

Bestinvest Rating: ★★★★★

Fund overview & objectives

ALBION VENTURES

This is a linked offer into seven established underlying VCTs. Albion operate a series of evergreen VCTs meaning they have no wind up date and each pay regular income. Investors into this linked offer will have immediate access to a tax-free dividend yield of around 5 percent. Investors will receive at least one tax-free dividend on the last day of each month from the trusts within this offer.

Bestinvest's view

as at 15/12/11

This linked offer into seven underlying trusts can provide investors significant diversification, as well as a regular income stream for those that choose to have the monthly tax-free dividends paid out. Although investors should bear in mind the minor admin point that they will receive seven separate tax certificates and holding lines on their account.

The Albion style of combining capital security from their asset backed investments but also including the more pure venture capital style investments into high growth potential deals gives investors the best of both worlds. Most often investors have to choose between the two, not here.

Such an approach does require a well resourced team and here Albion excels. We found 11 investment managers most of whom are partners in the firm, working to a high professional standard. The team includes a breath of specialist knowledge, indeed including two doctors, and thus the medical technology investments we refer to over-page.

We believe that Albion will be one to watch and their unique offering could well appeal to investors seeking income or just those drawn to the core and satellite approach of combing the secure with the growth investments and we have no reservations in awarding a 4 stars recommendation.

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/vct

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

Issue details

Issue Price	100p
Max Sought	£15 million
Min Investment	£10,000
Offer Closes:	5 Apr 2012

Charges

Standard initial charge	5.5%
Discount via Bestinvest	2.0%

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Targeted returns and dividends

The linked offer into seven underlying VCTs which pay out their dividends such a way that an investor will receive a monthly income from this offer. The yield will be approximately 5% but one of the advantages of VCTs is that dividends are tax free, so for a 40% tax payer the income yield is equivalent to 8.3%, but to a 50% taxpayer the income yield is equivalent to 10%.

No other VCT offer provides a monthly income, so this feature may well suit the income needs of some investors. For those that do not require the income, Albion offers a dividend reinvestment scheme. In addition to the dividends, Albion will look to maximise capital values.

Exit / discount management

Across the VCTs in this linked offer, Albion operate a buyback policy. Any buybacks will be done at a discount to the underlying value of the VCT shares in the region of 10-15%. This is important as it offers investor the ability to exit at a fair price in later year if they so wish. However, given that this is an evergreen VCT with a strong focus on dividends it best suits an investor with a long time horizon.

Management team and track record

Having conducted site visits of the Albion investment office and met their investment team we believe Albion is well resourced and we were satisfied that their due-diligence and investment process was operated to a high degree of professionalism. Albion itself is a group that spilt out of Close Brothers with a management buyout a few years back. At that time managing director Patrick Reeve chose to bring on his entire investment team as partners, as a result we feel the team is particularly stable and incentivised to achieve the best for the group as a whole, exactly the sort of stability an investor will want when committing to a long term holding.

The track record of the various VCTs in the offer differs but are broadly very good. For example the original VCT Albion Venture Capital Trust launched in 1996 maintains a 61p underlying value and has paid out £1.15 in dividends, coupled with the original tax break and the fact that any dividends are tax free and you have a return equivalent to a tripling of the original pound invested for higher rate tax payers. Performance would be stronger still, but the group did have a very difficult credit crunch. Many freeholds in the portfolio were then written down. Since performance has recovered without recourse to a fresh set of property valuations. Those freeholds are currently still held at the lower level.

Investment universe & how deals are sourced

Albion like investments where they have a significant asset underpinning the business. A good example would be Radnor house; Albion alongside the entrepreneur acquired a site on the Thames at Twickenham, to develop a new independent school. This investment has since proved quite successful, but if it had not, Albion would be able to sell the underlying property to recover investors money. 'Asset backed' style investments like this comprise around two thirds of the portfolio. The minority is invested into higher growth potential opportunities, these range from medical technology to business services. The types of businesses that has potential to generate a solid multiple of the original investment if successful.

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.