

Bestinvest Rating: ★★★★★

Fund overview & objectives

BARONSMEAD Investors into this offer may select to invest as they choose across Baronsmead VCT, Baronsmead VCT 2, Baronsmead VCT 3 and Baronsmead VCT 4. Baronsmead VCT 5 is not included in the offer as a result of having raised money just last year. Investors must invest a minimum of £4,000 in total and at least £1,000 in any one. Each VCT is raising just over £4 million to give a total offer size of £16.5m. Baronsmead are generalist investors and the funds objective will be to pay a good level of regular dividends while maintain capital.

Bestinvest's View

as at 13/01/12

Baronsmead have an excellent reputation amongst their peers. It is the one VCT that many other VCT manager have told us they would invest in besides their own. This reputation is a result of their excellent and long track record. The original Baronsmead fund was one of the first launched when VCTs were introduced in 1995. Performance since on all funds has been excellent.

As a result we believe that this fund will fill quickly, perhaps inside of a month from launch. As a result clients who wish to invest should not hesitate in sending in their application forms. It is also worth pointing out that this is not technically a linked offer. Investors are free to select any of the four funds on the application form although at bestinvest we have no favourites amongst the four VCTs on offer. Indeed clients who respond after this offer has been open longer than a week or two may discover one or more of the offers has already filled. For that reason we urge clients to actually read the notes on how to complete the application form on pages 21 and 22 of the offer, in particular the description of how to treat the reallocation of investments where one of the funds has closed. Indeed, Baronsmead could raise a great deal more money than just £16.5m if they so choose. However they are not greedy and only raise as much as they feel they can fully deploy into high quality investments another mark of quality over some VCT houses that put fund raising first and quality of underlying deals second.

This is an excellent offer from a very strong VCT manager so we are very happy to award five stars, our highest rating.

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	Various
Max Sought	£16.5 million
Min Investment	£4,000
Offer Closes:	5 Apr 2012

Charges

Standard initial charge	4.75%
Discount via Bestinvest	2%

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Targeted returns and dividends

The trusts in this offer are all strong dividend payers paying an average of 7.3p of annual dividend over the last five years. Each trusts pays its dividends twice yearly and an investor into all underlying companies should receive two dividend payments four times a year with VCT 1&2 normally paying in June and February, VCT 3&4 normally paying in September and May.

The strong dividend generation of these offers is a primary reason to invest with some of the highest levels of yield available amongst this years top VCT offers. It is the consistent and strong level of dividend that gives Baronsmead VCTs its high total return figures.

Exit / discount management

Baronsmead have a very fair policy to clients, both investing and exiting, everyone is treated equally. So on investing that means no existing investor bonus, no early bird bonuses for a few and on exit it means no short term tender offers or enhanced buybacks for a few. While Baronsmead have no set in stone buyback policy they do actively manage the secondary market and have kept the discount of their shares to approximately 10 percent for many years. We believe that clients can invest into this offer with the confidence that they will be able to exit when they want for a much better price than most VCT investors into Generalist VCTs have the opportunity to do so.

Management team and track record

ISIS who manage the Baronsmead funds are one of the largest teams with 27 investment professionals. They operate a highly structured process of a three main teams. A team that focuses on deal origination, they seek out investment opportunities, and manage the considerable database of contacts with businesses that the team have built up over the years. They have a deals team who look to gain a mastery of certain sectors, and where they identify attractive themes feed that to the origination team to search out. When a potential deal is found the team can conduct extensive due-diligence and where appropriate complete a deal. Finally, they have a Portfolio monitoring team that scrutinises existing investments.

The track record of this group is extremely strong with their realisable total return which is our preferred measure looking at total dividends and how much the shares could be sold for, at amongst the highest we have seen.

Having examined their investment process in detail we are confident it is performed to an extremely high professional standard.

Investment universe & how deals are sourced

The sourcing of deals as described above is supported by a CRM (Customer Relationship Management) tool they have developed for their purposes and tracks in some detail thousands of prospective small companies that might one day be suitable for a Baronsmead investment. They maintain at least some level of annual contact with each of these businesses which gives them a superb pipeline of 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.