

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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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

Pembroke VCT	
Type	Generalist VCT with track record
Size	£226m 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	4th April 2025 unless fully subscribed before for the 2024/25 tax year and 27th June 2025 unless fully subscribed before for the 2025/26 tax year
Issue costs	3% of the amount subscribed for advised investors and 5% of the amount subscribed for direct investors
Annual costs	2% annual management fee and up to 0.5% annual running cost (March 2024 annual running cost is 0.39% of NAV)
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
In the 10 years since the Pembroke VCT first launched they have managed to achieve over £200m of assets under management and four profitable exits from investee companies and a healthy dividend track record	The portfolio of companies within the Pembroke VCT is fairly concentrated with the top 10 companies forming £106m of the £176m AUM represented by the qualifying companies
The Pembroke VCT has increased its annual target dividend from 3 pence per share to 5 pence per share. and it has consistently managed to achieve this target since 2021	The past 12 months have seen the writing off of Kinteract and Kat Maconie. Also the exit achieved in July 2024 from Boat International Media, whilst profitable for the VCT was significantly below the holding value of £6.48m in the last set of published accounts
The VCT sector the Pembroke performance fee is exit based rather than on increases in the NAV, so it can only be paid when a profitable exit has been achieved. This closely aligns the Manager with the interests of shareholders and this methodology should be adopted by other VCT managers	Performance of the NAV per share has dropped from 115p per share in 2023 to 104.6p per share. Whilst this is unfortunate, it reflects falls in NAV per share across a number of generalist VCTs over the past 12 months.

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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 that meeting, the prospectus for the offer, (Pembroke VCT

reference - 9 September 2023) and data provided by Pembroke Investment Managers LLP

The Offer

This new offer is similar to the previous Pembroke VCT launch in 2023/2024 in that it 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 previous year’s Offer from the Pembroke VCT raised a healthy £38m from investors.

The Pembroke VCT was first launched in 2013 and has recently celebrated it’s 10 year anniversary of its first allotment of shares. It remains one of the few success stories of the past 10 years in getting a VCT launched and up to a significant scale. It now has over £225m in assets under management, achieved a number of profitable exits from investee companies and has paid a healthy stream of dividends over the past 5 years.

The Pembroke VCT started out with what could be described as a specialist investment mandate. It set out it’s stall targeting consumer facing businesses, with a speciality in the food and lifestyle sectors. But as assets under management have grown, it can now be viewed as more of a generalist VCT.

The person responsible for helming the Pembroke VCT over these past 10 years is Andrew Wolfson and he should be congratulated on what the

Pembroke VCT has achieved under his guidance. Previously there was a concern as AUM grew from that there was large amount of “Key Man Risk” to this VCT. Over the past 24 months the team has expanded significantly and Jamie Kennell was brought in as Chief Investment Officer. These additions are covered in more detail in the Manager section of this report.

TER understand that this structure may be soon to change from an LLP to a Limited Company and that this process will also bring the Pembroke company under the umbrella of the Oakley Capital Group. Due to the history of the Oakley Capital group’s association with the Pembroke VCT and their team, TER are not anticipating any disruption being caused by this restructuring.

Pembroke’s B Ordinary Shares have 43 active investments (in total the VCT has invested in 66 companies within the Consumer, Technology, and Business Services sectors and achieved four profitable exits, but 15 have failed). As at 30 June 2024 Pembroke VCT has a NAV of over £226m.

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

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

As at June 2024	Net assets	Annual Management fee	Still to be invested Cash held as at 30/06/2024
VCT Funds			
Pembroke VCT B Ordinary shares	£226m	2% of NAV	£44m
TOTAL	£226m		£44m

Source Pembroke

of the VCT whilst also having sufficient resources to achieve the Companies' increased target annual 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 Pembroke VCT seeks to invest across three key market segments:

1. **Consumer**
2. **Technology**
3. **Business Services**

Table 7 in the appendix of this report shows the classification of each company within the portfolio of the Pembroke VCT in these three segments. There are currently 13 Business Services companies, 19 Consumer based businesses and 11 technology based businesses.

Within Pembroke's current portfolio of 43 companies, Pembroke say that 26% are profitable businesses (representing 42% of the total portfolio value) on an annualised basis and the remainder are post-revenue, pre-profitable, with high growth objectives.

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 its outbound origination efforts and referrals by 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 funds. In addition, Pembroke benefits from insights from PROfounders who are also 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, IT and HR.

Two important differentiators of the Pembroke VCT within the VCT market are based around how they structure their investments:

1. They seek 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

2. Unlike many other VCT managers, the Pembroke VCT manager does not impose fees on its portfolio companies, such as due diligence, director, investment 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.

In April 2023, Pembroke introduced a Portfolio Support Fee of £30,000 (+ VAT) per annum, for three consecutive years, payable annually in advance. This Support Fee is subject to a minimum investment of £1m and applies to new investments. Pembroke tell us that the Support Fee introduced by Pembroke Investment Managers, has the full support of the Pembroke VCT Board.

At its discretion, the Manager may charge an Arrangement Fee to the portfolio companies in which the VCT invests. The Arrangement Fee will be restricted to 2.0% of the gross amount invested by the Company. The Manager would consider exercising its discretion to either lower its Arrangement Fee or waive it completely, depending on the investment round.

Though historically, Pembroke has not charged Support and Arrangement Fees, they say that after 10 years the fund has now reached significant scale and complexity; with Assets Under Management (AUM) exceeding 225m a diverse portfolio of companies that vary in size, maturity, and demands, our portfolio companies requiring greater support in the markets they operate in.

When it comes to assessing and investing into portfolio companies, 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 "milestone investing" 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.

An example of this approach is the high end leisure wear brand Tala, in which an initial investment of £200,000 was made 3 years ago, and which was followed up more recently with a £3m investment.

In general terms, and no prediction is implied, 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 up to 20% in early-stage growth companies with revenues under £1m).

In the 12-month period to 31 July 2024 the team invested £8.8m, of which £3m, or 34%, was into new company Transreport. Transreport is a business services company which offers back end systems for large transport companies to help arrange the transport of passengers with disabilities or mobility impairments.

Pembroke say a further £10m is in due diligence to be invested in new companies (as at August 2024).

Pembroke's developing portfolio of brands including Popsa, N Family Club, Secret Food Tours and LYMA have garnered significant national media exposure, leading 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 43 active companies. Of these, Pembroke tell us that 26% (representing 42% of the total portfolio value) are currently profitable on an annualised EBITDA basis.

The B Ordinary Share NAV is invested:

- 25% in the Consumer sector which includes Five Guys, a premium burger chain with over 150 restaurants in the UK, N is for Nursery, a 7-day-a-week nursery and family club, Troubadour, sustainable London based luxury accessories brand specialising in superior handcrafted leather and textile goods, and Hackney Gelato, a premium ice cream brand.
- 29% in the Technology sector which includes LYMA a high-end nutritional supplement, Popsa, a photobook app that uses algorithms to creates photobooks from customer pictures, and Beryl which provide bike and e-scooter hire schemes in major cities in the UK.
- 24% in the Business Services sector 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 SeatFrog, a two-sided technology business with a mission to build a better future for rail operators and their passengers with its consumer-facing application.

The remaining 22% is composed of other net assets which is mainly composed of cash amounting to £46m that is available to be invested. Recent investments include Transreport, an enterprise SaaS platform and a consumer application that allows the rail industry to book and facilitate assisted travel.

Dividend Policy

The B Ordinary Share class has annual target dividend of 5 pence per B Ordinary Share. The dividend is expected to be paid each year, and the Pembroke VCT will also aim to pay special dividends where realisations allow from the sale of its portfolio assets. However, this is a target, and no forecast or projection should be implied or inferred.

The Company has paid a 2.0p per share dividend at the end of April 2024, and has declared a second 2.0p per share dividend to be paid in October 2024 representing 4.0 pence of the target 5p per share for the FY 2025.

At 30 June 2024 the total return per share for the

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	31/12/2023	1.8%	1.8%	5.5%
	Albion Technology & General VCT	31/03/2024	4.0%	5.8%	4.7%
	Albion KAY VCT	31/03/2024	4.9%	5.1%	6.7%
	Albion Development VCT	31/03/2024	6.4%	6.9%	8.6%
	Albion Crown VCT	31/03/2024	3.6%	4.5%	7.3%
	Albion Enterprise VCT	31/12/2023	9.8%	7.0%	9.0%
BARONSMEAD	Baronsmead Second Venture Trust	31/07/2024	-4.3%	2.5%	2.7%
	Baronsmead Venture Trust	31/07/2024	-3.7%	2.3%	2.8%
BERINGEA	ProVen Growth & Income New	31/05/2024	1.1%	1.5%	2.5%
	ProVen VCT	31/05/2024	0.7%	1.2%	3.9%
CALCULUS	Calculus VCT plc New Ord share	31/03/2024	1.8%	0.4%	
FORESIGHT	Foresight Enterprise VCT	31/03/2024	9.4%	6.9%	1.9%
	Foresight VCT	31/03/2024	13.0%	10.3%	5.9%
MAVEN	Maven Income & Growth VCT 5	31/05/2024	0.9%	2.8%	3.6%
	Maven Income & Growth VCT	28/02/2024	1.2%	1.3%	3.3%
	Maven Income & Growth VCT 4	31/03/2024	0.7%	2.0%	2.4%
	Maven Income & Growth VCT 3	28/02/2024	3.0%	2.7%	3.8%
MERCIA	Northern 2 VCT	30/06/2024	-0.5%	4.7%	4.5%
	Northern Venture Trust VCT	30/06/2024	-1.6%	4.6%	4.6%
	Northern 3 VCT	30/06/2024	-0.6%	4.8%	4.8%
MOBEUS	Mobeus Income & Growth VCT	30/06/2024	0.5%	9.5%	6.1%
	Income & Growth VCT	30/06/2024	0.4%	10.5%	5.9%
MOLTEN	Molten Ventures VCT	31/03/2024	3.8%	1.6%	2.2%
OCTOPUS	Octopus Titan VCT	31/12/2023	-4.7%	0.1%	2.8%
	Octopus Apollo VCT	31/01/2024	8.3%	8.4%	3.3%
PEMBROKE	Pembroke VCT B share	30/06/2024	-0.4%	3.7%	
PUMA	Puma VCT 13	31/05/2024	4.9%	12.3%	
	Puma Alpha VCT	31/05/2024	-0.1%		
SENECA	Seneca Growth Capital VCT B shares	30/06/2024	-12.3%	-5.5%	
TRIPLE POINT	Triple Point Venture VCT Venture shares	31/05/2024	1.8%	1.9%	
YFM	British Smaller Companies VCT 2	30/06/2024	5.4%	10.1%	6.4%
	British Smaller Companies VCT	30/06/2024	6.3%	11.6%	6.8%

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 07/09/2024

B Ordinary Shares was 139.8p and the NAV per share was 102.8p.

The Pembroke VCT dividend track record is:

Financial Year	Dividend per share
2017	2p
2018	3p
2019	3p
2020	3p
2021	7p
2022	7p
2023	5p
2024	5.0p
2025	2p + 2p in Sept 24

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 last share buyback of £3.3m was in April 2024 and is subject to consideration by the Board every 6 months. The discount to the NAV at the time of writing is a respectable 4.6%.

Pembroke say they have never been unable to facilitate a share buyback.

Tax Efficient Review Strategy rating: 28 out of 30

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 had not started investing ten years ago) are in Table 3. So how does the Pembroke VCT track record stand up to scrutiny?

In line with most other VCTs in the generalist category, the annualised performances in Table 3 have gone dropped since the previous review. Over 3 years the annualised figure is now -0.4% (down from 7.2% in our last review) and 3.7% over 5 years (again down from 5.9% in our last review).

This decline is not unexpected given what has happened across small cap stocks in the UK market over the past 18 months, and similar performance will be seen across a number of generalist VCTs.

As at 31 March 2024 the Total Return (NAV per share plus cumulative dividends paid per share) is 139.6 pence on the B Ordinary Shares (issued at 100p) since 2015 excluding any tax benefit. Since March 2023, the B Ordinary Share portfolio has paid three dividends totaling 7.0p per share; with the most recent 2p per share dividend paid in

April 2024.

Pembroke has made four positive exits to date, Pasta Evangelists, Plenish, ME+EM and Boat. 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. Recently, in July 2024, Boat was acquired by Informa Group, realising 1.4x return on investment.

The last exit of Boat is particularly welcome in these times. Whilst it is not a particularly high multiple on the amount invested, it is good to see a profitable exit being achieved at a time when there have been few profitable exits across the VCT industry in the past 12 months.

Pembroke has also had 17 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 to more than 150 UK restaurants since Pembroke invested but are yet to exit.

Table 4: Sectors data as at March 2024 as % of portfolio value

Sector name	
Consumer	24%
Technology	29%
Business Services	25%
Cash and other net assets	22%
TOTAL	100%

Source Pembroke

Table 5: Stage of investment by current year revenue as at March 2024 as % of portfolio value

Early stage (turnover under £1m)	2%
Growth (turnover £1m-£5m)	33%
Scale up (over £5m - £50m)	57%
Mature (turnover over £50m)	8%
TOTAL	100%

Source Pembroke

Table 6 in the appendix of this report has the details of all of the exits or write downs achieved within the portfolio over the past three years. The four profitable exits mentioned earlier are contained in this Table along with those written off, but there are still some recoupments of debt positions within companies such as Chucs.

Tables 4 & 5 above shows the sector breakdown of the Pembroke VCT across 3 broad sectors.

As at 31 March 2024 the B Ordinary Share portfolio was 1.5x above cost (see Table 7). Whilst this is encouraging, advisers should note that 2% of the investment portfolio is invested in early stage companies (Table 5).

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

- 19% of the portfolio is calculated by reference to valuations that are set by most recent funding round valuations in which mostly non-Pembroke investors also participated
- 81% of the portfolio 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.

Overall the performance has held up over the past year. One area of concern, however, could be in how concentrated the portfolio is in the top holdings. The top three companies at present (Lyma, Popsa and Peckwater Brands) comprise a value of £58m of the £168m of AUM. (being 34%) The top 10 holdings are over £106m of AUM (being 63%).

Whilst it is normal for a VCT of this size and maturity to see it's best performing holdings take a more dominant role within the AUM. But this is still a high level of concentration and it could make the future performance of the VCT sensitive to the performance of these top holdings.

Tax Efficient Review Track Record rating: 33 out of 40

Manager

The key members of the Pembroke investment team is listed in Table 8 with a breakdown of their activities.

The Management Team of Pembroke Investment Managers LLP comprises:

- Peter Dubens – Co-Founder of Oakley
- David Till – Co-Founder of Oakley
- Andrew Wolfson – Chief Executive Officer
- Chris Lewis – Chief Financial & Chief Operating Officer
- Jamie Kennell – Chief Investment 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.

As at 31 March 2024 the Manager has invested the majority of its prior funds and the VCT held £46.3m (20.7% of its NAV in cash) and the manager says there is a £13m 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 more than £2m 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 is a non-practising 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 was a Member of Parliament between 2001 and 2024, where he served as a Member of the Trade and Industry Select Committee and latterly as a member of the Public Accounts Committee.
- **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** - David co-founded the Oakley Capital Group in 2002. He plays a key role within the group and has overall responsibility for the operations, finance, due diligence, compliance and fund formation. Oakley Capital Private Equity invests in, and supports, the continued growth and development of some of Europe's leading companies and seeks to build long-term relationships with talented entrepreneurial founders and managers. Over the past 20 years, Oakley has built expertise in three core sectors: TMT, Digital Consumer and Education, and has strong credentials and networks in these areas. Oakley Capital comprises five mid market private equity funds. The Funds generate strong returns for their Limited Partners as well as Oakley Capital Investments Limited, a listed investment vehicle that invests in Oakley Private Equity Funds

- **Mark Stokes** - Mark has over 30 years' experience in financial services, and 20 years at executive committee level. He is currently an executive director and Chief Commercial Officer at United Trust Bank, and previously held managing director positions at Lloyds Corporate and Commercial Banking, Williams & Glyn, and Metro Bank
- **Louise Wolfson** - Louise is a senior 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)
- **Chris Allner** - Chris Allner joined the Board of Pembroke VCT plc in June 2024. He brings deep industry experience from a 40-year career in venture capital and private equity, including senior roles at fund, investment manager and portfolio company level. He has been a partner at Downing LLP since 2012 and continues to chair their investment committee as well as being a member of Nesta's Impact investment

committee. He also remains on the board of Thames Ventures VCT 1 plc, Thames Ventures VCT 2 plc, and was formerly a Non-Executive Director on the Boards of Firefly Education Ltd, FundingXchange Ltd, Curo Compensation Limited and Xupes Handbags & Jewellery Ltd. Previously, he held senior investment roles at Octopus Capital, Beringea and Bridgepoint

The Pembroke VCT investment team has expanded of late. Since the last TER review Pembroke has recruited two new employees:

- **Sheeraz Salar:** Sheeraz is the legal director at Pembroke, having joined the team in September 2023. Sheeraz is a qualified solicitor and previously was a senior associate in the corporate team at Withers LLP, specialising in investment and M&A work.
- **Yasmina Jebai:** Yasmina joined Pembroke as an Investment Associate in November 2023. She splits her time between finding great businesses to partner with and working closely with our existing portfolio companies. Yasmina's academic background blends human understanding and business acumen with a BSc in Psychology from UCL and an MSc in Business with Accounting and Finance from Warwick Business School. Prior to joining Pembroke, she worked as a Valuations advisor at BDO where she qualified as an ICAEW Chartered Accountant.

Tax Efficient Review Team rating: 17 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 initial 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 2024, the Manager contributed £nil under this agreement.

In the year to 31 March 2024 the Annual Running Costs to NAV ratio was 0.39% (was 0.34% in year to 31 March 2023) and will continue to be capped at 0.5% in the year to 31 March 2025.

- **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 121.3p at August 2020, must also be achieved before a Performance Fee is paid to the Manager. This is not a particularly high hurdle, but we are pleased to see that the performance fee is paid on profitable exits (not just valuations) over and above a positive return plus an annual hurdle increase of 3 pence per year. But, we would rather this was 3% than 3p. At 30 June 2024 the Total Return NAV per share was 102.8p so the hurdle is only in reality around 135.6p per share. No performance fee was paid for the year ended 31 March 2024.

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 by paying dividends from the exit proceeds. This has been the case with the exit proceeds from Pasta Evangelists, Plenis, ME+EM and Boat.

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.

In April 2023, Pembroke introduced a Portfolio Support Fee of £30,000 (+ VAT) per annum, for three consecutive years, payable annually in advance payable by the companies in which Pembroke invests (whether as new or follow-on) an amount greater than £1.0 million, with the three-year period commencing on the date of Pembroke's investment. The Manager intends to maintain the Portfolio Support Fee in its current form but will review it annually.

In addition, as mentioned above, to the Portfolio Support Fee, from 9 September 2024, the Manager may at its discretion charge an arrangement fee ("Arrangement Fee") to the portfolio companies in which the Company invests. To date, no Arrangement Fee has been charged by the Manager for any new or follow-on deals.

We are disappointed to see the level of fees charged by Pembroke to the investee companies increasing and will keep this area and its score under review.

Tax Efficient Review Cost rating: 9 out of 10

Conclusion

In a similar Offer to the previous tax year, the Pembroke VCT is launching this new fund raising seeking £40m with a £20m over allotment facility. The Offer last year raised a healthy £38m from investors.

The assets under management of the Pembroke VCT have reached £220m (£168m is in qualifying companies) which is impressive from a VCT which has only recently celebrated its 10 year anniversary. They have also managed to achieve four profitable exits over that time from Pasta Evangelists, Plenish, ME+EM and Boat International Media.

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. 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. More recently, in July 2024, Boat International Media was acquired by Informa Group, realising 1.4x return on investment.

The exit of Boat International Media is particularly welcome in these times. Whilst it is not a particularly high multiple on the amount invested, it is good to see a profitable exit being achieved at a time when there have been few profitable exits across the VCT industry in the past 12 months. However, the exit achieved for Boat International Media at £4.64m was significantly below the holding value in the previous accounts of £6.48m.

The performance of the Pembroke VCT since the previous review has held up over the past year, and the dividend payment history of circa 5p per share has remained consistent. One area of concern is in how concentrated the Pembroke portfolio is in the top holdings. The top three companies at present (Lyma, Popsa and Peckwater Brands) comprise £58m of the £168m of AUM. The top 10 holdings represent over £106m of the AUM. Whilst it is normal for a VCT of this size and maturity to see its best performing holdings take a more dominant role within the AUM, this is still a high level of concentration and it could make the future performance of the VCT sensitive to the performance of these top holdings.

Pembroke structure their performance fee based on profitable exits rather than on simple uplifts of NAV per share and TER wish that many other VCT managers would adopt such a position which seems inherently more aligned with the interests of the shareholders in the VCT. The Pembroke position is unusual and refreshing to see as it reduces the risk of performance fees being paid to VCT managers on valuations which don't hold up at the point of exit or are reduced in line with the performance of small cap stocks.

Pembroke VCT, under the stewardship of Andrew Wolfson, have achieved a great deal over the 10 years since they started and are now a well established generalist VCT. TER look forward to seeing what Pembroke can build on top of these achievements over the next 10 years.

Tax Efficient Review rating: 87 out of 100 for a generalist VCT with track record

Table 6 (1 of 2): Pembroke B Share Exits & Write-downs in the three years to July 2024

Investee Company name	Pasta Evangelists	Plenish	Second Home	Chilango (Note 1)	Stitch & Story	Stylindex (Note 2)	Chucs Bar & Grill (Note 3)
Structure of investment	Equity	Equity	Equity	Equity	Equity & Debt	Equity & Debt	Equity & Debt
Sector	Food, Beverage & Hospitality	Food, Beverage & Hospitality	Food, Beverage & Hospitality	Food, Beverage & Hospitality	Education	Digital	Food, Beverage & Hospitality
Financing stage when first invested	Early Stage, post 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	No	No	Yes	Yes	Yes
Amount originally invested	£2.000m Jan 2020	£0.225m Jun 2013	£0.525m Aug 2016	£0.450m Nov 2013	£1.000m	£0.200m Feb-18	£0.200m Oct 2013
Further investment	None	£3.075 equity, £0.600m debt	£0.960m	£0.185m equity	£3.100m	£0.463m debt	£3.304m equity, £2.220m debt
Realisations/Dividends	£4.613m	£8.710m	£nil	£nil	£nil	£nil	£2.220m
Profit/Loss	£2.613m	£4.814m	(£1.485m)	(£0.635m)	(£4.100m)	(£0.663m)	(£3.504m)
Length of investment: to final realisation*	1 year	8 years	8 years	8 years	3 years	3 years	8 years

Source Pembroke

Table 6 (2 of 2): Pembroke B Share Exits & Write-downs in the three years to July 2024

Investee Company name	Sourced Market (Note 1)	Alpha Charlie (Note 4)	PlayerLayer	Me+Em	Kinteract (Note 1)	Kat Maconie (Note 1)	Boat
Structure of investment	Equity & Debt	Equity	Equity	Equity	Equity	Equity & Debt	Equity & Debt
Sector	Food, Beverage & Hospitality	Design	Design	Design	Business Services	Consumer	Business Services
Financing stage when first invested	Early Stage, post revenue	Early Stage, pre revenue	Growth, post revenue	Growth, post revenue	Early Stage, pre revenue	Growth, post revenue	Growth, post revenue
Board seat	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Amount originally invested	£0.830m Jun 2014	£0.1m Apr 2016	£1.001m Dec 2017	£0.200m Aug 2015	£0.5m Apr 2019	£0.3m Jun 2013	£1.7m Nov 2013
Further investment	£3.050m equity, £3.550 debt	£4.022m equity	£4.851m equity	£0.755m equity	£3.1m equity	£0.5m equity; £1.03m debt	£1.55m debt
Realisations/Dividends	£nil	£nil	£nil	£15.404m	£nil	£nil	£4.64m
Profit/Loss	(£7.430m)	(£4.122m)	(£5.852m)	£14.448m	(£3.6m)	(£2.85m)	£1.4m
Length of investment: to final realisation*	8 years	6 years	4 years	7 years	5 years	11 years	11 years

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

(1) Chilango, Kinteract, Kat Maconie & Sourced Market: Remains in administration. Held at nil valuation

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

(3) 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

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

Source Pembroke August 2024

Table 8: Pembroke VCT matrix of individual responsibilities where Deal Origination & New Deal doing exceed 30% of an individual's time and with at least three years VCT involvement September 2024

	Andrew Wolfson	Fred Ursell
	VCT RELATED	
Deal origination	30%	30%
General enquiries		5%
New deal doing	35%	35%
Investee board seats No.	16	0
Sitting on Board and/or portfolio strategy	20%	
Fund raising	5%	15%
Internal issues	5%	5%
Exits	5%	5%
	NON VCT	
Non-VCT work	-	-
TOTAL	100%	100%
Years in venture capital	14	8
Years involved with VCTs	11	8
Years with current team	11	4.5

Source Pembroke

Table 7: Pembroke VCT holdings as at 31 March 2024

Companies	Sector Classification	First investment	Equity (cost) £'000	Loan (cost) £'000	Total invested (cost) £'000	Current valuation £'000	Return on investment
Lyma	Technology	19/12/2018	2,000	-	2,000	30,710	15.4
Secret Food Tours	Consumer	02/08/2018	2,000	-	2,000	9,108	4.6
Stillking	Business Services	22/10/2014	1,452	-	1,452	5,315	3.7
Five Guys	Consumer	01/08/2013	0	2,726	2,726	9,405	3.4
Beryl	Technology	03/10/2014	553	-	553	1,889	3.4
Popsa	Technology	21/02/2018	5,200	-	5,200	16,452	3.2
Wishi	Business Services	22/09/2016	153	-	153	457	3
Peckwater Brands	Business Services	29/09/2021	4,000	-	4,000	10,888	2.7
Thriva	Business Services	08/07/2019	1,330	-	1,330	3,423	2.6
Tala	Consumer	17/12/2021	200	-	200	510	2.6
N is for Nursery	Consumer	03/08/2018	3,000	-	3,000	7,297	2.4
KX	Consumer	29/09/2013	700	-	700	1,654	2.4
Toucantech	Business Services	26/05/2020	1,000	-	1,000	2,081	2.1
Troubadour	Consumer	21/09/2013	2,540	-	2,540	4,769	1.9
Boat	Business Services	10/01/2014	1,700	1,550	3,250	5,532	1.7
SeatFrog	Business Services	24/02/2023	3,000	-	3,000	4,632	1.5
Smartify	Technology	05/11/2020	1,000	500	1,500	2,054	1.4
Unbolted	Technology	15/11/2016	400	-	400	553	1.4
OnePlan	Business Services	14/05/2021	5,000	-	5,000	6,448	1.3
HotelMap	Business Services	05/11/2018	3,300	-	3,300	4,200	1.3
Hackney Gelato	Consumer	17/01/2020	3,200	1,300	4,500	5,378	1.2
Bella Freud	Consumer	26/11/2013	3,379	950	4,329	4,191	1
Ro&Zo	Consumer	26/10/2022	1,500	-	1,500	1,500	1
Annie Mals	Consumer	07/03/2022	500	-	500	500	1
Transreport	Technology	15/12/2023	3,000	-	3,000	3,000	1
Rated People	Technology	17/01/2014	641	-	641	621	1
Coat	Technology	09/06/2021	5,000	-	5,000	4,496	0.9
KXU	Consumer	06/03/2017	244	790	1,034	790	0.8
Roto VR	Technology	24/12/2019	1,750	-	1,750	1,323	0.8
Bloobloom	Consumer	30/08/2022	2,500	-	2,500	1,672	0.7
Credentially	Business Services	01/02/2021	5,000	-	5,000	2,804	0.6
Cydar	Business Services	11/02/2022	3,000	-	3,000	1,793	0.6
My Expert Midwife	Consumer	26/05/2022	1,500	-	1,500	904	0.6
Vieve	Consumer	14/10/2022	1,000	-	1,000	590	0.6
Auddy	Technology	25/07/2022	1,800	-	1,800	1,108	0.6
Droplless	Business Services	19/03/2021	3,000	2,000	5,000	2,610	0.5
JustWears	Consumer	23/09/2021	2,000	-	2,000	760	0.4
Rubies In The Rubble	Consumer	17/07/2019	1,328	-	1,328	510	0.4
Floom	Technology	09/11/2018	4,415	145	4,560	1,955	0.4
Heist	Consumer	04/07/2017	7,249	1,100	8,349	2,508	0.3
Chucs Restaurants	Consumer	28/10/2013	2,220	-	2,220	639	0.3
United Fitness Brands	Consumer	10/05/2013	5,276	-	5,276	1,028	0.2
Eave	Business Services	12/10/2020	3,900	-	3,900	568	0.1
Active portfolio companies			£101,930	£11,061	£112,991	£168,623	1.5

Source Pembroke VCT