**Due Diligence VCTs**

|  |
| --- |
| **Summary Details** |
| **Fund Name** |  |
| **Fund Type** | VCT |
| **Investment Manager** | MI5 plc |
| **Fund Strategy (brief outline)** |  |
| **Date of Review** |  |
| **Date of Latest Prospectus** |  |
| **Initial Recommendation** |
| **Review Rating (relative to an innately high-risk sector)** |
| **Return** | **Risk** | **Fees** | **Team** | **Total (Scores out of 100)** |
| 20/40 | 25/30 | 15/20 | 7/10 | 77/100 |
| **Client suitability – what client situations is this fund suitable for?** | The client should have a high-risk profile and a long term time horizon, with sufficient liquid assets and income to cater for ongoing cash flow requirements. The client should have an objective for tax mitigation. |
| **Deal Flow – does the firm demonstrate the resources required to raise funds and invest them?** | * Good historic exit track record generating liquidity for both dividends and new deals;
* Last 2 years: 23 realisations generating £81.8m
 |
| **Alternative funds – why has this fund been selected over alternatives funds with similar strategies?** | * Critical mass
* Lack of early-stage exposure
* Significant liquidity
* Significant investee company diversification
* Low performance fee
 |
| **Investment Review** |
| **Indicate Investment Risk Assessment (within context of a higher risk investment)** | **LOW** |
| Low – largely guaranteed return from high quality assets, minimal upside | Medium – diversified portfolio of investment holdings | High – concentrated investment on single or limited range of companies, sectors or investment strategies |
| **Performance – if ongoing fund, provide details of latest NAV and performance since inception. Otherwise, provide details of target returns** | * NAV return (10 years) ±90%
* Dividend pay outs 2x a year – target yield is 7%
 |
| **Investment Analysis – provide further details on strategy and risks** | * See above
* Technology and business services sector bias
* 2021 focus is on unquoted (pre-AIM) companies
* Targets companies with long term customer subscriptions (recurring revenue)
* 2020 acquisitions totalled £18.6m
 |
| **Recommendation (include any comments)**  | Positive * Critical mass
* Lack of early stage exposure
* Significant liquidity
* Significant investee company diversification
 |
| **Tax Review** |
| **Indicate Tax Risk Assessment (within context of a higher risk investment)** | **LOW** |
| Low – uses established tax planning structures unlikely to be challenged by HMRC | Medium – Takes advantage of a range of tax planning benefits unlikely to be challenged in their entirety by HMRC | High – aggressive tax planning with unproven structures, concentrated risk on specific tax breaks |
| **Detail the tax breaks the fund uses** | Standard VCT rules |
| **Recommendation (include any comments)**  | Positive |
| **Due Diligence Review** |
| **Indicate Due Diligence Assessment (within context of a higher risk investment)** | **GOOD** |
| **Fund manager(s) for fund** | MI5 plc (AIM listed) |
| **FCA no. for Firm** |  |
| **Name of Compliance Officer** | James Bond SMF16Moneypenny, Chair, Audit Committee |
| **Any third party Compliance Support?** | N/A |
| **Current capital in firm** | Market Capitalisation: £221m |
| **Total assets under management** | To September 2020 VCTs - £347m (150 investee companies)Total - £3Bn |
| **% of fund owned by partners/directors/employees** | 0 but the VCTs have been managed by the same 4 managers for a combined 50 years |
| **% of total assets under management owned by partners/director/employees** | 0 |
| **Valuations, Assets & Liquidity** |
| **Indicate Financial Risk Assessment (within context of a higher risk investment)** | **AVERAGE** |
| **How frequently is a NAV re-calculated?**  | Annually |
| **Key Financials (to Sept 2020)** | * After tax profit £1.997m (2019 £1.27m)
* Capital Gains on investments £3.95m (2019 £18.3m loss)
* Net Assets £165m
 |
| **Fees Review** |
| **Indicate Fees Assessment**  | **GOOD** |
| **Initial Charge**  | 4.5% |
| **AMC net of any trail commission** | 2.5% |
| **Details of any Performance fee**  | 10% |

|  |
| --- |
| **Site Visit** |
| **Date**  |  |
| **Attendees** | N/A |
| **Site Visit Summary** | N/A |

|  |
| --- |
| **Independent Confirmations & Comments** |
| **FCA Register checked** | Yes |
| **Auditors** | Goldfinger |

|  |
| --- |
| **Overall Due Diligence Recommendation (For the firm)** |
| **Recommendation (include any comments)**  |  |
| **DATE** |  |
| **Name of Assessor** |  |
| **Designation of Assessor** |  |