer markets	Growth	Earnings multiple	0.8
TravelLocal Ltd	2,500	1,956	Apr-19	Ords, Pref Shares	Yes - pref shares	Consumer markets	Scale up	Earnings multiple	0.8
Tribe Limited	2,550	1,362	Dec-18	Ords, Pref Shares	Yes - pref shares	Technology, Media & Telecommunications	Growth	Earnings multiple	0.5
Rockfish Group Limited	1,489	701	Dec-18	Ords	No	Consumer markets	Scale up	Full provision	0.5
Your Welcome Limited	1,944	668	Aug-18	Ords, Loan Stock	Yes - loan notes	Technology, Media & Telecommunications	Early stage	Partial provision	0.3

BARONSMEAD VENTURE TRUST AND BARONSMEAD SECOND VENTURE TRUST

Table 8: Baronsmead VCTs unquoted holdings as at 30/11/22 (sorted by Multiple on cost)

Investee Company	Cost £000	Value £000	Date invested	Structure of investment (Equity/Loan)	Did equity involve downside protection (if so provide detail)	Industry Sector	Stage of Investment	Valuation method	Multiple on cost
Custom Materials Limited	5,622	1,179	Mar-17	Ords, Pref Shares	Yes - pref shares	Technology, Media & Telecommunications	Scale up	Earnings multiple	0.2
Rezatec Ltd	3,000	200	Jan-20	Ords, Pref Shares	Yes - pref shares	Technology, Media & Telecommunications	Growth	Earnings multiple	0.1
Glisser Ltd	3,373	218	Nov-19	Ords, Pref Shares	Yes - pref shares	Business Services	Growth	Earnings multiple	0.1
Samuel Knight International Ltd	1,500	0	Jan-19	Ords, Pref Shares	Yes - pref shares	Business Services	Scale up	Full provision	0.0
Equipsme (Holdings) Limited	1,791	0	Aug-18	Ords, Pref Shares	Yes - pref shares	Business Services	Early stage	Full provision	0.0
Funding Xchange Ltd	1,500	0	Nov-19	Ords, Pref Shares	Yes - pref shares	Business Services	Growth	Partial provision	0.0
Niche Finance	2,067	0	Apr-15	Equity	Yes - pref shares	Consumer markets	Growth	Full provision	0.0
TOTALS	£101.4m	£101.3m							1.0

Source: Gresham House Asset Management

Table 9: Matrix of individual responsibilities for Gresham House VCT investment team members with at least two years VCT experience and spending at least 50% on new deal originating and doing

NAMES	Trevor Hope	Ken Wotton	Hazel Cameron	Thomas Makey	Maya Ward	Brendan Gulston	James Hendry	Gregory Blin	Rowan Grobler	Graham Butler
VCT WORK										
Deal origination	20 %	10 %	40 %	30 %	30 %	10 %	30 %	30 %	30 %	40 %
General enquiries										
New deal doing	50 %	75 %	40 %	50 %	40 %	55 %	50 %	50 %	50 %	40 %
Fund raising	20 %	10 %								
Internal issues	10 %									
Sitting on Boards/ Monitoring		5 %	20 %	10 %	30 %	5 %	20 %	10 %	10 %	20 %
Exits				10 %				10 %	10 %	
NON VCT WORK										
Non-VCT work	30 %									
TOTAL	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Days per week	5	5	2	5	5	5	5	5	5	3
Years in venture capital	26	16	11	7	8	8	4	11	4	10
Years involved with VCTs	17	16	3	7	4	7	4	9	4	10
Years with current team	7	16	5	7	4	7	4	9	4	5

Source: Gresham House Asset Management