

Bestinvest Rating: ★★★★★

Fund overview & objectives



The objective of the fund is to pay a 5% yield; to preserve capital by lending money to cash generative business for the qualifying side of the VCT; and, equity and bond funds on the non-qualifying. The VCT will then seek voluntary liquidation in order to return all capital to investors. All qualifying investments are backed with a charge over assets of that business, such as on freehold or by taking over debts due to the business.

Bestinvest's View

as at 16/01/12

This VCT offers clients a high quality limited life investment. That means the fund itself will seek to wind up and repay all capital to investors shortly after the five year VCT minimum holding period. In practise investors can expect to get the bulk of their money out very shortly after the fifth year and most of it by the sixth year, although there is usually a small element that can take a little longer. Puma has the best track record among the limited life VCT for actual swift return of funds. This allows investors to redeploy the funds into the additional offers effectively giving a tax free profit of 30p or better on a 70p net cost of investment every five years, the minimum holding duration for VCTs.

We feel Puma can continue to deliver more of the same and we feel very happy to award five stars our highest rating.

The qualifying money in the VCT will be invested to purposely lower risk asset backed business as described over the page. The non-qualifying money is spread over a range of equity, bond and cash funds. In many cases funds are those found on the bestinvest rated fund list. Given that on a time weighted basis half of the investors money is held in non-qualifying money the profile of half of this VCT is not dissimilar to a typical Bestinvest portfolio. In combination the fund aims to secure clients at least a 30p tax free profit on the net cost of investment of 70p, and given the performance to date of some of the older funds 40p tax-free profit is also looking very viable.

As such investors can expect the Puma 8 VCT to have a higher risk/return profile than the similar five star rated Downing Planned Exit VCT which invests its non-qualifying money in cash and loans, while a lower risk/return profile than the unrated Downing Structured Opportunities which invests its non-qualifying money in derivatives based products.

What is a Venture Capital Trust (VCT)

Venture Capital Trusts offer some attractive tax benefits. The initial investment, up to a maximum of £200,000, attracts a 30% tax credit provided it is held for at least five years. Capital gains and dividends are also tax-free, although there is no relief for capital losses.

VCTs invest in unquoted businesses making them high risk investments. They can also be illiquid and management costs can be high. For more information you should read our VCT Guide. All investment decisions must be made solely on the fund's prospectus. *If you are not an experienced investor, you should not be considering investing into VCTs.*

VCTs are complex, higher risk investments and are NOT suitable for all investors. Only experienced investors who are able to take a longer-term view should consider investing. Furthermore, we recommend that VCTs only account for a minor allocation of any investor portfolio. It is essential clients refer to the fund's prospectus for all risk factors.

www.bestinvest.co.uk/investment-research/vct 07:45 - 18:00 Mon-Fri 09:30 - 13:30 Sat : 020 7189 9970

Issue details

Issue Price	94.5p
Max Sought	£30 million
Min Investment	£5,000
Offer Closes:	5 Apr 2012

Charges

Standard initial charge	5.5%
Discount via Bestinvest	2.5%

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Targeted returns and dividends

The main target is to return investors their original investment. Having preserved their capital with ideally, some modest growth. The trust will seek to pay an annual dividend of 5%.

Exit / discount management

Exit on this type of VCT is the crucial test. Investors buy in because they want confidence that the manager will return them their money as soon after the qualifying period as practical. This allows the initial generous tax break of 30% to work as hard as possible before the proceeds can be reinvested, quite possibly into a new VCT for a fresh 30% tax break. Here Puma score very highly. Their original funds, Puma 1 & 2 have already returned investors their pound shortly after the fifth year giving a tax-free profit of 30p on the net cost of investment. In this case there is also a rump of 3p more per share that will be paid out when the very final stages of winding up the company has been complete. The second fund launch Puma 3 & 4 have already paid out 61p having recently passed the fifth year, and in this case a remaining 47p that is being extracted from underlying holdings which suggest investors into these funds will see a tax-free profit of 38p on their net investment of 70p.

There have been numerous VCT managers who promise to deliver investors a pound after five years, as yet very few have ever done so, and Puma were the first to do so, with the first fund they launched. Examining the list of subsequent offers we believe Puma will continue to deliver this result or better with later funds.

Management team and track record

Having conducted site visits of the Shore Capital investment offices that managed the Puma funds and met their investment team we were satisfied that their due-diligence and investment process was operated to a high degree of professionalism. While their investment team concentrated around a few key individuals we acknowledge that the team is not distracted by any other mandates their total focus is the qualifying portfolios of the Puma VCTs.

Investment universe & how deals are sourced

Over the last couple of years Puma VCTs had been utilising a style of investment that very cleverly used complicated financing structures to make debt like loans to low risk projects, such as construction of new housing estates. These had the advantage of an even quicker exit after the fifth anniversary. However recent changes to VCT rules made this style of investment unviable. However, we are not concerned by the impact of this as the funds with proven returns discussed above all deployed their money with more traditional asset backed style investments. Such as businesses with strong underlying cash flows and a freehold or similar asset to secure the investment against. Puma will be returning to this style of investment, and it is very much their strong track record on this style of investment as demonstrated on the earlier funds that has earned the high rating we have awarded.

We were impressed by the strong pipeline of viable deals being actively considered ahead of Puma raising money on this fund. Deals included a portfolio of freehold pubs and car parks. Not anyone's idea of exciting, but certainly asset strong and excellent cash generators.

How to Invest

If you would like more information, a prospectus or to discuss current launches with our team please call us on **020 7189 9970** **07:45 - 18:00 Mon-Fri** **09:30 - 13:30 Sat**

Or visit www.bestinvest.co.uk/vct

VCTs are sophisticated investments and investors should always refer to the prospectus

Venture Capital Trusts should be regarded as higher risk investments. They are only suitable for UK resident taxpayers who can tolerate higher risk and have a time horizon greater than five years. Past performance should not be seen as an indication of future performance. Nothing in this guide should be regarded as being personalised advice. If you have any doubts as to the suitability of VCTs you should request us to provide you with personalised advice. Levels and bases of taxation can change and the availability of tax reliefs will depend upon individual circumstances. The value of investments and the income from them can fall and rise.