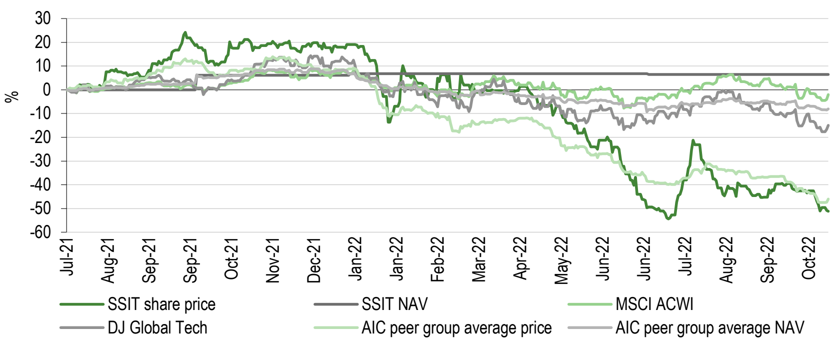
Seraphim Space Investment Trust

Weathering the storm

Investment trusts
Growth capital

Despite the equity market volatility seen in 2022, Seraphim Space Investment Trust (SSIT) has delivered modestly positive NAV growth since initial trading in July 2021 to the end of its financial year in June 2022. In aggregate, the portfolio's unlisted holdings saw positive revaluations over the period, while the listed holdings fared poorly. The fund's 80% exposure to non-sterling assets was a significant contributor to returns. Cash reserves equated to 24% of NAV at the year end and the company believes they are sufficient to support existing portfolio companies, which are all well capitalised through to at least June 2023 on average having collectively raised over $1bn in the last 12 months. In the near term, the primary focus is likely to be on ensuring suitable levels of finance within the portfolio with selective and relatively modest additions of new holdings. In our last update on SSIT, Derating offers an attractive entry point, we made the case for the company's role in addressing formidable world challenges such as climate change and defence, which accounted for more than 90% of portfolio revenues at 30 June. If possible, the application of such technology has come into ever sharper focus in recent months, validating the relevance of and potential within SSIT's portfolio.

2022 has been a tough environment for growth assets



Source: Refinitiv, Edison Investment Research. Note: Total returns in sterling.

Why invest in SSIT?

For the contrarian investor, for those comfortable with risk, or for investors with a truly diversified portfolio and a suitably long-term investment horizon, SSIT continues to offer a unique opportunity to access tomorrow's potential space tech winners in what will surely be a multi-generational secular growth theme. The fund manager, Seraphim Space, has a demonstrable track record of investing in early-stage companies and has added to its already deep strength and depth of investment capability over the year. The full year results provide a natural opportunity to review the company's performance. Results have been mixed with share price weakness the overriding experience for investors. While this is disappointing, there are positives, which we feel should assuage long-term investor concerns. SSIT has demonstrated that its underlying operational performance is progressing, with material cash balances allowing the manager the luxury of patience with its holdings.

NOT INTENDED FOR PERSONS IN THE EEA

27 October 2022

Price		**51.3p**
Market cap		**£122.7m**
Total assets		**£239.3m**

NAV*		99.97p
Discount to NAV		48.7%
*Including income. As at 26 October 2022.		
Yield		0.0%
Ordinary shares in issue		239.4m
Code/ISIN		SSIT/GB00BKPG0138
Primary exchange		LSE
AIC sector		Capital Growth
SSIT's Financial year-		30 June
52-week high/low	130.8p	48.0p
NAV* high/low	104.7p	98.9p
*Including income.		
Cash as a % of NAV		20.1
*As at 26 October 2022.		

Fund objective

Seraphim Space Investment Trust's objective is to generate capital growth over the long term through investment in a diversified, international portfolio of predominantly early- and growth-stage unquoted space tech businesses with the potential to dominate globally. Space tech businesses rely on space-based connectivity or precision, navigation and timing signals, addressing a broad range of key applications.

Bull points

- SSIT and its portfolio companies are relatively well capitalised.
- NAV performance has defied market volatility.
- Seraphim Space's investment team has been strengthened.

Bear points

- Share price volatility reflects investor sentiment.
- Liquidity constraints could hamper new investments over the longer term.
- The current inflation and interest rate environment is likely to continue to provide headwinds for the sector.

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Seraphim Space Investment Trust is a research client of Edison Investment Research Limited

SSIT profile: Pure focus on space technology

SSIT is targeting capital growth of at least 20% pa over the long term via a diversified international portfolio of predominantly early and growth stage unquoted space technology businesses. It is the world's only publicly listed investment fund focusing solely on this particular subset of investment opportunities. It was listed on the Main Market of the London Stock Exchange on 14 July 2021 after an initial public offering (IPO) raised £150m. Prior to becoming an investment trust, the manager ran the portfolio as the private Seraphim Space LP Fund. After the IPO SSIT acquired an initial portfolio of 15 companies (of the Seraphim Space LP fund's then 19 holdings) from the fund for a consideration of £28.4m, paid for in SSIT shares.

In addition to acquiring the initial 15 investments, SSIT agreed to purchase the remaining four companies from the Seraphim Space LP fund (Arqit, ICEYE, D-Orbit and Spire) by 31 December 2021. Further share issuance of £34.7m was used to purchase the limited partnership (LP) fund's holdings in Spire and Arqit in August and September, and in December SSIT announced the completion of the purchase of the remaining holdings from the LP fund in ICEYE and D-Orbit for a consideration of £28.1m, also paid for in SSIT shares. Subsequent to launch and the transactions listed above, there have been 10 new investments made with 13 follow-on investments in the portfolio equating to £96m in total.

'New Space' continues to develop rapidly in 2022

In our initiation note on SSIT in April 2021, Space tech – enabling a new industrial revolution, we highlighted the significant changes that have been occurring in the space technology sector, with the seismic catalyst being the huge reductions in the cost of launching ever smaller but highly capable devices in volume into space. The end users of such technology include a wide variety of industries such as defence, communications, transport, agriculture, insurance and environmental applications.

According to the Seraphim Space Index, there was a slight slowdown in the level of early-stage space infrastructure investment during H122, falling from $12.7bn (year to 31 December 2021) to $12.2bn (year to 30 June 2022). The financials for many of the space tech fund-raises are likely to take a couple of years to move towards self-sustainability, but the liquidity provided should enable progress towards that goal.

A record number of launches to orbit are expected in 2022, dominated by the SpaceX and China missions. In H122 there were 75 orbital launch missions deploying almost 1,200 spacecraft. The record for a single year of 135 launches, set in 2021 and deploying 1,713 satellites (also the most ever), seems certain to be broken once again. In Q322 there were a further 35 launches and the pace is expected to remain high in Q422.

The overall number of launcher options to deploy spacecraft has increased as have the locations available to launch them. The UK still expects its first seven satellite deployments from Spaceport Cornwall during Q422 using Virgin Orbit's LauncherOne system. Most satellites are launched by commercial organisations although there has been a significant number of non-commercial deployments.

Transportation, non-satellite and beyond earth orbit missions are also gathering momentum, although these programmes mainly mature in coming years.

The war in Ukraine is having two effects on the space environment. The availability of commercial satellite communications and earth observation capabilities to supplement military intelligence and network capabilities is clearly indicative of the increasing utility of space-derived data. Conversely it is also highlighting the increasing risk to the space environment with the potential increased threat of anti-satellite operations, be they kinetic (eg missiles), non-kinetic (eg lasers), electronic (eg jamming) or cyber (eg hacking). Whether the rift can be smoothed over in the foreseeable future is unclear, but hopefully the expansion of low Earth orbit (LEO) networks and other capabilities for humanitarian and environmental betterment can proceed unencumbered.

Portfolio positioning at 30 June 2022

At 30 June SSIT's portfolio consisted of 26 space tech companies with a combined value of £186.1m and cash reserves of £57.7m (24% of NAV). In Q4 of the financial year, five investments were made totalling £7.7m, three new investments in Tomorow.io and two new seed investments, together with follow-on funding for Xona Space Systems and a seed investment. Tomorrow.io provides data around weather forecasting with applications in aviation, ground transport, shipping, logistics and insurance. SSIT participated in the June internal financing round with a £4.2m investment with the aim of developing Tomorrow.io's satellite constellation capability. Xona Space Systems is developing the world's first small satellite constellation in low orbit, allowing enhanced levels of accuracy for GPS systems. The fund originally invested at the seed round in August 2021 with a £2.6m investment, which was followed in May 2022 with an additional £2.0m (alongside Lockheed Martin) to launch and test the company's satellite constellation.

Exhibit 1: Top 10 investments at 30 June 2022

	Status	Sub level category	Headquarters	Cost (£m)	31 December fair value (£m)	30 June fair value (£m)	% of NAV
ICEYE	Unquoted	Earth observation	EU	39.6	38.9	43.3	18.1
All.SPACE (formally Isotropic)	Unquoted	Antennas	UK	19.5	22.4	24.9	10.4
HawkEye 360	Unquoted	Earth observation	US	18.7	18.5	20.6	8.6
Arqit	NASDAQ	Satcoms	UK	27.3	47.9	14.0	5.9
LeoLabs	Unquoted	Data platforms	US	11.7	12.3	13.7	5.7
D-Orbit	Unquoted	In orbit services	EU	7.3	7.2	12.7	5.3
Altitude Angel	Unquoted	Data platforms	UK	3.7	3.7	9.0	3.8
Planet Watchers	Unquoted	Data analytics	UK	3.0	3.2	8.1	3.4
Satellite Vu	Unquoted	Earth observation	UK	4.6	7.8	7.8	3.3
Astroscale	Unquoted	In orbit services	Asia	9.4	9.3	7.7	3.2

Source: Seraphim Space, Edison Investment Research. Note: The top 10 investments accounted for 93.6% of the invested portfolio at 30 June 2022 and 68.3% of NAV overall.

Post the period end, a further £8.9m has been invested via seven investments, three of which are new investments for the portfolio. The principal new holdings were in Voyager Space Holdings (£2.1m) and Taranis (£2.1m), with an additional new position initiated in an early-stage undisclosed company (£0.2m). Voyager aims to build the first commercial space station, while Taranis uses satellite-derived data to improve crop yields. There was an additional investment of £2.5m made in August 2022 into PlanetWatchers' $11m series A fund-raising to support its commercial growth via investment in its sales capability.

The pace of investment has slowed in 2022. At launch in July 2021, SSIT guided to being fully committed within six to 12 months. However, macro events such as the war in Ukraine and associated market volatility have caused management to pause for breath in deploying the available cash. Instead, the near-term focus will be on supporting the current investments through this potentially challenging environment with relatively modest investment in selective new opportunities. Using conservative estimates, the existing portfolio is well capitalised to at least 30 June 2023 on average and the manager has sufficient cash resources to support the needs of the portfolio for 12 months thereafter.

NAV performance: Unquoted holdings bearing up

Portfolio NAV returns since launch have been muted but positive, with the 30 June NAV of 99.97p 1.9% higher than the NAV (ex listing fees) at IPO (98.15p). The unquoted portfolio, which makes up the bulk of the investments, has largely defied the increasingly volatile and adverse market conditions that have affected the quoted markets. In monetary terms, the fair value of the portfolio declined by £9.2m over the year, which was more than offset by currency movement gains of £16.8m.

At 30 June, the unlisted portfolio’s fair value stood at 104.3% of cost (including FX movements) and operationally, these holdings largely appear to be performing well. According to the fund manager, Seraphim Space, revenues for private companies in the top 10 holdings (62% of NAV or 79% of fair value at 30 June 2022) increased by 21.4% between H121 and H122, while contracted future revenues increased by 130.6%. In aggregate for the 12 months to end June 2022, revenues increased by 51.3% and bookings by 71.2%.

The SSIT share price performance since launch has been poor as investor sentiment towards relatively early-stage growth companies like SSIT has been weak. However, the long-term secular drivers of demand for the industries that space technology enables, such as defence and climate change mitigation, have, if anything, come into sharper focus in 2022, with the war in Ukraine and notable climate events such as flooding, wildfires, hurricanes and prolonged heat waves. The decline in the share price reflects the market’s anticipation of the direction of travel for the NAV and also reflects the valuations for peer group ‘private growth investors’ such as Chrysalis and Moulton. However, the fund manager highlights the secular tail winds of climate and defence, and the strong operational performances and commercial and technical milestones achieved by portfolio companies through the course of the year.

Unlisted performance

Over the year, SSIT’s private holdings, which accounted for 90% of the fair value of the portfolio in aggregate, performed relatively well, with upward revaluations of ALL.SPACE (formally Isotropic Systems), D-Orbit, Altitude Angel, PlanetWatchers and Satellite Vu. Excluding foreign exchange moves, seven of the private portfolio holdings were written up by 146%. Xona Space Systems, Satellite Vu, PlanetWatchers and ALL.SPACE were revalued upwards on the basis of latest funding rounds. D-Orbit and Altitude Angel were valued up on meeting operational, commercial or technical milestones. Astroscale and Edgybees were written down on a combination of operational and funding round considerations, although the manager retains its conviction in these two names. Two small seed portfolio holdings were written down to zero (cost £1.9m).

Quoted holdings performance

By contrast, the listed portfolio holdings declined in aggregate by 55% or £23.1m of value over the course of the financial year. Special purpose acquisition companies (SPACs) fell out of favour with investors. Arqit, Spire Global and AST SpaceMobile all completed their SPAC mergers in 2021 and have been volatile over the financial year. Arqit closed the period at $6.31 per share having peaked at $38.06 on 30 November 2021. During the period, Arqit reported significant commercial progress, generating operating income of $12.3m from its cyber security quantum technology. Cash on the balance sheet was $82.2m at the end of March 2022 versus $87m at the end of September 2021. SSIT added £2.5m to the holding in Spire Global highlighting the fund manager's growing conviction in the business, which saw recurring revenues increase by 133% to $85.3m at the end of June 2022. The company had $72.5m of cash at 30 June and is funded through to expected (summer 2024) cash flow break-even. Its satellite constellation collecting weather, maritime and aviation data has found a broad customer base. AST SpaceMobile launched the largest low orbit satellite

(BlueWalker 3) in September 2022 and is continuing with trials on its direct-to-cell phone technology across six continents. The company had over $200m of cash at 30 June 2022. The proposed merger (and listing) of private portfolio holding D-Orbit and Breeze Holdings Acquisition via a SPAC was terminated in August due to adverse market conditions. Operationally, however, D-Orbit's recent commercial performance has been strong with the successful launch of a further four space taxi missions, equating to an impressive 80 payloads delivered into orbit to date.

Performance from Q3 to Q4

The NAV at 31 March was 104.7p, which reduced by 4.5% to 99.97p at 30 June. The fair value of the investments fell by £9.2m, with the main detractors being the listed portfolio of Arqit, Spire Global and AST SpaceMobile, which fell by £1.5m, £1.3m and £18m respectively. The unquoted D-Orbit was revalued down by £6.2m over the quarter due to the performance of comparable listed companies, despite completing a total of four missions with its ION satellite carrier in-orbit space taxi delivery service, equating to c 80 payloads. Astroscale and Edgybees were revalued lower due to operational underperformance (down £2.4m in aggregate).

In terms of write ups in valuation, Altitude Angel (+£5.3m) reached technical milestones, while PlanetWatchers (+£4.9m) was buoyed by funding round valuation uplifts. In September PlanetWatchers completed another funding round at a 153% premium to the previous round. Currency effects were again a tailwind for the portfolio over this period.

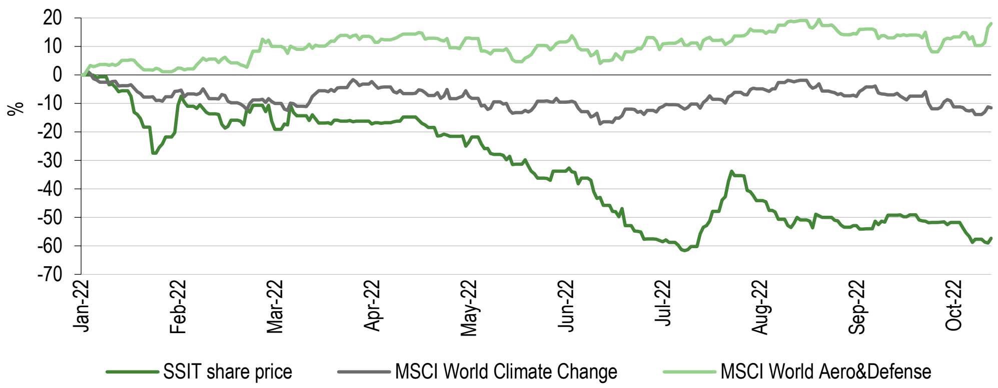
Currency

Currency is unhedged within the portfolio. Since the financial year end in June, sterling has weakened significantly against the US dollar and against the euro to a lesser degree. The portfolio is 26% weighted to US assets and 32% to European assets, with 21 of the company's 26 holdings (or 80.8% of assets at 30 June) denominated in currencies other than sterling. Foreign exchange variations (+£16.8m) contributed positively to NAV over the financial year, principally as a result of sterling weakening against the dollar during the period. On the basis of exchange rate movements, the manager has calculated (all other things being equal) an NAV of c 105.72p as at 14 October 2022. Since SSIT's inception up to the end of June 2022, foreign exchange has contributed some £16.8m or 10.7% of the movements in the fair value of investments versus the £9.2m decline in the fair value of the investment portfolio on a common currency basis during the period.

Defence spending, climate change and food security

A key theme within the portfolio has been the building of digital infrastructure in space to allow the observation, measurement and communication of climate change events, food security and global defence issues. At 30 June 2022, 55% of the aggregate portfolio revenue was from defence, with 39% from climate/sustainability applications. Despite the highly relevant and concentrated nature of the defence and climate change end uses within the SSIT portfolio, its share price has been substantially weaker than indices focused on companies involved with the defence industry or mitigating climate change (Exhibit 2). This can largely be attributed to the early-stage nature of the SSIT portfolio with its nascent revenues versus the established and slower-growing industry incumbents within the indices.

Exhibit 2: SSIT's weak share price return versus global defence and climate indices ytd



Source: Morningstar. Note: 2022 ytd to 19 October.

Peer group comparison: A unique proposition

As we have discussed previously, there are no direct comparisons or peers of SSIT. There are private/early-stage venture funds, thematic strategies including exchange traded funds, which may include some of the SSIT opportunity set, but SSIT's focus on early-stage, private new space tech companies is unique. However, the 2022 share price performance bears some similarity to other early-stage private equity funds (Exhibit 3).

Exhibit 3: AIC Growth Capital peer group comparison at 26 October 2022*

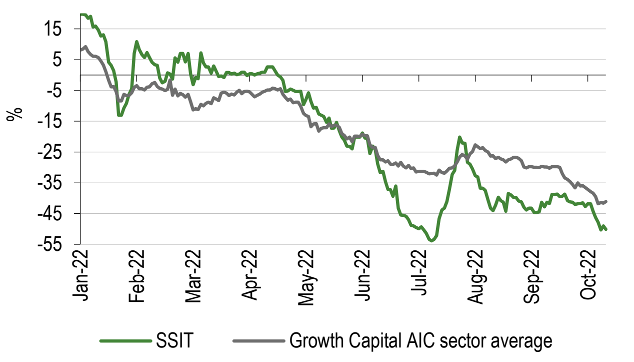
% unless stated	Market cap £m	NAV TR 1 year	Ongoing charge	Perf. fee	Discount (cum-fair)	Net gearing	Dividend yield
Seraphim Space Investment Trust	122.7	(3.9)	1.72	Yes	48.7	71	N/A
Chrysalis Investments Limited	369.3	(35.1)	0.76	Yes	60.5	94	N/A
Petershill Partners	2,259.0	0.5	5.55	Yes	42.8	100	N/A
Schiehallion C	319.7	4.2	1.15	No	38.4	100	N/A
Schiehallion Fund	422.6	(18.0)	0.90	No	23.6	70	N/A
Schroder British Opportunities	51.0	(8.3)	1.08	Yes	29.8	96	N/A
Schroder UK Public Private Trust	144.0	(32.3)	1.05	Yes	49.0	99	N/A
Simple average	526.9	(13.3)	1.74	Yes	41.9	90	N/A
SSIT rank in peer group	6	3	6	N/A	5	6	N/A

Source: Morningstar, Edison Investment Research. Note: *Performance as at 26 October 2022 based on ex-par NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

Discount reflects the perceived nature of the portfolio

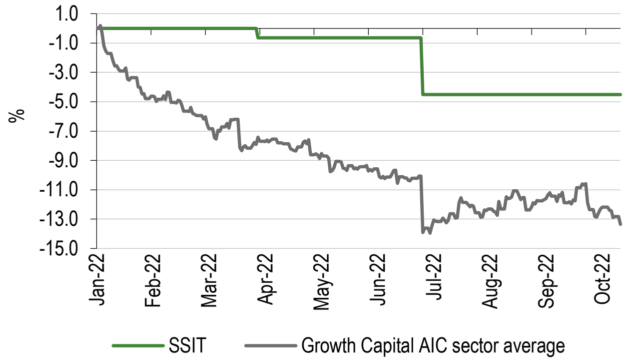
The board has considered buying back shares to support the share price; however, the decision was taken to focus on preserving cash reserves to support the existing portfolio and deploy funds into selective new opportunities, which we believe is a sensible use of the cash reserves. SSIT's share price has seen a significant de-rating versus its NAV. However, Exhibit 4 puts SSIT's discount into perspective with other growth-orientated private asset listed strategies. Exhibit 5 compares the NAV and share price performance over 2022 to date.

Exhibit 4: Significant de-rating through 2022 to date for SSIT and its AIC peers



Source: Morningstar. Note: AIC peer group average is unweighted.

Exhibit 5: SSIT's relative NAV performance



Source: Morningstar. Note: AIC peer group average is unweighted.

The fund manager

The alternative investment fund manager for SSIT is Seraphim Space LLP, an established private equity operator specialising in space technology. Since its inception in 2015, it has supported around 70 (via investment or participation in affiliated accelerator programmes) early-stage space technology companies. Seraphim Space has co-invested and collaborated with over 20 high-profile upstream industry participants such as Airbus Defence & Space and successfully managed the private Seraphim Space LLP Fund since 2016, which returned an annualised internal rate of return of 49% from launch to end December 2021. It is also a prominent publisher of research and the quarterly Seraphim Space Index, which monitors in-depth trends in global private investment within the space domain.

Developments at Seraphim Space through FY21

Over the course of the year, Seraphim Space (the fund manager) added senior personnel designed to enhance the already significant experience and expertise within the team. These included:

- **Sarah Shackleton**, who joined as COO in March 2022 and has extensive private equity board and operational experience.
- **Patrick McCall** (previously of Virgin Group and chair of Virgin Orbit and Virgin Galactic), who joined as a venture partner to support investee companies.
- **Andre Ronsoehr**, who joined as investment principal having previously worked for Sir Richard Branson's family office and having co-led the investment into One Web and assisted on the investments into Virgin Galactic and Virgin Orbit.
- **Maureen Haverty**, who joined as a vice president, with 'new space' experience as COO at Apollo Fusion and subsequently at Astra where she worked on acquisitions, strategic partnerships and venture capital investments.
- **Ann Winblad**, who joined the Investment Advisory Committee. She is co-founder of the influential Hummer Winblad Venture Partners and has had a 30-year career in software and venture capital investment, including launching some 160 enterprise software companies.

Seraphim Space Accelerator programmes

The fund manager Seraphim Space derives deal flow from a diverse range of sources, but one of the most effective and unique is via its innovative accelerator programmes. The Seraphim Space

Accelerator is an affiliated programme and plays a key role in sourcing deal flow for the trust, with around 75 companies having passed through the programme, some of which are now in the SSIT portfolio. These international accelerator programmes run several times per year for up to 10 space technology companies per cohort, for three months, which leads to them raising equity funding from other venture capitalists. Through the subsequent careful ongoing monitoring of technical and commercial progression post-graduation from these accelerators, the fund manager, Seraphim Space, is able to cherry-pick which graduate companies to back. The accelerator programmes also put Seraphim Space at the heart of the space technology ecosystem, building deepening relationships with the global investor community for co-investment and deal syndication. Seraphim Space has recently launched a US subsidiary (Generation Space LLC) to facilitate its US-based affiliated accelerator programme and to widen the net from which potential investment opportunities may arise.

Space is an impactful sector: The role of ESG within SSIT

Seraphim Space is a signatory of Principles of Responsible Investment, which is a UN supported group of investors focused on sustainable investment by incorporating ESG factors into their investment decisions. Seraphim Space regards ESG factors as an absolute bedrock of the development in space technology and believes that space has a 'unique role' to play in addressing the climate crisis and, more broadly, driving and meeting the UN Sustainable Development Goals (SDGs). Seraphim Space has engaged with external sustainability consultant Sancroft to develop a proprietary ESG tool and to ensure that ESG considerations are fully integrated throughout the investment process, from idea screening, initial due diligence, investment, hands-on management of companies and finally when exiting positions. Seraphim Space applies a list of hard exclusions to investing, including never knowingly investing in controversial weapons (ie nuclear, chemical etc) or autonomous weapons, where a company's technology is a key element of weapons technology, in companies that sell their military technology to high-risk countries or where technology is used to identify individuals in countries with high human rights risks. In aggregate across the portfolio, all 17 SDGs are addressed, with many goals such as zero hunger, responsible consumption, climate action and peace, justice and strong institutions addressed by multiple portfolio companies.

Investment process recap: Seeking winners within vast addressable markets

Seraphim Space seeks high-growth, early-stage space technology businesses that are addressing very large market opportunities. These opportunities are likely to persist for many decades, providing a long runway of growth and powerful long-term secular tailwinds. Investee companies must embrace the vast potential of space, take long-term investment decisions, be leaders in their field and be willing to tilt towards the best multi-generational opportunities. These best-in-breed leaders with first-mover advantage are well placed to disrupt existing incumbents to address the wide opportunity set or to create entirely new markets via the application of evolving technology. First-mover advantage can be hugely beneficial and create barriers to entry. For example Spire (which is one of the relatively mature listed holdings) is currently on its seventh generation of technology. Technical innovation is key, and it would require extensive investment for a new entrant to catch up. IP is also an important competitive moat for the category leaders, with a number of SSIT portfolio companies that have patents ranging in number from 100s to over a 1,000 in total. As first mover, there is often a greenfield opportunity to patent cutting-edge technologies, which creates legal challenges for competitive followers.

SSIT will apply the same consistent process that Seraphim Space has used to good effect since the launch of the Seraphim Space LP fund in 2016. It invests throughout the life cycle at seed, Series A through D, pre-IPO and IPO stages and will take minority stakes, although it has identified the B to D series rounds as a sweet spot. At this stage companies have ironed out technical risks and demonstrated that the product has a place in the market. At series C and beyond, companies are establishing market leadership potential. At June 2022, 20% of SSIT was in Seed or Series A stage (December 2021: 9%), with only six of the 26 holdings pre revenue (albeit all except one are pre profitable at this stage). Seraphim Space typically utilises preference shares, convertible loan notes and ordinary shares to access holdings rather than debt instruments. It will make follow-on investments at subsequent funding rounds, subject to a disciplined review of the milestones achieved by the underlying business. As a minority investor, Seraphim Space will potentially accept some dilution of a holding if the subsequent valuation is too high or milestones are not reached. Syndication of investments and the financial capability of co-investors is of key consideration. Seraphim Space does not invest alone, preferring to invest alongside well capitalised investors. For example, it co-led alongside Insight Partners in the HawkEye 360 Series D raising in November 2021. Insight Partners (a US VC and PE growth investor) operates a mega-fund of nearly $20bn, which shares the same long-term investment philosophy.

The first element of the investment process is to evaluate as many opportunities as possible; this allows a wide appraisal of the available opportunity set and developments in technology and applications. The manager does not have a specific target for the number of investments but has guided for a portfolio over time of 20–50 holdings.

Seraphim Space has cultivated a very strong symbiotic network of expert contacts and co-investors. It has corporate partnerships with leading global multinational space companies, many of which are investors in its funds, including Airbus Defence & Space, SES, Telespazio and MDA. These corporate partners in turn provide Seraphim Space with access to their expertise to facilitate due diligence evaluation and portfolio company commercial collaboration.

NAV valuation methodology

An unaudited NAV is calculated quarterly in pounds sterling for end September, December, March and June. The June NAV is independently audited by BDO, which tested 99% of total investment valuation. Publicly listed securities are valued at their bid price or last traded price (these currently comprise Arqit (ARQQ), Spire (SPIR) and AST SpaceMobile (ASTS)). However, the majority of the portfolio is unquoted. These assets are valued using International Private Equity and Venture Capital Association methodology including earnings multiples, discounted cash flow analysis or use of the value at the most recent funding round. More recent purchases may be held at cost until such time that alternative measures become more appropriate. Assets yet to generate profit or revenue are typically valued at the most recent funding round cost. The above factors, and the nature of the portfolio, containing early stage and unquoted assets, mean that there is likely to be an inherent element of lag in the quarterly reported NAV.

The fair value of the investments at the end of June 2022 was £186.1m in aggregate. 9.9% of the portfolio is valued via the available market price, which are the listed holdings of Arqit, Spire and AST SpaceMobile, and 11.3% via milestone multiples, with the majority of the portfolio valued in relation to funding rounds between three and six months ago (30.1%) and those where funding rounds occurred over six months ago (35.1%).

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