AlbionCapital

Inside the Minds of VCT Investors

Albion’s Large Scale Investor Study

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Albion Capital's VCT journey

Since their inception in 1995, UK Venture Capital Trusts (VCTs) have become an indispensable engine for funding early-stage innovation, now fuelling over £6bn in assets under management.

As one of the original architects of this ecosystem, Albion proudly manages c.£700m of that capital, backing visionary founders and technologies.

Now, as we approach 30 years of making venture breakthroughs possible, we decided to do something different: we turned the spotlight inward—on the people who've backed our vision.

Over 15 years of shareholder data, a survey of 1,000+ investors, and more than 50 in-depth conversations have given us something rare—a deep, human-level perspective on the motivations, needs and expectations of today's VCT investors.

What did we discover? The findings offer a rare glimpse into the mindset of investors balancing tax, income, and growth needs. It reveals a generation of seasoned, advice-led investors who increasingly view VCTs not as short-term tax wrappers, but as strategic, long-term tools for building resilient, tax-efficient portfolios.

As Albion continues to pioneer alongside the entrepreneurs of tomorrow, these insights will help us refine how we serve our investor community and guide the evolution of VCTs.

"The VCT landscape has matured dramatically. What once attracted mostly tax-conscious investors is evolving into a trusted mechanism for long-term wealth planning. Our investors aren't just investing in a tax efficient vehicle; they are backing businesses which will shape the next chapter of British enterprise ."

Will Fraser-Allen
Managing Partner

KEY FINDINGS

VCT investing is primarily tax-driven, with a strong geographic concentration in investor distribution towards the South

While middle-aged investors dominate, younger age group presence is slowly increasing, indicating a long-term generational shift due to growing accessibility and interest in wealth-building earlier in life

A persistent investment gender gap exists both in VCT participation and the amount invested

Advice-based investing remains dominant and a VCT is the preferred investment vehicle for accessing early-stage companies, over EIS/ SEIS and angel investing

Income delivery is the most commonly met expectation; capital growth has been deemed underwhelming at times

Majority intend not to sell holdings largely due to desire for ongoing income, holding for 5-year tax incentive period or viewing VCTs as long-term holding

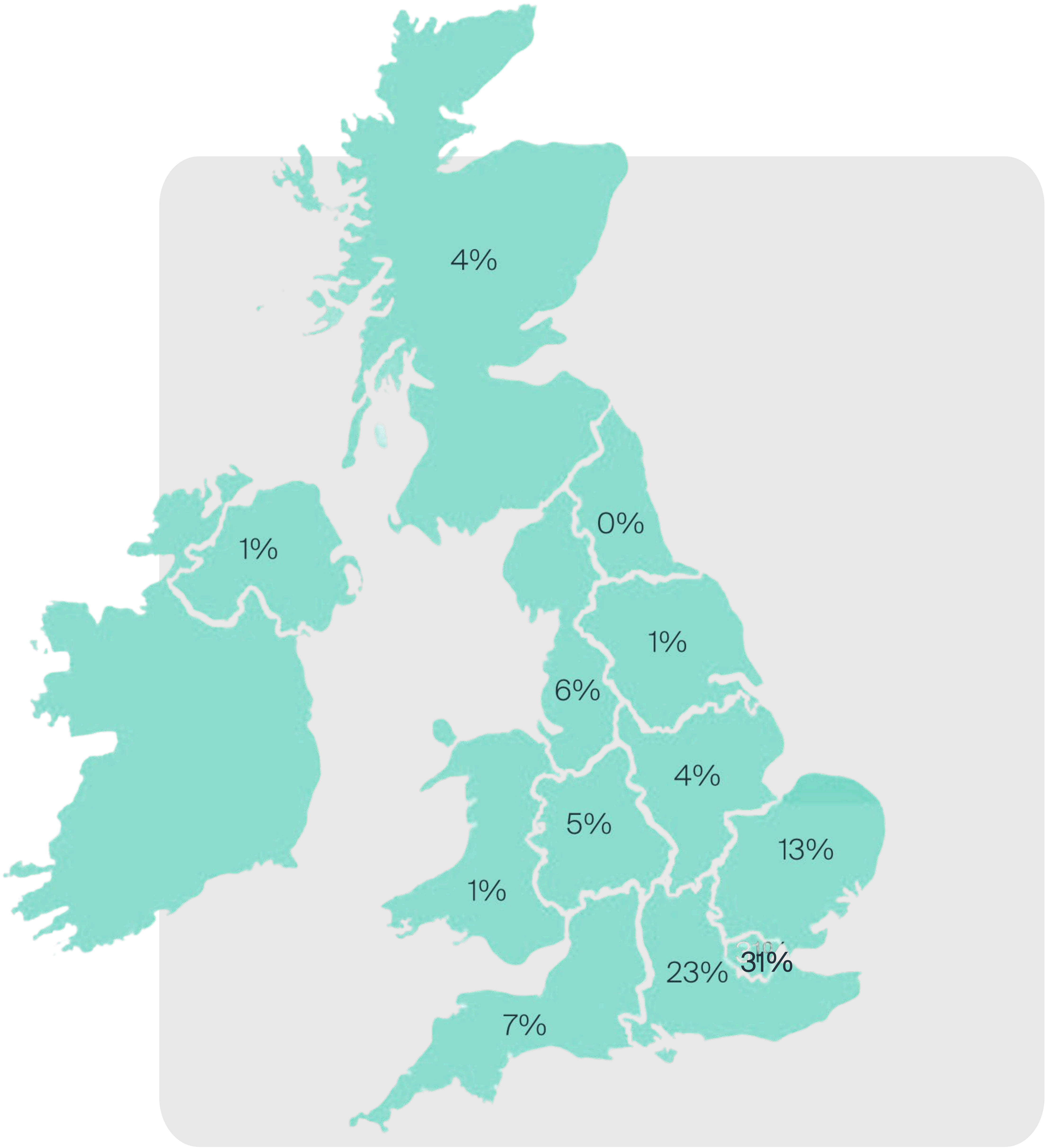
Shareholder Analysis

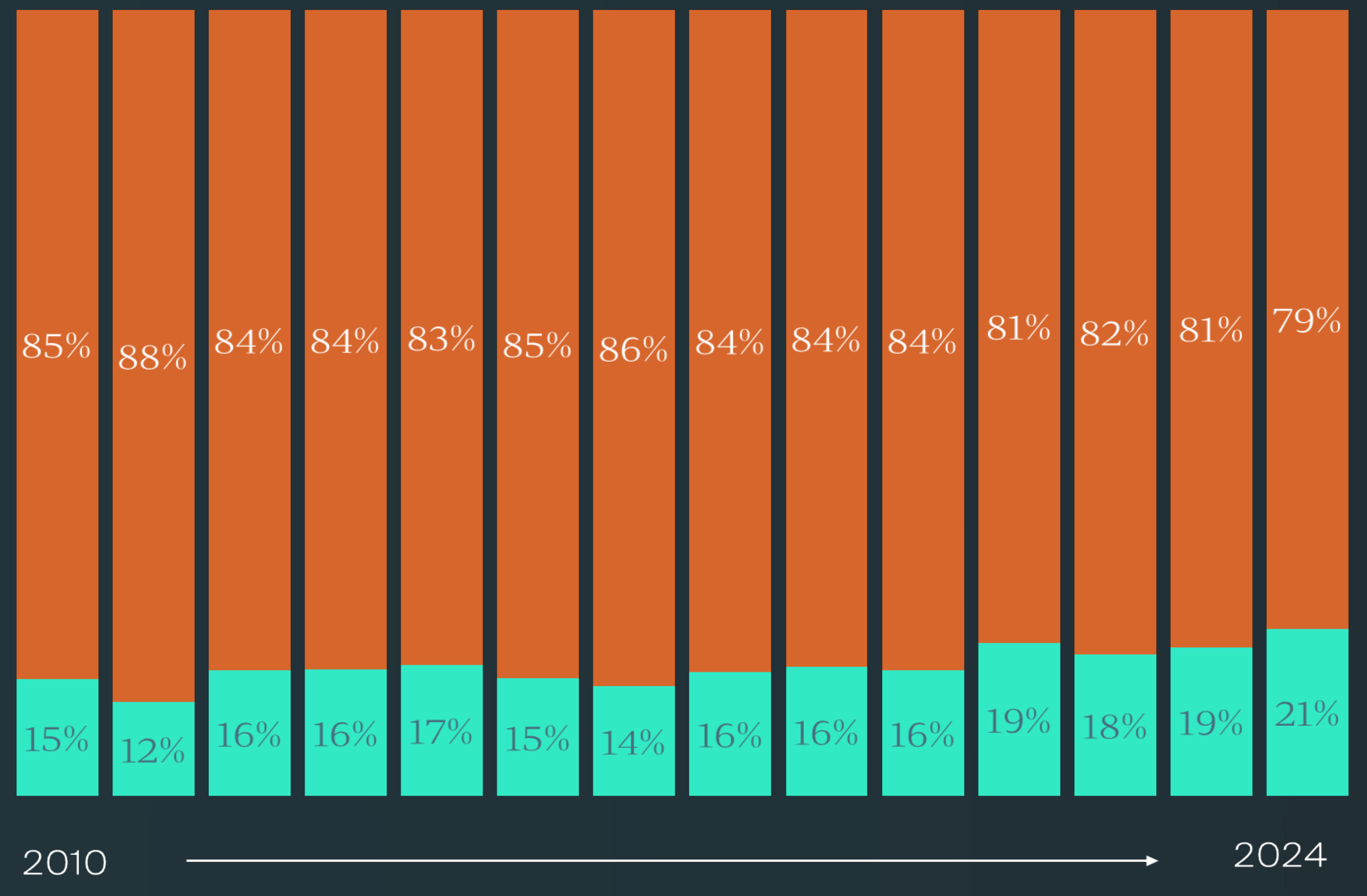
2010-2024

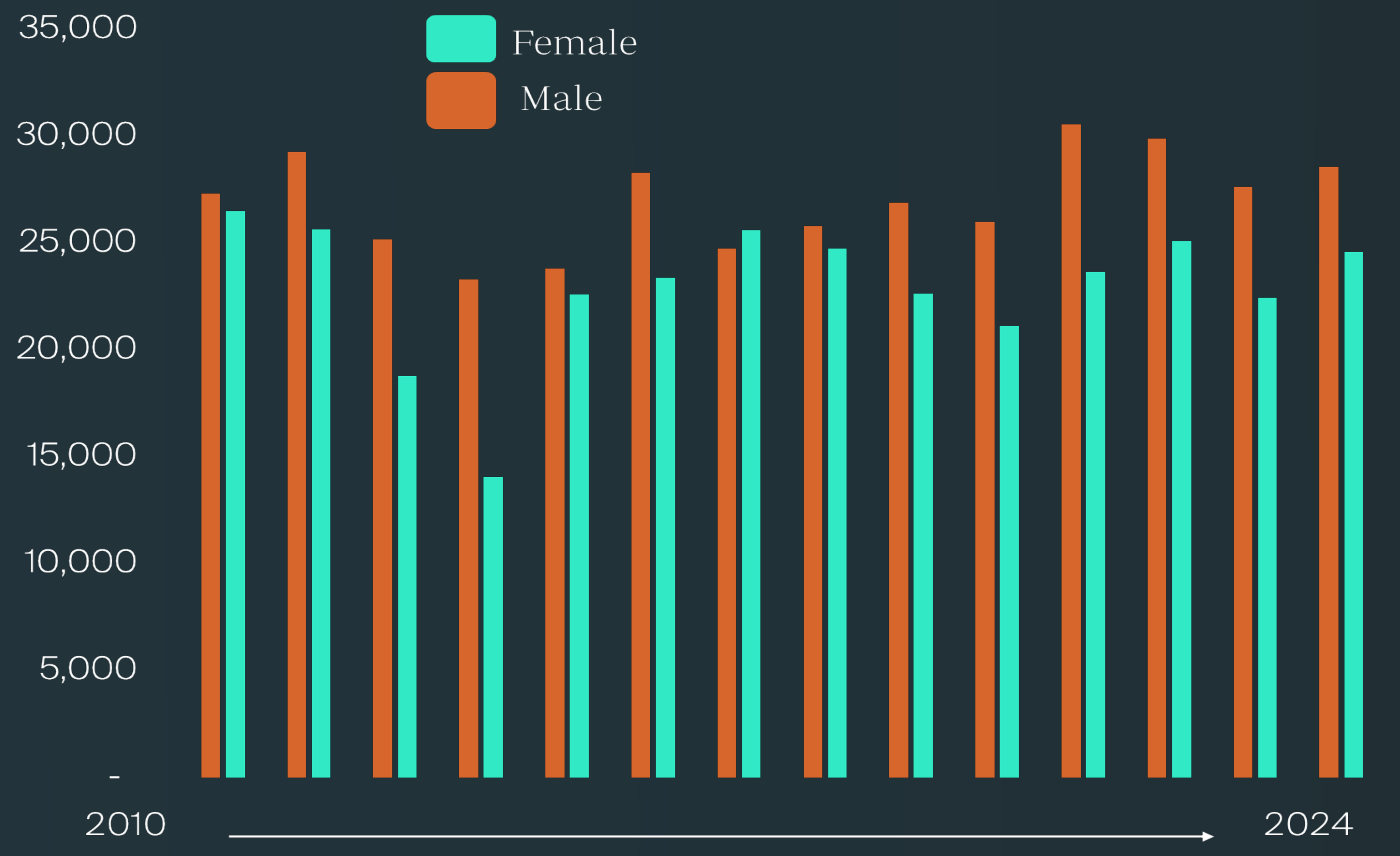
Investor geographical concentration

Our investor geographical mapping reveals that over 66% of all investors are located in just three regions: London (31%), South East (23%) and East of England (13%).

This imbalance could mean that investors in the under-represented regions are missing out on the benefits associated with investing in VCTs.







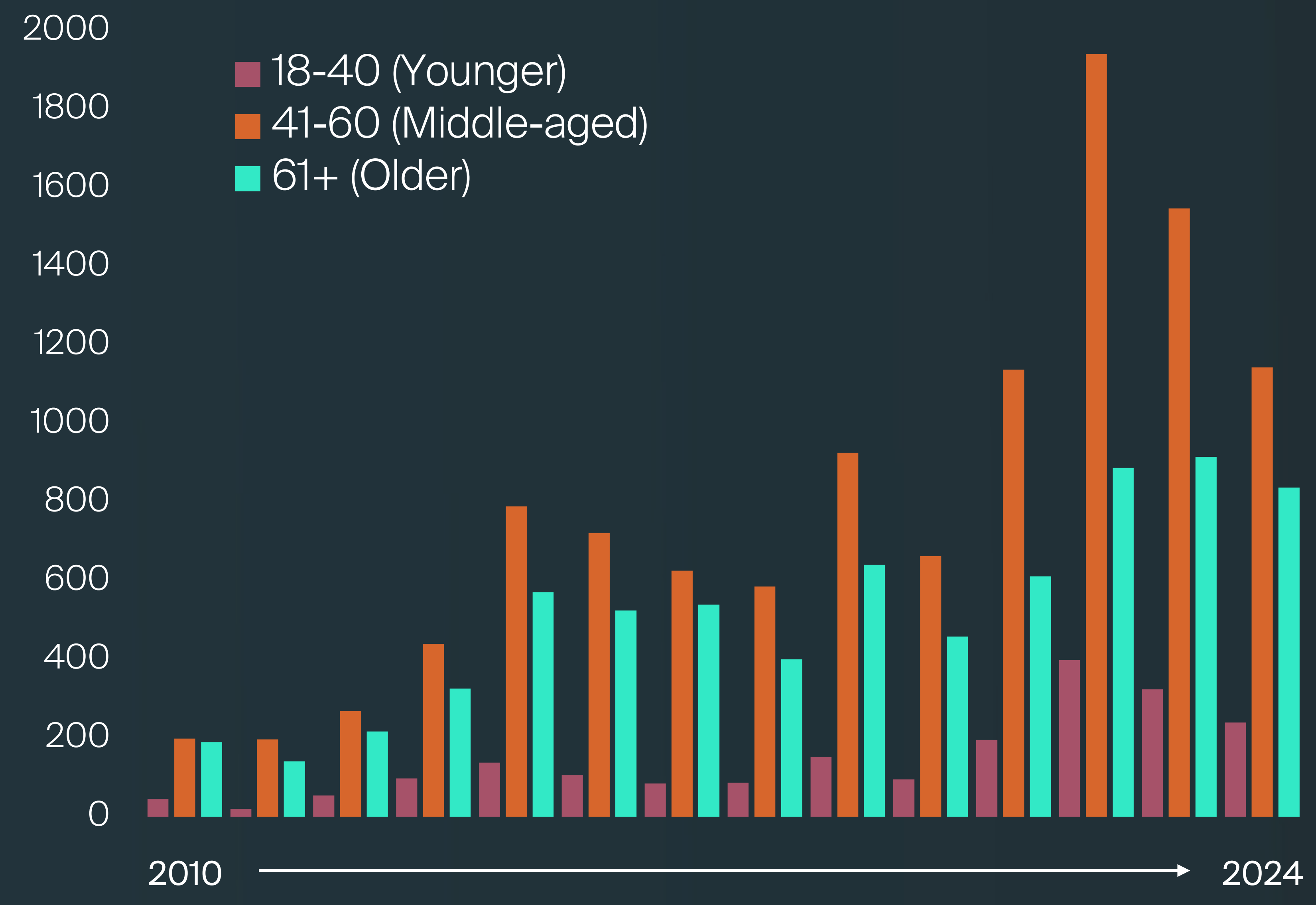
Persistent gender gaps amid gradual female participation growth

With a dataset spanning 15 years, what's clear is that whilst there is a gradual upward trend in female participation, women consistently represent a minority. Male participation remains dominant, and they also consistently invest more on average than women each year.

Occasional narrowing of the gap suggests improving financial confidence or capability among female investors. However, broader structural or income-related factors may still be limiting parity, underscoring the need for targeted inclusion strategies in the investment sector.

The investment gap between genders was widest during 2014 when the average investment was £23,324 for men and £14,065 for women. This narrowed in 2024 to £28,583 versus £24,609 for females.

Investor base shift



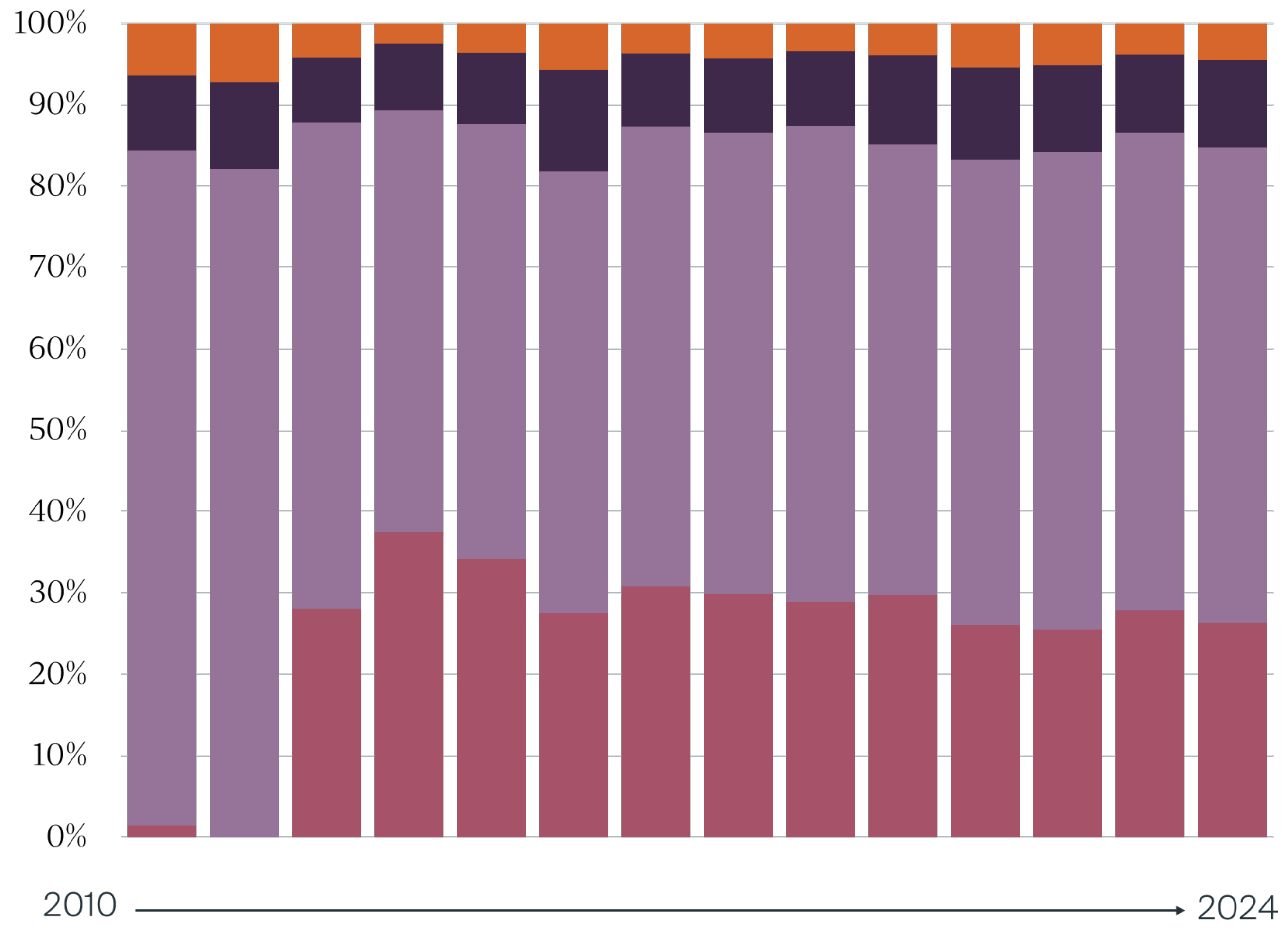
Middle-aged investors (41–60) are the core driver of large investment activity, likely due to wealth accumulation and stable financial positions.

Whilst the younger group has the lowest overall representation, there was notable growth from 2018 to 2021, potentially driven by more awareness, financial advice or increased financial literacy.

2021 appears as a standout year across all age groups. During COVID, many wealthy individuals reportedly accumulated large savings - unable to travel, dine out, or spend on daily commutes, yet still employed and working from home. As a result, they had more disposable income, which may explain the spike in VCT investments.

Participation dropped post-2021, possibly due to inflation, rising interest rates or overall cost of living.

Investment size dynamics



Range	Definition	
<£10k	Small Investments	
£10k-£49k	Medium Investments	
£50k-£99k	Large Investments	
>£100k	Very Large Investments	

In the initial years (2010–2012), medium investments dominated the landscape with almost no small investment activity.

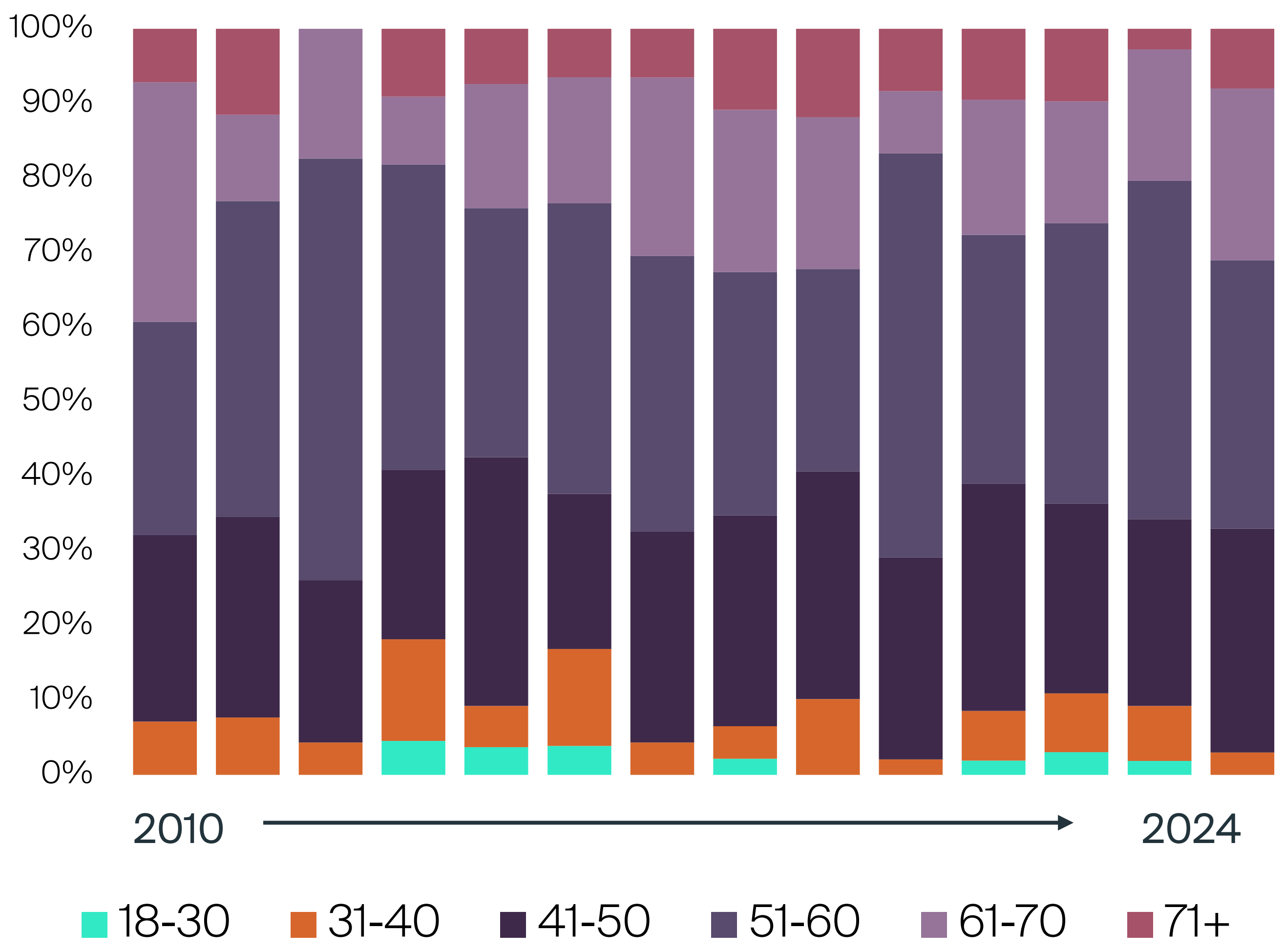
The latter has since risen sharply, peaking at 37% in 2013–2014, and have remained stable since and continue to hold the largest share across all years, indicating a structural shift toward smaller investment sizes.

Large investments consistently fluctuate within the range of 8–12%, whilst very large investments around 3–7%.

The investment landscape has diversified significantly since 2012, with a notable rise in small investments. Since 2015, the distribution across categories has remained relatively stable.

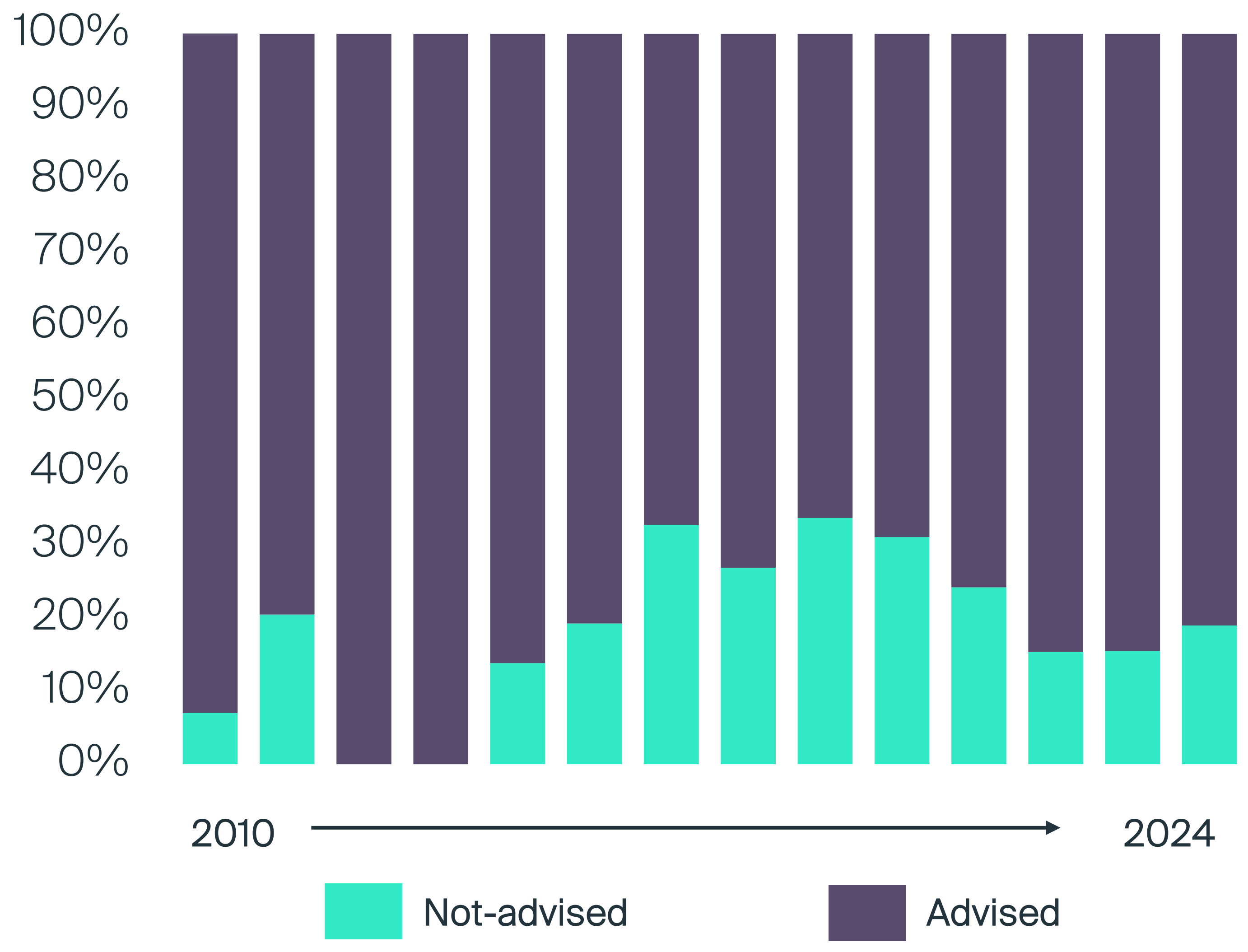
Our data also revealed that older age groups (51–70) dominate the large £100k+ investments across all years, reflecting greater accumulated wealth and proximity to or in retirement.

Younger investors (<40) consistently contribute a very small share, highlighting barriers like affordability, income disparity, or risk aversion.



Advised investing prevails

When it comes to investment method, advice-based investing remains dominant, indicating that high-net-worth investors still value professional guidance – especially given the perceived higher risk of VCTs.



Investor Survey

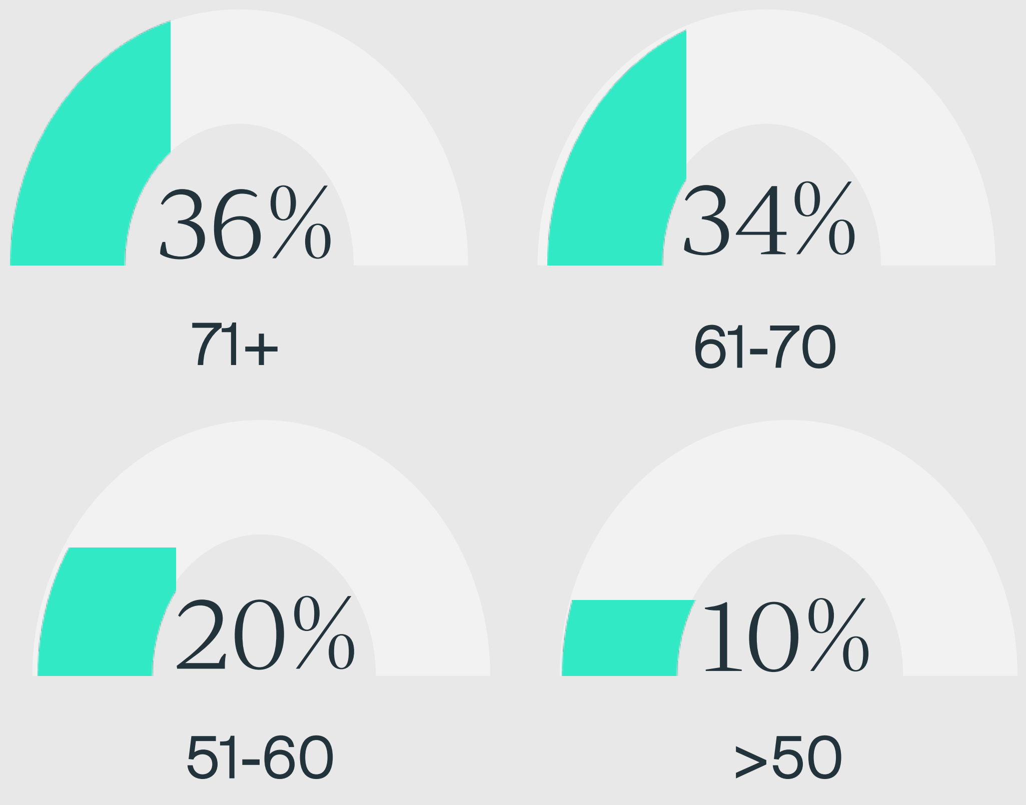
Key Findings

Shareholder Profile

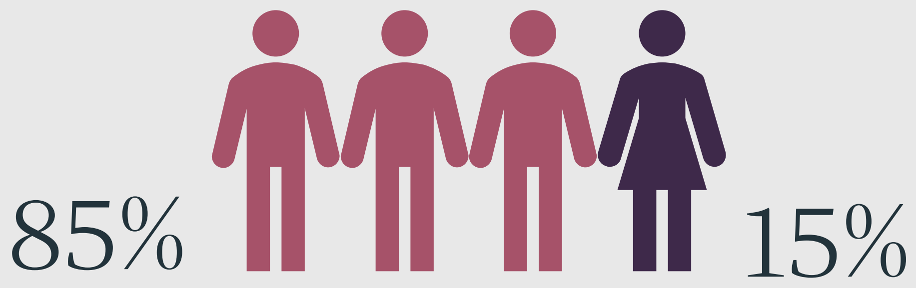
Albion's shareholder survey attracted over 1,000+ respondents. Our analysis reveals the following investor profile:

The typical VCT investor today is male, over 61, living in London or the South, and has been invested in VCTs for more than a decade.

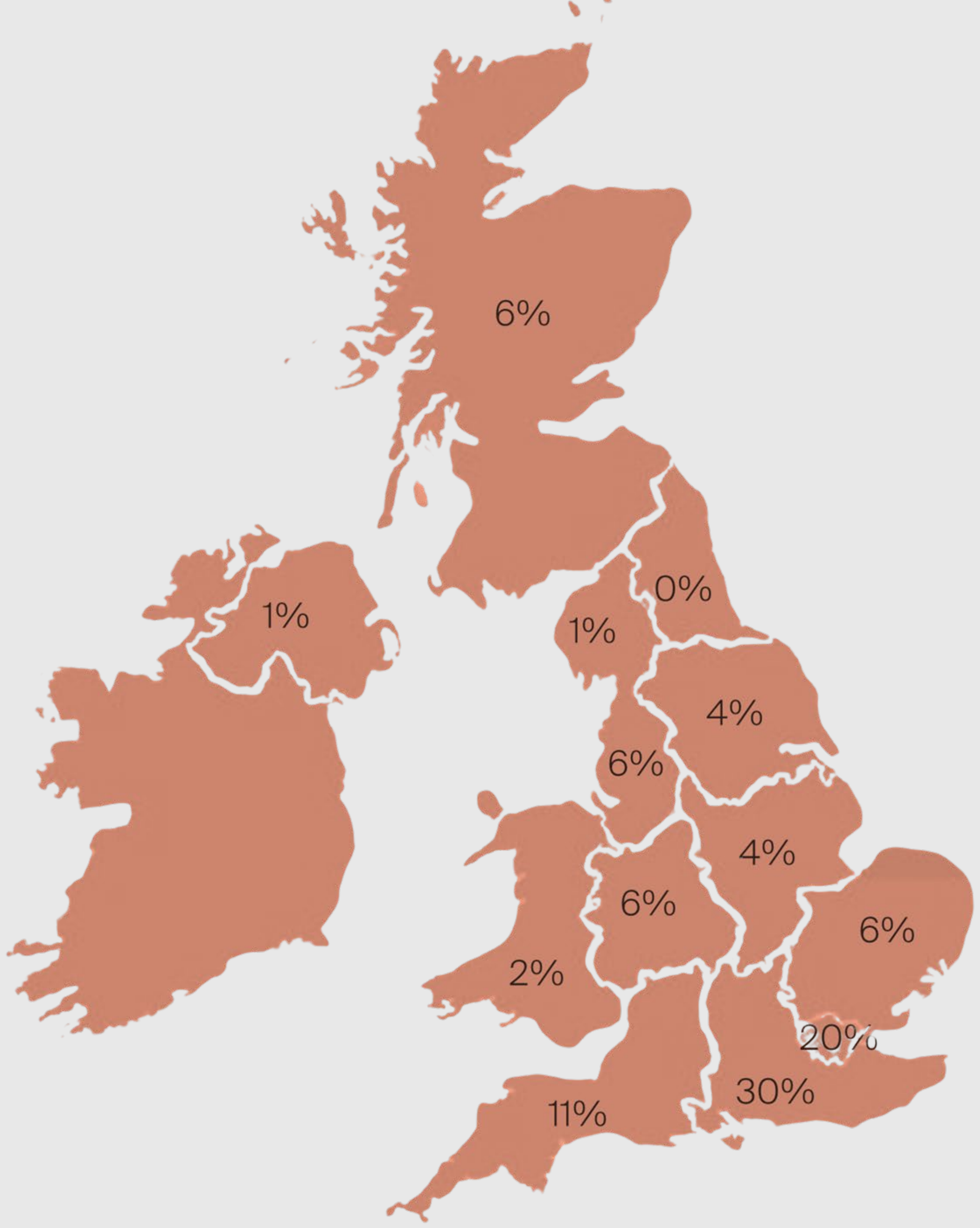
Age



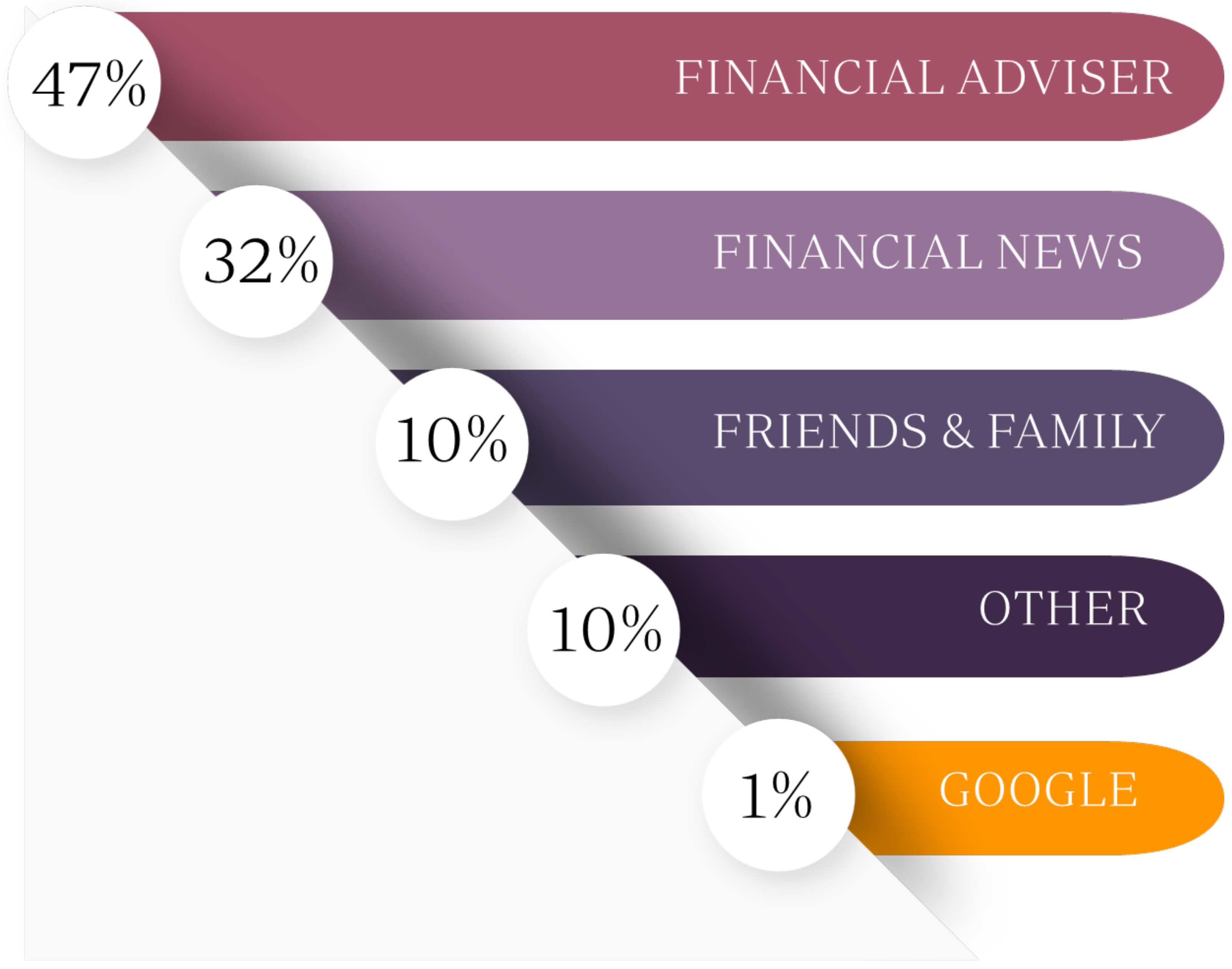
Gender



Location



How did you hear about VCTs originally?



Advisers and wealth managers are the primary source for gaining awareness of VCTs. This highlights the critical role of professional advice in promoting VCTs and suggests that VCTs are often positioned as part of structured financial planning, rather than discovered independently.

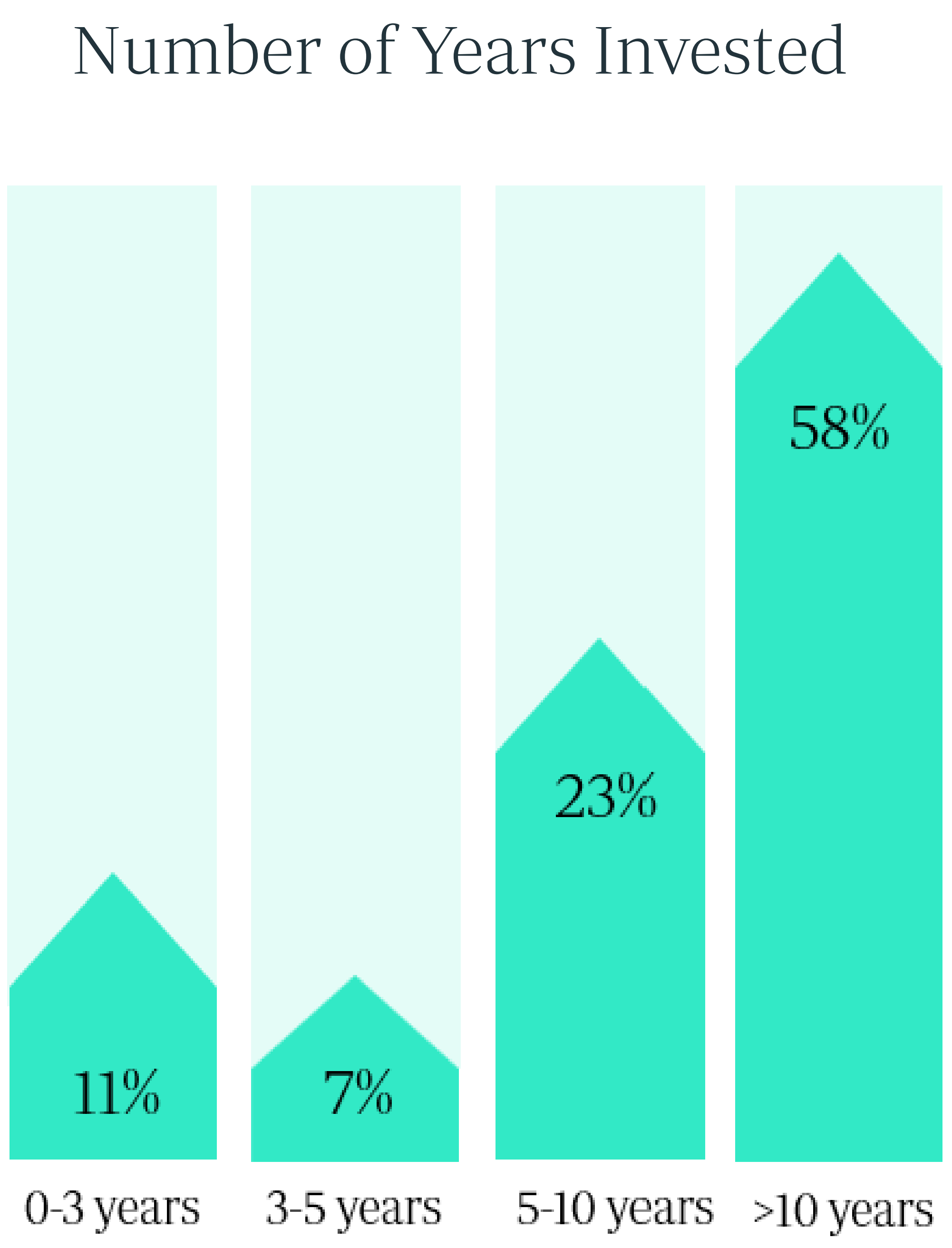
Media also plays a significant role, showing that traditional financial media remains a powerful channel for financial education and awareness. This group likely includes more self-directed or informed investors who actively follow market trends.

Personal networks have limited influence, with only 10.2% having learned about VCTs through friends and family. This indicates that VCT investing isn't widely discussed in informal social circles, possibly due to its technical or niche nature.

10% came across VCTs through other means, suggesting some awareness comes from events, newsletters, online communities or direct relationships with employees of VCT providers.

Search engines play a minimal role, indicating that organic search is not a major entry point. This may point to a need for better online visibility efforts by VCT providers.

How long have you invested in VCTs?



While the rules round VCTs require investors to hold for a minimum of 5 years to benefit from tax relief, most investors have a 10+ year investment horizon. This suggests a strong long-term mindset, typical of those comfortable with illiquidity and patient capital—well-aligned with the nature of early-stage investing.

Moderate-term investors are also significant with 23% invested for 5–10 years, reinforcing the notion that most investors will have a long-term mindset.

The under 5 years figures indicate that VCTs continue to be a compelling vehicle, attracting new investors.

Why did you invest in VCTs?

AGE RANGE	18-30	31-40	41-50	51-60	61-70	71+
Upfront 30% tax relief	50%	62%	67%	66%	57%	44%
Tax-free income	0%	8%	22%	19%	24%	37%
Build up retirement savings	50%	8%	5%	8%	9%	9%
Investment diversification	0%	23%	5%	7%	7%	6%
Access to thematic opportunities	0%	0%	1%	1%	1%	2%
Other	0%	0%	0%	0%	2%	2%

Upfront tax relief is the top motivator across all for investing in VCTs. Even among the youngest (18–30) and oldest (71+), it is the leading factor, indicating the importance of VCTs as a tax planning tool throughout the investment lifecycle.

With 50% of younger investors prioritising retirement savings, significantly higher than any other age group, it suggests that younger investors may see VCTs as a complement or alternative to pensions or ISAs, potentially due to limits on other tax-advantaged accounts.

Older investors value tax-free income and this reason grows steadily with age.

Investment diversification appeals mostly to the 31–40 age group. This suggests that during the wealth-building phase, investors may see VCTs as a strategic addition to broaden their portfolio.

Thematic opportunities are very niche, suggesting that most VCT investors are motivated by structure and tax efficiency. It could also indicate that the marketing of VCTs across all mediums have focused on the tax benefits without highlighting the exposure to these thematic investment opportunities.

Do you use other vehicles to invest in early-stage companies?

VCT is the dominant investment vehicle when it comes to accessing early-stage companies, with 50% of respondents complementing their Albion holdings with other VCTs.

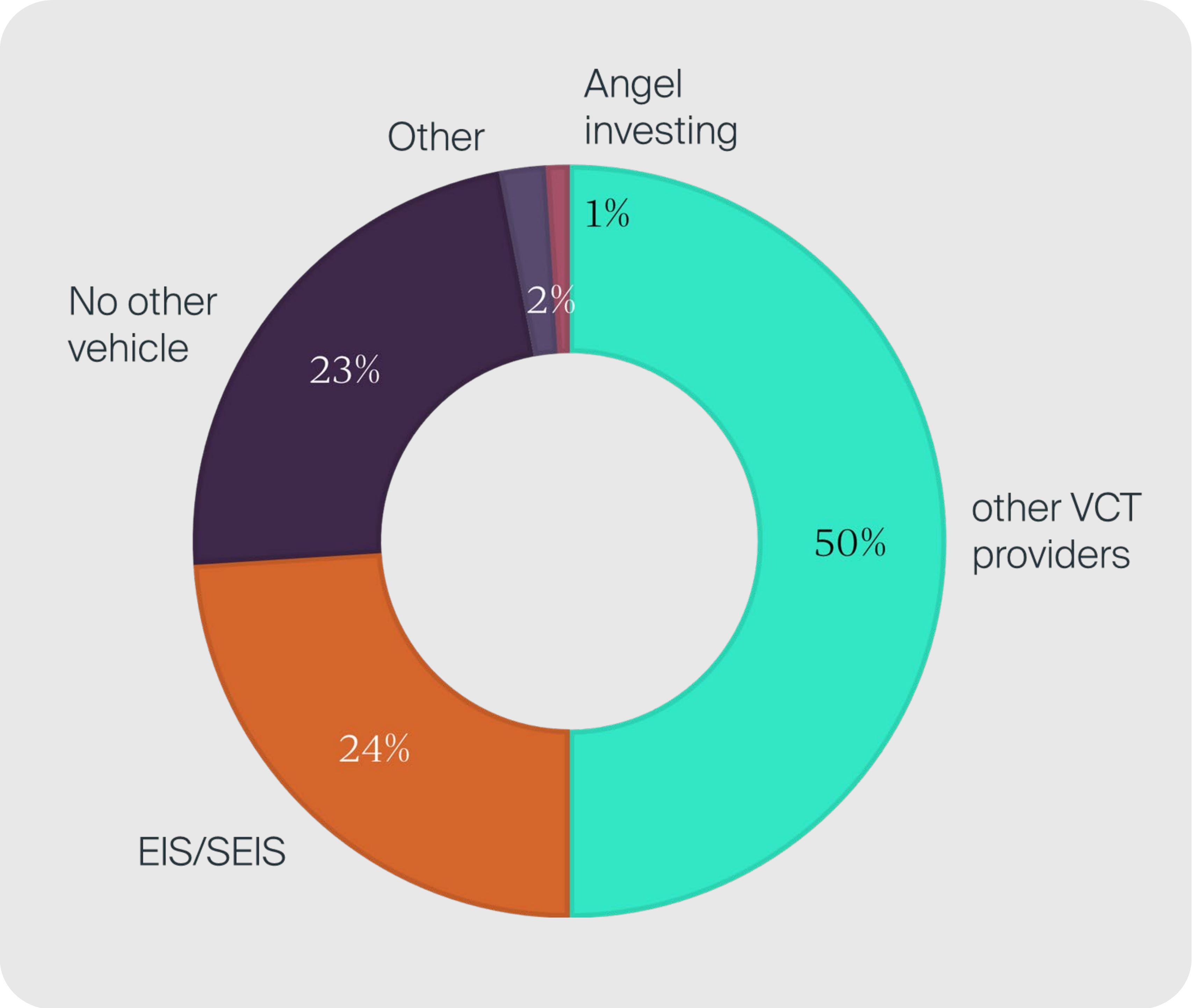
This popularity suggests strong confidence in the structure and benefits of VCTs.

24% use Enterprise Investment Scheme (EIS) or Seed Enterprise Investment Scheme (SEIS), which reflects continued interest in vehicles offering significant tax advantages and targeting very early-stage businesses, albeit with higher risk.

However, there is a limit to these investors' risk tolerance, as only 1.2% also engage in angel investing, highlighting how few individuals are directly backing startups on a one-to-one basis. This could point to the higher risk, greater due diligence burden, as well as lower liquidity and knowledge associated with angel investing.

With nearly a quarter of investors not using other vehicles, nearly 75% of investors rely solely on VCTs as the main method for accessing early-stage investing.

This might reflect a preference for simplicity or a more cautious investment approach as VCTs can be deemed the least risky of all options.



Why did you invest in the Albion VCTs?

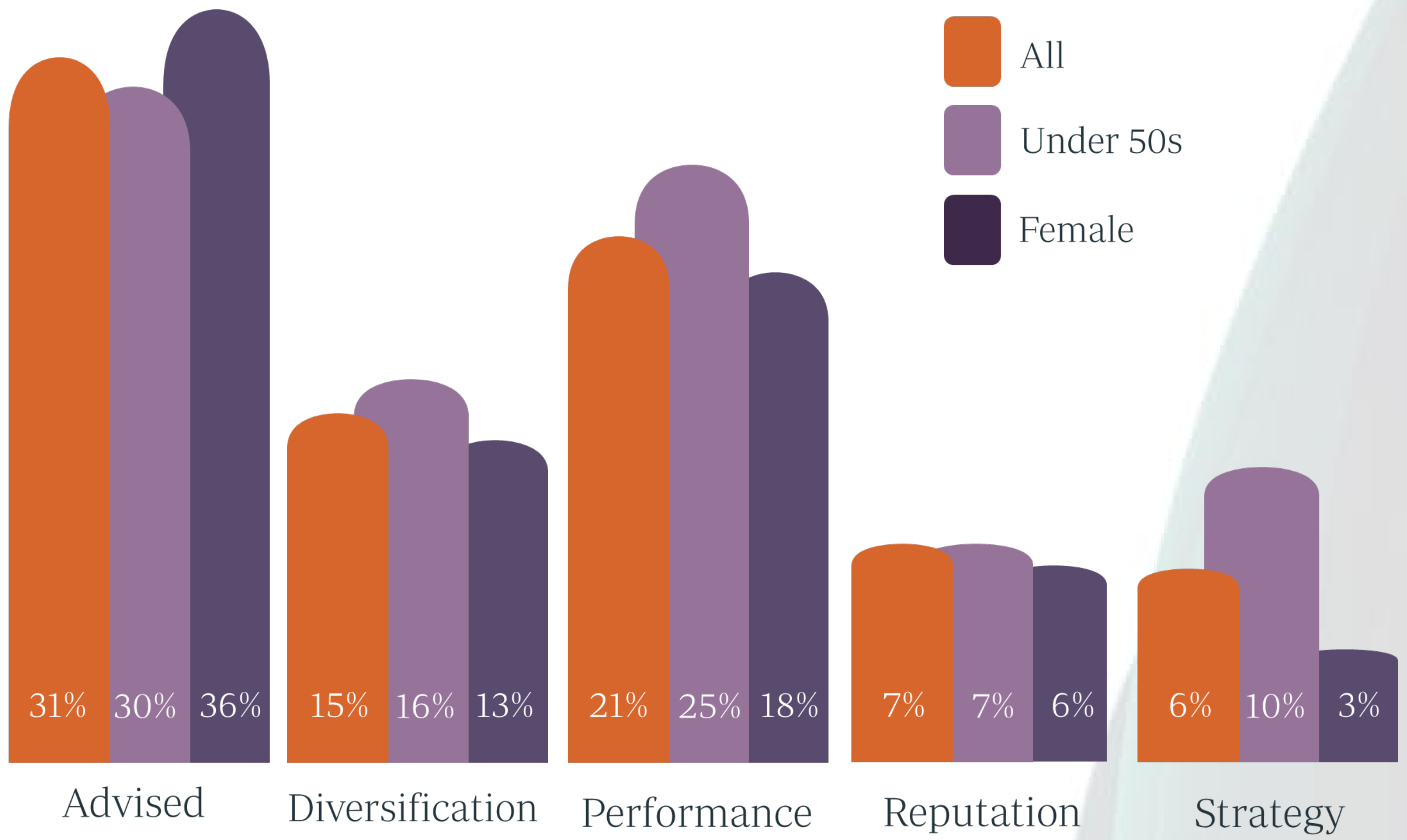
This was an open question in our survey, with answers being filtered and grouped into key areas. The top 5 are reported here.

Advisor influence is the top reason for investing in Albion VCTs. This influence is even stronger among females (36%) than in the general sample.

Performance matters more to younger investors as 25% of under 50s cited it as a reason compared to 21% overall. It suggests that under 50s are more performance-driven in their investment decision-making, while performance is less of a factor for female investors.

Diversification is a secondary but consistently moderate motivator across all groups.

Reputation and strategy are minor factors, suggesting that these factors alone do not significantly influence investment in Albion but nevertheless play a part in investors' decisions.



Investor calls

Key Findings

Key trends & themes

1. Motivations for investing in VCTs

- Tax relief is by far the most common motivator – particularly income tax mitigation and capital gains tax planning
- Income generation (tax-free dividends) is another, often alongside retirement planning or pension supplementation
- A smaller cohort cites diversification, supporting UK businesses, and exposure to early-stage/tech companies as secondary motives
- Many see VCTs as a substitute or complement to pensions, especially while lifetime allowances played a part in restricting pension contributions

2. Channels of awareness

Roughly split between:

- Adviser-led, personal finance media and platform users (especially among recent adopters)
- Some who started via advisers have since moved to direct investment, often citing high fees as the reason

3. Holding patterns & diversification

- Most hold multiple VCTs (5–11 is typical), and Albion is often one of several
- Diversification across managers is a key risk management strategy

Key trends & themes

4. Portfolio allocation

- VCTs form 5–40% of most respondents' portfolios
- Higher allocations (>20%) typically occur when investors:
  - Are retired or income-focused
  - Have large portfolios or lump sums to deploy
  - See VCTs as pension alternatives

5. Investment outcomes & sentiment

- Income delivery is the most commonly met expectation
- Capital growth has been deemed underwhelming at times, despite the high risk
- However, most describe their experience with Albion as positive, especially compared to other providers.

6. Intentions to sell

- Majority do not plan to sell soon, largely due to:
  - Desire for ongoing income
  - Holding for 5-year tax incentive period
  - View VCTs as long-term holdings

Investor Case Study

Staying Connected to Entrepreneurship Through VCTs

- Having invested since 1999, this investor learnt of VCTs through the press and holds a suite of various VCTs
- He was surprised to learn that only around 19,000 people currently invest in VCTs each year and thinks more people should have exposure to VCTs
- He views them as a meaningful way to support innovation and entrepreneurship in the UK
- He finds that VCTs allow him to stay connected to the world of entrepreneurship, a space he is passionate about: “It keeps you mentally engaged. You’re backing the next generation, seeing where innovation is heading”
- While the 30% income tax relief is undeniably attractive, he notes that it’s not the sole reason he invests. “Even if that disappeared, I’d still invest—just in much smaller amounts. I’m in it for the exposure, the growth, and the opportunity to be part of something innovative”

On why he’s a longstanding VCT investor:

“Beyond the tax, they connect young people with great ideas to older investors who have the capital to help finance them. That’s powerful.”

Profile
Age: 61–70
Location: South East
Background: Retired

Investor Case Study

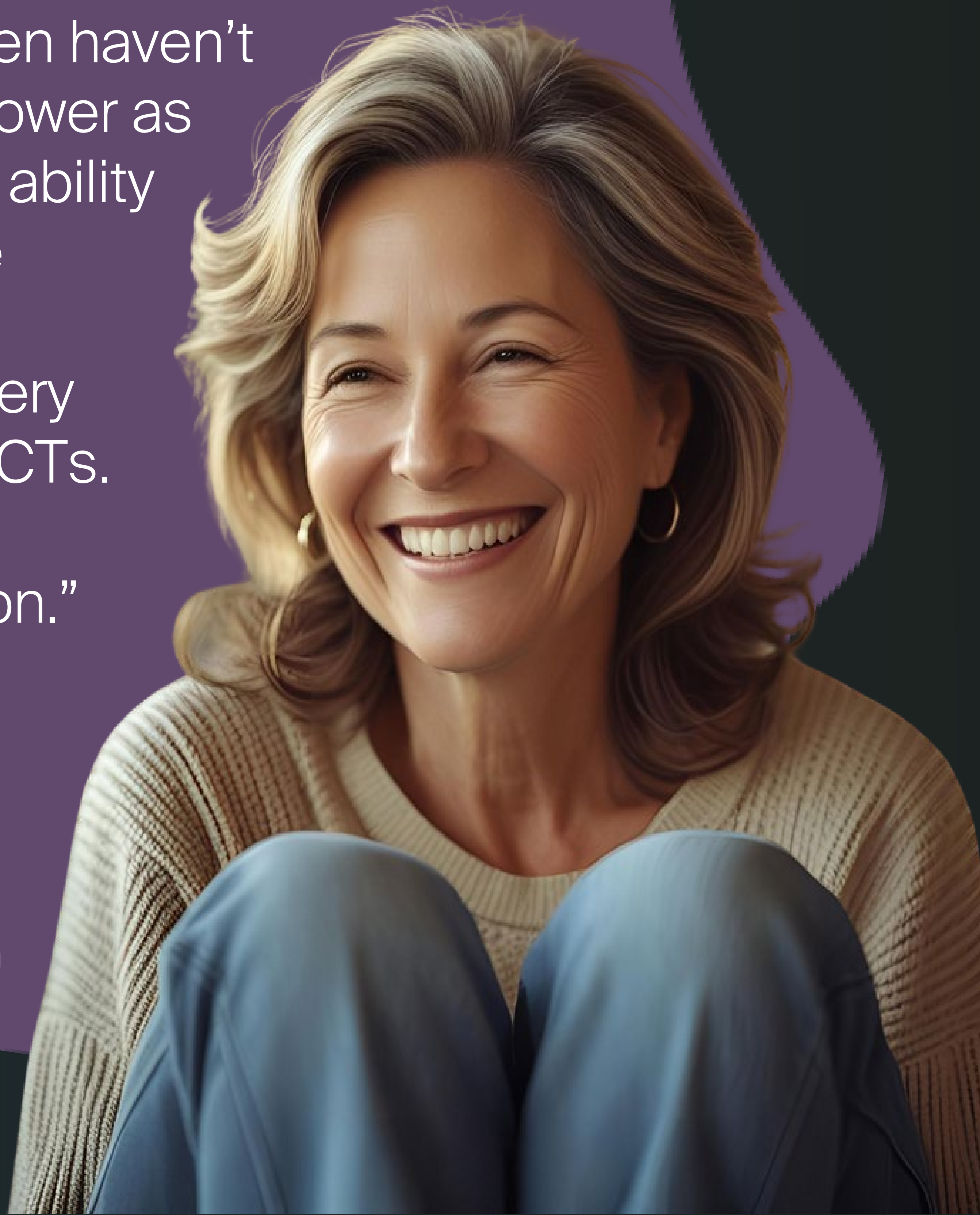
A Tech-Savvy Female Investor Embracing VCTs and Angel Investing

- This investor began exploring VCTs due to her career in the technology industry, where she first became interested in direct company investments
- She currently holds six VCTs, using them primarily for tax efficiency and portfolio diversification. While her total VCT holdings account for less than 10% of her overall investment portfolio, they play a strategic role alongside more traditional investments
- Despite the relative illiquidity of VCTs, she has no plans to sell, citing: “Yes, they’re less liquid, but I’m not in a rush. The steady stream of tax-free dividends is a major benefit”
- Importantly, her experience with VCTs has sparked a deeper interest in early-stage businesses. She is now exploring angel investing opportunities, reflecting a growing appetite for direct involvement in the UK’s start-up ecosystem

On possible reasons to low female participation in VCTs:

”I think historically women haven’t had the same earning power as men, which affects their ability to invest in products like VCTs. Also, among my female friends, there’s very little knowledge about VCTs. It’s not something that comes up in conversation.”

Profile
Age: 51–60
Location: London
Background: Career in technology sector



From VCT-Backed Operator to VCT investor

On why he chose to invest in VCTs:

The 30% tax was a no-brainer. Then compared to the concentrated risk of angel investing, VCTs offered a portfolio approach, spreading risk across multiple companies. It felt like a safer bet—with decent upside but also some protection on the downside"

Profile
Age: 61-70
Location: South East
Background: Retired

- This investor's relationship with VCTs began on the other side of the table—as an employee at three Albion-backed businesses
- Having seen Albion's portfolio from the inside, he had confidence in the team's ability, which gave him the comfort to invest. "I knew not every company would succeed, but enough would make money to generate returns"
- In the early years, he reinvested dividends, but now in retirement, he relies on these for tax-free income, including occasional special dividends
- Despite recommending VCTs to friends and family, he has struggled to convince others to invest; "Most see VCTs as either too high-risk or overly complex. Ironically, some of these same individuals have made angel investments – often higher-risk and lacking the diversification and tax relief VCTs offer"
- He believes the VCT market remains "amazingly below the radar"; He has worked with two IFAs, neither of whom knew about VCTs—something he sees as a missed opportunity for both advisers and clients.

The Inclusive Frontier: Building Value Through Access and Education

VCT investing remains primarily tax-incentive driven but there's a notable shift to younger investors, suggesting a gradual generational transformation influenced by greater financial literacy, digital access, and long-term wealth planning from earlier life stages.

Most investors maintain a 10+ year horizon and the fact that many choose not to sell indicates confidence in the long-term usefulness of VCTs.

The trends to note:

1. Ongoing gender disparity in both participation and investment quantum. There is the need and opportunity to engage female investors through tailored financial education and access.

2. Geographical concentration. While proximity to financial hubs or regional wealth gaps could be an explaination, a lack of awareness could also play a key role and can be addressed through education.

3. The perceived underwhelming capital growth, whilst income expectations being met. Education is needed around how VCT rules and dividends influence returns compared to traditional venture capital.

4. Advice-based investing dominates but some have invested directly in subsequent years. This points to the need for advisers to adapt to changing investor behaviour.

VCTs remain a niche but increasingly relevant part of the investment landscape. By addressing access, education, and inclusivity, both advisers and the investment community can unlock significant long-term value for a broader, more diverse investor base.

Thank you.

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