

Product

**Guinness VCT**

Tax Status

**Venture Capital Trust**

Fund Group

**Guinness Asset Management Limited**

**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

| Guinness VCT             |  |
|--------------------------|--|
| Type                     | Generalist VCT without track record  |
| Size                     | Seeking £10m with this launch and a £5m over-allotment facility. This currently has £7.6m of AUM   |
| Manager                  | Guinness Asset Management Limited  |
| Sponsor                  | Howard Kennedy LLP   |
| Registrars               | The City Partnership (UK) Limited  |
| 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                 | Guinness Ventures Limited  |
| Funds initially invested | Cash deposits  |
| 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<br>27th June 2025 unless fully subscribed before for the 2025/26 tax year   |
| Issue costs              | 3% of amount subscribed for advised investors  |
| Annual costs             | 2% per annum (total annual charges are capped at 3.5%)   |
| 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  |
|--|---|
| Guinness have already made 14 qualifying investments, accounting for 69% of the NAV, which is an impressive level of diversification for a VCT of this size. All of which have been co-investments with the Guinness EIS fund. | A new VCT is unable to pay dividends to investors for the first 3 years, which puts this VCT at a disadvantage to those seeking income from their VCT although the first dividend can be paid from April 2026 onwards.                  |
| The highly experienced Shane Gallwey heads up the Guinness Ventures team and is part of the long-established Guinness Asset Management Ltd which has over £8bn under management  | This VCT is small at only £7.6m and it will take several rounds of fund raising for it to have a meaningful level of AUM in comparison with the established generalist VCTs in the market   |
| This VCT offers advisers a way to access the same investment strategy as the popular Guinness EIS but within the more diverse, and potentially more liquid, structure of a VCT   | New VCTs can, in their early years, suffer from higher costs (although the total expense ratio is capped) and need to make relatively small investments initially in order to achieve diversification across the underlying investments |

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## TER Classification

TER classifies this VCT as a “Generalist VCT without track record”. Guinness are experienced fund managers within the EIS market, but this is their first VCT. The Guinness VCT will sub-

stantially replicate the investment policy of the Guinness EIS which focuses on Series A/Scale-up growth capital.

## Review based on

TER always meet with fund managers prior to a review. This review is based on those meetings, the prospectus for the offer, (Guinness VCT ref-

erence 11 September 2024) and data provided by Guinness.

## The VCT scheme sunset clause

A condition of the European Commission’s State Aid approval of the UK’s VCT scheme in 2015 was the introduction of a retirement date for the current scheme at midnight on 5 April 2025. This was passed into UK law through the Finance (No 2) Act 2015.

If the relevant legislation is not renewed or

replaced with similar or equivalent legislation before this date, investors issued with new VCT shares (whether through an offer or through a dividend reinvestment scheme) after 5 April 2025 would not be able to claim upfront VCT income tax relief in respect of such shares and further this may have an adverse impact on the continuation of a company as a VCT or it being able to

Table 2: **Funds under Management - Guinness Asset Management as at 31 August 2024**

|   | Net Assets<br>£m | Annual<br>Management<br>Fee (as at last<br>audited annual<br>accounts) £m | Still to be<br>invested to<br>reach Boards<br>85% target |
|---|------------------|---|--|
| <b>VCT Funds</b>  |                  |   |  |
| Guinness VCT Plc  | 7.6              | 2.00%   | 2.4  |
| <b>NON VCT FUNDS THAT CAN CO-INVEST WITH VCT FUNDS</b>    |                  |   |  |
| Guinness EIS  | 243.3            | 1.80%   | 5.1  |
| Guinness AIM EIS  | 8                | 1.75%   | 0.9  |
| <b>NON VCT FUNDS THAT CANNOT CO-INVEST WITH VCT FUNDS</b> |                  |   |  |
| Guinness Sustainable Estate Planning Solution             | 9.8              | 2.20%   | 0  |
| Guinness PCIS   | 1.5              |   |  |
| <b>TOTAL UNDER MANAGEMENT</b>                             | <b>£270.2m</b>   |   | <b>£8.4m</b>   |

Source Guinness Ventures

raise further funds and/or meet its objectives in the future.

After a series of statements by the UK Government in the course of 2022 and 2023 of its intention to extend the VCT scheme beyond 5 April 2025, it was formally announced by the Chancellor in the Autumn Statement on 22 November 2023 that the VCT scheme would be extended by secondary legislation for a further

ten years to 5 April 2035. Finance Act 2024 includes provision for the VCT scheme to be extended to 5 April 2035.

This will be subject to a Treasury Order being laid following EU approval being obtained for the continuation of the VCT scheme. It was recently announced that the European Union have granted approval for the continuation of the VCT scheme.

## Consumer Duty

The FCA's Consumer Duty came into force from 31 July 2023 for existing products and services. One of the main purposes of this new legislation is that it seeks to ensure customers receive "fair value" and that fund management firms provide evidence that these outcomes are being met.

The assessment carried out by each firm is to ensure that its products provide fair value to retail customers in the target markets for those products; and that it has carried out a value assessment of its products which they review

on a regular basis (appropriate to the nature and duration of the product).

Each firm being reviewed by TER has created their own "Confirmation of Value" assessment, which are available directly from the fund manager. Please note that in each TER report, there is a Fees section which compares the costs of the offer being reviewed against its peer group.

## The Offer

The Guinness VCT was first launched in October 2022 and this is the third fund raising which has taken place for this VCT. It is now up to £7.6m of assets under management, but, surprisingly, it has made 14 investments to date.

Partly this is a function of the relatively small size of this VCT, but also because it is co-investing on each investment with the much larger Guinness EIS. This allows a much greater level of diversification than would normally be the case for a VCT of this size.

Guinness Ventures are a long established manager of tax efficient investments and are part of the much larger Guinness Asset Management Ltd, which manages over £5bn of funds.

This VCT is a way of allowing investors who like the Guinness EIS to access the same investment strategy within a VCT. Over time, the VCT option should provide greater levels of diversification and potentially better liquidity, as investors who have held the shares in the VCT for more than 5 year could then exit by selling their VCT shares in the secondary market.

There have been a few other EIS managers that have sought to offer a VCT option as well. These include Molten Ventures (formerly Draper Esprit) who acquired the Elderstreet VCT rather than start a new VCT. There have also been "sister" VCT launches from Blackfinch and Seneca.

In Guinness's favour is the following:

- They are long established managers of tax efficient investments within their EIS and BR offers
- They have a good track record of making and exiting venture-based investments
- Being part of the larger Guinness Asset Management Group gives them financial stability and allows time for the VCT to develop under its own steam

But the factors not in Guinness's favour are:

- The new VCT cannot pay dividends for the first 3 years - although the first dividend can be paid in 2026

- There will be a “lag time” between raising the funds for the VCT and then deploying them into VCT qualifying companies although Guinness have already made an impressive 14 qualifying investments, accounting for 69% of the NAV. The balance of funds is spread across money-market funds earning interest [approx. 4%].
- Smaller VCTs lack the diversification of their more established peer group

But for those who like the Guinness EIS, but do not necessarily use all the additional EIS tax reliefs of CGT deferral and IHT relief, the VCT should make an attractive proposition.

Table 3 shows Guinness’s current portfolio breakdown of its VCT investments which are very new and mainly held at cost except for two which are held above cost.

### Investment Strategy

The Company will invest in growth stage companies that require scale-up capital across a range of sectors including technology, education, healthcare, manufacturing, retailing, leisure and food and drink.

The generalist strategy is designed to allow the Company to mitigate risk to a degree by diversifying its target portfolio companies for investors. Guinness focuses on companies that have at least £1 million of historic or run-rate revenues, saying these companies have in the main proved up the product, service or technology and are looking to scale-up. This investment approach mimics that of the Guinness EIS that has been running since 2011 and investing in growth companies since 2017.

Guinness seeks to identify businesses that have demonstrated the ability to raise and appropriately employ seed stage funding and who now require further funding to accelerate growth and deliver shareholder returns.

When assessing investment opportunities, Guinness looks for:

- experienced and competent management teams with a strong understanding of their market and competitive position, and with a track record of building and selling companies;
- a realistic business plan supported by good

operations and technology

- the investee company’s ability to sustain a competitive advantage;
- the company’s prospects of being sold or floated in the future, at a multiple on the initial cost of investment; and
- a valuation and structure that provides alignment between all shareholders.

Guinness also has an extensive track record of investing in AIM-listed companies through the Guinness AIM EIS and will consider investing 10% to 20% of the funds raised into AIM-listed companies. Although no AIM based investments have been made to date.

Every company that is selected for potential investment will be required to pass through a comprehensive due diligence exercise which aims to test its business plan, technology and financials as well as reviewing VCT eligibility.

Now this VCT is two years old, they are in the position of being able to highlight some of the investments which have been made to date. As at 31 July 2024, the Guinness VCT has invested £4.9m across 14 investee companies. These are co-investments alongside Guinness EIS and span a range of sectors. New investments made since 30th June 2023 include:

- **Holibob** - a travel technology company which enables businesses to sell travel experiences online, digitalising the experience industry with a key focus on the consumer needs of convenience and curation. Guinness VCT invested £0.32 million in March 2024
- **Obrizum** - an edtech platform that builds adaptive learning programmes for large organisations. Obrizum’s bespoke artificial intelligence technology enables companies to make more efficient use of content resources, and to measure and accelerate learning. Guinness VCT invested £0.20 million in April 2024
- **Qureight** - a cloud-based platform for pharmaceuticals and biotech companies to accelerate the development of drugs for complex lung and heart diseases. Guinness VCT invested £0.20 million in March 2024



- **Shotscope** - Shot Scope designs and manufactures golf technology products shown to improve the game of golfers by +3.2 shots in 25 rounds. The patented tracking electronic and software technology is delivered through GPS and laser rangefinder solutions. Guinness VCT invested £0.35 million in June 2024
- **Sportable** – Sportable is a London-based sports technology business that specialises in game insights and analytics and advanced ball and player tracking technology across a number of sports, including football, Australian rules football, American football and rugby. Guinness VCT invested £0.32 million in March 2024
- **Wrisk** - Wrisk is an automotive insurance platform founded with a mission to transform the way motor insurance is sold globally. Wrisk imbeds its insurance policy platform within the websites of its partners to price and issue policies on behalf of insurance underwriting partners. £0.35 million in December 2023.

## 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).

As a new VCT, Guinness VCT does not yet have a track record, although the manager manages £300 million of EIS funds and has been managing EIS funds since 2011.

Looking at their record of EIS investing, we note Guinness EIS has returned £130 million to EIS investors since 2016. This breaks down as £26m to AIM EIS investors, £69m to “asset-backed” EIS investors and £34m to “growth” EIS investors. The “asset-backed” returns are not relevant to potential investors in this offer, but the figures do illustrate the experience of the manager and the emphasis on returning funds to investors.

In June 2019 Guinness made its first partial exit from a Guinness EIS growth company investment, after just 15 months. Guinness invested £4.9 million in Jones Food Company, an innova-

In addition, Guinness VCT has invested the majority of its cash in money market funds to ensure a high interest rate while funds are being earmarked for deployment. Guinness VCT will have regular share allotments from October onwards to ensure funds are able to earn a return for the VCT soon after subscription.

### Dividend Policy

Guinness VCT is aiming to make regular dividend payments to shareholders commencing in 2026. As a new VCT it can only pay dividends from distributable reserves. In the absence of profitable company sales or sufficient dividend payments in the first three years, distributable reserves can be created through the reorganisation of share capital, but only three years after the first share allotment date.

### Share Buyback Policy

The VCT has stated it intends to pursue an active policy of buying back its shares in the market for cancellation or which are held in treasury (and hence available for re-issue). It is the VCTs' aim that the discount to net asset value at which shares are bought back by the Company is 5% or less.

tive agritech business that has designed next-generation hydroponics facilities to revolutionise how herbs are grown and harvested without the need for pesticides. Ocado have taken a majority stake in Jones Food, with investors selling 82% of their holding at 1.57x their investment cost, giving an IRR of 44%.

Since then, Guinness has made full or partial exits from a further 5 growth companies, bringing the total sales proceeds from growth companies to £34 million for Guinness EIS investors, being 2.1x the cost of these investments. Full details of the investments made by the Guinness EIS are detailed in the appendix of this report.

Table 3 shows the current investments held by the VCT.

Valuing unquoted venture capital backed companies can be a nightmare of interpretation and analysis. The way the Guinness VCT structures their investments is with a high degree of reliance upon ordinary shares with a participating preference (which confer some form of “liquidation preference”) within the structure of the

investment. To be clear, this is not a debt structure, but as the name suggests, it does give the investor in the ordinary shares with a participating preference a preference (or priority) on returns in the event of a sale.

Ordinary shares with a participating preference can be Participating (known as “hard” preference) or non-Participating (known as “soft” preference). Participating refers to whether after recouping any funds in preference to other shares, the shares continue to share in any funds still available.

For example, a Venture Capital investor may invest £5m into a company as ordinary shares with a non-participating preference with a 1x liquidation preference which have a priority on the first £5m (driven by the 1x preference) in the event of the sale of that company to a trade purchaser. So (assuming no other share class has a priority position) if the company is sold for only £5m, the investor will get their investment back but the other equity holders will get nothing. But if the company were sold for, say £15m, then the ordinary shareholders with a participating preference would receive their £5m preference first and then the remaining £10m would be split across the remaining shareholder(s) as a normal equity participation.

Clearly, there are many, many ways in which ordinary shares can be structured in terms of the rights and return profile they give the investor/shareholder, and it's part of the negotiation of an investor when they come to put money into a Venture Capital/Private Equity company.

But TER would like to point out that these share

### Manager

Guinness Asset Management Ltd (“Guinness” or “the Manager”) is a UK based, privately owned, investment management firm, established in 2003. Guinness currently has over 70 full time employees. The Manager runs a range of open-ended investment companies (“OEIC’s”) and has grown AUM to over £8 billion as at 31 August 2024. Its flagship fund, Guinness Global Equity Income, was launched in 2010 and now has over £4 billion in the strategy.

Guinness Asset Management was founded by Tim Guinness who has been in the investment

structures do not provide any form of safety net or guarantees. If a company with ordinary shares with a participating preference in its equity structure folds with a nil value, then there is no recourse to take any preference on any remaining value.

Why is this important for the performance of comparing Guinness VCT to other VCTs which might not use such a structure? Well the ordinary shares with a participating preference mean that the Guinness VCT's performance would be more “static” compared to others which do not use such structures.

Whilst ordinary shares with a participating preference typically help to give a priority recoupment on a sale of a company, they also can have a reduced upside in exchange for this priority return. Table 3 has a column indicating the type of shares and the structure held by the VCT.

It can be concluded that whilst there is a limited track record for this VCT, Guinness Asset Management have proved to have an successful track record in making venture based investments. This track record has been established since the Guinness EIS has to change their investment strategy following changes brought about by the Patient Capital Review.

This new VCT will need time to raise funds to a significant level and then deploy these funds into VCT qualifying companies. It is therefore likely to be several years before any kind of track record emerges, but there is a good pedigree within the Guinness Team for making venture-based investments.

management industry for over 40 years. CEO & Fund Manager Edward Guinness joined Guinness in 2006.

Prior to the Patient Capital Review in 2017/2018 the Guinness EIS focussed on “asset-based” tax efficient investments. But since November 2017, the team has been wholly focused on growth company investing. The Guinness team are not alone in having to adapt their investment style to fit in with the changes brought about by the Patient Capital Review, but they have done so better than many others.

Shane Gallwey heads up the Ventures Team, which launched in 2010 with its first renewables EIS offering. Since then the team have raised over £300 million into EIS qualifying investments, comprising £68m into renewables, £35m into AIM, £19m into generalist asset backed and £184m into growth companies. The ventures team has expanded in recent years with some key hires and now include:

- **Shane Gallwey CFA** - Head of Ventures. Shane set up the Guinness Ventures team in 2010, having previously worked for Northland Capital Partners, where his focus was on advising growth companies. From 2002 to 2006 Shane was based in Gibraltar with Trafalgar Financial Futures. In 1996 he joined HSBC Investment Bank where he worked in the Telecoms & Technology Team
- **Dr. Malcom King** - Fund Manager and CIO. Malcolm joined Guinness in 2013 from CT Partners where he led private equity investments and managed a leading European cleantech incubator
- **Hugo Vaux** - Fund Manager and COO. Hugo joined Guinness in 2012, having previously gained experience at SandAire Wealth Management undertaking macro-economic analysis in the investment team
- **Ashley Abrahams** - Fund Manager. Ashley Abrahams joined Guinness in 2018. He previously worked for CBPE Capital and CIL Management Consultants
- **Adam Barker** - Senior Associate. Adam is responsible for sourcing, screening, structuring, and managing the due diligence of investment opportunities for the Guinness Ventures fund. Prior to joining Guinness in 2018, Adam completed internships in various financial services roles including venture capital and equity analysis
- **Sara Yachou** - Associate. Sara joined Guinness Ventures as Finance Assistant in February 2023. Before joining Guinness, Sara spent five years working in the Finance Department at AllSaints
- **Joe Staunton** - Associate. Joe joined Guinness Asset Management in March 2023

as an Associate within the EIS team. Prior to this, Joe spent two and a half years working in a Northern focused VC fund at Mercia Asset Management

- **George Whear** - Associate. George joined as an Analyst in the Guinness Ventures team in 2022, working on the Guinness EIS services
- **Bernice Brooks** - Bernice is an Associate at Guinness Ventures. Before joining Guinness Ventures in 2023, Bernice interned for two years at Private Equity firm Triton Partners before transitioning to the Venture Capital industry as an investment consultant
- **Lisa Fox** - Deal Origination and Business Development. Prior to joining Guinness Ventures in 2024, Lisa was Head of Private Growth Capital at WH Ireland and before that, CEO of Haitong International UK. She spent 2 years in Tokyo (as Country Head, Japaninvest), 7 years in Hong Kong as Deputy Head and Global Head of Equities (sales, research, trading) for Haitong International (2010-2019)

The Board appointed to the Guinness VCT are as follows

- **Ewen Hamilton Gilmour (Independent non-executive Chair)** - Ewen is the former chief executive of Chaucer Holdings plc, a listed Lloyd's insurer. He joined Chaucer three months prior to its stock market flotation in 1998; he was initially finance director, and then managing director/chief executive officer from 1999 to 2009. While there, he also chaired Lloyd's Market Processes Committee and the Chaucer Pension Fund and served on the Council of Lloyd's, including being deputy chairman of Lloyd's from 2006 to 2010. After graduating from Cambridge University, his early career was as an accountant at KPMG between 1974 and 1980, followed by 13 years as a corporate financier at Charterhouse Bank, the merchant banking subsidiary of Royal Bank of Scotland. He has served as non-executive chairman of three Lloyd's Agents: Antares Managing Agency Limited; Hampden Agencies Limited; and Starstone Underwriting Limited. Currently, he is chairman of Soteria Insurance Limited. He has also been a member of the Lloyd's Enforcement Board since February 2012.

- Joanna Lesley Santinon (Independent non-executive Director)** - Joanna is a chartered accountant, and chartered tax adviser. She specialised in tax, transactions and private equity, and has wider experience including mergers and acquisitions, strategic investments, capital raisings and listings from a career spanning 24 years at Ernst & Young (“EY”) where she was a member of the London Markets Board and led the Private Tax team in London through a transformation and growth period. During her time with EY Joanna played key roles in transactions in the UK and Europe. Joanna also led the EY UK Entrepreneur of The Year Programme. Joanna was a founder member of the 30% Club in the UK. She is an independent non-executive director of Octopus Future Generations VCT plc and a trustee of The Centre For Entrepreneurs.
- Andrew Everard Martin Smith (Non-independent non-executive Director)** - Andrew was Chief Executive of Hambros Fund Management when it merged with Guinness Flight in 1997. In 2000 he joined Berkshire Capital Securities, a corporate adviser to the fund management industry, before joining Guinness Asset Management in 2005 as a senior adviser. He is a non-executive director of several companies including Church House Investment Management and has been a director of several public listed investment trusts including, TR European Growth, M&G High Income and Atlantis Japan. He is a director of Guinness Asset Management and is the lead manager of the Guinness AIM EIS Service.

The Guinness team personally invest alongside other investors and have to date invested over £2 million in Guinness EIS funds. The team have also invested £1m into the new VCT. Guinness say this demonstrates the conviction of the team in their investment strategies and could help

## Costs

- Initial costs:** 3.0% - charged by Guinness to the Guinness VCT.

The cost of the Early Bird Discount is met by the Manager rather than the VCT. Trail commission

align the interests of investors and the Manager. Investments made by team members are at their discretion and subject to the same restrictions as all investors.

The members of Investment/Management Team who spend at least 30% of their time deal doing are listed in Table 4.

The Manager acts on a discretionary basis which means that the Board only have an oversight role as to what investments are made by the Manager. Each investment is subject to approval of an investment committee which comprises investment professionals from the Manager and an external investment professional. The Board does not play a role in selecting or approving investments – its task is to monitor the performance of the Manager.

Not only must an investment manager obtain deal flow but it must have a team resourced to invest at the correct rate to satisfy the VCT rules. The 80% investment rule (increased from 70% to 80% in March 2020) 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. Guinness tell us that the Board is expected to encourage investment levels of around 85%.

Assuming the current offering raises its full subscription (including over-allotment) net of fees of £15m, this would add another £12.75m (85% of £15m) or £8.5m per annum over eighteen months (the VCT should not be taking longer than this to invest otherwise it should reduce its fund raising as holding cash is not effective).

paid to execution only brokers of up to 0.5% is paid by the Promoter rather than by the VCT.

- Annual management fee:** 2.0% per annum

Guinness VCT has a TER cap of 3.5%.

- **Performance fee:** There is a performance incentive in operation: calculated as 20% of dividends paid provided the hurdle is met.

For the Hurdle to be met, the Shares must achieve a Total Return (based on audited year end results) in excess of £1.03 for the year ending 31 March 2025. For each subsequent year the Hurdle increases by 3p per annum such that for the year ending 31 March 2026 the Hurdle will be £1.06, for the year ending 31 March 2027 the Hurdle will be £1.09 and so on.

- **Administration Fees:** City Partnership (UK) Ltd act as Administrator and charge a base fee of 0.22% of NAV.

Historically the Guinness EIS, which is also run by the Manager, has charged fees to investee companies in lieu of fees charged to investors. If the Guinness VCT co-invests with the Guinness EIS there may be arrangement or monitoring fees in relation to those co-investments.

## Conclusion

Guinness VCT has returned to the market with a £10m fund raising (with a £5m over-allotment facility) for this relatively new VCT. It was first launched in October 2022 and it currently has £7.6m of AUM.

The premise of the Guinness VCT is that it offers the same investment strategy as the popular Guinness EIS but in the more diverse structure of a VCT, which, after 5 years, should also offer investors greater liquidity possibilities than the EIS.

When it comes to track record, there has not been sufficient time to allow an analysis of the performance of this VCT against the peer group. But the Guinness Ventures team have clearly been busy over the last year as the £7.6m of AUM now stretches over 14 qualifying investments (representing 69% of the AUM). This is a high number of investee companies for this size of VCT. This level of diversification has been possible because all of these investments have been co-investments alongside the Guinness EIS.

As can be seen in Table 3 below, the average investment size has been around £400,000 per company, but advisers must remember that these will be a small part of a larger overall investment from Guinness. So Guinness have made a good start to the deployment of this VCT, although the team at Guinness have to be mindful as the VCT grows its AUM not to have too many small investee company holdings within it.

Hopefully, this launch will take the Guinness VCT over the significant £10m AUM hurdle, and at that point we should be able to see not only significantly larger investments within this VCT, but also the emergence of its own track record separate to that the Guinness EIS.

**Tax Efficient Review rating: 85 out of 100 (for a Generalist VCT without track record)**



## Appendix A: Investment team and VCT Board members

- **Shane Gallwey CFA** - Head of Ventures. Shane set up the Guinness Ventures team in 2010, having previously worked for Northland Capital Partners, where his focus was on advising growth companies. From 2002 to 2006 Shane was based in Gibraltar with Trafalgar Financial Futures. In 1996 he joined HSBC Investment Bank where he worked in the Telecoms & Technology Team. Shane has a Master's degree from the University of Edinburgh and is a CFA Charterholder
- **Dr. Malcolm King** - Fund Manager and CIO. Malcolm joined Guinness in 2013 from CT Partners where he led private equity investments and managed a leading European cleantech incubator. Malcolm has a PhD in Physical Chemistry from Cambridge University and a BSc(Hons) in Chemistry from the University of Pretoria
- **Hugo Vaux** - Fund Manager and COO. Hugo joined Guinness in 2012, having previously gained experience at SandAire Wealth Management undertaking macro-economic analysis in the investment team. He has an MSc in Finance and Investment from the University of Bristol and a BA in Economics from Exeter
- **Ashley Abrahams** - Fund Manager. Ashley Abrahams joined Guinness in 2018. He previously worked for CBPE Capital and CIL Management Consultants. He graduated from the University of Cambridge and has a joint honours MA (Cantab.) in Management Studies and History. Outside of work Ashley represents England and Great Britain at Match Rifle
- **Adam Barker** - SniorAssociate. Adam is responsible for sourcing, screening, structuring, and managing the due diligence of investment opportunities for the Guinness Ventures fund. Prior to joining Guinness in 2018, Adam completed internships in various financial services roles including venture capital and equity analysis. Adam graduated in 2016 from UWE Bristol with a degree in Mathematics
- **George Whear** - Associae. George joined as an Analyst in the Guinness Ventures team in 2022, working on the Guinness EIS services. George graduated with a First Class Degree in History from the University of Durham and gained experience with an internship in venture capital
- **Tim Guinness** - Chairman Guinness Asset Management. Tim is the founder of Guinness Asset Management, and has been in the investment management industry for over 40 years. He graduated from Cambridge University with a degree in engineering, and has a Master's in Management Science from M.I.T.
- **Will Clark** – Business Development. Will is responsible for distributing the Guinness suite of tax advantaged investments. His focus is managing and growing our relationships with intermediaries including financial advisers, wealth managers and private banks across the UK
- **Edward Guinness** - CEO Guinness Asset Management. Edward joined Guinness in 2006, having worked previously at HSBC Investment Bank and Tiedemann Investment Group in New York. He graduated from Cambridge with an MA (Hons) in Engineering and Management Studies
- **Bernice Brooks** – Bernice is an Associate at Guinness Ventures. Before joining Guinness Ventures in 2023, Bernice interned for two years at Private Equity firm Triton Partners before transitioning to the Venture Capital industry as an investment consultant.
- **Lisa Fox** – Deal Origination and Business Development. Prior to joining Guinness Ventures in 2024, Lisa was Head of Private Growth Capital at WH Ireland and before that, CEO of Haitong International UK. She spent 2 years in Tokyo (as Country Head, Japaninvest), 7 years in Hong Kong as Deputy Head and Global Head of Equities (sales, research, trading) for Haitong International (2010-2019)

The Board of the Guinness VCT are as follows

- **Ewen Hamilton Gilmour** (Independent non-executive Chair). Ewen is the former chief executive of Chaucer Holdings plc, a listed Lloyd's insurer
- **Joanna Lesley Santinon** (Independent non-executive Director), Joanna is a chartered accountant, and chartered tax adviser
- **Andrew Everard Martin Smith** (Non-independent non-executive Director), Andrew was Chief Executive of Hambros Fund Management when it merged with Guinness Flight in 1997.

Table 3: Guinness VCT unquoted portfolio analysis for Tax Efficient Review as at 31 August 2024

| Investee Company                   | Cost<br>£    | Value<br>£   | Date<br>invested | Syndicated<br>Y/N | Lead investor<br>Y/N | Structure of invest-<br>ment (ordinary<br>shares, non-partic-<br>ipating, participat-<br>ing, loans) | Industry Sector                 | Financing<br>stage                | Valuation<br>method   | Multiple<br>on cost |
|------------------------------------|--------------|--------------|------------------|-------------------|----------------------|--|---------------------------------|-----------------------------------|---|---------------------|
| PlotBox Inc                        | 350,000      | 536,271      | 04/2023          | N                 | Y                    | Equity   | Software & Computer Services    | Later Stage, Pre-profit expansion | Uplift in value, manager valuation based on industry valuation benchmarks | 1.5x                |
| Wrisk Limited                      | 350,133      | 469,691      | 12/2023          | Y                 | N                    | non-participating equity   | Nonlife Insurance               | Later Stage, Pre-profit expansion | Uplift in value, manager valuation based on industry valuation benchmarks | 1.3x                |
| Maestro Media Ltd                  | 599,996      | 599,996      | 04/2023          | N                 | Y                    | non-participating equity   | Media                           | Later Stage, Pre-profit expansion | Cost  | 1.0x                |
| Baby Mori                          | 350,100      | 350,100      | 04/2023          | N                 | Y                    | non-participating equity   | General Retailers               | Later Stage, Pre-profit expansion | Cost  | 1.0x                |
| Dragonfly Technology Solutions Ltd | 399,999      | 399,999      | 04/2023          | Y                 | N                    | non-participating equity   | Software & Computer Services    | Later Stage, Pre-profit expansion | Cost  | 1.0x                |
| Fable Data Limited                 | 350,000      | 350,000      | 04/2023          | N                 | Y                    | non-participating equity   | General Retailers               | Later Stage, Pre-profit expansion | Cost  | 1.0x                |
| Aptem Ltd                          | 400,000      | 400,000      | 03/2024          | Y                 | Y                    | non-participating equity   | Software & Computer Services    | Later Stage, Pre-profit expansion | Cost  | 1.0x                |
| Qureight Limited                   | 204,983      | 204,983      | 03/2024          | Y                 | N                    | non-participating equity   | Pharmaceuticals & Biotechnology | Later Stage, Pre-profit expansion | Cost  | 1.0x                |
| Holibob Limited                    | 320,001      | 320,001      | 03/2024          | N                 | Y                    | non-participating equity   | Travel & Leisure                | Later Stage, Pre-profit expansion | Cost  | 1.0x                |
| Sessions Market Limited            | 399,924      | 399,924      | 03/2024          | N                 | Y                    | non-participating equity   | Food & Drug Retailers           | Later Stage, Pre-profit expansion | Cost  | 1.0x                |
| Sportable Technologies Ltd         | 315,000      | 315,000      | 03/2024          | Y                 | N                    | Equity   | Software & Computer Services    | Later Stage, Pre-profit expansion | Cost  | 1.0x                |
| Obrizum Group Ltd                  | 201,302      | 201,302      | 04/2024          | Y                 | N                    | non-participating equity   | Software & Computer Services    | Later Stage, Pre-profit expansion | Cost  | 1.0x                |
| Shot Scope Technologies Limited    | 350,007      | 350,007      | 06/2024          | Y                 | Y                    | non-participating equity   | Technology Hardware & Equipment | Later Stage, Pre-profit expansion | Cost  | 1.0x                |
| Fussy Ltd                          | 319,995      | 319,992      | 03/2024          | Y                 | Y                    | non-participating equity   | General Retailers               | Later Stage, Pre-profit expansion | Cost  | 1.0x                |
| <b>TOTALS</b>                      | <b>£4.9m</b> | <b>£5.2m</b> |                  |                   |                      |  |                                 |                                   |   | <b>1.1x</b>         |

Source Guinness Ventures



Table 4: Guinness VCT unquoted analysis of sector (% of original cost) as at 31 August 2024

| Sector                          | %           |
|---------------------------------|-------------|
| Software & Computer Services    | 34%         |
| General Retailers               | 21%         |
| Media                           | 12%         |
| Food & Drug retailers           | 8%          |
| Technology Hardware & Equipment | 7%          |
| Nonlife Insurance               | 7%          |
| Travel & Leisure                | 7%          |
| Pharmaceuticals & Biotechnology | 4%          |
| <b>TOTAL</b>                    | <b>100%</b> |

Source Guinness Ventures

Table 5: Guinness Ventures Investment team members August 2024

|                                    | Shane Gallwey | Edward Guinness | Dr Malcolm King | Hugo Vaux   | Ashley Abrahams | Adam Barker | Joe Staunton | George Whear | Bernice Brooks | Lisa Fox    |
|------------------------------------|---------------|-----------------|-----------------|-------------|-----------------|-------------|--------------|--------------|----------------|-------------|
| <b>VCT/EIS Related Work</b>        |               |                 |                 |             |                 |             |              |              |                |             |
| Deal origination                   | 15%           | 5%              | 10%             | 15%         | 30%             | 15%         | 30%          | 20%          | 40%            | 15%         |
| General enquiries                  | 5%            | 0%              | 0%              | 10%         | 0%              | 0%          | 5%           | 10%          | 10%            | 5%          |
| New deal doing                     | 25%           | 5%              | 40%             | 10%         | 40%             | 45%         | 40%          | 20%          | 30%            | 30%         |
| Investee board observer seat (No.) | 2             | 0               | 1               | 2           | 3               | 3           | 2            | 1            | 0              | 0           |
| Investee board director seats No.  | 5             | 0               | 6               | 3           | 4               | 1           | 0            | 0            | 0              | 0           |
| Sitting on Boards/Monitoring       | 25%           | 0%              | 25%             | 25%         | 25%             | 20%         | 20%          | 10%          | 0%             | 0%          |
| Fund raising                       | 10%           | 0%              | 0%              | 5%          | 0%              | 0%          | 0%           | 0%           | 0%             | 30%         |
| Internal issues                    | 5%            | 5%              | 5%              | 30%         | 0%              | 10%         | 5%           | 10%          | 20%            | 10%         |
| Exits                              | 15%           | 5%              | 20%             | 5%          | 5%              | 10%         | 0%           | 0%           | 0%             | 10%         |
| <b>Non VCT/EIS Work</b>            |               |                 |                 |             |                 |             |              |              |                |             |
| Non-VCT/EIS work                   | 0%            | 80%             | 0%              | 0%          | 0%              | 0%          | 0%           | 0%           | 0%             | 0%          |
| <b>TOTAL</b>                       | <b>100%</b>   | <b>100%</b>     | <b>100%</b>     | <b>100%</b> | <b>100%</b>     | <b>100%</b> | <b>100%</b>  | <b>70%</b>   | <b>100%</b>    | <b>100%</b> |
| Years in venture capital           | 28            | 24              | 18              | 12          | 11              | 7           | 4            | 2            | 2              | 3           |
| Years involved with VCTs           | 2             | 2               | 2               | 2           | 2               | 2           | 2            | 2            | 2              | 1           |
| Years with current team            | 14            | 16              | 10              | 12          | 6               | 7           | 2            | 2            | 2              | 1           |

Source Guinness Ventures