

Product

Pembroke VCT plc

Tax Status

Venture Capital Trust

Fund Group

Pembroke Investment Managers LLP

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

Pembroke VCT	
Type	Generalist VCT with track record
Size	£200m AUM and is seeking £40m and a £20m over-allotment facility
Manager	Pembroke Investment Managers LLP ("Pembroke")
Sponsor	Howard Kennedy LLP
Registrars	The City Partnership Limited
Focus	To generate tax free capital gains and regular dividend income for its shareholders through a diversified portfolio of VCT qualifying investments across a broad range of sectors
Promoter	Pembroke and co-Distributed by Portlight Ltd
Funds initially invested	Cash deposits, fixed income securities and other securities
Minimum investment	£5,000 per tax year, excluding initial adviser charges
Initial Closing Date	5th April 2023 unless fully subscribed before for the 2022/23 tax year and 30 June 2023 unless fully subscribed before for the 2023/24 tax year
Issue costs	3% of amount subscribed for advised investors and 5% of the amount subscribed for direct investors
Annual costs	2% per annum
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
Recent successful exit from ME+EM resulting in a 5p special dividend. This continues the trend started by exits of Pasta Evangelists and Plenish drinks in 2021.	There have been several investee company which have either been substantially written down or have resulted in a nil return.
No arrangement fees or monitoring fees, due diligence fees, exit fees, directorship fees are levied by the Manager on the VCT or on the underlying companies. This is unusual within the VCT industry and should be welcomed as these can represent a further 1-2% p.a.	Andrew Wolfson has headed the investment and the portfolio teams for several years resulting in a potential over-reliance. But the recent hire of Jamie Kennell in May 2022 (an experienced ventures professional) as Head of Investment Portfolio, plus a dedicated portfolio team of three has mitigated this.
Good performance from the investment portfolio against the current challenging economic environment with the staffing and social impact cost of the Covid-19 pandemic living crisis. The VCT has increased its annual target dividend from 3 pence per share to 5 pence per share.	The Company's last share buyback (£10m) was in April 2021 and has announced the next one for April 2023. This could do with being more frequent as the shareholder base expands.

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TER classification

TER classifies this VCT as a “Generalist VCT with track record” and Pembroke are experienced

fund managers within the VCT market. The first Pembroke VCT launch was in 2013.

Review based upon

TER always meet with fund managers prior to a review. This review is based on those meeting, the prospectus for the offer, (Pembroke VCT

reference 8 September 2022) and data provided by Pembroke Investment Managers LLP

The Offer

This new offer is offering investors the opportunity to invest up to a further £40m in the Company via its B Ordinary Shares with an over-allotment facility for a further £20m. The offer provides investors with immediate access to a maturing portfolio of over 40 active companies, at varying stages of development, providing increased diversity compared with last year’s offer. The offer gives the opportunity to invest across both the 2022-23 and 2023-24 tax years from the one offer.

Pembroke’s B Ordinary Shares have 43 active investments (in total the VCT has invested in 58 companies and achieved three profitable exits, but twelve have failed) within the Wellness, Food, Beverage & Hospitality, Education, Design, Media and Digital Services sectors. At 30 June 2022 Pembroke had a NAV of £204m.

The VCT has been operating since April 2013. Pembroke Investment Managers LLP is an asset management partnership which is part of the Oakley group which comprises private equity, venture capital and corporate finance, managing funds of over 8bn Euros.

The Board believes that raising new capital will ensure that the Pembroke VCT has sufficient liquid funds to support its investment objectives of investing in Qualifying Investments across the

above sectors, reduce the Ongoing Expense Ratio of the VCT whilst also having sufficient resources to achieve the Companies’ increased target annual final dividend of 5 pence per share and 5% discount to NAV share buy-back policies.

Strategy

Pembroke focuses on backing “exceptional founders” who lead their own businesses by providing them with the capital, contacts, advice and strategic guidance to enable them to succeed.

The Manager targets six key market segments: Wellness, Food, Beverage & Hospitality, Education, Design, Media and Digital Services. The Management Team claims substantial experience in these areas with a network of advisors and relationships.

Within Pembroke’s current portfolio of 47 companies, 15% are profitable businesses on an annualised basis and the remainder are post-revenue, pre-profitable, hopefully high growth opportunities. Pembroke indicate that this ratio is expected to be broadly maintained and increased going forward.

Most of Pembroke’s deal flow is sourced by the Manager from the personal and professional networks of the team, with an increasing number of opportunities coming via referrals by

Table 2: **Pembroke funds under Management Data**

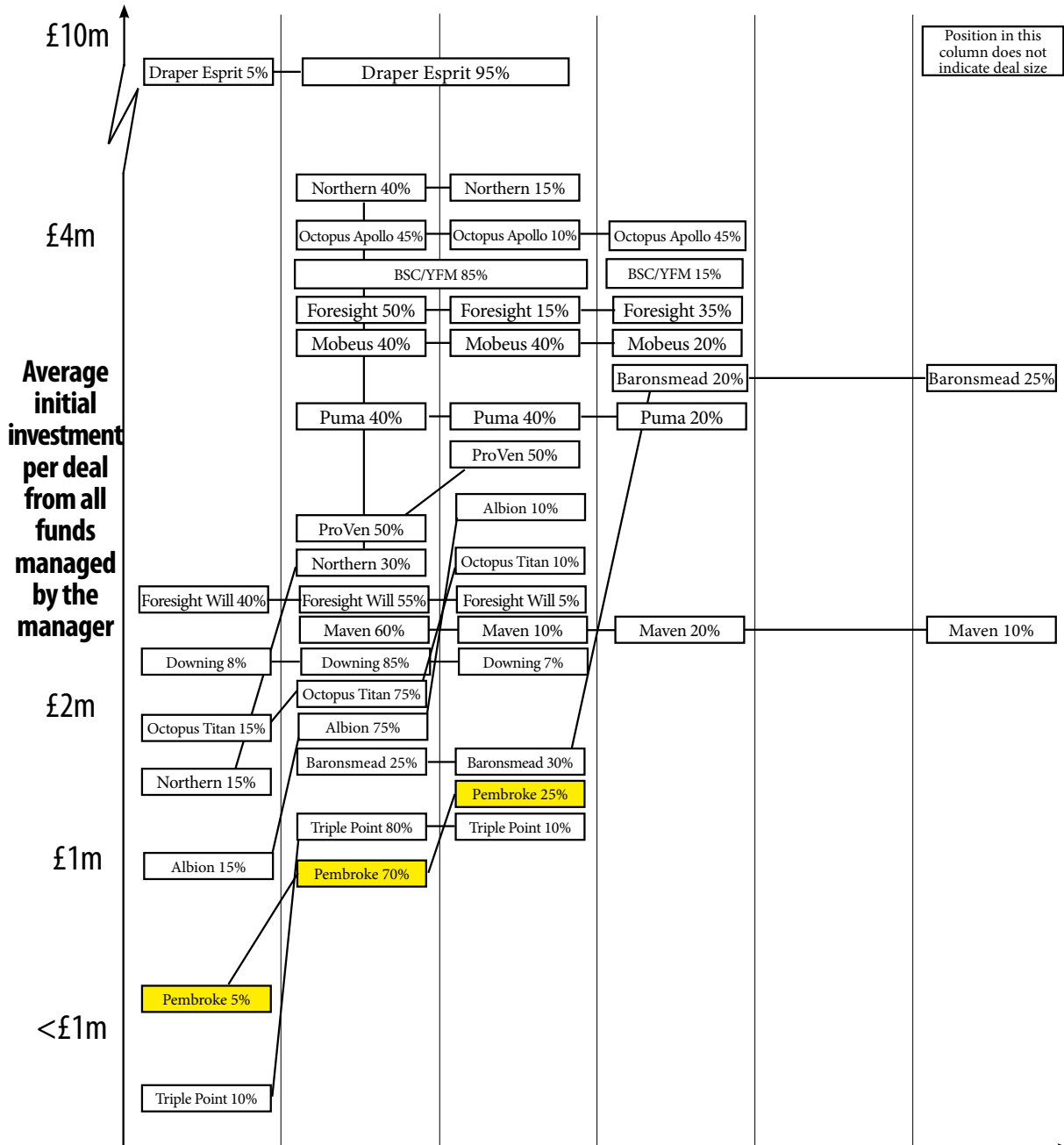
As at Jun 2022	Net assets	Annual Management fee	Still to be invested Cash at bank @ 01/08/2022 £m
VCT Funds			
Pembroke VCT B Ordinary shares	£204m	2% of NAV	35
TOTAL	£204m		£35m

Source Pembroke July 2022

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



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

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Pembroke's current portfolio companies.

Historically, Pembroke has also been provided with opportunities from the Oakley Capital Private Equity team and their portfolio companies, particularly where the investments may be too small for their institutional fund. In addition, Pembroke benefits from insights from PROfounders and Oakley Advisory which are both part of the Oakley group. They provide Pembroke with market intelligence and a potential source of deal flow through their wider network. Pembroke receives support from the Oakley group including legal, compliance and HR.

Pembroke seeks to invest in businesses on the same terms, and, importantly, in the same share class, as the founders wherever possible to ensure an alignment of interests. It actively works with its investee companies, taking board positions and offering counsel and practical help to founders seeking to grow their businesses. Unlike other VCT managers, the Pembroke VCT manager does not impose fees on its portfolio companies, such as due diligence, director, monitoring, investment, arrangement fees or exit fees which is highly unusual in the generalist sector and is to be welcomed as these can represent a further 1-2% of costs per annum. This means that more investors' funds are available for investment.

A modest initial investment is typically followed by more substantial subsequent rounds if the company performs well, a discipline typical of quality Venture Capital managers investing in expansion capital deals. Pembroke contends that this founder-friendly and "stepping-stone" approach, together with its commercial and professional network of contacts within its key sectors, makes it an attractive funding partner and gives it a significant advantage when seeking to invest in a competitive process.

In general terms, Pembroke aims to exit after 5-7 years; its Management Team claims experience of selling companies to both strategic/trade buyers as well as private equity funds. An ideal exit would be to a strategic trade buyer or to a sector-specialist PE fund. Two of the three recent exits were to trade buyers.

Pembroke aims to invest 30-35% of new funds raised into new businesses, and 65-70% into existing investments. Of the 30-35% in new investments, it targets 80% in mid-growth

companies with revenues of over £1m per annum and 20% in early-stage growth companies with revenues under £1m).

In the 12-month period to 31 July 2022 the team invested £35.7m, of which £10.0m, or 28%, was into new companies:

• TALA	£200,000
• PeckwaterBrands	£1,000,000
• Just Wears	£1,999,990
• Cydar	£3,000,000
• My Expert Midwife	£1,499,732
• Auddy	£1,799,999
• Annie Mals	£500,000

Pembroke say a further £10m is in due diligence to be invested in new companies (as at August 2022).

The new funds raised under this offer will need to be 80% invested within three years of allotment under the new VCT rules; we note that Pembroke has achieved this at every fundraise since inception and has a history of swiftly deploying the funds it raises each year.

Pembroke's growing stable of brands such as Popsa, N Family Club, Thriva and LYMA has garnered significant national media exposure, which has led to a number of approaches from businesses in similar sectors seeking investment.

Like all VCT managers, Pembroke claim a strong pipeline of interesting opportunities, and there are currently £10m of potential investments in advanced diligence ahead of a proposed investment following a first allotment of the current raise.

New investors in the current B Ordinary Share offer will have immediate access to a maturing portfolio of 40+ active companies. Of these, Pembroke tell us that 15% are currently profitable on an annualised EBITDA basis.

The B Ordinary Share NAV is invested: 21% in the Wellness sector which includes LYMA a high-end nutritional supplement and Beryl who provide bike and e-scooter hire schemes and created the laser lights seen on Santander Cycles in London.

- 9% in the Food, Beverage & Hospitality sector which includes Five Guys, a premium burger chain with over 100 restaurants in the UK,

Rubies in the Rubble the sustainably produced condiments business and Hackney Gelato, a premium ice cream brand.

- 7% in the Education sector which includes N is for Nursery, a 7-day-a-week nursery and family club and Stitch & Story, an at home knitting and crafting business.
- 9% in the Design sector which includes JustWears, the men’s underwear brand, and fashion brands Bella Freud and Kat Maconie.
- 13% in the Media sector which includes Popsa, a photobook app that uses algorithms to creates photobooks from customer pictures.
- 17% in Digital Services which includes OnePlan, the event management platform which won the bid to plan the Paris 2024 Olympics and Paralympics, Peckwater Brands, the creator of virtual food brands for delivery-only restaurant franchises, and Dropless, the mobile car and fleet washing & service platform.

Recent investments include Cydar Medical, the surgical software company and My Expert Midwife, the pregnancy care brand.

Dividend Policy

The B Ordinary Share class has increased its annual target dividend from 3 pence per B Ordinary Share to 5 pence per B Ordinary Share. The dividend is expected to be paid in July each year (after the end of each fundraise), and will also aim to pay special dividends where realisations occur from the sale of its portfolio assets. However, this is a target, and no forecast or

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 3 and 5 year results (the VCT was not in existence ten years ago) are in Table 3. So how does the Pembroke VCT track record stand up to scrutiny? The 3 and 5 year annualised performances at 8.2% over 3 years and 8.6% over 5 years respectively place the VCT 11th out of the 29 VCTs in each of the 3 and 5 year cohorts.

projection should be implied or inferred.

The Company has paid three dividends from exit proceeds in March and June 2021 totaling 8 pence per share and in July 2022 totaling 5 pence per share following the exits from Pasta Evangelists, Plenish and ME+EM respectively.

At 30 June 2022 the total return per share for the B Ordinary Shares was 147.6p and the NAV per share was 122.6p.

The Pembroke VCT dividend track record is:

Year	Dividend per share
2018	3p
2019	3p
2020	3p
2021	11p
2022	5p

Share Buyback Policy

It is intended that the Company will continue to repurchase shares which shareholders wish to sell, at a discount of no more than 5% to net asset value per share, less transaction costs payable to market makers and stockbrokers; this will be at the discretion of the Board who must believe it to be in the best interests of the Company at the relevant time. Investors should note that a “buyback scheme” does not involve the VCT purchasing shares from the investor. It works by investors selling to a market maker who in turn will sell to the VCT.

The next share buyback has been announced for April 2023.

Tax Efficient Review Strategy rating: 28 out of 30

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. The results are in Table 4 and place Pembroke VCT 3rd with an average position score of 11.

As at 31 March 2022 the Total Return (NAV plus cumulative dividends paid) is 151.0 pence on the B Ordinary Shares (issued at 100p) since 2015

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	31/03/2022	10.2%	10.4%	5.8%
	Kings Arms Yard VCT	31/03/2022	7.2%	7.5%	11.3%
	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%
	Octopus Titan VCT	28/04/2022	11.3%	7.5%	10.7%
PEMBROKE	Pembroke VCT B share	30/06/2022	8.6%	8.2%	
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 12/09/2022

Table 4: **Provider results comparison**

PROVIDER	AVERAGE SCORE BASED ON PLACE IN PEER GROUP (lower is better)
MOBEUS	5
ALBION	10
PEMBROKE	11
OCTOPUS	13
MERCIA	16
MOLTEN	17
FORESIGHT	19
MAVEN	22
BERINGEA	24
BARONSMEAD	25

Calculation as at 12/09/2022 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

excluding any tax benefit. Since March 2021, the B Ordinary Share portfolio has paid three dividends totaling 12p per share; with the most recent 5p per share dividend paid in July 2022.

Pembroke has made three positive exits to date, Pasta Evangelists, Plenish and ME+EM. The VCT held Pasta Evangelists for a period of less than one year, before exiting in January 2021 with a return of 2.3x; the business was acquired by Barilla, the world's largest pasta business. Plenish was acquired in May 2021 by FTSE 250 listed beverage giant Britvic, realising a 2.3x return on investment. In March 2022 Pembroke VCT's share of ME+EM was acquired by Highland Europe, realising a 16x return on investment.

Whilst these results are encouraging and show the investment strategy working, Pembroke has also had twelve loss making exits or write downs to date. Any measure of track record depends largely upon the manager's valuation of its holdings; there are examples where there has been obvious substantial growth at a portfolio company level, for instance Five Guys growing from zero to more than 150 UK restaurants since Pembroke invested but are yet to exit.

As at 08 September 2022 the B Ordinary Share portfolio was 1.4x above cost (see Table 8). Whilst this is encouraging, advisers should note that 37%

of the investment portfolio is invested in early stage companies.

Pembroke values its investments in accordance with International Private Equity and Venture Capital Valuation Guidelines. Of the B Ordinary Share NAV:

- 55% of NAV is calculated by reference to valuations that are set by most recent funding round valuations in which non-Pembroke investors also participated
- 45% of NAV is calculated with reference to comparable company metrics such as earnings and EBITDA multiples

TER always prefer to see any uplift in the value of unquoted investee companies within a VCT to be accompanied by the rigour of a 3rd party investor participating in the round. So it is encouraging to see over half of the portfolio within the Pembroke VCT being valued this way.

Additional comfort can be taken from each of the three recent exits being transacted at a price slightly higher than the carrying value.

Tax Efficient Review Track Record rating: 33 out of 40

Table 5: Sectors data as at July 2022

Sector name	
Design	9%
Digital Services	17%
Education	7%
Food, Beverage & Hospitality	11%
Media	14%
Wellness	21%
Cash	21%
TOTAL	100%

Source Pembroke July 2022

Table 6: Stage of investment by current year revenue as at July 2022

Early stage (turnover under £1m):	37%
Growth (£1m-£5m):	24%
Scale up (over £5m):	39%
TOTAL	100%

Source Pembroke July 2022

Manager

The key members of the Pembroke investment team is listed in Table 9 with a breakdown of their activities.

Since the last TER review Pembroke has recruited three new employees:

- **Christian Capunitan:** joined in October 2021 as Senior Portfolio Manager. Prior to joining Pembroke, he worked in the largest accountancy firms in the UK and overseas. In his more than twelve years of experience, he has been involved in working on different areas (such as technical accounting, auditing and valuations) in a wide range of business sizes, sectors and industries.
- **Jamie Kennell:** joined in May 2022 as Head of Investment Portfolio to replace Portfolio Director Stefania Ponzo. Jamie is responsible for overseeing the firm's investment portfolio strategy. He has operated in the UK investment market for over 30 years and previously worked at Beringea; investment manager to the ProVen VCTs.
- **Jennifer Ren:** joined as an Investment Associate in July 2022. She focuses on early-stage growth investments, with particular interest in sustainable brands, consumer healthcare, wellness and food & beverage.

Pembroke tell us that there is also a 4th hire who

is expected to join in September 2022 to assist Jamie Kennell in his role as Head of Investment Portfolio

The Management Team of Pembroke Investment Managers LLP comprises:

- **Peter Dubens** – Partner and Co-Founder of Oakley
- **David Till** – Partner and Co-Founder of Oakley
- **Andrew Wolfson** – Chief Executive & Chief Investment Officer
- **Chris Lewis** – Chief Financial & Chief Operating Officer

Not only must an investment manager obtain deal flow, but it must also have a team resourced to invest at the correct rate to satisfy the VCT rules. The 80% investment rule requires that by the end of the third accounting period after launch and in every accounting period thereafter the VCT must have at least 80% of its funds invested in qualifying holdings. Most Boards impose a minimum level that is higher than this to ensure that any exits do not push the VCT below the 80% level. In this case Pembroke tells us that the Board's preferred investment level is to keep the % as high as possible; note that Pembroke intends to invest 80% of the current raise within the first year and has consistently met this target in recent years. This is supported by Pembroke allotting shares throughout the fundraising period and

not waiting until the end of the tax year which extends the amount of time that funds raised are not invested.

At 1 August 2022 the Manager has invested the majority of its prior funds and the VCT held £36m (18% of its NAV in cash) and the manager says there is a £10m pipeline of potential investments in advanced diligence.

Overall, TER feel that a potential £50m plus deployment should be achieved with the current team and track record of recent years.

Board of Directors

The Board has overall responsibility for the Company's affairs, including determining its investment policy and having overall control, direction and supervision of the Investment Manager. The past and present Directors have already invested £2,080,000 in the Company, and intend to invest further under the Offer. Members of the Manager also intend to invest under the Offer.

Pembroke VCT plc has an independent board of directors consisting of

- **Jonathan Djanogly (MP)** - Jonathan previous sat on the Pembroke VCT Investment Committee. He is a non-practicing solicitor and was, for over ten years, a corporate partner at City law firm SJ Berwin LLP. He specialised in mergers and acquisitions, private equity and joint ventures as well as fund raising on public markets. Jonathan has been a Member of Parliament since 2001, in which capacity he served for approximately four years as a member of the Trade and Industry Select Committee. Between 2005 and 2010, he also served on the Opposition front bench as shadow Solicitor General and as a shadow Minister for Trade and Industry with responsibility for employment law and corporate governance.
- **Laurence Blackall** - Laurence has had a 30-year career in the information, media and communication industries. After an early career at Virgin and the SEMA Group he was a director of Frost & Sullivan before moving to McGraw Hill where he was a vice-president in its computer and communications group. He then went on to found AIM listed Internet Technology Group plc in 1995 and successfully negotiated its sale in 2000 for a consideration of almost £150 million. Laurence was also instrumental in the creation of Pipex Communications plc. He has interests in a range of leisure and TMT businesses and currently holds a number of directorships in public and private UK companies.
- **David Till** - co-founded the Oakley Capital Group in 2002. He plays a key role within the group and has overall responsibility for the businesses' operations. David worked with Peter Dubens on the development of 365 Media Group plc and Pipex Communications plc where he led all 26 acquisitions and disposals between 2002 and 2007. In 2007, following the sale of both 365 Media Group plc and Pipex Communications plc, Peter and David launched Oakley Capital Private Equity.
- **Mark Stokes** - appointed in January 2021. Mark has over 30 years' experience in financial services, and 20 years at executive committee level. He is currently Chief Commercial Officer at United Trust Bank, and previously held managing director positions at Lloyds Corporate and Commercial Banking, Williams & Glyn, and Metro Bank. Mark has a broad business experience from a career lending into commercial and SME markets, and consumer and asset finance markets, that includes M&A execution and capital markets fund raising. He has also previously served as a non executive director alternate with Motobility Operations Group plc. Mark is a member of the Chartered Institute of Bankers, and has completed their Green and Sustainable Finance certification
- **Louise Wolfson** - appointed in January 2021 Louise is a corporate lawyer who was previously a partner at Allen & Overy LLP and Pinsent Masons LLP. She has a particular focus on corporate finance transactions, and has wider experience including mergers and acquisitions, joint ventures, strategic investments, capital raisings and listings. Louise currently works as a freelance legal consultant and sits as a tribunal judge hearing social security and immigration appeals. Louise is also a director of Women's Pioneer Housing, a housing association which supports women in West London. (TER asked if there was any relationship between Louise Wolfson and Andrew Wolfson and Pembroke have confirmed that whilst they share the same surname, they are not related).

Tax Efficient Review Team rating: 16 out of 20

Costs

- **Initial costs:** 3% for Investors who have invested in the Offer through an Intermediary and have received upfront advice including Investors who are investing through Intermediaries/advisers using financial platforms

5% for Investors who have invested directly into the Company or invested through an Intermediary/platform and have not received advice. The VCT may facilitate adviser charging from intermediaries up to a maximum of 4.5%.

Pembroke say that adviser charges may be facilitated and be available for tax relief.

- **Annual management fee:** 2% of the VCT's NAV. The Manager also caps the Annual Running Costs of the Company such that they will not exceed 0.5% pa of NAV. In the twelve months ending on 31 March 2022, the Manager contributed £nil under this agreement.

In the year to 31 March 2022 the Annual Running Costs to NAV ratio was 0.3% (was 0.3% in year to 31 March 2021) and will continue to be capped at 0.5% in the year to 31 March 2023.

- **Performance fee:** 20% fee (+VAT if applicable) on net realised investment gains, since inception. The Performance Fee is only payable to the Manager if the Company's cumulative realised investment gains are greater than its cumulative realised investment losses. The Total Return Hurdle of 3 pence per year from 26 August 2020 must also be achieved before a Performance Fee is paid to the Manager. This is not a particularly large hurdle, but we are pleased to see that the performance fee is paid on distributions (not just valuations) over and above a positive return plus an annual compound hurdle increase of 3 pence per year. But, we would rather this was 3% than 3p. At 30 June 2022 the NAV per share was 122.6p so the hurdle is only in reality around 2.45%. A performance fee was paid for the year ended 31 March 2022 of £377,000.

This is refreshing to see in the VCT sector as

it reduces the risk of performance fees being paid on valuations which do not hold up to the point of exit. Nevertheless, Pembroke confirms its intention to return to shareholders both the amounts invested and the realised investment gains. This has been the case with the exit proceeds from Pasta Evangelists, Plenish and ME+EM. The Manager (Pembroke) has confirmed to us that they would not draw their performance fee until such time as the directors did approve a distribution to shareholders.

- **Arrangement Fees:** Unusually in the Generalist VCT sector the Manager does not take any arrangement fees, due diligence fees, director fees, monitoring fees or exit fees from any of the underlying portfolio companies, or the VCT, thereby maintaining what Pembroke claim is one of the lowest net see-through charges amongst other comparable VCTs as these charges can add a further 1-2% p.a. to the fund's total costs.

Tax Efficient Review Cost rating: 9 out of 10

Conclusion

The Pembroke VCT could be seen as a specialist in its investment strategy as it looks to build up founder-led businesses over time across the sectors where they have significant experience. But whilst there is a higher weighting to food & beverage offers and companies expanding into the wellness sector, there is also diversification across Education, Design, Digital Services and Media.

The team at Pembroke have overcome the difficult, but not insurmountable, obstacles of being a new entrant into the VCT market and have now developed a good track record and over £200m of assets under management. They have also had three successful exits from within the investment portfolio (Plenish Drinks, Pasta Evangelists and the clothing retailer ME + EM), the proceeds of which have generated 8p per share in special dividends for shareholders (plus a further 5p per share final dividend paid in July 2022). These exits occurring against the economic backdrop of the Covid-19 pandemic is encouraging.

This offer is looking to raise £60m; their largest amount to date (£40m, plus a £20m over allotment facility), having raised £41m and £46m in each of the last two offers. One of the previous concerns TER had about the Pembroke VCT was the concentration of key man risk in Andrew Wolfson, who has successfully helmed the VCT since its inception. But Pembroke have taken significant steps to expand the investment and portfolio teams with three new hires, which is prescient timing given the expanding assets under management.

A positive feature is the construction of the performance fee, which it is not paid on investment valuations during the holding period of the investment and only on investment exits. This is unusual (and refreshing to see) in the VCT sector, as it reduces the risk of performance fees being paid on valuations which do not hold up at the point of exit.

The team at Pembroke though can be congratulated on the successes they have achieved to date from a relatively young portfolio and they have shown they can deliver positive returns from investee companies over some of the most trying of circumstances for the sectors they are favouring.

Tax Efficient Review rating: 86 out of 100 for a generalist VCT

Table 7 (1 of 2): Pembroke B Share Exits & Write-downs in the three years to July 2022

	Exit	Exit	Exit	Exit	Write Down	Exit	Exit
Investee Company name	Dilly & Wolf (Note 1)	Pasta Evangelists	Plenish	La Bottega (LBID Holdings) (Note 2)	Chilango (Note 3)	Chucs	Stylindex (Note 4)
Structure of investment	Equity & Debt	Equity	Equity	Equity & Debt	Equity	Equity & Debt	Equity & Debt
Sector	Wellness	Food, Beverage & Hospitality	Food, Beverage & Hospitality	Food, Beverage & Hospitality	Food, Beverage & Hospitality	Design	Digital
Financing stage when first invested	Early Stage, pre-revenue	Early Stage, post revenue	Early Stage, post revenue	Early Stage, post revenue	Early Stage, post revenue	Early Stage, post revenue	Early Stage, post revenue
Board seat	Yes	Yes	Yes	Yes	No	Yes	Yes
Amount originally invested	£0.100 Mar 2017	£2.000m Jan 2020	£0.225m Jun 2013	£1.960m Aug 2013	£0.450m Nov 2013	£0.240m Dec 2013	£0.200m Feb-18
Further investment	£0.025m debt	None	£3.075 equity, £0.600m debt	£1.050m debt	£0.185m equity	£0.650m equity, £0.325m debt	£0.463m debt
Realisations/Dividends	£nil	£4.613m	£8.710m	£0.465m	£nil	£0.020m	£nil
Profit/Loss	(£0.125m)	£2.613m	£4.814m	(£2.542m)	(£0.635m)	(£1.195m)	(£0.663m)
Length of investment: to final realisation *	2 years	1 year	8 years	6 years	8 years	8 years	3 years

Source Pembroke

Table 7 (2 of 2): Pembroke B Share Exits & Write-downs in the three years to July 2022

	Exit	Exit	Write Down	Write Down	Write Down	Exit
Investee Company name	Bel-Air (Note 5)	Chucs Bar & Grill (6)	Sourced Market (Note 3)	Alpha Charlie (Note 7)	PlayerLayer (Note 3)	Me+Em
Structure of investment	Equity	Equity & Debt	Equity & Debt	Equity	Equity	Equity
Sector	Food, Beverage & Hospitality	Food, Beverage & Hospitality	Food, Beverage & Hospitality	Design	Design	Design
Financing stage when first invested	Early Stage, post revenue	Early Stage, post revenue	Early Stage, post revenue	Early Stage, pre revenue	Growth, post revenue	Growth, post revenue
Board seat	No	Yes	Yes	Yes	Yes	Yes
Amount originally invested	£0.300m Apr 2016	£0.200m Oct 2013	£0.830m Jun 2014	£0.1m Apr 2016	£1.001m Dec 2017	£0.200m Aug 2015
Further investment	None	£3.304m equity, £2.220m debt	£3.050m equity, £3.550 debt	£4.022m equity	£4.851m equity	£0.755m equity
Realisations/Dividends	£nil	£2.220m	£nil	£nil	£nil	£15.404m
Profit/Loss	(£0.300m)	(£3.504m)	(£7.430m)	(£4.122m)	(£5.852m)	£14.448m
Length of investment: to final realisation *	4 years	8 years	8 years	6 years	4 years	7 years

Notes: *From first investment by either Ordinary or B-Ordinary share classes

(1) Dilly & Wolf: In addition, the Ordinary share class invested £0.270m from March 2017, resulting in a loss of £0.270m

(2) La Bottega £0.468m debt recovery was converted into equity of Chucs Bar & Grill in March 2020 as Chucs took over a previous La Bottega site

(3) Chilango, PlayerLayer & Sourced Market: Remains in administration. Held at nil valuation

(4) Stylindex: Valued at nil at March 2021 and liquidated April 2021

(5) Bel-Air: Valued at nil since March 2019. Dissolved April 2020

(6) Chucs Bar & Grill: Includes investments originally made through the Ordinary share class. Includes £0.468m equity investment on the exit from La Bottega. March 2021 reorganisation converted £2.2m into 25% equity investment in Chucs Restaurants Ltd which continues to trade the Chucs brand and sites

(7) Alpha Charlie: In the process of orderly wind-down. Held at nil valuation

Source Pembroke July 2022

Table 8: Pembroke VCT holdings as at 08 September 2022 *

	First investment	Equity (cost) £	Loan (cost) £	Total invested (cost) £	Current valuation £	Return on investment
Wellness						
United Fitness Brands	May-13	5,276,454		5,276,454	3,031,735	0.6
KX	Sep-13	700,000		700,000	1,653,622	2.4
Beryl	Oct-14	552,697		552,697	1,888,610	3.4
KXU	Mar-17	244,114	790,000	1,034,114	790,000	0.8
Lyma	Dec-18	1,999,993		1,999,993	19,612,618	9.8
Thrive	Jul-19	1,329,558		1,329,558	10,375,972	7.8
Eave	Oct-20	2,500,000	750,000	3,250,000	2,686,132	0.8
Cydar	Feb-22	3,000,000		3,000,000	3,000,000	1
My Expert Midwife	May-22	1,499,732		1,499,732	1,499,732	1
Food, Beverage & Hospitality						
Chilango	Nov-13	634,850		634,850	0	
Five Guys	Aug-13	424	3,310,701	3,311,125	10,767,886	3.3
Chucs Restaurants	Oct-13	2,220,000		2,220,000	3,761,575	1.7
Second Home	Mar-14	1,485,096		1,485,096	293,845	0.2
Sourced Market	Jun-14	3,896,767	3,550,000	7,446,767	0	
Secret Food Tours	Aug-18	2,000,200		2,000,200	1,636,954	0.8
Rubies In The Rubble	Jul-19	1,077,662		1,077,662	1,077,662	1
Hackney Gelato	Jan-20	2,699,586		2,699,586	2,799,753	1
Education						
N is for Nursery	Aug-18	3,000,084		3,000,084	7,130,961	2.4
Kinteract	Apr-19	3,135,044		3,135,044	3,160,017	1
Stitch & Story	Nov-19	3,999,997	100,000	4,099,997	1,692,495	0.4
Toucantech	May-20	1,000,000		1,000,000	1,431,144	1.4
Smartify	Nov-20	1,000,000		1,000,000	1,000,000	1
Annie Mals	Mar-22	500,000		500,000	500,000	1
Design						
Kat Maconie	Jun-13	820,000	1,030,000	1,850,000	2,860,337	1.5
Troubadour	Sep-13	1,739,999	800,000	2,539,999	4,391,887	1.7
Bella Freud	Nov-13	2,576,688	950,000	3,526,688	6,699,962	1.9
Alexa Chung	Apr-16	4,121,992		4,121,992	0	
Heist	Jul-17	6,248,629		6,248,629	2,865,392	0.5
PlayerLayer	Dec-17	5,851,585		5,851,585	0	
JustWears	Sep-21	1,999,990		1,999,990	1,999,990	1
Tala	Dec-21	200,001		200,001	200,001	1
Bloombloom	Aug-22	2,500,000		2,500,000	2,500,000	1
Media						
Boat	Jan-14	1,700,000	1,550,000	3,250,000	8,065,787	2.5
Stillking	Oct-14	1,451,771		1,451,771	5,720,016	3.9
Popsa	Feb-18	5,200,004		5,200,004	13,684,485	2.6
Roto VR	Jan-19	1,750,002		1,750,002	773,654	0.4
Auddy	Jul-22	1,799,999		1,799,999	1,799,999	
Digital Services						
Rated People	Jan-14	641,218		641,218	1,057,494	1.6
Wishi	Sep-16	153,433		153,433	1,143,476	7.5
Unbolted	Nov-16	400,009		400,009	553,410	1.4
HotelMap	Nov-18	1,500,000		1,500,000	1,500,000	1
Floom	Nov-18	4,415,000		4,415,000	5,950,020	1.3
Credentially	Feb-21	2,999,996		2,999,996	3,962,225	1.3
Dropless	Mar-21	1,750,001	2,000,000	3,750,001	3,776,741	1
OnePlan	May-21	3,750,095		3,750,095	7,425,788	2
Coat	Jun-21	2,999,999		2,999,999	5,283,656	1.8
Peckwater Brands	Sep-21	4,000,014		4,000,014	7,486,009	1.9
TOTALS		£104,322,683	£14,830,701	£119,153,384	£169,491,042	1.4

* Includes all investments in active portfolio companies as at 8 September 2022, with the valuations being audited as at 31 March 2022.

Investments made since March 2022 are valued at cost.

Source Pembroke VCT

PEMBROKE VCT

Table 9: Pembroke VCT matrix of individual responsibilities where Deal Origination & New Deal doing exceed 30% of an individual's time July 2022

	Andrew Wolfson	Simon Porter	Fred Ursell	Angus Nodder	Jennifer Ren
	VCT RELATED				
Deal origination	30%	10%	10%	50%	10%
General enquiries					
New deal doing	35%	65%	70%	40%	70%
Investee board seats No.	19	2	0	0	0
Sitting on	20%	5%			
Fund raising	5%	5%	5%	5%	5%
Internal issues	5%	5%	5%	5%	5%
Exits	5%	10%	10%	0%	10%
	NON VCT				
Non-VCT work	-	-	-	-	-
TOTAL	100%	100%	100%	100%	100%
Years in venture capital	13	7	7	4	2
Years involved with VCTs	10	4	7	4	0.1
Years with current team	10	4	3.5	1.2	0.1

Source Pembroke