

AlbionCapital

Q&A from the 2020 Albion Capital Shareholders Seminar

1) Will the Albion VCTs be raising funds in the current tax year?

Our current anticipation is to launch any new Offers in January 2021. As an existing shareholder you will automatically be notified.

2) Has thought been given to the pros and cons of merging the VCTs?

This is something that we continually monitor, and we have merged VCTs in the past. The VCTs are all a size now where the cost savings and benefits of merging them are negligible. Whilst the underlying VCT portfolios will start to look more similar over time, for historic reasons some of the VCTs are exposed to some sectors and businesses that others are not. Merging therefore may not please all shareholders.

In addition, we believe Shareholder benefit from the additional corporate governance that the six VCTs bring. We are accountable to six different Boards, all of which add significant value and are there to ensure that we are acting in the best interest of shareholders.

3) How do you see debt levels and liquidity risk developing and being managed within the portfolio companies post Covid?

The three key points are as follows:

- The portfolio can be split broadly into tech and asset based (care homes, renewable energy, school).
- Tech companies typically have minimal debt and typically hold net cash on their balance sheets (from equity raised). Some have received the £50k bounce back loan from the Government and some have overdrafts and a few have raised venture debt. The key financing risk for young tech companies is the ability to raise further equity, if required, to fund future losses before a portfolio company reaches profitability.
- Since 2015, VCTs have been unable to invest in asset backed businesses. Thus the asset based portfolio in the VCTs (which were typically new builds) is now mature/profitable. This portfolio has very low bank debt, as typically the Albion VCTs provided both the secured debt and the equity for these companies.

4) Looking at the last 10 years was a higher return overall achieved on the asset investments or the growth investments?

There are many ways to show this data, however in general Albion has a great track record of returns on their exits across the board. When focusing on money multiples as a source of return over the last 10 years, both the Asset-based and growth have performed equally for returns across the Albion stable.

We have had some excellent Growth exits recently, with two 10x return exits within the past 2 years. If you look at our exits over the last five years, our Growth returns have received a higher return than our asset-based businesses. As the portfolio moves further and further towards Growth, it is important to look at these recent exits, and the corresponding returns.

5) How do I sign up for electronic comms?

Please follow the below link which is a step by step guide of how to sign up to electronic communications.

<https://www.albion.capital/about-us/news-and-insights/albion-capital-shareholder-seminar-2020>

6) I think future AGMs are better done online. I have never attended AGMs before, because they were never convenient.

Thank you for your comments. The online AGMs and shareholders seminar have been very successful, and we are looking at ways we can continue to offer these in the future.

7) What is the schedule for buybacks?

Buybacks are at the discretion of the Board of Directors.

It remains the Board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest, including the maintenance of sufficient resources for investment in new and existing portfolio companies and the continued payment of dividends to shareholders. It is the Board's intention for such buy-backs to be in the region of a 5% discount to net asset value so far as market conditions and liquidity permit.

The VCTs all use the same Corporate Broker, Panmure Gordon (UK) Limited, to execute buybacks on their behalf.

8) The cash and asset backed at 61% of the AuM, still seems very high. when will this be below 50%? 1 year, 3 years, 5 years?

Working with our most recently announced results across the portfolio, and taking into account the October dividends that have been paid (including two special dividends), as well as our most recent investments, the growth portfolio now accounts for approximately 47% of the portfolio. We expect this percentage to continue to rise as more new investments are made in the growth portfolio.

9) What are the thoughts about renewable energy in the UK, given the PM's change of attitude to wind turbines?

The UK policy of net zero carbon emissions by 2050 is going to require us to change how we do things as well as investment to fund the transition. The PM's 10-point plan published today shows what sort of changes will be needed and renewable energy including wind is part of that plan. Albion has been part of the U.K. transition to date in renewable energy and going forward will continue to help the UK achieve its target.

10) Why cash is so high? While recognising your success, when cash is so high the fees charged on the fund seem relatively high on the active portfolio.

The current higher level of cash is due to several successful exits which include Bravo Inns, Radnor House School Twickenham and Processes Systems Enterprise (which returned 10x cost). Since the 30 June NAV we have made a number of investments as well as paying out special dividends on Albion Technology & General and Crown Place. We therefore expect to see cash reduce as at the September figures.

It is important for a venture capital fund, which by its nature has illiquid investments, to hold sufficient cash to manage operating costs, to service dividends and buy backs and most importantly to make follow on and new investments, when they arise. This must be balanced against the requirements of a venture capital trust to be invested in qualifying investments. In light of current economic conditions, it is reassuring to have adequate cash and reserves.