

Bestinvest Rating: To be decided

Fund overview & objectives

YFM (formerly known as Yorkshire Fund Managers) are offering investors the chance to invest into their second VCT which was established in 2000. As such, investors will be buying into a mature portfolio and one that has proven its dividend paying credentials. The trust has paid an average annual cash dividend of 4.44p per share which equates to a tax-free yield of 10.5% to an higher rate tax payer on the cost issue price of 70.5p, or a 15% effective yield if you take into account the initial tax break of 30%. The trust currently has a buyback policy of no more than 15% discount to net asset value.

Bestinvest's view

as at 07/Nov/11

YFM have strong regional presence with their four main offices in London, Leeds, Manchester and Bristol. The British Smaller Companies VCT 1 was one of the very first VCTs launched in 1996 and through their regional presence and long standing in the industry, they are able to secure excellent unique deal flow.

We like their broad team and strong track record. This is a credible offer from a respected VCT house offering traditional style investment in small businesses, operating in mature markets. They do not seek the more racy high growth style business in exciting new markets, but will seek to select businesses that are finding new ways to do old things more efficiently. Or as managing director David Hall puts it, "evolution not revolution". The result is a more conservative VCT that tends to be relatively stable compared to its peers.

As a smaller VCT it will typically be looking at companies for investment that have profits between £500k and £2m and making investments of less than £5m. This means it rarely competes with other VCTs for deals, as most other established VCTs due to scale are looking to write larger cheques for larger businesses. This allows YFM to be more selective within this investment universe and not find itself having to compete heavily to win deals.

Our full investment report will be available soon.

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 rebate 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 business so they are high risk investments and can be illiquid, while management costs can also 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.*

www.bestinvest.co.uk/vct

07:45 - 18:00 Mon-Fri 09:30 - 13:30 Sat : 020 7189 9970

Issue details

Issue Price	70.5p
Max Sought	£15 million
Min Investment	£5,000
Offer Closes:	5 Apr 2012

Charges

Standard initial charge	5.5%
Headline discount via Bestinvest	2.25%

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 guides 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.

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