

Bestinvest Rating: ★★★★★

Fund overview & objectives



This is an evergreen VCT, meaning it has no fixed wind-up date. The trusts objective is to provide long term tax-free income through both capital growth and dividends.

Northern do classic style private equity investments into smaller growing businesses. It does however have a more cautious approach and is loathed to lose money on any deals. As such, it is relatively defensive for a generalist VCT.

Bestinvest's view

as at 16/12/11

Northern have experience in abundance not only through their own large team of investment managers who have worked together for many years, but also their network of high achievers across a range of industries who they can turn to for superb insights into any business they may be considering.

The Northern style of investment management is somewhat cautious for a venture capital firm. Obviously no investors like to lose money on a deal. But most accept that if you are investing into high growth potential young firms a few will fail, hopefully balanced out by your successes. However Northern are loathed to lose money on any deals, and go to great lengths to invest only in deals they have great conviction will not lose money. This can rule out some of the more racy deals that could potentially generate high returns albeit with higher risk. As a result Northern do not generally feature at the top of the investment performance tables in any given year. They do however feature high on the performance tables year after year with enviable consistency.

The reality today is that VCT investors have some first rate choices open to them. Over the years many VCT houses have come and gone, some have been good, others appalling. But to be successful in raising a decent sum of money in this mature market you need a very strong track record and high quality investment managers. So those VCTs on offer are in many cases very good and very capable venture capitalists. It is hard for any houses to stand out amongst such competition. But we feel Northern do stand out, for the reasons we highlight throughout this note and as such we are happy to award our highest rating of 5 stars and recommend to investors looking for a cautious (by venture capital standards) investment with a great dividend track record and a first rate exit strategy through their frequent tender offers.

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	NAV
Max Sought	£15 million
Min Investment	£5,000
Offer Closes:	30 Apr 2012

Charges

Standard initial charge	5.5%
Discount via Bestinvest	2.5%

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Targeted returns and dividends

This trust is a proven solid dividend payer. It has paid tax-free dividends of at least 5.5p for the last seven years. This is equivalent to 12.9% yield to a higher rate tax payer. In the current investment conditions, it is hard to find many investments that can offer that sort of yield.

Exit / discount management

This trust is ideal for investors seeking to achieve a long term tax-free income. However, any investors who wish to exit are able to sell at a discount of not more than 15% through the secondary market thanks to the trust's buyback policy. In addition the trust regularly makes a tender offer for shares at a very low discount to the underlying value of the shares, around 3%. This is one of the very best VCTs in terms of the ability to exit your investment whilst keep as much of the benefit of the tax breaks as possible. To the extent that it is a very viable alternative to a limited life VCT even for those that plan to exit shortly after the five year holding period to retain the 30% upfront tax break.

Management team and track record

Having conducted site visits of the Northern Venture Managers (NVM) investment office and met their investment team we believe NVM is well resourced and we were satisfied that their due-diligence and investment process was operated to a high degree of professionalism. Indeed, even compared to the high standards that those well established VCT managers whom are still successfully raising money in this mature and highly competitive market, NVM's standards of investment analysis were especially impressive.

NVM's key strength is the experience of their large team. They have each racked up many years of track record in venture capitalism, and have worked together for a long time, not just at NVM, but also before hand at the large Venture Capital Firm 3i.

The track record of NVM is very good. Higher rate taxpayers who invested into offer at launch in 1999 would have had a return almost equivalent to a doubling of their money on a tax-free basis.

Investment universe & how deals are sourced

Whilst all of the above is impressive enough, NVM's claim to experienced individuals goes even further. They have built up a network of very capable industrialists and entrepreneurs across many industries and this is probably their greatest asset. Every deal they consider they can turn to a individual with direct and extensive experience in that industry, who can offer great advice. They will often place this individual in the chairman role or other non-executive position if they proceed to acquire the business. This appointment then provides invaluable guidance to the growing company as well as safeguarding the investor's money.

Most of NVM's investments opportunities are brought to them by this network and gives NVM a superb flow of high quality deals.

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.