

Product

Mobius VCTs

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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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

Mobeus VCTS

Type	Generalist VCT with track record
Size	£47m combined fund raising across the four Mobeus VCTS plus a further £29m over allotment facility. There is a combined AUM of £378m across the four Mobeus VCTS, as at 30 June 2022
Manager	Gresham House Asset Management Ltd
Sponsor	Howard Kennedy LLP
Registrars	Link Asset Services or 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 unquoted investments across a broad range of sectors
Promoter	Portunus Investment Solutions
Funds initially invested	Cash deposits and money market funds
Minimum investment	£6,000 per tax year, excluding initial adviser charges
Initial Closing Date	27 March 2023 or when each individual offer becomes fully subscribed
Issue costs	3 % maximum costs initial for new direct applications, 2.5% initial charge for IFA/advised investors, direct application (existing investors) and for execution only investors
Annual costs	2% or 2.4% depending on the Mobeus VCT
Initial advisor charges	If charged, these may be facilitated by the VCT on subscription.

Summary

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

PROs	CONs
Excellent level of dividend distribution from the four Mobeus VCTS, with a further round of dividends expected in November 2022	The prospectus is being issued on 5th October based on 30th June 2022 figures, but any share allotments are likely to take place after November and based on later figures. Mobeus/Gresham have said that a supplementary prospectus will be issued if the two sets of figures differ significantly
Since 2017 there have been 22 exits/sales/partial sales generated from the investment portfolio of the Mobeus VCTS and of these 21 were profitable, with £282m generated from a total cost of £106m	There is a relatively high weighting of cash across the Mobeus VCTS, with £128m held as at 30 June 2022 (post July dividends), although £21m of this is allocated to November dividends
Innovative launch process where the prospectus is issued on 5th October, but application forms will not be issued until 17th October. This is designed to allow for IFAs to undertake sufficient due diligence	Same initial cost of 2.5% for both advised applications and for existing investors to apply directly, or on an execution only basis, does not seem particularly fair to Independent Financial Advisers

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TER classification

TER classifies this VCT as a “Generalist VCT with track record” and the combined Gresham House team are experienced fund managers within the VCT market. The Mobeus VCTs were managed

by Mobeus Equity Partners until they were acquired by Gresham House Asset Management in September 2021.

Review based upon

TER always meet with fund managers prior to a review. This review is based on those meetings, the prospectus for the Offer and data provided

by Mobeus VCT manager/ Gresham House Asset Management (Gresham House).

‘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 EIS scheme to operate in its current form beyond the current expiry date of the scheme.

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.

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

VCT	Net assets	Annual fee	Still to be invested to meet VCT rules
	£m		£m
VCT funds			
MIG VCT	104	2.00%	Nil
MIG 2 VCT	72	2.00%	Nil
MIG 4 VCT	86	2.00%	Nil
I&G VCT	117	2.40%	Nil
Baronsmead Venture Trust plc	214	2.00%	Nil
Baronsmead Second Venture Trust plc	235	2.50%	Nil
NON VCT funds than can co-invest with VCT Funds			
NONE			
TOTAL	£827m		

Notes: For I&G, 0.4% of the annual fee of 2.4% is an administration fee element and is subject to a cap of £170k per year.

Source: Gresham House Asset Management

The Offer

In January 2022 we saw the first Mobeus VCT fund raising for 2 years and the first one which was under the banner of Gresham House, who had acquired the Mobeus VCTs' investment advisory contracts in September 2021.

The fund raising in January 2022 was for a modest £35m and it proved to be popular with investors as it sold out within a matter of days and was highly over subscribed.

This review is for the Mobeus VCTs 2022/23 tax year offer and they have upped the amount being sought to £47m across the 4 Mobeus VCTs with a further £29m over allotment facility, taking the total fund raising to £76m. This is a much more substantial amount and should allow more time for advisers to consider the merits of the Offer, but it is still not at the Octopus Style" £100m plus end of the VCT fund raising market. The Board of each VCT has set out the amount sought as follows:

- £14m for Mobeus Income & Growth VCT ("MIG") with an £8m over-allotment facility
- £8m for Mobeus Income & Growth 2 VCT ("MIG2") with an £8m over-allotment facility
- £11m for Mobeus Income & Growth 4 VCT ("MIG4") with an £5m over-allotment facility
- £14m for The Income & Growth VCT ("I&G") with an £8m over-allotment facility

There has also been a relatively unique methodology added to this launch because of its previous popularity. The prospectus is being issued on 5th October, but the application form is being withheld until 17th October. This should give time for IFAs to carry out sufficient due diligence before the application forms are released.

The first allotment date is anticipated to be in November. It is worth noting that any amounts raised under the over-allotment facility will not be allotted until January 2023 (at the earliest), this is to increase the time available to invest the funds raised under the VCT rules.

Investors should note that this offer is not linked. Under this offer, the investor can choose to invest equally across all the offers or choose how much to invest in one or more of the four VCTs.

The Offers are open for the current tax year only and the Offers will close no later than 27 March 2023, unless one or more offers are fully subscribed by an earlier date.

The Mobeus VCTs investment advisory arrangements moved to Gresham House in late 2021. Gresham House is a specialist alternative asset manager listed on the London Stock Exchange with £7.3 billion in assets under management (at 30 June 2022). Gresham House is a specialist fund group, which has demonstrated a long-term commitment to the VCT industry with the earlier acquisition of the Baronsmead Venture Trust plc and Baronsmead Second Venture Trust plc (the Baronsmead VCTs).

The transaction combined two well known investment and operations teams, each with more than 20 years' heritage and experience, creating a significant platform in the VCT market across over £850 million of shareholders' funds.

Each of the Mobeus VCTs' and the Baronsmead VCTs' brands will retain their individual investment strategies to offer investors the choice of two high-quality offerings. The Mobeus VCTs will remain focused on unquoted investments, whilst the Baronsmead VCTs will continue to invest in both unquoted and public companies traded on AIM. There is likely to be an increasing participation in unquoted investee companies from both Mobeus and Baronsmead ventures team going forwards.

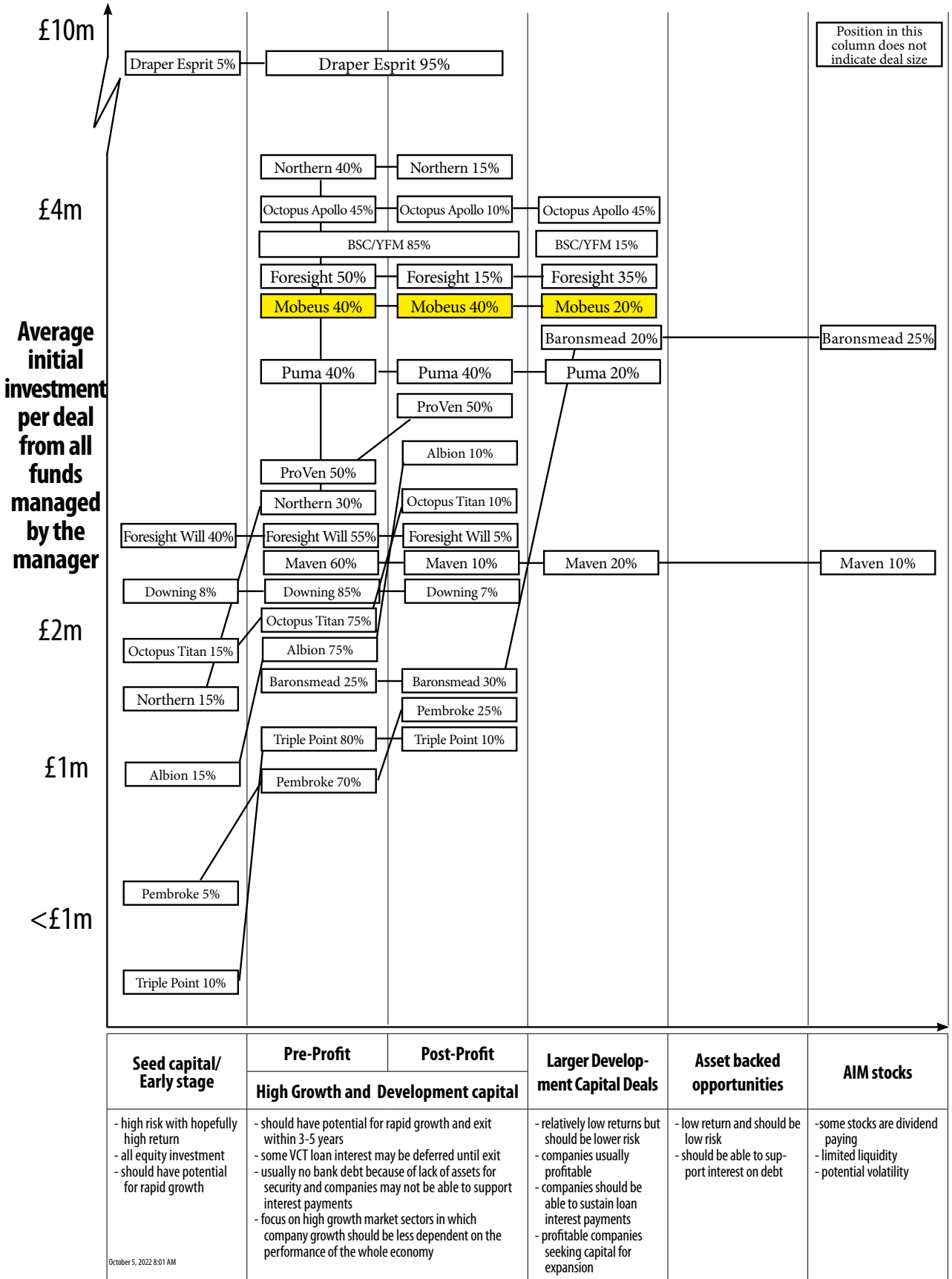
Interestingly, Gresham House have said the VCTs retain the use of the 'Mobeus' name for a period and will likely change in the near/medium term.

The four Mobeus VCTs have a combined asset base of £378 million as at 30 June 2022, and they possess the same investment strategy and with similar portfolios across the four VCTs.

Investment Strategy

Prior to 2015 the Mobeus VCTs pursued a MBO led investment strategy but since then have focussed purely on venture capital/growth based investments. The number of MBO investments has fallen over time as exits have been achieved and new post-2015 investments have been made. All the Mobeus VCTs are classified as generalist VCTs with the same investment remit across the four VCTs.

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 February 2022



The older style MBO investments now comprise only 25% of the VCTs' investment portfolio, and this percentage will continue to reduce further over time as new money is raised and sales/exits of such investments under the previous strategy occur. But, investors can still benefit from the existing portfolio of the older style MBO investments, which is combined with more recent unquoted growth investments. All new investments will be growth investments in unquoted companies.

Before Qualifying Investments are identified, cash is placed in liquid, low risk Money Market Funds and bank deposits. The investment strategy of each Company aims to be relatively lower risk within the overall VCT universe, while still providing the prospect of attractive returns.

The older style investments focused more on replacement capital and were directed towards larger, mainly profitable companies. These include Red Paddle, Equip and Virgin Wines.

The newer, growth orientated investments are typically revenue generating but not necessarily profitable.

The current sector split across the Mobeus VCTs is as follows (figures are as a percentage of portfolio and exclude cash):

• Software & Computer Services	41%
• Retailers (e-Commerce)	31%
• Industrial Support Services	12%
• Retailers (Traditional)	8%
• Travel & Leisure	3%
• Technology, Hardware & Equipment	2%
• Consumer Services	1%
• General Industrials	1%
• Food Producers	1%

Investment Structuring

Frequently, funds from the VCTs will be the first institutional investment in the business, where previously the business has been self-funded and/or supported by Angel investors. Investments will be made using a range of financial structures and instruments including:

- Equity instruments which provide investor controls and protections, allowing the VCT manager significant influence over the company's plans and development;
- Debt instruments, which may provide for

priority repayment when the company exits thereby reducing the downside risk of the investment; and

- Instruments which develop as the company matures, for example involving increased interest and dividend payments only once the company matures and has the capacity to pay.

As an example, one of the investments made since the rule changes came in was in a very small eight-person company (backed by Robert and Stephen Grabiner) called "My Tutor". Mobeus invested £2m in May 2017 from the four VCTs for 19% of the company valuing the loss-making start-up (£900k loss in the year to December 2016), when the Company had revenues of £220k, at over £10m enterprise value. Post investment, following three further investment rounds (£3.6m in May 2018, £3.1m in May 2020 and £3m in August 2021), the Company has grown to £11.2m of revenue for its year to 2021. The VCTs latest valuation of the company is at an enterprise value of £50m.

In order to provide some downside protection the investment was made in A preferred ordinary shares (a special class of ordinary shares with a liquidation and sale preference). A "preference" confers the right to be paid a sum equal to (or in some cases (though less common nowadays) a multiple of) the subscription amount paid by it before any of the other shareholders are paid. The My Tutor shares are participating preferred shares whereby the Mobeus VCT investment receives priority in the return of its investment capital. After this distribution other shareholders receive a 'catch-up' of an equivalent value of the investment capital received by the Mobeus VCTs and thereafter all shareholders including the Mobeus VCTs' share any remaining proceeds on a pro rata basis to their equity holding.

In some investments, depending on the commercial circumstances, Mobeus/Gresham seeks a 'fully participating preference' whereby after the investors receive their preferred shares payment amount, the remaining proceeds are distributed to all shareholders, including the investors, pro rata to their shareholding.

In order to protect the downside risk of more recent investments, the Mobeus VCTs have put in place a 'sale preference' by which the VCTs recoup their investment in a priority position in

24 of the 29 VCT investments since November 2015.

Dividend and Share Buy-Back Policy

The dividend target for the four VCTs are:

- MIG - 4p per annum
- MIG2 - 5p per annum
- MIG4 - 4p per annum
- I&G - 6p per annum

For subscribers who invested in the last eight Mobeus VCT offers, this minimum dividend has been significantly exceeded as seen in the table below.

The dividend history is a significant part of the track record, which is covered in more detail later in this report. But as can be seen in the table below, there have been a significant number of special dividends, generated from successful realisations within the portfolio.

There are also the pre-2015 MBO based investments which help to generate a more predictable level of income to help funds dividends.

Track record

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

The results are in Table 3 and consist of results for each provider currently fund raising and their VCTs over a 3, 5 and 10 year period. In order to reduce the data down to one figure we score each VCTs' position in the results from 1 to the total number of VCTs in the analysis (in this case 17 and lower positions are better), add them together and take an average over the three periods being measured. The results are in Table 4.

This analysis shows Mobeus VCT performance over the combination of 3, 5 and 10 years puts them clearly in first place against their Generalist VCT peer group. What has been most impressive has been the performance over 3 years.

The total return across the four Mobeus VCTs over 3, 5 and 10 years is highly consistent and

Dividends in 12-month period	MIG	MIG2	MIG4	I&G
2017	19p	17p	28p	22p
2018	5p	9p	4p	5.5p
2019	11p	20p	19p	9.5p
2020	15p	18p	10p	14p
2021	5p	6p	5p	5p
2022	8p	12p	8p	8p
Total	63p	82p	74p	64p

Each of the four Mobeus VCTs has announced further dividends payable on 7th November (before any allotment under the 2022/23 offer) as follows: MIG: 4p, MIG2: 6p, MIG4: 6p, I&G: 4p.

Share Buyback Policy

The Mobeus VCTs, have a policy of buying back their shares in the market for cancellation. It is the VCTs' aim that the discount to net asset value at which shares are bought back by the Company is around 5%.

Tax Efficient Review Strategy rating: 29 out of 30

reflects the similarity in their underlying portfolios.

The shareholders in the Mobeus VCTs should be very pleased with the long term performance which has been generated. This level of performance also shows how the Mobeus VCTs have managed to adapt to the various rule changes over the years and still deliver superior returns to investors.

At the heart of the Mobeus's VCTs performance is a particularly strong run of cash exits from realised investments. Since 30 June 2017, Mobeus has realised/part realised 22 of its VCT investments, of which 18 were profitable. These sales have realised total cash proceeds of £282m; a profit of £176m; against the £1061m cost of the investments.

Twenty-one of the exits have successfully produced cash gains whilst just one generated a cash loss of £1.1m, making on average a 2.7X money multiple on twenty separate investments which has contributed to the Mobeus VCT dividends.

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	30/06/2022	3.8%	6.0%	5.7%
	Albion Technology & General VCT	30/06/2022	2978.1%	2134.1%	917.4%
	Kings Arms Yard VCT	30/06/2022	6.8%	7.0%	10.1%
	Albion Development VCT	30/06/2022	8.4%	12.3%	8.9%
	Crown Place VCT	31/03/2022	7.5%	10.0%	8.0%
	Albion Enterprise VCT	30/06/2022	8.3%	11.5%	11.4%
BARONSMEAD	Baronsmead Second Venture Trust	31/07/2022	3.0%	1.5%	4.9%
	Baronsmead Venture Trust	31/07/2022	2.2%	1.0%	5.1%
BERINGEA	ProVen Growth & Income New	31/05/2022	3.6%	2.9%	5.0%
	ProVen VCT	31/05/2022	1.4%	2.6%	4.4%
FORESIGHT	Foresight VCT	30/06/2022	11.0%	7.3%	2.2%
	Foresight Enterprise VCT	30/06/2022	7.3%	4.9%	0.2%
MAVEN	Maven Income & Growth VCT 3	31/05/2022	3.8%	1.8%	4.7%
	Maven Income & Growth VCT 5	31/05/2022	5.1%	4.9%	9.6%
	Maven Income & Growth VCT	31/05/2022	2.8%	2.4%	4.2%
	Maven Income & Growth VCT 4	30/06/2022	3.6%	2.2%	3.2%
MERCIA	Northern 3 VCT	30/06/2022	7.4%	4.4%	7.3%
	Northern 2 VCT	30/06/2022	7.3%	4.5%	6.8%
	Northern Venture Trust VCT	30/06/2022	7.5%	5.9%	6.9%
MOBEUS	Mobeus Income & Growth 2 VCT	30/06/2022	11.1%	9.3%	10.9%
	Income & Growth VCT	30/06/2022	15.9%	9.9%	8.9%
	Mobeus Income & Growth 4 VCT	30/06/2022	15.4%	9.7%	8.5%
	Mobeus Income & Growth VCT	30/06/2022	14.9%	11.1%	11.0%
MOLTEN	Molten Ventures VCT	31/03/2022	7.3%	3.7%	7.4%
OCTOPUS	Octopus Apollo VCT	31/05/2022	10.8%	5.2%	3.2%
PEMBROKE	Pembroke VCT B share	30/06/2022	8.6%	8.2%	
PUMA	Puma VCT 13	28/02/2022	22.7%		
TRIPLE POINT	Triple Point VCT 2011 plc Venture shares	31/07/2022	6.6%		
YFM	British Smaller Companies VCT	31/03/2022	13.6%	9.5%	7.4%
	British Smaller Companies VCT 2	31/03/2022	12.7%	8.8%	5.8%

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 01/10/2022

Table 4: **Provider results comparison**

PROVIDER	AVERAGE SCORE BASED ON PLACE IN PEER GROUP (lower is better)
MOBEUS	5
YFM	9
ALBION	11
PEMBROKE	11
MERCIA	15
MOLTEN	16
OCTOPUS	16
FORESIGHT	19
MAVEN	22
BERINGEA	24
BARONSMEAD	25

Calculation as at 05/10/2022 and based on results in Table 3. In order to reduce the data down to one figure, each VCTs' position in the Table 3 results is scored from 1 (first in the year) to the total number of VCTs in the analysis for the period (lower numbers are better), added together and then averaged over the three periods being measured

It has not all been good news. There has been a significant cooling in the UK small cap market since the beginning of 2022. Whilst this has been most evident within the AIM market, the valuations applied in the unquoted market have not been immune from this downturn.

The largest holding in the Mobeus VCTs, Preservica, has seen its valuation drop by £6m from £53m to £47m. Virgin Wines, which Mobeus took profits from when it listed, is still held and has seen its share price fall significantly and reduce its book valuation from £25m to £15m.

There has also been only one profitable exit in 2022 from the sale of Media Business Insight, compared to 4 exits in 2021 and 6 exits in 2020. This also reflects the cooling of the small cap market since the beginning of the year. Other details on the unquoted portfolio are in the tables at the end of this report:

- Table 5 shows the new and follow-on investments made in the three years to end

September 2022.

- Table 6 shows the sector split of the Mobeus VCT combined portfolio, with technology and consumer companies making up the majority of the investee companies. Which is in line with many of their generalist VCT peers.
- Table 7 is the breakdown of the portfolio of the Mobeus VCTs by the stage of investment with the majority of the portfolio skewed towards later stage scale up businesses, with revenues over £5m per annum.
- Table 8 shows the recent exits achieved in the past three years. There have been notable exits from companies such as Red Paddle, Access IS and Auction Technology Group. What is encouraging from this table is the relative proximity of the valuations achieved on exit compared with the most recently held book valuation.

Tax Efficient Review Track Record rating: 34 out of 40

Manager

In June 2012 the fund manager, Mobeus Equity Partners LLP was formed by Matrix Private Equity Partners effecting their own MBO from Matrix Group. Three of the VCTs changed names from Matrix Income and Growth VCTs to Mobeus Income and Growth VCTs and the name of The Income and Growth VCT stayed the same.

Mobeus was formed by four private equity executives in 1998 and was one of the three managers of Mobeus Income & Growth 4 VCT (formerly TriVen VCT) and The Income & Growth VCT (formerly TriVest VCT) from inception and took over the investment mandates in their entirety in 2007 and 2008 when the other two fund managers were dropped by the boards. Each of the four Founder Partners has between 15- and 30-years private equity experience and the team were one of the most stable in VCT management, having worked together for almost 20 years. They were: Mark Wignall, Managing Partner (now consultant to Gresham House, ex MAI plc), Jonathan Gregory, Partner (now retired ex Baker Tilly), Bob Henry, Partner (ex head of investment HSBC Ventures) and Mike Walker, Partner (now retired, ex head of Portfolio Management Gresham Trust). Mark is now a consultant to Gresham House and Bob is a portfolio director.

In response to the change in the VCT Regulations in 2015, a new growth investment team was formed under the leadership of Partner, Trevor Hope. This was a highly significant move by Mobeus as Hope had formerly been the Chief investment Officer for the ProVen VCTs where he had led and implemented their growth investment strategy for 12 years. Hope has now been in post at Mobeus for 6 years and made several experienced new hires including:

- Venture Partner, Matt Mead, formerly CIO at Mercia Technologies Plc.
- Joe Krancki, Investment Director, ex Frog Capital

The other senior members of the investment team are, Clive Austin, Partner and Head of Portfolio (ex NVM Private Equity), Greg Blin (ex Piper Private Equity), Ed Wass, Portfolio Director and formerly CIO at Catapult Ventures, Giles Whitman, Portfolio Director (ex Growth Capital Partners and YFM) and Simon Bursell, Portfolio Director (ex Bridgepoint Group plc).

Upon acquiring Mobeus VCTs, Gresham House now manages over £800 million of private equity and has assembled a team of over 40 staff, which consists of 30 investment professionals, a specialist direct origination team, and a 12 strong support and back office. Gresham claims that the size of this team and scale of resource provides multiple contact points with companies and advisors and generates superior quantity and quality of deal flow

The size of the investing challenge for an investment team depends on: funds already raised and requiring investing, upcoming exits that will require reinvesting and the impact of new funds being raised. These all need to be considered within the VCT investment rules. But the team in place are of a size to handle the potential £76m fund raising and also have the resources of the wider Gresham House Group to call upon.

Each of the VCTs' Boards is independent of Gresham House. Gresham House say they have substantial experience of venture capital businesses and have overall responsibility for each VCT's affairs, including determining the investment policy of the relevant VCT and making investment decisions (on the advice of Mobeus/Gresham). Each Board also retains responsibility for approving both the valuations of the portfolio and the net assets of its VCT which is an important safeguard for investors.

Tax Efficient Review Team rating: 18 out of 20

Costs

- **Initial costs:** 2.5% for advised applications and direct (existing shareholders), 3% for direct application (new shareholders). The VCTs will facilitate adviser charging from intermediaries up to a maximum of 4.5%. There is no early investment incentive

- **Annual management fee:** The breakdown of the annual management fees for the four Mobeus VCTs are as follows:

MIG: 2.0% per annum of MIG's net assets, plus an annual fixed fee of £120,000 which is subject to annual RPI increases (currently £134,168)

MIG 2: 2.0% per annum of MIG 2's net assets, plus an annual fixed fee of £104,432 which is subject to annual RPI increases (currently £113,589)

MIG 4: 2.0% per annum of MIG 4's net assets plus an annual fixed fee of £107,827 which is subject to annual RPI increases (currently £115,440)

I&G: 2.4% per annum of I&G's net assets, 0.4% of such fee being subject to an annual minimum and maximum payment of £150,000 and £170,000 respectively

Running costs are capped at between 3.25%-3.6% of the net asset value of the funds and are currently running significantly below these levels at between 2.34% and 2.7%

The Investment adviser has agreed to a 1% discount on its 2% adviser fees on any amounts raised under the over allotment facility for a period of 12 months.

- **Performance fee:** The performance incentives are very complex and each slightly different but based around **20% of the excess above 6p**, of the annual dividends paid to shareholders.

In respect of MIG and MIG4, the performance fee will only be paid if the NAV per Share over the year relating to payment has remained at the equivalent of the initial subscription price of 100p per Share. The performance fee will be paid annually, with any cumulative shortfalls below the 6p threshold having to be made up in later years. Mobeus/Gresham inform us that they believe that all these performance incentives have become overly challenging to be meaningful. This can be seen in the case of MIG and MIG4 as both are still "underwater" in triggering a performance fee despite the good performance.

In the case of the I&G and MIG2 schemes, subject to continued strong NAV and dividend performance, there is potential for a future payment. MIG2 has recently paid £1m incentive fee in respect of its year ended 31 March 2022 following 18 pence of dividends paid in the year. The I&G scheme is based upon a total return target with the incentive fee payment being derived upon the achievement of realized gains from the portfolio. A £1m payment in respect of I&G has been accrued in its Half Year Report

The Manager is also entitled to an arrangement fee, payable by each Investee Company, of approximately 2% on each investment made and is entitled to any monitoring fees in respect of the Manager's representation on the boards of Investee Companies.

Tax Efficient Review Cost rating: 8 out of 10

Conclusion

Mobeus VCT fund raisings are like buses. They used to be relatively rare occurrences, happening, sometimes, only every two years. But Gresham House, who acquired the Mobeus VCTs in September 2021 to sit alongside their Baronsmead VCTs, issued a £35m fund raising in January 2022, and now, only 9 months later, we have another fund raising Offer. This one is much larger and if fully subscribed could top £76m with £47m being sought plus a £29m over-allotment facility, split across the 4 Mobeus VCTs.

There are many reasons for two coming along so frequently. Naysayers would point to Gresham House looking to recoup some of their large outlay to acquire the Mobeus VCTs via the increased fee income generated by these fund raisings. But there is also the buoyant VCT market we saw in the previous tax year which saw the £35m fund raising in January sell out in 2 days. So, there is clearly demand out there.

Why this level of demand? It's down to the track record of 19 successful exits over the past 5 years and a cumulative dividend track record since 2017 ranging from 63p for Mobeus Income & Growth, 82p for Mobeus Income & Growth 2, 74p for Mobeus Income & Growth 4 and 64p for Income & Growth. These dividend levels are far from guaranteed to be repeated over coming years, and in 2022 there has only been one profitable exit compared to four in 2021 and six in 2020, which reflects the cooling of the small cap market since the beginning of 2022. But this is still an impressive track record and the Mobeus VCTs lead the TER generalist VCT league tables over nearly all the time frames of 3, 5 and 10 years.

There is a combined AUM across the four Mobeus VCTs of £378m as at June 2022 (£366m post July dividends) and there is a 30 June 2022 cash level of £128m across them (post July dividends), although £21m is allocated to the November dividends. It's highly likely that this Offer will add £76m to these totals, so Mobeus will have their work cut out to deploy this money and maintain their track record.

Interestingly, the anticipated level of demand has prompted a novel way of launching this Offer. The prospectus/investment memorandum is being issued on 5th October, but the application forms to apply for it will not be issued until 17th October. The reason for this approach being that many IFAs were frustrated with the previous fund raising in January because by the time the Offer had opened and they started their due diligence, it had effectively shut again. So, via this method it gives financial advisers a period to consider the merits of the Offer and speak to their clients about it before the ability to invest becomes available.

It may be the case that the higher level of fund raising within this Offer, along with the large number of competing VCTs launching at a similar time and the macro economic headwinds of interest rates, inflation and energy prices could lead to a slightly less frenetic fund raising for this Offer. But only time will tell if this is the case. TER would recommend advisers be on the front foot if they wish to get clients invested in this Offer.

Tax Efficient Review rating: 89 out of 100 (for a Generalist VCT with track record)

Table 5: Mobeus VCTs Sectors data as at 30 June 2022

Sector name	% of portfolio including cash	Value £000
Software & Computer Services	25%	96,279
e-Commerce	19%	72,695
Industrial Support Services	8%	28,842
Traditional retail	5%	18,909
Technology, Hardware & Equipment	2%	5,887
Travel & Leisure	2%	6,194
Food Producers	1%	2,742
Consumer Services	1%	2,800
Leisure Goods	0%	0
Industrial Engineering	0%	913
Media	0%	40
General Industrials	0%	1,621
Construction & materials	0%	219
Cash and cash equivalents	38%	143,475
TOTAL	100%	£380,.6m

Source: Gresham House Asset Management

Table 7: Stage of investment by current year revenue as at 30 June 2022

Early stage (revenue under £1m):	<1%
Growth (revenue £1m-£5m):	15%
Scale up (revenue over £5m):	85%
TOTAL	100%

Source: Gresham House Asset Management

Table 8: Exits - last ten exits by Mobeus VCTs, not split by VCT - 30 June 2022

Company Name	Exit Date	Value Achieved on Exit £000	Valuation last four quarters £000			
			most recent 1	2	3	4
Exited at or above last valuation						
Media Business Insight	01/06/2022	16,548	15,386	15,273	13,378	9,481
CB Imports	01/11/2021	0	0	0	0	0
Vian Marketing Limited (trading as Red Paddle)	01/11/2021	16,564	14,373	13,387	6,999	6,540
Proactive Holdings Inc	01/09/2021	8,317	8,317	8,317	8,317	8,317
Omega Diagnostics Group plc	01/02/2021	1,015	640	770	414	75
Bourn Bioscience Limited	01/12/2020	4,337	1,200	925	1,155	1,875
Vectair Holdings Limited	01/11/2020	5,634	5,293	4,866	4,263	5,848
Blaze Signs Holdings Limited	01/09/2020	3,652	2,144	613	2,669	2,504
Tovey Management Limited (trading as Access IS)	01/08/2020	23,719	20,223	15,816	15,910	13,757
Pattern Analytics Limited (trading as Biosite)	01/02/2020	8,500	8,500	8,500	8,840	8,500

Source: Gresham House Asset Management

Table 9: Mobeus VCTs unquoted holdings as at 30.06.22 (sorted by multiple on cost)

Investee Company	Cost	Value	Date invested	Structure of investment (Equity/Loan)	Industry Sector	Stage of Investment	Valuation method	Multiple on cost
	£000	£000						
EOTH Limited	4,450	18,909	01/10/2011	Equity/Prefs/Loan	Traditional retail	SCALE UP	EBITDA Multiple	5.8
IDOX plc	454	2,433	01/12/2000	Equity	Software & computer services	SCALE UP	Bid price (AIM)	5.0
MPB Group Limited	4,881	20,175	01/06/2016	Equity	e-Commerce	SCALE UP	Revenue Multiple	4.0
Aquasium Technology Limited	167	913	01/10/2001	Equity	Industrial Engineering	SCALE UP	EBITDA Multiple	3.6
Virgin Wines UK plc	200	15,099	01/11/2013	Equity	e-Commerce	SCALE UP	Bid price (AIM)	3.4
Preservica Limited	15,000	47,205	01/12/2015	Equity/Prefs/Loan	Software & computer services	SCALE UP	Revenue Multiple	3.2
Master Removers Group (2019) Limited	1,484	12,792	01/12/2014	Equity	Industrial Support Services	SCALE UP	EBITDA Multiple	3.0
Cashfac plc	260	726	01/07/1999	Equity	Software & computer services	SCALE UP	Revenue Multiple	2.9
Bella & Duke Limited	4,263	11,918	01/01/2020	Equity	e-Commerce	SCALE UP	Revenue Multiple	2.8
Tharstern Group Limited	4,712	6,737	01/07/2014	Equity/Prefs/Loan	Software & computer services	SCALE UP	EBITDA Multiple	2.0
End Ordinary Group Limited (trading as Buster & Punch)	6,660	13,293	01/03/2017	Equity	e-Commerce	SCALE UP	EBITDA Multiple	1.9
Data Discovery Solutions Limited (trading as Active Navigation)	6,400	11,375	01/11/2019	Equity	Software & computer services	SCALE UP	Revenue Multiple	1.8
Parsley Box Group plc	2,832	996	01/05/2019	Equity	e-Commerce	SCALE UP	Bid price (AIM)	1.6
My Tutorweb Limited	10,565	15,050	01/05/2017	Equity	Industrial Support Services	SCALE UP	Revenue Multiple	1.5
Northern Bloc Ice Cream Limited	2,100	2,742	01/12/2020	Equity/Loan	Food Producers	GROWTH	Revenue Multiple	1.4
RDL Corporation Limited	5,000	1,000	01/10/2010	Equity/Prefs/Loan	Industrial Support Services	SCALE UP	EBITDA Multiple	1.3
Connect Childcare Limited	4,000	4,432	01/12/2020	Equity/Loan	Software & computer services	GROWTH	Revenue Multiple	1.2
Caledonian Leisure Limited	2,500	3,029	01/03/2021	Equity/Loan	Travel & leisure	SCALE UP	EBITDA Multiple	1.2
Arkk Consulting Limited (trading as Arkk Solutions)	7,150	7,657	01/05/2019	Equity/Prefs/Loan	Software & computer services	GROWTH	Revenue Multiple	1.1
Manufacturing Services Investment Limited (trading as Wetsuit Outlet)	10,000	8,431	01/07/2017	Equity/Loan	e-Commerce	SCALE UP	EBITDA Multiple	1.1
Bleach London Holdings Limited	2,860	2,784	01/12/2019	Equity	e-Commerce	SCALE UP	Revenue Multiple	1.0
Vivacity Labs Limited	4,200	4,200	01/02/2021	Equity	Technology, hardware & equipment	SCALE UP	Revenue Multiple	1.0
IPV Limited	3,000	3,000	01/11/2019	Equity	Software & computer services	GROWTH	Revenue Multiple	1.0
Legatics Limited	3,000	3,000	01/06/2021	Equity	Software & computer services	GROWTH	Revenue Multiple	1.0
Pets' Kitchen Limited (trading as Vet's Klinik)	2,800	2,800	01/06/2021	Equity/Loan	Consumer services	GROWTH	Revenue Multiple	1.0
Proximity Insight	2,700	2,700	10/02/2022	Equity/Prefs	Software & computer services	GROWTH	Revenue Multiple	1.0
Bidnamic (Lads Store)	2,129	2,129	05/05/2022	Equity/Prefs	Software & computer services	GROWTH	Cost	1.0

MOBEUS VCTS
Table 9: Mobeus VCTs unquoted holdings as at 30.06.22 (sorted by multiple on cost)

Investee Company	Cost	Value	Date invested	Structure of investment (Equity/Loan)	Industry Sector	Stage of Investment	Valuation method	Multiple on cost
	£000	£000						
Rota Geek Limited	5,000	4,542	01/08/2018	Equity	Software & computer services	GROWTH	Revenue Multiple	0.9
CGI Creative Graphics International Limited	6,201	1,621	01/06/2014	Equity/Prefs/Loan	General industrials	SCALE UP	EBITDA Multiple	0.9
Spanish Restaurant Group Limited (trading as Tapas Revolution)	5,250	3,165	01/01/2017	Equity/Loan	Travel & leisure	SCALE UP	Site EBITDA Multiple	0.8
Muller EV Limited (trading as Andersen EV)	3,000	1,687	01/06/2020	Equity	Technology, hardware & equipment	GROWTH	Cost less Provision	0.6
Veritek Global Holdings Limited	6,923	0	01/07/2013	Equity/Prefs/Loan	Industrial Support Services	SCALE UP	EBITDA Multiple	0.5
Sift Limited	135	40	01/10/2000	Equity	Media	GROWTH	EBITDA Multiple	0.3
Kudos Innovations Limited	1,500	332	01/11/2018	Equity	Software & computer services	EARLY STAGE	Revenue Multiple	0.2
Jablite Holdings Limited (in members' voluntary liquidation)	1,658	219	01/04/2015	Equity/Prefs/Loan	Construction & materials	SCALE UP	Cost less Provision	0.1
Corero Network Security plc	600	10	01/01/2006	Equity	Software & computer services	SCALE UP	Bid price (AIM)	0.0
Racoon International Group Limited	3,399	0	01/12/2006	Equity/Loan	Personal goods	EARLY STAGE	Cost less Provision	0.0
BookingTek Limited	2,500	0	01/10/2016	Equity	Software & computer services	EARLY STAGE	Cost less Provision	0.0
Biomer Technology Limited	137	0	01/03/2003	Equity	Medical Equipment & Services	EARLY STAGE	Cost less Provision	0.0
Nexxtdrive Limited	487	0	01/10/2006	Equity	Industrial Engineering	NOT TRADING	Cost less Provision	0.0
Oxonica Limited	2525	0	01/07/2005	Equity	Industrial Support Services	NOT TRADING	Cost less Provision	0.0
365 Agile Group	255	0	01/03/2001	Equity	Technology, hardware & equipment	NOT TRADING	Cost less Provision	0.0
Total portfolio	£153m	£237m						
		£143m	(Excludes current assets/liabilities) Cash and cash equivalents					
		£381m						

Source: Gresham House Asset Management

Table 10 (1 of 2): Matrix of individual responsibilities for Gresham House VCT investment team who spend at least 30% of time on deal doing

NAMES	Trevor Hope	Ken Wotton	Hazel Cameron	Henry Alty	Thomas Makey	Maya Ward	Brendan Gulston	James Hendry	Mackenzie Travers
VCT WORK									
Deal origination	20%	10%	40%	30%	30%	30%	10%	30%	50%
General enquiries									
New deal doing	50%	75%	40%	50%	50%	40%	55%	50%	40%
Fund raising	20%	10%							
Internal issues	10%								
Sitting on Boards/ Monitoring		5%	20%	10%	10%	30%	5%	20%	10%
Exits				10	10%				
NON VCT WORK									
Non-VCT work							30%		
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%
Days per week	5	5	2	5	5	5	5	5	5
Years in venture capital	26	16	11	10	7	8	8	4	5
Years involved with VCTs	17	16	3	10	7	4	7	4	4
Years with current team	7	16	4.5	10	7	4	7	4	4

Source: Gresham House Asset Management

Table 10 (2 of 2): Matrix of individual responsibilities for Gresham House VCT investment team who spend at least 30% of time on deal doing

NAMES	Gregory Blin	Joe Krancki	Rowan Grobler	Matt Jones	Ben Faulkner	Caitlin Cameron	Graham Butler	Shalin Pather	Zixin Pan
VCT WORK									
Deal origination	30%	30%	30%	30%	50%	50%	40%	50%	50%
General enquiries									
New deal doing	50%	50%	50%	60%	50%	50%	40%	40%	40%
Fund raising									
Internal issues									
Sitting on Boards/ Monitoring	10%	10%	10%	10%			20%	10%	10%
Exits	10%	10%	10%						
NON VCT WORK									
Non-VCT work									
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%
Days per week	5	5	5	5	5	5	3	5	5
Years in venture capital	11	13	4	2	3	0.5	10	3	7
Years involved with VCTs	9	1.5	4	1.5	0.5	0.5	10	0.5	0.5
Years with current team	9	1.5	4	1.5	0.5	0.5	5	0.5	0.5

Source: Gresham House Asset Management