

UK Enterprise Fund 3
Quarterly Partnership Activity Report
as at 31st December 2023



Welcome

Dear Investor

We are excited that you have chosen to invest alongside BGF in our third UK Enterprise Fund (UKEF) and that, through this commitment, you have also chosen to support SMEs and growth businesses across the whole of the UK.

Furthermore, we are delighted that many of you have chosen to invest for the second or even third time, having already committed capital to previous UK Enterprise Funds.

These funds have been great examples of the potential investment opportunity UKEF offers to build large, diversified portfolios:

- UK Enterprise Fund 1 (UKEF 1) which was launched in 2021, has invested in 42 businesses, seen 20 follow-on investments, already had two successful exits and delivered four distributions
- UK Enterprise Fund 2 (UKEF 2) completed its initial investments in December 2023, having built a portfolio of 47 businesses and has also made four follow-on investments during that time
- Alongside the combined c. £60 million invested from UKEF, BGF has invested more than £625 million of its own capital

The first close of UK Enterprise Fund 3 (UKEF 3) was at the end of January; this has taken total capital committed from the Coutts client base to UKEF to more than £110 million.

Despite a challenging economic environment, BGF remains as committed as ever to deploying capital. Albeit, doing it carefully and using appropriate structures to deliver both upside opportunity and manage downside risk.

2023 saw BGF invest over £430 million for the year – supporting 44 new companies and providing £172 million to our existing portfolio in follow-on capital.

Despite more difficult market conditions, this level of deployment was in line with our average annual investment levels* and we are delighted that almost three quarters of the follow-on capital invested was to fund growth rather than support those experiencing challenges. We continue to firmly believe that enhanced returns will be delivered from investing through the economic cycle.

Going into the new year there are a further 14 deals in our advanced pipeline, with the potential for £72 million total investment, and we are expecting the first UKEF 3 deal to complete imminently. Whilst BGF will ensure we build a portfolio diversified across sectors, we expect to see an increasing number of investments in technology and across the healthcare sector. We will also cautiously explore subsectors of the consumer space where we have seen there to be opportunity.

In forthcoming reports, we will share an overview of the capital deployed, including analysis of the split of sector and geography, as well as stage of growth. We will also showcase each business at the time of investment and will highlight individual case studies as the investments develop.

We look forward to providing future updates as the portfolio is established and very much hope you will be able to join us for the Investors Update over the coming months.

Yours sincerely

Andy Gregory
CEO