**Due Diligence VCTs**

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| **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 SMF16  Moneypenny, 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% | | | | | | |

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

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

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