Albion news

Albion investments are changing lives. This issue reviews our investing year and highlights medical and information technologies that we believe will benefit our futures.

Contents

ALBION CAPITAL

Albion manages or provides administration services to the following:

Six venture capital trusts with assets of over £400 million
Albion Community Power with commitments of £80 million
Albion Care Communities with commitments of £50 million
The UCL Technology Fund with commitments of £50 million
OLIM Investment Managers with over £400 million of charity and private client funds

ALBION CAPITAL

Albion has six VCTs seeking to provide investors with exposure to a broad portfolio of UK private companies delivering both income and the prospect of capital growth. Core to Albion's VCT investment strategy is to invest in growing companies with particularly strong market opportunities. The current VCT portfolio is invested across 70 businesses including technology-enabled services, healthcare, renewable energy and education.

AlbionVC | TRUE INVESTING

AlbionVC is the technology investment arm of Albion Capital Group LLP with a growing team who manage our 40+ technology investments. We invest from seed to Series B in high growth UK companies, with a focus on B2B software and tech enabled services.

ALBION | CARE COMMUNITIES

Launched in 2015 as a developer and operator of high end care homes for the elderly. Albion Care Communities combines Albion's care home investment experience with one of the best operating teams in the sector. Three care homes are now open and accepting residents with one more nearing completion. Two more sites are also under review.

ALBION | COMMUNITY POWER

Launched in 2013 as a power generation company developing community-scale renewable energy projects in the UK. The company builds, owns and operates a range of renewable energy projects using proven technologies including hydroelectricity, on-shore wind, biogas and anaerobic digestion. The investor base is institutional, in particular local authority pension funds. The investment strategy is now increasingly focused on acquiring existing assets that are operational and energy storage.

UCL TECHNOLOGY FUND

Launched in January 2016, the fund is dedicated to investing in intellectual property commercialisation opportunities arising from University College London's world-class research base, focusing in particular on the physical and life sciences. To date UCLTF has committed over £30m across these areas. Albion manages the fund in partnership with UCL Business, the university's technology transfer arm, with whom we have been working for over 10 years.

OLIM Investment Managers

Albion acquired OLIM Investment Managers in 2016. OLIM manages over £400 million of assets and is a specialist quoted fund manager with a value-orientated approach. The OLIM team manages: the Charity Value and Income Fund (an investment fund aimed at charities), the SVS Albion OLIM UK Equity Income Fund (a unit trust offering retail investors the opportunity to benefit from investment in UK equities) and Value and Income Trust (unique amongst investment trusts in that it invests both in UK equities and direct property). OLIM also manages discrete portfolios for charities and individuals.

Seeking solutions to the problems of everyday life

Patrick Reeve, Managing Partner

We may be operating in complex times but revolutions in technology and the pace of change means investing has never seemed more exciting.

JK Galbraith once commented that "the only point of economic forecasting is to make astrology look respectable…"

And it is hard to disagree, particularly now that things at home and abroad seem, to be frank, not just confusing but at times downright (and dangerously) silly. Meanwhile, the markets are shaky, international co-operation is low, and the weather is rubbish.

But when you're surrounded by fog, and the way forwards is unclear, it is useful to concentrate on those few things that you can see. One is that politicians are temporary and their careers normally end in failure. The other is that the revolutions in technology are still moving forwards, and at an increasing pace. We can now cure the hitherto incurable, by altering their genetic make up. We can gather all those myriad streams of data that waft around us; we can collate them, interpret them, and start to predict the future.

Much of our focus as investors is looking at problems in everyday life, and seeing how they can be dealt with; is there a quicker, more effective way of getting insulin into your blood if you're diabetic? If you're suffering from a rare disease, is there an on-line community where you can share your experiences with fellow-sufferers, and talk to those who are working to find a cure? Is there a way to involve families more effectively in psychiatric treatment for the young? And in our fiendishly busy lives, is there on-line provision for high quality, intelligent and flexible child care?

These problems are all being addressed by technology-enabled business which we've backed during the past year (Arecor, Raremark, Healios and Koru Kids). And we've put more money behind those whom we first backed in 2017; identifying financial crime (Quantexa); analysing the weaknesses in a company's cyber defences (Panaseer); and helping hospitals to find locum doctors in a quick, efficient and cost-effective manner (Locum's Nest).

I've been in venture capital since 1996, when I started Close Ventures (which eventually became Albion Capital) and investing has never seemed more exciting. This is mainly because the transformations in the digital and life science worlds have resulted in technologies being brought to user-readiness in a faster, more capital efficient manner than ever before. And routes to market are quicker too, so you know earlier whether your product is actually going to take off.

We saw this with Grapeshot, whose contextual search technology is used to place on-line ads in their most appropriate contexts. When we backed the business in 2014 its sales were under £2 million; by the time the company was sold to Oracle in 2018, sales were running at £50 million, and we made 10 times our investment.

From April of this year, I'll be stepping aside from the day-to-day running of Albion to become Chairman. Will Fraser-Allen, who's been with me since 2001, and who's been my deputy for many years, will become Managing Partner. The team at Albion has shown wonderful stability over many years, and I know that under Will's leadership this, and our success, will continue.

Another year over and a new one just begun - a review of 2018 Albion investment activity

The investment team had a highly productive year. Albion VCTs invested c. £31 million* in 21 companies of which £17.8 million was in companies that we backed for the first time. The team won two prestigious awards: The Growth Investor of The Year 2018 Award and The Investor AllStars Venture Capital Trust of the Year 2018.

This time last year the pundits were predicting a difficult year with plenty of alternative financing in the market and a perceived shortage of great businesses looking for investment. The reality was somewhat different – here are some of the highlights.

New investments

Koru Kids was the first investment of the year. It is an innovative, tech and training-led business which provides parents with after-school nannies. It is currently concentrating on London and is expanding rapidly.

Healios was the second new investment of the year. It addresses the rise of mental ill health in the UK. By uniquely pairing technology with clinical and technical expertise, the company is able to efficiently deliver high quality family-centric care.

uMotif is a software platform that provides the patient-facing technology required to capture real-world data for the next generation of clinical research initiatives – from early phase to post-marketing trials.

One of the larger investments of the year was Phrasee, a marketing technology company that uses artificial intelligence to generate optimised marketing copy.

In the Autumn we invested in Arecor, the biopharmaceutical formulation company. Through its technology platform, Arecor is creating faster working, more effective drugs with a particular specialisation in improving treatments for diabetes.

Raremark and Forward Clinical Limited were Albion's final new investments of the year, both in the healthcare arena. The former is a platform for patient engagement and data collection for clinical trials and the latter a secure mobile messaging and workflow tool for doctors and care workers.

* 12 months to 30 Sept 2018

Follow On funding / Exit

Abcodia, Black Swan Data, Cisiv, Convertr, Dysis, Elateral, InCrowd Sports, MyMeds&Me, Panaseer, Quantexa and PayasUgym all received follow on funding from Albion during the year. And our final follow on investment of the year, and also one of our largest, was in Egress.

A summary of the year would not be complete without reference to the exit for the contextual intelligence platform Grapeshot, which was acquired by Oracle, representing a return of c.10x for the Albion VCTs.

Albion VCTs – A question of balance

Will Fraser-Allen, Deputy Managing Partner

The challenges to Albion of delivering predictable returns whilst investing in small companies requires a complex strategic approach.

Albion's investors are, quite rightly, an exacting group. They want Albion, as their VCT investment manager, to deliver a long term savings vehicle providing a decent and predictable tax-free dividend yield of around 5% with the prospect of capital growth over the longer term.

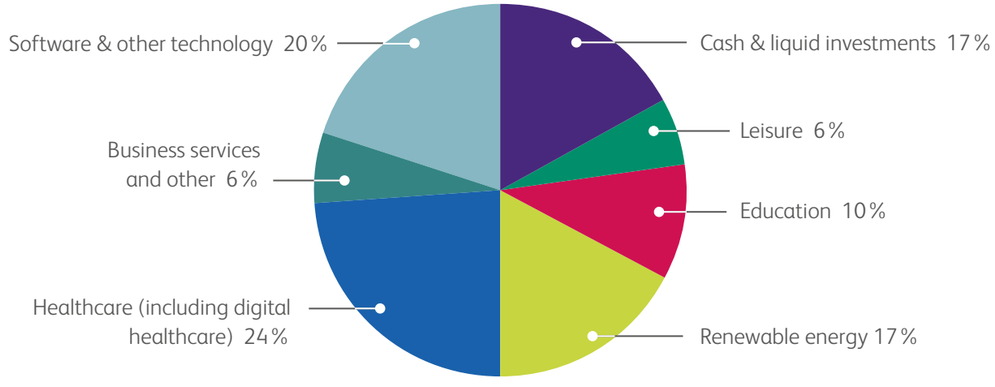
However, there is another important stakeholder to consider, HM Treasury, whose policy objectives must also be delivered. VCT investors receive a cocktail of generous tax breaks, including initial income tax relief of 30% and tax free income, designed to compensate them for the risk of investing in UK small private companies that are young, growing, innovative and mostly technology focused. HM Treasury is indirectly the largest investor in VCTs by virtue of the tax breaks available. Thus Albion is faced with the challenge of delivering predictable returns to investors whilst investing in small, higher risk companies which, while having the potential for considerable volatility, are considered by HM Treasury to be a key driver of future economic growth. We do this task in a number of ways.

Investment diversification

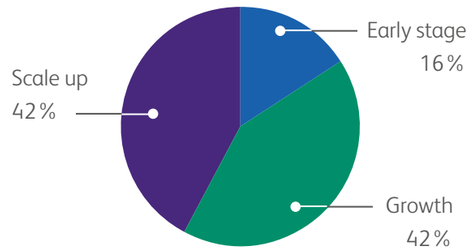
Investment diversification is designed to reduce the risk of investment underperformance through the poor performance of particular investments or sectors. Albion looks to achieve diversification through building a portfolio of some 70 investee companies across a number of sectors and maturities, from early stage through to established businesses.

Albion targets sectors which have longevity and are less exposed to economic cycles. These include healthcare, education and technology enabled businesses; these provide the opportunity for very significant growth but are also higher risk. Nevertheless, by balancing the portfolio across sectors, the Albion VCTs provide investors with exposure to a range of businesses as diverse as the schools operated by Radnor House and Phrasee, a world leading AI company generating marketing copy for major brands. The chart below shows how the c.£400 million portfolio was split as at 30 September 2018.

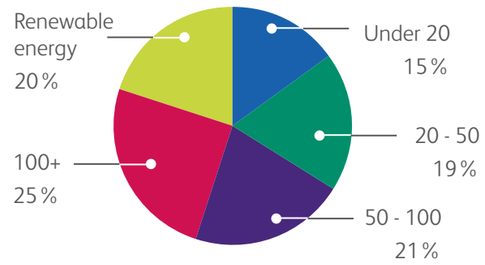
Another important part of our diversification strategy is to reduce volatility by balancing higher risk young companies with more mature businesses. This is achieved through supporting these young businesses through multiple rounds of funding as they develop and grow. The charts opposite show the investment portfolio at 30 September 2018 by stage of company and number of employees. Early stage companies have revenue of less than £1 million, growth companies have revenue between £1 million and £5 million and scale up companies have revenue of over £5 million.



Portfolio analysis by stage of investment



Portfolio analysis by number of employees



Some 84% of the portfolio is invested in businesses with current year revenues over £1 million (42% with revenues over £5 million) and 46% of the portfolio is invested in businesses with at least 50 employees. Importantly VCTs, as evergreen funds, are ideally placed to provide long term capital to these companies as they scale.

Identifying investment opportunities

The most fundamental driver of investment performance is the identification of high quality businesses, run by talented entrepreneurs with the vision to be world beating. So at Albion we particularly target B2B software and technology-enabled services in strong growth markets with clear product differentiation. Entrepreneurs of these businesses expect more from Albion than simply money, thus over the last 21 years we have built deep sector knowledge in areas such as digital healthcare, digital security, data analytics, automation and marketing technology. It is an exciting time to be investing in young UK businesses. The opportunity to build highly disruptive technology businesses is coinciding with an explosion in the attractions of being an entrepreneur. Joining a technology start-up has become as desirable a career as joining an investment bank or a management consultancy. A recent study of Companies House data by the Centre for Entrepreneurs showed that 645,774 ventures were started in Britain in 2018, an increase of 5.2% on the prior year.

Supporting growth businesses

Once Albion has invested in a growing business it works closely with the management team to provide support for growth. Having invested in over 200 businesses, our investment team can draw on extensive experience of the challenges of delivering this growth. The 14-strong VCT investment team at Albion has a broad range of backgrounds including medicine, engineering, management consultancy and corporate finance. As experienced investors we provide key input into strategic decisions including organisational design, overseas expansion, sales and marketing capability and the ultimate sale of the business. The interaction between Albion and the entrepreneurs that we back is essentially a partnership, with shared goals of building sustainable, valuable businesses.

Investments delivering HM Treasury Objectives

The importance of the longevity of VCTs in delivering HM Treasury's objectives cannot be underestimated. HM Treasury sees VCTs as an important source of finance for young, innovative, growing companies. VCTs can be long term investors as these businesses grow and create significant numbers of jobs. Given the technology focus of the Albion VCTs going forward, these new jobs are mostly highly skilled, supporting the new digital economy. In the year to 30 September 2018 the Albion VCTs invested £31 million in 21 companies with a focus on technology businesses, particularly digital health. The broader Albion VCT portfolio of around 70 businesses now employs just under 3,000 people with revenues of £300 million.

So, it is all a question of balance. We need to deliver decent returns to our investors and this needs to be balanced with backing the higher risk companies that HM Treasury wants our tax breaks to support. But these two aims are not in conflict. By managing how we structure our portfolio, and how we address sectors that promise real growth and value, we can satisfy both audiences.

Albion VCTs Prospectus Top Up Offers 2018/19 - filling fast

Stuart Mant, **Head of Business Development**

Our new VCT top up offers for 2018/19 have now been launched, though we would warn investors that our target fundraising level of £36 million is filling fast.

Key elements of the new Offers:

Investment into an existing portfolio
Investors gain immediate exposure to a diversified portfolio of around 70 businesses with an asset value of approximately £400 million.

Tax-free income of around 5.5 per cent p.a.*
Investors who invest an equal amount across the six VCTs will receive a dividend yield of around 5.5 per cent per annum (around 7.8 per cent on net cost after tax relief).

Thematic investment strategy
Currently achieved by investing in a portfolio of companies in sectors such as digital healthcare, automation, digital security and data analytics.

Capital growth option
The VCTs operate a dividend reinvestment scheme; shareholders can reinvest their dividends in new shares, without dealing costs, with 30 per cent income tax relief on the reinvested dividend.

Tax relief at 30 per cent
For the current tax year to 5 April 2019, eligible investors can receive:

- 30 per cent income tax relief on the initial amount invested
- Tax-free dividends; and
- Tax-free capital gains on the VCT shares.

* based on the latest announced net asset values and current annual dividend targets for the six Albion VCTs as at the date of the Prospectus, and an equal investment across all six VCTs.

Details of the Offers

Amounts subscribed can be invested equally across each of the six Albion VCTs or otherwise as directed by investors, subject to a minimum subscription of £1,000 for each VCT.

Minimum Investment – £6,000 in aggregate per investor and applications should be in multiples of £1,000.

Maximum Investment – £200,000 per investor in VCTs, in total, for the current tax year.

Initial Charge – 2.5 per cent of the amount subscribed.

Annual Costs – Total running cost cap of up to 3.0 per cent (including average annual management fee of 2.2 per cent). Any excess will be borne by the Manager through a reduction in its management fee.

Further information regarding the management of the VCTs is set out in the Prospectus (comprising a Securities Note, Registration Document and Summary) all available on the Albion Capital website www.albion.capital

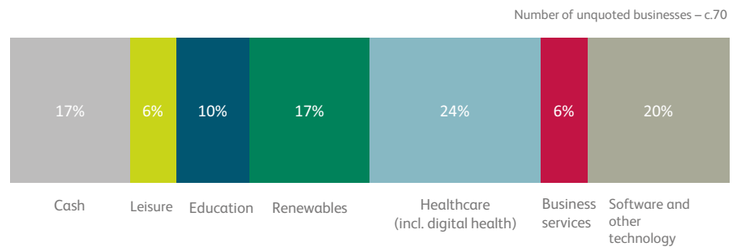
Albion is delighted to have won the award for Growth Investor of the Year 2018 and been awarded the Investor Allstars 2018 Venture Capital Trust of the Year Award.

GROWTH INVESTOR 2018 | AWARDS — WINNER GROWTH INVESTOR OF THE YEAR

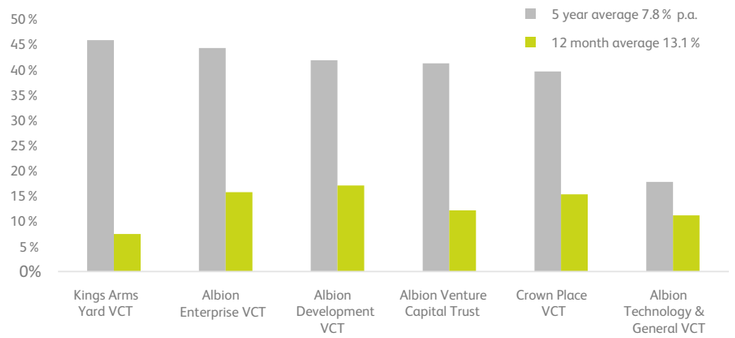
INVESTOR Allstars 2018 — Venture Capital Trust of the Year — WINNER

Portfolio Allocation

The columns in the table below show the split by sector of the underlying investment portfolio of the Albion VCTs as at 30 September 2018.



The following graph sets out the performance of the VCTs managed by Albion over the 5 years to 30 September 2018 and the 12 months to 30 September 2018, being the cumulative return for the period comprising dividends paid and change in net asset value.



The healthcare industry is finally replacing hype with money

Andrew Elder, Partner

Investing in healthcare has long been a cornerstone of the Albion VCT investment portfolio. Albion is pleased to be at the cutting edge of this fast moving sector.

Some of the most exciting mega-trends shaping the future of healthcare are gathering pace.

From harnessing the body's own cell systems to combat disease (for example using cell & gene therapies), to "'digital health" and the use of increasingly powerful Artificial Intelligence-enhanced approaches to accelerate care delivery, diagnostics and therapeutic discovery... Albion is involved at the cutting edge of all of these, through both its VCTs and its UCL Technology Fund.

2018 saw Albion invest in four more digital health companies, from rare diseases to mental health and patient engagement to "care pathway" communications. Health systems and pharmaceutical companies alike are now starting to put their money where their hype used to be and are appreciating the need to embed data at the heart of their processes and understanding. The result is a plethora of new business models emerging, and whilst it is early days for many of them, Albion is pleased to be at the forefront of helping the winners emerge. Not only should those winners deliver strong financial returns, but in the process deliver significant positive health impact.

Take, for example, Albion's investment in Healios, a leading provider of digital-enabled mental health therapy for children. The explosion of mental health issues in our younger generation is becoming clear. But access to mental health therapists has always been a bottle-neck, made worse by the associated stigma. Healios' clinically validated approach addresses both of these by enabling therapists to deliver their care more effectively, to and from any location in the country. And the kids are more likely to engage in the digital platform than face to face, making it a win-win for all stakeholders – cheaper, better outcomes with higher levels of patient engagement and immediate access to therapy… it's no wonder the NHS is keen for a faster roll-out of their services.

And it's not just about slightly improved care; the sector is increasingly looking at delivery of complete cures. The UCL Tech Fund continues to invest in treatments that are currently saving lives by curing disease and delivering effective treatments not previously possible. We made several investments during 2018 in cell and gene therapy programmes to cure a range of diseases from immune-deficiencies to blood clotting disorders, as well as novel approaches to curing a range of hard-to-treat cancers. UCL is at the forefront of world research to deliver these types of treatments, and it's a privilege to be working alongside some of the best in the world. The value of doing so is perfectly demonstrated by the Nasdaq floats of three UCL companies in this sector during 2018, at a total of more than $3Bn in market value – Albion's involvement in cutting edge science is leading not just to better health but strong potential financial returns too.

UCL also punches at the level of global super-power in Artificial Intelligence, and what better time to be a leader in the field… there's barely a business plan around now that doesn't claim to use AI to enhance its offering. Being close to the leading experts in the sector helps Albion sort the wheat from the chaff and provides unparalleled exposure to exciting investment opportunities, both in tech and health tech. And the pace in this sector is breath-taking, with the UCL Tech Fund achieving its first exit of an AI-based company to Facebook during 2018, a mere 18 months after first investment. It's little wonder then that the Global University Venturing forum recognised Albion's UCL Tech Fund team in their Top 20 Global Power List for 2018.

2018 saw an unprecedented level of investment activity for Albion in the sectors spanning health technology. Fortunately there is no sign of that letting up in 2019…

More speed less haste

David Grimm, Investment Director – UCL Technology Fund

A more considered approach to investing is a mantra that the investment team use to help early stage businesses scale more effectively.

'Move fast and break things', until recently Facebook's internal motto, is a go-to mantra for the start-up community. It resonates with entrepreneurs who have their idea and just need some capital to start executing.

'How quickly can you move to completion?' tends to be the first question we get asked by entrepreneurs. In the pre-product, pre-revenue world where the UCLTF often invests, this drive to 'get going!' is a crucial characteristic that we look for.

On the flip side, sometimes we want our entrepreneurs to slow down. Whilst this sounds counter-cultural in the start-up world, we believe that time spent getting certain things right at the start leads to faster growing, more successful companies in the future. The agreements that a company signs at the very beginning of its life can mean that commercial success doesn't translate to corporate success. Companies can build technically excellent capabilities without a market that needs them. Great products can be buried in a mire of bad go-to-market strategies.

> "It's worth pausing to think before breaking new ground."

There's lots of capital available in the pre-seed market which caters to the need for speed. There are an increasing number of investors and funds which are incentivised to deploy capital quickly without getting drawn too much into details. In that market the UCLTF's offer of a deeper diving, more thoughtful approach can be a hard sell to entrepreneurs who value speed above all else. But we've been proving that this more considered approach works, and we can now reference it across our portfolio.

Examples include a company with a great set of capabilities but an unclear product and market. Although they wanted to get building, we helped them put together a team of strategic advisors who worked with the founders as they iterated their product and market ideas over a few months, reining in their expansion plans and driving a more in-depth thought process. At first it may have felt dispiriting for the founders as the brakes were on and the first few iterations of their plans were worked and re-worked. Suddenly, though, a clarity of vision for product and market emerged, validation quickly followed - and the brakes were off.

This is why our model includes a Proof of Concept funding route which allows companies and projects at UCL to make sure they are ready to take an investment that drives growth in the right direction. It turns out that we're not as counter cultural as we used to be. Facebook abandoned their motto this year, opting instead for "Move Fast with Stable Infra" – we agree it's worth pausing to think before breaking new ground.

The reality of truly personalised marketing approaches

Emil Gigov, Partner

Innovation and technical development continue to drive new ways of engaging audiences.

The marketing and advertising technologies sector has experienced incredibly rapid change in the past few years. The pace of change is accelerating due to the proliferation of data across multiple channels, which enables marketers to build ever more precise profiles of their customers.

Marketers can now draw on data from search engines, social media, content viewing etc. to understand what individuals are interested in and how likely they are to make a purchase. At the same time, the cost of analysing this data in real time has reduced dramatically as cloud service providers such as Amazon Web Services, Google Cloud and Microsoft Azure compete to attract customers to their huge data centres. These developments combine to help marketers move ever closer to providing truly personalised marketing – an ideal which has been talked about for long but is now starting to become reality.

As a result of the abundance of data and the ability to process it cheaply and quickly, marketing personalisation has moved from crude lists of marketing leads based on age and wealth profiling, often inaccurate, incomplete or out of date, to real-time behavioural segmentation which predicts when the customer is most likely to engage positively with the brand or to buy the product. We are moving ever closer to one-on-one marketing with fully tailored messaging, even bespoke content delivered at precisely the right time in the buyer's journey to a sale. For marketers, personalisation is no longer a "nice to have", because undifferentiated mass marketing doesn't even reach the audience any more, due to ad blockers and spam filters.

These rapid changes have given rise to a myriad of new start-ups creating innovative technologies that can aggregate and analyse data, build complex customer profiles and deliver optimised content in real time. Programmatic ad trading, where display ads are bid for and shown in real time, has been a reality for a few years. Through advances in natural language generation and processing, we are now seeing the emergence of personalised web site content creation and email marketing messages, largely created by machine algorithms. Perhaps even more importantly, unlike previously used "if/then" rules based technologies, machine learning algorithms improve the results they produce over time, making them more relevant to the customer.

To illustrate how fast machine learning technologies are changing the consumer experience, consider the development of chatbots. Unlike many other areas of marketing, which remain hidden to the consumer, chatbots are very visible. Not long ago it only took a few interactions on a website to realise that you are conversing with a machine, rather than a customer services agent. However, most have now become so sophisticated, not just in terms of the accuracy of responses but also the style they use to deliver them, that it is hardly possible to distinguish whether we are engaging with a person or a machine.

Innovation and technological development continue to drive new ways of engaging audiences. Voice interfaces are one example. The advances made in recent years in the fields of natural language processing, conversation interfaces, automation, and machine learning and deep learning processes have enabled virtual assistants to become increasingly intelligent and useful (Siri, Cortana, Alexa). However, using voice to interact with digital devices means that marketers have to change many established practices. Consider search advertising, a key channel for new customer acquisition. Almost one-third of the 3.5 billion searches performed on Google every day are voice searches. Voice search differs from desktop or mobile search using a browser. While browser search could give a long list of results, most voice assistants produce a limited number, often just one. This makes search advertising either very efficient, if the brand is the only result appearing, or completely inefficient if the brand is not represented at all. Therefore advertisers need to develop new strategies for search engine optimisation, for example by using more conversational language.

One of the biggest trends in marketing over the past few years has been the use of video. This trend, which directly reflects how consumers prefer to engage with brands and media, is likely to continue for some time to come. Research shows that the use of video in marketing emails and on landing pages increases conversion rates dramatically. Live video is growing fast as a marketing channel and a number of platforms have emerged which offer brands and advertisers the ability not only to host video content but also to access a wide range of additional functionality around audience analytics, privacy and security and content recommendation engines.

Taking video a step further, a number of brands are experimenting with the use of augmented and virtual reality, which makes for a rich and immersive experience. IKEA, Starbucks and Volkswagen are just some of the global brands which have used AR/VR in brand marketing as well as for the sale of specific products.

The marketing and advertising technologies sector is a large and complex ecosystem, and as such it is not without its challenges. Increased regulations around data privacy and usage require many companies to revisit their business models. The dominance of Amazon, Facebook and Google is a significant concern for many start-ups and many investors. However, challenges also create opportunities. Companies such as UCLTF investee Hazy are providing solutions that enable data analysis while preserving privacy and ensuring compliance.

In a world where consumer attention spans are reducing, advertisers are looking for new ways to engage with audiences, measure the engagement and deliver a better return on their marketing spend. This fuels innovation as start-ups are looking to provide new tools to help advertisers and thereby claim a share of a huge global market. Some of these new companies are delivering phenomenal growth and one day will become very large players. Others will be bought by the main marketing automation and social media consolidators, which continue to acquire as they expand their portfolios and client propositions. In the past year, Albion has exited investments to Oracle (Grapeshot) and Facebook (Bloomsbury AI) and made exciting new investments in companies such as Phrasee, which uses natural language generation and machine learning to optimise short marketing messages, Black Swan Data, which uses predictive analytics to provide consumer insight to leading brands, and Convertr, a customer acquisition platform that optimises lead conversion and increases the return on marketing spend. We see marketing and advertising technologies as a fertile area for venture capital and will continue to make selective investments in the space.

> "It is hardly possible to distinguish whether we are engaging with a person or a machine."

Access to the information superhighway - the fourth wonder of the modern world, if you can get it

Adam Chirkowski, Investment Director

We are entering a brave new world of broadband infrastructure installations, powered by small, flexible 'altnet' providers.

Water, gas and electricity have been the long-standing triumvirate of utilities. Recognised as such, the UK built infrastructure to cope with ever increasing demands. We moved from taking buckets to the river to turning on a tap in the house and letting the water flow.

Society, driven by technological innovations, is evolving and moving forward at an ever-increasing rate. Over the last 20 years a new necessity has arisen to make society tick - information and data. We have now reached the point that access to information and data has become the 4th utility of the modern world.

There are 2.5 quintillion bytes of data created each day. To put this into context, 90% of data that exists in the world today was generated within the past two years. We live in a globalised world where people can be located virtually and are instantly available to those on the other side of the world. And with artificial intelligence, the cloud, quantum computing, virtual reality, the internet of things, it is a trend that is only set to increase. What was once to be found in a Philip K Dick novel is fast becoming reality, and it's all driven by mountains of data.

There's only one problem - with ever increasing data comes an increasing demand on the infrastructure providing access to it, and the current infrastructure in the UK is bursting at the seams!

As much as the fleet of BT vans advertising 'ultra-fast fibre broadband' would suggest otherwise, the majority of broadband infrastructure across London and the UK is still copper based. It was built for a time before we knew what the internet would become, it has limited capacity and becomes slow and unreliable when a number of people are trying to use it.

The result? Other than making buffering your favourite BBC iPlayer show a frustrating task, small businesses that can't afford dedicated fibre lines are struggling to go about their day-to-day activities efficiently. Doctors practising on Harley Street, for example, are uploading and sending detailed medical images at the end of the day in the hope they have been uploaded and sent off by the time they come back in the morning. London is ranked 26th out of 33 major European cities in terms of connectivity speeds - just ahead of Minsk.

So what's the solution? The big incumbents don't have the capital to fully update their existing networks and the return on capital of replacing it, rather than sweating what they have in place, just doesn't compute. Instead we're entering a 'brave new world' of broadband infrastructure installations, powered by small, flexible 'altnet' providers, who are targeting market niches and providing fibre optic infrastructure running directly from the consumer to the superhighway. Fibre optic cable can carry more than a thousand times the bandwidth of copper cable and go more than one hundred times further. It is not just a better alternative to copper, but the only available infrastructure suitable to fulfil the ever-increasing demands of the modern world.

Albion is actively involved in this through G.Network, who are installing fibre optic networks in the streets of London, with a focus on the capital's SME community. Over the next few years they aim to connect 50% of central London's streets directly to each company's premises, allowing instant access to the data and information necessary for their businesses and allowing them to operate at a global level.

Landlords and housebuilders are also realising that they need to provide this to let out or sell their properties. "What's the connectivity like?" It's one of the first questions potential tenants and buyers might ask when considering properties. It's a utility. A necessity for life in the modern world. It's not hard to see a time where this question becomes irrelevant and will be expected, just like it's expected that there's a water supply.

The time has come to stop taking buckets to the river and to simply turn on the tap.

Performance of the Albion VCTs

Albion VCTs continue to pay a regular stream of tax-free dividends to their investors. For details of recent dividends, fund share prices and the latest reports, please visit the Investor Centre section of the Albion website **www.albion.capital**. Dates of forthcoming AGMs can also be found on our website.

Performance of VCTs managed by Albion Capital Group LLP

Fund	Year of launch	Total return since launch†	Mid-market share price	Total net assets	Dividend target in next 12 months
Albion Venture Capital Trust PLC – Ordinary Shares – C Shares* – Albion Prime VCT PLC*	 1996 1997 1997	 230.4p 218.9p 144.1p	72.5p	£67.2m	5.0p
Albion Development VCT PLC – Ordinary Shares – C Shares* – D Shares*	 1999 2002/04 2009	 176.2p 171.1p 164.4p	77.0p	£60.5m	4.0p
Albion Technology & General VCT PLC – Ordinary Shares – C Shares* – Albion Income & Growth VCT PLC*	 2001 2006 2004	 174.9p 100.1p 104.0p	73.0p	£80.6m	4.0p
Albion Enterprise VCT PLC	2007	154.0p	107.0p	£64.3m	6.0p
Crown Place VCT PLC**	1998	90.3p	32.4p	£57.1m	2.0p
Kings Arms Yard VCT PLC**	1996	88.7p	21.0p	£69.6m	1.2p
Albion VCTs Linked Top Up Offers 2010/2011***	2010/11	139.6p			5.4p for every £1 invested
Albion VCTs Linked Top Up Offers 2011/2012***	2011/12	138.4p			5.6p for every £1 invested
Albion VCTs Top Up Offers 2012/2013***	2012/13	135.3p			5.6p for every £1 invested
Albion VCTs Top Up Offers 2013/2014***	2013/14	134.8p			5.9p for every £1 invested
Albion VCTs Top Up Offers 2014/2015***	2014/15	130.1p			6.0p for every £1 invested
Albion VCTs Top Up Offers 2015/2016***	2015/16	124.4p			6.0p for every £1 invested
Albion VCTs Top Up Offers 2016/2017***	2016/17	119.8p			6.1p for every £1 invested
Albion VCTs Top Up Offers 2017/2018***	2017/18	111.8p			5.7p for every £1 invested

All data is prepared as at 10 December 2018, using the latest published net asset value of the relevant fund.

*The Albion Venture Capital Trust PLC C shares were converted to Ordinary shares at a rate of 1 Ordinary share for each C share. Albion Development VCT PLC C shares were converted to Ordinary shares at a rate of 1.0715 Ordinary shares for each C share. Albion Development VCT PLC D shares were converted to Ordinary shares at a rate of 1.4975 Ordinary shares for each D share. Albion Technology & General VCT PLC C shares were converted to Ordinary shares at a rate of 0.7779 Ordinary shares for each C share. Albion Prime VCT PLC merged with Albion Venture Capital Trust PLC at a ratio of 0.8801 Albion Venture Capital Trust PLC shares for each Albion Prime VCT PLC share. Albion Income & Growth VCT PLC merged with Albion Technology & General VCT PLC at a ratio of 0.7813 Albion Technology & General VCT PLC shares for each Albion Income & Growth VCT PLC share.

† Dividends paid/declared plus NAV. Please note: the above excludes all tax reliefs.

** Albion Capital Group LLP took over the management of Crown Place VCT PLC in April 2005 and Kings Arms Yard VCT PLC in January 2011.

*** Performance data for the Albion VCTs Top Up Offers are based on pro forma calculations based on the performance of each of the VCTs which were part of the Offers. Assumes investment across the VCTs as per the Investor Guides, or equally across each VCT as applicable.

OLIM
Investment Managers

Few investors escaped 2018 unscathed. In equities, the theme was negative total returns across major markets including the FTSE All-share, Nikkei and S&P 500. Following a "down" year, many investors are exploring how to reposition their portfolios.

Given the importance of the income element to total return, it is worth considering income yields following the market correction. As at 31st December 2018, inflation linked gilts could be bought at a minus 2.0% yield. One could have taken on inflation risk by buying the 10 year gilt at a 1.3% yield. One could also have taken on inflation risk, credit risk and currency risk to buy the S&P bond index for US investment grade bonds (all maturities) at a 4.1% yield. This compares with a 4.5% historic dividend yield and a 4.7% forecast dividend yield for the FTSE All Share, according to Bloomberg.

OLIM's basic thesis is that the best return over the long term is likely to be delivered by a diversified portfolio of carefully selected, income yielding stocks. OLIM has successfully followed this evergreen strategy of maximising long term returns since 1986, across multiple economic and market cycles.

The OLIM Charity Conference

Charity Trustees in a Changing World 2019

Once again we are delighted to extend an invitation to all charity trustees to the 2019 charity conference.

Date: 6 June 2019

Venue: The RAC, Pall Mall, London SW1Y 5HS
Time: 10:00 – 14:30

Entry will require an invitation card. If you would like to join us please contact Sarah Chadwick – sarah.chadwick@olim.co.uk with your name, contact details and associated charities.

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