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HARDMAN & CO.
TAX ENHANCED

BLACKFINCH SPRING VCT

Blackfinch Investments Limited

	Positives	Issues
Why Invest	**Strategy:** Exposure to a portfolio of technology-enabled companies, with good management and large markets that are starting to scale up.	**New VCT:** This VCT was only launched in 2019 and has a limited portfolio so far.
The Management	**Team:** There is a diverse range of experience in the team, with a clear strategy and well-designed processes.	**Small team:** The Ventures team in Blackfinch is small, but is expanding ahead of expected future growth.

Nuts & Bolts

- **Dividends:** New VCT, so none paid to date. Target of 5% from FY'24, plus special dividends as appropriate.
- **Diversification:** Currently, the VCT has two investments, but Blackfinch has an active deal pipeline, and this will improve.
- **Buybacks:** At a 5%-10% discount to NAV, subject to available reserves and board approval.

Fees

- **Fees:** Overall fees and expenses are subject to a 3.5% cap (excluding performance fee). It seems likely that this cap will be applied until the VCT is much larger.
- **Performance fee:** At 20%, subject to a 130p minimum, which effectively favours early investors.

Risks

- **Target returns:** A target return of 2.5x for individual investments suggests the strategy is high-risk investment.
- **Companies:** Supplying risk capital to early-stage technology-enabled companies at the start of scale-up. There will be a spread of company returns, as the successful investments will do very well, but those that fail may do so completely.

Analyst

Brian Moretta

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Adviser information

- ***VCT assets*** *£3.3m (30/06/20)*
- ***VCT target*** *£20m + £10m overallotment*
- ***Ventures assets*** *£16m*
- ***Total FUM*** *£430m (Oct'20)*
- ***VCT launch date*** *2019*

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Table of contents

Factsheet

Blackfinch Spring VCT	
Product name	Blackfinch Spring VCT
Product manager	Blackfinch Investments Limited
Product advisor	n/a
Tax eligibility	VCT
Target return	Not given
Target income	5% dividend from FY'24, plus specials when appropriate
Type of product	Venture Capital Trust
Term	Evergreen
Sectors	Technology
Diversification:	
Number of companies	Currently 2
(Expected) Gini coefficient	n/a

Fees	Amount	Paid by
Initial fees:		
Initial fee	2.5%	VCT
Arrangement fee	3% (typical)	Investee company (depends on deal size)
External diligence fees		
Annual fees:		
Annual advisory fee	2.5% + VAT, discounted to 2% + VAT	VCT – see page 10 for more details
Adviser ongoing charge, Execution-only intermediary ongoing fee, Direct Investor ongoing fee	Up to 0.5%	
Directors' fees/monitoring fees	£12,000	Investee company
Administration services	Higher of 0.3% of NAV and £60,000 plus VAT	VCT – see page 10 for more details
Exit fees:		
Performance fee	20%	Investor – aggregate returns over 130p

Advisor fee facilitation	Yes
Advisor fee amounts	As agreed with investor
Advance Assurance	Yes, for each investment, or opinion from a tax specialist
Reporting	Quarterly valuations and reports every six months as of 30 June and 31 December
Buybacks	At 5%-10% discount to NAV
Fundraising:	
Minimum investment	£3,000
Current funds raised	£4.4m
Fundraising target	£20m, plus £10m overallotment
Closing date(s)	Early bird January 2021, April 2021 (tax year)

Source: Blackfinch, Hardman & Co Research

Fund aims

The Blackfinch Spring VCT will give investors exposure to a range of early-stage technology-enabled investments. It is targeting a dividend yield of 5% from FY'24, with special dividends if realisations permit.

Summary of risk areas

Note: *There are generic risks from investing in EIS, VCTs or unquoted companies, in addition to the specific ones commented on below. Comments on relative risk refer to other VCT investments and not to wider investments.*

Investments

Portfolio risk

Each investment will be providing risk capital to an unquoted early-stage technology-enabled company ready to scale up. Although diversification is currently very limited, the intention is to get to new investments being less than 5% of NAV. This would improve diversification substantially.

The target average return of 2.5x capital suggests a high risk, and seems appropriate for the strategy.

Sourcing and external oversight

Although Blackfinch Ventures is a relatively new operation, much work has been done on establishing sourcing, with technology being used cleverly. The run-rate for potential investments looks adequate, and has now been sustained for a while. The Investment Committee is mostly internal to Blackfinch, but from outside the Ventures team, and has a variety of backgrounds.

Ongoing support and monitoring

Blackfinch dedicates part of its investment team to supporting and monitoring companies after investment. As well as taking observer rights, a Venture Partner is appointed to the board of each investee company. There is ongoing KPI monitoring too. While it is still somewhat early to assess how well this will work in practice, the signs are that investee companies believe they are getting the right support.

Exits

With no exits so far, there is no data yet. As is normal for the sector, the primary focus is expected to be trade sales.

Manager

Team

The Blackfinch Ventures team is small, but brings a range of experiences. The head of the team, Dr Reuben Wilcock, has very strong entrepreneurial experience, and is probably a key man. The rest of the team has significant quoted markets experience. Blackfinch does have plans to grow the ventures business, and will recruit as it scales.

Track record

Although Blackfinch has been present in the EIS market for a number of years, the Ventures operation is new and, consequently, has no track record yet, other than making a small number of investments. The VCT got its first assets in April 2020, and had made two investments at the time of writing.

Regulation

Product

While some investments may get Advanced Assurance, Blackfinch gets the opinion of a tax specialist on each investment. Until the VCT achieves 80% investment, its VCT status is provisional.

Manager

The manager of the Fund is Blackfinch Investments Limited. It is FCA-registered (number 153860), with appropriate permissions. Submissions to Companies House appear to be up to date.

Risk analysis/commentary

Although Blackfinch is a new entrant into the VCT market, it has invested to put an appropriate investment process in place. It backs up industry-standard procedures with smart use of technology. The short history makes it hard to assess how effective these processes are in practice, but the initial impression is good.

Apart from being new, this is also the only open VCT in the AIC's Technology sector. While many other VCTs are also making technology investments, the Spring VCT does not bring the baggage of historical strategies. This may give purer exposure, but that difference will diminish over time.

Investors do need to be aware that they will be investing risk capital into early-stage technology companies. The use of Venture Partners means that a more specialist director is being added to investee companies, and this takes some of the pressure off the small scale of the existing Blackfinch team. This should be good for the investee companies, although it is, again, too early to assess properly.

Blackfinch co-invests alongside the VCT. Although the amounts are small relative to Blackfinch as a whole, this does add to the credibility of the processes being followed.

Individual investments in the VCT are likely to follow the usual venture capital pattern: those that succeed are likely to produce exceedingly good returns, while those that do not may return little. While the current number of investments is limited, Blackfinch seems to be on course to address this reasonably quickly. It is way too early to assess the VCT's ability to deliver its dividend target, but investors should look for prompt investment of existing funds to get it on course.

VCT history

Unlike many VCTs, Spring VCT has a simple history. It was created in 2019, and is the first brand-new VCT for several years. As such, it does not have any legacy investments made under old rules.

Investment process

Deeper dig into process

Blackfinch is looking to invest in technology-focused businesses, with an emphasis on companies where the technology is creating the value. The emphasis is on high growth with reasonable exit timescales and a large (greater than £1bn) market. There are two main criteria that Blackfinch uses:

- The first is that the company should be ready to scale up. This goes beyond simple evidence of product-market fit, with meaningful market traction being required. This means an ability to control new customer acquisition and being able to supply the metrics to demonstrate this. Companies should have shown an ability to meet previous milestones too.
- The second is looking for a strong management team. Motivation, alignment of interests and a strong work ethic are all seen as important. The decision-making process involves repeated contact with company management, much of which is recorded to allow other members of the team to review as necessary.

Within technology, there are no sector preferences, with the only desire being to avoid companies in regulated industries. This means, for example, that there will not be many medtech investments. The intention is to give investors exposure to a spread of technology areas.

It should be noted that the criteria are slightly different from the EIS Portfolios. The VCT is generally looking to invest at a later stage of development, broadly around Series A stage, although there may be some overlap, and investment may be made from both in the same round. The target average return on individual investments of 2.5x is, appropriately, slightly lower than the EIS one of 3x.

Blackfinch, as a whole, has moved towards ESG-compliant investments, and the Ventures team is no exception. It looks for investments to have clear ESG values, with a senior member of the team taking responsibility for assessing this. While not as aggressive as impact funds, this should reassure investors in a market that appears to finally be moving in that direction.

The targeted stage of development is common among VCTs, particularly those with a technology focus. While the formal criteria are limited, the team gives a good understanding of what it is looking for in a potential investment.

Current portfolio

Hardman & Co does not assess any portfolio investments, but describes these to illustrate what investors may get exposure to.

At the time of writing, the investment portfolio consists of two companies, Movebubble and Spotless Water, although we understand there is a pipeline of others that are at various stages in the diligence process. These were both follow-ons to investments that the Blackfinch EIS portfolios had previously made.

Movebubble is a property rental app, focused on London and Manchester, which offers video walk-throughs of its available flats. It also offers tools for landlords and property developers. It has gained significant traction, and is the number-one-ranked property rental app in London.

Blackfinch believes the company has a really strong technology team, which has been part of other successful tech companies. The company has the potential to develop multiple revenue streams, adding its data to the commission from rentals. The latest development is a new Chairman, who was formerly Chairman of Rightmove. If the company can grow into other markets in the way it has grown in London, then it has good potential.

Spotless Water supplies ultra-purified water for cleaning purposes. This allows, for example, window cleaners to wash without leaving smears. It replaces expensive and unreliable home systems with a central facility. Each is built in a container and often located at self-storage locations. Customers can turn up, pay and pump, just like at a petrol station.

The company has proved its business model, with around 50 locations trading successfully. It has signed agreements with national supermarkets and DIY retailers, and will be rolling out across the UK and beyond.

Sourcing deals

The Blackfinch team is split, with part of the team having specific responsibility for sourcing potential investments. Assessments are made alongside candidates for the EIS Portfolios. The VCT will invest in a mixture of companies that are new to Blackfinch and follow-on investments into companies that have received EIS investment. The aim is to make 5 to 15 investments a year.

Although the team has a network that it uses for sourcing deals, Blackfinch also takes a very proactive approach to sourcing potential investments. In particular, it tracks accelerators and incubators, looking to approach interesting companies before they require funds, and hoping to get preferential access as a consequence.

Use is also made of a research platform, which gives some visibility across the whole market. This tool is used to generate companies that may be approached proactively. Blackfinch also invites applications through its website, LinkedIn and other direct approaches, but notes that these tend to be of lower quality.

While there is no intention to bring a geographical focus, Blackfinch is finding that its location in Gloucester means it tends to be more attractive to those outside the South East – but it will invest across the whole country.

From a standing start in 2018, Blackfinch is assessing 1,500-2,000 potential leads a year, with over twice that entering its funnel. While that covers both the VCT and EIS products, at that rate of generation, it seems likely that Blackfinch can source enough investments for both.

Decision-making

Blackfinch has established a seven-stage investment process (including post-investment monitoring). Although the Ventures team is relatively new within Blackfinch, it is clear that significant time and investment have been spent on putting a process in place. Since our EIS review in 2019, this appears to have bedded down well, with only minor adjustments. Underpinning this is a technology platform that is used to manage all the stages of investment.

Each stage is subject to a “pass”, “hold” or “progress” decision. Holds are for companies that may be of interest, but need to make further progress before being suitable. Daily team meetings are held, at which the pipeline is discussed and decisions for the early stages made.

Prospects are subject to an initial filtering before being added to a long list. This filtering looks at whether the business has a tech focus, is in the right area for pre-money valuation and is VCT/EIS-eligible. Companies on the long list have a recorded video conference call with a member of the pipeline team to establish further information, which is collected under standard headings on the system.

Roughly half of the companies progress to a short list. At this stage, areas of concern are addressed, which typically revolve around either the product or sales/customer issues. These usually take the form of two to three recorded video discussions, which also allows Blackfinch to observe the interactions of the management team.

The pitch session seems to be at the heart of the Blackfinch process. Founders are instructed to give a 10-minute pitch, which will be followed by a deep-dive discussion. These are scheduled for 3pm to allow them to run on as long as necessary – often it takes over three hours. The whole team is involved at this stage, although this may change as the team grows. With Blackfinch having around 120 of these a year, this part of the process represents a significant commitment of resources. These sessions are recorded to allow review by the team or the investment committee.

These are followed by further investigation of relevant metrics, company performance and financials.

The term sheet stage requires Investment Committee (IC) approval, although the Chair is often consulted early for a preliminary opinion. When issuing term sheets, Blackfinch usually uses standard documentation, which it has developed internally. The exception is when there are earlier investors who may not like existing terms being changed. The team notes that this documentation is being improved on an ongoing basis.

The due diligence stage covers the usual areas, including technical, team, financial, tax, market and competitor analysis. Blackfinch notes that this has got deeper over time, with increased reference calls. Philip Hare Associates, or another tax specialist, is used to review VCT/EIS eligibility in case anything has changed or been missed in Advance Assurance. For the technical diligence, an expert from Blackfinch's network spends a day at the company, alongside a team member. Where there are co-investors, they are usually engaged with at this stage.

A key part of the Blackfinch approach is the use of Venture Partners. These are highly experienced people with significant sector, technical or business experience. Initially, Blackfinch looked to bring them in after the investment was made, but it is now involving them at an earlier stage, so that they can assist in the diligence process. Final agreement from the IC is then required to go to the next stage.

Full Form includes any final negotiations, as well as signing papers and making the investment. Blackfinch estimates it can go through the process in four to six weeks, but this depends on the company and the diligence required.

Overall, the decision-making process seems well structured, with an unusual systematic use of technology, and satisfies best practices within the sector. The Venture Partner addition is not unique, but does complement more standard processes.

Generally, it wishes to be leading rounds and have control over the timetable. Blackfinch also makes a small, direct co-investment into each investee company.

With the current size of the VCT, investments typically will be around £0.5m. The intention is to grow this to £1m-£2m investments as the VCT grows its capacity, with new investments under 5% of the portfolio. It can be seen that this will take NAV to grow to over £20m.

While the VCT is aimed at a later stage of company development than the EIS Portfolios, there is an overlap, and both may look to invest in the same round. The allocation policy is that the EIS Portfolios will get priority, and the VCT will only be able to invest in whatever space is left. The rationale is that the VCT may be able to invest in further rounds, while the EIS Portfolios cannot. This is straightforward, and implies a long-term commitment to both the Ventures team and the underlying investments.

Exits

Exits are expected to be via the usual routes, with trade sales dominating. Blackfinch guides investors to expect two to seven years for realisations.

Governance and monitoring of investments

Advance Assurance may be sought from HMRC on investments prior to completion. All investments will be reviewed by a tax specialist, regardless of whether Advanced Assurance has been received or not. Currently, Philip Hare & Associates is the specialist being used.

All custody and administration is handled internally by Blackfinch.

The NAV will be calculated quarterly using IPEV guidelines, which is more frequent than for some other VCTs. The usual listing requirements are an Interim Report as of 30 June each year and an Annual Report as of 31 December.

As indicated above, Blackfinch will find a Venture Partner to take a board position with the company. It is expected that the Venture Partner will support the company through mentoring and guidance. The choice is made through working out where the company's gaps are, so directors can add value to the investee company. In practice, some have fitted so well that they have become further involved with the company. Although the directors are clearly Blackfinch's representatives, Blackfinch does not delegate its rights to them.

Blackfinch also takes information and observer rights. It expects to receive monthly financial figures, which are compared against those forecast in the company's model. If there is significant deviation, then there will be follow-up with the company. A member of the team attends all the board meetings, usually remotely. These are expected to be the main route of communication, although there is also some ad-hoc contact and direct support.

Blackfinch aspires to be the first call for help. It has found that some investments have been sceptical on that at outset, but seem to have been converted, which suggests that the approach is working. It has also become more proactive about addressing problems, usually drawing upon its network for additional support when required.

An in-house, cloud-based dashboard system has been developed to support monitoring. At the time of investment, 5 to 10 KPIs are agreed with each company, and these will be monitored at least monthly.

Blackfinch has developed a standard term sheet for investments. The terms are largely normal for the sector, with one exception: founders are expected to re-vest their shares over the four years after investment is received. This is an interesting way of reaffirming their commitment to the company.

Given the areas in which Blackfinch is investing, it seems likely that many investments will require follow-on funding. There is the intention to do some within the VCT, where good progress has been made and the investment criteria are still satisfied.

Track record

This is a new offering by Blackfinch, with the Ventures team having started in 2018. The latter has raised £12m in its EIS Portfolios product. Blackfinch has raised significant funds for other EIS schemes, but these were different in nature from the current offerings. Consequently, there is no relevant track record yet.

VCT financials

Blackfinch Spring VCT financial results to 30 June 2020

£m	Actual	Pro-rata for later investments
Income statement		
Income	0	
Expenses	-0.10	
Net profit	-0.10	
EPS (p)	-2.97	
Balance sheet		
Investments	0	0.9
Cash	3,40	3,0
NAV	3,32	3,8
NAV per share (p)	97.07	97.07
Number of shares	3,419,308	3,911,937

Source: Hardman & Co Research

Given that the VCT was only active for part of the reporting period, there is little comment to be made. The subsequent investments are 23% of NAV.

Uninvested cash will be held overnight at banks and invested in money markets. Clearly, there is limited scope to add to returns for the foreseeable future, without investing in risky assets.

Dividends and buybacks

No dividends have been paid to date, and the short history means than no distributable reserves have been accumulated yet. The target is for a 5% dividend yield from FY'24. It is way too early to make any assessment on the likelihood of meeting that target. We do note that rapid asset growth may lead to cash inflows diluting the early investments. Steady inflows could make the dividend target easier to achieve.

The stated buyback policy is at a 5%-10% discount to NAV. This will also depend on available reserves and board approval. Blackfinch sees those selling in the near future as early leavers, and their buybacks are likely to be at the upper end of that range. However, Blackfinch is also aware that the industry is converging on 5% as the norm, and we believe the lower end will be used in time.

Fees

The fees are set out in the Factsheet on page 3, but have some items that may be clearer with a little explanation.

Initial fees

The initial fee is net of adviser charges and less any applicable discounts. The latter may include the early bird discount or the loyalty discount. Execution-only clients may get an uplift in the number of shares of up to 3% if there is no payment to the intermediary.

Annual fees

The effective annual advisory fee is 2% + VAT, as 0.5% p.a. is rebated to investors. The investor can use the rebate to pay the ongoing fees or direct investor ongoing premiums, with any money left over being used to buy the investor more shares in the VCT. This is a technical adjustment, as payments to advisers can only be made by the manager, and not the VCT.

Where the VCT is following on an EIS investment, the directors' and monitoring fees will usually be payable only once. Blackfinch can envisage circumstances, typically with large investments, where two directors could be appointed.

Performance fee

This is payable at 20% in any given year, subject to exceeding the high watermark. This is defined as the higher of 130p per share or the highest performance value per share in any preceding accounting period. It is payable on the performance value per share, which is defined as the total of:

- NAV;
- all performance fees previously paid or accrued; and
- cumulative dividends paid prior to the reference date, including those that are ex-dividend.

These figures are all adjusted for the number of shares in issue as of the relevant dates. The 130p threshold means that earlier investors are likely to get a benefit relative to later investors.

Expenses

The VCT will incur the usual range of third-party costs, including audit fees, directors' fees and listing costs. Blackfinch has agreed to cap the running costs, plus the trail commissions payable at 3.5% of NAV, with it bearing the balance above that. This cap will likely be effective until the VCT is significantly larger than it is now. This rate would put Spring VCT towards the upper end of the generalist sector.

Current offer

Blackfinch aims to raise £20m under the current offer, with a £10m overallotment. There are early bird discounts of 1.5% until 3pm on 28 January 2021, then 1% until 1 April 2021. The offer runs until 30 September 2021. The expectation is that there will be closes with allotments at the end of each of those discount periods.

The minimum subscription is £3,000. Existing Blackfinch investors will get a 1% loyalty discount.

Investment manager

Blackfinch Investments Limited started over 25 years ago as Neville James Limited – a market maker in the traded endowment market. For most of the last decade, it has focused on the tax-enhanced market, with a range of EIS, BR and property-related offerings. Having been based in Malvern for many years, it recently moved to Gloucester.

Prior to 2017, Blackfinch's EIS offerings were focused on areas that are no longer eligible. Blackfinch Ventures is a relatively new operation, looking to invest in companies that satisfy the risk-to-capital criteria. The Ventures team highlights the benefits from being part of a larger, well-established group, with good legal and IT support available.

The IC consists of the CEO, two other internal members and one independent member, indicated below. The members have a wide range of experience, are mostly relatively new to Blackfinch and bring independence to their oversight.

In addition to those listed below, the Ventures team includes two analysts and a project manager, as well as six Venture Partners. Although the team is not large, it is appropriate for the current scale of operations. It is also being expanded in anticipation of future growth.

VCT governance and board

With its short history, Spring VCT has not yet achieved the 80% target for Qualifying Investments. It currently has provisional approval as a VCT, which will be made permanent when that target is reached.

Peter Hewitt – Chairman

Has an extensive career as an entrepreneur and director. Having started with his own estate agency, he led Wigmore Group from near insolvency to an exit. He has been on the board of 13 listed companies, including three other VCTs. He is currently a Senior Advisor at Brennan & Partners, and founder/Co-Chairman of Universal Defence and Security Solutions.

Kate Jones – Independent Director

Having started at M&G on LDI mandates, she spent five years at Barclays in senior roles in the same area. In 2009, she joined BlackRock, before becoming Head of Investment Services at Schroders through to 2014. Since then, she has taken consultancy roles, as well as being a Director of the Pension Protection Fund and Non-Executive Chair of JPMorgan Funds.

Dr Reuben Wilcock – Ventures Director, Blackfinch

Having gained a PhD in electronics, he has been a serial entrepreneur. He co-founded Dolphin IP (fabless IP core chip design), Bar Analytics (IoT for liquid dispense monitoring) and MyJoulo (smart energy), and founded Custom Idea (geotagging for Nikon cameras) and Future Worlds (University of Southampton accelerator).

Investment team

Dr Reuben Wilcock – Ventures Director

See *above*.

Nic Pillow – Ventures Manager

Has a technology background, having started as a software developer with Aethos Communication Systems, followed by roles at Logica, Portal Software and Apertio. In 2008, he became head of Product Management for a global team at Nokia. He co-founded and was CEO for three years at Rhizome Live, a SaaS company, before joining Blackfinch in 2019.

Richard Cook –Founder and CEO

Had short spells in banking roles at Merrill Lynch and Bank of New York, before founding Blackfinch in 2004. He has been CEO since 2009, and chairs the Ventures Investment Committee.

Mark Alford – Head of Engineering, Ventures Investment Committee

Was a systems developer, and then lecturer at Manukau Institute of Technology. He followed this with over a decade of web development roles at various agencies and SaaS companies. From 2018, he led the back-end team for a biotech/machine learning startup, before joining Blackfinch in 2020.

Dr Dan Appleby – Investment Manager, Ventures Investment Committee

Having gained a PhD in nanoelectronics, spent 17 months as an engineer at Intel. In 2016, he moved to asset management at Fidelity, working on various technical and quant projects. He has led research and analysis at Blackfinch since 2018.

Paul Chivers – Ventures Investment Committee

Has an extensive career in finance, focusing on energy and commodities. He has held roles up to senior levels at Crédit Agricole Indosuez, Deutsche Bank, BNP Paribas and Mercuria Energy Trading. He is currently on the board of Exeter Science Park.

Appendix 1 – due diligence summary

Summary of core due diligence questions		
Manager		**Validated by**
Manager	Blackfinch Investments Limited	Hardman & Co
Founded	1992	Hardman & Co
Type	Private limited company	Hardman & Co
Ownership	Blackfinch Group Limited	Hardman & Co
FCA registration	Yes – 153860	Hardman & Co
Solvency	Confirmed	Hardman & Co
PI arrangements	Yes	Hardman & Co
VCT	**Blackfinch Spring VCT**	**Validated by**
Founded	2019	Hardman & Co
Type	Public Limited Company	Hardman & Co
Year-end	31 December	Hardman & Co
Last accounts	Interims – 30 June 2020	Hardman & Co
Custodian		
Company	Blackfinch Investment Limited	Prospectus
FCA registration	Yes – 153860	Hardman & Co

Source: Hardman & Co Research

Blackfinch Investments Limited was started as Neville James Limited. It has had two other name changes – AVD Wealth Limited (2010) and Blackfinch Investment Solutions (2013) – before taking its current name in 2015.

The manager of the Fund is Blackfinch Investments Limited. It is FCA-registered, with appropriate permissions for both investment management and custodian operations. The last accounts (31 October 2019) had total equity of £0.97m, which is greatly in excess of its capital requirement.

The ultimate parent of Blackfinch Investments Limited is BF Inter Limited. This is majority-owned by Richard Cook, with Richard Simmonds also holding a significant interest. There are another three smaller, related shareholdings.

Appendix 2 – example fee calculations

This calculates the estimated total amount payable to the manager under certain assumptions.

Basic assumptions	
Term	5 years
Investor amount	£100,000
Company investment	£750,000
Return	Constant each year

Source: Hardman & Co Research

Calculations		Hardman & Co standard			Target
Gross return		**-50%**	**0%**	**50%**	**150%**
Amount (pre-tax relief)		**£100,000**	**£100,000**	**£100,000**	**£100,000**
Initial fees	**Rate**				
Initial fee	2.50%	£2,500	£2,500	£2,500	£2,500
Transaction fee (paid by company)	3%-5%	£3,000	£3,000	£3,000	£3,000
Total		**£5,500**	**£5,500**	**£5,500**	**£5,500**
Net investment within VCT		**£97,500**	**£97,500**	**£97,500**	**£97,500**
Annual fees					
Advisory and administration fees	2.3% + VAT	£10,764	£13,455	£16,146	£21,528
Other corporate costs (capped – not to Blackfinch)	1.2%	£5,616	£7,020	£8,424	£11,232
Annual fees – from company					
Director/monitoring fee	£12,000 per company	£7,800	£7,800	£7,800	£7,800
Gross fund after investment return and expenses		£32,370	£77,025	£121,680	£210,990
Exit fees					
Performance	20%	£0	£0	£0	£16,848
Net amount to investor		£32,370	£77,025	£121,680	£194,142
Gain (pre-tax relief)		-£67,630	-£22,975	£21,680	£94,142
Gain (post-tax relief)		-£37,630	£7,025	£51,680	£124,142
Total fees to manager		£24,064	£26,755	£29,446	£51,676

Source: Hardman & Co Research

Notes: Some fees may be payable for longer, but we have used five years, in line with our standard assumptions

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eisa
enterprise investment scheme association

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