

BGF

UK Enterprise Fund 3 Quarterly Partnership Activity Report

as at 31 March 2024



Growth capital for ambitious SMEs

BGF is the most active equity investor in the UK*. We support a large, diverse portfolio of businesses in fulfilling their growth ambitions.

BGF



Gaining momentum

We are pleased to present our quarterly update for UK Enterprise Fund 3 (UKEF 3, the Fund).

After a very busy December, Q1 was quieter than the previous quarter, but still saw BGF invest £50 million of capital across 22 businesses (new and portfolio). Of this, the Fund has invested £766,000 into two new businesses, one an early-stage investment in the industrial sector and the other, a technology business, in growth.

This dynamic is not unique to BGF and has been seen more widely across our market. According to industry data provider Beauhurst, new deal completions were down by c. 30% on the same period for 2023.

The current climate has led to longer relationship building with prospective investee companies, but also slower deal processes. With a more uncertain economic backdrop and higher interest rates, deal teams and management teams alike have been more cautious, both in ensuring they choose the right partners to work alongside, but also that deal terms are appropriate.

BGF has always focused on building relationships with entrepreneurs over the long-term. We will often meet and stay close to a company for a number of years before we invest – as we have seen recently with Sunswap, a £6 million investment into the Leatherhead-based transport refrigeration system business. Having first met with the management team in 2022, BGF has watched the

business develop and grow for over two years.

However, with confidence seeming to return to the market as we go into the next quarter, and the wider economy beginning to look more positive, the pipeline is very promising.

At the beginning of Q2, we have already completed three new investments for the Fund, taking the portfolio to five businesses, further details of which will be shared in the next report.

Alongside this, BGF has the potential to complete up to 20 new investments by the end of June. This is the strongest pipeline we have seen since the summer of 2021, a year which went on to be our most active year since BGF's inception.

This translates to a pipeline of potentially c. £10.5 million of investment for UKEF 3.

The opportunities we are working on continue to present good diversification, with the pipeline spread across nine different sectors and from 10 of our offices across the UK.

During the coming weeks you will be invited to join us at the annual UKEF Investor event, due to be held on the 27th June. We hope to see many of you there and look forward to introducing you to more of the BGF team, as well as to some of the those that lead UKEF portfolio companies.

BGF UKEF 3 Quarterly Summary

Partnership Details

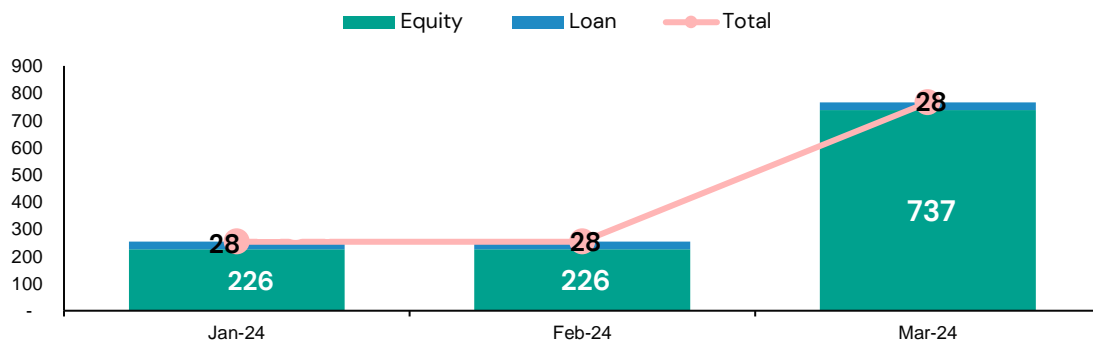
Fund Currency	GBP
Partnership Manager	BGF Investment Management Ltd
Final Close Date	31/01/2024
Current Management Fee	1.5% on 2/3 of Total Commitment

Fund to date Investment Activity

Category	Metric	Value
Growth	New Deals	1
	New Investment	254
	Follow On	-
	Total £'000	254
Early Stage	New Deals	1
	New Investment	511
	Follow On	-
	Total £'000	511
Total	New Deals	2
	New Investment	766
	Follow On	-
	Total £'000	766

Fund to date Investment Activity

£'000



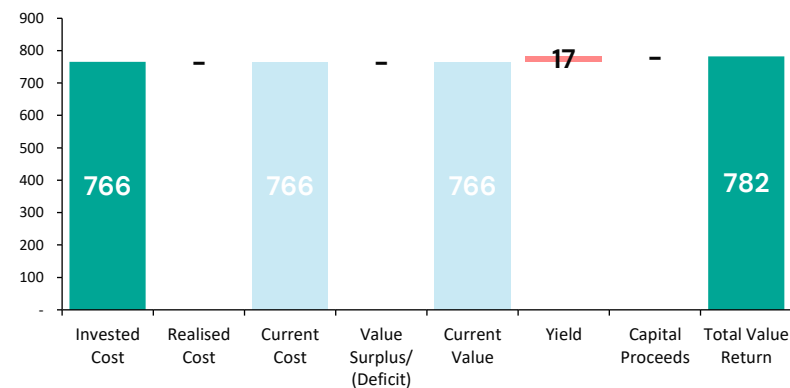
Partnership Summary

£'000

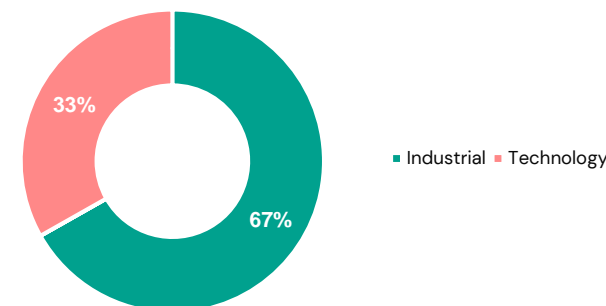
Total Commitment	31,218
Amounts Drawn	4,404
Amounts Distributed	-
Fund (Unaudited) NAV	4,349

Portfolio Summary

£'000



Portfolio Summary by Sector



BGF UKEF 3 Quarterly Summary

New Investments

Elite Dynamics



BGF investment: £4.4 million

UKEF 2 share of investment: £254,000

Sector: Technology

Pre-deal turnover: £0–5 million

Elite Dynamics, headquartered in London, is a fast-growing provider of technology solutions to the holiday parks market. While the business is focussed on the UK, it also sells into Ireland and Canada.

BGF's investment will support both the continued development of Elite Dynamics' proprietary software, which is built on the Microsoft Dynamics platform, as well as plans to invest in sales and marketing.

Why BGF Invested:

Elite Dynamics has focussed not just on reselling their solutions but also building highly verticalized IP on top of the Microsoft stack that helps differentiate the offering, as well as driving higher margin SaaS-like earnings.

In recent years the business has taken market share through dislodging incumbent, legacy solutions, and BGF is backing a thesis built around fundamentally more of the same in what it believes is an industry ripe for disruption.

Sunswap Ltd



BGF investment: £6 million

UKEF 2 share of investment: £511,000

Sector: Industrial

Pre-deal turnover: Pre revenue

BGF has invested £6 million into Sunswap as part of a £14.7 million round alongside Clean Growth Fund and Barclays Sustainable Impact Capital.

Leatherhead-based Sunswap has developed a 100% electric, zero emission transport refrigeration unit (TRU) that leverages adaptive battery capacity, integrated solar power and advanced software controls to optimise energy efficiency. This energy efficiency means that not only is it zero carbon but it is also 30% cheaper on total cost of ownership.

Why BGF Invested:

BGF has been tracking this business since 2022 and can see a compelling investment opportunity. The market for TRUs is surprisingly large, with over 55,000 just in the UK and more than 6,000 replaced annually given their eight to 10-year lifespan. The vast majority of TRUs today are powered by highly inefficient and unregulated diesel engines that yield significant emissions. With many fleet operators targeting ambitious Net Zero targets by 2030/35, decarbonisation of the TRU is an essential near-term objective.



New investments	Location
Elite Dynamics	London
Sunswap	Leatherhead

Portfolio Summary*

UKEF 3 Portfolio Summary By Year of Investment

Year of Investment	Total Count #	Live Count #	Invested Cost	Realised Cost	Current Cost	Current Value	Surplus / (Deficit)	Interest Accrued	Interest Provision	Interest Received	Dividend	Fee Income	Investment Costs	Capital Proceeds	Total Value Return	Total Value MoM
2024	2	2	766	-	766	766	-	0	-	-	-	17	(1)	-	782	1.02
Total (£'000)	2	2	766	-	766	766	-	0	-	-	-	17	(1)	-	782	1.02

UKEF 3 Portfolio Summary By Investment Type

Investment type	Total Count #	Live Count #	Invested Cost	Realised Cost	Current Cost	Current Value	Surplus / (Deficit)	Interest Accrued	Interest Provision	Interest Received	Dividend	Fee Income	Investment Costs	Capital Proceeds	Total Value Return	Total Value MoM
Growth	1	1	254	-	254	254	-	0	-	-	-	7	-	-	262	1.03
Early Stage	1	1	511	-	511	511	-	-	-	-	-	10	(1)	-	521	1.00
Total (£'000)	2	2	766	-	766	766	-	0	-	-	-	17	(1)	-	782	1.02

UKEF 3 Portfolio Summary By Sector

Sector	Total Count #	Live Count #	Invested Cost	Realised Cost	Current Cost	Current Value	Surplus / (Deficit)	Interest Accrued	Interest Provision	Interest Received	Dividend	Fee Income	Investment Costs	Capital Proceeds	Total Value Return	Total Value MoM
Business & Support Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer Products & eCommerce	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Energy & Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health & Education	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Industrial	1	1	511	-	511	511	-	-	-	-	-	10	(1)	-	521	1.02
Infrastructure, Transport & Logistics	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Life Sciences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Media & Marketing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technology	1	1	254	-	254	254	-	0	-	-	-	7	-	-	262	1.03
Total (£'000)	2	2	766	-	766	766	-	-	-	-	-	17	(1)	-	782	1.02

UKEF 3 Portfolio Summary By Region

Region	Total Count #	Live Count #	Invested Cost	Realised Cost	Current Cost	Current Value	Surplus / (Deficit)	Interest Accrued	Interest Provision	Interest Received	Dividend	Fee Income	Investment Costs	Capital Proceeds	Total Value Return	Total Value MoM
Midlands	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
North	1	1	254	-	254	254	-	0	-	-	-	7	-	-	262	1.03
Scotland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
South East	1	1	511	-	511	511	-	-	-	-	-	10	(1)	-	521	1.02
South West	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (£'000)	2	2	766	-	766	766	-	0	-	-	-	17	(1)	-	782	1.02

£0k of Fee Income has been recognised in the partnership to date. Further Fee Income of £17k will be recognised in the partnership through the offset of future management fees.

As at 31st March 2024 *Some numbers do not match exactly due to rounding

Portfolio Summary

UKEF 3 Portfolio Summary By Investment

33% of the investment supporting female entrepreneurs

67% of the portfolio support climate and sustainability

Month of Initial Investment	Company Name	Type	Office	Sector	BGF and UKEF			UKEF Share			Investment as % of UKEF 2
					Direct Investment	Follow-on Investment	Total Investment	Direct Investment	Follow-on Investment	Total investment	
					£'000	£'000	£'000	£'000	£'000	£'000	
2024 M01	Elite Dynamics Group Ltd	Growth	Manchester	Technology	4,400	-	4,400	254	-	254	33%
2024 M03	Sunswap Ltd	Earlier Stage	Cambridge	Industrial	6,000	-	6,000	511	-	511	67%
Total (£'000)					10,400	-	10,400	766	-	766	100%

Capital Account

Fund Manager	BGF Investment Management Ltd
Fund Currency	GBP
Final Fund Close Date	31/01/2024
Commitment (£'000)	31,218
Partner Loans Drawn (£'000)	4,404
Total Amount Invested (£'000)	766

Capital Account (£'000)	Quarterly 31 Mar-24	Year to 31 Mar-24	Inception to 31 Mar-24
Capital Account Opening Balance	-	-	-
Partner Loans Drawn	4,404	4,404	4,404
Recallable Distributions	-	-	-
Realised Portfolio Gains/(Losses)	-	-	-
Carried Interest Partner	-	-	-
Unrealised Portfolio Gains/(Losses)	-	-	-
Investment Income/(Expense)	(1)	(1)	(1)
General Partner Share	(54)	(54)	(54)
Net Change in Provision for Carried Interest Allocation	-	-	-
Capital Account as at 31 Mar 24	4,349	4,349	4,349

Investment Schedule (£'000)	Investments at Cost	Investments at Value	Movement in Value
Total Investment Portfolio	766	766	-
Carried Interest Accrual	-	-	-
Share of Funds Other Net Assets	3,583	3,583	-
Capital Account as at 31 Mar 24	4,349	4,349	-

Operating Expenses (£'000)	Quarterly 31 Mar-24	Year to 31 Mar-24	Inception to 31 Mar-24
Management Fee	54	54	54
Income Offset	-	-	-
Investment Operating Expenses	1	1	1
Total	55	55	55

Glossary of Terms

Section	Term	Definition
Quarterly Summary	Close Date	The date upon which commitments to the partnership were finalised.
	Current Management Fee	The % fee charged by BGF Investments Management Ltd for managing the partnership: -1.50% per annum of 2/3 of Commitments for the period from and including the Closing Date to and including the last day of the Investment Period; and -1.50% per annum of total Commitments for the period from the end of the Investment Period to and including the date that is three years after the end of the Investment Period; -1.00% per annum of Commitments for the period from the date that is three years after the end of the Investment Period to and including the date that is four years after the end of the Investment Period; and -1.00% per annum of the Net Invested Capital of the Investor for the period thereafter
	Fund (Unaudited NAV)	The Net Asset Value of the partnership based on the current fair value of the investment portfolio
	Growth	Growth Capital investments, a typical turnover range of £5 million –£100 million
	Early Stage	Early Stage investments, a typical turnover range of <£5 million
	Invested Cost	Invested Cost of investments since inception via new deals or follow-on funding
	Realised Cost	Divested Cost of investments since inception exits, write offs, loan note repayments, partial exit
	Current Cost	Invested Cost less Realised Cost since inception, the cost of the current portfolio
	Value Surplus/(Deficit)	The fair value surplus/(deficit) on the current portfolio
	Current Value	The unrealised fair value of the current portfolio
	Yield	Investment returns generated via interest, dividend and fees
	Capital Proceeds	Investment returns generated via sale of shares or redemption of loan notes
	Total Value Return	The total return value of the portfolio including both realised and unrealised values

Section	Term	Definition
Portfolio Summary	Interest Accrued	Loan Note interest income recognised to date on an accrued basis, not yet received in cash
	Interest Provision	The current provision recognised against the Interest Accrued
	Total Value MoM	The money on money return ratio of the Total Return Value over the Invested Cost
Capital Account	NAV per Fund Point	The Net Asset Value of the Fund / Partner loans drawn to date
	Partner Loans Drawn	Amount of funds drawn to date from partners
	Recallable Distributions	Funds distributed to partners that may be redrawn by the Partnership
	Realised Portfolio Gains/(Losses)	Realised capital gain/(loss) generated by investments
	Investment Income/(Expense)	Investment income/(expenses) generated by investments
	General Partner Share	The share of partnership gains payable to the general partner via the management fee
	Net Change in Provision for Carried Interest	The provision for future share of partnership gains/losses distributed to the Carried Interest Partner

BGF