

Seriously experienced

- by Modwenna Rees-Mogg

Amongst the longest established VCT fund managers is Beringea, the fund manager of the ProVen VCTs. In fact, having been around for 25 years the firm could be said to be one of the Granddaddy's of the UK venture capital industry and one of the longest surviving ones that has remained focused on the early stage market without disappearing upstream into big ticket private equity.



Stuart Veale

It is also unusual in this industry in that it is part of an international investment group with offices and staff in the UK, the US and China, giving it a bridgehead into the three economies where it is most likely to find the best deals in its chosen areas of specialisation, particularly media and healthcare. It

is fitting that this international group named itself Beringea after the ancient land bridge between the continents of North America and Asia.

I caught up with Stuart Veale, the Managing Partner of Beringea UK a month or so ago at his offices and was immediately struck by just how far the firm has come. This is a seriously experienced firm with an unusual story to tell.

With over 80 investments made in its lifetime and just under 60 in the current portfolio, Beringea co-founders Messrs Moss, Rothstein and Eberly have good reason to be proud of their company's achievements and must be delighted that Stuart

is running such a tight ship in the UK. (I suspect they are also delighted with the high profile being achieved by Stuart's US colleague, Jeff Bocan, through his recent appointment as a host blogger on The Huffington Post, the most-linked blog on the web with more than 8 million unique visitors each month. Incidentally, he sits there alongside recent contributors such as Madeleine Allbright and Robert Redford. I am delighted to let you know that he has recently blogged on the subject of bringing the VCT concept into the US - [CLICK HERE](#) to read the article)

Beringea is or has probably been invested in a business whose services or products are used by you or your family either at school, work or home. Take Espresso Group, which is the UK market leader in provision of broadband, video and multi-media educational resources for schools at primary and secondary level, or Eagle Rock Entertainment whose key properties include live concerts from artists including Janet Jackson, The Who and Eric Clapton as well as the Classic Album series including releases from Pink Floyd and Queen; both are portfolio companies of Beringea.

In healthcare, Beringea is invested in companies

involved in a wide variety of sectors, ranging from dental, optical and derma healthcare through forward thinking businesses such as Plum Baby premium organic foods and into state of the art businesses such as Population Genetics Technologies (PGT) Ltd which is creating new paradigms for performing large-scale population genetics studies. One of its most interesting security investments is Overtis Group, based in Harwell, which is a leading specialist in the design and manufacture of highly sophisticated security systems.

The roots of Beringea are in the "old City" – the UK arm was originally the development capital arm of Guinness Mahon, and was renamed ProVen after its buy-out in the 1990s. Indeed its UK quoted VCTs retain the ProVen name and continue to be some of the best performing VCTs of all time.

In the late 1990s ProVen joined up with GMA Capital in the US to create the firm we know today. Stuart was emphatic about the advantages of having a US team with local knowledge of a much larger market. It has been instrumental in enabling many of its UK portfolio companies to enter the US successfully. For the firm's many healthcare companies this local knowledge has proved or will prove vital to succeeding there too.

If I was asked to sum up the culture at Beringea, I think I would describe it professional and ambitious. The firm clearly has a hard working and intelligent investment team who value debate and argument based on facts and figures, as well as ideas. Amongst the many factors that affect their discussions, one of the most important is that they see themselves as owners of the businesses they invest in, not just as passive investors. This means that they have to be thorough and diligent or they simply would not achieve their objectives.

There are literally decades of venture capital investing experience at the firm. Stuart told me the histories of the senior team and there was hardly anyone with less than two decades working in the industry at gold standard firms such as 3i, Lloyds Development Capital and Barclays before they joined. This

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experience is vital when it comes to judging investments.

Beringea people are firm believers in backing exceptionally strong teams, but when investing in businesses in dynamic markets such as healthcare and media, you need to understand not only the businesses well, but also how to deal with the challenges they will face as they grow. Beringea's skills as investors are particularly important when the companies are evaluating the key strategic decisions they face as they develop. Having seen it before can make all the difference between making the right decision or not.

Stuart believes in following his money where appropriate, but only if it will give the funds he manages better returns. This is an important approach. It underpins the whole investment strategy of Beringea when you come to think about it.

And this issue of strong returns was mentioned again when I asked him about exactly what

businesses the firm backs.

Whether in media, healthcare or elsewhere, Stuart told me that defensible IPR is of paramount importance. The ideal business has a product with a defensible competitive advantage. With a business like this, there will always be buyers amongst the larger players in its sector who will be keen to pay a premium for ownership and the opportunity to sell the product into their existing, larger customer base. This gives the ProVen VCT Funds the opportunity for repeated stellar returns, despite the large size of their portfolios.

Mergermarket is the deal most closely associated with Beringea – an innovative information provider to the financial services industry, Caspar Hobbs' brainchild broke new ground, by providing predictive information as well as historical facts and figures, and, most valuably for everyone, having a must read market intelligence service. It was a classic case of how a business by being innovative can outwit the competition and become a must buy for larger players in the industry. (It was sold to Pearson in 2006, five years years after the ProVen VCTs invested, generating a 14 times return on their investment.)

Stuart and I chatted about the state of the economy. Like many others in the industry he recognizes that the departure of the banks from the enterprise economy has left a great opportunity for VCTs, which are now well positioned to finance the growth of UK SMEs and reap the rewards.

For Beringea the focus will continue principally to be in the areas of media and healthcare, which is where the team's main experience lies, but it will still look at high growth opportunities in other sectors to provide balance to the portfolio. It is currently raising funds for its VCTs via both a top up issue for the ordinary shares of all three ProVen VCTs, as well as a new issue of D shares for ProVen VCT and ProVen Growth & Income VCT.

Stuart's reading of the market is that investors will increasingly turn to VCTs as a supplement to pensions. The returns on many VCTs are excellent at the moment, with yields ranging from 5% to the teens. The ProVen Growth & Income VCT's ordinary shares have paid out nearly £1.50 in 9 years on a net of tax investment of just 80p. That makes an average of 16p a year. The ProVen VCT's buy-back arrangements provide a capital exit opportunity for those investors who wish to sell their shares, so investors need not fear that they will be stuck forever in what is still an illiquid stock (although investors will lose their initial tax relief if they sell within 5 years). Although with the yields on offer, it seems surprising to me that anyone would wish to sell.

There is great strength in the VCT concept precisely because of the way they are structured. I particularly like the transparency in reporting because VCT shares are quoted on the London Stock Exchange. I also like the fact that you can invest in venture capital and deliver a yield to investors at the same time. It focuses the mind



on why you are investing. Meanwhile, the potential of a bounty from a portfolio company liquidity event adds extra spice. I think that you can tell a lot about a venture capital firm from the managers themselves and how they approach life. Like his colleagues Stuart is an active sportsman, reads voraciously and engages in the media sector outside work, not least through his role as a Friend of the Donmar Warehouse theatre, above which the offices of Beringea are located. He works hard, plays hard and expects others to do the same.

Dynamic people such as Stuart and his colleagues inevitably demand nothing less when investing. And dynamic investing requires you to back the most exceptional management teams, who believe in and will deliver on the ambitious promises they make. Such people will be driven, skillful and intelligent - really sweating the capital they are given. It is a virtuous circle and the nice thing is that private investors like you, your family and your friends will always be welcome as investors at Beringea.

If you would like to get in touch with Stuart, you can reach him at sveale@beringea.co.uk or telephone his office on +44 020 7845 7820

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