

# Prosper

VCT Investor Newsletter / ISSUE 1 / September 2022





**David Kaye**  
CEO, Puma Investments

# Welcome to Prosper

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There is no doubt that the last few years have seen unprecedented change, and the current signs indicate that we are entering a period of economic uncertainty. But history also tells us that even when the economy experiences a retraction, there remains opportunity for growth. We are focused on ensuring we exploit these opportunities for our investors.

At Puma Investments we have also been going through a period of great change. Our business has grown and expanded significantly in the last few years, and we've invested heavily in new resources to enable us to better communicate with our growing number of investors. The feedback we have received suggests that you would like to hear more from us, and this inaugural edition of Prosper is just one of the ways we hope to keep you better informed.

Over the next few months, you will see a change in our communications. We are rebranding our business to articulate our Company's ethos better. As part of the rebrand, we're rolling out new websites to ensure you and our partners find what you are looking for online more quickly. Taking on board feedback from investors and their advisers, the new websites will provide useful tools and fresh content about the products and services Puma Investments offer.

But we know we can do more; and would like to understand what else we can do to better support you. At the back of this newsletter, there is a short survey we would be grateful if you could complete. It should only take a few minutes and will help us continue to improve our service to you. For every completed survey we receive, we'll enter you into a prize draw. Full details can be found at the back of this newsletter.

I hope you find this inaugural edition of Prosper useful.



**David Kaye**

CEO, Puma Investments



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**Rupert West**  
Managing Director,  
Puma Private Equity

# A look ahead

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Whilst there is no doubt that 'change is the only constant in life,' the last 18 months has seen unprecedented change in so many aspects of our daily lives that at times it's hard to recall what 'normal' is. Never more so than with the passing of Queen Elizabeth II which has seen the UK appoint a new Head of State as well as a new Head of Government in a matter of days. As we approach the winter months many are feeling cautious about what the future holds.

Let's be honest, coming out of a global lockdown was never going to be easy. The pandemic saw most of the world's major economies grind to a shuddering halt, with both labour lay-offs and stock sell-offs to release vital cash flow as businesses fought hard to survive in lockdown. As markets reopened, the resulting surge in buyer demand saw many goods and services subject to lengthy waiting times. With material shortages, items were (and in some cases still are), having to be made to order rather than drawn from inventory and often air-freighted to customers to meet timescales. That's expensive and drove up prices across all sectors and across all economies.

With limited spending opportunities and massive government support, large parts of society were able to save more during the Covid period than normal. Data released by the Office for National Statistics (ONS) in June showed that during the period there was a surge in household saving. The household saving ratio, (which is the proportion of household income that is not spent), was 6.0% in Quarter 4 (Oct to Dec) 2019. In Quarter 2 (Apr to June) 2020, it peaked at a record 23.9% and remained elevated before falling close to the pre-coronavirus ratio at 6.8% in Quarter 4 2021<sup>1</sup>. The ONS has estimated that such forced saving resulted in a cash pile of about £140 billion amongst UK households – meaning that when the economy reopened, demand came back with a bang.

The net result was that inflation, which has for so many years been at relatively low levels, started to climb rapidly. And then came the war in Ukraine, which alongside disrupting food supplies, has also seen a huge dislocation in levels of energy supply between Europe and Russia, pushing up prices right across the economy. The current Bank of England (BoE) forecast predicts inflation to reach more than 13% by the end of 2022<sup>2</sup> – a level not seen in this country since the 1970's.

Whilst recent weeks have seen some hopeful progress in the situation in Ukraine, it is unlikely that the war will be resolved quickly. Even if it was to be, it is unlikely that energy prices would fall that far, as Russia seems destined to be a pariah state to the rest of Europe for some time, meaning their supply challenges are likely to continue. This will act as a floor on prices for all sorts of goods and services, given energy is such a foundational input for all types of economic activity.

The good news is that other regions of the world are far less vulnerable to the impact of limited supplies of Russian energy, and therefore are being impacted differently. The US for instance, is a small net exporter of energy, and as such its economic outlook looks stronger. The Euro area, and in particular Germany as a large energy importer, looks to be under a lot of pressure, hence the calls to nationalise its gas suppliers. The EU also has the additional challenge of a very high US Dollar in which its energy contracts are denominated, making them even more expensive. If it raises interest rates to support the Euro and ease the cost of energy, it risks further inflaming tensions in the highly indebted southern periphery states (note the recent Italian elections). If it doesn't, it risks having to ration energy. Whilst there isn't an easy outcome to such a situation, the societal impact of a winter where energy is rationed isn't a palatable one, so we expect to see a lot of expensive political fudging and intervention across many of the EU states.

The UK sits somewhere in the middle of all this. The new Truss government has arrived with some dramatic policy moves, keen to make an impact quickly in terms of cost of living support, fiscal injection and regulatory change. The energy support announced will directly limit inflation (by pushing down the cost of energy), and will boost real spending power versus the alternative. Higher interest rates will finally give some yield to savers, but will squeeze others with variable rate mortgage payments. The reaction of the financial markets has been brutal but one senses the lady will not be for turning.

In addition, the UK continues to benefit from historically high employment levels and the higher than normal personal savings levels previously mentioned. Together these actually make a deep recession unlikely in our view – although we are likely to see soft consumer spending and low confidence continue. This will impact sectors and brands that cannot clearly evidence value, and where there are a range of widely available substitutes. Indeed Forbes recently released data that showed four-in-five (82%) Brits have switched well-known brands for cheaper own-brand alternatives, as the cost-of-living crisis intensifies<sup>3</sup>.

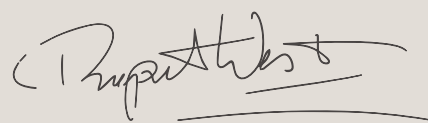
But a number of brands are already on the case and starting to adapt. Boots has just launched a new budget brand that includes toiletries such as shampoo, shower gel and toothpaste for under £1 and John Lewis have launched its ANYDAY brand so consumers can access 'everyday great value' at competitive prices.

As we look at our portfolio, we are basing our investment decisions on a base case outlook that the BoE will raise interest rates to around 4% in the next 6 – 18 months. We'd expect this to slightly lag the US which we anticipate will continue to raise rates more quickly. We would expect UK inflation to come down, slowly, to somewhere around 4%+ in the medium to long term. The weak pound is the biggest risk to this, through impacted inflation, as imports rise in price. Whilst it is clear that inflation will continue to squeeze real incomes in the coming months, it is also worth remembering that inflation was the only credible route for paying off the debt burdens the Western world took on in the financial crash of 2008 and during the Covid pandemic. Inflation effectively erodes the cost of debt over time.

Puma VCT 13 and Puma Alpha VCT both have a broad range of portfolio companies spanning many industries – from software and computer services to consumer goods. And whilst there is no doubt that these companies have experienced challenges across many aspects of their value chains, we believe they are well placed to be able to capitalise on growing demand for their goods and services. As a result, the portfolio as a whole has performed well in the last year.

Now clearly trying to predict the future is a fool's game and it would be much easier not to bother. But at Puma, our job is to continuously assess UK private companies for investment and help them grow as best we can. For that we need to have a view – one that we can test the coherence of our hypotheses against. The trick is to know what you're resting your view on, and therefore when you might need to alter it.

As Darwin once said – *"It's not the strongest or most intelligent that survive, but those who can best manage change."*



**Rupert West**

Managing Director, Puma Private Equity

<sup>1</sup> <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/dgd8/ukeya>

<sup>2</sup> The Guardian. L. Elliot, P. Inman and H. Stewart. Thursday, 4 August 2022. Bank of England hikes rates as it predicts 13% inflation and long recession. <https://www.theguardian.com/business/2022/aug/04/bank-of-england-raises-interest-rates-to-1-point-75-per-cent-in-biggest-hike-in-27-years>

<sup>3</sup> Grocery Gazette. K Bayford. 21 September 2022. FORBES STUDY FINDS BRITISH CONSUMERS FAVOUR CHEAPER OWN-BRAND ALTERNATIVES. <https://www.grocerygazette.co.uk/2022/09/21/british-consumers-own-brand/>





**Harriet Rosethorn**

Investment Manager at Puma is excited about the prospects for MUSO.

*"We're pleased to have completed our investment in MUSO, as we believe the business shows significant growth potential. As on-demand streaming platforms grow and drive a fragmentation of content distribution, global firms like MUSO will play an increasingly important role in monitoring and tackling piracy. This deal is just the latest example of Puma Private Equity's long track record of supporting companies with untapped growth potential. We look forward to working closely with the team to achieve their goals."*

# Piracy pirates – MUSO to the rescue

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We have all seen the warnings on the DVD films we watched at home, or at our local cinema at the start of a long-awaited movie. But how many of us have really taken much notice, or thought about video piracy in any detail? Probably not many – but piracy remains a huge issue for the entertainment industry and the figures suggest the issue is getting progressively worse, particularly as the cost-of-living crisis starts to bite.

Research by Kantar has revealed that as many as 1.66 million TV<sup>1</sup> and film streaming subscriptions have been cancelled in the past three months alone for services like Netflix and Amazon Prime, and the latest data piracy figures show that more and more people are trying to get content for free.

MUSO is a London-based data company that provides a complete and trusted view of global piracy and unlicensed media consumption, and is the latest investment by Puma Private Equity, the division of Puma Investments responsible for deploying funds raised by Puma VCTs. MUSO estimates there has been a 25% increase in general digital piracy year-on-year, when comparing H1 of 2021 to H1 of 2022. Andy Chatterley – CEO of MUSO suggests:

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*We are in the midst of a cost-of-living crisis worse than we've seen since the 1970s. Energy, food and housing costs are rising at unprecedented levels with wages unable to keep up. The shock of the war in Ukraine and the global economy's continued struggle to recover post-Covid have only added to this heady cocktail of uncertainty. Unless you're a billionaire, you're almost certainly feeling the pinch. It's also likely that you haven't gone a day without reading yet another article about how to slash even more off household budgets. First to go in the bonfire of the luxuries is always subscriptions.”*

MUSO is in a great position to be able to help organisations protect their data and content. The business provides unique and transformative data for entertainment companies and is used by the likes of Amazon Studios, National Association of Theatre Owners (NATO), NOS, Lionsgate. MUSO measures hundreds of billions of visits to piracy websites each year and provides unrivalled consumption and audience data that allows rights-holders to better protect their content from piracy and therefore increase their revenues.

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*Piracy remains a significant issue for the entertainment industry, but MUSO's data enables companies to use it to discover vast, valuable as up to now, unseen audiences,” said Andy. “Our customers are using our data to acquire and commission content, unlock new marketing opportunities, leverage value in licensing negotiations, maximise and optimise windowing strategies. MUSO is a game-changer to the entertainment industry's approach to piracy. We are turning the tables on two decades of losses and creating value-driven opportunities from this challenging inevitability of digital consumption.”*

Puma Private Equity facilitated an investment of £3.2 million into MUSO in July 2022. The investment will help establish MUSO's marketing, PR and communications function and to help build out its sales and distribution capability. The business is looking to expand its reach in both the UK and the USA.

<sup>1</sup> Media Play News. E Gruenwedel. 18 July 2022. Kantar: U.K. Lost More Than 1.6 Million SVOD Subs in Q2. <https://www.mediaplaynews.com/kantar-uk-lost-more-svod-subs-in-q2/>

# How to claim your VCT tax relief

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In each edition of Prosper, we will tackle a money related issue that we often get asked about at Puma Investments. In this edition here's a reminder of how to claim your VCT tax relief.

VCTs were introduced in 1995 to drive economic growth and job creation by encouraging investment in small but growing businesses. These businesses employ more than 16 million people in the UK, accounting for 61% of the workforce<sup>1</sup>. VCTs provide this sector with access to funding to fuel growth and expansion. VCTs invested a total of £900 million in small UK companies during 2018 and 2019<sup>2</sup>.

Investing in VCTs attracts valuable tax benefits<sup>3</sup>. There is no capital gains tax to pay if you sell your VCT shares and there is no tax payable on dividend payments.

You are also entitled to claim income tax relief up to 30% on the amount you invest, as long as you hold your VCT shares for a minimum of five years. Additionally, VCT income tax relief can be applied upfront.

## **You can claim income tax relief in a number of ways:**

- 1 /** Complete an online self-assessment form
- 2 /** Send a paper tax return
- 3 /** Ask HMRC to adjust your tax code
- 4 /** Reduce your monthly payments if you are self-employed

We will now look at each of these methods in more detail – as well as what to do if you do not regularly file a tax return.

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*Please note, that this is only intended to provide information - it should not be interpreted as tax advice. Whilst it reflects our current understanding of the tax relief benefits of VCTs and how you might be able to claim these tax reliefs, this might change in the future or may not apply to you given your personal circumstances. Tax reliefs depend on the individual investor's circumstances and may be subject to change. If you are in any doubt or need further advice or guidance about your personal circumstances, contact an independent financial or tax adviser.*

## 1 Complete an online self-assessment form

If you fill in your tax return online, you need to confirm how much you have invested in VCTs. There are two key sections on the self-assessment form to complete:

### Section 3: "Tailor your return"

Choose "Yes" to the question:

*"Do you want to claim other tax reliefs and deductions, for example, community investment tax relief, venture capital trust shares, maintenance/alimony payments?"*

### Section 4: "Fill in your return"

Under "Other tax reliefs and deductions (Page 2)", fill in the total amount of the VCT investments you want to claim tax relief on.

You do not need to send your VCT tax certificates to claim income tax relief, but you should keep these in a safe place as HMRC may request proof of ownership. If you have already paid too much income tax, HMRC will refund any excess either by cheque or directly into your bank account.

## 2 Send a paper tax return

This works in a similar way to submitting your tax return online. The details of your investment in VCTs should be included in your return. If you have paid too much income tax for the year, HMCR will refund any excess either by cheque or directly into your bank account.

Here is the process for completing a paper tax return:

- Enclose form SA101, "Additional information," with your return. You can find the form on the HMRC website.
- Fill out the "Other tax reliefs" section on page Ai 2 of the form, then enter the total VCT subscriptions you want to claim tax relief on in box 1 "Subscriptions for Venture Capital Trust shares."

Although HMRC does not require you to send your VCT tax certificates as evidence, they may ask you to produce these on request.

## 3 Ask HMRC to adjust your tax code

If you work and pay tax under the PAYE system, you can ask HMRC to reduce the tax you pay each month. Claiming tax relief this way, means you will not overpay tax during the year, and do not have to wait until you file your tax return to receive a refund.

To claim your income tax relief this way, write to HMRC and ask for your tax code to be adjusted. You will need to include your National Insurance Number, your latest P60 (the form that shows how much tax and National Insurance contributions you have paid in the previous year), and a copy of your VCT tax certificate for each VCT you are claiming relief against. Do not be concerned if there is not an immediate change to your tax code. It can often take a month or more for the change to take effect.

## 4 Reduce your monthly payments if you are self-employed

If you are self-employed, the tax relief due on your VCT investments could reduce your payments on account. To lower your payments this way, you should complete Form SA303. This can be found on the HMRC website.

It is important to make sure you calculate the tax relief you are due, and its impact on your payments correctly. If you end up paying less than required, you will be charged interest. If you are in any doubt, contact your financial advisor or accountant.

## How to claim if you do not file a tax return

If you do not regularly file a tax return, you could receive tax relief through a tax refund, or if you are employed, through a change in your PAYE code. To find out if this applies to you, send a copy of your VCT tax certificate, together with a copy of your P60, to your local tax office. Alternatively, you can contact them by phone.

## Other considerations

Here is the process for completing a paper tax return:

- Tax reliefs depend on both you holding VCT shares for at least 5 years and on the VCT maintaining its qualifying status over this period.
- You cannot claim more in tax relief than the tax you owe in the year the relief is claimed. There are no provisions to allow you to carry forward to future tax years any unused tax relief.
- Whilst you can invest more than £200,000 in VCTs, you will not get tax relief on any excess over £200,000.

<sup>1</sup> <https://www.fsb.org.uk/uk-small-business-statistics.html>

<sup>2</sup> AIC report, April 2020

<sup>3</sup> Tax reliefs are not guaranteed, depend on individuals' personal circumstances and a five-year minimum holding period, and may be subject to change.





*VCTs are popular investments with more than £1.1 billion investments between 2021-22<sup>4</sup>. They can offer the prospect of rapid growth through a portfolio of smaller companies, which have the potential to outperform larger institutions. As smaller companies often behave differently to larger counterparts, VCTs can add diversification to an investment portfolio.*

<sup>4</sup> <https://www.gov.uk/government/statistics/venture-capital-trusts-2021/venture-capital-trusts-statistics-2021>

# Investor views

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Stand a chance to win a £250 Love2Shop voucher by completing this short survey.

We are always looking for ways to improve services we offer to you. That is why we are asking for your views on aspects of our investor journey at Puma Investments.

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## Online survey

Scan the QR code below with your smartphone camera to complete this survey online, alternatively you can complete the survey on the next page.



Please complete the survey below and return via post in the envelope enclosed.

<b>Name:</b>
<b>Email address:</b>
<b>OUR OFFERINGS</b>
<b>1 / Would you be interested in a specialist VCT from Puma?</b>
<input type="checkbox"/> AIM VCT
<input type="checkbox"/> ESG VCT
<b>2 / What do you think are the most critical aspects of ESG that Puma Investments should be addressing?</b>
<input type="checkbox"/> Investing in companies which help the environment
<input type="checkbox"/> Ensuring our supply chain is ethical
<input type="checkbox"/> Operating a sustainable business
<b>3 / Do you review the annual and interim VCT Report &amp; Accounts that are distributed to shareholders?</b>
<input type="checkbox"/> Yes, I receive and review a hard copy of the reports
<input type="checkbox"/> Yes, I review the reports online
<input type="checkbox"/> No, I don't review the reports
<b>OUR SERVICE</b>
<b>4 / Is there any content or support you would like to see on our website that we don't currently offer?</b>
<input type="checkbox"/> Yes <input type="checkbox"/> No
If so, what?
<b>5 / What is the most useful financial resource/website that you use?</b>
<b>6 / Do you regularly look at investment content on your mobile phone?</b>
<input type="checkbox"/> Yes <input type="checkbox"/> No
If so, which sites do you visit and for what purposes?
<b>7 / What is your preferred channel for updating your contact details and personal preferences with your financial providers?</b>
<input type="checkbox"/> Request by post
<input type="checkbox"/> Request by telephone
<input type="checkbox"/> Request by email
<input type="checkbox"/> Request by online form
<i>And finally</i>
<b>8 / Would you be interested in participating in future research for Puma Investments?</b>
<input type="checkbox"/> Yes <input type="checkbox"/> No

## **Terms and Conditions**

The promoter of this prize draw is Puma Investments, Cassini House, 57 St James's Street, London, SW1A 1LD.

The prize draw will run until midnight on 31st October 2022. All entries must be received by Puma Investments no later than midnight on the 31st October 2022. All entries received after this time will be disqualified. To enter the prize draw, you must complete the short survey outlined above, or on our website.

Puma Investments will not accept responsibility for prize draw entries that are lost, mislaid, damaged or delayed in transit, regardless of cause, including, for example, as a result of equipment failure, technical malfunction, systems, satellite, network, server, computer hardware or software failure of any kind.

By submitting a prize draw entry, you are agreeing to be bound by these terms and conditions. The winner will be selected at random by Puma Investments. The decision Puma Investments make will be final.

The prize draw is open to anyone who completes the survey outlined who is aged 18 years or over, except employees or members of their immediate families or households of Puma Investments. In entering the prize draw, you confirm that you are eligible to do so and eligible to claim the prize. Puma Investments may require you to provide proof that you are eligible to enter the competition. There is a limit of one entry per person. Puma Investments reserves all rights to disqualify you if your conduct is contrary to the spirit or intention of the prize draw.

Puma Investments will contact the winner by email, phone or letter using the contact details provided within three days of the closing date which is 31st October 2022. The decision of Puma Investments is final and no correspondence or discussion will be entered into. Puma Investments will make all reasonable efforts to contact the winner. If the winner cannot be contacted or is not available within 7 of days, Puma Investments reserves the right to offer the prize to the next eligible entrant selected from the entries. Puma Investments does not accept any responsibility if you are not able to take up the prize.

The prize is a £250 Love2Shop voucher. The prize is not negotiable or transferable. The winner must be over 18.

In so far as is permitted by law, Puma Investments, its agents or distributors will not in any circumstances be responsible or liable to compensate the winner or accept any liability for any loss, damage, personal injury or death occurring as a result of taking up the prize except where it is caused by the negligence of Puma Investments its agents or distributors or that of their employees. Your statutory rights are not affected.

By entering the prize draw, you agree that any personal information provided by you with the competition entry may be held and used only by Puma Investments or its agents and suppliers to administer the competition.

Puma Investments reserves the right to hold void, suspend, cancel, or amend the prize competition where it becomes necessary to do so.

These terms and conditions shall be governed by English law, and the parties submit to the non-exclusive jurisdiction of the courts of England and Wales.



## GETTING IN TOUCH

If you'd like to get in touch with us about your investment, or to find out more about the products and services we offer, you can:

**Write to us at:**

Puma Investments  
Cassini House  
57 St James's Street  
London SW1A 1LD

**Email us at:**

[investorsupport@pumainvestments.co.uk](mailto:investorsupport@pumainvestments.co.uk)

**Call our Investor Services**

**team on:** 020 7408 4100

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